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The Social Dimension of Sustainability in the Hospitality  
Industry - The Challenge of Managing Different Local  
Realities for Multinational Hotel Chains

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## **Abstract**

Multinational Hotel Chains face a challenge of balancing global social sustainability strategies with the diverse local realities they operate in. This qualitative instrumental case study of the company Pestana Hotel Group investigates how this global vs. local tension can be managed. Findings reveal that centralized processes are insufficient for smooth implementation across different contexts. Instead, success relies on Cultural Intermediaries, as recruitment of local employees can create human bridges. The study concludes that human mediation is the primary determinant for securing social sustainability impact and mitigating project failure across varied institutional environments.

Keywords (Social Sustainability, Multinational Hotel Chains, Local Community, Cultural Intermediary, Pestana Hotel Group)

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## **1. Introduction**

In the last decades, the topic of sustainability has grown into major importance across all industries, mainly in the environmental dimension, which has become standardized and integrated in the global strategy of companies, while the social dimension (concerning labour conditions, community engagement, human rights, and basic needs), or Social Sustainability, remains complex and context dependent, while often underdeveloped in academic literature, specifically for the hospitality industry. Multinational Hotel Chains face dual pressures, as they need to globally integrate these matters while having to be able to respond locally in different contexts and realities. Existing literature focuses on the nature of this tendency but leaving a significant gap in understanding the mechanisms that multinational hotel chains can employ to navigate this tension in the social dimension. Therefore, the primary Research Question guiding this study is: How do Multinational Hotel Chains manage the social dimension of sustainability when facing the challenge of different local realities? To answer this question, the study aims to achieve three objectives: to analyse if these companies balance a centralized ethical dimension while decentralizing the philanthropic dimension; to understand how stakeholders should be perceived in this context; and to discover the importance of the financial investment volume compared to the structure of the processes. This dissertation employs a qualitative instrumental case study of Pestana Hotel Group, the largest Portuguese multinational hotel chain, to respond to the research question. This study is significant for its explanatory pursuit of implementation mechanisms, rather than merely descriptive modes, contributing to international business, hospitality, and sustainability literatures. This dissertation is organized as follows: Section 2 established the theoretical foundations of the topics to be approached (mainly Social Sustainability, Stakeholder Theory, and the Hospitality Industry) , Section 3 presents the Research Question and Hypothesis, Section 4 explains the methodology of the research conducted of Pestana Hotel Group, Section 5 presents the company and analyses it

deeply, and Section 6 presents the conclusions, providing a theoretical model, and guiding future research.

## **2. Literature Review**

### **2.1. The Strategic Evolution of CSR**

Michael E. Porter and Mark R. Kramer (2006) argued that the approach to Corporate Social Responsibility (CSR) until then was fragmented and disconnected from each company's core strategy, and defended that CSR should be an integral, strategic part of every company, creating shared value by simultaneously benefiting society and strengthening the competitive advantage. They understood that companies "focus on the tension between business and society rather than on their interdependence", defending that the way of shifting this traditional view is by "integrating business and society", understanding where the company impacts society and vice-versa and separating "Responsive" from "Strategic" CSR, the second one being the source of Shared Value, proactive actions that shape the company's context. After this, Porter and Kramer (2011) developed the concept of "shared value", fighting the perception that businesses prosper at the expense of the community, arguing that businesses can evolve from that by adopting the principle of 'Creating Shared Value' (CSV), which is not philanthropy, traditional CSR, or dividing existing value, but about expanding the total pool of economic and social value. Crane, Palazzo, Spence, and Matten (2014) challenged the concept of CSV, considering it a simple "rebrand" of the already existing Strategic CSR, stating that CSV ignores the reality of conflict, as by nature there are many social matters that need trade-offs to be resolved, and that if companies focus merely on the problems that create economic value, they are ignoring social issues that are merely costly and do not have a profitable end. Crane et al. (2014) defended that a business' role in society stands beyond profitability, and that to actually help local communities, it is necessary to fulfil a basic moral duty, independent of financial return.

Porter and Kramer (2014) responded to this and the other critics of CSV, stating that CSV is not supposed to be a new theory but rather a strategic tool for companies and that if the company still finds trade-offs, then they have not found the right CSV solution yet, adding that CSV is not a substitution for ethics, as these principles should co-exist. The challengers responded that if CSV is only a "strategic tool", it cannot fulfil its promise of reinventing capitalism or rebuilding societal trust, adding that excluding unprofitable social problems gives managers an excuse to selectively engage with social issues (Crane et al. 2014).

