

NEW TRENDS IN THE CREATION AND MANAGEMENT OF SOCIAL ENTERPRISES CASE STUDIES

Coordinators: E. Oliveras, R. Bastida i M. Mas-Machuca

The Magdas Hotel: From Refugees to Working in a Multicultural Setting

Authors

Marta Mas-Machuca

Dean of the Faculty of Economic and Business Sciences at
Universitat Internacional de Catalunya (UIC)

Ramon Bastida

Senior lecturer at UIC

Ana Bistué

Business Administration student at UIC



Aims, Fields of Knowledge and Target Audience for the Case Study

The Magdas Hotel is a case study of a social enterprise with two aims. Firstly, it is a reflection on what are the most suitable resources for funding a newly launched project. Secondly, it addresses the topic of the social and professional integration of people at risk of exclusion, as it is the case of immigrants. The case study looks at the management of human resources in multicultural working environments.

The case study could be used on training programmes related with enterprise and setting up businesses, especially in a social context. It is also suitable for business administration and management courses at undergraduate and postgraduate levels.

Introduction

Markus is 24 years old and arrived from Syria six months ago. He studied International Business at the University of Mosul and has been working for two years in the business promotion group in Erbil, on a project to promote new businesses in the field of biotechnology. He is a happy and lively person who likes to interact with others and speaks five languages. The attacks in the city of Qaraqosh killed his father and two brothers and he was forced to flee the city with nothing but the shirt on his back. His mother and sister went with him to a refugee camp in Jordan. After five months they had the chance to take a plane to Europe. Their destination: Vienna.

According to The Economist, the number of refugees currently circulating around Europe with no specific destination is the highest it has been since World War II. Furthermore, according to data from Eurostat, out of the 729,000 refugees that applied for asylum between May and October 2015, 84% were under 34, and their average age was half that of the German population. On average, however, contrary to what one might imagine, they have secondary or even university level education, in the case of the Syrian refugees.

In Europe there is a major migrant and humanitarian crisis. Thousands of people have fled their countries and are applying for asylum in European countries. One of the main challenges refugees are facing when trying to integrate into reception countries is finding work. The problem is not just the difficulties refugees have in getting work, but also how they are perceived by society. As a rule, people do not want to host refugees because they see them as a threat: they are going to take their jobs and live off benefits. The Magdas Hotel is trying to change this perspective or idea that society, in general, has of refugees. They defend the idea that if given work, refugees will not live off benefits and that in the long term they will bring value to society and contribute to the country's economy.

Today, Markus works at the hotel reception and always has a smile on his face: "For me and my family, this has been a new beginning. We're working with really diverse people, with different cultures, but I enjoy it. I'm happy to have been given this opportunity, because if you can't work, then it is really hard for us to integrate into a country".

Business Idea

The Magdas Hotel forms part of the Magdas Social Business group, which undertakes other projects like: Magdas food, Magdas recycling and Magdas services. The business idea is based on the definition of a social enterprise given by Nobel laureate Muhammad Yunus: a self-sustainable, non-loss, non-dividend company designed to address a social issue through current market mechanisms (Yunus et al., 2010). The organisation uses all the profits from the hotel to pay salaries and buy supplies. All profits are reinvested in the company.

The project was created in 2012 by the Caritas Foundation and the hotel has been in operation since February 2015. The management team is formed by Michael Kleinbichler and Gabriela Sonnleitner. According to Sonnleitner, the biggest challenge to getting the project started was finding the right place for the location of the

hotel, bearing in mind it had to be attractive to potential clients. They needed a building with specific characteristics close to the centre of Vienna and with good public transport connections. The second challenge was to put together the right team for the hotel. In Austria, there was a large number of refugees that had applied for asylum, but not all of them were interested in working in the tourism sector, and many did not meet the requirements necessary for working in the hotel (an open-mindedness towards working with people from other countries, dealing with guests, etc.).

The hotel was a former elderly residence which had been closed for years. Most of the furniture was reused from what there was in the home, in a collaboration with students from Vienna's Academy of Fine Arts and the AllesWirdGut architecture group.

The hotel's philosophy is to be a meeting place between staff and tourists, i.e., a meeting point between different cultures and traditions. That is why the refugees bring so much value to this company. The guests like the fact that they speak to them in their language and make them feel at home.

