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Corporate Social Responsibility and Sustainability Initiatives of Multinational Hotel Corporations

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ABSTRACT
Multinational hotel corporations participating in the capital market have become aware of the significance of disclosures on Corporate Social Responsibilities (CSR) and Sustainability issues. Such development is driven by the external stakeholders and endorsed by the internal ones. Financial regulators around the world appear to embrace the international trend of disclosures about CSR and Sustainability. Through case studies of major multinational hotel corporations operating in Asia and the West, this study examines the emerging emphases of disclosures on CSR and Sustainability matters as a global trend. A spectrum of early-adopters is observed among these multinational hotel corporations. Their attempts to enhance competitiveness through integrated innovation management, enterprise risk management and or public relations management are explored.

KEYWORDS: Corporate Social Responsibility, Sustainability, Hospitality Industry, Multinationals, Disclosures
1 INTRODUCTION

The process of corporate social responsibility (CSR) has been explored and strategically implemented by many hospitality organizations, regardless of their size and scale in operations (Raub and Blunschi, 2013). Proposing the CSR practices from the company’s perspectives reflects a lot of positive outcomes. The benefits of CSR are to increase financial performance, reduce operating costs, improve staff commitment and involvement, enhance the capacity of innovation, promote brand reputation and image, gain new product opportunities, and stimulate customer’s awareness (Raub and Blunschi, 2014; Vogel, 2005).

In fact, many stakeholders would draw much their attention to a company’s CSR practices and implementation. CSR disclosure can be one of the effective marketing tools in expressing the company responses on those issues. CSR disclosure can inform the public concern and express the actions taken on social and environmental impacts (Cuganesan et al., 2010). However, the presentation of CSR information is likely to vary across different industries. The content of CSR disclosure information, contained in both corporate annual report and standalone document would be interpreted and presented in different formats as driven by how the society may perceive (Cuganesan et al., 2010; Deegan, 2002). For instance, a company with a higher CSR profile could report contents in a way to change public perception while deflecting attention in comparison with a company with lower CSR profile (Cuganesan et al., 2010). CSR disclosure reporting has also been investigated with respect to the reporting characteristics, the producing organization, and how it is used by external stakeholders (Bebbington et al., 2008).

The hotel industry is one of the global industries that have applied CSR concept in its management and operations. With the uniqueness of industry’s nature, the hotel industry is an industry that faces issues of energy overconsumption and unhealthy working environment (Jones et al., 2006). The company culture, hoteliers’ leadership, hotel characteristics also influence CSR practices and implementations within hotels (Mackenzie and Peters, 2014). For instance, if a hotel would prefer to monitor employee actual behavior of performance, the hoteliers are encouraged to set its corporate policy to mandate employees’ actions (Mackenzie and Peters, 2014). In contrast, a more flexible workplace environment could improve environmental awareness in both employees’ and managers’ perspectives compared to a more control working environment (Akoglan and Selda, 2008; Cetindamar, 2007). Many hotels have introduced various CSR practices and implications to inform the public of their responsibilities such as scholarships, training courses, recycling and reducing waste at the Housekeeping and Food and Beverage Departments, and volunteer work by hotel employees to assist the community (Mackenzie and Peters, 2014).

However, when it comes to disclosing CSR reports and practices, few studies have investigated the complexity of CSR disclosure reporting practices (Bebbington et al., 2008). Some top hotels and hotel executives have reported mostly on their charitable donations and human resources but seemed to lack environmental issues, vision and values (Hocomb et al., 2007). As a result, these hotels are criticized by the community on their operational practices, which in turn could cause social and environmental concerns. This can be questioned to the point that what sort of information is relevant and appropriate for disclosure to the public to reflect a hotel’s performance in CSR. In light of these issues, the purpose of this study is to explore the spectrum of CSR disclosure among the existing global hotel groups active and growing not only in Asia but also in other parts of the world. We argue that as hospitality and tourism businesses are expanding around the world, it has become a challenge for hoteliers to create an effective strategy in aligns with CSR on a global scale. CSR disclosure can nevertheless be explored in three perspectives: public relations, enterprise risk management and an integrated management approach.
2 LITERATURE REVIEW

