Aligning an organisation’s sustainability needs and its stakeholders’ requests:

The Materiality Balanced Scorecard

by

Mireia Guix

Submitted for the Degree of Doctor of Philosophy

School of Hospitality and Tourism Management

Faculty of Arts and Social Sciences

Supervisors: Xavier Font, Jason Stienmetz and Maria Jesús Bonilla-Priego

©Mireia Guix 2019
Declaration of originality

This thesis and the work to which it refers are the results of my own efforts. Any ideas, data, images or text resulting from the work of others (whether published or unpublished) are fully identified as such within the work and attributed to their originator in the text, bibliography or in footnotes. This thesis has not been submitted in whole or in part for any other academic degree or professional qualification. I agree that the University has the right to submit my work to the plagiarism detection service TurnitinUK for originality checks. Whether or not drafts have been so-assessed, the University reserves the right to require an electronic version of the final document (as submitted) for assessment as above.

Signature: Mireia Guix Navarrete
Date: 7th March 2019

The author confirms that the work submitted is her own, except where work which has formed part of jointly authored publications has been included. The contribution of the candidate and the other authors to this work has been explicitly indicated. Appropriate credit has been given in the thesis where reference has been made to the work of others.

Publication status and collaborator contribution

Material contained in chapter 2 of this thesis appears in a jointly authored published paper and two jointly authored published book chapters:

- Literature review related to the shared value framework:

- Literature review related to corporate social responsibility:
Material contained in chapter 3 of this thesis related to the AA1000SES Principles appears in a jointly authored published paper:


Material contained in chapter 6 and 7 of this thesis appears in two jointly authored published papers and an industry report:

- Publication of a joint Infographic with UNEP showcasing preliminary results of the content analysis.
Abstract

This exploratory study aims to develop a critical understanding of how large hotel groups can define strategic sustainability objectives in order to create shared value. It is the first study to conduct a comparative analysis of the publicly available sustainability reports from the 50 largest hotel groups in the world, and to combine these with interview responses from a sample of their Corporate Social Responsibility (CSR) managers and industry sustainability experts. The richness of this data enables the investigation of complex and interdependent factors that influence strategic sustainability planning, measurement, management and reporting.

This study first proposes a strategic management framework, the Materiality Balanced Scorecard (MBSC), to design, communicate and realise CSR strategies that create shared value. The MBSC combines the Balanced Scorecard, and its sustainability adaptations, with the principles of inclusiveness, materiality and responsiveness of the AA1000 Stakeholder Engagement Standard. The MBSC constitutes a theoretical contribution in the emerging literature addressing the relationship between sustainability performance management and reporting.

This study then attempts to characterise and identify the internal determinants of the CSR management and reporting of large hotel groups, in order thence to appraise the feasibility of implementing the MBSC within the hotel industry. This study addresses the gap in the literature about hotel groups integrating CSR agendas into their organisational strategies, practices and processes. It extends earlier knowledge by including (1) cognitive determinants (in respect to the stakeholder culture, the stakeholder management capability, the stakeholder influence capacity, as well as the capacity building in respect to stakeholder engagement and materiality), (2) organisational determinants (CSR roles and responsibilities, internal accountability and cross-departmental coordination) and (3) technical determinants (integration of CSR within the overall business management, and the accuracy and comprehensiveness of the performance management systems). The research establishes the implications of the determinants for the mismanagement of sustainability and progress towards adopting the shared value approach.

The study also critically assesses the adoption by large hotel groups of the inclusiveness, materiality and responsiveness principles that are central to the MBSC. It constitutes the first study to assess those three principles in tandem, and together with their effect on the organisations’ accountability. It is also the first empirical study on the disclosure of and barriers to materiality. The study identifies the symbolic adoption of reporting guidelines and characterises the process of managerial capture of the reporting process. The comparison between sustainability disclosure, environmental performance and sustainability integration reveals that the sustainability reports do not reflect the management of sustainability, adding to the body of knowledge that suggests sustainability reporting does not deliver accountability to
stakeholders. Based on these findings, a refined conceptualisation of the principles of inclusiveness, materiality and responsiveness embedded in the MBSC is proposed to help organisations to develop shared value strategies, thereby making a practical contribution to address the limited guidance available on the implementation of shared value.

Overall, the MBSC is rather idealistic when compared to the reality of the hotel industry, because the requirement to adopt shared value strategies seems mostly infeasible. Nonetheless, the MBSC may be applicable in proactive organisations as long as they are willing i) to commit to shared value and ii) to engage with the principles of inclusiveness, materiality and responsiveness openly, as a means to operationalise this commitment.
Acknowledgements

I would like to express my gratitude to all those who grant me the possibility to complete this Ph.D. For those unlisted, I thank you all for your effort and help along the way.

First and foremost, I would like to recognise my supervisor, Dr. Xavier Font, who has been a tremendous mentor for me, not only for his invaluable insight into doing this research but also for the encouragement and inspiration that kept my research passion alive. I would like to thank Dr. Maria Jesús Bonilla for her constant guidance, constructive criticism, patience and support during the research process. Thank you to Dr. Stephen Henderson. Thank you to Dr. Jason Stienmetz, for his invaluable insights on management concepts.

I would like to acknowledge the crucial role of the participants in this research. Without you, this Ph.D. would not have been possible. My sincere appreciation, therefore, goes to those who participated.

A special thank you to my family. Words cannot express how grateful I am to my mother Mª Angels Navarrete and my father Joan Mª Guix for giving me the strength and support in the difficult times. My deepest gratitude goes to Dr. Guillem Roig for his endless support and invaluable advice through the emotional journey that has been this Ph.D.
Table of Contents

Declaration of originality ........................................................................................................ II
Abstract ................................................................................................................................ III
Acknowledgements .................................................................................................................. VI
Table of Contents ...................................................................................................................... VII
Table of Figures ....................................................................................................................... XI
List of Tables ........................................................................................................................... XIII
Index of Acronyms ................................................................................................................ XVI

1. Introduction .......................................................................................................................... 17
   1.1. Context and rationale ........................................................................................................ 17
   1.2. Research aim, objectives and scope .............................................................................. 22
   1.3. Structure of the thesis ..................................................................................................... 24

2. From Corporate Social Responsibility to Creating Shared Value ...................................... 28
   2.1. Sustainable behaviour by organisations ........................................................................ 28
       2.1.1. Towards being more strategic .............................................................................. 28
       2.1.2. Improving performance through responsible management .................................... 30
   2.2. Connecting social and economic progress .................................................................... 38
       2.2.1. Pursuing the future competitive frontiers ................................................................. 38
       2.2.2. Contesting shared value ........................................................................................ 40
   2.3. Putting shared value to work ...................................................................................... 44
       2.3.1. Three pathways to competitive advantage ............................................................... 44
       2.3.2. Re-evolution of the organisation .......................................................................... 46
       2.3.3. Influencing transformations beyond the organisation ......................................... 50
   2.4. Conclusions .................................................................................................................. 52

3. Instruments to achieve shared value .................................................................................. 54
   3.1. BSC: a performance management tool ......................................................................... 55
       3.1.1. Advantages ............................................................................................................ 56
       3.1.2. Challenges ............................................................................................................ 63
   3.2. BSC modifications: Overcoming the challenges ............................................................ 66
       3.2.1. To include sustainability issues .............................................................................. 72
       3.2.2. Determining the design of the MBSC from previous scholars' work .................. 73
       3.2.3. To increase stakeholders' accountability ................................................................. 80
       3.2.4. Advantages and shortcomings of BSC modification ............................................. 83

VII
3.3. Sustainability reporting to increase stakeholder accountability .......... 87
   3.3.1. Inclusiveness: stakeholder identification and engagement .......... 88
   3.3.2. Materiality assessment: a multiple purpose tool .......... 91
   3.3.3. Responsiveness: addressing stakeholder's expectations .......... 98
   3.3.4. Assurance: increasing credibility of reports .......... 99

3.4. Conclusions .................................................................................. 100

4. Materiality Balance Scorecard .............................................................. 105
   4.1. Step 1. Integrating sustainability into the Balanced Scorecard .......... 106
   4.2. Step 2: Recognising stakeholder value (Inclusiveness and Responsiveness) ... 109
   4.3. Step 3: Determining environmental and social exposure of strategic business units (Materiality assessment) ......................................................... 110
   4.4. Step 4: The Materiality Balanced Scorecard ........................................ 112
   4.5. Discussion of the advantages and disadvantages of the MBSC .......... 118
   4.6. Conclusions .................................................................................. 121

5. Methodology .......................................................................................... 123
   5.1. Research paradigm, ontology, epistemology and axiology ................. 123
   5.2. Research strategy: qualitative multi-methods .................................. 126
       5.2.1. Stage 1A & B: Content analysis ........................................... 129
       5.2.2. Stage 2: Qualitative questionnaires .................................... 133
       5.2.3. Stage 3: Semi-structured interviews .................................... 136
   5.3. Data analysis: thematic analysis ..................................................... 145
   5.4. Ethical considerations and evaluation criteria: Trustworthiness .............. 151
       5.4.1. Credibility ........................................................................ 151
       5.4.2. Transferability ................................................................... 154
       5.4.3. Dependability .................................................................... 154
       5.4.4. Confirmability .................................................................... 155
   5.5. Methodological limitations ............................................................. 155
       5.5.1. Sample limitations ................................................................ 155
       5.5.2. Limitations of content analysis ............................................ 155
       5.5.3. Limitations of qualitative questionnaires ............................... 156
       5.5.4. Limitations of semi-structured interviews ............................... 156
   5.6. Conclusions .................................................................................. 156

6. A comparative analysis of the disclosure of sustainability reporting processes and sustainability integration of hotel groups ........................................... 158
   6.1. Organisations’ profiles ................................................................... 159
IX
10.4. Appendix 4: Cover letter for hotel groups without sustainability information publicly available

10.5. Appendix 5: Participant information sheet (CSR managers)

10.6. Appendix 6: Questionnaire questions

10.7. Appendix 7: Infographic Analysing the quality and credibility of Corporate Social Reporting in the Hospitality Sector, 2016

10.8. Appendix 8: CSR manager’s interview guide

10.9. Appendix 9: Participant information sheet and consent form (Experts)

10.10. Appendix 10: Expert’s interview guide

10.11. Appendix 11: Interview themes, categories, subcategories and illustrative quotes

10.12. Appendix 12: Transcription symbols
**Table of Figures**

<table>
<thead>
<tr>
<th>Figure</th>
<th>Description</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>Figure 1</td>
<td>BSC perspectives</td>
<td>57</td>
</tr>
<tr>
<td>Figure 2</td>
<td>The cause-and-effect relationships’ strategy in the BSC</td>
<td>59</td>
</tr>
<tr>
<td>Figure 3</td>
<td>Strategy map applied into an organisation</td>
<td>61</td>
</tr>
<tr>
<td>Figure 4</td>
<td>Example of an applied SBSC. The strategy map of Shell</td>
<td>73</td>
</tr>
<tr>
<td>Figure 5</td>
<td>Variations of generic SBSC architectures</td>
<td>74</td>
</tr>
<tr>
<td>Figure 6</td>
<td>Frequencies of generic SBSC architectures</td>
<td>75</td>
</tr>
<tr>
<td>Figure 7</td>
<td>Example of Non-hierarchical SBSCs</td>
<td>78</td>
</tr>
<tr>
<td>Figure 8</td>
<td>Responsible Scorecard architecture</td>
<td>79</td>
</tr>
<tr>
<td>Figure 9</td>
<td>Example of a hierarchical extended SBSC</td>
<td>80</td>
</tr>
<tr>
<td>Figure 10</td>
<td>Example of Non-hierarchical Stakeholder Scorecard</td>
<td>81</td>
</tr>
<tr>
<td>Figure 11</td>
<td>Example of Hierarchical Stakeholder Scorecard</td>
<td>82</td>
</tr>
<tr>
<td>Figure 12</td>
<td>The BSC for non-profit organisations</td>
<td>85</td>
</tr>
<tr>
<td>Figure 13</td>
<td>Hotel industry materiality matrix from International Tourism Partnership</td>
<td>94</td>
</tr>
<tr>
<td>Figure 14</td>
<td>Comparison between GRI materiality matrix and adapted versions</td>
<td>96</td>
</tr>
<tr>
<td>Figure 15</td>
<td>Steps building the Materiality Balance Scorecard</td>
<td>105</td>
</tr>
<tr>
<td>Figure 16</td>
<td>Step 1 – Integrating sustainability into the BSC</td>
<td>106</td>
</tr>
<tr>
<td>Figure 17</td>
<td>Step 2 – Stakeholder value in the BSC</td>
<td>109</td>
</tr>
<tr>
<td>Figure 18</td>
<td>Step 3 – Materiality assessment in the BSC</td>
<td>110</td>
</tr>
<tr>
<td>Figure 19</td>
<td>The MBSC</td>
<td>112</td>
</tr>
<tr>
<td>Figure 20</td>
<td>Shared value chain</td>
<td>113</td>
</tr>
<tr>
<td>Figure 21</td>
<td>The generic MBSC Strategy Map</td>
<td>117</td>
</tr>
<tr>
<td>Figure 22</td>
<td>Research design</td>
<td>123</td>
</tr>
<tr>
<td>Figure 23</td>
<td>Visual diagram of the multi-methods approach</td>
<td>128</td>
</tr>
<tr>
<td>Figure 24</td>
<td>Sustainability integration themes in hotel groups by MBSC steps</td>
<td>159</td>
</tr>
<tr>
<td>Figure 25</td>
<td>Organisational sustainability integration</td>
<td>159</td>
</tr>
<tr>
<td>Figure 26</td>
<td>Step 0 Strategic planning and information sharing</td>
<td>164</td>
</tr>
</tbody>
</table>
Figure 27: Step 1 Integrating sustainability into the BSC .......................................................... 167

Figure 28: Step 2 Recognising stakeholder value .................................................................... 176

Figure 29: Matrix of the disclosure of narrow or broad stakeholder identification and symbolic or substantive stakeholder engagement ........................................................................... 179

Figure 30: Step 3 Determining environmental and social exposure of strategic business units 188

Figure 31: Accountability Matrix based on the disclosure on Inclusiveness, Materiality and Responsiveness ................................................................................................................. 208

Figure 32: Comparison of disclosure in the sustainability reporting process and environmental indicators .................................................................................................................. 210

Figure 33: Sustainability integration matrix ............................................................................. 217

Figure 34: Effect of sustainability barriers on the MBSC .......................................................... 232
List of Tables

Table 1: Structure of the thesis ................................................................. 24
Table 2: Value types from CSR ................................................................. 39
Table 3: CSV challenges ........................................................................ 40
Table 4: Multi-stage process to develop CSV ........................................ 46
Table 5: Generic organisation and social results by levels of shared value ................................................................. 48
Table 6: Development of the BSC concept by Kaplan and Norton ......................... 56
Table 7: Categories of challenges associated with the BSC ................................ 63
Table 8: Review of previous Sustainability Balance Scorecards ....................... 68
Table 9: Categories of specific shortcomings associated with an SBSC .................. 83
Table 10: Engagement levels and methods of engagement ................................ 90
Table 11: Comparison of the definitions of materiality .................................... 92
Table 12: Similarities between the tools ...................................................... 101
Table 13: Synergies between the tools ......................................................... 102
Table 14: Issues in respect to Customer, Internal process and Learning and Growth perspectives of the MBSC ......................................................... 107
Table 15: Examples of negative and positive externalities in the hotel industry .... 108
Table 16: Hospitality groups with published sustainability reports from the top 50 organisations according to the number of rooms in 2014 ......................................................... 130
Table 17: Literature informing the research questions for content analysis .......... 131
Table 18: Criteria and coding scheme ......................................................... 132
Table 19: Criteria for the Environmental SDGs ............................................ 133
Table 20: Literature informing the qualitative questionnaires .......................... 135
Table 21: Sample composition of CSR managers’ interviews and codes .............. 137
Table 22: Organisations’ interview questions and rationale ............................ 139
Table 23: Sample composition of experts’ interviews and codes ....................... 142
Table 24: Experts’ interview questions and rationale ..................................... 143
Table 25: Thematic analysis phases for the interview analysis .......................... 147
Table 26: Synthesis of the dimensions of sustainability integration broken down by the organisational variables of the 7-S Framework

Table 27: Themes identified, classified into the 7-S Framework variables, sustainability integration levels, and MBSC steps

Table 28: Researcher’s strategies to address trustworthiness

Table 29: Peer scrutiny

Table 30: Organisation size (Number of rooms by 31st December 2014) and ownership of hotel groups by 31st December 2015 (%)

Table 31: Responsibilities for sustainability management from interviewees

Table 32: Departments involved in reporting

Table 33: Dissemination formats of sustainability information

Table 34: Environmental indicators measured from questionnaires and % disclosure from content analysis

Table 35: Intensity metrics used

Table 36: Rewards systems

Table 37: Difference between environmental indicators measured and disclosed

Table 38: Comparison between % identification of environmental material issues and disclosure of performance

Table 39: Quantitative coding scores for stakeholder identification and engagement

Table 40: Stakeholders engaged in sustainability from the questionnaires

Table 41: Stakeholder engagement levels from the questionnaires

Table 42: Level of engagement and methods of engagement by stakeholder group

Table 43: Stakeholder engagement mechanisms by stakeholder group and organisation from the questionnaires

Table 44: Responsiveness from content analysis

Table 45: Hotel groups with published sustainability reports from the top 50 largest by number of rooms in 2014

Table 46: Quantitative coding scores for materiality assessment

Table 47: Materiality assessment steps disclosed
Table 48: Disclosed SE related actions for MA.................................................................194
Table 49: Assurance of sustainability reports ..................................................................198
Table 50: Sustainability report assurance characteristics ..................................................199
Table 51: Key drivers to produce a sustainability report ....................................................201
Table 52: Transparency per criterion and organisation to build the Accountability Matrix......207
Table 53: Comparison of disclosure on sustainability reporting process and environmental indicators by quantity and quality........................................................................209
Table 54: Criteria and scores for the Sustainability Integration Matrix............................213
Table 55: Interviewees' scores for the Sustainability Integration Matrix............................216
Table 56: Criteria for identifying material issues..............................................................253
Index of Acronyms

- AA1000SES: AccountAbility AA1000 Stakeholder Engagement Standard
- BSC: Balance Scorecard
- CDP: Carbon Disclosure Project
- CSR: Corporate Social Responsibility
- CSV: Creating Shared Value
- GISR: Global Initiative for Sustainability Ratings
- GRI: Global Reporting Initiative
- IIRC: International Integral Reporting Council
- IR: Integrated Reporting
- MA: Materiality Analysis
- MBSC: Materiality Balanced Scorecard
- NGOs: Non-Governmental Organisations
- PM: Performance Management
- RRM: Reputation and Risk Management
- SASB: Sustainability Accounting Standards Board
- SAMEs: Small and Medium size Enterprises
- SBSC: Sustainability Balanced Scorecard
- SDGs: Sustainable Development Goals
- SE: Stakeholder Engagement
- SI: Stakeholder Identification
- SR: Sustainability Reporting
- TBL: Triple Bottom Line
1. Introduction

The introduction chapter outlines the research problem, context and rationale for a Materiality Balanced Scorecard, a framework for integrated sustainability management within the hotel industry. Then the focus turns to the aim and objectives envisaged for answering the research question: How can an organisation define strategic sustainability objectives to create shared value and translate them into action, measure outputs and report? Finally, the chapter examines the structure and scope of the research. The chapter concludes with the thesis overview, which includes a brief synopsis of its eight chapters and the related published outputs.

1.1. Context and rationale

As the adverse impacts of tourism on the environment and society attract increasing attention, organisations are expected to take more responsibility for the sustainable use of resources and their impact on societies. Hospitality organisations face increasing international competition with ever-growing customer expectations (Han, Kim, and Kim 2011), declining resources (Laszlo and Zhexembayeva 2011), slower growth rates and oversupplied and mature markets (So et al. 2013). Within this context, the researcher takes the view from van Marrewijk (2003) that corporate sustainability is the ultimate goal of an organisation in its contribution to sustainable development; meeting the needs of the present without compromising the ability of future generations to meet their own needs (World Commission on Environment and Development 1987). A growing number of organisations have engaged in sustainability activities, social responsibility and ethical behaviours through Corporate Social Responsibility (henceforth CSR) programmes (de Grosbois 2012, Yunus, Moingeon, and Lehmann-Ortega 2010, Elkington and Hartigan 2008). CSR encompasses the economic, legal, ethical and discretionary expectations that society has of organisations at any given point in time, and defines the responsibilities of businesses towards society and the environment we live in (Carroll and Shabana 2010, Carroll 1999). The thesis distinguishes corporate sustainability, as the ultimate goal of an organisation in its contribution to sustainable development, from Corporate Social Responsibility, as the activities undertaken to achieve corporate sustainability. The greater the attention that is attracted by the organisation’s impacts on the environment and society, the more responsible are hotels’ practices in managing those impacts. Indeed, this holds true for both large (Font et al. 2012) and medium sized and small hotels (Garay and Font 2012).
The previous trends shape the new phase of competitive advantage, where CSR, embedded into the core strategies of hospitality organisations, can play a constructive role. Competitive advantage is the value created by an organisation for its customers that exceeds the organisation’s cost in creating it (Porter 1985). Competitive advantage occurs when the organisation develops attribute(s) such as skills, resources or market position, allowing it to outperform its competition, by cost leadership or differentiation. Besides competitive advantage, strategic CSR drives performance (Garay and Font 2013, Kirk 1995), improved relationship with external stakeholders (Murillo and Lozano 2006) and viability and market legitimacy (Suchman 1995). Until CSR strategies link to societal expectations, however, organisations will be viewed as a cause of social and environmental problems (Porter and Kramer 2011). The principle of Creating Shared Value (henceforth CSV) is precisely rooted in the mutual dependency between organisations and society for long-term success (Porter and Kramer 2011). Scholars forecast that competitive advantage will drive strategic CSR (Vázquez and Rodríguez 2013), with the organisation contributing to the society where it operates (Bonilla-Priego, Font, and Pacheco-Olivares 2014), and even in constrained economic times, organisations have increased their strategic commitments to responsibility (Bansal, Jiang, and Jung 2015). Corporate and academic worlds increasingly use CSV (Beschorner and Hajduk 2017, Corazza, Scagnelli, and Mio 2017, Dembek, Singh, and Bhakoo 2016). Nevertheless, the exploration of shared value in hospitality literature remains limited (e.g. Hsiao and Chuang 2016).

A clear implication of the above is that an organisation’s commitment to sustainability demands a strategic approach to ensure that it is an integrated part of the strategy and processes (Engert, Rauter, and Baumgartner 2016). Conducting strategic and effective CSR planning that results in a clear and demonstrable impact on the organisation’s and community is a process that still challenges organisations (Wang et al. 2016), however, and the hotel industry is not an exception (Garay and Font 2012). Organisations require an explicit linkage between strategic, operational and financial objectives as well as the ability to monitor the results continuously with quantifiable outcomes (Cokins 2010). The increased attention paid to the strategic environmental and social performance of an organisation intensifies the demand for corporate sustainability performance measurement and management systems (Hansen and Schaltegger 2017, Searcy 2012). Performance management systems help to strike a balance between conflicts and to translate strategies and plans into results. CSV, however, entails changing performance management systems to reflect new emphases on what is relevant to more stakeholders. CSR research captures a conceptual shift from financial outcomes and applies it to the management of non-financial, social and organisational outcomes (Wang et al.
Strategies have changed to manage intangible assets, such as customer relationships, employee skills, innovative products and responsive operating processes, in order to create competitive advantage (Kaplan and Norton 2001). In so doing, the value of an organisation has shifted from tangible to intangible and knowledge-based assets yet performance measurement systems still reflect out-dated models (Kaplan and Norton 2001). Inevitably, this condition limits the potential to align CSR activities with the organisation’s strategy and with the demands of multiple stakeholders – a precondition to creating shared value.

The increased importance of managing sustainability for the survival and success of organisations (Cresti 2009) has shifted research to how sustainability issues could be integrated into organisational systems and processes (Maas, Crutzen, and Schaltegger 2014, Epstein 2008). Sustainability, incorporated into performance management systems, enables a holistic focus on performance by implementing strategic goals and adapting the organisation to operational circumstances (Otley 2001). This translates into better management and control of sustainability performance (George et al. 2016) and value for society (Husted and de Jesus Salazar 2006, Hart and Milstein 2003). The Balanced Scorecard (BSC) has emerged as a preferred tool for evaluating how managers perform in CSR and for motivating them in the pursuit of these goals (Bento, Mertins, and White 2017). Indeed, the sustainability adaptations of the BSC are one of the most promising strategic tools to support the implementation of a sustainability strategy (Journeault 2016) and are seen as an important sustainability-oriented management accounting innovation of the last two decades (Hansen and Schaltegger 2017).

Stakeholders are defined as those groups or individuals who can affect, or are affected by, the achievement of the organisation’s purpose (Donaldson and Preston 1995). Stakeholders pressure organisations to measure, manage and report sustainability performance (Schaltegger and Burritt 2010) in a manner that links with established strategic, operational and financial objectives (Calabrese, Costa, and Rosati 2015, Searcy 2012). While corporate sustainability requires integrative measurement and management of sustainability issues rather than separate applications of different tools in the organisation (Maas, Schaltegger, and Crutzen 2016), however, such integration remains a fragile concept (Battaglia et al. 2016).

Existing research deals in an isolated way with specific methods of capturing sustainability. Authors have examined the role of sustainability management tools (e.g., Bonacchi and Rinaldi 2007, Schaltegger and Wagner 2006, Johnson and Schaltegger 2016) and accounting and reporting to
support sustainability processes (Burritt and Schaltegger 2010, Bebbington, Uneman, and O’Dwyer 2014, Baker and Schaltegger 2015). There have been few attempts to develop more comprehensive and integrated approaches (see Dent 1990, Chenhall 2003, Malmi and Brown 2008), which rarely integrate accounting, management control and reporting (Maas, Schaltegger, and Crutzen 2016). For instance, previous research has studied the link between sustainability balanced scorecards and performance management control (Schaltegger 2011), the role of management control systems in integrating sustainability into organisational strategy (Baker, Brown, and Malmi 2012, Crutzen and Herzig 2013) or the development, structure and use of sustainability control systems (Ditillo and Lisi 2014). Research addressing the relationship between sustainability performance management and reporting is still limited and remains in an explorative stage (see de Villiers, Rouse, and Kerr 2016 for a first case study). At present, few researchers have addressed the link between sustainability reporting, organisational change and internal performance improvement (e.g. Adams, Larrinaga-González, and McNicholas 2007, Adams and Whelan 2009).

Sustainability reporting “is a process that assists organisations in setting goals, measuring performance and managing change towards a sustainable global economy” (GRI 2013b, 85). It is a form of discourse aimed outside the organisation to achieve sustained competitive advantage. The efforts to standardise sustainability reports take two avenues. First, creating sector standards to determine what is sustainable, through sustainability ecolabels. Such market solutions to sustainability problems ought to be reconsidered (Rex and Baumann 2007) since these have not succeeded in differentiating the services in a way that develops market traction (Font 2013, Gössling and Buckley 2016). Second, by implementing methodologies for organisations to determine what their stakeholders consider a priority, such as the Global Reporting Initiative’s requirement to conduct a Materiality Assessment (henceforth MA). MA is a tool for prioritising issues within strategic planning, allowing an integrated approach to defining a sustainability strategy and reporting on it (GRI 2013a). The concept of materiality is used to explain to which extent a sustainability report is informed by the process of engaging which prioritised stakeholders, and how. Materiality is effectively the process of engaging with stakeholders jointly to determine shared priorities, so organisations can realign their practices and report what is important to the audience of their reports. Reporting organisations such as Sustainability Accounting Board (2016a), Global Reporting Initiative (2013a) or the Integrated Reporting Framework (IIRC 2013) advocate for increased stakeholder-focused communication. Yet, there have been few studies into materiality for sustainability reporting
(e.g., Fasan and Mio 2017) and fewer still consider its role in connection with sustainability strategy (Edgley 2014).

The hotel industry faces the challenge of increasing transparency about the disclosure of current practices (Font et al. 2012). Also, while materiality has become a relevant issue for sustainability disclosure, materiality is not treated comprehensively within the hotel industry, which undermines the credibility of its sustainability reporting process (Jones, Hillier, and Comfort 2016).

This thesis studies materiality coupled with the Inclusiveness, Responsiveness and Assurance principles of the stakeholder engagement standard AA1000SES (AccountAbility 2015). The AA1000SES principles parallel the reporting process. First, managers identify and engage stakeholders (inclusiveness). Second, managers use stakeholder insights to determine the importance of sustainability issues (materiality). Third, the organisation discloses enough information to allow stakeholders to judge the organisation’s sustainability performance based on the issues that they considered important in the first place (responsiveness). And fourth, the organisation provides confidence regarding the content and process of sustainability reporting (assurance). The accountability approach may assist organisations in responding to stakeholder expectations across the critical processes within the organisation.

This thesis contributes to the literature by investigating how sustainability performance can be integrated into the business strategy, management and reporting (e.g. Figge et al. 2002a, Schaltegger and Wagner 2006, Chen, Hsu, and Tzeng 2011, Zollo, Cennamo, and Neumann 2013, de Villiers, Rouse, and Kerr 2016). Specifically, this thesis addresses the fact that no academic research has examined how the principles from AA1000SES could be incorporated in existing performance management systems, such as the Balanced Scorecard, to define, implement and report on a sustainability strategy.

The thesis also contributes to the CSR process-based literature that intends to understand the ‘process’ of CSR decision-making and implementation, particularly for the hotel industry. The process-based research has resurfaced since 2000, reflecting the increasing interest in an in-depth understanding of CSR decision-making and implementation (Wang et al. 2016). The thesis takes a qualitative approach, to complement the existing quantitative research on both the Sustainability Balanced Scorecard literature (Hansen and Schaltegger 2016) and the ethical studies in the hotel industry (Köseoğlu et al. 2016). A qualitative study provides opportunities for theory building and an in-depth understanding of the context (Wang et al. 2016). This qualitative research assesses the most common challenges in corporate decision-making, implementation and reporting of CSR that concern
the hotel industry, and that in turn hamper more proactive sustainability strategies such as creating shared value.

1.2. Research aim, objectives and scope

The aim of this PhD is to arrive at a critical understanding of how large hotel groups can define strategic sustainability objectives to create shared value. It does so by developing the Materiality Balanced Scorecard (henceforth MBSC) in the context of the hotel industry. The MBSC is an integrated framework that links sustainability reporting processes with sustainability performance and management, using the concepts of shared value (Porter and Kramer 2011), the Balanced Scorecard (Kaplan and Norton 1993), the Sustainability Balanced Scorecard (Figge et al. 2002a), and the stakeholder engagement standard AA1000SES (AccountAbility 2015). This thesis expands on the researcher’s previous work in materiality assessment, together with her supervisors (Font, Guix, and Bonilla-Priego 2016). The research objectives are:

Objective 1. To propose a strategic management framework, the Materiality Balanced Scorecard, to design, communicate and realise CSR strategies that create shared value.

Objective 2. To characterise the CSR management and reporting of large hotel groups and identify the internal determinants.

Objective 3. To offer a critical appraisal of the value of the Materiality Balanced Scorecard within the hotel industry.

This PhD advances the theoretical and empirical knowledge of how an organisation can define sustainable strategic objectives to create shared value and translate this into actions using the MBSC framework. CSV entails a progressive reorientation of how an organisation understands its relationship with society. The literature review demonstrates complementarities between creating shared value, the balanced scorecard and the materiality principle from the AA1000SES. Making social responsibility internal to an organisation represents a change in the organisational culture and the mindset of the managers. Nevertheless, the different CSV implementation guidelines provided (e.g. Porter and Kramer 2011, Bockstette and Stamp 2011, Pfitzer, Bockstette, and Stamp 2013, Tate and Bals 2018, Matinheikki, Rajala, and Peltokorpi 2017) do not explain how to involve stakeholders or identify key sustainability issues, or how to prioritise and measure them. The integration of shared value within the MBSC standardises the process of identifying the social issues, prioritising them and measuring stakeholder value, linked with the financial value through cause-and-effect relationships,
while monitoring the CSV strategy in a continual process. The measurement of shared value must be embedded into existing management (Porter and Kramer 2011, Porter et al. 2012). Accordingly, the MBSC is based on both the Balanced Scorecard (henceforth BSC), widely used within organisations to increase their strategic effectiveness (Neely 2008a), and the Materiality assessment (henceforth MA), which is mainly used for sustainability reporting (GRI 2013a). An organisation integrating shared value within the BSC can track its progress on the link between sustainability and organisation results, which can subsequently create new value and improve performance.

Effective definition of the sustainability strategy, as well as effective management, measurement and reporting, require a good interplay between different tools and actors within and outside the organisation for the collection, analysis and communication of relevant data. This thesis is grounded on ‘Instrumental Stakeholder Theory’, which identifies “the connections, or lack of connections, between stakeholder management and the achievement of traditional corporate objectives (e.g. profitability, growth)” (Donaldson and Preston 1995, 71). The MBSC is underpinned by the instrumental stakeholder theory entailing listening to relevant stakeholders and considering the issues that are material to them and integrating those concerns in the organisational operations. The recognition of a broader set of sustainability issues and stakeholders leads to improved organisational performance (e.g. Johnson 1998, Sundin, Granlund, and Brown 2010). The MBSC is a framework to understand better how organisations address the stakeholder claims in respect to sustainability through their operations, and as a result, improve performance from a wider perspective. Full integration into the core organisation’s activities and impacts results in a more cohesive and efficient approach to sustainability management. Indeed, the MBSC builds into the performance an improvement-oriented perspective as a framework for change management for which; i) stakeholder expectations steer performance improvements, ii) internal development and reporting uses sustainability performance data and iii) transparency must be advanced to legitimise the organisation’s actions through the wider stakeholder engagement. This research argues that MBSC, an integrated tool of the BSC and the AA1000SES principles, should be a suitable instrument to drive change within an organisation towards advanced sustainability strategies, culminating in creating shared value.

The contribution offered by this thesis has both academic and practical implications. On the academic side, to the author’s knowledge, the current literature does not provide methods for the simultaneous and systematic integration of the sustainability reporting efforts into the organisation performance management system. On the practical side, the researcher develops a framework for integrating the
concerns of key stakeholders into a performance management system, which permits organisations to monitor and account for the efficiency and effectiveness of addressing stakeholder concerns and assesses its potential use within the hotel industry.

### 1.3. Structure of the thesis

The thesis consists of eight chapters (Table 1).

Table 1: Structure of the thesis

<table>
<thead>
<tr>
<th>Chapter</th>
<th>Content</th>
<th>PhD objectives</th>
<th>Publication output</th>
</tr>
</thead>
</table>
| 1: Introduction | • Context and rationale.  
• Aim and objectives.  
| 2: Literature review | • Corporate Social Responsibility.  
• Theoretical and contextual perspectives.  
| 3: Literature review | • Balanced Scorecard.  
• Sustainability Balanced Scorecard.  
| 4: Theoretical contribution | • Theoretical framework: The Materiality Balanced Scorecard. | Objective 1 | |
| 5: Methodology | • Methodology. | Objective 1, 2 and 3 | |
### 6: Findings & Discussions
- Sustainability reporting within the hotel industry.
- Perceptions of hospitality managers on the sustainability management and reporting.
- Interpretation of degree of sustainability integration.

**Objective 2**
- Publication of a joint Infographic with UNEP showcasing preliminary results of the content analysis.

**Objective 3**

### 7: Findings & Discussion
- Experts’ insights on barriers for sustainability integration.
- Interpretation of the barriers in light of the application of the MBSC in the hotel industry.

**Objective 2**
- Publication of the interview results on materiality assessment:

### 8: Conclusions, contribution to knowledge
- Conclusion.
- Contribution to knowledge.

**Aim and objectives 1, 2, and 3**

Source: Author, 2017

Chapter 2 reviews literature in the evolution of the sustainable behaviour of an organisation from the traditional CSR towards being more strategic by creating shared value. The first section introduces CSR and four theories, all of which relate to how an organisation manages the perception of itself within society to achieve competitive advantage: the resource based view, reputation and risk management, legitimacy and stakeholder theory. The second section progressively narrows the topic of connecting social and economic progress and presents the concept of the Creating Shared Value framework, together with its application and challenges.

Chapter 3 introduces the instruments to achieve shared value, which include the Balanced Scorecard as a well-established performance management system and its sustainability adaptations, and the AA1000SES principles to respond to stakeholder expectations across the critical processes within the organisation. Due to the relationship between CSV, sustainability and broad stakeholder concerns, the section also reviews extended BSC structures that address sustainability issues and stakeholder accountability more inclusively. The last part discusses the complementarity between the BSC and MA as the central element in the AA1000SES for realising sustainability strategies that create shared value, which underpin the Materiality Balance Scorecard.
Chapter 4 develops the Materiality Balance Scorecard as a suitable instrument to define, communicate and operationalise strategic sustainability objectives that create value through the organisation’s operations. The chapter details the steps to build the MBSC. Step 1 outlines the Sustainability BSC characteristics to address sustainability issues more inclusively. Step 2 acknowledges where the organisation creates value for its multiple stakeholders. Later, Step 3 incorporates the Materiality Assessment as a tool to increase stakeholder accountability. Chapter 4 is the theoretical contribution of the PhD (Objective 2) developing a conceptual framework in alignment with the growing body of research on Sustainability BSCs (Hansen and Schaltegger 2016). The Sustainability BSC is a developing field where further conceptual and empirical research is needed to improve understanding of its benefits and drawbacks in organisations (Hansen and Schaltegger 2016, 2017, Journeault 2016).

Chapter 5 explores the philosophical, methodological, analytical and interpretative approaches to the data and findings. The chapter begins with an overview of the pragmatism paradigm informing the research and the ontological, epistemological and axiological choices. Afterwards, the chapter outlines the rationale for a qualitative multi-method and cross-sectional research strategy, including the sample and the data collection methods used. It justifies the qualitative methods adopted, by complementing the existing case studies (27.7%), multi-case study (13%) and quantitative research (13%) on Sustainability BSCs (Hansen and Schaltegger 2016). Then, the chapter presents a justification and detailed description of the research methods: content analysis, qualitative questionnaires and semi-structured interviews. The chapter describes the data analysis to be theoretical thematic analysis. Finally, the section outlines the evaluation criteria as focusing on trustworthiness, and describes the limitations of this research.

Chapter 6 presents the characteristics and factors influencing and hindering sustainability integration into management and reporting by hotel groups according to the data collected (content analysis, qualitative questionnaires and semi-structured interviews). It does so by addressing the seven elements from the 7-S Framework (strategy, structure, systems, style, skills, staff and shared values) (Waterman, Peters, and Phillips 1980). This enables a structured analysis of organisational variables driving various management processes, from strategy formulation (Galliers and Sutherland 1991), employee empowerment (Lin 2002) to sustainability reporting (Thijssens, Bollen, and Hassink 2016). Because this Ph.D. pays particular attention to sustainability integration within PMS, this research incorporates the three dimensions of integration into the 7-S Framework (cognitive, organisational and technical) (Gond et al. 2012, George et al. 2016). Cognitive integration entails how people think
within the organisation, the shared cognitions, and the changes in focus and beliefs. Organisational integration involves how processes are organised concerning the organisations' formal structure and roles to facilitate common practices. Technical integration involves how organisations use tools and methodologies for sustainability. Finally the chapter makes a comparative analysis between the sustainability disclosure, environmental performance and sustainability integration of large hotel groups, and presents two tools to assess their sustainability integration (the Sustainability Integration Matrix) and their accountability to stakeholders (the Accountability Matrix). Finally, the chapter concludes by revisiting the main findings.

Chapter 7 returns to objective 3 'To critically appraise the value of the MBSC within the hotel industry.' First, it discusses some examples of hotels' CSR practices in light of the three pathways for creating shared value: reconceiving products and services, reimagining the value chain, and enabling cluster development. Afterwards, the section turns to the internal cognitive, organisational and technical determinants to CSR management and the reporting of large hotel groups, and thence the likelihood of implementing the MBSC in the industry. Then, the chapter discusses the hotel groups' approaches to engaging stakeholders, identifying material issues and responding to those, as a result of the determinants of CSR management and reporting, and discusses the implications for the mismanagement of sustainability and the symbolic adoption of reporting guidelines. The chapter concludes by refining the MBSC from Chapter 4, including new guidance on the Accountability principles to fit the shared value purpose.

Chapter 8 reflects on the attainment of the aim and objectives of the Ph.D. It also considers its significance for academic knowledge and management practice, specifically for the hotel industry, and ends by surveying with the study's limitations and directions for future research.
2. From Corporate Social Responsibility to Creating Shared Value

This chapter explains the theoretical bases relating to sustainable behaviour by organisations and the evolution towards more strategic and value-creating strategies. The first section introduces Corporate Social Responsibility (henceforth CSR) and the second section revisits the theories most used to research CSR: the Resource Based View, Reputation and Risk Management, and Legitimacy and Stakeholder theories. Later, the chapter examines how organisations develop a sustainable competitive advantage through the Creating Shared Value framework (henceforth CSV). The process of narrowing down the topic helps define the problem and identify the need for the Materiality Balance Scorecard (henceforth MBSC) to operationalise shared value-creating strategies.

2.1. Sustainable behaviour by organisations

The section introduces CSR, its complex definition and its terminology. It places CSR as a strategic tool for an organisation’s long-term performance, and provides insights into the different theories justifying the business case for CSR. The section stresses the importance of embedding stakeholder concerns and sustainability within the DNA of the organisation, noting that these are fundamental ideas shaping the MBSC framework.

2.1.1. Towards being more strategic

The concept and understanding of CSR is dynamic, shifting in line with environmental and social changes, external demands and the moral maturity of the organisation. Different schools of thought have developed different CSR discourses, all of which include taking into account the voluntariness of the activity, the stakeholders’ relations and the triple bottom line impacts of an organisation’s operations (Dahlsrud 2008). The Triple Bottom Line approach (henceforth TBL) assesses CSR by focusing on the economic, social and environmental dimensions of sustainability (McElhaney 2008). CSR helps to create economic and brand value by focusing an organisation on sustainable development. This thesis takes the definition of Carroll, which has now been used for some 35 years; “the social responsibility of business encompasses the economic, legal, ethical, and discretionary expectations that society has of organisations at a given point in time” (Carroll 1979, 500). CSR is therefore about managing the organisation’s operations in a way that both maximises the benefits to society and minimises the risk and cost to society.

The multiple definitions and terms that are used to refer to the sustainable behaviour of an
organisation increase confusion for stakeholders, and make it difficult to embrace CSR. These terms, often used interchangeably, include: citizenship, sustainability, corporate responsibility, corporate accountability and social responsibility (Carroll 1999, de Grosbois 2012, Coles, Fenclova, and Dinan 2013). CSR is a social construct within a specific context, and the multiple variants of the concept can make it difficult to engage with (Van Beurden and Gössling 2008, Orlitzky, Siegel, and Waldman 2011). As a consequence, organisations take into account the multiplicity of approaches when defining strategies (Dahlsrud 2008). Organisations pursue different CSR objectives, which directly influence how they manage their responsibilities and strategies (Hawkins 2006, Freeman, Harrison, and Wicks 2007, McElroy, Jorna, and van Engelen 2008). The voluntary nature and scope of CSR means that the choice of whether and how to develop it is left to the organisation.

Organisations can therefore choose among multiple CSR activities, which can be broadly categorised as Responsive or Strategic, depending on the issues addressed. Responsive CSR addresses i) generic social issues, which are those that are not affected significantly by the organisation's activities and do not materially affect the long-term competitiveness, and ii) value chain impacts, which result from the organisation's operations (Porter and Kramer 2006, 2011). Responsive CSR has been the traditional model, where organisations focus on philanthropy and outsourcing their responsibility to the supply chain, but has received much criticism (Laufe 2003). Strategic CSR, meanwhile, addresses i) the value chain issues and ii) the competitive context issues, which are those factors in the organisation’s external environment affecting the underlying drivers of competitiveness where the organisation operates (Porter and Kramer 2006, 2011). Strategic CSR is a more holistic approach whereby an organisation purposefully matches internal resources (e.g. employee skills, organisational culture) with external community-specific needs (e.g. related to food access, education) increasing the benefits to the organisation and its positive impact on the community. This thesis focuses on how to advance CSR towards being more strategic through the MBSC.

Despite the relative consensus on CSR, the business case for sustainability remains contested and researchers are continuing to investigate how strategic CSR leads to competitive advantage (Porter and Kramer 2011) and improves relationships with external stakeholders (Murillo and Lozano 2006, Bhattacharya, Korschun, and Sen 2009). The next section discusses the relationship between CSR and organisational performance.
2.1.2. Improving performance through responsible management

A key area of research has been to identify the conditions under which CSR has a positive impact on an organisation’s financial performance, arguably as a way of providing a business case argument for organisations to engage more intensively in CSR. Scholars have found negative relationships (Aupperle, Carroll, and Hatfield 1985, Wright and Ferris 1997), neutral relationships (Teoh, Welch, and Wazzan 1999, Lindgreen and Swaen 2005, Ioannou and Serafeim 2015) and positive relationships (e.g. Waddock and Graves 1997, Stanwick and Stanwick 1998, Margolis and Walsh 2003, Orlitzky, Schmidt, and Rynes 2003, Vogel 2005, Galbreath and Galvin 2008, Van Beurden and Gössling 2008). These studies address the association between CSR and performance while other studies research how to achieve a performance increase (Rowley and Berman 2000, Margolis and Walsh 2003, Luo and Bhattacharya 2006, Branco and Rodrigues 2006, Galbreath and Shum 2012, Saiedi et al. 2015). Articles researching hotel performance in the context of CSR have grown from 2.3% to 3.7% out of a sample of articles published in leading hospitality and tourism management journals from 1992 to 2005, and this figure is expected to continue increasing (Sainaghi, Phillips, and Corti 2013).

While some scholars have found that CSR positively affects performance through savings from efficiencies, avoiding future fines and brand positioning, others have found a negative impact due to increased costs (Nicolau 2008, Lee and Park 2009, Kang, Lee, and Huh 2010, Pereira-Moliner et al. 2012, Pereira-Moliner et al. 2015). Researchers are attempting to explain the relationship between CSR and performance using complementary theories as a means to build the CSR business case (Carroll and Shabana 2010).

Multiple theories overlap, providing different but useful insights on the sustainable behaviour of organisations. This section addresses four theories, all of which link how an organisation manages how it is perceived within society and how CSR can bring about competitive advantage. The chapter presents theories organised according to the use of more internal to more external elements when determining the CSR strategy. First, the Resource Based View theory presents CSR as a discourse intended to manage strategic resources e.g. reputation. Second, the Reputation and Risk management theory sees CSR as a discourse that minimises risks through managing reputation. Third, the Legitimacy theory postulates that CSR is a discourse serving to gain, maintain or repair the organisation’s right to operate by managing the perceptions of wider society. Fourth, the Stakeholder theory understands CSR as a discourse improving the relationship between the organisation and the key stakeholders by managing their perceptions.
Resource Based View

The Resource Based View theory postulates that an organisation acts responsibly to maximise and sustain its competitive advantage in ways competitors cannot easily imitate (Wernerfelt 1984, Russo and Fouts 1997). The organisation reaches a sustainable competitive advantage through the unique mix of rare, valuable, inimitable, non-tradable, non-substitutable, and organisation-specific resources, capabilities and competencies (Porter 1985, Barney 1991, Barney, Wright, and Ketchen 2001). CSR favours valuable capabilities such as stakeholder integration, innovation or organisational learning (Garay and Font 2012) and, therefore, CSR practices enable an organisation to acquire resources and develop skills that cannot easily be imitated by competitors (Barney 1991, Barney, Wright, and Ketchen 2001, Branco and Rodrigues 2006). This form of value creation advances the understanding of CSR as more strategic (Orlitzky, Siegel, and Waldman 2011), and the characteristics of these capabilities define the strategic level of the CSR initiatives.

A hotel can develop a resource-based advantage and increase its performance by creating service brand value that is cultivated by top management transformational leadership through building a service culture and employee investment (Chang and Ma 2015). For instance, by utilising employees to create positive relationships with guests, Ritz-Carlton enhances the service standards that create a consistent and superior service image (Kandampully and Hu 2007, Drohan, Lynch, and Foley 2009). Similarly, Marriott Hotels attains superior customer loyalty by utilising its culture that facilitates employees to offer consistent levels of guest recognition and service (Byeong and Haemoon 2004). Nevertheless, while Resource Based View can facilitate sustained competitive advantage, determining the strategy only based on what the organisation possesses rather than the shared resources acquired through alliances, or what the external environment demands, may be incomplete.

The assumption of the Resource Based View approach that organisations must own, or at least fully control, the resources conferring competitive advantage turns out to be incorrect (Lavie 2006). For example, the resources of partners also influence the competitive advantage of an organisation (Saxton 1997, Stuart 2000), and issues of reputation may arise from the relationship with those partners (Gray and Wood 1991, Westley and Vredenburg 1991). The Resource Based View theory postulates that reputation is a resource that can yield significant competitive advantage (Barney 1991, Deephouse 2000, Roberts and Dowling 2002), which leads to a discussion of the relation between CSR and Reputation and Risk Management, as in the next section.
Reputation and risk management (henceforth RRM)

RRM theory has two perspectives: management and sociological, which focus respectively on reputation as a resource or as an outcome of the reporting process. Reputation as a strategic resource produces tangible benefits, which include premium prices for products, lower costs for capital and labour, improved loyalty from employees and better decision making (Beatty and Ritter 1986, Milgrom and Roberts 1986, Fombrun and Shanley 1990, Fombrun 1996, Little and Little 2000). As such, reputation is an intangible asset with the potential for value creation (Little and Little 2000, Roberts and Dowling 2002). Alternatively, reputation is the aggregate of the assessments of multiple actors on the organisation’s performance relative to their expectations and norms (Fombrun and Van Riel 1997). As such, it is perceived as being an outcome of the process of managing the organisation’s past actions and results aimed at delivering value to multiple stakeholders (Scott and Walshaw 2005). This approach suggests that reputation is one of the main drivers of sustainability reporting (Friedman and Miles 2001, Scott and Walshaw 2005, Bebbington, Larrinaga, and Moneva 2008). The difficulty in studying the notion of reputation systematically (Unerman 2008) has hampered the understanding of the specific reporting strategies adopted to manage reputation.

Under both perspectives, reputation is “a generalised expectation about an organisation’s future behaviour or performance based on collective perceptions (either direct or, more often, vicarious) of past behaviour or performance” (Deephouse and Suchman 2008, 60). RRM links CSR and performance in a chain of relationships (Anderson, Fornell, and Rust 1997) on the basis that socially responsible practices improve product quality and thence customer satisfaction (Carroll 1979, 2004). CSR can increase customer identification with the organisation, which in turn builds trust and increases customer satisfaction (Martínez and del Bosque 2013). Higher levels of customer satisfaction lead to increased financial performance via customer loyalty (Rust and Zahorik 1993, Cronin, Brady, and Hult 2000, Gallarza, Gil-Saura, and Holbrook 2011, Lombart and Louis 2012). Reputation mediates the loyalty and performance increase (Clarkson 1995, Galbreath and Shum 2012). Hence, there often is a positive relationship between reputation and an organisation’s performance with both financial and non-financial benefits (Fombrun and Shanley 1990, Albinger and Freeman 2000, Black, Carnes, and Richardson 2000, Helm 2007, Ghoogassian 2015).

RRM is based on the avoidance of factors that negatively influence corporate brands, avoiding public relations scandals (Bebbington, Larrinaga, and Moneva 2008). This theory includes ‘cause-related marketing’, which is a strategy where the benefits of the product are linked to appeals for charitable
in such a way as to complement the product’s advantages (Farache and Perks 2010). For example, hotel groups increasingly develop CSR strategies involving stakeholders through various distribution channels (Heikkurinen 2010). By disclosing the ethical principles and actions to stakeholders, the hotel legitimises its actions, and creates a direction of purpose for the employee (Payne and Raiborn 2001, Schlegelmilch and Pollach 2005), strengthens its reputation for environmental responsibility and educates consumers (Khan, Serafeim, and Yoon 2016). Although RRM theory includes worthwhile activities, these do not realise the full potential of an organisation since they tend to focus on short-term profits, not on a holistic view (Porter and Kramer 2011). This is an opportunistic way of creating a business case for presenting a caring side to the organisation, which results in a shallow and selective presentation of some actions that hotel groups engage in, often as a distraction or justification for continued exploitation of resources elsewhere. Stakeholders ought to have a more active say in what the hotels choose to do if the industry is supposed to move beyond such ‘greenwashing’.

Activities under this theory respond to ‘responsive CSR’ (Porter and Kramer 2006) i.e. addressing generic social issues and value chain impacts with an inward, often short-term, focus. Reputation is a strategic resource that an organisation can exploit for competitive advantage (Barney 1991, Deephouse 2000, Roberts and Dowling 2002) but that is at the cost of strategic, operational, compliance and financial risk in every interaction between the organisation and its stakeholders (Fombrun, Gardberg, and Sever 2000). RRM also causes controversy because of the difficulty in separating the management of reputation and risk from other organisational processes (Fombrun and Van Riel 1997, Hutton et al. 2001). Over time, stakeholders develop expectations regarding the responsible behaviour of an organisation, which are a function of its expected behaviour in a given situation (Mahon 2002). This and other stakeholder-related issues are addressed within the stakeholder theory section.

The need to increase reputation and manage risks closely links to the organisation’s discourses and responses to criticisms (Benoit 1995) and represent how organisations articulate their motivations for reporting (Bebbington, Larrinaga, and Moneva 2008). Authors such as Adams (2008), however, reject the RRM theory as being nothing more than legitimacy theory. Others argue that competitive advantage must be created within a broader scope of social legitimacy (Meyer and Rowan 1977, DiMaggio and Powell 1983). Indeed, legitimacy and RRM are occasionally used interchangeably (Deegan 2002, Chalmers and Godfrey 2004). The next section explains how CSR contributes to legitimising the organisation’s operations.
Legitimacy theory

The desire to obtain society’s approval is another motivation for CSR disclosure. Legitimacy theory posits that CSR responds to political, social and economic pressures to justify the organisation’s existence within society (Shocker and Sethi 1973, Dowling and Pfeffer 1975, Guthrie and Parker 1989, Patten 1992, Deegan and Gordon 1996). Hotels’ legitimacy is based on legal and regulatory compliance (Rivera 2004, Chan and Wong 2006, Kasim 2007) or stakeholder pressure (Henriques and Sadorsky 1999, Gil, Jiménez, and Lorente 2001, Cheyne and Barnett 2001, Dief and Font 2010). A central element, therefore, is meeting the expectations of a social system’s norms, values, rules and meanings (Parsons 1956). Since legitimacy is a question of ‘satisfying’ to an acceptable level, some authors argue that the absence of negative ‘problems’ is more important than the presence of positive achievements (Deephouse and Suchman 2008). Although organisations can achieve legitimacy on their own, the common pattern is to be legitimate in conformity with a collectively legitimate template (Deephouse and Suchman 2008). Legitimacy is seen as a resource on which the organisation is dependent for its survival.

Nevertheless, since an organisation is influenced by and has an influence on the society in which it operates, the management can manipulate legitimacy by pursuing strategies to ensure its continued supply. Examples of society affecting the organisation include: consumers reducing the demand for the products; suppliers eliminating the supply of labour and financial capital or stakeholders lobbying government for fines or laws to prohibit actions against the expectations of the community (Guthrie and Parker 1989). Legitimacy strategies differ depending upon whether the management tries to gain, maintain or repair the legitimacy (O’Donovan 2002). Examples of how an organisation can influence society rest on the strategy of disclose enough information for society to assess if it is a good citizen (Guthrie and Parker 1989). The organisation justifies the existence of its operations, as a means to influence the external perception of itself (Deegan 2002) through, for instance, increased disclosure of sustainability news. Still, legitimacy changes over time follow society expectations, thereby requiring the updating of operating and reporting practices. What was once acceptable behaviour may no longer be (Patten 1992). Therefore, legitimacy is a dynamic concept (Lindblom 1994). An organisation manages sustainability reporting in an attempt to legitimise its actions in the eyes of society and thereby, justify its continued existence.

Legitimacy is a contested theory, which overlaps with political economy accounting theory, institutional theory, stakeholder theory and more recently RRM (Neu, Warsame, and Pedwell 1998,
O’Dwyer 2002, Parker 2005, Deegan 2007). In legitimacy and political economy accounting, managers need to provide information. Nevertheless, from an accountability perspective, managers decide to provide information on what managers are considered to be accountable for, and stakeholders’ right to information, and not only because society has concerns that threaten the organisation’s legitimacy. Then, in legitimacy and institutional theory, an organisation will change its operations to conform to external expectations about what is acceptable (DiMaggio and Powell 1983). Nevertheless, from an institutional perspective, managers are expected to comply with the ‘norms’ imposed upon them instead of having the ability to alter the society’s perception through disclosure (Deegan 2002). Instead, legitimising strategies may enable an organisation to continue its operations regardless of how these affect various stakeholder groups. The section further develops the overlaps among legitimacy and RRM and stakeholder theory separately.

Legitimacy and reputation share many antecedents, consequences, measures and processes. Definitions of both legitimacy and reputation are diverse, ambiguous and contested (Deephouse and Suchman 2008). Both focus on cultural factors in organisational life, suggesting that an organisation can reap resources by conforming to prevailing social norms (Deephouse and Suchman 2008). Both emphasise that social and technical operations are underpinned by the behaviour of the organisation (Deephouse and Suchman 2008). Both theories result from a similar social construction process as stakeholders evaluate the organisation (Fombrun and Shanley 1990, Ashforth and Gibbs 1990), improving the ability to acquire resources e.g. strategic alliances or regulatory compliance (Deephouse and Carter 2005). Legitimacy and reputation can also enhance performance, albeit in different ways. Legitimacy gathers resources from external stakeholders and commands the loyalty of internal stakeholders by avoiding misunderstandings. While higher financial performance increases reputation, it does not increase legitimacy (Deephouse and Carter 2005). As shown, legitimacy and RRM have multiple overlaps that confuse the distinction between them.

Albeit having many common aspects, and occasionally being used interchangeably, legitimacy and RRM cannot be considered equal. On the one hand, legitimacy relies on meeting the expectations of social norms, rules, and meanings while reputation relates to a comparison among organisations to determine the relative standing (Deephouse and Carter 2005). On the other hand, RRM can relate to any organisational attribute while social and environmental aspects are not always seen to be fundamental to legitimacy. An organisation may continue to conduct itself in the same manner, without consequences, despite environmental and social controversies and subsequent stakeholder demands for change (Adams, Coutts, and Harte 1995, O’Dwyer 2002, Larrinaga et al. 2002).
Meanwhile, failures to adhere to financial standards of performance, if uncovered, are likely to give rise to serious legitimacy threats. Hence, authors suggest that environmental and social aspects affect reputation, which then itself has a second order impact on legitimacy (O'Dwyer 2002). Legitimacy has deeper institutional roots than sustainability reporting requirements (Owen, Gray, and Bebbington 1997). Legitimacy comes from the social acceptance resulting from adherence to regulative, normative or cognitive norms and expectations, while reputation is a social comparison among organisations on a variety of attributes, which are not necessarily restricted to the same dimensions as legitimacy.

**Stakeholder theory**

Stakeholder theory argues that an organisation acts in response to stakeholder requests, either in a preventative or a proactive way (Freeman 1984). Freeman defines stakeholders as “any group or individual who can affect or is affected by the achievement of the firm’s objectives” (1984, 25). Stakeholders are primary or secondary. Primary stakeholders are those who have a formal, official or contractual relationship with the organisation (Freeman 1984, Clarkson 1995). Secondary stakeholders are those who “influence or affect, or are influenced or affected by, the organisation, but not engaged in transactions with the corporation and not essential for its survival” (Clarkson 1995, 106-107). Hospitality groups today have an expanded mission from the traditional customer orientation to a broader stakeholder focus (e.g. Hilton Worldwide 2014), as a respectful and proactive attitude towards stakeholders provides success and creates value (Wheeler, Colbert, and Freeman 2003, Porter and Kramer 2006). How an organisation performs from a stakeholder perspective has become a priority, because careful management of stakeholders’ interests brings value and, therefore, increases performance.

Stakeholder theory has two approaches according to the organisation’s motives for paying attention to its stakeholders. Normative stakeholder theory emphasises the responsibilities of an organisation towards stakeholder accountability in respect to intrinsic values arising from the organisation’s moral duties (e.g. Donaldson and Preston 1995). This approach assumes that values are part of doing business and rejects the contention that ethics and economics can be separated (Freeman 1994). The normative approach does not have a direct role in predicting managerial behaviour, whereas the instrumental approach to stakeholder theory adopts a managerial stance. The instrumental approach assumes that the organisation can take action to influence its accountability, with an emphasis on managing stakeholder groups that have an ability to control resources vital to the organisation’s
operations, while paying less attention to those stakeholders without power (Ullmann 1985). An organisation may employ information to manage (or manipulate) stakeholders and gain their support and approval or to distract their opposition and disapproval (Gray, Owen, and Adams 1996). In summary, whereas under the normative approach the disclosure of information responds to perceived responsibilities, under the instrumental approach that disclosure arises from strategic reasons.

The challenge for an organisation is balancing both the trade-offs between multiple stakeholders’ claims and the ensuing sustainability returns (Hawkins 2006, Callan and Thomas 2009, Hahn et al. 2010, Angus-Leppan, Benn, and Young 2010). Serving a broad group of stakeholders creates more value over time (Harrison and Wicks, 2013), but bearing responsibility to many stakeholders, who sometimes will have conflicting goals (McElroy, Jorna, and van Engelen 2008, Sjöström 2008, Dobers 2009), and values (Wheeler, Fabig, and Boele 2002, Freeman, Harrison, and Wicks 2007, Kurucz, Wheeler, and Colbert 2013) entails complex CSR management. CSR advocates that organisations must be accountable to stakeholders (Suchman 1995, Basu and Palazzo 2008, Delmas and Toffel 2008, Camilleri 2012), independently of financial results (Garay and Font 2012), since each of them is a legitimate object of managerial attention (Phillips 2003). Stakeholder theory explains that determining who has the legitimacy to be heard depends on the organisation’s morals and values, which embody the “shared beliefs, values and evolved practices regarding the solution of recurring stakeholder-related problems” (Jones, Felps, and Bigley 2007, 142). Furthermore, the stakeholder management capability, which is the ability of an organisation to identify its stakeholders, and the degree of sophistication of the organisational processes needed to manage the relationship with them (Freeman 1984) also plays a prominent role in shaping the CSR strategy. The level of proactivity in balancing trade-offs and sustainable returns defines whether the stakeholder approach is more responsive or more strategic. The

Both stakeholder and legitimacy theory consider broader societal issues that impact how the organisation operates and what information it chooses to disclose. Both theories recognise the power conflict that exists within society, and that society, politics and economics are inseparable (Benson 1975). They are overlapping perspectives on reporting behaviour under the assumption of political economy (Gray, Kouhy, and Lavers 1995). Nevertheless, legitimacy occurs to the extent that the outside perception of the organisation’s social values has congruence with what society deems appropriate social conduct (Mathews 1993, Lindblom 1994). While legitimacy theory discusses compliance with the expectations of ‘society’, embodied within a social construct, society is in reality
a conglomerate of various stakeholders with unequal power and ability to influence the organisation’s activities. It is on this basis that stakeholder theory accepts that different stakeholder groups have different views about how the organisation should operate, and different abilities to affect it. Stakeholder theory identifies what stakeholder groups from the broad ‘society’ might be relevant to particular management decisions and which expectations the organisation has to pay more attention to.

This thesis recognises the multiplicity of stakeholder demands and the need to balance trade-offs among stakeholders and TBL issues, for which it proposes to use the Materiality Assessment as a methodology to advance towards more strategic CSR. Organisations need to change their priorities if taking responsibility for a sustainable future is going to become a shared concern.

In conclusion, an organisation can increase its competitive advantage managing its responsibility by using unique resources, managing its right to operate, managing stakeholders’ perceptions of its reputation and addressing stakeholders’ requests.

2.2. Connecting social and economic progress

This section revisits the concept of Creating Shared Value (henceforth CSV) as a means to identify the specific issues that improve an organisation’s performance and create large-scale social benefits. CSV is a normative framework for solving societal challenges coined by Porter and Kramer (2006, 2011). While CSR tends to be a collection of programmes that seeks to minimise or address specific social and environmental concerns, CSV makes sustainability issues part of the organisation’s DNA by finding competitive advantage in transforming value-chain activities to benefit society more inclusively (Porter and Kramer 2011). Since the MBSC framework is proposed to advance CSR strategies towards being more strategic, the section revisits the CSV concept, challenges and operationalisation.

2.2.1. Pursuing the future competitive frontiers

Organisations create value when developing new ways of doing things, using new methods, new technologies, and new forms of raw materials. CSR can create four value types (Jonikas 2012) (Table 2). Use of value refers to the particular quality and usefulness of a new job, task, product or service as perceived by clients (Bowman and Ambrosini 2000); for example, the aesthetic features of a new product or the advantages that using a new service provides to the customer. Exchange value,
meanwhile, is the monetary amount of value realised at a certain point in time, when the exchange of
the new service or product takes place, or the amount paid by the user to the seller for the use value
of that product or service (Lepak, Smith, and Taylor 2007). CSR can only create shared value when it
delivers use or exchange value (Jonikas 2012) in any interaction between stakeholders and the
organisation. For this thesis, ‘value’ is a simultaneous value created to the organisation and the wider
cohort of stakeholders in the six capitals for a sustainable society, which are financial, human, natural,
intellectual, social and relationship and manufactured capitals (International Federation of
Accountants 2015). Only when private profits and public welfare align, can an organisation create
shared value.

Table 2: Value types from CSR

<table>
<thead>
<tr>
<th></th>
<th>Shared</th>
<th>Non-shared (individual)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Use</td>
<td>Use shared value</td>
<td>Used non-shared value</td>
</tr>
<tr>
<td>Exchange</td>
<td>Exchange shared value</td>
<td>Exchange non-shared value</td>
</tr>
</tbody>
</table>


The assumption that the organisation’s success and social welfare are interdependent underpins
shared value. Traditionally, stakeholder demands in respect to CSR are seen as opposite to managers’
need to improve business performance (Nohria and Ghoshal 1994, Jonikas 2012). An organisation
gains from CSR through financial value and marketing benefits (Margolis and Walsh 2001, Bocquet
and Mothe 2011, Vancheswaran and Gautam 2011) while the value for stakeholders is a secondary
object of CSR (Jonikas 2012). CSV instead targets both goals (Pfitzer, Bockstette, and Stamp 2013),
which arise from the intersection between the organisation’s objectives and impacts, and the
sustainability agenda set by stakeholders’ concerns. By increasing awareness of the benefits to both
the organisation and its stakeholders, managers can make better sustainability decisions (Burke and
Logsdon 1996). Indeed, organisations view CSV as something related to CSR, but with a strategic
orientation shift from sustainability to stressing societal issues as strategic priorities and the
inclusion of stakeholders’ needs (Corazza, Scagnelli, and Mio 2017). Only shared value creation
produces sustainable value integral to the organisation’s profitability and competitive positioning,
whereas traditional CSR focuses on society or environmental actions with limited connection to the
business operations. CSV entails a terminological transition from ‘responsibility’ to ‘creating value’
that reaches out to sceptical mainstream managers, who otherwise tend to keep their distance from
CSR (Beschorner and Hajduk 2017).

CSV is a normative framework in that it claims how things ought to be: i.e. which actions are socially
valued. CSV proposes to consider societal challenges and non-traditional stakeholder claims along
with internal resources for prioritising goals and planning the organisation actions. Shared value calls for a rethinking of the strategy, rather than disjointed activities for public relations purposes (Baumüller, Husmann, and Von Braun 2014). Porter and Kramer (2006) predict a move from traditional to strategic CSR, as CSV can restore the legitimacy of the organisation by increasing trust and reputation (Porter and Kramer 2006, Farache and Perks 2010, Leavy 2012). While from an instrumental stakeholder theory perspective, the organisation creates a business case by responding to stakeholders’ concerns, through CSV it instead pursues profit by focusing strategy on responding to social challenges expressed by a wide range of stakeholders. Under the instrumental stakeholder theory, a question of priorities between balancing the organisational performance and social change arises, which this thesis aims to address by introducing Materiality Assessment (Section 3.3.2) at the strategy definition stage.

2.2.2. Contesting shared value

Although the proponents of CSV argue that it reconceives the relationship between society and an organisation, generating virtuous circles of positive multiplier effects (Porter and Kramer 2006, 2011), it nonetheless remains a controversial concept. CSV is highly aspirational, and as such, it has shortcomings, both in its concept and implementation. CSV research has inconsistent definitions, measurements and practical use (Dembek and Singh 2014), which indicates epistemological and ontological fragility (Corner and Pavlovich 2014, Dembek, Singh, and Bhakoo 2016). This section categorises the shortcomings of CSV (Table 3) to understand how these might affect MBSC.

Table 3: CSV challenges

<table>
<thead>
<tr>
<th>Level</th>
<th>Challenge</th>
</tr>
</thead>
<tbody>
<tr>
<td>Concept</td>
<td>Narrow approach to sustainability</td>
</tr>
<tr>
<td></td>
<td>Unoriginal</td>
</tr>
<tr>
<td></td>
<td>Lack of definitional clarity</td>
</tr>
<tr>
<td>Implementation</td>
<td>Resistance to change - new initiatives</td>
</tr>
<tr>
<td></td>
<td>Strategy content &amp; audience: balancing trade-offs between impacts and stakeholders</td>
</tr>
<tr>
<td></td>
<td>Strategy and competitive advantage: Value creation vs. value appropriation</td>
</tr>
<tr>
<td></td>
<td>Operationalisation of strategy: exploitation vs. exploration of capabilities</td>
</tr>
<tr>
<td></td>
<td>Business case and measurement of results</td>
</tr>
</tbody>
</table>

Source: Author, 2015.

**Conceptual challenges**

Conceptually, scholars challenge CSV for its lack of originality and clarity. CSV has been accused of having a narrow approach to sustainability since it is embedded in a ‘business as usual’ paradigm where social benefits depend on its ability to create profit (Aakhus and Bzdak 2012, Crane et al. 2014,
Beschorner and Hajduk 2017). These authors claim that CSV is a naïve framework, resulting from a narrow conceptualisation of the role of an organisation within society. Social needs are seen as means to and end from a purely economic perspective (Beschorner and Hajduk 2017). Moreover, the lack of clarity is evidenced by the multiplicity of how organisations approach and interpret CSV (Corazza, Scagnelli, and Mio 2017).

Scholars also point out that CSV is based on earlier scholarship that Porter and Kramer (2006, 2011) have ‘repacked’ without acknowledgement as CSR, social innovation or stakeholder management (Aakhus and Bzdak 2012, Crane et al. 2014, Corner and Pavlovich 2014). Others discredit the term by accusing it of being nothing more than a buzzword (Dembek and Singh 2014, Dembek, Singh, and Bhakoo 2016). Beschorner and Hajduk (2017) argue CSV is a functionalistic and value-free concept in which social needs are seen as mere means to an end: the development of market opportunities for profit maximisation. Furthermore, although research sustains the success of CSV with win-win cases more attention should be placed on unsuccessful instances as when the organisation profits but society suffers or when society gains but at significant cost to the organisation (de los Reyes, Scholz, and Smith 2017).

Proponents of CSV, however, would respond that it serves to shift the focus beyond the narrow management of sustainability impacts for long-term success (Kramer 2012) towards how the organisation can proactively solve social problems through its operations. Elkington (2012) says that sustainability, understood as intergenerational equity, may be the ultimate form of shared value when appropriately managed. CSV can be read as an intermediate stage assisting the profit-driven organisation to move towards being more mission-driven and holistically sustainable.

**Implementation challenges**

The fact that CSV is a framework and not a theory leads to substantial challenges in implementation (Huggins and Izushi 2011, Aakhus and Bzdak 2012). CSV shares the same implementation challenges as CSR, but in addition it has its own problems arising from the conceptual shortcomings outlined above. The shared challenges include 1) overcoming the tensions inherent in an organisation when implementing new initiatives and 2) defining the strategic content and audience when balancing sustainability and stakeholder trade-offs. Three further challenges particular to CSV are 3) ensuring a strategy that creates value and deals with value appropriation, 4) operationalising the strategy by balancing trade-offs between exploitation and exploration of capabilities and, 5) measuring results to build a business case.
First, the process of taking responsibility within an organisation produces defensiveness, emotional anxiety, lack of motivation and attachment to old ways of doing things, all of which serve to constrain the organisation's ability to change (e.g. Vince and Broussine 1996). Overcoming resistance to change is one of the main obstacles to strategy execution (Beer and Eisenstat 2000, Hrebiniak 2006). A participative approach is needed that fosters a culture embedding sustainability and employee empowerment to stimulate organisational learning (Ahearne et al. 2013). To address this, the MBSC proposes a collective reflection through internal Materiality Assessment (MA) and uses a Balance Scorecard to manage change.

Second, CSV ignores the inherent tensions between the social and economic value (Crane et al. 2014) and it is difficult to demonstrate the link between the social and financial value when leveraging the organisation’s capabilities. This causes managers to hold back from embracing CSV. Furthermore, the difficulty in balancing short-term costs against long-term externalities remains (Hahn et al. 2010), even if scholars agree that the success of an organisation and social welfare are interdependent (Nohria and Ghoshal 1994). Further complexity comes from deciding which stakeholders to engage. Since the implementation of CSR brings different values to different stakeholder groups, not all stakeholders are equally important to an organisation. While some scholars argue that the CSR policy should focus on the stakeholder groups to whom the organisation creates the largest shared value (Jonikas 2014), others suggest CSR creates value when it focuses on 'primary stakeholders', and a wider orientation has an insurance effect (Bosch-Badia, Montllor-Serrats, and Tarrazon 2013). Choosing the appropriate strategy and then the appropriate content and audience for that strategy is therefore controversial. This thesis proposes to integrate MA to inform managers on what sustainability issues stakeholders value the most after the organisation defines which stakeholders are most valuable.

Third, conflicts between value creation and value appropriation emerge. An organisation may create and renew the sources of its competitive advantage only with value-creating strategies (Moran and Ghoshal 1999). In some instances, however, an organisation that creates value may lose it, or share it with other stakeholders (Nohria and Ghoshal 1994, Porter and Kramer 2006, 2011, Chatain and Zemsky 2011). This situation increases the resistance of managers towards embracing CSV strategies. The value appropriation risk is common to all strategies, however, and therefore the decision about engaging in CSV depends on the risk evaluation.
Fourth, tensions arise between exploiting current capabilities while exploring new opportunities (March 1991, O Reilly and Tushman 2004, Andriopoulos and Lewis 2010). Exploitation consists of squeezing more value out of the existing processes and products through efficiencies, while exploration involves the creation of new products and services (March 1991). An example is the aviation sector, where airplanes are becoming increasingly efficient (exploitation), but there have been fewer attempts to launch new products that drastically reduce the greenhouse gas emissions (exploration). Instead, voluntary carbon offsetting schemes in the aviation sector are increasingly popular, but these do nothing to reduce air emissions directly while reinforcing the belief that neither organisations nor consumers need to change their behaviour. In another example, cruise operators increasingly operate shore excursions that encompass charitable and responsible tourism-based dimensions so as to increase the benefits for the local communities at destinations receiving cruises (Font, Guix, and Bonilla 2017) but from a critical perspective this simply serves to illustrate how tourism organisations continue with their 'business as usual' approach and incremental social initiatives that do not produce the transformation claimed by Porter and Kramer (2011). The MBSC aims to address this tension through the continuous reflection inherent in the BSC and MA.

Fifth, is deciding from the wide range of social issues to address, and then developing a separate measurement system or integrating CSV within existing management. While scholars seek to measure shared value at impact level (long-term change) and provide empirical examples (Bockstette and Stamp 2011, Porter et al. 2012, Pfitzer, Bockstette, and Stamp 2013), they have not yet specified a methodology to clarify the measurement. Efforts to measure and understand the degree to which social performance improves economic value for the organisation are only beginning. To strengthen the business case for CSV, the MBSC integrates cause-and-effect linkages between measures.

