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The Hotel Industry Seeks the Elusive “Green Bullet”

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The Hotel Industry Seeks the Elusive “Green Bullet”

Abstract

Tasked with finding ways to operate in the most sustainable fashion possible, hotel industry managers must evaluate a tidal wave of supposedly green products and processes, while they also seek to balance the expectations of customers and the demands of owners. In the backdrop are existing government regulations at all levels, as well as the prospect of additional laws. This is the Gordian knot that participants faced in the first-ever Sustainability Roundtable, produced in October 2009 by the Cornell University Center for Hospitality Research.

Keywords

Cornell, restaurant wages, wage-and-hour rules, tip theft, labor law violations

Disciplines

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Comments

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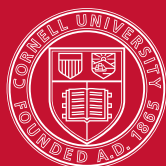


The Hotel Industry Seeks the Elusive "Green Bullet"

Cornell Hospitality Roundtable Proceedings

Vol. 2, No. 1 (February 2010)

Chaired by David Sherwyn, J.D.



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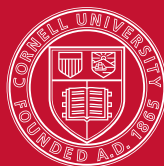
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Cornell University
School of Hotel Administration

2009 Sustainability Roundtable

The Hotel Industry Seeks the Elusive “Green Bullet”

Chaired by David Sherwyn, Associate Professor,
Cornell School of Hotel Administration

Tasked with finding ways to operate in the most sustainable fashion possible, hotel industry managers must evaluate a tidal wave of supposedly green products and processes, while they also seek to balance the expectations of customers and the demands of owners. In the backdrop are existing government regulations at all levels, as well as the prospect of additional laws. This is the Gordian knot that participants faced in the first-ever Sustainability Roundtable, produced in October 2009 by the Cornell University Center for Hospitality Research.

Sustainability Roundtable Participants

October 29-30, 2009

Roundtable Chair: **David Sherwyn** BS ILR '86, JD LAW '89

Mark Boekenheide, Senior Vice President Hotel Development, Related

Ray Burger, President, Pineapple Hospitality

Lauren Carter-Roth Venu, President, Roth Ecological Design Int. LLC

Michele Diener, BS HumEc '98, Director of Corporate Sustainability Strategies, MGM MIRAGE

Carel Ann Fisher, MMH '04, Senior Lecturer, School of Hotel Administration

Josh Golden, Sustainability Management Systems Engineer, SAS

Glenn Hasek, Publisher, *Green Lodging News*

Marc Heisterkamp, Director Commercial Real Estate, U.S. Green Building Council

Hervé Houdré, Regional Director of Operations, Barclay Intercontinental Hotel

Crist Inman, MBA JGSM '90, PhD Hotel '97, Founder & CEO, La Paz Group

David Jerome, Senior Vice President Corporate Social Responsibility, InterContinental Hotels Group

Catie Liuzzi, Designer, WATG

Walker Lunn '03, Managing Member, EnviRelation LLC

Patrick Maher, Partner, The Maher Group LLC

Rod Millott, Partner M&A Transaction Services, Deloitte & Touche LLP

Mark Milstein, Director Center for Sustainable Global Enterprise Lecturer of Strategy, Innovation & Sustainable Global Enterprise, Johnson Graduate School of Management, Cornell University

Richard Penner, BA AA&P '69, MS AA&P '72, Professor, School of Hotel Administration

Eric Ricaurte '01, Director, EnviRelation LLC

Mari Snyder, Vice President Social Responsibility & Community Engagement, Marriott

Lee Stein, Managing Partner, Virtual Group LLC

Dave Stipanuk, Professor Emeritus, Cornell University School of Hotel Administration

Alex Susskind, Associate Professor, Cornell University School of Hotel Administration

Faith Taylor, Corporate Vice President Sustainability & Innovation, Wyndham Worldwide

Rohit Verma, Professor, Cornell University School of Hotel Administration

Brigitta Witt, Vice President Environmental Affairs, Global Hyatt Corporation

The CHR expresses its appreciation to **Sarah Klein** and **Jie Julia Zhang** for the roundtable summaries that made possible the publication of these proceedings.

The roundtable was chaired by Associate Professor David Sherwyn, who observed that ten years ago, people would have said he was crazy to think of scheduling a conference on sustainability, much less expect people to attend. Participation at the table itself is by invitation only, but the roundtable presented an opportunity for more than five dozen students to gain first-hand information on sustainability issues, as well as meet with experts on green hotel practices.