2.1 From Corporate Social Responsibility to Sustainability

CSR has traditionally been considered as a model for corporations to take actions to be a good corporate citizen covering legal and ethical standards for their broad stakeholders. In more recent years, the concept of Sustainability has gained further recognition to complement with the scope of CSR in explaining what corporations should further their responsibility for the environment under a globalized economy. With reference to Lele (1991), Sustainability is about “Ensuring that development meets the needs of the present without compromising the ability of future generations to meet their own needs”. Gray and Bebbington (2001) characterized Sustainability as “Treating the world as if we intended to stay”. More recently, Sustainability is considered as “Actions and approaches adopted by organizations compatible with, and contributing to, sustainable development”, Hopwood et al. (2010). Hopwood et al. (2010) also pointed out three main types of Sustainability, namely Economic, Environmental and Social Sustainability.

Further, the international accounting authority IFAC (2011) noted, “This definition also requires organizations to take into account the wider and longer-term consequences of decisions. This is the route to achieving long-term sustainable value for investors and stakeholders, and involves considering the impact of economic activities—things bought, investments made, waste and pollution generated—on the natural and human resources on which they depend, to avoid irreparable damage to the productive capacity of these resources”.

2.2 Legitimacy Theory and CSR Disclosure

The legitimacy concept describes the notion of how the society and companies react and respond to the CSR practices legitimately. In fact, there is apparently a social contract between a company and society, the society has expectations on how a company should operate its business (Cuganesan et al., 2010). The judgment of legitimacy theory is to disclose information in light of the society’s expectation; however, managers could have a different perception in interpreting the concept of society’s expectation (Lanis and Richardson, 2013). As a consequence, CSR disclosures are like to be inconsistent across companies and industries.

In prior studies, CSR disclosure is described as the process of providing information designed to discharge social accountability and the contents might include information in the annual report, special publications or even socially oriented advertising (Gray et al., 1987). More recently, Lanis and Richardson (2013) suggested that companies should present their CSR disclosure reporting to enhance their reputation, especially in the aspects of the environmental, social and ethical issues. Moreover, some other prior studies harnessing legitimacy theory have found a positive relationship between community concern and CSR disclosure on particular social and environmental issues (Deegan et al., 2002; Lanis and Richardson, 2013). As a growing trend of observing internationally acceptable practice, companies may consider adopting international reporting standard, such as Global Reporting Initiative (GRI), as a means to be perceived by stakeholders as “legitimate”.

Examining the international hotel industry, Chung and Parker (2008) investigated the developments of integrating hotel environmental strategies through management control. Chung and Parker (2010) further revealed the emergence of “Triple-bottom Line Framework” of reporting in the case of the hospitality industry in Singapore. The triple bottom line includes financial, social, and environmental outcomes and impacts of its operations.
2.3 Focus on Public Relations

The CSR reporting has been criticized as being used as a tool to enhance public relations without substantial contributions (Saha and Darnton, 2005; Moneva et al., 2006). Many large hotels use CSR as a marketing tool while embedding CSR concepts into company mission statements (Mackenzie and Peters, 2014). For instance, according to Jones et al. (2006), the pub operators in the UK use CSR concepts in the promotion of the balance of responsibilities among producers, retailers, government regulators and consumers. These initiatives to demonstrate good relations with the public includes communicating to the stakeholders about the responsible alcohol consumption, discouraging excessive drinking, and training staff on how to sell alcohol responsibly.

In addition, other management initiatives to improve public relations consist of the provision areas of smoking and disabled customers and showing committed customer services to prospect customers. The recent concept of green marketing, for instance, would also give incentives for vendors to focus on their “green features” in their marketing and promotion.

