Transformational and Transactional CSR Strategies: Searching for Change in the Tourism Industry

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Transformational and Transactional CSR Strategies: Looking for Change in the Tourism Industry

ABSTRACT.

Despite a burgeoning social movement demanding sustainable tourism, CSR (Corporate Social Responsibility) remains fairly dormant in the Spanish tourism sector. Very few companies are even beginning to reflect on how to improve social and environmental practices at a strategic level. This article hopes to contribute to the growing discussion on CSR leadership by providing a framework for analysis of the sensemaking process in strategic CSR. Using four case studies of Spanish hotel chains which are sector leaders in terms of CSR, we contrast the different sensemaking approaches to strategic CSR of top management teams. Using leadership literature terminology, we propose to differentiate between two CSR strategies: transformational and transactional. Transformational strategies refer to the moral based and inspiring way of taking CSR through the organisation. Transactional strategies are contingent on the organisation’s ability to meet and respond to their stakeholders’ reactions and changing expectations. The two approaches operate with different rational and forms of engagement with the stakeholders, legitimacy strategies and use distinct stories and symbols. Our argument is that both strategies are necessary for advancing change in the industry towards a sustainable model, since the first strategy provides innovation and inspiration for managers, while the second consolidates the CSR initiatives. The aim of this research is to contribute to the way managers and researchers alike understand the complex process of strategic CSR sensemaking, and to provide a framework for companies to reflect on how to lead change towards more sustainable practices.

KEY WORDS: Corporate Social Responsibility, strategic creation, sensemaking, tourism industry, legitimacy.
Transformational and Transactional CSR Strategies: Looking for Change in the Tourism Industry

Searching for legitimacy in Corporate Responsibility

In the era of globalization, corporate legitimacy is facing more challenges than ever before. The corporate scandals, public interest conflicts and increasing inequalities between the “local realities” (Santos, 2005) have resulted in a demand for a heightened corporate accountability and levels of scrutiny towards corporate behaviour (Basu and Palazzo, 2008; Waddock, 2000; Zadek, 2003). As Sethi (2002) points out, public confidence in corporate morality is on the decline and only a few corporations are starting to reflect about how to gain back legitimacy, bridging corporate, social and environmental interests (Maak and Pless, 2006a; Mària and Lozano, 2009).

Even the tourism industry, traditionally surrounded by a somewhat idyllic reputation, is starting to face fierce attacks from a society demanding more responsibility. Tourism activity has become one of the world’s largest industries, representing 6% of world exports of good and services. It is an integral part of most people’s lifestyles, and a defining factor in social status. As Pérez–Salomón (2001) states, tourism, while becoming a means of environmental protection and economic growth, has also – and more importantly – become a significant cause of environmental degradation and social disruption. This degradation, the growing sustainability movement (promoted by the Earth Summit in 1992 and supported by the UN World Tourism Organisation) and successive multi-stakeholder debates have all increased public awareness of the negative social and environmental effects of tourism and related recreational activities (Sand, 1995). As consequence, firm’s activities are scrutinised ever more closely by NGOs, employees and governments alike (den Hond and Bakker, 2007; Spar and La Mure, 2003; Waddock, 2000).
In Spain, tourism is one of the most powerful industries. It directly employs more than 12% of the active workforce and represents 10% of the GDP. Since the 1960s, tourism in Spain has been seen as ‘the goose that lays the golden eggs’, for its contribution to steady growth of the national economy. However, due to the large number of corporate and institutional fraud cases and the high level of environmental degradation (particularly along the Mediterranean coast) (UNEP, 1998) numerous voices, including those of the European Commission and United Nations Agencies, are demanding a change of direction towards more sustainable tourism practices.

CSR (Corporate Social Responsibility) is claimed to help firms to gain back corporate legitimacy and introduce sustainable practices in the corporate strategy (Pava and Krausz, 1997; Palazzo and Richter, 2005; Scherer and Palazzo, 2007; Stratling, 2007). However, despite the growing demand for legitimacy, the CSR movement in the tourism industry is still fairly inactive, particularly in terms of the industry’s backbone, the hotel chain subsector. Only two hotel chains in Spain have started to implement any accountability mechanisms such as sustainability or CSR reports, and only one is listed in the FTSE4Good. These two hotel chains, together with several others that have recently introduced innovative environmental and social practices in their strategies, are leading the CSR debate in the tourism industry in Spain.

This article looks at how four of these companies are starting to understand CSR and to introduce it at a strategic level, we consider these companies leaders in CSR in their sector not only because they are the first introducing CSR at strategic level but also because they are considered role models for the rest of the industry.

Most strategic leadership research has focused on the characteristics of strategic leaders, the choices that strategic leaders make or the requirements of their role (Sharmir and Hooijberg, 2008). Neither academics have paid much attention to the existence of followers and the central leadership role of influencing others and creating legitimacy, nor to the fact that leadership is fundamentally a moral endeavour.
(Thompson, 2004). The CSR literature has also been centred in the analysis of the series of activities linked to reasons explaining why companies might undertake such activities (Burke and Logsdon, 1996; Forética, 2006; Orlitzky et al., 2003; Palazzo and Richter, 2005). However, there is a case for researchers analysing the evolution of CSR strategies by looking at the internal institutional constituents of change such cultural norms, symbols and believes that determine leadership processes of influence and legitimacy creation (Basu and Palazzo, 2008; Cramer and van der Heijden, 2006a; Powell and DiMaggio, 1991). So rather than solely describing the activities the companies are engaged in, we look at the internal institutional components of the firm’s CSR strategy creation. In order to understand the internal institutional determinants, we analyse the sensemaking process as developed by change agents within the firms. Specifically, we look at the cognitive and the relational dimension of the sensemaking process. Maak (2007: 334) argues that both relational and cognitive dimensions determine the ethical quality of social capital and that social capital contribute to sustainable business and the common good. Thompson (2009) argues that these dimensions contribute to the construction of a collective sense of the moral meaning in the organizations.

