STAKEHOLDER THEORY & CORPORATE SOCIAL RESPONSIBILITY IN SPAIN

An essay submitted in partial fulfillment of
the requirements for graduation from the
Honors College at the College of Charleston
with a Bachelor of Science in
International Business

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MAY 2015

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Table of Contents:

1. Abstract (p. 2)
2. Introduction (p. 2-6)
3. International CSR Standards (p. 6-9)
4. Europe (p. 9-13)
5. Spain (p. 13-21)
6. Contradictions (p. 21-24)
7. Summary (p. 24-25)
8. Conclusion (p. 25-26)
9. References (p. 27-28)

Abstract

There always will be companies and economists on both sides of the spectrum in terms of Stockholder versus Stakeholder Theory, but this is limited to that which is theoretical. What cannot be ignored is the movement toward corporate social responsibility (CSR) that has been called for by various groups of stakeholders, not solely the shareholders. The following literature reviews the contemporary research surrounding the movement toward Stakeholder Theory and corporate social responsibility in Europe among global firms, ultimately focusing on this development in Spain. The goal of this research is to demonstrate the progress toward the stakeholder approach and to determine the position of Spain and Spanish corporations overall. An emerging market case based on multinational enterprises’ expansion into South Korea and European corporate social responsibility will be examined and used as a basis to apply such research to Spain.

Introduction

The first step in completing this evaluation is to determine the disparity between Stockholder Theory and Stakeholder Theory by means of each theory’s respective founding American economist. On one end stands Milton Friedman, the late economist who taught at the
University of Chicago. In his 1970 publication, Friedman held that “The Social Responsibility of Business Is to Increase Its Profits”, the name of a key chapter in his textbook *Corporate Ethics and Corporate Governance* (Friedman, 1970). Friedman was a firm believer in *Free Market Economics*; he felt that any business that had goals other than increasing profitability was stepping into the realm of socialism. According to his textbook, Friedman believed that corporate executives and other employees in a free market are employees of the owners of the firm: the shareholders. Therefore, anyone working for the firm should have the shareholder’s best interest in mind. The primary goal of corporate employees should be to increase shareholder wealth within the set ethical and the legal means. Moreover, Friedman held that corporations, as artificial entities, do not have social responsibilities; only people can have social responsibilities. If corporate executives or other corporate employees are using company resources to do anything other than or beyond that which is in the best interest of the firm, then they are essentially exercising their own social responsibilities at the expense of the shareholders (Friedman, 1970). Friedman’s theory has generally been coined Stockholder Theory.

On the other end of the spectrum, we have R. Edward Freeman, a philosopher and professor of business administration at the University of Virginia. Freeman published his Stakeholder Theory in his 1984 book, *Strategic Management: A Stakeholder Approach*, which is in direct contrast to Friedman’s theory. The Stakeholder Theory holds that the purpose of a corporation or business in general is to create value for the stakeholders, who are comprised of the shareholders and the other defined groups affected by the organization. Freeman’s stakeholder groups include shareholders, customers, suppliers, employees, communities, governments, trade organizations, political groups and financiers (Freeman, 1984). According to Freeman’s theory, in order for a corporation to be successful and survive in the long-term, it
must look to maximize its overall value for these various groups of stakeholders (Freeman, 1984).

Which theory holds practical truth in today’s global business world? Is it possible that Friedman and Freeman have both been correct at some point? Has the business environment evolved since Friedman’s 1970 publication? Friedman’s initial article outlining what is commonly coined shareholder theory seemingly was the catalyst for further research in this area, as all studies on this topic were completed subsequently. The following works evaluate the reality of corporate entities actions abroad. We will explore each and analyze the conclusions drawn, to ultimately determine where Spanish corporations lie in terms of corporate social responsibility.

To begin this discourse, the influence of stakeholders on the actions of multinational enterprises in the emerging market of South Korea will be examined. This study, titled Corporate social responsibility: Stakeholders influence on MNEs’ activities, sheds light on the influence of various stakeholder groups on the dealings of such corporations in an emerging market (Byung Il et al, 2014: 966). This study provides a good basis, as legal regulations governing the social responsibilities of corporations are the most permissive in such markets. Frequently, when MNEs pursue a strategy of foreign direct investment, there is skepticism surrounding their intentions and effect on the subsidiary country. As cited in the article, “the negative impression of FDI might be significantly reduced if MNEs engage in actions that go beyond their direct economic and financial interests, get involved in activities that are not required by the law, further their social good, and use their internal resources in ways to benefit local markets through committed participation as members of society” (Byung Il et al, 2014: 966-967). The results of the above study directly support this claim, as it finds that all
stakeholder groups have a positive influence on MNEs corporate social responsibility, aside from business collaborators, which demonstrated a significant negative influence. Business collaborators are defined as those local businesses surrounding the MNE subsidiary (Byung Il et al, 2014: 975). The article states that this is more often the case in emerging markets, such as South Korea, where domestic businesses are not expected or legally required to operate responsibly (Byung Il et al, 2014: 975). Such firms are completely profit-driven, and therefore influence the MNEs with which they interact to conduct business in a similar manner.

