Corporate Social Responsibility in Business.
A new path to increased productivity: Application to the services sector

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In this paper we have reviewed the literature regarding the benefits that CSR can bring to businesses. The objective is to analyse what empirical studies conclude regarding the goodness of CSR for companies, both in economic terms, and other aspects. Although results are not entirely enlightening, however, research has found sufficient evidence that good social and environmental performance benefits the bottom line. Also, we can deduce that good social performance usually implies good financial performance and that companies positively evaluated according to criteria of social responsibility, stand out for the strength of their governance systems and control, transparency and respect for the environment, for their ability to manage crisis situations and interact with stakeholders, all of which contributes to the creation of long-term value. Finally we present the results obtained in the evaluation of two case-study in service firms, the Virgen de las Nieves University Hospital and the Sol Melia Group.

Keywords: Corporate Ethics, Ethics Dilemmas, Business Management, Corporate Social Responsibility, Sustainability

1. Introduction and objectives

Before creating a new company should be asked some questions about its social responsibility towards the sustainability of the planet and respect for human rights. In this sense we must be clear about what it is, what it means, who is involved and what the benefits are of Corporate Social Responsibility (CSR); why the company should be socially responsible, to whom the company should be responsible; what criteria can be used to measure and assess the socially responsible company; what the social responsibilities are and what steps are being taken in our country about CSR.

Some data and reports, calculations and recent studies by prestigious supranational bodies such as the United Nations Programme for Development (UNDP), World Wildlife Fund and the World Watch Institute, among others, show that if everyone consumed the same way as is done in the so-called Northern or industrialised countries, three planets would be needed for the
current needs.

But the European Union in 1992 developed the Fifth Environmental Policy Programme of Sustainable Development. And the Sixth Environmental Action Programme designed a "road map European Union environment" for the period 2002 - 2012, in order to move decisively towards a sustainable development model. Also in 2005 a renewed Lisbon Strategy was adopted (in 2000, the Lisbon Strategy set out a broad program of economic and social reforms), giving prominence to the "economic dimension of sustainability".

Some authors place the origin of the concept of CSR in the fifties, and link it to the rapidly increasing size and power of American companies and the emergence of urgent social problems like poverty, unemployment, race relations, urban degradation and pollution (sixties and seventies). CSR became a demand shared by various groups clamouring for changes in American business (Boatright, 1993).

Others find the roots of CSR in the twenties. At that time some began to talk about the principle of charity (Davis et al., 1988) - corporate philanthropy regarding the company's actions as a whole. Later the principle of charity was complemented by the principle of administration, which urged the company to take into account the public interest.

In the words of Professor Marta de la Cuesta (UNED, 2010): in a globalised and interconnected world, like the current one, legitimate social standing becomes more evident and necessary if we consider the power of large multinational corporations. Towards this end, standards of business conduct within the free market are required, in order to minimise social and environmental impacts caused by the economic activity of these corporations throughout the world. The old model of enterprise management based on maximising the benefit to the shareholder with a short-term vision has proven to be not only harmful to society in general but also for the shareholders themselves.

For example, Just 122 corporations account for 80% of CO emissions; 70% of international trade, 90% of technology patents and products and 80% of foreign investment in the world are in the hands of 500 multinationals. A single corporation, Cargill Canadian, holds 60% of the world grain market.

A formal definition of CSR is the following: A set of obligations and commitments, legal and ethical, national and international, along with interest groups, arising from the impacts of the activities and operations of organisations, results in social, occupational, environmental and human rights. That is, CSR affects the very management of organisations, both in their productive and commercial activities, and in their relationships with interest groups (stakeholders). It influences all types of organisations, public or private or non-profit, in all their dimensions and performance as well.

We can find other definitions of CSR by The European Union. In its Green Paper, CSR is defined as "the voluntary integration by firms of social and environmental concerns in their business operations and their relationships with their social partners". The UN Global Compact does not expressly define the
concept, nor do the Global Reporting Initiative or the OECD. At the European level, **Corporate Social Responsibility of Europe** (CSR Europe), also made up of companies, does not offer a single definition of CSR, but it recognises the ones of its social partners. **Business in the Community** of the United Kingdom, considered one of the pioneer organisations in the field of CSR and in terms of its impact, defines it as “the expression of a firm’s commitment to society and the acceptance of its role in it”.

This includes full **compliance with the law and further action** to ensure that a company does not knowingly act in a detrimental way for society. To be effective and visible, this commitment must be backed by resources, leadership, and be measurable and measured.

Consequently, issues related to CSR would be **sustainable development**, management of **economics, environmental and social impacts** of business operations and underwriting **profitability**, not only for shareholders but also for other interested parties whom the company’s activity affects.

**A triple goal** for businesses could be outlined as: to be economically viable, socially beneficial and environmentally responsible. That is, the objectives of sustainable development would be **environmental protection** (prevent and reduce environmental pollution and promote sustainable production and consumption), **cohesion and equality** (promoting a democratic society, cohesive, healthy, safe and just, that respects **fundamental rights** and cultural diversity), **economic prosperity** (development towards being prosperous, innovative, knowledge-rich, competitive and environmentally friendly), and **fulfil our international responsibilities** (to ensure that internal and external policies of the European Union are consistent with sustainable development).

Focusing on the aspect of **sustainable development**, The World Commission on Environment and Development, in its report "Our Common Future" known as the Brundtland Report, published in 1987, coined the famous definition of **sustainable development** as "one that meets present needs without compromising the ability of future generations to meet their own needs”.