Although the hotel industry has long dabbled with sustainable operating practices, the real push toward sustainability has occurred only in the past few years. Whereas previous efforts might have been directed at conservation, recycling, energy saving, or ecological operations in isolation, sustainability melds all these prior practices into a single coherent

strategy. Support mechanisms for sustainability have grown substantially in the past decade. In 2001, for instance, the industry faced a distinct lack of products and services to assist in sustainable operation. By contrast, that situation has now changed to one of oversupply. Hotel managers barely have the time or means to evaluate whether a particular product or service is truly green.

The current drive toward hotel industry sustainability is driven in part by the realization that customers' current preference is to patronize sustainable businesses. While there is no reason to believe that their preferences will change, questions remain regarding which practices are regarded as genuinely sustainable and which are viewed as nothing more than greenwashing. Guests are particularly

sensitive to this practice, and hotels should be careful not to make unreasonable claims regarding the sustainability of their practices. Employees also are driven by sustainability concerns. They want to work toward sustainable practices in their current jobs, and they would seek out companies that pursue sustainability goals.

A Business Issue

Sustainability has become a business issue, said David Jerome, senior vice president, corporate responsibility, InterContinental Hotels Group, in his opening remarks. The question is not whether to operate in a sustainable manner, but to determine how to make certain that sustainable practices also make business sense. Thus, in conducting a green business, one needs to examine how to make money (and not give it away), and to develop new and different ways to save or create money.

Jerome pointed out that now is not the time to take a reactive approach to sustainability, but instead to take a proactive stance. This means developing and fine-tuning a sustainability strategy based on a firm's own business objectives. In short, if a particular process or concept doesn't save money or make money, then there's not much point in pursuing it.

Picking up on that idea, Lauren Carter-Roth Venu, founder and president of Roth Ecological Design, suggested that not all factors that contribute to a business model have a direct dollar value, even though they are essential to that business. The coral reefs of Hawaii, where Carter-Roth Venu is based, are a good example of a critical element that has no express dollar value. The coral reef has a clear value to adjacent hotels, although a dollar value on that feature can be ambiguous using traditional methods of economics. Rather, measurements for calculating this value would require a Natural Capitalism approach by first defining the resources and services that the coral reef provides and subsequently quantifying the capital gains the hotel receives from these ecosystem services.

Customers' current focus on sustainability is being priced into stock valuations, in the view of Faith Taylor, corporate vice president of sustainability and innovation

for Wyndham Worldwide. This has occurred just in the last three years or so. Previously, sustainability principles existed as a social movement, but those ideas didn't have an influence on revenue or expenses. Although that seems to have changed, the industry doesn't really have guidelines yet for how to connect sustainability with valuation, and Taylor sees much work yet to be accomplished.

Marc Heisterkamp, director of commercial real estate for the U.S. Green Building Council, pointed out that other industries are tackling this problem. Thus, the hotel industry could look at other businesses to see how to strategically align sustainability with business strategies. For example, added Ray Burger, president of Pineapple Hospitality, companies outside the hospitality industry have chief sustainability officers reporting directly to the CEO. The question is whether that will happen throughout the hospitality industry.

In part, the alignment of sustainability and operations depends on local regulations and infrastructure, noted Brigitta Witt, vice president of environmental affairs, Global Hyatt Corporation. At the moment, the feasibility of following a sustainability model varies for hotels in different communities and municipalities. In any event, blanket regulations or policies may not be possible system-wide, depending on a hotel's location. To that point, Mark Boekenheide, senior vice president, hotel development, of Related Companies, added that another issue is how to work with property owners to manage the cost of sustainability efforts.

Education is a key to successful implementation of sustainability initiatives, in the view of Mari Snyder, vice president, social responsibility and community engagement for Marriott International. She anticipates that hotel firms' sustainability programs will become more effective as employees and guests both become more educated regarding the initiatives. With education will come faster return on the expense of green policies. In addition, she sees benefits of synergy among hotels of related brands, in part to improve operations and in part to boost financing.

Successful programs. Sustainability programs pay off in terms of increased revenue if they are well constructed and comprehensive, explained Hervé Houdré, who devel-

“Sustainability has become a business issue.” —David Jerome, senior vice president, corporate responsibility, InterContinental Hotels Group

oped a full-fledged sustainability program as general manager of the Willard InterContinental Hotel, in Washington, D.C. His *CHR Industry Perspectives* explaining the Willard's program has resulted in strong download tallies on the Cornell Center for Hospitality Research website.¹ His reason for writing this report and distributing copies of this model to competitors is that he believes all hotels should develop some form of sustainability program.