The authors draw the conclusion that the other primary stakeholders, consumers and internal managers and employees, propel MNEs to operate in a socially responsible way in emerging markets (Byung Il et al, 2014: 976). Consumers do so through their propensity to purchase goods from corporations with a positive social image, and avoid firms with the opposite. Internal managers and employees bring their own social values to the table within the organization for which they work, positively affecting the CSR initiatives of the firm (Byung Il et al, 2014: 975). Additionally, secondary stakeholder groups such as non-government organizations (NGOs), local governments, communities, and media all have a positive influence on the CSR initiatives of a MNE abroad (Byung Il et al, 2014: 976). All of these groups strive to promote the social well being of their members and citizens, and therefore translate this force to charge MNEs to act ethically when entering their reign. Furthermore, the media is key in exposing firms that choose not to act responsibly, negatively affecting the firm’s financial performance in the foreign market.

From this study, we can draw on the fact that stakeholders have strong influence on the CSR endeavors of firms operating abroad, even in emerging markets, where the legal restrictions and ethical expectations are less. In order to achieve success in foreign markets, MNEs must
keep their stakeholders in mind, both domestically and abroad, which contradicts Friedman’s shareholder theory (Byung Il et al, 2014: 977). From such origins have arisen international corporate social responsibility standards that will be discussed in the following segment.

**International CSR Standards**

To add domestic relevance and relativity to the remainder of this discourse, we must first evaluate the United States Securities and Exchange Commission (SEC) standards for the formal environmental reporting of publicly traded corporations. The 2010 Commission release titled, *Commission Guidance Regarding Disclosure Related to Climate Change*, outlines and provides guidance on the climate disclosure requirements of the organization (SEC). Essentially, public companies in the United States are required to report or disclose anything that could affect an investor’s attitude regarding corporate matters. Regulation S-K and Regulation S-X require clarification with material information of any statements made in a corporation’s Quarterly or Annual Reports that could potentially be misleading (SEC, 2010: 12). The release states that, as part of Regulation S-K, “Item 101 expressly requires disclosure regarding certain costs of complying with environmental laws” (SEC, 2010: 13). The effects on the corporation that are incurred by abiding to local, state, and other federal legislation must be disclosed, which includes valuable environmental information on the firm. Item 103 of the above-mentioned regulation requires that environmental litigation be disclosed as well. Most other material environmental information of public companies falls under the Item 503 section titled Risk Factors. Any activity conducted by the firm carrying a risk that affects the decision of shareholders must be disclosed in the Annual Report (SEC, 2010: 15).
In any case, the financial or legal implications of climate change affecting the corporation or its investors must be reported to the SEC and published publicly. However, the release does mention, “Although some information relating to greenhouse gas emissions and climate change is disclosed in SEC filings, much more information is publicly available outside of public company disclosure documents filed with the SEC as a result of voluntary disclosure initiatives or other regulatory requirements” (SEC, 2010: 8). Government organizations, such as the Environmental Protection Agency (EPA), have stricter compliance and disclosure guidelines for climatic matters. For example, the Clean Air Act allows the EPA to monitor and control the greenhouse gas emissions of public and private corporations emitting such pollution. This act includes up to 85% of the current emissions (SEC, 2010: 3-4). Furthermore, pressure from stakeholders has pushed corporations to voluntarily publish environmental information and take steps to reduce their effect on the environment. From the above, we can perceive that the United States Federal Government has taken steps to ensure the disclosure of environmental activities and effects. This ultimately allows other stakeholders to pressure corporations toward CSR as they deem appropriate. With the US directive in mind, we will analyze the standards for CSR that exist globally.

Although all of the examined standards from the research paper titled, *A Comparative Analysis of International Corporate Social Responsibility Standards as Enterprise Policy/Governance Innovation Guidelines*, are simply guidelines, they express the progress toward a more sustainable, socially responsible global business environment (Dankova et al, 2015). Since the latter half of the twentieth century, business ethics have become a focus of multinational corporations. Firms have come under pressure from their stakeholders to act ethically, and even to undertake extensive CSR initiatives. According to the paper, ““CSR =
business ethics + stakeholder approach’ and is implemented at the micro-level (enterprises); sustainability is implemented at the macro-level (political and macro-economic efforts)” (Dankova et al, 2015: 154). The push for both the previous through macro ventures was led by the European Union. In 2000, the European Council requested that companies voluntarily follow policies that contribute to a better, more equal society, and a cleaner, sustainable environment (Dankova et al, 2015: 154). The European Union has since expanded their request to become more of a petition, with the expectation that European companies will strive to foster innovation and consumer confidence through CSR initiatives.