The substantial measurement difficulties from the definitional shortages and the complexity and nature of CSR make it difficult to operationalise shared value creation. While organisations are engaging in CSV (Mackey and Sisodia 2014) the majority of them have yet to achieve the transformation required to bring about shared value (Porter and Kramer 2011). Recent research also reveals that superior financial performance leads to greater CSV instead of CSV leading to increased economic value (Jones and Wright 2016). Despite much criticism, organisations are increasingly adopting CSV as a strategically oriented shift from sustainability to the inclusion of stakeholder needs (Corazza, Scagnelli, and Mio 2017), and scholars are researching how better to enable this transition from CSR to CSV (Corner and Pavlovich 2014, de los Reyes, Scholz, and Smith 2017). The next section explores several methods to operationalise CSV.
2.3. Putting shared value to work

This section explains both the existing guidelines to create shared value along with the improvements required to mainstream CSV. First, this section introduces the pathways to future competitive advantage by addressing strategic social and environmental challenges. Later, it explains the re-evolution of the organisation needed to embrace shared value, and finally, it discusses how an organisation can expand the value creation beyond its sphere of influence and maximise its positive impact on society and competitiveness.

2.3.1. Three pathways to competitive advantage

Porter and Kramer (2011) point to three different ways to create shared value through transformational realignment of organisations and society: i) Reconceiving products and markets, ii) Reimagining the value chain, and iii) Developing supportive clusters.

First, reconceiving products and markets requires innovating and developing products to satisfy unmet needs that existed in the market before their creation (Porter et al. 2012). It focuses on the revenue growth, market share and profitability that arise from the environmental or socioeconomic benefits brought by an organisation's products and services. Constant exploration of societal needs facilitates the detection of new opportunities for differentiation and positioning. For instance, Starwood Hotels & Resorts created its Element brand with an innovative use of space and services targeting environmentally-conscious customers and those looking for a body-mind health retreat (Starwood Hotels & Resorts 2015b). Burke and Logsdon (1996) long ago explained the possibility of creating new products or accessing new markets through strategic CSR. Similarly, creating shared value by reconceiving products and markets is about making the social dimension of the organisational strategy become part of the customer value proposition.

Secondly, the organisation identifies its positive and negative social impacts and then reimagines value chains and redefines productivity accordingly. Porter (1986) refers to the value chain as a tool to identify those operational issues affecting the performance of the organisation and the social consequences (both positive and negative) of its operations. Accordingly, an organisation gains competitive advantage and position in the market by creating, producing, selling, delivering and supporting products and services (Porter and Kramer 2011). Operational supply chain management is key to optimising the social and environmental footprints such as host community engagement and environmental protection practices (Herrera 2015), and to cascading the organisation's values down
through the supply chain (Maltz and Schein 2012). For example, the implementation of green innovations through the supply chain of hotel groups can enhance both business and environmental performance (Hsiao and Chuang 2016). Proactive management of the value chain brings competitive advantage.

Although mitigating harm from the value chain does not create shared value, this can be achieved by transforming the value chain activities to benefit society while reinforcing strategy. For example, externalities inflict internal costs on the organisation even in the absence of regulations or resource taxes (Porter and Kramer 2011). For example, environmental externality reduction strategies create limited competitiveness through improved reputation in the short term and might be profitable in the long run as the regulatory environment tightens (Ghisetti and Rennings 2014). Energy and resource efficiencies create short-term 'win-win' situations by reducing the environmental impact of production and improving the organisation's economic performance (Rennings and Rammer 2009).

Thirdly, an organisation generates new value by developing supportive clusters, since surrounding organisations and infrastructure have a positive effect on its success (Porter and Kramer 2011). Clusters include multiple stakeholders interacting in alignment, to achieve local development goals. A geographic concentration of clusters fosters productivity, innovation and competitiveness. Local clusters improve the external environment of the organisation through community investments that serve to strengthen local suppliers, institutions and infrastructure (Porter et al. 2012). Case studies demonstrate that collaboration with stakeholders across profit and non-profit boundaries, as well as knowledge exchange on sustainability issues, serve to improve environmental and social performance (Anh et al. 2011, Maltz and Schein 2012). An organisation may develop a long-term mutual relationship with those stakeholders upon whom its dependence is vital, rather than focusing on the immediate profit (Andriof and Waddock 2002). Kramer and Pfitzer (2016) provide real examples that stress the importance of building a 'shared value ecosystem', meaning organisations must promote and join multi-sector partnerships. For instance, the Barcelona Forum District groups institutions and organisations which share common values, actions and strategies to advance the sustainable development of the locality (Barcelona Forum District n.d.). Accordingly, connecting stakeholders' interests so as to seek mutual win-win outcomes creates CSV.

To re-conceive products and markets targeting unmet needs of the market drives incremental revenue and profits. To reimagine value chains and to redefine productivity translates into better management of internal operations, increasing productivity and reducing risks. To develop
supportive clusters that change societal conditions outside the organisation unleashes new growth and productivity gains. The value in one area gives rise to opportunities for others (Porter and Kramer 2011). Nevertheless, the active pursuit of shared value requires different planning and management, as detailed in the next section.

2.3.2. Re-evolution of the organisation

The precise approach through which each organisation applies shared value is unique and depends on its specific strategy, context, competitive position (Bockstette and Stamp 2011) and economic or mission-driven orientation (Maltz and Schein 2012). Different scholars have developed a process for an organisation to adopt a shared value approach with complementary and overlapping stages (Table 4). In seven stages, this section explains each of these steps chronologically. Additionally, the section expands to the CSV+ framework (de los Reyes, Scholz, and Smith 2017).

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>1 Commitment to the social purpose</td>
<td>1. Define a vision as an engine for CSV</td>
<td>1. Embed a social purpose</td>
<td>1. Embed a social purpose</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Communicate social purpose internally and externally</td>
<td></td>
</tr>
<tr>
<td>2 Strategy formulation: Identifying and prioritising issues</td>
<td>2. Strategy formulation</td>
<td>1. Identify the social issues to target.</td>
<td>2. Define the social need</td>
</tr>
<tr>
<td></td>
<td>Identify key issues</td>
<td>Prioritise the social issues</td>
<td>Conduct extensive research</td>
</tr>
<tr>
<td>3 Build the business case</td>
<td>2. Make the business case</td>
<td>Identify targets</td>
<td>Develop the business case</td>
</tr>
<tr>
<td></td>
<td>Identify activities and costs</td>
<td>Specify activities and costs</td>
<td>Identify execution capabilities inside and outside the organisation</td>
</tr>
<tr>
<td></td>
<td>Making go/no-go decision</td>
<td></td>
<td></td>
</tr>
<tr>
<td>4 Create the optimal innovation structure</td>
<td>3. Identify the social issues to target.</td>
<td>3. Create the optimal innovation structure</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>Different options</td>
<td></td>
</tr>
<tr>
<td>5 Delivery: leveraging assets, efforts, and partners</td>
<td>3. Delivery</td>
<td>4. Co-create with external stakeholders</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Leverage assets</td>
<td>Manage efforts</td>
<td>Enlist a wide range of stakeholders</td>
</tr>
<tr>
<td></td>
<td>Mobilise partners</td>
<td></td>
<td>Leverage others’ capabilities</td>
</tr>
<tr>
<td>6 Track progress by measuring shared value</td>
<td>3. Track progress</td>
<td>5. Measure shared value</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Track inputs, outputs, and financial performance about projections</td>
<td>Estimate the organisation and social value</td>
<td>Establish intermediate measures and track progress</td>
</tr>
<tr>
<td></td>
<td>4. Management for performance</td>
<td>4. Measure results and use insight to unlock new value</td>
<td>Assess shared value produced</td>
</tr>
<tr>
<td></td>
<td>Measure results</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Learn from engagement</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Bring issues to scale</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Communicate progress</td>
<td></td>
<td></td>
</tr>
<tr>
<td>7 Management for performance: measuring and unlocking new value</td>
<td>4. Manage for performance</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>4. Measure results and use insight to unlock new value</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Measure results</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Lessons learned</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Source: Author, 2015.
Stage 1. Commitment to the social purpose

Embedding shared value into the organisation's culture by defining a clear social purpose is crucial for success. Senior management commits to CSV, elaborates a clear vision (Bockstette and Stamp 2011), and embeds shared value within the culture (Pfitzer, Bockstette, and Stamp 2013). Achieving consensus, commitment and clarity over shared value are a precondition for change. Matinheikki et al. (2017) expand this internal view with the need to create a strong shared vision with all actors involved in creating shared value. For example, a shared commitment and vision becomes a prerequisite for CSV through collaboration among a network of actors in a cluster, including, among others, other organisations and NGOs.

Stage 2. Strategy formulation: Identifying and prioritising issues

Managers translate the vision into a clear strategy articulating measurable impact goals. After extensive research (Pfitzer, Bockstette, and Stamp 2013), managers identify and prioritise social issues that represent opportunities to increase revenue or reduce costs (Bockstette and Stamp 2011, Porter et al. 2012). The organisation identifies the unmet social needs and gaps and examines how those overlap throughout the three levels of shared value (Table 5). The organisation defines its priorities by understanding its goals, its societal impact and the effect of social issues on its competitiveness (Bockstette and Stamp 2011). Porter et al. (2012) explain how this step results in a list of prioritised social issues, but it remains unclear how to identify and prioritise the issues. While Bockstette and Stamp (2011) emphasise the need to prioritise the issues internally to retain control, this thesis proposes to involve external stakeholders through the MA, since external stakeholders provide useful information on what issues are the most valued. In line with Burke and Logsdon (Burke and Logsdon 1996), managers first need to identify the critical stakeholders for achieving the organisation's mission before they can determine the CSR policies that will be socially valuable.
Stage 3. Create the business case

The profit-driven or mission-driven orientation of the organisation influences the choice of CSV investment. A profit-driven organisation tends to prioritise short-term initiatives with defined financial returns. Social and environmental considerations are therefore only legitimate in this model when they produce measurable and demonstrable results (Maltz and Schein 2012). In contrast, a mission-driven organisation is more open to discussing how long-term initiatives impact profitability and the organisational benefit may not need to be as explicit. The underlying drivers of an organisation therefore shape the CSV strategies.

After shortlisting the social issues, managers create the business case by examining how social improvements advance the organisational performance (Burke and Logsdon 1996, Porter et al. 2012, Pfitzer, Bockstette, and Stamp 2013). Managers define specific goals to unlock the organisation’s value to achieve change (Pfitzer, Bockstette, and Stamp 2013), the activities and costs involved in each opportunity (Porter et al. 2012) and how closely the issues fit the organisation’s mission and objectives (Burke and Logsdon 1996). The greater perceived congruence between shareholder and social value, the greater the consistency of the shared value initiative (Maltz and Schein 2012). Managers evaluate and measure the shared value initiatives by determining the ability to capture organisational benefits and the degree to which the action planned anticipates emerging social trends (Burke and Logsdon 1996). Based on these findings, managers decide whether or not to invest in each
initiative. Afterwards, the organisation mobilises a broad range of internal and external resources to achieve the objectives (Pfitzer, Bockstette, and Stamp 2013). This thesis proposes the BSC to assist managers in creating the business case for shared value strategies.

**Stage 4. Create the optimal innovation structure**

To ensure CSV initiatives fit with the organisation, managers create the organisation's optimal innovation structure depending on the risk level (Pfitzer, Bockstette, and Stamp 2013). The organisation develops CSV with a legacy business when it has a clear social purpose, target and process, and the competencies required to create social value and financial returns. When the social venture will take a long time to become profitable, the organisation establishes a semi-autonomous unit. When the organisation lacks the expertise to develop an in-depth understanding of a social problem and a cost-effective solution, or an opportunity to address social needs does not provide clear profitability, it may finance external entrepreneurs or seek other sources of external funding (Pfitzer, Bockstette, and Stamp 2013). Alternatively, the organisation can co-create the CSV initiative with external stakeholders by involving them in identifying the problem and designing and implementing solutions thereby leveraging shared capabilities.

**Stage 5. Delivery: leveraging assets, efforts and partners**

The organisation organises multiple assets to address the issue, from goods and services to skills and influence (Bockstette and Stamp 2011). When combined, certain capabilities such as the supply-chain expertise, collaboration and research and development, support the creation of shared value (Maltz and Schein 2012). Then, the organisation manages efforts holistically across departments, aligning employees with the corporate objectives and purpose (Spitzeck and Chapman 2012) so that they understand shared value and have a sense of ownership. Next, the organisation develops broad stakeholder consultation processes engaging in collaborative partnerships, since stakeholder involvement drives CSV (Bockstette and Stamp 2011, Pfitzer, Bockstette, and Stamp 2013). While the authors suggest enlisting a range of stakeholders and leveraging their complementary capabilities they fail to explain how this happens. The researcher introduces the MA to assist in this collaboration.

**Stage 6. Track progress by measuring shared value**

Afterwards, managers estimate the organisational and social value (Pfitzer, Bockstette, and Stamp 2013) and track the progress of inputs, activities, outputs and financial performance relative to
projections (Porter et al. 2012). The organisation installs metrics to monitor intermediate progress, as benefits can take time to materialise.

**Stage 7. Management for performance: measuring and unlocking new value**

Then, managers use key indicators to measure progress against intermediate goals and communicate these so as to engage with external stakeholders (Bockstette and Stamp 2011). Since learning from measurements is central to improving the organisation's efforts, measuring results and using insights to unlock new value requires approaches to be reviewed and strategies redefined accordingly (Bockstette and Stamp 2011, Porter et al. 2012). This thesis introduces the BSC as a performance management system to review the CSV strategy periodically and the MA to communicate the progress of the initiatives externally and internally.

Additionally, de los Reyes et al. (2017) develop a comprehensive framework called CSV+ to assist managers in identifying the right CSV opportunities, and either use the norms already existing or, if these are missing, become a norm-maker. In CSV+, managers ask first if there is a societal or environmental need that the organisation is positioned to address and second if there are legitimate norms to follow.

In the end, implementing CSV requires complex management involving internal and external stakeholders to embed the concept into culture and vision, designing the strategy, planning the activities, budgeting, measuring and communicating progress. Dembek et al. (2016, 245) argue there is a need to “provide shared value with meaning and organisations with guidance how to implement it.” The different guidelines to implement CSV, however, do not explain how to involve stakeholders, or how to identify the issues and prioritise them, which renders the process more challenging. In parallel, some scholars believe CSV should not only be implemented internally in the organisation but also enhanced beyond its sphere of influence. The next section explains how an organisation can achieve this.

**2.3.3. Influencing transformations beyond the organisation**

Some scholars argue that a second organisation may replicate the CSV initiative and do it in the first organisation’s best interest, or at least in such a way as not to be detrimental to the first organisation, as well as for the social value it creates, under the resource-based perspective. Maltz and Schein (2012) determine four different approaches to influence a wider creation of shared value, which are: i) supply chain influence, ii) competitive response, iii) technology transfer and iv) partnerships with
Non-Governmental Organisations (henceforth NGOs). They found that the supply chain influence is the most used approach, due to its relatively easy measurement and the quick returns on investment. In this approach, however, management has to have the ability to collaborate and innovate. For example, the organisation influences the supplier to change its processes and reduce environmental impacts in a way that is likely to be a better fit for the organisation itself. For example, Hilton Worldwide influenced its supply chain by switching all egg usage to cage-free by 2017 and ensuring pigs are bred fairly by 2018 (Sustainable Hotel News 2015). Society benefits from the organisation’s reduction of its global footprint and improved ‘animal welfare’ and the organisation benefits from improved brand image.

Another way to enhance CSV is to influence the competitive response within and outside the organisation. Again, innovation is a central capability in research and development to maintain the long-term value associated with the CSV investment. For instance, enhancing the sustainability of the organisation’s supply base and sharing methodologies with competitors increases the stability of the supply base for the entire industry (Maltz and Schein 2012). By being the first organisation, they take all the risk but also most advantage.

The third way is by sharing technologies with other profit-seeking organisations. Resource Based View assumes that while organisations own the value-creating resources, sharing resources through alliances increases competitive advantage (Lavie 2006). Technology transfer in the hospitality sector, therefore, stands for “the ability of local nationals to adopt and adapt existing hotel systems, possibly to the point of creating new systems, to continuously satisfy both international and domestic demand for hotel services” (Pine 1992, 6). Examples are the implementation of green technologies which require collaboration (Maltz and Schein 2012) or international hotel groups expanding to developing countries that transfer technology to the new franchises. These processes are an important element in the long-term development of the hotel industry within those countries so as to match international travellers’ demands.

The fourth way is a long-term collaboration with an NGO with complementary capabilities. Strategic partnerships support the competitive advantage of the organisation when developing sector-specific CSR activities (Jamali and Keshishian 2009). Partnerships with NGOs facilitate co-determining the priority of sustainability responsibilities, shifting from the tangible (e.g. money) to the intangible outcomes (e.g. trust, reputation, human resources) (Nisar, Martin, and Seitanidi 2007). A better understanding of customer needs (Porter and Kramer 2011), and investment in trusting relationships
with non-traditional partners (e.g. NGOs and competitors) whose capabilities are complementary and synergistic (Maltz and Schein 2012), enhances the creation of CSV. Qualitative research suggests shared value is often implemented, creating standards and best practices (Maltz, Thompson, and Ringold 2011). For example, the cross-sector alliances between hospitality organisations and the International Tourism Partnership create a platform for sharing information among competitors, discussing sustainability issues and deciding practical solutions (International Tourism Partnership 2016). Organisations as the Rezidor Hotel Group, Marriot International and Starwood Hotels highlight the benefits of this long-term partnership (Tupen 2012). Another example is Meliá Hotels’ collaboration with TUI Travel in distributing an educational guide for purchasing souvenirs (Martínez and del Bosque 2013). Partnerships with non-traditional partners facilitate the co-creation of solutions for common sustainability issues and, in turn, integrate sustainability principles into the product design and corporate governance.

2.4. Conclusions

The complexity of CSR, regarding terminologies, definitions, strategies and activities hampers the management of the sustainable behaviour of an organisation and its potential to create competitive advantage. Nonetheless, scholars in general agree that CSR offers a viable business case for generating change. An organisation increases its competitive advantage by using its unique resources, improving reputation and minimising risks, legitimating its actions, addressing stakeholders’ requests or creating value for society and the organisation itself. Indeed, the latest evolutionary step of CSR assumes that ours is a win-win world, where managers do well for the organisation, the environment and society. The researcher acknowledges this is a highly optimistic, and potentially naïve view of the world. While CSV is still a relatively new concept, it is an opportunity to deal with social engagement as a long-term investment intrinsic to success, both within and outside the organisation’s influence. Previous research evidences the advantages of shared value (Bockstette and Stamp 2011, Spitzeck and Chapman 2012, Porter et al. 2012, Amah and Ahiauzu 2014), while acknowledges complexities in its concept (Elkington 2012, Crane et al. 2014), implementation (Bockstette and Stamp 2011, Corner and Pavlovich 2014) and measurement (Porter et al. 2012). The challenge here is not whether the vision is aspirational, but whether the hotel industry collectively has the strength to take shared responsibility to strive towards it.

As organisations have yet to achieve the transformation required to bring about this new approach, this study contributes to setting the sustainability agenda towards creating shared value in the hotel
industry and operationalise CSV. The different guidelines to implement shared value leave a number of questions open, such as how to involve stakeholders, identify the issues and prioritise them. The lack of an appropriate framework and methodology to guide an organisation in the management of CSV hampers the potential competitive advantage from sustainable behaviour. The MBSC framework aims to advance the management of shared value and clarify the links between the tangible and intangible results for the organisation and society (Chapter 4).

Studies investigating CSV remain generally conceptual, such as categorising corporations regarding social value (Moon, Pare, et al. 2011), extending the theoretical background of CSV (Lee et al. 2014) and differentiating business and ethics (Szmigin and Rutherford 2013). Others cover areas related to the environment (Spitzeck and Chapman 2012), social entrepreneurship (Pirson 2012), social innovation (Herrera 2015) and low-income markets (Michelini 2012, Michelini and Fiorentino 2012). Few scholars provide systematic and empirical studies (e.g. Maltz and Schein 2012). Recently, there has been an increase in research on the CSV concept (Dembek, Singh, and Bhakoo 2016), its application (Corazza, Scagnelli, and Mio 2017) and implementation guidelines for organisations (Tate and Bals 2018, de los Reyes, Scholz, and Smith 2017, Matinheikki, Rajala, and Peltokorpi 2017). Within this context, this thesis contributes to the normative and empirical research, by first developing a framework to operationalise CSV strategies (Chapter 4) and then theorising its value in the hotel industry (Chapter 7). The next chapter explains the tools the MBSC builds from, highlighting its advantages and challenges.
3. Instruments to achieve shared value

Chapter 3 investigates how to integrate sustainability performance into the business’ strategy, management and reporting (e.g. Schaltegger and Wagner 2006, de Villiers, Rouse, and Kerr 2016) by exploring the potential of selected instruments to achieve shared value. From a performance management perspective, the chapter introduces the Balanced Scorecard (henceforth BSC) and its adaptations to include sustainability. The choice of the BSC from the range of possible performance management systems responds to the resurgence of this tool for measuring and improving the managers’ performance and motivation in the pursuit of CSR goals (Rigby 2013, Bento, Mertins, and White 2017). Organisations apply the BSC to increase their effectiveness (Neely 2008b), including large hotel groups (Huckestein and Duboff 1999, Denton and White 2000, McPhail, Herington, and Guilding 2008, Fisher, McPhail, and Menghetti 2010, Baloglu et al. 2010, Chen, Hsu, and Tzeng 2011, Sainaghi, Phillips, and Corti 2013) and, to a lesser extent, small and medium size organisations (Bergin-Seers and Jago 2007). From a sustainability reporting perspective, the chapter focuses on the Inclusiveness, Materiality, Responsiveness and Assurance principles of AA1000SES as a stakeholder engagement standard that responds to stakeholder expectations across the critical processes within the organisation. International standards, such as AA1000SES, and guidelines for sustainability reporting, such as GRIG4, emphasise stakeholder engagement through the materiality assessment tool as the most important means to develop meaningful reports (GRI 2013a, AccountAbility 2015).

The use of Materiality Assessment (henceforth MA) for sustainability reporting is increasing across industries (Jones, Comfort, and Hillier 2016b, Jones et al. 2017, Jones and Comfort 2017). This chapter explains the theoretical foundations underpinning the MBSC to execute shared value, revealing the characteristics, strengths and weaknesses of each tool. Exploring the conceptual and implementation challenges contributes to identifying the differences, similarities and synergies of the tools.

The first section explains the BSC framework from its early definition as a performance measurement framework, integrating nonfinancial and financial measures to a performance management system. Then, due to the relationship between CSV, sustainability and broad stakeholder concerns, the section reviews extended BSC structures that address sustainability issues and stakeholder accountability more inclusively. Afterwards, it discusses the literature that integrates sustainability into the conventional BSC. The next section addresses sustainability reporting, focusing on the AA1000SES principles for stakeholder accountability: inclusiveness, materiality and responsiveness and the external assurance of reports. The section places particular importance on MA as the tool to integrate
into the BSC in order to realise sustainability strategies that create shared value. The last part discusses the complementarities between the BSC and MA.

3.1. BSC: a performance management tool

This section explains the BSC from its origin, concepts, strengths and weaknesses since a detailed understanding facilitates the development of the MBSC in Chapter 4.

By the end of the 20th-century, there was an increasing pace and level of change to strategies to manage intangible assets, such as customer relationships, employee skills and knowledge, innovative products and services, a climate encouraging innovation, and high-quality and responsive operating processes (Kaplan and Norton 2001b). The exclusive reliance on financial indicators, however, led to the sacrificing of long-term value for short-term performance (Porter 1991). The organisation was unable to measure the intangible assets (Johnson and Kaplan 1991), hampering the implementation of new strategies (Charan and Colvin 1999, Kaplan and Norton 2001b). Kaplan and Norton (1992) developed the performance measurement framework called BSC as a response to this. The BSC seeks to address, i) the increased concern over traditional financial accounting measures misleading managers in operational decision-making, and ii) the proliferation of new measures to capture those areas.

Initially, the BSC was a performance measurement tool that with time developed into a performance management system (Table 6). Through that process, Kaplan and Norton examined more than 300 organisations, producing a series of articles (Kaplan and Norton 1993, 1996a, c, 2000, 2001b, c, 2004a) and books (Kaplan and Norton 1996b, 2001a, 2004b, 2008). The BSC is now conceived as a performance management system that translates the organisation’s strategic goals into a set of interlinked financial and non-financial objectives that provide key performance indicators for management.
Table 6: Development of the BSC concept by Kaplan and Norton

<table>
<thead>
<tr>
<th>Year/text type</th>
<th>Publication title</th>
<th>Key areas covered</th>
</tr>
</thead>
<tbody>
<tr>
<td>1992/Article</td>
<td>The balanced scorecard—measures that drive performance</td>
<td>Introduction of balanced scorecard as a foundation for development</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Balanced scorecard is a superior performance measurement that uses both financial and non-financial measures</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Identification of the four perspectives: financial, customer, internal business, innovation and learning</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Balanced scorecard is forward-looking (long-term performance)</td>
</tr>
<tr>
<td>1993/Article</td>
<td>Putting the balanced scorecard to work</td>
<td>Balanced scorecard is not only a measurement exercise, it is also a management system to create breakthrough improvement</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Balanced scorecard has greatest impact when used to drive a change process</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Identification that transparency is critical to a successful balanced scorecard</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Measures on balanced scorecard must be specifically designed to fit firm’s mission, strategy, technology, and culture</td>
</tr>
<tr>
<td>1996/Book</td>
<td>The balanced scorecard: Translating strategy into action</td>
<td>Balanced scorecard has evolved from a measurement system to a strategic management system</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Identification of four major steps in successful balanced scorecard implementation</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Reclassification of “internal business process” and “learning and growth”, shifting innovation to internal business processes and adding growth element to employee learning</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Measures are linked to each other in a causal relationship, unlike before, linked to strategy and vision</td>
</tr>
<tr>
<td>2001/Book</td>
<td>The strategy-focused organisation: How balanced scorecard companies thrive in the new competitive environment</td>
<td>Translating the strategy to operational terms: building strategy maps</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Aligning the organisation to create synergies: creating business unit synergy</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Making strategy everyone’s everyday job: creating strategic awareness, defining personal and team objectives, the balanced paycheck</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Making strategy a continual process: planning and budgeting, feedback and learning</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Mobilising change through executive leadership</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Helps get the entire organisation involved in strategy</td>
</tr>
<tr>
<td></td>
<td></td>
<td>A visual cause-and-effect explanation of what’s working and what’s not, in a way that everyone in the company can understand</td>
</tr>
<tr>
<td>2004/Book</td>
<td>Strategy maps: Converting intangible assets into tangible outcomes</td>
<td>Alignment: a source of economic value</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Corporate strategy and structure</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Aligning financial and customer strategies</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Aligning internal process and learning and growth strategies: integrated strategic themes</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Cascading the process</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Aligning boards and investors</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Aligning external partners</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Managing the alignment process</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Total strategic alignment</td>
</tr>
</tbody>
</table>


3.1.1. Advantages

The BSC has several advantages highlighted by the concepts’ proponents in the normative literature (e.g., Kaplan and Norton 1996b) and confirmed in empirical research (Othman 2006, Lucianetti 2010, Madsen and Stenheim 2014a). This section presents these advantages, which are its managerial focus on strategy, the balance of measures, alignment of goals, communication and visualisation, cultural and motivational tool and change catalyst.

Managerial focus on strategy

The BSC translates strategy into operational goals, making managers focus on what is relevant in the long-term and assisting them in decision-making. The BSC captures tangible and intangible elements using four interconnected perspectives (Figure 1): Financial, Consumer, Internal, and Learning and Growth (e.g., Kaplan and Norton 1996b). An organisation decides a financial target (Financial perspective) and then establishes how the customer should see the organisation (Customer
perspective). Later the organisation identifies the internal processes needing improvement or design (Internal perspective). Finally, the organisation determines the required know-how to achieve the financial target and sustain it in time (Learning and growth perspective).

<table>
<thead>
<tr>
<th>Financial</th>
<th>To succeed financially, how should we appear to our shareholders?</th>
</tr>
</thead>
<tbody>
<tr>
<td>Customer</td>
<td>To achieve our vision, how should we appear to our customers?</td>
</tr>
<tr>
<td>Process</td>
<td>To satisfy our shareholders and customers, what business process should we excel at?</td>
</tr>
<tr>
<td>Learning &amp; Growth</td>
<td>To achieve our vision, how will we sustain our ability to change and improve?</td>
</tr>
</tbody>
</table>

**Figure 1: BSC perspectives**
Source: Author from Kaplan and Norton (1996b).

The Financial perspective represents the traditional approach to organisational success: long-term return on investment, commonly measured by profitability, growth and shareholder value (Kaplan and Norton 1996b). All the objectives and measures of the other perspectives link with the Financial perspective to achieve business results.

The Customer Perspective seeks to align the core customer measures – satisfaction, loyalty, retention, acquisition and profitability – to the targeted customers and market segments (Kaplan and Norton 1996b). The customer-value-proposition for each targeted segment defines a unique mix of product, price, service, relationship and image of an organisation (Kaplan and Norton 2001b). While remaining sensitive to the cost of the products, measurements include the value for the customers in time, quality, performance and service. After identifying how consumers see the organisation, the BSC deals with what the organisation must excel at in order to fulfil customers’ expectations and shareholder satisfaction.

The Internal perspective measures competencies and processes. According to Kaplan and Norton (2001b), an organisation can develop four high-level processes. First, ‘Build the franchise’ spurs innovation to develop new products and services in order to penetrate new markets and customer segments. Second, ‘Increase customer value’ expands and improves relationships with existing customers. Third, ‘Achieve operational excellence’ improves supply-chain management, internal processes, asset utilisation and resource capacity management. Fourth, ‘Become a good corporate
citizen’ establishes relationships with external stakeholders. A complete strategy should generate returns from all four processes (Kaplan and Norton 1996b), which closely relate to Porter and Kramer’s (2011) actions to create shared value: developing clusters for innovation, improving supply-chain management and building a meaningful relationship with stakeholders.

While the Customer and the Internal perspectives identify the most relevant parameters for competitive success, in a changing environment, how can an organisation continue to improve and create value when the targets for success keep changing? Kaplan and Norton’s (1996b) response is the investment in the ongoing improvement of people, systems and procedures, prioritising elements that serve to create an internal climate supporting change, innovation and growth. This perspective measures the internal learning needed to generate the right innovation to create shared value.

**Balance of measures**

The BSC reduces the information overload and the over-emphasis on financial measures and condenses data in one report that holistically expresses the organisation’s performance. An organisation would need between four and seven indicators for each perspective, developed into an integrated hierarchy (Kaplan and Norton 1996c). The BSC tracks the key performance indicators of a strategy (Kaplan and Norton 1993) and has been proven to improve the balance of financial and nonfinancial, short-term and long-term, and qualitative and quantitative success measures (Madsen and Stenheim 2014a). Restricting the number of measures focuses the attention towards those aspects expected to deliver competitive advantage.

Kaplan and Norton (1996a) distinguish between diagnostic and strategic measures. Diagnostic measures capture aspects that allow the organisation to operate, monitoring whether the organisation remains in control and signalling unusual events. Diagnostic measures are insufficient for achieving long-term goals and competitive success. Instead, strategic measures define a strategy for competitive excellence, dividing into complementary lagging and leading indicators.

Lagging indicators are generic to the sector, while leading indicators point towards processes unique to an organisation and its strategy. Lagging indicators express the result of the long-term strategy, thus remain backwards looking (Zingales, O’Rourke, and Hockerts 2002). For example, financial indicators, customer satisfaction or employee attitudes reflect how an organisation performed in the past but do not give insight into the performance of the coming year. Instead, leading indicators express how to achieve results by reflecting the distinctiveness of the organisation’s strategy. Leading indicators are known to act as ‘early warnings’ signalling the future performance (Madsen and
Stenheim 2014a). For example, the quality of the relationship between the organisation and its customers suggests a likelihood of achieving better customer satisfaction in the future. The lagging indicators without the leading indicators do not communicate how to achieve the outcomes. Conversely, leading indicators without lagging indicators enable the achievement of short-term operational improvements but fail to reveal the long-term success. A balanced mix of lagging and leading indicators enables an integrated strategy.

The BSC can assist managers to implement CSV strategies by balancing different measures that best capture the intangible assets leading to competitive advantage.

**Alignment of goals – cause-and-effect relationships**

Building these lagging and leading indicators into hierarchies creates the cause-and-effect chains between objectives and measurements to produce economic results (Figure 2). Since improvements in intangible assets affect financial outcomes (e.g. Huselid 1995), by linking and measuring those in units other than currency, the BSC becomes a “feed-forward control system” (Hoque 2014, 35) describing value-creating strategies. The cause-and-effect chains within the BSC can contribute to building a clearer business case for sustainability.

---

**Figure 2: The cause-and-effect relationships' strategy in the BSC**

Source: Kaplan and Norton (2001b, 91)
For each perspective (Financial, Customer, Internal and Learning and growth), managers define and articulate goals and measures at corporate and local levels through a top-down process. The BSC is best defined for operationalising and measuring strategies from Strategic Business Units (henceforth SBUs) (e.g. hotel properties within a chain). The BSC formalises the relationship between the corporate offices and the SBUs, involving the services shared within the organisation (e.g. human resources and marketing) (Zingales, O'Rourke, and Hockerts 2002). SBUs can facilitate a streamlining of the sustainability issues across the entire value chain where common problems are the isolation between departments and the short-term versus long-term sustainability objectives. Since SBUs drive shared value strategies and decisions, the role of the SBUs in measuring social performance needs to increase (Porter et al. 2012). Cascading the BSC down through the organisation improves goal congruence by increasing the awareness of the long-term goals.

The BSC helps to bring a focus to critical management processes such as "departmental and individual goal setting, planning, capital allocations, strategic initiatives, and feedback learning" (Kaplan and Norton 1996b, 152) enabling an organisation to achieve performance breakthroughs within two to three years (Kaplan and Norton 2001b). The BSC becomes a management system linking long-term strategy to short-term actions (Kaplan and Norton 1996b). With the BSC, an organisation capitalises on existing resources available for long-term value creation.

**Communication and visualisation: The strategy map**

Communication is a common obstacle to strategy execution negatively impacting competitiveness (Beer and Eisenstat 2000, Hrebinjak 2006), which also affects the hotel industry (Weernink and Willemijn 2014). In response, Kaplan and Norton (2004b) developed the strategy map, which visualises the cause-and-effect relationships between the strategic objectives of the four perspectives (Figure 3) and has been empirically tested (Ittner and Larcker 1998, Banker, Potter, and Srinivasan 2000). The strategy map shows how an organisation converts intangible resources into tangible outcomes through the causal linkages assumed between strategic objectives.
A strategy map is a powerful tool for diagnosis, communication and performance improvement purposes (Kaplan and Norton 1996b, 2001b, Madsen and Stenheim 2014a, Hansen and Schaltegger 2016). As a diagnosis tool, it identifies gaps in strategies applied at lower levels of the organisation (Kaplan and Norton 2001b) and offers a model for adapting the organisation to contextual changes (Kaplan, Petersen, and Samuels 2012). For communication purposes, the strategy map provides a comprehensive view of the organisation performance measurement and management (Hansen and Schaltegger 2016) and facilitates discussion (Madsen and Stenheim 2014a). The generation of the strategy map enhances performance, as managers reflect on the operations and how those create value (Wilkes 2005, Othman 2006, Lucianetti 2010), can clarify the cause-and-effect links between CSV elements and align the internal resources. A lack of a strategy map, on the other hand, may decrease the organisation’s competitiveness (Lucianetti 2010).

Since performance improvements require organisational changes, the next section explains the role of the BSC in developing the culture and motivation of the employee so as to increase the organisation’s competitiveness.
Cultural and motivational tool

The BSC acts as a cultural and motivational tool when linked to personal objective setting and rewards programmes (Kaplan and Norton 1996b). The BSC changes how the organisation thinks by focusing its operations on the elements that led to better performance in the long-term. In the hotel industry, employees play a significant role in achieving service excellence and fulfilling customers' expectations (Berry 2000). Employees who perceive their work as being meaningful and for whom there is a good fit between their personal values and the brand values are more capable of transforming the brand promises into reality (Xiong and King 2015). To support this, managers integrate the personal objective setting and the rewards system after employees have learnt about the key strategic components (Kaplan and Norton 1996b). Unclear responsibilities and accountability for implementing decisions often obstruct strategy execution (Beer and Eisenstat 2000, Hrebiniak 2006). Linking the BSC measures to a reward system has therefore been found to be useful (Madsen and Stenheim 2014a). Motivation increases as a result of individual goal setting and explicit targets and incentives that encourage the right behaviour. The accountability for decisions also increases, which improves the execution of strategy (Porter et al. 2012). To advance the overall performance of the organisation and the employee effectiveness, however, organisational learning is needed that goes beyond simply generating the right behaviour and a supportive culture.

Change catalyst: double-loop learning

Organisational learning is essential to manage change for strategy execution (Beer and Eisenstat 2000, Hrebiniak 2006). The BSC encourages managers to review, test and validate the underlying assumptions of the strategy and values, examining the cause-and-effect relationships among leading and lagging indicators. As a consequence, the BSC emphasises strategic decision-making using both operational (single-loop) learning, from comparing the targets with the results and making the adjustments for operational efficiency, and strategic (double-loop) learning, from reflecting if the strategy remains viable to achieve the goals (Kaplan and Norton 1996c). Periodic meetings revisit the strategy and make collective decisions. Organisations without explicit cause-and-effect relationships between measures use the BSC simply as a control or measurement system, thus only achieving operational learning (Kaplan and Norton 1996c). These are important lessons to remember as this thesis aims to create an MBSC that advances the performance of an organisation implementing CSV.

Despite the multiple advantages, the BSC does not remain without criticism, and its challenges affect the creation of the MBSC.
3.1.2. Challenges

Challenges arise from the BSC concept and its implementation (Table 7), and the thesis takes these into account when designing an MBSC. This section expands Madsen and Stenheim's (2014b) classification of implementation challenges into five themes. At a conceptual level, it reviews the technical and cognitive barriers. At the implementation level, it identifies technical, cognitive and organisational issues. Later, section 4.2 explains how an MBSC addresses these conceptual shortcomings by integrating the MA and the solutions proposed by previous scholars. Section 4.5 briefly acknowledges the implementation challenges, which are dealt with case by case.

Table 7: Categories of challenges associated with the BSC

<table>
<thead>
<tr>
<th>Level</th>
<th>Theme</th>
<th>Challenge</th>
</tr>
</thead>
<tbody>
<tr>
<td>Conceptual</td>
<td>Technical</td>
<td>Double-loop learning</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Stakeholder concerns</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Measurement type</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Causal relationship – strategy map</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Perspectives and objectives</td>
</tr>
<tr>
<td></td>
<td>Cognitive</td>
<td></td>
</tr>
<tr>
<td>Implementation</td>
<td>Technical</td>
<td>Technical</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Organisational culture</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Participation</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Commitment</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Resistance</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Time and resources</td>
</tr>
<tr>
<td></td>
<td></td>
<td>The champion</td>
</tr>
<tr>
<td></td>
<td>Organisational</td>
<td>Continuity</td>
</tr>
</tbody>
</table>

Source: Author, 2015.

Conceptual challenges

The BSC concept can be problematised by studying first its technical and cognitive barriers. The technical barriers include four major issues. First, the fixed structure hampers the development of strategic learning (Nørreklit 2003) and second, the limited approach in respect to stakeholders hinders the inclusion of sustainability issues (Figge et al. 2002a). Third, applying the BSC to an organisation challenges its managers to choose the measures. While they ought to consider only strategic measures (Kaplan and Norton 1996b) research shows managers also include non-strategic measures (Malina and Selto 2001, Ittner and Larcker 2003, Bryant, Jones, and Widener 2004, Burney and Widener 2007). Fourth, managers experience difficulties in expressing the causal relationships between measures in the strategy map (Zingales, O'Rourke, and Hockerts 2002, Madsen and Stenheim 2014b).

At the cognitive level, the effectiveness of the BSC depends on how the concept is interpreted and adapted for use in a specific organisation (Lueg and Carvalho e Silva 2013, Madsen and Stenheim
A major cognitive barrier is the selection of perspectives and objectives (Laitinen 2003, Hoque 2014). The following paragraphs explain each of those challenges in detail.

a/ Technical

First, while the BSC encourages strategic learning, its formal top-down control negatively influences employee effectiveness, inhibiting the ability of an organisation to adapt to change (Nørreklit 2003, Nilsen 2007). The BSC creates operational rules, procedures and rigidity when translating the organisation strategy into working tasks (O’Donnell et al. 2006), which leads to just a few senior managers choosing the indicators to report on (Nørreklit 2003, Cokins 2010). Employees seldom participate through incentives and allocation of resources (O’reilly and Chatman 1996), influencing negative reflective behaviour on the part of employees (Antonsen 2014). Employee effectiveness also decreases with more standardised, constrained and individualised work (Hackman and Wageman 2004). Strategic learning demands employee participation and bottom-up communication (Nørreklit 2003) since both individual and collective reflections promote organisational development (Van Woerkom 2004). In response to these challenges, the MBSC aims to facilitate collective-reflection through the MA (Section 3.3.2).

Second, early use of the BSC fails to focus on all the material issues of stakeholders because it responds to the needs of only particular stakeholder groups (Epstein and Wisner 2001a, Figge et al. 2002a, Van der Woerd and van Den Brink 2004). The BSC fails to recognise the contribution of suppliers (Neely, Adams, and Crowe 2001) and the community (Smith 2005) to the achievement of the objectives. To address this challenge, scholars have adapted the BSC to broaden the stakeholder focus and to include sustainability issues (Section 3.2). This represents a significant contribution to the process of building the MBSC because shared value require an organisation to engage with stakeholders not considered in the traditional scorecard.

Third, there is disagreement about the types of measures to include. Instead of including only strategic measures (Kaplan and Norton 1996b), organisations and external evaluators favour adding non-strategic measures (Lipe and Salterio 2000, Malina and Selto 2001, Ittner and Larcker 2003, Bryant, Jones, and Widener 2004, Burney and Widener 2007). The inclusion of non-strategic measures, known as diagnostic measures, changes the purpose of the BSC from strategic to operations management, therefore it is argued here that the MBSC should not include non-strategic measures. Rather, as Kaplan and Norton (1996b) argue, a balanced mix of strategic measures, including lagging and leading indicators, is crucial to establishing integrated strategies. The MBSC, does not propose
specific measures since those are dependent on the strategy. Instead, it leaves to the management the decision as to which lagging and leading indicators to include.

Fourth, central to evaluating trade-offs and managing a strategy are the causal relationships between objectives and the four perspectives. The BSC's sub-optimal use as a means to review strategy can come about due to weak cause-and-effect links between objectives (Braam and Nijssen 2004, Davis and Albright 2004). A failure to have sufficiently clear cause-and-effect links between measures results in fewer performance improvements. While a strategy map clarifies the causal links (Kaplan and Norton 2001b, 2004b), few organisations develop such a map because of the complexity of making those links clear (Zingales, O'Rourke, and Hockerts 2002, Madsen and Stenheim 2014b). Scholars critique the strategy map in that it does not show how trade-offs between conflicting objectives are handled (Hansen and Schaltegger 2017) and because it contains a mix of objective and subjective relationships, not always statistically validated (Sundin, Granlund, and Brown 2010). Still, the BSC is increasingly used across a variety of sectors (Zingales, O'Rourke, and Hockerts 2002, Ittner, Larcker, and Randall 2003, Marr et al. 2005, Lucianetti 2010). Clarifying the causal linkages, either statistical or subjective, between CSV elements remains necessary to facilitate the BSC implementation as a performance management tool.

b/ Cognitive

The effectiveness of the BSC depends on how the concept is interpreted and used. When used only as a performance measurement system, the BSC decreases the organisation’s performance, but when used as a performance management system, it increases performance (Braam and Nijssen 2004, Davis and Albright 2004, De Geuser, Mooraj, and Oyon 2009). Selecting the perspectives (Laitinen 2003) and identifying the relative importance and trade-offs between these (Cokins 2010, Hoque 2014) remains a challenge. The BSC fails to specify how to handle those trade-offs (Jensen 2002). Solutions proposed are integrating the BSC with performance management operations that deal with trade-offs (Cokins 2010), or leaving these decisions to the manager (Kaplan and Norton 2001b). The MBSC follows the Hansen and Schaltegger (2017) view that tensions and trade-offs should be addressed as part of the strategy-making process, when managers clarify how to position the organisation in respect to those difficult choices (selecting the perspectives, indicators and building the causal relationships), and also that some degree of decision-making and problem-solving capability should be delegated to the unit managers, as indeed is supported by empirical research (Sundin, Granlund, and Brown 2010).
Implementation challenges

At the implementation level, challenges arise from the organisation’s technical, organisational and cognitive issues. Technical issues occur when developing an infrastructure to support the BSC, since, being an organisation-wide performance management system, it requires sound information technology to collect and manage all necessary data (Kaplan and Norton 1996b). The organisations already using the BSC are the most technologically prepared to adapt to the MBSC because they can use the same technical infrastructure and informatics system. Organisational issues include time and resource consumption, lack of an employee responsible for the BSC (e.g., a sustainability champion) and turnover threatening the continuity (Zingales, O’Rourke, and Hockerts 2002, Madsen and Stenheim 2014b). Cognitive issues refer to the behavioural response to implementing the BSC. Cognitive issues include lack of alignment with the organisational culture (Butler, Letza, and Neale 1997), lack of commitment from top management (Zingales, O’Rourke, and Hockerts 2002), lack of participation (Madsen and Stenheim 2014b) and employee resistance to change (Zingales, O’Rourke, and Hockerts 2002, Madsen and Stenheim 2014b). Hence managers can only implement the MBSC when an organisation is committed to advancing its CSR strategy, which already presupposes a change in the mindset of the managers to be more sustainability-oriented, minimising the cognitive issues raised above. The MBSC results from a wider stakeholder engagement through the MA. The impacts of the cognitive and organisational challenges depend on the top management commitment to advancing CSR and the existence of a BSC previously in use. The MBSC deals with the technical, organisational and cognitive issues case by case.

Despite the challenges discussed above, academics recognise that the BSC is a useful tool for performance measurement and management (Atkinson et al. 1997, Hoque 2014, Hansen and Schaltegger 2016). Hence, the MBSC in Chapter 4 starts from Kaplan and Norton’s BSC and the multiple variations developed by former scholars to include sustainability issues and stakeholders, as covered in the following sections.

3.2. BSC modifications: Overcoming the challenges

To enable the execution of sustainability strategies, several scholars have modified the traditional BSC (Table 8). These sustainability-oriented BSCs are referred to as Social and Environmental Scorecards (Johnson 1998, Epstein and Wisner 2001a, b), Sustainability Balanced Scorecards (Figge et al. 2002a, b, Wagner 2007, Searcy 2012), and Responsive Business Scorecards (Van der Woerd and van Den Brink 2004). This thesis refers to all scorecards integrating sustainability as Sustainability
Balanced Scorecards (henceforth SBSC). An SBSC implements corporate strategy and supports the elements of sustainability relevant to the organisation’s success. SBSCs share the aim to integrate sustainability into corporate strategy but differ in their approach and in the detail of the identification and prioritisation of sustainability issues, their integration into perspectives, and in the cause-and-effect links between issues and their measurement. This section focuses on the need (1) to be more inclusive of sustainability issues by building a social purpose and, (2) to increase stakeholder accountability.

The integration of sustainability into the BSC usually results in hierarchically extended designs reflecting cause-and-effect relationships among traditional and new perspectives. While cause-and-effect links are an essential component of the BSC, few articles address them visually through the strategy map (e.g. Reefke and Trocchi 2013), fewer still offer a full explanation, and only Tsai et al. (2009) empirically test the relationship between perspectives. Scholars create scorecards mostly at the corporate level (e.g. Möller and Schaltegger 2005, O’Donnell et al. 2006), followed by Strategic Business Units (e.g., Hahn and Wagner 2001, Van der Woerd and van Den Brink 2004) and Shared Business Units (e.g. Epstein and Wisner 2001b, Chalmeta and Palomero 2011). Then, scholars provide example indicators (Denton and White 2000, e.g. Dias-Sardinha and Reijnders 2005) but few distinguish between lagging and leading indicators (Bieker and Waxenberger 2002, Schaltegger 2011). Better understanding the potential benefits and the shortcomings of these attempts lays the foundation for the MBSC.
### Table 8: Review of previous Sustainability Balance Scorecards

<table>
<thead>
<tr>
<th>Author</th>
<th>Topic</th>
<th>Sustainability Integration</th>
<th>Perspectives</th>
<th>Cascading down</th>
<th>Cause-and-effect links</th>
<th>Issues</th>
<th>Stakeholders</th>
<th>Indicators</th>
<th>Measurement</th>
</tr>
</thead>
<tbody>
<tr>
<td>(Denton and White 2000)</td>
<td>Community</td>
<td>✓</td>
<td>✓ ✓ ✓ ✓</td>
<td>✓</td>
<td>✓</td>
<td>✓ □</td>
<td>✓ ✓ ✓ ✓</td>
<td>✓ ✓ ✓ ✓ □</td>
<td>✓ ✓ ✓ ✓ ✓</td>
</tr>
<tr>
<td>(Möller and Schaltegger 2005)</td>
<td>Sustainability</td>
<td>✓</td>
<td>✓ ✓ ✓ ✓ Environmental</td>
<td>✓</td>
<td>✓</td>
<td>✓ □</td>
<td>✓ ✓ ✓ ✓</td>
<td>✓ ✓ ✓ ✓</td>
<td>✓ ✓ ✓ ✓ ✓</td>
</tr>
<tr>
<td>(Panayiotu, Aravossis, and Moschou 2009)</td>
<td>Sustainability</td>
<td>✓</td>
<td>✓ ✓ ✓ ✓ Customers (External Stakeholders) Growth (L&amp;G)</td>
<td>✓</td>
<td>✓</td>
<td>✓ □</td>
<td>✓ ✓ ✓ ✓</td>
<td>✓ ✓ ✓ ✓</td>
<td>✓ ✓ ✓ ✓ ✓</td>
</tr>
<tr>
<td>(Zingales 2010)</td>
<td>Sustainability</td>
<td>✓</td>
<td>✓ ✓ ✓ ✓ Customers (Stakeholders) Development &amp; Growth (L&amp;G)</td>
<td>✓</td>
<td>✓</td>
<td>✓ □</td>
<td>✓ ✓ ✓ ✓</td>
<td>✓ ✓ ✓ ✓</td>
<td>✓ ✓ ✓ ✓ ✓</td>
</tr>
<tr>
<td>(Huang, Pepper, and Bowrey 2014)</td>
<td>Sustainability</td>
<td>✓</td>
<td>✓ ✓ ✓ ✓ Customers (Suppliers)</td>
<td>✓</td>
<td>✓</td>
<td>✓ □</td>
<td>✓ ✓ ✓ ✓</td>
<td>✓ ✓ ✓ ✓</td>
<td>✓ ✓ ✓ ✓ ✓</td>
</tr>
</tbody>
</table>

**Hierarchical Design**

<p>| (Denton and White 2000) | Community | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ |
| (Möller and Schaltegger 2005) | Sustainability | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ |
| (Panayiotu, Aravossis, and Moschou 2009) | Sustainability | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ |
| (Zingales 2010) | Sustainability | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ |
| (Huang, Pepper, and Bowrey 2014) | Sustainability | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ |</p>
<table>
<thead>
<tr>
<th>Reference (Authors and Year)</th>
<th>Sustainabili ty</th>
<th>Society &amp; Planet/ Social &amp; Environmental</th>
<th>Sustainability / Ecoefficiency (F) Stakeholders (C)</th>
<th>Operational (IP) Stakeholders (C) Development (L&amp;G)</th>
<th>Non-market</th>
<th>Community</th>
<th>Community (Non-market)</th>
</tr>
</thead>
<tbody>
<tr>
<td>(Epstein and Wisner 2001b, a)</td>
<td>✓ ✓ ✓ ✓ ✓</td>
<td>✓ ✓ ✓ ✓</td>
<td>✓ ✓ ✓</td>
<td>✓ ✓ ✓ ✓</td>
<td>✓ ✓ ✓ ✓</td>
<td>✓ ✓ ✓ ✓</td>
<td>✓ ✓ ✓ ✓</td>
</tr>
<tr>
<td>(Dias-Sardinha, Reijnders, and Antunes 2002)</td>
<td>✓ ✓ ✓</td>
<td></td>
<td>✓ ✓</td>
<td>✓ ✓</td>
<td>✓ ✓ ✓ ✓</td>
<td>✓ ✓ ✓ ✓</td>
<td>✓</td>
</tr>
<tr>
<td>(Chalmeta and Palomero 2011)</td>
<td>✓ ✓ ✓ ✓ ✓</td>
<td>Society/Socialal Technology Environmental</td>
<td>✓ ✓ ✓</td>
<td>✓ ✓</td>
<td>✓ ✓ ✓ ✓</td>
<td>✓ ✓ ✓ ✓</td>
<td>✓</td>
</tr>
<tr>
<td>(Hahn and Wagner 2001)</td>
<td>✓ ✓ ✓ ✓ ✓</td>
<td>Non-market</td>
<td></td>
<td></td>
<td>✓ ✓ ✓ ✓</td>
<td>✓ ✓ ✓ ✓</td>
<td>✓</td>
</tr>
<tr>
<td>(Figge et al. 2001, 2002b, a)</td>
<td>✓ ✓ ✓ ✓ ✓</td>
<td>Non-market</td>
<td></td>
<td></td>
<td>✓ ✓ ✓ ✓</td>
<td>✓ ✓ ✓ ✓</td>
<td>✓</td>
</tr>
<tr>
<td>(Hansen and Spitzeck 2011)</td>
<td>✓ ✓ ✓ ✓ ✓</td>
<td>Society/Socialal Technology Environmental</td>
<td></td>
<td></td>
<td>✓ ✓ ✓ ✓</td>
<td>✓ ✓ ✓ ✓</td>
<td>✓</td>
</tr>
<tr>
<td>(Hamner 2005)</td>
<td>✓ ✓ ✓ ✓ ✓</td>
<td>Operational (IP) Stakeholders (C) Development (L&amp;G)</td>
<td></td>
<td></td>
<td>✓ ✓ ✓ ✓</td>
<td>✓ ✓ ✓ ✓</td>
<td>✓</td>
</tr>
<tr>
<td>(Wagner and Schaltegger 2006)</td>
<td>✓ ✓ ✓ ✓ ✓</td>
<td>Non-market</td>
<td></td>
<td></td>
<td>✓ ✓ ✓ ✓</td>
<td>✓ ✓ ✓ ✓</td>
<td>✓</td>
</tr>
<tr>
<td>(Reefke and Trocchi 2013)</td>
<td>✓ ✓ ✓ ✓ ✓</td>
<td>Non-market</td>
<td></td>
<td></td>
<td>✓ ✓ ✓ ✓</td>
<td>✓ ✓ ✓ ✓</td>
<td>✓</td>
</tr>
<tr>
<td>(Hansen, Sextl, and Reichwald 2009, 2010)</td>
<td>✓ ✓ ✓ ✓ ✓</td>
<td>Community</td>
<td>Community (Non-market)</td>
<td></td>
<td>✓ ✓ ✓ ✓</td>
<td>✓ ✓ ✓ ✓</td>
<td>✓</td>
</tr>
<tr>
<td>(Kang et al. 2015)</td>
<td>Sustainability</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>Non-market</td>
<td>✓</td>
</tr>
<tr>
<td>--------------------</td>
<td>-----------------</td>
<td>---</td>
<td>---</td>
<td>---</td>
<td>---</td>
<td>-------------</td>
<td>---</td>
</tr>
<tr>
<td>(Schaltegger 2011)</td>
<td>Sustainability</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>Non-market</td>
<td>✓</td>
</tr>
<tr>
<td>(Maltz, Shenhar, and Reilly 2003)</td>
<td>Sustainability</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>Market (C) People (L&amp;G) Future/Innovation</td>
<td>✓</td>
</tr>
<tr>
<td>(Nikolaou and Tsalis 2013)</td>
<td>Sustainability</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>Stakeholders (C)</td>
<td>✓</td>
</tr>
</tbody>
</table>

**Semi hierarchical design**

| (Van der Woerd and van Den Brink 2004) | Responsibility | ✓ | ✓ | ✓ | ✓ | Society and Planet Social and Environmental | ✓ | ✓ | ✓ | ✓ | ✓ |
| (Tsai, Chou, and Hsu 2009) | Sustainability | ✓ | ✓ | ✓ | ✓ | Stakeholders (C) | ✓ | ✓ | ✓ | ✓ | ✓ |
| (Dias-Sardinha and Reijnders 2005) | Sustainability | ✓ | ✓ | ✓ | ✓ | Sustainability (F) Stakeholders (C) | ✓ | ✓ | ✓ | ✓ | ✓ |

**Non-hierarchical design**

<p>| (Bieker and Waxenberg 2002) | Integrity | ✓ | ✓ | ✓ | ✓ | Society/Societal | ✓ | ✓ | ✓ | ✓ | ✓ |
| (Bieker 2002, 2003) | Sustainability | ✓ | ✓ | ✓ | ✓ | Society/Societal | ✓ | ✓ | ✓ | ✓ | ✓ |
| (O'Donnell et al. 2006) | Innovation | ✓ | ✓ | ✓ | ✓ | Network stakeholder value (F) Customer partnerships (C) Business-network processes (IP) | ✓ | ✓ | ✓ | ✓ | ✓ |</p>
<table>
<thead>
<tr>
<th>(Hubbard 2009)</th>
<th>Sustainabili ty</th>
<th>✓</th>
<th>✓</th>
<th>✓</th>
<th>Society/Societal Environmental</th>
<th>✓</th>
<th>✓</th>
<th>✓</th>
<th>✓</th>
<th>✓</th>
<th>✓</th>
<th>✓</th>
<th>✓</th>
</tr>
</thead>
<tbody>
<tr>
<td>(Sarkis et al. 2010)</td>
<td>Supply Chain Management</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>Environment Innovation and learning (L&amp;G)</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Source: Author, 2015
3.2.1. To include sustainability issues

An SBSC functions as a multidimensional performance measurement and management tool incorporating market and non-market sustainability issues and processes, on the basis that both affect the organisation’s success. Market issues have a direct impact on the financial goals, e.g. costs for CO₂ emissions or savings in energy through efficiency (Figge et al. 2002a, Schaltegger 2011). At the same time, non-market issues indirectly affect the economic success of an organisation (Figge et al. 2002a, Schaltegger 2011), e.g. a supplier’s use of child labour can translate into negative brand reputation. Socio-cultural, legal and political aspects conform the non-market environment (Schaltegger 2011). Socio-cultural issues involve the legitimisation of business activities, products and services, traditions, social values, media reactions and public opinion. Voluntary standards of sustainability management, e.g. the International Organisation for Standardisation are part of the ethical commitment of an organisation. Legal aspects include the changes in laws and regulation that may impose higher costs on the organisation. Political issues include both the governmental and political changes within the organisation. The SBSC considers both market and non-market processes since they each affect the organisation’s success.

Particularly, externalities are both positive and negative non-market aspects not captured by market transactions and arising as a consequence of an organisation’s economic activity on unrelated third parties. An externality is a cost or benefit that affects a stakeholder who did not choose to incur that cost or benefit (Buchanan and Stubblebine 1962). Positive externalities add value to the economy not reaped by the stakeholder creating them, while negative externalities remove value not paid by the causing stakeholder. Previous scholars have incorporated externalities in multiple ways through a specific perspective called non-market (e.g., Figge et al. 2002b, a, Schaltegger 2011), as further detailed in Section 3.2.2.1.

In practice, organisations incorporate sustainability in their BSC at the corporate level as corporate themes, cascading down to the SBUs, or building awareness (Zingales, O'Rourke, and Hockerts 2002). At corporate level, managers either establish corporate themes with single indicators, such as ‘environmentally friendly’, or they aggregate multiple sustainability impacts in indexes such as ‘corporate social responsibility’ or ‘environmental reputation’ (Figure 4). Then, managers cascade the themes down to the SBUs. Depending on the ‘weight’ those issues have, the SBUs incorporate more or fewer sustainability-related measures as environmental indicators (Internal perspective), reputation index and external stakeholder relation scores (Customer), or employee retention rates (Learning and growth). Other organisations use the BSC to create awareness of sustainability issues
between the different SBUs by inviting the SBUs to build the BSC. The following section discusses the alternatives, strengths and weaknesses of the SBSC for informing the MBSC.

Figure 4: Example of an applied SBSC. The strategy map of Shell

3.2.2. Determining the design of the MBSC from previous scholars' work

Two variables determine the structure of the SBSCs (Hansen and Schaltegger 2016) (Figure 5): a) the sustainability strategy influences the degree of sustainability integration within a traditional BSC (add-on, partial, full integration and extended) and b) the organisational value system influences the hierarchy and the cause-and-effect chains among perspectives (strictly hierarchical, semi-hierarchical and non-hierarchical). Hansen and Schaltegger (2017) argue that this two-contingency dimensional typology provides guidance as to how best to choose an appropriate SBSC design, but acknowledge that exceptions and intended and unintended misfits exist in practice between the SBSC design, the sustainability strategy and the organisational value system: for example, when an organisation decouples its SBSC design from actual practice as an external legitimacy seeking strategy. This section outlines the alternatives to justify the choices for the MBSC.
3.2.2.1. Sustainability integration

The sustainability strategy usually determines the degree of sustainability integration within a traditional BSC (Figure 6), although there are some cases that can contradict this continuum model (Hansen and Schaltegger 2017). A separate scorecard is usually used in reactive strategies, an ‘add-on’ model in defensive strategies, a ‘partial’ or ‘full integration’ in accommodative strategies, and an ‘extended’ integration in proactive strategies (Gminder and Bieker 2002). The next paragraphs explore the different options for shared value management.
Formulating a parallel environmental/social scorecard does not fully integrate sustainability into mainstream business management (Epstein 1996, Figge et al. 2002a). Butler et al. (2011) recommend creating a separate scorecard only when an organisation i) does not have an existing BSC and wants to integrate sustainability without adopting a full-scale BSC, and ii) does not wish to change a functioning BSC. To achieve shared value, sustainability must be embedded at the core of the organisation’s operations and, consequently, this option is unsuitable for an MBSC.

Second, the ‘add-on’ model offers a non-market perspective that treats sustainability as an externality (e.g., Hahn and Wagner 2001, Figge et al. 2002a, Schaltegger 2011). Scholars have previously used a non-market perspective when environmental or social aspects affected the non-market context of an organisation (Hahn and Wagner 2001) or when those aspects related to stakeholders who are not contractual partners of the organisation, e.g. the community (Gminder and Bieker 2002). While an organisation might need additional performance perspectives (Kaplan and Norton 1996a, Epstein 1996, Deegen 2001, Figge et al. 2002a, b) the “Add-on” model manages sustainability objectives separately from the main corporate strategy, and thus risks being side-lined (Hansen and Schaltegger 2016, 13).
This choice has therefore been viewed as an option of last resort (Figge et al. 2002a) when managers cannot integrate sustainability objectives into existing perspectives, and, in such a circumstance, the add-on perspective needs to link to essential management processes if it aims to create shared value.

Third, integrating sustainability into the BSC perspectives, with either a ‘partial integration’ or a ‘full integration’ of sustainability, results in the BSC remaining almost entirely in the economic sphere (Figge et al. 2002a). Partial integration contains sustainability within some of the traditional perspectives and core operations, thus representing a narrow approach that hinders the creation of shared value. For example, the Internal process perspective incorporates safety, environment and community well-being under the umbrella of quality (Epstein and Wisner 2001b, Joseph 2008). Full integration includes sustainability aspects in the four traditional perspectives making sustainability an integral part of the conventional BSC. For example, a fully integrated SBSC includes green capabilities and intellectual capital in the Learning and growth perspective (Claver-Cortés et al. 2007). The market share of green products is located in the Customer perspective (Van der Woerd and van Den Brink 2004). The Internal process perspective encompasses sustainability innovation (Maltz, Shenhar, and Reilly 2003) and the Financial perspective integrates cost reduction through eco-efficiency (Dias-Sardinha, Reijnders, and Antunes 2002). Full integration is appropriate for an organisation having an all-encompassing definition of sustainability, or when it already has a BSC established and wants to include sustainability aspects (Butler, Henderson, and Raiborn 2011). Nevertheless, environmental and social aspects link through cause-and-effect to financial results and to manage shared value-creating strategies not only financial results must be achieved, but must lead to social results. Accordingly, the MBSC needs to expand into the social and environmental spheres.

The MBSC takes the "extended" approach, which integrates sustainability into all perspectives (Learning and Growth, Internal Processes, Customer and Financial) but also adds an additional perspective for sustainability issues that by themselves do not contribute to short-term financial success (A3 from Figure 5). For example, Figge et al. (2002a) include a non-market perspective while Hansen et al. (2010) include a Community contribution perspective. Alternatively, Chalmeta and Palomero (2011) add three new perspectives called Technologies, Social and Environmental. Organisations increase the number of perspectives to apply the SBSC and to increase the social and environmental commitment (Figge et al. 2002a, Chalmeta and Palomero 2011). Nevertheless, increasing sustainability perspectives also increases the risk of isolating sustainability issues from the corporate strategy since in practice each perspective ends up having its specialist. Despite the
challenge of limiting ‘add-on’ perspectives, however, the extended design remains the most adequate to create shared value because it is appropriate to manage strategic CSR (Gminder and Bieker 2002).

### 3.2.2.2. Hierarchy and organisational values: cause-and-effect chains

The organisation’s values system influences the cause-and-effect links and, through them, determines if the SBSC is appropriate for managing a strategy (Van Marrewijk 2004, Hansen and Schaltegger 2016). SBSCs are usually strictly hierarchical for a profit-driven organisation explained by the instrumental theory, semi-hierarchical for a care-driven organisation explained by social/political and normative theories, and non-hierarchical for a systemic-driven organisation explained by normative theories (Van Marrewijk 2004, Hansen and Schaltegger 2016). Still, all SBSC designs—regardless of value system and hierarchy—can be grounded in all three theoretical perspectives (Hansen and Schaltegger 2017). Although most SBSCs take a single perspective, a few apply multiple theoretical perspectives according to the changes of the managerial motivation when implementing the SBSC (Hansen and Schaltegger 2016, Bento, Mertins, and White 2017). The organisational structure also constrains the cause-and-effect chains (Hansen and Schaltegger 2016): a limited public organisation engages in hierarchical designs, while family owned or public–private owned organisations, cooperatives and hybrid organisations usually build semi-hierarchical or non-hierarchical architectures.

Non-hierarchical SBSCs interlink all perspectives with objectives and measures but do not build linear cause-and-effect chains (Hansen and Schaltegger 2016) (Figure 7) because those are not sufficient to manage an organisation in a disruptive environment (O’Donnell et al. 2006). Hubbard’s (2009) non-hierarchical SBSC (Figure 5: C0) adds up indicators into a single score through aggregated weighting systems (Jensen 2001), but these do not reveal the interdependencies between the various performance outcomes and drivers (Sundin, Granlund, and Brown 2010). The drawbacks of non-hierarchical SBSCs include a difficulty in maintaining focus and a lack of commitment to organisations and people (Van Marrewijk 2004), difficulty in making trade-offs (Jensen 2001) and uncertain feasibility in practice (Van der Woerd and van Den Brink 2004). So far, non-hierarchical SBSCs have remained conceptual approaches (Hansen and Schaltegger 2016, 2017). The complexity of non-hierarchical SBSCs hinders their application to manage strategy, and they are therefore, not appropriate for the MBSC.
Semi-hierarchical SBSCs reject cause-and-effect relationships (Chen, Hsu, and Tzeng 2011) and recognise multiple goals and stakeholders in a particular perspective (Dias-Sardinha, Reijnders, and Antunes 2002, Van Marrewijk 2004, Van der Woerd and van Den Brink 2004, Tsai, Chou, and Hsu 2009). Semi-hierarchical scorecards deal with conflicting stakeholder interests (Hansen and Schaltegger 2016, Brignall 2002) (Figure 8). Dias-Sardinha and Reijnders (2005) replace the Customer perspective with one for Stakeholders and the Financial perspective with one for Eco-efficiency or Sustainability (Figure 5: B2). Van der Woerd (2004) renames the traditional perspectives linking them to specific stakeholders and adds a dedicated sustainability perspective (Figure 5: B3). Tsai et al. (2009) replace the Customer perspective with one for Stakeholders. All the previous cases recognise stakeholders in the day-to-day operations (Munilla and Miles 2005, Perrini and Tencati 2006). Then, while Dias-Sardinha and Reijnders (2005) do not refer to the cause-and-effect links, Van der Woerd (2004) relate some of, but not all, the perspectives linearly, and only Tsalis et al. (2009) test cause-and-effect relationships between perspectives.

Multiple organisations embrace semi-hierarchical SBSCs (Hansen and Schaltegger 2016) avoiding interconnecting all perspectives (Chen, Hsu, and Tzeng 2011) and pursuing environmental and social objectives independently. In such a situation, first, stakeholders should not have a specific position in the BSC (Kaplan and Norton 1996b), and second, to manage strategy, all topics need to link through cause-and-effect chains (Kaplan and Norton 1996b). Furthermore, implementing semi-hierarchical SBSCs is a time-consuming group process (Van Marrewijk 2004) and requires new learning (Van der Woerd and van Den Brink 2004). By rejecting cause-and-effect relationships and explicitly recognising multiple stakeholders in a particular perspective in the BSC, semi-hierarchical SBSCs are more likely to be used as performance measurement systems only.
Hierarchical SBSCs (Figure 9) meanwhile, include all strategic goals directly or indirectly contributing to financial outcomes, including environmental and social objectives, and with either statistically verifiable (Kaplan and Norton 2001c) or socially constructed cause-and-effect chains (Sundin, Granlund, and Brown 2010). The main criticism of hierarchical SBSCs is the difficulty in establishing cause-and-effect chains between perspectives, with reliance placed predominantly on qualitative measures (Anand, Sahay, and Saha 2005). Furthermore, organisations aiming at higher levels of sustainability find themselves constrained by strict causal relationships (Van der Woerd and van Den Brink 2004). Not complying with cause-and-effect relationships, however, carries a higher risk of the scorecards being used only as performance measurement systems (Kaplan and Norton 2001b, 2004b, Kaplan 2008). Moreover, even strictly hierarchical SBSCs can support sustainability transformation if they implement proactive strategies that align profits with advancing sustainability (Hansen and Schaltegger 2017). To manage shared value strategy within a profit driven organisation, therefore, the MBSC has a hierarchical structure that links stakeholders and financial value through cause-and-effect chains.
So far the chapter has made a case for a strictly hierarchical MBSC model, with an extended design with full integration and add-on sustainability aspects. While nonconventional hierarchies hold a greater potential for radical innovation towards sustainability (Hansen and Schaltegger 2016), there is limited empirical evidence of their effectiveness (Hansen and Schaltegger 2016, 2017). The researcher argues that the MBSC is intended as a rational advancement in performance measurement and management, similarly to previous SBSCs underpinned by the instrumental stakeholder theory. The MBSC is designed for integrative sustainability management in “for profit” organisations. The MBSC is a result of listening to relevant stakeholders, considering the issues that are material to them, and integrating those concerns in the organisational operations. The recognition of a broader set of sustainability issues and stakeholders leads to improved performance (e.g. Johnson 1998, Sundin, Granlund, and Brown 2010). The next section addresses the need for stakeholder inclusiveness when constructing a BSC.

### 3.2.3. To increase stakeholders’ accountability

How an organisation performs from a stakeholder perspective has become a priority, because careful management of stakeholders’ interests brings value and increases performance. Since stakeholders are ever more concerned about environmental and social issues (Brunk and Blümelhuber 2011), organisations need to manage these concerns by aligning their activities accordingly (Calabrese, Costa, and Rosati 2015). Scholars agree on the need to involve stakeholders in the definition of the corporate strategy (e.g. Wheeler and Sillanpa 1998, Costa and Menichini 2013) and increasingly
debate the role of stakeholder engagement in integrating sustainability into management systems (Seuring and Gold 2013, Ferri, Pedrini, and Pilato 2016). Stakeholder scorecards identify the organisation’s main groups of interest, and their claims, and define the organisation’s goals, measures and targets (Atkinson, Waterhouse, and Wells 1997).

Some argue that the traditional BSC already considers the claims of the relevant stakeholders without the need for an independent perspective (Kaplan and Norton 1996b, Bieker 2002, Hubbard 2009). The BSC explicitly recognises the interest of shareholders and customers and implicitly acknowledges employees and suppliers. This approach, however, neglects the demands of societal stakeholders with legitimate claims on the organisation (e.g. NGOs). Other scholars add a perspective aimed to fit with a specific group of stakeholders (Bieker 2002, Van der Woerd and van Den Brink 2004, Chalmeta and Palomero 2011) (Figure 10), but this is achieved at the expense of losing the cause-and-effect chains (Hansen and Schaltegger 2016). Thus, those scorecards are inappropriate for strategic management and only useful for an organisation without synergies across SBUs (Kaplan and Norton 2001b), or when the organisation pursues a strategy to satisfy multiple stakeholders and goals (Sundin, Granlund, and Brown 2010).

![Figure 10: Example of Non-hierarchical Stakeholder Scorecard](image)


Instead, others re-name one or more traditional perspectives (e.g. Stakeholders instead of Customer perspective) while maintaining the hierarchical structure of the BSC and its cause-and-effect linkages (Dias-Sardinha, Reijnders, and Antunes 2002, Hansen, Sextl, and Reichwald 2010, Nikolaou and Tsalis 2013) (Figure 11). Having examined the alternatives, the researcher supports the view of scholars that the traditional BSC exhibits a narrow approach to the identification of stakeholders and thus argues for the need to recognise the contribution of a broader range of stakeholders while maintaining the cause and effect chains. Within the MBSC, the overlapping concerns from multiple stakeholders and the organisation affect the latter’s competitive strategy and thus need to be included within the MBSC.
Taking into account stakeholder concerns when making decisions requires negotiating conflicting objectives (Roberts 1992, Bellantuono, Pontrandolfo, and Scozzi 2016), with stakeholders influencing the organisation’s priorities for action. Organisations must manage these conflicts and may need to give preference to one stakeholder group over another. The organisation may take an institutional approach, by which it will give priority to those groups with greater capacity to influence the value of the organisation (Jones, Felps, and Bigley 2007). Otherwise, the organisation may take a normative perspective, where legitimacy is the key quality determining which stakeholders shall be engaged (Berman et al. 1999). In either case, it is fundamental to have a clear stakeholder culture, purpose and agreed outcomes for engaging with each stakeholder group (AccountAbility 2015). As Jones et al. (2007) the organisation’s stakeholder culture determines who the relevant stakeholders are with whom the organisation shall engage. The stakeholder culture therefore imposes restrictions on the strategy since the input used in the Materiality Assessment for strategy definition varies according to the stakeholders engaged.
3.2.4. Advantages and shortcomings of BSC modification

An SBSC for sustainability management delivers a single integrated management system for managing the economic, social and environmental impacts of the organisation. An organisation using an SBSC exclusively for sustainability management may not therefore require parallel systems managing social, financial and environmental aspects (Hansen and Schaltegger 2016). An SBSC understands and deals with trade-offs among stakeholders, and empirical evidence supports the capability of managers to balance different objectives and trade-offs (Sundin, Granlund, and Brown 2010). The flexibility of an SBSC allows managers to choose the approach that fits best with the organisational culture, needs, and sustainability objectives (Butler, Henderson, and Raiborn 2011). An SBSC, therefore, builds a “shared understanding of reasons behind strategic relevance of selected sustainability issues” and “integrates strategically relevant sustainability issues with existing routines and business models” (Hahn and Figge 2018, 928). Since the use of an SBSC advances the CSR strategies from less to more proactive sustainability management, it is an appropriate tool to consider when pursuing shared value creation.

