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Corporate Responsibility in the hospitality sector: pain or gain?



Businesses are increasingly being asked to shoulder responsibility for their social, ethical and environmental impacts, with this pressure particularly keenly felt in consumer-facing industries. While for many hospitality companies interest in the sector started with environmental management issues, the focus has now widened to include social and economic impacts, more broadly defined as Corporate Responsibility.¹

The travel industry of course drives demand for hotel accommodation and between 1950 and 2000 the number of journeys taken by international tourists, including business travellers, increased nearly 28 fold. This year alone 840million tourist arrivals are forecast globally, and by 2020 the figure could reach 1,580 million.² Fears that numbers of this size are unlikely to be sustainable have led to calls for less air travel and for more personal and Corporate Responsibility. However, despite some progress, Jonathon Porritt, Chair of the UK Sustainable Development Commission, recently commented on the travel industry: *“The industry cannot begin to claim that it’s even remotely responsible. Our collective efforts to date are hopelessly inadequate”*³

In January 2006, PricewaterhouseCoopers undertook new research into 14 of Europe’s leading hotel groups, accounting for some 1.5 million rooms globally. We tested these hotel companies against 11 key components of Corporate Responsibility to assess the relevance of Corporate Responsibility to their businesses, the expectations of key stakeholders, and how well the sector is performing. This article presents the results of this research and also assesses some of the future challenges the sector must tackle.

Overall, our research shows that:

- Some progress has been made, but the sector lags behind other European industries in responding to Corporate Responsibility challenges;
- Because of the complexity of the sector it is not easy for hotel companies, and others in the industry value chain, to respond to many of the issues without engaging with their business partners;
- Long term, there is a clear business advantage for those who get their Corporate Responsibility response right but real risks for those who don't.

“The industry creates buildings full of air conditioning and there’s no comment on how waste is being disposed of. For an ‘eco’ agenda to be meaningful, hoteliers have to look at the repercussions of what they’re doing from the beginning. Yes, a large number of hotels now have light-saving devices. They ask us to hang up our towels. But that’s not enough. Let’s be honest: these are often just mechanisms for the hotelier to manage costs”

Mark Banning-Taylor, owner of upscale hotel and lodge development, Moonlight Head, Australia³

¹ In this article we have taken hospitality to include the hotel and travel sectors. Our research into publicly quoted companies however was confined to the hotel sector alone.

² The Tourist Trade Guardian 26 September 2005

³ Financial Times Special Report on Sustainable Business, 10 October 2005

The importance of Corporate Responsibility

Over the past few years, a wide range of stakeholders have become increasingly interested in the social, ethical and environmental performance of the hospitality industry, including the media, investors and rating agencies, consumers, employees, governments and non-governmental organisations (NGOs):

Media pressure forces the pace

The media is paying ever-greater attention to sustainability issues. Much of this interest has previously focused on the retail sector, for example, with headline-grabbing statements on issues such as child labour. Such exposes have had a considerable impact and in some cases have led to boycotting of certain consumer brands with a consequent impact on shareholder value. The hospitality sector cannot shy away from these issues any more than the retail sector can. Current headlines are focusing on topics such as climate change, the impact of global travel, worker exploitation, binge drinking and obesity. This media attention has amplified the need for companies in the sector to not only establish systems and controls to monitor supplier performance, but also to develop reporting mechanisms to demonstrate to external audiences what actions they are taking to ensure high standards of Corporate Responsibility.

Corporate Responsibility is underpinned by legislation

Governments across Europe are also taking an increasing interest in Corporate Responsibility, although they are not currently a key driver for change in the sector. Initiatives in place include, for example, at the EU level, the European Commission's White Paper on Corporate Social Responsibility, which contains guidance on labour standards.

Investors and rating agencies scrutinize performance

Many corporate investment companies are now screening their investments according to a range of social and environmental criteria. Additionally, rating indices such as FTSE4Good and the Dow Jones Sustainability Indices (DJSI) include ratings on hospitality

companies on the basis of their performance in this area. For example, the DJSI has an assessment category covering "hotels, restaurants, bars and recreational services". As of September 2005, DJSI had identified Accor, Compass Group, McDonald's, Sodexo and Starbucks as sustainability leaders. The Socially Responsible Investment (SRI) market is expected to expand significantly in the next decade with a greater scrutiny of performance in this area.



Do consumers care?

While consumer awareness of Corporate Responsibility in the hospitality industry is still in its inception, consumers are becoming more active in directing their spending towards goods and services that meet their ethical expectations and boycotting companies and brands which they view as exploitative. This is particularly apparent in the clothing and grocery sectors.

First Choice find responsible tourism 'grabs' consumer interest

A November 2005 report on Responsible Tourism from First Choice, based on more than 1,000 people questioned by market research firm Mintel, found that a quarter of respondents were concerned about the impact of tourism on the environment of the countries they visited and 28 per cent were prepared to pay a small supplement to offset the carbon emissions of their flights.

One in five said that it was important that their visit benefited local communities. More than half said they would be happy to take more public transport to explore on holiday (54 per cent), half said they would recycle on holiday (50 per cent), and four out of 10 said they would accept local drinks if this meant fewer imports (44 per cent).

