

Sustainability in the Dutch hospitality industry
Review of the current practice in a theoretical framework

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ABSTRACT

Attention in the hospitality industry attention would seem to be focused on best practices and sustainability strategies (for example, Houdre, 2008; Sloan, Legrand and Chen, 2009). This paper aims to explore current knowledge on this state of affairs and to develop a research framework for a more thorough exploration of this matter.

Current empirical findings show that the industry is starting to take responsibility for environmental sustainability (Van Rheede, Tromp and Blomme (2010a, 2010b). Activity in connection with the social aspect of sustainability is less well developed. Systematic monitoring, action on sustainability and the inclusion of all stakeholders is rare. The framework includes stakeholders and the further development of measures aimed at stakeholders in the industry in relation to awareness, motives and best practices. We believe that, taken together, this will result in a better understanding of the measures that the hospitality industry is putting in place and of the challenges that it is facing while engaging in these activities.

Key Words: review; research agenda; sustainability; state of affairs, hospitality industry

Sustainability in the Dutch hospitality industry

Review of current practice in a theoretical framework

There continues to be a great deal of attention for green issues in the hospitality industry (for example, Houdre, 2008; Sloan, Legrand and Chen, 2009). The hospitality industry and its guests are clearly becoming more and more environmentally aware. Attention would seem to be focused on best practices (Sloan, Legrand, Tooman, Frenndt, 2009) and strategies for hospitality organisations on increasing involvement in sustainability. What is missing are the facts and figures that describe the state of affairs in relation to sustainability within the hospitality industry.

This paper aims to explore current knowledge on this state of affairs and to develop a research framework for a more thorough exploration of this matter.

A description of the state of affairs applicable will highlight the scope of sustainability efforts in the industry, such as the type of measures hotels are putting in place and the challenges they face while engaging in these activities. This paper will start by (a) exploring the current state of affairs in relation to sustainability in the Dutch hospitality industry, based on a number of pilot studies (Van Rheede, Tromp and Blomme (2010a, 2010b), (b) reviewing current literature on sustainability in the hospitality industry, and (c) based on the two previous points, coming up with a framework for studying this more thoroughly.

The pilot studies discussed in this paper focus on hotel managers and hotel guests. These are just two of many parties involved when looking at this in relation to the Stakeholders Theory (Crane & Matten, 2010). When applying this theory we arrive at the following stakeholders: shareholders (including the owner (of the building) and management of the hotel operation,

guests (leisure/business), employees of the company, and regional and national authorities (NGO).

We will present experience of the two primary stakeholders (management and guests), in order to arrive at an insight into current practices in the hospitality industry.

Theory

Literature on the subject offers a number of different definitions of the term 'sustainability'. The concept of 'sustainability' or 'sustainable development' emerged from an environmental perspective (Hediger, 1999) awareness. Today, the scope of the concept has broadened to include environmental, social and economic sustainability. This is also referred to as the triple bottom line – People, Planet and Profit – a concept with origins from the concept of corporate social responsibility. The concept of sustainable development adopted by the Brundtland committee (the World Commission on Environment and Development, 1987) emphasises the element of meeting "... the needs of the present without compromising the ability of future generations to meet their own needs. It consists of two key concepts: (1) the concept of 'needs', particularly the essential needs of the world's poor, to which overriding priority should be given, and (2) the idea of limitations imposed on the ability of the environment to meet present and future needs by the state of technology and social organisation."(Brundtland, 1987)

Corporate social responsibility is one way of incorporating this concept of sustainability into businesses (Bowen, 1953; Elkington, 1997), which is implemented in industry (for example, Houdre, 2008). The European Union defines this as: a concept whereby companies integrate

social and environmental concerns in their business operations and in their interaction with their stakeholders on a voluntary basis (European Commission, 2006).

The concept of sustainability is also adopted in the hospitality and tourism industry.

WTO defines it as follows:

".. principles refer to the environmental, economic and socio-cultural aspects of tourism development, and a suitable balance must be established between these three dimensions to guarantee its long-term sustainability.

