

CHAPTER 10

Managing social responsibility in international hospitality

Chapter objectives

After working through this chapter, you should be able to:

- Define ethical and social responsibility concepts in the global environment
- Examine the approaches used in defining international social responsibility
- Understand which aspects of social responsibility must be applied to international hospitality service operations
- Critically determine the role of values in hospitality cultures for both the suppliers and customers

■ Introduction

In this chapter we will consider the demands from within the hospitality industry and from outside it for companies to operate in a socially responsible way. We will introduce you to a number of approaches to the definition of ethics and apply them to a range of situations currently facing hospitality businesses, including green issues and sustainability. From the 1990s, the notion of business ethics has re-invented itself moving from a quiet corner of the academic discussions about business strategy onto the centre of the stage in the guise of corporate responsibility. It has not been an easy journey as it is based upon a series of headline business disasters that exposed the poverty of ethical behaviour in some very major players in the world market. This is not the place to tell a history of corporate malpractice, but it is worth noting that the growing sense of responsibility and a corporate duty to a wider social grouping than the shareholders has emerged within a particular conjuncture. We observed the trend towards environmental awareness amongst consumers in our discussion of the operating environment and this has certainly made it easier for companies to adopt a new agenda.

We want to begin our account with a look at the founding principles of ethics and then look at how these are translated into business ethics. This will give us a platform to evaluate the emergence of the notions of corporate and social responsibility. We will also consider how these corporate agendas have been informed by the beliefs of the groups who opposed the rise of the large corporations. It is reassuring to see how an idea that belonged in the ivory tower of the academic world in the 1980s is now seen as central to the business agenda, and companies have finally realized that sustainable policies can not only make them more attractive to the more aware consumers but also contribute to better business performance.

■ Right and wrong

It is often said that we all know the difference between right and wrong and that we have all been brought up to recognize the distinction.

The study of ethics makes it seem more difficult, as different positions within ethics construct different categories of right and wrong. There are schools of thought that want to see the imposition of universal codes of behaviour that would brand behaviour as good or bad no matter what the circumstance be. Others are more contextual and are more open to competing justifications of what motivated the behaviour or what the outcomes of the behaviour were. For instance, a universalist position, such as duty theorists or deontologists, would argue that it is always wrong to lie but a consequentialist or utilitarian view may argue that a small lie, that makes people feel happier can be morally justified. The distinction between rules, guidelines, morals or principles of living (“morality”) that exist in time and space and the systematic reflection upon them (“ethics”) is still worth observing. The idea that morality refers to what all reasonable persons will conform to in all situations at all times requires much more careful attention, especially given the culturalist position we have developed throughout the book so far. As in previous discussions, we would reject simplistic claims for universal application, but we would recognize that some behaviours are always going to be condemned no matter what the cultural setting is.

That would be wrong then?

Example: Woman gets jail for mouse-in-soup scam at restaurant

Associated Press 6 July 2006, 08:30 AM

NEWPORT NEWS, VA.: A woman who tried to extort money from the Cracker Barrel restaurant chain by putting a dead mouse in a bowl of soup was sentenced to a year in jail.

Carla Patterson, 38, and her 22-year-old son, Ricky Patterson, sought \$500,000 from the chain after claiming they found the rodent in the vegetable soup the woman ordered at a Newport News restaurant on Mother’s Day weekend in 2004.

A jury convicted the Pattersons of conspiracy to commit extortion in April. The Pattersons maintained their innocence, but evidence included tests showed the mouse had not been cooked and had not drowned but instead died of a fractured skull.

Carla Patterson wept Wednesday as a judge imposed the jail sentence and a \$2,500 fine. Defence lawyer Michael Woods said Patterson plans to appeal.

Ricky Patterson’s sentencing, which had been scheduled for Wednesday, was postponed until September 14. He is at Virginia Peninsula Regional Jail in Williamsburg after pleading guilty to forgery in an unrelated check-fraud case (Figure 10.1).

Universal	Right	Wrong
Contextual	Reasonable	Concerning

Figure 10.1
Approaches to
morality

Both approaches would have little problem in interpreting the above example as wrong! Gambling is a more problematic with as many opposed to the idea as there are committed to it. We have been following the developments in China with great interest, where gambling is illegal except in Hong Kong, with horse racing, and Macau with the casinos. The ethical questions are difficult. If gambling is acceptable, then why hold it to a very small country? But if it is not, why encourage the huge growth that we are seeing in Macau. The following case study will introduce you to the background to Macau.

Chapter case study

In September 2005 the Asia Times carried an article about the investment in gambling in Macau that coincided with one of us visiting there. They argued that Macau was not Las Vegas, adding the caveat that at least it was not yet. However, at least one report suggested otherwise. Macau was indeed becoming the Las Vegas of Asia, with an estimated US \$7.4–12 billion worth of new development, centred on entertainment and casinos. It was seen that China's strategy was to turn Macau into the Las Vegas of Asia, according to a report by Hong Kong-based UBS Investment Research, "Macau Gaming – Let the Games Begin". It argued that the political incentive is driven by the upcoming 10th anniversary of Macau's handover to China in 2009. UBS says a common language, proximity (with a billion people within 3 hours' flight time), and the limited variety of entertainment venues in China, give Macau a competitive advantage. The report also notes that China's economic growth provides a sustainable base for gaming enterprises in Macau. Last year, Macau earned US \$5.4 billion from gaming – narrowly beating the Las Vegas Strip (US \$5.3 billion) as the world's largest gaming centre.

The former Portuguese colony, a peninsula and two islands about 60 kilometres (and at least 60 decibels) away from Hong Kong, first legalized gambling in 1847. When Macau returned to Chinese sovereignty in 1999, the authorities immediately cracked down on triads whose open warfare had downgraded Macau's reputation from seedy to unsafe. A pivotal decision by the Macau Government in 2002 ended the 40-year gambling monopoly of Stanley Ho's Sociedade do Jogos de Macau (SJM or "Macau Gaming Society" in English). The government granted three new gaming licenses, with 1.7 million square feet under construction at more than 500 sites. Investment came from Las Vegas itself, with Steve Wynn of the eponymous chain Wynn Resorts, and Sheldon Adelson of the Las Vegas Sands empire coming to Macau to bankroll the billions.

Two of the new licenses went to new players – Wynn's Resorts from Las Vegas and Galaxy Consortium, controlled by Hong Kong group K-Wah. Several sub-concessions were also issued, including one to Las Vegas Sands, whose Chairman, Sheldon Adelson, last month unveiled plans to build a \$15-billion replica of the Las Vegas Strip on the Cotai Strip in Macau (Cotai is the reclaimed land between two islands – Taipa and Coloane). Sheldon told Hong Kong reporters the strip could have as many as 60,000 rooms. The strip has been carved into seven parcels of land. At this stage, six hotels, each supported by a casino, are planned, with leading hotel groups, including Starwood, Marriott, InterContinental, Regal and Four Seasons committed to plans collectively worth \$2.5 billion. Adelson saw an eastern version of the Las Vegas Strip on landfill between Macau's outer islands of Coloane and Taipa, anchored by his \$2 billion Venetian Macao. Ahead of the Venetian's 2007 debut, the Sands opened a \$240 million downtown casino in May 2004, giving Macau its initial look at the Las Vegas way of doing things. From the pure gold glass exterior to shiny black 15,300 square meter open plan interior with a 50 tonne chandelier and 20 meter

high ceiling, the Sands sets a different tone to the gambling dens of the Ho's flagship Hotel Lisboa. It is also significantly different from Las Vegas: this Sands has no hotel (just 51 suites for invited high rollers; do not try to book, if they have not contacted you then you are not invited!) and no retailing. In Vegas, hotels obtain around 50% of their revenue from outside the casino, from restaurants, retail, rooms and related attractions; in Macau, the take beyond the tables re-presents just 3% of the gross.