Houdré calculated that an \$800,000 increase in revenues could be attributed to added business from the Willard's sustainable development initiative, which included financial incentives for recycling and bonuses tied to achievement of sustainability goals. Now at the Barclay InterContinental in New York City as regional director of operations, Houdré anticipates support from both owners and employees in developing that hotel's sustainability programs. The success of a sustainability program is gauged in what is called the “triple bottom line.”² This concept includes financial results, as well as embracing social and environmental impact. This triple bottom line, based on people, planet, and profits, is the basis of a sustainability program.

This sort of new model is exactly what the industry needs, explained Wyndham's Taylor. So far there has been no flood of money to establish sustainability programs. To encourage bankers and the finance industry, hotel operators will need to demonstrate the value of sustainability programs. At the moment, loans are granted on a case-by-case basis.

Most important, hotels should not view a sustainability initiative as merely a marketing story, observed Mark Milstein, of Cornell's Johnson Graduate School of Management. Instead any innovation must be a genuine change in product and service. Superficial changes can easily be duplicated.

ROI. One thing that would help in this effort is to establish models that demonstrate the return on investment at

the property level. Thus, the industry will need to set models and goals that demonstrate that all of this is possible. Houdré added that once a hotel company has created its sustainability program, guests will seek it out. InterContinental's Jerome pointed out that owners also must be persuaded, which means that a hotel operator must show evidence that the situation needs to be addressed and that the operator is committed to the program. Fundamentally, we are seeking ways to manage water, energy, and waste, he added.

In terms of any investment, and particularly sustainability costs, operators must determine what their cap rate or payback period should be, said Carter-Roth Venu. At some point there is a level at which it doesn't make sense to make the initial investment, no matter how attractive the product. Solar panels are probably in that category for most locations, given that their price is relatively prohibitive. Lee Stein, managing member, Prize Capital, agreed that the cost of solar is high, but he added that subsidies help out with the costs, particularly in California.

Granting the expense of solar panels and other new technologies, Eric Ricaurte, managing partner, sustainability analytical services, of EnviRelation, suggested that the situation with solar panels is analogous to new PMS software, when properties are reluctant to purchase the newest version in hopes that the price will be lower in the future. Patrick Maher, partner in the Maher Group, pointed out that the technology has to develop more before solar energy is widely adopted, but it might well be affordable in five years.

According to Michele Diener, director of corporate sustainability, MGM MIRAGE, their CityCenter project received six LEED Gold certifications. LEED, or leadership in energy and environmental design, is a certification developed by the U.S. Green Building Council. To bring guests on board, Diener said that ARIA, a hotel and casino at CityCenter, puts information in the guest rooms, which essentially allows customers to determine how sustainably they would like to live during their stay.

Jerome added that other initiatives are more important and immediate than solar energy. He also pointed to the need to involve guests, which is an entirely different matter

¹ Hervé Houdré, “Sustainable Hospitality: Sustainable Development in the Hotel Industry,” *Cornell Industry Perspectives*, No. 2 (July 2008), Cornell Center for Hospitality Research.

² See: John Elkington, *Cannibals with Forks: The Triple Bottom Line of 21st Century Business* (Oxford, UK: Capstone Publishing Ltd., 1999).

than building a sustainable operation. Guests may want to stay at a “super-green” hotel, but at the same time they may use large numbers of towels, for instance. One concern is that people are too focused on greenwashing, and should instead just do what needs to be done.

Emerging Codes, Regulations, and Laws

The hospitality industry could benefit from a clear set of environmental standards and laws. No such coherent regulations exist, however, and hotel operators instead face a congeries of codes, regulations, and laws, many of which vary radically from one jurisdiction to another—or even according to what is regulated. For example, Walker Lunn, founding member and manager of EnviRelation, gave the example of operations in the State of Maryland. The state has no clear guideline on food composting, but its waste management guidelines are clear—and infrastructure such as transfer facilities are in place. Thus, a hotel or restaurant could run afoul of regulations by composting food. Similarly, some jurisdictions have no codes that influence sustainability in plumbing, but other places have specific rules—some of which interfere with environmentally friendly practices.

Given that Wyndham operates globally, Taylor sees this regulation complexity first hand. Starting at the county level, the hotel sees specific buildings codes and recycling practices. At the regional level, each state has its own regulations. Then, internationally, each country treats sustainability in a different fashion. For example, with regard to carbon neutrality, the United Kingdom has a carbon reduction program, while France and Australia have carbon reporting programs. The question becomes, can hotel chains or the industry set up a global system that will help every operator deal with these diverse requirements? Furthermore, it would be useful for the industry to help shape an energy and conservation tool.