Nevertheless, the different approaches towards explicitly integrating sustainability within the BSC generate several challenges, including the limitations of the BSC, and other conceptual and implementation shortcomings of the SBSC (Table 9). This section reviews these in turn while also acknowledging how the MBSC aims to overcome these challenges.

Table 9: Categories of specific shortcomings associated with an SBSC

<table>
<thead>
<tr>
<th>Level</th>
<th>Theme</th>
<th>Challenge</th>
</tr>
</thead>
<tbody>
<tr>
<td>Conceptual</td>
<td>Cognitive</td>
<td>Unsuitability of the tool</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Reductive use of the instrument</td>
</tr>
<tr>
<td>Technical</td>
<td></td>
<td>Causal relationships</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Nonfinancial outcome measures at societal level</td>
</tr>
<tr>
<td>Implementation</td>
<td>Organisational</td>
<td>Cascading down to the SBU</td>
</tr>
</tbody>
</table>

Source: Author, 2015.

a/ Conceptual challenges

At the conceptual level, the main challenge arises with the cognitive level due to the unsuitability of the SBSC and the fact that the knowledge (or lack of it) that the organisation has of the SBSC determines its use. Technical shortcomings arise due to the causal relationships and the selection of nonfinancial measures.

First, academics contest the extent to which the SBSC is suitable for sustainability advancement. Hahn and Figge (2018) argue the SBSC is not a suitable tool for achieving transformational strategic change for sustainability beyond instrumentalism (2018). Hansen and Shaltegger (2017) respond that it is
not the task of an SBSC, or any other management control system, to initiate radical change but to support strategy implementation, and the strategy is in place beforehand. Additionally, Hahn and Figge (2018) add that the SBSC would reinforce, justify and stabilise unsustainable business models and practices. Any organisational policies, structures, and processes purposely increase the formalisation and consequently stabilisation of the organisation, however (Hansen and Schaltegger 2017). Van der Woerd and van Den Brink (2004) previously recognised that an SBSC can become a barrier to change if applied too rigidly, but as Hansen and Schaltegger (2017, 14) explain: “The SBSC is one approach in a wide range of sustainability management tools, each with different strengths and weaknesses, and their effectiveness depends on the strategy behind them, how they are designed, and how they are combined and implemented.”

Second, scholars acknowledge the reductive use of an SBSC, with trade-offs favouring short-term financial performance with associated “purely instrumental alignment of sustainability issues with financial outcomes” (Hahn and Figge 2018, 928). Managers may therefore use an SBSC in an instrumentalist way (Figge et al. 2001, Bieker 2002) to achieve economic success (Bieker 2002) and not ensuring organisational and socio-environmental rooting (Hoque et al. 2012). Judgemental effects hamper the integration of sustainability, limiting the effectiveness of the SBSC when managers prioritise conventional financial indicators (e.g. cost efficiency) over long-term sustainable return on investment. In such cases, an SBSC is used in a narrow approach to political co-responsibility (Zingales, O’Rourke, and Hockerts 2002, Bieker and Waxenberger 2002). As a result, the execution of a sustainability strategy with an SBSC constitutes a theoretical exercise, translating in practice into imbalanced BSCs (Zingales, O’Rourke, and Hockerts 2002, Bieker 2002). Hahn and Figge (2018) go beyond this to state that an SBSC only suits the implementation of business case-driven sustainability strategies. The partial integration, full integration and extended design of SBCs can represent Hahn and Figge’s (2011) dichotomy of “inclusive profitability”, in which profits come from products integrating TBL objectives, and “bounded instrumentality”, in which environmental and social issues are attended to only because they contribute to the profitability of established business (Hansen and Schaltegger 2017). It will all depend on the strategy designed beforehand that the SBSC implements.

To overcome the reductive use of the SBSC, the BSC for NGOs is examined. Besides having a financial purpose, organisations pursuing proactive sustainability strategies have a clear social purpose. For NGOs, Kaplan and Norton (2001b) substitute the Financial perspective with long-term goals and three System-level perspectives: the cost incurred (operational efficiency), the value created (output) and legitimising support (Figure 12). Placing an overarching objective on the BSC communicates the long-term mission of the organisation (Kaplan and Norton 2001b) and having a clear social purpose to be
subsequently publicised is key to achieving CSV (Pfitzer, Bockstette, and Stamp 2013). The design of the MBSC results from a mix of a profit-driven organisation respecting the cause-and-effect chains, and a care-driven organisation with a top perspective collecting the long-term sustainability objectives.

![Figure 12: The BSC for non-profit organisations](source: Kaplan and Norton (2001b, 101)).

Third, dependent on the design, an SBSC can be considered either as a performance measurement or performance management tool. Some authors are critical of the causal relationship between perspectives because they affect the validity of the BSC for a strategic management tool (Norreklit 2000, Nørreklit 2003, Hoque et al. 2012, Hoque 2014). Not complying with the strict cause-and-effect relationships creates a higher risk of using network-like and semi-hierarchical scorecards only as performance measurement systems (Kaplan and Norton 2001b, 2004b, Kaplan 2008). On the other hand, Hahn and Figge (2018) argue that the linear cause-and-effect chains translate to an SBSC incapable of specifying the trade-offs between conflicting sustainability objectives. Hansen and Schaltegger (2017) resolve that the complexity of the trade-offs must be addressed during the strategy-making process and not within the SBSC.

Fourth, the difficulty of measuring social and environmental outcomes at societal level with nonfinancial indicators limits the application of the SBSC. Measuring social impacts with nonfinancial indicators increases the difficulty of building an SBSC (Bieker 2002, Huang, Pepper, and Bowrey 2014). Sustainability measures are harder to quantify and, therefore, harder also to include in the general management and control systems (Bieker 2002). The traditional use of the SBSC is limited to the organisational-level measures (e.g., corporate GHG emissions) because of the complexity and resource intense nature of the SBSC process (Hansen and Schaltegger 2017). For example, a hotel group has a limited impact on the destination in which it operates, and multiple actors can influence
the outcome of societal level indicators. Only in rare cases is it possible to measure corporate contributions to sustainability outcomes at the systems level (Hansen and Spitzeck 2011). Scholars have taken opposing views on whether the SBSC architecture must explicitly recognise these outcomes. Hahn and Figge (2018) claim that an effective SBSC must indeed go beyond organisational performance outcomes and include TBL outcomes at the system level. On the other hand, Hansen and Schaltegger (2017) explain that most organisations will use only organisational-level performance indicators but not system-level outcomes. The MBSC, as a framework to manage creating shared value strategies proposes to use both organisational measures, in order to track organisational sustainability progress, and system measures, in order to track the organisation's impact into the environment and the creation of shared value with society. Following results from Hansen and Schaltegger (2017) the author acknowledges that, while outcome measures are encouraged in the MBSC, organisations risk measuring only organisational performance and struggle with system-level indicators, therefore, failing to measure the shared value they create.

b/ Implementation challenges

At the implementation level, the SBSC suffers from the same technical, organisational and cognitive challenges as the BSC, plus a particular organisational limitation. The SBSC’s effectiveness depends on the power relations during the strategy formulation, and the processes of cascading down the objectives and metrics to the SBUs (Zingales, O'Rourke, and Hockerts 2002). When top management does not clarify how the sustainability elements create value by cascading down performance metrics to implement, verify and validate the strategy, the SBSC hardly creates any long-lasting cultural changes and instead generates a negative perception of the tool at the lower management levels. These challenges stress the importance of engagement towards sustainability at all levels of the organisation.

Despite the multiple challenges, academics and practitioners consider SBSCs to be an appropriate accounting tool for sustainability issues (Hansen and Schaltegger 2016). While the necessity to engage with multiple stakeholders is widely recognised (Dias-Sardinha and Reijnders 2005, Hansen, Sextl, and Reichwald 2010, Nikolaou and Tsalis 2013), there is little guidance on the matter. Similarly, despite the importance of correctly selecting and prioritising sustainability issues before building the scorecard, few academics address the topic when constructing an SBSC (e.g. Figge et al. 2002a). The MBSC addresses these two shortcomings and proposes Materiality Assessment as the tool first to engage stakeholders and thence to inform sustainability issues.
3.3. Sustainability reporting to increase stakeholder accountability

Corporate sustainability requires more integration between sustainability performance management, measurement and reporting (Maas, Schaltegger, and Crutzen 2016, Morioka and de Carvalho 2016). After having reviewed above the SBSC as a tool to manage sustainability strategies, this section introduces sustainability reporting as a vehicle to communicate the organisation’s actions in response to stakeholder concerns, thus increasing stakeholder accountability. In this thesis, accountability is defined as “assuming responsibility for and being transparent about the impacts of [the organisation’s] policies, decisions, actions, products and associated performance” (AccountAbility 2015, 34). Accordingly, accountability includes the way in which an organisation governs, sets strategy and manages performance. Taking a stakeholder theory approach, sustainability accountability is reviewed as a mode of governance using the AA1000 Stakeholder Engagement Standard (AccountAbility 2015) (henceforth AA1000SES). The measurable principles of inclusiveness, materiality and responsiveness included in the AA1000SES reflect the reporting processes of identifying and engaging with stakeholders, using stakeholder’s insights to determine the importance of sustainability issues and transparently communicating the organisation’s response to these material issues. These are reviewed in turn in the ensuing subsections, with particular attention being paid to the Materiality Assessment (henceforth MA) since this is the tool that it is proposed to integrating into the BSC. The final subsection addresses the need for assurance of sustainability reports to increase the credibility of the organisation’s disclosure.

Sustainability Reporting (henceforth SR) is conceived as a symbol of what the organisation stands for. SR “is a process that assists organisations in setting goals, measuring performance and managing change towards a sustainable global economy” (GRI 2013b, 85). SR complements financial accounting, and should provide a complete view of an organisation’s performance and value creation (SASB 2013, Murninghan and Grant 2013). While SR is now a standard practice worldwide (KPMG 2015b) it remains a platform for the external accounting of sustainability impacts and how an organisation takes responsibility for continuous improvement.

While SR is evolving from risk mitigation to generating long-term value opportunities, the lack of stakeholder engagement and materiality content in reports (Moratis and Brandt 2017) limits the capacity of sustainability reporting to differentiate the product or add value, as is shown in the coming sections. Furthermore, available standards and guidelines do not provide detail on how to link reporting with the organisation’s strategy. For example, an organisation may want to measure its CO₂ emissions in order to understand its global footprint and how this links to customer satisfaction and
financial aspects, but how to measure improved performance will remain a challenge (Jaeger 2014). Additionally, existing sustainability reporting frameworks do not foster organisational indicators linked to global sustainability issues, such as the Sustainable Development Goals (Schaltegger, Etxeberria, and Ortas 2017). Academics and practitioners expect the sustainability standards to move from an extensive collection of unrelated measures to a small number of metrics connected to strategy and performance (Jaeger 2014, Anderson and Varney 2015). Integrating reporting with the BSC may assist managers to understand the link between sustainability and performance more clearly, ultimately enabling more strategic performance oriented reporting. Under a proactive and integrated sustainability approach, reports would account for all material impacts, strategies adopted, practices implemented and value shared among the organisation and its stakeholders while providing transparent information on the process and outcomes of stakeholder dialogue and MA.

### 3.3.1. Inclusiveness: stakeholder identification and engagement

Inclusiveness explains the extent to which an organisation decides to identify which stakeholders are relevant, and how it chooses to prioritise them. Inclusiveness depends on the organisation’s stakeholder management capability, which is the ability of the organisation to identify its stakeholders and manage the relationship with them (Freeman 1984). Under a normative stakeholder approach, the inclusivity principle means that an organisation is supposed to be accountable to all stakeholders (AccountAbility 2015), since each of them is a legitimate object of managerial attention (Phillips 2003). Determining who has the legitimacy to be heard depends on the organisation’s morals and values, which embody the “shared beliefs, values and evolved practices regarding the solution of recurring stakeholder-related problems” (Jones, Felps, and Bigley 2007, 142). Those morals and values are visible in the Stakeholder Identification (SI) and Stakeholder Engagement (SE) choices.

Although identifying stakeholders and their conflicting interests is key to sustainability strategy definition and reporting, stakeholder-related reporting practices are limited and not consistent across organisations. If the organisation’s strategic objectives are to be achieved, identifying the stakeholders is essential (Burke and Logsdon 1996), and broad stakeholder engagement also increases the quality of decision-making (Hage, Leroy, and Petersen 2010). In practice, however, incorporating and prioritising stakeholder views is a common challenge (KPMG 2014b). For instance, previous research – not including hotel groups – found that only 12% of organisations explain their SI (Eccles, Krzus, and Ribot 2015a) while 87% of organisations explain their SE (Eccles, Krzus, and Ribot 2015b). Similarly, Moratis and Brandt (2017) found most organisations fail to provide full
disclosure on SE in defining report content and less than half disclose the organisation responses to stakeholder concerns. Organisations are reluctant to describe their SI and prioritisation, since it is through that process that the organisation reveals its values. Trade-offs exist between stakeholders in terms of those focused on environmental issues and those focused on social issues because they have different expectations of how the organisation ought to be managed sustainably (Eccles and Serafeim 2013). Indeed, when the organisation engages multiple stakeholders in CSR dialogue tensions may arise between: (i) an idealistic versus a realistic approach to CSR stakeholder dialogue; (ii) a shared versus an individual agenda; and (iii) a commercial – economic duties – versus a social – ethical obligations – position (Høvring, Andersen, and Nielsen 2016). Evading these conflicts through conciliatory statements inhibits the organisation’s ability later to determine the important sustainability issues.

Stakeholder accountability requires identifying to whom the account is made, as well as disclosure of the mechanisms utilised to facilitate stakeholder input (Cooper and Owen 2007). Depending on the influence that the organisation gives to each group, engagement can be classified as informative (organisation informs, stakeholder listens), consultative (organisation and stakeholder dialogue) and decisive (organisation actively involves the stakeholders in decision-making) (Green and Hunton-Clarke 2003). The mechanisms for dialogue reflect the purpose and depth of SE – informative and consultative mechanisms are symbolic, and only decisive consultation is substantial (Green and Hunton-Clarke 2003) – and this consequently determine the breadth of information potentially gathered (Table 10). A narrow instrumental approach uses stakeholder dialogue strategically for the organisation’s needs, while a normative approach sees dialogue as open and deliberative (Spitzeck and Hansen 2010). Also, the resource dependencies on different stakeholders lead to the development of different stakeholder relationships, which present five characteristics: directness of communication, clarity of stakeholder identity, the deliberateness of collecting feedback, inclusiveness of stakeholders, and utilisation of stakeholder engagement for learning (Herremans, Nazari, and Mahmoudian 2016). What is clear is that SE must precede sustainability reporting if the quality of reports is to be improved (Thomson and Bebbington 2005).
Table 10: Engagement levels and methods of engagement

<table>
<thead>
<tr>
<th>Engagement levels</th>
<th>Methods</th>
<th>Nature of the relationship</th>
</tr>
</thead>
<tbody>
<tr>
<td>Informative</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Remain Passive</td>
<td>Letters, media, websites, protests</td>
<td>Short term</td>
</tr>
<tr>
<td>No active communication</td>
<td>Media and internet tracking, second-hand reports</td>
<td></td>
</tr>
<tr>
<td>Monitor</td>
<td>Pressure on regulatory bodies and lobbying efforts</td>
<td></td>
</tr>
<tr>
<td>Advocate</td>
<td>Brochures</td>
<td></td>
</tr>
<tr>
<td>One-way communication:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>stakeholder to organisation</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Advocate</td>
<td></td>
<td></td>
</tr>
<tr>
<td>One-way communication:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>organisation to stakeholders</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Inform</td>
<td></td>
<td></td>
</tr>
<tr>
<td>One-way communication:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>organisation to stakeholder,</td>
<td></td>
<td></td>
</tr>
<tr>
<td>there is no invitation to reply</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Consultative</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Limited two-way engagement:</td>
<td>Public-private partnerships, private finance initiatives</td>
<td>Medium term</td>
</tr>
<tr>
<td>setting and monitoring</td>
<td></td>
<td></td>
</tr>
<tr>
<td>performance according to</td>
<td>Public meetings, workshops</td>
<td></td>
</tr>
<tr>
<td>terms of contract</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Consult</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Limited two-way engagement:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>organisation asks questions,</td>
<td></td>
<td></td>
</tr>
<tr>
<td>stakeholders, answer</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Negotiate</td>
<td>Collective bargaining with workers through their trade unions</td>
<td></td>
</tr>
<tr>
<td>Limited two-way engagement:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>discuss a specific issue or</td>
<td></td>
<td></td>
</tr>
<tr>
<td>range of issues with the</td>
<td></td>
<td></td>
</tr>
<tr>
<td>objective of reaching</td>
<td></td>
<td></td>
</tr>
<tr>
<td>consensus</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Involve</td>
<td>Advisory panels, consensus building processes and focus groups</td>
<td></td>
</tr>
<tr>
<td>Two-way or multi-way</td>
<td></td>
<td></td>
</tr>
<tr>
<td>engagement: learning on</td>
<td></td>
<td></td>
</tr>
<tr>
<td>all sides but stakeholders</td>
<td></td>
<td></td>
</tr>
<tr>
<td>and organisation act</td>
<td></td>
<td></td>
</tr>
<tr>
<td>independently</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Decisive</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Collaborate</td>
<td>Multi-stakeholder initiatives, on-line collaborative platforms</td>
<td>Long term</td>
</tr>
<tr>
<td>Two-way or multi-way</td>
<td></td>
<td></td>
</tr>
<tr>
<td>engagement: joint learning,</td>
<td></td>
<td></td>
</tr>
<tr>
<td>decision making and actions</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Empower</td>
<td>The integration of stakeholders into governance, strategy and operations</td>
<td></td>
</tr>
<tr>
<td>New forms of accountability;</td>
<td></td>
<td></td>
</tr>
<tr>
<td>decisions delegated to</td>
<td></td>
<td></td>
</tr>
<tr>
<td>stakeholders; stakeholders</td>
<td></td>
<td></td>
</tr>
<tr>
<td>play a role in shaping</td>
<td></td>
<td></td>
</tr>
<tr>
<td>organisational agendas</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Source: Author from Green & Hutton-Clarke (2003), Plaza-Úbeda et al. (2010), and Accountability (2015). The dashed line indicates that some SE systems can be classified into different levels of participation depending on the use given.
3.3.2. Materiality assessment: a multiple purpose tool

Materiality Assessment first provides guidelines to identify, select and prioritise sustainability issues according to their influence on the organisation and its stakeholders, and second measures the organisation’s sustainability performance for reporting purposes. Materiality emerged from accounting as a principle used for judgment of the importance of an issue (Messier, Martinov-Bennie, and Eilifsen 2005, Edgley 2014), and has been increasingly applied for sustainability assessments (León, Ferrero-Ferrero, and Muñoz-Torres 2016, Whitehead 2017). Materiality is the threshold between the important and the trivial at both industry and organisation levels, and underlines the enforcement and subsequent disclosure of sustainability practices.

The conceptualisation of materiality remains an open debate, with a myriad of competing definitions (Edgley 2014, Jones, Comfort, and Hillier 2016b). Since no set of agreed rules for materiality threshold decisions exists (Colman and May 2007, Edgley 2014), institutions codify and expand materiality differently (GRI 2013a, SASB 2013, International Federation of Accountants 2015), limiting standardisation and comparability (Edgley 2014, KPMG 2014a). Both regulatory and professional environments have changed (Messier, Martinov-Bennie, and Eilifsen 2005) and, as a result, new standards are emerging (Jaeger 2014). Both accounting bodies – International Federation of Accountants- as well as non-accounting stakeholder institutions – Global Reporting Initiative (GRI), International Integrated Reporting (IIRC), Sustainability Accounting Standards Board (SASB), Global Initiative for Sustainability Ratings (GISR) and Carbon Disclosure Project (CDP) – expand and codify materiality in different ways (Table 11). Some definitions focus on investors and shareholders (e.g., IIRC 2013) while others embrace a wider stakeholder focus (e.g. GRI 2013a). Indeed, the different choice of sustainability reporting framework entails a different approach to materiality, which results in the identification of varying material issues; for instance, the GRI G4 focuses on a multi-stakeholder approach, the IR focuses on value creation, and the SASB focuses on investors (Landrum and Ohsowski 2018). Discrepancies are due to the different context in which the reporting standards are applied, their values and their experience in engaging with stakeholders (Corporate Reporting Dialogue 2016). MA is therefore a social construction (Lai, Melloni, and Stacchezzini 2017), subjective and evolving (Colman and May 2007, Edgley 2014, Edgley, Jones, and Atkins 2014). These definitional differences may result in sustainability issues being included as material, or not, depending on the framework used.
Despite the different definitions, MA focuses organisations on matters that are critical to the achievement of organisational goals and the management of impacts on society (Calabrese et al. 2016). For the MBSC, material issues impact on the organisation's ability to create, preserve or dissipate social, economic and environmental value for itself and its stakeholders (GRI 2013a).

### 3.3.2.1. Materiality assessment in practice

Within the shared value context of this thesis, MA is understood as the identification, redefinition and assessment of potential sustainability and governance issues that affect, or could affect, the organisation's ability to create simultaneous value for the organisation and its stakeholders. Hence, MA condenses these matters in a shortlist informing strategy definition, target setting, resource allocation and reporting. Although materiality is a central element in the agenda for future research (de Villiers, Rinaldi, and Unerman 2014), the materiality assessment process remains under studied (Unerman and Zappettini 2014).

While the use of MA in SR is increasing, organisations struggle to define and implement materiality (KPMG 2014a). Earlier research found an increase in the use of MA (GRI 2013d, Dubkowski-Joy 2011). Yet, they also identified that less than half of the organisations apply the MA results (Dubkowski-Joy...
Also, less than half disclose the MA process (KPMG 2014a), although there is a trend towards the explicit reporting of the list of material issues (Report Sustentabilidade 2013). Some organisations, however, are finding MA too complex to be meaningful when the scope is not well defined (GRI 2013a, KPMG 2014a). While MA use has increased, research on materiality, particularly in the hotel industry, is scarce.

In practice, the assignment of responsibility for undertaking MA varies between guideline bodies, e.g. sustainability department (GRI 2013a, b), multiple departments (KPMG 2014a), or broader corporate governance (Eccles and Serafeim 2015). The organisations need to decide which guideline to follow and be consistent throughout the assessment. Accordingly, the organisation also needs to define its materiality threshold within the boundaries of accepted and evolving standards (Eccles and Krzus 2014, Jones, Comfort, and Hillier 2016b). Then, the board of directors decides what is strategically relevant (Eccles and Krzus 2014).

A system approach is essential to assess which issues are material, and managers are expected to evaluate this relevance from the perspective of the organisation’s stakeholders (Hsu, Lee, and Chao 2013). Calculating the impact of each potentially material issue requires the definition of internal and external criteria, and, later, the reviewing of qualitative and quantitative data (Eccles and Serafeim 2013). Industry specific guidelines help identify sector-specific issues (Eccles et al. 2012, Eccles and Krzus 2014, Edgley 2014, KPMG 2014b). Although common material issues and indicators exist for several industries (GRI 2013a, b, SASB 2013), only GRI (2013c), the International Tourism Partnership (International Tourism Partnership 2016, Tupen 2014) and Sustainability Accounting Standards Board (2018) identify material issues relevant to the hotel industry. Both can serve as a basis to integrate sustainability in the organisation’s priorities.

Once identified, managers prioritise the issues, but the method of defining parameters, criteria and thresholds are only partly reported, suggesting difficulty in scaling up sustainability into the organisation’s governance, decision-making processes and strategies. For instance, 44% of organisations were found to prioritise sustainability issues while 48% did not specify priority topics (Report Sustentabilidade 2013). Prioritising sustainability issues is indeed a pre-requisite to formulating the strategy (Porter et al. 2012). Nonetheless, prioritisation was conducted without guidelines before MA; an issue’s percentage effect on income was the most important factor in the auditors’ materiality judgments (e.g. Messier 1983, Chewning, Pany, and Wheeler 1989, Messier, Martinov-Bennie, and Eilifsen 2005). Currently, for materiality decisions, the present day and future impact for the organisation is more relevant than the convergence between several stakeholders’
opinions (Report Sustentabilidade 2013). Nevertheless, Lai et al. (2017) found that, for organisations subscribed to Integrated Reporting, the meaning of materiality corresponds with the organisation’s strategic priorities, actions and results. Overall, organisations vary in the way they define materiality and prioritise the issues (Jones, Comfort, and Hillier 2016a).

Despite differences in assessing materiality, there is a common approach to disclosing the MA results visually, through a graph called the Materiality Matrix (Jones, Comfort, and Hillier 2016b, Jones et al. 2017, Jones, Comfort, and Hillier 2016a). Figure 13 shows an example of materiality matrix for the hotel industry. The MM emerged for SR under the Accountability and GRI guidelines and has recently been accepted by IIRC. While the use of MMs has increased from 13% in 2011 (Dubkowski-Joy 2011) to 61% in 2013, its use for decision-making remains unclear, since fewer than 50% of organisations provided clear targets on material issues (Report Sustentabilidade 2013). Few organisations link the matrix with the content of the report, and its use for resource commitment decisions is opaque (Eccles and Krzus 2014). Overall, despite being recognised by the reporting guidelines, and the most common approach used to disclose materiality issues (Jones, Comfort, and Hillier 2016b), the MM remains an emerging tool and research on its construction and use is limited.

Figure 13: Hotel industry materiality matrix from International Tourism Partnership
Source: (Tupen 2014)

The use of MM raises the question of how the relative importance of different issues is determined. While organisations use the MM for SR, academics debate whether or not this tool actually serves the purpose of SR (McElroy 2011, Eccles and Krzus 2014). The existing materiality guidelines differentiate between the importance of an issue for an organisation and its significance for society (GRI 2013a, IIRC 2013). Accordingly, MM appears with multiple variations adhering to GRI’s
recommendations (Figure 14). Usually, the X-axis represents the importance of different sustainability issues and the Y-axis represents the importance from ‘society’ as a result of some stakeholder engagement (Eccles and Krzus 2014). Challenges arise in understanding the prioritisation process, however, because of the lack of transparency in respect to: i) the meaning and changes of criteria, ii) the scoring mechanisms to create a single ‘society’ viewpoint, and iii) the varied layout of MMs; all of which result in matrices that are not comparable.

First, when assessing materiality, few organisations explain the criteria used for scoring the issues as ‘significant’ and ‘influential’ (Eccles and Krzus 2014) (Figure 14). Also, many vary the axis criteria (Dubkowski-Joy 2011, McElroy 2011, Report Sustentabilidade 2013, Framework LLC 2016), for example, by changing the timeline from immediate to potential importance (Eccles and Krzus 2014), failing to explain the weight of each term in the evaluation. In recent studies it has been shown that the MM vary between organisations and differ from the GRI recommendations, seeming to favour corporate continuity goals rather than sustainability concerns (Jones, Hillier, and Comfort 2017, Jones, Comfort, and Hillier 2016a, Jones and Comfort 2017). All these changes in the matrices evidence a shift in the criteria for identifying sustainability issues that affect the organisation’s goals, strategy, financial performance, reputation or regulatory compliance. Second, because the organisation chooses which stakeholders to listen to and which to ignore, as well as how to assess their views and the weighting assigned to each of them, the outcome of MA is not an objective view of what matters to society but rather reflects how the organisation has chosen to listen to society. The organisation determines what issues are material for itself and society (Eccles and Krzus 2014).

Usually, the executive management team is exclusively responsible for eliciting and representing the views of the organisation’s stakeholders (Jones et al. 2017). Organisations use different weighting systems to get into a single dimension of ‘stakeholder’ or ‘society’ without disclosing those. Third, the MM’s layout (description of issues and scoring) varies between organisations. Some reverse the axis, use symbols and colours to denote themes, vary the size of the dot to represent the degree of control over the issue, include an arrow for the change in significance to the organisation’s performance or show the importance of issues through numerical or word labels (Eccles and Krzus 2014). As a result, matrices are not directly comparable, yet reporting guidelines provide indications to standardise the matrices for external scrutiny so that the results of each organisation’s MA are more accessible to the reader. Nonetheless, matrices have been critiqued for not providing sufficient detail to understand the prioritisation process that led to their outcomes (Eccles and Krzus 2014).
Stakeholder accountability in SR comes from the organisation reporting on the criteria and principles used to define what is material to them. By being clear on what the organisation sees as significant and what not, the organisation establishes credibility and legitimacy and avoids charges of greenwashing. Materiality requires the identification of a set of potentially relevant issues by conducting a (challenging) SE exercise and the prioritisation of these issues, to first align an organisation’s sustainability strategy with its stakeholders’ concerns, and then to report on them. The limited disclosure on the underlying process and scoring mechanisms used to assess materiality, coupled with the managerial capture over the whole process limits the stakeholder accountability. The concern about potential managerial capture arises when “the management take[s] control of the whole process (including the degree of stakeholder inclusion) by strategically collecting and disseminating only the information it deems appropriate to advance the corporate image, rather than being truly transparent and accountable to the society it serves” (Owen et al. 2000, 85). This lack of information hinders the understanding of the decision-making and the potential of MA as a management tool for strategy definition and disclosure. The lack of knowledge on the state of the art of the materiality analysis within the hotel industry means that it is necessary to undertake a prior analysis of the industry (Chapter 5).

3.3.2.2. **Challenges and opportunities for MA as a tool for strategy definition and performance management**

The lack of a definition of materiality and associated methodology challenges managers in their ability to differentiate between material and immaterial sustainability issues and in balancing multiple stakeholder interests, which limits the potential of the MA to assist in performance measurement.
First, the different definitions render materiality a rather vague and subjective concept (Zhou 2011, Jones et al. 2016), with materiality judgments varying between organisations. Only Fasan and Mio (2017) contribute to the materiality determination process, identifying that industry and board size, and diversity, each play significant roles in the determination of materiality disclosure, whereas the legal environment in which organisations operate does not. Second, the lack of a detailed methodology entails a lack of clarity on how to operationalise materiality, challenging organisations on how to identify relevant sustainability issues for reporting and how to prioritise those by stakeholder needs (Zhou and Lamberton 2011, Hsu, Lee, and Chao 2013). Scholars have instead focused on developing multi-criteria decision-making methods to assess materiality in practice (Calabrese et al. 2017, Bellantuono, Pontrandolfo, and Scozzi 2016, Calabrese et al. 2016, Hsu, Lee, and Chao 2013). Sustainability reporting guidelines do not address the link between sustainability issues, business strategy and praxis (Lozano 2013), which confuses organisations (Eccles et al. 2012). Third, the managers’ inability to differentiate between material and immaterial issues, due to a lack of capabilities and SE (Eccles and Krzus 2014), results in managers improving performance on immaterial issues (Grewal, Serafeim, and Yoon 2016). This has been found even among organisations with advanced sustainability management and reporting (Miller and Serafeim 2015). Finally, organisations continue to face challenges in balancing stakeholder interests for materiality decisions, when reconciling the relationship between management, investors and a wide range of stakeholders (Edgley 2014, Jones, Comfort, and Hillier 2016b, Jones et al. 2016). Research demonstrates that the effect on the organisation’s profitability continues to be the most significant element informing stakeholders’ judgments in materiality and disclosure decisions (Messier, Martinov-Bennie, and Eilifsen 2005).

Despite these shortcomings, materiality assessment is a widespread practice, providing multiple benefits to the organisations undertaking it. Materiality has been recognised to increase the consistency and transparency of reports, improve the stakeholder relationships, contribute to creating shared value, and focus management towards forward thinking. Materiality addresses a lack of consistency of reporting from year to year and between organisations, as well as the high volume and low quality of information that renders communications increasingly difficult to manage for decision purposes (Hewitt 1977, Ghoogassian 2015). Materiality can lead to differentiated reporting based on stakeholder interests (Kjaergaard, Schleper, and Schmidt 2016). Moreover, materiality links to the triple bottom line, functioning as a stakeholder-oriented method in the engagement between the organisation and society (Edgley, Jones, and Atkins 2014, Jones, Comfort, and Hillier 2016b). Indeed, the materiality approach can anticipate and manage change through improved SE (Borga et
al. 2009), connecting society with economic progress (Schadewitz and Niskala 2010) and target setting (GRI 2013a). Materiality considers past performance but also focuses the management of an organisation on anticipating significant sustainability risks and challenges (Edgley 2014, Edgley, Jones, and Atkins 2014). Furthermore, MA can drive long-term value creation by aligning strategy, performance management and reporting (Schmeltz 2014). Organisations therefore benefit in multiple ways from operationalising materiality.

Because sustainability goals need to relate to the organisation’s strategy and operations in a material way, this thesis proposes materiality to be the threshold informing strategy formulation besides simply reporting content. When linked to other performance management methodologies, the use of MA provides at-a-glance reporting on operational areas in urgent need of attention. MA can play a significant role in re-addressing CSR towards being more inclusive of the needs of stakeholders (Font, Guix, and Bonilla-Priego 2016). MA may therefore be able to assist the hotel industry to change its engagement from being reactive to external pressures (e.g. changes in regulations or bad press), to making internal decisions linked to stakeholder expectations.

3.3.3. Responsiveness: addressing stakeholder’s expectations

Which actions are selected to be acted upon from the MA results will speak of the importance that organisations give to their stakeholders’ concerns when these compete with the organisations’ own interests. Responsiveness refers to an organisation’s responsibility to act transparently on material issues (AccountAbility 2015), its willingness to provide a thoughtful response to stakeholder concerns and commit to continued work on those material issues (David, Bloom, and Hillman 2007). Responsiveness requires an organisation to explain how it perceives the relationships with its stakeholders, how it intends to build and sustain these relationships (Painter-Morland 2006) and the process by which managers interpret the issues and decide which are worthy of a response (Bundy, Shropshire, and Buchholtz 2013). Responsiveness requires the organisation to involve stakeholders in identifying and responding to sustainability issues and reporting the decisions, actions and performance to stakeholders (AccountAbility 2015). An organisation therefore realises responsiveness through its governance, strategy, performance and communication with the interested parties. A defined process of SE is required, with a balanced and comprehensive engagement of stakeholders that results in outcomes that address the sustainability issues in an accountable way. Indeed, being responsive to stakeholder concerns acknowledges an accountability relationship with the identified stakeholders (Cooper and Owen 2007). The stakeholder lens provides
new insights into how organisations assume responsibility for, and are transparent about, their impacts. Here, responsiveness becomes an integral element of the MBSC in Chapter 4.

3.3.4. Assurance: increasing credibility of reports

The voluntary nature of SR and the lack of mechanisms to enforce the reliability of the information reported has increased the need for external assurance of the reports (Craswell, Stokes, and Laughton 2002, Manetti and Toccafondi 2012, KPMG 2014a). Assurance is the process of providing confidence as to the content and process of SR, which may involve internal and external stakeholders, and its outcome is the degree of reliance that can be placed on reported data (Jones, Hillier, and Comfort 2014). Assurance evaluates an organisation’s “public disclosures about its performance, its underlying systems, data and processes, against suitable criteria and standards” (AccountAbility 2015, 34). It is a critical element in guaranteeing the credibility and reliability of SR (Janković and Krivačić 2014, Bebbington, Larrinaga, and Moneva 2008, Edgley, Jones, and Solomon 2010). A report that is relevant, reliable, free from bias, accurate and balanced mitigates reputational risk and provides increased confidence (Simnett, Vanstraelen, and Chua 2009, Janković and Krivačić 2014).

Although the global trend is towards increased sustainability assurance, assurance levels remain low, and its ability to give confidence in the report’s reliability remains constrained because of its limited scope. Previous research found that less than 50% of organisations were undergoing external assurance and disclosing the third party assurance statements – that is the communication of the results of the assurance process (Kolk and Perego 2010, Smith, Haniffa, and Fairbrass 2011, Report Sustentabilidade 2013, GRI 2013b, Jones et al. 2017). Hotel groups, in particular, lag behind (Janković and Krivačić 2014). Assurance challenges include: i) the existence of different standards and focus, ii) the guarantee of the stakeholder engagement process and iii) the audience of the assurance statement. First, the scope and content of existing assurance guidelines and standards vary (Manetti and Toccafondi 2012), and assurance providers use a combination of often contradictory guidelines (O’Dwyer and Owen 2007). Second, doubts remain about the extent to which the ‘expert input’ has had enough access to data to make critically informed judgements (performance assurance) and the degree to which invited stakeholders represent the full range of stakeholders interests (process assurance). Particular concerns relate to the scope of the assurance process, the independence of the assessments, the management control over the assurance and the assurance level (Jones, Hillier, and Comfort 2014, Jones et al. 2017). For example, recent studies found the external assurance among various sectors was limited in its scope and material issues (e.g. Jones, Hillier, and Comfort 2017, Jones and Comfort 2017). Third, responsiveness to stakeholders is seldom fully discussed, which
makes it difficult to assess the extent to which stakeholders’ views influence corporate decision making. These current practices diminish the credibility, transparency and internal benefits for management derived from assurance statements (Gürtürk and Hahn 2016). Still, as Adams (2004) explains, stakeholder dialogue may be the conclusive legitimisation tool as the content of a report that has been assured is harder to question.

3.4. Conclusions

Authors have called for more integration among different tools within organisations to improve sustainability performance (Maas, Schaltegger, and Crutzen 2016, Battaglia et al. 2016). This chapter has revisited the BSC and SBSC tools and the AA1000SES principles, to investigate if they could be integrated to provide a cohesive approach to sustainability measurement, management and reporting. This concluding section compares the BSC, SBSC and MA as tools that can later be combined in the MBSC (Chapter 4).

These tools have many similarities (Table 12), such as responding to the measurement needs of nonfinancial intangibles (Norton and Kaplan 1992, Whitehead 2017). Furthermore, in theory, all the tools set goals and manage change using organisation-specific internal and external measures. In practice, however, these tools are only sometimes used to achieve performance improvements and change (Lueg and Carvalho e Silva 2013, Madsen and Stenheim 2014b, Eccles and Krzus 2014). The impact on the profitability of the organisation dominates the measurement decisions in the BSC, SBSC and MA (Messier, Martinov-Bennie, and Eilifsen 2005, Figge et al. 2002a), and the same political challenges threaten the BSC and SBSCs (Zingales, O’Rourke, and Hockerts 2002). While they are all well-established methods, the BSC has an explicit methodology (Kaplan and Norton 2001a) while materiality practices and the SBSC vary across organisations (Jones et al. 2016, Hoque 2014). Furthermore, MA focuses on relevant sustainability issues (GRI 2013a) while the BSC focuses on issues affecting competitive advantage (Kaplan and Norton 2001b). Hence, a combined tool arguably offers the opportunity to focus on the critical sustainability issues that create a competitive advantage.
Table 12: Similarities between the tools

<table>
<thead>
<tr>
<th>Characteristics</th>
<th>BSC</th>
<th></th>
<th>SBSC</th>
<th></th>
<th>MA</th>
<th></th>
<th>MBSC</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Theory</td>
<td>Practice</td>
<td>Theory</td>
<td>Practice</td>
<td>Theory</td>
<td>Practice</td>
<td>Theory</td>
<td></td>
</tr>
<tr>
<td><strong>Origin</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Financial reporting misleading non-financial areas decisions</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td><strong>Purpose</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Balance financial &amp; non-financial measures</td>
<td>✓</td>
<td>X (-)</td>
<td>✓</td>
<td>X (-)</td>
<td>✓</td>
<td>✓ (+)</td>
<td>✓</td>
<td></td>
</tr>
<tr>
<td>Leads to competitive advantage</td>
<td>✓</td>
<td>Sometimes (-)</td>
<td>✓</td>
<td>Sometimes (-)</td>
<td>✓</td>
<td>Sometimes (-)</td>
<td>✓</td>
<td></td>
</tr>
<tr>
<td><strong>Focus</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Intangible assets</td>
<td>✓</td>
<td>Sometimes (-)</td>
<td>✓</td>
<td>Sometimes (-)</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td></td>
</tr>
<tr>
<td>Economic driven</td>
<td>✓</td>
<td>✓</td>
<td>X (+)</td>
<td>Reductive use (-)</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td></td>
</tr>
<tr>
<td><strong>Methodology</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Organisation specific measures</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>Internal &amp; external measures</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td><strong>Use</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Goal setting</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>Performance management</td>
<td>✓</td>
<td>Sometimes (-)</td>
<td>✓</td>
<td>Sometimes (-)</td>
<td>✓</td>
<td>Sometimes (-)</td>
<td>✓</td>
<td></td>
</tr>
<tr>
<td>Change management</td>
<td>✓</td>
<td>X (-)</td>
<td>✓</td>
<td>✓ (+)</td>
<td>✓</td>
<td>X (-)</td>
<td>✓</td>
<td></td>
</tr>
<tr>
<td><strong>Social challenge</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Fitting the culture of an organisation</td>
<td>✓</td>
<td>X (-)</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>Lack of participation &amp; top management commitment</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>Sometimes (+)</td>
</tr>
<tr>
<td><strong>Political challenge</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Time &amp; resource consumption, lack of a responsible person, turnover threatening the continuity</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>Sometimes (+)</td>
</tr>
</tbody>
</table>

Yes ✓, No X, Advantage (+), Disadvantage (-)

Source: Author, 2015.

The tools complement each other in several aspects, overcoming some of each other’s challenges (Table 13). They all advance sustainability; the BSC and SBSC improve the strategy implementation (Kaplan and Norton 1996c) while MA evolves practices and disclosure (Calabrese et al. 2016). MA changes sustainability practices to manage stakeholders’ expectations; however, the lack of a causal relationship between measures may hinder its ability to relate how the changes in strategy, implementation, and measurement contribute to organisational success (Eccles and Krzus 2014). All the tools can redefine the strategy; the BSC and SBSC help the process of reflecting on whether the
strategy remains viable to achieve the targets (Kaplan and Norton 1996c), and MA assists in establishing the strategic priorities based on understanding what matters to stakeholders (Schmeltz 2014). Revisiting strategy is an on-going process; the BSC and SBSC monthly (Kaplan and Norton 1996b) and MA annually (GRI 2013b). Furthermore, the BSC responds to the organisation’s needs (Kaplan and Norton 1996b) and MA responds to the stakeholders’ requests (Jones, Comfort, and Hillier 2016b). The combination of SBSC and MA can arguably enhance competitive advantage by aligning the organisation’s needs and the stakeholders’ requests. Moreover, they all minimise information overload, the BSC and SBSC in internal reporting (Madsen and Stenheim 2014a) and MA in external reporting (Kjaergaard, Schleper, and Schmidt 2016). The combination of the tools can therefore arguably be appropriate to manage sustainability strategy, practices and disclosure.

Table 13: Synergies between the tools

<table>
<thead>
<tr>
<th>Characteristics</th>
<th>BSC</th>
<th>SBSC</th>
<th>MA</th>
<th>MBSC</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Purpose</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>A strategy management tool</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>Strategy revision &amp; redefinition</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>Alignment of goals</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>Performance measurement</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>A day-to-day operations tool</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td><strong>Focus</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Proactive sustainability approach</td>
<td>X</td>
<td>✓</td>
<td>✓</td>
<td>✓ (+)</td>
</tr>
<tr>
<td>Answers manager’s needs</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓ (+)</td>
</tr>
<tr>
<td>Answers stakeholders’ expectations</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓ (+)</td>
</tr>
<tr>
<td><strong>Methodology</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Various interpretations, sometimes suboptimal</td>
<td>X</td>
<td>✓</td>
<td>✓</td>
<td>✓ (+)</td>
</tr>
<tr>
<td>Use of strategic measurements</td>
<td>✓</td>
<td>X</td>
<td>✓</td>
<td>✓ (+)</td>
</tr>
<tr>
<td>Use of non-strategic measurements</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓ (+)</td>
</tr>
<tr>
<td>Lagging &amp; leading indicators</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓ (+)</td>
</tr>
<tr>
<td>Acceptance (academic/practitioners)</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>Pending</td>
</tr>
<tr>
<td><strong>Design</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Causal relationships: strategic objectives</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓ (+)</td>
</tr>
</tbody>
</table>
### Causal relationships: stakeholders & TBL importance

<table>
<thead>
<tr>
<th></th>
<th>✓</th>
<th>✓</th>
<th>Sometimes (−)</th>
<th>Sometimes (−)</th>
<th>✓</th>
<th>✓</th>
<th>✓ (+)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Illustration</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Strategy communication &amp; visualisation</td>
<td>✓</td>
<td>Sometimes (−)</td>
<td>✓</td>
<td>Sometimes (−)</td>
<td>X</td>
<td>X</td>
<td>✓ (+)</td>
</tr>
<tr>
<td>Strategy map: clarify cause links</td>
<td>✓</td>
<td>X (−)</td>
<td>✓</td>
<td>X (−)</td>
<td>/</td>
<td>/</td>
<td>✓ (+)</td>
</tr>
<tr>
<td><strong>Transparency</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Transparency contribution</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>Internal reporting</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>External reporting</td>
<td>✓</td>
<td>Sometimes (−)</td>
<td>Sometimes (−)</td>
<td>Sometimes (−)</td>
<td>✓</td>
<td>✓</td>
<td>✓ (+)</td>
</tr>
<tr>
<td><strong>Technology</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Need for technological support</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td><strong>Social</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cultural &amp; motivational tool</td>
<td>✓</td>
<td>Sometimes (−)</td>
<td>✓</td>
<td>Sometimes (−)</td>
<td>X</td>
<td>X</td>
<td>✓ (+)</td>
</tr>
<tr>
<td><strong>Results</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Performance enhancing effect</td>
<td>✓</td>
<td>Sometimes (−)</td>
<td>✓</td>
<td>Sometimes (−)</td>
<td>✓</td>
<td>Sometimes (−)</td>
<td>✓</td>
</tr>
<tr>
<td>Double loop learning</td>
<td>✓</td>
<td>X (−) Fixed structure</td>
<td>✓</td>
<td>Sometimes (−)</td>
<td>✓</td>
<td>Sometimes (−)</td>
<td>✓</td>
</tr>
</tbody>
</table>

Yes ✓, No X, Advantage (+), Disadvantage (−)

Source: Author, 2015

MA can overcome the challenges of the BSC and SBSC in respect to deciding upon trade-offs, objectives and measures, by prioritising sustainability issues and balancing sustainability stakeholder concerns. Furthermore, MA is a holistic method involving internal stakeholders, thus, overcoming the narrow, top-down orientation of the BSC that hinders strategic learning (Nørrekli 2003, Nilsen 2007). By guiding the prioritisation of issues, MA can expand the reductive use of the BSC and SBSC, prioritising long-term sustainability goals over short-term financial objectives. Through this, the BSC and SBSC can better oversee the stakeholders’ involvement (Figge et al. 2002a), which needs to be addressed before they can become complete tools integrating sustainability strategies. Managers need guidance when engaging with relevant stakeholders, and the inclusiveness principle may assist them. It is striking that, despite the importance of correctly selecting and prioritising sustainability issues before building the scorecard, few academics address the topic when constructing an SBSC (e.g. Figge et al. 2002a). The MA principle can help to gather stakeholder information so as later to define strategies that create shared value between society and the organisation. Finally, the responsiveness principle can assist organisations in improving the disclosure of sustainability decision-making, actions and performance to enable stakeholders to assess organisational practices and contribute to the greater transparency and credibility of reports, which is of particular importance to the industry (Font et al.
Since CSR is in continuous evolution, a scorecard should be an evolving method balancing sustainability issues and unlocking aspects of success.

The next chapter merges the SBSC as a tool for performance improvement and the AA1000 principles for increasing stakeholder accountability, with the objective to enable effective strategic sustainability management. The incorporation of the AA1000 accountability principles into the BSC can integrate sustainability management practices within the organisation, increase stakeholder accountability by embedding wider stakeholder engagement (inclusiveness), capitalise on the organisation’s current reporting efforts for determining strategy (materiality) and trace the effectiveness of addressing the sustainability stakeholder concerns (responsiveness). In summary, this chapter has made a case for a strictly hierarchical MBSC, with an extended design with full integration and add-on sustainability aspects. The next chapter explains this MBSC in more detail.
4. Materiality Balance Scorecard

Chapter 4 responds to objective one of this thesis, by developing an integrated instrument to address stakeholder needs (AA1000SES) and internal management processes (SBSC) to improve the sustainability performance management. The purpose of this chapter is therefore to develop a framework, the Materiality Balanced Scorecard (henceforth MBSC), for an organisation to define, operationalise and communicate strategic sustainability objectives that create value through the organisation's operations. The MBSC bridges research on the operationalisation of strategy (Porter 1985, Kaplan and Norton 1993, Porter and Kramer 2006) sustainability management (Figge et al. 2002a, Van der Woerd and van Den Brink 2004), sustainability reporting and stakeholder accountability (SASB 2013, GRI 2013a, AccountAbility 2015). The MBSC positions at its core the values of inclusivity, materiality and responsiveness as critical to ensuring effective transparency and accountability, essential elements for pursuing an integrative view of corporate sustainability.

This chapter details the steps to build the MBSC (Figure 15). Step 1 outlines the SBSC characteristics to address sustainability issues more inclusively. Step 2 acknowledges where the organisation creates value for its multiple stakeholders. Later, Step 3 incorporates the Materiality Assessment (henceforth MA) as a tool to increase stakeholder accountability. Afterwards, the discussion section considers the conceptual and implementation challenges of the MBSC and its contribution. Finally, the last section summarises and concludes.

Figure 15: Steps building the Materiality Balance Scorecard
Source: Author, 2015.
4.1. Step 1. Integrating sustainability into the Balanced Scorecard

Section 3.2.2 made a case for a strictly hierarchical MBSC, with an extended design with full integration and add-on sustainability aspects. The aim of the MBSC is to achieve competitive advantage, therefore, reinforcing the business case for sustainability by ensuring that the organisation’s strategy integrates into the MBSC (Figure 15). Those are characteristics of a strictly hierarchical BSC (were all goals contribute to financial outcomes) with a strong instrumental perspective (Hansen and Schaltegger 2016). Researchers acknowledge that a general drawback applying to management control systems is the difficulty of capturing complex relationships among measures (Grabner and Moers 2013). Nonetheless, if the MBSC is to become a strategic management system rather than just being used to manage operations, the cause-and-effect chains among perspectives (Figure 16) need to be either statistically verifiable or socially constructed.

Moreover, the management of proactive sustainability strategies requires not only the financial objectives to be achieved but that this is done with a social and environmental intent. Therefore, the MBSC takes the ‘extended’ approach and integrates sustainability aspects within the Learning & Growth, Process, Customer and Financial perspectives (Table 14) and adds a fifth perspective exclusively for long-term sustainability issues (the System-level perspective).
Table 14: Issues in respect to Customer, Internal process and Learning and Growth perspectives of the MBSC

<table>
<thead>
<tr>
<th>Issues</th>
<th>Authors</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>System-level</strong></td>
<td></td>
</tr>
<tr>
<td>Improvement of quality of life</td>
<td>(Bieker 2003)</td>
</tr>
<tr>
<td>Social justice</td>
<td>(Elkington 1997)</td>
</tr>
<tr>
<td>Environmental quality</td>
<td>(Elkington 1997)</td>
</tr>
<tr>
<td>Economic prosperity</td>
<td>(Elkington 1997)</td>
</tr>
<tr>
<td><strong>Financial perspective</strong></td>
<td></td>
</tr>
<tr>
<td>Cost reduction through eco-efficiencies /Eco-efficiency ratio</td>
<td>(Dias-Sardinha, Reijnders, and Antunes 2002, Möller and Schaltegger 2005, Huang, Pepper, and Bowrey 2014)</td>
</tr>
<tr>
<td>Return on sustainability related investment / R&amp;D</td>
<td>(Huang, Pepper, and Bowrey 2014, Maltz, Shenhar, and Reilly 2003)</td>
</tr>
<tr>
<td>Revenues from 'green' positioned products</td>
<td>(Epstein and Wisner 2001a)</td>
</tr>
<tr>
<td>Cost savings from compliance</td>
<td>(Epstein and Wisner 2001a, Reefke and Trocchi 2013, Huang, Pepper, and Bowrey 2014)</td>
</tr>
<tr>
<td>Selection of Global Reporting Initiative indicators</td>
<td>(Panayiotou, Aravossis, and Moschou 2009, Chalmeta and Palomero 2011, Nikolaou and Tsalis 2013)</td>
</tr>
<tr>
<td><strong>Customer perspective</strong></td>
<td></td>
</tr>
<tr>
<td>Market share of green products</td>
<td>(Van der Woerd and van Den Brink 2004)</td>
</tr>
<tr>
<td>Brand and label recognition</td>
<td>(Van der Woerd and van Den Brink 2004)</td>
</tr>
<tr>
<td>Product differentiation through sustainability-related characteristics</td>
<td>(Figge et al. 2002b, a)</td>
</tr>
<tr>
<td>Responsible communication policy</td>
<td>(Bieker 2002)</td>
</tr>
<tr>
<td>Community-related customer engagement</td>
<td>(Hansen, Sextl, and Reichwald 2010, Hansen and Spitzkeck 2011)</td>
</tr>
<tr>
<td><strong>Internal process perspective</strong></td>
<td></td>
</tr>
<tr>
<td>Innovation sustainability process</td>
<td>(Bieker 2002, Maltz, Shenhar, and Reilly 2003)</td>
</tr>
<tr>
<td>Co-responsibility of Effective solutions for social and environmental problems and Extension to the value chain</td>
<td>(Bieker 2002)</td>
</tr>
<tr>
<td>Energy, water and material efficiency</td>
<td>(Figge et al. 2002b, a)</td>
</tr>
<tr>
<td>Business network processes</td>
<td>(O'Donnell et al. 2006)</td>
</tr>
<tr>
<td>Environmental management</td>
<td>(Van der Woerd and van Den Brink 2004)</td>
</tr>
<tr>
<td>Define and include sustainability criteria in the supplier selection processes</td>
<td>(Gold, Seuring, and Beske 2010, Gopalakrishnan et al. 2012, Beske and Seuring 2014)</td>
</tr>
<tr>
<td>Monitor suppliers</td>
<td>(Klassen and Vereecke 2012)</td>
</tr>
<tr>
<td>Integrated carbon management</td>
<td>(Gopalakrishnan et al. 2012)</td>
</tr>
<tr>
<td>Internal performance measurement systems</td>
<td>(Zhu, Sarkis, and Lai 2013)</td>
</tr>
<tr>
<td><strong>Internal performance perspective</strong></td>
<td></td>
</tr>
<tr>
<td>Social and environmental responsibility in the day-to-day operations</td>
<td>(Bieker 2002)</td>
</tr>
<tr>
<td>Gathering stakeholder feedback and redefining mission, vision and strategy</td>
<td>(Bieker 2002)</td>
</tr>
<tr>
<td>Ethical management systems, a code of conduct, ethics commission, ethical management systems, and communication processes facilitating sustainability</td>
<td>(Butler, Henderson, and Raiborn 2011, Bieker 2002)</td>
</tr>
<tr>
<td>Collective knowledge exchange with non-traditional partners</td>
<td>(Maltz, Shenhar, and Reilly 2003)</td>
</tr>
<tr>
<td>Suppliers’ capability investment to foster the learning required for innovation</td>
<td>(Maltz, Shenhar, and Reilly 2003)</td>
</tr>
<tr>
<td>Green capabilities and intellectual capital</td>
<td>(Claver-Cortés et al. 2007)</td>
</tr>
<tr>
<td>Labour practices</td>
<td>(Butler, Henderson, and Raiborn 2011, Bieker and Waxenberger 2002)</td>
</tr>
<tr>
<td>Community-related employee engagement</td>
<td>(Hansen, Sextl, and Reichwald 2010, Hansen and Spitzkeck 2011)</td>
</tr>
</tbody>
</table>

Source: Author, 2016.

The extended design makes it possible to run the business operations in conjunction with sustainability issues and to address the organisation’s externalities, which are consequences of the
organisation's economic activity on stakeholders (Buchanan and Stubblebine 1962) and which require integration into strategic management systems (Guenther, Endrikat, and Guenther 2016). Table 15 exemplifies negative and positive externalities that may arise with hotel operations. Externalities inflict internal costs on the organisation even in the absence of regulations or resource taxes (Porter and Kramer 2011) and can significantly influence the organisation's long-term success (Figge et al. 2002a). Allocating externalities within the MBSC mainstreams the sustainability issues within the core operations.

Table 15: Examples of negative and positive externalities in the hotel industry

<table>
<thead>
<tr>
<th>Negative Externalities</th>
<th>Positive externalities</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Production:</strong></td>
<td></td>
</tr>
<tr>
<td>• Highly related to the procurement choices</td>
<td>• Increased education for the employee through training can lead to increased productivity or lower unemployment rate</td>
</tr>
<tr>
<td>• Air pollution from transportation of goods</td>
<td>• Employee first aid training to increase job safety may save lives outside the organisation.</td>
</tr>
<tr>
<td>• Environmental costs of air travel to a tourist destination</td>
<td>• A new hotel in a developing country may demonstrate up-to-date technologies and sustainability practices to local suppliers and improve their productivity</td>
</tr>
<tr>
<td>• Energy provision and greenhouse gas emissions</td>
<td>• A hotel chain contributes, from its presence in competitive clusters in rural areas to increasing market value of the properties, increasing pool of specialised skills and human resources and increasing productivity</td>
</tr>
<tr>
<td>• Depletion of the stock of fish due to overfishing</td>
<td>• Reduction of crime rates in a tourist destination when hotels engage with locals in the local development of the area. An organisation policy that encourages the use of electric vehicles charged by electricity from renewable sources to their employee and guests reduces the greenhouse gas emissions, improving local air quality and leading to better public health</td>
</tr>
<tr>
<td>• Negative effects from industrial farm animal production (e.g., excess use of antibiotics, contamination of rivers, animal welfare problems)</td>
<td></td>
</tr>
<tr>
<td>• Noise pollution</td>
<td></td>
</tr>
<tr>
<td>• Water pollution that harms plants, animals and humans</td>
<td></td>
</tr>
<tr>
<td>• Others</td>
<td></td>
</tr>
<tr>
<td><strong>Consumption during the guests stay</strong></td>
<td></td>
</tr>
<tr>
<td>• Consumption of the product by one type of client may cause prices to rise and, therefore, make other consumers worse off, perhaps reducing their consumption.</td>
<td></td>
</tr>
<tr>
<td>• Deprivation of the enjoyment of common areas of a hotel or heritage site due to misbehaviour of other consumers</td>
<td></td>
</tr>
<tr>
<td>• Sleep deprivation due to a neighbour guest listening to loud music late at night</td>
<td></td>
</tr>
<tr>
<td>• Shared costs of declining health caused by smoking and/or alcohol abuse</td>
<td></td>
</tr>
</tbody>
</table>


Furthermore, the System-level perspective takes into account the long-term sustainability issues and outcome measures at the organisational environment (system) exclusively. Sustainability performance management systems need to account for long-term sustainability aspects and thus need to incorporate the time dimension (Antolín-López, Delgado-Ceballos, and Montiel 2016). Moreover, Hahn and Figge (2018) claim that an effective SBSC must go beyond organisational performance outcomes and include TBL outcomes at the system level, despite the challenge this poses for organisations (Hansen and Schaltegger 2017). The content of the System-level perspective derives from the wide stakeholder engagement when developing the MA, further explained in Step 3, and
focuses on the organisation's impact on the external environment (economic, social and environmental).

4.2. Step 2: Recognising stakeholder value (Inclusiveness and Responsiveness)

Step 2 explains where the MBSC captures the value for each stakeholder group (Figure 17). Scholars take opposite approaches regarding how to guarantee stakeholder inclusiveness in the BSC by implicitly or explicitly acknowledging stakeholders in the existing or new perspectives, as seen in Section 4.2. The researcher also acknowledges the BSC’s narrow approach to stakeholder identification, but the response proposed differs from those of previous scholars, since the MBSC takes an inclusive approach, incorporating the goals of stakeholders specifically in the perspectives where the value occurs. This is operationalised as follows: while the Financial perspective captures value to shareholders and Learning and Growth captures employee value, other stakeholders, such as the local community, do not link to one particular perspective. Local community value may be captured in the Process perspective, when the organisation manages externalities that would otherwise impose a cost on the neighbouring area, in the Learning & Growth perspective through a partnership with NGOs to improve local capabilities, or in the Financial perspective when the organisation invests in local infrastructure and community development. This way, the MBSC makes it possible to track how the organisation perceives the relationship with the stakeholders, and how it reports back to them on the decisions, actions and performance on the material issues.

Figure 17: Step 2 – Stakeholder value in the BSC
Source: Author, 2016.
Because organisations face a range of stakeholders with potentially conflicting interests, the organisation must clarify before conducting the stakeholder engagement and the MA, who are the relevant stakeholders, and the specific goal and outcome desired from engaging each of them in the organisational activities – an issue addressed in detail in Chapter 7 when providing guidance on the inclusiveness, materiality and responsiveness principles underpinning the MBSC.

4.3. Step 3: Determining environmental and social exposure of strategic business units (Materiality assessment)

This step proposes Materiality Assessment to determine what sustainability issues matter, so as later to integrate them in the different perspectives (Figure 18). The starting point is the selection of an MA guideline according to the organisation’s culture, since the MA results will differ according to which of the multiple reporting guidelines are chosen (e.g. GRI G4, IIRC). The organisation needs to select the MA guidelines that best suit their stakeholder culture, and integrate the results into the organisation’s performance management system.

Later, the management has to identify the environmental and social exposure of the business units and their relevance. Through MA, managers and stakeholders co-identify current and potential sustainability risks and challenges and co-assess their significance to the organisation and stakeholders through a wider process of engagement. Similar to environmental management systems that expect employee contributions (Zutshi and Sohal 2004), MA enables managers to listen to employees’ sustainability suggestions, thereby facilitating the collective reflection needed for the sustainable development of an organisation.
Then, the MBSC places at the top the ‘add-on’ perspective referred to here as the System-level. The System-level perspective manages organisation contributions to the long-term sustainability goals recognised from the organisation's strategy, assuming the organisation has undergone the MA process for accommodating the diverse stakeholder demands through the SE. While it is productive for organisations to integrate sustainability concerns in their core strategy and operations (e.g. Orlitzky, Schmidt, and Rynes 2003), shareholders are in parallel pushing top management to develop cost-effective sustainability policies (Calabrese et al. 2012). The System-level perspective protects the long-term stakeholder orientation and assists organisations in overcoming the reductive use of previous SBSCs (Bieker 2002, Figge et al. 2002a). This perspective also monitors the sustainability purpose from organisations pursuing proactive sustainability strategies.

Then, all the objectives within the other MBSC perspectives link to improve the system-level objective/s. Input and output organisational performance measures are managed within the traditional perspectives but then affect the outcome of system-level measures for shared value in the top perspective (System-level perspective). For example, "investment in training of local population" would be placed in the Learning and Growth perspective, and "absolute GHG emission reductions" at the Process perspective. These two indicators would then translate, respectively, at the System-level perspective into "% of households with increased income at a destination" (impact level) and the "% of GHG emissions from the hotel industry" (from a benchmark of the industry). The main differences between the MBSC and the previous SBSC is the process by which the sustainability issues are selected, which derives from a wider stakeholder engagement process and the inclusion of system-level outcome measures to track progress against long-term sustainability goals and organisational impact to the external environment.

The MA informs the long-term objectives, the resource allocation and the indicators for assessing the organisation performance, monitoring strategy implementation and subsequent sustainability reporting. Integrating MA results into the MBSC reinforces the role of the SBSC for strategic management, moving the organisation towards more sustainable performance. A clearer understanding of what is material to stakeholders contributes to the process of adjusting CSR towards integrating a sustainability strategy by managing and reporting sustainability issues responding to stakeholder expectations.
4.4. Step 4: The Materiality Balanced Scorecard

The MBSC is designed to suit a broad spectrum of organisations providing a basic structure through its interconnected perspectives that, when necessary, can be adapted to fit specific needs or according to the organisation’s value system and sustainability strategy. This section discusses the prioritisation of issues and the value creation process across the MBSC perspectives before explaining the content of each perspective.

After the identification of the environmental and social exposure of the business units and their relevance through the MA, the key material issues are set as themes on the scorecard and are cascaded down from the System-level to the Learning and Growth perspective. That is, prioritisation of targets and indicators occurs with a top-down approach in the MBSC by analysing each relevant issue against the five MBSC perspectives (Figure 19). From the long-term sustainability objectives (at the System-level perspective e.g. fight climate change), the organisation decides the required financial targets (Financial perspective e.g. cost reduction % through eco-efficiencies, savings from law compliance and increased revenues from ‘green’ positioned products). Then it establishes how the customer should see the organisation (Customer perspective e.g. increased brand recognition as sustainable and ‘green’ positioned products). Later, the organisation identifies the internal processes needing improvement or design (Internal perspective e.g. eco-efficiency and supplier’s capability investment to foster innovation in business network processes). Then, finally, the organisation determines the required know-how to achieve the long-term sustainability objective and sustain it in time (Learning and growth perspective). Value creation, meanwhile, occurs in the opposite direction, from the bottom up. It is through the improvements on the Learning and growth perspective, that Internal process objectives can be achieved and lead to Customer value, which in turn brings Financial value and ultimately protects the System-level and its long-term sustainability objectives.

Figure 19: The MBSC
Source: Author, 2016.
The elements from the support and primary activities of the Value Chain (Porter 2001), and the extended value chain including social impacts (Porter and Kramer 2006), contribute to the MBSC. This is contingent to the organisation's strategy and industry (Figure 20). The following paragraphs exemplify the content of the MBSC perspective and the contributions of the organisational activities.

Figure 20: Shared value chain

The Learning and Growth perspective recognises the role of stakeholders in the organisation’s success and the learning needed to generate value. Organisational learning is essential to overcome one of the main challenges for strategy execution; managing change (Beer and Eisenstat 2000).
is related to the adaptive capacity of the organisation (Zollo, Cennamo, and Neumann 2013) and whether its leadership is capable of deploying changes in the organisational culture to integrate sustainability into the business (Pereira-Moliner et al. 2012). The activities of Human Resources and technology development contribute to the management of current and future capabilities required implementing sustainability strategies. The Learning and Growth perspective captures aspects involved in creating value through developing supportive clusters and innovating by reconceiving products and markets and re-imagining the value chain and productivity. Once the corporate governance and the human capital are aligned with the sustainability requirements, the organisation can create value through its internal operations.

The Internal Process perspective, meanwhile, manages competencies and processes within a total quality management approach. It involves Procurement, Inbound Logistics, Operations and Outbound Logistics and, thereby, can mean the development of shared resources and capability. Internal Process collects aspects of improved supply-chain management, internal processes, asset utilisation and resource capacity management (Kaplan and Norton 2001b) to achieve operational excellence. As social and environmental risks and opportunities arise along the supply chain, sustainability supply chain management and green innovation practices become critical (Seuring and Müller 2008, Hsiao and Chuang 2016). The Internal perspective therefore captures the essential aspects involved in the creation of value by re-imagining the value chain and productivity.

The Customer perspective captures the process of expanding and improving the relationship with existing customers, and the innovation needed to develop new products and services penetrating new markets and customer segments. This perspective includes aspects of Marketing and Sales and After-sales services. The MBSC takes a broader understanding of customers by extending to other external stakeholders and capturing the organisation’s improved relationship with them. Through the management of the externalities, the organisation becomes a good corporate citizen (Kaplan and Norton 2001b). This perspective may include managing society’s expectations, relations with the local community (Van der Woerd and van Den Brink 2004), partnerships with communities, co-creating with consumers and legitimate behaviour towards all stakeholders (Bieker 2002). The perspective captures both the organisation’s influence on responsible behaviour downstream (customers) and its response to broader social expectations. Accordingly, the Customer perspective captures aspects of creating value through reconceiving products and markets and developing supportive clusters.
The Financial perspective represents the traditional approach to organisational success: long-term financial return on investment. It includes profitability, growth and shareholder value (Kaplan and Norton 1996b). The Firm infrastructure contributes to the Financial perspective with e.g. Cost reduction through eco-efficiencies, Return on investment on sustainability issues, local infrastructure and institutions, or Risks related to social and environmental impacts. Sustainability value goes beyond simply complying with regulations, laws, standards and agreements. These are therefore collected in the MBSC only when they are not achieved and when this lack of achievement has an impact both financially (Financial perspective) and to the brand reputation (Customer perspective). The Financial perspective captures the economic aspects of shareholder value while value to other stakeholders occurs in the other perspectives.

The System-level perspective contains the overarching objective set by the MA results. One main difference to previous SBSC with an add-on perspective is that the process by which the goals are selected is the result of a wider stakeholder involvement. Another difference is the inclusion of measures at the system outcome level to manage progress alongside minimising negative impacts to the organisation’s external environment, including the economy (e.g. poverty alleviation), society (e.g. gender equality) and the environment (e.g. climate change), as well as maximising positive contributions. These outcome measures are closely linked to measuring the organisation’s contribution to the achievement of the 17 Sustainable Development Goals (henceforth SDGs) (United Nations 2015, 2016). To the author’s knowledge, there is currently no SBSC with a system level perspective, despite several scholars having identified the need to achieve systemic sustainability transformations (Hahn and Figge 2018). This add-on perspective also differentiates the MBSC from previous research linking sustainability reporting and the BSC (de Villiers, Rouse, and Kerr 2016).

The System-level perspective assists organisations to overcome the reductive use of SBSCs (Bieker 2002, Figge et al. 2002a) because cause-and-effect links forcefully connect the internal perspective with value through the financial perspective, which results in the MBSC only considering CSR activities closely related to the organisation’s operations. The System-level perspective safeguards the long-term SDGs by being placed at the top of the scorecard, and supports integrated thinking and decision-making in a way that focuses on the creation of value over the short (Financial) and long term (System-level).

In summary, Figure 21 further models the cause-and-effect links in a possible strategy aimed at creating environmental value within the MBSC with an example of how sustainability can affect the different perspectives, and how the different sustainability aspects relate to each other, creating value ascending in the MBSC perspectives.
Starting from the bottom right-hand side, employee training in sustainability (Learning & Growth) contributes to developing eco-efficiency with better resource allocation and consumption and sustainable design, which in turn decreases negative environmental externalities such as water and air pollution (Internal Process). The organisation appeals to green markets and enhances customer satisfaction, increases brand perceptions and, therefore, establishes better relationships with the community (Customer). In turn, this leads to a lower ratio of environmental regulatory fines and increased revenue from new markets (Financial). Through the economic activity, the organisation creates value for a broader set of stakeholders, contributing to mitigating climate change, poverty reduction and gender equality (System-level).

Taking a social example, developing supportive clusters fosters productivity, innovation and competitiveness (Porter et al. 2012). A hotel entering a developing destination may benefit from long-term partnerships with non-profit organisations with complementary capabilities (Learning & Growth). Benefits include training locals, identifying authentic tours and handcraft products, providing reliable suppliers or monitoring animals in a nearby lagoon. It increases the likelihood of employees becoming more productive as they understand the tourism sector better, as well as engaging more constructively with customers (Internal Process). Local employees enhance the customer experience by better communicating their passion towards the destination to the guests (Customer). This translates into increased financial benefits from more horizontal selling and reduced costs arising from not understanding the context of the new destination and possible fines (Financial). Finally, the local employees have an increased sense of pride in their culture and self-esteem, and an increased and stable income improves the well-being of their families (e.g. poverty alleviation and gender equality) (System-level). This may be a shared objective among the organisation, the partner NGOs and the local authorities e.g. it lowers subsidy related costs.
Figure 21: The generic MBSC Strategy Map
**4.5. Discussion of the advantages and disadvantages of the MBSC**

The MBSC addresses the need for integration between performance management, measurement and reporting (Maas, Schaltegger, and Crutzen 2016, Morioka and de Carvalho 2016), and integrating stakeholders (e.g. Wheeler and Sillanpa 1998, Costa and Menichini 2013) and sustainability issues (Battaglia et al. 2016) into the definition of the strategy. Integrated approaches for sustainability performance measurement, management and reporting take either a transparency or a performance improvement perspective (Maas, Schaltegger, and Crutzen 2016). In the transparency perspective, societal expectations, reporting requirements and standards influence the selection of indicators for assessment and reporting. Alternatively, in the performance improvement perspective, the business strategy, and the analysis of what issues are relevant for an effective implementation of the strategy, shape the performance management and reporting systems (Maas, Schaltegger, and Crutzen 2016).

For effective improvement of sustainability performance, however, scholars have called for more comprehensive and interlinked approaches that support the exchange between internal and external stakeholders (Maas, Schaltegger, and Crutzen 2016) in a way which enacts sustainability improvements in an iterative process (Baker and Schaltegger 2015).

The MBSC is proposed as an integrated framework, taking a “twin track” approach with a transparency perspective (AA1000 Accountability principles: inclusiveness, materiality and responsiveness), and a performance improvement perspective (SBSC). First, a transparency perspective is used to select key sustainability challenges according to stakeholder expectations. The MBSC delivers greater transparency and accountability, derived from the participation of more stakeholders, from their more effective participation, and by taking a materiality approach to the definition of the sustainability strategy, as well as its implementation, monitoring and validation for reporting. Then, a performance improvement perspective is used to select adequate indicators and measurements according to internal requirements for effective decision making based on the business strategy and its implementation (Burritt and Schaltegger 2010). The choice of indicators and measurement methods needs to respond to internal requirements but must be easily aggregated and translated into indicators legitimised by international standards (see Seele 2016). The MBSC therefore aims to support better management decisions while advancing the corporate sustainability strategy through aligning with the external stakeholder expectations.

Another important issue is the organisational context, internal and external, which influences the integration of sustainability into the business (Morioka and de Carvalho 2016). The internal contexts such as the mainstream strategy, the corporate governance, the structure and the organisational
culture and values, influence the stakeholder identification and engagement, materiality results and responsiveness. Similarly, the external organisational context, ranging from the legislation, industry specific factors and society and environmental pressures, influence the managers’ approach towards sustainability measurement, management and reporting. These and other factors are discussed in the context of the hotel industry in relation to their effect on the likely implementation of the MBSC (see Chapters 6 and 7).

The MBSC does, however, suffer from some similar drawbacks as the BSC and SBSCs, as well as some additional challenges of its own. For example, the MBSC is subject to the same conceptual challenges as the BSC and SBSC in respect to the difficulty of balancing conflicting interests for stakeholder consensus and building causal relationships between indicators and perspectives. Also, the difficulty of measuring social and environmental issues and choosing appropriate indicators affects the MBSC. In this respect, a new challenge is that of measuring system-level outcomes with indicators linked to the SDGs, since most organisations use only organisational-level performance indicators but not system-level outcomes (Hansen and Schaltegger 2017). Other specific drawbacks include its requirement for high internal awareness and top management commitment to sustainability, especially in terms of being willing to advance from less to more proactive sustainability strategies. Also, facilitating stakeholder contribution to decision making requires management to negotiate conflicting objectives and allow stakeholders the opportunity (or risk) of influencing their organisation’s priorities. A certain culture and confidence is required to allow such engagement. In addition, successful management of an integrated sustainability strategy with the MBSC requires coordination among the organisation’s departments and non-traditional partners. This constitutes a drawback since effective communication between stakeholders has been shown to be rare (Ingram and Desombre 1999, Shoemaker and Lewis 1999, Marks, Richards, and Chillas 2012). When successful, however, integrated thinking advances sustainability strategies and supports value creation (Crane et al. 2014, Anderson and Varney 2015, Eccles, Krzus, and Ribot 2015a, Thomson 2015). Within the MBSC, no single expert is responsible for each perspective, which overcomes the risk of departmental specialists just focusing on their own performance area (e.g. Figge et al. 2002a, b, Van der Woerd and van Den Brink 2004).