Therefore, sustainable development is not limited to economic development, but it includes other human performance variables - social, political, cultural, environmental - in a globalising and holistic process, reaching a total diffusion of thought, opinion and all aspects of society. From the combination of three currents– the need for **lasting development, environmental awareness** and **social sensitivity** – a new global and inclusive paradigm, **sustainability**, has emerged. That implies a **creative and thoughtful approach to reality**, a **responsible task** to ensure **efficient and equitable remedies** for inequities and conflicts that arise, making **better use of the opportunities** before us, **greater harmony** between human beings and **other living things**, and represents a **new way of thinking and feeling, ethics and solidarity**, in all aspects of life, whether political, social, economic or environmental. Sustainability is definitely a commitment to the future.

Some tools we can use to analyse sustainability are the following: the **ecological footprint**, which measures the impact of humans on ecosystems,
the ecological rucksack, which measures the amount of natural resources that the consumption of different services and products uses up, the 3 Rs (reduce, reuse and recycle), environmental and sustainability education, the precautionary principle, in all those activities that cause an impact on the environment, responsible consumption, socially responsible investment, eco-innovation, eco-design, eco-efficiency, eco-gauge, environmental taxation.

The most important initiatives for sustainability have been the following:

Global Compact

At the meeting of World Economic Forum 1999 in Davos, UN Secretary General Kofi Annan proposed the Global Compact to achieve the incorporation of various social partners (employers, unions and non-profit organisations) around the world, to serve as a role model to promote economic, social and environmental development and harmonise development with the environment.

The Global Compact assumes nine basic and universal principles that must be complied with, concerning the promotion and respect of human rights, labour rights, child labour and environmental protection.

It was introduced in Spain in April 2002 and has since been followed by many Spanish organisations (www.unglobalcompact.org).

The Earth Charter

This was introduced in Paris in March, 2000 after a period of preparation that began in 1997 with the creation of the Charter Commission and after the Brundtland Report in 1987 recommending the establishment of a document of this nature.

This initiative is intended to be a factor conducive to an overall shift in favour of sustainability, open to participation by all social agents, both public and private. (www.earthcharter.org)
Communications of the European Commission


Global Reporting Initiative (GRI)

The American Coalition for Environmentally Responsible Economies (CERES), along with the Programme of the United Nations for the Environment (UNEP), created this project. GRI began in 1997, published the first guide in 1999 and the final version in 2000. (www.globalreporting.org)

Observatory of Sustainability in Spain

The Observatory's mission is to stimulate change towards sustainability and provide relevant and reliable information about it to society. (www.sostenibilidad-es.org)

With regards to Human Rights (HR), its main characteristics in relation to CSR are reflected in international regulations and, in particular. Those fostered and adopted to protect human rights, by international bodies like the United Nations (UN), International Labour Organisation (ILO), European Union (EU), the Organisation for Development (OECD), among others, are the basic minimum necessities that any organisation that wishes to operate a system of corporate social responsibility should require for its operations, activities and management decisions within its area of influence.

Therefore the Human Rights and international laws that protect these rights are not only fundamental aspects of CSR, but are the indispensable basis that any company must consider and include when designing a management system with CSR.

One of the most tragic consequences of the lack of respect for HR in companies is the loss ratio. The total number of deaths worldwide, associated with work, amounted to more than 2.2 million, according to ILO data. The leading causes of workplace accidents worldwide are related to type of recruitment and working conditions, according to World Health Organisation (WHO). A similar conclusion
was reached by both the National Institute for Occupational Safety and Health (NIOSH) in the U.S. and the Canadian Centre for Occupational Health and Safety (CCOHS) in Canada. However, the UN has launched a project of standards for transnational corporations with the intent to subject them to international codes of conduct.

http://www.canaluned.com/index.html#frontaleID=F_RC&sectionID=S_TELUNE&videoID=138

In this context, the first thing that arises is a logical question: Why should the company be socially responsible? As argued by Professor Marta de la Cuesta (UNED, 2010), the fact that the company responds to social demands can be a competitive advantage and a source of value creation for stakeholders and for the public in general:

A. **Value for shareholders**

Regarding the relationship between CSR and financial results, no clear conclusion has been reached, as will be seen in the literature review. Even in cases of positive relationship the direction of this cause-effect relationship cannot be clearly established (Waddock and Graves, 1997).

B. **Value for customers**

Studies show that there is a clear influence of CSR in the buying decision. Thus, surveys in the UK show that 86% of consumers have a better image of companies that actively contribute to improving society. And seven out of ten showed willingness to switch to brands of equal price and quality (www.bitc.org.uk).

In Spain, seven out of ten citizens consider themselves ethical shoppers and 68% support companies that collaborate with NGOs and community projects (www.empresayssociedad.org). In a work by Gismera and Vaquero (2000) it was found that nine out of ten Spaniards would be willing to pay a higher price for a product where part of the price would go to some kind of social project and 70% if the product were ecological. Also PricewaterhouseCoopers in 2005 found young people to be the population with the greatest purchasing power and the most sensitivity to CSR in the sector of food and beverages.

C. **Value for employees**

In general, companies with a good reputation strengthen the morale and productivity of their employees, attracting and retaining the best ones, which is indicative of increased business efficiency.