2.4 Emphasizing Risk Management

CSR disclosure can be considered a part of the process in relation to reputation risk management (Bebbington et al., 2008). There have been corporations looking into enhancement of enterprises risk management as there are concerns over external environmental changes and overall business sustainability (Dovers and Handmer, 1992). The notion of risk management would be pertinent to dealing with a corporation’s reputational risk and legitimacy while minimizing potential adverse impacts such as the environmental impacts (Vogel, 2005). In other studies, it is further noted the linkage between sustainability and risk for a society’s long-term survival and climate change (Yanitsky, 2000).

In order to minimize risks, there are proposed strategies in relation to control social and environmental impact in the hotel industry. Those are environmental training programs, green purchase policies, energy and water saving actions and recycling, solid waste generation, reduction in use of chemicals, and utilities monitoring (Gil et al. 2001; Meade and del Monaco, 1999). These practices can benefit a hotel’s long-term success because of reduced energy emissions and generating more business revenues.

However, limited disclosures about sustainability for the public are explored in a prior study (Dumay et al., 2010). CSR disclosure is found to be lacking relevance and utility and not contributing to sustainability. Ng and Nathwani (2012) argued that despite the fact that there are risks associated with climate change, such un-sustainability and credit ratings of major energy corporations are not fully examined and disclosed.

2.5 Integrated Innovation Management Approach

Implementing an integrated management approach attempts to deal with CSR and sustainability in an integrated manner by adopting the triple-bottom-line approach as a competitive advantage (Chung and Parker, 2010). Such CSR reporting explains the effective management approaches in environmental responsiveness, company plans in reducing energy consumption and compliance with the environmental legislation in an effective manner. In addition, these hospitality companies would encourage an awareness of environmental issues to all employees, partners, and suppliers. All these practices would create positive working environments and management development (Jones et al., 2006).

Such an integrated management approach can be explained via the reporting of corporate financial reporting (CFR), corporate governance (CG), corporate social responsibility (CSR), shareholder value creation (SVC), and sustainability (Bhimani and...
Soonawalla, 2005; Perrini and Tencati, 2006; Schaltegger and Wagner, 2006). In addition, focus on performance, practice and systems within an organization would enhance sustainability performance as well as strategic development in a longer run (Obrien and Parker, 1999; Adams and Larrinaga-Gonzalez, 2007; Inoue and Lee, 2011, Dai et al, 2013).

3 FRAMEWORK DEVELOPMENT

With reference to the literature review, a trilogy of disclosure strategy is constructed. It is argued that hotel groups would develop their particular CSR disclosures driven by three different concerns, namely public relations management, enterprise risk management and an integrated innovation management approach for sustainability. These three main concerns are summarized as follows:

(i) Public Relations Management (PRM). It focuses on local relationship building with one’s primary stakeholders, namely customers and shareholders (existing and potential ones). It attempts to disclose social sustainability, e.g. community services and donation. It works to enhance relationship with primary stakeholders while providing a direct means to economic sustainability through recurring revenues and positive perception by the consumers and capital markets.

(ii) Enterprise Risk Management (ERM). It attempts to protect one’s reputational risk and legitimacy. It would minimize potential adverse impacts, e.g. environmental impact. It aims to enhance economic sustainability through reducing and mitigating any adverse issues with CSR and sustainability. It also adopts international standards for performance measurements, demonstrating global citizenship while taking care of business risks. In disclosures, it would provide proactive reporting on CSR and sustainability matters following international standards, such as GRI.

(iii) Integrated Innovation Management. It attempts to deal with CSR and sustainability in an integrated manner while adopting the Triple-Bottom-line reporting approach. It requires development of internal management systems to deal with CSR and Sustainability matters on a continuous basis. It may develop median to long-term commitments as competitive advantage.

4 OBJECTIVE AND METHODOLOGY

4.1 Research Objective

Building on the literature review, two main research objectives are delineated. First, we intend to explore the variations in CSR disclosures from the perspectives of global chain hotels with reference to the proposed framework. Second, we aim to review the range of practice for CSR and Sustainability among selected international hotel groups with noticeable operations in Asia.