As far as the international CSR standards go, the leading corporate social responsibility standard is that of The United Nations Global Compact (UNGC) in 1999, which “is based on the ‘Universal Declaration of Human Rights’, International Labour Organization’s ‘Fundamental Principles and Rights at Work’ and the ‘Earth Summit Agenda’” (Dankova et al, 2015: 155). This standard called for stronger human rights laws, labor laws, environmental standards, and government criteria regarding corruption. It was signed and was to be seen through by the UN members’ governments. Adopted in 1976, The Organization for Economic Co-operation and Development (OECD) Guidelines for Multi-national Enterprises (OECD ME) is another prominent global CSR standard, which calls for “‘responsible business conduct’” across all aspects of business from disclosure to competition (Dankova et al, 2015: 155). This standard focused more so on abiding by applicable laws in the area of operations, rather than surpassing such legal requirements in terms of CSR. Other major CSR standards include the 1999 OECD Principles of Corporate Governance (OECD CG), SA 8000, derived from the International Labour Organization, UN and sovereign laws, the 1997 Global Reporting Initiative (GRI), the 2010 ISO 26000, thoroughly defining CSR and its incorporation, the 2007 European Federation

This work differentiates the above CSR standards into three groupings, “Sustainability standards based on political will (UNGC, OECD ME, OECD CG and GSC)”, “CSR management standards based on professional judgment (SA 8000 and ISO 26000)”, and “Sustainability/CSR reporting standards based on professional judgment (GRI and EFFAS KPIs)” (Dankova et al, 2015: 158). It is clear that extensive international guidelines have been laid out at both the macro and micro levels for social responsibility. Moreover, such guidelines have progressed to include the various aspects encompassed by social responsibility, from economic sustainability to effective CSR reporting. The significance of the plethora of international corporate social responsibility standards for our purposes is that a worldwide push is being made toward the stakeholder approach. Not only individual governments, but also international governing bodies are setting the expectations for global corporations higher than what is legally required of them. In doing so, the nature of the global business environment is being shaped as more stakeholder-oriented. The subsequent section will focus on Stakeholder Theory and corporate social responsibility in Europe, as the pioneer continent in this international development.

Europe

In the previous section, we highlighted the various CSR standards that exist. Why is it that there are multiple? Is it not possible to have one universal CSR standard? The 2009 article titled, Corporate Social Responsibility: One Size Does Not Fit All. Collecting Evidence from Europe, postulates that companies have responded to demands for the ethical concept of social responsibility since before the Industrial Revolution, especially in Europe. The authors believe
that CSR has evolved over time based on its context, and that due to this evolution and constant change of context, there cannot be one international standard for CSR (Argandoña et al, 2009: 221). Europe is the prime example of the long-standing history of social responsibility due to the traditions of the societies that have existed there. The article cites, “Continental European culture, on the other hand, is more community-oriented, more dependent on unwritten laws or customs, less results-driven or more appreciative of the intrinsic value of activities and with an understanding of rights as freedom to participate in social goods and decisions” (Argandoña et al, 2009: 227). Contrary to the above description of European culture is the individualistic, direct, and liberty-based American culture. Although American culture originated from European origins, the two are very distinct. Such cultural differences lead to dissonant business environments with differing standards of CSR.

Europe has been considered more socially progressive than the rest of the developed world for centuries. The article cites cases from Spain, Germany, and Sweden in which companies acted for the benefit of not solely their own financial good, but for the wellbeing of society, without being held legally to such actions (Argandoña et al, 2009: 226). In European cultures, there persists to this day more of a social expectation for companies to act in a responsible fashion. For example, the papers of Argandoña from the early 20th century in Spain, explicate his endeavor to establish a savings and pension plan for the elderly (Argandoña et al, 2009: 227). Doing so was not primarily to his financial benefit, but to instead provide financial support to the older population funded by those who were younger and more capable of working. The social reflection of the endeavors of a company carries more significance in European cultures than it does elsewhere in the developed world.
The article concludes that there cannot be one true definition of CSR because it does vary based on the social, political, and economic context, but European traditions exemplify the pursuit of corporate social responsibility. The statement describes such a framework; “CSR is the result, implicit or explicit, of a reflection on the nature of a firm, its role in society and its relationships with its internal and external stakeholders” (Argandoña et al, 2009: 229). As corporations become global actors, it becomes more important to consider CSR in this fashion. Their international success is based upon their reputations and the direct or residual effects such corporations have on the stakeholders in the host countries of their operations.

