

7

Evolving towards truly sustainable hotels through a “well-being” lens

The S-WELL sustainability grid

Z. Gulen Hashmi and Katrin Muff

Business School Lausanne, Switzerland

This chapter aims to provide hotels, academia and students with a multidimensional sustainability grid, the S-WELL (sustainability for well-being), which represents different types of hotel sustainability as phases of an evolutionary process. The S-WELL focuses on competitive sustainability strategies and sustainable hotel practices, based on a model with two axes: the vertical axis is built on the hotel's need to manage the business with an economic concern while simultaneously building a competitive advantage through external concerns that derive from sustainability challenges. The horizontal axis looks at the hotel's need to create shareholder value while also contributing to societal value creation aimed at well-being. The four quadrants that represent different types of hotel sustainability are compliance, CSR, managing for the TBL and societal well-being, respectively. The S-WELL is an analytical tool for understanding and challenging hotel sustainability strategies and practices to benefit society at large.

Introduction

In the face of troubling scientific facts and figures about the unsustainable state of our economy and environment, an increasing number of hotels have engaged in some form of activity regarding sustainability over the past few years. Whether named as CSR, green environmentalism, social justice or sustainability, corporate leaders are feeling pressure to address environmental and social concerns along with financial performance (Holliday, 2001; Livesey & Kearins, 2002). Hotels, in particular, are in a context squeezed between the push of legislation, the pull of consumer pressure groups and economic concerns related to cost savings (Goodno, 1994). The business case for cost savings is already well understood, and hotels have focused primarily on cost savings as the initial step in their multi-faceted sustainability journey (Chong & Verma, 2013). The most cited benefit of sustainable business practices is, in fact, cost reduction (Landrum & Edwards, 2009; Hitchcock & Willard, 2009; Bohdanowicz *et al.*, 2004; Hobson & Essex, 2001).

Cost savings is largely associated with “green credentials”; thus, several authors have long criticized the tourism industry, in particular the hotel industry, for its limitation to the environmental dimension to become “sustainable” (Font & Harris, 2004; Roberts & Tribe, 2008). Yet Kernel (2005) considers taking environmental initiatives as the initial step towards sustainability in tourism enterprises according to the four-step model for sustainable development; and further challenges organizations to go further to include social and ethical aspects as well as integration in the community.

Indeed, some forward-thinking hotel companies are successfully finding new opportunities in social and environmental issues to create new corporate strategies, business models and collaborative partnerships while simultaneously serving their shareholders. Their approaches vary widely from activities related to compliance to next-practice platforms in the form of collaborative partnerships.

A review of literature suggests that companies often go through stages starting with simple, easy to implement strategies and progressing towards more complex and potentially rewarding approaches (Mirvis & Googins, 2009; Hoffman & Bansal, 2012). This seems to hold true for the hospitality industry, as well. While the nature and number of stages differ, nearly all hotels first engage with sustainability by focusing on legal or voluntary compliance, with the aim of saving costs, managing economic risks and opportunities, and increasing shareholder value. Once hotels have learnt to manage risks and efficiencies through compliance, many of them further evolve to engage in CSR activities such as charity projects and community involvement that reflect deeply held values. As McGehee *et al.* (2009) assert, CSR is largely viewed as a separate area via donations of goods, services and volunteer hours. In the hotel industry, CSR projects are believed to lead to guilt-free hotel operations, enhanced corporate reputation in the eyes of eco-minded hotel guests and even attraction of new guests (Euromonitor International, 2012).

Once hotels have enjoyed the benefits of simultaneously managing internal efficiencies and being socially responsible across hotel boundaries, they tend to easily recognize the relevance and the need to respond to social and environmental concerns in addition to economic concerns. With broadened focus on stakeholders, a growing number of hotels create value not just as a side effect of their business activities, but also as a result of deliberately defined goals addressed at specific environmental and social issues, or stakeholders. Marriott International can be considered a good example of this type of business sustainability: its staff diversity, community involvement and anti-corruption policies relate to the hotel chain's social concerns; its CO₂ footprint, LEED building certification and “reduce, reuse and recycle” programme relate to its environmental concerns; and its investment for sustainable actions relates to its economic concerns.

Hotels that have advanced to this point try to innovate, produce and report measurable results in well-defined sustainability areas through organizational transformation. Although this is a big step from creating shareholder value to creating social, economic and environmental values, the business case is still the overarching driver to manage these so-called TBL concerns and values. As Deale (2013) asserts, although environmental and social sustainability matter to hoteliers, it is economic sustainability that is pivotal to their very existence.

However, in today's business context of increasing economic, social and environmental uncertainty, individually, almost every organization is unsustainable to solve societal challenges alone. Furthermore, giving corporate success an economic value does not entail that such businesses should be, or are in practice, valued by society. Judging hotel sustainability solely in economic terms misses the key fact that economic sustainability is a means to an end, not an end in itself. A strong and healthy hotel financial performance may be desirable, but it is desirable because it allows its various stakeholders to get on with doing the things that are really important—living happy, fulfilling lives. In other words, additional corporate wealth does not represent an efficient way to significantly increase the much-needed societal well-being societies seek. Moreover, the model of unending economic growth, which we have been following, is taking us beyond our environmental limits.

In this light, the case for a more meaningful purpose of business sustainability becomes compelling: to act as positive change agents of an interconnected ecosystem, starting off with societal challenges and contributing to societal well-being as an ultimate goal of corporate sustainability endeavours. To solve societal challenges, hotels would need to ask themselves, “How can we contribute to resolving pressing sustainability issues with novel products, services or business models that are impossible to achieve alone?” or “How can we enhance the positive common good by doing new things with others?”

