

teaching note

Hilton Hotel Worldwide: A case study exploring corporate social responsibility and stakeholder management

Summary of case

The case focuses on the hospitality industry and the parameters of corporate social responsibility.

By highlighting one hotel brand, Hilton Hotel Worldwide (HHW), the case shows specific examples of their efforts in the area of CSR. The case then raises the issue of competitive advantage and whether HHW's efforts in CSR might provide them some leverage in the industry. This point, is one that can lead to a fruitful discussion in undergraduate and graduate courses in the areas of hospitality, strategy, and CSR or business ethics.

Teaching/learning objective

- Strengthen academic and practical concepts in the area of hospitality and CSR
- Encourage active learning by having students engage with current material and apply it to the case
- Develop critical thinking to assess the strengths and weaknesses of CSR, how it can impact competitive advantage, and how it impacts students as stakeholders in hospitality
- Encourages information gathering and analysis from multiple sources

Target Audience

The case study is appropriate for undergraduate and graduate level students. Undergraduate concepts focus on connecting concepts of CSR to the hospitality industry. For graduate students, concepts of CSR can be applied to the case study allowing theoretical concepts to be demonstrated in practical application.

Recommended teaching approach and strategy

Exercise #1: Stakeholder Mapping

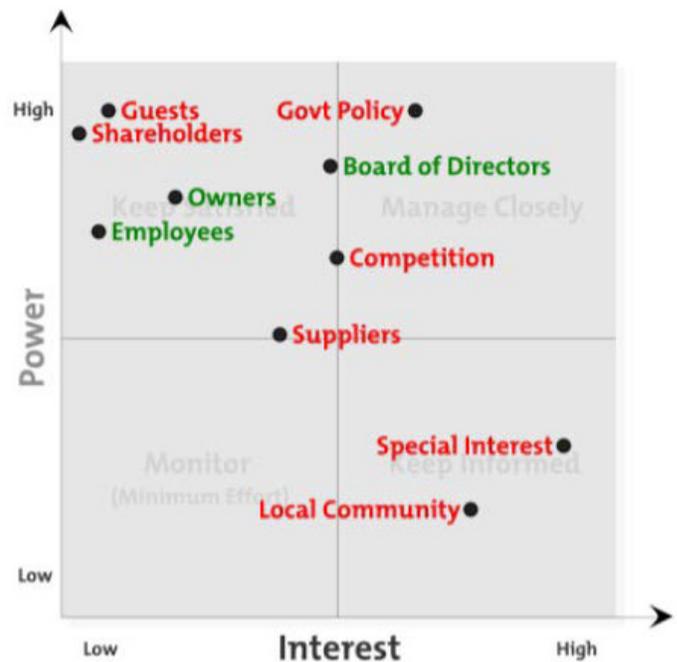
Following the reading of the case students can engage in a stakeholder mapping exercise to better analyze how complex stakeholders may impact HHW's decisions in the area of CSR. This exercise will help students understand whether or not HHW should listen to shareholders when making decisions regarding CSR. In particular, this exercise will illuminate who has the strongest voice when it comes to CSR topics in the hospitality industry.

This exercise is best completed in a small group of 3 to 4 students, but can also be done as an independent exercise.

Step 1: Students can create a list of potential stakeholders for HHW. Encourage students to name specific stakeholders by doing some internet searches.

Step 2: Identify whether each stakeholder has high or low interest in the CSR activities of HHW and high or low power related to HHW.

Step 3: Map the stakeholders onto a four by four quadrant (see a student example below).



Step 4: Have students present their stakeholder maps and discuss as a class areas of agreement and disagreement.

Step 5: Indicate how each quadrant represents different strategic opportunities for the firm. By moving from the top left in a clockwise direction: 1) Quadrant one contains actors that the firm should "keep satisfied"; 2) Quadrant two contains actors that the firm has the most interest in responding to – often considered the "key players"; 3) Quadrant three consists of actors that the firm may want to "keep informed"; 4) Finally, quadrant four consists of the weakest actors who the firm can "monitor" with minimal effort.

Step 6: Discuss: What implications does stakeholder mapping have for the case? Are shareholders a group that has high power and interest? As an individual shareholder would you have high power? If not, how might HHW respond to the proxy vote?

Step 7: (Optional): Review the ceres.org site to illuminate how similar proxy votes on executive compensation have been resolved. What would be the most likely outcome of the HHW proxy vote?

Exercise #2: Proxy Voting

Referencing the case study and other research, discuss reasons why a person would vote for or against the shareholder resolution.

Step 1: Have students explore the website www.ceres.org

- www.ceres.org/resources
- <http://www.ceres.org/roadmap-assessment/progress-report/company-scorecards> Review the company scorecard of various hospitality companies (Marriot, Starwood, Wyndham, Winn, MGM, Disney)
- Explore hospitality companies on csrhub: www.csrhub.com

Step 2: Have students answer the following questions in small groups:

- What is the proxy vote process?
- What are some companies that have tied executive compensation to CSR performance? Has fiscal or CSR performance improved, stayed the same or have diverged?