The hotel cooperates with the Austrian government to dedicate a part of the building to housing for refugee minors, some of whom learn about the hotel and restaurant sector. They are under the care of social workers that collaborate with Caritas.

Mission & Vision

This hotel works like any other company, but the difference is that it is not focused on maximising profit, but rather maximising its reach and social benefit. Its main goal is to give refugees an employment opportunity. "It's awful and makes no sense that refugees should go for years without working, because they're not allowed to by law", Martin Gantner from Caritas Vienna said in reference to the very real and dramatic situation of refugees in Europe.

It could be said, therefore, that the Magdas Hotel has two main goals:

- a) To give work to refugees and help them to integrate into Austrian society.
- b) To raise awareness in society about the problem of refugees, as well as show the potential they have to work and contribute.

Alexander Bodmann, the president of Caritas Austria, also pointed out that the aim of this kind of initiative is not just to solve a specific problem by offering employment positions, but rather to raise awareness among society about this issue: “We would like these kinds of initiative to be launched all over Europe. This is also a bid to support the refugees, who should be allowed to work”. They believe that with their example, they are changing how society perceives the integration of refugees into the workplace. Society is increasingly aware of this problem, and the hotel’s founders hope that other hotels similar to Magdas will begin to open in other countries. In recent months, they have talked with and received calls from people who are interested in setting up a business of this nature, and in Berlin there is a similar project underway with Hotel Utopia.

Human Resources

In Magdas Social Business there are currently 115 employees, 50% of whom have little in the way of employment opportunities. An additional 25 people collaborate on a voluntary basis.

Specifically, the Magdas Hotel has 30 employees, 20 of whom are refugees, who come from 16 different countries and between them speak 23 different languages. The other 10 employees are experts in the sector, some Austrian and others foreign. They recommend starting with a proportion of 10 refugees to 20 experts in the first year, 15 refugees and 15 experts in the second, and so on. Training staff requires time and should not be hurried. Particular because this is a business that is just starting up. Magdas is proof that economic success and social action are not mutually exclusive.

The refugees attend training courses during their first year in the hotel through the Magdas Academy. This helps them to do their work well and is also useful when it comes to looking for other employment, as they can say they have training and experience. There are also external training courses. In addition, there is a social worker who helps the refugees when necessary. Their support is basically emotional and not work-related.

A news article published in *El País* on 5 December 2016 about the payment for working at the Magdas Hotel reads as follows: *“This way, for example, Hassan and Fati (who work in the kitchen), both 39 years old and native to Syria and Gambia, respectively, work under the Austrian hotel industry regulations. Like their colleagues, their salary is 1,400 euros gross (1,100 net) and they work an eight-hour day. They make social security payments and therefore are eligible for unemployment benefit when they no longer have a job. ‘We really don’t fire anyone’ admits Sonnleitner. Even when there was a really bad employee in the position and long queues forming at reception. But, he made guests laugh, and in the end, they all wanted to have their photos taken with him, remembers José Ignacio.”*

It’s not easy to integrate such a varied group of people, from so many different cultures and with such different languages. That is why they also receive training in “team building”. Above all, the focus is on communication. It’s important to talk a lot and make sure that information is always understood. The official language is German, as it is important that refugees learn this to integrate into society. But they also speak other languages if necessary.

There is no maximum or minimum time limit on refugees working at the Magdas Hotel. Each person is different, as is their learning process. That is why there is little sense in establishing time frames.

The refugees don’t live in the hotel, basically because this would make it harder for them to integrate. If they were to work and live in the hotel, then they would almost never leave it, and they wouldn’t have the chance to meet other people from the city. For them, it’s not just important for refugees to find work, but also that they integrate into society.

Legal Framework

The Magdas Hotel is Austria's first hotel founded as a social enterprise. The sector of non-profit organisations has a long tradition in the country. In 2009, more than 3 million people were formally or informally collaborating with organisations from the non-profit sector in Austria (BMASK (2009). Freiwilliges Engagement in Österreich.1. Freiwilligenbericht).

There has been considerable growth in the number of organisations connected with the non-profit sector since 1960, reaching 116,556 organisations in 2010.

YEAR	1960	1970	1980	1990	2000	2005	2010
Number of Associations	42.269	45.734	58.400	78.835	104.203	108.459	116.556

Source: Statistics Austria 2011, Austrian Company Register 2012, Millner, Schneider & Meyer 2014

Figure 2. Growth in the number of organisations connected with Austria's non-profit sector

Most of these organisations are constituted as foundations, non-profit companies or social enterprises, and cooperatives. The largest of these are Caritas, Diakonie, Hilfswerk, the Red Cross and Volkshilfe.