The conceptualized framework, the S-WELL grid, aims to contribute to the literature on hotel sustainability, drawing attention to the evolving phases of hotel sustainability with regard to the type of concern and the type of value created. Hotels need to manage the business with an economic concern while simultaneously building competitive advantage through external concerns such as sustainability

challenges. Furthermore, hotels need to create shareholder value while also contributing to societal value creation. A number of frameworks and models have taken shareholder value into consideration in corporate sustainability (Elkington, 1997; Orsato, 2006; Nidumolu *et al.*, 2009; Porter & Kramer, 2011). However, none of these conceptualized works has examined types of hotel sustainability in light of both shareholder value and societal value. In this respect, the S-WELL serves as an analytical tool to understand and challenge existing and emerging sustainable hotel practices and strategies with relevance to an ideology of sustainability that is much needed: societal value creation.

More importantly, the S-WELL grid, with its focus on societal well-being as the most advanced hotel sustainability phase, can be described as a radical and robust proposal to guide the direction of future hotel sustainability efforts to benefit society. Business leaders can use this sustainability grid to fundamentally re-evaluate hotel sustainability strategies that have long been established within well-defined sustainability areas, often with focus on “green” credentials.

Rethinking hotel sustainability through a holistic “well-being” lens

A holistic worldview necessitates system thinking whereby everything is related in some way and each part and each person in the business can contribute towards more sustainability (Landrum & Edwards, 2009). A key issue to become a truly sustainable company is the integration of different actions and sectors of society, economy and environment, taking a holistic view and overcoming barriers between disciplines (Hashmi & Muff, 2014). This has two justifications: our lives are embedded within the societal systems; and our lives ultimately depend on the ecological system. Given the nature of the hotel industry, it is not only hotels themselves but also an open, dynamic and complex system with various interacting components and different stakeholders that are involved (Mill & Morrison, 1997; Thanh & Bosch, 2010). And it is this complexity that makes it difficult to manage towards sustainability (Thanh & Bosch, 2010).

Thus, looking into the evolutionary process of sustainable hotels through a holistic worldview such as a “well-being” lens, a change of perspective may make perfect sense. A “well-being” lens would bring about an understanding of the various interacting components, systems and different stakeholders, the happiness of whom is the ultimate purpose of being sustainable in the hotel industry. It is this interconnectedness between the resources, human systems and the goal of human well-being that requires systems thinking.

Achieving well-being is, in many respects, the essence of human existence. In recent years, well-being has moved from the realm of philosophy to that of science, with a growing body of research into what contributes to the quality of people's

experiences of their lives. This has brought about a new understanding of the factors that both influence and constitute well-being. Well-being is best thought of as a dynamic process, emerging from the way in which people interact with the world around them (Foresight Mental Capital & Well-Being Project, 2008). While “well-being” is defined as “the extent to which people experience happiness and satisfaction, and are functioning well” (NEF, 2011), academic debate continues about precisely how “well-being” should be defined. In this context, well-being is most usefully thought of as the dynamic process that gives people a sense of how their lives are going, through the interaction between their circumstances, activities and psychological resources or “mental capital” (ONS, 2011).

A successful society is one in which people have high levels of well-being that is sustained over time. This has led to the recent growing importance of well-being (Michaelson *et al.*, 2009). For instance, in 2010, the director generals of Europe's National Statistics Offices, including the UK's ONS (Office for National Statistics), signed the Sofia Memorandum, which recognizes the importance of “measuring progress, well-being and sustainable development” and mandates further work on the issue by Eurostat (DGINS ESSC, 2010). More recently in 2011, research undertaken by the UK ONS found key issues of societal well-being to be social relationships, environment, security and health (physical and mental).

The concept of “well-being” fits very well within the hotel industry, mainly because hospitality requires people involving and serving people for happiness. Hotels serve the needs of the travelling public, and the majority of people working in the industry are in contact with guests and customers. Hotels are open 365 days a year and 24 hours a day, which involve longer working hours including weekends and holidays. Hotels also depend heavily on shift work and strive for guest satisfaction, yet services are intangible (for use, not possession; and cannot be test driven). Even more interestingly, production and consumption take place at the same time with the guest present. Finally, the product, which is the guest experience itself, is of a perishable nature. All these characteristics of the hospitality industry point towards the importance of well-being, which is captured in four major aspects: education, health, social justice and overall satisfaction with life, as derived from a national report in the UK (DEFRA, 2010).

Indeed, all the afore-mentioned well-being aspects relate to hotels to a great extent. In the context of education, hotels, in particular the chain hotels, offer opportunities for advancement either in the form of employee transfers from one property to another every few years, or through in-house training, certification and apprenticeship programmes that offer invaluable learning for employees to develop themselves. In the context of health, while relatively longer working hours point to a need to balance the work/life challenge in the industry, foodservice operations and daily housekeeping draw attention to sanitation that is critically important. Regarding social justice, hotels are great places for employee diversity and in terms of job possibilities for the disadvantaged groups in communities because many of the jobs require low levels of skill and education. Hotels further help to contribute to gender equality by providing jobs for women in developing countries.

Finally, the sense of pleasure and feeling of happiness lie in the heart of any hospitality service including hotels. Thus, forward-thinking hotels that prioritize social sustainability and well-being are highly likely to contribute positively to society at large.

Through a “well-being” lens nested in a holistic worldview, the proposed business sustainability grid—the S-WELL—aims to be a practical guide for sustainable hotels that aspire to evolve into truly sustainable hotels, whereby the term “truly sustainable” indicates hotels that are the most advanced in their evolutionary sustainability journey. Yet it is not about perfection, but rather an ongoing balancing act in the real world; as Harrison (2001) noted, “Sustainability is not a destination; it is a journey.”

