Hotel companies and corporate environmentalism
Empresas hoteleiras e ambientalismo empresarial

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ABSTRACT

Hotels consume a huge amount of resources in the way of energy and water, and many are built in fragile environments. Despite the strong interest in environmental sustainability, hotel companies have an uneasy relationship with trying to ensure green credentials while pleasing their customers and maintaining competitive advantage. How do hotel companies devise and manage their strategies in their relationship with the natural environment? What are the factors that influence their choice?

This paper identifies four important antecedents to corporate environmentalism and examines them within political/economic framework bounded by stakeholder theory. The emergence of environmental issues and the implications for strategy are debated and the theoretical and practical implications of integrating environmental issues into corporate strategies are discussed.

Keywords: Hotels, corporate environmentalism, corporate citizenship, stakeholder theory.

1. Background

The world continues to confront economic uncertainty and environmental challenges and so there is need to do business within a new, more sustainable, global and economic model that integrates social, economic and environmental concerns (Adlwath 2011; Conradoy and Buck 2012). As trade continues to liberalise, flows of goods, services and capital render traditional geopolitical borders increasingly irrelevant and traditional approaches to managing the environment outdated. Across all industries the terms Corporate Social Responsibility (CSR) and Corporate Environmentalism (CE) have taken on new operational and philosophical meanings. In order to fully achieve the potential of this new “green economy”, all involved in tourism and hospitality sectors, from governments to business need to act differently from in the past regarding preserving the environment.

In 2009 Pizam asked whether “green” or “sustainable” hotels were a fad, ploy or fact of life. In answering his own question he states: “in the middle and long term future of the hotel industry, it is my personal belief that, like most other businesses (hotels) will have no other choice but to become “real green”” (Pizam 2009). Creating strategies to address sustainable development no longer represent unproductive costs but, increasingly, opportunities whose benefits may be vital and necessary for the survival of the hotel as an individual going concern and also as a company (Wolfe and Shanklin 2001; Pizam 2009).

2. Environmental impact and the hotel industry

Hotels use large amounts of resources such as water, energy and non-durable products. Additionally, many hotels (especially in the resort sector) are built in fragile environmental spaces with seemingly little thought to the forward implications of waste treatment, energy usage, transport and customer impacts on the area (Kirk 1995; Reynolds 1995; Millar and Baloglu 2008; Velleco and Mancino 2010). It has been estimated that 75% of all environmental impact created by the hotel industry can be attributed to the excessive consumption of local and imported non-durable goods, energy and water, followed by the emissions released to air, water and soil (Robinot and Giannelloni 2010). Good hoteliers spare little in the pursuit of satisfying their customers. Services management literature urges organisations to “delight the customer” by keeping them at the right temperature and humidity in a clean and attractive environment which is appropriately lit. Food and beverage is prepared over extended periods and linen is cleaned and changed sometimes more than once a day, all which leads to huge energy and water usage as well as a range of adverse environmental impacts for waste products.

While much of the hotel sector is renowned for not being the most progressive industry in the adoption latest thinking and application of areas such as human resource strategies and motivation, technology and management development, the response to environmental problems has been seen in the past as a no-win proposition for managers with the environment considered to be little more than a philosophical stance rather than a strategic construct - help the environment and hurt the business (Butler 2008). However, a new thinking and strategies have now emerged in both mainstream tourism and hospitality research and operations and would now like to be regarded as a major driver for sustainability (Henderson 2007; Hokomb, Upchurch et al. 2007).

