

## THE INFLUENCE OF CORPORATE GOVERNANCE ON SUSTAINABLE PRACTICES IN HOSPITALITY

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**Abstract.** In today's hospitality industry, sustainability issues are of particular importance, which are largely aimed at creating and maintaining a balance between society, the economy and the environment. This, in turn, has led to the emergence of the term corporate social responsibility, or social responsibility of business, which reflects the participation of enterprises in achieving sustainable development goals. This is especially relevant for the hospitality sector, where accommodation companies are both the object and the subject of sustainable development, and at the same time, as part of the tourism industry, they influence the socio-cultural, economic and natural environment of destinations. The relevance of the idea of collective social responsibility stems from the understanding that the activities of a responsible organisation lead to business profitability and stability [1].

The growing importance of CSR around the world has led international institutions and non-governmental organisations, including tourism companies, to develop CSR standards and certifications to promote CSR management policies among private tourism firms. The most relevant of them are: TourCert CSR Tourism, ISO 26000 (social responsibility), Global Sustainable Tourism Criteria (GSTC), Global Reporting Initiative (GRI) reporting standards and the UN Global Compact on Governance. The peculiarity of ISO 26000 is that its provisions are advisory and are not criteria for assessing the performance of enterprises.

In the hospitality sector, corporate social responsibility (CSR) is more common in the hotel industry and large tourism companies. An example is TUI Travel, which is a leader in the industry in terms of environmental projects. As part of the Sustainable Holidays Plan project, the company has set 20 social and environmental

responsibility goals, including designing and delivering environmentally friendly travel experiences for customers, creating the most fuel-efficient airlines in Europe, and engaging colleagues and customers in environmental projects. More than 1,200 of TUI's hotels have received environmental certificates from independent organisations.

Large hotel chains around the world are developing codes of collective responsibility, which set out the main areas of activity of their enterprises aimed at sustainable development of the industry as a whole. Examples include the Spanish chain Meliá Hotels International, ING Hotel & Resorts, Iberostar, etc.

CSR is also inherent in some small and medium-sized businesses. For example, two hotel chains, Hilton Hotels & Resorts and Radisson Hotel Group, have dedicated social projects and specialists who develop, coordinate, and report on the quality of the events. The study showed that there is no CSR specialist at Radisson Hotel Group, while Hilton Hotels & Resorts has a corporate responsibility department. This department is responsible for the company's corporate responsibility strategy "Travel with Purpose" and external communications. The Board of Directors established the Nominating & ESG Committee of the Board. The Committee's charter clearly defines its functions in relation to corporate responsibility in the company in paragraph 17: "In order for the Company to fulfil its programme of responsibility towards society as a whole, it shall periodically review and evaluate the corporate responsibility strategy, practices and policies and, as appropriate, make recommendations to the Board of Directors in relation thereto." A joint project of the Hilton hotel chain with the American environmental initiative Clean the World recycles soap residues from hotel rooms. The new soap bars have already been

distributed in the amount of 44 million pieces to 127 countries with low levels of hygiene [3].

Hilton's Board of Directors reviews progress on all CSR projects by 2030 on a quarterly basis. The company plans to achieve zero soap waste, as well as conserve resources by reducing carbon emissions; conserve water; develop a consistent methodology for measuring food waste; encourage hotel chain suppliers to set their own environmental and social goals; and protect human rights, etc. [16]. The company submits an annual CSR report and participates in surveys and rating indices on environmental impact, such as the Dow Jones Sustainability Index, CDP, ISS ESG, MSCI and Sustainalytics. Park Inn by Radisson Kyiv Troyitska in Kyiv, Radisson Blu in Bukovel and Radisson Hotel City Centre Odesa on Deribasovskaya in Odesa belong to the international Radisson Hotel Group. They have developed their own individual Responsible Business programme plan, where CSR operates in three main areas: Blu planet; think planet; think people; think together. The hotels have a Blu planet programme, which introduces the latest technologies and water filtration and purification systems, allowing them to reduce water consumption by about 25% per year. Radisson Blu Hotel, Kyiv joined the international Walk for Water campaign, where the hotel management donated a significant amount to the international charity Just A Drop to help people suffering from a lack of drinking water. The hotel also supports a large number of charity events. "Give blood - save lives", which takes place in Radisson Blu hotels to promote blood donation in Ukraine. "Be Pink in a Pink October is a global campaign against breast cancer.