Other suggestions included:

- reducing the changes of towels and bedlinen (34 per cent)
- buying locally produced souvenirs (32 per cent)
- borrowing brochures from travel agents to avoid wastage (30 per cent)
- accepting a smaller range of food in hotel buffets to reduce wastage (20 per cent)
- reducing the number of holidays taken (14 per cent)
- spending a couple of hours to help with local projects such as beach cleaning (11 per cent)
- paying more for a holiday so a higher proportion can benefit the local community (11 per cent).

First Choice Mainstream Sector managing director Dermot Blastland commented on the findings that:

"We and other travel companies need to make it as easy as possible for people to do the right thing while they are away. It also means we need to show our customers how, with their help we can make a positive difference and preserve holiday destinations for future generations".

Employees prefer responsible organisations



Source: Achieving high performance - CSR at the heart of business, Work Foundation, 2004

Increasing numbers of travel companies appear to be responding to consumer concerns. Several mainstream companies now include information or advice about ethical, social or environmental issues in their brochures, and niche companies specialising in 'eco-friendly' or 'responsible' travel have sprung up in recent years. For example, Earth, a London-based travel company focusing on luxury properties. The company has made a soft environmental impact, by being small and respectful of the landscape and local culture. Amanresorts follow ecologically sympathetic architectural principles and tend to be small and sensitive developments.

Additionally, the travel industry is starting to respond. British Airways has recently launched a scheme where its customers can choose to offset the carbon dioxide emissions created during their flights. Customers can pay via a link from the airline's website for the cost of the emissions created by their journey. For example, a return flight to Madrid will cost £5 and a return flight to Johannesburg will cost £13.30. The money raised will be used by an organisation called Climate Care to invest in sustainable energy projects that tackle global warming by reducing carbon dioxide levels. Climate Care's projects include a scheme in South Africa that has distributed 50,000 energy efficient lamps this year via school groups as part of an environmental awareness campaign. In India, Climate Care's support means schools are able to use stoves that run on renewable energy briquettes made from crop waste rather than liquid petroleum gas. Customers can offset their carbon emissions via the booking confirmation form when they book British Airways flights.

Employees prefer responsible organisations

Employees are increasingly demanding assurances from their employers regarding the management of a broad

range of Corporate Responsibility issues. Employee concern is the most commonly cited reason for companies producing Corporate Responsibility reports. This is supported by research by the Work Foundation and the Virtuous Circle Ltd, 'Achieving High Performance: CSR at the heart of business', which found a strong positive correlation between companies that are seen to take their responsibilities towards society seriously and those seen as a good employer to work for. See graph above.

Sun, sea, sand and sweatshops?

NGOs are increasingly looking at the practices of the hospitality industry. Although such organisations do not have any direct power to force change in the sector, the publicity that NGO campaigns can generate is an important driver of business behaviour.

In the summer of 2004, Tourism Concern started a campaign looking at working conditions in the tourism sector. They conducted research in five popular holiday destinations – Bali, Mexico, the Dominican Republic, Egypt, and the Canary Islands. The research revealed examples of exploitative labour conditions. These included over-dependence on tips, long working hours, unpaid overtime, stress, lack of secure contracts, poor training and almost no promotion opportunities for locally employed people. Their research also found that tour operators often use their considerable purchasing power to force down prices in much the same way as supermarkets do when imposing price cuts on farmers. The result is invariably cost-cutting and longer hours for the lowest paid workers. Those who suffer most are the socially weaker and less skilled staff members, a high proportion of whom are women. In response to this research, Tourism Concern is now calling on all tour operators to 'audit' labour standards across the tourism supply chain. The industry is currently considering its

response to this specific campaign. Additionally, Federation of Tour Operators (FTO) members last year signed a statement of commitment to sustainable development and management of tourism. The statement commits members to making a positive contribution to the natural and cultural environment and to generate benefits for host communities. Members are committed in the future to following the FTO Integrated Responsible Tourism Programme, which is currently under development.

Corporate Responsibility challenges facing the hospitality industry

Irrespective of wherever individual hospitality companies have got to in their thinking on Corporate Responsibility, the issue is clearly here to stay, indeed with issues such

as climate change coming further to the forefront in 2006, many are likely to become more pressing. In the hospitality industry, it will affect daily activities including location and site decisions, employment issues, management of the supply chain, and customer treatment and management.

'Sustainable tourism is about preserving popular destinations, the environment and its resources. We have got to get it right for this generation and beyond.'

Ed Fuller, President and Managing Director, International Lodging for Marriott International and chair of the International Tourism Partnership, the tourism programme of IBLF.