But there are other reasons for a company to adopt CSR actions, such as further privatisation of the economy and the loss of power of the public sector. This forces companies to take on a role which up to that time had been assumed by the state. As professor Muñoz Torres argues (UNED 2010) and the work of García-March highlights (2003), companies are increasing their action capacity and, along with it, their social responsibility. In fact, of the 100 largest
economies of the planet, 52 are big corporations. Other things to be considered are the process of globalisation, which requires companies to apply social criteria in different cultures and civilizations; the new information technologies, which allow the dissemination of information by companies to interest groups or stakeholders; development of new business structures, which require them to adopt principles of corporate governance adapted to certain codes of conduct and, finally, some of the legal changes that are occurring in Europe and the rest of the world, relating to CSR standards.

Nevertheless, total agreement has not been reached among specialists. There remains considerable debate about CSR between those for and against this form of business management. Some renowned economists, such as M. Friedman (1970), recognise only one social responsibility for the company: increasing profits. The social effects generated by this behaviour would be influenced by this compliance, payment of taxes and the contribution to employment.

However, in this theory there are some errors, because Friedman did not take into account that the market is imperfect, that the decision to include some costs and not others (environmental ...) is a value judgment, the existence of externalities to be counted, and that the management cannot pay attention only to shareholders. There are also stakeholders and interest groups. Responsibilities such as service to consumers, dealing with suppliers fairly, preserving and creating jobs, paying fair wages, re-educating and promoting employees, can be seen, in terms of improved productivity in the long term, as a measure of corporate wealth.

There are other theories for CSR. Hence we find the principles derived from religious, ethical, philosophical or social norms assumed; ideas based on rational calculations show that the business is benefitting, as a matter of social concern.

Others see CSR as a business. This is the so-called "business case", which is nothing more than a series of arguments to convince shareholders and managers that CSR is good for the company and society. The reasons are that in addition to financial capital, companies create intangible assets such as human capital, social and intellectual. Also CSR would foster relationships with stakeholders and would be a future investment. Companies with this type of management would be scrutinised by investors which would bring greater credibility.

One of the concepts that best defines socially responsible behavior of companies is the so-called "performance", social or financial. As explained in Fernandez, MA; Muñoz, MJ; Balaguer, MR (2005), the word performance, which has been widely used in the literature, would be the analysis and evaluation of corporate activities over a period of time. Thus, evaluation of these results from the point of view of social responsibility would be called social performance, and would be measured by the company's response to the needs of its stakeholders. Relating this social performance with financial performance is what is done in such work.
But before addressing this overview, it is necessary, if only on an introductory level, to frame this concept within the different economic literature models, which provide the theoretical basis for the role the company plays in society. They all presuppose that the sole purpose of business is not the maximisation of profit, as argued by Friedman (1970).

**The socioeconomic model of stakeholders**

Freeman (1984) established the idea that if companies operate in increasingly complex environments, they have to meet targets involving more interest groups or stakeholders. Accordingly, sustainable relationships with society imply satisfying the demands of all these groups. That is, corporations have responsibilities that go beyond maximising short term profits. This form of understanding the company was acquired after obtaining evidence that over the long term business results improve (Lafuente et al., 2003).

Nonetheless, they coincide with classical models in which profit is the primary responsibility of the company. Therefore, in this model "responsibility and profitability are inseparable".

**The three-dimensional model, or The Social Performance of Carroll**

Carroll (1979) diseñó una herramienta para integrar todas las dimensiones que entran dentro del concepto de RSC. Es el modelo denominado "Organisational Social Performance Model", basado en tres dimensiones para analizar el acercamiento de las empresas a la RSC y que Joyner and Payne (2002), resumieron en la siguiente tabla:

Carroll (1979) designed a tool for integrating all dimensions that fall within the concept of CSR. It is called "Social Organisational Performance Model", based on three dimensions for analysing how closely companies approach CSR. Joyner and Payne (2002) summarised this in the following table:

<table>
<thead>
<tr>
<th>I Dimension</th>
<th>II Dimension Social Responsibility categories</th>
<th>III Dimension Social goals affected</th>
</tr>
</thead>
<tbody>
<tr>
<td>Reactive</td>
<td>Economic</td>
<td>Consumption</td>
</tr>
<tr>
<td>Defensive</td>
<td>Legal</td>
<td>Environment</td>
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<tr>
<td>Accommodative</td>
<td>Ethical</td>
<td>Discrimination</td>
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<tr>
<td>Proactive</td>
<td>Discretionary</td>
<td>Product safety</td>
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<td></td>
<td></td>
<td>Work Safety</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Shareholders</td>
</tr>
</tbody>
</table>

Table 1: Dimensions of the organizational model of social performance (Joyner and Payne, 2002)
In the **first dimension** the attitude of the company towards CSR would be reflected and it would include the different philosophies that can be adopted. The **second dimension** specifies the responsibilities facing the company from the standpoint of the organisation’s operation. The **third dimension** refers to the activities regarding which the business can act in a socially responsible manner.

The work of Joyner and Payne was to conduct a survey with 25 items for two different companies, through which they tried to identify the links between values, ethics and social responsibility incorporated in the management of companies. And although they acknowledged that their findings could not be generalised, due to the small sample size used, they suggested starting a line of research in this direction, with a broadening of the sample chosen as well as the study period. They also recognised that for many researchers trying to link the ethical behaviour of companies with profits was a waste of time, because ethical principles are important enough by themselves and do not need to be justified in corporate profits. Although they shared some of this reasoning, they understood that if the ethical behaviour of businesses helps to earn more profit, this would impel a necessary change in business world.