Business sustainability grid: The S-WELL

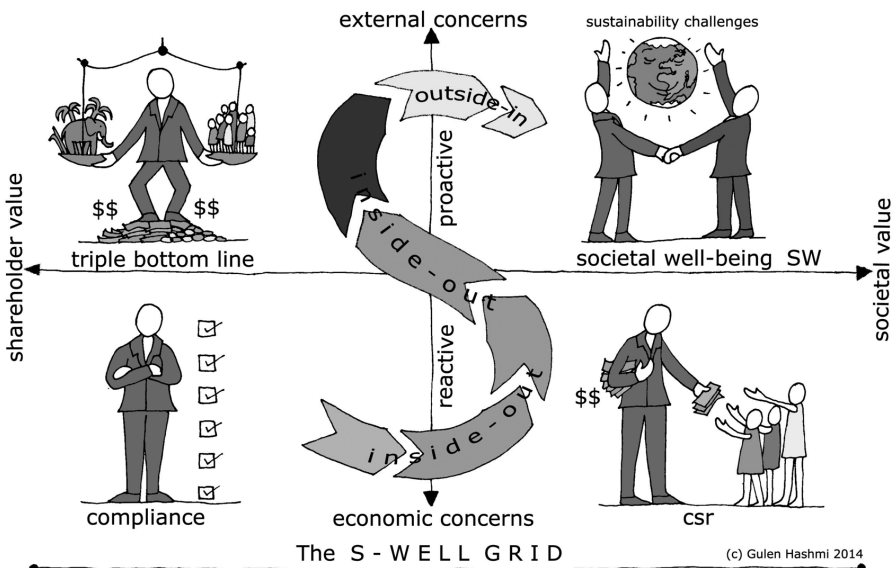
The S-WELL grid draws on the Dyllick & Muff business sustainability typology that uses three elements of a typical business process model: the relevant concerns considered (inputs); the organizational perspectives applied (processes); and the type of value created (outputs) (Dyllick & Muff, 2013). Dyllick & Muff (2013) assert that, while the traditional business concern is one-dimensional deriving solely from an economic imperative, the sustainability perspective typically addresses social, environmental and economic concerns. Regarding the organizational perspectives applied, the authors draw attention to an “outside-in” approach which starts with sustainability challenges that lie beyond the boundaries of a company. Finally, the authors highlight the need for businesses to contribute to positive common good such as the health of the planet or society as a whole. This would require going beyond interests of direct stakeholders to also include stakeholders that are only indirectly affected by business activities. The typology serves as a relevant framework to clarify the drivers and purpose of business sustainability (Hashmi & Muff, 2014). As business sustainability evolves from 1.0 to 2.0 and 3.0, the relevance and the contribution to resolve sustainability issues increases, with business sustainability 3.0 representing a “true business sustainability”.

S-WELL further builds on the Dyllick & Muff’s proposed business sustainability typology expanding on its two elements of the business process model: the concerns; and type of value created. The grid presents hotel sustainability as a multi-dimensional construct with two axes, key dimensions of which are: external versus economic concerns on one axis; and shareholder versus societal value on the other axis. The vertical axis is built on the hotel’s need to manage the business with an economic concern while simultaneously building competitive advantage harnessing external concerns that derive from today’s and tomorrow’s sustainability challenges. The horizontal axis looks at the hotel’s tension to create shareholder value while also contributing to societal value creation for the ultimate goal of high

well-being. Taking into consideration the nature of the hotel industry and the current sustainable hotel practices and environmental strategies, the four quadrants of the S-WELL grid distinguish between compliance, CSR, managing for TBL and societal well-being, which represent different types of hotel sustainability relevant to the sustainability journey of a hotel (see Fig. 7.1).

While the quadrant “compliance” implies business as usual with basically some “green” add-ons, the quadrant “CSR” characterizes business sustainability that goes beyond compliance and engages in voluntary CSR projects. These lower two quadrants demonstrate a reactive approach to business sustainability. Quadrant “managing for TBL” is where the TBL of sustainability (Elkington, 1997) comes into play with three-dimensional concerns (social, environmental and economic). This phase is characterized with a mix of various strategies such as eco-branding, re-defining productivity in the value chain and re-conceiving environmentally or socially friendly products or markets, coupled with ongoing CSR activities. Finally, quadrant “societal well-being” is where the creation of common good would take place with truly sustainable strategies. Truly sustainable hotels pursue strategies such as next-practice platforms or local cluster development to solve specific sustainability challenges. These upper two quadrants demonstrate a proactive approach to business sustainability. The quadrants build on each other, making the process a cumulative one. In this respect, the sustainability journey can be considered a continuous evolution for hotels.

Figure 7.1 The sustainability for well-being grid, highlighting types of hotel sustainability



Now let's walk through each of the four phases of hotel sustainability represented by the S-WELL grid quadrants. The quadrants challenge hotels to think about which sustainable hotel practices and strategies they should pursue with regard to type of concern and value they create for society and for themselves.

The first S-WELL quadrant: Compliance

This is the initial phase of hotel sustainability that starts with “going green” in the sustainability journey. Sustainable hotel practices in this quadrant stem from compliance with government regulations or policy, which are heavily focused on the current environment. As the cost of non-renewable energy continues to rise, regulatory pressure increases and travellers become more demanding, “green practices” justifiably become the baseline requirement for hotels. Hotels in this phase actively reduce their current environmental impacts without fundamentally changing their business model. They tend to focus on new technologies as ways to reduce impacts while maintaining business as usual. Innovations are typically incremental, addressing a single issue at a time and company-centric as the primary intent is cost reduction or profit maximization. Thus, “compliance” can be considered a reactive approach towards the business case for sustainability, which is fuelled by an economic concern aimed at increased shareholder value.

Existing environmental regulations related to the hotel sector are still largely focused on aspects of facility operations such as hazardous materials handling, environmental health and safety or storm water management (Goldstein & Primlani, 2012). Current legislation ranges from the broad and long-term cap and trade legislation regarding emissions, to the specific US Energy Independence and Security Act of 2007, which dictates phased efficiency standards to incandescent light bulbs. Such a wide range of present and future legislative activities is likely to impact hotel design, construction and operations. Some environmental policies may increase costs, which then are likely to be passed on to the customers. This could either act as a disincentive or as a way of marketing a “green” hotel. However, a previous survey of US business travellers by Watkins (1994) shows that 71% of respondents preferred to stay in environmentally friendly hotels but would not consider paying extra to fund these green policies, compared with 28% who would be willing to pay a premium ranging between \$5 and \$10 only.