The table below details some of the key environmental, economic and social challenges facing the sector:

The Corporate Responsibility challenges

Environmental

- Minimise the environmental impacts of new developments in terms of site location
- Reduce environmental impacts during the construction phases, e.g. resource use, waste production and noise
- Engage ongoing protection of sensitive sites
- Manage energy and water consumption including:
 - Minimise impact of laundry systems and use of non-biodegradable cleaning products
 - Reduce water and energy requirements for pools and golf courses
 - Air conditioning
- Ensure effective waste management and recycling at sites
- Health and safety issues and management, including worker, food and child safety
- Set high standards and ensure innovative solutions

Economic

- Maximise beneficial and minimise negative impact on local communities of new developments
- Empowerment not exploitation
- Promotion of economic diversity in the local community
- Development of employment opportunities– direct and indirect e.g. use local farmers to grow food

Social

- Engage with a wide range of stakeholders in planning, design and longer term stewardship of local communities, responding to local needs
- Manage supply chain impacts in terms of worker conditions and human rights
- Treatment of employees
- Ensure customer satisfaction
- Act in line with ethical standards/codes of business conduct



What does it mean?

Within the hotel and travel sector, various initiatives and standards have been established to try to better define what Corporate Responsibility means for the sector. Such initiatives include the International Tourism Partnership and the International Eco-tourism Society.

International Tourism Partnership (ITP)

The ITP is a programme of The Prince of Wales International Business Leaders Forum (IBLF) and exists to inspire and provide global leadership for responsible business in hotels, travel and tourism. The initiative builds on the success of the **International Hotels Environment Initiative (IHEI) launched in 1992**. Organisations including airlines, car hire companies and tour operators through to existing hotel chain members and non government organisations (NGO) all work together within ITP to promote responsible practical actions that ensure sustainable solutions. Partners are drawn together to work on specific projects to drive actions and awareness in areas that affect responsible travel and tourism. The ITP also assists hotel, travel and tourism companies define and build a leadership role in responsible business by contributing to policy dialogues, pioneering new approaches to changing business and development agendas and by providing practical business solutions.

The ITP has developed **“BenchmarkHotel” - an environmental benchmarking tool** designed to help hotels around the world improve their environmental performance.

The International Eco-tourism Society (TIES)

TIES was founded in 1990 and is the largest and oldest ecotourism organisation in the world dedicated to generating and disseminating information about ecotourism. It currently has members in more than 70 countries. The organisation membership includes academics, consultants, conservation professionals and organizations, governments, architects, tour operators, lodge owners and managers, general development experts, and ecotourists. TIES provides guidelines and standards, training, technical assistance, research and publications to foster sound ecotourism development.

In addition, various award programmes now exist to recognise good performance in Corporate Responsibility in the sector. For example:

- International Hotel & Restaurant Association's (IH&RA) Environmental Award: launched in 1990 and conducted with the UNEP, the United Nation's Environment Programme and sponsored by American Express. Judges include Conservation International, Green Globe 21 and ITP. The award recognises the efforts being made to 'green' the hotel industry from within.
- British Airways Tourism for Tomorrow awards launched in 1991 by British Airways and, since 2004, under the auspices of World Travel and Tourism Council (WTTTC), Tourism for Tomorrow recognises and promotes best practice in travel and tourism development around the world.
- Conservation International & National Geographic Traveler: Traveler magazine and Conservation International together launched the 2004 World Legacy Awards, a global campaign to promote environmentally, culturally, and socially responsible tourism practices across a wider spectrum of the tourism industry, with the goal of “protecting the Earth’s natural and cultural heritage”.
- Condé Nast Traveler’s Ecotourism Awards: These awards have been set up to recognise properties, tour operators, and destinations committed to preserving the local environment, assisting and employing the people who live there, and educating the guests who visit. Organisations can nominate themselves for entry to the awards, after which a panel of industry judges vote on the finalists.

What is expected from the hospitality sector?

What do stakeholders expect from companies who are serious about addressing Corporate Responsibility? Leading companies follow the same broad principles, although these may differ in their application and emphasis.

First, stakeholders, be they staff, customers, shareholders or the community at large, expect to see commitment from the top of an organisation – this means leadership and advocacy. If employees, communities and customers do not actually see repeated evidence of this commitment, then the organisation will lack credibility.

“My priorities for 2005 are to continue our focus on generating shareholder value through further disposals of hotel assets, returning additional funds to shareholders, and retaining and enhancing our powerful brand positions and infrastructures. We will also maintain our focus on Corporate Social Responsibility, where we seek to be an industry leader.”

Andrew Cosslett, CEO of IHG, Annual Report 2004

Stakeholders also expect to be involved in decision-making. They view their contribution and buy-in as essential in assessing environmental, social and economic dimensions of hospitality management, and in balancing short-term priorities against long term needs.



Source: PricewaterhouseCoopers

This is a very tricky process for a company to get right. All too often, “engagement” is a one-way dialogue, with the company telling stakeholders the decisions that it has made. This risks engendering alienation and, potentially, opposition from stakeholders who feel insulted rather than consulted.

Effective engagement, by contrast, is invaluable in shaping corporate strategy, understanding upcoming risks and opportunities, and providing a suitable response and feedback. It is best practice, for example, to refer directly to stakeholder concerns and corresponding actions in corporate reports. Publishing your Corporate Responsibility strategy and defining priorities for action is also a key part of best practice.