The sensemaking process has been analysed when applied to the specific situations of a group decision (Porac et al., 1989; Weick, 2001), initiatives at particular firms (Ring and Rands, 1989) and during the CSR process in particular organisations (Cramer et al., 2004, Cramer and van der Heijden 2006a; de Wit et al., 2006). However, we consider it to be interesting to compare the sensemaking processes of CSR strategies in different companies within the same industry. This may help us to further understand how different managers make sense of a similar situation and to define different leadership strategies and the different repertoires of rules and symbolic practices in which they are based.
Building upon the leadership literature terminology, we propose to differentiate between two leadership CSR strategies: transformational and transactional. Transformational strategies refer to the moral based and inspiring way of taking CSR through the organisation and beyond. Transactional strategies are contingent on the organisation’s ability to meet and respond to their stakeholders' reactions and changing expectations. The two approaches operate with different rational and forms of engagement with the stakeholders, legitimacy strategies and have distinct forms of shared stories and symbols. Our argument is that both strategies are necessary to change the practices of the industry to a sustainable model, since the first provides innovation and inspiration for managers while the second consolidates the initiatives.

Our model allows for characterisation of the different methods of directing CSR strategy development in a sector such as tourism. Industry change depends in part on how companies understand their responsibilities, structure their moral compass (Thompson, 2009) and on their ability to join forces to engage with other stakeholders. This article aims to provide a framework for companies to consider how to introduce CSR into their overall strategies, and how to contribute towards a change in the sector’s practices to make it more sustainable.

The rest of paper is organised as follows: Firstly, we lay the ground by analysing the baseline literature supporting the paper and the approach to the cases; Secondly, we describe the methodology of analysis; Thirdly, we use narratives to describe the cases and analyse their characteristics, and fourthly, we propose a framework for comparison of different CSR strategies, and reflect on the consequences of the model used in the Spanish tourism industry. The paper concludes with our final thoughts on the theoretical and managerial implications of the model, and some further research recommendations.

CSR Leadership Strategies from a Sensemaking Perspective
CSR scholars have been dealing with the study of companies who lead change in social and environmental issues in a number of different ways. One the one hand, some argue that there is a need to redefine the up-to-now apolitical CSR theory in order to understand corporations as political actors whose aim is to assume a wider social role (Matten and Crane, 2005; Scherer and Palazzo, 2007). Others use the classic metaphor of citizenship to describe a new role for the firm when addressing social issues (Castelló and Lozano, 2009; Waddock, 2002; Willke and Willke, 2008). Most of these authors aim to address the management philosophies (McAdam, 1973) that characterise the companies as responsible businesses. They analyse their differences in terms of CSR knowledge, structures and practices of change (Mirvis and Googins, 2006; Munilla and Miles, 2005; Zadek, 2004). However, these authors fail to look at how these companies understand CSR and bring it to a strategic level (Castelló and Lozano, 2009).

On the other hand, scholars studying the cognitive understanding of strategy have focused on the role of the leader as individual, leaving aside the importance of the creation of collective meanings (Thompson, 2004). As Pless (2007) points out, the study of the structure of the firm’s relations, the cognitive characteristics shared by the firm’s managers and the legitimisation strategies that managers are following to consolidate these leadership initiatives is being left to clinical psychologists such as Kets de Vries (2004) or to the students of leadership such as (Bass, 1985; Burns, 1978; Kuhnert and Lewis, 1987). Only some the students of leadership are analyzing the ethical implications of leadership (Ciulla, 2005; Dalla Costa, 1998; Doh and Stumpf, 2005; Kanungo and Mendonca, 1996; Klein, 2002; Maak and Pless, 2006b; Thompson, 2004) and few are dealing with leadership as a collective process of socially responsible strategy creation (Maak and Pless, 2006a).

This papers looks at the way leader companies in CSR deal with the process of strategy creation. The study of a socially responsible strategy creation implies
assumptions such: Firstly, managers have an awareness of the content and potential instrumental value of CSR (Haigh and Jones, 2007); Secondly, the importance of CSR change being brought in at a strategic level recognised by strategist such as Porter and Kramer (2006); Thirdly, that change at a strategic level is crucial for adaptation to external institutional factors of the industry (Oliver, 1991; Tolbert and Zucker, 1983). The analysis of CSR at strategic level provides a better understanding of the importance of sustainability at firm level but can also provide a sense of the evolution of the practices of an industry and can help us to understand how to foster change in the tourism industry.

The approach to the case analysis

According to Mintzberg (1978: 941), strategy formation in most organisations can be seen as revolving around the interplay of three basic forces: a) an environment that changes continuously but irregularly, with frequent discontinuities and wide swings in its rate of change, b) an organisational operating system, or bureaucracy, which mainly seeks to stabilise the organisation's actions, regardless of the characteristics of the environment it serves, and c) a leadership or change agent whose role is to mediate between these two forces, to maintain the stability of the organisation's operating systems while at the same time ensuring its ability to adapt to environmental change. Strategy can be understood, then, as the set of consistent behaviours by which the organisation establishes its place and its environment for a time. Strategic change can be viewed as the organisation's response to environmental change, constrained by the momentum of the bureaucracy and accelerated or slowed down by the managers acting in a leadership role.

As several authors on strategic management such as Mintzberg (1978) or more recently (Johnson et al., 2005), agree, strategies can be seen as sets of decision streams and changes in activities over time that involves a process of creating a shared meaning in the organization.
Daft and Weick (1984) argue that to get a clearer analysis of the process of strategy creation, these sets of decisions should be analysed from a sensemaking perspective.