Policymakers increasingly emphasize the importance of the business case for sustainability to companies, which can explain a hotel's economic concern and interest in the adoption of cost reduction competitiveness strategies such as eco-efficiency or cost and risk reduction. Eco-efficiency within and beyond the firm is the prevailing environmental strategy used in this quadrant. Its goal is to diminish the negative effects on the environment through reducing resource consumption, energy use, emissions and waste, landfill use and toxic releases and recycling

(McDonough & Braungart, 2000). However, the authors assert that eco-efficiency as a sustainability strategy is a misconception as simply reducing and recycling does not really stop environmental degradation and destruction; and that product redesign and radical innovation should indeed be carried out to ensure long-term sustainability.

Cost and risk reduction is another strategy in this quadrant. Achieving competitiveness through cost reduction is rooted in the resource-based view of enterprise, which argues that business will engage in sustainability actions to gain a competitive advantage that others cannot quickly imitate (Hart, 1995). Hotels with this understanding of sustainability are concerned with how sustainable practices in operations and governance reduce risks and costs (van Marrewijk, 2003). Cost and risk reduction supports eco-efficiency in the sense that reduced use of resources would potentially result in quarterly earnings growth and reduction in exposure to liabilities and other potential losses (Hart & Milstein, 2003).

However, as Bronn & Vidaver-Cohen (2009) assert, it is actually more desirable for businesses to have less regulation in order to have more freedom in decision-making to be able to meet market and social factors. Some large hotel chains have already increased awareness of the business opportunities inherent in environmental and social issues; and thus gone far enough to go beyond compliance and become socially responsible businesses. As McDonough & Braungart (2000) assert, going beyond compliance can give companies huge opportunities for out-designing the competition. Thus, the following phase of hotel sustainability “CSR” is characterized by voluntary activities, which environmentally sustainable hotels engage further in their sustainability journey.

The second S-WELL quadrant: Corporate social responsibility

The quadrant “CSR” represents the type of hotel sustainability whereby positive public relations, improved hotel image with shareholders and community, and beyond compliance leadership can be a differentiating factor, a source of competitive advantage and new market opportunities (Hitchcock & Willard, 2009; Landrum & Edwards, 2009). It is perhaps this relatively recent concept of CSR that enables an understanding of evolution implied in the meaning of sustainability from mandatory environmental add-ons to the necessity of being socially responsible (Kalisch, 2002).

By already having mastered compliance to environmental policy, hotels in this slightly advanced phase of business sustainability also seek to be acknowledged for their CSR activities in addition to their “greening” efforts. Having reached some ongoing operational efficiency in the previous “compliance” phase, hotels in this quadrant concentrate on what society wants from them and what value they can

uniquely add to society through CSR activities. They start to “think more deeply” about how they give back to society and, specifically, the societal issues on which they choose to focus. Although they react positively to societal issues, they lack the focus needed for economic value creation. Thus, the approach remains reactive and non-strategic, as the underlying purpose is to seek reputational benefits and legitimization for economic concerns, yet with no focus on a related economic value creation. This is largely because being socially responsible contributes to societal value creation as a positive side effect of being environmentally friendly, rather than as a well-planned solution to societal challenges.

In this phase, hotels continue to increase efficiencies throughout the value chain with focus on separate CSR activities that are in the form of donations of goods, services and, more recently, volunteer hours (Deale, 2013). They seek societal legitimization in the eyes of stakeholders, which, once achieved, may lead to enhanced reputation and a growth of shareholder value. As the theory of legitimization extends to numerous external stakeholders in the value chain, stakeholders’ interests are likely to affect or can be affected by the achievement of an organization’s objectives (Hart & Milstein, 2003).

Although methods and reasons for societal legitimization will differ between small to medium hotels and large hotel chains, legitimization can still be considered a valid driver of sustainability by both large and small hotels (Font *et al.*, 2014). A previous study shows that large hotels, hotels with a classification between three and five stars and chain hotels were more likely to experience positive CSR benefits than small, two-star classified and independent hotels (Kirk, 1998). Yet, although search for competitiveness is largely rooted in the belief that there is a relationship between CSR and CFP (corporate financial performance) (Carroll & Shabana, 2010), existent research finds positive, neutral and negative associations in the relationship between CSR and CFP, making it inconclusive (Griffin & Mahon, 1997; Margolis & Walsh, 2001).

In this second quadrant, hotels start to engage in being socially responsible. They voluntarily spend resources on environmental improvements beyond what is required, through voluntary membership to third-party organizations such as certification bodies or internationally recognized sustainability reporting programmes (Orsato, 2006). Nidumolu *et al.* (2009) assert that, going beyond compliance with voluntary CSR activities and with more stringent standards before they are enforced, fosters innovation as well as a first-mover advantage. Interestingly, sustainability research shows that earning a green certification does not automatically result in a large revenue bump or a revenue fall in hotels (Chong & Verma, 2013). A hotel receives an eco-friendly designation by earning any of several dozen certifications to which the consumer as decision-maker is not exposed (Chong & Verma, 2013). Furthermore, the fact that various regions and companies prefer different certifications complicates the global green standards landscape, which accounts for the lack of a much-needed unified global standard in the industry (Ricaurte, 2011).

Yet some forward-thinking hotels see themselves integral to society and thus feel responsible “to do good by doing new things”. This is often the outcome of a radical shift in mindset from doing things better to doing new things. They simply move from operational optimization and voluntary CSR activities towards a strategically focused organizational transformation phase. Such hotels are further advanced in the evolutionary sustainability journey and are positioned higher up in the S-WELL grid, as they go even further than reputation, legitimacy and beyond compliance leadership; and strive to balance economic, social and environmental concerns to create TBL value creation.

The third S-WELL quadrant: Managing for triple bottom line

In this phase of the evolutionary sustainability journey, hotels start with the three-dimensional concerns of profit, people and planet, and then try to optimize economic, social and environmental value creation for a balanced stakeholder value. According to research by Deutsche Bank, which evaluated 56 academic studies, companies with high ratings for ESG (environmental, social and governance) factors have a lower cost of debt and equity; 89% of the studies they reviewed show that companies with high ESG ratings outperform the market in the medium (three to five years) and long (five to ten years) term (Fulton *et al.*, 2012). Similarly, companies in the Carbon Disclosure Leadership Index and Carbon Performance Leadership Index, which are included based on disclosure and performance on GHG (greenhouse gas) emissions, record superior stock-market returns (Eccles *et al.*, 2011).