- **The two-dimensional model of Quazi and O’Brien (2000)**

According to the authors, the two dimensions of that part of the corporate vision of CSR are the following: the area of social responsibility (small or large) and the results derived from this social commitment (costs or gains).

If we represent these dimensions in a coordinate axis, each of the four quadrants would reflect different approaches that economic theory gives to CSR in the company: the classical approach (profit maximisation); socio-economic approach (reduced vision of social responsibility, but acceptance that a small degree of CSR provides certain benefits to the company); philanthropic approach (broad view of social responsibility, even if it entails a net cost) and modern approach (based on interest groups, through which the company maintains an extensive relationship with society and will gain net benefits in a medium and long term).

- **Models that relate Social Responsibility and Profitability of Financial Markets**

These are based on the idea that the classical models of assets valuation contain some anomalies, because the rational behaviour attributed to individuals (Fama, 1970) is not always the case. It has been observed that certain securities have returns that do not accord with the principles of market “efficiency” (Bandrés, 2002). This would not be so if the individuals had provided all the information and behavior were rational, as classical models postulated.

Some of these models are called Socio-economic Models of portfolio theories. They incorporate social profitability into the classical theories, and originate from the classic model of the *Capital Asset Pricing Model* of Markowitz. Various
authors, among whom we can find Arnsperger (1998), have been modifying these through successive theoretical contributions.

Nevertheless, some time ago economists observed the limitations of financial theory, derived from human complexity. They have therefore developed a new theory called Behavioural Finance, which studies the relationship between psychology and finance, in order to influence the systematic errors incurred by the investors.

Thus, authors such as Saunders (1993), Kamstra et al. (2000) and Loewenstein et al. (2001) show that although cognitive factors cannot by themselves explain the behaviour of agents in markets, they can be very important in situations of risk and uncertainty.

The last step in this field is that of Sustainable or Socially Responsible Finances (Sustainable Finance), which expands the above analysis to the moral and social behaviour of agents, thereby contributing to CSR being a tool to improve society. Thus, Zsolnai (2002) defines economic agents as "people whose behaviours are determined by their moral psychology and by the relative cost that may be entailed by behaving in a socially responsible manner".

2. Methods and Results

As was explained in the previous section, one of the concepts that best defines socially responsible behaviour of companies is the so-called performance, social or financial, which would entail the analysis and evaluation of corporate activities over a period of time. Relating the social performance with financial performance and studying works that analyse this relationship are the principal objectives of this work.

In recent years many studies have been emerging that analyse the results of social and environmental performances of companies. It is of interest academically to analyse the reasons that drive companies to voluntarily provide information beyond what is legally established. The business need for differentiation, easier access to capital markets that provide greater transparency, the positive relationship between good CSR practices and more information are presently being investigated (Fernandez et al., 2005).

Also, other studies have attempted to elaborate methodologies for quantifying and evaluating the results of corporate actions on social responsibility. But there are also international initiatives emerging to provide tools for developing sustainability reporting, in order to provide consumers and investors, and generally all stakeholders, information on social and environmental responsibility of companies.
<table>
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<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Human Rights</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
</tr>
<tr>
<td>Labour Rights</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
</tr>
<tr>
<td>Labour practices (safety, health, training, etc.)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Environment</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
</tr>
<tr>
<td>Relations with suppliers</td>
<td>X</td>
<td>(X) “encourage”</td>
<td></td>
<td>X</td>
<td>X</td>
<td>X</td>
</tr>
<tr>
<td>Relations with customers/consumers</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td></td>
</tr>
<tr>
<td>Community relations</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
</tr>
<tr>
<td>Social Dialogue (management restructuring)</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td></td>
</tr>
<tr>
<td>Combat corruption</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td></td>
</tr>
<tr>
<td>Transparency</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td></td>
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<tr>
<td>Transmission of Know-How</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>Competition</td>
<td>X</td>
<td>X</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Taxation</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td></td>
<td></td>
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<tr>
<td>Mission, values and vision</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>X</td>
</tr>
</tbody>
</table>
Once given the above, and prior to the review of the studies linking social and financial performance, it is necessary to clarify the criteria utilised by the academic literature to measure both concepts.

A. Measurements of social performance in the company

As noted by Griffin and Mahon (1997) in their review of the literature relating social and financial performance, investigations indicate the different measurements used. In this regard, they highlight the Fortune reputation survey, which measures multiple dimensions of social performance, the stock index Zinder, Lydenberg, Domini & Co. Inc. KLD, the Toxics Release Inventory (TRI), or the amount of philanthropy generated by Corporate 500 Directory of Corporate Philanthropy.

<table>
<thead>
<tr>
<th>Measurements</th>
<th>Dimensions</th>
<th>Judges</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fortune reputation survey</td>
<td>8 attributes of reputation</td>
<td>Financial analysts, executives and external managers</td>
</tr>
<tr>
<td>KLD</td>
<td>5 attributes of CSR and 3 external pressure topics</td>
<td>external audiences</td>
</tr>
<tr>
<td>Toxics Release Inventory: TRI</td>
<td>quantitative measures</td>
<td>Information given by the company</td>
</tr>
<tr>
<td>500 Directory of Corporate Philanthropy</td>
<td>quantitative measures</td>
<td>Information given by the company</td>
</tr>
<tr>
<td>100 best corporate citizens</td>
<td>Average of three years of profitability for shareholders and six social measures</td>
<td>Social Investment research firm</td>
</tr>
</tbody>
</table>

Table 3: CSR measurements most often used by empirical (Fernández et al, 2005)

They also provide information on social performance, the Swiss international rating agency, Sustainability Asset Management (SAM) associated with Dow
Jones, Australia’s Corporate Monitor, the U.S. National Investment Services (NIS), the French Finansol, the Dutch Triodos Bank, Micropal Rating, rating agency Standard & Poor’s, or Ethical Investment Research Service (EIRIS) in Britain, which provides social information to the Financial Times ethics index.