Furthermore, the MBSC also presents challenges derived from the lack of agreement as to the definition and methodology of MA, which challenges managers in their ability to differentiate material issues and to balance stakeholder interests (Indusiveness). First, the different definitions render materiality a rather vague idea (Jones, Comfort, and Hillier 2016b) with materiality judgments varying between organisations. Second, sustainability reporting guidelines do not address the link
between sustainability issues, business strategy and praxis (Eccles et al. 2012, Lozano 2013) and challenge managers on how to identify and prioritise sustainability issues according to stakeholder needs (Hsu, Lee, and Chao 2013). Third, managers inability to differentiate between material and immaterial issues results in improving performance on immaterial issues (Grewal, Serafeim, and Yoon 2016) even among organisations with advanced sustainability management and reporting (Miller and Serafeim 2015). Finally, organisations continue to face challenges in balancing stakeholder interests, when reconciling the relationship between management, investors and stakeholders (Edgley 2014, Jones, Comfort, and Hillier 2016b).

The incorporation of the AA1000 accountability principles into the BSC i) integrates sustainability management practices within the organisation, ii) increases stakeholder accountability due to wider stakeholder engagement (inclusiveness), iii) capitalises on the organisation’s current reporting efforts for determining strategy (materiality) and iv) traces the effectiveness of addressing the sustainability stakeholder concerns (responsiveness).

Integrating the sustainability reporting practices with a performance management system ensures coherence between internal practices, actions and published reports. In addition, the MBSC offers an alternative to determining what matters in sustainability by considering wider stakeholder engagement (inclusiveness), and through that, it increases accountability (Moratis and Brandt 2017). Furthermore, the MBSC takes a holistic approach to defining, implementing and reporting sustainability strategy, optimising resources and capabilities and gaining synergy (Calabrese, Costa, and Rosati 2015, de Villiers, Rouse, and Kerr 2016). The MBSC fosters an on-going dialogue between organisations and stakeholders, exchanging sustainability concerns through the MA, which generates a proactive approach that favours prevention and innovation measures over the correction of failures. Finally, integrating the MA results into the BSC makes it possible to monitor and account for the efficiency and effectiveness of addressing stakeholder concerns.

A serious problem with current sustainability management is the lack of integration between internal decision making and stakeholders’ perspectives, which may translate into greenwashing strategies in reporting sustainability (e.g., Moratis and Brandt 2017) and subsequent loss of stakeholders’ trust and accountability (Calabrese, Costa, and Rosati 2015). The MBSC makes it possible to identify and evaluate, through cause-and-effects links, whether and how an organisation addresses stakeholder sustainability concerns (responsiveness) and how it captures the benefits of these strategic sustainability commitments in financial terms. Furthermore, by integrating the MA, the MBSC can be a useful tool both for assessing ex-post sustainability initiatives and for developing future strategies.
by an annual classification of internal and external stakeholder feedback. The incorporation of principles to guide corporate social performance management and measurement is not new (Wood 1991). The MBSC introduces the inclusiveness, materiality and responsiveness principles to formulate, manage and report a strategy that responds to both the business model and the sustainability challenges.

4.6. Conclusions

Effective sustainability strategy definition, management, measurement and reporting require a good interplay between different tools and actors within and outside the organisation for the collection, analysis and communication of relevant data (Maas, Crutzen, and Schaltegger 2014). The MBSC brings together ideas on the operationalisation of strategy (Kaplan and Norton 1993, Porter and Kramer 2006) sustainability management (Figge et al. 2002a, Van der Woerd and van Den Brink 2004), sustainability reporting (Murninghan and Grant 2013, SASB 2013, GRI 2013a) and accountability (AccountAbility 2015). This chapter merges the SBSC as a tool for performance improvement and the AA1000 principles for increasing accountability, enabling effective strategic sustainability management. The chapter exemplifies how the integration of sustainability reporting practices within the organisation performance management framework can occur, and the likely benefits to be derived from a holistic approach to defining, implementing and reporting sustainability strategy. The MBSC is based on strategic objectives identified by taking into account stakeholder expectations. Accordingly, it is a framework for change management for which; i) stakeholder expectations need to steer performance improvements, ii) sustainability performance data needs to be used for internal development and reporting, and iii) transparency must be advanced to legitimise the organisation’s actions through the wider stakeholder engagement.

This chapter’s contribution has both academic and practical implications. On the academic side, to the author’s knowledge, the literature does not provide methods for the simultaneous and systematic integration of the sustainability reporting efforts into the organisation performance management system. Moreover, the existing SBSCs do not include a system-level perspective managing the organisation’s contribution to systemic sustainability transformations, nor do they derive from a wide SE process through the MA. On the practical side, the researcher has developed a framework to integrate the concerns of key stakeholders into the BSC, which makes it possible to monitor and account for the efficiency and effectiveness of addressing stakeholder concerns.

This chapter has made a case for the MBSC as a conceptual tool to stimulate a much-needed systemic, structured and integrated approach to sustainable value creation that can i) support the adaptation
of an organisation’s management system to stakeholder expectations across the critical processes in
the organisation, ii) assist in pinpointing areas requiring managerial attention and action to improve
sustainability performance; iii) raise the quality of sustainability reporting and bring greater levels of
transparency; iv) and manage the needs for sustainability strategy, practices, and disclosure.
5. Methodology

Chapter 5 outlines the research design, as illustrated in Figure 22. The first section discusses the research paradigm of pragmatism, and the ontological, epistemological and axiological choices deriving from this. The second section sets out how the research approach is both deductive and inductive. Then, the rationale for a qualitative multi-method and cross-sectional research strategy is outlined, including the sample, and the data collection methods used. These are i) content analysis to assess the external communication of sustainability-related internal processes from hotel groups, ii) qualitative questionnaires to gather detailed factual data on the same processes, and iii) semi-structured interviews to investigate insights from corporate sustainability managers and external experts on those processes. The combination of these three methods can provide a better understanding of the research problem than the use of any one method alone. Fourth, data analysis is explained to be theoretical thematic analysis. Section five presents the evaluation criteria as focusing on trustworthiness, while section six concludes the chapter and describes the limitations of this research.

Figure 22: Research design
Source: Author, 2018.

5.1. Research paradigm, ontology, epistemology and axiology

This section explains the research paradigm and how it is consistent with the researcher’s view of reality (ontology), how she thinks that reality is known (epistemology) and how reality is to be valued (axiology). The paradigm is concerned with the way in which things are viewed in the world, “the individual’s place in it and the range of possible relationships to that world and its parts” (Guba and Lincoln 1994, 107). This research takes a pragmatic approach to answer to the research aim, namely to arrive at a critical understanding of how large hotel groups can define strategic sustainability objectives.
to create shared value. Pragmatism argues that the most important determinant of which position to adopt in epistemology, ontology or axiology is the research question, since choosing between one position or another in a purely theoretical way, independent of the research question, is somewhat unrealistic in practice (Creswell 2013). Pragmatism avoids foundational boundaries and favours the use of different worldviews, divergent assumptions and multiple data collection and analysis methods to provide the best understanding of the research problem (Creswell 2013). American philosophers Charles Pierce (1839–1914), William James (1842–1910) and John Dewey (1859–1952) founded pragmatism in an attempt to help American society face the problems it was confronting at the time (Gray 2014). In its straightforward sense, pragmatism is a practical approach to a problem.

Pragmatism has been used to gain insights into management and organisational research (Saunders, Lewis, and Thornhill 2015). For instance, sustainability accounting, discussed in the thesis through social and environmental reporting and stakeholder engagement, has at its heart pragmatism, since “social and environmental problems are in fact pragmatic problem[s]” (Burritt and Schaltegger 2010, 832). The researcher has a pragmatic view of sustainability, whereby the continuous and incremental pursuit of practical problems is the path to sustainability (Baker and Schaltegger 2015). Pragmatism can promote positive forms of change, here understood as CSR-processes, that contribute to the development of more socially and environmentally responsible corporations. Research becomes a way of working out what is useful for making those changes. This search for the ‘possibility’ of change is known as melioration (Koopman 2006). As Baker and Schaltegger (2015, 24) explain, “pragmatism may be the best chance to encourage change and address the ever-growing global social and environmental problems that we and future generations will face.”

The thesis combines descriptive, normative and critical approaches to critique current sustainability practices in the hotel industry. Chapter 4 takes a normative approach founded on exploring the meliorating quality of CSR by proposing the MBSC. Chapter 6 takes a descriptive approach explaining the current CSR management and reporting identifying mainstream discourse. Chapter 7 discusses the value of the MBSC in the context of ‘what it is,’ ‘what it ought to be,’ and the restrictive conditions preventing change towards shared value strategies. The researcher joins scholars advocating for positive outcomes resulting from a fundamental rethinking of CSR practices based on stakeholder engagement to confront complex contextual problems (McMillan 2007, Zorn and Collins 2007, Taneja, Taneja, and Gupta 2011, Kuhn and Deetz 2008).
After having introduced pragmatism as the research paradigm, this section now explains the grounds of the researcher’s knowledge (ontology), the limitations of that knowledge (epistemology), and the validity and scope of the knowledge obtained (axiology). Ontology studies the philosophical assumptions about the nature of reality (Easterby-Smith, Thorpe, and Jackson 2012). For pragmatists, an ideology is true only if it works in promoting equity, freedom and justice and generates practical consequences for society (Gray 2014). Pragmatists, therefore, focus not on whether a proposition fits a particular ontology, but whether it suits a purpose and is capable of creating action (Koopman 2006). Subjectivism is the chosen ontology, which holds that social phenomena are created from the perceptions and consequent actions of those social actors concerned with their existence (Saunders et al. 2009). For subjectivism, meaning is imposed by the subject on the object and emerges from the exchange between the subject and the outside world.

Assumptions about ‘what is’ the nature and structure of reality affect epistemology, which deals with the origin, nature and limits of human knowledge, therefore how and what it is possible to know (Chia 2002, McGregor and Murnane 2010). It provides a philosophical background for deciding what kinds of knowledge are legitimate and adequate. Every researcher brings some epistemological assumptions into the research process, and these influence the understanding and interpretation of information (Klenke 2008). Given the pragmatic understanding of an ever-changing reality, the question of knowledge becomes somewhat problematic. The truth is tentative because it is only held as long as it proves useful and relative to the end or goal to which it is thought to be useful (Baker and Schaltegger 2015). Pragmatism shapes the concern with an instrumental view of knowledge, in other words knowledge that is actively used to make a purposeful difference in practice (Goldkuhl 2012). It is argued then that constructive knowledge can influence and improve practice, in this case, that findings from this research can improve CSR processes.

Axiology then addresses what is valuable knowledge in the world and the means valued to obtain that knowledge. Axiology considers what counts as fundamental values and what consciousness stands for ethics, normative judgments and moral choices (McGregor and Murnane 2010). From a pragmatist perspective, multiple forms of knowledge are valuable (Goldkuhl 2012). For example, this thesis recognises normative knowledge exhibiting values in the MBSC in Chapter 4; descriptive and critical knowledge in respect to the exploration of sustainability practices in Chapter 6; explanatory and prospective knowledge when identifying barriers and suggesting possibilities in Chapter 7, and prescriptive knowledge when giving guidelines for advancing CSR towards CSV in Chapter 8. As a pragmatist, the researcher aims to create useful knowledge that can influence and improve practice within participants and beyond through facilitating knowledge transfer.
This implies that the means to know in a world of constant change are to test things and see if they work. In this respect, the researcher adheres to methodological pragmatism, which is concerned with how knowledge is created. Methodological pragmatism offers an epistemological justification for combining methods in such a way that they can be used efficiently and effectively in a study to provide knowledge through tentative answers to the research questions (Saunders, Lewis, and Thornhill 2015). The following section shows how this has influenced the use of multiple methods to respond to the research purpose.

Before moving to that research strategy, however, the research approach is briefly explained. The pragmatic paradigm chosen provides the grounds for combining deductive and inductive reasoning in the research approach, as this thesis is combines theory-testing and theory-building. To analyse and propose improvements to the CSR-process in hotel groups the researcher utilises an inductive approach with deductive thinking as a means to tackle the real-world problems related to this phenomenon of interest. Deductive reasoning is applied in the first part to build the MBSC from the literature (Chapter 4), and in the analysis of the first and second data collections, while inductive reasoning is applied in the third data collection to test the value of the MBSC (Chapters 6 and 7).

5.2. Research strategy: qualitative multi-methods

Because of her pragmatic approach, the researcher undertakes an interdisciplinatry qualitative multi-method multi-phase design with exploratory triangulation, since this provides better opportunities for answering the research questions and allows an evaluation of the extent to which the research findings can be trusted and inferences made from them. First, it is interdisciplinary because CSR is grounded in several fields (Taneja, Taneja, and Gupta 2011), such as strategic management (Molina-Azorin 2012) or social and environmental accounting (Molina-Azorín and López-Gamero 2016). Second, the pragmatism paradigm encourages the use of multiple methods to answer the research questions (Clark and Creswell 2008). The research design is qualitative multi-methods by employing three qualitative data collection techniques (content analysis, qualitative questionnaire and semi-structured interviews) and their corresponding data analysis procedures. Since studies of sustainability are often inter-disciplinary in nature, multi-method approaches are a common choice (Lam, Walker, and Hills 2014). Third, it is a multi-phase design in which findings from preceding research phases contributed to the development and questioning in succeeding stages, assisting in consolidating and testing assumptions and findings (Teddlie and Tashakkori 2006). Fourth, it is exploratory because not enough is known about the phenomenon of interest (e.g., materiality assessment in hotel groups). Fifth, the researcher uses triangulation, obtaining complementary data.
on the same topic so as to enhance the validity of the findings through comparison between results and thus ultimately to understand the phenomenon better (Clark and Creswell 2008). The use of multiple methods has significant advantages: overcoming method-specific weaknesses, increasing the breadth of the research topic, providing confidence in the findings and strengthening the research conclusion with evidence derived from independent approaches (Patton 1990, Patton 2005, McKendrick 1999). No single method would have suited the exploratory aims of the research. The study is also cross-sectional as the approach taken to data collection is at one point in time.

This PhD contributes to the CSR process-based literature, which provides an in-depth understanding of the ‘process’ of CSR decision-making and implementation (Wang et al. 2016). This research complements the existing quantitative research on both the SBSC literature (Hansen and Schaltegger 2016) and studies of ethics in the hotel industry (Köseoğlu et al. 2016). Qualitative research improves the understanding of the context within which decisions and actions take place (Myers 2013). The limited CSR process-based literature in the hotel industry and the research question determine the need to emphasise the qualitative data.

This research adopts a qualitative dominant sequential design, according to the typology of Johnson and Onwuegbuzie (2004). The research requires an iterative approach to sampling and data collection where each stage of data analysis determines subsequent means of data collection (Palinkas et al. 2015). Using the ‘qualitative toolkit’ suggested by Hall and Rist (1999), three data collection techniques are combined to create the following sequential three-stage process (Figure 23): 1) qualitative and quantitative content analysis, 2) qualitative questionnaires and 3) semi-structured interviews. The content analysis results (Phase 1A, 1B) inform the questionnaire design (Phase 2). The questionnaire findings inform the interviews with CSR managers (Phase 3A), and these inform the expert interviews (Phase 3B). The different methods are used for different purposes in a sequential way. Content analysis is used to collect descriptive data on the assessment of the public CSR disclosure and provides an approach grounded in the organisations’ discourse. The questionnaires and interviews then add more depth to this initial understanding by collecting explanatory data that enables the research to address the most critical issue – the internal CSR process.
Methodological triangulation by using multiple methods provides cross data validity checks (Patton 1990), and addresses the possible weaknesses of each method (McKendrick 1999). It makes it possible to gain complete and detailed data on the phenomenon (Hall and Rist 1999) and highlights the multi-layered and contradictory nature of social life (Devine and Heath 1999). Trying to resolve apparent contradictions in findings leads to more stringent triangulation and fuller complementarity (Hammond 2005). Combining the content analysis of published sustainability information with questionnaires and interviews with CSR managers and experts therefore strengthens the research findings.

In line with pragmatism, the researcher aimed to foster changes in the hotel industry in respect to social and environmental responsibility, and to this end sought the collaboration of the United Nations Environmental Programme (henceforth UNEP) through the Division of Technology, Industry and Economics. The results of the content analysis, questionnaire and interviews informed UNEP plans to support the hospitality sector to manage and report sustainability better as part of their contribution to the 2030 Sustainable Development and Climate Agendas. For example, UNEP staff presented preliminary results from the content analysis in 2016 at COP22 in Marrakech.
The following sections explain the data collection methods used, the sampling techniques and the data analysis.

### 5.2.1. Stage 1A & B: Content analysis

The purpose of Stage 1, the content analysis, was to investigate the quality of the disclosure on the SR process in the hotel industry using the three AA1000SES principles (inclusiveness, materiality and responsiveness) and external assurance. Because it allows repeatability and valid inferences from data gathered (Krippendorff 1980), content analysis is used in corporate disclosure research to make “inferences by objectively and systematically identifying specified characteristics of messages” (Holsti 1969, 14). Tourism academics have examined the content of sustainability reports (e.g. de Grosbois 2012, Bonilla-Priego, Font, and Pacheco-Olivares 2014), but not the process of identifying what to report about or whom the corporation sees itself as accountable to. Earlier studies on stakeholder engagement did not include hotel groups (Manetti 2011, Manetti and Toccafondi 2012, Moratis and Brandt 2017) with the exception of Bonilla-Priego and Benítez-Hernández (2017). Few authors have researched stakeholder inclusiveness (Manetti 2011, Manetti and Toccafondi 2012) and stakeholder responsiveness (Moratis and Brandt 2017), and they did not assess how the disclosure of the SE and materiality analysis informs the reports’ content. A descriptive approach is used to identify mainstream discourse and later a normative approach is used to critique the reality of SR and identify improvements.

### 5.2.1.1. Sampling

An essential stage in any content analysis study is deciding which documents are to be examined (Krippendorff 1980). As with previous research, this study focused on annual reports (Guthrie and Parker 1989, Hackston and Milne 1996, Manetti and Toccafondi 2012, Bonilla-Priego, Font, and Pacheco-Olivares 2014). The purposeful sampling frame was the top 50 hospitality organisations worldwide by the number of rooms in 2014 (Hotels Magazine 2015) (see the full list of organisations in section 10.1). The sampling criterion was the size of the hotel groups, since visibility (due to the size) is the main reason behind the need to legitimise (Guthrie and Parker 1989). Out of these 50, 20 organisations issued sustainability reports, 10 provided some sustainability content on the corporate website, and the remaining 20 did not discuss sustainability issues in either channel. Of the 20 reports shortlisted, two reports were excluded, one for not fulfilling the criterion of being written in English (Jinling Hotels & Resorts Corp) and one on account of reporting only on environmental issues rather than on all economic, social and environmental issues together (Scandic Hotels). The reports
examined were the most recently available by January 2016 from eighteen hospitality groups, as found on their corporate websites. Table 16 provides the sample characteristics.

Table 16: Hospitality groups with published sustainability reports from the top 50 organisations according to the number of rooms in 2014.

<table>
<thead>
<tr>
<th>Organisation</th>
<th>Head-quarter</th>
<th>Last Report Application level / Number of rooms 2014</th>
<th>Sustainability Report (Year of publication)</th>
<th>Experience (report number)</th>
<th>Independency Level</th>
</tr>
</thead>
<tbody>
<tr>
<td>Hilton Worldwide</td>
<td>USA</td>
<td>G4 – In accordance - core Self-declared 715,062</td>
<td>2015</td>
<td>4th</td>
<td>No</td>
</tr>
<tr>
<td>Marriott International</td>
<td>USA</td>
<td>Non GRI 714,765</td>
<td>2015</td>
<td>6th</td>
<td>Limited</td>
</tr>
<tr>
<td>IHG (InterContinental Hotels Group)</td>
<td>England</td>
<td>G3.1 – Undeclared 710,295</td>
<td>2015</td>
<td>8th</td>
<td>No</td>
</tr>
<tr>
<td>Wyndham Hotel Group</td>
<td>USA</td>
<td>G4 – In accordance - core 660,826</td>
<td>2015</td>
<td>5th</td>
<td>Limited/moderate</td>
</tr>
<tr>
<td>Accor Hotels</td>
<td>France</td>
<td>G4 – In accordance - core 482,296</td>
<td>2015</td>
<td>Data not available</td>
<td>Limited</td>
</tr>
<tr>
<td>Starwood Hotels &amp; Resorts Worldwide</td>
<td>USA</td>
<td>G4 - Undeclared 354,225</td>
<td>2015</td>
<td>2nd reporting year</td>
<td>Limited</td>
</tr>
<tr>
<td>Carlson Hotel Group</td>
<td>USA</td>
<td>G3 - Undeclared 172,234</td>
<td>2015</td>
<td>9th</td>
<td>No</td>
</tr>
<tr>
<td>Hyatt Hotels Corp.</td>
<td>USA</td>
<td>G4 155,265</td>
<td>2015 Scorecard 2014 Report</td>
<td>4th</td>
<td>No</td>
</tr>
<tr>
<td>Meliá International Hotels Spain</td>
<td>Spain</td>
<td>Integrated Reporting (IIRC) and G4 – In accordance - core 98,829</td>
<td>2015</td>
<td>7th</td>
<td>Limited</td>
</tr>
<tr>
<td>Whitbread</td>
<td>England</td>
<td>Non GRI 59,138</td>
<td>2015</td>
<td>3rd</td>
<td>Limited</td>
</tr>
<tr>
<td>NH Hotel Group</td>
<td>Spain</td>
<td>G4 – In accordance - core 57,127</td>
<td>2015</td>
<td>5th</td>
<td>Limited</td>
</tr>
<tr>
<td>MGM Resorts International</td>
<td>USA</td>
<td>Non GRI 46,906</td>
<td>2015</td>
<td>4th</td>
<td>No</td>
</tr>
<tr>
<td>Riu Hotels &amp; Resorts Spain</td>
<td>Spain</td>
<td>Non GRI 45,390</td>
<td>2015</td>
<td>1st</td>
<td>No</td>
</tr>
<tr>
<td>Walt Disney Co.</td>
<td>USA</td>
<td>G3.1. Self-declared (B) 39,751</td>
<td>2015</td>
<td>7th</td>
<td>No</td>
</tr>
<tr>
<td>Caesars Entertainment Corp.</td>
<td>USA</td>
<td>G4 – In accordance - core 37,820</td>
<td>2015</td>
<td>2nd</td>
<td>No</td>
</tr>
<tr>
<td>Shangri-La Hotels &amp; Resorts China</td>
<td>China</td>
<td>Non GRI Communication of progress 36,898</td>
<td>2015</td>
<td>5th</td>
<td>No</td>
</tr>
<tr>
<td>Eastern Crown Hotels Group China</td>
<td>China</td>
<td>G4 – In accordance - core 33,863</td>
<td>2015</td>
<td>3rd</td>
<td>No</td>
</tr>
</tbody>
</table>

Source: Author, 2016.

5.2.1.2. Stage 1A: Content analysis for the sustainability reporting process

The study adopted a qualitative approach to content analysis aiming to evaluate the quality of SR. This stage responds to the need for more detailed disclosure in respect to stakeholder identification
and prioritisation and the process of assessing materiality (Eccles, Krzus, and Ribot 2015b). The content analysis consisted of four themes organised in 83 research questions to analyse the SR (Section 10.2), informed by previous studies (Table 17). The themes were: i) inclusiveness (who are the stakeholders, why and how the organisation engages with them), ii) materiality (how to co-identify stakeholders with sustainability issues), iii) responsiveness (how do reports respond to stakeholders’ concerns) and iv) assurance (if and how the report content is assured). The research was set to test if the organisations publicly acknowledged what and how they were acting on each variable analysed.

Table 17: Literature informing the research questions for content analysis

<table>
<thead>
<tr>
<th>Content analysis themes</th>
<th>Literature informing the questions</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Context. Organisation and Report profile</strong></td>
<td>(e.g., Report Sustentabilidade 2013, Eccles, Krzus, and Ribot 2015b)</td>
</tr>
<tr>
<td><strong>Theme 2. Determining report content through Materiality and use of Materiality matrix</strong></td>
<td>(GRI 2013b, KPMG 2014b, Eccles, Krzus, and Ribot 2015a)</td>
</tr>
<tr>
<td><strong>Theme 4. Report assurance</strong></td>
<td>(Manetti and Toccafondi 2012, Jones, Comfort, and Hillier 2016b)</td>
</tr>
</tbody>
</table>

Source: Author, 2016.

The content analysis further adopted a quantitative approach by using attributed ratings to compare the degree of transparency in SR. A plot diagram was used to explore the relationship between the level of disclosure in respect to SE and MA. Also, responsiveness assessed the degree of adequacy between the report content and the stakeholder concerns. A coding scheme was developed (Table 18) to establish the credibility and validity of the standardisation (Guthrie and Abeysekera 2006).
Table 18: Criteria and coding scheme

<table>
<thead>
<tr>
<th>Criteria</th>
<th>Coding scheme</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>A. Stakeholder Identification and Engagement</strong></td>
<td></td>
</tr>
<tr>
<td>a.1. Section devoted to stakeholder identification</td>
<td>included (+1), not included (0)</td>
</tr>
<tr>
<td>a.2. Basis for identification</td>
<td>specific criteria (+1), generic criteria (+0.5), no criteria displayed (0)</td>
</tr>
<tr>
<td>a.3. List of main stakeholders</td>
<td>clear list provided (+1), appearance of stakeholders through the text (0)</td>
</tr>
<tr>
<td>a.4. Identification approach</td>
<td>Broad (+1), Somewhat narrow (+0.5), Narrow (0)</td>
</tr>
<tr>
<td>a.5. Engagement characteristics</td>
<td></td>
</tr>
<tr>
<td>a.5.1. SE aim and objectives</td>
<td>declared (+1), not declared (0)</td>
</tr>
<tr>
<td>a.5.2. SE process</td>
<td>explained for all stakeholders (+1), explained for some stakeholders (+0.5), not explained (0)</td>
</tr>
<tr>
<td>a.5.3. Frequency of engagement</td>
<td>fully declared (+1), partially declared for some stakeholders (+0.5), not declared (0)</td>
</tr>
<tr>
<td>a.5.4. Methods used</td>
<td>declared for each stakeholder group (+1), declared general (+0.5), not declared (0)</td>
</tr>
<tr>
<td>a.6. Output SE</td>
<td>concerns raised by each stakeholder group declared (+1), concerns raised by stakeholders in general declared (+0.5), not declared (0)</td>
</tr>
<tr>
<td><strong>B. Materiality analysis</strong></td>
<td></td>
</tr>
<tr>
<td>b.1. Potential issues</td>
<td>declared (+1), not declared (0)</td>
</tr>
<tr>
<td>b.2. Criteria for determining materiality</td>
<td>specific criteria (+1), generic criteria (+0.5), not declared (0)</td>
</tr>
<tr>
<td>b.3. Meaning of materiality</td>
<td>explained (+1), not explained (0)</td>
</tr>
<tr>
<td>b.4. List of material issues</td>
<td>declared (+1), not declared (0)</td>
</tr>
<tr>
<td>b.5. Visual representation of material issues</td>
<td>yes (+1), no (0)</td>
</tr>
<tr>
<td>b.6. Stakeholders for which the issues are material</td>
<td>identified (+1), not identified (0)</td>
</tr>
<tr>
<td><strong>C. Responsiveness</strong></td>
<td></td>
</tr>
<tr>
<td>c.1. The organisation communicates the response (actions, commitments...) given for material issues</td>
<td>a response for each material issue (+1), a response for some of the material issues (+0.5), no responses to material issues (+0)</td>
</tr>
<tr>
<td>c.2. The report follows a structure to guide the user to identify responses given to each material issue</td>
<td>a heading/subheading for each material issue reported (+1), a heading/subheading for some material issues reported (+0.5), responses are spread throughout the report (+0)</td>
</tr>
</tbody>
</table>

Source: Author, 2016.
5.2.1.3. Stage 1B: Content analysis of the reports’ disclosure of the Environmental Sustainability Development Goals

As a way of contextualising the interview discussions, a qualitative and quantitative content analysis was also developed in respect to the organisation’s environmental disclosure. The environmental Sustainable Development Goals (henceforth SDGs) and indicators set by the United Nations Development Programme (Table 19) informed the themes. A binary coding was applied: + 1 if disclosed and 0 if not disclosed.

Table 19: Criteria for the Environmental SDGs

<table>
<thead>
<tr>
<th>Criteria</th>
<th>GHG Emissions SDG Goal 13: Take urgent action to combat climate change and its impacts</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Direct greenhouse gas (GHG) emissions (Scope 1)</td>
</tr>
<tr>
<td></td>
<td>Energy indirect greenhouse gas (GHG) emissions (Scope 2)</td>
</tr>
<tr>
<td></td>
<td>Other indirect greenhouse gas (GHG) emissions (Scope 3)</td>
</tr>
<tr>
<td></td>
<td>Greenhouse gas (GHG) emissions (Scope 1 and Scope 2) per unit of net value added</td>
</tr>
<tr>
<td>Energy SDG Goal 7: Ensure access to affordable, reliable, sustainable and modern energy for all</td>
<td>Energy consumption within the organisation</td>
</tr>
<tr>
<td></td>
<td>Energy requirement per unit of net value added</td>
</tr>
<tr>
<td></td>
<td>Amounts of each energy source recognised during the accounting period</td>
</tr>
<tr>
<td>Water SDG Goal 6: Clean water and sanitation and Goal 14: Conserve and sustainably use the oceans, seas and marine resources</td>
<td>Total water consumption across operations</td>
</tr>
<tr>
<td></td>
<td>Total water withdrawal by source</td>
</tr>
<tr>
<td></td>
<td>Total water consumption per net unit of net value added</td>
</tr>
<tr>
<td></td>
<td>Location-specific data: Water consumption (e.g. in a subsidiary)</td>
</tr>
<tr>
<td></td>
<td>Location-specific data: Water withdrawals by source type (e.g. in a subsidiary)</td>
</tr>
<tr>
<td></td>
<td>Water sources significantly affected by withdrawal of water</td>
</tr>
<tr>
<td></td>
<td>Total and percentage of withdrawals in water-stressed or water-scarce areas</td>
</tr>
<tr>
<td></td>
<td>Total water discharge by quality and destination</td>
</tr>
<tr>
<td></td>
<td>Location-specific data: Water discharge by quality and destination</td>
</tr>
<tr>
<td></td>
<td>Percentage and total volume of water recycled and reused</td>
</tr>
<tr>
<td>Materials &amp; Waste SDG Goal 12: Ensure sustainable consumption and production patterns</td>
<td>Materials used by weight or volume</td>
</tr>
<tr>
<td></td>
<td>Dependency on ozone depleting substances (ODS) per net value added</td>
</tr>
<tr>
<td></td>
<td>Total weight of waste by type and disposal method</td>
</tr>
<tr>
<td></td>
<td>Waste generated per unit of net value added</td>
</tr>
<tr>
<td></td>
<td>Emissions of ozone-depleting substances (ODS)</td>
</tr>
<tr>
<td></td>
<td>Percentage of materials used that are recycled input materials</td>
</tr>
</tbody>
</table>

Source: Author, 2016.

5.2.2. Stage 2: Qualitative questionnaires

The questionnaire adopted a descriptive approach to gather information aiming to identify mainstream discourse about how hotel groups manage and report sustainability so as to contextualise the interviews and triangulate responses with sustainability reports.
5.2.2.1. Sampling

The researcher used purposive sampling by choosing participants due to their specific knowledge, as they were considered information-rich cases and their use would thus optimise the available resources (Patton 2005). In purposive sampling, the researcher decides what needs to be known and finds people who are willing and able to provide information based on their knowledge and experience (Etikan, Musa, and Alkassim 2016). The purposive sample for this study was the 50 largest hotel groups by number of rooms in 2014, all of which have more than 26,600 rooms according to Hotels Magazine (2015). For the questionnaires, the researcher obtained the sustainability department contact for 49 out of the 50 organisations, and this therefore constituted the sample for the content analysis.

5.2.2.2. Process

Participants were contacted through e-mail providing a cover letter (Section 10.3 and 10.4), a participants’ information sheet and consent form (Section 10.5), the questionnaire (10.6) and an Infographic developed with UNEP (Section 10.7). The questionnaires were targeted by name and position and were accompanied by a cover letter from a reputed organisation, while the researcher clarified any doubts in advance by telephone, to increase the response rate (Smith 2015, Sekaran and Bougie 2013). The infographic entitled "Analysing the quality and credibility of Corporate Social Reporting in the Hospitality Sector, 2016" disseminated the findings of the content analysis of sustainability reports. Helena Rey (UNEP) provided the technical supervision and editing and access to professional graphics and layout.

Questions were built on the literature (Table 20) and had a direct bearing on the information needed to answer the research objectives 2 and 3. Because the format, content, appearance and wording of the questions are essential (Coombes 2001), the questions used industry-specific terminology. The questionnaire contained a mix of closed and open-ended questions. Closed questions are easy to administer, uniform in answers and can be processed and analysed efficiently. On the other hand, they can result in misleading conclusions because of the limited range of options available (Coombes 2001). Closed questions were only used when the relevant range of answers to a given question was clear, and a category labelled ‘Other’ was added to give participants the opportunity to express an opinion (Questions 3, 5, 9, 15 and 23). A 6-point Likert-scale format was used with one question where structuring responses could have overlooked relevant answers. The remaining questions were open-ended, which reduced biased responses but was time-consuming. The codes from the responses to the questionnaire were used to construct the interview guides.
<table>
<thead>
<tr>
<th>Themes</th>
<th>Questions</th>
<th>Literature informing the questions</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sustainability management</td>
<td>Do you use any specific performance management system for sustainability? Which one? Why do you select (or not) a specific performance management system for sustainability? How often is the sustainability strategy reviewed? And how often is the sustainability budget reviewed? Is the rewards programme linked to sustainability targets? Why? If applicable, to which employee level is the rewards programme linked?</td>
<td>(Kaplan and Norton 1996b, Gond et al. 2012)</td>
</tr>
<tr>
<td>Sustainability reporting</td>
<td>Do you produce (or not) a sustainability report? Why? What are the key drivers for your organisation to produce a sustainability report? (If applicable) Likert scale Can you please provide an estimation of: Geographic coverage of the sustainability report Number of staff involved in the sustainability reporting process? Number of units/departments involved in the sustainability reporting process? If possible, please outline department name and involvement of any subsidiaries separately. The financial costs of the sustainability reporting process? Do you follow a particular sustainability reporting guideline/framework? Why? Do you follow more than one guideline/framework? Why?</td>
<td>(GRI 2013a, b, IIRC n.d.)</td>
</tr>
<tr>
<td>Stakeholder engagement</td>
<td>Please indicate whether your stakeholders fall within one or more of the following categories. Do you participate in multi-stakeholder initiatives in sustainability? (e.g. International Tourism Partnership) Could you provide an example? Are difficulties encountered when engaging stakeholders for sustainability? Could you provide an example? Are those difficulties disclosed in a sustainability report? Why or why not? Why or why not does your sustainability report indicate which set of information is aimed at particular stakeholder groups, if applicable? How do you engage with the relevant stakeholders? Please indicate the level of engagement that best corresponds to your practices.</td>
<td>Same as content analysis.</td>
</tr>
<tr>
<td>Sustainability communication</td>
<td>Which are the dissemination formats of your sustainability information? If applicable, please highlight any particularity/innovation in the way that you disseminate sustainability information. If applicable, why do you disclose sustainability information in more than one format? How do you communicate the sustainability strategy internally to the organisation members? And how do you communicate progress on the sustainability internally to the organisation members?</td>
<td>(Kaplan and Norton 1996b, Eccles and Krzus 2014)</td>
</tr>
<tr>
<td>Environmental Sustainable Development Goals</td>
<td>Is your organisation aware of the Sustainable Development Goals (SDGs)? If yes, does it consider that the SDGs will have implications for its sustainability strategy and reporting? How? Are you measuring the following indicators and why? Disaggregated indicators for GHG Emissions, Energy, Materials and Waste and Water. Are you planning to report under the CDP’s (formerly the Carbon Disclosure Project) Climate Change Programme? Why or why not? Are you planning to report under the CDP’s Water Programme? Why or why not? If you report under the CDP, how do you select the information to include in the SR, since we have seen your CDP reports provides much more detailed information.</td>
<td>(United Nations 2016)</td>
</tr>
<tr>
<td>Assurance</td>
<td>Do you undertake internal assurance of sustainability actions before reporting? How?</td>
<td>Same as content analysis.</td>
</tr>
</tbody>
</table>
Do you undertake external assurance of your sustainability report?

If yes, has a particular assurance standard been applied? Why or why not?
What is the level of assurance provided? Please explain the reasoning for this.

How does an external assurance contribute to your sustainability reporting?

Could you estimate the financial costs of external assurance?

Source: Author, 2016.

The questionnaire contained questions requiring prior knowledge since an estimation of the personnel and financial resources for sustainability reporting was considered relevant for profiling the organisations and their behaviour. Such questions were kept to a minimum, however, so as to avoid participants abandoning the research (Coombes 2001). The questionnaire was piloted with Prof. Font and staff at UNEP, which helped eliminate double-barrelled, leading, hypothetical, memory-dependent and long questions, this preventing ambiguity and ensure that the questionnaire would be capable of generating the required responses from the audience (Smith 2015).

Self-administered questionnaires were distributed electronically over a period of three months (September-December 2016) to the sample of 49 hotel groups. The research obtained data from seven respondents that were distributed in the Accountability Matrix (Section 6.6.1) across organisations that were categorised as Medium (2), Low (3) and Website reporters (2). The questionnaire obtained a 14.3% response rate after two follow-up emails, which is 27% of the organisations disclosing sustainability information (7 out of 26 that disclose sustainability information in their reports or website), remaining slightly lower than 30% response rate considered acceptable (Sekaran and Bougie 2013). See Section 5.5.3 for a discussion of high nonresponse rates and nonresponse error.

5.2.3. Stage 3: Semi-structured interviews

Information from the content analysis and questionnaire was used to establish the state of the art of CSR in the hotel industry and thus to support the third round of data collection. Qualitative interviews attempted to uncover and interpret CSR decision making so as to build up a picture of the assumptions and expectations behind mainstream discourse. Semi-structured interviews have previously been shown to be able to reveal knowledge from managers and to provide a rich set of insights into CSR. Interviews also reduce the likelihood of misinterpretation between the researcher and the interviewee by allowing the opportunity to clarify the wording of questions (Sekaran and Bougie 2013) and to ask additional and probing questions (Neuman 2012). Nevertheless, interviews are time-consuming and their flexibility may have an impact on the reliability of the research (Bryman and Bell 2015). The interviewer bias towards the interviewee, interviewee bias towards the interviewer, and interviewer tone of voice and mannerisms may also affect responses (Neuman
A maximum of two interviews were conducted per day, with careful attention to the wording and sequencing of the questions to avoid ambiguity.

5.2.3.1.  **Stage 3A: organisations’ semi-structured interviews**

5.2.3.1.1.  **Sampling**

Interviews with organisations were targeted to the headquarters’ CSR managers in order to gain a deeper understanding of the decision making in the CSR process and of the CSR behaviour observed in the content analysis and questionnaires. Expert sampling was chosen as the method of purposive sampling, which calls for experts in a particular field (Etikan, Musa, and Alkassim 2016), because of their knowledge about the phenomenon of interest. Participants were assumed to provide detailed (depth) and generalisable (breath) information by being information-rich cases. They were assumed to be ‘representative’ of a specific role (Palinkas et al. 2015). Interviewees were considered elite because of their experience and position in the industry.

Interviews continued until no new substantive information was acquired and data saturation was achieved regarding the understanding of the CSR decision-making process (Miles and Huberman 1994). The researcher undertook eight interviews with corporate sustainability managers from the 50 largest hotel groups (Table 21). The interviewed organisations encompassed three subgroups: organisations disclosing sustainability in their websites only (2) organisations publishing sustainability reports with medium accountability (3) and those publishing reports with low accountability (3), based on the results of the content analysis. These were from among the same respondents as for the questionnaires, except one extra respondent that did not participate in the questionnaire phase. Collecting data on the same organisations through content analysis, questionnaires and interviews enabled comparison between subgroups. The sample was as varied as possible, although it was not possible to include representation of organisations with no sustainability communication in either channel or with high accountability results in the content analysis.

Table 21: Sample composition of CSR managers’ interviews and codes

<table>
<thead>
<tr>
<th>Code</th>
<th>Type of organisation</th>
<th>Date</th>
<th>Length</th>
<th>Job title</th>
</tr>
</thead>
<tbody>
<tr>
<td>C1</td>
<td>Organisation - Medium Accountability Matrix</td>
<td>11.10.2016</td>
<td>1:16:28</td>
<td>VP Corporate Responsibility &amp; Internal Communication</td>
</tr>
<tr>
<td>C2</td>
<td>Organisation - Medium Accountability Matrix</td>
<td>8.11.2016</td>
<td>0:39:41</td>
<td>Innovation &amp; Project Manager, Sustainable Development</td>
</tr>
<tr>
<td>C3</td>
<td>Organisation - Medium Accountability Matrix</td>
<td>16.06.2017</td>
<td>0:35:50</td>
<td>Corporate Responsibility Director</td>
</tr>
<tr>
<td>C4</td>
<td>Organisation - Low Accountability Matrix</td>
<td>7.10.2016</td>
<td>00:39:24</td>
<td>Director of Corporate Social Responsibility and Sustainability</td>
</tr>
</tbody>
</table>
5.2.3.1.2. Process

The researcher established a list of themes for investigation derived from the strategy implementation methodology of Kaplan and Norton (1996a) and the SR literature, with a predetermined set of questions linked to objectives 2 and 3 of this research to provide structure to the interviews (Table 22). Nonetheless, the interviews themselves explored emergent ideas rather than relying entirely on the predefined questions (Saunders, Lewis, and Thornhill 2015, Neuman 2012). The questions could therefore be modified according to the interviewees’ responses, and the organisational and situational context of the interview, which was the organisation’s sustainability report and its questionnaire responses. Designing qualitative questions was an interactive process involving thought to assess the implications of purpose, conceptual context, research questions and validity threads (Wengraf 2004). The questions were reviewed and approved by the head of the UNEP unit and UNEP’s sustainability and reporting specialist. The structured interview guide (Section 10.8) helped to keep the conversation focused.
<table>
<thead>
<tr>
<th>Themes</th>
<th>Questions examples</th>
<th>Rationale</th>
<th>Literature informing the questions</th>
</tr>
</thead>
<tbody>
<tr>
<td>Materiality</td>
<td>How is the overall objective of your sustainability strategy defined? Who is involved?</td>
<td>This section investigates the effectiveness of the MA for increasing accountability and transparency in SR. The question provided insights as to how hospitality groups define the content of their sustainability report. For those undertaking MA, this section investigated how their 'materiality' definition shaped the scope, audience and objectives of the assessment.</td>
<td>(Kaplan and Norton 1996b, Report Sustentabilidadade 2013, GRI 2013b, Eccles, Krzus, and Ribot 2015b, Fasan and Mio 2017, Unerman and Zappettini 2014)</td>
</tr>
<tr>
<td>Current sustainability management practices</td>
<td>Who participates in implementing the sustainability strategy?</td>
<td>This question focuses on the internal organisation for CSR decision-making and implementation including the departments, roles, and responsibilities.</td>
<td>(Kaplan and Norton 1996b, Figge et al. 2002a)</td>
</tr>
<tr>
<td></td>
<td>Where do you develop the sustainability strategy and reporting?</td>
<td>Since the type of ownership influences the implementation of sustainability (Melissen, van Ginneken, and Wood 2016), this question looked at i) where the sustainability strategy was developed (owned, managed and leased hotels) ii) the data selected from the different management options and iii) how the single report was assembled.</td>
<td>Strategy and management: (Figge et al. 2002a, Van der Woerd and van Den Brink 2004, van Ginneken 2011, Porter and Kramer 2011, Sohn, Tang, and Jang 2013, Melissen, van Ginneken, and Wood 2016)</td>
</tr>
<tr>
<td></td>
<td>How do you monitor the sustainability progress continuously?</td>
<td>This section complemented questions one to three from the questionnaire, by providing insights into the use of open SR, data collection processes for reporting and change programmes to adapt the organisation to the sustainability challenges.</td>
<td>Reporting: (Murninghan and Grant 2013, SASB 2013, GRI 2013a, KPMG 2014b)</td>
</tr>
</tbody>
</table>

Table 22: Organisations' interview questions and rationale
| Future outlook | What are the challenges in sustainability implementation? And reporting? What could be done to overcome those challenges? | This section identifies future CSR implementation challenges. This question identifies SR industry challenges. The last question sought to determine the roles and responsibilities of the sector as a whole, and of individual organisations, in addressing the challenges identified. This section also asked how transparency in SR might be improved. |

Source: Author, 2016.
Semi-structured interviews were pilot tested with two UNEP representatives, who assessed overall wording, sequencing, the likely familiarity of the targeted interviewees’ with the content and the time required to complete the interview. The process of assessing the depth and range of the interview questions revealed the need for some re-wording and sequencing adjustment. Piloting ensured that the information gathered was relevant, effective and fit for the study (Saunders, Lewis, and Thornhill 2015). Data collected from the pilot study was not included in the findings.

The interviews were undertaken by phone, in English, and audio-recorded. The importance of the CSR managers’ contribution, confidentiality and anonymity were emphasised. Since elites may challenge the researcher on their subject and its relevance (Zuckerman 1972), the researcher had collected information on the hotel groups through the content analysis and questionnaires. The researcher sought to build a rapport with participants from the first contact and during and beyond the interview to address the power gap (Ostrander 1993) and improve response rates (Myers 2013). In circumstances when respondents did not answer the question, she asked another question and then circled back to the original question. When respondents continued not to respond to the question, the researcher made a note and moved on. At the end, the researcher asked for any comments or criticisms regarding her research. Despite the shortcomings of phone interviews, this was the best option given the range of geographical locations of the corporate offices as well as being time efficient for both the interviewer and interviewees.

5.2.3.2. **Stage 3B: experts’ semi-structured interviews**

5.2.3.2.1. **Sampling**

Stage 3B applied the same purposive sampling technique as with the hotel CSR managers in stage 3A. Here, individuals were interviewed who were knowledgeable about the phenomenon of interest and who could portray an external view of the approaches, challenges and opportunities for the industry. As with the interviews with the CSR managers, subgroup sampling was applied, which recognises the uniqueness and complexities of subgroups and avoids systematically aggregating data (Onwuegbuzie and Collins 2007). The researcher undertook eight interviews with experts, who included two academics, and the CEOs of one organisation facilitating sustainability industry-wide processes, two reporting standard organisations, and three consultancies on sustainability for the hotel industry (Table 23). Results reflect the subgroup sampling when discussing differences between the subgroups.
This research therefore comprised 16 interviews in total, split between CSR managers and experts, thus exceeding the minimum sampling size normally suggested for interview data collection, which is 12 (Guest, Bunce, and Johnson 2006).

### 5.2.3.2.2. **Process**

Experts were provided with the participants’ information sheet and consent form (Section 10.9). Interviews were conducted in English and by phone due to the global locations of the interviewees. The researcher established a list of themes from the literature review, content analysis and interviews with CSR managers (Table 24) while questions were adapted to the expertise of each interviewee. Section 10.10 sets out the complete interview guide.
<table>
<thead>
<tr>
<th>Themes</th>
<th>Questions examples</th>
<th>Rationale</th>
<th>Literature informing the questions</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sector overview</td>
<td>What are the challenges for the hotel industry in moving from unsustainable to sustainable?</td>
<td>This section explored the challenges for the industry to become more sustainable, including what they are, why they exist, what is preventing change and how they could be overcome.</td>
<td>(Melissen, van Ginneken, and Wood 2016, Jones et al. 2016)</td>
</tr>
<tr>
<td>Sustainability strategy definition</td>
<td>Could you explain the mainstream approach taken by the industry when defining their sustainability strategy?</td>
<td>This section explored the mainstream approach, challenges, restrictive conditions and actors involved in defining sustainability strategy.</td>
<td>(Kaplan and Norton 1996b, van Ginneken 2011, Porter and Kramer 2011, Sohn, Tang, and Jang 2013, Melissen, van Ginneken, and Wood 2016)</td>
</tr>
<tr>
<td>Sustainability reporting</td>
<td>Could you explain the mainstream approach taken by the industry when reporting sustainability</td>
<td>This section explored the mainstream approach, challenges, restrictive conditions and actors involved in reporting sustainability, including the reports’ audience and use, motivations for reporting, reporting frameworks and voluntary vs. compulsory reporting.</td>
<td></td>
</tr>
<tr>
<td>Materiality assessment</td>
<td>Have you identified shortcomings on existing materiality assessments?</td>
<td>This section explored the identification of shortcomings in existing materiality assessment guidelines and applications,</td>
<td>(Report Sustentabilidade 2013, Greenley and Foxall 1998, KPMG 2014b, Green and Hunton-Clarke 2003, Roloff 2008, Plaza-Ubeda, de Burgos-</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Stakeholder engagement</th>
<th>How could accountability towards stakeholders be improved?</th>
<th>This section explored the current stakeholder engagement for sustainability within the industry, barriers and alternative methods.</th>
<th>Same as organisation interviews.</th>
</tr>
</thead>
</table>

Source: Author, 2016.
5.3. Data analysis: thematic analysis

This section addresses the analysis of the three sets of data. Qualitative data analysis is an on-going process, involving inductive reasoning, thinking and theorising (Taylor, Bogdan, and DeVault 2015). Themes and ideas were identified and tracked since the start of the content analysis process and through the questionnaires and interview phases, since information collection and analysis go hand in hand (Rallis and Rossman 2012). Organisational categories were established after the content analysis, helping to organise the questionnaire and interviews. Throughout the analysis, the researcher attempted to gain a deeper understanding of the topic studied and continuously refined the interpretation of the data through coding. The data analysis focused on the organisational characteristics and factors that supported or hindered the integration of sustainability into the management and reporting of hotel groups.

Because of the pragmatist approach, the research question drove the method of analysis to be thematic analysis for the three data sets. Thematic analysis involves searching across a data set, in this case, sustainability reports, qualitative questionnaires and interviews, to find repeated patterns of meaning (Braun and Clarke 2006). Thematic analysis is a widely used qualitative analysis method that can produce an insightful analysis (Braun and Clarke 2006). According to Braun and Clarke (2006), before conducting thematic analysis two decisions need to be made, one regarding the way in which themes and patterns will be identified (inductive vs. theoretical), and another concerning the level at which those themes will be identified (semantic vs. latent).

The researcher used the theoretical analysis type and the semantic level to analyse sustainability reports and questionnaires. Through theoretical thematic analysis, also known as deductive or ‘top-down,’ themes and patterns of sustainability reports and questionnaire data were analyst-driven, by the researcher's analytic interest in the area (Braun and Clarke 2006). Then, with a semantic approach, the themes were identified within the explicit meanings of the data (Braun and Clarke 2006), i.e. no attempt was made to look for anything beyond what was directly written in the sustainability reports and questionnaires. In contrast, the researcher applied the inductive analysis type and latent level to the interview data. With the inductive or bottom-up approach, the researcher identified themes and patterns, not trying, a priori, to fit codes into pre-existing coding frames (Braun and Clarke 2006). While the researcher’s analytic preconceptions drove the interview questions, the participants' voice drove the codes by employing in vivo coding. Then, the analysis at the latent level aimed at examining the underlying ideas, assumptions and conceptualisations later theorised as shaping the semantic content of the sustainability reports. By combining both types and levels of
thematic analysis in the data set, the researcher aimed to capture both the sustainability reporting process as explicitly disclosed by hotel groups, and, through the interpretation in the interviews, the plausible explanations for such disclosure. Table 25 explains the thematic analysis phases for the interview data.
### Table 25: Thematic analysis phases for the interview analysis

<table>
<thead>
<tr>
<th>Phase</th>
<th>Process</th>
<th>Actions</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Familiarising with the data</td>
<td>Transcribing data, reading and rereading the data and noting down initial ideas.</td>
<td>The researcher transcribed and analysed the interviews without the use of any software. While qualitative data analysis software are increasingly popular (Silverman 2013), they do not substitute for the researcher’s insight and intuition (Taylor, Bogdan, and DeVault 2015). After each interview, the researcher transcribed the information by hand and took notes of all the ideas generated. The researcher analysed her role in the interview, to improve the practice of the next interview (Wengraf 2004). Noting ideas while transcribing provided a good start to the later coding and analysis (Taylor, Bogdan, and DeVault 2015).</td>
</tr>
<tr>
<td>2. Generating initial codes</td>
<td>Coding salient features of the data in systematically across the entire data set, collating data relevant to each code.</td>
<td>After reviewing the coding methods from Saldaña (2015), the researcher applied holistic coding, followed by two first cycle methods: in vivo and process coding. Holistic coding applies a single code to each large unit of data to capture a sense of the overall content and possible categories (Saldaña 2015). Holistic coding is used as an exploratory and preliminary coding. The holistic codes were a combination of in vivo and process codes. In vivo coding is appropriate for coding beginners and codes prioritising the participants’ voice (Saldaña 2015). In vivo coding was used with an inductive approach, in which themes identified strongly linked to the data (Patton 1990). This code looked for salient passages and sought to capture how sustainability integration within the organisation was resolved. Then, process coding identified the participants’ actions towards strategy definition, implementation, monitoring and reporting, which is the research concern of the thesis. The researcher looked for participants’ transitional indicators such as “if,” “when,” “because,” since those give the sequence in action (Saldaña 2015). Process coding used only gerunds to capture simple activities and conceptual actions. While coding, the researcher kept a memo, which made the researcher’s ideas and analysis visible and retrievable (Saldaña 2015). The memos summarised the ideas expressed and the reasons why those mattered.</td>
</tr>
<tr>
<td>3. Searching for themes</td>
<td>Collating codes into potential themes, gathering all data relevant to each potential theme.</td>
<td>The researcher employed pattern coding, as a second cycle coding to categorise the similar coded data. Pattern coding is suitable for the search for rules, causes and explanations in the data and the development of the central themes (Saldaña 2015). Section 10.11 shows a list of themes, categories subcategories and illustrative quotes.</td>
</tr>
<tr>
<td>4. Reviewing themes</td>
<td>Checking the themes with the coded extracts and the entire data set.</td>
<td>When reviewing the themes, the researcher sought compliance with the two judging criteria from Patton (1990): internal homogeneity – coherent data within themes, and external heterogeneity – clear and identifiable distinctions between themes.</td>
</tr>
<tr>
<td>5. Defining and naming themes</td>
<td>On-going analysis to refine the specifics of each theme, and the overall story the analysis tells.</td>
<td>The researcher at this stage attempted to identify the ‘essence’ of each theme, and what aspects were captured.</td>
</tr>
<tr>
<td>6. Thematic reorganisation of themes</td>
<td>Reorganisation of themes.</td>
<td>Before producing the results chapter, the researcher reorganised the themes using a theoretical approach informed by the dimensions of sustainability integration (Gond et al. 2012) further broken down into the 7-S Framework of organisational variables (Waterman, Peters, and Phillips 1980). Later themes were mapped against the four steps of building a Materiality Balanced Scorecard (MBSC). (see detail outside the figure).</td>
</tr>
<tr>
<td>7. Producing the report</td>
<td>Selection of compelling extracts, the final analysis of selected extracts and relating back to the analysis to the research question and literature.</td>
<td>Once all information was coded, the researcher related data from the published sustainability reports and websites, the questionnaires and the interviews. Both Chapter 6 and 7 are the results of the analytical process, which involves a progression from the description, where the data is organised and summarised to show patterns, to the interpretation, where there is an attempt to theorise the significance of the patterns and their broader meanings and implications, often related to previous literature.</td>
</tr>
</tbody>
</table>

Source: Author, 2017. The thematic analysis process description has been adapted from Braun & Clarke (2006).
Because of the volume and breadth of data from the three data sets on sustainability management and reporting processes, the researcher identified the need to reorganise themes (Step 6) in a way that would facilitate the assessment of the value of the MBSC for the hotel industry (Objective 3). To structure the data analysis in light of the research objectives, three dimensions of sustainability integration – cognitive, organisational and technical (Gond et al. 2012) – were considered as a means to identify the characteristics of the hotels from the sample in their management and reporting of sustainability. Cognitive integration entails how people think within the organisation, their shared cognition, and the changes in focus and beliefs. Organisational integration involves how processes are organised concerning the organisations’ formal structure and roles to facilitate common practices. Technical integration involves how organisations use tools and methodologies for sustainability.

These three dimensions could be broken down into the 7-S Framework (Table 26) to enable the identification of sustainability integration across the critical organisational variables of strategy, structure, systems, style, skills, staff and shared values, defined as follows (Waterman, Peters, and Phillips 1980). The cognitive sustainability integration entails the style, skills and shared values. Style includes the organisation’s culture and ability to change, skills are the capabilities of the organisation, and shared values are the fundamental ideas around which the organisation is constructed. The organisational sustainability integration occurs through the structure and staff variables. The structure is the way in which the organisation is arranged, while the staff refers to the employees. Finally, the technical sustainability integration entails the strategy and systems. The strategy is understood as actions that an organisation plans in response to, or in anticipation of, changes in its external environment, its customers and its competitors. Systems refer to the formal and informal procedures at the organisation. The 7-S framework has been successful in identifying the variables that drive management processes, including strategy formulation (Galliers and Sutherland 1991), employee empowerment (Lin 2002) and sustainability reporting (Thijssens, Bollen, and Hassink 2016) and therefore, it is a pertinent framework for this study.

<table>
<thead>
<tr>
<th>Dimensions of sustainability integration</th>
<th>7-S Framework variables</th>
</tr>
</thead>
<tbody>
<tr>
<td>Organisational</td>
<td>Structure, Staff</td>
</tr>
<tr>
<td>Technical</td>
<td>Strategy, Systems</td>
</tr>
<tr>
<td>Cognitive</td>
<td>Style, Skills, Shared Values</td>
</tr>
</tbody>
</table>

Source: Author, 2018.

Furthermore, these three dimensions of sustainability integration and the associated 7-S framework variables were categorised into the four steps of building the MBSC. Identifying the organisational variables and dimensions of integration involved in each of the steps of building the MBSC from...
chapter, facilitated the researcher to assess in light of the findings whether, and if so how, the MBSC could assist the hotel industry in realising CSR strategies that create shared value. Accordingly, Table 27 shows the organisation of the themes identified in the three data sets into the dimensions of sustainability integration and the 7-S framework variables within the four steps of building the MBSC. It was this organisation that was used to guide the structure of chapter 6 (Steps 1 to 3) and chapter 7 (Step 4). Section 10.11 shows a list of all the themes, categories, subcategories and illustrative quotes.

After having reviewed the data analysis, the next section explains the ethical considerations and evaluation criteria for this research.
Table 27: Themes identified, classified into the 7-S Framework variables, sustainability integration levels, and MBSC steps.

<table>
<thead>
<tr>
<th>Organisational Structure</th>
<th>0. Strategic planning &amp; strategic &amp; operational information sharing</th>
<th>1. Integrating sustainability into the BSC</th>
<th>2. Recognising stakeholder value (Inclusiveness &amp; Responsiveness)</th>
<th>3. Determining environmental and social exposure of strategic business units (MA)</th>
<th>4. The MBSC - barriers</th>
</tr>
</thead>
<tbody>
<tr>
<td>Corporate size</td>
<td>Industry model: size and ownership structure</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Ownership structure</td>
<td>Organisational roles and responsibilities</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Sustainability governance</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>-Roles &amp; responsibilities</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cross-functional coordination</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

| Staff | | | | | |
| Strategic planning | | | | | |

| Technical Strategy | | | | | |
| Performance management systems' use and sustainability integration | Reporting guidelines adopted | Reporting standards adopted | Performance evaluation | Performance evaluation | |
| Performance evaluation | Formality of MA | Employing reporting standards | Reporting process | Reporting standards adopted | |
| Rewards systems | External assurance | Degree of formality of the SR process | | | |

| Style | | | | | |
| Internal and external communication of strategic and operational information | Knowledge and skills of employees | | | | |

| Cognitive Skills | | | | | |
| Approach to performance measurement and management | Reporting related motivations | Organisational culture and values system | Managerial attitudes | | |
| Stakeholder orientation | Value of reporting | Awareness of sustainability | Stakeholder orientation | Legislation | |
| | | Stakeholder pressure | | | |

Source: Author, 2018.
5.4. Ethical considerations and evaluation criteria: Trustworthiness

The researcher used the principle of trustworthiness to assess her research (Table 28). Four criteria equivalent to central issues in positivist ideals of validity and reliability constitute trustworthiness: credibility, transferability, dependability, and confirmability (Lincoln and Guba 1985).

Table 28: Researcher’s strategies to address trustworthiness

<table>
<thead>
<tr>
<th>Quality criterion</th>
<th>Definition</th>
<th>Provisions made by the researcher</th>
</tr>
</thead>
<tbody>
<tr>
<td>Transferability</td>
<td>Provide sufficient detail of the context of the study for the reader to decide whether the findings can be applied to other settings.</td>
<td>Provision of background data to establish the context of the study and detailed description of the phenomenon in question for comparisons to be made.</td>
</tr>
<tr>
<td>Dependability</td>
<td>Details the processes within the study to enable another researcher to repeat the research but not necessarily gain the same results.</td>
<td>Employment of ‘overlapping methods.’ In-depth methodological description to allow the study to be repeated.</td>
</tr>
<tr>
<td>Confirmability</td>
<td>Demonstrate that findings emerge from the data and not the researcher's predisposition.</td>
<td>Triangulation to reduce the effect of investigator bias. Admit the researcher’s beliefs and assumptions. In-depth methodological description to allow research results to be scrutinised. Recognise shortcomings in the study’s methods and their potential effects.</td>
</tr>
</tbody>
</table>


5.4.1. Credibility

Credibility depends on the richness of the information gathered, on the analytical abilities, and the credibility of the researcher’s interpretations. Trust in the findings was enhanced in several ways:

a) Triangulation of methods, data, multiple researchers and theory were used as a means to validate the findings (Patton 2005, Silverman 2013). The combination of methods compensated for their individual limitations and exploited their benefits (Shenton 2004). The researcher checked information across a wide range of documents (sustainability reports and questionnaires) and informants (CSR managers and experts). Also, the principal researcher and one supervisor coded a sample of sustainability reports (Section 5.4.3), while the interpretation of the phenomena (Chapter 2, 6 & 7) employed more than one theory.
b) Pilot testing the questionnaire and interviews in advance detected weaknesses.

c) Tactics to increase honesty in informants were used. The researcher emphasised her independent status, confidentiality, anonymity, and informed participants about the purpose and importance of the investigation, and the right to withdraw from the study at any point (ethics form and cover letter).

d) Iterative questioning included the use of rephrased questions to return to matters previously raised by participants so as to detect contradictions (Shenton 2004).

e) The constant comparative method was employed (Peräkylä 2004, Glaser and Strauss 2012), by which the researcher examined a small part of the interviews first in order to generate a set of categories, and then expanded the analysis to the rest of the data.

f) Data was treated comprehensively with the researcher generating a provisional analytical scheme from a small batch of data, and then comparing it with other data. Care was taken to avoid the anecdotal use of data extracts (Riessman 2011).

g) Deviant case analysis was applied, detecting issues that did not fit with the researcher’s current understanding of the phenomena. Three types of deviant cases were identified (Peräkylä 2011): i) exceptions to the rule, ii) cases that through their difference, indicated that the researcher needed to change the labelling and, iii) different cases that while not supporting the findings did not require re-evaluation of the researcher’s ideas.

h) Respondent validation techniques were used to check the validity of responses (Reason and Rowan 1981), in which participants were asked to corroborate findings and quotes attributed to them (Lincoln and Guba 1985).

i) Recurrent debriefing sessions between the researcher and her supervisors enabled the researcher to widen her vision through the supervisors’ experiences, perceptions, and alternative approaches (Shenton 2004). The meetings informed developing ideas and interpretations, and helped the researcher to recognise her biases.

j) Examination of previous research findings was used to assess the degree to which results were congruent with past studies (Shenton 2004, Silverman 2013).

k) Peer scrutiny of the research was welcomed in several conference presentations, research seminars and journal articles (Table 29), which enabled the researcher to strengthen the arguments in the findings in the light of the comments received.
Table 29: Peer scrutiny

<table>
<thead>
<tr>
<th>Presentations</th>
<th>Publication processes</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>MBSC framework (Chapter 4)</strong></td>
<td>• The comments of the reviewers that accompanied the rejection at the Journal of Cleaner Production provided invaluable insights for improvement (2017).</td>
</tr>
<tr>
<td>• International Conference Disclosing Sustainability; The Transformative Power of Transparency? organised by the Environmental Policy Group at Wageningen University, The Netherlands, 2016.</td>
<td></td>
</tr>
<tr>
<td>• Research seminar at La Trobe University, Australia, 2017.</td>
<td></td>
</tr>
<tr>
<td>• Research seminar at Curtin University, Australia, 2017.</td>
<td></td>
</tr>
<tr>
<td><strong>Content analysis results (Chapter 6)</strong></td>
<td></td>
</tr>
<tr>
<td>• Research Seminar at Murdoch University, Centre for Responsible Citizenship and Sustainability, Australia, 2017.</td>
<td></td>
</tr>
<tr>
<td><strong>Content analysis, questionnaires, and interviews (Chapter 6 &amp; 7)</strong></td>
<td></td>
</tr>
<tr>
<td>• 4th International CSR, Sustainability, Ethics &amp; Governance Conference organised by the Centre for Responsible Citizenship and Sustainability, Australia, 2017 (Preliminary findings).</td>
<td></td>
</tr>
</tbody>
</table>

Source: Author, 2018.
5.4.2. Transferability

Because qualitative researchers are concerned with understanding a phenomenon that can have implications beyond a particular setting, two types of transferability are discussed. First, the naturalistic transferability focuses on generalising to larger contexts and populations (Bailey 2007) and depends on the similarity between the original situation and the situation to which it is transferred (Hoepfl 1997). This research took adequate account of time issues and contextual conditions as they reflect the dynamics and changes in the local environment. Because the researcher cannot specify the transferability of findings, sufficient information was provided for the reader to determine if the findings are relevant to the new situation (Lincoln and Guba 1985). Second, analytic transferability focuses on generalising to the theory (Bryman and Bell 2015). The MBSC framework formulated before the data collection attempted to verify how well the findings fitted within the established theories (Chapter 2) and how feasible it was to explain cases within new (and similar) contexts.

5.4.3. Dependability

Dependability refers to whether other qualitative researchers would detect similar information (Silverman 2013). The researcher reported the design and implementation in detail so as to enable a future researcher to assess the extent to which proper research practices had been followed and to repeat the work (Shenton 2004). Also, the researcher independently coded all reports, while one supervisor randomly coded 20% of them using the same coding instructions and units of analysis. A cross-coder reliability test was run on a sample of two of the reports, initially revealing an 81% agreement between the two independent coders, improving to 95% in later tests once the coders reflected on their interpretation of coding protocols. Regarding semi-structured interviews, two independent transcriptions were performed to minimise the concerns about the reliability (Saunders, Lewis, and Thornhill 2015). The first transcription was made without grammatical or other ‘tidying up,’ paying attention to issues of recording and transcription as noises and pauses (Silverman 2013). The second transcription was informed by the analytic ideas and transcription symbols (Section 10.12), which presented a more objective and comprehensive coding. Furthermore, Lincoln and Guba (1985) argues that a demonstration of credibility ensures dependability, and credibility has been ensured in multiple ways.
5.4.4. Confirmability

Confirmability requires findings to be supported by data (Bailey 2007), since most conclusions in social research remain provisional because of the context of human values choices, norms and institutions, work and traditions, language and communication (Korac-Kakabadse, Kakabadse, and Kouzim 2002). Since humans design questionnaires and interviews, researcher bias is inevitable (Patton 2005) although triangulation was used to minimise such bias (Shenton 2004) and ensure the findings were the result of the participants. Also, the researcher provided in-depth methodological description allowing the results to be scrutinised (Section 5.3) and recognised the shortcomings in the methods (Section 5.5).

5.5. Methodological limitations

This section outlines the limitations of the data collection techniques used and the strategies to tackle those constraints.

5.5.1. Sample limitations

While a subgroup sample was sought, findings were limited to organisations disclosing sustainability, which hampered the understanding of the motivations and barriers for not engaging in SR. Organisations publishing sustainability reports were more eager to participate (6) followed by organisations with web information (2), while organisations with no sustainability disclosure choose not to engage.

Also, purposive sampling entails the disadvantage of self-selection bias (Palinkas et al. 2015, Etikan, Musa, and Alkassim 2016), since by selecting participants that meet a specific criterion this research may fail to capture other groups shaping the CSR strategy and outcome. Nevertheless, not selecting participants by their distinct roles could result in not engaging the most knowledgeable (Palinkas et al. 2015). CSR experts were more pertinent to comment on CSR decision-making and implementation processes.

5.5.2. Limitations of content analysis

The initial study only identified the presence or absence of the variables investigated through the content analysis. Since organisations publish the reports, the evidence presented must be considered in this light; an exclusive focus on reports “may result in a somewhat incomplete picture of disclosure practices” (Roberts 1991, 63). Still, content analysis of reporting process should not be neglected since, if carried out at the correct intervals, content analysis is a valid instrument for highlighting
progress in SR. Researching the statements on reporting steps can inform about the underlying assumptions defining what matters in sustainability and the relevance of the information communicated to stakeholders. Later, questionnaires and interviews provided detail into the dynamics of SR.

### 5.5.3. Limitations of qualitative questionnaires

The concerns in the questionnaires are the nonresponse and the differences between participants and non-participants (Smith 2015). If participants are unrepresentative doubts can arise about the validity of the findings and the potential bias introduced. The researcher acknowledges that the findings refer only to organisations that publish sustainability reports and do not represent the organisations not disclosing sustainability.

### 5.5.4. Limitations of semi-structured interviews

The manager's interview responses were possibly affected by social desirability, both from a combination of impression management – the calculated attempt to be portrayed in a favourable light about social norms, and self-deception – the tendency towards believed overly positive terms for self-description (Zerbe & Paulhus, 1987). Also, interviews deprive the researcher of the context, which increases the likelihood of misinterpreting participants (Becker and Geer 1957). Despite the social bias, few researchers would argue for abandoning interviewing (Taylor, Bogdan, and DeVault 2015). Making explicit the limitations of interviews and ensuring participants' anonymity in the research reduces, but not eliminates, social desirability response bias (Randall and Fernandes 1991). Additionally, data triangulation was employed to minimise the social desirability effects.

### 5.6. Conclusions

This chapter has examined the methods used in the research and the rationale for their selection. The chapter explained the researcher's stance and identified that this Ph.D. is underpinned by the pragmatic paradigm and the derived ontological, epistemological and axiological choices. A justification and review of the research approach and methodology adopted in the thesis followed the first half of the chapter. Individual sections defended the choice of multi-methods inquiry encompassing a three-stage strategy: the content analysis of SR or websites, the questionnaires, and semi-structured interviews. The chapter then described each research method employed, sampling and process. The qualitative and quantitative content analysis assessed the transparency of sustainability reporting of hospitality organisations placing the focus on stakeholder identification,
engagement, materiality, responsiveness and external assurance. Then, the qualitative questionnaire was sent to the sustainability managers of the top 50 hospitality groups to expand on the CSR decision-making process. Afterwards, semi-structured interviews looked at the current sustainability management practices to identify beliefs, values and assumptions behind mainstream discourse. Then, interviews with experts focused on identifying current challenges in sustainability management and reporting. After this, the thematic analysis used was explored in detail, combining deductive and inductive reasoning, and the ethical considerations and quality criteria. Lastly, the chapter presented the methodological limitations of the study. The following chapter 6 presents and discusses the findings of the three data collection techniques regarding the degree of sustainability integration of hotel groups. Later chapter 7 returns to objective 3 ‘To critically appraise the value of the MBSC within the hotel industry’ by presenting and discussing the barriers and enablers for the MBSC implementation.
6. A comparative analysis of the disclosure of sustainability reporting processes and sustainability integration of hotel groups

Chapter 6 provides a comparative analysis between organisations’ publicly available sustainability reports (18 organisations) and the interview responses of hotel groups (8) and experts (8) in respect to the strategic planning, measurement, management and reporting of sustainability. This offers the ability to make informed conclusions about whether the reporting reflects the management of sustainability. The structure follows that of Chapter 4, whereby each step of building the MBSC presents the dimensions of sustainability integration broken down into the 7-S framework variables (Table 27). Figure 24 introduces into the MBSC steps the sustainability integration themes identified across the data. This chapter first covers the organisations’ profiles, ownership, roles and responsibilities and cross-functional communication. Step 0 reviews the strategic planning and the information sharing needed before implementing an MBSC. Step 1, assesses current sustainability performance measurement and management, and the motivations for the approach. Step 2 evaluates the stakeholder inclusiveness and responsiveness. Step 3 discusses sustainability reporting guidelines, the materiality assessment, external assurance, and the motivations for reporting. It is worth noting that the previous MBSC steps are interrelated and non-linear; for instance, the results in step 2 will inform the evaluation in step 1, as well as step 3. The chapter concludes by comparing the reports’ disclosure of reporting practices and environmental indicators to the degree of sustainability integration as a means to characterise the industry in the light of the MBSC.

1 Section 10.11 shows the list of themes, categories, subcategories and illustrative quotes.
6.1. Organisations’ profiles

The findings of the structure (Figure 25), understood as the way in which the organisations are arranged, include, ownership, the roles and responsibilities, and cross-functional communications themes.

Ownership

The hotel groups studied ranged in size from 715,000 rooms to 26,000 rooms (based on 2014 figures), and had different ownership (Table 30). EasternCrown, Caesars, MGM and Shangri-La owned all or nearly all rooms from the portfolio while the remaining organisations presented a mix of owned, leased, managed and franchised hotels. Since the type of ownership influences the implementation of
sustainability (Melissen, van Ginneken, and Wood 2016), managed and franchised hotel groups were expected to have more difficulties in implementing sustainability, as addressed in Section 7.2.2.

Table 30: Organisation size (Number of rooms by 31st December 2014) and ownership of hotel groups by 31st December 2015 (%)

<table>
<thead>
<tr>
<th>Size</th>
<th>Ownership (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Owned</td>
</tr>
<tr>
<td>Number of rooms</td>
<td></td>
</tr>
<tr>
<td>Eastern Crown</td>
<td>33,863</td>
</tr>
<tr>
<td>Caesars</td>
<td>37,820</td>
</tr>
<tr>
<td>MGM</td>
<td>46,906</td>
</tr>
<tr>
<td>Shangri-La</td>
<td>36,898</td>
</tr>
<tr>
<td>Walt Disney</td>
<td>39,751</td>
</tr>
<tr>
<td>Riu</td>
<td>45,390</td>
</tr>
<tr>
<td>Scandic</td>
<td>41,735</td>
</tr>
<tr>
<td>Millennium &amp;</td>
<td>33,367</td>
</tr>
<tr>
<td>Copthorne</td>
<td></td>
</tr>
<tr>
<td>NH</td>
<td>57,127</td>
</tr>
<tr>
<td>Carlson Rezidor</td>
<td>172,234</td>
</tr>
<tr>
<td>Melià</td>
<td>98,829</td>
</tr>
<tr>
<td>Starwood</td>
<td>354,225</td>
</tr>
<tr>
<td>Accor</td>
<td>482,296</td>
</tr>
<tr>
<td>Hyatt</td>
<td>155,265</td>
</tr>
<tr>
<td>Marriott</td>
<td>714,765</td>
</tr>
<tr>
<td>Intercontinental</td>
<td>710,295</td>
</tr>
<tr>
<td>Hilton</td>
<td>715,062</td>
</tr>
<tr>
<td>Wyndham</td>
<td>660,826</td>
</tr>
<tr>
<td>Whitbread</td>
<td>59,138</td>
</tr>
<tr>
<td>Nordic Choice</td>
<td>30,870</td>
</tr>
</tbody>
</table>

Source: Author, 2018 based on the compilation from 10-K 2015 (USA hotel groups), Cohispania.com (Riu Hotel), and Annual or Sustainability Report 2015 (remaining hotel groups). No public information found for Wyndham, Whitbread and Nordic Choice.