Hotels positioned in this upper left quadrant demonstrate a proactive approach to sustainability, contrary to the first two phases, as they purposefully develop programmes and take actions in the areas of governance, processes, products and services, instead of positive side effects resulting from actions. Rather than focusing on “doing less harm”, they believe their organization can benefit financially from “doing good”. They create disruptive new products and services by viewing sustainability as a market opportunity. Their focus is largely on delivering services and to a less extent on creating products. Their innovations are both technological and socio-technical—designed to improve quality of life for people inside or outside the firm. At the Red Carnation Hotel in London, for instance, guests are updated about money saved from reduced consumption of electricity, which are given to local charities and communicated to guests. Similarly, Lancaster London educates its guests by involving them in a Green Week fair, where guests are educated about the property and allowed to try out bikes provided on site (Caterer & Hotelkeeper, 2010).

In addition to participating and initiating CSR projects on issues of poverty, social equity, health and education, they actively engage in stakeholder dialogues with the purpose of contributing positively in these areas. Programmes and activities are managed, measured and reported through integration of sustainability goals into management and governance structures such as cross-functional committees, policies and guidelines. Internal reporting includes differentiated TBL activities and results with improved TBL value creation. However, hotels in this phase of business sustainability are still primarily internally focused in that they see their organization as an independent figure in the economy. Although they do work up and down the value chain and collaborate closely with external stakeholders, sustainability challenges are still not the starting point and societal value is yet to be created in a holistic way.

Hotel sustainability strategies in this phase further explore opportunities for environmental differentiation in terms of products and services, which could further provide a competitive advantage (eco-branding). As Orsato (2006) asserts on his eco-branding strategy, such environmental product differentiation would create greater environmental benefits or impose smaller environmental costs, compared to similar products. This is in line with assertion that “becoming sustainable” is an outcome of developing sustainable offerings or redesigning existing ones to become eco-friendly (Nidumolu *et al.*, 2009). Although raised operating costs would be an issue, such differentiation would either enable the hotel to command a price premium, or increase market share (Reinhardt, 1998) by simply satisfying the green market niche willing to pay a premium for environmentally friendly products (Blanco *et al.*, 2009). Some hotels in this phase are even envisaged to go further enough to develop new business models, to create value that will change the basis of competition (Nidumolu *et al.*, 2009). This would require considering not only if a guest’s hotel experience is environmentally friendly, but also if it is socially just and guilt-free throughout the stay.

The concept of TBL measures the multidimensional business contributions to sustainability (Elkington, 1997). It is a search for creating synergistic (economic, environmental and social) value through the adoption of sustainability efforts (Hart & Milstein, 2003), with focus on innovation. Although the concept may look convincing and appealing to many sustainable hotels at first sight, measuring and comparing the trade-offs between economic, social and environmental values still causes confusion. This is mainly due to the fact that, while environmental initiatives can easily be measurable in the short-term with objective data, social initiatives require a longer time span and thus are relatively harder to measure for companies due to requirement on subjective data. Social criteria and assessment are still considered scientifically uncertain and unreliable (Sasidharan *et al.*, 2002); and this ambiguity of measurements increases costs (Toth, 2002), as this requires more thorough procedures.

A more recent development of TBL is the concept of creating shared value, which rests on the principle of creating economic value in a way that also creates value for society by addressing its needs and challenges (Porter & Kramer, 2011). Although

the concept of shared value creation is a much-applauded revitalizing contribution to linking corporations to society at large—and thus a progressive leap from the opposing views of shareholder value management (Rappaport 1998; Friedman 1970) and stakeholder value management (Freeman, 1984)—it is limited to those issues and concerns that emphasize “the business case for sustainability” and thus economic value for business (Dyllick & Muff, 2013). Considering the ancillary benefits of sustainability such as employee engagement, innovation culture and the broader brand (Haanaes *et al.*, 2011), there is great need for businesses to go beyond this phase and become eco-effective or socio-effective by solving sustainability issues of societies (Dyllick & Hockerts, 2002).

One way of solving sustainability issues of societies could be to contribute to sustainable societies themselves. At this point, the concept of “well-being” becomes more important, as well-being of future generations directly depends on the well-being of the present generations. Furthermore, well-being is the only ultimate purpose of human existence to which almost every and each company, including hotels, can contribute. Fortunately, hotels readily have higher potential in terms of this much-needed contribution because of the high impact area they possess.

The final quadrant in the S-WELL grid is thus “societal well-being”, which represents the highest phase of hotel sustainability. Hotels in this phase are described as the pioneers of a new movement as they seek to go further and shift their focus from being “less bad” to becoming a positive contributor to the well-being of the environment and society. Because the purpose of business in this type of business sustainability reflects an unconventional economic paradigm, very few hotels or industries occupy this realm.

The fourth S-WELL quadrant: Societal well-being

“Societal well-being” represents an idealist last phase in hotels’ sustainability journey, as its intention is to be in the best interest of future generations. Hotels in this quadrant are called “truly sustainable hotels” as they start with sustainability challenges relevant to their contexts and, through an “outside-in” approach, create or adapt their resources to solve sustainability challenges creating societal well-being, a novel ultimate purpose for a society. This is a radical shift from the three-dimensional concerns of sustainability that is concerned with creating well-defined TBL values deriving from the business case for sustainability. Truly sustainable hotels shift their organizational focus from organizational transformation to systems building, often through interdependent collaborations between many disparate organizations that create positive impacts on the society and the planet.