## **2.2. Defining Social Sustainability: A Conceptual Framework**

Throughout the years, different approaches to the concept of 'social sustainability' (SS) gained relevance, and their differences created an "ideological and conceptual chaos". Sachs (1999) defined it as part of a broader concept of "whole development" and identified multiple elements that should be sustained alongside economy and environment, with the core idea of maintaining a coherent and strong societal structure (social homogeneity) where essential goods, services employment and fair income is ensured for the communities (Equitable Access), while allowing for cultural and political sustainability. Chiu (2002,2003) evaluated social sustainability using Hong Kong as the study, understanding that societies have limits on the capacity of accepting and executing change. Vallance, Perkins, and Dixon (2011) saw the value in these perspectives, but considered that each model lacked flexibility and clarity on the planning and application of practices, and to fill these gaps, the authors presented their own model, that divides social sustainability into "development", "bridge" and "maintenance" social sustainability, that work as steps towards a sustainable impact on society. Development SS comes first, it is framed as a prerequisite, addressing equity, justice, and basic human needs that must be established to enable other sustainability goals to succeed. Then, the Bridge SS acts as the link between the society and the environment, focusing on changing human behaviour and attitudes to facilitate the achievement of bio-physical environment goals. Finally, Maintenance

SS focuses on the preservation of the social and cultural characteristics, and their resistance against disruptive change and threats of a community's life and identity.

### **2.3. The Multinational Challenge: Global Strategy vs. Local Adaptation**

As it turns out, when talking about all CSR, Husted and Allen (2006) addressed the Global vs. Local tension regarding CSR, by dividing it into Global CSR, meaning responsibilities shaped by universal principles, and Local CSR, as responsibilities shaped by local community norms (specific regional problems that must have a specific approach to them), and classifying companies as “multidomestic firms”, that have high local responsiveness, but low global integration, “global firms” that have high integration, but low local responsiveness, and “transnational firms” that try to balance both. Through a survey in Mexico that tested CSR issues, they concluded that Local CSR is more common in multidomestic and transnational firms than in global firms, while Global CSR is equally common across all types of firms, which supported an institutional approach, rather than strategic, to CSR, as they concluded multinational firms follow institutional pressures to dictate CSR practices, mirroring product-market strategies in CSR rather than treating it as a separate strategic domain, which they consider to be risky, as Local CSR needs can damage reputation and performance, and its strategic integration in the company can be a source of competitive advantage. Kostova and Zaheer (1999) address this matter as a challenge for gaining ‘legitimacy’, this being the perception that an organization's actions are appropriate within a socially constructed system of norms and values, while understanding that this is a matter of high complexity, and that multinational enterprises must recognize that legitimacy varies by country and stakeholder group, once again highlighting that effective legitimacy involves balancing global consistency with local responsiveness.

## 2.4. Stakeholder Theory as a Management Lens

Kostova's and Zaheer's (1999) theory gives a significant importance to the stakeholders of a company, something generally well addressed by many throughout the years, starting with Freeman (1984), who defined stakeholders as anyone who affects or is affected by the company, and defended that their concerns shall be central to a company's strategy, and not considered complete externalities, introducing the ethical dimension to business strategy. For the social dimension of sustainability, the two stakeholder groups with the most undeniable importance are communities and employees. Freeman (1984) saw communities as critical, as their satisfaction and acceptance of operation serves as a "social license" and dictates the environment in which the company is inserted. Often, these local communities are marginalized and not accounted for in an operation perspective, creating a phenomenon called the "Means-Ends Decoupling" (Di Maddaloni and Sabini, 2022), which consists in the case of when a project (a sustainability project, for example) intensely involves the local community during approval phases, and then completely changes to almost no community involvement once the project is approved, making it usual for opportunities of social value maximization to be missed, another reason why a strategically integrated social sustainability "stance" is essential to ensure successful impact. In a different but relatable way, employees are of central importance, being the value creators for customers and shareholders, and they're performance is heavily influenced by motivation, loyalty and well-being, which can be ensured by treating them fairly and including them in decision-making (Freeman, 1984). A company has a Psychological Contract with the employees, consisting in unwritten reciprocal expectations between the employees and the employer (Argyris, 1960). A great example of the significant influence the way the employer treats the employees can have is Toyota Australia's manufacturing closure, when the company's normative stakeholder orientation strategy was able to mitigate the negative impact and economic shock that a big transition would bring, and challenging the

typical ‘Psychological Contract’ theory with the ‘New Psychological Contract’, “building a reserve of goodwill” that creates value for the firm (Samson & Swink, 2022).

## **2.5. Stakeholder Theory and CSR**

The theoretical relationship between Stakeholder Theory (ST) and CSR was clarified by Dmytriyeu, Freeman, and Hörisch (2021), who argued that these frameworks are distinct, yet complementary. Conceptually, they concluded that ST is the “implementation tool” of the “moral compass” (CSR), meaning that ST is used to implement the social and ethical obligations that a firm defines as priorities in terms of CSR, providing guidance on how to manage the relationships with the necessary stakeholders to achieve the desired results, and defining how each of these frameworks are only optimized when in coexistence, especially the case of CSR without ST, as societal issues can never be resolved without a healthy relationship between the company and its stakeholders.