There is a growing collection of research literature on the environmental performance in hotels. For instance, Font et al (Font, Walsmey et al. 2012) investigated the environmental claims of 10 global hotel chains. This study provided a unique analysis of CSR behaviour and reporting, however, it is silent on the motivations and factors that lead a firm to embrace environmentalism. Many of the studies concerned with CSR reporting in with tourism and hospitality organisations have been focused on content analysis of annual reports and
Websites as the basis for identifying the CSR activities engaged in hotels (Bohdanowicz 2007; Henderson 2007; Holcomb, Upchurch et al. 2007; Hess 2008). Other studies have asserted that there may be a relationship between the reporting of a company’s environmental credentials and the actual performance (Esrock and Leichty 2000). Research such as this demonstrates that while large hotel companies tend to report commitment to environmental goals, a much smaller number of specific initiatives they have undertaken to contribute to these goals and even less of them report the actual performance achieved. These researchers rightly point out that there is need for further research on CSR, in particular the problems of trying to ensure green credentials while pleasing customers and maintaining competitive advantage.

It would appear that while most hotel groups are reporting on these issues, business engagement of the environmental agenda does not necessarily result in more responsible behaviour. Several authors have suggested that there is a debate on whether the corporate social responsibility reporting of the companies are a form of posturing, or actually reflect improved environmental and social management (Azzone, Brophy et al. 1997; Adams 2008). It is not argued that hotel companies only pay lip service to real environmental initiatives, schemes such as putting cards in the bathrooms to urge guests to reuse towels might possibly be construed that hoteliers are simply trying to save the cost of laundering towels, and the use of fluorescent light bulbs and low flow shower heads could be more about managing costs rather than long-term environmental reform.

However an examination of corporate hotel chains marketing communications, websites and press releases, shows that the hotel industry has in general for many years engaged in altruistic or environmentally friendly practices. Many hotel companies such as Accor and Intercontinental (IHG) have had environmental charters for many years. Within such companies there are regular internal audits which are reported on the company’s Web site. They also open themselves to be audited by companies such as Green Hotelier.

3. Corporate social responsibility to corporate environmentalism

Corporate Social Responsibility (CSR) has been defined as open and transparent business practices that is based on ethical values and respect for the community, employees, the environment, shareholders and other stakeholders (Matten and Moon 2005). The foundation for the adoption of CSR is the acknowledgement that businesses have responsibilities to society that go beyond shareholder wealth maximisation. Some authors have suggested a more focused approach which just looks at the extent and nature of interaction between business activities and the natural environment. Sheldon and Park also suggest that for most travel related companies the environmental aspects of CSR are easier to apply (Sheldon and Park 2011). The term Corporate Environmentalism (CE) has therefore been adopted for this approach (Banerjee, Iyer et al. 2003). Banerjee proposes that Corporate Environmentalism includes two dimensions: environmental orientation and environmental strategy (Banerjee, Iyer et al. 2003). Thus, we can define Corporate Environmentalism as recognition of the importance of environmental issues facing the firm and the integration of those issues into the firm strategy plans.

Orientation can be seen as a recognition by managers of the importance of environmental issues facing the hotel company. This is often expressed in mission statements and maybe focused internally or externally.

Strategy is the extent to which environmental issues are integrated within hotel companies’ strategic plans, and relates to the fundamental mission of the firm and its role in society.

3.1 Creating competitive advantage and image enhancement

What factors leads a hotel company to concern itself with environmental matters? Research suggests that it may be in response to regulation and/or a part of a proactive business strategy to gain competitive advantage in the marketplace. It is necessary to distinguish between environmental orientation as a "before" profit activity and an "after" profit activity (Wood 2010). The latter are being residual contributing to something "good" to help a company's reputation and not thinking too deeply about integrating the strategies within the company itself. Sustainability of these strategies calls for integration. Environmental concerns must be treated as part of the corporate strategic planning process and not as a "bolt on" after corporate strategic plans are made.

According to Lashley (Lashley 1999), a hospitality organisation’s ability to establish competitive advantage lies in the intangibles, especially the quality of service encounters, and this theme has been repeated by many other authors. Another theme that is emerging is that of the public’s perception of an organisation as a responsible member of society. The company’s ability to promote itself as a responsible corporate citizen has become another battleground in the differentiation war. Hence the need for hotel companies to be seen to be involved in environmental issues and for them to be integrated in corporate strategy.