Thus, sustainable tourism should: 1) Make optimal use of environmental resources that constitute a key element in tourism development, maintaining essential ecological processes and helping to conserve natural heritage and biodiversity. 2) Respect the socio-cultural authenticity of host communities, conserve their built and living cultural heritage and traditional values, and contribute to inter-cultural understanding and tolerance. 3) Ensure viable, long-term economic operations, providing socio-economic benefits to all stakeholders that are fairly distributed, including stable employment and income-earning opportunities and social services to host communities, and contributing to poverty alleviation.

Sustainable tourism development requires the informed participation of all relevant stakeholders, as well as strong political leadership to ensure wide participation and consensus building. Achieving sustainable tourism is a continuous process and it requires constant monitoring of impacts, introducing the necessary preventive and/or corrective measures whenever necessary.

Sustainable tourism should also maintain a high level of tourist satisfaction and ensure a meaningful experience to the tourists, raising their awareness about sustainability issues and promoting sustainable tourism practices amongst them."(WTO, 2004)

Measuring Sustainability

The triple P approach (Profit, Planet, People) advocates that sustainability can be combined with the operation of a business (Elkington, 1997 and SER, 2000) and well-known examples show that sustainability can save a business money. In this section, energy will be used as an example to illustrate the measurement of sustainability in the hospitality industry.

Depending on the location of the hotel, energy consumption represents a major part of the utility costs incurred by a hotel. According to Stipanak (2002), energy costs usually amount to four to six percent of the revenue achieved by a hotel and have been driving upwards over the last few years. The accumulated cost of energy for the American hospitality industry fluctuate at approximately 3.7 billion U.S. dollars. These costs are amongst the highest non-staff costs applicable for hotel operation (Swarbrooke and Horner, 2007).

The question to be answered is how to assess the sustainability of a hotel operation? Taking energy efficiency measures as an example: these measures are obligatory for business activity in the Netherlands if the electricity consumption applicable for a company exceeds 50,000 kWh and/or its consumption of natural gas is more than 25,000 m³ per year. Therefore, companies can be forced to implement energy efficient measures with a payback period of 5 years or less, if practically applicable. In addition to these compulsory measures, companies can do more to

reduce their impact on the environment. Webster (2000) proposes five initiatives designed to enhance energy efficiency: (1) installation of a computer-controlled air conditioning system, (2) installation of double glazing, (3) installation of an energy efficient kitchen, (4) the purchase of fuel efficient refrigeration, and (5) buying fuel efficient transport (Tooman, Sloan, Legrand, & Fendt, 2008). Other factors to be considered are heating, ventilation and air-conditioning systems (HVAC). These can constitute 20% of the energy consumption applicable for a hotel. Depending on the climate region (the Mediterranean versus Northern Europe), this figure can reach 50%. It will come as no surprise that this fact leads to the expectation that industry might focus on energy-efficiency, particularly because actions of this nature may result in money being saved, contribute to a lower level of CO₂ emissions and a decrease in the climate change process. The Prince of Wales International Business Leaders Forum (2005) has provided a benchmark for energy, but also for water and waste, for different climate zones. So, actual energy use and best practices to reduce energy use should be considered when seeking to measure the status of sustainability.

When describing the situation in the hospitality industry, an answer worded in more general terms is required: this should also include issues like water, waste and the use of sustainable building materials for renovation and renewal. Moreover, the issues dealt with should not be limited to environmental issues. Based on the definition of 'sustainability' provided above, a need also exists to consider social and economic aspects of sustainability.

We initially adopted a framework for a study of this situation, by analysing the primary stakeholders (particularly management and guests), defining the related concepts and then linking them together. We expanded the stakeholder framework (see Figure 1) to include the

following: shareholders in and management for the hotel operation, guests (leisure/business), company employees, and regional and national authorities (NGO) (Crane & Matten, 2010).

When measuring the situation, we focus on three main topics: the level of sustainable practice adopted by hotels (management) and guests, an awareness of sustainability and motives relating to sustainable behaviour.

Another important factor in this debate are (potential) guests. As mentioned above, some businesses do not know how important this topic is when guests decide whether or not to stay in a particular hotel or visit a particular hospitality business.