<table>
<thead>
<tr>
<th>CRITERIA</th>
<th>OPPORTUNITIES</th>
<th>RISKS</th>
</tr>
</thead>
<tbody>
<tr>
<td>Economic dimension</td>
<td>Strategic Planning Instruments: - Corporate Governance - Code of Conduct</td>
<td>Financial Strength Instruments: - Risk assessment and crisis</td>
</tr>
<tr>
<td>Environmental dimensions</td>
<td>Environmental Reports Instruments: - Eco-design products</td>
<td>Greenhouse gas emissions Instruments: - Environmental Management Systems - Environmental Projects</td>
</tr>
<tr>
<td>Social dimension</td>
<td>Salary Instruments: - Professional Development - Relations with stakeholders</td>
<td>Human Rights Instruments: - Antidiscrimination - Employee turnover</td>
</tr>
</tbody>
</table>

Table 4: Evaluation Criteria SAM (Source: www.samgroup.com)

Starting with the weighting of these criteria, the Sustainability Asset Management (SAM) then proceeds to assess the social performance according to the following table:

<table>
<thead>
<tr>
<th>Stage</th>
<th>Weight (importance) of the responses when signed by the CEO of the company</th>
<th>Weight (importance) of the responses if they are not signed</th>
</tr>
</thead>
<tbody>
<tr>
<td>Stage 1: Assessment Questionnaire</td>
<td>70 %</td>
<td>50 %</td>
</tr>
<tr>
<td>Stage 2: Quality and availability Public information</td>
<td>20 %</td>
<td>33,3%</td>
</tr>
<tr>
<td>Stage 3: Verification Truthfulness of the questionnaire. Reviewing the company’s investments on critical issues.</td>
<td>10%</td>
<td>16,6%</td>
</tr>
</tbody>
</table>

If necessary, some questionnaire items can be deleted. The eligibility of each company is determined at this stage.
Final Score

<table>
<thead>
<tr>
<th></th>
<th>100 %</th>
<th>100 %</th>
</tr>
</thead>
</table>

Table 5: Stages in the evaluation of social performance by SAM (Fernández et al 2005)

**B. Measurements of financial performance in the company**

In this case the evaluation is performed based on the economic indicators that are derived from the accounting. Some studies highlight the diversity of financial indicators that can be used. There are up to 80 different results from a literature review of 51 works, made by Griffin and Mahon (1997).

The ratios most utilised are those that evaluate benefits, those that measure the assets used, growth, liquidity, profitability-risk or investment-activity levels.

In the study by Fernandez et al (2005), there is a table with the variables used to measure financial performance, drawn from the information on the work of Griffin and Mahon.

<table>
<thead>
<tr>
<th>Variables</th>
<th>Number Ratios</th>
<th>Most used</th>
<th>Occurrence Number</th>
</tr>
</thead>
<tbody>
<tr>
<td>Profit Mean, Median</td>
<td>11</td>
<td>ROE</td>
<td>35</td>
</tr>
<tr>
<td>Return on sales</td>
<td></td>
<td>adjusted risk</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>Profit / Sales</td>
<td></td>
</tr>
<tr>
<td>Asset utilisation</td>
<td>8</td>
<td>ROA</td>
<td>18</td>
</tr>
<tr>
<td>Increase</td>
<td>13</td>
<td>Size</td>
<td>55</td>
</tr>
<tr>
<td>Cash</td>
<td>7</td>
<td>Acid Test</td>
<td>8</td>
</tr>
<tr>
<td>risk measurements</td>
<td>12</td>
<td>abnormal returns</td>
<td>61</td>
</tr>
<tr>
<td>others</td>
<td>22</td>
<td>Others</td>
<td>32</td>
</tr>
</tbody>
</table>

Notes: Roe: Earnings per share, ROA: Return on assets; Acid test: (flow+receivables/liabilities) Cash Ratio = available / required short-term

Table 6: Variables used to measure financial performance

**C. Empirical Results**

We have reviewed the literature regarding the benefits that CSR can bring to businesses. The objective is to analyse what empirical studies conclude regarding the goodness of CSR for companies, both in economic terms, and other aspects. Although results are not entirely enlightening, however, research has found sufficient evidence that good social and environmental performance benefits the bottom line. The focus of this paper is to present the study methodology and major findings.
In particular, studies show that the company that applies CSR criteria increases the economic value of the firm. Thus, Simpson and Kohers, 2002, extending previous research and using a sample of companies in the banking industry as well as indicators of community reinvestment, obtained a statistically positive relationship between social and financial performance. In a similar vein are studies by McWilliams and Siegel, 2000, Griffin and Mahon, 1997; Aupperle, Carroll and Hatfield, 1985). In addition, evidence has also been obtained that the criteria of CSR management reduces business risk (Moore, 2001; Orlitzky and Benjamin, 2001). Others believe that CSR attracts and retains employees (Backhaus et al. 2002; Turban and Greening, 1997; Mullen, 1997), or that it increases loyalty and improves corporate image or reputation (Maignan et al, 1999, Brown and Dacin, 1997).