Radisson Blu Hotels is holding a special Pink Breakfast to raise awareness of breast cancer prevention. The hotel is the official collection point for batteries for safe disposal as part of the Green Key project. On Vyshyvanka Day, all hotel employees dress up in ethnic Ukrainian costumes and tell hotel guests about interesting facts of Ukrainian culture and traditional Ukrainian clothing.

Hotel management takes care of staff development by conducting professional training programmes and workshops [4]. The general manager of the hotel is responsible for the company's corporate responsibility strategy, and the HR manager informs the company's employees about the CSR programmes launched [5].

However, along with a large number of successful practices in Ukraine and abroad, and business understanding of the importance of social responsibility and sustainable development, a significant number of enterprises neglect a sustainable approach in their activities, and many strategic decisions remain on paper without being implemented.

Corporate social responsibility is not always positively perceived by consumers, who believe that many social initiatives are paid for out of their pockets. A mechanism for assessing the CSR performance of individual companies has not yet been fully developed, and there are no effective tools to motivate businesses to be socially responsible. There are also myths that CSR is a costly activity, mostly aimed at rational consumption of resources, and that it is needed by large corporations, mostly international ones.

For example, a study conducted by De Grosbois in 2012 [2] assessed the CSR reporting practices of 150 of the world's largest hotel companies. The study showed that 109 of the 150 largest hotel companies in the world provided some information related to any of the five main topics of sustainable development (environment, quality of employment, diversity and accessibility, community well-being and economic prosperity)" And, for example, 54 companies declared their commitment to specific goals, such as improving the quality of life of local communities. At the same time, while a large number of companies report a commitment to CSR goals, a much smaller number provide detailed information on specific initiatives and report on actual results achieved.

To study the understanding of CSR by business, we analysed the strategic CSR policy documents of such large hospitality organisations as TUI Travel, Meliá Hotels International, ING Hotel & Resorts.

As a result, we have compiled a general model of the basic principles and mechanisms of CSR in large companies. As we can see, companies in their CSR policies and strategies take a comprehensive approach to determining the areas of activity, seeking to take into account the interests of all partners and stakeholders. It is worth noting that companies participate in the strategic policy initiative of the United Nations Global Compact for Business, ensuring their own contribution to sustainable development in three areas: economic, environmental and social.

The hospitality industry plays an important role in the sustainable development of both national and global economies. The hospitality sector has a significant impact on the environment, local communities, economy and culture. At the same time, this impact can be both positive and negative, destroying ecosystems, traditional foundations and culture. Therefore, corporate social responsibility, or business social responsibility, is becoming an important mechanism, based on the understanding by businesses of the importance of their own contribution to sustainable development, as well as the need to initiate and fund projects to educate, support local communities, engage them in the tourism industry, reduce labour discrimination and eradicate slave and child labour, etc. As the brief overview of successful practices presented in this article shows, many businesses have already realised

their role in sustainable development and are implementing some form of CSR. However, there are still quite a few hotel companies that, for one reason or another, do not consider it necessary and/or possible to comply with CSR.

Most of the successful CSR practices belong to large companies that have sufficient financial resources for long-term investments in social and environmental development, while smaller hotel companies are operating on the verge of liquidity in the context of a prolonged pandemic and reduced tourist flow, and do not see the possibility of developing socially responsible initiatives. Moreover, many hoteliers have come to the conclusion that they can reach pre-pandemic levels of tourist services with much fewer staff. This leads to an increase in unemployment, overwork of the remaining staff, and labour discrimination. At the same time, however, there are practices in Ukraine of small and medium-sized, yet sustainable hotel and tourism complexes that are known and in demand largely due to their long-term environmental and social projects.

Therefore, one of the opportunities to promote CSR in small and medium-sized businesses may be to help large corporations to transfer their experience to hotel companies for sustainable development. Another problem identified in the course of the study is the limited understanding of CSR by both practitioners and researchers of environmental safety and green technologies.

**Keywords:** corporate social responsibility, sustainable development, hospitality.

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#### How to cite:

Beliak, A. (2023). The influence of corporate governance on sustainable practices in hospitality. *International Conference on Corporation Management*. DOI: <https://doi.org/10.36690/ICCM-2023-125-127>.