Today, most people come to Macau for one reason: to gamble. Asia Today suggested that the top five reasons included: romantic weekendening from Hong Kong; commercial sex, ranging from Russian streetwalkers to massage parlours; eating Macanese, the original fusion cuisine; and seeing the legacies of Chinese culture and Portuguese rule dating to 1557 that won Macau a place on the United Nations World Heritage List.

Tourist numbers are skyrocketing, from 7.5 million in 1999 to 16.7 million last year and are expected to reach 20 million this year. Current figures show 55.8% of visitors come from mainland China, many taking advantage of the liberalized rules that allow travel to Macau by individuals, rather than only as part of those flag-waving, bus-riding, restaurant-jamming tour groups. Another 30% come from Hong Kong, 1 hour away on Ho's jetfoil ferries making 80 trips a day, and 8.3% from Taiwan.

The average stay of Chinese visitors is only 1.25 days. The strategy of the Macau Government is to double that stay by providing more attractions, but currently there are not enough hotel rooms. Despite the rapid rate of development it will probably take 5 years before Macau has enough rooms to meet the anticipated increase in tourist arrivals. As the new hotels get up and running, a major concern will be the supply of fresh produce – including seafood, vegetables and fruit and wines.

As well as casinos and hotels, a wide range of entertainment facilities will be built in Macau in the coming years to liven up tourist attractions in the former Portuguese enclave. Aside from construction of the casinos, hotels and entertainment complexes, Macau will need additional housing, hospitals, schools and other facilities to house its growing population. Macau has a population of 500,000 and will have to rely on migrant workers to fill the newly created jobs. There will be a need for both education offshore and new joint ventures with vocational schools in Macau to train new workers. Macau has already started to import workers from the Philippines and India, according to some sources.

The second area is the civil service. The government has had to adjust its civil service infrastructure to deal with the huge volume of work coming from the waves of investment activity. It will have to issue work permits for the thousands of workers who will arrive to work in Macau's casinos and construction sector, deal with new licenses and monitor the industry.

House winnings at Macau's 19 casinos are poised to exceed \$6 billion this year, overtaking Las Vegas and its more than 200 casinos as the world's top gambling earner. Macau's average daily take per table is around \$18,000 (slot machines account for less than 2% of Macau's gambling take); better than five times the average for Las Vegas. Macau has a simple formula for its big money action: higher stakes. In Vegas, you'll find \$1 tables, but in Macau the betting starts at HK \$100 (US \$12.85; Macau's official currency is the pataca with a fixed exchange rate of 8 to \$1, but Hong Kong dollars are so common that casino limits are denominated in them, and they circulate on par with the slightly less valuable pataca), and those tables are hard to find. The real action, however, is not in the HK \$300 blackjack or the Chinese big-small dice game, but VIP baccarat in plush, private rooms. High rollers, known as whales, account for about 80% of Macau's gambling revenue. The government takes a 35% tax on casino profits, comprising three quarters of its revenue.

Adding millions of visitors and Las Vegas developers to Macau's 465,000 residents and 450-year East-meets-West tradition has had a dramatic impact. GDP growth last year ran 28%, including an insane 49.4% in the second quarter, distorted by the impact of severe acute respiratory syndrome (SARS), which had misleadingly depressed the numbers for previous years. But Macau's 2003 GDP growth was 14.2%, so SARS didn't bring things to a complete halt. This year's growth will come in just under 10%. Unemployment has fallen from 7.1% in 2002 to 4.1% today, and it's still dropping, as construction continues and more hotels and casinos come on-line and start hiring.

Thousands of expatriates will come because Macau's labour pool does not have the skills needed for all the new resorts. That's most evident in the dearth of hotel and casino personnel comfortable with English. A pit boss who explained Caribbean Stud Poker to me turned out to be from Malaysia, a veteran of the Genting gambling resort outside Kuala Lumpur, lured to Macau on a lucrative contract.

There's also concern that the economy remains largely in overseas hands. Casino tycoon Ho is a Hong Kong resident and the other gambling licensees are also from outside Macau. Hong Kong firms dominate construction (and, increasingly, property sales) with some specialists imported from as far as Australia. It may be possible to take advantage of these international firms by enlisting them in local training programmes, including mentoring by executives for government and private sector and making their professional development programmes available to all locals – or at least showing Macau the training models to follow.

The government should be applauded for recently establishing a quality of life task force to step back and look at the big picture. There are also efforts to preserve Macau's unique legacy. The World Heritage List was a good first step, but the surrounding areas need protection, not just the monument. The Chinese Government in Beijing recognize the value in emphasizing and promoting the idea that Macau is different. Preservation is a challenge because space is at a premium. Macau measured 17.7 square kilometres in the 1980s and has added nearly 10 square kilometres since then. Reclamation is nearing its practical limit, and there's even talk of expanding to the mainland's Hangqin Island if demand for resort sites continues to grow.

Residential real estate prices have broken out of a decade-long slump, rising nearly 50% since 2003. Macau's income is about 57% of those in Hong Kong, but property prices are roughly 27%. Developers are hoping for an influx of expatriates as Cotai opens.

Other players in the gaming boom

Gaming in Asia is not only booming in Macau. Singapore approved two integrated resorts with casinos, to be built on Sentosa Island and a newly reclaimed area known as Marina Bayfront in 2005. Not to be outdone, the Philippines Amusement and Gaming Corporation (PAGCOR) has plans for a \$15-billion project on reclaimed land in Manila Bay to rival Macau. Rafael Francisco, President of PAGCOR, said last year that he would like to speed up the project to catch up with Singapore and Thailand, which is planning an integrated resort at Khao Lak, near Phuket.

A major problem for the Philippines is the expiration of PAGCOR's charter in 2008. Investors would like to be assured that the government will extend PAGCOR's charter beyond 2008. Negotiations are on hold until the Congress of the Philippines passes a bill extending PAGCOR's charter, probably for another 2 years. PAGCOR is mindful that neighbouring countries like Singapore have already announced their plans for casinos. They argue that if the bill is not acted on quickly by Congress, the government's master plan for developing gaming may not proceed as envisaged – especially if potential investors continue to look at neighbouring countries as an option.

There is no doubt that the economic miracle in Macau is predicated upon the presence and extension of gambling and it seems that the ethical arguments are being submerged under the economic priorities. There is certainly no attempt to transfer the universalist perspective from the mainland to the island (Plate 14).



Plate 14
Casinos and target
markets
Source: Author's
photograph

This casino is specifically targeting the Chinese community in Manchester, relying on the great interest amongst many Chinese people to gamble to make this business a success in the middle of a large English city.