Although such an ambitious systems building approach of “doing good by doing new things with others” may look like an utopian idea, recent research findings suggest that companies can start with societal challenges, adapt to them, profit

from them and improve societal well-being (Network for Business Sustainability, 2012). In a recent report for the UN Global Compact, 84% of the 1,000 global CEOs surveyed agreed that business “should lead efforts to define and deliver new goals on global priority issues”. But only a third said, “that business is doing enough to address global sustainability challenges” (UN Global Compact, 2013). Hotels that demonstrate this type of advanced business sustainability recognize that a myopic obsession with growing the economy has meant that they have tended to ignore its negative impacts on well-being such as longer working hours and rising levels of indebtedness. Furthermore, they firmly believe that the economic imperative in the system has systematically squeezed out opportunities for individuals, families and communities to make choices and pursue activities, which promote positive well-being and human flourishing.

While there is now a rising worldwide demand that policy be more closely aligned with what really matters to people as they themselves characterize well-being, it makes perfect sense for hotels, in particular, to act ahead of the new policies and regulations and reorganize around these well-being issues. In the industry, Lancaster London hotel, for example, has recently adopted “happiness” as the newest of its eight hotel values in the vision statement. The hotel strives to be the happiest hotel in London by 2017–18 (Hashmi, 2014).

While some authors and organizations develop new business models in search of finding a “social purpose” for business in alignment with the wider society it operates within, a “well-being” perspective may well trigger further rethinking on a broader question: “Why does a company need to contribute to societal value creation?” One could argue that the answer is the prevailing global challenge of “Happiness”, which almost every corporation as a living entity has been striving for. Research in the United States, Britain and Japan shows that, although there has been an increase in living standards and income over the past 40 years, there has not been a corresponding rise in people’s happiness (Hashmi & Muff, 2014). This supports Layard’s (2005) assertion that, once a certain level of income is reached, further increases are not associated with an increase in well-being.

Hotels demonstrating this type of advanced sustainability may choose to contribute to societal well-being in one or some of the four well-being aspects identified previously: education, health, social equity and quality of life. Such a choice may depend on a hotel’s size, category or location. Such hotels create new products and services as a voluntary and proactive response to these well-being issues, more likely in collaboration with new partners and collaborators. Again, Lancaster London can be considered a good example of an individual luxury hotel that appears to be leading the way in this arena. The hotel, in addition to the newly formed Lancaster London Community Consortium that works on five CSR projects with volunteering hours, is leading an apprenticeship programme as well as the Lancaster Academy in partnership with the Institute of Hospitality and a few other individual hotels in London. The hotel justifiably contributes to the well-being aspects of education and social equity in a proactive way.

As Nidumolu *et al.* (2009) assert, creation of next-practice platforms in the form of synthesizing technologies, business models or regulations in different industries would require becoming a network of alliances either across the value chain or in partnership with other hotels, or in collaboration with policymakers. To be truly sustainable and solve societal challenges, businesses need to form alliances (Larson *et al.*, 2000) or, in other words, enable local cluster development, which means collaboration with all sections of the society (Porter & Kramer, 2011). Relevant societal representatives such as policymakers or NGO representatives would be integrated into the relevant decision-making processes at all levels of the organization. This would require reorganized corporate structures around the well-being issues as well as sustainability reporting with well-being metrics.

Yet the type of economic and social metrics that is meaningful to societal well-being is qualitative. Qualitative measures are a challenge for standard setting and benchmarking (Wöber, 2002). Although it is very difficult (if not impossible) to understand all environmental and social interactions in financial terms on the same valuation basis (Gray *et al.* 1996, p. 104), the outcome of using the same currency to present sustainability challenges allows companies to understand that they can make up poor performance on one issue by doing better on another one (Korhonen, 2003). As Beckett & Jonker (2002) assert, measurement with the same or at least comparable methodology for different elements of sustainability remains a challenge.

Truly sustainable hotels, however, would almost always remember the following quote as their pathway to the very purpose of societal well-being, regardless of challenges:

The two most important days in your life are the day you are born and the day you find out why (Mark Twain).

Conclusion and implications

Green initiatives—from soap conservation to laundry reduction to waste recycling—have long been the major green focus of sustainable hotel practices, yet there’s more to creating a green hotel than saving water and power by asking guests to reuse their towels. The hotel industry is increasingly expanding its sustainability focus beyond “going green” in parallel with a host of eco-labels, certifications, awards and public reporting programmes that have emerged over the past decade, the sum of which mainstream sustainability in the hotel industry. Yet the differences in the meaning of a sustainable hotel practice or operation are still varying among hoteliers, academia and students. The S-WELL grid, in this sense, aims to provide scholars, students and hospitality professionals with a multidimensional

model that helps to understand and differentiate between various sustainability strategies and sustainable hotel practices.

Being an integral part to society, hotels need to link their sustainability practices and sustainability strategies to societal well-being; and solve sustainability challenges by going beyond an environmental policy, a code of ethics, human rights policy or optimizing their TBL values. Although prospective sustainable hotels are likely to be those that take a long-term TBL view of sustainability with a focus on shareholder value, true sustainability leaders will be those truly sustainable hotels that solve societal challenges prioritizing societal value over shareholder value.

The chapter highlights awareness of the ultimate purpose behind hotel sustainability practices and strategies through a “well-being” lens; and serves to guide sustainable hotels to become truly sustainable hotels that solve sustainability challenges such as public health, poverty, education, energy, social equity, water and quality of life, all of which have been channelled into the concept of well-being. The theoretical contribution, the S-WELL grid, is the first attempt to link “happiness or well-being” to a business sustainability grid to bridge the gap between the purpose of sustainable hotels and society. It is an analytical tool for sustainable hotels to position themselves in their sustainability efforts with regard to concerns and value they create for society. The four quadrants of the grid distinguish between compliance, CSR, TBL and societal well-being, which represent different types of hotel sustainability, respectively.

Although the S-WELL grid is affected, to a certain extent, by perceptions of reality that are rooted in the author’s background, values and heuristics, and is only a proposed theoretical contribution that requires further empirical research to reinforce its applicability in the hotel industry, it is likely to be replicated in other segments of the hospitality industry such as restaurants, casinos, cruise ships and hospitals, which have relatively large impacts on society. The framework offers important insights, especially to hotel owners, management and brands that are committed to sustainability and that are interested in applying business principles to environmental and societal challenges while increasing the overall competitiveness of their companies. Finally, the S-WELL business sustainability framework can be considered a significant contribution to strategy formulation in an era that will only grow in importance and significance to practitioners in the hospitality industry over the next decade.