Such findings are arguably indicative of a shift in conscience as well as practices. Indeed, it appears that an environmental orientation is no longer considered to be something that companies engaging as a peripheral activity. Instead, it appears to be increasingly regarded as part of a company’s primary activities. However, just as plausibly it could have been engendered by a shift in consciousness of consumers who are not only becoming knowledgeable about environmental practices, but also becoming more demanding in terms of company’s engagement in those practices.

The environmental aspects are central to how CSR and competitive advantage is perceived by hotel groups. The “low hanging fruit” of savings that can be made through water and energy management are substantial, and with strategies such as these the investment is small with reasonable payback periods (Bohdanowicz 2011). However, there would appear to be little willingness to change practices that might be seen by customers as impacting on their service experience, let alone asking customers to behave in a more sustainable way (Bohdanowicz 2005; Sheldon and Park 2011).

The additional practice to obtain external verification of reports and practices could arguably be considered to be aligned with the search for transparency and external objective validation. Indeed, external validation not only enables concrete associations to be reaped (Pelsmacker and Janseens 2007) but just as importantly it enables the strengthening of an intended image (Williams and Aaker 2002). Some academics have compared CSR to a business strategy to boost a company’s self-interest (Mintzberg 1994; Holcomb, Upchurch et al. 2007), and research such as this supports the argument that the engagement in CSR can directly influence marketing and branding strategies. However, it can also be argued that rather than merely a business strategy for self-interest, an environmental business strategy is unquestionably needed by any company, which intends to engage in effective and sustainable business practice.

Several academics have argued how public relations can be used to enhance the image of brands as well as to strengthen marketing and positioning objectives (Lewis 2003; De Pelsmacker, Driesen et al. 2005). As such, many environmental initiatives have attracted criticism about being mere disguised public relations ploys. However, it can also be
argued that if used properly, in addition to being an effective public-relations element an environmental orientation can indeed be an important tool to companies (Lantos 2001).

Two frameworks were examined in order to frame a theoretical model. Firstly stakeholder theory (Harrison and Freeman 1999) and then a political/economic framework to specify the relationships.

3.2 Stakeholder theory

Hotel companies are being prompted by rising energy costs, government pressure, consumer expectations and the competitive landscape to increasingly make sustainability a top priority.

Environmental stakeholders can be defined as individuals or groups that may be affected by a company’s performance (Banerjee 1998; Banerjee 2002; Banerjee, Iyer et al. 2003). Organisational stakeholders may be shareholders, customers, and employees. Community stakeholders include many non-governmental organisations and their potential lobbies that have an interest in the environment. The manner in which a firm response to the stakeholders depends on its environmental orientation, so public concern is an important antecedent to corporate environmentalism.

Figure 1 demonstrates linkages between the key stakeholder groups and the political/economic framework. Using a framework such as this is useful to explain how different aspects influence corporate environmentalism.

![Figure 1: Corporate environmentalism: antecedents and influence](Image)

After: Banerjee 2003

3.3 Political/economic framework

A company’s choice of strategies in complex social environments is driven by consideration of political and economic forces within and external to the firm. A clear external political force is that of regulations which increasingly govern and affect environmental strategy as does public concern (Adlwarth 2010; Conrady and Buck 2010).

There is increasing pressure for corporations to disclose the sustainable management practices. According to Hanniffa and Cook (Haniffa and Cooke 2005), reporting of environmental credentials is one way to legitimise the actions of the corporation to reduce legitimacy gaps between organisations and society. One way of lessening this gap is by reporting activities to stakeholders and through additional disclosure, and this reporting is becoming the norm in international hotel companies with prominent links displayed on their websites. The Eco Hotels of the World support this by pointing out that CSR has thus become an integral part of many hotel groups marketing strategy.

3.4 Public concern for the environment

It can be hypothesised that public concern will be positively related to environmental orientation and strategy. The public are paying increased attention to the environmental damage caused by various business activities and have become increasingly concerned about environmental issues. As such they have realised that it is possible that their purchasing decisions may directly influence the environment (Jin-Soo, Li-Tzang et al. 2010). Increasing public concern is stimulating the implementation of environmentally responsible management in the hotel industry (Wolfe and Shanklin 2001).