Basu and Palazzo (2008) see sensemaking as an ongoing activity which is subject to both individual and organisational contributions to change. Sensemaking illustrates how people try to make things rationally accountable, to themselves and others (Weick, 2001), through a process of creating shared meanings. Weick (1995) also argues that sensemaking is an interactive process between individual understanding and collective meaning. It is an interpretative process through which organisation members understand and share their understandings about those features of the organisation that they are trying to frame, and the problems the organisation faces. Thus the sensemaking process emerges as an interaction between the individual and the collective.

Weick (1995) states that sensemaking “is about placement of items into frameworks, comprehending, redressing surprise, constructing meaning, interacting in the pursuit of mutual understanding and patterning” (Weick, 1995: 6). In particular the remark regarding “placement of items into a framework” is relevant to our aim of understanding how, through change agents, organisations factor CSR into their strategic plans. Schouten and Remmé (2006) argues that sensemaking is a concept through which the incorporation of CSR into an organisational context can be better understood and therefore improved as CSR is a new an complex phenomenon that often contradicts other established patters of behaviour in the firm (Schouten and Remmé, 2006).

Jacqueline Cramer (Cramer et al., 2004, Cramer and van der Heijden, 2006a; 2006b) and Le Mestrel and Bettignies (2002) have also acknowledged the importance of the sensemaking analysis applied to CSR, because of the constant tensions CSR can create in the organisations.
Weick et al. (2005) proposes that sensemaking be seen as a process involving reciprocal exchanges between actors and their environment (referring to specific problems in the environment Weick calls *Ecological Change*). Weick refers to this first process of interacting in the pursuit a new understanding the ‘Enactment’. Sensemaking is also about considering meaningful options, what Weick calls ‘Selection’ and then preserve these options in a collective effort for mutual patterning ‘Retention’. Applying this process to the firm’s CSR strategy creation and using Mintzberg (1978) description of strategy creation we argue that the process of strategy creation is carried out by the interaction of managers (or leaders using Mintzberg terminology) with the environment framed by the firms operating system (bureaucracy).

This strategic sensemaking approach provides a better understanding of how strategic CSR can be understood, defined and implemented in organisations.

Although we present the process as one of defined consecutive activities, Cramer et al. (2004) argue that any concepts of a linear nature in the process need to be replaced by an unfolding and emerging process, shaped through trial and error. While acknowledging Cramer’s view, to simplify the narratives of the cases the model we use is that presented by Weick et al. (2005) and enriched with Mintzberg (1978) process of strategy formation. This approach help us to understand how managers are starting to think about CSR, are selecting the CSR strategies and are integrating the CSR strategies into their businesses. We have complemented Weick’s and Mintzberg’s model with the following questions which we will use to guide the narratives of our cases: How everything begin?; Which CSR strategy? And Why?; How do we integrate it into our work?.

In Figure 1, we present the sensemaking process of strategy creation

*(Insert Figure 1: about here)*
Most scholars agree on the definition of the sensemaking process as one that involves a joint cognitive and relational level of analysis (Basu and Palazzo, 2008; Cramer et al., 2004; Gioia and Chittipeddi, 1991; Weick, 1995). Cramer and van der Heijden (2006a) state that change agents direct the sensemaking process by translating generic concepts into specific ‘local’ actions, relations and languages. Basu and Palazzo (2008) argues that the relational dimension includes considering the managers’ form of engagement with their stakeholders, as well as the rationale for engaging in specific activities and the legitimacy strategies they apply in support of their actions. Maak (2007:334) defines the relational dimension as the “norms and values inherent to those ties, levels of trust, mutual obligations, and the level of recognition”. Maak (2007:334) defines as cognitive dimension “how actors think about their relationship, the language and the stories they share and what is commonly perceived as desirable”. Gioia and Chittipeddi (1991) states that cognitive dimension implies understanding the shared language and symbols managers use in order to legitimise their activities. Maak (2007) also argues that both dimensions determine the ethical quality of social capital leaders.
develop while managing their organizations. The development of these dimensions is
done in further sections of the paper. Figure 2 presents the sensemaking dimensions.

**Research methodology, design and data collection**

Our proposed sensemaking process requires study of strategic decisions and
interactions for a defined problem (the introduction of CSR at strategic level) in a
particular context (the firms and industry analyzed) (Weick et al., 2005). Because there
is little precedent for research with this approach to sensemaking, our research had to
be exploratory.

Four critical cases (Yin, 1989) have been analysed, with a total of twenty in-depth
semi-structured interviews, and three site visits. 33 hours 20 minutes of interview were
recorded. All interviews were analysed using a grounded theory approach (Strauss and
Corbin, 1990).

We interviewed the company managers involved in strategy-making, and CSR
managers. This analysis was complemented by 10 interviews with industry experts
from universities, consultancy firms, UN agencies and the European Commission, and

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*(Insert Figure 2: about here)*

**Figure 2: Sensemaking dimensions of analysis**

- **Relational**
- **Legitimacy strategies**
- **Form of engagement with stakeholders**
- **Shared stories and symbols**
the analysis of more than a hundred documents provided by firms (annual reports, strategic reports) and third parties such as specialist websites and articles. The objective behind these methods is data triangulation.

For purposes of comparison, a single industry in a defined social context such as Spain has been analysed to avoid moderating variables in the maturity of social issues. The industry chosen is hospitality, focusing on hotel chains with at least 45% of their income coming from urban hotel hospitality units. This sector was selected for several reasons: Firstly, the importance of the sector (6% of the world exports of goods and services, iv and 10% of the GDP in Spain v). Secondly, sustainability criteria should be one of the pillars of industry development, according to the UN World Tourism Organisation. vi Thirdly, CSR is not very visible in the tourism industry in Spain, with only a few hotels starting to develop CSR tools recently vii. We see this as an optimal industry for analysis, since all changes will are still fresh in the managers’ minds. All companies analysed are medium/large firms of over 300 employees. Two are privately owned and two are IBEX-listed. All the companies have national and international operations and a growth vocation.