Discussions of ethics began to appear in business literature as the nature of the business relationship was questioned. In a simple model of capitalist business relations, the company owes a responsibility to its backers, those with equity in the company in a financial sense and business performance will be judged by the rate of return on these investments. This narrow relationship was questioned when businesses were thought of in a wider setting, with responsibilities to their workers, the local communities and the environment. These discussions introduced a new term into the discussions with the emergence of the term stakeholder. The term was originally defined in Freeman's discussion of business ethics as "Any group or individual who can affect or is affected by the achievement of an organisation's objectives" (Freeman, 1984: 46). This means that the traditional business relationship with the shareholders had to be questioned as many of the people covered by this definition had no financial stake in the company. It means that the management have to prepare an account of the organization that does not just satisfy the financial demands of the shareholders but also the social

demands of the stakeholders. The literature further makes a distinction between the strategic stakeholder – those concerned with realizing objectives inside the organization – and the moral stakeholder – where the emphasis is on balancing stakeholder interests often outside the organization (Frooman, 1999) (Figure 10.2).

Shareholders	Local residents	Governments and NGOs
Customers	Suppliers	Businesses (involved)
Employees	Competitors	Services

Figure 10.2
Stakeholder groups

Communication with shareholders was already well established and most organizations have channels to get feedback from customers and staff through surveys, focus groups and appraisals. We would argue that the better-managed companies would be involved in a dialogue with most of these groups already.

It becomes clear whenever we list stakeholders that we cannot elaborate the full complexity of stakeholder claims in the international hospitality industry. However, rather than saying the term effectively includes everyone – as we are all affected by developments in hospitality and tourism – and reduce the concept’s usefulness, we believe it is better to look at how we might approach the stakeholder. Mitchell et al. (1997) suggested three dimensions of stakeholder salience:

- 1 the power that a stakeholder group is perceived to hold;
- 2 the legitimacy that the stakeholder group is thought to have;
- 3 the perceived urgency of the stakeholders’ demands.

We would also highlight the activities of the non-governmental organizations (NGOs), where perhaps special attention needs to be focused on their role not only as stakeholders in their own right but also as organizers of stakeholders. Residents groups may be able to promote effective opposition to companies at a local level, but it is the rise of importance in NGOs that is most challenging as they can articulate these challenges at a higher level. As governments scale back activity in market economies, the NGOs are becoming the well-organized, effective and vociferous conscience of society, representing those least able to represent themselves. Many NGOs have adopted a posture of constructive engagement and dialogue with companies. True dialogue can often lead to creative and effective solutions that a company may not otherwise have seen.

■ Sense of place

We believe that for hospitality the stakeholders should include the local residents, the communities in which the business operates. Again most

enlightened companies will have strong connections with the local community, corporately and individually through its employees. This is difficult to achieve when you are entering a new international market. A new hotel development may have the greatest direct impact by employing as many local people as possible, but through adopting a policy of local sourcing it may have a more far-reaching influence. Commissioning local artists and artisan products in the hotel, combined with offering local food and drink products, and promoting local musical and dance performances can all help to develop a stronger sense of local identification. This is a bonus for the local people but it may also benefit the traveller, as the visitors seem to increasingly welcome a “sense of place”, something that the large brands will be challenged to offer but will increasingly have to accommodate.

■ Shades of green

We have followed the sustainability debates with great interest and some participation since the publication of the Bruntland Report, *Our Common Future* in 1987 which placed a sense of sustainability at the centre of discussions about development. Our work was largely tourism based at the time and many people seemed surprised that the question asked was not whether there should be sustainable tourism but whether there should be tourism at all – or where there more sustainable opportunities in different sectors. In practice tourism had a great deal to offer to all sorts of communities and the conversations could quickly move on to what sustainable tourism would mean for a particular region or destination. Sustainable tourism development was taken to be development that sensitively developed tourism in a region that would protect the social and environmental context for the next generation whilst making a viable return on the investment in tourism in the long term. The World Tourism Organization (1998) defined it as development that “meets the needs of present tourists and host regions while protecting and enhancing opportunities for the future. It is envisaged as leading to management of all resources in such a way that economic, social and aesthetic needs can be fulfilled while maintaining cultural integrity, essential ecological processes, biological diversity and life support systems”.

Some definitions included the dimension of subsidiarity – moving decisions to the most local level possible and developing community participation. However, what usually happened was that the discussions focused almost exclusively on the environment and the economic, relegating the social and cultural to a minor role. Economic considerations were at the forefront as these were days when the economic power of tourism was first being acted upon. However, the environment gradually gained more recognition and concerns were expressed for the green environment and eventually it became possible to talk about the greening of the industry. Many questioned whether the concern was real or

rhetorical and there were many shades of green in evidence in the industry. Murphy and Price (2005) summarize the history of the movement quite beautifully in their article, which includes this illustration (Figure 10.3).

Light green tendencies	Dark green tendencies
Advocate and strongly pro-adaptancy	Cautionary and knowledge based
Benefits of tourism assumed	Benefits of tourism must be demonstrated
Precious view of tourism as a sector and sectoral self-interest dominates	Tourism need not necessarily be a component of sustainable development in an area and sectoral integration required
Maintain tourism activity in existing destinations and expand into new ones	Widen economic base if high dependency on tourism and engage in full proactive assessment of new tourism development
Tourism products must be maintained and evolve according to market need (nature is a commodity)	Natural resources must be maintained and impacts reduced (preferably minimized) where possible with products tailored accordingly (nature has existence value)
Environmental action only when required and beneficial (i.e. legal obligation, to tackle specific problem, marketing benefit and cost saving)	Considered as a matter of routine
Narrow scope and geographical scale of environmental concern	Wide range of potential and actual impacts considered beyond immediate geographical setting (hotel, complex, destination area)
Disperse and dilute activity (spread)	Focus and concentrate activity (confine)
Industry self-regulation as the dominant management approach	Wide range of management approaches and instruments required
Introspective focus on tourism research and management literature	More likely to re-invent the wheel
Most likely to have a direct involvement in the industry	Most likely to have a training in an environment-type academic discipline

Figure 10.3

A continuum of commitments to sustainability

Source: Murphy and Price (2005: 177)

The debates have moved on with significant contributions from both the governments and the industry. It is now recognized that the hospitality industry has played a part in promoting the recognition of the environmental aspects of sustainability but is lagging behind in thinking through and operationalizing the economic and socio-cultural aspects.

■ Sustainable development

We normally work with the theoretical model of sustainable tourism which we now depict as a three-legged stool (Figure 10.4).