Step 3: Debrief as a class. Have each group present their responses to the questions.

Suggested reading:

Patti, C. M., & Miles, G. (2013). Corporate social responsibility and executive compensation: Exploring the link. *Social Responsibility Journal*, 9(1), 76-90. doi:<http://dx.doi.org/10.1108/17471111311307822>.

Singal, M. (2013). The link between firm financial performance and investment in sustainability initiatives. *Cornell Hospitality Quarterly*, 1938965513505700. <http://cqx.sagepub.com/content/55/1/19.full.pdf+html>.

- CERES Roadmap to Sustainability: G3: Executive Compensation tied to ESG Performance. http://www.ceres.org/roadmap-assessment/company-performance/governance-for-sustainability/copy_of_executive-compensation-tied-to-esg-performance.
- Directors Notes: Sustainability in the Boardroom by Matteo Tonello
- <https://www.conference-board.org/pdfdownload.cfm?masterProductID=7355>
- Directors Notes: Linking Executive Compensation to Sustainability Performance by Thomas Singer <https://www.conference-board.org/retrievefile.cfm?filename=TCB-DN-V4N11-12.pdf&type=subtitle>

Exercise #3: Company CSR SWOT Analysis:

Step 1: Have students review another hospitality company's CSR initiatives and engagement.

Step 2: Have students perform a SWOT analysis of another hospitality organization by reviewing their CSR report. Some examples of these reports are found below. Discuss how another hospitality company's efforts are similar or dissimilar to those of HHW.

- **Marriott 2014 Sustainability Report**
http://www.marriott.com/Multimedia/PDF/CorporateResponsibility/2014SustainRpt_FNL_Ir.pdf
- **InterContinental Hotel Group (IHG) 2014 Responsible Business Report**
http://www.ihgplc.com/files/pdf/2014_cr_report.pdf
- **Hyatt Hotels 2013-2014 Corporate Responsibility Report**

<http://www.ihgplc.com/index.asp?pageid=723>

- **Starwood Hotels 2013 Global Citizenship at Starwood Update**

http://www.starwoodhotels.com/Media/PDF/15_0105_Starwood_2013_Data_Update.pdf

Theoretical concepts covered in the case study

Shareholder theory: Milton Friedman (1970) asserts that shareholders are the owners of a company, and the firm's sole obligation is to increase profits for the owners; the firm's objective and fiduciary obligation is to maximize shareholder wealth. If CSR initiatives increase profits then shareholders should implement such initiatives.

Stakeholder theory: A theory developed by Freeman (1984) that claims that there are a myriad of actors and groups of actors who have a stake in the activities of an organization. These actors, then, can impact the decisions and behaviors of firms based on their interest to interact and power vis-à-vis the firm.

For example, other parties concerns that should be considered, including governmental, associations, communities, suppliers, employees, and customers.

Carroll's (1991) Pyramid of Social Responsibility describes four kinds of social responsibility that build upon each other and can be depicted in a pyramid. At the top of the pyramid is philanthropic responsibilities which is described as being a being a good corporate citizen, promoting behaviors that encourage goodwill and human welfare.

Adam Smith's "invisible hand" argues that if individuals act in their own best interest thusly, in the best interest of society often society often is most often successfully promoted more than intended.

Carroll's Pyramid of Social Responsibility



Corporate Social Responsibility: CSR involves the conduct of a business so that it is economically profitable, law abiding, ethical and socially supportiveThe CSR firm should strive to make a profit, obey the law, be ethical, and be a good corporate citizen" (Carroll, 1999, p. 286).

| Hospitality Opportunities for Unethical Practices | |
|---|---|
| Practice | Possible Opportunities (Cause) |
| Overbooking | Relative autonomy of line level (ft. desk/housekeeping) |
| Theft | High turnover |
| Mistreatment of others | Regular use of part time employees |
| Racial Prejudices | High immigrant/minority line level population |
| Benefit at the expense of the guest | |
| Misleading information in advertising including websites, brochures & menus | |
| Cash interactions (overcharge/shortchanged) | |
| Charged for unused/unneeded services | |
| Gender /sexual harassment | |

Questions to generate interest:

- How important is a company's CSR strategy and reputation in your purchase decision (choice of hotel)? Does the cost of the purchase have an impact? Why or why not?
- How important is the CSR strategy and reputation of a company when deciding on job? In the hospitality industry, is CSR good for business? Why or why not?
- Do HHW's efforts in CSR provide them a competitive advantage in their industry? Why or why not?

Questions related to Business Ethics in the hospitality industry:

Provide examples of unethical practices that hospitality employees may be confronted with that may create morally or ethically ambiguous situations

Like many other service related industries, hospitality employees are susceptible to unethical situations and behaviors. As a result, hotel companies attempt to stay vigilant by incorporating ethical values into their company culture. A study conducted by Bonitto and Noriega (2012) explored whether individuals in service industry leadership positions thought unethical behavior existed among their peers.