## **2.6. ST and SS the Hospitality Industry**

The tourism and hospitality industries are highly influenced by the former theoretical correlation explained, as the result of good relationships with the stakeholders is simply critical to these industries for a multitude of reasons, which were presented by Theodoulidis, Diaz, Crotto, and Rancati (2017). Among them, the immovability and local dependence of the assets, as hotels are fixed and permanently integrated in their local reality, which makes the local communities more powerful, as its cooperation is essential for the hotel to operate smoothly and maintain or increase a good reputation, which makes community engagement a strategic necessity. Besides this, following up on the previously mentioned regarding employees as a crucial stakeholder group, in the tourism/hospitality industries this tendency prevails, even in a stronger manner, because most of the service’s points of contact with the clients are interpersonal interactions with the employees, again resulting in the strong correlation between

employee well-being and customer value, that can be pursued with intrinsic stakeholder commitment. The employees, in the hospitality industry, also have a strong connection to sustainability, which starts on how they perceive their company in terms of CSR activities, that can highly influence the way they behave, meaning a company's sustainable behaviour can directly create more sustainability driven employees, even in their day-to-day lives (Khattak, Nouman, Fayaz, Cismaş, Negruţ, Negruţ, & Salem, 2021), by fostering loyalty and attachment (organizational commitment), however, the study found that although CSR's effect on employee behaviour does occur in different countries (with different cultural and economic situations), this connection is stronger in collectivistic and high power distance cultures, meaning that it is essential to account for local cultural dimensions. Farmaki (2019) studied CSR in the hospitality industry, specifically which stakeholders' demands shape the activities hotels choose, and which define how they carry out said activities, heavily supported by the concepts of Stakeholder Salience, that is the possession of one or more of the following attributes: Power (capability to influence the firm), Legitimacy (proper claim on the firm), and Urgency (degree to which that claim calls for immediate attention) (Mitchell et al., 1997). Farmaki (2019) found that theory and reality did not align in CSR practices, as orientation (what to do) is decided by focusing on employees and customers (as the ones that directly affect the supply chain), while implementation (how to do) is more influenced on external stakeholders, and the salience-influence disconnection here is because there are marginalized stakeholder groups, as is the example of the Local Community, that often have High Legitimacy and Urgency regarding multiple issues, but possess less direct Power to decrease the hotel's revenue stream, meaning managers typically ignore the morally important issues (legitimacy/urgency) and focus on the direct impact of stakeholder's on the hotel when deciding about CSR.

## **2.7. Measurement of CSR in the Hospitality Industry and the Research Gap**

Martínez, Pérez, and Rodríguez del Bosque (2013), with the intention of providing a complete way of measuring CSR activity in the hospitality industry, developed a scale that represents the six dimensions of hospitality CSR: Economic, Legal, Ethical/Moral, Employee-related, Customer-related, and Social/Philanthropic. Of these, the ones that integrate in the social dimension of sustainability are the Ethical/Moral (fairness, justice, morality), Employee-related (employees' well-being), and Social/Philanthropic (community support, local needs, improving quality of life). Finally, as an agglomerate of has been studied in terms of CSR practices in the hospitality and tourism industry, Wut, Xu, & Wong (2022) did a 15-year review of over 140 articles between 2004 and 2019, with the intention of understanding the research landscape, identify the trends, highlight the gaps, and suggest future research directions. With this extensive review, they found that there is a usual lack of contextualization, as research fails to account for cross-cultural/country differences and that most studies focus on employee perception rather than real social impact on the ground, and that there is a scarcity of purely normative perspectives.

### **3. Research Question and Hypothesis**

The existing literature reviewed allows for a deep understanding of the current stage research is at, regarding social sustainability management across different local realities in the hospitality industry, which presents a clear gap. Although the conceptual side is well studied, together with strategic social sustainability and its measurement, research has yet to approach the tension between a centralized strategy and local adaptation for multinational hotel chains, in terms of mechanisms (management and processes); and there is a general disregard of local culture and the community as a stakeholder in this context. To address this gap, this study proposes and answers the following Research Question: **How do Multinational Hotel Chains manage the social dimension of sustainability, when facing the challenge of different local realities?**

Building upon the previous theoretical framework established, this study approaches three hypotheses, that serve as potential answers to the Research Question presented and will be explored through an instrumental case study of Pestana Hotel Group.

**Hypothesis 1:** Multinational hotel chains have to balance a centralized ethical/moral dimension, while strategically decentralizing the “Philanthropic” dimension, in order to adapt to local norms.

**Hypothesis 2:** When managing the social dimension of sustainability, stakeholders must not be perceived as separate, it is crucial to understand where and how the ‘employees’ and ‘community’ stakeholders meet.

**Hypothesis 3:** The successful management of the local realities is more dependent on the decision and implementation processes of initiatives than in the financial volume applied to certain issues.

## **4. Methodology**

### **4.1. The Research Approach**

This study is entirely qualitative and exploratory, fruit of the subjective nature of Social Sustainability as the main topic, as its complexity and contextual dependency doesn't allow for extensive and absolute quantitative measurements, for example, of relations between operations and communities, where there is a need for comprehensive discussion and profound explanation of the different branches of factors and influences. On the basis of its concept, sustainability has a rather ethical component that allows for a political, or even philosophical approach which is, to a certain extent, avoided by this study, as one assumption is that the conclusions provided are referring and theoretically add to the multinational hospitality enterprises that indeed have as an objective to also make a difference in society through optimal processes.