Building responsibility. Carter-Roth Venu sees regulation as only part of the puzzle. While she sees a clear role for codes and regulations, the other side of the coin is to instill a sense of responsibility in developers and corporations through incentives. It’s difficult to develop general regulations that are effective, but codes addressing specific problems are easier to write. Self-regulation is one effective approach, as in the case of the ISO standards, said Rohit Verma, professor at the Cornell School of Hotel Administration. Marriott’s Snyder concurred, pointing out that stakeholders view industry standards as a credible form of regulation, although there is also a certain level of cynicism over self-regulation.

Taylor has seen little involvement in certification and accreditation standards from the hospitality industry. She foresees a collaborative effort as being the most effective—in which different companies set aside their competitive

instincts to work together to set standards. This effort would also involve outside groups, including environmental groups, Taylor believes, so that any resulting standards would have an appropriate balance. The only way to get real progress is to have both non-governmental organizations and hospitality companies at the table together. Rod Millott, partner, M&A transactions services for Deloitte and Touche, added that voluntary regulation needs to occur soon, or the industry may be inundated by codes and rules.

In that vein, David Stipanuk, professor emeritus at Cornell’s School of Hotel Administration, suggested that the industry is letting others set the standards. He urged consideration of whether the hotel industry is pursuing the correct sustainability goal, or, for that matter, has a sense of where it would like to go as an industry.

Guest Engagement

One abiding concern for the industry is the perception that guests are quick to demand green operation but are reluctant pay more to cover the extra costs of sustainability programs. Starting with the idea that people pay for the cost of environmental damage—or environmental cleanup—in one way or another, Lunn reframes that issue as a question of how to embody externality costs. The principle of environmental costs is similar to that of health care. People can pay for the preventive activities that keep them healthy, or they can pay for the cost of curing disease when it occurs, but either way they pay for something. Similarly, the hotel industry needs to find a model that embodies environmental costs and then explain to guests the reasons for any premium they might be asked to pay to cover sustainability. In the end, the preventive approach should prove less expensive and more effective.

Ray Burger, president of Pineapple Hospitality, pointed to WalMart as a company that is moving ahead with sustainability, by developing a sustainability index for its products. Maher added that WalMart asks its suppliers to answer 15 questions about their products, thereby laying the groundwork for the index. Thus, customers can choose products according to their sustainability rating. Not only does this bring the customer into the sustainability decision, he said, but it moves WalMart’s business model ahead to the point 20 years from now when sustainability will be an essential aspect of any consumer product.

Elusive customers. WalMart’s sustainability index is an example of customer involvement, which has been the most elusive aspect of the hotel industry’s environmental efforts. Panel members suggested several approaches for encouraging guests to support sustainability programs through their own actions. They acknowledge that inviting guest involvement is a type of minefield, because guests may conclude—accurately or not—that a hotel is greenwashing. Thus, says Marriott’s Snyder, the hotel chain must document its sustain-

ability progress before going public with any program. Even more challenging is trying to roll out a program across 3,000 hotels with several different brand positions. So far, Marriott has found that its sustainability initiative is appreciated by its guests, but it does not appear to be a means of attracting new customers, contrary to what one might expect.

Two particularly visible aspects of a sustainable operation are a property's recycling and linen reuse programs. MGM MIRAGE's Diener pointed out that each hotel's program for guest involvement works best if it fits its market position. With regard to recycling, for example, Comfort Inn & Suites in Revere, Massachusetts, demonstrates its commitment by putting sneaker recycling bins out in the lobby, where they are clearly visible. On the other hand, Ritz-Carlton, San Francisco, which has an equally strong sustainability commitment, maintains a program that is transparent to the guest—training employees to assist guests with recycling and other sustainability programs.

Looking at the experience of Marriott and Ritz-Carlton, both of which have strong sustainability programs, roundtable members wondered whether green operation conflicted with the luxury mindset of upscale guests, but several characterized this as a matter of education and incentive. Josh Golden, sustainability management systems engineer for SAS, suggested offering guests "points" for sustainability activities. Eric Ricaurte pointed to the importance of training the hotel's associates to develop a community focus on recycling. Catie Liuzzi, designer for WATG, focused on the contrast between a luxury design of services and of material items. This way, guests can experience the effects of the sustainability program. Taylor proposed that hotels should collaborate to create solutions to challenges not met by current infrastructure, such as developing a recycling program in Los Angeles. In that context, Hyatt's Witt pointed to an effort in Santiago, Chile, in which the local hotel worked with charities to recycle and reuse items.