References

- Beckett, R. & Jonker, J. (2002). Accountability 1000: A new social standard for building sustainability. *Managerial Auditing Journal*, 17(36), 36–42.
- Blanco, E., Lozano, J., & Ray-Maqueira, J. (2009). A dynamic approach to voluntary environmental contributions in tourism. *Ecological Economics*, 69(1), 104–14.

- Bohdanowicz, P., Zanki-Alujevic, V., & Martinac, I. (2004). *Attitudes Towards Environmental Responsibility among Swedish, Polish and Croatia Hoteliers*. Conference proceedings. Esbjerg, Denmark: BEST tourism think tank IV.
- Bronn, P.S. & Vidaver-Cohen, D. (2009). Corporate motives for social initiative: Legitimacy, sustainability or the bottom line? *Journal of Business Ethics*, 87, 91–109.
- Carroll, A.B. & Shabana, K.M. (2010). The business case for corporate social responsibility: A review of concepts, research and practice. *International Journal of Management Reviews*, 12(1), 85–105.
- Caterer & Hotelkeeper (2010). 25 ways to turn your guests green. *Caterer & Hotelkeeper*, 200.4648: 34–38. Business Source Elite: EBSCO. 2014.
- Chong, H.G. & Verma, R. (2013). Hotel sustainability: Financial analysis shines a cautious green light. *Cornell Hospitality Report*, 13(10), 6–13.
- Deale, C.S. (2013). Sustainability education: Focusing on hospitality, tourism and travel. *Journal of Sustainability Education* 2151–7452, 4 (January), 34.
- DEFRA (2010). *Measuring Progress: Sustainable Development Indicators 2010*. London: National Statistics Compendium Publication. Retrieved from <http://www.apho.org.uk/resource/item.aspx?RID=94191>, accessed 24 April 2013.
- DGINS ESSC (2010). Sofia memorandum: Measuring progress, well-being and sustainable development. Retrieved from <http://ec.europa.eu/eurostat/documents/118025/118126/Sofia+memorandum+final/989e8c0a-c762-47a5-b60a-0cbce8cbbc21>, accessed 25 April 2014.
- Dyllick, T. & Hockerts, K. (2002). Beyond the business case for corporate sustainability. *Business Strategy and the Environment*, 11, 130–41.
- Dyllick, T. & Muff, K. (2013). Clarifying the meaning of sustainable business: Introducing a typology from business-as-usual to true business sustainability. Retrieved from <http://ssrn.com/abstract=2368735>, accessed 1 June 2014.
- Eccles, R.G., Ioannou, I., & Serafeim, G. (2011). The impact of a corporate culture of sustainability on corporate behaviour and performance. Harvard Business School working paper, *HBS Working Knowledge*, 12–035 (November). Retrieved from www.hbs.edu, accessed 12 August 2015.
- Elkington, J. (1997). *Cannibals with Forks: The Triple Bottom Line of 21st Century Business*. Oxford: Capstone.
- Euromonitor International (2012). *Travel and Sustainability: Striking the Right Balance*. London: Euromonitor International.
- Font, X. & Harris, C. (2004). Rethinking standards from green to sustainable. *Annals of Tourism Research*, 31(4), 986–1007.
- Font, X., Garay, L., & Jones, S. (2014). Sustainability motivations and practices in small tourism enterprises. *Journal of Cleaner Production*. Retrieved from <http://eprints.leedsbeckett.ac.uk/146/1/Font%20Garay%20Jones%20JCP%20pre%20publication%20version.pdf>, accessed 28 April 2014.
- Foresight Mental Capital & Well-Being Project (2008). *Final Project Report—Executive Summary*. London: The Government Office for Science.
- Freeman, R.E. (1984). *Strategic Management: A Stakeholder Approach*. Boston, MA: Pitman.
- Friedman, M. (1970). A Friedman doctrine: The social responsibility of business is to increase its profits. *New York Times Magazine*, 13, 33.
- Fulton, M., Kahn, B., & Sharples, C. (2012). Sustainable investing: Establishing long-term value and performance. DB Climate Change Advisors, Deutsche Bank Group. Retrieved from www.dbadvisors.com, accessed 8 August 2014.
- Goldstein, K.A. & Primlani, R.V. (2012). Current trends and opportunities in hotel sustainability. *HVS Sustainability Services* (February). Retrieved from www.hvs.com, accessed 27 April 2014.