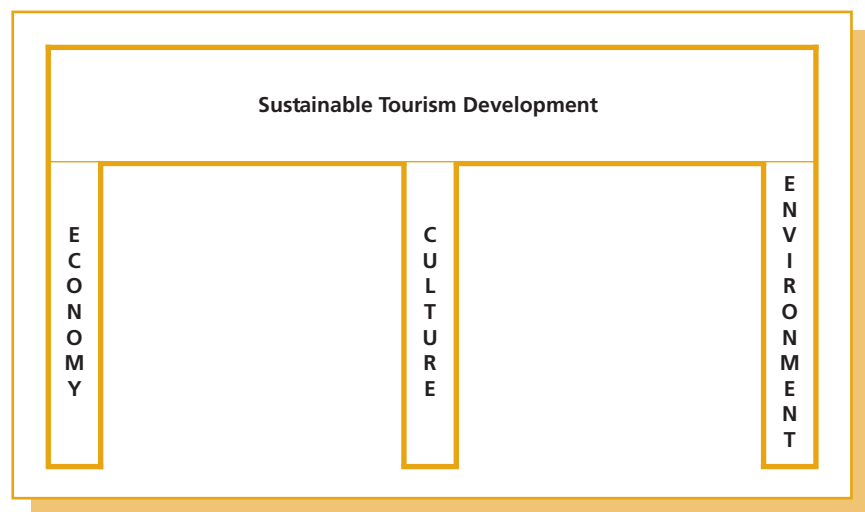


Figure 10.4
The interconnections
of sustainable
tourism
development

The sustainability depends upon the equivalence in the three aspects being maintained, any distortion leads to the stool tipping over. This creates a metaphor that works for us!

Other industries have been quick to address such issues. Leading firms such as Shell and BP have adopted management system approaches to tackle the difficulties of being a sustainability friendly operator. In the hotel industry, it seems that we are lagging behind best practice in other sectors. The leading brands have begun to embrace a more sustainable approach, but for the vast majority of the hospitality industry there is still much work to be done about basic environmental management issues let alone the intangible issues associated with sustainability.

Sound environmental policies are intimately linked with operational quality in order for a business to be sustainable economically as well as environmentally and socially. Emerging integrated management system methodology enables hotel operators to address quality, environmental and all management issues under one management framework. The model has been constantly redrawn and re-specified, but the one offered

by the TTI combines our essential elements with the business lessons to be drawn from them (Figure 10.5).

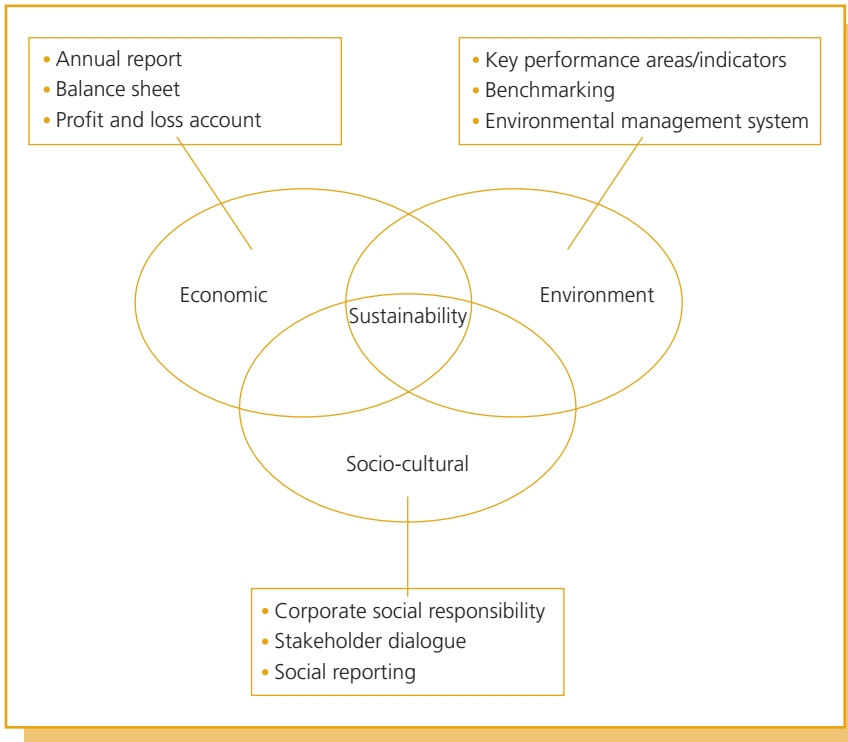


Figure 10.5
Sustainability in business terms
Source: TTI

■ Social and cultural issues and stakeholder dialogue

Addressing social and cultural issues has always proved less easy to capture in a traditional management system approach than the other elements. How operators deal with these factors should vary with the constituency or stakeholder group in the locations. Handling all people with respect and dignity is a prerequisite, but allowing time for inviting and sharing opinions may have to be built into management thinking, organizational structures and operating budgets.

Example: The good, bad and ugly of responsible tourism

04 August 2006, 1:59 AM

Yeoh Siew Hoon sat in a cold, brightly lit conference room in Singapore this week and was made to feel a little uncomfortable with the experience.

In the movie "Thank You For Smoking", there's a scene where three spin-doctors discuss how difficult their respective jobs are.

Nick Naylor represents the tobacco industry, Polly Bailey alcohol and Bobby Day Bliss guns. Together, they make up the MOD Squad – Merchants of Death.

Polly is worried about being kidnapped but Nick scoffs at her fear, saying if anyone should be kidnapped, it should be him. "Tobacco", he boasts, "generates a little more heat than alcohol. My product puts away 475,000 people a year, 435,000 tops, that's 1,200 a day".

He mocks his friends. Alcohol? 100,000 a year tops, 270 a day. And guns? 11,000 a year, 30 a day.

"Excuse me if I don't exactly see terrorists get excited about kidnapping someone from the alcohol industry", he says.

So there I was, watching the CSR Squad in action at the first travel-specific CSR conference held in Singapore this week. CSR, in case you don't know, stands for Corporate Social Responsibility and it's the new spin being given to promote a company's corporate profile as good citizens.

It's becoming a headline issue of late, especially in the spate of movies such as "An Inconvenient Truth", "Who Killed The Electric Car", "The Constant Gardener" or "Fast Food Nation", all of which take on, in one form or another, corporations profiteering to the detriment of the planet and its people.

According to the organizers, CSR Asia, and speakers, it is one of the most critical issues facing the tourism industry – the need for travel companies to become more responsible citizens and to be accountable to the triple bottom line, financial, social and environmental.

Yet, as Dr Harold Goodwin of the International Centre for Responsible Tourism observed, no one is responsible because tourism involves too many "freeloaders" and too many stakeholders.

Quoting Sir Colin Marshall, who said that tourism was essentially the renting out of other people's environments, Dr Goodwin asked, "What do you do about the freeloaders? We have 1% to 3% who deal with the issues, the rest get away with it".

"Whose responsibility is it? Everybody's and nobody's".

The irony of sitting in a brightly lit, freezing air-conditioned meeting room with no natural daylight coming in was also not lost on the outspoken doctor. "Who's going to take responsibility? For example, does it have to be so bright and does it have to be so cold in here? We need to ask these questions – especially by people talking about CSR".

The speakers gathered for the conference meanwhile all shared what each was doing in the field of CSR. Lyndall De Marco, Executive Director of IBLF – The Tourism Partnership, called it a "quiet revolution".

"Guests are making it an issue as well as shareholders. Banks are asking, where is my money going? Is it being used to do good or bad?"

CSR, she said, can be a point of difference for companies. "Who are the good guys? Who are the bad guys?"

Well, at this conference, it was obvious that everyone who was there was good. In the session I attended, Cathay Pacific shared its commitment to protecting the environment, saying it recognized the issue of fuel emissions as a political hot potato and Intrepid Travel talked about its Responsible Tourism philosophy.

Michael Ma of Indochine Winebar and Restaurants, said his outlets did not serve shark's fin soup, blue and yellow fin tuna, and caviar and sturgeon from Iran and Russia. "Don't eat shark's fin soup", he urged his audience.