Selection of the cases was based on sector benchmarking by ESADE Business School’s Institute for Social Innovation (in turn based on expert consultation and web research) for the top 16 companies working on CSR in the sector (Vilanova and Santomà, 2008). The cases selected are those that we consider to have integrated CSR at a strategic level in Spain.

The cases analysed are: Sol Melià, NH Hoteles, Casa Camper and Grupo Fuenso - Hospes Hotels and Moments (henceforth Hospes). We refer to them as CSR leaders in their sector in Spain because; Firstly, they are identified as such by their peers and by experts in the sector we have interviewed; Secondly, they are the first to have introduced innovative CSR tools such as GRI reports, new environmental practices or NGO partnerships into the sector; Thirdly, they are the few companies that are introducing CSR into their corporate identity: mission, vision and accountability
mechanisms such as public reporting and marketing strategy (Vilanova and Santomà, 2008). As Eisenhardt (1989) states there is a very delicate balance between difference and similarity in case analysis, and we do acknowledge the differences in these case studies: two of the companies analysed (Sol Melià and NH Hoteles) have more than 300 hotels each and are sales leaders in the industry, whereas Casa Camper and Hospes have fewer than twelve. Each company has different history and CSR trajectory: NH, Sol Melià and Camper are consolidated business with more than 30 years of experience. However, Casa Camper, the hospitality business unit of Camper, was created in 2004. Hospes was founded 9 years ago (in 2000). NH, Sol Melià and Camper have a long tradition of philanthropic activities and social projects that are not necessary related to their core business but with the communities they operate in. Each company has a different growth strategy and CSR strategy. Casa Camper introduced sustainability values and goals in its strategy from its creation; Hospes introduced the CSR strategy almost three years after its foundation; Sol Melià started its CSR strategic Plan in 2007 but has been working in social and environmental projects before the 2000’s and NH introduced CSR at strategic level in 2008 but also has been working in social and environmental projects before. As it is discussed in the last section, the different contextual characteristics might influence the adoption of CSR strategies. However, we are focusing on how they are introducing CSR into their strategies, and how they are promoting CSR activities within the companies and among their peers. Therefore, we consider the analysis of the various cases relevant in that it brings appropriate variability to the study of the sensemaking process’s different characteristics.

The methodology of analysis follows Eisenhardt’s (1999) iterative roadmap appropriate in new topic areas. As Eisenhardt (1989) suggests, data analysis should be coupled with within-case analysis and the cross-case search for patterns transformed into a model of categories.
We follow an inductive-deductive approach, as we are especially interested in the interaction of parameters that help us to understand the different responses to similar problems and ultimately create models. Rather than proposing a straightforward company classification system, this article aims to establish a framework to guide companies and academics in shaping firm’s CSR strategies.

**Four CSR sensemaking cases in the tourism industry**

Before beginning the sensemaking analysis, we shall briefly introduce the context in which the companies operate. The tourism industry is one of the main economic drivers in Spain. It employs 12% of the population and its contribution to the GDP is growing steadily. The hotel sector represents 1% of the GDP, but is considered central to the sector’s other activities. The sector could be described as atomised, with Excèltur estimating the existence of some 14,228 hotels in Spain in 2007. Santomà (2009) argues that the sector is facing a transition period to maturity and saturation, leading the firms in the sector to become involved in a price war. He argues that the recent drops in price-per-room in Spanish hotels has impacted in the hotels reputation. In order to gain market share and re-gain reputation, hotels are developing new differentiation strategies, most of which are centred on improving quality (Santomà, 2009).

However, some hotel chains are also introducing sustainability values as a differentiation strategy, which is a fairly new direction for the sector in Spain. Hotel chains have traditionally benefited from solid social support, since they were seen as a driver of Spain’s economic success since the 1960s. However, the sector’s spectacular growth over the last 30 years and its significant environmental and social impact, especially on the Mediterranean coast (UNEP, 1998), have created a growing and highly vocal movement against the sector’s current social and environmental practices.
The cases we analyse are taken from four hotel chains with differing reasons and methods for beginning to consider sustainability values. We use the framework of sensemaking presented above as a reference, and describe the experiences of various change agents as they were recorded in our interviews.

- Enactment: How did everything begin?

The enactment process in strategy creation begins at the moment the change agents start to sense anomalies or opportunities. In our case studies, we identify two different rational for engagement in the enactment moment. The first is motivated by the moral foundations and the moral direction (Thompson, 2004) managers of the company define. A moral direction that in these cases is related to sustainability values, and a decision to do something different (in the cases of Hospes and Casa Camper). The second is more closely related to adapting strategic opportunities sensed in the environment (as in the cases of Sol Melià and NH).

The following quotes from Hospes and Casa Camper illustrate the first type of rational for engagement, the moral direction. At this point, we also introduce CSR philosophy and certain activities that are characteristic of each company in order to improve understanding of the cases:

- Hospes

Hospes' highly inspirational enactment process is explained by its CEO and Founder Antonio Pérez Navarro: “After consolidating the first two hotels in 2002 I started to think about what this business was really about; How are we different from other five-star hotels and what would I like to do with the business in order to feel fully involved in my work? We had beautiful buildings and very good employees providing the best service, but was that enough? Before entering the hospitality business, I worked for the automotive industry where the understanding of the business has evolved enormously; Volvo sells safety, directly addressing one of the main concerns of drivers. I also
wanted to go further, and use my hotels to address one of the biggest illnesses in the developed world; stress, and the inability to sleep, which hundreds people suffer from. I thought that my business could help alert people to the dangers of sleep and dream deprivation. I wanted us to be recognised as providing the opportunity to dream. ‘Dream’ in the sense of having a good sleep, but also in the sense of having and achieving goals. This gave birth to the Sueños (Dreams) project, which has since become a cornerstone of our way of being.”