Continuing with the theme of CSR in Europe, the article titled *Corporate Social Responsibility in the European Union* highlights the group called CSR Europe, a body of 68 MNEs striving to carry out socially responsible business strategies (Pedler, 2007: 29). Despite its name, this group does not solely consist of European corporations; it is comprised of corporations from all over the globe. The nations with the highest proportions of corporate members include the United States (25%), France (23%), and the United Kingdom (9%). Although not exclusive of Europe, this group is of European origins. CSR Europe evolved from the *European Manifesto of Companies against Exclusion*, which was established in 1995 by Jacques Delors, the former European Commission president. The companies in accordance with Delors’ policy went on to formalize a group called the *European Business Network against Social Exclusion (EBNSC)*, which became CSR Europe. The group is separate from any governing body, but has had influence in shaping European Union economic policy.

At the summit of the 2000 *Lisbon Process*, the Portuguese President hosted the EBNSC to ensure the implementation of CSR in the following years of growth. From the summit, the group established an initiative for the next five years that had the aspirations of, “embracing and
enacting core values of corporate social responsibility, trying to enlist half a million European businesses to share best practices in this area and establishing a European award for ‘exemplary’ business initiatives and partnerships” (Pedler, 2007: 29). The goals for European economics going forward were defined by the organization now known as CSR Europe. The European Commission holds that CSR is a voluntary principle, yet has since continually promoted it through their discourse.

The collaboration of CSR Europe with the EU displays the progressive and responsible thinking of Europe in both the economic and political sense. The pinnacle concept of social inclusion called for by CSR Europe has since shaped many European economic policies (Pedler, 2007: 30). For example, the 2001 *Green Paper on CSR* proposed by the European Commission Directorate General of Employment, Social Affairs, and Equal Opportunities was accepted by the European Parliament, but was not passed as legislation due to the deliberate nature of CSR (Pedler, 2007: 30). European companies are everything but legally bound by the European Commission to following a policy of CSR. The following statement from this article in the *European Retail Digest* summarizes CSR in Europe; “CSR is always the responsibility of and a benefit to those companies that practice it. In Europe, such companies have organised themselves to be more effective. They are supported and encouraged by the European Commission…” (Pedler, 2007: 31). The European Commission leaves the formal legislation regarding CSR up to the member states, yet it holds policies that promote such responsible business practices. Part of the reason that the European Commission refuses to require CSR legally, is that social inclusion is generally left up to individual states’ social security laws. As an international governing body, the EU must respect the legislative discrepancies amongst its member states.
What is the consensus on CSR in Europe? More recently, the 2012 newsletter titled *Future Leaders on Sustainability* reports the results of the *Sky Future Leaders Study*. This study was administered to 750 corporate trainees, managers, and MBA students to determine the general attitude toward sustainability. The results are summarized as, “70% of these future leaders agree that sustainability can create new opportunities for business, while 66% believe difficult economic conditions should not be an excuse for businesses to ignore sustainability” (*Professional Safety*, 2012: 22). The majority of the respondents believe that CSR should be valuable to corporations, regardless of the firm’s anticipated performance. Moreover, the respondents feel that there exists a discrepancy between the words of corporate executives and the intentions of the firms in terms of sustainability.

In the same report, the European Commission is cited as recommending ISO 26000, *Guidance on Social Responsibility*, to all European corporations (*Professional Safety*, 2012: 22). ISO 26000, which was discussed earlier in the above section on international CSR standards, is the set of voluntary guidelines explicating what enterprises can do to improve CSR initiatives. The European Commission states that improving CSR will, “create conditions favorable to sustainable growth, responsible business behavior and durable employment generation in the medium and long term” (*Professional Safety*, 2012: 22). Sustainability and future economic stability go hand-in-hand, which explains the European Commission’s attitude toward CSR. Europe is heavily integrated economically as well as politically, and therefore must promote economic policies that will ultimately promote the wellbeing of the overall European economy.

**Spain**

From the above section on CSR in Europe, we can see that the stakeholder approach to the corporation is being petitioned for and widely followed throughout the continent. Has the
Spanish government and, in turn, Spanish firms followed in the trend of increasing CSR initiatives? The Spanish Discourse on Corporate Social Responsibility, published in 2009 reviews the 61 speeches given by various stakeholders in Spanish Parliament to determine where Spain lies politically in terms of CSR (Cantó-Milà et al, 2009: 157). According to the study, Spain has had a late start in terms of CSR compared to other Western Countries, despite the push for such initiatives by the European Commission. The Spanish government not only was not a factor in the publishing of the 2002 European Commission green paper titled, Corporate social responsibility. A business contribution to sustainable development, but also failed to react to this publication (Cantó-Milà et al, 2009: 157). With that, the Spanish discourse on CSR began in Parliament, as stakeholders felt that this topic should be of more importance. 61 experts from varying professional areas gave their input as to what role Spanish public institutions should carry in the CSR of Spanish companies during a special commission of the Spanish Parliament.