Roles and responsibilities

Interviews and questionnaires provided evidence for the assigned roles and responsibilities among the hotel groups’ highest management positions, corporate offices and properties (Table 31). Six out of the eight hotel groups interviewed had sustainability roles at the highest management levels (CEO, the board of directors and executive committees) in charge of defining, reviewing and approving the CSR strategy. At the corporate offices, the CSR department was the one most often responsible for defining the strategy and targets, managing the performance and reporting (six organisations). CSR departments often sought to acquire external expertise for materiality assessment (C1, C3, C4, C8), but seldom for developing a sustainability performance management system (C5) and for verifying sustainability data (C1). Outsourcing to specialists often led to CSR managers not knowing the choices that affected corporate governance and strategy, evidenced by interviewee answers (e.g., “I don’t know”). Most organisations also described a committee, network or group for sustainability below senior executive level, which advanced sustainability implementation at the regional level by involving employees from all levels of the organisational hierarchy. These committees ensured
consistency in the implementation of the CSR strategy, similar to other industries (e.g., Klettner, Clarke, and Boersma 2014). At the individual property level, only three organisations had roles whose duties included, among others, the local management of CSR, being the general or resident manager, a CSR champion and the maintenance/environmental manager. At the shared departments and properties level, as evidenced by C8, the persons responsible for CSR “have larger responsibilities but they also undertake the CSR responsibility.” The commitments to ethics and corporate accountability of C1 and C4 were reflected in being the only two organisations with roles and responsibilities for sustainability at all of the leadership, shared departments and properties levels (see Section 6.5).

Table 31: Responsibilities for sustainability management from interviewees

<table>
<thead>
<tr>
<th>Themes</th>
<th>Categories, subcategories</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Leadership</strong></td>
<td></td>
</tr>
</tbody>
</table>
| Chairman / CEO | Review and approve the strategy (C4)  
Define key stakeholders (C4)  
Develop performance reviews (C1) |
| Board of directors | Review and approve the strategy (C1, C6, C3) |
| Management / Executive committee or Council | Define the CSR strategy and targets (C1, C3, C5)  
Review and approve the strategy (C4)  
Receive annual reports (C1)  
Report to the CEO (C5)  
Mentioned (C2) |
| **Corporate offices – Shared departments** | |
| CSR department | Define the strategy and targets (C1, C4, C5, C6)  
Strategy roll out (C4)  
Sustainability performance management (C1, C4)  
Reporting (C1, C4)  
Policy-making (C4)  
Social projects and initiatives (C4)  
Stakeholder engagement (C5)  
Assisting and administration (C8)  
Mentioned (C2, C3) |
| External consultant | Materiality analysis (C1, C3, C4, C8),  
Reporting (including MA) (C5)  
Developing sustainability PMS (C5)  
Verify data (C1)  
Mentioned (C2) |
| Expansion and development departments | Include criteria into management contracts (C1) |
| Management committee | Define targets at regional level, approve and consolidate reporting (C1) |
| Sustainability group | Set priorities, redirect projects (C3, C8) |
| Country based management team / Regional managers | (C8)  
Define corporate objectives (C6) |
| Internal networks | Network of councils disseminating initiatives (C5)  
Network of programme correspondents for hotel implementation (C2) |
| CSR representative for each chain | (C7) |
| Operational committee | Operational issues (C3) |
| **Business units - Properties** | |
| General manager | Accountable for the strategy development (C1, E4) |
| CSR Champion | At properties and business units (C1) |

2 Findings of this study are compared throughout the chapter with hotel industry studies. When, to the best of the knowledge of the author, no research is available for the hotels, findings are compared to other industries.
Cross-functional communication

Not only did the hotel groups have roles and responsibilities for sustainability, but they also exhibited cross-functional communication and cooperation (Table 32). The hotel groups interviewed seemed to expand the responsibility for reporting across departments, which allowed dispersion of the knowledge beyond the direct person responsible for the preparation of the report to those who supplied the data, thus evidencing the crosscutting component of sustainability management. The larger the hotel group, the more departments were involved in reporting, with the exception of C6 that only mentioned the CSR department. For example, C5 had more than 700,000 rooms and involved 16 departments while organisations with less than 40,000 rooms involved five (e.g., C4) or four departments (e.g., C7), excluding departments such as Finance or Sales. Larger organisations also devoted more human resource to the reporting process, involving hundreds of employees between managerial and operational levels (e.g., C1, C2, C5) compared to smaller hotel groups (50,000 rooms or less), who involved less than 15 employees (e.g., C4, C7, C8). The human resources capacity for reporting links to that for sustainability management, since employees involved in data collection were often the operational managers and held sustainability roles at the properties, as explained by C2.

While the interaction between departments for reporting suggested that hotel groups were moving away from a silo mentality in managing sustainability, responses to the questionnaires indicated that sustainability reporting remained an issue of communication, and interviews evidenced an increasing awareness that sustainability ought to be managed more formally. Table 32 shows that the Marketing Department was the most mentioned (6 organisations) in coordination with Corporate Responsibility (5), Procurement (5), Human Resources (5), Environment/Engineering (4) and Finance (4). Hotel groups may overlook the role departments have in reaching different stakeholder groups with a consistent sustainability message. The limited involvement of the Sales (1), Government Affairs (1) and Investment departments (2), for instance, points towards a possible failure to integrate stakeholder engagement across operational management. Additionally, some hotel groups struggled to secure inter-departmental collaboration. For example, “Sustainability doesn’t get enough attention in the organisation because people are working with making money and selling and that’s important for the staff. If they get a little bit of time they work with sustainability. We have to have departments
involved in sustainability more than what we have today” (C7). Arguably hotel groups with more employees and diverse departments involved in CSR indicate a higher degree of sustainability integration within their organisational *structure* and, therefore, are better equipped to implement sustainability successfully.

**Table 32: Departments involved in reporting**

<table>
<thead>
<tr>
<th>Departments involved in sustainability</th>
<th>Organisations</th>
</tr>
</thead>
<tbody>
<tr>
<td>Marketing</td>
<td>(C1, C2, C4, C5, C7, C8)</td>
</tr>
<tr>
<td>Corporate Responsibility</td>
<td>(C1, C2, C4, C5, C6, C7, C8)</td>
</tr>
<tr>
<td>Procurement</td>
<td>(C1, C4, C5, C7, C8)</td>
</tr>
<tr>
<td>Human Resources</td>
<td>(C1, C2, C4, C5, C8)</td>
</tr>
<tr>
<td>Environment/Engineering</td>
<td>(C1, C2, C5, C7)</td>
</tr>
<tr>
<td>Finance</td>
<td>(C1, C5, C7, C8)</td>
</tr>
<tr>
<td>Operations /Rooms</td>
<td>(C1, C4, C5)</td>
</tr>
<tr>
<td>F&amp;B Department</td>
<td>(C2, C5, C8)</td>
</tr>
<tr>
<td>Hotel Invest</td>
<td>(C2, C8)</td>
</tr>
<tr>
<td>Technical department</td>
<td>(C2, C5)</td>
</tr>
<tr>
<td>Diversity and inclusion</td>
<td>(C5)</td>
</tr>
<tr>
<td>Government Affairs</td>
<td>(C5)</td>
</tr>
<tr>
<td>Sales</td>
<td>(C5)</td>
</tr>
<tr>
<td>Risk department</td>
<td>(C2)</td>
</tr>
<tr>
<td>Development</td>
<td>(C5)</td>
</tr>
<tr>
<td>Internal audit</td>
<td>(C5)</td>
</tr>
<tr>
<td>Law</td>
<td>(C5)</td>
</tr>
<tr>
<td>Owner Franchises Services</td>
<td>(C5)</td>
</tr>
<tr>
<td>Country CSR programme coordinators</td>
<td>(C2)</td>
</tr>
<tr>
<td>Business Units</td>
<td>(C1)</td>
</tr>
</tbody>
</table>

Source: Author, 2017. Note: C3 did not provide this information.

There seems to be little consistency across the sample about ownership and organisational integration into the *structure*. Owning the hotel does not seem to lead to better organisational integration for sustainability, likewise for heavily franchised or managed portfolios. For example, owned groups had roles and responsibilities at the three levels of authority (C1, C4), two levels with no cross-departmental coordination (C6) or only one level (C8). It was only found that hotels from the sample under 60,000 rooms were heavily owned or leased (C1, C4, C6, C8) while larger groups were heavily franchised or managed (C2, C5, C3), as in previous research (e.g., Sohn, Tang, and Jang 2013). The next section examines the technical and cognitive sustainability integration into *strategy* as a preliminary step to building an MBSC.

### 6.2. Step 0. Strategic planning and information sharing

Step 0 (Figure 26) presents the hotel groups’ CSR *strategy* planning and cascading down, and their *styles* of internal and external information sharing. This step contributes to understanding how the predominance of the ‘planning’ approach and traditional information sharing formats hinder sustainability integration in most hotel groups.
Figure 26: Step 0 Strategic planning and information sharing
Source: Author, 2018.

**Strategic planning and cascading down**

Six of the interviewed hotel groups had a formal intended CSR strategy, as they decided on the relevance they wanted to give to social and environmental issues within their corporate strategy in five (C1, C2), three (C7) or one year plans (C3, C5, C8). These plans were sometimes formulated by the CSR departments in cooperation with the sustainability committee. Instead, for C4 and C6, it was the chairman’s ad hoc decisions that guided their CSR actions and reporting, albeit C4 expected a change after new appointments in the senior management. Most hotel groups review both the CSR strategy and budget annually (except C4, which revision was ad hoc). CSR managers referred to a process of strategy making involving a top-down approach in which the top management sets goals from the vision and plans the strategy, which is later implemented across the organisation. The increasing interest in materiality assessment, except for C6 (Section 6.5), can strengthen the planning approach through a local-level bottom-up input, dependent on the ability to elucidate and realise bottom-up responses to set strategic topics.

During strategy formulation, organisations may consider the Sustainable Development Goals (SDGs) to respond to the global sustainable agenda. Hotel groups with an informal strategy were more flexible and able to incorporate SDGs (C4, C6), while the remaining organisations expressed interest in including them in the upcoming strategic planning. Integration of the SDGs in the strategic plans is also a work-in-progress across industries (PwC 2015), arguably because they are “quite new and vague” (C4, C8, E8). The perceived imprecision of some SDGs echoes the challenge of translating them into a competitive strategy (KPMG 2015a).

While hotel groups stressed that their sustainability strategy resulted from a planned formulation, organisations with CSR champions (C1, C4) may have opportunities to advance strategic topics bottom-up though emergent strategy development. The process of developing a sustainability strategy is often a mix between planning and emergence from practice (Neugebauer, Figge, and Hahn
2016). C1 has a champion for social and another for environmental issues in each property, and those employees are often able to initiate and shape sustainable practices and projects (e.g., Anderson and Bateman 2000). For C4, the CSR champion is the resident manager, “they become familiar with our CSR strategy, the ways things are done within the group, so when they move into a general manager position they have that knowledge and understanding.” Also, C2 explained, “we exchanged a lot with different departments and we launched work groups to integrate the sustainable development before the new strategy.”

After formulating their strategy, hotel groups cascaded it down by setting goals and responsibilities at different levels and across properties through various means. C4 employed a CSR scorecard, C6 meetings and e-mails, C7 a hotel-by-hotel visit, while C2 used factsheets to inform concrete actions, and to align their commitments with strategic pillars, stakeholder groups and departments. Despite the varied means to cascade down the CSR objectives, hotels may not always effectively break down the strategy into specific actions for all the properties because of different ownership structures. For example, C8 explained that the ownership affected their deployment of the strategy: “We are in the middle of launching the [CSR] strategy. We have different hotels that are managed in different ways; the franchised hotels, for example, are more or less excluded in our strategy rollout.”

**Internal and external information sharing**

Since internal communication affects the ability to achieve the CSR objectives, the hotel groups used multiple channels to inculcate sustainability values, spread awareness of issues and maintain the employees’ commitment (Table 33). Organisations communicated their strategy through one-way communication channels such as the webpages (6), internal newsletters (5), weekly news (2) or e-mails (2). Two-way communication channels that can provide opportunities for dialogue were used less often, such as training (3), and meetings and conferences (2). Channels used by only one organisation were sustainability networks, CSR blogs and social media. Results showed a dominance of internal communication to employees being one-way and downwards from top management, as in other sectors (Welch and Jackson 2007). The effectiveness of internal communication could arguably be improved by involving employees more actively in managing CSR. For instance, C2 undertakes a consultation about the proposed sustainability strategy through sustainability working groups before its deployment.

Most organisations (5) used the same channels listed above to communicate their CSR performance internally. Two-way communication was used through employee training (4) and meetings with the executive management (1) or the board of directors (1). Another way to communicate was through
open reporting systems that make performance results available to everyone in the organisation (Kaplan and Norton 2001c). C4 and C7 used open reporting for sustainability issues, while C2 used it for water and energy consumption only, and C8 expressed a wish to implement in the future. Interviewees argued that open reporting fostered internal benchmarking and competition, evidenced by C4 “you can see how every hotel performs per geographic area, per hub, per CSR focus,” and C7 “no one wants to be at the bottom of that list.” It can arguably contribute to a culture in which access to information empowers employees to do their job and facilitates emergent strategy formulation. Instead, four organisations had closed reporting (C1, C2, C6, C8), which translates into “individual hotels not seeing the performance of the other hotels” (C1); hotels “need to wait for the report” (C6). Those groups used upwards reporting from the property to the headquarters and may be reluctant to engage with open reporting because employees may access information irrespective of their hierarchy and power, and as C2 explained, “it is complicated for confidential information.”

Table 33: Dissemination formats of sustainability information

<table>
<thead>
<tr>
<th>Internal strategy communication</th>
<th>Organisations</th>
<th>External dissemination</th>
<th>Organisations</th>
</tr>
</thead>
<tbody>
<tr>
<td>Intranet</td>
<td>C2, C4, C5, C6, C7, C8</td>
<td>Website</td>
<td>C1, C2, C4, C5, C6, C7, C8</td>
</tr>
<tr>
<td>Internal newsletter</td>
<td>C1, C2, C4, C5, C8</td>
<td>Sustainability report</td>
<td>C1, C2, C4, C5, C6, C7</td>
</tr>
<tr>
<td>Trainings</td>
<td>C4, C6, C7</td>
<td>On-line PDF report</td>
<td>C1, C2, C5, C6, C7</td>
</tr>
<tr>
<td>Meetings conferences</td>
<td>C1, C5</td>
<td>Summary report</td>
<td>C1, C5</td>
</tr>
<tr>
<td>Weekly news</td>
<td>C4, C5</td>
<td>Sustainability microsite</td>
<td>C2, C4</td>
</tr>
<tr>
<td>E-mails</td>
<td>C2, C4</td>
<td>Site, theme or project</td>
<td>C2, C5</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Integrated reporting</td>
<td>C3, C8</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Intranet</td>
<td>C2, C6</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Report direct mailing</td>
<td>C1</td>
</tr>
</tbody>
</table>

Source: Author, 2017. Note: No information was provided by C3.

To communicate CSR efforts externally organisations face issues such as how much information should be disclosed, through what means, and whether it should be targeted towards particular stakeholders. The formats most used (Table 33) are similar to other industries (e.g., Klettner, Clarke, and Boersma 2014), and included the website (7 organisations) and the sustainability report on paper (6) and online (5). Four hotel groups adapted the information to the stakeholder groups’ preferences (C2, C4, C5, C8), for example, C2 said “employees are more likely to follow the news on the intranet than in the sustainability report”. C8 explained how it had a “different format for different objectives as different stakeholders want the information in different ways.” Four interviewees claimed the mix of channels maximised the impact and reach to different stakeholder groups, which was evidenced in organisations with innovative approaches for the industry. C5 produced twelve topic-specific infographics shareable in social media; an approach found to be used by small and medium size organisations (Cohen 2017). C7 published an interactive report website similar to
interactive materiality matrices from other industries (Eccles and Krzus 2014). Meanwhile, C3 and C8 adhered to integrated reporting, which is still anecdotal across sectors (Pistoni, Songini, and Bavagnoli 2018).

Irrespective of the ownership and organisational sustainability integration, six hotels had a formal strategy reviewed annually, deployed with a top-down approach and somewhat traditional information sharing practices both internally with closed reporting (5) and externally by the use of websites and sustainability reports (8). Albeit evidence was not provided, organisations with CSR champions (2) and open reporting systems (3) were arguably more equipped for a mix between planned and emergent strategy development since their employees were empowered by the ease with which they were able to access information. Nearly all (7) pointed to a shift towards the increasing use of MA to inform strategic planning because they understood that materiality could focus the organisation on the critical sustainability issues. The next section reviews how hotel groups monitor strategy implementation and manage their performance.

### 6.3. Step 1. Integrating sustainability into the BSC

Because sustainability performance measurement and management are interrelated (Morioka and de Carvalho 2016), and essential for evaluating sustainability integration (George et al. 2016), Step 1 (Figure 27) presents the hotel groups’ environmental performance measurement,\(^3\) related systems and the reasoning for their choices (shared values). Overall, the section contributes to understanding how sustainability integration could lead to better management and control, exemplified with environmental performance; and why integration does not occur in most hotel groups.

\[\text{Figure 27: Step 1 Integrating sustainability into the BSC} \]
\[\text{Source: Author, 2018.}\]

---

\(^3\) While sustainability encompasses economic, social and environmental performance of organisations, the environmental performance was selected to contextualise the CSR-processes and the MBSC discussions) (see Section 5.5).
Environmental performance measurement

This section explores the hotels’ definition of indicators to assess performance and their disclosure in Carbon Disclosure Project (CDP) reports. Six organisations used different metrics to target country requirements and stakeholders’ information needs (C1, C2, C4, C5, C7, C8, E7), while four consolidated the internal indicators for external reporting (C1, C2, C4, C7). No information was provided on why organisations chose certain metrics instead of others.

The content analysis and questionnaire explored 24 indicators used to track progress against Environmental SDGs – GHG Emissions (Goal 13), Energy (Goal 7), Materials and waste (Goal 12) and Water (Goal 6 and 14), and their disclosure in CDP reports (Table 34). CDP was not a widespread practice compared to other industries, where “most organisations recognise it is a reasonable activity” (E2). Only five hotel groups employed CDP (C1, C2, C3, C4, C5) while C8 was planning to implement it. CDP Water was a more limited practice (only C5), and C1 and C4 claimed to be reporting shortly. Nevertheless, all groups interviewed had reduced energy and water consumption in keeping with COP21 targets to remain below 2°C of global warming. Also, the content analysis revealed reporting against CDP standards increased hotels’ transparency on GHG emissions from 31% to 72% of the indicators studied, energy from 31% to 33% and CDP water from 7% to 17%, arguably because CDP information aims at investors and shareholders who “ask for it” (E4) and “pressure [hotels] to deliver transparent reporting” (E5).

Table 34: Environmental indicators measured from questionnaires and % disclosure from content analysis

<table>
<thead>
<tr>
<th>Environmental indicators</th>
<th>Interview data</th>
<th>% Disclosure Climate Change CDP (16)</th>
<th>% Disclosure CDP Water (3)</th>
</tr>
</thead>
<tbody>
<tr>
<td>GHG Emissions (Goal 13)</td>
<td>C1 ✓ ✓ ✓ ✓ ✓ ✓</td>
<td>50  ✓ ✓ ✓ ✓ ✓ ✓ ✓</td>
<td>100 ✓ ✓ ✓ ✓ ✓ ✓ ✓</td>
</tr>
<tr>
<td>Direct greenhouse gas (GHG) emissions (Scope 1)</td>
<td>✓ ✓ ✓ ✓ ✓ ✓ ✓</td>
<td>50 ✓ ✓ ✓ ✓ ✓ ✓ ✓</td>
<td></td>
</tr>
<tr>
<td>Direct greenhouse gas (GHG) emissions (Scope 1) per unit of net value added</td>
<td>✓ ✓ ✓ ✓ ✓ ✓ ✓</td>
<td>0 ✓ ✓ ✓ ✓ ✓ ✓ ✓</td>
<td></td>
</tr>
<tr>
<td>Energy indirect greenhouse gas (GHG) emissions (Scope 2)</td>
<td>✓ ✓ ✓ ✓ ✓ ✓ ✓</td>
<td>50 ✓ ✓ ✓ ✓ ✓ ✓ ✓</td>
<td></td>
</tr>
</tbody>
</table>

4 The GHG Protocol Corporate Standard classifies an organisation’s GHG emissions into three ‘scopes’ (Hummel and Schlick 2016). Scope 1 is direct emissions from owned or controlled sources. Scope 2 accounts for indirect emissions from the generation of purchased energy. Scope 3 is all indirect emissions (not included in scope 2) that occur in the value chain, including upstream and downstream emissions.
| Energy indirect greenhouse gas (GHG) emissions (Scope 2) per unit of net value added | ✓ | ✓ | ✓ | ✓ | 0 | 0 |
| Other indirect greenhouse gas (GHG) emissions (Scope 3) | ✓ | ✓ | ✓ | ✓ | 25 | 87.5 |
| Energy consumption within the organisation | ✓ | ✓ | ✓ | ✓ | 55.56 | 0 |
| Energy requirement per unit of net value added | ✓ | ✓ | ✓ | ✓ | 0 | 0 |
| Amounts of each energy source recognised during the accounting period | ✓ | ✓ | ✓ | ✓ | 38.89 | 100 |
| Materials and waste (Goal 12) | 3.7 | 0 |
| Materials used by weight or volume | ✓ | ✓ | 0 | 0 |
| Total weight of waste by type and disposal method | ✓ | ✓ | ✓ | ✓ | 0 | 0 |
| Waste generated per unit of net value added | ✓ | ✓ | 16.67 | 0 |
| Dependency on ozone depleting substances per net value added | ✓ | 0 | 0 |
| Emissions of ozone-depleting substances | ✓ | 0 | 0 |
| Percentage of materials used that are recycled input materials | ✓ | ✓ | 5.56 | 0 |
| Water (Goal 6 and 14) | 6.94 | 16.67 |
| Total water consumption across operations | ✓ | ✓ | ✓ | ✓ | ✓ | 50 | 66.67 |
| Total water withdrawal by source | ✓ | ✓ | ✓ | ✓ | ✓ | 5.56 | 66.67 |
| Total water consumption per net unit of net value added | ✓ | ✓ | ✓ | ✓ | 0 | 0 |
| Location-specific data: Water consumption (e.g. in a subsidiary) | ✓ | ✓ | ✓ | 0 | 0 |
| Location-specific data: Water withdrawals by source type (e.g. in a subsidiary) | ✓ | ✓ | 0 | 0 |
| Water sources significantly affected by withdrawal of water | 0 | 0 |
| Total and percentage of withdrawals in water-stressed or water-scarce areas | ✓ | 8.33 | 0 |
| Total water discharge by quality and destination | ✓ | ✓ | 5.56 | 33.33 |
| Location-specific data: Water discharge by quality and destination | ✓ | ✓ | 0 | 0 |
| Percentage and total volume of water recycled and reused | ✓ | ✓ | 0 | 0 |

| Total indicators claimed to be measured (out of 24) | 6 | 19 | 11 | 8 | 13 | 13 | 7 |


The tendency identified in the industry was to report mostly GHG emissions and energy, which evidenced a positive trend compared to earlier studies in which few hotels disclosed related goals, initiatives and performance (de Grosbois 2012). Five indicators were reviewed in respect to Goal 13 ‘Take urgent action to combat climate change and its impacts’. All interviewees measured Direct GHG emissions (Scope 1) and, all except C1 measured Energy indirect GHG emissions (Scope 2), while the content analysis revealed disclosure of those two indicators was limited to 50% of the sample hotels. With regards to indirect GHG emissions (Scope 3), even though the industry relies heavily on outsourcing activities and as C7 pointed out, "many customers are asking about the carbon footprint
of their stay,” only three organisations interviewed measured it and 25% of hotel groups from the content analysis reported the indicator. Hotels often used different GHG intensity metrics, which makes benchmarking difficult (Table 35). Absolute emission indicators, which are part of GRI, were used only by C8, perhaps because they only "reflect total values but do not represent the efficiency of the consumption", as C4 acknowledged.

Less frequently measured were indicators concerning Goal 7, ‘Ensure access to affordable, reliable, sustainable and modern energy for all.’ Internal consumption was measured the most, with intensity indicators, by nearly all hotel groups interviewed and reported by 56% of hotel groups from the content analysis. Even if most interviewees claimed to measure energy requirement per unit of net value added, the content analysis was unable to discern the disclosure of such information by any of the hotel groups. Instead, all interviewed organisations measured or planned to measure amounts of each energy source recognised during the accounting period, while only 39% of organisations disclosed this indicator (from the content analysis).

Table 35: Intensity metrics used

<table>
<thead>
<tr>
<th>GHG emissions metric (G4-3N18)</th>
<th>Organisations</th>
<th>Energy Intensity metric (G4-ENS)</th>
<th>Organisations</th>
</tr>
</thead>
<tbody>
<tr>
<td>KgCO2</td>
<td>Marriott, Accor, Shangri-La, Riu, Intercontinental, Hyatt, NH, Carlson Rezidor</td>
<td>kWh</td>
<td>Accor, NH, Carlson Rezidor, Marriott, Riu</td>
</tr>
<tr>
<td>Tonnes CO2</td>
<td>Millennium Eastern Crown</td>
<td>MJ</td>
<td>Eastern Crown, Melià, Hyatt, Shangri-La</td>
</tr>
<tr>
<td>%</td>
<td>Wyndham, Caesars</td>
<td>kBTU</td>
<td>Hilton, Starwood</td>
</tr>
<tr>
<td>Pounds</td>
<td>Hilton</td>
<td>GJ</td>
<td>Caesars</td>
</tr>
<tr>
<td>Organisation-specific metric used</td>
<td>Marriott, Hyatt, Eastern Crown</td>
<td>%</td>
<td>Wyndham</td>
</tr>
<tr>
<td>per m2</td>
<td>Marriott, Riu, Hyatt, Eastern Crown</td>
<td>per m2</td>
<td>Eastern Crown, Hilton, Starwood</td>
</tr>
<tr>
<td>per square foot</td>
<td>Wyndham, Hilton</td>
<td>per stay or guest/night</td>
<td>Melià, Riu</td>
</tr>
<tr>
<td>per occupied room</td>
<td>Hilton, Intercontinental</td>
<td>per square foot</td>
<td>Wyndham</td>
</tr>
<tr>
<td>guest / night</td>
<td>Carlson Rezidor, Riu</td>
<td>per associate</td>
<td>Wyndham</td>
</tr>
<tr>
<td>room / night</td>
<td>NH</td>
<td>per air conditioned 1000 sq. ft.</td>
<td>Caesars</td>
</tr>
<tr>
<td>per 1000 air conditioned sq. ft.</td>
<td>Caesars</td>
<td>per available room</td>
<td>Accor</td>
</tr>
<tr>
<td>per available room</td>
<td>Accor</td>
<td>per build hotel room</td>
<td>Starwood</td>
</tr>
<tr>
<td>per rooms</td>
<td>Millennium</td>
<td>per room / night</td>
<td>NH</td>
</tr>
<tr>
<td>per $EBITDA</td>
<td>Eastern Crown</td>
<td>per occupied room</td>
<td>Carlson Rezidor</td>
</tr>
<tr>
<td>per associate</td>
<td>Wyndham</td>
<td>per business unit</td>
<td>Shangri-La</td>
</tr>
<tr>
<td>per business unit</td>
<td>Shangri-La</td>
<td>per $EBITDA</td>
<td>Eastern Crown</td>
</tr>
<tr>
<td>per 1,000 guest rooms</td>
<td>Starwood</td>
<td>Source: Author, 2017.</td>
<td></td>
</tr>
</tbody>
</table>
The measurement and disclosure of materials and waste for Goal 12 ‘Ensure sustainable consumption and production patterns’ was anecdotal. Four organisations interviewed measured the total weight of waste by type and disposal method. Two hotel groups measured Materials used by weight or volume, Waste generated per unit of net value added and Percentage of materials used that are recycled input materials, while C2 was the only one reporting Dependency on ozone-depleting substances per net value added, and Emissions of ozone-depleting substances. From the content analysis, it was consistently evident that organisations only disclosed two out of the six indicators used; 17% disclosed Total weight of waste by type and disposal method, and 6% disclosed the Percentage of materials used that are recycled input materials.

Water measurement was a slightly more widespread practice compared to waste and materials. From the ten indicators to track progress against Goal 6 'Clean water and sanitation and Goal 14 'Conserve and sustainably use the oceans, seas and marine resources', all organisations interviewed, except C5, measured Total water consumption across operations. Three organisations measured Total water withdrawal by source. Four hotel groups measured Total water consumption per net unit of net value added, but they used different metrics; for example, by the overnight stay or guest count. Also, four organisations measured location-specific data on water consumption in each hotel with C4 breaking it down by departments. The measurement of the remaining water-related indicators was minimal, similar to disclosure rates. While 50% of organisations disclosed Total water consumption across operations, only 8% disclosed Total and percentage of withdrawals in water-stressed or water-scarce areas, and 6% communicated Total water withdrawal by source and Total water discharge by quality and destination. The remaining indicators were not reported. Hotel groups therefore under-reported on location-specific, water consumption, withdrawals, and discharge indicators. Overall, the scant disclosure implies exposure to climate change remains hidden to investors and external stakeholders, who “are interested in this information” (E2). Experts argued that hotel groups should shift their efforts to tackle carbon footprint, waste, and water management more prominently by linking them to their business activity.

**Performance management**

Environmental performance measurement contributes to performance management by helping define objectives and to control systems and practices to improve performance. Findings suggest that
hotel groups do not have a holistic approach to managing performance since none\(^5\) of the hotels, irrespective of their size, had an organisation-wide Performance Management Systems (PMS) into which sustainability could be integrated. Hotels used an array of PMS to manage different business aspects, such as the reservations, revenue management, forecasting or procurement systems. C2 explained, “We don’t have a general system we only have many systems.” Similarly, sustainability was managed using multiple tools, and hotels showed limited motivation to adopt more systematic management systems, as has been previously reported in respect to environmental management systems (Bonilla Priego, Najera, and Font 2011). Exceptions were C1 and C4, who integrated all sustainability issues within a dedicated system. C4’s sustainability PMS was not linked to the hotel’s operational and financial control systems, however, since the sustainability performance measures did not feed into the corporate system (similar to Parker and Chung 2018). C4 explained, “the scorecard is separate; it is a completely separate tool because the amount of detail that goes into it would just not be applicable on the organisation [PMS], which has the key indicators such as revenue and colleague engagement.” C4 also used Microsoft Excel, as did C5 and C6, in line with common practice in other industries (e.g., Neely, Yaghi, and Youell 2008, Bennett, Schaltegger, and Zvezdov 2013). Using spreadsheets generated duplication and increased the need for control systems to ensure coherence and accuracy of data, such as internal (C2, C5, C6, C7, C8) and external audits (C1, C2, C6, C7). Those using an ad hoc spreadsheet were willing to move to automated software. Overall, hotels presented varying degrees of sophistication.

Hotels used the sustainability PMSs to develop an effective and coherent CSR strategy (C2), cascade it down (C2, C4), collect data and track performance (C1, C2, C4), review for performance improvements (C1, C2, C7) and communicate progress (C2, C4). According to interviews, integrating sustainability into systems makes it possible to work towards fulfilling the strategy, ensuring data accuracy among geographic locations, understanding the baseline and performance, having easier management and protecting sustainability from being side-lined from the main strategy (C5, E5, E7, E8). Because of increased awareness of these benefits, some organisations were either working on (C7), or thinking towards, integrating sustainability into an organisation-wide system (C1, C2, C3).

Overall, despite the fact that members of the industry are moving towards greater technical integration, most of the hotel groups interviewed lacked formalised internal systems to support their

\(^5\) C8 interview and questionnaire answers were contradictory; further clarification evidenced a lack of an overall PMS into which sustainability could be integrated.
sustainability management and reporting, as is also the case in other industries (e.g., Dobbs and Van Staden 2016), and when those were in place, they did not integrate with the traditional financial control system, risking the marginalisation of the CSR strategy and programme. Only C1, C5 and C7 disclosed deficiencies in their sustainability PMS. Others may not have declared them due to social desirability responses. The barriers to the widespread use of an organisation-wide PMS and a sustainability PMS are assessed in Section 7.2.3.

**Rewards systems**

Rewards systems that strengthen the employees’ sustainability orientation and organisational performance are part of sustainability performance management as one of the outcomes of performance evaluation. As C2 explained, “we launched some CSR bonus so we hope that it will help to implement some actions all over the group.” Less than half of the organisations interviewed linked the achievements of targets to employees’ incentive plans (Table 36), similar to other research on the industry (Parker and Chung 2018). C1 used to have incentives when they launched their first CSR strategy, but now that sustainability is part of the daily operations they do not employ it anymore. Organisations with incentives directed those, from more to less often, to senior managers, middle management, operational managers, general hotel managers and the CEO. C2’s programme adapted to the different managerial levels and departments and related to climate change, which may contribute to explain why C2 stood out by measuring and reporting the most environmental indicators compared to the rest of the organisations studied. Financial rewards systems have been proven to support a rise in sustainability governance (e.g., Dutta, Lawson, and Marcinko 2013), foster operational excellence (Eccles et al. 2012) and execution of strategy (Madsen and Stenheim 2014a). These benefits echo those identified by interviewees as necessary to drive performance and accountability, to engage employees in sustainability development, and cascade down the strategy. Instead, C8 argued that sustainability was achieved under profit-maximising behaviour, and therefore, their rewards programme was based only on the economic performance. Overall, hotel groups seldom hold the board and senior management accountable for sustainability implementation through rewards systems, despite increasingly putting in place governance structures to ensure their participation in strategy development (Section 6.1.). These limited efforts to balance sustainability performance with financial performance in the hotel industry can be better explained by their motivations for measurement and management.
Table 36: Rewards systems

<table>
<thead>
<tr>
<th>Themes</th>
<th>Organisations</th>
</tr>
</thead>
<tbody>
<tr>
<td>Use rewards systems</td>
<td>C2, C4, C5 + C7 in the future</td>
</tr>
<tr>
<td>Recipients of incentives:</td>
<td></td>
</tr>
<tr>
<td>CEO</td>
<td>C2</td>
</tr>
<tr>
<td>Senior managers</td>
<td>C4, C5, C7-in the future</td>
</tr>
<tr>
<td>Middle managers</td>
<td>C5, C7-in the future</td>
</tr>
<tr>
<td>Operational managers</td>
<td>C5</td>
</tr>
<tr>
<td>General hotel managers</td>
<td>C1 previously</td>
</tr>
</tbody>
</table>


Motivations for the measurement and management of sustainability performance

Regarding the motivation to measure and manage sustainability performance, organisations may take either transparency or a performance improvement perspective (Adams and Frost 2008, Klettner, Clarke, and Boersma 2014). In contrast to previous research that found that most hotels were internally driven to implement environmental management systems (Bonilla Priego, Najera, and Font 2011), only C1 and C5 stated that their motivation for sustainability management was performance improvement. C2, C6 and C7 had mixed approaches, and while C8 started with the intention of improving their performance, now GRI influenced their approach. Knowing the organisations’ motivation to manage sustainability is relevant because the proposed MBSC takes a “twin track” approach with a transparency perspective (AA1000 Accountability principles), and a performance improvement perspective (SBSC) (see Section 4.5). Overall, the organisations’ approach to performance measurement and management did not lead to different configurations in respect to PMS, performance evaluation and rewards systems, due to the boundary organisational, technical and cognitive barriers identified (see Section 7.2).

Performance measurement, management and disclosure

Having better technical integration into systems, such as having a PMS, tracking indicators or identifying an issue as being material, did not lead to a higher number of indicators being tracked or disclosed. Organisations employing Microsoft Excel as one among multiple tools to manage sustainability issues measured 8 (C5), 11 (C4) and 13 (C6) environmental indicators, while organisations working towards a future organisation-wide PMS measured 6 (C1), 13 (C7) and 19 (C2) indicators. Also, organisations with greater corporate environmental measurement did not present greater levels of environmental disclosures (Table 37). Instead, results point to a negative association between the number of indicators measured and indicators disclosed for GHG Emissions, Energy, Water, and Materials and Waste. C2 was the hotel group from the sample monitoring most indicators (19 out of 24), arguably because of its more than 5-year experience in CDP reporting; even it, however, did not report CDP Water. C6 and C7 measured
most of the environmental SDG-related indicators but did not disclose performance with any CDP report. Instead, C1 and C4, who were monitoring two and three water-related indicators, explained that they would shortly be reporting CDP Water. Regarding materiality, most of those organisations who considered waste to be a material issue concealed the indicators studied (5 out of 6), whereas most organisations who considered the issue immaterial disclosed one indicator (3 out of 5) (Table 38). The difference was especially significant with water data, seldom measured by interviewees and only disclosed by 6.94% of reports but deemed as relevant by 44% of the hotel groups from the content analysis, according to their materiality results.

Table 37: Difference between environmental indicators measured and disclosed

<table>
<thead>
<tr>
<th>Organisations</th>
<th>GHG (5 indicators)</th>
<th>Energy (3)</th>
<th>Water (10)</th>
<th>Materials and Waste (6)</th>
</tr>
</thead>
<tbody>
<tr>
<td>C1</td>
<td>0</td>
<td>-1</td>
<td>-2</td>
<td>-1</td>
</tr>
<tr>
<td>C2</td>
<td>-3</td>
<td>-1</td>
<td>-5</td>
<td>-4</td>
</tr>
<tr>
<td>C4</td>
<td>-5</td>
<td>-3</td>
<td>-3</td>
<td>-1</td>
</tr>
<tr>
<td>C5</td>
<td>-4</td>
<td>0</td>
<td>0</td>
<td>-1</td>
</tr>
<tr>
<td>C6</td>
<td>-2</td>
<td>-2</td>
<td>-8</td>
<td>-1</td>
</tr>
<tr>
<td>C7</td>
<td>-4</td>
<td>-3</td>
<td>-4</td>
<td>-2</td>
</tr>
<tr>
<td>C8</td>
<td>-3</td>
<td>-3</td>
<td>-1</td>
<td>-1</td>
</tr>
</tbody>
</table>

Source: Author, 2018. C3 had incomplete data for the comparison. Bold indicates the organisation considers the issue as material.

Table 38: Comparison between % identification of environmental material issues and disclosure of performance

<table>
<thead>
<tr>
<th>Material issues</th>
<th>% of hotels deeming issues as material (18)</th>
<th>% Disclosure sustainability reports (18)*</th>
</tr>
</thead>
<tbody>
<tr>
<td>GHG Emissions</td>
<td>38.89</td>
<td>31.25</td>
</tr>
<tr>
<td>Energy</td>
<td>50.00</td>
<td>31.48</td>
</tr>
<tr>
<td>Materials and waste</td>
<td>33.33</td>
<td>3.70</td>
</tr>
<tr>
<td>Water</td>
<td>44.44</td>
<td>6.94</td>
</tr>
</tbody>
</table>

Source: Author, 2017. *Percentage related to the number of indicators disclosed over the total indicators studied for each issue.

Technical and cognitive barriers offer a plausible explanation for the gap between environmental measurement and disclosure (see Section 7.2). The limited technical integration of the industry regarding sustainability performance measurement and management seems to restrict the use of the MBSC. Hotel groups expressing intentions to employ an organisation-wide PMS tended to have a rewards system (C1, C2, C3, C7), which demonstrates a stronger commitment to advancing sustainability. For the remaining hotel groups, the use of multiple sustainability systems that remained peripheral or in parallel may not be enough to fully deploy a CSR strategy integrated into the core business because sustainability can be decoupled from the primary corporate strategy, especially when no incentives are in place. The chapter revisits the sustainability reporting processes, performance indicators and performance management systems. The chapter investigates how hotel groups identify and engage stakeholders and with what purpose, which provides a better
understanding of the organisations’ inclusiveness and responsiveness – two of the three MBSC pillars. Step 2 would also inform step 1 regarding the stakeholder priority issues to measure and manage.

6.4. Step 2. Recognising stakeholder value
Step 2 (Figure 28) presents results about the identification of the relevant stakeholders, selection criteria and internal processes, the organisations’ methods and reasons for engagement, and the transparency of stakeholder engagement (SE) practices through the content analysis of reports (systems). Secondly, the section deals with the stakeholder orientation, which articulates the organisations’ values and posture towards their stakeholders and prioritisation (shared values).

![Figure 28: Step 2 Recognising stakeholder value](source: Author, 2018)

**Stakeholder identification**
Organisations face a range of stakeholders that, to some extent, have conflicting interests. They need to clarify which of those stakeholders and interests they consider more relevant, the methods of engagement and the specific goals and outcomes desired from engaging with them. Table 39 shows the content analysis results. For each statement, a 1–0 code was applied. A 0.5 score was added to mark issues declared in the reports but not offering conclusive answers.
### Table 39: Quantitative coding scores for stakeholder identification and engagement

<table>
<thead>
<tr>
<th>Criteria</th>
<th>Eastern Crown</th>
<th>Wyndham</th>
<th>Accor</th>
<th>Hilton</th>
<th>Intercontinental</th>
<th>Starwood</th>
<th>Hyatt</th>
<th>Caesars</th>
<th>Melia</th>
<th>Carlson Rezidor</th>
<th>NH</th>
<th>MGM</th>
<th>Walt Disney</th>
<th>Copthorne</th>
<th>Marriott</th>
<th>Whitbread</th>
<th>Shangri-La</th>
<th>Riu</th>
<th>Score per criteria (out of 18)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Stakeholder identification</strong></td>
<td>1 1 1 1 1 0 1 0 1 1 0 0 0 0 0 0 8</td>
<td>0.5 0 0 1 0 1 0 0 0.5 0 0 0.5 0 0 0 0 3.5</td>
<td>1 1 1 1 1 1 1 1 1 0 1 0 0 0 0 0 11</td>
<td>1 1 1 0.5 1 1 1 0.5 1 0.5 0.5 1 0.5 0 0 0 0 11</td>
<td>1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 0 0 0 0 14</td>
<td>0.5 0 0.5 0.5 0.5 0.5 0.5 0.5 0.5 0.5 0.5 0.5 0.5 0.5 0.5 0.5 0.5 0.5 6</td>
<td>0 0.5 0.5 0.5 0.5 0.5 0.5 0 0 0 0 0 0 0 0 0 0 0 3</td>
<td>1 1 0.5 1 1 0.5 1 0.5 0.5 0.5 0.5 0.5 0.5 0.5 0.5 0.5 0.5 0.5 11.5</td>
<td>1 1 0.5 0.5 0.5 0.5 0.5 0 0 0 0 0 0 0 0 0 0 0 7.5</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Stakeholder engagement</strong></td>
<td><strong>Score per organisation (out of 9)</strong></td>
<td>7</td>
<td>6.5</td>
<td>6.5</td>
<td>6.5</td>
<td>6</td>
<td>6</td>
<td>5.5</td>
<td>5.5</td>
<td>4.5</td>
<td>3.5</td>
<td>3.5</td>
<td>3</td>
<td>2</td>
<td>1</td>
<td>1</td>
<td>0.5</td>
<td>0.5</td>
<td></td>
</tr>
</tbody>
</table>

Source: Author, 2016.

In their sustainability reports 11 out of 18 organisations identified their stakeholders as customers, employees, suppliers, local communities and NGOs. Interviewees, meanwhile, recognised multiple stakeholders, all of which were primary stakeholders except NGOs. The full array of stakeholders are listed in Table 40. Among the interviewees, C4 and C5 listed all 14 stakeholder groups, C1 and C2 listed 13, C6 and C7 listed 12 and C8 listed nine. The stakeholders most engaged were owners, shareholders, business partners, employees, suppliers, local communities and national authorities (by seven organisations). Then, six hotel groups engaged with investors, franchises, NGOs, customers and local authorities, while five engaged with industry peers and regional authorities.
Table 40: Stakeholders engaged in sustainability from the questionnaires

<table>
<thead>
<tr>
<th>Stakeholders engaged</th>
<th>Nº</th>
<th>Organisations</th>
</tr>
</thead>
<tbody>
<tr>
<td>Owners</td>
<td>7</td>
<td>(C1, C2, C4, C5, C6, C7, C8)</td>
</tr>
<tr>
<td>Shareholders</td>
<td>7</td>
<td>(C1, C2, C4, C5, C6, C7, C8)</td>
</tr>
<tr>
<td>Business partners</td>
<td>7</td>
<td>(C1, C2, C4, C5, C6, C7, C8)</td>
</tr>
<tr>
<td>Employees</td>
<td>7</td>
<td>(C1, C2, C4, C5, C6, C7, C8)</td>
</tr>
<tr>
<td>Suppliers</td>
<td>7</td>
<td>(C1, C2, C4, C5, C6, C7, C8)</td>
</tr>
<tr>
<td>Local communities</td>
<td>7</td>
<td>(C1, C2, C4, C5, C6, C7, C8)</td>
</tr>
<tr>
<td>National authorities</td>
<td>7</td>
<td>(C1, C2, C4, C5, C6, C7, C8)</td>
</tr>
<tr>
<td>Investors</td>
<td>6</td>
<td>(C1, C2, C4, C5, C7, C8)</td>
</tr>
<tr>
<td>Franchises</td>
<td>6</td>
<td>(C1, C2, C4, C5, C7, C8)</td>
</tr>
<tr>
<td>Non-governmental organisations</td>
<td>6</td>
<td>(C1, C2, C4, C5, C6, C7)</td>
</tr>
<tr>
<td>Customers</td>
<td>6</td>
<td>(C1, C2, C4, C5, C6, C7)</td>
</tr>
<tr>
<td>Local authorities</td>
<td>6</td>
<td>(C1, C2, C4, C5, C6, C7)</td>
</tr>
<tr>
<td>Industry peers</td>
<td>5</td>
<td>(C1, C4, C5, C6, C7)</td>
</tr>
<tr>
<td>Regional authorities</td>
<td>5</td>
<td>(C2, C4, C5, C6, C7)</td>
</tr>
</tbody>
</table>


According to sustainability reports, most hotel groups seldom identified derivative legitimate stakeholders as industry peers (competitors), advocacy groups, trade unions or the media. They mostly, therefore, identify stakeholders to whom the organisation has a moral obligation based on contractual relations, called narrow approach (Donaldson and Preston 1995), and not those that can affect the organisation and its normative stakeholders, called a broad approach (Figure 29) (Mitchell, Agle, and Wood 1997). The industry may perceive the aforementioned groups to have little power to affect their organisation and assume that they do not hold legitimate claims, or they may not consider them to be stakeholders since the organisations do not hold any moral obligation towards them. Four of the hotel groups presenting a ‘narrow’ approach according to reports, instead, had a ‘broad’ approach according to the questionnaires and interviews (C1, C4, C5, C6). They identified and engaged NGOs and industry peers, but they failed to disclose such information in their reports, arguably because those stakeholders may not be the report audience. Three hotel groups recognised the potential for broader engagement by expanding the stakeholders they might be working with (C1, C5, C7), while two could not identify more stakeholders than the ones they engaged with (C6, C2). C5 believed the more the SE process gets formalised, the more organisations could “identify an extended circle,” as serving broader stakeholder groups entails more complex management (Greenwood 2007).
The criteria used for stakeholder identification often related to economic concerns, arguably indicating a hidden commercial agenda of CSR dialogue, as revenue (C2) or “the amount of business that we have with them” (C1), and the business model (C8, C2) or influence or impact to the business (C8). Other criteria were alignment with organisational projects (C6), relationship with stakeholders (C7) and stakeholders’ commitment to sustainability (C1). Only one interviewee expressed not to know the process (C4) while the other non-respondents either deflected the question (C5) or claimed confidentiality (C3). Similarly, publishing the criteria for selecting stakeholders was a limited practice, only done in the sustainability reports of five organisations, in line with a widespread omission identified in this industry (Bonilla-Priego and Benítez-Hernández 2017) as well as in other industries (Moratis and Brandt 2017). Three organisations gave generic reasons: i) the management judgment on feedback during the year (Caesars, Eastern Crown) and ii) groups that are part of the business environment (NH Hotel). Two provided more specific criteria: i) based on the feedback received and the material issues (Starwood) and ii) stakeholders that can help enhance the business strategy (Hilton).

The content analysis results evidenced a reluctance to disclose who were the priority stakeholders, the criteria used to identify them as relevant interested parties and the mechanisms adopted to facilitate their input. Communicating who are legitimate stakeholders, what makes them such, and how the organisation balances conflicts between their claims remained for interpretation, undermining stakeholder accountability.
Stakeholder engagement

According to the disclosure in the reports, almost three-quarters of the 18 organisations seemed to not engage with all the stakeholders identified in the reports (Table 41). Exceptions were InterContinental, who explained in their report the aim and method for each stakeholder identified, and Wyndham, who provided specific goals and outcomes of SE. While five organisations involved all stakeholders, the results suggested that the engagement was insufficient, with only Walt Disney explaining the response to stakeholders' feedback. Guests and suppliers were the stakeholders engaged most often throughout the reports. Information and consultative engagement levels indicated symbolic engagement while decisional engagement levels indicated substantive engagement (Green and Hunton-Clarke 2003). Engagement at a decisive level was visible in the sustainability reports with collaboration in multi-stakeholder initiatives (e.g., CDP), with the industry peers and NGOs (e.g., International Tourism Partnership), without however providing the results of these partnerships. Instead, interviews showed that organisations engaged decisively only with owners (5 hotel groups), shareholders and investors (4) with whom there is a financial tie. At the consultative level, hotel groups engaged with NGOs (7), suppliers (5), local communities (5), industry peers (5) and business partners (4). The assessment of the reports supported the contention that consultative mechanisms were used with local communities and sustainability supplier policies, sometimes complemented with audits. Informative engagement took place via the organisation's board, the media, and communication with time-share owners, while interviewed organisations used this with suppliers (5) and clients (4). Findings imply that organisations hesitate to engage in two-way communication, in line with earlier evidence in the hotel (e.g., Bonilla-Priego and Benítez-Hernández 2017) and other industries (e.g., Morsing and Schultz 2006).

Table 41: Stakeholder engagement levels from the questionnaires

<table>
<thead>
<tr>
<th></th>
<th>Informative</th>
<th>Consultative</th>
<th>Decisive</th>
</tr>
</thead>
<tbody>
<tr>
<td>Owners</td>
<td>C1, C5</td>
<td>C1, C5</td>
<td>C1, C2, C4, C6, C7</td>
</tr>
<tr>
<td>Shareholders</td>
<td>C1, C5, C7</td>
<td>C1, C4</td>
<td>C1, C2, C6, C8</td>
</tr>
<tr>
<td>Investors</td>
<td>C1, C5, C7</td>
<td>C1, C4, C5</td>
<td>C1, C2, C6, C8</td>
</tr>
<tr>
<td>Franchises</td>
<td>C1, C5, C7</td>
<td>C5, C6</td>
<td>C2, C8</td>
</tr>
<tr>
<td>Suppliers</td>
<td>C1, C4, C5, C7, C8</td>
<td>C1, C2, C5, C6, C7</td>
<td>C5</td>
</tr>
<tr>
<td>Business partners</td>
<td>C1, C4</td>
<td>C5, C6, C7, C8</td>
<td>C2, C7</td>
</tr>
<tr>
<td>Clients</td>
<td>C1, C4, C5, C7</td>
<td>C1, C5</td>
<td>C2, C6</td>
</tr>
<tr>
<td>Local communities</td>
<td>C1, C5, C8</td>
<td>C1, C4, C5, C6, C7</td>
<td>C2, C5, C6</td>
</tr>
<tr>
<td>Nongovernmental organisations</td>
<td>C1, C5, C7</td>
<td>C1, C2, C4, C5, C6, C7, C8</td>
<td>C5</td>
</tr>
<tr>
<td>Local, regional and national authorities</td>
<td>C1, C5</td>
<td>C4, C5, C7, C8</td>
<td>C2, C6, C7</td>
</tr>
<tr>
<td>Industry peers</td>
<td>C4, C5, C8</td>
<td>C1, C2, C5, C6, C7</td>
<td>C5</td>
</tr>
</tbody>
</table>

Source: Author, 2017. Note: A questionnaire error hindered the assessment of employee engagement.
Regarding SE methods and the frequency of engagement, these were disclosed in six cases. Aggregating engagement methods for all organisations and all stakeholder groups showed that consultation (28.8%), transacts (22.3%) and information (17.4%) were the dominant engagement levels (Table 42). Percentages were obtained by dividing the specific methods in each level by the total number of SE methods used. The differences between reported SE levels per stakeholder group and the outputs of such engagement showed that reporting was incomplete.

Table 42: Level of engagement and methods of engagement by stakeholder group

<table>
<thead>
<tr>
<th>Levels</th>
<th>Methods</th>
<th>Stakeholders/Owners/ Franchises</th>
<th>Customers</th>
<th>Suppliers</th>
<th>Media</th>
<th>Local community</th>
<th>Industry peers</th>
<th>Authorities</th>
<th>Regulators</th>
<th>Academics</th>
<th>Organisation Board</th>
<th>Employee</th>
<th>NGO</th>
<th>Total SE methods across organisation</th>
</tr>
</thead>
</table>
| Informative  | Remain (Formal market research/industry benchmarks) | 0 0 0 3 0 0 | 0 0 0 0 | 0 0 0 0 | 0 0 0 0 | 0 0 0 0 | 3 0 0 0 | 1 0 0 0 | 2 0 0 0 | 1 0 0 0 | 2 0 0 0 | 3 0 0 0 | 0 0 0 0 | 3 0 0 0 | 0.5
|              | Monitor (Requests for feedback channels, Service and loyalty tracking, CRMs) | 0 0 0 7 1 0 | 0 0 0 0 | 0 0 0 0 | 0 2 0 0 | 2 0 0 0 | 10 0 0 0 | 2 0 0 0 | 2 0 0 0 | 1 0 0 0 | 1 0 0 0 | 2 0 0 0 | 1 0 0 0 | 2 0 0 0 | 1.8
|              | Advocate (Social media and on-line tools, Organisation University) | 2 1 0 12 0 3 | 0 0 0 0 | 0 0 0 0 | 14 0 0 | 32 0 0 | 5 0 0 0 | 38 0 0 | 95 0 0 | 17.4
|              | Inform (Training/Mentoring, Conference and public presentations, Reports, Online portal, Websites, Bulletins and newsletters) | 7 11 9 4 6 0 | 12 5 1 0 2 | 38 0 0 | 95 0 0 | 17.4
| Consultative | Transact (Cause-related-marketing, Code of conduct/policy, Awards, Recognition programmes, Assessments, Audits and reporting system, Contract requirements and Memberships) | 0 0 2 13 27 0 32 0 1 0 | 1 0 0 0 | 31 15 2 12 2 | 22.3
|              | Consult (Meetings with selected stakeholder/s, Surveys satisfaction, engagement, e.g.) | 21 18 5 13 11 1 8 8 8 4 1 0 53 6 | 15 7 | 28.8

181
Workshops, Focus groups, Annual General Meeting of Shareholders

<table>
<thead>
<tr>
<th>Negotiate (Collective bargaining)</th>
<th>0 0 0 0 0 0 0 0 0 1 0 1 0.2</th>
</tr>
</thead>
<tbody>
<tr>
<td>Involving (Online engagement tools, Multi-stakeholder initiatives, Public relations, Events)</td>
<td>3 1 0 5 0 1 15 2 0 3 0 8 1 63 11.5</td>
</tr>
<tr>
<td>Collaborate (Partnerships, Joint projects, Joint ventures)</td>
<td>7 1 1 4 8 1 4 3 3 0 9 0 0 19 60 11.0</td>
</tr>
<tr>
<td>Empower (Community champions, Wellness-committee, Councils)</td>
<td>0 0 0 0 0 0 0 0 0 3 0 3 0.5</td>
</tr>
</tbody>
</table>

**Total SE methods across organisations for each stakeholder group**

<table>
<thead>
<tr>
<th>Owners</th>
<th>Shareholders</th>
<th>Investors</th>
<th>Franchises</th>
<th>Suppliers</th>
<th>Business partners</th>
<th>Clients</th>
<th>Local communities</th>
<th>Nongovernmental organisations</th>
<th>Local, regional and national authorities</th>
<th>Industry peers</th>
</tr>
</thead>
<tbody>
<tr>
<td>Meetings</td>
<td>C1, C5</td>
<td>C1, C7</td>
<td>C1, C7</td>
<td>C1, C5, C7</td>
<td>C1, C5</td>
<td>C1</td>
<td>C5</td>
<td>C8</td>
<td>C5, C7</td>
<td>C1</td>
</tr>
<tr>
<td>Code of conduct</td>
<td>C1, C7, C8</td>
<td>C1, C5</td>
<td>C1, C7, C8</td>
<td>C1, C5</td>
<td>C1</td>
<td>C5</td>
<td>C8</td>
<td>C5, C7</td>
<td>C1</td>
<td>C5</td>
</tr>
<tr>
<td>Social media</td>
<td>C5</td>
<td>C5</td>
<td>C5</td>
<td>C5</td>
<td>C5</td>
<td>C5</td>
<td>C1, C5, C7</td>
<td>C1, C5, C7</td>
<td>C1, C5</td>
<td>C5</td>
</tr>
<tr>
<td>Market research</td>
<td>C5</td>
<td>C5</td>
<td>C5</td>
<td>C5</td>
<td>C5</td>
<td>C5</td>
<td>C1, C5, C7</td>
<td>C1, C5, C7</td>
<td>C1, C5</td>
<td>C5</td>
</tr>
</tbody>
</table>

Interviewees provided further information about the engagement mechanisms most used with each stakeholder group, sometimes with incoherence between engagement tools and levels (Table 43). For instance, hotel groups used partnerships as a process of information giving and gathering, rather than a genuine stakeholder dialogue – even though partnerships are generally assumed to indicate decisional engagement (e.g., AccountAbility 2015). Hotel groups’ reports did not disclose the outcomes, and interviewees placed partnerships as a consultative mechanism (C1, C7, C8). Other examples were social media placed as decisive (C5, C6, C8), and web pages and codes of conduct as consultative and decisive respectively (C6, C7).

Table 43: Stakeholder engagement mechanisms by stakeholder group and organisation from the questionnaires
Indicating which stakeholder groups might be relevant to particular management decisions is effectively an implicit disclosure of which expectations the organisation is paying more attention to. On occasions where organisations’ own reports and interviewees did identify derivative legitimate stakeholders, those stakeholders were engaged substantively compared to primary stakeholders (Figure 29). For example, all interviewees and organisations identified NGOs in their reports, either formally (10) or informally (8), and nearly all (except Disney) claimed to use partnerships with them as a method of engagement. Also, C2, C3 and C5 presenting a ‘symbolic’ engagement (mainly informative and consultative) according to their reports, instead, had a ‘substantive’ engagement at
decisional level with stakeholder groups beyond financiers (e.g., local communities, authorities, suppliers, NGOs and industry peers).

Even though communicating SE methods was more common than disclosing the criteria to identify and prioritise stakeholders, it was the lack of disclosure about how engagement took place (i.e. procedural quality according to Zadek and Raynard 2002) that led to doubts about how useful or informative the dialogue could be, as is also evidence across other industries (e.g., Høvring, Andersen, and Nielsen 2016, Moratis and Brandt 2017). Additionally, the outcomes of engagement were seldom disclosed in the reports (10 organisations), which further questions the hotels’ SE exercise, since engaging stakeholders does not ensure that the organisation acts in the interests of legitimate stakeholders (Morioka and de Carvalho 2016, de Villiers, Rouse, and Kerr 2016). Noticeably, no report disclosed SE challenges, and interviewees acknowledged not reporting difficulties, with only C5 planning to disclose this in the following report. Only one organisation substantiated the reasons for nondisclosure; “it is not appreciated as a priority” (C2) while C7 did not know the reasons. Disney was the only organisation disclosing some feedback from stakeholders, while no organisation clarified to what extent such feedback was influential on the organisation’s decision making. If they did do so, it would implicitly reveal which stakeholders’ demands are prioritised (i.e. responsiveness quality according to Zadek and Raynard 2002). Similarly, the interviewed organisations seldom disclosed the feedback from the previous year’s report (only C1) and which information was aimed at each stakeholder group (C1, C2), arguably because revealing stakeholder feedback was not a priority. There was no evidence of how SE contributed to the organisation’s behaviour, through the disclosure of the scope, breath, and outcomes from the engagement (i.e. outcome quality according to Zadek and Raynard 2002), since neither the content analysis nor interviews could tell how or if stakeholder dialogue impacted upon the hotel groups’ strategy and policy.

The majority of reports, despite adhering to G4 Sustainability Reporting Guidelines, whether reporting according to the “core” or “comprehensive” options, did not comply with the majority of stakeholder-related indicators, in particular reporting the basis for identification of stakeholders (G4-indicator 25), the frequency of engagement by type and by stakeholder group (G4-26), the stakeholder groups that raised each of the key topics and concerns and how the organisation has responded to each of them (G4-27). Only the list of identified stakeholder groups was clear in most reports (G4-24). This lack of disclosure undermines the hotel groups’ accountability to stakeholders, which in turn weakens their legitimisation, since both transparency and accountability “are the essential components in the legitimating of an organisation” (Bendell and Lake 2000, 226).
Stakeholder orientation

Stakeholder orientation is assessed here based on the degree of sophistication of the SE process, the organisations’ responsiveness and approach towards collective and individual stakeholders, which contributed to explain the limited amount of disclosure about SE. The SE for C1, C4, C5 and C8 was intuitive, ad-hoc, based on an informal discussion with stakeholders, and undertaken with an external consultant as part of their MA. Only three organisations demonstrated more advanced SE practices; C3 had formal commitments, channels and tools for SE, and both C1 and C8 used a stakeholder map. More formal SE seemed to influence better disclosure on inclusiveness (stakeholder identification and engagement) when organisations produced a sustainability report (C2, C3, C1) rather than when they just reported through their websites (C7, C8-M), since websites only included non-specific information. Instead, having more formal SE did not lead to broader identification and more substantive engagement. Organisations with ad hoc and intuitive practices also presented broad identification and substantive engagement (C4, C5) while, for example, C1, which employed a stakeholder map and criteria for engagement, mostly showed only symbolic engagement. Additionally, irrespective of the formalisation of SE practices, the content analysis suggested only mid-to-low SE disclosure scores for the hotel groups. The limited information shared on SE practices through interviews and reports suggested that hotel groups were a long way from best practice concerning SE, while their low disclosure levels were similar to other industries.

Responsiveness (Table 44), assessed through the content analysis, included i) whether the organisation communicated the response given for material issues, and ii) whether the report followed a structure to guide the user to identify responses given to each material issue. Caesars, Hilton, Hyatt and NH were the most responsive, obtaining the highest score possible in the content analysis. Wyndham, Eastern Crown, Intercontinental and Carlson obtained 1.5 points, since although they communicated the response given for material issues, the report structure made it difficult to identify the responses given to each material issue. From the remaining hotel groups, only Accor and Melià had limited responsiveness while the rest did not disclose how they addressed the concerns raised by stakeholders. Most hotel groups hesitated to disclose how they dealt with and responded to the issues raised by stakeholders, similar to earlier evidence by Moratis and Brandt (2017) who found

---

6 Stakeholder orientation is “the organisational culture and behaviours that induce organisational members to be continuously aware of and proactively act on a variety of stakeholder issues” (Ferrell et al. 2010, 93).
low levels of responsiveness across 18 sectors. Overall, there was a gap between engaging with stakeholders and using their insights to inform the CSR strategy.

Table 44: Responsiveness from content analysis

<table>
<thead>
<tr>
<th>Criteria</th>
<th>Caesars</th>
<th>Hilton</th>
<th>Hyatt</th>
<th>NH</th>
<th>Carlson Rezidor</th>
<th>Wyndham</th>
<th>Eastern Crown</th>
<th>Intercontinental</th>
<th>Accor</th>
<th>Melià</th>
<th>Starwood</th>
<th>MGM</th>
<th>Walt Disney</th>
<th>Marriott</th>
<th>Whitbread</th>
<th>Shangri-La</th>
<th>Ri</th>
<th>Millennium</th>
<th>Total points</th>
<th>Average (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>C. Responsiveness (Size of the dot in the Accountability Matrix Figure 31)</td>
<td>2</td>
<td>2</td>
<td>2</td>
<td>1.5</td>
<td>1.5</td>
<td>1.5</td>
<td>1</td>
<td>0.5</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0.9 45.8</td>
</tr>
<tr>
<td>c.1. The organisation communicates the response given for material issues</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>0.5</td>
<td>0.5</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0.6 55.6</td>
</tr>
<tr>
<td>c.2. The report follows a structure to guide the user to identify responses given to each material issue</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>0.5</td>
<td>0.5</td>
<td>0.5</td>
<td>0.5</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0.4 36.1</td>
</tr>
</tbody>
</table>

Source: Author, 2016. Note: The responsiveness score is out of 2 points.

Another characteristic was cross-sector collaboration, instead of competition, which was increasingly assumed to be necessary for addressing sustainable development challenges (C1, C2, C3, C5, C7, E1, E4). The statement from E1 “we’re all facing these issues” possibly reflects this increased awareness. Collaboration with competitors has seen an increased focus in the industry on both environmental and social issues. In the sample for this research, this was reflected in initiatives such as the Hotel Carbon Measurement Initiative in 2012 (mentioned by two organisations) and, in 2016, the Water Measurement Initiative (also mentioned by two organisations), and the Youth Career Initiative (mentioned by one organisation). Collaboration most often occurred through voluntary multi-stakeholder initiatives and, therefore, according to Bryson et al. (2006), they would have likely emerged over time instead of being deliberate. An example is the industry materiality assessment led by the International Tourism Partnership, which is leading much of the industry engagement (C1, E1, E4), deflecting criticism, and allowing organisations to receive honest feedback (E1). This partnership represents the industry members’ needs and has become an agent for creating subject-specific dialogue in the industry. Hotel groups’ motivations for participating in such a non-competitive platform focused on responding to the demands of key stakeholders and gradually improving their sustainability responses. Specific motivations included to: develop legal policies (C2) and set consistent standards (C5), improve innovations (C6), share good practices and create solution-oriented actions (C1), increase stakeholder dialogue (C6) and enhance awareness of sustainability
challenges (C2). Instead of seeking differential competitive advantage, large hotel groups collaborated to secure resources and competencies not otherwise available to them, in the same way as small and medium sized hotels (Chan 2011). This may transform their practices and enable them to better respond to the demands of critical stakeholders.

Hotel groups predominantly had a performance improvement orientation to stakeholder dialogue, at least according to the SE objectives that they disclosed (14 organisations). Objectives were: i) establishing policies and actions (8 reports), ii) establishing report content and relevant information (7), iii) establishing or reviewing strategic objectives (5), iv) improving the business (4), and v) building long-term relationships (3). These SE objectives were similar to those found by Moratis and Brandt (2017) in other industries. These objectives suggest that hotel groups are increasing their commitment to integrate stakeholder concerns more strategically (objective i, iii, iv) and to start to implement effective sustainability reporting practices (objectives ii, v). Reports, questionnaires and interviews together suggested that SE in the hotel industry is an instrument to consult (and influence) stakeholders with a ‘hidden’ commercial agenda, SI and MA criteria are predominantly driven by economics, and there was no evidence they involved stakeholders in decision making and reporting processes for broader social purposes. Moreover, SE objectives were seldom supported by outcomes, undermining stakeholder accountability.

Both the interviews and reports suggested that the organisations were not attempting to influence stakeholder behaviour, but instead were reacting based on predicting the future environment so as to be able to match the organisation’s capabilities to that. Hotel groups therefore had reactive SE strategies to answer external pressures from society, competitors, NGOs and requests from customers, investors and shareholders (C1, C5, C6, C7, E1, E4, E5, E2, E3, E7, E8), evidenced in the statement: “[Stakeholders] are suggesting we do things like this” (C7). Also, E1 explained that the SE was inward looking because organisations were searching for feedback on “how good they look” instead of broader engagement. The somewhat vague descriptions of SE and the expert input indicated that most hotel groups may approach SE as an ad hoc and one-off exercise, in contrast to other sectors (e.g., Moratis and Brandt 2017).

In conclusion, hotel groups seem to have a performance-oriented approach to SE with reactive, ad hoc and informal processes. Hotel groups also have limited transparency of their stakeholder-related practices and seldom respond to stakeholder concerns. This may lead to issues with their legitimacy, which might have influenced their recent engagement in collaborative multi-stakeholder partnerships as a means to both improve internal practices and safeguard corporate reputation. Few
of the interviewed organisations presented more formal internal processes (C1, C3, C8) or more transparency in their reports (C5, C3). There was no clear link between organisations with better processes in place also having greater disclosure, except for C3. This mainstream approach to SE could hamper the potential benefits of the MBSC, whose pillar is inclusiveness. The following section continues with the SR processes, including now the MA, as the second MBSC foundation, which builds into the engagement of stakeholders.

6.5. Step 3. Determining the environmental and social exposure of strategic business units

Step 3 (Figure 30) reviews the remaining sustainability reporting processes (systems), including the reporting guidelines adopted that influence the materiality approach and external assurance, finishing with the motivations for reporting and the rationale behind their specific reporting choices (shared values).

![Figure 30: Step 3 Determining environmental and social exposure of strategic business units]

Source: Author, 2018.

Reporting guidelines

Sustainability reporting is “not at all an extended practice within the industry” (E5); only 18 out of the 50 largest hotel groups report sustainability, and this mainly follows GRI, which is a dominant guideline across industries (Landrum and Ohowski 2018, Dobbs and Van Staden 2016). From those interviewees in organisations producing sustainability reports, only C6 did not use any guidelines, C8 used the GRI solely, while the rest used a combination of guidelines, arguably because they are not integrated; as C4 explained, “they should be streamlined.” Out of the 18 organisations publishing a sustainability report (Table 45), nine followed the GRI G4, two used G3.1, and one G3. Rigour ranged from producing reports ‘in accordance – comprehensive’ to the standards, to the less rigorous ‘in accordance – core’ that disclosed fewer material indicators, to ‘undeclared’, where the level of application of the GRI was not disclosed. Even if there is no “industry GRI definition” (C1) and there is “the need to align indicators better for each industry” (C5), GRI is the most widely used because it
“helps to identify the key challenge associated with main stakeholders” (C2) and “it is a good system to compare with other entities, eliminate asymmetries, and establish criteria for monitoring and standardisation according to the accepted international reporting trends” (C3).
Table 45: Hotel groups with published sustainability reports from the top 50 largest by number of rooms in 2014

<table>
<thead>
<tr>
<th>Organisation</th>
<th>Headquarters</th>
<th>Last level Report Type/Application</th>
<th>Sustainability Report (Year of publication)</th>
<th>Experience number</th>
<th>(report) CDP* Climate change 2015</th>
<th>CDP Water 2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>(Hilton Worldwide) USA</td>
<td>G4 – In accordance – core Self-declared</td>
<td>2015</td>
<td>4th</td>
<td>B 97</td>
<td>Yes</td>
<td></td>
</tr>
<tr>
<td>(Marriott International) USA</td>
<td>Non GRI</td>
<td>2015</td>
<td>6th</td>
<td>C 97</td>
<td>Yes</td>
<td></td>
</tr>
<tr>
<td>(InterContinental Hotels Group) England</td>
<td>G3.1 – Undeclared</td>
<td>2015</td>
<td>8th</td>
<td>B 98</td>
<td></td>
<td></td>
</tr>
<tr>
<td>(Wyndham Worldwide) USA</td>
<td>G4 – In accordance - core</td>
<td>2015</td>
<td>5th</td>
<td>A 98</td>
<td></td>
<td></td>
</tr>
<tr>
<td>(Accor) France</td>
<td>G4 – In accordance - core</td>
<td>2015</td>
<td>Data not available</td>
<td>C 96</td>
<td></td>
<td></td>
</tr>
<tr>
<td>(Starwood Hotels &amp; Resorts) USA</td>
<td>G4 - Undeclared</td>
<td>2015</td>
<td>2nd reporting year 7th Carbon Disclosure Project</td>
<td>Not disclosed</td>
<td>Yes</td>
<td></td>
</tr>
<tr>
<td>(Carlson Rezidor Hotel Group) USA</td>
<td>G3 - Undeclared</td>
<td>2015</td>
<td>9th</td>
<td>/</td>
<td></td>
<td></td>
</tr>
<tr>
<td>(Hyatt) USA</td>
<td>G4</td>
<td>2015 Scorecard 2014 Report</td>
<td>4th</td>
<td>B 95</td>
<td></td>
<td></td>
</tr>
<tr>
<td>(Melià Hotels International) Spain</td>
<td>Integrated Reporting (IIRC) and G4 – In accordance – core</td>
<td>2015</td>
<td>7th</td>
<td>A 99</td>
<td></td>
<td></td>
</tr>
<tr>
<td>(Whitbread) England</td>
<td>Non GRI</td>
<td>2015</td>
<td>3rd</td>
<td>B 98</td>
<td></td>
<td></td>
</tr>
<tr>
<td>(NH Hotel Group) Spain</td>
<td>G4 – In accordance - core</td>
<td>2015</td>
<td>5th</td>
<td>A 99</td>
<td></td>
<td></td>
</tr>
<tr>
<td>(MGM Resorts International) USA</td>
<td>Non GRI</td>
<td>2015</td>
<td>4th</td>
<td>D 80</td>
<td></td>
<td></td>
</tr>
<tr>
<td>(Riu Hotels and Resorts) Spain</td>
<td>Non GRI</td>
<td>2015</td>
<td>1st</td>
<td>/</td>
<td></td>
<td></td>
</tr>
<tr>
<td>(Walt Disney) USA</td>
<td>G3.1. Self-declared (B)</td>
<td>2015</td>
<td>7th</td>
<td>C 93</td>
<td></td>
<td></td>
</tr>
<tr>
<td>(Caesars Entertainment) USA</td>
<td>G4 – In accordance - core</td>
<td>2015</td>
<td>2nd</td>
<td>A-100</td>
<td></td>
<td></td>
</tr>
<tr>
<td>(Shangri-la Hotels and Resorts) China</td>
<td>Non GRI - Communication of progress</td>
<td>2015</td>
<td>5th</td>
<td>D 96</td>
<td></td>
<td></td>
</tr>
<tr>
<td>(Eastern Crown Hotels) China</td>
<td>G4 – In accordance - core</td>
<td>2015</td>
<td>3rd</td>
<td>C 93</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Source: Author, 2016. * Note: CDP 2015, a numerical disclosure score (1-100), and letter (A-E) for performance, were assigned to each responding organisation. For the 2016 cycle and beyond, the scoring methodology was simplified and reflected in a letter designation for disclosure, awareness, management and leadership.
Particularly for climate change, hotel groups mostly used the CDP, albeit it has remained a residual practice, as seen in Table 45. When used, however, CDP increased transparency since organisations provided more data on GHG emissions than in sustainability reports (C1, C2, C4, C5, C8), similar to other industries (e.g., Depoers, Jeanjean, and Jérôme 2016). CDP is “the only platform where you have to report directly to a public database” (E2). Investors are increasingly taking account of climate risks when deciding on investment portfolios (Gianfrate 2018), which is arguably also the case for the hotel industry; “hotels with more active shareholders need to demonstrate that CO2 emissions are under control” (E5). C5 for example, said, “we look for input of what investors may be interested in, as what they’re asking for the CDP response.”

Integrated Reporting (IR) is an emerging guideline driven by investors’ needs that, as in other industries (e.g., Klettner, Clarke, and Boersma 2014), remains in an experimental stage, being used only by Melià from the 50 largest hotel groups and C3 from the interviewees. While C8 claimed to undertake integrated reporting, evidence was not provided at the time of the research that could support this claim. While integrated reporting offers “greater transparency, quality, and reliability” (C3) barriers to its adoption were multiple; limited demand (“not enough investors are asking for this yet” C5), poor rigour of sustainability reports, complexity, and time discrepancy between issuing the annual versus sustainability report (C1, C2, C5), all of which contribute to the framework being of low quality and not being fully implemented, as seen in earlier research (Pistoni, Songini, and Bavagnoli 2018).