### **4.2. The Research Strategy**

To successfully answer the proposed research question, a single Instrumental Case Study design is chosen, of a specific multinational hospitality enterprise, that operates across multiple complex local realities and has an extensive sustainability background: **Pestana Hotel Group (PHG)**. It is of particular importance to be specified that the case study conducted is of pure instrumental nature, with the sole intention of using the company as an example to understand the theoretical implications for the broader phenomenon across all multinational hotel chains, with no attempt or pursuit of a problem-solving approach to PHG specifically. The choice of this specific enterprise is based on several aspects: the conceptual reason, as it clearly fits the definition of “multinational hotel chain”; the institutional relevance reason, since PHG is of significant organizational maturity, in business for 53 years, operating over 12.000 rooms, more than 100 hotels, across 16 different countries, making it the biggest Portuguese hotel group, 13<sup>th</sup> biggest in Europe and 96<sup>th</sup> in the world (in the latest annual ranking of Hotels Magazine); and the sustainability experience reason, because through its long period of operation, Pestana Hotel Group has gained a significant sustainable position in both the environmental and social dimensions, which is matched in terms of reputation, being the leader in Mecro’s ranking, as the Portuguese company with the best reputation in the hospitality sector.

#### **4.3. The Data Collection and Analysis**

To achieve a full understanding of PHG’s past, present and future, and deep dive into the company’s culture and processes, a set of seven 1-hour open interviews was taken to carefully chosen Pestana employees across different hierarchical roles, to be able to receive not only objective information, as well as exclusive insights from people that experience the topics approached and have many years of experience in the group, as well as in sustainability involvement, resulting in 7 hours of content from a relatively small, but rich sample. Ms. Marta Castelão Costa, Project Manager and Coordinator of Pestana’s global sustainability plan, in the company for more than 18 years and involved in the group’s sustainability from the beginning,

part of the centralized sustainability team, and involved in the decision making. Mr. Luís Castanheira Lopes, Chief Legal Officer of PHG, in the group for the past 33 years, was in the origin of the main sustainability plan, has a context of these matters in the company as member of the Executive Committee, acting as one of the decision makers regarding sustainability practices. Ms. Verónica Franco, Chief Human Resources Officer, logically the main decision-maker regarding employee-directed initiatives and policies, in the group for 7 years, was also involved in some ESG projects throughout the years. Ms. Mafalda Brilhante, HR Director and future director of the soon to be launched department “Sustainability & Impact Office”, was also connected to the carbon footprint topic, in the company for more than 14 years. Ms. Catarina Sequeira, HR Project Manager and future member of the new sustainability department as well, in the company for more than 4 years. Ms. Angela Quintal, in the company for 20 years, working across many different countries, currently Area Manager of Morocco (3 hotels), formerly Area Manager of São Tomé e Príncipe, home to one of the most emblematic sustainability projects of PHG. Mr. Duarte Correia, Hotel General Manager of Pestana Trópico Cabo Verde, also worked across different countries throughout his almost 23 years in the group. The information gathered from all these interviews was then analysed and compared, allowing the identification of patterns across different conversations, and also the specificity of perspectives depending on the hierarchical position and closeness to the local communities.

## **5. Results and Discussion – The Instrumental Case of Pestana Hotel Group**

### **5.1. Case Context: The Pestana Hotel Group**

#### **5.1.1. Corporate Profile and Global Footprint**

PHG was founded in 1972, with the opening of its first hotel in Madeira, where the group expanded for the following years, opening several hotels and creating a true network of operations and reaching a financial situation that allowed for the expansion to mainland

Portugal, in 1992, and becoming the biggest tourism group in the country. 6 years later, the international expansion began, first to Mozambique (1998), then to Brazil (1999), and in the next decades to several other countries, today reaching a total of 16 countries, with more than 100 hotels that combine more than 12.000 rooms, across the Americas, Africa, and Europe. As stated before, this expansion has positioned the group in truly wonderful ranks, both nationally and on the European and global levels. Regarding the current structure of the company, there is one sole shareholder, the president of the group, Mr. Dionísio Pestana, son of the founder, and then there is the executive committee (which includes Mr. Luís Castanheira Lopes and Ms. Verónica Franco), which is based in Lisbon, as well as most of the shared services.

### **5.1.2. The Evolution of Sustainability in PHG**

The structured and formally organized beginning of sustainability in the company was in 2008, with the creation of an epicentre of sustainability, called Pestana Planet Guest, that consists in a central team of 10 people from different departments (purchases, operations, maintenance, legal, etc), among which were Mr. Castanheira and Ms. Castelão, that approached sustainability in 3 aspects: environment, people, and governance. Closely after, the programme “*Obrigado por Ajudar*” was created, which represented a significant amount of the Group’s financial support for different causes throughout the years, consisting of asking clients for donations at check-out, and every euro donated was matched with one euro from the company’s side as well, a programme of major success and “where everything began, in the social dimension, supporting the institutions of local communities”, said Mr. Castanheira, who started leading Planet Guest from 2017 onwards, and reformed it in 2018, expanding to 6 pillars, of the social and environmental dimensions. This general plan and team were of significant importance to the group’s structural evolution regarding sustainability practices, as Ms. Franco added - “our journey in the past years was mostly of structuring and creating an ‘umbrella’ where all these initiatives from different areas can fit”. The sustainability progress made by

Pestana was always accompanied by “an ethical imperative, which is that we should do good, we are not obligated to, but it is our responsibility to give back to the communities we are inserted in”, Mr. Castanheira added, and this was something addressed by all interviewed people.