So where were the bad guys? Out there, I suppose. And the freeloaders? Also out there. And oh yes, China, the biggest market yet to come to a travel cinema near you? What are the good guys doing to engage China's travel industry on CSR?

De Marco confessed, "Very little, I am afraid, at the moment although we are trying. We are only three or four people and we have to cover the world".

See, it's just like in the movies. The bad guys always outnumber the good guys. Except in the movies, one good guy can kill hundreds of bad guys at the same time.

In real life, yes, the CSR Travel conference is a great start for all companies, big and small, to take heed. There are however no quick, happy endings in sight.

■ Corporate sustainability

Moon and Bonny (2001) highlight a number of changes within the world economy that are leading many major international organizations to adopt more ethical practices. Specifically, they suggest that technological innovation, globalization, the importance of intangible assets, the competition for talent and the growing use of economic networks are leading to changes towards more ethical practices. In these circumstances, they advocate an approach to business management which depends on forging business relationships with key stakeholder groups. Increasingly, business organizations are suggesting that a more stakeholder model of the firm, and ethical practice in relationships with customers, employees and suppliers, is a more sustainable approach to business management (Trevino and Nelson, 1999; Moon and Bonny, 2001). Ethical business practice is now seen as an essential element in building strong competitive advantage, because it reinforces loyalties that are difficult to copy. The values that were developed by the sustainable development campaigners have now found a home in the board rooms. As a service industry, the

hospitality industry can be said to be relatively clean compared to other sectors. Hence there has been little specific government legislation enacted to stimulate action or enforce standards onto the industry, so most of the programmes put in place have been voluntary. Not all aspects of the hospitality industry are in the same position as this example from the fast food debate makes clear.

ACTIVITY Accepting or understanding social responsibility

Elkington (2001) was the first to use the phrase “triple bottom line” in exploring how the environmental agenda has evolved into a broader sustainable development programme, which takes the social impact of businesses into account. In other words, businesses are increasingly judged against the “triple bottom line” – that is their ability to deliver profit, to contribute to environmental preservation, and to act in accordance with social justice. Accounting for one’s impact on the environment and on society is more than being accountable to shareholders, but to a broader constituency of stakeholders. He identifies the core issue as the need “to turn conventional business thinking” on its head and to change “attitudes, values and approach”.

Do you think this is what has happened or do you believe organizations are accepting the triple bottom line because it is simply an extension of the single bottom line they know and understand?

■ A question of responsibility

Eat This, Don’t Eat That: Who Controls What We Consume?

Example: A lawsuit against KFC raises issues about foods that aren’t good for us

By Bharathi Radhakrishnan, ABC News Medical Unit

14 June 2006: The news that KFC is being sued for the fat levels in its fried chicken raises an important question: Should legal and government entities try to limit what Americans eat?

A non-scientific ballot on ABCNEWS.com suggests most Americans have a free-will mind-set. Asked if KFC should offer more healthy options by changing its menu items, 2,652 readers voted that KFC should be left alone while 951 voted that the menu needs to be changed. The results are current as of 3 PM. Wednesday. **Vote** in our new poll here: **Trans Fats Regulations?**

Yet trans fat – found in high quantities in KFC’s chicken – is linked to a lot of dangerous health problems, argues the Center for Science in the Public Interest, which sued the fast food chain. People need to know this, the Center says.

But many people disagree, saying legal procedures do little to truly educate the public, not to mention that singling out fat content does little to help people understand what makes food healthy or unhealthy.

"I don't think you can legislate these kinds of things, because this is an issue of choice", said Madelyn Fernstrom, Director of the Weight Management Center at the University of Pittsburgh Medical Center. "You need to label foods' content so people can limit their quantity of it. Labelling food as 'bad' is not as important as paying attention to portion control".

She and others support educating the public about healthy food choices, such as using food-warning labels.

"The consumer has a right to know what is in the food they choose to buy", said Conrad Earnest, director of the Center for Human Performance and Nutrition Research at the Cooper Institute. "That said [I am] strongly in favour of having KFC products and others like it labelled accordingly". Earnest suggests labelling fast food items that contain trans fatty acids with a certain symbol next to it on the menu. He stated that ultimately such labelling would fall within the hands of the federal Food and Drug Administration.

While this may help to educate consumers, singling out trans fats could gloss over other important health issues when it comes to eating.

The fast food sector is a good example of how companies will have to work hard not simply to develop products and services but also to present them within an acceptable social climate.

Moon and Bonny say (2001: 17), "In the new economy the ability to forge relationships with diverse stakeholders, including employees, customers, suppliers, pressure groups and opinion setters is crucial. How they perceive a business and what they say about it has a direct impact on its reputation, success and, ultimately, its share price". They argue that positive reputation is best understood as the goodwill of all stakeholders, and the process of understanding stakeholder perspectives and views is fundamental to being able to manage reputation in a way that minimizes the risk of damage (Moon and Bonny, 2002).

■ Definition

It is important to understand the meaning of corporate sustainability, as defined by the Dow Jones Sustainability Group Index, because it is this that is being developed in the organizations. It is a business approach to create long-term shareholder value by embracing opportunities and managing risks deriving from economic, environmental and social

developments. You will recognize the basic elements of the definition but the focus has been shifted from communities to shareholders. However, this creates the so-called “triple bottom line” approach that businesses across all sectors are now exploring and claiming to be enlightened. As a result, sustainability can be analysed from the point of view of its three inter-related component parts – economic, environmental and social but in the terms of a business analysis rather than an ethical one.

■ Economic

The economic perspective is the one that businesses are most familiar with. Over the years, companies have developed a whole range of tools to measure and report on their activities. Definitions can still vary (profits, for instance), but globalization has applied pressures on businesses to agree an accepted body of rules and the production of comparable figures. For example, accounting standards have been developed to bring a uniform approach to reporting through the balance sheet and profit and loss account. The financial tools are now being applied to wider aspects of business performance as ways are sought to cost the environmental and social impacts of the businesses.

■ Environmental

Environmental factors were identified by Agenda 21 as some of the “key performance areas” and having identified the aspects that need to be managed, they can be made more real, especially for those only used to thinking in economic terms, by assigning monetary values to each area. These highlight the specific impacts that should be taken into account by companies. The concerns are no longer abstract but become closely linked to issues that have a bearing on the businesses’ profit and loss accounts, for instance water consumption and energy usage. Methods have now been sufficiently developed over the years to analyse associated costs by breaking them down into a series of “key performance indicators”. Thus instead of looking at the energy bill in total, it is more meaningful to assess energy consumption by department or guest night.

The results can then be compared to previous periods, or against other properties in a “benchmarking” exercise, to indicate how the company is performing. In this way, the management of energy is aided by tracking usage against key denominators, and by comparing and contrasting experience in different locations or at different times. Once a way to start measuring something has been developed, it usually becomes more possible to have control over the area. Benchmarking tools have been developed for hotels by Green Globe and the International Hotels Environmental Initiative (IHEI).

Case: The Benefits of Sustainability ... Well the Environment At least!

Environmental performance will increasingly affect hotel competitiveness becoming a core component of corporate reputation. A good image will go beyond public relations and branding and have to be supported by solid evidence of good practice. In the case of the environment, good practice is aligned with good housekeeping and operating efficiencies, which can lead to significant cost savings, customer loyalty, investor interest, and contented and motivated employees.