4.2 Methodology

As a pilot study, we have adopted multiple-case study to examine the issues involved (Yin, 1994). Six international hotel groups are selected for this study. Three of these hotel groups are headquartered in the Asian Pacific/China region whereas the remaining three are based in North America or Europe (see Table 1). All of them are listed on major stock exchanges, such as London, New York and Hong Kong. These hotel groups have access to capital markets among Hong Kong, Shanghai, Singapore, London and New York. As all of them are publicly listed corporations, they are required to provide financial reporting and related disclosures to the public. Through such public disclosures, we have collected relevant
information pertinent to CSR and Sustainability practice and subsequently performed comparative analysis of these qualitative data with reference to the proposed framework.

### TABLE 1: The Six Selected Cases

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<th>Cases</th>
<th>Capital Market Base</th>
<th>Main Disclosure Emphases</th>
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| A1    | Hong Kong          | - Adopt a sustainability vision: “aspires to manage its businesses and operations to high ethical and social responsibility standards as a leading hotel and property group. We are committed to integrating sustainable practices and principles across our operations in a balanced way whilst providing an exceptional level of service to our customers.”  
- Policy statement as the guiding principle: “We will consult with our key stakeholders and share information with them about our sustainability performance, achievements and challenges while seeking to balance their needs and goals with the Company’s objectives”  
- Embark on developing a Group Risk Register to further strengthen how we assess and manage key strategic and operational risks that the Group faces, including sustainability, health and safety, and supply chain risks. |
| A2    | Dual listing in Hong Kong and Singapore with significant growth in China and expanding into North America | |
| A3    | Dual listing in Hong Kong and Shanghai with significant presence in China and expanding overseas through M&As | |
| W1    | London listed multiple-brand hotel chains with global operations | |
| W2    | Euronext listed multiple-brand hotel chains with global operations | |
| W3    | New York listed multiple-brand hotel chains with global operations | |

### 5 INITIAL FINDINGS

Through content analysis of disclosures of the six selected cases, it is demonstrated that there are noticeable variations in their emphases on CSR and Sustainability. In particular, four of them (A1, A2, W1, W2) have disclosed their adoption of GRI standard. Two of Asian hotel groups emphasize the association of CSR and sustainability with risk management and relationship with stakeholders in standalone sustainability reports. Two of Western hotel groups adopt an integrated approach and emphasis on their competitive advantage. They provide disclosures about of programs and forward looking initiatives plans for CSR and sustainability beyond providing certain performance measurement or indicators. A summary of their key disclosures on CSR and Sustainability is provided in Table 2.

### TABLE 2 Summary of Key Disclosures on CSR and Sustainability

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| W3    | New York listed multiple-brand hotel chains with global operations | |</p>
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<th>Both Hong Kong and Singapore</th>
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<td>• Integration into business process through investing into staff development</td>
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<tr>
<td>• Released a stand-alone sustainability report with details year-to-year measurement of results using GRI standard and specific targets to reduce energy consumption, etc.</td>
<td></td>
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<tr>
<td>• Released a stand-alone sustainability report</td>
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<tr>
<td>• Participate in Carbon Disclosure Project</td>
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<tr>
<td>• Make use of international standards; e.g. hotels certified under ISO 14001 Environmental Management Systems, GRI indicators with year-to-year performance comparison</td>
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<tr>
<td>• Promote rainwater harvesting, use of solar energy and the incorporation of composting and herb gardens to manage food waste.</td>
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<tr>
<td>• Develop CSR Projects: 10 to 15-year partnership with a chosen beneficiary working on children’s health or education programs.</td>
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<tr>
<td>• “We are committed to serving as good stewards of the environment. We ensure that every property respects local traditions and culture, restores natural habitats, conserves biodiversity and manages waste, water and energy”</td>
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<tr>
<td>• Target set with reference to business growth</td>
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<tr>
<td>• “stakeholders recommend that Shangri-La the Hotel should take early action to integrate environmental issues into its comprehensive risk management systems”</td>
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<th>A3</th>
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<td>• Obtained Platinum award, Corporate and Employee Contribution Programme, Community Chart, Hong Kong</td>
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<td>• “The Group has always focused on the improvement of staff remuneration and welfare. During the Reporting Period, the Group continued to work on improving staff remuneration and raising the fixed salary for all staff of our wholly-owned subsidiaries. The Group has also continued to optimise the supplementary medical insurance program and the supplementary commercial medical insurance coverage for retired personnel for our staff. In addition, the Group also timely provides funding assistance for those employees in need.”</td>
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<td>• Continue to promote modification projects in relation to its new energy conservation technology system, completing system modification in its hotels in China involving primarily air source and residual heat-recovery, and the effect of energy conservation was considered remarkable.</td>
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| W1 | London (‘BBB’ long-term corporate credit ratings) | • “Corporate responsibility (CR) is central to the way we do business and is a key part of our responsible business practices. We treat it as a strategic business issue, believing CR only makes sense if it aligns to our vision of becoming one of the world's great companies by creating Great Hotels Guests Love”