The Sueños project has two main lines of action. The first invests in medical research, which Hospes contributes to both by providing medical research funds and by applying research to many aspects of its business, such as the food served, isolation and ventilation systems and the natural product-based materials in the rooms. They also provide assistance to their clients to improve their sleep process. The second line involves major involvement with Aldeas SOS, an NGO that helps improve the circumstances of children who suffered psychological and physical violence in the community. Hospes also invests in environmental and cultural care and use the latest water- and waste-recycling technologies. Their hotels are restored buildings of recognised cultural and architectural value, including historical palaces and castles. They use local materials for construction and promote cultural awareness and the reintegration of the building into the city’s history.

- Casa Camper

“That’s just the way the Fluxà family, the owners of Camper, are.” says Pere Xambó, Rooms Manager at Casa Camper. “The Fluxà family created the Camper and the Casa Camper project with the aim to reflect about a new lifestyle. They defined new concept of business based on freedom, comfort and creativity that we adapt to hospitality and to Casa Camper. The Fluexà family had imagined hospitality hotels characterised by simplicity, authenticity and environmental harmony. Being very
involved locally, wherever they are, and very innovative ecologically and in design is not just the way they succeed, but the way they enjoy doing business."

Casa Camper was one of the first hotels to introduce environmental criteria for building and managing hotels in Spain. From the first hotel, they made sure they were using top environmental technology: they restored a period house in the city centre, installed the solar energy technology beyond the legal requirements, grey water recycling systems, cold chambers for organic waste recycling, water and electricity consumption controllers, and had biodegradable and natural amenities. They are also keen promoters of growing urban vegetable gardens and environmentally friendly ways of travelling in the city. As an example of their environmental philosophy, the first things you see when entering in the hotels are bicycles for the hotel guests, environmental awareness slogans and pictures of the must-see places in the neighbourhood. Angel Gonzalez, Maintenance Manager comments, "We have always been ahead of the legislative and environmental concerns of most authorities and our guests."

Sol Melià and NH Hotels show a more adaptative way of starting their CSR projects.

- Sol Melià

Esther Trujillo, Vice President of Sustainability at Sol Melià, explains her vision for introducing CSR into her company: “Sol Melià was at a very important point in 2007. On the one hand, our competitors at an international level were starting to talk about the environment: industry forums and associations were bringing the topic of sustainability to the table without really being fully aware of what it meant and the implications it would have in terms of corporate strategy. On the other hand, the company was facing a generational shift; the Founder and President, Mr. Escarrer, was starting to gradually leave the business to his two sons. Mr. Escarrer had always a strong sense of community, a philanthropic sense, as he was born and brought up in Mallorca, an insular community. After 50 years of hard work he was starting to think about his legacy not only to his family but also to his community. That was when they
decided that sustainability should be brought in somehow at a strategic level. Some competitors had already made moves towards a more sustainable business, and they felt it was the appropriate moment for change, as well as an opportunity of being ahead of competitors."

Sol Melià introduced sustainability as one of the 5 main pillars of the 2008-2010 strategic plan. They elected a Vice President of Sustainability, who is in charge of implementing a plan consisting of three strategic lines: 1) Introduce the principles of sustainability to all company processes, 2) Introduce the values of responsibility and sustainability to all products and services and 3) Involve the stakeholders in the above processes (Melià, 2008). Among other projects, Sol Melià is starting to measure water and electricity consumption and define balance scorecards as well as introducing fair-trade products and products for people with special needs in their restaurants. They are also developing cultural and environmental awareness projects with their clients, especially with children in their vacation centres.

- NH Hoteles

“I have always been enthusiastic about soft issues in management,” says Marta Martín, Corporate Responsibility Manager at NH Hoteles, “which is why I did an MBA and graduated in Human Resource Management. After the MBA, one of my best friends started to work in socially responsible investing. I was very curious, but could not see how to convince the management of my company that it was important. After some major organisational restructuring, I was asked to develop a social plan. I started to read up on it and even took a specific course on CSR. However, when I presented my strategic plan in September 2006, I was told to focus on philanthropic projects that could strengthen our reputation in the community. I started to work on it, using all the management tools I had learnt in order to understand the business side of the projects we were planning. In 2007 I had another opportunity to present my plan to the Board of Directors. I showed my scorecards, my measurement systems and the results of a
benchmarking study we had done. Some international hotel chains were developing CSR plans. The Finance Director and the Operations Director could see and understand what I was doing. They no longer saw me as the girl asking for money to give the NGOs, but as a manager trying to manage reputation in a different way.”

NH has started what they call ‘an ambitious environmental strategic plan 2008-2012’ in which they commit to reducing their carbon emissions, waste and water and energy consumption by 20%. They have also added the values of environmental responsibility to their corporate values, and created a Corporate Responsibility Committee, which includes the CEO. Amongst other, they have two social projects that have been object on several recognitions: one consists of providing rooms for families with children in hospital for cardiac operations, and a second one offering special rates for rooms and facilities to NGOs to help them run their conferences.

From the above quotations we also observe that symbolic visions are an important factor in the enactment phase. Symbolic visions such the power of having dreams for Hospes and the image of more sustainable Mallorca for the Sol Melià often guide the process of creating share meanings in the organizations. Although the enactment process might seem fairly individual, the examples also show that organisational change is most possible when the enactment process is shared amongst a collective group of people; in these cases, the management team and the CSR managers. The process of collective meaning is strengthened in the selection process.

- Selection: Which CSR strategy? Why?