This collaboration of diverse minds in order to come to a consensus holds consistent with the current Spanish public policy regarding CSR. Various stakeholders contribute their input in order to conclude on the proper development of CSR policies in Spain. As explicated in this research, “in Spain, the main discourse on CSR has focused on CSR as a crucial key to a better understanding between stakeholders, instead of focusing, as has often been assumed, on issues of sustainability or environment” (Cantó-Milà et al, 2009: 159). Unlike the previously discussed European Union policies surrounding CSR, the political dialogue of Spain relies heavily on Freeman’s Stakeholder Theory. Stakeholders are those that are affected by a given corporation, and therefore, the Spanish CSR discussion aims to find a consensus amongst them.

Even without the political and legal agendas of the Spanish government initially acknowledging CSR, this subject found its way into the public forum in Spain. The prevalence of
CSR initiatives amongst quoted corporations, pressure from the community and trade unions, and inclusion of such policies in the recommendations of consulting firms has made the push for CSR inevitable (Cantó-Milà et al, 2009: 161). The most that the Spanish government had accomplished in terms of CSR at the time of this review (2009) was the creation of two committees to discuss and suggest CSR policies in Spain. The result has been a lack of agreement on a clear definition of CSR. The 61 speeches given on CSR in front of Spanish Parliament lay the groundwork for future policies on this topic, but no tangible progress has been made (Cantó-Milà et al, 2009: 168). Until a consensus is reached on not only the definition of CSR, but also the implementation strategy into public policy, Spain will not be able to make political progress toward ensuring a more sustainable economy.

From the previous section, it is clear that the Spanish government was slacking prior to the financial crisis in terms of its CSR initiatives. What is more significant is that which is practical; what are Spanish companies actually doing in terms of CSR? The Financial crisis impact on sustainability reporting outlines the change in CSR reporting and CSR assurance strategies amongst Spanish firms before and after the 2008 economic crisis (García-Benau et al, 2013: 1528). Times of economic hardship, such as those experienced in 2008, often put financial strain on corporations, which could potentially cause them to rethink their strategies to increase revenues or decrease costs. In the case of Spain, many more corporations began utilizing CSR reporting as a result of the crisis to likely increase stakeholder trust in their organization. According to a 2011 report from KPMG, Spain became the worldwide leader in terms of CSR reporting (García-Benau et al, 2013: 1538). The study concludes that, “companies perceive CSR reporting and assurance as a valuable investment in spite of its costs” (García-Benau et al, 2013: 1539). The corporations that increasingly opted to report their CSR strategies and initiatives...
understood the value that they were adding for stakeholders. In light of the crisis, Spanish corporations invested in their images through the assurance of CSR and the disclosing of CSR strategies, despite the associated costs. Although the 2008 financial crisis essentially left the Spanish economy in shambles, the silver lining to this unfavorable financial situation has been the increased attentiveness of Spanish corporations to their stakeholders.

Furthermore, the financial crisis in Spain brought with it formal government policies and initiatives surrounding this matter. In the piece, *The new Spanish corporate social responsibility strategy 2014–2020: a crucial step forward with new challenges ahead*, the recent developments in CSR reporting and the new government initiative on this topic are illuminated (Reverte, 2015: 327). The government initiative, *Spanish strategy on companies’ corporate social responsibility practices 2014–2020*, strives to promote CSR practices among all companies in Spain, from state-owned enterprises to publicly traded corporations to small businesses (Reverte, 2015: 327). The goal of this expansion of responsible business practices is to, “become a significant driver of the country's competitiveness and its transformation to a more productive, sustainable and inclusive economy” (Reverte, 2015: 327). Seemingly, Spain is already making headway toward this goal, as a world leader in CSR reporting. The 2011 *Law on Sustainable Economy* requires Spanish businesses with over 1000 employees to generate an annual CSR report, and requires stricter, more detailed disclosures from organizations affiliated with the state (Reverte, 2015: 328).

Although the law does not require CSR practices, it does set the legal framework for future legislation promoting sustainability. With the CSR practices of large firms disclosed, stakeholders, other than the government, will be able to determine whether or not to interact with such corporations based on their disclosed values. In addition, the Spanish Strategy on CSR
advocates the OECD Guidelines for Multinational Enterprises, which establishes standards for international socially and environmentally responsible business conduct (Reverte, 2015: 330). Spain has become an undisputed leader in CSR reporting and finally has the legislation to support such endeavors moving forward. The Spanish Government policies and legislation, due to the financial crisis, have been caught up to speed and are now aligned with those of the European Union and other European nations. Such policies will help ensure the progress of Spain in terms of CSR in the future, although obstacles still exist for the Iberian nation.