Corporate commitments should then be enshrined in “policy” – which could be a formal sustainability policy, code of practice or some guiding principles. This policy should be effectively communicated and implemented, for

example through objectives and performance targets/indicators. It should be monitored through appropriate control processes and management systems, such as the ISO 14001 environmental management standard.

Performance indicators should be determined, with regular reports disclosing performance. Best practice is to have these reports assured by an independent third party.

Corporate Responsibility is still a relatively new concept for the hospitality industry. However, by taking action now and reporting to stakeholders on progress made, forward-looking companies do have the opportunity to gain a leadership position in this respect. Adopting such a leadership position would have corresponding potential long term beneficial impacts on critical business areas such as customer and staff recruitment and retention, ultimately translating into shareholder value.



Research results: how well are Europe's leading 14 hotel groups responding to the Corporate Responsibility agenda?

In order to look at how the industry is currently responding to the Corporate Responsibility agenda, PricewaterhouseCoopers conducted new research into the Corporate Responsibility activities of Europe's 14 largest publicly listed hotel companies in January 2004.⁴ Together these hotels accounted for more than 1.5 million hotel rooms across the world in 2004.

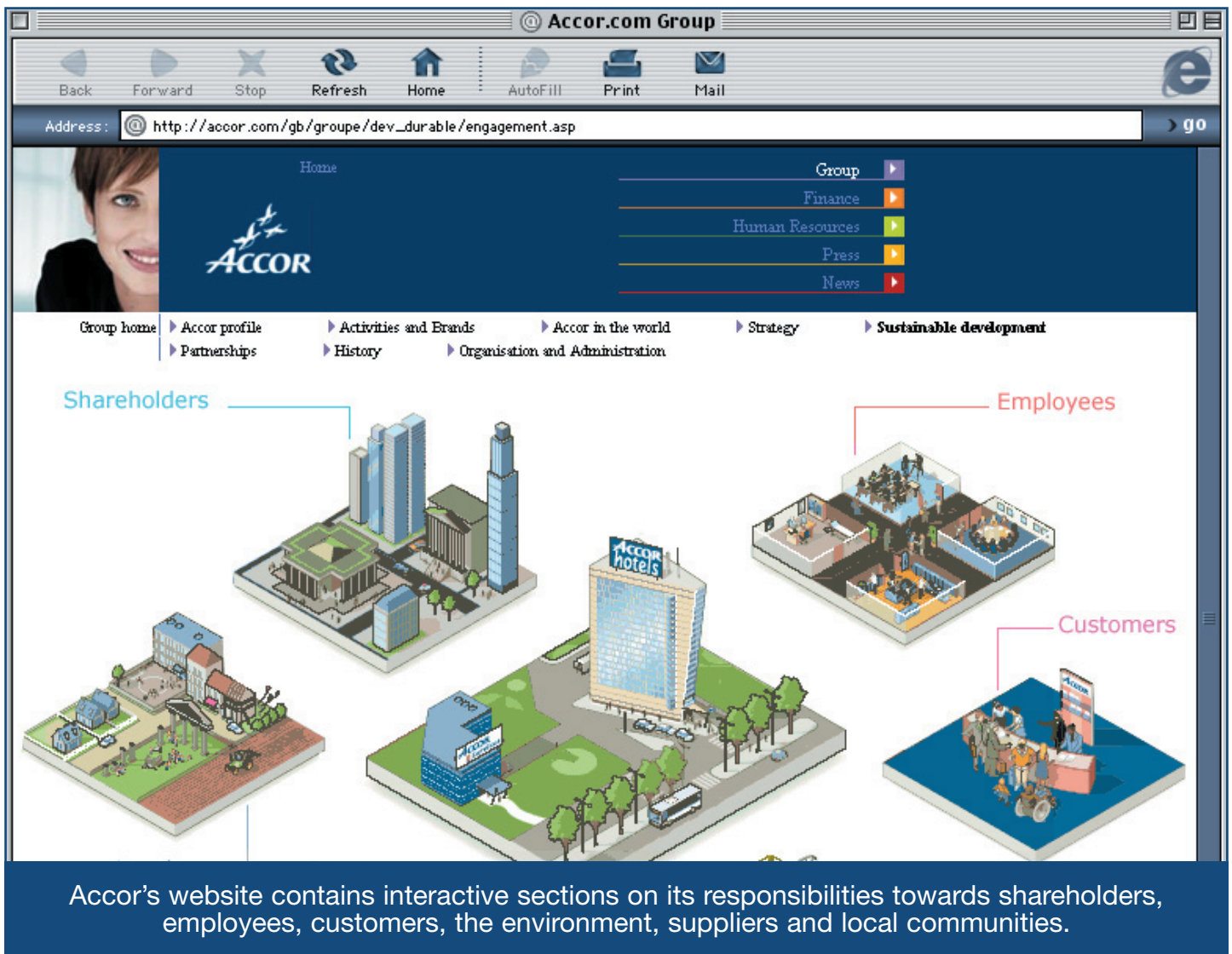
Our research examined how each company was responding on 11 key components of Corporate Responsibility, such as their overall level of disclosure, policies in place, management systems and stakeholder engagement. The research was based solely on publicly available information, for example, through company websites, investor briefings and annual reports. This research builds on previous work by PwC in 2001 to examine the implementation of environmental policies in European hotels.⁵

Against 11 key components of social responsibility our research showed:

Component 1: Corporate Responsibility disclosure: Over 70 per cent of hotel groups provided some information

PwC's research found that 10 out of 14 of Europe's leading hotel companies provided at least some information relating to Corporate Responsibility in their published information. See Table 1.