### **5.1.3 PHG’s Social Sustainability Process, Practices and Numbers**

Pestana’s social criterion is to address issues related to “children with difficulties, from dismantled families, and situations regarding health issues, children or adults”, Mr. Castanheira stated. The group helps around 100 institutions, some of which are national, others local, both in Portugal and abroad, “competent, qualified, and trustable institutions, that work in the local communities in which we are inserted in, whose criterion aligns with ours and whose activity we can impact”, he added. Ms. Castelão specified the process taken for sustainability initiatives - “first, the need is identified, either through internal suggestions, by hotels and local teams, or external, which is when institutions come to ask us for help, then it is analysed, to understand if it aligns with the pillars of Planet Guest, and if the local conditions are set for a positive impact of the initiative; then an actual impact study is made, considering financial and impact indicators, which is then forwarded to the executive committee, who will decide on its execution, this step depends on the magnitude of the initiative.”, she said, “then the initiative is implemented, monitored, and the impact is evaluated, to understand its potential of being replicated”, she added. Mr. Castanheira also explained in what ways the group helps, one being “by giving goods we no longer need”, another being by giving away “goods that we need, but we forego”, and also by “giving money, either ours or the clients’ that want to help”. On the HR side, Ms. Franco developed on how it is important that there is an area of her team who is dedicated to the operations and spread across all locations, as well as a centralized team. Overall, “there are HR policies that are developed and implemented in Portugal, but serve as direction for other countries, where we use our standard policies and annually analyse them in

every region, which we do through our '*Clima Organizacional*' ('Organizational Environment') annual survey, which allows us to identify the topics in specific regions that we have to act on, it's crucial information that arrives to us without getting through anyone else", she said. Among hundreds of initiatives, there are two emblematic ones, one happened in 2019/2020, which consisted in the construction of a kindergarten in São Tomé and Príncipe, to respond to a problem identified by operations there, which was that female employees usually missed work because they had to take care of their children and had no place to put them while working, Ms. Angela Quintal said - "this is a dear project to the group, we stayed connected to the school, with many actions including monthly financial support for the children's food". At its conclusion, it was able to have hundreds of students both from the employees and from the rest of the community. Besides this, the group is now expanding the Alzheimer Unit of the Social Centre of Ribeira Brava, a significant investment to improve the conditions of this socially essential centre in Madeira. Between other initiatives, many are continuous actions that ensure stability to the communities, for example "every Monday, the group offer 80 breakfasts and 80 dinners to homeless people from the city of Lisbon", Ms. Marta Castelão mentioned.

#### **5.1.4. The New Department – Sustainability and Impact Office**

In 2026, PHG will inaugurate a new department, the Sustainability and Impact Office, which is "the first department fully focused on sustainability of the group", said Ms. Brillhante, future director of this department, of which "the goal is to understand where we are going in terms of sustainability, everyone in the organization must understand it and be aligned", she added. Overall, the goal of the department is to gather information from every other department and ensure all activities are responding to the group's core strategy, having autonomy to be able to "calculate" the impact caused by the initiatives, while also be responsible for the construction of the sustainability reports.

## 5.2. The Global vs Local Governance Structure

The data clearly indicates that the group is aware and acts in accordance with the tension between Global CSR and Local CSR, balancing high integration with high responsiveness, thus fitting the concept of a “transnational firm” (Husted & Allen, 2006). This is evidenced by Ms. Franco’s mention of the “policies that are developed, designed, and implemented in Portugal, but serve as direction for other countries”, and Ms. Castelão’s statement - “in Portugal, as the legal and social context already values sustainability, our practices are better structured and consolidated, (...) on the other hand, in foreign countries, the focus is mostly social, of a quick response to the local communities’ needs, with high respect to their culture, infrastructure, and institutions.” – as both of these quotes show that PHG maintains a highly centralized normative framework, while the decision-making and implementation is segmented and adapted to each context, as it also became clear that, without a thorough investigation and evaluation of the context of the local community, an initiative can fail at the implementation stage, not creating the desired impact - “In some cases, practices designed for a European reality did not adapt totally in African or Latin-American contexts, for cultural or infrastructural differences...” – said Ms. Castelão, proving the challenge of gaining legitimacy (Kostova & Zaheer, 1999) – “sometimes we go speak with the operations with an idea in mind, and when we actually speak to them we understand it’s not exactly like we thought” – added Ms. Sequeira, providing evidence that multinational hotel chains benefit from actively including the operations, that are inserted into the local community, while deciding on sustainability matters, confirming the importance of understanding the local realities, as Ms. Franco said – “It is necessary to be aware of what is going on in all the communities/countries we are inserted in” - and Ms. Angela Quintal agreed – “I think it is very important to have a centralized sustainability team, but it’s essential to be well connected to all units in every country, because together we can do even more”. This confirms that multinational hotel chains cannot simply export their central

sustainability model to the different regions of operations and expect a smooth implementation of practices without making efforts to include the people closer to the communities and understand the context and its implications, Ms. Castelão summed up this topic in a clear and concise phrase: “The key is acting globally with local sensitivity, reflecting before intervening so that the impact is ensured in the context applied”.