EnviRelation's Ricaurte characterizes the interaction of guest and property in a sustainability program as one in which the hotel must demonstrate the mutual sacrifice involved in altering familiar procedures. Merely putting a PVC card in the guestroom asking guests to reuse linens and towels as a declaration of the hotel's sustainability program doesn't work if the hotel doesn't demonstrate any real action. Instead, the hotel needs to show that it has taken specific sustainability actions and has asked the guest to reciprocate. Houdré suggested that one strong way to do this is to calculate the financial savings from a green effort, for example, a linen reuse program, and to donate a portion of the resulting revenues to charity. Houdré did this as part of the Willard's many sustainability initiatives.

The Carbon Conundrum

As its final topic, the roundtable examined the potentially divisive and confusing matter of carbon neutrality. One of the problems, Ricaurte said, is that the carbon issue has recently been in a constant state of flux. Aggregate and per-room carbon metrics in hotels are varied but he anticipates that such measurements will inevitably become more commonplace. Diener pointed out that the Greenhouse Gas Protocol defines three categories of carbon emissions. Scope 1 is the direct emissions for which the facility is responsible, scope 2 is emissions from utilities that occur because the hotel or casino uses electricity, and scope 3 is everything else, including the emissions caused by guests traveling to the facility and by suppliers' activities. Looking at that typology, Lunn pointed out that one company's scope 3 is another company's scope 1.

Burger observed that the carbon emissions issue is complicated by the industry's structure, with its substantial proportion of franchise operations. Chains may be on board with a carbon policy, but the franchisees also must participate. To make matters worse, Taylor pointed out, guests do not distinguish between the franchisee and the brand itself. The European Union has addressed this matter by making the franchisor—the brand—responsible.

Looking at ways to measure sustainability initiatives, Carter-Roth Venu suggested that hotels apply the concept of "negawatts," which involves finding ways of maintaining the work load while reducing the electrical load. Some industries are adopting negawatts as a measurement of how little energy they can use. She forecasts that businesses that are not sustainable will eventually lose viability.

Looking ahead. An observation from Patrick Maher summarizes the conference. He stated:

I am very excited about working together and with each of the Sustainability Roundtable participants in the years ahead. What came out of the remarkable two days of the roundtable for us was a clear signal that the world needs strong and collaborative civil society organizations, just like ours, if solutions to the protection of nature are to be achieved. We have the academic knowledge, the openness, and the relationships with governments and businesses and communities—and we have the determination to succeed. Our effectiveness will depend on our clarity of communication, as well as our knowledge on how humanity needs nature to thrive. Through successful and strategic demonstrations of how healthy ecosystems and biodiversity ensure a stable climate, human health, flourishing cultures, and sustainable sources of water and food, we will lead by example and through partnership. ■

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The Executive Path

Hospitality Leadership Through Learning



www.hotelschool.cornell.edu/execed

The Office of Executive Education facilitates interactive learning opportunities where professionals from the global hospitality industry and world-class Cornell faculty explore, develop and apply ideas to advance business and personal success.

The Professional Development Program

The Professional Development Program (PDP) is a series of three-day courses offered in finance, foodservice, human-resources, operations, marketing, real estate, revenue, and strategic management. Participants agree that Cornell delivers the most regarding experience available to hospitality professionals. Expert faculty and industry professionals lead a program that balances theory and real-world examples.

The General Managers Program

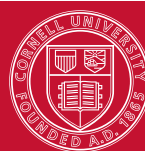
The General Managers Program (GMP) is a 10-day experience for hotel general managers and their immediate successors. In the past 25 years, the GMP has hosted more than 1,200 participants representing 78 countries. Participants gain an invaluable connection to an international network of elite hoteliers. GMP seeks to move an individual from being a day-to-day manager to a strategic thinker.

The Online Path

Online courses are offered for professionals who would like to enhance their knowledge or learn more about a new area of hospitality management, but are unable to get away from the demands of their job. Courses are authored and designed by Cornell University faculty, using the most current and relevant case studies, research and content.

The Custom Path

Many companies see an advantage to having a private program so that company-specific information, objectives, terminology and methods can be addressed precisely. Custom programs are developed from existing curriculum or custom developed in a collaborative process. They are delivered on Cornell's campus or anywhere in the world.



Cornell University
School of Hotel Administration



www.chr.cornell.edu