Scandic, now part of the Hilton Group, has reported that its environmental programme has generated cost savings of more than US \$2 million since its inception in the mid-1990s. The Marriott Manchester Hotel, Golf & Country Club completely turned around local opposition to its planning application and now enjoys a highly motivated and loyal staff as a result of pursuing its environmental management activities with Green Globe. It subsequently generated savings of over £60,000 in utilities between 1999 and 2000.

There is a growing case history of financial savings enjoyed by operators as a result of environmental initiatives and the message is starting to spread. Payback times are often under 1 year for specific initiatives, but many of the benefits cannot be quantified so easily although clearly there are intangible and non-financial benefits to be captured.

If the impact of positive action is advantageous on the cost side, there are also benefits to be gained on the revenue side, by attracting the growing number of concerned travellers who take the environment into account when making their travel purchases. Studies such as those by MORI (UK, 1998) and the Tear Fund (UK, 2000) indicate that for at least 55% of travellers it is one of the factors they take into account and rising in importance.

Having taken the trouble to implement an environmental management system and move towards a sustainable business, there is a wide range of voluntary certification schemes to give independent verification and recognition of your achievements, which can be used to signal your environmental credentials to all stakeholders especially consumers. Generic schemes, such as ISO14000 are being pursued within the industry, but more importantly, industry-specific schemes are also growing in popularity. Green Globe, for instance, offers a sustainable travel and tourism system enabling companies and destinations to progress from initial awareness and learning through benchmarking and systems implementation to full certification.

Social

Where there has been great progress in breaking down the environmental into manageable pieces for organizations to handle, the third element of sustainability, the social and cultural issues, has not been so fortunate. It has proved more difficult to develop an easily adopted approach to measure business impacts. It has been recognized that the social and cultural issues are important as they cover the wide range of actual and potential impacts upon the organization's stakeholders. The rise in attention given to "CSR" reflects the importance given to the need for this wider perspective, but there has been no general agreement on a costing that could be applied.

We considered the challenges to the fast food sector in Chapter 9 on the hospitality environment but we did not directly address the sector's response. Here we would ask you to consider the ethical stance being developed.

Example: McDonald's CEO decries fast food "fiction"**By Dave Carpenter, AP Business Writer 25 May 2006**

Chicago: McDonald's Corp. CEO Jim Skinner told shareholders Thursday not to believe the recent surge of "fiction" maligning fast food and pledged that the company will be more aggressive and creative in setting the record straight.

Skinner's comments at the fast food chain's annual meeting were the strongest evidence yet of its initiative to counter negative publicity from a new children's book and soon-to-be-released movie, both associated with the 2001 book *Fast Food Nation*.

"These days, big equals bad", he said at the meeting at McDonald's headquarters in Oak Brook, IL. "And fiction somehow has become more compelling than fact. You have every reason to be proud of your company, our values and our social responsibility record".

Skinner said McDonald's is a leader in food safety and quality, toy safety, employment opportunity, training and development, charitable giving, animal welfare and the environment.

"Fictitious information irresponsibly published and reported in the media has people questioning the quality and safety of fast food in general", he said. "But at McDonald's, we work closely with our suppliers to develop and implement the highest standards, and have for over 50 years".

Concerns about the nutritional content of fast food have risen in recent years along with obesity rates among both children and adults. McDonald's has responded to complaints by consumer advocates to make its food healthier by offering more salads and fruit items and other menu options.

But that pressure has stepped up in 2006 with the publication of *Chew On This*, co-written by *Fast Food Nation* author Eric Schlosser, and publicity about the upcoming film version of *Fast Food Nation*. The book adds to criticism of the fast food industry for its perceived role in increased obesity and views McDonald's and the industry harshly on the issues of food safety and employment security, among others.

The company said last month it would "ramp up" promotion of its healthier menu choices in response to the new book, taking a more active tack than it did following the 2004 documentary, "Super Size Me", which skewered the fast food business.

"We are committed to taking action that will most impact consumer perception and trust. And we will be more aggressive and creative in setting the record straight", said Skinner, who then showed a company podcast touting it as a leader in food quality safety.

A farm worker and a human rights activist assailed the company at the meeting for running a public relations campaign instead of addressing what they called a human rights crisis in the tomato fields of Florida.

“The workers who pick the tomatoes that go on McDonald’s sandwiches and salads work under conditions that can only be described as sweatshops – poverty wages, no overtime pay, no right to organize and no benefits”, said Lucas Benitez, co-founder of the Coalition of Immokalee Workers in Southwest Florida.

Skinner responded that McDonald’s has worked closely with its suppliers to maintain the highest standards for its workers and will continue to do so.

Shareholders voted in favour of a resolution urging the McDonald’s board of directors to seek shareholder approval of any severance agreements with senior executives that would reward them with sums triple or more the combined size of their base pay plus bonus – payments widely known as “golden parachutes”. Chairman Andrew McKenna said the board would consider the recommendation.

The shareholders rejected a resolution asking McDonald’s to identify and label all genetically engineered ingredients in its products.

McDonald’s shares rose 31 cents to close at \$33.26 on the New York Stock Exchange. They are down 1.4% in 2006.

■ What’s happening in the hotel industry?

In travel and tourism, there have been many excellent initiatives and some considerable progress made, but we cannot say that environmental, let alone sustainable friendly practices are widespread in any sort of comprehensive or systematic way in the hospitality industry. Recent research undertaken by Agenda 21 and Green Globe with ISHC, the International Society of Hospitality Consultants, revealed that the main motivations to move towards sustainability were finely balanced between proactive and defensive measures – concern for the environment being matched by fear of regulatory compliance (Table 10.1).

Table 10.1 Main motivations for action with regard to sustainability

	Yes	No
Regulatory compliance	72%	28%
Concern for the environment	71%	29%
Good public relations	71%	2%
Cost containment	58%	42%
Risk management	46%	54%

Source: International Society of Hospitality Consultants (2005)

The top three issues addressed were:

- 1 energy management;
- 2 social and cultural issues;
- 3 land use planning.

As we have seen above energy is no surprise, being one of the largest non-staff cost items on a hotel's profit and loss account, but we would have expected water and waste to feature more highly. Given the heavy focus on hotel development of many of the respondents, the presence of land use planning is not really a surprise, but the importance of social and cultural issues was an unexpected bonus. In the last decade, the impact of activities on the local population has, quite rightly, risen greatly in importance, with a strong linkage to the growing awareness of this cornerstone of sustainability and CSR and the concern to find solutions to the measurement issues.

The PricewaterhouseCoopers research into the leading hotel brands established that nine of the ten leading hotel companies had an environmental policy, but only one was externally verified. Only four had a formal environmental management system, with another one planned. All 10 companies were recorded as engaging in stakeholder dialogue, in the sense of communicating their environmental activities. Almost all published their activities on their websites, in annual reports or separate environmental reports. They also engage with their customers through posters in their rooms and with staff through bulletins. Four published separate environmental reports, with two others planning to do so. We would question how far this was a dialogue as the examples cited demonstrate only a one-way communications model.