Lastly, hotel groups did not mention SASB in their sustainability reports or interviews, even though some were registered in the United States, possibly because, as E3 described, it “looks at information for investors that would be disclosed at the annual security filing.” Also, only C4 mentioned the regional stock exchange rules for reporting so as to provide a strategic context that facilitated the hotel chain sustainability orientation. Indeed several governments recently ratified sustainability reporting regulations (e.g., Gatti et al. 2018), and those appeared as a motivation for reporting (see Table 51).

The intended audience of sustainability reports was a multitude of stakeholders, as evidenced elsewhere (e.g., Kolk 2008). Stakeholders targeted were investors and shareholders (4 interviewees), customers (4), NGOs and communities (3), employees (2), suppliers (2), the general public (2), and government (2). According to experts, the audience depended on the business model, the nature of the business, and the reporting guidelines used (E3, E4, E5). Experts echoed a concern about how sustainability reports could satisfy all the stakeholders’ information requests when they may have
conflicting demands (a point also raised by Margolis and Walsh 2003). E3 explained, “the different frameworks have different audiences and goals,” but by targeting too many stakeholders, reports end up “not having a clear audience in mind” (E1). For example, “most sort of investors or people from finance would say sustainability reporting is very nice, but I don’t know what this means to me” (E1).

Having higher organisational integration did not seem to be linked to the production of sustainability reports. Also, having better technical integration was not linked to the adoption of particular reporting guidelines, albeit organisations declaring intentions to use an organisation-wide PMS reported under GRI “In accordance-Core” and CDP. The reporting maturity, an internal determinant of sustainability integration (Moratis and Brandt 2017), was also not found to affect stakeholder-related disclosure for GRI or CDP in this study. Some experienced reporters provided limited disclosure (e.g., Marriott, Walt Disney) while some beginners offered extensive disclosure on inclusiveness, materiality, and responsiveness (Caesars Entertainment, Eastern Crown). Similarly, some organisations with more reporting experience obtained lower CDP scores (MGH scores D and Millennium E) than organisations with less experience (NH, Wyndham and Melià scored A). The reporting standard followed, notably the G4 “In accordance – core” option, likely influenced higher transparency levels, as G4 requires MA. The reporting maturity also did not translate into using stricter reporting standards, unlike in other sectors (e.g., Moratis and Brandt 2017). Organisations used G4 both with two-years (Caesars and Starwood) and seven-years of reporting experience (Melià), while other experienced hotel groups applied earlier GRI versions (Carlson, Intercontinental), and organisations reporting without using any guidelines were both experienced (Millennium, 13th report) and beginners (Riu, 1st). Reporting experience among interviewed organisations also did not lead to more sophisticated SR processes or more transparent disclosure, except for C3, which had seven years’ experience of reporting using IR. C1 and C6 echoed concerns about how their limited reporting maturity hampered their use of IR.

The different choices in respect to sustainability reporting frameworks entailed different approaches to materiality, which resulted in the identification of varying material issues.

**Materiality assessment**

The lack of experience in conducting materiality assessment – formally introduced in the 2014 G4 guidelines – coupled with the heterogeneity of definitions, guidelines and applications of materiality increased the need to disclose what organisations understand as material, their processes for identifying issues and the criteria they used to evaluate them (
Four of the hotel groups interviewed performed MA formally (C1, C2, C3, C8), three had done it informally and intended to formalise it in the future (C4, C5, C7), and only one was not interested in performing the assessment (C6). Interviewees claimed to employ materiality in order to redefine their sustainability strategy, but the disclosure of their reports suggested otherwise. While MA emerged to determine a threshold at which aspects are sufficiently significant to be reported (GRI 2013a), only two interviewees (C4, C5) used it to inform their reports. From the content analysis, only 11 out of 18 organisations referred to MA, even though all 18 identified sustainability issues (indicator G4-19). There was only partial evidence that organisations with better SE disclosure had better MA disclosure. Only Wyndham had both the highest scores in SE and MA. This study supports previous research suggesting that materiality is not treated comprehensively within the hotel industry (Jones, Hillier, and Comfort 2016).

Table 46: Quantitative coding scores for materiality assessment

<table>
<thead>
<tr>
<th>Criteria</th>
<th>Wyndham</th>
<th>Caesars</th>
<th>Accor</th>
<th>Eastern Crown</th>
<th>Melia</th>
<th>Hilton</th>
<th>Intercontinental</th>
<th>NH</th>
<th>Hyatt</th>
<th>Carlson Rezidor</th>
<th>Starwood</th>
<th>MGM</th>
<th>Walt Disney</th>
<th>Millennium</th>
<th>Marriott</th>
<th>Whitbread</th>
<th>Shangri-La</th>
<th>Riuj</th>
<th>Score per criteria (out of 18)</th>
</tr>
</thead>
<tbody>
<tr>
<td>b. Potential issues</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>0</td>
<td>1</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>4</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>b. Criteria for determining materiality</td>
<td>1</td>
<td>1</td>
<td>0</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>0.5</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>6.5</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>b. Meaning of materiality</td>
<td>0</td>
<td>1</td>
<td>0</td>
<td>1</td>
<td>0</td>
<td>1</td>
<td>0</td>
<td>1</td>
<td>11</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>6</td>
<td></td>
<td></td>
</tr>
<tr>
<td>b. List of material issues</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>11</td>
<td></td>
<td></td>
</tr>
<tr>
<td>b. Visual representation for material issues</td>
<td>1</td>
<td>0</td>
<td>1</td>
<td>0</td>
<td>1</td>
<td>0</td>
<td>1</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>4</td>
<td></td>
<td></td>
</tr>
<tr>
<td>b. Stakeholders for which the issues are material</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>4</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Score per organisation</td>
<td>5</td>
<td>5</td>
<td>4</td>
<td>4</td>
<td>4</td>
<td>3</td>
<td>3</td>
<td>2.5</td>
<td>2</td>
<td>2</td>
<td>1</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Source: Author, 2016. Note: The score per organisation is out of 6 points.

Interviewees were unable to detail the MA process and aggregation of stakeholder feedback, alleging that they did not know the details because an external consultant undertook the process (C1, C8), not being at the organisation when the consultation happened (C2) or confidentiality (C3). Only C3 explained that they sent a questionnaire of a selection of topics to representatives of all stakeholder groups. Reports about actions to determine materiality were somewhat more transparent (G4 - indicator 18). Those ranged from reviewing internal documentation and externally benchmarking their performance or sustainability policies, estimating sustainability impacts, risks and opportunities, to using materiality matrices (Table 47). Marked variations in the assessment were also found in other industries (Jones et al. 2017).
### Table 47: Materiality assessment steps disclosed

<table>
<thead>
<tr>
<th>Actions for determining materiality</th>
<th>Companies</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Review internal sources of information, e.g. organisational values, policies, strategies,</td>
<td>NH, Melià</td>
</tr>
<tr>
<td>operational management systems, goals, and targets</td>
<td></td>
</tr>
<tr>
<td>• Identify key issues, priorities and opportunities</td>
<td>Hyatt</td>
</tr>
<tr>
<td>• Review social, environmental and economic issues associates with the business operations</td>
<td>Hyatt</td>
</tr>
<tr>
<td>• Measure how the stakeholders’ expectations impact on the organisation financially and</td>
<td>ACCOR</td>
</tr>
<tr>
<td>reputationally</td>
<td></td>
</tr>
<tr>
<td>• Benchmark organisation performance against industry peers</td>
<td>ACCOR</td>
</tr>
<tr>
<td>• Benchmark CSR policies and practices of peer organisations</td>
<td>Eastern Crown</td>
</tr>
<tr>
<td>• GRI Materiality Disclosure Services</td>
<td>NH</td>
</tr>
<tr>
<td>• Revising significant strategic laws, regulations and international and voluntary agreements</td>
<td>NH</td>
</tr>
<tr>
<td>• Estimate sustainability impacts, risks, or opportunities</td>
<td>Melià</td>
</tr>
<tr>
<td>• Industry Materiality Matrices used as a basis to integrate the organisation priorities</td>
<td>NH, Wyndham</td>
</tr>
<tr>
<td>• Use of Materiality Matrices to assess importance of issues</td>
<td>Interncontinental, ACCOR</td>
</tr>
</tbody>
</table>

Source: Author, 2016.

Most organisations recognised the role of stakeholders in materiality decisions in their sustainability reports, similar to other sectors (Jones et al. 2017). The MA was perceived as a powerful stakeholder engagement tool by the hotel industry. For example, C5 explained, “I am trying to do more in terms of formalising stakeholder engagement, starting with the materiality assessment in 2017.” Table 48 lists the SE actions disclosed to determine materiality. For instance, Accor explained that MA consists of “identifying stakeholder concerns and expectations and determining their degree of importance” (2015, 25). The content analysis indicated the practices of Wyndham, Accor, Caesars and Eastern Crown were more transparent than those of the other 14 organisations, in that they identified which sustainability issues were material to which stakeholder groups. Notably, only the previous four groups disclosed indicators G4-20 and G4-21 about the entities for which the aspects were material, despite nine hotel groups adhering to G4 guidelines. Interviewees argued they were not disclosing which set of information was aimed at particular stakeholders because “each stakeholder can be interested in the entire sustainability process and not only about the programs/actions in which he is involved” (C2, similarly expressed by C1).

### Table 48: Disclosed SE related actions for MA

<table>
<thead>
<tr>
<th>Generic stakeholder methods</th>
<th>Organisations</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Engage with stakeholders to define and determine what issues were most important to report and to help determine where each issue was relevant to the organisation</td>
<td>Eastern Crown</td>
</tr>
<tr>
<td>• Identify stakeholder concerns and expectations and determine their degree of importance</td>
<td>ACCOR</td>
</tr>
<tr>
<td><strong>Specific Methods</strong></td>
<td></td>
</tr>
<tr>
<td>• Participate in industry multi-stakeholder initiatives</td>
<td>Carlson Rezidor, NH, Starwood, and</td>
</tr>
<tr>
<td>• On-going SE</td>
<td>Wyndham</td>
</tr>
<tr>
<td>• Surveys to internal and external stakeholders</td>
<td>Accor, Caesars, Hilton and</td>
</tr>
<tr>
<td></td>
<td>Intercontinental, Melià</td>
</tr>
</tbody>
</table>
An example of SE action was participation in multi-stakeholder initiatives such as International Tourism Partnership’s industry MA (4 organisations). Interviewees saw the industry MA as complementary to the organisations’ MA (C5, C1, E1, E3); as “a starting point” (C1). The organisational MA was a more introspective piece, tied to “how you operated your business” (E1) and provided a perspective on the local issues (E1, E8). Nevertheless, hotel groups failed to disclose the integration of the outcomes of ITP in their strategies. Even when NH and Wyndham attempted to communicate the results, there were considerable differences (e.g., while the ITP identified ‘water’ as material, this was translated as ‘environment’ by NH). Questions of how SE meaningfully informs decision making remained, therefore.

The conceptualisation of materiality by hotel groups can be inferred from their definitions of materiality, or in the absence thereof, by comparing the criteria employed to determine materiality according to the GRI definition. Interviewees were invited to define materiality, and yet only two provided a definition. For C8, materiality meant that “different stakeholders give their opinion on what matters are most important to them regarding our business,” while, for E7, materiality was about “identifying stakeholders that are affected the most and the issues that are important for those stakeholders.” In both definitions, the interviewees referred to the importance of the information for stakeholders, thus echoing the second part of the GRI materiality definition. When the remaining six hotel groups were asked to define materiality, two used a combination of organisation and stakeholder focus criteria, which resonated with the duality of the GRI definition; C7 included “where we affect the environment most” and “[issues] of interest to the owner”; C5 included “issues helping our business to thrive” and “issues that have been brought to our attention by our stakeholders, in some cases, in a negative way.” The last two hotel groups interviewed used only one approach, either the organisation impact (C1 - "frequency of the issue and importance or impact for the business") or the stakeholder impact (C2 - “the impact on stakeholder expectations from the hotel business financially and on reputation”). Particularly noteworthy was the fact that most of the interviewees were not willing to disclose the criteria they used to determine materiality. This reticence to respond to questions related to scoring mechanisms affected the completeness of the data and is assessed in Sections 5.5.4 and 7.3.
Similarly, the content analysis revealed that eight out of 11 organisations performing MA disclosed the criteria, of which four used a combination of organisation and stakeholder focus. Hilton, Accor and Caesars used ‘level of stakeholder concern’ and ‘of importance for the organisation’ (Hilton, Accor) and ‘relevant to our business’ (Caesars). Melià used ‘strategic,’ ‘significant risk to the organisation’ and ‘materiality to stakeholders.’ InterContinental used ‘of importance for the organisation’ and ‘stakeholder impact.’ Instead, the remaining organisations employed only stakeholder-related criteria; NH and Wyndham used ‘materiality to stakeholders,’ and Eastern Crown used ‘stakeholder influence,’ and ‘substantively influence the assessment and decisions of stakeholders.’ These various criteria evidenced the subjectivity of judgments embedded in materiality decisions. In all 18 reports, even when criteria were included, the transparency of the underlying method and the scoring mechanisms were poorly explained, and the weighting systems were concealed, which supports the evidence from Bonilla-Priego and Benítez-Hernández (2017). Gaining a further understanding of the subjectivity in materiality assessment would advance progress in coping with the challenges.

Intercontinental, Wyndham, Accor and Melià also used a materiality matrix to compare the importance of each issue for the organisation and society; an approach increasingly used in other industries (e.g., Jones, Comfort, and Hillier 2016b, a). These matrices, however, varied across organisations in respect to both axes-names and scoring mechanisms, which increased customisation for communicating organisation-relevant information but made benchmarking more difficult. In adapting their matrices, hotel groups favoured corporate rather than sustainability goals, similar to other industries (e.g., Jones et al. 2017, Jones and Comfort 2017), since “choosing the issues to report on can be a very questionable process” (E7). In addition, including words such as ‘significance’ or ‘strategic’ in the matrices without explaining the meaning (as found elsewhere by Eccles, Krzus, and Ribot 2015a), can allow them to posture; “hide things that they don’t want to show but defend themselves with the fact that they conducted materiality analysis” (E7).

Furthermore, evidence of the outcome of engagement was not provided, since reports did not clarify to what extent the stakeholder views influenced strategic decision making. While five organisations claimed to involve all stakeholders, the content analysis of their reports showed that evidence of the outcomes was limited. Nearly all the reports that identified stakeholder concerns explained their planned responses to the material issues in general terms. Instead, responding to stakeholder claims seems commonplace across industries (e.g., Manetti 2011, Moratis and Brandt 2017). Only Walt Disney explained the response to stakeholders’ feedback. Interviewees argued that they did not communicate the feedback of stakeholders to the previous report because “it was not a priority” (C2),
“I don’t know if we get any feedback” (C7) or “ITP and the World Travel and Tourism Council have convened stakeholder groups within the last few years on behalf of the industry.”

There was agreement on the strategic impact of the stakeholder relationship (e.g., “information from our stakeholders are vital for our coming priorities” C8) and hotel groups identified and implemented actions to engage with stakeholders at different stages (Section 6.4), however, several elements at the operational level indicated prevailing practices of stakeholder management rather than engagement.

The integration of stakeholders in corporate governance was lacking; there was no adoption of standards for engagement (e.g., AA1000 Assurance Standard), engagement levels were low (limited decisional mechanisms), and stakeholder involvement in defining the report content was limited (only C4, C5 referred to the use of MA for such a purpose). There was a predominance of ad hoc and reactive practices with low levels of formalisation (e.g., only C1, C8 had a stakeholder map). They also failed to demonstrate how consultation influenced engagement outcomes, without which the MA exercise remained just a means to legitimise the reports. No specific instances were offered by interviewees to substantiate how hotel groups undertook stakeholder engagement. Instead, interviewees’ answers suggested that hotels mostly adhered to the instrumental approach of stakeholder theory, thereby using sustainability reports to manage the stakeholders’ perceptions of the organisation and to gain their support. For example, “know what the stakeholders’ expectations are, what they think we should do” (C3), “the impact on stakeholder expectations from the hotel” (C2), or “fulfil their expectations” (C7). Rather than involving stakeholders in decision-making processes, making them participants in the business management, sharing information, engaging dialoguing and creating mutual responsibility (stakeholder engagement), interviewees often referred to managing stakeholder expectations (stakeholder management). Stakeholder management was also previously found to be more common than engagement across industries (e.g., Manetti 2011, Belal 2002), including the hotel industry (Gessa Perera and Jiménez Jiménez 2015).

Materiality increased the disclosure within the reporting process only when organisations produced a sustainability report (C3, C2, C1), but seemed not to influence disclosure when organisations reported on their websites (C8) since web reporters disclosed only performance information. The compulsory disclosure of the actions to determine materiality for those following GRI (G4 - indicator 18) may explain this result. Still, none of the reports examined, nor any of the hotel groups interviewed disclosed encountering any difficulties in MA, despite reporting guidelines not providing any structured approach (e.g., “some serious fundamental flaws” E4) and organisations may face challenges in practice (e.g., How do you prioritise your stakeholders? What does it mean to prioritise energy more than water? E4). This study found an abundance of positive information but a lack of
voluntary adverse disclosure in the reporting process (organisations do not report on failed attempts to introduce practices, or where stakeholders have identified issues as significant, but the organisation has failed to address them so far), similar to biased disclosure in respect to sustainability performance (e.g., Hahn and Lülfs 2014). E7 explained, “We had for years companies reporting on things that they were performing well on and amending the information where they were not doing so well.” Further disclosure could allow report readers to make their assessment of whether the ‘dialogue’ stakeholders are encouraged to participate in meaningfully informs the organisation’s decision making. For example, “It’s critical that they make the process transparent, identify the methods, and how they engaged stakeholders” (E7). Otherwise, limited disclosure may translate into greenwashing strategies in reporting sustainability; “materiality can be in a negative sense used to hide things they don’t want to show” (E7).

**External assurance**

In order to provide increased confidence in the quality of sustainability performance data organisations can undertake external assurance. This study, however, found low levels of assurance across the sample (as reported elsewhere by Jones et al. 2017, Janković and Krivačić 2014) and low assurance quality (as Manetti and Toccafondi 2012). Ten out of 18 organisations assured their sustainability reports (Table 49), but characteristics of assurance (Table 50) suggest the quality remains under question, which depended on the scope and objectives, the criteria used, the assuror provider and the level of assurance given.

**Table 49: Assurance of sustainability reports**

<table>
<thead>
<tr>
<th>Organisation</th>
<th>Independent assurance level</th>
</tr>
</thead>
<tbody>
<tr>
<td>Hilton Worldwide</td>
<td>No</td>
</tr>
<tr>
<td>Marriott International</td>
<td>Limited</td>
</tr>
<tr>
<td>IHG (InterContinental Hotels Group)</td>
<td>No</td>
</tr>
<tr>
<td>Wyndham Hotel Group</td>
<td>Limited/moderate</td>
</tr>
<tr>
<td>Accor Hotels</td>
<td>Limited</td>
</tr>
<tr>
<td>Starwood Hotels &amp; Resorts Worldwide</td>
<td>Limited</td>
</tr>
<tr>
<td>Carlson Rezidor Hotel Group</td>
<td>No</td>
</tr>
<tr>
<td>Hyatt Hotels Corp.</td>
<td>No</td>
</tr>
<tr>
<td>Meliá Hotels International</td>
<td>Limited</td>
</tr>
<tr>
<td>Whitbread</td>
<td>Limited</td>
</tr>
<tr>
<td>NH Hotel Group</td>
<td>Limited</td>
</tr>
<tr>
<td>MGM Resorts International</td>
<td>No</td>
</tr>
<tr>
<td>Riu Hotels &amp; Resorts</td>
<td>No</td>
</tr>
<tr>
<td>Walt Disney Co.</td>
<td>No</td>
</tr>
<tr>
<td>Caesars Entertainment Corp.</td>
<td>No</td>
</tr>
<tr>
<td>Shangri-La Hotels &amp; Resorts</td>
<td>No</td>
</tr>
<tr>
<td>Eastern Crown Hotels Group China</td>
<td>No</td>
</tr>
<tr>
<td>Millennium &amp; Copthorne Hotels</td>
<td>Not declared</td>
</tr>
</tbody>
</table>

Source: Author, 2016.
The assurance statements referred to verifying i) the reporting process against the standards and requirements (Melià), ii) the consistency between the report and the internal documents (e.g., Accor), iii) the financial information (e.g., NH), iv) the accuracy and robustness of obtaining facts (e.g., Whitbread), v) the relevance and materiality principles (e.g., Melià) and vi) the SE carried out (e.g., NH). Assurors followed several standards, such as the ISAE3000 (4 organisations). All interviewees also claimed to use assurance standards, except C8, but all failed to identify which ones. No statement or interviewee referred to the AA1000SES, which is the standard focused on SE. Possibly as a consequence, while the stakeholders’ role in the accountability process emerged in nearly all the assurance statements, the stakeholders who were engaged effectively were internal employees, through interviews or meetings, while external stakeholders were kept at a distance from the consultation, which arguably undermines the quality and credibility of the assurance results (see Manetti and Toccafondi 2012).

Table 50: Sustainability report assurance characteristics

<table>
<thead>
<tr>
<th>Assurance profile</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>External assurance</td>
<td>10</td>
</tr>
<tr>
<td>Assurance statement</td>
<td>6</td>
</tr>
<tr>
<td>Contact of the assuror (name)</td>
<td>5</td>
</tr>
<tr>
<td>Assurance provider (accountant)</td>
<td>7</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Assurance professional opinion</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>The report explain the relationship between the organisation and the assurance provider</td>
<td>2</td>
</tr>
<tr>
<td>The governance bodies or a senior executive involved in seeking assurance</td>
<td>5</td>
</tr>
<tr>
<td>Qualified professional opinion</td>
<td>6</td>
</tr>
<tr>
<td>Published indications for improvement provided by assurance provider</td>
<td>3</td>
</tr>
<tr>
<td>Unpublished indications for improvement provided by assurance provider</td>
<td>1</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Intrinsic coherence and quality of the assurance</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Aims and limits of the mandate are clearly defined</td>
<td>8</td>
</tr>
<tr>
<td>The assurance scope - specified sections</td>
<td>7</td>
</tr>
<tr>
<td>The assurance scope - financial statements only</td>
<td>1</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Level of assurance:</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Limited</td>
<td>5</td>
</tr>
<tr>
<td>Reasonable (only financial statements)</td>
<td>1</td>
</tr>
<tr>
<td>Not stated</td>
<td>4</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Assurance standards used</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>AA1000AS</td>
<td>0</td>
</tr>
<tr>
<td>ISAE3000</td>
<td>1</td>
</tr>
<tr>
<td>International Financial Reporting Standards</td>
<td>1</td>
</tr>
<tr>
<td>International Standard on Quality Control</td>
<td>1</td>
</tr>
<tr>
<td>Code of Ethics issued by the International Ethics Standards Board for Accountants IESBA</td>
<td>1</td>
</tr>
<tr>
<td>Other national sustainability standard</td>
<td>5</td>
</tr>
<tr>
<td>Other national standard or general standard</td>
<td>1</td>
</tr>
<tr>
<td>Other, international standard</td>
<td>1</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Stakeholder role in the assurance process</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Stakeholder consultation during verification process by assurance provider: Internal stakeholders interviews</td>
<td>3</td>
</tr>
<tr>
<td>Stakeholder consultation during verification process by assurance provider: Internal stakeholders meetings</td>
<td>3</td>
</tr>
<tr>
<td>Visit to headquarters</td>
<td>1</td>
</tr>
<tr>
<td>Stakeholder categories did the assurance provider consult: Employee</td>
<td>6</td>
</tr>
<tr>
<td>No mention of difficulties met in consulting stakeholders during assurance process</td>
<td>6</td>
</tr>
</tbody>
</table>
No sections of report are dedicated to stakeholder opinions on previous reports

<table>
<thead>
<tr>
<th>Assurance content: verifying...</th>
<th>6</th>
</tr>
</thead>
<tbody>
<tr>
<td>Reporting process against the standards and requirements</td>
<td>4</td>
</tr>
<tr>
<td>Consistency between report and internal documentation</td>
<td>3</td>
</tr>
<tr>
<td>Reliability of information of quantitative and qualitative data</td>
<td>3</td>
</tr>
<tr>
<td>Relevance and materiality principles of information disclosed</td>
<td>2</td>
</tr>
<tr>
<td>Stakeholder engagement carried out by organisation</td>
<td>2</td>
</tr>
<tr>
<td>Financial information reflected on the report has been verified by third parties</td>
<td>2</td>
</tr>
<tr>
<td>The process for obtaining specified data</td>
<td>2</td>
</tr>
<tr>
<td>Others</td>
<td>1</td>
</tr>
</tbody>
</table>

| Assurance process                                                                                      | 4 |
| Difficulties or improvements met are stated in the report                                              |   |

Source: Author, 2016.

Four organisations published the assurors’ indications for improvement, explaining the difficulties that were met in the assurance, with problems relating to different criteria and measurement techniques. NH, however, concealed the recommendations. None of the reports contained a section that communicated stakeholder opinions on previous reports. Since corporate management appointed the assurance providers, if they reported to anyone, it was to the same constituency. In Marriott, Melià and NH the direction of the organisation itself was acknowledged as the assurance audience; in Whitbread and Wyndham it was the Board of directors, and in Accor, the shareholders. Only Marriott and Millennium described the relationship between the organisation and the assurance provider.

The content analysis identified the limited assurance level across the ten reports, which was consistent with the level of assurance opted for by C1, C2, C3, and C5. The assurance was limited to specific sections of the sustainability reports, such as GHG Emissions Inventory and Environmental Performance Indicators (Marriott) or specific GRI environmental indicators (Wyndham). Also, the assurance statements did not refer to the scope of the data assured (e.g., managed, owned, franchised or leased hotels), a shared shortcoming with the reports. Similarly, external assurance among sectors was lacking and, when present, limited in its scope and material issues (e.g., Jones, Hillier, and Comfort 2017, Jones and Comfort 2017). This research, therefore, confirmed that hotel groups made insufficient use of assurance to improve the credibility of reports, and also that there was a low level of engagement with those reports and limited levels of assurance, thereby remaining a weaker practice when compared to other industries (e.g., Manetti and Toccafondi 2012, Gürtürk and Hahn 2016). Also, some respondents (C1, C8) could be misinterpreting the concept. Notably, no interviewee brought up assurance when discussing sustainability reporting, despite all the interviewed organisations, when explicitly asked, explaining that they undertook it.

Four out of six hotel groups from the sample that produced reports in line with the G4 In accordance – core principles, and CDP, assured their reports; arguably because both frameworks encourage but
do not require external assurance. The quality of the disclosure about the reporting process, however, did not seem to improve for reports being assured, arguably because assurance was focused on specific performance indicators. From the interviewed hotels, those that opted for external assurance were the ones that presented higher transparency in respect to inclusiveness, materiality and responsiveness. From the content analysis, the organisations with better process disclosure did not always undertake assurance; from top-10 disclosures, only four hotel groups assured their reports. Prior research found the use of auditing strengthens the legitimacy of organisations, but it has no impact on the quality of the information disclosed (Talbot and Boiral 2018), and this study also finds that assurance does not increase the disclosure of the reporting process. Although the interviewed organisations considered assurance as a control mechanism (C1, C2, C4, C5, C7), deficient technical sustainability integration (e.g., C5’s use of Microsoft Excel) or awareness of deficiencies (C1, C5) did not lead to a reliance on external assurance to increase the reliability and robustness of data. The limited assurance option and the low levels of transparency within the assurance statements and interviews represent a significant shortcoming, both for performance management and reporting.

**Motivations for reporting sustainability performance**

In order to enable a better judgement of the results discussed so far, this section explores the hotel groups’ motivations for reporting sustainability, based on the questionnaire and interview data. An “inside-out” approach was needed because, from the organisations’ disclosure, behaviours such as impression management and opportunistic legitimacy cannot be distinguished from addressing the needs of stakeholders (see Dobbs and Van Staden 2016). Participants were asked to rank factors influencing the decision to report, which were based on the theories revisited in Section 2.1.2, from unimportant (1) to highly important (6) (Table 51). The transparency perspective appeared more prominent, being indicated by reputation-linked motivations to answering stakeholder pressures and regulations. In most cases, the motivations for sustainability practices were a combination of internal and external drivers.

**Table 51: Key drivers to produce a sustainability report**

<table>
<thead>
<tr>
<th>Drivers</th>
<th>C1</th>
<th>C2</th>
<th>C4</th>
<th>C5</th>
<th>C6</th>
<th>C7</th>
<th>C8</th>
<th>Average</th>
</tr>
</thead>
<tbody>
<tr>
<td>Reputation</td>
<td>4</td>
<td>6</td>
<td>6</td>
<td>3</td>
<td>6</td>
<td>4</td>
<td>6</td>
<td>5.0</td>
</tr>
<tr>
<td>Stakeholder pressure</td>
<td>5</td>
<td>5</td>
<td>3</td>
<td>4</td>
<td>6</td>
<td>6</td>
<td>4</td>
<td>4.7</td>
</tr>
<tr>
<td>Assessment of sustainability risks and opportunities</td>
<td>4</td>
<td>5</td>
<td>4</td>
<td>6</td>
<td>5</td>
<td>5</td>
<td>3</td>
<td>4.6</td>
</tr>
<tr>
<td>Strategic decision-making</td>
<td>5</td>
<td>5</td>
<td>4</td>
<td>5</td>
<td>5</td>
<td>4</td>
<td>3</td>
<td>4.4</td>
</tr>
</tbody>
</table>

Source: Author, 2017. Note: C3 did not provide an answer.

Reputation was the most chosen answer (5 on average), ranked highest by C2, C4, C6, and C8. Reputation referred to the search for leadership and recognition, best practice, maintaining or
achieving ranking positions, fulfilling expectations, and as public relations to avoid negative press (C1, C5, E1, E2, E4, E7, E8). E4 described, “Organisations want to be known among certain circles.” C1 explained, “It is better if you do it because if you do not do it is bad.” Seemingly, C4 said, “it seems just to be a game of who is able to produce the better reports or disclose the most information.” Motivations for MA also arose from concerns about stock exchange recommendations (C4). Interviewees highlighted the importance of communicating performance improvements under the CDP (C1, C5, C8) and its use as a commercial tool (C1, C3). C3 explained the attempts to link Net Promoted Score on corporate reputation with CSR actions as a means to create a business case. Others referred to the use of external assurance to increase brand reputation directly (C2) or through ranking positions (C5). For instance, having external assurance provided ten extra points on the CDP, which was one of the reasons why C5 was “able to get funding approval.” Earlier research also pointed to reputation as the most prominent reason for hotels to contribute to sustainable development (Persic et al. 2013) and other industries to report (Dobbs and Van Staden 2016). The frequent cross-functional communication and coordination between the CSR and the Marketing Departments (Section 6.1) also suggested that reporting may be used more to manage the organisations’ image as opposed to improving sustainability performance.

Stakeholder pressure was the next most frequently cited motivation (4.7 average), ranked highest by C6 and C7. This links to the stakeholder and legitimacy theories that are often found as motivations for CSR disclosure (e.g., Persic et al. 2013). Organisations engaged in reporting in order to answer stakeholder requests about the sustainability performance (C1, C2), either from investors and shareholders (E1, E2, E5) or external stakeholders (C3, C6, C7, E4). As C7 stated, “it is a demand from partners.” Particularly for the CDP, C5 answered investor and customer requests. MA was also undertaken to respond to corporate clients, who were “asking for sustainability criteria on the request for proposals” (C1). Similarly, external assurance aimed at increasing stakeholder trust in the provision of honest and reliable data (C3, C4). Previous researchers also found stakeholder accountability and trust to be a significant reason for reporting (e.g., Dobbs and Van Staden 2016). On the other hand, in some research, the reported data was found to be unlikely to meet stakeholder information needs (e.g., Adams and Frost 2008), and this could also be the case for the hotel groups studied, due to their limited disclosure of SE outcomes, MA process and responsiveness.

Another external motivation was regulation for sustainability reporting (C3, C4, C8, E4, E5) and external assurance (C1, C3), which may be seen as a defensive measure for liability-reduction (see Brammer and Pavelin 2004). For instance, C3 said, “we are obliged; there are legal requirements.” Similarly, C4 argued that having to comply with rules from listings had “given a push” (C4). E4
explained, reporting has become "something the organisation has to do." C2 communicated sustainability performance before its home country introduced a legal obligation in order to mitigate the effects of future mandatory disclosure. While existing and prospective regulations influenced the adoption of reporting practices and external assurance, the legal environment did not seem to play any significant role in determining materiality disclosure (similar to Dobbs and Van Staden 2016, Fasan and Mio 2017), arguably because regulations focus on disclosure of performance and not reporting processes.

Internal drivers from seeing sustainability reporting in the context of strategic decision-making follow closely behind the external drivers (see Fasan and Mio 2017). Performance improvement drivers included the assessment of sustainability risks and opportunities, which was cited at an average of 4.6 times and was the highest ranked option for C5, and strategic decision-making (4.4), which ranked highly across several organisations. Reporting focused hotel groups on performance measurement (C4, C5, C6, C7, E2), employee engagement branding (C3, C4, C5, E7), and their strategy (E7). Hotel groups’ drivers for adhering to CDP also included collecting GHG emissions data (C2), measuring performance (C4), and improving the strategy (C2). External assurance was a control mechanism to ensure data was accurate, consistent, verified and valid (C1, C2, C4, C5, C7). Particularly for assurance, the performance-oriented responses linked to enhancing the credibility of data, coinciding with motivations reported in other sectors (Searcy and Buslovich 2014).

Overall, C1 and C5 had a more performance improvement perspective where the assessment of sustainability risks and opportunities and strategic decision-making seemed to influence the management and reporting of sustainability. Instead, C3, C6, and C8 referred to the transparency perspective whereby reputation, regulation and stakeholder pressure influenced the management and reporting of sustainability. Organisations with a transparency perspective and no formal systems to ensure the disclosure was accurate and comprehensive were most likely using sustainability reporting to create the impression of being concerned about sustainability, and thus to increase legitimacy, similar to other studies (e.g., Kolk 2008, Dobbs and Van Staden 2016). The remaining organisations had a mixed approach where both internal and external drivers equally influenced the management and reporting of sustainability (C2) or with a tendency towards transparency (C4, C7).

In each hotel group, the motivation to engage in sustainability reporting differed, but seemed not to influence any particular disclosure, since organisations with a performance improvement perspective both disclosed more (C2) and less (C5), compared to organisations with a transparency perspective (C3). Still, organisations from the sample mostly motivated by reputation and stakeholder pressure
produced less robust reporting, by not employing any framework (C4, C6) or by reporting only through their websites (C7, C8). Also, organisations with stronger commitments to performance improvements did not present more formal and developed organisational or technical integration compared to the transparency motivated organisations.

The least dominant driver for CSR disclosure related to the importance of the organisation’s ethics and corporate accountability commitment, which links to a normative approach to stakeholder engagement. C1 explained, “reporting is part of your commitments for being transparent, for communicating your efforts, for communicating your results and your success stories.” Others explained that the commitment from the owners (E5) or the leadership (C4), whether driven by ethics or efficiency, a commitment to transparency (C1) or about communication (E6), motivated them. The less frequent appearance of commitment as motivation seems to be in line with results across industries (Dobbs and Van Staden 2016), as well as with the previously identified instrumental approach to SE and the role reporting may play in the construction of the hotel groups’ external image. In continuing to unveil the fundamental ideas through which hotel groups construct their sustainability reporting decisions, the next paragraphs explore the perceived value attached to reporting.

**Value of sustainability reporting**

The value of sustainability reporting remains contested and this means that the justification of reporting can be an obstacle within organisations (Solomon and Lewis 2002); as was evident also in the sampled hotels. This can arguably explain the low levels of reporting across hotel groups, wherein only 18 out of the 50 largest reported. Some experts explained that reports contributed to legitimacy because organisations disclosed information (E3), justified doing something on sustainability (E6), and did “the bare minimum by addressing the issues that the public and the customers were more concerned about” (E7). For C3 and E7, reporting added value to organisations “similarly, as there’s value in financial reporting.” E4 and E7 also believed reporting reflected a change in sustainable behaviour; otherwise, “it would undermine the whole exercise.” Other interviewees had a more critical view, as in previous research (Dobbs and Van Staden 2016). Some questioned the value of reporting because of the way it was undertaken, the scope of organisations participating in it, the contextual circumstances, and the low readership of reports. E4 did not see any value because “[hotel groups] seem to have great performance somehow every year.” E6 also argued that reports were not giving more than a representation of the way organisations wanted to be seen, and therefore, organisations reported in order to appear to have a values system congruent with that of the society.
Indeed, the main motivations for sustainability reporting expressed by CSR managers (reputational and stakeholder pressure), coupled with the limited development of internal management practices for reporting (deficient PMS, informal SE and questionable MA), may indicate that hotel groups draw on a discursive articulation of the sustainability values of the society without fully embracing them. SR is driven from large organisations for large investors to large corporate buyers (E4, E5, E6, E7), and as E4 explained, “it does not triple down and adapt as well to an individual property for the basic reasons that nobody is asking for reports at the property.” Previous researchers have shown that the low level of pressure from stakeholders was a reason for low accountability considerations leading to low reporting levels (Stubbs, Higgins, and Milne 2013). Additionally, with the trend of mandatory reporting, organisations “might not even care for their social license to operate” (E4). Several quotes also evidenced that the business case argument for reporting is unconvincing because of the “belief that it’s just extra costs; the value is not corresponding to it” (E6-C), and “nobody is reading the reports” (E1, E4, E7). The fact that the readership of these reports was perceived to be low (similar to Stubbs, Higgins, and Milne 2013, Unerman 2008), and the tendency for organisations to simply be “pointing to the fact that [the report] is there” (E1) means that reports do not serve to increase accountability or legitimise the organisation’s actions. As E1 explained, “it is not 100% one or the other; it depends on where the needle falls, …[it] may well be a waste of time.” The content analysis results showing limited disclosure in respect to inclusiveness, materiality and responsiveness also seemed to question the reports’ contribution to accountability and legitimacy.

In summary, Step 3 has revealed varying sustainability integration into the hotel groups’ systems and shared values for sustainability reporting. Findings indicate that the hotel industry mostly used the GRI and CDP reporting frameworks, with limited embrace of the materiality approach (by only 11 out of the 50 largest hotel groups). Nonetheless, interviewees pointed to an increased trend to embrace materiality (four use it, and three plan to use it shortly). The external assurance was also very seldom used (by only ten hotel groups), and the level opted for was limited assurance. Transparency in respect to the materiality determination and external assurance was found to be poor in the majority of organisations, and only noticeably above average in the cases of C3, C2 and C1 from among the interviewees, and in the cases of Wyndham and Caesars from the content analysis. Motivations for reporting were mostly external, arising from reputational and stakeholder pressure, except for two hotel groups that presented higher commitments to performance improvement and strategic choice (C1, C5). Results so far may indicate that hotel groups draw on a discursive articulation of the sustainability values of society when reporting, without fully embracing these values, and that this may lead to greenwashing strategies. No clear patterns were found between
organisational integration and technical integration regarding the motivation, approach and quality of reporting by the sample of hotel groups. The next section explores the relationships between sustainability disclosure, environmental performance and sustainability integration.

6.6. A comparative analysis between sustainability disclosure, environmental performance and sustainability integration

The data gathered allowed for a comparison between the questionnaire and interview responses of the hotel groups, and their publicly available sustainability reports. This section first presents the Accountability Matrix as a means to evidence how hotel groups assumed responsibility for their impacts, and how they were transparent about their reporting processes (from the content analysis and interviews). Later, the section examines the relationship between the sustainability reporting process disclosure (Accountability matrix), sustainability performance (CDP A-E score), environmental quantity disclosure (nº of environmental indicators) and environmental quality disclosure 7 (quantitative indicator, the comparison with previous years and progress against targeted objectives). Lastly, the section introduces the Sustainability Integration Matrix, which identifies the degree of sustainability integration within the hotel groups interviewed.

6.6.1. The Accountability Matrix

The Accountability matrix underlines the hotels’ orientation towards being transparent with stakeholders. The results on responsiveness quality – i.e. how the organisation responds to the stakeholder concerns (e.g., Hohnen 2012), indicated by the size of the dot (Figure 31), were plotted with the organisations’ scores for SI/SE (Table 39) and MA (Table 46) so as to represent the overall transparency position for each organisation included in the content analysis.

7 This study uses multiple variables to assess the quality of the disclosure, in line with previous studies (Hammond and Miles 2004). External assurance and adoption of reporting guidelines are revisited in other sections of the study in relation to the overall disclosure of reports, while for the disclosure of the performance on each environmental issue the study assesses the use of a quantitative indicator, the establishment of appropriate targets and the reporting progress against targets in comparison with the previous years.
Table 52: Transparency per criterion and organisation to build the Accountability Matrix

<table>
<thead>
<tr>
<th>Criteria</th>
<th>Wyndham</th>
<th>Caesars</th>
<th>Eastern Crown</th>
<th>Accor</th>
<th>Hilton</th>
<th>Intercontinental</th>
<th>Melià</th>
<th>Hyatt</th>
<th>NH</th>
<th>CarlsonRezidor</th>
<th>Starwood</th>
<th>MGM</th>
<th>Walt Disney</th>
<th>Millennium</th>
<th>Marriott</th>
<th>Whitbread</th>
<th>Shangri-La</th>
<th>Riu</th>
</tr>
</thead>
<tbody>
<tr>
<td>Responsiveness</td>
<td>1.5</td>
<td>2</td>
<td>1</td>
<td>2</td>
<td>1.5</td>
<td>1</td>
<td>2</td>
<td>2</td>
<td>1.5</td>
<td>0.5</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
</tbody>
</table>

The organisation communicates the response given for material issues

| The report follows a structure to guide the user to identify responses given to each material issue | 0.5 | 1 | 0.5 | 1 | 0.5 | 1 | 1 | 0.5 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |

Table 39 - Stakeholder identification and Engagement (Axis Y)

| Percentage of disclosure of all criteria | 76 | 74 | 74 | 68 | 68 | 62 | 62 | 59 | 50 | 47 | 44 | 21 | 18 | 12 | 6 | 6 | 3 | 3 |

Source: Author, 2016. Note: The Responsiveness score is out of 2 points, the SE score is out of 9 points and the MA score is out of 6 points.

The Accountability Matrix, a picture of the degree of disclosure within the sustainability reporting process, visualises SR under the categories of high, medium and low (Figure 31). The high disclosure group included four organisations that communicated between 69% and 75% of all the stakeholder Identification/Engagement, Materiality and Responsiveness criteria employed in the content analysis of their reports. The organisations demonstrated high transparency when presenting a consistent report content aligned with the findings from the engagement and materiality, with Wyndham showcasing best practice followed by Caesars, Eastern Crown, Hilton and Intercontinental. In contrast, the low disclosure category gathered organisations with the lowest scores in all three variables studied (24.8%). Most notably Riu, Shangri-la, Marriot and Whitbread produced opaque reports that did not disclose materiality and that contained limited stakeholder identification/engagement evidence, meaning that these organisations’ published claims were
unsubstantiated. Walt Disney, Millennium, MGM and Starwood had higher stakeholder engagement transparency but were categorised as low because they failed to report on materiality.

The medium transparency group represented organisations at the centre of the matrix. It was low responsiveness that put Melià and Accor in this middle group: Melià informed about performance but failed to link it to stakeholder demands, and Accor identified concerns according to each stakeholder group but did not respond to all the concerns identified, nor did it have a structure that guided the reader. The absence of responsiveness undermined these two organisations’ positive information on how stakeholders were engaged and what information was relevant, since the reports did not address explicitly the concerns raised by the stakeholders. The medium group also included Hyatt, Carlson Rezidor and NH, each of which had high responsiveness but low disclosure of stakeholder engagement and materiality. They disclosed less detailed information about the process behind sustainability reporting, but their reports provided a good account of the information provided.

The stakeholder identification approach (narrow or broad) did not seem to constrain the organisations’ transparency on inclusiveness (see Table 39), nor did it influence a specific materiality or responsiveness behaviour. For instance, organisations identifying only normative stakeholders presented low (Shangri-la, Riu), medium (Hilton) and high (Caesars) transparency in respect to stakeholder identification/engagement and materiality. Alternatively, groups that identified both normative and derivative legitimate stakeholders also showed low (Disney), medium (Intercontinental) and high (Accor) transparency. This study cannot identify a clearly differentiated behaviour towards transparently communicating stakeholder concerns for either of the two approaches.
Instead, the organisation’s responsiveness and materiality efforts may better explain issues through the engagement between the organisation and the stakeholders. The engagement methods adopted shaped both the materiality assessment and its outcome. Organisations with a substantial engagement presented high or medium-high materiality and high responsiveness, arguably because they had more robust stakeholder engagement practices and pressure to provide answers to the stakeholders they engaged with. Organisations emphasised the list of stakeholders and made soft claims of SE objectives, while more complex issues such as the outcomes of engagement, the difficulties encountered or stakeholder feedback, were less prominent, with some exceptions (e.g., Disney explained some feedback from stakeholders). Some organisations, most notably Wyndham, devoted significant space to describing SE, but even in these cases, the reader could only get an impression of the extent to which such “dialogue” influenced corporate policy and practice.

6.6.2. The relationship between sustainability disclosure and environmental performance

Hotel groups that were more transparent about their SR processes (High Accountability group – Wyndham, Caesars, Eastern Crown and Intercontinental) also provided more quality disclosure about their environmental indicators (Table 53, Figure 32). Hilton was the exception, since despite presenting high disclosure on Inclusiveness, Materiality and Responsiveness it was found to be less transparent regarding its impact on the environment; only disclosing three out of the 24 indicators studied, all with absolute measures and with no comparison to the previous years or targets. Hyatt and Carlson Rezidor also presented lower transparency on environmental indicators than the other hotels from the Medium Accountability group, disclosing two and no indicators, respectively.

Table 53: Comparison of disclosure on sustainability reporting process and environmental indicators by quantity and quality

<table>
<thead>
<tr>
<th>Reporting process disclosure</th>
<th>Caesars</th>
<th>Eastern Crown</th>
<th>Wyndham</th>
<th>Intercontinental</th>
<th>Melia</th>
<th>Accor</th>
<th>NH</th>
<th>Millennium</th>
<th>Marriott</th>
<th>Hilton</th>
<th>Starwood</th>
<th>Hyatt</th>
<th>MGM</th>
<th>Walt Disney</th>
<th>Carlson Rezidor</th>
<th>Whitbread</th>
<th>Shangri-La</th>
<th>Riu</th>
</tr>
</thead>
<tbody>
<tr>
<td>Inclusiveness, Materiality, Responsiveness</td>
<td>12,5</td>
<td>12,5</td>
<td>13</td>
<td>10,5</td>
<td>10,5</td>
<td>11,5</td>
<td>8,5</td>
<td>2</td>
<td>1</td>
<td>11,5</td>
<td>7,5</td>
<td>10</td>
<td>3,5</td>
<td>3</td>
<td>8</td>
<td>1</td>
<td>0,5</td>
<td>0,5</td>
</tr>
<tr>
<td>Quality of the environmental indicators disclosure*</td>
<td>15</td>
<td>15</td>
<td>12,5</td>
<td>8,5</td>
<td>8</td>
<td>8</td>
<td>7,5</td>
<td>6</td>
<td>5</td>
<td>3</td>
<td>3</td>
<td>2</td>
<td>1,5</td>
<td>1</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Amount of disclosure on</td>
<td>7</td>
<td>8</td>
<td>7</td>
<td>6</td>
<td>5</td>
<td>6</td>
<td>3</td>
<td>3</td>
<td>3</td>
<td>3</td>
<td>3</td>
<td>2</td>
<td>1</td>
<td>1</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
</tbody>
</table>
environmental indicators (out of 24)

<table>
<thead>
<tr>
<th>Ratio: quality / quantity</th>
<th>0.7</th>
<th>0.6</th>
<th>0.5</th>
<th>0.4</th>
<th>0.8</th>
<th>0.7</th>
<th>0.6</th>
<th>0.3</th>
<th>0.3</th>
<th>0.5</th>
<th>0,3</th>
<th>0,3</th>
<th>0,3</th>
<th>0,3</th>
<th>0,3</th>
<th>0,3</th>
<th>0,3</th>
<th>0,3</th>
<th>0,3</th>
<th>0,3</th>
<th>0,3</th>
<th>0,3</th>
</tr>
</thead>
<tbody>
<tr>
<td>CDP 2015</td>
<td>A</td>
<td>C</td>
<td>A</td>
<td>B</td>
<td>A</td>
<td>C</td>
<td>A</td>
<td>E</td>
<td>C</td>
<td>B</td>
<td>B</td>
<td>D</td>
<td>C</td>
<td>9</td>
<td>D</td>
<td>B</td>
<td>9</td>
<td>96</td>
<td>97</td>
<td>97</td>
<td>96</td>
<td>97</td>
</tr>
</tbody>
</table>

Source: Author, 2018, based on CDP reports 2015 (letters for performance, 1-100 score for disclosure). Note: The highest quality for each indicator was 3 points; +1 point for the disclosure of the indicator; +1 point for the comparison with previous years, and +1 point for the comparison with a target.

If the focus of inquiry is shifted from the quantity of sustainability disclosure to its quality, measured through the disclosure of the quantitative indicator (+1 point), the comparison with previous years (+1 point) and the comparison with targeted objective (+1 point). The quality-quantity ratio is obtained by dividing the total 'Quality of the environmental indicators disclosure' over the 'Amount of disclosure on environmental indicators.' Results revealed that organisations disclosing more environmental indicators were not disclosing them with higher quality. For instance, NH hotel only disclosed three indicators at the highest quality ratio (0,8), followed by Millennium (three indicators, 0,7 ratio) and Marriott (three indicators, 0,6 ratio). Instead, organisations disclosing seven indicators had a ratio of 0,7 (Caesars) and 0,6 (Wyndham).

![Figure 32: Comparison of disclosure in the sustainability reporting process and environmental indicators](image)

Source: Author, 2018.

While voluntary disclosure theory explains a positive relationship between superior sustainability performance and high disclosure quantity and quality, and legitimacy theory explains a negative relationship between poor sustainability performance and low quantity and quality disclosure (Hummel and Schlick 2016), some findings of this study are not consistent with these theories. Most
results are consistent with voluntary disclosure theory since better sustainability performers disclosed more in order to signal their superior performance to the market (Greenwood 2007); organisations scoring A received higher disclosure scores than B performers, then B performers received better disclosure scores than C performers and so on. Also, most results are consistent with legitimacy theory since the low sustainability performers (scoring D - MGM or E - Millennium) presented lower quality disclosures than better performers, in order to protect their legitimacy by disguising their performance (Clarkson et al. 2008). One exception was Shangri-La, which, despite its low performance (D score), showed disclosure scores similar to B performers.

When moving the focus to the 24 environmental indicators studied, however, the results are inconsistent with voluntary disclosure theory. For instance, most C performers (Crown, Accor, Marriott) out-disclose both on quantity and quality most B performers (Whitbread, Hyatt, Hilton). Also, superior environmental performers (e.g., scoring A on the CDP 2015) did not always choose high-quantity disclosure (e.g., NH with three indicators) nor high-quality disclosure (e.g., Melià with 0,5 ratio). Consistent with legitimacy theory, low performers disclosed limited numbers of environmental indicators (MGM, Shangri-La and Millennium), however, inconsistent with this theory, they did not always disclose them with poor quality (e.g. Millennium presented high quality disclosure 0,7 ratio).

Neither CDP nor CDP Water seemed to lead to better disclosure on environmental indicators (quantity or quality) in the sustainability reports, regardless of experience. Some experienced reporters provided limited disclosure (e.g., Starwood – ninth report, three indicators) while some beginners offered extensive disclosure (Caesars – fifth report, seven indicators). Also, some experienced reporters scored low quality (e.g., Starwood - ninth report) while some beginners offered more information on the indicators disclosed (NH – fourth report, 0,8 ratio; Millennium – fourth report, 0,7 ratio). Organisations scoring high (A) on CDP presented limited disclosure; Hyatt (two indicators, 0,3 quality ratio), Walt Disney (one indicator, 0,3 quality ratio) and Intercontinental (six indicators, 0,5). Similarly, organisations reporting on CDP Water presented both limited quality disclosure, such as Accor (six indicators, 0,4) or Hilton (three indicators, 0,3), and limited disclosure, but with high quality, such as Millennium (three indicators, 0,7).
6.6.3. The Sustainability Integration Matrix

Having reviewed the disclosure of the sustainability reporting processes and environmental indicators by hotel groups, the interviews with CSR managers could only shed some light on the internal CSR process because of lack of knowledge or confidentiality reasons. Table 54 identifies the criteria, scoring and assumptions for assessing the commonalities and differences between the three dimensions of integration (organisational, technical and cognitive) and five\(^8\) of the 7-S Framework variables (structure, strategy, systems, style, shared values).

\(^8\) Chapter 7 introduces the characteristics of the hotel groups’ variables of staff and skills as barriers to integration.
### Table 54: Criteria and scores for the Sustainability Integration Matrix

<table>
<thead>
<tr>
<th>Level</th>
<th>7-S</th>
<th>Theme</th>
<th>Variables</th>
<th>Scoring</th>
<th>Assumptions and references</th>
</tr>
</thead>
<tbody>
<tr>
<td>Governance</td>
<td>Cross functional</td>
<td>Structure</td>
<td>Structure</td>
<td>(+1) Structured: Corporate, shared departments, properties</td>
<td>Sustainability governance, evaluated as the formalisation of the organisation roles and responsibilities across organisational levels was proven to affect sustainability integration in previous studies (e.g., George et al. 2016, Thijssens, Bollen, and Hassink 2016).</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>(+0.5) Semi-structured: two of the three levels</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>(0) Separate management: shared departments</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>Rewards</td>
<td>(+1) Yes</td>
<td>Rewards systems are used to motivate individuals to align their own goals with those of the organisation (Hopwood 1972) and their use was proven fruitful for integrating the sustainability strategy (George et al. 2016).</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>(+0.5) Past use or future use</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>(0) No</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Planning</td>
<td>Strategy</td>
<td>(+1) Mixed (planned and emergent)</td>
<td>Because of the nature of sustainability issues, some are better tackled through strategic planning while others through emergent strategies (Neugebauer, Figge, and Hahn 2016). Accordingly, a 'Mixed' approach received the highest score. 'Planned strategy only' was considered better than 'Emergent strategy only' since in the latter the organisation does not have a comprehensive corporate strategy for sustainability implemented top-down, but strategy emerges from local practice at the different organisational levels, which could result in uncoordinated actions across the portfolio. &quot;Ad hoc&quot; referred to a lack of an overall sustainability strategy.</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>(+0.66) Planned only</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>(+0.33) Emergent only</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>(0) Ad hoc</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>PMS</td>
<td>Measurement &amp; management</td>
<td>(+1) Integrated organisation-wide PMS</td>
<td>Corporate sustainability requires integrative measurement and management of sustainability issues rather than isolated applications of different tools in the organisation (Maas, Schaltegger, and Crutzen 2016). Previous studies found sustainability integration into PMSs lead to better management and control of sustainability performance (George et al., 2016).</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>(+0.5) Sustainability PMS</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>(0) Multiple tools not integrated (e.g. For some environmental or social issues)</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Verification processes</td>
<td>Technical</td>
<td>(+1) Internal and external audit, and external assurance of report</td>
<td>This section encompasses control mechanisms as internal audits that check the efficiency of internal management systems, and independent external assurance that as an integral part of sustainability reporting process enhances corporate accountability to stakeholders and builds credibility and trust (Jones and Solomon 2010). They provide important means to assess CSR integration (Maon, Lindgreen, and Swaen 2009).</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>(+0.5) Only one of the two mechanisms</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>(0) No verification of data</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
| Process | (+1) Formal and structured (proactive engagement)  
(+0.5) Somewhat formal  
(0) Reactive engagement ad hoc engagement | As SE informs stakeholder sustainability priorities useful for forming the strategy and defining the relevance of the information communicated. Formal and structured SE processes denote greater sustainability integration (e.g., Maas, Schaltegger, and Crutzen 2016). Through proactive engagement formal processes allow stakeholders to raise their concerns consistently rather than ad hoc practices to react to external demands and pressure. |
| Guidelines | (+1) Use of two or more reporting guidelines  
(+0.5) Use of at least one reporting guidelines  
(0) No use of reporting guidelines | Organisations adopt reporting frameworks to increase the credibility of reports (Hammond and Miles 2004). For this study, the reporting frameworks considered are CDP as the dominant framework for climate change reporting (Depoers, Jeanjean, and Jérôme 2016) and GRI, IIRF and SASB, as the ones dominating sustainability reporting across industries (Landrum and Ohowski 2018). |
| Process - MA | (+1) Undertake MA  
(+0.5) Future use of MA  
(0) No use of MA | Since materiality assessment determines the relevance and significance of an issue to an organisation and its stakeholders to inform the organisation’s sustainability strategy and report (AccountAbility 2015, GRI 2013a), organisations currently undertaking materiality denoted higher sustainability integration than the ones simply acknowledging intentions or not using it. |
| Information sharing | (+1) Open reporting  
(+0.5) Moving towards open reporting  
(0) Closed reporting | Open reporting systems make available performance results to everyone in the organisation (Kaplan and Norton 2001c). According to the interviewees, they fostered internal competition reflecting a culture in which access to information empowered employees to contribute better to the sustainability strategy. |
| Motives | (+1) Performance oriented  
(+0.5) Mix  
(+0) Transparency | Integrated approaches to sustainability performance measurement, management and reporting take either transparency or a performance improvement perspective, based on the motivations for establishing the tools and processes (Maas, Schaltegger, and Crutzen 2016, Thijssens, Bollen, and Hassink 2016). While both orientations may lead to improved sustainability processes and performance, the performance perspective denotes an awareness of sustainability being strategic, and positions the internal improvements of processes and systems at the centre before reporting. Instead, reputation, regulation and stakeholder pressure drive the transparency perspective, whereby sustainability performance measurement, management and reporting rely on societal expectations, reporting requirements and standards and less on the organisational strategy and internal measurement needs. |
| Cognitive shared values | Stakeholder orientation | (+1) Broad and Substantive  
(+0.5) Broad and symbolic / Narrow & substantive  
(0) Narrow and symbolic | An inclusive organisation "accepts its accountability to those on whom it has an impact and who have an impact on it" |
(AccountAbility 2015, 11), which encompasses both the broad and narrow identification of stakeholders from Freeman (1984). While the level of engagement depends on the purpose and extent of stakeholder involvement desired, “quality stakeholder engagement must create opportunities for dialogue” (AccountAbility 2015, 5). Accordingly, substantive engagement (use of decisional mechanisms) is ranked higher than symbolic engagement (use of informative and consultative mechanisms) because of its potential for collaboration with, and empowerment of, stakeholders for tackling shared sustainability challenges.

Source: Author, 2018.
Table 55 shows the scores for each hotel group interviewed that were used to build the Sustainability Integration matrix. The matrix itself is shown in Figure 33, illustrating the hotels’ sustainability integration in organisational (X-axis), technical (Y-axis) and cognitive levels (size of the dot) (Figure 33).

Table 55: Interviewees’ scores for the Sustainability Integration Matrix

<table>
<thead>
<tr>
<th>Organisations</th>
<th>Organisational (3)</th>
<th>Technical (6)</th>
<th>Cognitive (3)</th>
<th>Average scores</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Structure</td>
<td>Strategy</td>
<td>Systems</td>
<td></td>
</tr>
<tr>
<td>C1</td>
<td>1 1 0,5 1</td>
<td>0,5 1 0,5 1</td>
<td>0,5 1 1</td>
<td>0,5 0,5 0,83 0,77 0,3</td>
</tr>
<tr>
<td>C2</td>
<td>0,5 1 1 1</td>
<td>0 1 0,5 1 1</td>
<td>0 0,5 1</td>
<td>0,5 1 0,83 0,69 0,5</td>
</tr>
<tr>
<td>C3</td>
<td>0,5 0,66 0,5 1</td>
<td>0 0,5 0 0,5 1 1</td>
<td>0 0 0,5</td>
<td>0,5 0,5 0,50 0,56 0,25</td>
</tr>
<tr>
<td>C4</td>
<td>1 1 1 0</td>
<td>0,5 0 0 0,5 1</td>
<td>1 0,5 0,5</td>
<td>1,00 0,15 0,7</td>
</tr>
<tr>
<td>C5</td>
<td>0,5 1 1 0,66</td>
<td>0 0,5 0 0,5 1</td>
<td>0,5 0,5 1</td>
<td>0,5 0,5 0,83 0,33 0,5</td>
</tr>
<tr>
<td>C6</td>
<td>0,5 0 0 0</td>
<td>0 1 0 0 0</td>
<td>0 0 0</td>
<td>0,00 0,15 0</td>
</tr>
<tr>
<td>C7</td>
<td>0,5 0,5 0,5 0,66</td>
<td>0 1 0,5 0,5 1</td>
<td>1 0,5 0,5</td>
<td>0,50 0,41 0,7</td>
</tr>
<tr>
<td>C8</td>
<td>0 1 0 0,66</td>
<td>0 0,5 0,5 0,5 1</td>
<td>0,5 0 0,5</td>
<td>0,33 0,49 0,3</td>
</tr>
<tr>
<td>Average</td>
<td>0,5 0,8 0,6 0,6</td>
<td>0,1 0,7 0,3 0,5 0,7</td>
<td>0,4 0,3 0,5</td>
<td>0,62 0,4 0,4</td>
</tr>
</tbody>
</table>

Source: Author, 2018. Note: blank cells were non-responses, and those missing values were not included in the calculation of average scores for each level of integration.

C1, C2, and C3 had a mixed or planned strategy informed by the materiality results, and presented a governance structure with roles and responsibilities at least for corporate and shared business units, and with coordination for sustainability among more than five corporate departments and a rewards system in place. While they presented low integration into PMS with closed reporting and multiple non-integrated tools for sustainability management, they used internal and external verification processes to mitigate the impact of multiple internal systems. They were proactive with stakeholders, with a broad identification approach but varied in their engagement – C2 exhibited substantive engagement, but C1 and C3 just exhibited symbolic engagement. Despite employing two or more

---

9 Note that the non-response of C3 on organisational variables affected its position in the matrix, but it was grouped with C1 and C2 due to multiple similarities on the technical and cognitive variables.
reporting guidelines, and undertaking formal stakeholder engagement (e.g., a stakeholder map) and materiality; they had low disclosure on stakeholder engagement and materiality or low responsiveness, which positioned them in the medium accountability matrix. Also, while they had a PMS for measuring and managing environmental issues, they presented somewhat poor environmental performance (ranging from D to B CDP scores), which influenced their medium quantity environmental disclosure (ranging from six to three indicators disclosed) and medium quality-disclosure (ranging from 0,8 to 0,4 quality ratio). Even C2, which stood out by measuring most environmental indicators in contrast to the other organisations studied (13 according to the interviewee), had low quantity (six indicators) and quality disclosure (0,4 ratio). Perhaps because their motivation for managing and reporting sustainability was a mix of performance improvements, reputation and stakeholder pressure, they presented high organisational integration and the highest technical integration from the sample and, albeit being in the medium accountability matrix, they were, from the interviewees, the most transparent when reporting both processes and environmental performance.

While medium accountability reporters (C1, C2, C3) presented similarities in their sustainability integration, the low accountability reporters, although all producing an opaque report on inclusiveness, materiality and responsiveness with similar scores, were distinct in their internal CSR management. Notably, C4 presented the highest scores for organisational sustainability integration out of the sample and for cognitive integration (along with C7), but its effective governance was hampered by its low technical integration, albeit the organisation was working towards improving
C4 did not have an explicit strategy, but it showed an intention to formalise one in the future, and to integrate MA. C4 had open reporting internally with a sustainability balanced-scorecard, but it did not employ any verification process for sustainability data or any reporting guideline. It also presented reactive and ad hoc stakeholder engagement processes, but had a broad identification approach and currently seemed to be in transition towards more substantive engagement (similar to C5). C4 presented poor environmental performance (scored D, CDP 2015) and while it measured 11 environmental indicators from the ones studied it did not disclose any.

C5 showed similarities in organisational integration with C1 and C2, by having semi-structured governance, coordinating more than five departments for sustainability reporting and having a rewards system in place. Its lower technical integration differentiates it from the medium reporters. While C5 already had an intended strategy, it still used Excel to manage some sustainability issues but it had internal auditing and external assurance to surmount the shortcomings. C5 committed to undertake MA shortly, showing technical change towards more integration. At the cognitive level, performance improvement and transparency motivated C5’s reporting. C5 reported three environmental indicators (out of the eight measured according to interview data) with high-quality disclosure (0.7), which differentiates it from C4 and C6, that did not report any indicator studied, even though, according to the interview, they measured 11 and 13 indicators, respectively.

C6 produced an opaque report with similar scores as C4, but its internal characteristics made it distinctive with overall low sustainability integration. It had nearly no organisational integration with only roles and responsibilities for sustainability at the corporate and shared business units, no coordination of departments and no rewards system for sustainability. Technical integration was non-existent, with only the use of internal and external audits, and the interviewee did not provide any expected actions towards increasing integration. C6 presented an informal strategy, with no intentions in the future to employ materiality or adhere to reporting guidelines. Its drivers for managing and reporting sustainability were stakeholder pressure and reputation while its stakeholder orientation was narrow, symbolic and reactive, which meant that it scored zero for cognitive integration.

For website reporters (C7 and C8) their sustainability integration and their accountability to stakeholders seemed tangential to their main corporate strategy and commitments. They had low-to-medium organisational and technical integration, varying widely in their cognitive integration (C7 scored highest from the sample). C8 coordinated more than five departments but did not have roles
and responsibilities at the corporate and property levels, and no sustainability rewards system. Instead, C7 had roles at the corporate and shared business units, with coordination of five or fewer departments and planned future use of a rewards system. Both had an intended sustainability strategy, with somewhat formal stakeholder engagement practices with broad identification but symbolic engagement as part of the materiality (C8) or intended materiality (C7). They used multiple non-integrated tools to manage sustainability but employed verification processes to ensure data reliability. C7 had open reporting internally in order to foster competitive behaviours and thus to increase sustainability performance between the properties, while C8 argued that it was considering this for future implementation. While C7 had a mixed motivation to reporting, with a tendency to transparency, for C8 the drivers were mainly external reputation and stakeholder pressure. None of the web reporters disclosed CDP in 2015, with C8-W having a CDP score of B in 2016.

### 6.7. Conclusions

This chapter has brought together central CSR topics from across the literature, including sustainability planning, measurement, management and reporting, and compared them in the organisational context and the disclosure of hotel groups. Key findings emerged within the data that characterise the hotel industry CSR processes and disclosure relevant for assessing the value of the MBSC in the industry in the following chapter 7.

The interviewees provided insights into the strategy development, showing that hotel groups prioritised having a formal intended strategy using materiality assessment and deploying it top-down. This suggested that emergent strategy development was absent even among groups with CSR champions and open reporting systems. Most hotel groups favoured top-down, one-way communication with employees regarding strategy and progress, and accordingly used closed reporting systems, which limited the opportunities for dialogue, critical feedback, internal benchmarking and emergent strategy development. The different ownership structures also hampered the approach to strategy development and its deployment, with large hotels being more franchised or managed and often excluded from sustainability targets and reports.

The analysis also showed that the integration of sustainability roles and responsibilities was widespread across the leadership and corporate office levels. While it may be a signal of the growing prominence of sustainability in corporations, the limited use of financial rewards systems to hold the board and senior management accountable for sustainability objectives undermined these efforts.
Despite awareness of the benefits arising from a rewards systems, less than half of the organisations interviewed linked the achievements of targets to employees’ rewards. There was also an overall lack of roles and responsibilities at the operational levels on the properties, and some interviewees noted that they struggle to secure inter-departmental collaboration.

Despite hotel groups having a performance-oriented approach to stakeholder engagement, the analysis showed that they mostly approached the engagement as an ad hoc and one-off exercise with informal processes as a means to answer external pressures. There was no clear link to suggest that organisations with better processes in place had greater disclosure. The industry also had a mostly narrow approach to stakeholder identification, focusing on stakeholders with whom they had a contractual relationship, which may explain why the criteria for stakeholder identification often related to economic concerns. The specific nature of stakeholder involvement varied widely. Organisations hesitated to engage at the decisive levels, except for stakeholders with whom they had a financial tie. Consultation was the most frequent engagement; however, the analysis showed misuse of engagement channels, for example, websites for consultation. Collaborative multi-stakeholder partnerships were used often as a means both to improve internal practices and to safeguard corporate reputation, but reports concealed the outcomes of such engagement exercises. The analysis evidenced that stakeholder management prevails rather than engagement in the industry, since organisations are more concerned with managing stakeholder expectations than involving them in decision making.

Most hotel groups interviewed used multiple tools to manage sustainability performance, and lacked formalised internal systems to support their sustainability management and reporting (e.g., use of Excel), and, even when those were in place, they did not integrate with the traditional financial control system, risking a marginalisation of the CSR strategy. More widespread was the use of control systems as internal and external audits to ensure the accuracy of data for the hotel groups aware of their deficiencies in performance management. While most hotel groups acknowledged the multiple benefits of having a sustainability PMS to implement a coherent strategy, collect and track performance and communicate progress, the analysis revealed many challenges in developing such a system, including the availability of software, costs associated, awareness of its need and knowledge required (see Section 7.2.3). The study found that having a formal sustainability PMS, or using Excel, employing internal and external audit, measuring environmental progress with the indicators studied, or identifying issues as being material, did not lead to the tracking of more indicators or
disclosing more on environmental issues. Low measurement levels in respect to specific issues tended to correlate with those issues being a low priority in the country or in the organisation, while fear of exposure contributed to explain the gap found between measured indicators and disclosed indicators (see Section 6.6).

The research also showed that sustainability reporting remained a limited practice in the hotel industry, with organisations mostly disseminating CSR efforts through a website (28 organisations) and residually producing sustainability reports (18). Notably, CDP Climate change (16) and GRI (12) were widely followed by participants, while CDP Water (3) and IR (2) were still in their infancy. CDP increased transparency on GHG emissions, energy and water compared to GRI, which indicates the influence of stakeholder theory in explaining the report content, since adherence to CDP is investor and shareholder driven. Reporting maturity and organisational integration did not translate into greater disclosure on reporting processes nor CDP. Instead, organisations with technical integration, such as having a PMS or intending to have one, reported on GRI at the more basic ‘In accordance core’ level and CDP. Despite the difficulty in collecting and aggregating data across properties, the analysis showed a tendency to report mostly GHG emissions and energy, followed by energy, arguably as a result of efforts towards harmonising those metrics. Water was seldom disclosed because of its complex measurement and the high cost of data collection systems, while disclosure of waste and materials was anecdotal, again because of the inconsistent use of metrics. The value of sustainability reporting remained contested among experts because of the way reporting was undertaken, the scope of organisations participating, the contextual circumstances (voluntary vs. mandatory reporting), the low readership, and the weak business case, which led to the justification of reporting becoming an obstacle among hotel groups. This may explain the limited reporting of the industry.

The research also shed light on the process of sustainability reporting by hotel groups. Collection of data for reporting was most frequently led by the sustainability department in collaboration with Marketing, Procurement and Human Resources, meaning that a number of people throughout the organisation were involved (cross-functional communication). The content analysis evidenced that organisations were eager to communicate stakeholder engagement methods, reluctant to disclose which were the priority stakeholders and the criteria used, and they masked the challenges through the engagement and the stakeholder feedback of the previous report. Hotel groups with substantial stakeholder engagement were more transparent about their materiality and responsiveness, and scored higher in the Accountability Matrix. Overall, however, low responsiveness characterised the
industry, with only a few exceptions that communicated the outcomes of engagement, which resulted in a lack of evidence for how SE contributed to the organisation's behaviour. The comparison between reports and interviews showed that some organisations underreported their stakeholder identification (narrow instead of broad) and others their engagement levels (symbolic instead of substantive), undermining stakeholder accountability. The analysis showed widespread underreporting of stakeholder-related G4 indicators despite most reports adhering to the highest GRI option: ‘In accordance comprehensive’. The overall lack of disclosure on inclusiveness conceals the stakeholder expectations the organisation is paying more attention to.

The findings on materiality assessment help further explain why there is such a wide variation in the reports, as a result of the inherent challenges in dealing with the assessment of the ambiguous sustainability term, magnified by the different applications of the materiality guidelines. Materiality is not treated comprehensively within the hotel industry and, when undertaken, the various criteria and processes to assess it evidenced the subjectivity of the judgments embedded in its decisions. The GRI non-prescriptive definition of materiality was frequently modified, with organisations taking either the organisation focus or the stakeholder focus, which modified the assessment results.

Assurance was therefore perceived as a control mechanism; however, awareness of sustainability performance measurement, management and reporting deficiencies did not lead to a reliance on external assurance, with some respondents misinterpreting the concept. Indeed, external assurance was a limited practice, perhaps because voluntary guidelines such as GRI and CDP encourage but do not require external assurance. Even when present, therefore, it was limited in its scope, quality and disclosure. Having the report assured had no impact on the quality and quantity of disclosure on sustainability reporting processes, namely inclusiveness, materiality and responsiveness, even in organisations that has carried out an assured materiality assessment or stakeholder engagement.

The research also shed light on the sustainability reporting contribution to accountability and legitimacy. Reputation-linked motivations to answering stakeholder pressures and regulations were the most common for reporting and led to those organisations producing not only less robust reporting but also possible greenwashing when they had no formal systems to ensure the accuracy of disclosed data. Those hotel groups may draw on a discursive articulation of the sustainability values of society without fully embracing them; they have embraced the sustainability rhetoric in their discourse and external reporting, but interview findings suggested integration of sustainability within the sample remained low. Indeed, the limited disclosure in respect to inclusiveness, materiality
and responsiveness seemed to question the reports’ contribution to accountability and legitimacy. Hotel groups favoured corporate rather than sustainability goals when assessing the importance of sustainability issues, reported an abundance of positive information and lacked voluntary adverse disclosure on the reporting process, and concealed critical aspects of the assessment (e.g., the methods and mechanisms for aggregating stakeholder views, the outcomes of the engagement, and the organisation’s response). The research therefore provided insights into the use of materiality assessment to legitimise sustainability reports, posture and greenwashing (further discussed in Section 7.3).

Other groups’ motivations for sustainability practices were a combination of internal and external drivers, since hotel groups revealed internal benefits from reporting. For those, the process of producing the report was more important than the final product, because it enabled them to raise awareness and build support, and to focus on sustainability performance measurements and strategy when used as an internal reference tool. Still, some participants recognised the need to improve the use of the report, since they were seen as something additional and separate from performance management, therefore, remaining underutilised. The effect of motivations for reporting on the disclosure of the sustainability reporting process and environmental performance led to inconclusive results.

Overall, the comparison between the Accountability matrix and the Sustainability integration matrix provided an answer as to whether the reporting reflected the management of CSR, and suggested that reports from the hotel industry did not reflect the internal CSR processes and the degree of sustainability integration. The comparison of both matrices could not indicate any clear relationship between higher organisational, technical or cognitive sustainability integration, with better disclosure of SR processes and responsiveness. For instance, C6 and C4, with low accountability scores and low environmental disclosure, differed significantly in their internal management; C6 had the lowest overall sustainability integration across the sampled hotels – even lower than the website reporters, and C4 scored the highest on organisational and cognitive integration and currently was taking steps towards increasing technical integration. The medium accountability representatives only presented high technical integration but not organisational or cognitive integration, and the website reporters had low-to-medium organisational and technical integration, but varied widely in their cognitive integration (C7 scored highest from the sample). The data, therefore, does not support
the contention that the High Accountability reporters that were not interviewed would have high sustainability integration.

Additionally, how the organisations and internal processes were arranged for CSR (organisational integration), how they used tools and methodologies for CSR (technical) and how their employees thought about CSR (cognitive) did not seem to affect the hotel groups’ choices of CSR disclosure (report or website) or the quality of their disclosure, both for the reporting process (accountability) and environmental performance. Also, reporting maturity and CDP experience did not lead to better disclosure on environmental indicators of sustainability reports, nor reporting processes. Instead, greater disclosure of the reporting process paralleled greater environmental disclosure (quantity and quality indicators), whereas superior environmental performance (CDP score) did not lead to greater environmental disclosure among hotel groups, and more disclosure of environmental indicators was not necessarily linked with better quality – which was inconsistent with voluntary disclosure theory and legitimacy theory.