However, Waddock and Graves (1997) argue and demonstrate that the causal relationship between CSR and financial results is not easy to establish because both concepts can be cause and consequence of each other at the same time. This is because among them there is a sort of virtuous circle that leads to, ceteris paribus, a better financial result, translated into improved social outcomes, which in turn leads to an improvement in financial results.

In reference to the relationship between consumption and CSR, Professor Marta de la Cuesta (UNED, 2010) indicates that, in general, consumers choose brands of socially responsible companies and tend to pay less to companies that are immoral or do not respond to social demands.

In particular, behavioural studies conducted with customers of companies confirm that SR is taken into account when choosing a brand, showing that women are more sensitive to this and that political affiliation is an influence as well (liberals and independents being more responsive to this than conservatives) (Paul et al, 1997). Social Responsibility affects the perception of the brand. Findings indicate a positive consumer response to new products (Brow and Dacin, 1997) and that although responsible behaviour does not replace the quality of company products, superior quality is not compensated if the company engages in unethical behaviour (Folkes and Kamis, 1999). In fact, these authors demonstrated in their study that the attitude of consumers towards quality products varied depending on the ethical behaviour of the company, whereas, the impact is less in the case of substandard products in companies with better ethical behaviour.

Finally, it should be noted that a successful social enterprise has access to the volume of funds from socially responsible investment, efficiency gains through better management of costs, and is more competitive where there are bids in countries with this type of legislation.

A work by M. Orlitzky, F. L. Schmidt, S. L. Rynes (2003), which is a quantitative study based on a meta-analysis of 52 empirical studies on the relationship between social and financial performance on a sample of 33,878 observations, concluded that there is a positive relationship between both variables. According to the authors: “The metaanalytic findings suggest that corporate virtue in the form of social responsibility and, to a lesser extent, environmental responsibility is likely to pay off, although the operationalizations of corporate
social/environmental performance (CSP) and corporate financial performance (CFP) also moderate the positive association. For example, CSP appears to be more highly correlated with accounting-based measurement of CFP than with market-based indicators, and CSP reputation indices are more highly correlated with CFP than are other indicators of CSP. This meta-analysis establishes a greater degree of certainty with respect to the CSP–CFP relationship than is currently assumed to exist by many business scholars”.

It also confirms the existence of a virtuous circle, described by Waddock and Graves, cited above, so that better social behaviour brings financial performance and vice versa, without being able to identify temporal priority between the two variables.

According to their results, the reputation gained by the company is strongly related to its financial performance (FP) to the extent that improving communication with third parties regarding the management of corporate social responsibility provides a better image to customers, investors, banks and suppliers and will attract the best employees.

What seems clear is that companies with unethical management have managed to cause the disappearance of even large companies with the prestige of Enron, Wordcom, Arthur Andersen and Parmalat.

Also Margolis and Walsh (2001) note that up to 2001 there were one hundred twenty-two studies that examined the relationship between corporate social responsibility and financial performance, the majority of them suggesting a positive relationship between the two.

Fernandez et al (2005) offer a table summarising these studies, extracted from the aforementioned study by Griffin and Mahon (1997):

<table>
<thead>
<tr>
<th>POSITIVE</th>
<th>NON-CONCLUSIVE</th>
<th>NEGATIVE</th>
</tr>
</thead>
<tbody>
<tr>
<td>Seventies</td>
<td></td>
<td></td>
</tr>
<tr>
<td>12 studies</td>
<td>3 studies</td>
<td>1 study</td>
</tr>
<tr>
<td>Moskowitz (1972)</td>
<td>Fogler and Nutt (1975)</td>
<td>Vance (1975)</td>
</tr>
<tr>
<td>Bragdon and Martin</td>
<td>Alexander and Buchholz (1978)</td>
<td></td>
</tr>
<tr>
<td>Bowman and Haire (1975)</td>
<td>Abbot and Monsen (1979)</td>
<td></td>
</tr>
<tr>
<td>Parket and Eilbert (1975)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Moskowitz (1975)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Belkaoui (1976)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Fry and Hock (1976)</td>
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<tr>
<td>Heinze (1976)</td>
<td></td>
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</tr>
<tr>
<td>Sturdivant and Ginter (1977)</td>
<td></td>
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</tr>
</tbody>
</table>
Ingram (1978)  
Bowman (1978)  
Spicer (1978)  

<table>
<thead>
<tr>
<th>Year</th>
<th>Studies</th>
<th>Authors</th>
</tr>
</thead>
</table>
| Eighties | 16 studies | Anderson and Frankle (1980)  
Burke (1980)  
Chen and Metcalf (1980)  
Kedia and Kuntz (1981)  
Fry, Keim, and Meiners (1982)  
Freedman and Jaggi (1982)  
Cochran and Wood (1984)  
Newgren et al. (1985)  
Marcus and Goodman (1986)  
Rockeness, Schalancheter and Rockness (1986)  
Cowen, Ferreri and Parker (1987)  
Spencer and Taylor (1987)  
Wokutch and Spencer (1987)  
Clarkson (1988)  
Lerner and Fryxell (1988)  
McGuire, Sundgren and |
| | 3 studies | Ingram and Frazier (1983)  
Aupperle, Carroll and Hatfield (1985)  
Freedman and Jaggi (1986) |
| | 13 studies | Chen and Metcalf (1980)  
Kedia and Kuntz (1981)  
Eckbo (1983)  
Strachan, Smith, Beedles (1983)  
Shane and Spencer (1983)  
Wier (1983)  
Cochran and Wood (1984)  
Jarrell and Peltzman (1985)  
Marcus and Goodman (1986)  
Pruitt and Peterson (1986)  
Davidson, Chand and Cross (1987)  
Davidson and Worrell (1988)  
Bromiley and Marcus (1989) |