3.5 Regulatory forces

There have been recent introductions in various countries (especially in the developed world) of taxes on energy, waste and carbon emissions. These have led many companies to adopt more rigorous strategies to ensure compliance. It is therefore likely that greater regulatory forces will be positively related to environmental orientation and strategy of a company.

Organisations of all kinds have grown much more aggressive and effective in bringing public pressure to bear on companies (Porter 2006). Many hotel companies operate in fragile and delicate natural environments and so are not only at the mercy of environmental activism within the countries in which they operate but also from the customers themselves who want to continue to see and interact with these environments. This tension between the interaction and the customer’s desire for a fully serviced hotel/tourism environment is a key problem within the industry in deciding carrying capacity.

While there is also increased governmental regulation on environmental issues, there is also an increased number of voluntary certification programs available for the hospitality and tourism industries. For instance “Green Globe” which is a benchmarking, certification and performance improvement program based on Agenda 21 principles. This program identifies the environmental and developmental issues which threaten the economy and ecological balance and presents a strategy for transition to more sustainable development practices. There is a proliferation of other green hotel rating programs (Green Seal- USA, Green Key – Canada etc.). While some have suggested that this abundance of awards and endorsements regarding environmental performance has confused customers, generally they can be considered as forces for good, even though they are not enforceable regulatory constructs (Font 2002; Font and Walmsley 2012).

3.6 Competitive advantage

Several academics have also suggested that a strategy of being a “green” company can offer superior performance through strategic and competitive advantage (Mintzberg 1983; Butler 2008; Adlwarth 2010; Griskevicius, Tybur et al. 2010).

A key driver of corporate environmentalism within hotel companies is customer perception. Essentially, hotels within a market level or star rating are undifferentiated products. They offer similar services and tangible offerings. Many hotel companies try to differentiate themselves and attract the traveller with “green” credentials often prominently displayed on their websites. Whether these claims are implemented with appropriate activities within the supply chain is a matter of conjecture, and might be considered more to do with image improvement rather than business strategy, and merely emphasising environmental orientation without concern for strategic implementation might lead to a charge of “greenwashing” (Willers and Kulik 2011). Research also suggests that the value priority of many travellers is changing. People increasingly are interested in companies which promote trust, security and accountability as well as responsible corporate action. Obviously, there are other key consumer groups who are environmentally conscious and therefore favour hotels and hotel companies that have been certified by organisations such as Green Globe and the like (Adlwarth 2011).
It could therefore be hypothesised that competitive advantage will be positively related to environmental orientation and strategy.

3.7 Top management commitment

Commitment from the highest levels within an organisation is a strong internal political force that can and does foster corporate environmentalism. The hotel companies such as IHG, Hilton and Accor have had powerful CEOs with strong environmental strategies that have been driven through all levels of their companies. Such direct involvement promotes a corporate atmosphere conducive to policy implementation and, when backed with adequate incentives for employees, leads to improved environmental performance.

3.8 Environmental orientation and environmental strategy

Organisational learning about environmentalism occurs in the collective consciousness of the firm, and over time, the resultant knowledge is fused and internalised within the corporate values and beliefs. After being encoded within a firm’s standard operating procedures, environmental values eventually influence a firm strategies (Mintzberg 1994).

4. The survey

A survey was developed based on Corporate Environmentalism issues identified in literature, and consisted of 27 questions in four sections.

Each question was designed to answer an aspect of the conceptual framework listed above. The first section contained descriptive questions about the firm’s engagement and environmental orientation and strategy.

All respondents were provided with a definition of Corporate Environmentalism (CE) derived from Sheldon and Park (Sheldon and Park 2011). This definition was judged to be the most concise while capturing the concept, and easily understood. The following questions included reasons for engaging in CE and whether or not it was practised. Respondents were asked what about the company’s involvement and how they felt they compare to other hotel companies. Desk research was also undertaken to ascertain whether an environmental message was included in the mission statement/website.

