

# Sustainability reporting in the hospitality industry

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**ABSTRACT:** In 2015, Medrado and Jackson researched corporate non-financial disclosures for the hospitality industry. Their main conclusion was that sustainability reporting in the hospitality and tourism industry is in its infancy. We update and extend this research by using a wider geography and include private, small and medium-sized firms.

**KEYWORDS:** sustainability rationale, sustainability standards, sustainability topics

## Introduction

Over the last couple of years, sustainability has gained importance in business (English & Schooley, 2014). So much so that in 2014 the European Commission issued directive 2015/95 which requires large companies to report on sustainability.

In 2015, Medrado and Jackson performed a content analysis of sustainability reports in the US hospitality industry. They analysed firms with a domicile in the US, or a major corporate office and who traded on the US stock market. We extend and update their analysis by including European, private and smaller hospitality firms. We performed an archival analysis of 50 hospitality sustainability reports using NVivo. The reports were sourced using a Google query with the terms "sustainability report", "CSR report" (i.e. corporate social responsibility) and "CSR report hotel". Of these 50 reports, 14 were from large, renowned operators (based on hotel rankings) and 36 were from other lesser-known hotel operators. The majority of the reports are from European operators even though the search was global. A total of 62% are private companies and 42% are considered large. It should be noted that the sample included three white-label operating companies. The archival analysis has provided details about the topics and standards used. We followed up on the archival analysis with interviews. In total, 11 operators and four hotel sustainability experts were interviewed. The interviews provided in-depth knowledge about the rationale for reporting on sustainability topics in the hospitality industry.

This research note will touch upon prior literature, results from Medrado and Jackson (2015) and our own findings. We cover three sections: sustainability topics reported, sustainability standards used and business rationale for sustainability reporting.

## Topics in sustainability reporting

In 2007, Holcomb et al. found that hotel companies mainly report on socially responsible activities and diversity. By 2011, however, Levy and Park found that environmental topics are the most reported on. The environmental focus in reporting is sustained in

2015 when Medrado and Jackson do their research. Medrado and Jackson (2015) find that the topics most frequently mentioned are related to water and energy use, water conservation and waste generation. To a lesser extent, community involvement is mentioned. The least mentioned items are related to compensation and the work-life balance.

Other topics Medrado and Jackson (2015) found are: general corporate social responsibility (CSR) reporting; community involvement; socially responsible products/services; education, training, and staff development; pay and benefits; participation and staff involvement; values and principles; employee health and well-being; measurement of policies; employment policy; security in employment; equal opportunities; and the work-life balance. In addition to the topics mentioned by Medrado and Jackson (2015), we find the following reported topics: (more) staff training; gender equality; charity support; and volunteering.

The fact that the reported sustainability topics change over the years is not surprising. Džupina (2016) finds that sustainability reporting is influenced by culture and politics, and varies per country. What is surprising is that our survey consisted mainly of non-US companies and we found similar topics being reported. Future research in sustainability reporting can use a content analytic dictionary, such as the one described in Pencle and Mălăescu (2016).

## Standards used for sustainability reporting

Prior literature of sustainability reporting in the hotel industry does not mention the reporting standards used, even though several sustainability reporting standards have existed for a number of years. For example, the Travelife standard has existed since 2007, and the Global Reporting Initiative (GRI) has existed since 2000.

According to a KPMG report (2016), larger companies tend to use GRI more often than small and medium-sized companies (SME), regardless of the industry. This is also what Medrado and Jackson (2015) find: hotel companies use GRI standards if any standards are being used. This result is not surprising as their

survey consisted of large, publicly listed US companies. In 2019, we found a similar result while scanning the GRI database which at that point contained 246 hospitality reports: mainly large companies, both public and private.

A possible explanation for SMEs not using GRI comes from a study by Van der Walt (2018): the GRI framework is too complex and too costly to implement for SMEs. To understand this choice of standards, we interviewed 15 sustainability experts in the hospitality industry from both large and small hospitality operators. The majority of the experts stated that they find the GRI standards too complex. The large operators often hire consultants to explain the GRI standards. The smaller and medium-sized operators opt out of GRI altogether, and choose a different standard, for example Travelife (2019). An oft-mentioned argument was the length of the GRI standards. An actual count of GRI and Travelife standards discredits this argument, as there are 138 GRI standards versus 163 Travelife standards. However, reading both sets of standards does reveal a big difference. The language used in the Travelife certification standards is easier for business owners, managers and customers to comprehend.

Our analysis of 50 sustainability reports shows that the majority of the hospitality firms use some type of certification, rating or index. The following standards were found in the reports: EarthCheck, FTSE4Good, Green Globe, Green Leaf, SafeHotels, Travelife, ISO, GreenKey, Ethilabel and the Dow Jones sustainability index. Travelife is most often used for SMEs. During our interviews with sustainability experts, we found that certification drives sustainability reporting; only after a hotel applies for certification and gets certified do they report on sustainability.

At present, there is no unity in use of sustainability reporting standards among hospitality firms. Some use GRI, some use Travelife, some use another standard, and some use no standard at all. However, the use of a reporting standard does not mean the reported data is verified. De Grosbois (2012) does not find evidence that sustainability actions are being measured internally or externally. In 2018, the American Institute of Certified Public Accountants (AICPA) developed specific audit standards for certified auditors to use when auditing leisure facilities and lodgings on sustainability reporting (AICPA, 2018a; 2018b). And, according to a report by Ballou et al. (2018), an audited sustainability report adds value. Future research can track the type of reporting standard used, and the number of audited reports.

### The rationale for sustainability reporting

The rationale for hotel companies to report on sustainability is debated. Levy and Park (2011) state that cost savings and branding are important drivers for sustainability reporting, while Martinez and Rodriguez del Bosque (2013) state that stakeholders are the main beneficiaries and cost savings are less relevant. Medrado and Jackson (2015) state that economic and social benefits for relevant stakeholders drive sustainability action and reporting.

There is evidence in favour of the cost-saving argument, but this comes primarily from literature about equity financing, for example, Eccles et al. (2014) and Feng et al. (2015), and specifically in the hospitality industry, Singal (2014), and Jackson and Singh (2015). The argument is that sustainability disclosure reduces the information asymmetry between agent

(management) and principal (investor) and in turn this reduces the business risk and henceforth the equity finance cost. This argument is validated by Du (2018) who finds that sustainability reporting plays a bigger role for foreign investors needing more reduction of information asymmetry.

But Kang et al. (2010) question the cost-savings argument for the hospitality industry. To gain a better understanding, we asked the sustainability experts in the hotel industry: almost all, representing big and small companies, stated that attracting employees was an important driver, and cost savings not so much. In addition, none of the experts was aware of a cost benefit analysis being performed on sustainability reporting. The rationale for sustainability reporting in hospitality is not clear. More research is needed, using the stakeholder lens in particular (Theodoulidis et al., 2017; Rhou & Singal, 2020).

### More research needed

Although environmental topics seem to remain relevant, new topics emerge and other topics fade (Holcomb et al., 2007, Levy & Park, 2011, Medrado & Jackson, 2015). Future research can track which sustainability topics remain relevant in the hospitality industry.

Currently, larger companies tend to use GRI more often (KPMG, 2016). Follow-up research can confirm the use of GRI by larger companies and discover the rationale for using a specific standard. In addition, future research can track the number of audited sustainability reports.

The wide range of sustainability topics reported on, and the sustainability reporting standards used, show that many companies have not found their rationale for reporting on sustainability issues. Future research can focus on uncovering reasons to report on sustainability.

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