When running a sustainable business, decisions on products and technology are important, but actual behaviour is important too. One interesting point is how to inform, train or steer the actual behaviour of both employees and guests (Greenhoteliers, 2005). Two simple examples would be turning off lights and saving water. A striking point is the outcome obtained from an experimental design, namely that social norms encourage people to adopt an environmentally friendly approach more than sustainability standards do. (..). De Groot (2008) and Ryan and Spash (2008) distinguish between altruistic and egoistic and biospheric value orientations. Altruistic value orientations emphasise that individuals are motivated to act prosocially in order to benefit others. Egoistic value orientations stress the importance of benefiting yourself when acting prosocially. A third value, “biospheric”, is less well known, and is a special type of prosocial behaviour, namely behaviour manifested in an environmental context. Ryan and Spash (2008) suggest a focus on the ‘Awareness of Consequences’ rather than ‘environmental concern’.

In the pilot study, student teams started to investigate the state of affairs by analysing the primary stakeholders (particularly management and guests). One pilot focused on hostels and one to three star hotels (Groennern, Neuteboom, Pronk and Wentink, 2010). The next focused on four to five star hotels, (Casallas, Biermann, Panayotov, 2009).

The main focus of these pilot studies was to explore knowledge and awareness of sustainability, best practices on sustainability and the motives underlying participation in these measures/practices.

Discussions

Talking to hoteliers inevitably results in conversations on the core value of the hospitality industry: It's all about serving guests and making their wishes come true. Put simply: guests should be not bothered with sustainability issue; they come to our hotel to be indulged.

However, there is more going on. The definition and understanding of the concept of 'sustainability' by hotel managers and guests is limited, mainly, to the notion of environmental sustainability: actual practice in hotels has a more basic focus on Energy, Water and Waste. More complex environmental issues are rarely dealt with and social and economical issues are generally neglected (Van Rheede et al. 2010a).

The pilot studies have found that chain hotels in the higher star segments are much more active in their approach to sustainability issues than privately owned hotels are. Almost all of the four to five star hotels interviewed pointed out that they were focusing on energy-related measures, as these yielded the most cost-saving results. However, many also mentioned that saving energy helps the environment just as much as it helps to reduce costs.

A small group of chain hotels are clearly taking the lead. A benchmark among the leading hotel chains by "...the first Tomorrow's Value Rating of the world's 10 largest hotel groups shows that most of them are only just beginning to address the wide range of social and environmental challenges facing the sector. Despite increasing consumer awareness of these issues, the companies generally provide little information on their sustainability efforts and performance, and only a few demonstrate a systematic approach to managing their social and environmental impacts. As a result, they are running reputational risks, and missing out on opportunities for strategic differentiation. Also, many of them are poorly prepared for a future tightening of regulation." (Tomorrow's Value Rating, 2009) The KPMG risk preparedness framework also revealed the low preparedness of the hospitality sector (Berger, 2008), identifying it as a sector subject to low preparedness and a high perceived risk.

It was also found that benchmarking (either internal or external) benefited organisations greatly. It enables them to make plans for the future by monitoring past developments, both externally and internally, and it also motivates hotels to go ahead with sustainability. Looking at the guest aspect reveals that the majority of guests have a biospheric value orientation, followed closely by guests with an egoistic value orientation. Guests are more concerned about their energy consumption and waste production than they are about their water use. Overall, the results indicate that guests could still improve their behaviour during their stay, where sustainability is concerned (Castella et al., 2009).

In the low star segments, the most active segment is the three-star hotel segment. The hostels and one to two star hotels think that they are too small to address the question of sustainability. Overall, it can be concluded that a strong focus on sustainability as a strategic asset is lacking. Although there are a few exceptions, hotels are not promoting their sustainability

activities and guests are not really considering sustainability issues when choosing a hotel in the low star classification. (Groennern et al., 2010).

Both management and guests are willing to participate in sustainable practices. However, guests are also expecting hotels to take responsibility for sustainability issues without charging a premium price. Guests are aware that saving energy also saves costs. This is in contradiction to the success of all kinds of eco-friendly products in the Netherlands and other reports on buying behaviour in relation to sustainable products. (Van Rheede, 2010b)

Eco-labels are the source of a great deal of confusion. According to the survey carried out in 2009, the majority of upscale hotel guests would rarely or never check to see whether a hotel has any kind of eco-label or green guarantee when choosing a hotel. In 2010, a negative correlation ($p = -0.24$, sig 0.09) was found between the level of knowledge that respondents have and their perceived importance of a hotel having an eco-label (Groennern et al., 2010). It could be that guests with a great deal of knowledge (and high awareness) recognise the limitations attaching to the requirement of an eco-label.