Competitive Advantage was measured by using items that focused on R&D, growth opportunities in new markets and cost saving measures that related to environmental strategies.

Regulatory Forces were measured by dealing with managerial perception of the influence of government regulation on strategy and the level of environmental regulation/compliance. The area Public Concern was based on the manager’s perceptions of the importance assigned by customers in environmental services and performance. Top Management Commitment was the awareness and proactiveness of senior management to environmental commitment and support for environmental initiatives.

The second section of the survey listed positive, negative and neutral adjectives taken from the literature. Respondents were asked to choose which words they associated with CE, and there level of agreement with a series of statements using a seven point Likert scale.

The third section included items measuring all of the antecedents.

The final section assessed the demographic profile of respondent and that of the hotel company.

5. Method

Data was gathered from a variety of private and corporate hotels at different market levels in Australia. Surveys were distributed and survey items adopted from published research (Banerjee 2002). The survey was pretested on a convenience sample of managers of private Australian hotels.

Out of 73 surveys mailed, 24 usable questionnaires were returned (response rate 33%).

As noted earlier hotels are large consumers of energy and water and have potential for a large carbon footprint and environmental degradation (Kirk 1995; Reynolds 1995). The hotels in the survey were therefore divided into two groups of larger hotels (over 100 rooms) and smaller hotels (which included motels and guesthouses). The first group was almost exclusively corporate and branded companies, with the second group being mainly privately run, with a small percentage being franchised operations and some members of consortia. It was hypothesised that the first group would have a larger environmental impact per customer even though they would probably have an environmental management framework in place.

It was reasoned that larger hotels generally have better defined environmental policies and documentation, and international hotels would be more likely to have incorporated environmental management systems than smaller ones, as well as defined building management systems and group wide benchmarking methods (Dief and Font 2010).

To establish similarity in meanings of all constructs in both groups, a multigroup confirmatory factor analysis was conducted (Steenkamp and Baumgartner 1998). A series of models was proposed in which constraints on factor loadings, factor variances, co-variances and error variances were progressively relaxed. When the factor loadings and factor variances and covariances were set equal, partial measurement invariance, a necessary and sufficient condition for structural comparisons across groups, was established.

The quality of measurements was assessed with confirmatory factor analysis and followed by excepted norms (Hartline, Maxham III et al. 2000) in including only items that loaded in excess of .5.

Finally, because of the large number of indicators, all scales were summed to represent relative constructs and hypotheses were tested with path analysis using LISREL 8.

6. Discussion

This study clearly has limitations, firstly because of the small sample size and secondly because it is a single country/culture orientated. Also a self-selection bias may have created favourable bias is towards environmentally orientated companies.

The main findings suggest that:

- Competitive advantage
  - All companies seek competitive advantage in various ways. The environmental focus affected internal and external orientation and corporate strategy.
  - influenced environmental marketing strategy
  - had a large effect on the internal and external environmental orientation in the large hotel group.
  - Was not seen as a strong driver in the smaller hotel group

- Public Concern
  - influenced environmental marketing strategy
  - top management regarded it as highly relevant. This was especially true in the larger hotel group.

- Regulatory forces
  - influenced environmental corporate strategy
  - influenced top management commitment
  - had a great effect on external environmental orientation in the large hotel group.
Top management commitment
- influenced internal and external environmental orientation in both groups, and could be seen to influence environmental strategy.

In the large hotel group, the antecedents ranked in order of decreasing importance were:
- competitive advantage
- top management commitment
- public concern to the environment
- regulatory forces

In the small hotel group, the antecedents ranked in order of decreasing importance were:
- top management commitment
- regulatory forces
- competitive advantage
- public concern

The hotel groups investigated are clearly at different stages of development and implementation of corporate environmental strategies and policies. There is evidence that some individual hotels go beyond corporate policy on some aspects, but overall there was no consistency, little group management, and corporate policies are usually behind, not ahead of individual hotel behaviour.

