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Corporate Social Responsibility in the Hospitality Sector

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The Andaz by Hyatt in Amsterdam is a Green Globe certified property for their commitment to sustainable practices. Source: Creative Commons//[Kelly Reeves](#)

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There is general consensus today that business plays an ever increasing role in society and a corporation’s responsibility goes beyond just making profits. The concept of corporate social responsibility (CSR) however has evolved from the understanding that a company should look after not only its investors and customers but also its employees, the larger society and community, and even the environment, thus giving rise to the triple bottom-line approach of enhancing profit, people, and planet. The hospitality industry, given its large footprint both in terms of employment (it employed 6 m U.S. workers in 2015), and consumption of natural resources like food, water, and energy has often been at the forefront of implementing practices geared to minimize the negative impacts of its business on the environment. These include attempts to increase fuel efficiency in airlines, reduction of food waste in restaurants, and water and energy saving in hotels. Not limited to environmental concerns, the industry also embraces other social issues and major hotel companies have implemented CSR initiatives related to community development, encouraging diversity amongst its workforce, and

progressive employment practices, with the result that several of them, such as Marriott International, Kimpton Hotels (now merged with IHG), Hyatt Hotels, Hilton Worldwide, and Wyndham Worldwide, have been included in lists such as Fortune’s Best Companies to Work for and the World’s Most Admired Companies.

Engaging in CSR is important

While CSR initiatives are voluntary and discretionary, the benefits of ‘doing good’ outweigh the costs even if a firm is not looking for specific financial return on its activities. The nature and characteristics of the services industries and especially the hotel sector render social initiatives salient to several desirable outcomes. For example, a hotel’s involvement in CSR practices can improve its brand awareness and loyalty for customers. As services are intangible, and evaluated based on perception of quality, rather than tangible product attributes, the goodwill created by social initiatives taken by the firm, transfers to the brand image, creating differentiation, which can in turn create an advantage in a highly competitive industry that provides substitutable services like hotel rooms. Similarly, association of brand support for cause-related social issues (for e.g. Marriott’s support for LGBT issues) creates and maintains customer loyalty in an industry where customers are generally considered novelty-seeking (the mindset that says let’s try a different hotel or restaurant each time). Reputational benefits



In 2014, Marriott launched its #LoveTravels campaign supporting LGBT rights and advocates, including NBA player Jason Collins. Source: Getty Images

accruing from social initiatives also result in customers’ willingness to pay premium prices that often times enable hotel companies survive seasonal industry demand and unfavorable economic cycles. Demographic segments like millennials, socially conscious consumers, and tree-huggers create and nurture demand for green hotels, a growing niche which takes into account sustainability when making hotel decision choices. In fact, several studies have found that consumers are willing to pay a premium price (sometimes beyond 15%) for green and sustainable hotels and restaurants using local and or non-genetically modified or organic ingredients. Interestingly, customers aware of a company’s CSR initiatives are even more likely to “forgive” the firm for a minor service failure, thus allowing faster service recovery!

In addition, hotel companies with CSR practices can better attract, motivate, and retain their employees. Employees want to work for a company with a positive image and reputation for doing good. They experience higher job satisfaction which in turn reduces turnover - a long-standing problem in the industry. Moreover considering the global nature of the industry and the demographic realities of the workforce today, several hospitality firms, like Marriott and Sodexo among others, have invested in proactive diversity management programs that have indirectly helped not only the firm's reputation and their ability to tap into non-traditional pools of human capital but also reap financial benefits. Several companies reap benefits of employee engagement when they match employee contributions to charities or donate time in the form of employee hours by giving employees time to volunteer at local non-profit organizations. Thus CSR initiatives become a component of an integrated high performance work system.

Environmental stewardship is one of the major areas where hospitality firms have made investments. Going beyond the 3 Rs of Reduce, Recycle and Reuse, and taking common measures like greening operations and supply chains, and energy audits aimed at rationalizing energy and water consumption through high-efficiency lighting, low-flow showerheads, water-efficient bathroom fixtures, and encouraging guest reuse of linens and towels, several hotels have invested in technology and innovation that will drastically change the future of energy consumption. Not only do hotels proactively seek to certify themselves as green with LEED, Green Key, Green Seal etc. but also build entire brands around the concept of sustainability (Element by Westin, Andaz by Hyatt, Home2Suits by Hilton) to attract and retain the increasingly growing green customer base.

Considerable reputational capital is also built by philanthropic activities by hotels and restaurants. The Fairmont Hotel's attempts to rescue guests stranded during Hurricane Katrina and services provided by McDonald's Ronald McDonald House for sick children gain not only favorable media attention but also create a lasting positive brand image.

Lessons for Hospitality firms

Engagement in CSR should be motivated not only with the focus on return on investment but a genuine desire to create positive change in society. Very often companies use CSR as simply one more marketing tool and indulge in "green washing" – claiming more than what they do for the environment (or other stakeholders). This can result in negative consequences like backlash or loss of credibility and trust damaging the brand.

At the same time, careful and appropriate communication of CSR initiatives is also important as the benefits described above cannot accrue if consumers, employees, and other stakeholders are not aware of the "doing good" activities of the company. To this end most large firms publish a special sustainability report or social responsibility report and have extensive information about their CSR activities on their websites. As an example Marriott's reports indicate that the company first set long term goals in 2007, to reduce energy and water

consumption. Since then it has used three environmental performance indicators: energy intensity, water intensity, and GHG emission intensity, and implemented innovative conservation initiatives, such as a chiller diagnostic tool to help property engineers save electricity. In addition the company educates and motivates employees and guests to conserve and preserve natural resources and empowers hotel builders to develop green hotels. Their report indicates that compared to 2007, energy intensity, water intensity, and GHG emissions intensity in 2015 decreased by 9.4%, 9.0%, and 10.0%, respectively, while it strives to achieve a further reduction of 20% in energy and water consumption by 2020. The report (retrieved from Marriott.com) discusses company efforts not to green up the supply chain but also its efforts at empowering women by encouraging diversity in leadership.

It is also important to leverage a firm's core competencies when taking socially responsible actions and creating opportunities for shared value i.e. hospitality firms innovate using new technologies, business models, operating and management processes to increase productivity while also contributing to social good. A key challenge for hotels and restaurants is to manage customer demands without compromising the service quality as customers often relate sustainability with a reduction of cleanliness or comfort. Successful sustainability management therefore needs customers' involvement, in the form of input, time, and even effort often making their guests work as co-designers, co-producers, and co-marketers of green practices. For example, the Crowne Plaza hotel in Copenhagen, Denmark, encouraged its guests to produce electricity on exercise bikes. With 15 minutes of cycling, guests could generate 10 watt-hours of electricity as well as get a free meal voucher (\$36 value) in the hotel.

When CSR activities are aligned with the firm's competencies and strategy, the firm gains exposure to key stakeholders, and opportunities to impress groups that can endorse the actions of the firm in the future. This can be especially important in case of negative events or crises that can damage the reputation of the company. The reservoir of goodwill built via past social initiatives taken can bestow a kind of resilience against the onslaught of negative attention in these days of instant social media. Hence, a systematic and strategic plan of social initiatives can help mitigate risk or act as insurance even if no direct measurable financial rewards accrue from these initiatives.

In sum, in customer-centric and highly competitive industries like hospitality, earning and retaining the goodwill of all stakeholders via corporate social initiatives serves the firm well in times both good and bad.



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Further Reading:

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