We have not found a final answer to the eco-label question yet. Clearly, guests need to see more uniformity where eco-labels are concerned. Added to this, we have already indicated that both hotels and guests feel that following the guidelines specified by a label is not always the highest goal achievable for sustainability. However, a recent study (Doornekamp, 2010) has shown that greater importance is placed on labels by business guests whose companies are active in the field of sustainability issues. These guests have greater label recognition and rated them as more important (Van Rheede et al. 2010b).

When trying to come up with a description of the state of affairs in the hospitality industry, a representative sample of the population, based on hotels and/or guests, is essential. In the pilot projects, it was not easy to collect a representative sample of this nature. Differences in ownership, star classification and type of guest (leisure/business) are just a few of the factors that need to be taken into consideration.

We expanded the stakeholder framework (see Figure 1) to include the following: shareholders in (and owners of) and management for the hotel operation, guests (leisure/business), company employees, and regional and national authorities and NGOs.

When running a sustainable business, decisions on products and technology are important, but actual behaviour is important too. One interesting point is how to inform, train or steer the actual behaviour of both employees and guests (Greenhoteliers, 2005). Two simple examples would be turning off lights and saving water. A striking point is the outcome obtained from an experimental design, namely that social norms encourage people to adopt an environmentally friendly approach more than sustainability standards do. De Groot (2008) and Ryan and Spash (2008) distinguish between altruistic and egoistic and biospheric value orientations. Altruistic value orientations emphasise that individuals are motivated to act prosocially in order to benefit others. Egoistic value orientations stress the importance of benefiting yourself when acting prosocially. A less well-known value is the “biospheric” value, which is a special type of prosocial behaviour, namely behaviour manifested in an environmental context. Ryan and Spash (2008) suggest a focus on the ‘Awareness of Consequences’ rather than ‘environmental concern’.

When measuring the state of affairs, we feel a need to focus on the three main topics indicated above: (1) sustainability awareness on the part of all of the stakeholders, (2) the extent

to which hotels (management) engage in sustainable practice, and (3) motives for sustainable behaviour by all of the various stakeholders. There is a need to adapt measures to meet the needs of the hospitality industry and to validate these measurements of stakeholder sustainability awareness, based on Michalos, Creech, McDonald & Hatch Kahlke (2009). To measure the extent which hotels (management) engage in sustainable practice, current practices and energy, water usage and waste production can be benchmarked. The Prince of Wales International Business Leaders Forum (2005) has provided a benchmark for energy, but also for water and waste, for different climate zones. So, actual energy use and best practices to reduce energy use should be considered when seeking to measure the status of sustainability.

When describing the situation in the hospitality industry, an answer worded in more general terms is required: this should also include issues like water, waste and the use of sustainable building materials for renovation and renewal. Moreover, the issues dealt with should not be limited to environmental issues. Based on the definition of 'sustainability' provided above, a need also exists to consider social and economic aspects of sustainability. Finally, motives for sustainable behaviour can be adapted from Ryan and Spash (2008) and De Groot (2008).

Figure 1 shows our research design. It identifies the main stakeholders and topics to focus on while describing the state of affairs.

In order to gain a better understanding of the state of affairs on sustainability in the hospitality industry, all of the various stakeholders need to be involved in the research carried out. Current empirical research shows that the hospitality industry has just started to take responsibility, mainly for the environmental aspect sustainability. The benefits achieved from measures often include cost reductions in relation to energy and water. Activity in connection

with the social aspect of sustainability is less developed. Systematic monitoring and action on every aspect of sustainability is rare. We can conclude by saying that the hospitality industry is not a business sector that is leading the way in the field of sustainability.

The framework suggested will contribute to the achievement of a better understanding of the measures that the hospitality industry is putting in place and of the challenges that is facing while engaging in these activities.

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Model 1: Fishbone model of stakeholders on sustainability in Hotel

Operations