The next chapter further explores the barriers to sustainability integration and reporting identified by interviewees, and discusses them in light of the MBSC.
7. The value of the MBSC towards transitioning from reactive CSR to shared value

Building on the previously identified sustainability integration and accountability of large hotel groups, this chapter turns to the possibility of implementing shared value strategies and the MBSC in the industry. First, it discusses some examples of hotels’ CSR practices in light of the three pathways for creating shared value; namely reconceiving products and services, reimagining the value chain and enabling cluster development. Afterwards, the chapter turns to the internal cognitive, organisational and technical factors shaping the hotel groups’ CSR practices and the likelihood of implementing the MBSC in the industry. Then, the chapter discusses the hotel groups’ approach to engaging stakeholders, identifying material issues and responding to those, as a result of the determinants for CSR management and reporting, and the implications for the mismanagement of sustainability and the symbolic adoption of reporting guidelines; thereby contributing to the literature on CSR management and sustainability accounting. The reports and interviews collated as part of this research reveal an overall lack of CSR activities that contribute to shared value in large hotel groups, and it is precisely how hotel groups choose to adopt inclusiveness, materiality and responsiveness that perpetuates the reactive CSR in the industry. Hotel groups symbolically adopt reporting guidelines without embedding stakeholder and materiality considerations into their core business practices, which limits the adoption of the MBSC within the industry. The chapter concludes by refining the MBSC from Chapter 4, including new guidance on the Accountability principles to fit the shared value purpose, which adds to the limited literature developing guidelines for implementing shared value.

7.1. Are hotel groups’ actions responsive CSR or shared value?

This section discusses the CSR activities of large hotel groups in order to contextualise the industry within the continuum from responsive to more strategic CSR (see Section 2.3), in light of the shared value approach for which the MBSC has been developed. It discusses whether their CSR activities are representatives of responsive CSR (i.e., addressing generic social issues and value chain impacts with an inward, often short-term focus that does not affect the long-term competitiveness). Or whether, instead, their activities belong to strategic CSR (i.e., addressing factors in the value chain or the organisation’s external environment that affect the underlying drivers of competitiveness) (Porter and Kramer 2006). Strategic CSR activities are the ones able to create shared value, and organisations
can undertake three pathways for such a purpose (Porter and Kramer 2011), each of which are
discussed below through existing, or in their absence, hypothetical cases within the hotel industry.

**Reconceiving products and markets**

Reconceiving products and markets is about improving the competitiveness of the organisation,
usually in terms of increased revenue growth, market share, market growth or profitability, when
developing new products and services targeting unmet needs that deliver environmental, social or
economic benefits to society, such as reduced carbon footprint, improved nutrition or education.

Across the large hotel groups studied, some of which sit within the top 100 CSR organisations (e-CSR
2017), eco-friendly brands have flourished, yet are those new brands representative of this pathway
to shared value creation? Some brands target travellers in search of authenticity; Canopy by Hilton
brings in elements of the neighbourhood and capitalises on employees’ local knowledge, or Indigo by
Intercontinental brings in the local story, design and ingredients. Others target travellers with a
lifestyle of wellness, as Element by Marriott with its eco-conscious practices and design, or Even
Hotels by Intercontinental with fitness and healthy food choices. Those brands benefit customers
(guest experience) and the organisation (increased market growth and market share from new
customer segments). Yet, is branding hotels for sustainability enough to target the unmet needs of
today’s travellers in a way that also tackles significant societal and environmental global challenges?

While the disclosed aggregated CSR outcomes in sustainability reports hamper a formal assessment
of the different contributions to SDGs by brands, it is argued here that branding is not enough; that if
hotel groups were to achieve the shared value claimed by Porter and Kramer, more radical
innovations in the products and services themselves would be needed.

Nonetheless, the sustainability reports and interviews collated for this thesis did not provide
examples to indicate that large hotel groups created shared value through their products and services.
Thus, a case of a small hotel is put forward that exemplifies how a societal or environmental issue is
at the centre of the value proposition of the new product if it is to create shared value. The Magdas
Hotel operates in Europe, where asylum applications are raising to more than a million every year
(Eurostat 2018). To address this social issue, two-thirds of the Magdas’ employees are refugees, and
asylum-seekers under the age of 18 living in Austria without family are offered an apprenticeship
(Magdas hotel 2018). The social dimension of the organisation’s strategy becomes part of the
customer value proposition, as “asylum seekers bring many skills, languages, talents and cultural
backgrounds” (Magdas hotel 2018). The Madgas’ improves its market positioning and profitability from the social benefits of its product and service; a characteristic of the re-conceiving products and markets pathway (Porter et al. 2012). Engaging fringe stakeholders such as refugees provides a source for competitive advantage at Magdas, and leads them, consistent with the literature, to identify creative and competitive business ideas (Hart and Milstein 2003, Hart and Sharma 2004). Through the exploration of societal needs, namely SDG 8 (decent work for refugees) and SDG 10 (reduction of inequalities) the Magdas capitalises on a new opportunity for differentiation in traditional markets. Thus, it evidences how an organisation can create a competitive advantage when placing a societal or environmental issue as the value proposition of its products and services, which entails rather more significant changes in the product or service itself than those found in eco-friendly brands.

Reimagining the value chain and productivity

Redefining productivity in the value chain is about improving the internal operations that both affect the performance of the organisation and at the same time have social and environmental consequences. This can bring about benefits to the organisation from improved productivity, reduced logistical and operational costs, secured supply, improved quality or improved profitability, and societal value through, for example, reduced energy use, water use, raw materials, improved job skills or employee incomes.

Early examples of shared value in the value chain include the Green Engage programme from Intercontinental that helped improve energy efficiency by 25% (Porter et al. 2012, Camilleri 2012). But is it enough to strive for incremental energy efficiency to create a competitive advantage while tackling climate change? As evidenced in the sustainability reports, the competitive context over the last few years has changed. Nearly all large hotel groups have an environmental management system and public targets varying between 2% to 30% energy efficiency gains (from baselines ranging between 2007 to 2015). Reports and interviewees highlight efficiency programmes and carbon offsetting schemes as the best initiatives, but those are incremental innovations for ‘business as usual’ that do not reach the entire portfolio, often excluding franchised properties. The competitive advantage is limited because those programmes are shared with and adopted by competitors (Porter and Van der Linde 1995). The industry requires a reduction of greenhouse gas emissions per room per year of 66% from 2010 levels by 2030, and 90% by 2050 if it is to contribute to meeting the 2 ºC threshold of the COP 21 Paris Climate Agreement (International Tourism Partnership 2017). Hotel groups therefore need to step up their commitments with ambitious targets; only four out of the 50
largest (NH, Hilton, Caesars, Melià) have science-based emissions reduction targets (Science Based Targets 2018). Industry efforts are mostly mitigation actions to reduce or prevent emissions that do not lead to the necessary adaptation mechanisms and thus only contribute in a limited way to mitigating climate change (SDG 13).

The question is, how can we create a hotel that is profitable for the owners, efficient for the operators, appealing to its guests, healthy for its workers, beneficial to the local community, and kind to the environment (e.g., stays within the limits of the Paris Agreement)? There is a need to move the industry towards carbon neutral buildings in line with the Directive 2010/31/EU that requires that by 31 December 2020 all new buildings are nearly zero-energy buildings (European Commission 2010). With a rate of 18 new hotel openings per day worldwide, if these do not strive for carbon neutrality, they become a burden for the industry, as buildings are a static asset for 30 to 40 years until renovations (Legrand 2017). Furthermore, how can we create a hotel with climate-adaptive solutions that drives climate consciousness among its guests, employees and overall stakeholders? That is, it tackles not only SDG 13 (climate change) but also SDG 7 (affordable and clean energy) and SDG 12 (responsible consumption and production). The energy-plus hotels with an investment of 8% higher than conventional buildings, lower operating costs through a 70% reduction in energy demand and produce more energy than they consume (Legrand 2016). They exemplify how redefining productivity in energy use improves internal operations resulting in better resource consumption, improved costs and increased productivity (Porter et al. 2012). When they engage stakeholders to cultivate the ecological values beyond the organisation, this generates higher shared value (Maltz and Schein 2012). Establishing new openings with carbon neutral buildings in countries with less stringent regulations, and investment in energy-plus buildings in the EU may prove to be a source of competitive advantage and position in the market, more so than certifying the existing portfolio incrementally.

Water is also a recognised material issue in the hotel industry (International Tourism Partnership 2016), yet, once again, large hotels may not be creating shared value. Forecasts indicate an increase in water demand of 1% per year (United Nations 2018) with the expected withdrawals between 40 and 80% more than the supply in many countries (Maddocks, Young, and Reig 2015). Ten out of the 18 reports studied disclose targets for water intensity use, varying from 1 to 20% reductions. Acting on water-related risks such insecurity and conflict, as well as gender-related inequalities in the access to and control of water resources (Gleick and Iceland 2018), however, entails action beyond
incremental improvements. Instead, water strategies disclosed in sustainability reports mostly refer to ‘towel reuse,’ internal audits and water saving devices. Properties in water-stressed locations may implement sustainable operational management of freshwater resources through radical innovations that provide nature-based solutions using or simulating natural processes (United Nations 2018). It is here where the collaborative work with multiple stakeholders needs to converge to generate innovative solutions among universities, professionals and organisations across sectors. For instance, collaboration with destination stakeholders is of paramount importance in tackling the gender inequalities that persist around the world in respect to the provision, management and safeguarding of water (UNESCO 2017) or in tackling the 80% of the world’s wastewater being released into the environment without treatment (United Nations 2017). Hotels can play a role beyond efficiency in respect to water use by creating shared value at the value chain (improving operations through technology development) and at the destinations in which they operate through multi-stakeholder partnerships, making a more substantial contribution to clean water and sanitation (SDG 6) and having a knock-on effect on SDG 5 (gender equality), SDG 10 (reduction of inequalities) or SDG 16 (peace and justice).

Enabling cluster development

By enabling cluster development, where multiple stakeholders in a geographical location interact to achieve local development goals (Porter and Kramer 2006, 2011), an organisation can improve its external environment by collaborating with multiple-stakeholders through, for instance, community investment, strengthening local suppliers, local institutions or local infrastructure. The organisation thereby improves its competitiveness by, for example, reducing costs, securing supply, improving distribution infrastructure, improving workforce access, while it creates societal benefits such as improved education, job creation, health or incomes of locals.

Nonetheless, identifying actions for social sustainability with a potential to creating shared value (e.g., human rights, diversity or inclusion) is harder in reports that do not publish commitments with quantified targets. An example of hotel groups’ efforts in the cluster development pathway is the Youth Career Initiative (International Tourism Partnership 2018). Hotel groups aim to increase the employability of low-income youth by capitalising on mobilising partners and collaborating with stakeholders across profit and non-profit boundaries, which a number of studies have demonstrated to improve social performance (Anh et al. 2011, Maltz and Schein 2012). ITP, and similar cross-sector alliances, contribute to the implementation of new standards and best practice,
which can bring about shared value creation (Maltz, Thompson, and Ringold 2011). Yet, the scale and significance of the initiative remain limited, and there is no apparent contribution to the hotels’ competitive advantage. For example, Hilton is committed “to impacting at least one million young people by 2019” (Hilton Worldwide 2015, 10), and reports to have offered apprenticeships and a first formal work to 60 underserved young people across hotels in Brazil, Mexico, Romania and Vietnam (Hilton Worldwide 2015). Taking into account, however, that Hilton has over 4,000 hotels and over 700,000 rooms (Hotels Magazine 2015), the scale and significance of the positive impact of the initiative, to both society and its business value, can be questioned. While Hilton is involved in many other initiatives tackling youth employment worldwide, the report fails to articulate how such actions contribute to Hilton’s value proposition of products and services, to the value chain, or improvements in its competitive environment.

For shared value, it is not enough to have a programme dealing with an issue, but it needs to be done in a way that creates a significant, scalable impact on society through radical change and innovation. Hotel groups could provide apprenticeships to a substantial number of young women at risk in the communities in which they operate. This, for example, could enable these women to become, in the long term, either hotel workers or micro and small enterprises that could supply the hotel. Organisational benefits would come from increased community goodwill and neighbourhood security (cluster development pathway), lowered costs of local versus imported goods and efficiencies of logistics and processes (value chain pathway), and increased product quality (products and services). Value to society would be related to SDG 1 (no poverty), SDG 4 (quality education), SDG 5 (gender equality), SDG 8 (decent work and economic growth) and SDG 10 (reduced inequalities).

An example of a cross-sector, multi-stakeholder partnership is the Barcelona Forum District, in which a institutions, associations and hotels (including Melià and Hilton studied in this research) share common values, actions and strategies to advance the neighbourhood (Barcelona Forum District n.d.). They are located in one of the poorer districts of Barcelona, Sant Martí, which in 2017 had 40% long-term unemployment, 55% of residents who had not dropped out of education, not completing mandatory studies, and insecurity and cleanliness as the main problems (Ajuntament de Barcelona 2018). In this environment, they tackle insecurity through employability programmes based on training and internships in order to; i) offer a first formal job to people at risk of social exclusion, ii) reduce absenteeism and early school leaving among secondary school students, and iii) incorporate refugees, asylum-seekers and immigrants into the labour market. They address the issues of
cleanliness through environmental programmes such as educative recycling and beach and sea cleaning (Barcelona Forum District n.d.). Philanthropic actions benefit residents of the Sant Martí district. Residents benefit from improved education (SDG 4), access to the labour market that reduces inequalities (SDG 10), decent job creation and income that would otherwise be denied (SDG 1, 8). Further investment to community, local institutions and local infrastructure, which are strategies common in the cluster pathway (Porter et al. 2012), contribute to a sustainable city and community (SDG 11). Hotel benefits include improved workforce access, neighbourhood security, employee sense of belonging/pride to the organisation, and infrastructure surrounding the hotels. This example of cluster development showcases how tackling persistent challenges within the local neighbourhood brings about benefits for organisations, residents and tourists alike.

This section has provided some insights into how to develop the CSV concept for the hotel industry, exploring the three pathways of creating shared value. While the previous are just a few examples of how the hotel industry is taking responsibility for its environmental and social impacts, and are not isolated cases, more systemic and continued multi-stakeholder partnerships on material issues are necessary to make more radical changes into the product or service itself, the value chain, and the destinations in which they operate. As such, this discussion has added to the only three previous studies researching the applications of shared value in the tourism and hospitality literature (Font, Guix, and Bonilla-Priego 2016, Camilleri 2016, Serra, Font, and Ivanova 2017).

The following section explores the internal organisational arrangements and decision-making that lead to such actions, since that is useful information for explicating why large hotel groups have not yet created shared value.

### 7.2. Internal factors shaping the hotels’ CSR practices and the likelihood of implementing the MBSC in the industry

It is by understanding the 'black box' of hotel groups' decision-making on how to engage stakeholders, how to identify and select material issues, how to choose the forward actions, and how to report on those, that one can shed light on 'why' the industry has not yet operationalised shared value. As Adams (2008:368) said, “bringing about change requires an understanding of what happens within organisations, of the complexity and interdependency of organisational processes and structures and organisational participants.” Following prior work to understand sustainability in action and obstacles to change (Moon, Gond, et al. 2011, Gond et al. 2012, Hoffman and Bazerman 2007), this
section examines barriers within the cognitive, organisational and technical dimensions of sustainability integration to discuss the feasibility of shared value (Chapter 3) and the MBSC (Chapter 4) (Figure 34).

Figure 34: Effect of sustainability barriers on the MBSC
Source: Author, 2018.
7.2.1. Cognitive barriers based on organisational culture and values

If taking responsibility for a sustainable future is going to become a serious, shared concern for the hotel industry, what do the people within the industry think are the constraints affecting the adoption of CSV? The cognitive dimension entails shared cognition in respect to the changes in focus and beliefs (see Hoffman and Bazerman 2007, Gond et al. 2012); therefore, the individual and shared values within the organisation. A heavily instrumental approach to sustainability, and limited leadership awareness, commitment and support, explain the reactive CSR identified in section 7.1.

Interviewees described a mix of motivations for sustainability, evidencing that reputational, legitimacy and stakeholder theories are mutually reinforcing (Table 51). For example, hotel groups’ adherence to GRI arises from a mix of reputational concerns (where main competitors report on it), legitimacy concerns (meeting the expectations of social norms), and stakeholder concerns (responding to pressures). This supports the theoretical discussion of Rezaee (2016) in that the three theories can be taken as integrated, tailored to the mission, strategy, business model and reporting of each organisation. Yet, are these different motivations likely to lead to shared value strategies? A stakeholder approach may contribute in transitioning towards CSV, while reputational or legitimacy concerns may lead to what Porter and Kramer (2006) call ‘responsive CSR’ focused on achieving short-term profits.

Reputation, the most cited motivation across the sample, can be gained through actions addressing issues not related to the organisation’s operations, such as the corporate donations and volunteering seen in reports. For CSV, those actions ought to be strategic, in that they leverage capabilities to improve salient areas of competitiveness (Porter and Kramer 2006). Reputational concerns also explain the reporting characterised by i) not being comprehensive across the hotel group’s portfolio,10 ii) abundance of positive information, and iii) lack of voluntary adverse disclosure. Hotels may be avoiding factors that negatively influence corporate brands and selectively disclose information to advance their image. Similarly, underreporting stakeholder inclusiveness (Sections 6.4, 6.6.1 and

10 Reports reviewed mostly account for managed (15 reports) and owned (14) properties. For instance, Hilton’s environmental data is limited to the managed hotels (22% of its portfolio) and excludes the franchised properties that may present poorer performance (see Melissen, van Ginneken, and Wood 2016).
6.6.3) may be a strategy to manage reputational expectations, since stakeholders develop expectations over time (Mahon 2002), an issue that came across in the interviews.

Complying with regulations is another prominent motivation, that, while it may advance hotel groups’ practices, does not lead to CSV, since shared value is about exceeding legal compliance (Porter and Kramer 2011). Some actions from section 7.1 legitimise the hotel’s operations but add little to the corporate competitive advantage. Similarly, experts explained that hotel groups provide only the information they are obliged to; reflected in the disclosure seen in the reporting process and environmental performance (Section 6.6). Thus hotels may be following a legitimacy strategy by complying with regulations and political, social and economic norms (Dowling and Pfeffer 1975). Shared value also leads to corporate legitimacy (Farache and Perks, 2010; Leavy, 2012), but is not the primary objective of organisations pursuing CSV.

Stakeholder pressure was the second most chosen motivation, and the level of proactivity in engaging stakeholders leads to either responsive or more strategic CSR. CSV assumes the instrumental stakeholder theory, in that stakeholder management brings the achievement of traditional corporate objectives (Donaldson and Preston 1995). Examples in section 7.1 evidence that collaborations with external stakeholders provide opportunities for developing products, the value chain and clusters. Yet, it is the proactive attitude towards stakeholders that brings success and creation of value (Wheeler, Colbert, and Freeman 2003). Instead, reports and interviews show a short-term, instrumental, process of stakeholder engagement (Sections 6.4, 6.6.1 and 6.6.3) that constrains their CSR; managers favour economic concerns, both when identifying stakeholders, evidenced by the criteria used (e.g., revenue), and when assessing materiality (e.g., amount of business).

The instrumental approach also reaches across all decisions on sustainability, from the initiatives to pursue, to internal judgment on how to strategise (stakeholder selection and materiality choices), manage (organisational arrangements), monitor (performance management and control systems) and report (frameworks and assurance). For instance, the hierarchical relationship between the non-financial and financial control systems affects several hotel groups from the sample, beyond an earlier first case study in the industry (see Parker and Chung 2018). The pre-eminence of parallel rather than integrated financial controls explains the prioritisation of economic outputs ahead of environmental or social ones (Section 6.3). Short-term economic profitability dominates decision making in the interviews, confirming research among hotel managers (Stylos and Vassiliadis 2015, Mak and Chang 2019). Because decisions are based on financial profitability, managers seem bounded instrumentally
(Hahn and Figge 2011), which restricts the breadth of shared value initiatives to adopt (Maltz and Schein 2012). Hotels are inclined, as seen in reports, to adopt actions that are easy to measure, with short-term and tangible results on profitability.

Interviewees also that perceived top managers disbelieve the business case for CSR, which explains the persistence of looking for short-term economic profits as a means to scale up actions. They acknowledge having to 'battle,' 'fight,' and 'knock on doors' to convince top management as to the need for and importance of CSR-processes.\footnote{There is a lack of senior endorsement for CSR-processes (C1, C2, C5, C8, E5, E7, E8).} For example, they focus on cost-reduction and cost-benefit strategies, similar to previous findings for a hotel group (see Parker and Chung 2018). While these strategies lead to financial gains, CSR managers know that they do not contribute to long-term success. Experts argued that hotels are not using sustainability as a transforming force, such as the one required for CSV (Porter et al. 2012), but as separate from the value proposition of their products. As such, a collection of programmes and disjointed activities for a limited part of operations cannot lead to shared value (Baumüller, Husmann, and Von Braun 2014), evidenced in the hotel groups studied (see Section 7.1).

Also, the knowledge gap and low sustainability awareness\footnote{Interviewees see the industry as having less matured processes compared to other sectors (C1, C5, E2, E5, E6, E7).} of top management as to the need for and usefulness of processes such as stakeholder engagement, materiality and external assurance, contribute to the rather reactive CSR. This lack of awareness earlier identified in the hotel industry (Mak and Chang 2019) explains the limited adoption when compared to other sectors (e.g., Moratis and Brandt 2017, Jones et al. 2017). The lack of capacity building in respect to CSR\footnote{The lack of knowledge and skills on CSR affects sustainability implementation and reporting (C1, C2, C5, C6, C8, E1, E4, E5, E6, E7).} constrains the future adoption of CSV, since a critical step in the latter is leveraging assets such as knowledge and skills (Bockstette and Stamp 2011). For example, according to the experts interviewed, the ad-hoc stakeholder engagement can be the result of a lack of training to support robust engagement and a lack of connections, both of which the shared value is dependent on (e.g., Maltz and Schein 2012). Consistent with other industries (e.g., Albelda-Pérez, Correa-Ruiz, and Carrasco-Fenech 2007), when organisations fail to place CSR high enough on the priority list they miss out on the know-how to adopt improvements.

---

\textsuperscript{11} There is a lack of senior endorsement for CSR-processes (C1, C2, C5, C8, E5, E7, E8).

\textsuperscript{12} Interviewees see the industry as having less matured processes compared to other sectors (C1, C5, E2, E5, E6, E7).

\textsuperscript{13} The lack of knowledge and skills on CSR affects sustainability implementation and reporting (C1, C2, C5, C6, C8, E1, E4, E5, E6, E7).
If, as contended here, cognitive factors hinder the adoption of CSV, what is their effect on the implementation of the MBSC? The industry has an instrumental approach to sustainability, as it does the CSV and the MBSC. Yet, it is the strong short-term focus that creates a misfit between the MBSC and the hotel groups’ organisational culture, and this lack of alignment is a challenge when implementing any BSC (Butler, Letza, and Neale 1997). Since organisations choose an SBSC design based on pre-existing or new values (Hansen and Schaltegger 2017), hotel groups may either modify the MBSC perspectives to match with their current organisational culture or maintain the MBSC structure in order to implement a new value system.

One possibility is that hotels modify the MBSC to match their instrumental approach, leading to the adoption of an SBSC. The MBSC has a strict hierarchy, and while it can support sustainability transformation, this depends on the level of sustainability integration of the organisation, similar to the BSC (Hansen and Schaltegger 2017). The management, concurring to the organisational values, is likely to modify the hierarchy of the perspectives to emphasise the financial ones, following its short-term economic concerns, or limit the stakeholder value, following its narrow stakeholder identification. Used as such, the MBSC could end up supporting the instrumentalism of sustainability, as with previous SBSCs (Hahn and Figge 2018). The financial perspective is located second-to-top in the MBSC (Chapter 4) so as to avoid the marginalisation of CSR objectives in the pursuit of profits, and a change in position may stabilise unsustainable practices.

Alternatively, with the goal of furthering strategic CSR hotel groups may implement the MBSC without changes in its design. They may adopt the MSBC as part of an organisational change effort to advance into a more sustainability-oriented value system. The MBSC then becomes a lever for strategic renewal, which may create a temporary and intended misfit between the MBSC architecture and the strategy and organisational values. With its hierarchy dominated by long-term sustainability goals, the MBSC provides the opportunity to measure the economic relevance of the environmental and social impacts of these goals, and their contribution to long-term sustainable development (a system-level perspective). The extended architecture, together with the cause-and-effect chains, clarify the links between the value creation processes and build the business case CSR managers so much need if they are to convince top management.

In summary, the cognitive barriers are captured in the Learning & Growth perspective and affect not only specific elements within each perspective but the entire MBSC. It is through the improvements in learning and growth as part of a shift towards a sustainable culture, commitment from top
management, and CSR skills development, that internal processes can be improved. Better processes lead to customer value, which in turn brings financial value and protects long-term objectives. For hotels to embrace the MBSC, there is the need for increased awareness of a strategic approach to CSR, to become a top management priority, and to provide the necessary know-how. Similarly, moving towards shared value requires changes in the top management’s way of thinking and acting about sustainability, beyond the positive effects of the CSR manager’s ability to exercise discretion.14

7.2.2. Organisational barriers based on structure

Cognitive barriers are not the only sources of decision making detrimental to the environment and society. The organisational arrangement such as ownership structure, constrained CSR departments, unclear roles and responsibilities, lack of internal accountability and limited cross-departmental coordination are internal determinants of CSR adoption and reporting (Figure 34). The Learning and Growth perspective of the MBSC captures these characteristics that affect the entire framework.

Results show the ownership structure affects sustainability performance and processes focusing those on portfolio growth and profit margins, providing qualitative evidence that complements that of Melissen et al. (2016). The ownership may constrain the deployment of CSV strategies and the MBSC (Section 6.1.1), which ought to be implemented first in the owned properties to lead by example, since according to interviewees, those have decision-making control, effective strategy rollout and sustainability data tracking. Owned properties may be the best to test a CSV initiative and build the business case for convincing top management. Then, as the corporation has control over sustainability criteria, rented properties could follow, but sustainability investment becomes a challenge because of conflicts of interest between the owner of the building and the management organisation.15 Last come the heavily managed and franchised portfolios in which sustainability is not a brand standard,16 because they struggle to approve and roll-out the strategy, partially implement their PMS, and have limited control and data sharing. Partial implementation of CSV or the MBSC

---

14 The background of the CSR officer at the corporation and at the property is argued to shape the sustainability focus, echoing the managers’ discretion in respect to CSR (Hemingway and Maclagan 2004).
15 This is a concern for C3, C7, C8, E4, E5.
16 This is a concern for C1, C2, C3, C4, C5, C7, C8, E8. While some groups may have sustainability as a brand standard those were not represented in the interviews.
likely leads to the same incomplete reporting found in those reports that distort the overall performance when they selectively disclose data from some, but not all, properties.

This study is also the first identifying that large hotel groups with CSR public statements and reporting often have CSR departments that lack resources\textsuperscript{17} and power\textsuperscript{18}. CSR managers are often constrained by a lack of legitimacy in their work, similar to other sectors (Tams and Marshall 2011). For example, the lean human and financial capacity limits their ability to engage with stakeholders, to undertake a formal materiality assessment and to respond to stakeholder feedback, which are essential in the MSBC. Moreover, budgetary limitations may be an obstacle to acquiring software to measure performance with an organisation-wide PMS, as with earlier BSCs (Madsen and Stenheim 2014b). Alongside the corporate values, the relatively marginal positions of CSR departments within the organisational structures constrain their efforts, and as a result, the likelihood of progressing towards strategic CSR.

The unclear responsibilities and blurred accountability regarding the implementation of decisions also obstruct the execution of the CSR strategy. Interview results echo findings in other industries on strategy implementation in general (e.g., Hrebinia\textsuperscript{k} 2006) and shared value in particular (Spitz\textsuperscript{e}ceck and Chapman 2012). Similarly, the absence of CSR champions within the properties is expected to affect not only the progress towards CSV but also the MBSC, since the lack of an employee responsible for the PMS is a barrier to implementing a BSC (Madsen and Stenheim 2014b). While roles and responsibilities need to be more clearly defined, there is also the need for accountability mechanisms, since most hotel groups do not enforce consequences for the properties not reaching CSR targets (Section 6.3.3).

One such mechanism may be a rewards system (Section 6.3.3), however most hotel groups with a formal CSR strategy have not yet incorporated CSR measures in performance evaluation, adding to the limited evidence for how hotel groups employ rewards systems for sustainability (see Epstein and Buhovac 2010, for information on Scandic Hotels). This lack of sustainability criteria in the rewards system has two consequences for the hotels’ transition to CSV. One is that it encourages the management to focus on traditional short-term financial performance (as seen in the cognitive

\textsuperscript{17} Interviewees refer to lean human resources and financial capacity (C1, C2, C4, C5, C6, C8, E1, E5, E6).

\textsuperscript{18} C7, E7 and E8 are concerned about the lack of accountability mechanisms and the CSR departments being disempowered.
barriers). This is a clear limitation for shared value strategies, the benefits of which take longer to realise. The other is the challenge of engaging managers from a wide range of departments, such as accounting, finance and marketing, whose practices affect CSR targets. Yet, employee understanding of the shared value approach is key when operationalising CSV (Pfitzer, Bockstette, and Stamp 2013, Porter et al. 2012). Rewards systems also influence the degree of application of a BSC (Madsen and Stenheim 2014a), and therefore, the lack of such systems in hotel groups may constrain the adoption of the MBSC.

Besides, CSR managers see the way in which they communicate sustainability internally as an obstacle to strategy execution, in line with earlier findings (Weernink and Willemijn 2014). The predominance of one-way and downwards communication from top management to employees limits the latter's involvement in managing CSR (Section 6.2.2), without which, strategic learning is hampered (Nørreklit 2003). An example is the abundance of closed reporting which weakens the cross-departmental collaboration (Section 6.1.3) that advocates of shared value argue to be of high importance (e.g., Bockstette and Stamp 2011, Pfitzer, Bockstette, and Stamp 2013). The internal communication can also have an adverse effect if it does not promote the individual and collective reflections necessary for adopting a new strategic management framework (Madsen and Stenheim 2014b, Zingales, O’Rourke, and Hockerts 2002), thus affecting the MBSC.

In summary, under the current organisational structure, most hotel groups are likely to continue to manage sustainability separately from other business activities. Nonetheless, there are some leaders in the industry. Two hotel groups have formal roles across all managerial levels, and their CSR managers are aware that sustainability ought to be managed more formally. Two hotel groups also use mechanisms to sanction properties not reaching sustainability targets. Further, some hotels adopt open reporting, which empowers employees to contribute more fully to CSR goals. These changes in the organisational structure can facilitate both the MBSC implementation and the move towards shared value.

### 7.2.3. Technical barriers based on systems and processes

The cognitive and organisational barriers outlined above have a knock-on effect on the systems and process of managing and reporting sustainability, in the form of technical barriers. These are evidenced in the ability of hotel groups to define indicators and collect and monitor sustainability data (Figure 34) and hinder the progress towards shared value.
Currently, sustainability performance management tools do not consistently integrate sustainability issues into the overall business management. Hotel groups’ reports disclose quantified environmental targets, for which they have developed environmental management systems; instead, social commitments tend not to be quantified (see Section 7.1) and are often managed through Microsoft Excel. Similar to organisations in other industries (Maas, Schaltegger, and Crutzen 2016), hotel groups have different PMS to handle various issues instead of having an integrated approach (Section 6.3.2). It is this development of specific systems to manage environmental matters that exemplifies that performance measurement and management systems change to accommodate the CSR strategy (echoing results from Perego and Hartmann 2009). Accordingly, should hotels adopt shared value strategies their PMS would need to adapt to track the organisational performance and the social value created in tandem, as has been observed also by previous scholars (Pfitzer, Bockstette, and Stamp 2013, Porter et al. 2012).

Nonetheless, because hotel groups have not resolved the appropriate organisational performance measures, they are unlikely to be able to implement a PMS with system-level metrics measuring shared value. The industry is struggling to define organisational performance metrics and methodologies (Section 6.3.1), which hinders the availability and quality of CSR information for decision making. For example, despite the industry efforts towards standardising the measurement of hotels’ environmental performance (e.g., Hotel Carbon Measurement Initiative, the Hotel Footprinting Tool), their guidance remains complex and often contradictory (Ricaurte 2012). Even in environmental performance, despite efforts for a hotel-specific baseline on GHG emissions and energy (Ricaurte 2017), quantified targets and the use of specific systems, data collection is not comprehensive and both systems and metrics are used differently across the properties and the corporate offices (Section 6.3.1 and 6.6.2). Through compiling the perceptions of CSR managers and experts this study adds to the limited research on the performance management of sustainability of hotel groups (e.g., Bohdanowicz-Godfrey and Zientara 2015).

Two direct challenges follow from this for the MBSC. First, the use of isolated systems for specific sustainability issues, which are also not yet deployed consistently across properties, suggest that the adoption of an integrated system is unlikely. If this lack of organisation-wide PMS arises from a shortage of software, as interviewees indicated, then this absence is also a difficulty for the MBSC, as it has been with the BSC (Kaplan and Norton 1996b). Second, the complexity of managing consistent and data-sensitive metrics across properties, even in the environmental organisational performance
(for which systems are more developed than social performance), highlights the challenge of adopting the system-level metrics necessary to measure shared value. While system-level measures are encouraged in the MBSC, interviewees expected that they would be more challenging to include in the hotel groups’ general management and control systems, which may lead to the MBSC only including organisational performance measures, as has been the case with the previous SBSCs (Hansen and Schaltegger 2017). These technical challenges threaten the adoption of shared value. Without adequate indicators and systems to track progress and quantify the results of CSV initiatives, CSR managers will struggle to build the business case to gain support from top management in organisations focused on short-term economic gains.

In summary, while most groups lack formalised systems to support their sustainability management and reporting, and even when those are in place, they are of varied sophistication, and remain separate to the financial control system, there are signs of a future shift towards greater technical sustainability integration. Some interviewees explained that they were working on an organisation-wide system. Such a system would integrate sustainability, thus minimising the risks of marginalising the CSR strategy arising from managing it separately from the rest of the business. It could also ensure the coherence, accuracy and robustness of data across properties, and therefore, make more feasible the planning and control of CSR initiatives for decision making and reporting. Also the increased efforts in cross-sector collaboration to address measurement challenges, such as the Hotel Carbon Measurement Initiative (Section 6.4.3), represent a third way of creating shared value, and provide a positive outlook that hotel groups may be able to transform their internal systems, methodologies and metrics to measure and report shared value gradually.

Overall, this section has provided new knowledge on the determinants of CSR management and reporting that constrain the adoption of shared value in the hospitality industry, providing an insight from the perspective of large hotel groups that complements the only other study on shared value for the industry, which looked into small-scale accommodation establishments (Camilleri 2016). It is through discussing these cognitive, organisational and technical arrangements that the section has been able to identify their effect in the implementation of the MBSC in the industry. The following section further discusses the effect of these determinants to the adoption of the Accountability principles of inclusiveness, materiality and responsiveness, which are central to the MBSC framework for advancing towards shared value.
7.3. The hotels’ approach to Inclusiveness, Materiality and Responsiveness: Consequences for shared value

This section explores the consequences of the previous cognitive, organisational and technical characteristics of the hotels’ sustainability integration in their ability to engage stakeholders, identify material issues and respond to those. The effectiveness of the MBSC in assisting organisational change towards proactive CSR depends on the strategy behind it, as with other sustainability management tools (Hansen and Schaltegger 2017). In this context, inclusiveness (Section 6.4.1 and 6.4.2), materiality (Section 6.5.2) and responsiveness (Section 6.4.3) become relevant because they shape the strategy and are the input for the MBSC. This is the first study examining qualitatively how different internal organisational factors affect the adoption and disclosure of accountability principles. Research has focused on analysing the content of reports about inclusiveness (e.g., Manetti 2011), materiality (Jones, Comfort, and Hillier 2016a, b, Jones and Comfort 2017, Jones, Hillier, and Comfort 2017), and responsiveness (Moratis and Brandt 2017) or the three together in assurance (Jones et al. 2017). The decision making that shapes these reports has seldom been researched, with only some case studies (e.g., BT 2014/15, Adams and Frost 2008). This section explores how the industry’s approach to these principles hinders progress towards shared value.

The predominantly narrow and symbolic stakeholder engagement identified in reports, and the limited stakeholder management capability identified in the interviews, help explain the industry’s reactive CSR. Hotels mostly engage stakeholder groups that can control resources vital to their operations, and pay less attention to those stakeholders without power (e.g., reports show limited inclusion of derivative legitimate stakeholders). This narrow approach limits the potential for identifying stakeholders with whom to create shared value; for instance, engaging with NGOs has a high instrumental value for strategic management (Van Huijstee and Glasbergen 2008) or engaging ‘fringe stakeholders’ is regarded as a source for competitive advantage based on the capacity to generate disruptive innovation (Hart and Sharma 2004). While hotel groups’ stakeholder engagement responds to the assumption that managing stakeholders leads to improved business (as with CSV), it is the short-term economic concerns that lead to narrow stakeholder identification and that limit the potential for creating shared value.

It is not only the stakeholders identified, but also the chosen level of engagement what drives or, in the case of hotel groups, restricts, their CSR actions. By mostly employing symbolic engagement
(informative followed by consultative mechanisms) hotels disregard the power of decisive consultation by which the organisation involves stakeholders in decision making that affects them (Green and Hunton-Clarke 2003). Similar to the way the strategic management of sustainability builds on a partnering mentality (Harrison and St. John 1996), the three pathways of creating shared value have at their core collaboration with stakeholders: customers when reconceiving products and markets, suppliers and researchers when reimagining the value chain, and local communities and NGOs when developing clusters. Although, overall, hotel groups still seem to be a long way from effectively delegating decisions to stakeholders, there are some signs of them starting to employ at least a degree of delegation of power, which could be categorised as a form of decisive consultation (AccountAbility 2015). This can be seen, for example, with the Barcelona Forum District (learning and acting together) or the Hotel Carbon Measurement Initiative (jointly learning but working separately).

The need to engage stakeholders in identifying the relevant issues lies at the core of shared value guidelines and is a determinant of the ability to formulate and implement the strategy. Identifying stakeholders and managing a relationship with them requires a certain level of stakeholder management capability (e.g., Freeman 1984). The management capability of most hotel groups is low in that they have no formal processes to identify and engage stakeholders; engagement is ad-hoc, informal and reactive to external pressures, which suggests they are at the very early stages of stakeholder engagement (AccountAbility 2015). The identified lack of resources, knowledge and capability for engaging stakeholders, along with fear of exposure, seem to be the main barriers to adopting the necessary approach for shared value. Three hotel groups have more planned and systematic engagement that includes formal stakeholder mapping, and defined processes and channels, possibly representing more advanced levels of stakeholder engagement from AccountAbility (2015). While their higher stakeholder management capability enables them to undertake formal materiality assessment, they have not yet integrated stakeholders into their governance. One explanation for this is the lack of power, resources and legitimacy of the corporate sustainability departments, as perceived by the CSR managers interviewed.

A lack of top management awareness of the need for, and value of, stakeholder engagement constrains the financial and human resources dedicated to it and thus, also, the knowledge and skills needed to undertake the robust engagement required for materiality assessment. Indeed, the inclusiveness
approach chosen is likely to have a knock-on effect on the process of implementing materiality, since a large part of the assessment is about engaging stakeholders to determine material issues.

The results of this study make a novel contribution to the existing literature in that they suggest that the extent of management control over the materiality assessment affects the inclusiveness and responsiveness principles. ‘Managerial capture’ is a notion borrowed from the social auditing literature that refers to "the management taking control of the whole process (including the degree of stakeholder inclusion) by strategically collecting and disseminating only the information it deems appropriate to advance the corporate image" (Owen et al. 2000, 85). This research extends the managerial capture identified in social auditing (Owen et al. 2000) by characterising five factors, some of which have been studied in isolation in prior research (Zadek and Raynard 2002). The limited stakeholder representativeness (stakeholders engaged and numbers), the poor procedural quality (issues of power through the engagement), and the quality and quantity of stakeholder feedback collected (the focus of the engagement and number of responses) all affect the inclusiveness. The remaining factor, the quality of stakeholder outcomes attributable to the consultation process (the outcome of the engagement) affects the responsiveness.

Stakeholder representativeness’ refers to whether the stakeholders involved are representative of the broader stakeholder community. In the case of hotel groups, priority seems to be given to those stakeholders with the capacity to influence the organisation (Bonilla-Priego and Benítez-Hernández 2017); thus legitimate stakeholder needs may remain unheard, and consequently, missed in the materiality assessment. The feedback gathered may not be representative of the heterogeneity of concerns from each stakeholder group, but it may respond to the agenda of the individual stakeholders engaged, and their aim to influence the organisations’ sustainability practices (Collins, Kearins, and Roper 2005); an issue that has received limited attention in the reporting literature. Hence, stakeholders invited in the consultation process may capture and misrepresent the list of issues to address shared value strategies.

Similarly, it is unclear whether the engagement undertaken is consistent with the purpose of materiality. ‘Procedural quality’ concerns how the organisation conducts the engagement and whether or not this is consistent with the declared purpose (see Zadek and Raynard 2002). Reporting guidelines suggest that organisations should develop a list of potential material issues (KPMG 2014b), but they also explain that a “proper stakeholder engagement process is two-way in nature, systematic and objective” (GRI 2013b, 36). While guidelines do not detail ‘how’ to engage stakeholders, they do
state that organisations should: i) consider existing, ongoing, and specific stakeholder engagement for materiality; and ii) determine the methods and levels of engagement (AccountAbility 2015). Despite these guidelines, the hotel groups interviewed used mostly pre-specified surveys that limit the stakeholders’ ability to bring up new issues material to them. Hence, it is unlikely that this engagement results in the identification of unmet social and environmental needs, which would be central to formulating a CSV strategy (Bockstette and Stamp 2011, Porter et al. 2012). It is also unlikely that the reports “reflect all issues of importance to key stakeholder groups if there is no dialogue” (Adams 2002, 244).

One possible explanation for such behaviour is that CSR departments are constrained in their resources, and therefore, stakeholder engagement may ‘put people off’ since it entails an ‘obligation to act’ on the issues identified. This echoes the fear of ‘opening up’ seen in other industries (Searcy and Buslovich 2014). Pragmatically, some CSR managers acknowledged that it is more important to identify issues material to the organisation and then engage stakeholders on tackling those than to identify issues material to stakeholders, but not be able to solve them. For example, materiality analyses to identify strategic risks and opportunities used criteria to assess materiality solely related to the organisation’s performance. Organisations that modify the purpose of the engagement and lessen the stakeholder logic of the GRI definition (despite producing GRI reports) take a narrow approach to materiality that constrains the understanding of the societal impact on stakeholders and the effect of social issues on the organisation’s competitiveness, necessary for shared value (Bockstette and Stamp 2011).

Also, the quality and quantity of stakeholder feedback affect the results of the materiality assessment. ‘Quality of the feedback’ refers to the focus of the engagement, which was found to be introspective. Instead of focusing on identifying important sustainability issues for the stakeholders, the engagement focuses on canvassing opinions about the sustainability performance. Stakeholder inclusion should not be about canvassing viewpoints on corporate social performance, similarly to the context of auditing (Ball, Owen, and Gray 2000). Also, the stated difficulty of getting stakeholders to participate in the consultation process suggests issues around the ‘quantity of feedback.’ It indicates the “dialogue fatigue” found in other industries (Burchell and Cook 2013), whereby stakeholders are inundated with requests for consultation. Inevitably, this most likely limits the breadth of stakeholders engaged and worsens the issue of representativeness, thus, affecting the input for CSV.
The final issue affects the responsiveness of hotel groups, and is the ‘outcome quality’ of the materiality assessment; the tangible evidence of materiality decisions adopted as a result of engaging stakeholders (see Zadek and Raynard 2002). Organisations are expected to apply their values to interpret the reporting principles (Edgley, Jones, and Atkins 2014) because reporting lacks agreed guidelines (Edgley 2014) and implementation (Behnam and MacLean 2011). Inevitably, interpretative frames influence the process of filtering information (Finkelstein, Hambrick, and Cannella 2009) and the instrumental importance of issues to the pursuit of rational objectives may be a frame for interpreting the salience of those issues (Bundy, Shropshire, and Buchholtz 2013). This study exemplifies these points by showing how the decisions involved in defining and operationalising the thresholds for materiality, and negotiating conflicting demands among stakeholders when aggregating their feedback, are expected to be biased by the instrumental logic. That is, managers determine the issues’ salience based on whether or not they are consistent with the ability of the organisation to achieve its economic goals. This may also explain the common adaptation that organisations, including hotels, make to their GRI materiality matrix, which is to favour corporate rather than sustainability goals (Jones, Comfort, and Hillier 2016a, Font, Guix, and Bonilla-Priego 2016, Morrós 2017, Guix, Bonilla-Priego, and Font 2018, Guix, Font, and Bonilla-Priego forthcoming).

This research shows that inclusiveness and materiality decisions in sustainability are just as opaque in the hotel sector as in other industries (Moratis and Brandt 2017, Jones and Comfort 2017, Jones, Comfort, and Hillier 2016a, b, Morrós 2017). Some interviewees concealed the aggregation of stakeholder feedback, arguing confidentiality, while others justified that using consultants makes materiality an objective and systematic process. Outsourcing the process to a consultant, however, may affect how the results of the assessment are incorporated within the organisation’s governance, strategy, performance management systems, and overall decision-making. It also does not diminish the potential for capture; the experts interviewed were sceptical and argued that the lack of disclosure of the processes may be an intentional strategy to legitimise sustainability reports without providing too many details.

At this point, due to the subjectivity of the materiality assessment, the barriers encountered by hotel groups, and the importance of such a process for operationalising shared value, two sets of issues merit further discussion and reflection, namely: i) unintended versus intended misclassification of material issues, leading to mismanagement; and ii) substantive versus symbolic adoption of reporting guidelines.
First, with regard to mismanagement, arguably, the barriers identified can lead to unintended mismanagement of sustainability, particularly for those hotel groups that have limited stakeholder management capability, resources and knowledge to manage the process. These hotels undertake materiality assessment informally, and may misclassify material and immaterial issues, resulting in strategies that omit important stakeholder issues. Alternatively, intended mismanagement may lead to the use of materiality to further the interests of the hotel group, rather than those of sustainability or the stakeholders. Experts interviewed suggest that some hotel groups deliberately manipulate the process. Because of the limited disclosure of decisions, this research is unable to differentiate between the hotels’ management or mismanagement of material issues based on the corporate managers’ interviews. Likewise, and pertinently, anyone reading the final sustainability report will be unable to differentiate between unintended or intended mismanagement of material issues based on the reported information.

Second, the adoption of reporting guidelines may be substantive, which requires organisations to be willing to make significant organisational changes and embed stakeholder and materiality considerations into their core business practices; or it may be symbolic, by which organisations subscribe formally to the guidelines but decouple the principles of those guidelines from their day-to-day practices. Reporting guidelines such as GRI, with their principles of stakeholder inclusiveness and materiality, can be a driver for shared value strategies when organisations adhere to them substantively. Interview results, however, suggest that few hotel groups are taking an active approach to reporting according to GRI; the majority are more reactive, to avoid being perceived as lagging behind industry peers; this is similar to findings in other industries (MacLean and Rebemak 2007). Reasons given were: i) unwillingness to disclose more than competitors; and ii) inability to reach stakeholder-agreed targets. The “non-specific time-frame for compliance opens the door to decouple the GRI from actual work practices” (Behnam and MacLean 2011, 58). The stakeholder engagement and materiality practices evidenced in the reports and interviews suggest symbolic adherence to the reporting guidelines, which arguably prevents the progress towards more strategic CSR.

There is a significant gap between signing up to, and adhering to, voluntary reporting guidelines (Adams 2004). First, because there is no sanctioning for non-compliance and, second, because there is limited assurance of compliance (Behnam and MacLean 2011). Moreover, organisations can report under GRI without following the GRI guidelines. For example, although stakeholder and materiality processes are addressed in G4 indicators, most internal decisions remain hidden from public scrutiny.
(as in Morrós 2017) yet hotel groups can still obtain the highest GRI score ('In accordance-comprehensive') for their reports. Also, GRI requires little assurance that a report meets its principles, external assurance is voluntary and its scope is left to the organisation’s discretion. Organisations assure that the disclosed information is correct but they do not audit the completeness, or scope, of their reports (Adams 2004, 2002). External assurance, therefore, does not enlighten the materiality principle, since it does not assess the adequacy of issues (Edgley, Jones, and Atkins 2014). As a result, voluntary reporting does not currently lead to accountable and transparent reporting, neither for the content (e.g., Hahn and Lülfs 2014, Adams 2004) nor for the process of reporting (e.g., Moratis and Brandt 2017, Manetti 2011). This lack of enforcement mechanisms, arguably, leads to hotel groups adapting the guidelines to their own purpose, without any need to justify their choices. In turn, this lack of transparency of organisational activities hinders an organisation’s accountability because it limits the ability of their stakeholders to make reasonable judgments, based on the materiality disclosure, about whether or not the organisation is addressing their needs.

In summary, this study reveals that hotel groups symbolically adopt reporting guidelines, without embedding stakeholder and materiality considerations into their core business practices. The predominance of ad hoc stakeholder engagement, and instrumental logic, to judge the salience of issues show a narrow application of the concept of materiality. Opaque sustainability reporting prevents stakeholders from being able to assess the responsiveness of hotel groups: i) how hotel groups make decisions; and ii) to what extent the hotels make a credible attempt to tackle the impacts that are significant to their stakeholders.

Taking into account that the characteristics of how hotel groups choose to adopt inclusiveness, materiality and responsiveness perpetuate the reactive CSR in the industry, the next section proposes specific guidelines in respect to these three principles that will support the purpose of shared value.

### 7.4. Conclusions: The MBSC as a vehicle for shared value

This study provides the first published account to detail how the hotel sector establishes, justifies and operationalises its sustainability agenda regarding who these hotel groups choose to be accountable to. The study has identified internal determinants affecting CSR management and reporting, as perceived by experts and those managing and preparing sustainability reports, which provide insights into the i) somewhat reactive CSR, and ii) symbolic adoption of reporting guidelines in the hotel industry. Cognitive factors (such as managerial attitudes and organisational culture) are seen
as critical barriers to the substantive adoption of the principles of inclusiveness, materiality and responsiveness. This complements existing research that has found those same factors affecting CSR management and reporting in other industries (e.g., Pistoni, Songini, and Bavagnoli 2018, Weaver, Trevino, and Cochran 1999). Furthermore, this study identified that organisational determinants (such as a hotel’s ownership structure, resource allocation and stakeholder management capability) seemed to influence CSR decision making within hotels; again, some of have previously been found to constrain sustainability reporting (Melissen, van Ginneken, and Wood 2016, Moratis and Brandt 2017). These variables have a knock-on effect on the lack of shared value identified in the industry.

The MBSC has been developed to contribute to the limited literature on guidelines that can support the adoption of a shared value approach (see the few existing guidelines in section 2.2). Inevitably, the hotel groups studied struggled to put shared value in practice. Going forward, there is a need to establish more explicit criteria for facilitating decision making leading to shared value. Based on the data collected and the previous discussion, this chapter concludes by expanding the MBSC developed in chapter 4 to take account of the changes needed in the existing principles of inclusiveness, materiality and responsiveness if hotel groups are to be assisted in transitioning towards shared value-creating strategies.

Inclusiveness: How to determine with whom an organisation can create shared value

Creating shared value demands a different set of assumptions than reactive CSR as to who are hotel groups’ stakeholders and how these should be engaged with and responded to. The guidance on inclusiveness aims to respond to these questions, complementing “Step 2: Recognising stakeholder value” from the MBSC (Chapter 4). For shared value strategies, an inclusive approach needs to be taken, by which the organisation identifies stakeholders on whom it has an impact and who have an effect on it, and engages with them substantively to develop and achieve an accountable and strategic response to sustainability that also creates value for the stakeholders involved. Contrary to the predominantly narrow and symbolic stakeholder engagement identified in the reports of hotel groups, organisations require a broad identification and substantive stakeholder engagement to operationalise shared value.

It is important here to consider the stakeholder culture, since it is this that provides the interpretative frame through which managers can identify stakeholders beyond primary groups, such as those that are often ignored by hotel groups reports. Without a consideration of the stakeholder culture,
therefore, the identification of derivative legitimate stakeholders is likely to be limited. That said, not all stakeholder cultures are likely to guide managers’ decisions towards recognising that all normative and derivative legitimate stakeholders are ‘instrumentally useful;’ an assumption fundamental for CSV. Stakeholder cultures differ in their assumptions about collecting, screening and evaluating information about stakeholder attributes and issues (Jones, Felps, and Bigley 2007). For instance, self-regarding stakeholder cultures that only recognise shareholders are in opposition to the assumption of CSV that all stakeholders may hold opportunities for achieving competitive advantage (Porter and Kramer 2006). An instrumental and strategic approach will recognise shareholders, and only other stakeholders such as those that can affect the organisation and its normative stakeholders (universities, peers, and NGOs) to the extent that it is economically advantageous to do so; thus echoing the ‘win-win’ approach of CSV. Nonetheless, it will take a broad approach to stakeholder identification only as a means to improve financial profitability. Instead, a stakeholder culture that takes a normative stance in which legitimacy is the key quality, aims for the welfare of society, and may be more prone to identify fringe stakeholders (e.g., poor rural citizens or female youth-at-risk) that are also a source of sustained competitive advantage (e.g., Maltz and Schein 2012).

While the stakeholder culture influences the cognitive adoption of the inclusiveness principle, identifying stakeholders with whom to create shared value organisations also requires a high level of stakeholder management capability. This includes the ability of the management to map and profile stakeholders and to understand their concerns and expectations, their level of influence and legitimacy, and their willingness and capacity to engage (Freeman 1984). This capability also affects how an organisation defines the processes to include stakeholders in the organisation's actual strategic decision-making, as seen in section 7.2. Shared value builds on the premises of collaboration and partnerships, evidenced in the three pathways of creating shared value in section 7.1. Thus, organisations need to go beyond informing or consulting stakeholders on what are the important matters in sustainability but engage decisively with them. In order to determine the methods and levels of engagement, the capability to negotiate, implement, and execute ‘win-win’ transactional exchanges with stakeholders becomes relevant. Accordingly, the higher the stakeholder management capability, the more prepared an organisation will be to identify, engage and manage the relationship with its stakeholders. In this situation, it is more likely to have the necessary organisational and technical arrangements for operationalising the inclusiveness principle.
All the previous requires the allocation of the resources necessary to undertake a process of stakeholder engagement that ensures high-quality scanning. That is, it ensures i) the stakeholders engaged are representative of their groups, ii) the number of participants is reasonable to make informed decisions, and iii) the methods of engagement are appropriate to gather quality feedback. Overall, decisions within “Step 2: Recognising stakeholder value” when constructing the MBSC need to be based on the premise of broad stakeholder identification and substantive engagement if the framework is to serve to operationalise a CSV strategy; and they also need to consider the stakeholder culture and the capacity building in respect to CSR processes (such as stakeholder management capability) that influence this necessary approach.

Materiality: How to determine importance of issues for shared value strategies

Identifying issues for shared value creation is likely to require a thorough process, the details of which may vary for each organisation. This section proposes a definition of materiality and evaluation criteria to suit the shared value purpose that is adapted from the existing reporting guidelines. As such, it complements the MBSC from Chapter 4, particularly in respect to the “Step 3: Determining environmental and social exposure of strategic business units.”

The definitions of materiality from reporting guidelines are not suitable for shared value because, i) they are narrowly constructed on the impact of the issue to the organisation’s performance and the effect of the disclosure for the investors’ decisions (Sustainability Accounting Standards Board 2016b, International Federation of Accountants 2015), or ii) they consider the issue material only if the impact of the issue is significant to the organisation or the stakeholders (GRI 2013b, AccountAbility 2015). Instead, shared value is about connecting the interests of stakeholders with those of the organisation (Porter and Kramer 2011). Thus, there is the need to identify the issues important to stakeholders, acting on which improves the organisation’s performance while creating large-scale social benefits. Accordingly, for shared value, materiality assessment is the process of engaging stakeholders for identifying economic, environmental and social matters that affect the organisation’s ability to create simultaneous value for the organisation and its stakeholders in the short, medium and long-term. This definition builds on the GRI and IIRC definitions of materiality and extends it to internal and external stakeholders. Material issues, therefore, are those that influence the decisions, actions, behaviour and performance of an organisation and its stakeholders (note the change from "or" to "and" in the definition of materiality from AccountAbility 2015, 11).
Building on the new definition for materiality assessment and material issues, what are the criteria for assessing materiality for shared value? Based on the data collected, and earlier theoretical research, stakeholders, such as organisations (Collins, Kearins, and Roper 2005), have their own self-interests. Accordingly, two criteria are suggested to be used jointly as evidence-based tests for determining the materiality of issues: the congruence of the issue with the strategic frame and with the expressive logic. First, the issue’s congruence with the strategic frame asserts that the issue is material if it carries instrumental importance to the pursuit of rational objectives (Bundy, Shropshire, and Buchholtz 2013). The strategic frame builds on the instrumental logic; whether the management or mismanagement of the issue may affect the strategic goals of the organisation. This was seen in the hotel groups when assessing the outcome quality of materiality assessment (Section 7.3). While issues interpreted as consistent or conflicting with the ability to achieve the strategic goals may be material, it is the strategic goal that sets apart organisations that focus on short-term gains from CSR (identifying issues leading to reactive CSR) from those that focus on long-term competitiveness (identifying issues leading to CSV).

Second, the issue’s congruence with the expressive logic asserts that the issue is material if it is perceived as having importance for the expression of the core values and beliefs (Bundy, Shropshire, and Buchholtz 2013). If an issue contributes to the organisational self-expression, managing the issue serves to express identity to external constituents and stakeholders, while mismanaging the issue negatively affects its self-perception and how stakeholders perceive the organisation; thus, in both cases, the issue is material to the organisation. Since expressive logic was not evidenced in the interviews held with the sampled hotel groups a hypothetical example is put forward. For instance, an organisational identity strongly rooted in concepts of justice or fairness may influence managers to give salience to justice-related requests from stakeholders, such as diversity or human rights. Acting on those issues then is perceived as strengthening the organisational identity. These two criteria are framed slightly differently for the assessment of issues from the perspective of managers and stakeholders (Table 56).
Table 56: Criteria for identifying material issues

<table>
<thead>
<tr>
<th>Criteria</th>
<th>Materiality to the organisation</th>
<th>Materiality to stakeholders</th>
</tr>
</thead>
<tbody>
<tr>
<td>Strategic frame</td>
<td>The economic, social or environmental issue is significant to the organisation's ability to create short, medium or long-term competitive advantage.</td>
<td>The economic, social or environmental issue is significant to the stakeholder's current or future decisions, actions, behaviour or performance.</td>
</tr>
<tr>
<td>Expressive logic</td>
<td>The economic, social or environmental issue is perceived as having a bearing on the expression of the organisation's core values and beliefs, and acting on it contributes to the organisational identify.</td>
<td>The economic, social or environmental issue is perceived as having a bearing on the expression of the core values and beliefs of the stakeholder, and acting on it contributes to its identify.</td>
</tr>
</tbody>
</table>

Source: Author’s adaptation from Bundy et al. (2013).

Issues consistent or conflicting with the strategic frame and the expressive logic are of high salience. In other words, issues that carry both instrumental importance and allow for identity expression are given the highest priority by both managers of the organisation and also by stakeholders themselves. These issues are therefore the ones that, if acted on, are likely to create shared value. Through comparing the results of their respective assessments, the management can list the issues that are held in common across the organisation and each stakeholder group, helping to narrow down the material issues.

Once material issues are identified and grouped according to the salience of each stakeholder group and the organisation, three non-prescriptive criteria are presented to filter the issues with most potential to create shared value; i) disruptiveness, ii) intensity of changes, and iii) systemic impact. These criteria are by no means exhaustive, but they build from the examples across section 7.1 and serve to provide a more granular approach to identifying issues for operationalising shared value than the one given in earlier published work. Since materiality in the shared value context is intended to inform strategic CSR, these criteria are put forward from Porter and Kramer (2006) to assess the likely competitive advantage from addressing the material issues identified in the three pathways for CSV.

First, the disruptiveness of a product or value chain, or the market’s susceptibility to disruption, refers to whether there is potential to introduce a new value proposition based on a unique set of attributes tackling the material issue. This criterion assesses the ability of the organisation to develop new products and services, or to redefine the value chain with characteristics at the core of which are the issues material to the organisation and its customers (product) or suppliers (value chain), and that modify the prevailing value proposition in a way that appeals to old or new market segments. Disruptive innovations introduce a new value proposition (Christensen 2013), the typical attributes
of which include cheaper, simpler, smaller, more convenient, more reliable or more comfortable (Guttentag and Smith 2017). For shared value, the attributes have to revolve around the shared material issue. For instance, by tackling the unemployment of refugees the Magdas hotel’s value proposition is an open-minded, fresh, bold and easy-going experience for guests (Magdas hotel 2018). This value proposition is based on a unique set of attributes brought by those employed from 14 nationalities that speak 23 languages and create a multicultural environment with many skills and talents. The way in which they tackle unemployment is what gives this hotel a unique position in the hotel market in Vienna.

Second, the intensity of the changes introduced, and their impact, refers to whether the issues can be addressed beyond simply progressive refinement of previously used solutions that allow an efficiency increase. In other words, can the issue be resolved by radical rather than just incremental innovation? Radical innovation is “the application of a solution for a problem that had so far not been solved, or had been solved in a significantly inefficient manner” (Orfíla-Sintes, Crespí-Cladera, and Martínez-Ros 2005, 854). While the management of the solution to the material issues may carry high costs (e.g., derived from adjustments in the internal organisation or purchases), the potential positive impact on the organisation’s performance is also high, and the contribution in tackling the issue is also significant to the magnitude of the issue. Instead, incremental innovations imply lower costs and the benefits accrued are accordingly lower, arguably both to the organisation and the stakeholders. For instance, the water efficiency strategies disclosed by hotel groups belong to incremental innovations, while examples of radical innovations would be to adopt nature-based solutions. While the later have higher costs of adoption, they are also able to tackle the issue of water (value to society) more substantively, and thus offer more potential for competitive advantage (value to the organisation). Similarly, in the case of climate change, energy-plus buildings are an example of more radical innovation than zero energy buildings, while traditional efficiency programmes exemplify incremental innovations.

Third, systemic impact refers to whether there is potential for the management of an issue to lead to positive impacts, and for mismanagement to lead to negative impacts across various sustainable development goals when undertaking actions tackling the issue at the product or service, value chain or competitive context. This criterion builds on the premise that sustainable development is a systemic concept, in that a complex set of interconnected and interdependent issues determine it (Seiffert and Loch 2005). To understand the potential systemic impact of an action addressing a
material issue, therefore, one needs to study the system, and thus the interactions of all the multi-dimensional aspects of the issue. The examples discussed in section 7.3 evidenced how hotel groups may produce a systemic impact. For instance, implementing climate-adaptive solutions in hotels provides affordable and clean energy for the organisation (SDG 7), fosters responsible consumption among guests and employees and responsible production among other stakeholders (SDG 12), while overall tackling climate change by reducing GHG emissions (SDG 13). Similarly, water can be addressed not only at the organisational level with water efficiency programmes but also at a destination level, addressing water supply and quality with nature-based solutions. This provides clean water and sanitation (SDG 6), addresses gender equality (SDG 5), reduces inequalities (SDG 10) and enhances peace and justice (SDG 16) since water scarcity is linked to these other social dimensions.

A final consideration of particular relevance for advancing towards CSV is the stakeholder influence capacity; an intangible resource that can drive or limit the scope and profitability of future actions in respect to the identified issues. Since stakeholders’ reactions to new CSR initiatives depend on the prior engagement with each stakeholder group, this influences the range of CSR initiatives the organisation can pursue (see Barnett 2007). In the case of the hotel groups studied, the previous investment in stakeholder relationships, such as the symbolic engagement found in prior CSR activities, limits how stakeholders will notice, interpret and be willing to engage in future actions. The management may further shortlist the issues for the shared value strategy using criteria held in common with the traditional materiality assessments, as with any new investment, such as the potential financial capital or risk implications, current or future non-financial implications, and the degree of uncertainty related to implications.

It is evident, therefore, that to answer the question of how important it is that the organisation acts on each issue requires internal considerations beyond simply the potential impact on shareholder value and non-financial implications such as reputation and legislation. Instead, it implies broadening the materiality approach and, therefore, the materiality tests from GRI (2013), SASB (2013) and IIRC (2015). First, to identify the issues material to both the organisation and each group of stakeholders (the congruence of the issue with the strategic frame and with the expressive logic). Then, to refine those, based on their potential to lead to shared value (disruptiveness, intensity of change and systemic impact), before finally taking into account the constraining factor of stakeholder influence capacity. Because how managers and stakeholders perceive the issues is dynamic, the materiality
results must be revisited and updated according to the changes in the external environment and stakeholder relationships. The perceived outcome quality of the materiality assessment will depend then on the disclosure of the organisation’s previous assessments and final decision.

Responsiveness: how to translate attention to action and subsequent disclosure

Responsiveness in the context of CSV requires both the management of material issues and the substantive adherence to reporting guidelines. The organisation’s responses differ depending on the priority of the issue (i.e., salience), because the management of any given organisation has limited resources to devote stakeholder issues (Carroll 1979, Bundy, Shropshire, and Buchholtz 2013). Shared value strategies revolve around the issues that are interpreted as highly salient opportunities, thus the response given needs to be substantive and accommodative. Substantive, in that the organisation commits substantial resources, time, energy and effort to the issue, and accommodative in that it embraces the issue and engages with the sponsoring stakeholder in a positive and open manner. For example, in the case of Magdas Hotel, refugees receive managerial attention in a meaningful and significant way, being engaged in the product development and service delivery.

Nonetheless, an organisation seeking proactive CSR cannot respond only to the most material issues for competitive advantage while mismanaging the remaining issues of moderate-to-low materiality. Stakeholders expect it to provide a reasonable response to the totality of the issues raised during the consultation process, especially if CSV is to help organisations gain legitimacy (Porter and Kramer 2006). The results of the International Tourism Partnership stakeholder dialogue (Tupen 2014) are used below to exemplify the variations in responsiveness to other issues according to their salience. Issues perceived as highly salient threats receive a substantive defensive response because they are perceived as conflicting with the organisation’s goals. For example, labour standards are highly salient issues the criticism of which hotel groups may perceive as a threat and thus take a proactive approach to distance themselves from the issue. Thus, nearly all hotel groups’ reports dedicate a fair amount of space to employee training and wellbeing.

When stakeholder issues are perceived as moderately salient, they enjoy some level of priority and are more likely to receive a symbolic response, defensive when perceived as a threat, and accommodative when perceived as an opportunity. For example, child labour and sex trafficking are moderately salient threats in the supply chain (Tupen 2014) such that hotel groups take a symbolic approach to distance themselves from the issue. As seen in reports, they set in place codes of conduct,
human rights policies and international agreements such as ECPAT. Similarly, by seeing local economic development as a moderately salient opportunity, the hotels engage in symbolic youth employment programmes (see section 7.3.) and local purchasing of a limited range of produce without necessarily substantially amending internal processes. Similarly, it is likely that organisations opt not to respond to issues that, although material to stakeholders, do not align with the organisation’s instrumental goals (e.g., Bundy, Shropshire, and Buchholtz 2013). For example, for preservation of local heritage that has little-to-no importance in ITP’s materiality matrix to the organisation yet medium importance to stakeholders, only three hotel groups from the 18 publishing sustainability reports mention some actions taken, and even then only briefly.

Second, responsiveness closely relates to the substantive adoption of reporting guidelines because of the need for transparency about the decisions, actions and performance (AccountAbility 2015). In the CSV context, the disclosure of information is aimed at holding organisations to account for their impacts, and empowering stakeholders by providing access to information about how the organisation has chosen to respond, or not, to their concerns. Because responsiveness acknowledges an accountability relationship between the organisation and its stakeholders, transparent reporting both on the process and content is encouraged within the MBSC. Nonetheless, it is recognised here that the internal determinants identified in section 7.2 most likely constrain further accountability in large hotel groups.

In conclusion, the MBSC has been proposed as a strategic framework to operationalise shared value, and guidance on the Accountability principles has been developed to fit the purpose. Achieving CSV in the hotel industry is rather idealistic in the short-term based on the CSR actions and organisational determinants revised. Similarly, most hotel groups from the sample seem ill-prepared to adopt an MBSC. Yet, some industry leaders denote higher cognitive, organisational and technical sustainability integration and are thus more likely to use the MBSC for transitioning from reactive CSR toward shared value.
8. Conclusions

This final chapter reflects on the attainment of the aim and objectives of the Ph.D. and considers its significance for academic knowledge and management practice, especially for the hotel industry. It ends by surveying the research limitations and directions for future research.

8.1. Conclusions with regards to the aim and objectives

This research aimed to arrive at a critical understanding of how large hotel groups can define strategic sustainability objectives to create shared value.

To fulfil this aim the researcher combined normative, descriptive and critical approaches to propose a new strategic management framework to theorise and then critically appraise its value within the hotel industry. The research focused on the identification of determinants towards the development of more socially and environmentally responsible hotel groups. With that in mind, the study addressed three research objectives:

Objective 1. To propose a strategic management framework, the Materiality Balanced Scorecard, to design, communicate, and realise CSR strategies that create shared value.

The literature review showed that there is limited guidance for organisations to operationalise shared value, with only three rather vague guidelines (see Sections 2.2 and 2.3), and there is also a call for more integration between performance measurement, management and reporting tools in order to improve sustainability performance (Maas, Schaltegger, and Crutzen 2016, Battaglia et al. 2016) (Sections 3.1 and 3.2). In order to fill this research gap, the thesis has built on the work from earlier scholars on the Balanced Scorecard (Kaplan and Norton 1996c) and its sustainability adaptations (e.g., Figge et al. 2002a) by adding the reporting principles of the AA1000 Stakeholder Engagement Standard (2015). This modification to the previously existing Sustainability Balanced Scorecards (SBSC) contributes to the nascent literature that integrates performance management systems with sustainability reporting (de Villiers, Rouse, and Kerr 2016). The research first took a normative approach to develop the Materiality Balanced Scorecard (MBSC) in Chapter 4, as a conceptual framework for change management to advance the strategic repositioning of sustainability in corporate practice.

The MBSC is theorised as a tool with which to design and implement shared value strategies, which includes making sustainability a formal element within the overall strategy of the organisation. The MBSC is underpinned by instrumental stakeholder theory closely following the shared value
approach proposed by Porter and Kramer (2006, 2011), based on the assumption that the recognition of a broader set of sustainability issues and stakeholders leads to superior performance. Acknowledging that the type of strategy adopted has implications for the structure of an SBSC, the MBSC takes an extended and hierarchical design (similar to Figge et al. 2002a, Chalmeta and Palomero 2011, Hansen, Sextl, and Reichwald 2010). This is because an extended design includes material sustainability issues across all perspectives of the MBSC (financial, customer, processes and learning and growth), recognising that sustainability permeates all day-to-day business activities. This extended design enlarges the scorecard with a System-level perspective, which differs from previous SBSCs that fail to account beyond organisational sustainability performance outcomes (Hahn and Figge 2018). The extended MBSC results in a more cohesive approach to sustainability management integrated into the core organisation’s activities and impacts.

Then, the hierarchical design clarifies the causal relationships to trace the effectiveness of addressing the sustainability stakeholder concerns as an important contributor to competitive advantage. This makes the MBSC appropriate for profit-driven organisations that need to continuously build the CSR business case to secure top management support. By adopting a top-down approach connecting the System-level and Financial perspectives, the MBSC overcomes the tendency for previous SBSCs to be used purely reductively (e.g., Figge et al. 2002a). Operationalising the strategy in a process that cascades from the System-level perspective across the remaining four perspectives aligns all the strategically relevant aspects towards long-term value creation in a win-win approach with stakeholders. Chapter 4 theorised how the integration of sustainability reporting practices in the organisation’s performance management framework can occur, and the likely benefits derived from a holistic approach to defining, implementing and reporting a sustainability strategy.

The MBSC proposes a structured approach to strategic sustainability planning, performance management and external reporting, by taking both a performance and transparency approach that sets it apart from previous SBSCs that take one of the two approaches (Maas, Schaltegger, and Crutzen 2016). The performance approach assesses the relevance of stakeholder relations, their environmental and social concerns, and their strategic relevance for an effective corporate strategy. The inclusion of the materiality determination process for shared value strategies provides structured and systemic guidance on such matters. In doing so, it differs from previous literature that assumes that sustainability strategies are developed before building the scorecard and thus provide only limited guidance, despite being acknowledged as a first step to building an SBSC (e.g., Bieker et
al. 2001, Figge et al. 2002a, Schaltegger and Wagner 2006). This is complemented by a transparency approach to define measurement and select strategically relevant indicators for sustainability accounting, building on industry-reporting guidelines to improve external communication and comparability. As such, the MBSC constitutes a theoretical contribution to the sustainability performance management literature (e.g., Schaltegger and Wagner 2006, Maas, Schaltegger, and Crutzen 2016).

Chapter 7 argued that the MBSC is a suitable strategic management framework to operationalise shared value strategies. Within the MBSC, the principles of inclusiveness, materiality and responsiveness are used as a methodology to operationalise shared value, something missing in the current literature (e.g., Matinheikki, Rajala, and Peltokorpi 2017, de los Reyes, Scholz, and Smith 2017). Section 8.2, below, further extends the MBSC as a contribution to theoretical knowledge.

Once the MBSC had been developed as a normative strategic management framework that set out a ‘what it ought to be’ ideal model, the researcher addressed the following objective 2:

Objective 2. To characterise the CSR management and reporting of large hotel groups and identify the internal determinants.

The researcher aimed to identify the reality of CSR in large hotel groups, thus ‘what it is’, and the contextual conditions preventing the adoption of shared value strategies. The literature review revealed that although much research has focused on understanding CSR activities and motivations, there has been limited work on the strategies and processes that support CSR decisions (Chapter 2). Similarly, while prior research has covered the disclosure of performance in sustainability reports, there was limited understanding of the process of how such reports were developed and whose priorities they reflected (Chapter 3.3). Thus, the shortage of available information on how large hotel groups strategised, implemented and monitored sustainability (management), and to whom and in what ways they were accountable (reporting), required the adoption of an exploratory qualitative multi-method design (Chapter 5). This qualitative approach enabled an examination of the choices of large hotel groups in respect to strategic sustainability planning, measurement, management and reporting in order to, i) characterise their degree of sustainability integration, and ii) to uncover the complexity and interdependency of internal determinants that constrained progress towards shared value.
This study was the first to conduct a comparative analysis between the large hotel groups’ publicly available sustainability reports and interview responses from corporate CSR managers and industry experts; a qualitative method which enabled the interpretation of the meaning of, and motivations for, differences between an organisation’s symbolic and substantive adherence to sustainability reporting. It responds to the need to consider an organisation’s context and processes when assessing the disclosure of CSR information (e.g., Unerman and Zappettini 2014).

It first investigated the stakeholder-related practices disclosed by the 50 largest hotel groups worldwide, according to Hotels Magazine (2015), by testing how hotels followed the AA1000 Stakeholder Engagement Standard (2015) through content analysis. Building on earlier work that researched inclusiveness, materiality or responsiveness in isolation (e.g., Moratis and Brandt 2017, Jones, Comfort, and Hillier 2016a), the Guix et al. (2018) study (Chapter 6) became the first to assess the interrelationships between these three principles, and their effect on the organisations’ accountability. The three-step approach of studying inclusiveness, materiality and responsiveness is visible in the Accountability Matrix (Section 6.6.1), and has proven to be a valuable explanatory framework to observe the layers of how organisations engage with their stakeholders, and to interpret the stakeholder accountability of sustainability reports. The Accountability Matrix evidenced the ways in which hotel groups assumed responsibility for their impacts, and the extent to which they were transparent about their reporting processes. The matrix evidenced that hotels rarely reported their sustainability processes, and that their disclosure was often opaque, adding to the recent literature suggesting the limited accountability of the reporting processes (Moratis and Brandt 2017, Morrós 2017).