Table 7: Analysis of the relationship between social and financial performance (Fernández et al., 2005)

Besides the above, they highlight the contributions of Roman, Hayibor and Agle (1999), who, from the research by Griffin and Mahon (1997) and based on 52 studies reviewed, conclude that there is a positive relationship between social and financial performance. Also, research by Waddock and Graves (1997) finds connections between the two, after samples were conducted of firms included in the S & P 500, suggesting that investment in improving social responsibility has a positive impact on relations with stakeholders and improves financial results and profitability.
Along the same lines, Qoronfleh and Vergin (1999), based on the annual survey of Fortune Magazine of the most reputable companies in America, analysed the relationship between corporate reputation and stock quotes, obtaining a causal relationship with performance shares.

More recently, Mahoney and Roberts (2002), using the database of the CSID (Canadian Social Investment Database) constructed a regression where the dependent variable was the financial performance, obtained through the return on assets, ROA and ROE; and the independent variable was environmental and social performance, consisting of a series of items such as employee relations, business practices, the social profile.... The sample consisted of 352 companies, and the analysis period was from 1997 to 2000. The results exhibited a positive relationship between the two variables.

The economic impact of social responsibility can be translated into direct and indirect effects for companies that practice it. Moreover, from a macroeconomic point of view it can be assumed that a critical number of responsible companies in an economy would transform it into a focus of attraction for production factors and other resources.

To explore the robustness of this hypothesis, Navarro and González (2006) analysed the association among certain CSR indicators and the evolution of some variables related to economic growth in the OECD countries. The results obtained do not warrant CSR being considered a determinant factor for economic growth, but they reveal a positive association between CSR indicators of and those of economic growth in the OECD countries. This connection is especially remarkable in the cases of competitiveness and price stability indicators. The statistical association is even more apparent in the European Union, where sustainability indexes also show a positive evolution, superior to that of the general indexes. Therefore, in accordance with these results, we can observe that CSR is a practice empirically compatible with competitiveness.

D. Case study

In this section we are going to present the results of two case studies in reference to the service sector in which we have analysed the responsibility reports by means of the methodology created by the New Economics Foundation.

The aim is to test for two basic questions: on the one hand, whether companies whose managements accord with CSR criteria improve their social and financial indicators, in line with that shown in previous studies; on the other hand, if the information given in these reports is consistent and logical from the point of view of management based on CSR, or whether this information is just an operation to produce a portrayal without any real content.

The NEF methodology stands out for its ease in being handled and for offering comparable results, regardless of sector, size and other characteristics of the companies analysed. In addition, by providing a numerical score this
methodology facilitates comparability over time of CSR management strategy. What we essentially do is check whether the published reports fulfil a number of principles of coherence, through different questions to be scored based on the robustness of the information provided and the evidence found in published documents.

The survey was structured around the following eight principles of coherence:

- **Full** - impartial inclusion in the management system of CSR in all areas of activity
- **Comparable** - with prior periods, and externally with other organisations and standards
- **Appropriate** - inclusive dialogue with stakeholders
- **Regular and Evolutionary** - systematic conduct, developmental and regular
- **Integrated and transverse** - in the processes of accounting, consulting and auditing....
- **Open** - to stakeholders about the processes of measurement and verification and the results obtained from activities of internal and external audit
- **Verifiable** - analysis by an external audit of the records, as to whether reports and data are valid, complete, relevant, coherent and appropriate
- **Continuous improvement.**

The result is reflected in a graph that displays each of the cases analysed.

The University Hospital Virgen de las Nieves (HUVN) was established in 1953 and is one of the largest hospitals in the Andalusian Public Health System. Its areas of influence are the provinces of eastern Andalusia, Granada, Jaen and Almeria.

Among the principal indicators of medical care are those of being a regional referral hospital with 8 health facilities, having 1,075 beds installed, including a reference population throughout the Health Area of 828,107 people and a population of 442,523 people attended. It has a workforce of 4938 workers. Its total expenditure is 313,681,875 euros. It deals with a total of 246,116 emergency problems each year, and performs 36,463 surgical procedures, 4315 of which are obstetrical deliveries. 38,206 patients are admitted and 620,514 outpatient visits are made annually.

In 2003 the hospital produced its first sustainability report, having achieved since then, as stated therein, the formation and consolidation of an important working group, whose commitment has been the collection, refinement and processing of data. It has also won major awards, in recognition for its reports,
from prestigious organisations, such as the Avedis Donabedian Foundation in 2005, for the best information on Socially Responsible activities in health institutions.