### **5.3. The Cultural Intermediary**

To face this challenge of Global vs. Local social sustainability, Pestana understands that key people serve as intermediaries, as in general, people from the operations are the ones to identify the issues and opportunities to help, by then proceeding to report them to the central team, who decides on the execution of an initiative with the operations as well, Mr. Castanheira said himself, “our team in São Tomé identified the issue”, in the case of the kindergarten construction, and regarding a different case, he said - “in Madeira, our colleagues knew about an institution and asked us if we could help them, it came from the base to the top, there are also situations where it comes from the top to the base, both paths exist.”- and mentioned yet another moment - “when we decided that the ‘Pousadas de Portugal’ would support institutions by region, to be able to help more communities, the people who indicated which institutions to support were our colleagues from each region” - proving a clear positive impact for a multinational hotel chain to have this local sensitivity by empowering the employees inserted in the communities, many of which are actually local, ensuring ‘procedural justice’ that comes with the social license to operate’ (Freeman, 1984). This is possible because “the communication is very fluid in the group, it is easy to access anyone and that’s a big advantage”, said Ms. Mafalda Brilhante (Mr. Castanheira also mentioned this), but mainly because of the deep connection to the local reality that the employees in the hotels have, starting with the general/area managers, of which is a good example Ms. Angela Quintal whom throughout the interview showed a deep understanding of the local culture, which she spoke about with

incredible emotion, being unable to hold back the tears - “the people from São Tomé are very connected to the children and family (...) there is indeed a lot of poverty in the country, which makes them way simpler in material things than us (...) things that for us are simple, for them are absolutely amazing (...), when you work in São Tomé, it’s not just the employees who work with you, their family too, they feel protected and inspired.” – in this example, identifying what is the most important for the community, allowed her to understand what can make the difference for them in terms of support, a conclusion clearly understood by Mr. Correia as well, when speaking about Cabo Verde – “the salaries are very low, while the cost of living is similar to Portugal’s, some people can’t afford to give a Christmas gift to their kids (...), we have a very interesting action in Christmas, when we give gifts to the children of our employees, giving a smile to these kids and their parents is truly beautiful.” – he said. Although the importance of the area and general managers is undeniable, throughout the interviews, it was possible to understand some other key employees that also break the barrier of the local reality. The first group are the HR employees – “we always have an HR person in those hotels that are more isolated, they serve as a bridge to the local reality, there are a lot of things that must be dealt locally, it would be very hard to have all the information centralized here in Lisbon, we would lose a lot of information in between.” – said, Ms. Franco, while highlighting the importance of being connected to what’s actually happening in the operations, with strategically placed HR employees that ensure communication remains clear and practices are well adapted. Then there are the other employees, born in the country, living in the community, that deeply understand the entire context of the local reality, Ms. Angela Quintal spoke about the existence and importance of these employees when she worked in São Tomé and Príncipe, home to some of the most impactful initiatives from the group – “we had a colleague named Vanda Cabral, she was secretary of maintenance and born in São Tomé, and she would help us a lot in these sustainability matters, because she knew the teachers of the schools and a lot of people (...) we

also had José Carlos Cabral, also local, who helped a lot in these matters as well” – and these employees gain an extra importance as the general/area managers of hotels are highly busy with day-to-day operational issues, and sometimes find it hard to free the time to look into the social matters, which is recognized by the central team - “we are aware that the operations have an enormous daily pressure on them, and we don’t want our topics to add even more responsibilities and work” – said Ms. Sequeira. For multinational hotel chains, the role of these intermediaries effectively mitigates the risk of ‘Means-Ends Decoupling’ (Di Maddaloni & Sabini, 2022), as while the centralized team provides the ‘Means’ (financial resources and structured support), they lack the local social control to ensure the plan of execution off a certain initiative reaches the ‘Ends’ (the community) in an optimal way, which is what these key employees provide, by being close to not only the planning stage, as they are well integrated in the community and broadly connected to its people, but also in the decision, implementation, and monitorization processes.

#### **5.4. Navigating Stakeholder Salience in Social Sustainability**

Pestana has a vast panoply of initiatives directed to its employees, the ‘Psychological Contract’ (Argyris, 1960) is well established – “If you do a lot of volunteer work, but don’t care about the people inside the organization, it doesn’t make much sense.(...) we take care of the communities we are inserted in, but without our people, we can’t do any of the rest.” – said Ms. Brilhante, proving the mentality of the group is to ensure employee well-being, and Ms. Angela Quintal explained why, as their initiatives “make the employees gain respect and connection to the company, (...) they see that we care and they want to help as well”, and she added that “it is essential that employees are proud to be Pestana”. This proves that, for Pestana, employees are also the ‘implementation tool’ of the ‘moral compass’ (Dmytriyev, Freeman, and Hörisch, 2021), as it is crucial for them to understand the company culture and be able to replicate it, this ‘sustainable behaviour can directly create more sustainability driven employees’ (Khattak,