■ The drivers for positive action

The research by PricewaterhouseCoopers identified a series of drivers for improved environmental and social management in the hotel sector. These were categorized as internal and external drivers (Figure 10.6).

Internal drivers	External drivers
Maximization of shareholder value	Investor requirement
Minimizing risk and liability	Regulation
Direct cost savings	Industry bodies promoting best practice
Enhancing brand and customer loyalty	Consumer and employee expectations

Figure 10.6

Drivers for improved environmental and social management
Source: Adapted from a table in PricewaterhouseCoopers, Hospitality Directions – Europe Edition, July, 2001a

■ The future of sustainability

We can see a concern emerging that complicates the positive examples we have been reviewing. Many companies have already committed to a quality management system, or a health and safety management system, and we fear that the additional burden of implementing an environmental management system could then be seen as a luxury that may be postponed to an unspecified future date. This is especially true if the business case for sound environmental management has not been effectively communicated throughout all the levels of the industry. The same fear is compounded in looking at the social and cultural issues which are less well developed.

However, we can see that one of the latest developments in the industry is the integration of management systems, which offers the ability to capture and manage all the key issues that management wishes to address in one system, be it compliance with legislation or external standards, or internal factors, such as quality. The methodology is now becoming available in the hotel sector and is applicable to any size of business. It allows good environmental practices and social policies to be linked with quality and business improvement, thus addressing the core issues of a company's operations within the operation of one system.

■ Social reporting

It has become popular for companies to issue environmental reports as part of their annual summaries and these are seen to be an excellent means for self-appraisal and measuring results (not to mention self-promotion!). Environmental reporting has been joined by social reporting, in an attempt to address the needs of a sound stakeholder dialogue. The danger, though, is that they become a public relations event, creating a one-way monologue. Where what would really be needed is an effective and systematic way for organizations to listen to views from other stakeholders – this could be simply put in business terms as the creation of an enhanced corporate research function to gauge views from the broader society or adopting the language of sustainability organizations could seek to involve their stakeholders in an open dialogue.

We are convinced that considerable improvements in organizational performance are possible, but it requires a high level of commitment from the senior management within the organization and a consistency of approach that demonstrates that this is a core value of the organization's culture. We can demonstrate that environmental management has often driven by junior employees, but the way in which a company interfaces with the society in which it operates has to be set by the senior management, who must lead by example. In the final analysis, sustainability is affected by and impacts all areas of the operation and so should be addressed at the most senior level with a commitment from all top management that can filter down through the organization with the concomitant allocation of the

appropriate resources. We believe that sustainability demands a holistic and integrated approach to business, with anything less all the efforts would appear shallow and insincere and may even have a negative impact on the company's reputation and brand loyalty of the organization.

■ Sustainable business value

We would support those who have looked to ground the concept of sustainability within the language and frameworks of business cultures. As we have argued the concept of sustainability involves taking a long-term holistic view of business decisions, in which the impacts on all stakeholders are taken into account so as to build sustainable business value (i.e. maximizing profits and shareholder value in the long term). This can be visualized in the diagram developed by PricewaterhouseCoopers, which highlights the range of areas with which management has to be concerned (Figure 10.7).

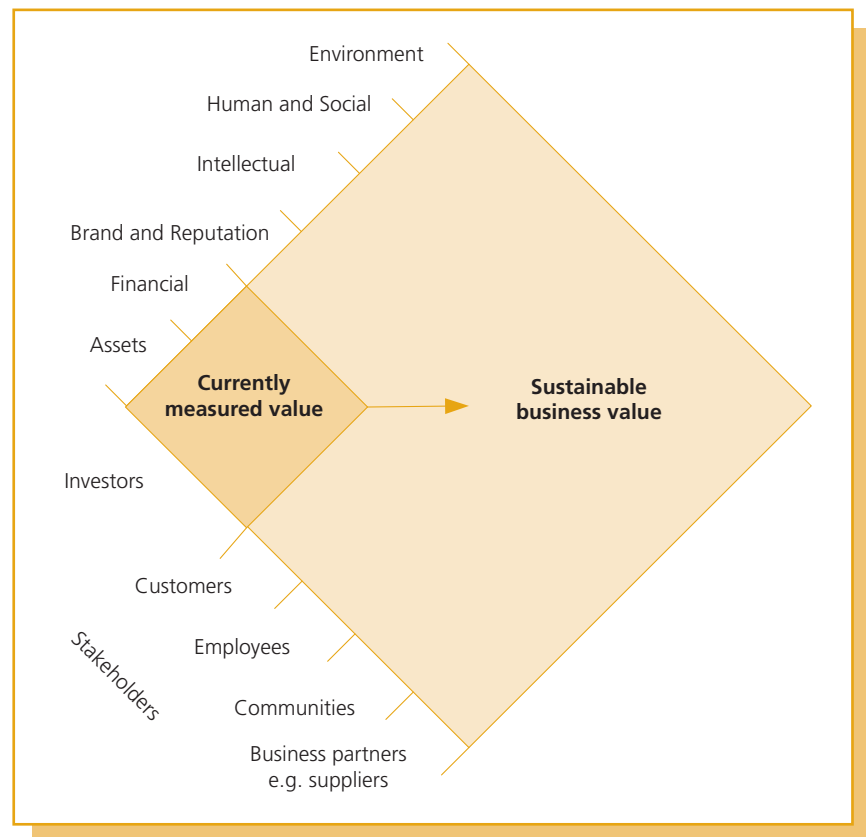


Figure 10.7
Building sustainable
business value
Source:
Pricewaterhouse
Coopers, New Europe
and the Hospitality
Industry (2001b).

These arguments can be taken further as the value models become more sophisticated and refined. Moon and Bonny advocated a model which they called “Value Dynamics” as a means of representing the holistic nature of business comprising an assortment of tangible and intangible assets. Most organizations, in line with traditional business reporting techniques tend to include only physical assets and financial resources in their balance sheets. The Value Dynamics model suggests that intangible assets are important aspects of total company value, and that these should be used to calculate worth. Traditional indicators of company assets are listed on the left hand side of the diagram whilst intangible assets measuring the value of the organizations business relationships are listed on the left (Figure 10.8).

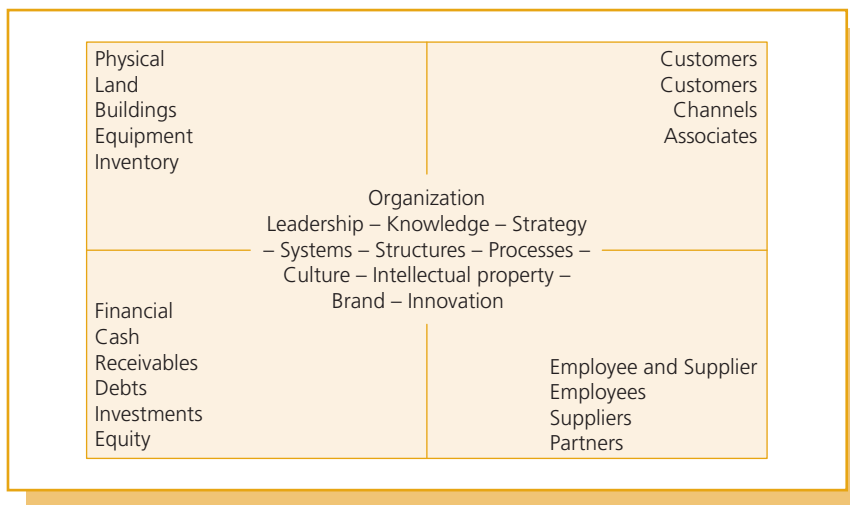


Figure 10.8
Value Dynamics:
asset relationships.
Source: Moon and
Bonny (2001: 18)