The resulting graph of the scores assigned to each part of the analysis shows that the report is very comprehensive in its information, although in the other parts it remains at an average level, in general, derived from its being a public hospital, with few similar organisations with which to be compared, since this is a pioneering activity in the industry. Furthermore, dialogue with stakeholders is maintained at a reasonable level, because it is a public hospital and the analysis of user satisfaction is done through surveys. With respect to suppliers, it has no clear policy of engagement in CSR standards, both in terms of suggestions in the hospital and application to their own businesses. The staff is well-informed and well trained, but there is no evidence that its opinion is taken into account in regards to progress in CSR practices.

The Hospital, in an 18 year period since 1992, has seen a radical change in management. It is currently a pioneer in the development of Sustainability Reporting and the participation in many projects with regard to respect for environmental, social and labour standards.

Internally, the control and monitoring of indicators of GRI and EMAS guidelines are ongoing, there being existing working groups responsible for each centre.

Information, training and dissemination policies are very important.

The hospital also participates in many projects of benefit to the community and in the dissemination of environmental values, which are already being applied
internally with comparative policies of energy saving, saving water, preparing meals with organic products ... etc.

- **Sol Melia Group: Annual report 2010**

As reflected in its financial report, the parent company, Sol Meliá, SA is a Spanish corporation that was established in 1986. Sol Meliá, SA and its subsidiaries and affiliates (hereinafter the "Group" or the "Company") form an integrated group of companies mainly dedicated to tourist activities in general and more specifically to the management and operation of its owned hotels, rent, its regimen of "management" or franchise, as well as vacation club operations. The Group is also dedicated to promoting all types of businesses related to tourism and the hotel sector, leisure, recreation or amusement.

The Group operates in Germany, Argentina, Brazil, Bulgaria, Chile, China, Costa Rica, Croatia, Cuba, Egypt, Spain, USA, France, Greece, Holland, Indonesia, Cayman Islands, Italy, Luxembourg, Malaysia, Mexico, Panama, Peru, Portugal, Puerto Rico, United Kingdom, Dominican Republic, Singapore, Switzerland, Tunisia, Uruguay, Venezuela and Vietnam.

In its 2010 Sustainability Report, it incorporates, as a novelty, the independent review, made by the audit company PricewaterhouseCoopers, SL. The conclusion of this report is that no aspect has been revealed which makes them believe that the Sustainability Report 2010 Sol Meliá contains significant errors or has not been prepared, in all material respects, in accordance with the guide to development of the GRI Sustainability Reporting version 3.0 (G3).
The resulting graph of the scores given to each part in this analysis illustrates that the report is verifiable, since it has been audited by an independent firm; is in an advanced continuous improvement process; still lacks enough information to be complete, although indicating which parts are not reported; is beginning to be comparable, although there are new issues that are included and were not in previous reports; is moderately inclusive in its relationship with stakeholders, although it could improve with continued dialogue and development of expert panels; is reasonably regular and ongoing, as well as integrated and transversal, in attempting to integrate in all its accounting processes the improvements derived from sustainable behaviour; is also open in its information and communication, except in the case of some foreign countries. With respect to suppliers, it has no clear policy of engagement in CSR standards, despite the statement of criteria used, both on the level of suggestions as well as application in its own businesses. The staff is well-informed and well trained, but there is no evidence that its opinion is taken into account in CSR practices progress. Neither is this done with the staff of the hotels located in other countries.

Nevertheless, overall the Sol Meliá Group makes continuous efforts to adapt its management to CSR standards and to be transparent in information and communication with stakeholders.

3. CONCLUSIONS

- Social responsibility means taking into account the demands of society in general: local, national, universal and future.

- But there are still differences. Some think that the company is only accountable to the public with whom they have contact, hence prefer public accountability.

- Stakeholders of the company are the groups and individuals that affect or are affected by it, that is, the interests, demands and expectations that are at stake in each case, and the real power that everyone has in this network of relationships.

- Business leaders are those who monitor and evaluate environmental conditions and focus on the demands of various stakeholders who are defined as those agents that have to do with and relate to the company.

- Carroll understands that corporate social responsibility has four faces. The company must be profitable (to meet their financial obligations). It must obey the law (to meet the legal obligations), maintain ethical behaviour.
(compliance with ethical obligations), and give back to society part of what it has been given through philanthropy or social action.

- Although empirical data are not entirely enlightening as to whether there is a seamless connection between good corporate management and good financial results, research has found sufficient evidence that good social and environmental behaviour brings income benefits.

- Despite the economic crisis and some positions that regard CSR as a fad, what seems evident in the available studies is that those companies that use CSR as criteria in their management, are more profitable, enjoy a higher social status, their employees feel more integrated into projects and the stakeholders are satisfied with their management participation.

- From the analysed studies we can deduce that good social performance usually implies good financial performance and that companies positively evaluated according to criteria of social responsibility, stand out for the strength of their governance systems and control, transparency and respect for the environment, for their ability to manage crisis situations and interact with stakeholders, all of which contributes to the creation of long-term value.

- In both cases studied, the benefits that CSR management criteria bring to the company are confirmed. Thus, in the case of the University Hospital Virgen de las Nieves in Granada, the management has made a radical change over a period of 18 years. It is currently a pioneer in the development of Sustainability Reporting and in participation in numerous projects to benefit the community and with regard to respect for environmental, social and labour standards. And in the case of the Sol Melia hotel group, we see that it is making continuous efforts to adapt its management to CSR standards and to be transparent in information and communication with its stakeholders, without this having incurred any loss in achievement of financial results or in user assessment and satisfaction.
4. REFERENCES


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WBIWorld Business Council for Sustainable Development (WBCSD)


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