Main Challenges:

a) Management of Multicultural Team

All hired refugees (60% men and 40% women) undergo a training period and receive the basic salary under Austria's hotel industry regulations (1,450 euros). The main aim at the outset of their collaboration is to gain confidence in the position and to enjoy and feel comfortable in their work. According to the hotel management, they are offered conferences and "intercultural training" to help to prevent conflicts and improve their relationship with their host

country as well as with their colleagues. This point is well illustrated through the following comment from the hotel management: “They come from other cultures and difficult situations. A lot is demanded of them and I admire their capacity. They’re really motivated”. Fuelling their motivation is no easy task, as they come from extreme hardship and have undergone very stressful situations, which can undermine the emotional stability they need to work.



Source: Images from the Magdas Hotel website

Working in a company where there are so many different nationalities among the staff with such diverse cultures and customs can cause communication problems between staff members or between the staff and managers, arising from different behaviours, priorities and values, and a breakdown in teamwork possibly generated by a sense of distrust. However, there are those who assert that working in multicultural settings is enriching in the sense that there is greater creativity and initiative thanks, in this case, to their need to survive. The workers can insert better practices from their previous experiences in other studies or jobs into the reality of a hotel and the diversity of people’s origins can help to meet the needs of a multicultural clientele. For example, a couple who stayed there in June 2016 stated: “The breakfasts were a bit different from what we’re used to because it is managed by refugees. Some advice: take your breakfast out into the garden, it’s lovely there.” Someone else who was

there in the summer of 2015 said: “The breakfast was varied and multicultural, from croissants to hummus and falafels.” All these things contribute added value and set this hotel apart from the others.

Furthermore, in these kinds of teams, people are often more open and tolerant and more ready to learn and improve. Workers are also expected to cooperate and help each other, thereby creating an atmosphere of understanding and solidarity among the staff. One of the clients staying in the hotel said, “A basic hotel, but with everything you need and very friendly staff”. For a hotel it is very important that the staff are friendly and attend to guests in the best possible way.

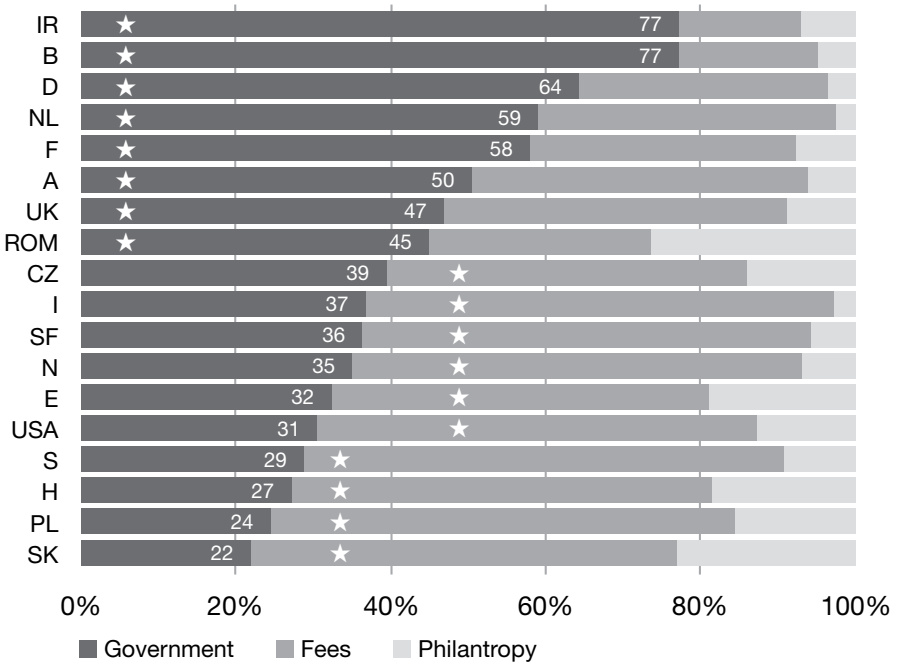
Finally, the fact that it is a social project, is something that, in general, people like. Some guests value it for exactly that reason: “An old renovated hotel managed as one of Caritas’ social economy projects. Good service and recently renewed facilities. Very enjoyable. I’ll be back.” Another very satisfied client travelling on business in February 2017 commented: “This hotel is not about appearance: it’s full of substance and depth!”.

b) Finding Funding to Start the Hotel

As we have already mentioned, the hotel is a social initiative the idea for which came from Caritas, but it is also a financially viable business.