- Goodno, J.B. (1994). Eco-conference urges more care. *Hotel and Motel Management*, 209(1, 3 and 22).
- Gray, R., Owen, D., & Adams, C. (1996). *Accounting and Accountability: Changes and Challenges in Corporate Social and Environmental Reporting*. Hemel Hempstead: Prentice Hall.
- Griffin, J. & Mahon, J. (1997). The corporate social performance and corporate financial performance debate. *Business and Society*, 36(1), 5.
- Haanaes, K., Arthur, D., Balagopal, B., Kong, M.T., Velken, I., & Hopkins, M. (2011). Sustainability: The “embracers” seize advantage. *MIT Sloan Management Review and BCG Research Report* (winter).
- Harrison, D. (ed.) (2001). *Tourism and the Less Developed World: Issues and Case Studies*. New York, NY: CABI Publishing.
- Hart, S.L. (1995). A natural-resource-based view of the firm. *Academy of Management Review*, 20(4), 986–1014.
- Hart, S.L. & Milstein, M.B. (2003). Creating sustainable value. *Academy of Management Executive*, 17(2), 13.
- Hashmi, Z.G. (2014, May 7). The Lancaster London case study survey.
- Hashmi, Z.G. & Muff, K. (2014). Rethinking corporate sustainability within the “well-being” context: The “COGWHEEL” sustainability framework. *Building Sustainable Legacies*, 2, 67–96
- Hitchcock, D. & Willard, M. (2009). *The Business Guide to Sustainability: Practical Strategies and Tools for Organizations* (2009 ed.). London: Earthscan.
- Hobson, K. & Essex, S. (2001). Sustainable tourism: A view from accommodation businesses. *The Service Industries Journal*, 21(4), 133–46.
- Hoffman, A. & Bansal, P. (2012). *Business and the Natural Environment*. Oxford, UK: Oxford University Press.
- Holliday, C. (2001). Sustainable growth, the DuPont way. *Harvard Business Review*, 79(8), 129–32.
- Kalisch, A. (2002). *Corporate Futures: Consultation on Good Practice: Social Responsibility in the Tourism Industry*. London: Tourism Concern.
- Kernel, P. (2005). Creating and implementing a model for sustainable development in tourism enterprises. *Journal of Cleaner Production*, 13, 151–64.
- Kirk, D. (1998). Attitudes to environmental management held by a group of hotel managers in Edinburgh. *Hospitality Management*, 17, 33–47.
- Korhonen, J. (2003). Should we measure corporate social responsibility? *Corporate Social Responsibility and Environmental Management*, 10(25), 39.
- Landrum, N.E. & Edwards, S. (2009). *Sustainable Business: An Executive's Primer*. New York, NY: Business Expert Press.
- Larson, A.L., Teisberg, E.O., & Johnson, R.R. (2000). Sustainable business: Opportunity and value creation. *Interfaces*, 30(3), 1–12.
- Layard, R. (2005). *Happiness: Lessons from a New Science*. London, UK: Penguin.
- Livesey, S.M. & Kearins, K. (2002). Transparent and caring corporations?: A study of sustainability reports by The Body Shop and Royal Dutch/Shell. *Organization & Environment*, 15(3), 233–59.
- Margolis, J.D. & Walsh, J. (2001). *People and Profits?: The Search for a Link between a Company's Social and Financial Performance*. Mahwah, NJ: Lawrence Erlbaum Associates.
- McDonough, W. & Braungart, M. (2000). A world of abundance. *Interfaces*, 30(3), 55–65.
- McGehee, N.G., Wattanakamoichai, S., Perdue, R.R., & Calvert, E.O. (2009). Corporate social responsibility within the US lodging industry: An exploratory study. *Journal of Hospitality & Tourism Research*, 33(3), 417–37.

- Michaelson, J., Abdallah, S., Steuer, N., Thompson, S., & Marks, N. (2009). National accounts of well-Being: Bringing real wealth onto the balance sheet. Retrieved from www.nationalaccountsofwellbeing.org, accessed 26 April 2013.
- Mill, R. & Morrison, A. (1997). *The Tourism System: An Introductory Text* (1997 ed.). Dubuque, IA: Kendall Hunt.
- Mirvens, P. & Googins, B. (2009). *Moving to Next Generation Corporate Citizenship*. Berlin: CCCD Century for Corporate Citizenship Deutschland.
- NBS (Network for Business Sustainability) (2012). Innovating for sustainability: A guide for executives. Retrieved from www.nbs.net, accessed 6 May 2014.
- NEF (2011). Measuring our progress. Retrieved from www.neweconomics.org/publications/measuring-our-progress, accessed 24 April 2013.
- Nidumolu, R., Prahalad, C., & Rangaswami, M. (2009). Why sustainability is now the key driver of innovation. *Harvard Business Review* (September), 57–64.
- ONS (Office for National Statistics) (2011). *Measuring What Matters: National Statistician's Reflections on the National Debate on Measuring National Well-Being*. London: The National Archives. Retrieved from www.ons.gov.uk/ons/rel/wellbeing/measuring-national-well-being/discussion-paper-on-domains-and-measures/measuring-national-well-being---discussion-paper-on-domains-and-measures.html, accessed 25 April 2013.
- Orsato, R.J. (2006). What does it pay to be green? *California Management Review*, 48(2), 127–43.
- Porter, M. & Kramer, M. (2011). Creating shared value: How to reinvent capitalism and unleash a wave of innovation and growth. *Harvard Business Review*, January–February, 62–77.
- Rappaport, A. (1998). *Creating Shareholder Value* (1998 ed.). New York: Free Press.
- Reinhardt, F. (1998). Environmental product differentiation: Implications for corporate strategy. *California Management Review*, 4(4), 43–73.
- Ricaurte, E. (2011). Developing a sustainability measurement framework for hotels toward an industry-wide reporting structure. *Cornell Hospitality Report, Center for Hospitality Research*, 11(13).
- Roberts, S. & Tribe, J. (2008). Sustainability indicators for small tourism enterprises: An exploratory perspective. *Journal of Sustainable Tourism*, 16(5), 575–94.
- Sasidharan, V., Sirakaya, E., & Kerstetter, D. (2002). Developing countries and tourism ecolabels. *Tourism Management*, 23, 161–74.
- Thanh, V.M. & Bosch, O.J.H. (2010). Systems thinking approach as a unique tool for sustainable tourism development: A case study in the Cat Ba biosphere reserve of Vietnam. *International Society for Systems Sciences*, Wilfrid Laurier University, Waterloo, ON, Canada, 18–23.
- Toth, R. (2002). Exploring the concepts underlying certification. In M. Honey (ed.), *Ecotourism and Certification: Setting Standards in Practice*. Washington DC: Island Press, 73–102.
- UN Global Compact (2013). Accenture CEO study on sustainability 2013: Architects of a better world. Accenture and United Nations Global Compact. Retrieved from www.unglobalcompact.org, accessed 12 August 2015.
- Van Marrewijk, M. (2003). Concepts and definitions of CSR and corporate sustainability: Between agency and communion. *Journal of Business Ethics*, May, 95–105.
- Watkins, E. (1994). Do guests want green hotels? *Lodging Hospitality*, 21(4), 70–2.
- Wöber, K. (2002). *Benchmarking in Tourism and Hospitality Industries: The Selection of Benchmarking Partners*. Wallingford, UK: CABI