Weick (1995) states, after going through the process of enactment, the number of possible meanings gets reduced during the organising process of selection. According to Weick et al. (2005) during this selection stage, ‘a combination of retrospective attention, mental models and articulation perform a narrative reduction of the bracketed material and generate a locally plausible story.’ The locally plausible story in our framework corresponds to the configuration of the first CSR strategic plan by the
managers of the organization. Weick (1995) argue that this local story formed in the minds of the change agents need to be legitimised by the rest of the group to become a plausible story. Instead of describing the final output of which strategies have been chosen in each company we analyze the process of legitimization and the symbolic objects change agents appeal to in selecting the CSR strategies.

As argued by Suchman (1995), legitimisation processes usually combines three forms of legitimacy strategies: pragmatic, cognitive and moral. All three types involve that a generalized perception or assumption that organizational activities are desirable, proper, or appropriate within some socially constructed systems of norms, values, believes, and definitions. However, each type of legitimacy rest on a somewhat different behavioural dynamic (Suchman, 1995:577).

Pragmatic legitimacy rests on the self-interest of the company’s audience. Often, this immediacy involves direct exchanges between organization and audience. As argued by Wood (1991), audiences are likely to become constituencies scrutinising organisational behaviour to determine the practical consequences, for them, of any given line of activity.

Cognitive legitimacy rests on comprehensibility and the extent to which shared beliefs in a group are taken for granted. Comprehensibility stems mainly from the availability of cultural models that furnish plausible explanations for the organisation and its endeavours (Scott, 1991; Suchman, 1995). Powel and DiMaggio (1991), argue that taken for granted assumes that institutions not only render disorder manageable, they actually transform it into a set of intersubjective “givens” that submerge the possibility of dissent so that “for things to be otherwise is literally unthinkable” (Suchman, 1995:583).

'sociotropic', it rest not on judgements about whether a given activity benefits the evaluator but rather on judgements about whether the activity is “the right thing to do”. These judgements, in turn, usually reflect beliefs about whether the activity promotes societal welfare, as defined by the audience’s socially constructed value system.

In our cases we observe two dominant legitimacy strategies: The former, based on a moral legitimacy in which leaders appeal to the “right thing to do” and provides a moral direction plans and actions. The latter, based on pragmatic legitimacy where leaders supports their arguments appealing to the self-interest of the audience’s.

Hospes and Casa Campers are examples of the dominance of the moral legitimacy strategy. Hospes managers tend to say thing like: “The Sueños project is a strong pillar of the way we understand our business. Overall, we want to help people to sleep better and this is why we are so involved in medical research into the sleeping process.” In Hospes, the moral legitimacy strategy is very much present in most of its executives, although they do recognise the importance of the influence of the CEO, who constantly evokes his personal caring moral to legitimise the firm’s strategic direction.

In Casa Camper, the choice of CSR strategy is also largely influenced by the owners of Camper moral, and very much present in the top managers’ discourse. They constantly refer to their environmental values to explain the significance of their job. Their discourse uses phrases like: “Environmental care is how we understand business should be done. Environmental care and innovation are part of our origin, culture and brand image, not only in the hotels but in all our products. We want to show that a new way of life, revolving around nature and simplicity, is possible.”

In NH and Sol Melià, the pragmatic legitimacy strategies are more present. NH’s Marta Martín argues “I used a benchmarking study and a table which measured impacts to convince some of the Board of Directors’ managers. Once they saw that
they were getting press coverage and CSR recognition, they took more interest in my job."

Sol Melià’s Director of Sustainability Federico Martinez-Carrasco adds, “We started to get questions from the hotels when new environmental laws were about to be introduced in Spain. They started to understand the value of anticipation and the value of our department as internal consultants.” Esther Trujillo from Sol Melià states, “We operate several very distinctive brands. The brand you work with determines the priorities, the speed, and the strength of the project.”

CSR is a new phenomenon for many organisations; a new and confrontational phenomenon, when compared to the profit and stockholder-maximisation focuses of the neoclassical paradigms that have dominated managers’ minds for decades (Le Mestrel and Bettignies, 2002; Sachs and Rühli, 2005). CSR is also a new approach to strategic management (Porter and Kramer, 2006). Managers who push CSR or sustainability values are constantly met by tension between the old and the new ways of managing, and very often they find it difficult to put their positions over. As Weick (1990) says, ‘In the loosely coupled, chaotic, anarchic world of the organisation, differences are everywhere and people need abstractions to smooth over the differences. People also need to become cartographers in order to fashion those disconnected abstractions into plausible patterns.’ Because CSR is a new and potentially conflictive phenomenon in many organisations, change agents need to bridge the boundaries that are created between the ‘usual’ way of doing business and the new way that includes sustainability values. During the sensemaking process, CSR change agents often have to bridge the knowledge gaps between their various stakeholders using boundary objects. Boundary objects are objects, sometimes physical like balance scorecards, sometimes purely linguistic like the verbal representation of a vision, that are shared and shareable across different problem-solving contexts in a group of people (Carlile, 2002; Koskinen, 2005). They help
change agents to bridge cognitive gaps amongst their peers and team members and to solve problems of misunderstanding and prioritisation of CSR strategies.

In our cases, we observe two types of symbols and boundary objects used in the organisations. At both Hospes and Casa Camper, in the sensemaking selection process change agents tend to use more symbolic and metaphoric boundary objects, which they include as part of their mission but also use in their everyday discourse. The images of what reality *should be* are constantly expressed, and are incorporated into managerial discourse in a very personal way: Hospes’ CEO sends out a project mission statement promoting the ability to dream for both partners and clients. All the Hospes managers interviewed (7 over a two-month period) were also constantly using metaphoric boundary objects such as the importance of having a ‘dream’ and an ‘inspiration’ at work. Other boundary objects used by the managers, which were also helping them to build on company values, were the stories of the children they were helping with the *Sueños* programme.