The regard and need for positive public opinion clearly affected environmentally focused marketing strategies and corporate strategies. This bias toward environmental marketing strategy may be based on the firm’s ability to obtain immediate and quicker benefits by implementing environmental marketing strategy as opposed to environmental corporate strategy. This is consistent with prior findings that environmentally orientated marketing strategies, including consumer orientated green advertising strategies, lucrative and easy to implement (Banerjee, Gulas et al. 1995; Porter 1995; Sheldon and Park 2011).

The results also show that public concern was strongly related to environmentally orientated corporate strategy. Consistent with stakeholder theory, this signifies the importance accorded to public concern by top management. This suggests that in influencing marketing strategies and top management commitment, public concern is a vital persuasive factor.

Regulatory forces clearly have a significant direct influence on corporate strategy. This tendency is likely to grow within the current and proposed regulatory framework in Australia and worldwide. The addition of increased energy and water costs as well as additional taxation (carbon tax etc.) will have an increasing and distinct effect on organisational and operational strategy.

The desire for Competitive advantage drives many internal and external strategies. Internal environmental orientation involves developing corporate value and vision statements, efforts typically directed by top management. One quarter (26.3%) of companies reported having employees responsible for environmental issues.

External environmental orientation pertains to aspects of the firm’s relationships with external stakeholders. Although many hotel companies saw an environmental orientation as significant in their drive for competitive advantage, others were less focused. This is consistent with prior research findings that show that adopting such strategies will vary from firm to firm within an industry grouping (Christmann 2000). Only 37% of company websites incorporated environmental issues in spite of the high visibility (especially in international hotel corporations) and conformance to regularity frameworks.

Top management commitment was positively related to all antecedents and, with its direct and mediating effects, emerged as the single most influential antecedent to corporate environmentalism.

The relationship between environmental orientation and environmental strategy is complex, mostly because of the multi-dimensional nature of this relationship. It would appear that a strong external environmental orientation within a company was not necessarily related to corporate strategy – but was strongly related to marketing strategy, whereas internal environmental strategies were related to corporate strategy. This is because internal strategies require training programs and relate to corporate values.

The findings also imply that while customers clearly want companies to be transparent and engaged in environmental practices, they do not wish to have these practices impinge on their hotel experience.

Despite the limitations of this study, this research reveals that large international hotel companies recognize the strategic importance of corporate environmentalism by placing it in their websites, whereas in general, smaller companies are still focused on selling the tangible assets of their properties. Many companies report lack of resources as inhibitors to the introduction of lasting environmental initiatives beyond the simplistic approaches of changing light bulbs and tent cards in rooms urging guests to reuse their towels.

The larger hotel companies recognize that an environmental focus is a valuable strategic direction that brings customer appreciation and value to the service proposition.

Developing appropriate indicators of environmental cost, benefit and performance remains a challenging task for all stakeholders. Clearly there is a need for further research into enhancing understanding into the relationship between environmental strategies and competitive advantage and identification of other paths that influence internal and external orientations and strategies. Many of hotel companies surveyed were privately run small to medium-size enterprises, therefore an examination of their different cost structures and connections with environmental initiatives could lead to interesting results, as would a greater analysis of the environmental cost/benefit per customer and/or per room, both occupied and unoccupied.

With the rising costs of environmental compliance areas for future research might include how environmental strategy is disseminated within the organisation for the most effective usage, and how do hotel companies integrate environmentalism at higher levels of strategy, and of course, barriers to implementation. There are also questions to be asked regarding the relationship between profitability, market share, customer loyalty and customer retention.

In summary, it would seem that environmental initiatives are firmly placed in the marketing plans and strategies of most hotel companies. In an era of greater compliance with government regulations and greater concern from the public over environmental issues it is still unclear as to the efficacy implementation of the strategies beyond “green wash” and the balance between delivering a hospitality service and effective environmental policies.

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