Nouman, Fayaz, Cismaş, Negruţ, Negruţ, & Salem, 2021), which works on two fronts, both strategically managed by the HR department. The first is the employees that come from the local community – “if we need to hire people, we make sure we hire mostly locals” – said Ms. Brillhante, proving the company’s interest in integrating these stakeholder groups (employees and local community), as these employees that are part of the local reality need to understand the company culture, which is what the second front does, the experienced Pestana employees (including the general and area managers) – “they take the company culture, the values, the processes, and the knowledge of how things are done, they are connected to the shared services and know how to solve problems in that sense” – said Ms. Franco. HR plays a big role in this sense, and for multinational hotel chains, it is essential that the recruitment process is aligned with the company’s culture and sustainability strategy, as hiring local employees already ensures a significant impact on the community, with the add on that, combined with strategically allocated experienced employees that are aware of the company’s culture, there is a two-way relationship developed and both the local employees become aware of the company’s culture and practices, and the experienced employees are more integrated in the community and understand its main points.

### **5.5. The Strategic Process as a Prerequisite for Financial Investment**

The social sustainability processes of PHG were already explained, between the 3 ways of helping, that are giving goods that the group doesn’t need, giving goods that the company need’s but foregoes, and giving money (the group’s money or the client’s donations), there is a significant impact made by the group, and part of that impact is the direct financial investment in issues and institutions, however, the investment itself is not enough to ensure significant impact of the initiatives. A situation was also mentioned of another school that asked for help and the group purchased materials and gave to them, that were then stolen by the teachers themselves, this shows that, even though a need was identified (a school that did not have

materials for the students), and a financial investment was made to satisfy that need, this process wasn't enough to ensure the help reached the students, proving that for multinational hotel chains, having established and detailed processes that are strategically planned is significantly more important than the actual financial volume that is inputted into social sustainability matters, and most of the interviewed employees developed on the impact and processes of the group that weren't necessarily high financial investments. Ms. Brillhante said – “When we open a hotel in a new community, we have to make sure that at the very least, we do not ruin something that was good there, we have to respect the place where we are, (...) in my opinion our impact can be then, making sure that we enter into the community in a healthy and sustainable way.(...) when talking about each community, I think we should look at it as a whole.” – and with this, she explains how it is important to understand how communities are complex realities that can be impacted in many ways, including by a smooth integration of the operations, and she added – “we should always try to connect our core business with sustainability, that's how we ensure we can keep doing our initiatives” – which is evidence for the fact that whatever the financial investment made, these initiatives can only be continuous and sustainable when they are integrated with the core business of the company.

## **5.6. Restructuring for Proactivity**

Although being significantly active in social sustainability, PHG is slightly restructuring, to better align the processes and ensure a more optimal allocation of support, as Ms. Castelão said - “the future is to reinforce our existing practices, in a way that the decision process becomes more agile and follows the group's current growth” – this to avoid going into a reactive approach, which Ms. Sequeira mentioned, “the new department will be essential for us to be updated on everything that's happening, so that we can be anticipated and not evolve into a reactive approach to what comes up, it's crucial for us to have a clear strategy for the next 5 to 10 years.”, expressing the group presents a clear understanding that there is a potential to

increase efficiency in terms of social sustainability practices, evidence that for multinational hotel chains, having a single structured and established process is not enough, as it is necessary to have a long-term strategy that follows the growth of the company, Ms. Sequeira also added - “We will be able to best support each department, when we want to implement key projects that are transversal.”, communicating that a strategic alignment with the departments actually closes the distance between the central team and each of the contexts a multinational hotel chain is integrated into.

## **6. Conclusions**

### **6.1. General Conclusions and Hypothesis Verification**

The study conducted concludes that Multinational Hotel Chains should respond to the challenge of managing various local realities when deciding on social sustainability matter by human mediation, through the integration not only of the operations department in the processes, but also specifically by empowering the local community through strategic local recruitment, combining these stakeholder groups, which accompanied by a long-term social sustainability strategy ensures updated processes and impact goals that go beyond monetary help. Hypothesis 1 was partially confirmed, as it is indeed necessary to decentralize the “philanthropic” dimension to adapt to local norms, but the ethical/moral dimension shall not be exclusively centralized, which was proven by the case study, that showed a clear benefit from ensuring that the ethics that defined the company (that are incorporated in its culture) are understood and shared with the employees across all departments and regions, meaning that this dimension shall have its origin at the centre of the multinational hotel chain, but eventually decentralize, following the company’s expansion. Hypothesis 2 was confirmed, as the case study clearly showed the procedural efficiency and consequential higher impact reached in social sustainability matters when having employees from the local community integrated in

the decision-making. Also, it was possible to verify how in certain regions with family-oriented cultures, specific initiatives that are directed to the employees and include their families already have a significant impact in the community, as the stakeholder groups indeed dissolve in this context. Hypothesis 3 is also confirmed, with the study providing clear evidence that in situations where the processes are not carefully followed, independently of the financial volume invested, the impact is significantly reduced, or potentially null, and on the other hand, when practices involve a significant structured process, but don't necessarily include a significant financial investment, still reflect a positive impact on society, proving that indeed the process has a higher influence on the successful management on local realities than the financial volume invested.