In Casa Camper, the management team we interviewed used similar inspirations and boundary objects. However, the boundary objects in Casa Camper were often related to objects that represented their environmental vision. They were also quite inspirational and metaphoric (since the change agents referred to them as an example of their environmental conscience) but were linked to their personal experiences at work. For some managers, the city garden was a symbolic object, for others, the grey water recycling machine.

In an effort to adapt to a bureaucratic culture very much based around values of efficiency and shareholder short-term return, NH and Sol Melià change agents use more concrete and physical objects related to the managerial culture ruling their companies. Boundary objects used were strategic plans, scorecards, and measurement tables. They argued that by using these boundary objects they were able to get their peers’ attention, and their actions were legitimised.
Retention: How do we integrate CSR into our work?

Weick (2005) states that when a plausible story is retained, it tends to become more substantial because it is connected to meaningful identities and is used as a source of guidance for further action and interpretation. When CSR strategies are retained they start to become part of the planned strategies and day-to-day work of the employees.

To get to the retention process, change agents often have to develop a set of relations within and beyond the boundaries of the firm, in search of legitimisation of their strategies. As argued by Cramer et al. (2004), managers try to legitimise the relevance of CSR by creating linkages among people in their organisations around the issue at stake but also create external links to reinforce the legitimacy of the project.

In our cases we do not see any differences in the nature of the internal relational links change agents create to legitimise CSR in the organisations. All managers referred to the process of developing internal strategic ties with people who seemed more favourable to their projects. In organisations such as Hospes and Casa Camper, where the culture of the organisation was more solidly based on environmental and social care values, change agents found establishing such links to be a more natural process. As Susana Marin, Director of Casa Camper puts it, “We have carefully designed our selection process to make sure that any new member of our team share the same values and can be ambassador of our service philosophy.”

We observe greater differences in the nature of the relations established by the change agents with external stakeholders.

In Hospes and Casa Camper, the nature of the relation, especially with their external stakeholders such the main providers or collaborators in the projects, is based on mutual recognition and sharing responsibilities in CSR initiative management. Relations are based on trust and are rarely measured or monitored, so it becomes more difficult to evaluate the results of the relations. For example, in Hospes, the
Sueños project Board of Directors does not only include the top managers of Hospes, but also two reputed doctors, the director of the Spanish Association for Sleep Disorders (SES, Sociedad Española del Sueño) and the director of an NGO they collaborate with. In Hospes, the culture of measuring and control in the Sueños project has not been developed further even after about 6 years, as it is still considered highly inspirational and moral based.

In NH and Sol Melià, change agents have also developed strong relations with stakeholders to help them take on CSR. However, the strongest ties driving change are developed internally within the boundaries of the firm. As an example, Sol Melià develops all their CSR strategic projects mainly through the internal work force. With external stakeholders such as providers relations are controlled by accountability mechanisms like scorecards and tables of measurements. Sol Melià and NH have developed a Code of Conduct for providers and are starting to grade them based on their ability to adapt their products to the sustainability criteria.

Transformational and Transactional strategies

From the above analysis one can discern two different strategies for introducing CSR at strategic level prevailing in the organisations studied. Using terminology from leadership literature (Bass, 1985; Kuhnert and Lewis, 1987; Pawar, 1997), and acknowledging the work done by Palazzo and Richter (2005) applying it to CSR, we propose to distinguish between two strategies of integrating CSR into organisations: transformational and transactional.

1. **Transformational strategy** refers to a moral way of taking CSR through and beyond the organisation. Transformational leadership operates out of deeply-held moral direction conformed by a set of values often defined by the leaders of the organization but in all cases integrated in the systems beliefs of the followers. Burns (1978) refers to these values as *end values* – those that can be neither negotiated nor exchanged between individuals.
In transformational strategies, CSR is legitimised by moral strategies. Change agents use metaphoric boundary objects to create a shared vision throughout the organisation. These metaphoric boundary objects are based on the change agents’ moral direction applied to the company vision.

In transformational strategies, relations with external stakeholders are based on mutual recognition and trust. As transformational strategies apply moral legitimacy strategies, persuasion is based on moral convictions and the recognition of mutual abilities and power. Transformational strategies often involve stakeholders in the decision-making process of the organisation, whether using their governance structures such as advisory panels and Boards of Directors as in the Hospes case, or in consultation processes.

Among our cases, Casa Camper and Hospes seem to adopt transformational strategies.

2. **Transactional strategies** are more contingent on the organisation’s abilities to meet and respond to the reactions and changing expectations of their stakeholders (Kellerman, 1984; Kuhnert and Lewis, 1987).

CSR is introduced at a strategic level in an effort to adapt to strategic opportunities sensed in the environment. CSR values are not part of the intrinsic culture and values of the organisation, but change agents understand the strategic opportunity to make CSR part of the organisation’s future values. The adaptation process relies on their ability to be aware of their environment, and to introduce what they consider important aspects of stakeholder demands into their organisations.

Organisations with transaction strategies often have to deal with organisational conflicts in the process of introducing new CSR values into the organisation. Change agents need to apply boundary objects that give them the legitimacy to talk a new language to people who are used to the old discourse, so the use of concrete
managerial boundary objects is crucial for acceptance by the rest of the organisation. Change agents use representation tools that other members of the organisation understand and recognise as valuable, such as control tools and business case studies. The legitimacy strategies are based on making the organisation understand the value of CSR initiatives (pragmatic legitimacy).

As their legitimacy strategies are based on pragmatic forms, relations with stakeholders, especially eternal stakeholders, tend to be developed on the basis of this pragmatism. Relations tend to be managed through accountability and control tools that measure and monitors the relations with the stakeholder.