Leading the Spanish CSR initiative are the state owned-enterprises (SOEs), which must strictly adhere to government policies and do not have the primary objective of generating a profit. Instead, these firms focus on providing a service to society, as called for by the state. The paper, Managers as drivers of CSR in state-owned enterprises, explores SOE management’s concept of and effect on the firm’s CSR strategy. Moreover, it delves into the effect managers’ personal beliefs and the sector in which they work have on their respective attitudes toward CSR (Rodríguez Bolívar et al, 2015: 777). According to this study, “the Spanish government has vigorously addressed the implementation of CSR, both within the public administration and in the business context” (Rodríguez Bolívar et al, 2015: 783). As was discussed earlier, Spanish Parliament since the financial crisis has pushed to implement policies and legislation on CSR. In 2008, the Spanish government employed the State Council for Corporate Social Responsibility (CERSE) to direct and oversee the progress toward more socially responsible public administrations and other Spanish corporations (Rodríguez Bolívar et al, 2015: 783).

The study from this paper analyzed 167 Spanish SOEs and administered structured questionnaires to management in order to determine the effect managers have on the CSR of such organizations (Rodríguez Bolívar et al, 2015: 783). The results demonstrate the positive
effects that these managers have on the CSR practices of the SOEs. The managers, in general, hold that the concept of CSR is all-inclusive with the goal of achieving sustainable development. The analysis of the results states, “for these managers the notion of CSR goes beyond strict compliance with legal obligations. They also consider it relevant to their business and activity and not a phenomenon external to the company or one merely concerning its image” (Rodríguez Bolívar et al, 2015: 789). These results support that the managers are drivers of the CSR practices within Spanish SOEs. They generally hold that it is the duty of their organization to promote social wellbeing, past that which is legally required of their organizations. Moreover, the managers commit to such social endeavors not to better the image of their organization, but instead such endeavors are their purpose. The enhanced image of their organizations from the commitment to such social endeavors was generally considered an added bonus, legitimizing the purpose of the SOEs. The managers explicitly stated their assurance to external stakeholders, and that conducting their organizations in a socially responsible way increased the loyalty of internal stakeholders, such as employees. The community, as an external stakeholder, was the overall top priority. Amongst the managers of SOEs, shareholders were given a much lower priority as a stakeholder group than previous research has shown for managers of private corporations (Rodríguez Bolívar et al, 2015: 789). The SOE managers largely demonstrated their commitment to CSR, and repeatedly indicated the benefits of engaging in such policies and practices, regardless of sector.

However, the SOE sectors did have a significant effect on the actual implementation of such CSR strategies. The findings show, “social responsibility policies related to the community in which the company operates, together with those addressing the relationship between the company and its customers, are those with the highest current levels of implementation within
the SOEs in our sample group” (Rodríguez Bolivar et al, 2015: 791). These results make sense, as the SOEs that see the direct effects and benefits of their CSR practices on external stakeholder groups are incentivized to continue following such policies. Overall, it is patent from this research that the management of Spain’s SOEs has the right mindset: continue striving toward sustainable development through the increased implementation of CSR practices.

The last piece that will be examined to establish Spain’s status regarding Stakeholder Theory and CSR is a case study on the Spanish tourism industry titled, Exploring the Role of CSR in the Organizational Identity of Hospitality Companies: A Case from the Spanish Tourism Industry (Martínez et al, 2014: 47). Up until this point in this discourse, the stakeholder mindset of Spain has been discussed in a general sense. The Spanish tourism case will give a better notion of the CSR reality in one of Spain’s most prominent industries. The case posits that, up against fierce competition, Spanish hospitality companies are increasingly motivated to improve their image and reputation amongst stakeholders. CSR has been thoroughly integrated into the strategies of hospitality enterprises to accomplish this feat (Martínez et al, 2014: 47).