For example, Accor's website contains an interactive web-based Corporate Responsibility report. The report contains information on governance of Corporate Responsibility issues, stakeholder engagement and

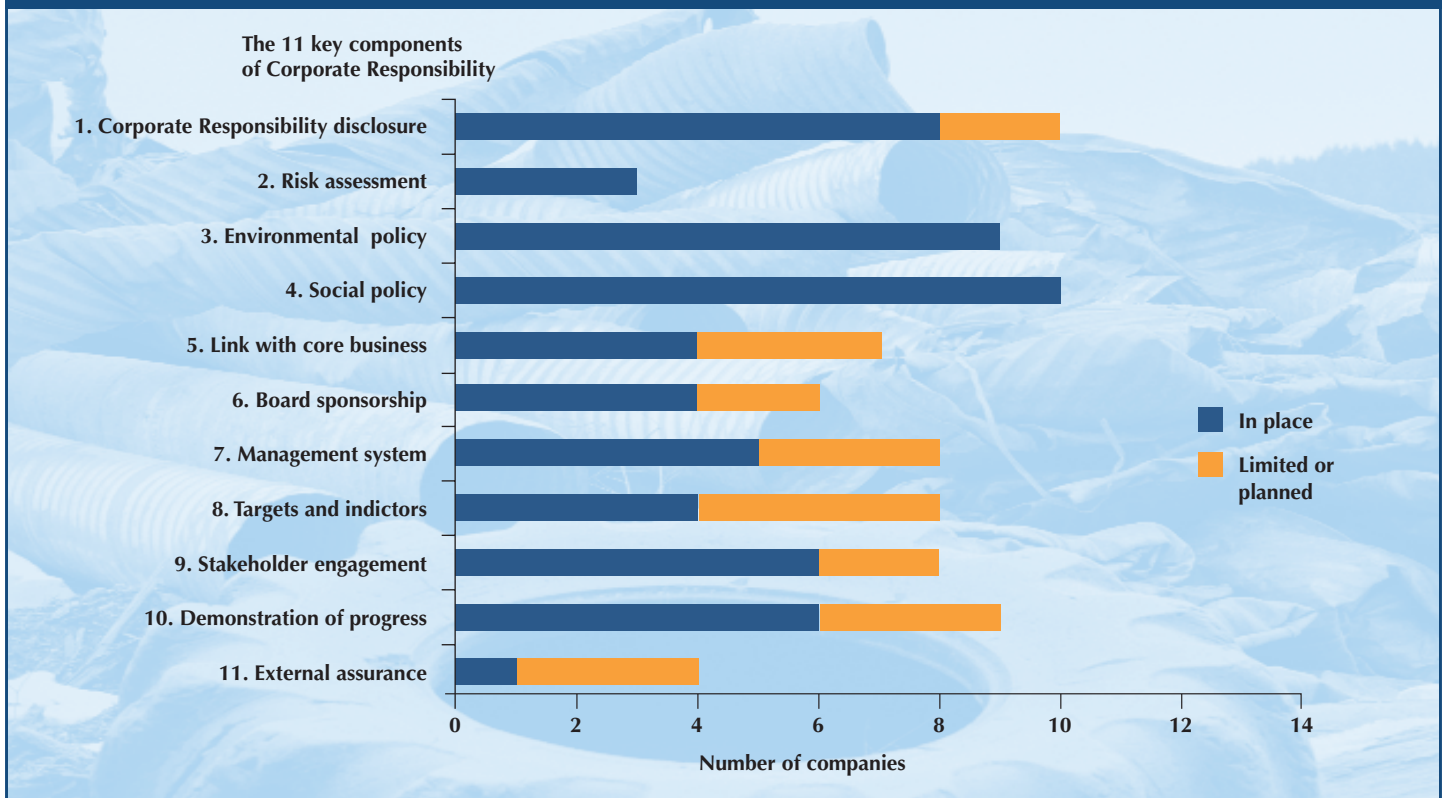


The screenshot shows a web browser window with the address bar displaying http://accor.com/gb/groupe/dev_durable/engagement.asp. The website header features the Accor logo and a navigation menu with links for Group, Finance, Human Resources, Press, and News. Below the header, there is a main navigation bar with links for Group home, Accor profile, Partnerships, Activities and Brands, History, Accor in the world, Organisation and Administration, Strategy, and Sustainable development. The main content area displays an interactive diagram with four isometric 3D models representing different stakeholder groups: Shareholders (a city skyline), Employees (an office building), Customers (a hotel lobby), and the Environment (a green landscape with a building). Lines connect these models to their respective labels. At the bottom of the screenshot, a blue banner contains the text: "Accor's website contains interactive sections on its responsibilities towards shareholders, employees, customers, the environment, suppliers and local communities."