Overwhelmingly, respondents felt that unethical practices exist and reported concern that dishonorable behavior is on the rise. Respondents identified that the majority of unethical decisions stemmed from greed, moral perceptions, job protection and the desire to perform to organizational pressure (including to enhance personal income or retain position). Beyond instituting an ethics based corporate code of conduct, efforts to increase employee awareness of CSR should be supplemented with on-the-job-training, education and tools for employees to use to help identify, vet and respond to ambiguous ethical situations. An ethical corporate culture will encourage an appreciation of ethics and promote the idea that one's actions have an effect on peers, departments, individual hotels, and the company.

What are some ethical dilemmas confronted in hospitality sales and marketing? How can a company minimize unethical sales activities?

- Reciprocity – (illegal) mutual exchange of benefits between a buyer and seller. If there is an exclusive tying arrangement, this is also illegal. For example, a hotel company may agree to purchase all its linin from one company in return to have the company only use their hotel brand for corporate travel and entertainment.
- Bribery – (illegal) monetary payoffs, kickbacks or preferential treatment between buyer and seller. As the industry moves to a global economy, many countries consider bribery as normal business practice.
- Gift giving and entertainment – (illegal) if the intent of the gift is given or accepted to gain a customer's business then this act is a bribe. A gift should only be given in gratitude—for example, after a contract is signed or as an end of the year appreciation for business. Public allegations of inappropriate gift giving has caused many companies and government agencies to enforce strict policies on gift acceptance.
- Making misleading sales claims – (personal integrity) Sales managers may make false statement or embellish hotel features and amenities in an effort to persuade customers in pursuit of sales goals.
- Bonus and Incentives – (fiduciary) – manager has a responsibility to make the best business decision for the hotel even if the decision results in missed personal bonus or incentive opportunity. For example, a sales manager turns away group business because of high transient demand (higher rate) due to a special event
- Defaming the competition –(illegal/personal integrity) speaking poorly regarding the competition not only reflects poorly on the sales person and the hotel but may also be considered slander of libel (illegal).

Questions related to the HHW case:

Often, CSR executives are considered part of the Public Relations Department. Cite examples in this case where PR influenced the outcome of HHW challenges. What impact does the location of the CSR executive within a PR department have on future CSR decisions? Is CSR merely a public relations tactic? Why or why not?

Do an internet search on the Hilton Starwood espionage scandal (2009). Based on your findings, how does this influence your opinion regarding HHW as a future employer?

Consider the franchise/management relationship between the Brand (HHW) and the hotel in the sex trafficking dilemma in 1998. Was HHW or the hotel more culpable?

Topics of discussion:

What is the difference between Corporate Social Responsibility and Business Ethics?

Business Ethics (BE) and Corporate Social Responsibility (CSR) are related concepts that are often used interchangeably to look at business practices from a different lens. Ethics focus on norms and values; the difference between right and wrong. Velasquez (2014) defines business ethics as “a specialized study of moral right and wrong” that applies to how business enacts “moral standards... for business activities” (p.15). CSR, on the other hand, is more focused on business’ obligations and behaviors towards society. Some scholars (Clarkson, 1995; Jumali, 2008) narrow the scope to business stakeholders such as employees and customers and more broadly to include the environment and sustainability. Carroll’s (1979) widely used definition of CSR “encompasses the economic, legal and ethical and discretionary expectations that society has of organizations” (p.500) and presents categories that assist scholars and managers to better identify and achieve CSR behavior, activities and performance. Whereas business ethics has to do with moral right and wrong, CSR takes morals and ethics out of business decisions and makes them into actionable events based on the interests of stakeholders and the ultimate long term interests of the organization (Enderle, 2010).

What is a hotel’s legal duty to protect guests?

Innkeeper Common Law and Reasonable Care Rule

In common law, the innkeeper was required to provide food, lodging and safety for its guests. Today, hotels are still liable as innkeepers adding the additional provision that the innkeeper must also provide the service of food and lodging in a non-discriminatory manner. While innkeepers are not insurers for the safety of their guests, innkeepers laws impose a duty to provide reasonable care in promoting their safety. These elementary innkeeper’s laws have been tested by disgruntled guests in a plethora of cases of claims ranging from injuries caused by defects in guest rooms to emotional distress caused by not having a room available upon check in (Barrows, Powers & Reynolds, 2012). In such cases, courts generally uphold that an innkeeper owes a guest the duty of maintaining the premises of the hotel in reasonably safe conditions, taking care not to expose them to danger. From a deontologist view, it is the innkeeper’s duty to protect his fellow man. More explicitly, once an innkeeper is aware of potential harm to their guest, they must evaluate their duty based on the principles of safety and security, compassion for humanity, respect for life and so on (Velasquez, 2014).

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