Value Dynamics provides a model that could be used to build a business case for stakeholder evaluation of hospitality organizations. It shows how stakeholders link with both tangible and intangible assets and suggests that successful organizations are likely to be the ones that manage the relationships between the range of assets most effectively. Clearly shareholders and other equity stakeholders invest money expecting a level of return on their investment in the form of dividends and asset growth. The value of the shareholder investment will in part be enhanced by levels of customer satisfaction which result in improved reputation, willingness to return and recommendations to other potential customers. Shareholder value will also improve if the relationship with employees results in increased satisfaction and reduced staff turnover. This latter cost can be quite considerable, though rarely accounted for in hospitality organizations. Improved retention of staff also improves the human capital that individuals accrue through increased knowledge of their jobs and customers. Improved links with suppliers can further add to business value as process are more robust, and the reputation of the organization is enhanced as a fair business partner, and prompt payer for good supplied.

An addition to this model has been suggested, with the inclusion of the concern for the value of good community relationships that also add to the value of the business, through an improved public relations profile.

ACTIVITY

Read through the following case study and attempt to apply the value dynamics model to the example. This will require you to think about what the aims of the Banyan Tree were and how they can claim the value of their actions.

Banyan Tree Lijiang Promotes CSR

2 November 2006

As the first international resort to operate in Lijiang, Banyan Tree Hotels & Resorts is faced with unique opportunities to promote and integrate sustainable practices not just in its property but also encompassing the region's thriving tourism industry, and its impact on impoverished local communities.

With about 3.5 million visitors annually, where the majority of visitors are budget or domestic travellers, Lijiang as a UNESCO World Heritage Site is poised to draw a fresh international audience of upmarket and discerning travellers and businessmen through Banyan Tree Lijiang.

Banyan Tree says CSR is a key brand value of Banyan Tree to achieve positive and sustainable outcomes for business, environment and community issues. Having integrated CSR into both the physical and communal environment in countries where the resorts are located, Banyan Tree says it continues to reflect its rigorous social development involvement through Banyan Tree Lijiang, the group's latest resort to open in China.

Banyan Tree Lijiang is a unique attempt to restate the local Naxi style in a contemporary, yet sensitive, manner. Working closely with Urban Planning and Construction bylaws, the exterior of the villas were constructed with local materials, such as exotic pink stone and grey Naxi bricks that proved weather-resistant and energy efficient. All natural materials including pine, teak and traditional red clay roof tiles sourced from local kilns lend authenticity to the recreation of a Naxi village in a resort setting.

Banyan Tree Lijiang has also implemented human resource policies to reinforce its cultural and social commitments. Of the more than 200 full-time associates that are employed by Banyan Tree Lijiang, 67% are local residents from Yunnan, where 28% are from the local minority communities. Associates enjoy worker-welfare programmes, such as English improvement courses, dedicated transportation and suitable accommodation options.

In nearby villages, Banyan Tree has implemented community projects, providing infrastructure, including electrical wiring and water piping to families of Geino Village and Xiya Village, students at the Lanbao Primary School, residents of the Tibet Hospital of Diqing Prefecture and monks at Da Bao Si Monastery. Another beneficiary is Lijiang Ethnic Orphanage, which received upgraded facilities, such as beds, water tanks, solar water heaters and safety features, in addition to 500 books donated by Banyan Tree guests.

Banyan Tree Lijiang was also instrumental in a charity fundraising event, the Walk For Chalk Shangri-La 2006, a project organized by the Chi Heng Foundation in support of AIDS orphans in rural China. Banyan Tree's sponsorship of accommodation and meal package valued at US\$35,000 enabled the

Chi Heng Foundation to raise over US \$250,000 for the children's schooling and welfare needs.

To encourage more qualified tourism professionals from the local communities, Banyan Tree has launched a new scholarship programme at the Lijiang Cultural & Tourism University. Five scholarships will be awarded to promising students from Lijiang annually.

Some of the positive initiatives that are being taken operate out with the traditional boundaries of the companies themselves, but are looking to deliver social benefit to local communities. Prêt a Manger distribute their unsold sandwiches to homeless communities and this example demonstrates the work of a hotel group.

Chapter case study: The Best Western for a Better World

The Best Western for a Better World (BWBW) initiative is a multifaceted community service programme which was introduced in 1992 and was founded by members Richard Watson and former Director Calvin Howe together with the executive team in Phoenix. In 2001 the project helped with the clean-up project after the atrocity of September 11th, Best Western staff joined others in Boston to clean up the Long Island area and re-decorate a homeless shelter.

After the Tsunami struck last winter Best Western committed funds to help the region recover, the company pledged \$1 million with an instant contribution of \$100,000 given to Habitat for Humanity International – a Christian ministry committed to eradicate poor quality housing. Since then the company has enabled its guests to donate money via their website and encouraged its member hotels to give \$3.00 per room sold to the appeal. Twenty per cent of the funds raised are to be used for Best Western employees and their families who were affected by the tsunami, the remaining 80% to go towards rebuilding the area. Two Best Western hotels were directly affected by the disaster, the Best Western Premier Bangkok Hotel & Spa in Phuket and the Best Western Palm Galleria in Phang Nga. Kong gave his condolences for the people affected by the Tsunami, he states “Best Western has a growing presence in Indonesia, Thailand and India, and we see it as our responsibility to help the local communities in times of need” (www.bestwestern.com/newsroom, 2005).

Since the programme started the company has brought aid to areas of the former Soviet republics of Armenia, Belarus and Russia. Best Western is committed to helping communities around the globe when disaster strikes and it can be said that they are a socially responsible organization and they do take humanitarian efforts seriously. It is important for large firms today to be seen as supporting local communities and to dissuade their guests from thinking they are a large corporate hardhearted multinational company.

■ Conclusion

We have demonstrated how the concept of ethics has come into the corporate world of international hospitality management, by looking at how

social and corporate responsibilities link to the basic ethical frameworks. There are deontologists and consequentialists debating the future of the industry, without, for the most part, recognizing the ethical underpinning of their arguments.

The popularity of social responsibility has taken a very long time to establish and the development of a positive climate for the adoption of sustainable policies took a great deal of effort. The virtues of such claims were not obvious to the businesses in the industry and the concepts did not appear to translate into the financial account. However, with better management systems and more transparent costing systems, it is possible to demonstrate that there are financial as well as social benefits to companies in operating sustainably. It has become an important part of the recognition given to social responsibility that the intangible costs and benefits surrounding people, local cultures and communities have also been fully recognized even where they cannot be fully measured.

■ Review questions

- 1 Are business ethics universal or contextual in international hospitality management?
- 2 Can you apply the same ethical code in China, Cuba, the Maldives, the USA and the Yemen? Explain your thinking.
- 3 Has sustainability sold out? Has it lost credibility by adapting to business thinking or gained greater currency?
- 4 How far is CSR a motivator for positive actions in local communities?