⁴ Companies included within the study were InterContinental Hotels Group, Accor, Hilton Group plc, TUI AG/TUI Hotels & Resorts, Sol Melia SA, Golden Tulip Hospitality, Rezidor SAS Hospitality, Whitbread Hotel Company, Club Mediterranee, NH Hoteles SA, Le Meridien Hotels & Resorts, C.H.E. Group plc, Millenium & Copthorne Hotels plc and Dorint Hotels & Resorts.

⁵ European Hotels' Implementation of Environmental Policies, PricewaterhouseCoopers, Hospitality Directions – Europe Edition, July 2001.

Table 1: Corporate Responsibility among 14 leading European hotel companies



Source: PwC research 2006

detailed information on how Accor sees its responsibilities towards customers, employees, suppliers, the environment, local communities and shareholders. Likewise, Hilton Group plc has published a detailed “Responsible Business” report for the last three years. This report contains information on Hilton’s vision and core values, corporate governance and key Corporate Responsibility issues, defined as people, equal opportunities and diversity, human rights, health and safety, environment, business practice, customers, products and services, business partners and supply chain and communities/charities.

For companies that did not produce standalone Corporate Responsibility reports, disclosure was usually focused on case study examples of particular developments or initiatives that were initiated with Corporate Responsibility in mind. These ranged from employee volunteering schemes, to monitoring working conditions across the supply chain, to providing details of community impacts in terms of working with local people to provide employment opportunities. These examples demonstrate how, to some extent, all hotel companies are actively considering Corporate Responsibility in their operations, and in doing so, are focusing on the full range of issues – not simply environment, health and safety.

Component 2: Risk assessment
A lack of risk assessment minimises the potential gains from Corporate Responsibility
 Once we dug below the surface, we found the organisations we benchmarked had markedly different levels of Corporate Responsibility activity.

For example, while most companies did have Corporate Responsibility, environmental or social policies in place, only three of the 14 companies stated that they had conducted a Corporate Responsibility risk assessment. Additionally, only four of the companies had made a clear link between their Corporate Responsibility activities and business strategies. This lack of risk assessment and connection with broader business strategy could mean that many of these companies are not currently deriving real business benefits from their Corporate Responsibility activities.

Component 3: Environmental policy
In terms of policy disclosure, nine out of the 14 companies had environmental policies in place.
 Accor, Hilton Group and Whitbread all disclosed a significant amount of information on their environmental performance.

- Hilton Group reported on the use of the Hilton Environmental Reporting tool (HER) and staff training (15,000 staff to date). Hilton group also publicly report their target of a 10 per cent reduction in utility consumption across the UK and Ireland by 2006
- Accor publicly disclosed that, in 2004, 26 properties were awarded ISO14001 certification. Significant disclosure was also provided in areas such as water and energy consumption, waste, biodiversity, and environmental building design
- Whitbread published a stand alone environment report, which received third party assurance. The report contained considerable disclosure on environmental performance, e.g. reductions in CO2 emissions, water, energy consumption, and recycling was also provided. Whitbread refer to their Environment Management System (EMS) in their report.

Component 4: Social policy

Accor and IHG provide social issue disclosure

In terms of disclosure on 'social' areas of Corporate Responsibility, ten out of the 14 companies benchmarked publish information on policies in this regard. Areas covered by many included:

- people issues
- diversity
- equal opportunities
- community/charitable donations

However, fewer companies reported their activities in emerging issues such as:

- human rights and
- supplier management

One exception to this was Intercontinental Hotels Group (IHG), who have publicly stated their commitment to the Universal Declaration on Human Rights and the International Labour Organisation's (ILO's) core conventions.

Another notable exception was Accor's significant disclosure on its programme in place to monitor the social and ethical performance of its key suppliers.

Component 5: Link with core business

A lack of detail on franchised hotels could cause significant pain in the future

However, where applicable, none of the hotels covered within the survey disclosed any significant information on the environmental or social performance of their franchised hotels. Rather, the sector is currently focusing on the activities of directly owned and managed properties.

Looking to the future, it is likely that stakeholders will expect the sector to also disclose the performance of franchised hotels. In addition, it would be prudent for companies to include coverage of these franchised properties in Corporate Responsibility programmes as franchised hotels do have the ability to cause significant reputation and brand damage if found lacking in sensitive Corporate Responsibility issues, such as child labour and minimum wage payments.

Component 6: Board sponsorship

Evidence of Board level commitment was low

In terms of Corporate Responsibility board sponsorship, the research found that only 4 of the 14 companies publicly articulated a board level commitment to Corporate Responsibility. Such board level sponsorship is critical to Corporate Responsibility programmes being taken seriously by external audiences. IHG is a good example of a company that has made a clear, board-level, commitment to Corporate Responsibility:

"We need to build an IHG culture. A culture that's focussed on driving returns for our owners and on supporting each other in a more collaborative way. Part of the culture will be about raising our commitment still further to helping the communities in which we operate."