The funding needed to start the project was one of the biggest challenges for the management team. The initial investment rose to 1.5 million euros, which was needed to renovate the building where the hotel was to be located, and to be able to begin operating with a financial cushion that would provide them with a certain level of financial security.

Non-profit organisations in Austria often obtain 50% of the funding needed from the State, and the rest from donors or revenue from products sales and services. As can be seen in the chart below, these percentages change depending on the country:



Source: The Johns Hopkins Comparative Nonprofit Sector Project 2004

Figure 3. Funding sources for non-profit organisations in different countries

As can be seen in the previous chart, in countries like Ireland or Belgium, the State invests more resources in funding non-profit projects. Investments of this nature, however, are lower in countries like the United States, Poland or Slovakia.

The Magdas Hotel has 78 bedrooms. The price varies between 75 and 80 euros for a double room, and, according to data from January 2016, the average occupancy rate stands at around 65%. To date, the highest occupancy rate has been 84% in October 2016. In this regard, Gabriela Sonnleitner, executive director of the Magdas Hotel said:

“We’re very satisfied with the average occupancy rate so far, given that it is very close to the average occupancy of other hotels in Vienna. Our aim is to reach a 75% average for 2017, to be able to reach the break-even point.”

The hotel revenue comes, essentially, from the rooms, the cafeteria and also from events held in the hotel (part of it can be hired for this purpose).

Questions for students:

- a) Propose a financial system that allows the Magdas Hotel to cover its initial investment, bearing in mind the management team has decided not to use public funds. What would the possible funding channels be? What channels would be most suitable for the hotel? How would each channel affect the hotel's economic sustainability?
- b) Assuming that it won't be easy to raise the hotel's occupancy rate by 10%, bearing in mind the high level of competition in the hotel sector, what actions could the hotel take to try to reduce the break-even point and, therefore, make a profit?
- c) Bearing in mind the normal policies and practices of the HR department: staff selection, training and professional development, salaries, performance evaluation, among others, identify which characteristics set the hotel apart. If you were on the hotel's management team, what specific actions would you consider regarding the selection process, training, performance evaluation and employee satisfaction/motivation?
- d) Consider the following statement: "A multicultural team is enriching for a company. Cultural diversity in the team enriches decision-making and promotes teamwork." Evaluate whether or not this applies to the case of the Magdas Hotel. Justify your response with specific examples.

Bibliographic References:

- <http://www.ideellarena.se/wp-content/uploads/2016/02/reinhard-millner.pdf>
- http://ec.europa.eu/eurostat/statistics-explained/index.php?title=Asylum_statistics/es&oldid=353137
- <https://www.startnext.com/magdashotel>
- <http://www.magdas.at/>
- <http://www.ll2ii.eu/en/magdas-hotel>
- <https://www.siceurope.eu/sic-themes/migration/new-kind-employment-training-refugees-magdas-hotel-vienna>
- <http://www.economist.com/news/business/21679791-businesses-could-benefit-and-refugees-integrate-faster-if-newcomers-europe-were-able>
- <https://www.equaltimes.org/the-trend-setting-vienna-hotel-run?lang=es#.WJIUGFPhDcs>
- <http://news.nationalpost.com/life/travel/shelter-from-the-storm-viennas-new-cool-affordable-magdas-hotel-is-staffed-entirely-by-refugees>
- http://www.melange.at/wp-content/uploads/2016/04/magdas-HOTEL_2016-2.pdf
- https://www.caritas.at/fileadmin/storage/global/pdf/Jahresbericht/108688_Jahresbericht_2015_EN_SCREEN_V4.pdf
- Yunus, M.; Moingreau, B.; Lehmann-Ortega L. (2010). Building Social Business Models: Lessons from the Grameen Experience. Long Range Planning 43, 308-325.



Marta Mas-Machuca

dades de contacte

Ramon Bastida

rbastida@uic.es

Ana Bistué

dades de contacte

For the pedagogical notes of the case study,
contact: rbastida@uic.es

Entitats col·laboradores