## **6.2. Theoretical Contribution**

The conducted research extends on the work of Husted & Allen (2006) and Kostova & Zaheer (1999), while these identify the need for local responsiveness, this study identifies the mechanism, which is the cultural intermediary, that connects the intention of practicing social sustainability initiatives in a different community, with the actual result of acquiring the social license of the community and reaching the desired impact, gaining legitimacy. Besides this, Mitchell et al.'s (1997) 'Stakeholder Saliency Theory' and Farmaki's (2019) conclusions are challenged by this dissertation, as these defend the importance (saliency) that certain stakeholder groups have above others in decision-making and implementation of initiatives to address social issues, classifying employees as highly important while Local Communities being marginalized, which this study objects on two fronts. First, although employees are of central importance, when there are structured processes that ensure social sustainability initiatives result in significant impact, the financial value of the investments made becomes secondary, as even if the value is low, the impact created is very positive, making it possible to address the local communities' social issues without the risk of making investments that do not

meet their end. Secondly, when the local recruitment of employees takes place, which is very common in the hospitality industry and particularly beneficial in this context (which was proven by this study) employees are part of the community, making these two stakeholder groups merge and increasing their importance, as the direct objection is that the local community’s problems are the employees’ problems as well. Furthermore, Figure 1, “The Cultural Intermediary Mechanism” below illustrates the conclusions of this dissertation in a clear model, that addresses the tension between global strategies (Headquarters) and diverse local realities (Local Reality), by highlighting the central element of the Cultural Intermediary, which shall be implemented in the decision making stage, transforming global strategy into locally adapted processes, allowing for the solving of community social issues proactively, with effective implementation and monitoring stages, making structured processes more important than the financial volume of the investments, in social sustainability practices.

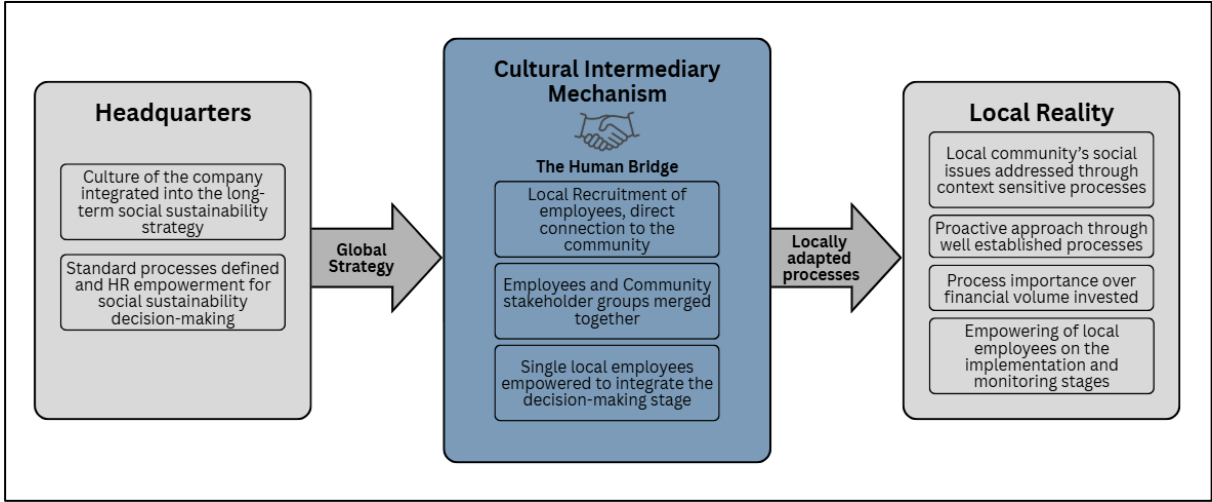


Figure 1: The Cultural Intermediary Mechanism

**6.3. Management Implications**

This dissertation highlights the importance of hiring for connectivity, not exclusively for competence, which is attainable in an industry such as hospitality, that has operational roles that do not require an extensive academic background, with the objective of empowering “local

connectors” and smoothly integrate into distant markets with different cultures, and proceeding with the strategic integration of employees in social sustainability decision and implementation processes, which allows for a higher impact. Besides this, the essential awareness of the determinant role of HR in social sustainability processes, as after local recruitment, employees and culture are directly connected and initiatives towards the employees have a significant impact on the community as well.

#### **6.4. Limitations and Future Research**

Although using a company that fits the definition of “multinational hotel chain”, this research uses a single instrumental case study, which makes the institutional sample small, and of a single collectivistic culture, that might influence the results of the findings. The interviews sample size (7 people) although rich, is small, and it was not possible to interview Vanda Cabral or José Carlos Cabral, who had the role of the cultural intermediaries, which would enrich the insights gathered and, therefore, the analysis. Future research can do similar instrumental case studies, using hospitality companies from different contexts and based in different countries with various cultures. Furthermore, the samples of interviewed people can be semi-randomized, ensuring a higher sample size with broad hierarchical coverage. There is also a lack of research regarding the stage that comes after the implementation and monitorization of initiatives, which is measuring the impact created, as it is also an important direction to take in future research.

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