The case focuses specifically on one of the leading hotel companies in Spain, with an ample international presence, Meliá Hotels International (MHI). Meliá has successfully incorporated CSR policies into its overall corporate strategy in order to ensure that its perceived identity matches its actual identity. The firm understands the views and needs of its stakeholders, which has allowed for its success (Martínez et al, 2014: 47). The data for the case was obtained from 14 interviews with organizational managers and from CSR reports, stock market indices, corporate communications, media publications, and academic participations (Martínez et al, 2014: 55).
According to the authors, “MHI has developed a new organizational identity based on responsibility aspects to align its actual, desired, and conceived identity by developing new philosophy, mission, vision, and values, along with a new organizational strategy” (Martínez et al, 2014: 61). MHI was dissatisfied with its previous corporate image, based on critiques from the media and the local communities in which it operates. Furthermore, between 2008 and 2010, MHI was plagued with a terrible financial situation in light of the economic crisis (Martínez et al, 2014: 57). Rather than trying to maintain its image politically, as many global corporations do, MHI instead decided to take the initiative to completely revamp the purpose of the organization from the bottom up. The Spanish hotel chain has recreated a company that is centered on CSR. Through its revamped organizational identity, the company has not only been able to improve its reputation and gain competitive advantage, but also has gained the trust of stakeholders, both internal and external (Martínez et al, 2014: 62).

MHI has since grown into the 17th largest hotel company globally with 1.250 million Euros in annual revenues for 2012. The hotel giant now boasts 309 locations in 27 different countries. Moreover, Meliá has received notable recognition for its CSR practices including the Biosphere Hotel Company Certification and membership of the FTSE4Good Ibex, which is exclusive to socially responsible firms (Martínez et al, 2014: 57). With these results in light of a lingering Spanish economic crisis, it is clear that following a strict strategy committed to CSR has immensely benefited MHI.

The case of Meliá Hotels International demonstrates the potential benefits to not only appearing socially responsible, but ensuring that this image is backed up by the values and strategic outlook of the company. The Spanish value MHI’s commitment to its stakeholders, permitting its growth and success worldwide. The statement cited in this case affirms, “By
managing the organizational identity, hotel firms can achieve higher market shares, command higher market values and better profitability, can charge premium prices, have easier access to financing and will most likely be able to achieve higher revenues per available room and occupancy” (Martínez et al, 2014: 62). CSR has a positive impact on all of the firms’ stakeholders, from customers receiving better service to employees enjoying increased benefits to shareholders experiencing higher returns. The case of the Spanish tourism industry, and MHI specifically, validates the advantages to a social corporate strategy both in Spain and globally. Furthermore, this case speaks to the nature of corporate business in Spain. If the largest hotel chain in Spain can achieve success during the worst financial situation that Spain has experienced in nearly a century for the above reasons, then evidently following Stakeholder Theory manifests advantageous.

Contradictions

From the previous two sections, we have gained insight on the employment of Stakeholder Theory and CSR in greater Europe and Spain distinctively. Although the vast majority of the existing research supports the widespread exercise of such social strategies in Europe, there are a few valuable pieces of literature that refute or question this notion.

The first of these, titled, *Open Stakeholder Consultations at the European Level—Voice of the Citizens?*, discusses the legitimacy of the open stakeholder consultations to the European Commission (Marxsen, 2015: 257). The study analyzes empirical data of the previous stakeholders present in the consultations. The findings reveal that nearly all of the stakeholders have stemmed from the corporate realm, involved in business or industry, and very little participation has been seen amongst EU citizens or non-for-profit organizations. The open consultations, allied to the European Union’s Democratic origins, allegedly were established as a
means to allow society as a whole to partake in the political processes of the EU (Marxsen, 2015: 257). A significant figure from the study explicates, “In over 70% of the consultations conducted in 2011, organisations with a business background were the largest participating group” (Marxsen, 2015: 268). This figure is alarming, yet not surprising, as business and politics are often tightly intermingled. Such for-profit organizations dominate the participatory process of the EU, which held the original intention of being a forum for the voice of all EU stakeholders. Moreover, the European Commission maintains that it will emphasize the opinions of the stakeholders present based upon their representation (Marxsen, 2015: 263). The aforementioned figure signifies that industry will dominate such influence at least 70% of the time. But how do the policies of the EC utilize this input? The EC conducts consultations at the beginning of the policy making process, so that it can better incorporate the input of stakeholders. Ultimately, for-profit business and industry are the strongest influences in the EC’s decision making. This contrasts the socially inclusive nature of the EU, and the stakeholder approach the organization purportedly strives to follow.

The following study, Corporate responsibility: beyond the hype, focuses on the influence of stakeholders at the corporate level rather than at the political level. The study posits that stakeholders do not hold as much influence as perceived on European corporations. The main assessment was conducted through the use of structured questionnaires sent to various stakeholders of MNEs throughout Europe, with the addition of interviews with 15 managers in MNEs. The response rate of the questionnaires was less than 2%, which already presented stakeholder apathy toward the CSR practices of MNEs. The main reasons for such stakeholder indifference were determined through the survey. Stakeholders are apathetic because of the high and duly enforced social and environmental standards in Europe, the floundering
competitiveness of European firms in global markets, allowing them leeway, and the improved management of company issues and stakeholders since the 1990s (Steger et al, 2008: 40-42). According to this research, stakeholders of European firms trust that the government is ensuring the ethical conduct of corporations, when in reality, the corporations are gaining more flexibility with the excuse of increasing competitiveness. Likewise, corporations have learned how to deal with their issues, while maintaining their image amongst stakeholders. The firm perception has become more important than addressing the actual issues at hand, that which is insinuated by the title of this piece.