As an organisation we will increase our commitment to Corporate Social Responsibility and ensure that we are industry leading in this area. Not just because it helps to drive the culture which it does, but because it increasingly helps attract talented people to the business."

Andrew Cosslett CEO IHG - 8 September 2005

Component 7: Management system

Rezidor SAS was one of five companies to have established management systems

Looking at the implementation of management systems to actively monitor and control elements of Corporate Responsibility such as environment, health and safety, only five organisations claimed to have established management systems, and three more were in the process of developing them.

One company that does disclose details of its Corporate Responsibility management systems is Rezidor SAS, which has an established Responsible Business (RB) programme. The programme focuses on three key areas: taking Responsibility for the health and safety of employees and guests, respecting social and ethical issues in the company, as well as in the community, and reducing negative impacts on the environment. The operational responsibility for the RB programme lies with the Hotel Managers, who are supported by the RB co-coordinators at each hotel. In 2003, a regional structure was added, supporting the hotels at a regional level and providing a liaison between the hotels and the Corporate Director of Environmental and Social Affairs. The local RB action plans guide the hotels in what measures and actions they will implement during the year to improve performance.



Components 8 and 9: Targets and indicators and Stakeholder engagement

Stakeholder engagement plans trail other sectors

Six companies within the benchmark provided details of their stakeholder engagement plans and a further two provided limited details with a commitment to future activity in this area. However, even for these six companies that did disclose information on engagement, the level of disclosure was limited. It is increasingly expected that companies will publicly disclose who they believe their key stakeholders are and what activities/processes they have in place to engage with these key stakeholder groups. The hotel industry is significantly behind other sectors in this area, for example, British Telecom has a highly established process of stakeholder engagement.

Components 10 and 11: Demonstration of Improvement and External assurance

Third party assurance over their Corporate Responsibility

Looking at disclosure on actual performance, just four of the 14 organisations were able to publish meaningful data on Corporate Responsibility type parameters (e.g. health and safety, resource use, waste production, community consultation); while four more produced some limited data.

For example, the Hilton Group plc reported in its most recent Corporate Responsibility report that 'team member satisfaction scores have increased across the world by up to 7 per cent from 2003, averaging at 75 per cent.' Hilton was also the only company in the survey to have third party assurance over their reported information on Corporate Responsibility, although three other companies did provide assurance in some limited areas.

The Trafalgar Hilton was featured in an article in Leisure Management in 2005 as the world's first CarbonNeutral® hotel. Located on Trafalgar Square the hotel worked with Future Forests to achieve this title. Among other schemes, the hotel helped to plant more than 3,000 trees to 'neutralise' the carbon dioxide emissions it expected to cause during the first year of operation in 2001

The winners of the IH&RA Environmental Award in 2005 included hotels in Brazil, Canada, India and the Caribbean in 'Engaging the Guest in Environmental Actions'. The Meliá Jardim Europa in São Paulo, Brazil won the chain category. It was selected for its 'Green Floor Project' which recreates the rainforest within the hotel; the Monterey Inn, Resort and Conference Centre from Ontario, won the independent category and was recognised for outstanding work, including its Carbon Neutral programme.

Research concludes that the sector lags behind other industries

What conclusion should we draw from this information? Perhaps the majority of hotel companies are focusing on Corporate Responsibility, but not publicly talking about it? Or, alternatively that they recognise that Corporate Responsibility is important but have not fully implemented the necessary processes or controls throughout their business. Alternatively, there could be a more complex explanation. Perhaps the industry's current response results from the complex value chain and business partner relationships in the hospitality sector generally. Individual companies may not always be responsible for the direct buying relationship with the customer, often being dependent on other companies up and down the value chain in terms of Corporate Responsibility related impacts. Whatever the explanation, it is clear that progress has been made in terms of implementing environmental policies for many in the sector since PricewaterhouseCoopers examined this issue previously in the July 2001 edition of Hospitality Directions. However, the sector is behind other European industries, e.g. the retail sector, in terms of Corporate Responsibility reporting, and faces a challenging agenda to catch up and respond effectively to the concerns of stakeholders.