• Adopted GRI standard for regular reporting and performance measurement

• Issue a Corporate Responsibility Committee Report

• Innovation through integration: “We acknowledge there is a tension between tourism and the environment but we believe this can be a creative one, providing an opportunity to find innovative solutions to the environmental, social and economic effects of our business”

• Develop specific performance measures: kWh consumed for per available room |
| W2 | Euronext (‘BBB-‘ long-term and ‘A-3’ short-term) | • A comprehensive program with commitments to sustainability

• Seven pillars, namely Health, Nature, Carbon, Innovation, Local Communities, Employment and Dialogue (with partners)

• Integrated into design of hotels and daily operations

• Twenty one commitments to sustainability

• Specific targets are made for Health and Nature pillars; e.g. reducing use of water and responsible eating

• “Reinventing hotels for a sustainable future” as a decisive competitive advantage.

• Adopted ISO14001 certification, UN Global Compact Indicators and GRI standard |
| W3 | New York (BBB-) | • Disclosure of group policy for environmental and community initiatives

• Charity donation programs in association with non-profit, charitable organizations; foundation is formed to manage funding for donation

• Target set to reduce consumption of energy and water.

• Carbon Disclosure Project reporting is initiated as part of a global CDP movement to provide corporate climate change information to a global investor group

• Other initiatives include human rights policy and global citizenship scheme

• “Committed to integrating leading environmental practices and sustainability principles into our core business strategy” |
6 DISCUSSION

As illustrated in Figure 1, there are variations among the six cases in adopting international reporting standards and their emphases on management initiatives for furthering future developments on CSR and Sustainability. A3 appears to be a PRM that focuses on local community relationship building and enhancing their public relations. A2 has the features of an ERM that adopts international standards for performance measurements, demonstrating global citizenship while taking care of business risks. Nevertheless, the rest of the cases (W1, W2, and W3) carry the characteristics of an IIM that measures their performance with reference to international standards but also attempt to create competitive advantage through implementation of unique management programs and plans that would further uphold their CSR and Sustainability initiatives. These western hotels are international worldwide; the CSR disclosure would have a major influence on the overall brand image of their hotels. Creating the unique CSR programs would lead the companies in the prospect positioning. In contrast, A1’s CSR and Sustainability initiative is set to adopt the international standards with rather minimal efforts to demonstrate their strategic developments for the future.

Figure 1 Variations in Adopting International Standards and Future Emphasis

While this is pilot study that explores the phenomena, future studies would aim to collect additional data through in-depth interviews of the stakeholders as well as survey of a larger group of pertinent corporations in the industry so as to refine the framework proposed in this study.
BIOGRAPHICAL NOTE

Dr. Artie Ng is currently Deputy with PolyU SPEED. Dr. Ng obtained his Ph.D. degree from the Adam Smith School of Business at the University of Glasgow, Scotland. He is a qualified accountant as well as a fellow member with both HKICPA and CIMA (UK). He has research and scholarly interests in knowledge-intensive organizations and their sustainable performance.

Dr. Pimtong Tavitiyaman is a lecturer in the cluster of hotel and tourism management. Dr. Tavitiyaman received her PhD from School of Hotel and Restaurant Administration, Oklahoma State University, USA. Her research interests are in hospitality and tourism management and marketing.

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