Furthermore, the analysis concludes that non-governmental organizations then regulators are the most influential stakeholder groups on European corporations’ social initiatives. The other stakeholders, including financial markets and unions, were found to have diminutive influence (Steger et al, 2008: 42). Without pressure or changes in behavior from the consumers of the said European corporations, there is little motivation for further development of CSR policies. The consumer stakeholder group collectively has the ability to influence corporations, but as this study uncovers, currently have limited incentive to do so.

More specific to Spain, there exist challenges to the favorable situation that the country faces in terms of CSR outlined in the latter part of *The new Spanish corporate social responsibility strategy 2014 - 2020: a crucial step forward with new challenges ahead.* Spain’s education system, especially on the technical side, is subpar compared to the rest of the developed world. In order to continue sustainable development, more technically educated Spaniards are necessary. Furthermore, Spain’s cities are largely over contaminated according to the World Health Organization, with only 9 of 46 within the recommended contamination range (Reverte, 2015: 333). Other obstacles include the lack of productivity of Spain’s labor market, a
lack of transparency and external verification within the government and in corporate reporting, and lastly the fact that most small and medium-sized businesses, comprising 99% of companies in Spain, do not incorporate CSR strategies (Reverte, 2015: 333-334). The last obstacle is particularly challenging. Consistent with most of southern Europe, small businesses dominate the domestic economy. It is much easier to promote and enforce the implementation and reporting of CSR strategies for large, publicly traded corporations. The Spanish government will have to determine a strategy to target these businesses.

Summary

In order to investigate the stakeholder approach and CSR in Spain, we first had to lay the groundwork with the explication of Friedman’s Stockholder Theory and Freeman’s Stakeholder Theory. With this basis in mind, we delved into a recent case on the implementation of Stakeholder Theory and CSR strategies in the emerging market of South Korea, which displayed the socially responsible direction of global firms in their expansion abroad. Moreover, this case provided us with an applicable overview of the escalating stakeholder approach to business conduct globally. Following this case, we outlined the various international CSR standards, which are continually recommended as guidelines for business conduct by international governing bodies and Western governments, including Spain. These standards and their widespread endorsement also support that a global movement toward socially responsible business behavior, or Stakeholder Theory, is transpiring.

Following this broad investigation, we discovered the theme of CSR being propelled throughout Europe. Largely due to efforts of the European Union and the governments of its member states, CSR has become more prevalent throughout the continent. As we discovered, Europe has long since been conscientious of promoting the social wellbeing through business
conduct. Spain is by no means excluded from this evolution, although the Spanish government delayed implementing its proper CSR policies. The 2008 global financial crisis had a revolutionizing impact on the CSR policies and strategies within Spain. The government began implementing social initiatives and policies to better align the country with the rest of Europe. Spain has become a global leader in CSR reporting, with a high proportion of Spanish corporations disclosing social projects and actions. Furthermore, we were enlightened on the new Spanish CSR, calling for the policies set forth by the Spanish government to be put into action between 2014-2020. The managers of Spanish public administrations (SOEs) were determined proponents of the CSR movement in Spain. The last case discussing the Spanish tourism industry revealed the realization of CSR practices and Stakeholder Theory. We perceived the benefits incurred by Meliá Hotels International in completely revamping their business in order to better commit the organization to its stakeholders, which also took place in light of the economic crisis.

Conclusion

Despite the few aforementioned contradictions to the socially responsible progress of greater Europe, and specifically Spain, there is overwhelming evidence that the Iberian nation has undertaken a commitment to Stakeholder Theory, and in turn CSR. With the catalyst of the 2008 financial crisis, the Spanish government has implemented the necessary policies and plans to achieve sustainable and responsible development going forward. Spanish corporations are on board as well, boasting the leading proportion of social reporting worldwide and proper CSR strategies in place. Moreover, state owned enterprise leadership has been devoted to and continues to promote socially responsible practices.

Future research surrounding Stakeholder Theory in Spain should focus on the effectiveness of the public implementation plans set forth in the new Spanish CSR initiatives for
2014-2020. Specifically, research should investigate the execution of these CSR strategies amongst small and medium-sized businesses. The CSR reporting statistics amongst Spanish small and medium-sized businesses will need to be obtained and monitored in order to successfully accomplish this feat. A related study should be conducted to see the financial outcome of the increased implementation of CSR strategies in Spain on both a macro and micro level.
References