Among our cases, Sol Melià and NH Hoteles seem to adopt transactional strategies. Although we provide a first classification of the companies analyzed, we acknowledge that pure cases or ideal types are rare in social sciences (Shils and Finch, 1997). Narrative methods help us to see the complexity of reality. For example, although we say the enactment moment in Sol Melià and NH had a strong adaptative character, the CSR initiatives would probably not have had the same strength had the Presidents not been touched in some way at their values.

Figure 3 summarises the characteristics of transformational and transactional strategies.

(Insert Figure 3 about here)
Looking for change in the tourism industry

Which strategy (transformational or transactional) should firms adopt to achieve the desired change towards more sustainable practices in the Spanish tourism industry? We recognise that this question can be only partially answered by this paper, as there is a need for a deeper analysis of the impacts on peers and the triple bottom line efficiency of the strategies. However, we argue that both strategies are necessary and complementary vectors of industry change.

Transformational strategies begin change. They are usually adapted by visionary change agents and are the source of innovation both at social and environmental levels. They also constitute a source of inspiration to corporate and social agents who participate in the strategies or benchmark best practices in the industry.

Transactional strategies consolidate change. Change agents adopt transactional strategies in response to stakeholder demands when they feel that sensitivity to the issues is enough to move the organisation towards change. They use management...
tools not only to speak a unique language in the organisation but also to understand the nature of change, so being able to monitor it and consolidate it.

Appropriate combination of transformation and transaction might be one of the key elements to future change in the tourism industry. To achieve the sustainability goals recommended by the UN Tourism World Organisation and the European Commission, the Spanish tourism industry needs to convey to the firms the importance of inspiring and innovating, but also the need to consolidate and monitor progress of the CSR initiatives.

Figure 4 represents transformational and transactional vectors of change.

(Insert Figure 4 about here)

Conclusions and open questions for debate

This article analyses the process of bringing CSR in at a strategic level from a sensemaking perspective. We observe two differentiated strategies: transformational and transactional. Transformational strategies refer to a more moral based way of taking CSR through and beyond the organisation. Transactional strategies are more contingent on the organisation’s abilities to meet and respond to their stakeholders’
reactions and changing expectations. Both strategies have different rationale and forms of engagement with stakeholders, legitimacy strategies and different ways of sharing stories and symbols. Our argument is that both strategies are necessary for fostering change in the industry towards a sustainable model, as the former strategy provides innovation and inspiration for managers and the latter consolidates the initiatives. As Weber writes in his landmark book *The Methodology of Social Sciences*, ‘an ideal type is formed by the one-sided accentuation of one or more points of view and by the synthesis of a great many diffuse, discrete, more or less present and occasionally absent concrete individual phenomena, which are arranged according to those one-sidedly emphasised viewpoints into a unified analytical construct’ (Shils and Finch, 1997). *Ideal types* in social sciences have been useful as reality models and to provide managers with guidance on how to act in particular situations. However, in a complex reality one should acknowledge the existing variation in cases analysed and the variables the models necessarily leave out.

Castelló and Lozano (2009) argue that firms evolve in their strategic CSR influenced by endogenous and exogenous factors of change. Ownership characteristics, maturity of CSR issues and size of the firm may be three of the variables influencing the type of strategy a firm adopts. In our sample selection we have tried to moderate the impact of those variables. However, we acknowledge that differences in these variables might influence the type of strategies adopted by the firms, especially size of the firm. In our research, transformational strategies are represented by the small firms of the sample and transactional strategies by the big firms. These results might lead to the conclusion that size is a fundamental factor of influence in the framework. While we acknowledge that there might be some influence, evidence exists that company size might not be crucial for determining the CSR strategy. The first evidence can be found in Casa Camper case. Although the hospitality business unit in Camper might be small, Camper manages more than 150 stores in 70 countries with the same management philosophy for all business units; therefore we conclude that business size might not be
the fundamental variable determining the character of the Camper CSR strategy. The second evidence is not part of our sample, and is not analysed in any depth in our study. However, we consider Scandic, the Danish hotel chain, a good example of a transformational CSR strategy in a hotel chain with 152 hotels and about 7,000 employees. Scandic is considered by most of our interviewees to be the leading hotel chain in sustainability programmes. Scandic has had a sustainability plan since 1994 which allows them to measure and reduce energy consumption, build their hotels using the latest green technology and use all sorts of certified materials and food that reduce their environmental impact.

Future research might contribute to refinement of the characteristics of the model in two ways. Firstly, it could assess the empirical validity of some of the premises used in our specifications, such as the importance of size discussed above. The results of such research could suggest directions for model refinement. Secondly, research can extend present specifications by augmenting the set of contextual factors such industry, time to CSR adoption or country. Those will increases the external validity of the model. Finally, while the framework points towards polar strategies, we believe researchers may benefit from the development of middle-range CSR strategy theories. Identification of the empirically-occurring organisational contexts and their positioning on the proposed continuum between the two polar types would provide additional domains. Such domain-identification and subsequent development of domain-specific middle-range theories may provide researchers with better explanations and more valuable predictions concerning formation of the strategic CSR phenomenon.

Finally, the aim of this research is to help managers and researchers alike to better understand a complex process taking place within many organisations. We believe that there is no right or wrong strategy, but rather distinct ways of approaching a situation in different firms. This model provides a set of tools for the better understanding of a concrete reality, and we hope it will shed some light on the difficult process of bringing
CSR in at a strategic level and changing the practices of the sectors towards sustainability and the common good.

Notes

i  Source: www.unwto.org


iii In the Mediterranean region alone, the European Commission has opened five research commissions to investigate infractions of European Law.


vii Only two of the major hotel firms in Spain are developing CSR reports or have introduced CSR into their strategic commitments. They began CSR or Sustainability strategy plans in 2006-7.


x Source: www.scandic.com

References