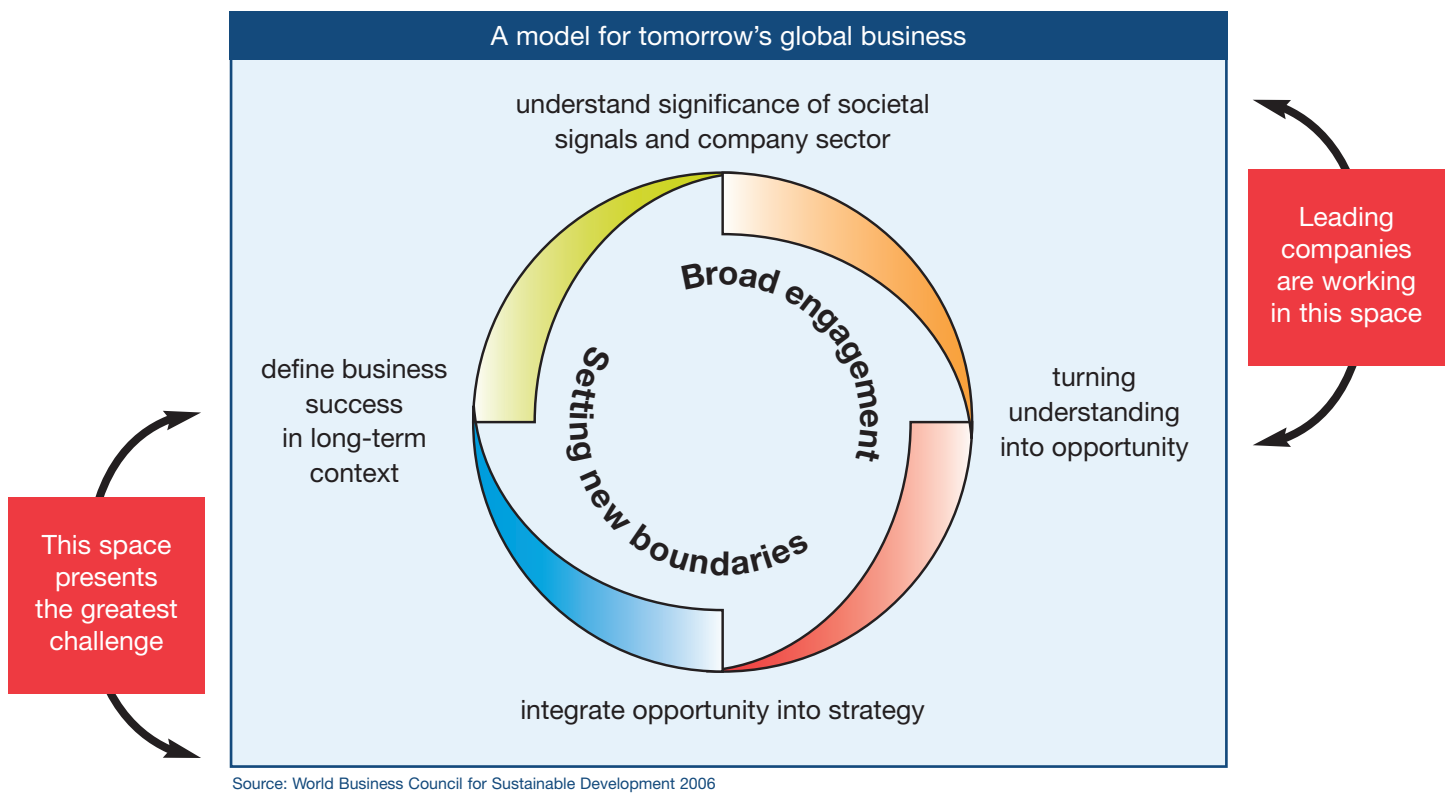
Indeed, in the 2004 Business in the Community Corporate Responsibility Index, of the top 100 quoted companies from a Corporate Responsibility perspective, only four came from the leisure and hotels sector. By comparison, a sector such as Banks and Utilities had 11 apiece. However, this could partly be explained by relatively few hotel companies being quoted on the FTSE 100 and FTSE 250.

Looking towards the future – the gain versus the pain

Many companies in the hospitality industry are currently not making the most of the Corporate Responsibility agenda. While it can easily appear to business as a threat and a recipe for extra burdens, the reality is that Corporate Responsibility related issues present real business opportunities.

In a recently published report by the leading global business organisation, the World Business Council for Sustainable Development, "From Challenge to Opportunity: the role of business in tomorrow's society", business leaders in a number of major companies have produced a model for tomorrow's global business. It is based on recognising and capturing the opportunities that are presented by societal and environmental concerns.⁶

⁶ A paper from Tomorrow's Leaders group of the World Business Council for Sustainable Development, February 2006



By focusing on the issue strategically, companies which address Corporate Responsibility are likely to achieve better community relationships, save money through operational efficiencies and differentiate themselves as responsible and accountable companies. Transparent and accountable behaviour helps to build stakeholder trust and enhance corporate reputation, both long-term drivers of value. Other sectors such as the European retail, telecommunications, pharmaceutical and extractive industries have already started to yield such benefits through established Corporate Responsibility programmes.

There are several steps that the hospitality industry will have to take to embed Corporate Responsibility into the way it does business day-to-day. The most immediate steps include instituting the right policies, processes, and systems for monitoring and reporting performance. Additionally, for such Corporate Responsibility programmes to be credible, it is important to ensure the following:

- A serious commitment to Corporate Responsibility is shown from the top of the organisation;
- Stakeholders are actively involved in decision making;
- Corporate Responsibility strategy is published, with defined priorities for action;
- Corporate commitments are enshrined in policy; and
- Performance indicators are determined, with regular reports disclosing performance.

Overall, the biggest challenge for the sector will be to win over the 'hearts and minds' and thus the behaviour of the company. This is a longer term and more complex process, and will demand cross industry collaboration, but is essential for Corporate Responsibility to really 'stick'. Many leading hospitality companies have made a start, but achieving maximum value from Corporate Responsibility will be far from simple. It will require a clear sense of direction, a commitment from the organisation, robust planning and strong implementation to deliver.

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