The content analysis results informed further qualitative data collection, i) to gain insights into the rationale behind the large hotel groups’ decision making in respect to CSR processes, and ii) to explain the CSR behaviour observed in the content analysis. Semi-structured interviews with eight corporate sustainability managers (from eight of the world’s 50 largest hotel groups) explored their understanding of, and use of, CSR processes and reporting principles, and any barriers to its uptake. Additionally, eight industry sustainability experts assessed the general industry-wide application of CSR processes, and associated challenges. Guix et al. (forthcoming) (from Sections 7.2 and 7.3) was the first article to assess the internal decision making shaping CSR practices and their subsequent reports across a sector, a topic only previously studied through individual case studies (e.g., Adams and Frost 2008).
This thesis addressed the overall lack of studies assessing CSR integration into organisational practices, processes and strategies, since previous research has described CSR actions, impacts and reporting (Serra-Cantallops et al. 2018), with only recent articles identifying factors driving the adoption of environmental strategies (Mak and Chang 2019). This thesis proposes the Sustainability Integration Matrix (Section 6.6.3) as a diagnostic tool that differentiated the hotels represented in the interviews according to their shared understanding and beliefs about sustainability (cognitive), their formal structures and roles for facilitating common practice (organisational) and their methodologies and processes for CSR (technical). The matrix thereby incorporated into the study of CSR the classification of cognitive, organisational and technical dimensions of sustainability earlier used in the context of sustainability management controls and organisational strategy (Moon, Gond, et al. 2011, Gond et al. 2012). The addition of the 7-S model, associated with the strategic management literature (Waterman, Peters, and Phillips 1980) that had only been used before with regard to sustainability research in the context of reporting (see Thijssens, Bollen, and Hassink 2016), provided a systematisation of key determinants of CSR management and reporting.

What became apparent, with some exceptions, is that the current understanding of, and structures and processes for, CSR, contributed to explain the rather reactive CSR identified in reports and expert interviews. The research identified new cognitive determinants to strategic CSR in the hotel industry (the stakeholder culture, the stakeholder management capability, the stakeholder influence capacity and the capacity building in respect to CSR processes such as stakeholder engagement and materiality), and confirmed previously identified variables such as a short-term and instrumental orientation to sustainability (Mak and Chang 2019) and leadership awareness (Wocke and Merwe 2007). Organisational determinants previously acknowledged in the industry were the ownership structure (Calveras 2015), and budget-constrained CSR departments (Garay and Font 2012). In addition, this thesis identified unclear CSR roles and responsibilities, lack of internal accountability and limited cross-departmental coordination. The technical dimension indicated a lack of integration of CSR with the overall business management, with issues related to the accuracy and comprehensiveness of the performance management systems, thereby contributing to the limited research on performance management of sustainability within hotel groups (e.g., Bohdanowicz-Godfrey and Zientara 2015). Changes in the cognitive factors are essential for a holistic implementation of CSR since, without these, changes in the organisational and technical dimensions are less likely. Nonetheless, because of the limited disclosure about decision making during CSR staff
interviews, this research could not differentiate between unintentional and intentional mismanagement of sustainability.

The comparison between sustainability disclosure, environmental performance and sustainability integration showed that the sustainability reports did not reflect the management of sustainability (earlier identified in other industries Thijssens, Bollen, and Hassink 2016). Thus, these results add to the body of knowledge that suggests that sustainability reporting is rhetorical, in that it does not deliver accountability to stakeholders (e.g., Behnam and MacLean 2011). Strategies to address this can be derived from the findings concerning changes in voluntary reporting guidelines: i) extending the content to include internal organisational factors such as process-based indicators, ii) adopting compliance mechanisms and sanctions for non-compliance, and iii) addressing the limited independent external assurance and its scope.

Overall, the three data collection techniques shed light into the black box of CSR processes within large hotel groups, and at the same time, identified the need for more in-depth research about each of the internal determinants of CSR, their complexity, interrelations and implications for the vital ongoing task of the constant and incremental pursuit of sustainability.

The data collected, nonetheless, was suitable to fulfil objective 3:

Objective 3. To offer a critical appraisal of the value of the Materiality Balanced Scorecard within the hotel industry.

The MBSC framework provides a theoretical starting point to understand the process of designing, implementing and monitoring shared value strategies. An MBSC has the same complexity as all SBSCs, with the added difficulty of requiring the corporate strategy to create shared value (CSV). This study contributed to identify the internal organisational factors that largely condition the somewhat reactive CSR identified among large hotel groups, and constrain the future adoption of CSV and, as such, the implementation of the MBSC as the tool for its deployment. If we accept that shared value is the most strategic form of CSR, a high degree of sustainability integration is needed in the cognitive and organisational structures and technical systems and processes. The thesis points to the need for additional urgent and far-reaching changes in the organisational culture, structure and processes of hotel groups if they are to become significant agents of sustainable development by establishing and operationalising shared value strategies.
First, a shared value approach entails a culture that fosters a commitment to sustainable development and stakeholder accountability. The adoption of the shared value approach requires high internal awareness and top management commitment to sustainability to enable managers to pursue sustainable objectives, the benefits of which may have a medium-to-long-term effect on the organisation's competitiveness, while addressing sustainability performance in relation to stakeholder expectations. Instead, the current decisions based on a short-term instrumental approach to sustainability can lead to a reductive use of the MBSC framework that can fail to support progress towards shared value. One needs to be cautious in modifying the MBSC since different rationalities can drive the nature of the framework, resulting in different outcomes.

Second, successful management of a CSV strategy with the MBSC requires an appropriate organisational structure, coordination between the organisation's departments and non-traditional partners, and resources for adopting the necessary processes. The processes to manage the relationship with stakeholders (stakeholder management capability), which was found to be ad hoc and reactive in this study, and the previous relationship with stakeholders (stakeholder influence capacity), found to be mostly narrow and symbolic, limited the future CSR activities the hotel groups could pursue. The fact that only 11 out of 50 hotel groups assessed materiality, and that the formal assessments lessened the stakeholder logic, denoted a lack of capabilities that fundamentally limit the potential adoption of the MBSC. Stakeholder concerns should become an integral part of the organisation. Key to this effort is increasing stakeholder and materiality-related capabilities so as to enable the broad identification and substantive stakeholder engagement in order to identify shared material issues and address them.

Lastly, operationalising shared value also demands having systems in place such as information management tools and control systems to support the collecting and monitoring of actions to then report back to stakeholders on the organisational performance and its contribution to sustainable development. Nonetheless, hotels used isolated systems not deployed consistently across properties and not integrated with the financial control systems that limited their ability to collect accurate and robust data on organisational performance, suggesting further challenges for measuring shared value with system-level metrics in the MBSC. The MBSC requires a substantial change in established accounting systems to include environmental, social and financial issues in a single and overarching strategic management tool, which becomes a struggle for organisations without an overall
performance management system. This all suggests the need for taking future research into shared value in new directions by focusing on the previous determinants for change management.

The MBSC’s whole-hearted adoption of CSV strategies makes its broad implementation seem rather infeasible given the current reality of the hotel industry. While advances from some leaders in the industry have seemed promising, this research shows they still are some steps away from the tipping point. The likely adoption of a framework that aims to enact progress towards more proactive CSR is directed to those few industry members that evidence more advanced approaches to sustainability management. Those that have broad stakeholder identification and symbolic engagement, empowered CSR departments, formal roles and responsibilities, and accountability mechanisms, and are keen on adopting an organisation-wide performance management system, will be more prepared to adopt an MBSC. It is evident that in the case of hotel groups that have higher sustainability integration, environmental and social issues will play a more prominent role in the MBSC.

Still, the MBSC is designed in such a way that its step-by-step guide widens its applicability from more active CSR players to mainstream, reactive, organisations, as long as they are willing to commit to shared value and to engage openly with the principles of inclusiveness, materiality and responsiveness as a means to operationalise this commitment. Hence, the MBSC can help large hotel groups to move towards a more substantial contribution to sustainable development as long as they are willing to change the premises through which they engage with sustainability and thus are also prepared to invest in the necessary organisational changes in their structure and processes for its consecution.

8.2. Theoretical contribution

Overall, this research is interdisciplinary because CSR is grounded in several fields (Taneja, Taneja, and Gupta 2011), as such, this research adds to the body of knowledge regarding the strategic management of sustainability and sustainability accounting specific for the hotel industry. It makes three contributions; i) it identifies internal organisational determinants driving CSR management and reporting, ii) it establishes their implications for the mismanagement of sustainability and the symbolic adoption of reporting guidelines and, iii) it proposes a strategic management framework to operationalise shared value between an organisation and its stakeholders.

First, the thesis identifies internal determinants to CSR management, perceived by those managing and preparing sustainability reports and industry experts, suggesting that an organisation’s level of
sustainability integration may contribute to its management or mismanagement of material issues. Cognitive factors (such as managerial attitudes and organisational culture) are critical barriers for substantive adoption of the accountability principles; this complements existing research that has found that those same factors affect CSR in other industries (e.g., Pistoni, Songini, and Bavagnoli 2018, Weaver, Trevino, and Cochran 1999). Furthermore, this study identifies that organisational determinants (such as a hotel’s ownership structure, resource allocation and stakeholder management capability) that have previously been found to constrain reporting (Melissen, van Ginneken, and Wood 2016, Moratis and Brandt 2017), seemed to influence CSR decision making. The cognitive and organisational factors outlined above have a knock-on effect on the systems and process of managing and reporting sustainability, evidenced in the ability of hotel groups to define indicators and collect and monitor sustainability data, which complements the limited research on the performance management of sustainability within hotel groups (e.g., Bohdanowicz-Godfrey and Zientara 2015). By identifying internal organisational determinants that have received insufficient attention in prior studies in hotel groups, this research contributes to the literature in search of an in-depth understanding of the ‘process’ of CSR decision making and implementation (e.g., Wang et al. 2016). The study identifies factors influencing the adoption, the extent and the quality of CSR management and reporting, in the light of which the proactivity of large hotel groups’ CSR and stakeholder accountability has been interpreted.

In particular, this research directly addresses calls within the literature for a greater understanding of determinants underpinning the adoption and implementation of shared value (see for example Corazza, Scagnelli, and Mio 2017). Notably, it is the first study that provides such knowledge in the hospitality industry, since only one prior study has investigated the benefits of adopting shared value initiatives in small-scale accommodation establishments (Camilleri 2016). CSV demands profound changes within organisations (Matinheikki, Rajala, and Peltokorpi 2017), and hotel groups are not an exception: they need to embrace a holistic approach to catalyse drivers for this strategic change that underlines the inclusion of stakeholders’ requests. Internally, hotel groups need to shape the commitment to genuinely embrace the shared value approach and invest in the necessary capabilities, to consider the appropriateness of their organisational structure, and to revisit their performance measurement and management systems. Externally, they need to forge relationships with stakeholders based on being transparent in disclosure and responsive to their concerns. Thus, the
study sheds light on the need to improve CSR management and disclosure processes if they are to move towards shared value creating strategies.

Second, the study provides insights into the implications of the internal organisational determinants to CSR management and reporting for the mismanagement of material issues, and the symbolic adoption of reporting guidelines found in the industry; thus, it adds to the literature on sustainability accounting. It has responded to the need to gain a more in-depth understanding of the inclusiveness and materiality assessment than that available from disclosure in sustainability reports (Unerman and Zappettini 2014), thus complementing earlier research on the reporting processes based on information disclosed (e.g., Manetti 2011, Moratis and Brandt 2017) and case studies (e.g., Lai, Melloni, and Stacchezzini 2017). This thesis answers the calls for evidence on how organisations conceptualise and apply the materiality principle, thus extending earlier conceptual research in the hotel industry (Jones, Hillier, and Comfort 2016). It constitutes the first empirical study conducted on the disclosure of materiality (Guix, Bonilla-Priego, and Font 2018) and the application and barriers to its uptake (Guix, Font, and Bonilla-Priego forthcoming). Notably, the research extends the managerial capture earlier identified in social auditing (Owen et al. 2000) by characterising five factors: stakeholder representativeness; procedural quality; the quantity and quality of stakeholder feedback; and the quality of the outcomes of the materiality assessment (some of which have been studied in isolation in previous research (Zadek and Raynard 2002)). The characterisation of managerial capture suggests methodological issues in getting the materiality principle implemented in organisations, which has relevant implications for the interpretation of reporting content and for further development of reporting guidelines.

The investigation of the materiality determination, and the evidence on its managerial capture, provide more robust information on whether and, if so, to what degree, and how, hotel groups are integrating stakeholder engagement into their sustainability reporting process, and thus abusing such processes to mismanage material issues and symbolically adopt reporting guidelines. The identification of managerial capture opens new opportunities for studying the underlying decisions determining materiality that can lead to the intentional or unintentional misclassification of sustainability issues and the associated internal and external consequences and, as such, it contributes to recent academic discussions into the mismanagement of sustainability (e.g., Maniora 2018). Also, the factors leading to managerial capture, together with the study of inclusiveness, materiality and responsiveness, add to the literature concerned with the symbolic adoption of
reporting guidelines (see Behnam and MacLean 2011, Adams 2004), by pinpointing critical issues that can contribute to perpetuating intentional mismanagement of material issues and greenwashing tactics. This research therefore strengthens the concern about how voluntary reporting does not lead to accountable and transparent reporting, neither for the content (e.g., Hahn and Lülfs 2014, Adams 2004) nor for the process of reporting (e.g., Moratis and Brandt 2017, Morrós 2017, Manetti 2011, Guix, Bonilla-Priego, and Font 2018, Guix, Font, and Bonilla-Priego forthcoming). The novel approach to studying the three principles of inclusiveness, materiality and responsiveness altogether opens the “black box” of the process by which stakeholders are engaged to define and determine materiality in a sustainability reporting context. It offers insights into the assessment of the quality of reporting, and provides a more robust interpretation of the content of the sustainability reports as being the outcome of such processes.

Third, this thesis also contributes to knowledge by developing the Materiality Balanced Scorecard (MBSC), an integrated framework that extends the concepts of the Balanced Scorecard (Kaplan and Norton 1993) and the Sustainability Balanced Scorecard (Figge et al. 2002a) for the creation of shared value (Porter and Kramer 2011). This strategic management framework contributes to the literature addressing the relationship between sustainability performance management and reporting that remains in an explorative stage (e.g., Morioka and de Carvalho 2016, de Villiers, Rouse, and Kerr 2016). By introducing the AA1000SES principles (2015), and proposing modifications to suit the shared value framework, the MBSC addresses several shortcomings from earlier performance management systems, such as; the limited guidance on stakeholder identification and engagement (inclusiveness), the prioritisation of sustainability issues before building the scorecard (materiality assessment), and the monitoring of the organisation’s response to material issues (responsiveness). The MBSC responds to the calls for more integrative measurement and management of sustainability (e.g., Maas, Schaltegger, and Crutzen 2016). The MBSC is proposed to assist organisations in overcoming the challenge of defining the strategy content and audience when balancing sustainability and stakeholder trade-offs, clarifying the links between the tangible and intangible results for the organisation and society. In addition, by being a participative process, it can empower employees, stimulate learning and reduce the resistance to change. Despite its limitations (see section 4.5), the MBSC contributes to the theoretical development of SBSC in line with the work of previous researchers (e.g., Figge et al. 2002a, Van der Woerd and van Den Brink 2004, Nikolaou and Tsalis 2013).
As part of the MBSC, this thesis also contributes to the limited literature providing organisations with guidelines for implementing shared value (e.g., Porter et al. 2012, Bockstette and Stamp 2011) by proposing modifications in the existing principles of inclusiveness, materiality and responsiveness of reporting guidelines (International Federation of Accountants 2015, AccountAbility 2015, SASB 2013, GRI 2013a). For the shared value approach, stakeholder expectations need to steer performance improvements; thus, a broad identification and substantive stakeholder engagement is proposed for which stakeholder culture, stakeholder management capability and stakeholder influence capacity are identified as determinants (inclusiveness). Issues central to the CSV strategy need to be material to stakeholders and the organisation and bring about competitive advantage. This study therefore proposes a new definition of materiality in the context of shared value, and an assessment process with non-prescriptive criteria based on the congruence of the issue with the strategic frame and with the expressive logic to determine materiality, and also on the potential disruptiveness, the intensity of change, and systemic impact. Then, transparency must be advanced to legitimise the organisation’s actions through the substantive adoption of reporting guidelines and the provision of a substantive and accommodative response to material issues (responsiveness). Through these guidelines, the MBSC is proposed as a strategic framework that can be used as an intermediate stage assisting the profit-driven organisation to move towards being more mission-driven and holistically sustainable. Thus, this study fits within the recent uptake of research on applications of shared value (e.g., Kramer and Pfitzer 2016, de los Reyes, Scholz, and Smith 2017, Matinheikki, Rajala, and Peltokorpi 2017, Corazza, Scagnelli, and Mio 2017).

8.3. Practical implications

The research findings have several practical implications for CSR managers, organisations setting sustainability reporting standards and stakeholder facilitators of CSR management and reporting processes.

The study calls attention to three levels CSR determinants having implications for managers when implementing strategic change towards shared value. The study proposes the Sustainability Integration Matrix as a method to assess the sophistication of the CSR processes of an organisation by graphically representing the sustainability integration. Through its application it is possible to reveal the existing strengths and weaknesses of the organisation at the cognitive, organisational and technical levels, which can deliver important information to help revise the existing management of
CSR. Notably, the advances in cognitive sustainability integration have the potential to lead to the long-lasting formalisation of the organisational structure for sustainability and associated technical systems and processes. In addition, an improved understanding of the determinants of CSR in hotel groups may serve to develop industry guidelines for further shared value.

The results on reporting processes help report readers to develop a more critical view of, and be cautious when interpreting, the reported information, based on an improved awareness of how the principles of inclusiveness and materiality are interpreted and applied by an organisation and how this directly impacts the quality of the sustainability report. The study proposes the Accountability Matrix as a tool to assess an organisation’s accountability to stakeholders based on the disclosure of inclusiveness, materiality and responsiveness. The alignment between the degree of disclosure in respect to these three principles is more important than presenting any of the three as being accomplished in full, while still ignoring the others; hence the importance of acknowledging the interrelation of the three steps. For example, having a broad stakeholder identification (high inclusiveness) and substantive engagement as a process to surface stakeholder concerns (high materiality), not accompanied by the disclosure of the final distribution of the output (no-responsiveness), is undesirable for maximising the role of sustainability reports as a mechanism for accountability. Altogether these two diagnostic tools can support a discussion of the changes required in the internal management and external disclosure to embed further progress in the continuum from reactive to proactive CSR.

The study has contributed with information of interest to organisations setting sustainability reporting standards. It has raised concern over the symbolic adoption of reporting guidelines and the opaque disclosure that limits the external stakeholders’ ability to distinguish between the management and mismanagement of material issues. It has also illustrated a gap between CSR practices and corporate disclosure for the hotel industry, since reporting does not reflect the variability of the organisational structures, systems and processes with which they manage sustainability. The study suggests the need to introduce enforcement mechanisms and sanctions for non-compliance in voluntary reporting and to address the limited adoption of independent external assurance, and its scope. The inclusion of more internal organisational factors than the ones currently required in sustainability reporting guidelines may be valuable information to external stakeholders. Similarly, the results contribute to a better understanding of the determinants of materiality adoption.
in hotel groups, which can further inform stakeholder facilitators of the materiality process in the development of industry guidelines.

Finally, the MBSC offers a strategic roadmap for managers on how to introduce the necessary steps for shared value creation. The specific guidelines to operationalise inclusiveness, materiality and responsiveness for shared value may be of interest to organisations willing to adopt the proactive management of stakeholder interests by means of creating competitive advantage.

Overall, the findings offer multiple opportunities for engaging the industry, either directly or through non-governmental bodies such as the United Nations Environmental Programme, the International Tourism Partnership or the World Travel and Tourism Council. In this study, industry engagement was limited to the collaboration with UNEP, proving a platform for knowledge transfer from the research article (see Guix, Bonilla-Priego, and Font 2018) to the industry on the disclosure of sustainability reporting processes and environmental indicators of hotel groups at a parallel session of COP22 (see Section 10.7). Further engagement could provide an opportunity for conversations on bridging sustainability performance management and reporting that can bring about the necessary examples and confidence to encourage other members of the industry to advance towards the holistic management of sustainability. Similarly, engagement with regulatory bodies and reporting guidelines can provide the opportunity for furthering changes to encourage substantive rather than symbolic adoption of both mandatory and voluntary reporting frameworks.

8.4. Limitations and directions for future research

The exploratory nature of this research, coupled with its limitations, helps to lay the foundations for new lines of inquiry concerning: i) empirically testing the theoretical contributions, ii) qualitatively researching the organisational determinants identified, ii) employing comparative and longitudinal studies over time, and iv) involving stakeholders in the assessment of CSR.

First, the MBSC and the guidelines for inclusiveness, materiality, and responsiveness for shared value have been developed theoretically. The research is limited by its methodology. In particular, the current state of research on CSR management and reporting in the hotel industry required an initial explorative qualitative approach. Furthermore, the researcher was unable to secure an organisation to test the MBSC empirically, despite multiple attempts. Consequently, further research is needed to engage with the industry and operationalise and empirically test the MBSC and its guidelines for shared value. Further research is needed to demonstrate the practicability of the framework.
Second, because of the interdisciplinary topics being researched, the data collection prioritised breadth over depth of information about each of the determinants. Further empirical research into the interaction between performance management systems and sustainability reporting would increase the understanding of complementarities, preventers and enablers for increased integrative measurement, management and reporting of sustainability. Because of the small sample size (18 sustainability reports reviewed and 16 semi-structured interviews), and the limited disclosure of information by the interviewees, conclusions from this research are tentative. For example, due to data availability across the sampled hotels the Sustainability Integration matrix incorporates five out of the 7-S variables; thus further research may explore the remaining two (staff and skills). A case study approach may also provide opportunities to elucidate further the internal factors that influence decision making, leading to the management or mismanagement of material issues and the symbolic or substantive adoption of sustainability reporting. Extending the sample to include organisations not reporting sustainability may be fruitful in broadening the identified determinants. Further qualitative research could also shed light on the relationship between sustainability integration, CSR performance and CSR disclosure, since the comparison between the Accountability Matrix and the Sustainability Integration Matrix led to mixed results. In this line, it may be of interest to examine the stakeholders’ perceptions of information asymmetry between management and report readers.

Third, the study builds on a cross-sectional analysis of a subset of hotel groups at a specific point in time, which provides state-of-the-art information about CSR processes. Thus, further studies may also consider researching internal organisational factors to determine the interrelation of sustainability performance management and reporting through a longitudinal research design, complemented with the analysis of the disclosure of CSR actions and performance. Such a study could inform about trends and pathways towards CSR in the hotel industry.

Finally, the opaque materiality considerations in sustainability reports, and the interviewees’ responses during this research, suggest a methodological challenge in respect to the possibility of researching the quality of materiality determination processes by organisations. Further qualitative research in sustainability accounting may provide an understanding of the issues contributing to managerial capture, including the judgment process and the power dynamics of materiality determination from the perspectives of both managers and stakeholders.
9. References


Baumüller, Heike, Christine Husmann, and Joachim Von Braun. 2014. *Innovative business approaches for the reduction of extreme poverty and marginality*? Amsterdam, Netherlands: Springer.


BT. 2014/15. Our materiality methodology. BT.


GRI. 2013d. The sustainability content of integrated reports–a survey of pioneers. Amsterdam: Global Reporting Initiative.


Lueg, Rainer, and Ana Luisa Carvalho e Silva. 2013."When one size does not fit all: a literature review on the modifications of the balanced scorecard." *Problems and Perspectives in Management* 11 (3):61-69.


Matinheikki, Juri, Risto Rajala, and Antti Peltokorpi. 2017. "From the profit of one toward benefitting many—Crafting a vision of shared value creation." *Journal of Cleaner Production* 162 (Supplement):83-93.


MGM Resorts International. 2015. 2014 Corporate Social Responsibility - Report Inspiration begins with us! Las Vegas, United States: Corporate Reports Inc.


Shangri-la Hotels and Resorts. 2015. 2014 UN Global Compact Communication on Progress. Hong Kong: Shangri-la Hotels and Resorts.


Sustainability Accounting Standards Board. 2016b. Implementation guide for companies. San Francisco, United States.


Wagner, Marcus, and Stefan Schaltegger. 2006. "Mapping the links of corporate sustainability: Sustainability balanced scorecards as a tool for sustainability performance measurement and management." In Managing the Business Case for Sustainability: The Integration of Social,


Weernink, O., and M. Willemijn. 2014. "Strategy implementation processes of small businesses in the hospitality industry." Faculty of Management and Governance, University of Twente.


10. Appendices

10.1. Appendix 1: List of the 50 largest hospitality groups in the world (Hotels Magazine, 2015)

<table>
<thead>
<tr>
<th>Ranking 2014</th>
<th>Organisation</th>
<th>Location</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Hilton Worldwide</td>
<td>USA</td>
</tr>
<tr>
<td>2</td>
<td>Marriott International</td>
<td>USA</td>
</tr>
<tr>
<td>3</td>
<td>IHG (InterContinental Hotels Group)</td>
<td>England</td>
</tr>
<tr>
<td>4</td>
<td>Wyndham Hotel Group</td>
<td>USA</td>
</tr>
<tr>
<td>6</td>
<td>Accor Hotels</td>
<td>France</td>
</tr>
<tr>
<td>8</td>
<td>Starwood Hotels &amp; Resorts Worldwide</td>
<td>USA</td>
</tr>
<tr>
<td>13</td>
<td>Carlson Rezidor Hotel Group</td>
<td>USA</td>
</tr>
<tr>
<td>14</td>
<td>Hyatt Hotels Corp.</td>
<td>USA</td>
</tr>
<tr>
<td>17</td>
<td>Meliá Hotels International</td>
<td>Spain</td>
</tr>
<tr>
<td>24</td>
<td>Whitbread</td>
<td>England</td>
</tr>
<tr>
<td>25</td>
<td>NH Hotel Group</td>
<td>Spain</td>
</tr>
<tr>
<td>28</td>
<td>MGM Resorts International</td>
<td>USA</td>
</tr>
<tr>
<td>29</td>
<td>Riu Hotels &amp; Resorts</td>
<td>Spain</td>
</tr>
<tr>
<td>33</td>
<td>Walt Disney Co.</td>
<td>USA</td>
</tr>
<tr>
<td>35</td>
<td>Caesars Entertainment Corp.</td>
<td>USA</td>
</tr>
<tr>
<td>36</td>
<td>Shangri-La Hotels and Resorts</td>
<td>China</td>
</tr>
<tr>
<td>38</td>
<td>Eastern Crown Hotels Group China</td>
<td>China</td>
</tr>
<tr>
<td>39</td>
<td>Millennium &amp; Copthorne Hotels</td>
<td>England</td>
</tr>
<tr>
<td>37</td>
<td>jinking Hotels &amp; Resorts Corp</td>
<td>China</td>
</tr>
<tr>
<td>31</td>
<td>Scandic Hotels</td>
<td>Sweden</td>
</tr>
<tr>
<td>5</td>
<td>Choice Hotels International</td>
<td>Rockville, Maryland, USA</td>
</tr>
<tr>
<td>10</td>
<td>Best Western International</td>
<td>Phoenix, Arizona, USA</td>
</tr>
<tr>
<td>26</td>
<td>New Century Hotels &amp; Resorts</td>
<td>Hangzhou, China</td>
</tr>
<tr>
<td>30</td>
<td>FRHI Hotels &amp; Resorts (Fairmont)</td>
<td>Toronto, Canada</td>
</tr>
<tr>
<td>32</td>
<td>Red Roof Inn</td>
<td>Columbus, Ohio, USA</td>
</tr>
<tr>
<td>34</td>
<td>Travelodge Hotels</td>
<td>Thame, England</td>
</tr>
<tr>
<td>43</td>
<td>Vienna International Hotels &amp; Resorts Vienna house</td>
<td>Austria</td>
</tr>
<tr>
<td>44</td>
<td>Nordic Choice Hotels</td>
<td>Oslo, Norway</td>
</tr>
<tr>
<td>48</td>
<td>Ascott Ltd.</td>
<td>Singapore</td>
</tr>
<tr>
<td>49</td>
<td>Iberostar Hotels &amp; Resorts</td>
<td>Palma de Mallorca, Spain</td>
</tr>
<tr>
<td>7</td>
<td>Plateno Hotels Group</td>
<td>Guangzhou, China</td>
</tr>
<tr>
<td>9</td>
<td>Shanghai Jin Jiang International Hotel Group Co.</td>
<td>Shanghai, China</td>
</tr>
<tr>
<td>11</td>
<td>Home Inns &amp; Hotels Management</td>
<td>Shanghai, China</td>
</tr>
<tr>
<td>12</td>
<td>China Lodging Group</td>
<td>Shanghai, China</td>
</tr>
<tr>
<td>15</td>
<td>GreenTree Inns Hotel Management Group</td>
<td>Shanghai, China</td>
</tr>
<tr>
<td>16</td>
<td>G6 Hospitality</td>
<td>Carrollton, Texas, USA</td>
</tr>
<tr>
<td>18</td>
<td>Magnuson Hotels Worldwide</td>
<td>Spokane, Washington, USA</td>
</tr>
<tr>
<td>19</td>
<td>Westmont Hospitality Group</td>
<td>Houston, Texas, USA</td>
</tr>
<tr>
<td>20</td>
<td>LQ Management (La Quinta)</td>
<td>Irving, Texas USA</td>
</tr>
<tr>
<td>21</td>
<td>Interstate Hotels &amp; Resorts</td>
<td>Arlington, Virginia, USA</td>
</tr>
<tr>
<td>22</td>
<td>Extended Stay Hotels</td>
<td>No</td>
</tr>
<tr>
<td>23</td>
<td>Vantage Hospitality Group</td>
<td>Coral Springs, Florida, USA</td>
</tr>
<tr>
<td>27</td>
<td>Toyoko Inn Co.</td>
<td>Tokyo, Japan</td>
</tr>
<tr>
<td>40</td>
<td>Ambridge Hospitality</td>
<td>Plano, Texas, USA</td>
</tr>
<tr>
<td>41</td>
<td>Zhuyou Hotels Group</td>
<td>Hangzhou, China</td>
</tr>
<tr>
<td>Rank</td>
<td>Company Name</td>
<td>Location</td>
</tr>
<tr>
<td>------</td>
<td>------------------------------------</td>
<td>------------------------</td>
</tr>
<tr>
<td>42</td>
<td>Barcelo Hotels &amp; Resorts</td>
<td>Palma de Mallorca, Spain</td>
</tr>
<tr>
<td>45</td>
<td>HK CTS Hotels Co.</td>
<td>Beijing, China</td>
</tr>
<tr>
<td>46</td>
<td>99-Inn Management Co.</td>
<td>Shanghai, China</td>
</tr>
<tr>
<td>47</td>
<td>BTG-Jianguo Hotels &amp; Resorts</td>
<td>Beijing, China</td>
</tr>
<tr>
<td>50</td>
<td>APA Group</td>
<td>Tokyo, Japan</td>
</tr>
</tbody>
</table>

Source: Author compilation from Hotels Magazine, 2015.
10.2. Appendix 2: Content analysis themes and research questions

The questions in italics were eliminated after the pilot test.

**Context. Organisation and Report profile**

(A) Organisation profile

A1. What’s the organisation name?
A2. Where can be the report founded? Website/report link
A3. What is the year of publication of the last report?
    A3.1. What is the reporting period for the information provided?
A4. What is the size of the organisation?
A5. What are the organisation ownership and legal form?
A6. What is the reporting cycle?
A7. Does the report provide a contact point for questions regarding report content?
A8. Does the report explicitly mention Corporate Social Responsibility indexes, standards and certifications?

(B) Reporting General Information

B1. Which version of GRI or IRF guidelines follows the report?
B2. What is the application level of GRI guidelines?
B3. What is the report title?
B4. What is the report length?
B5. Is there evidence of explicit intention to produce an integrated report?
B6. What is the structure of the report?

**Theme 1. Stakeholder identification and Stakeholder engagement**

(C) Stakeholder identification

C1. Has a proper section been devoted to SI in the report?
C2. Does the organisation describe the stakeholders to whom it considers itself accountable? If yes, which are the stakeholder groups identified?
C3. How many stakeholder groups are identified as main stakeholders?
C4. Does the report explain the basis for identification?

(D) Stakeholder engagement

D1. What are the aims and objectives of SE?
D2. Is the SE process explained?
D3. Which are the steps taken in the SE process?
D4. Degree of stakeholder representation
    D4.1. Have all stakeholders identified in the report been engaged?
D5. Are stakeholders engaged as a preventive strategy in the earlier stages of planning and accounting (information gathering) or stakeholders are addressed to review the final document ready to be released?
D6. Which is the frequency of engagement by stakeholder group?
D7. Is there stakeholders’ perception of the previous edition of the sustainability report?
D8. If so, are stakeholders required to express their opinion on the materiality and reliability of the information displayed?
D9. Engagement channels and methods
    D9.1. Are the channels and methods used to reach the stakeholders identified?
    D9.2. Which are the methods used for each stakeholder group?
D10. Which are the levels of stakeholder participation used?
D11. Are difficulties met in SE stated?
D12. If yes, which are the difficulties? (Time, human resources, others)
D13. Are the commitment and objectives to report continuous improvements declared?
D14. Are specific guidelines used in SE? If yes, which ones?
D15. Does the report evidence the search for obtaining feedback on the organisation’s repercussions on stakeholders?
D16. Does the report claim the search for measuring the impact of stakeholders’ expectations to the organisation?
D17. Does the report explain a organisation’s governance structure specifically for the stakeholder engagement?

**Theme 2. Determining report content trough Materiality and use of Materiality matrix**

(E) Defining report content: Materiality (GRI, 2013c)

E1. Does the report explain the meaning of ‘significance’ or ‘material’?
E2. If yes, how is the meaning of ‘significance’ or ‘material’ explained?
E3. Are material issues identified?
E4. How many issues are taken into account for the MA?
   E4.1. How many out of them are material?
E5. Which are the issues identified?
E6. Are the entities for which the aspects are material identified?
E7. Does the report explain the time and resources dedicated to assessing and prioritizing the demands of the different stakeholders?

E8. Does the report explain how the organisation has responded or plans to respond to the stakeholders concerns?
   E8.1. If yes, to which ones?
E9. Does the report explain why the aspects are material?
E10. What is the process of identifying material issues? Steps taken
    E10.1. Specific stakeholder engagement for materiality
    E10.2. Other process
E11. What are the value criteria to determine materiality?
E12. Are difficulties met in determining materiality stated?
   E13. If yes, which are the difficulties?

(F) Defining report content: the Materiality Matrix
F1. Does the report include a visual Materiality Matrix?
F2. From the list below, how are the issues described in the MM?
F3. Which is the name of the X-axis of the MM (horizontal)?
F3. Which is the name of the Y-axis of the MM (vertical)?
F5. Does the MM include components of time?
F6. Does the MM have weight in the evaluation of issues?
F7. From the list below, how are the issues scoring represented in the MM?
F8. From the list below, how are the materiality boundaries identified in the MM?
F9. Which level of interactivity does the MM have?
F10. Which is the use of the MM?
F11. Does the report explain how stakeholders' views are weighted to determine materiality in the MM?
F12. If yes, how?
F13. Are difficulties met in building the MM stated?
F14. If yes, which are the difficulties?

Theme 3. Responsiveness
G.1. The organisation communicates the response (actions, commitments...) given for material issues
G.2. The report follows a structure to guide the user to identify responses given to each material issue

Theme 4. Report assurance
H. Report assurance

H1. Assurance profile
   H1.1. Does the report provide an assurance statement?
   H1.2. What is the length of the assurance (Nº of pages)?
   H1.3. Is a contact person for further information provided?
H2. Assurance professional opinion
   H2.1. What is the assurance type?
   H2.2. Which type is the assurance provider?
   H2.3. Who is the assurance provider?
   H2.4. Does the report explain the relationship between the organisation and the assurance provider? If yes, which one?
   H2.5. Are the governance bodies or a senior executive involved in seeking assurance?
   H2.6. Which professional opinion is contained in the assurance statement? (Expert input)
H3. Intrinsic coherence and quality of the assurance statement
   H3.1. Aims and limits of the mandate are clearly defined in assurance statement?
   H3.2. What is the assurance scope?
   H3.3. Is the level of assurance clearly stated?
   H3.4. Does the assurance statement refer explicitly to assurance standards?
H4. Cooperation with third parties by assurance provider
   H4.1. Does the assurance statement contain a reference to consultation with third party individuals or bodies coordinated by the assurance provider?
H5. Stakeholder role in the assurance process
H5.1. Who are intended users of assurance statement?

H5.2. Does the assurance statement refer explicitly to stakeholder consultation during verification process by assurance provider? If yes, how?

H5.3. If the previous answer was affirmative, which stakeholder categories did the assurance provider consult? (Reference to inclusivity)

H5.4. Does the assurance statement mention difficulties or problems met in consulting stakeholders during assurance process? (No difficulties in identifying significant representatives of categories, or in finding/researching)

H5.5. Does assurance provider refers to any sections of report dedicated to stakeholder opinions on previous report?

H6. Assurance content

H6.1. What report content and reporting process are assured by the assurance provider?

H7. Assurance process

H7.1. Are difficulties or improvements met in report assurance stated?

H7.2. If yes, which are the difficulties or improvements?
2016 SUSTAINABILITY REPORTING IN THE HOSPITALITY INDUSTRY

Dear hospitality industry stakeholder,

The University of Surrey with support of the United Nations Environment Programme invites you to participate in a research study on sustainability reporting.

As one of the 50 largest hotel groups in the world, we would like to learn how your organisation is engaging in sustainability management and reporting. Sustainability report and reporting is used here for any form of disclosure of corporate sustainability information regardless of its dissemination format (full printed report; website; online PDF report; sustainability dedicated microsite; summary sustainability reports; site, theme and/or project-specific reports, etc.).

The study is composed of a survey and an interview, to produce a situation analysis of the existing sustainability reporting priorities, needs, and barriers. Could you please complete the survey attached, and return it to us suggesting suitable dates and contact number for an hour interview. Both contribute to better understand how your organisation includes stakeholder needs into your systems for sustainability management. After the interview we will send our report: Assessing Sustainability Reporting in the Hospitality Sector: Challenges and Opportunities. We have attached a sneak preview of the data included, based on the analysis of the sustainability data from the 50 largest hotel groups, including yours.

The results of this survey and interview will inform the UNEP plans to support the hospitality sector to better report, in order to contribute to the 2030 Sustainable Development and Climate Agendas. The results will be presented during an official side event on Tourism and Climate Change at the 22nd Conference of the Parties to the UNFCCC (COP 22) that takes place in Morocco (Marrakesh) between the 7 and 18th November 2016. Anonymous data will also be used for academic purposes to add rigour and quality control.

We kindly ask you to respond by September 30th, 2016.

For additional information, please contact: x.font@surrey.ac.uk and tourism@unep.org

With the support of:
2016 SUSTAINABILITY REPORTING IN THE HOSPITALITY INDUSTRY

Dear hospitality industry stakeholder,

The University of Surrey with support of the United Nations Environment Programme invites you to participate in a research study on sustainability reporting.

As one of the 50 largest hotel groups in the world, we would like to learn how your organisation is engaging in sustainability management and reporting. We are particularly interested in your organisation because we have not been able to find publicly available information on your sustainability efforts. Sustainability report and reporting is used here for any form of disclosure of corporate sustainability information regardless of its dissemination format (full printed report; website; online PDF report; sustainability dedicated microsite; summary sustainability reports; site, theme and/or project-specific reports, etc.).

The study is composed of a survey and an interview, to produce a situation analysis of the existing sustainability reporting priorities, needs, and barriers. Could you please complete the survey attached, and return it to us suggesting suitable dates and contact number for an hour interview. Both contribute to better understand how your organisation includes stakeholder needs into your systems for sustainability management. After the interview we will send our report: Assessing Sustainability Reporting in the Hospitality Sector: Challenges and Opportunities. We have attached a sneak preview of the data included, based on the analysis of the sustainability data from the 50 largest hotel groups.

The results of this survey and interview will inform the UNEP plans to support the hospitality sector to better report, in order to contribute to the 2030 Sustainable Development and Climate Agendas. The results will be presented during an official side event on Tourism and Climate Change at the 22nd Conference of the Parties to the UNFCCC (COP 22) that takes place in Morocco (Marrakesh) between the 7 and 18th November 2016. Anonymous data will also be used for academic purposes to add rigour and quality control.

We kindly ask you to respond by September 30th, 2016. For additional information, please contact: x.font@surrey.ac.uk and tourism@unep.org

With the support of:
10.5. Appendix 5: Participant information sheet (CSR managers)

**Project Title:** 2016 SUSTAINABILITY REPORTING IN THE HOSPITALITY INDUSTRY

**Institutions participating:** University of Surrey

**PhD. Title:** Aligning a company's needs and its stakeholders’ requests: The role of the Materiality Balance Scorecard and its effect on performance.

**Name of Researcher:** Mireia Guix

**Name of the Supervisor:** Professor Xavier Font

**Invitation to participate**

You have been invited to take part in this research project. Before you decide whether to take part in this research, please take the time to read this information sheet. If you have any queries, please do not hesitate to contact the researcher.

**Purpose of the research**

This research is being conducted as part of a PhD thesis for a student of University of Surrey. The purpose of the research is to understand how a hospitality organisation can define sustainability strategic objectives to create shared value, translate them into action, measure outputs and reporting. You have been chosen to participate, as you are one of the 50 largest hotel groups worldwide.

**What will I be asked to do in this research?**

Data for this research project will be collected via two stages: 1) a questionnaire to produce a situation analysis of the existing sustainability reporting priorities, needs, and barriers and 2) a semi-structured, phone or Skype interview with the sustainability manager of the organisation between October and November 2016. The interviews contribute to better understand how your organisation includes stakeholder needs into your systems for sustainability management.

**How will my information be used?**

The information provided in the interviews will inform practitioners and academic publications as a result of this Ph.D. project at Leeds Beckett University.

**Will my information be confidential?**

All answers will be treated with the strictest confidence, and the researcher will hold all gathered data confidentially. The information will be used solely for its intended purpose by the researcher. All participants will remain anonymous, and information that could lead to the identification of individuals will be concealed.
within the final report. Organisation names will be referred by a pseudonym while job titles will be disclosed. The researcher and Leeds Beckett University will comply with the Data Protection Act 1998.

**Can I withdraw from the research?**

Participation in this research project is voluntary and participants can choose to withdraw from the study at any stage.

**Contact Details for Further Information**

Researcher details: Mireia Guix  
E-mail: guixnavarrete.m@gmail.com

Supervisor details: Xavier Font  
E-mail: x.font@surrey.ac.uk

Thank you for taking the time to read this information sheet and for continuing by taking part in the research.

**PARTICIPANT INFORMED CONSENT FORM:**

I, [NAME]____________, of legal age, with ID [ID number]___________, acting on behalf and out of self-interest

DECLARE THAT:

I have received information about the research study entitled *Aligning a company’s needs and its stakeholders’ requests: The role of the Materiality Balance Scorecard and its effect on performance.* I have been provided with an information sheet attached to this consent form for which my participation is requested. I understand its meaning; I have clarified doubts, and the procedure has been explained to me. I have been informed of all aspects relating to confidentiality and data protection regarding the management of personal data that is involved in the research in compliance with the Law 15/1999 on Protection of Personal Data.

My collaboration in the project is entirely voluntary, and I have the right to withdraw from it at any time, revoke this consent, without negatively influencing me in any sense. In the case of withdrawal, I have the right to have my data cancelled in the research.

Likewise, I waive any economic, academic or any other benefit that may arise from the research or its results.

For this, I CONSENT TO:

Participate in the research study *Aligning a company’s needs and its stakeholders’ requests: The role of the Materiality Balance Scorecard and its effect on performance* within the above terms.

Give permission for the interview to be voice recorded. (Please note that this will be destroyed following submission of the research papers).

Give permission for disclosing the job title and use a pseudonym to refer to the organisation.
The researcher Mireia Guix and Xavier Font, as principal researcher, to manage my personal data and disseminate the information the research generates. My identity and privacy are guaranteed to be preserved at all times, as established by law 15/1999 of data protection and supplementary regulations.

In [INCLUDE CITY] to [INCLUDE DATE / MONTH / YEAR]

Name: Organisation:

Signature: Date:
10.6. Appendix 6: Questionnaire questions

Do you use any specific performance management system for sustainability?
Yes/No
Which one?
Why do you select (or not) a specific performance management system for sustainability?
How often is the sustainability strategy reviewed?
And how often is the sustainability budget reviewed?
Is the incentive rewards programme linked to sustainability targets?
Yes/No
Why?
If applicable, to which employee level is the rewards program linked?
Board of directors Senior management Middle management
Operational Others: ________

Sustainability reporting
Do you produce (or not) a sustainability report?
Yes/No
Why?
What are the key drivers for your organisation to produce a sustainability report? (If applicable) Please highlight your degree of accordance. 1=Extremely low, 2=Very low, 3=Somewhat low, 4=Somewhat high, 5=Very high, 6=Extremely high.

<table>
<thead>
<tr>
<th></th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
<th>6</th>
</tr>
</thead>
<tbody>
<tr>
<td>Regulation</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Stakeholder pressure</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Assessment</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Strategic decision</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Can you please provide an estimation of:
Geographic coverage of the sustainability report
Number of staff involved in the sustainability reporting process?
Number of units/departments involved in the sustainability reporting process? If possible, please outline department name and involvement of any subsidiaries separately.
The financial costs of the sustainability reporting process?
Do you follow a particular sustainability reporting guideline/framework?
Yes/No
Why?
Do you follow more than one guideline/framework?
Yes/No
Why?

Stakeholder engagement:
Please indicate whether your stakeholders fall within one or more of the following categories.

<table>
<thead>
<tr>
<th>Owners</th>
<th>Shareholders</th>
<th>Investors</th>
</tr>
</thead>
<tbody>
<tr>
<td>Franchises</td>
<td>Suppliers</td>
<td>Business partners</td>
</tr>
<tr>
<td>Clients</td>
<td>Local communities</td>
<td>Nongovernmental organisations</td>
</tr>
<tr>
<td>Local authorities</td>
<td>Regional authorities</td>
<td>National authorities</td>
</tr>
<tr>
<td>Industry peers</td>
<td>Others: ________</td>
<td></td>
</tr>
</tbody>
</table>

Do you participate in multi-stakeholder initiatives in sustainability? (e.g. International Tourism Partnership)
Yes/No
Could you provide an example?
Why are you (or are you not) participating in a multi-stakeholder initiatives in sustainability?
Are difficulties encountered when engaging stakeholders for sustainability?
Yes/No
Could you provide an example?
Are those difficulties disclosed in a sustainability report?
Yes/No
Why?
Do you communicate in the sustainability report the feedback of stakeholders from the previous report?
Yes/No
Why?
Why or why not does your sustainability report indicate which set of information is aimed at particular stakeholder groups, if applicable?

How do you engage with the relevant stakeholders? Please indicate the level of engagement that best corresponds to your practices.

<table>
<thead>
<tr>
<th>Stakeholders</th>
<th>How (e.g. market research, social media, code of conduct, meetings, surveys, partnerships, councils)</th>
<th>Level of engagement</th>
</tr>
</thead>
<tbody>
<tr>
<td>Owners</td>
<td></td>
<td>Informative Consultative Decisive</td>
</tr>
<tr>
<td>Shareholders</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Investors</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Franchises</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Suppliers</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Business partners</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Clients</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Local communities</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Nongovernmental</td>
<td></td>
<td></td>
</tr>
<tr>
<td>organisations</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Local, Regional and National authorities</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Industry peers:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Others:</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**Sustainability communication**

Which are the dissemination formats of your sustainability information?
Sustainability report Integrated report On-line PDF report
Website Sustainability dedicated microsite Summary sustainability report
Site, theme or project specific Interactive report Others: _________

If applicable, please highlight any particularity/innovation in the way that you disseminate sustainability information.
If applicable, why do you disclose sustainability information in more than one format?
How do you communicate the sustainability strategy internally to the organisation members?
And how do you communicate progress on the sustainability internally to the organisation members?
Environmental Sustainable Development Goals Indicators

Is your organisation aware of the Sustainable Development Goals (SDGs)?

Yes/No

If yes, does it consider that the SDGs will have implications for its sustainability strategy and reporting?

Yes/No

How?

Are you measuring the following indicators and why?

<table>
<thead>
<tr>
<th>Indicators</th>
<th>Measuring</th>
<th>Why (Opportunities Challenges)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>GHG Emissions</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Direct greenhouse gas (GHG) emissions (Scope 1)</td>
<td>Yes/No</td>
<td></td>
</tr>
<tr>
<td>Direct greenhouse gas (GHG) emissions (Scope 1) per unit of net value added</td>
<td>Yes/No</td>
<td></td>
</tr>
<tr>
<td>Energy indirect greenhouse gas (GHG) emissions (Scope 2)</td>
<td>Yes/No</td>
<td></td>
</tr>
<tr>
<td>Energy indirect greenhouse gas (GHG) emissions (Scope 2) per unit of net value added</td>
<td>Yes/No</td>
<td></td>
</tr>
<tr>
<td>Other indirect greenhouse gas (GHG) emissions (Scope 3)</td>
<td>Yes/No</td>
<td></td>
</tr>
<tr>
<td><strong>Energy</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Energy consumption within the organisation</td>
<td>Yes/No</td>
<td></td>
</tr>
<tr>
<td>Energy requirement per unit of net value added</td>
<td>Yes/No</td>
<td></td>
</tr>
<tr>
<td>Amounts of each energy source recognised during the accounting period</td>
<td>Yes/No</td>
<td></td>
</tr>
<tr>
<td><strong>Materials &amp; Waste</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Materials used by weight or volume</td>
<td>Yes/No</td>
<td></td>
</tr>
<tr>
<td>Total weight of waste by type and disposal method</td>
<td>Yes/No</td>
<td></td>
</tr>
<tr>
<td>Waste generated per unit of net value added</td>
<td>Yes/No</td>
<td></td>
</tr>
<tr>
<td>Dependency on ozone depleting substances (ODS) per net value added</td>
<td>Yes/No</td>
<td></td>
</tr>
<tr>
<td>Emissions of ozone-depleting substances (ODS)</td>
<td>Yes/No</td>
<td></td>
</tr>
<tr>
<td>Percentage of materials used that are recycled input materials</td>
<td>Yes/No</td>
<td></td>
</tr>
<tr>
<td><strong>Water</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total water consumption across operations</td>
<td>Yes/No</td>
<td></td>
</tr>
<tr>
<td>Total water withdrawal by source</td>
<td>Yes/No</td>
<td></td>
</tr>
<tr>
<td>Total water consumption per net unit of net value added</td>
<td>Yes/No</td>
<td></td>
</tr>
<tr>
<td>Location-specific data: Water consumption (e.g. in a subsidiary)</td>
<td>Yes/No</td>
<td></td>
</tr>
<tr>
<td>Location-specific data: Water withdrawals by source type (e.g. in a subsidiary)</td>
<td>Yes/No</td>
<td></td>
</tr>
<tr>
<td>Water sources significantly affected by withdrawal of water</td>
<td>Yes/No</td>
<td></td>
</tr>
</tbody>
</table>
Total and percentage of withdrawals in water-stressed or water-scarce areas | Yes/No
---|---
Total water discharge by quality and destination | Yes/No
Location-specific data: Water discharge by quality and destination | Yes/No
Percentage and total volume of water recycled and reused | Yes/No

Are you planning to report under the CDP’s (formerly the Carbon Disclosure Project) Climate Change Programme?
- Currently reporting: Yes, planning to | Not planning to
- Why?

Are you planning to report under the CDP’s Water Programme?
- Currently reporting: Yes, planning to | Not planning to
- Why?
If you report under the CDP, how do you select the information to include in the SR, since we have seen your CDP reports provides much more detailed information.

Assurance
Assurance is the process of providing confidence on the content and process of sustainability reporting, which may involve internal and external stakeholders, and its outcome is the degree of reliance that can be placed on reported data.

Do you undertake internal assurance of sustainability actions before reporting?
- Yes/No
- How?

Do you undertake external assurance of your sustainability report?
- Yes/No
- If yes, has a particular assurance standard been applied?
- Yes/No
- Why?

What is the level of assurance provided?
- Why?

How does an external assurance contribute to your sustainability reporting?

Could you estimate the financial costs of external assurance?

Thank you very much for your collaboration. The information provided will remain anonymous and will contribute to support the sustainability reporting efforts in the hospitality sector. Results will be presented at the 22nd Conference of the Parties to the UNFCCC (COP 22) to advance how the hospitality industry contributes to the 2030 Sustainable Development and Climate Agendas.

Please provide the contacting details for the interview:

Name:
Position:
Phone to be contacted:
E-mail:
Available date:
Available time:
Time zone:
10.7. Appendix 7: Infographic Analysing the quality and credibility of Corporate Social Reporting in the Hospitality Sector, 2016

Analysing the quality and credibility of Corporate Social Reporting in the Hospitality Sector, 2016

The quality and credibility of CSR reports depends on how companies identify and engage with stakeholders to determine the importance of sustainability issues, how they address these stakeholders' concerns, and whether they receive external verification for their reports. In this report, we analyse the CSR reports of the world's 50 largest hospitality companies available in 2016.

Summary of Findings

Key Findings
- Corporate social reporting in the hospitality industry is limited (18 out of 50 companies).
- The quality of the CSR reports' content and reporting process is varied.
- Issues undermine the credibility of these CSR reports: poor stakeholder engagement, limited materiality analysis and lack of independent external assurance.

Materiality
- The process to prioritise sustainability issues is not transparent.
- Companies disclose poorly the criteria to select material issues, methods, resources invested and stakeholders engaged.

Assurance
- External assurance is rarely used to increase the credibility of the reports.
- Transparency of the terms and outcomes of assurance is limited.

Carbon Disclosure Project
- The Carbon Disclosure Project increases hospitality companies' transparency on greenhouse gas emissions and water but has little effect on improving disclosure of other environmental issues.

Sustainable Development Goals
- The industry’s CSR reports face three major challenges to inform decision-making:
  - Disclosing more information on water, materials, and waste.
  - Releasing information in unified metrics that enable benchmarking.
  - Connecting corporate social reporting to the Sustainable Development Goals.

Stakeholder engagement
- Stakeholder engagement is mainly consultative.
- Stakeholder engagement commitments at the strategic level are not followed through to acting and reporting on stakeholder feedback.

* The sampling framework is the top 50 hospitality companies according to the number of rooms, based on the Hotel Magazine ranking (Kleinfelder Magazine, 2015).
Who is reporting?
A large number of companies still do not disclose sustainability matters either via their website or through a published report. Reports are missing critical information on both the reporting process and on environmental performance.

Published CSR reports but did not fulfill criteria* (4%)
- Produce CSR Reports (34%)
- Share some CSR information via website (26%)
- Do not share CSR information (46%)

* Two companies that did publish reports were excluded for not fulfilling the criteria of disclosing information:
(1) InterContinental Hotels & Resorts Corp. did not publish in English and (2) Sande's web-based report only publishes environmental information.

The remainder of our analysis focuses on the group of 18 companies that do produce CSR reports.

How credible are the reports?
Companies adopt different reporting standards to publish credible and quality reports. While some adopt the latest integrated reporting framework that combines financial and nonfinancial performance measures, most opt only for reporting sustainability issues under the Global Reporting Initiative approach.

G4 Global Reporting Initiative
- Integrated Reporting Framework
- G3.1 or G3 Global Reporting Initiative
- None
Which stakeholders were consulted?
Companies feel more comfortable outlining the stakeholder engagement mechanisms used to engage with stakeholders than justifying which stakeholders were identified as their target audience. The quality of sustainability reporting is closely tied to the company’s relationships with stakeholders. Companies may use guidelines such as the G4 – Global Reporting Initiative or the AA1000 Stakeholder Engagement Standard for quality stakeholder engagement.

1. company noted that they consulted all stakeholders listed here.
2. investors 50%
3. companies did not mention any stakeholder consultation.

Why do companies engage with stakeholders?
Companies give five main reasons for consulting stakeholders. Some did not elaborate on their motives.

- Policy and actions: 44%
- Reporting content: 39%
- Reviewing strategic objectives: 28%
- Improving business: 22%
- Building relationships: 17%
- Motives unclear: 22%

How do companies engage with their stakeholders?
Stakeholder engagement may appear to be superficial. Arguably, companies mostly inform or consult stakeholders, to mitigate stakeholder pressure and legitimise their current actions.

- Advocacy efforts, training, presentations: INFORMATIVE
- Meetings, surveys, workshops: CONSULTATIVE
- Partnerships, committees: DECISIVE
How do companies assess what matters to stakeholders?

Companies are reluctant to render the process of assessing what matters to stakeholders transparent and only disclose some disconnected actions.

- **61%**: Identify relevant sustainability issues
- **22%**: Identify stakeholders for whom the issues are important
- **39%**: Define the meaning of materiality and explain the reasons why sustainability is important
- **22%**: Participate in multi-stakeholder initiatives to decide what matters in sustainability

Do reports address stakeholders' needs?

Companies are grouped based on their disclosure of sustainability reporting processes (high, medium, and low). Overall, there is limited evidence of how hospitality companies respond to the needs of their stakeholders on three accounts:

- **Stakeholder identification and engagement**: the relevance of the information communicated, by recognising the significant stakeholders and the form and reasons for engagement (vertical axis).
- **Materiality analysis**: evidence of how companies use the stakeholders' insight to inform their sustainability strategy, according to their reports (horizontal axis).
- **Responsiveness**: the degree to which the report addresses the concerns raised by stakeholders (size of the bubble).
Are reports verified?
External assurance provides confidence in the quality and reliability of the content and process of sustainability reporting.

10 companies sought limited assurance and shared partial information on how this took place

6 companies contact employees during the assurance process
8 companies disclose the assurance scope, consisting of specific report sections (limited assurance)
4 companies explain the difficulties encountered when being verified
6 companies disclose the assurance statement
2 companies explain the relationship between the company and the assurer
2 companies had their stakeholder engagement process and their materiality principles verified

Which environmental indicators are disclosed in the CSR reports?
Environmental issues directly related to climate change such as greenhouse gas emissions and energy are the most reported, while other urgent environmental challenges such as water, materials and waste receive little attention.

The Carbon Disclosure Project (CDP) Climate Change increases hospitality companies’ transparency on greenhouse gas emissions while the CDP Water is not yet an extended practice in the industry.
UN Sustainable Development Goals (SDGs)*

Greenhouse gas (GHG) emissions

SDG Goal 13: *Take urgent actions to combat climate change and its impacts.* Most hospitality companies disclose their direct GHG emissions, and indirect GHG from consumption of purchased electricity, heat or steam. While the hospitality industry relies heavily on outsourcing activities, the indirect GHG emissions from those are less frequently reported.

**Energy**

SDG Goal 7: *Ensure access to affordable, reliable, sustainable and modern energy for all.* Nearly all companies provide intensity indicators for both GHG and energy, but they use multiple metrics that hinder benchmarking.

**Water**

SDG Goal 6: *Clean water and sanitation.* SDG Goal 14: *Conserve and sustainably use the oceans, seas and marine resources.* Water-related disclosure is minimal, and companies under-report on location-specific water consumption, withdrawals, and discharge.

**Materials**

SDG Goal 12: *Ensure sustainable consumption and production patterns.* Disclosure of materials and waste is anecdotal.

---

Authors: Mihela Guz, Prof Xavier Font and Dr Maria Jesus Borilla
Technical supervision & editing: Helena Rey, UNEP
Graphics & layout: Thad McLean
For further details contact: x.font@surrey.ac.uk and tourism@unesp.org
Published: September 2016

This document highlights findings from the PhD Thesis "Aligning a company’s needs and its stakeholders' requests: The Materiality Balance Scorecard" due for submission at the University of Surrey in 2017. A draft report can be provided to interested parties on request.
<table>
<thead>
<tr>
<th>Rank</th>
<th>Company</th>
<th>Location</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Hilton Worldwide</td>
<td>USA</td>
</tr>
<tr>
<td>2</td>
<td>Marriott International</td>
<td>USA</td>
</tr>
<tr>
<td>3</td>
<td>IHG (InterContinental Hotels Group)</td>
<td>England</td>
</tr>
<tr>
<td>4</td>
<td>Wyndham Hotel Group</td>
<td>USA</td>
</tr>
<tr>
<td>6</td>
<td>Accor Hotels</td>
<td>France</td>
</tr>
<tr>
<td>8</td>
<td>Starwood Hotels &amp; Resorts Worldwide</td>
<td>USA</td>
</tr>
<tr>
<td>13</td>
<td>Carlson Rezidor Hotel Group</td>
<td>USA</td>
</tr>
<tr>
<td>14</td>
<td>Wyndham Hotel Group</td>
<td>USA</td>
</tr>
<tr>
<td>17</td>
<td>Meliá Hotels International</td>
<td>Spain</td>
</tr>
<tr>
<td>24</td>
<td>Whitbread</td>
<td>England</td>
</tr>
<tr>
<td>25</td>
<td>IHG (InterContinental Hotels Group)</td>
<td>USA</td>
</tr>
<tr>
<td>28</td>
<td>MGM Resorts International</td>
<td>USA</td>
</tr>
<tr>
<td>29</td>
<td>Riu Hotels &amp; Resorts</td>
<td>Spain</td>
</tr>
<tr>
<td>31</td>
<td>Scandic Hotels***</td>
<td>Sweden</td>
</tr>
<tr>
<td>32</td>
<td>Walt Disney Co.</td>
<td>USA</td>
</tr>
<tr>
<td>35</td>
<td>Caesars Entertainment Corp</td>
<td>USA</td>
</tr>
<tr>
<td>36</td>
<td>Shanghai Lujiazui Hotels &amp; Resorts</td>
<td>China</td>
</tr>
<tr>
<td>37</td>
<td>Bally's Hotels &amp; Resorts Corp**</td>
<td>China</td>
</tr>
<tr>
<td>38</td>
<td>Eastern Crown Hotels Group China</td>
<td>China</td>
</tr>
<tr>
<td>39</td>
<td>Millennium &amp; Copthorne Hotels</td>
<td>England</td>
</tr>
<tr>
<td>5</td>
<td>Choice Hotels International</td>
<td>USA</td>
</tr>
<tr>
<td>10</td>
<td>Best Western International</td>
<td>USA</td>
</tr>
<tr>
<td>26</td>
<td>New Century Hotels &amp; Resorts</td>
<td>China</td>
</tr>
<tr>
<td>30</td>
<td>Fairmont Hotels &amp; Resorts (Fairmont)</td>
<td>Canada</td>
</tr>
<tr>
<td>32</td>
<td>Red Roof Inn</td>
<td>USA</td>
</tr>
<tr>
<td>34</td>
<td>Travelodge Hotels</td>
<td>England</td>
</tr>
<tr>
<td>42</td>
<td>Vienna International Hotels &amp; Resorts</td>
<td>Austria</td>
</tr>
<tr>
<td>44</td>
<td>Nordic Choice Hotels</td>
<td>Norway</td>
</tr>
<tr>
<td>48</td>
<td>Ascott Ltd.</td>
<td>Singapore</td>
</tr>
<tr>
<td>49</td>
<td>Best Western Hotels &amp; Resorts</td>
<td>Spain</td>
</tr>
<tr>
<td>7</td>
<td>Platino Hotels Group</td>
<td>China</td>
</tr>
<tr>
<td>9</td>
<td>Shanghai Jin Jiang International Hotel Group Co.</td>
<td>China</td>
</tr>
<tr>
<td>11</td>
<td>Home Inns &amp; Hotels Management</td>
<td>China</td>
</tr>
<tr>
<td>12</td>
<td>China LodgingGroup</td>
<td>China</td>
</tr>
<tr>
<td>15</td>
<td>GreenTree Inns Hotel Management Group</td>
<td>China</td>
</tr>
<tr>
<td>16</td>
<td>GH Hospitality</td>
<td>USA</td>
</tr>
<tr>
<td>18</td>
<td>MagnaRosa Hotels Worldwide</td>
<td>USA</td>
</tr>
<tr>
<td>19</td>
<td>Westminster Hospitality Group</td>
<td>USA</td>
</tr>
<tr>
<td>20</td>
<td>Loews Management (La Quinta)</td>
<td>USA</td>
</tr>
<tr>
<td>21</td>
<td>InterStar Hotels &amp; Resorts</td>
<td>USA</td>
</tr>
<tr>
<td>22</td>
<td>Extended Stay Hotels</td>
<td>USA</td>
</tr>
<tr>
<td>23</td>
<td>Vantage Hospitality Group</td>
<td>USA</td>
</tr>
<tr>
<td>27</td>
<td>Toyoko Inn Co.</td>
<td>Japan</td>
</tr>
<tr>
<td>40</td>
<td>Aimbridge Hospitality</td>
<td>USA</td>
</tr>
<tr>
<td>41</td>
<td>Thursday Hotel Group</td>
<td>China</td>
</tr>
<tr>
<td>42</td>
<td>Barceló Hotels &amp; Resorts</td>
<td>Spain</td>
</tr>
<tr>
<td>45</td>
<td>HK CTS Hotels Co.</td>
<td>China</td>
</tr>
<tr>
<td>46</td>
<td>99-Inn Management Co</td>
<td>China</td>
</tr>
<tr>
<td>47</td>
<td>EDF-Jumeirah Hotels &amp; Resorts</td>
<td>China</td>
</tr>
<tr>
<td>50</td>
<td>APA Group</td>
<td>Japan</td>
</tr>
</tbody>
</table>

* The sampling framework is the top 50 hospitality companies according to the number of rooms, listed at the Hotel Magazine ranking (Hotels Magazine, 2015).
** Two companies that did publish reports were excluded for not fulfilling the criteria of disclosing information:
(1) InterInn Hotels & Resorts Corp. did not publish in English and
(2) Scandic’s web-based report only publishes environmental information.
10.8. Appendix 8: CSR manager’s interview guide

**Stakeholder engagement:**
Which are the criteria and the process for identifying the external stakeholders relevant to your organisation?
- Why your sustainability report communicates (or not) the criteria used to select stakeholders?
- How do you mobilise the partners and efforts needed outside the organisation to achieve the strategy?
- Do you see opportunities to engage with a broader range of stakeholders?
- How could accountability towards stakeholders be improved?

**Materiality:**
How is defined the overall objective of your sustainability strategy? Who is involved?
- Does your organisation conduct a materiality analysis? If not, how do you define the content of the sustainability report?
- For organisations undertaking materiality only:
  - What does ‘materiality’ mean for the organisation?
  - How do you define the objectives, audience, and scope of the materiality analysis?
  - How do you prioritise the significance of sustainability issues to the organisation? And to its stakeholders? (Criteria, method and members involved)
  - Are difficulties encountered when evaluating materiality? Could you provide an example? Why those difficulties are not reported?
  - How do you communicate the materiality analysis results and why? (matrix, table with material issues for the organisation and the different stakeholders, etc.)

**Current sustainability management practices:**
Who participates in implementing the sustainability strategy?
- Departments, roles and responsibilities
Where do you develop the sustainability strategy and reporting?
- Differences between owned, managed and leased hotels
How do you monitor the sustainability progress continuously? (Complements questionnaire questions 1-3)
- Do you encourage open reporting in sustainability? Why and how?
- Do you need to launch change programmes to adapt to the sustainability challenges? How is it done?
- Do you have a specific data collection process for reporting?

**Future:**
What are the challenges in sustainability implementation?
- And reporting?
What could be done to overcome those challenges?
At an industry level:
  - Individually by each organisation:
    - How could transparency be improved?
Thank you very much for your collaboration. The information provided will remain anonymous and will contribute to support the sustainability reporting efforts in the hospitality sector. The results will be presented during an official side event on Tourism and Climate Change at the 22nd Conference of the Parties to the UNFCCC (COP 22) that takes place in Morocco (Marrakesh) between the 7 and 18th November 2016. Results will be used for academic purposes and practitioners’ publications to advance how the hospitality industry contributes to the 2030 Sustainable Development and Climate Agendas.
10.9. Appendix 9: Participant information sheet and consent form (Experts)

PARTICIPANT INFORMATION SHEET

**Project Title:** SUSTAINABILITY MANAGEMENT AND REPORTING IN THE HOSPITALITY INDUSTRY

**Institutions participating:** University of Surrey

**PhD. Title:** Aligning a company’s needs and its stakeholders’ requests: The role of the Materiality Balance Scorecard and its effect on performance.

**Name of Researcher:** Mireia Guix

**Name of the Supervisor:** Xavier Font

**Invitation to participate**

You have been invited to take part in this research project. Before you decide whether to take part in this research, please take the time to read this information sheet. If you have any queries, please do not hesitate to contact the researcher.

**Purpose of the research**

This research is being conducted as part of a Ph.D. thesis for a student of the University of Surrey. The purpose of the research is to understand how a hospitality organisation can define sustainability strategic objectives to create shared value, translate them into action, measure outputs and reporting. You have been chosen to participate, as you are one of the leading experts in the sustainability field in the tourism industry.

**What will I be asked to do in this research?**

Data for this research project is collected via a semi-structured, phone or Skype interview to contribute to better understand the barriers towards integration between sustainability management, performance and reporting.

**How will my information be used?**

The information provided in these interviews will inform practitioners and academic publications as a result of this Ph.D. project at University of Surrey.

**Will my information be confidential?**

All answers will be treated with the strictest confidence, and the researcher will hold all gathered data confidentially. The information will be used solely for its intended purpose by the researcher. All participants will remain anonymous, and information that could lead to the identification of individuals will be concealed within the final report. Organisations’ names will be referred by a pseudonym while job titles will be disclosed. The researcher and the University of Surrey will comply with the Data Protection Act 1998.

**Can I withdraw from the research?**

Participation in this research project is voluntary and participants can choose to withdraw from the study at any stage.

Contact Details for Further Information

Researcher details: Mireia Guix
E-mail: guixnavarrete.m@gmail.com

Supervisor details: Xavier Font
E-mail: x.font@surrey.ac.uk
Thank you for taking the time to read this information sheet and for continuing by taking part in the research.

PARTICIPANT INFORMED CONSENT FORM:

I, [NAME]_________________, of legal age, with ID [ID number]____________, acting on behalf and out of self-interest

DECLARE THAT:

I have received information about the research study entitled Aligning a company’s needs and its stakeholders’ requests: The role of the Materiality Balance Scorecard and its effect on performance. I have been provided with an information sheet attached to this consent form for which my participation is requested. I understand its meaning; I have clarified doubts, and the procedure has been explained to me. I have been informed of all aspects relating to confidentiality and data protection regarding the management of personal data that is involved in the research in compliance with the Law 15/1999 on Protection of Personal Data.

My collaboration in the project is entirely voluntary, and I have the right to withdraw from it at any time, revoke this consent, without negatively influencing me in any sense. In the case of withdrawal, I have the right to have my data cancelled in the research.

Likewise, I waive any economic, academic or any other benefit that may arise from the research or its results.

For this, I CONSENT TO:

Participate in the research study Aligning a company’s needs and its stakeholders’ requests: The role of the Materiality Balance Scorecard and its effect on performance within the above terms.

Give permission for the interview to be voice recorded. (Please note that this will be destroyed following submission of the research papers).

Give permission for disclosing the job title and use a pseudonym to refer to the organisation.

The researcher Mireia Guix and Xavier Font, as principal researcher, to manage my personal data and disseminate the information the research generates. My identity and privacy are guaranteed to be preserved at all times, as established by law 15/1999 of data protection and supplementary regulations.

In [INCLUDE CITY] to [INCLUDE DATE / MONTH / YEAR]

Name:

Organisation:

Signature:

Date:
10.10. Appendix 10: Expert’s interview guide

Dear (name), thank you very much for taking your time to be part of this research. You have been chosen to participate, as you are one of the leading practitioners placing sustainability challenges in the forefront agenda of the tourism and hospitality industry. This interview contributes in general to shed light into the current and potential sustainability integration between performance, management and reporting. If you don’t mind I will proceed to record the interview for better understand your answers, just remember that all the interview will be anonymous, so we won’t refer to your organisation nor to your name, only the job title will be disclosed. (e.g. Expert Nº x: Academic)

General questions:

- What is the challenge for the hospitality industry for moving from unsustainable to sustainable?
- What are the challenges the hospitality industry needs to face in terms of addressing sustainability issues?
- Why do you think those challenges exist?
- What do you think is the mainstream discourse of sustainability within the industry?
- From your point of view, what is preventing change towards more inclusively address sustainability issues/ increase the quality of sustainability reports?
- What are the dominant ideological practices in sustainability management within the industry?
- Could you expand on the mainstream discourse of sustainability within the industry?
- Whose values do you think become represented in corporate decision-making in sustainability?

Sustainability strategy definition

- Could you explain the mainstream approach taken by the industry when defining their sustainability strategy?
- What are the challenges with the current approach to sustainability strategy definition within the hospitality industry?
- What restrictive conditions prevent the ability to change the industry’s behaviour?
- Could you identify the actors to change the current situation?
- Could you provide an achievable practical goal to transform the current reality?

Sustainability implementation

- Could you explain the mainstream approach taken by the industry in sustainability implementation/management?
- What are the challenges with the current approach to sustainability implementation within the hospitality industry?
- What restrictive conditions prevent the ability to change the industry’s behaviour?
- Could you identify the actors to change the current situation?
- Could you provide an achievable practical goal to transform the current reality?
- Which sustainability planning instruments and control systems should organisations have in place within the organisation to support the implementation of the sustainability strategy?

Monitoring sustainability performance

- Could you explain the mainstream approach taken by the industry in monitoring sustainability performance?
- What are the challenges with the current approach to manage sustainability performance within the hospitality industry?
- What restrictive conditions prevent the ability to change the industry’s behaviour?
- Could you identify the actors to change the current situation?
- Could you provide an achievable practical goal to transform the current reality?
- What do you think are the challenges in measuring sustainability (environmental and social)?
- From your point of view, what are the advantages and disadvantages of having a performance management tool used for sustainability the same as for the core organisation?
- And the advantages and disadvantages of having two separate performance management tools one for the organisation’s strategy and the other for sustainability?
• From your experience, is there any relationship or integration between the internal performance management tools used for sustainability and the sustainability reporting in most hospitality organisations?
• Which sustainability planning instruments and control systems should hospitality groups have in place within their organisations to support the implementation of the strategy?
• From your experience is there any integration between performance management tools used for sustainability and sustainability reporting in most of the hospitality organisations?

**Sustainability reporting**

• What is the role for the sustainability reports in achieving the necessary transition from unsustainable to a sustainable industry?
• Who are the intended users/audience of sustainability reports?
• Could you explain the mainstream approach taken by the industry in sustainability reporting?
• Is sustainability reporting an extended practice within the hospitality industry? Why do you think so?
• What are the challenges with the current approach to sustainability reporting within the hospitality industry?
• How could those challenges overcome?
• What is preventing change towards increased sustainability reporting both in numbers of organisations reporting and in terms of quality of reports? (e.g. assurance)
• Could you identify the actors to change the current situation?
• Could you provide an achievable practical goal to transform the current reality?
• Would you consider sustainability reporting an accountability exercise and a legitimating tool? If so, how and why? If not why?
• Are sustainability reports giving more than a social representation of the way the organisations want to be seen?
• Who are the intended users of sustainability reports?
• Have you seen an increase of interest from investors to access sustainability information for financial decisions?
• What is the primary driver for organisations to report sustainability?
• How do the different reporting standards and guidelines compete or complement each other?
• Is there a need to standardise sustainability metrics for the industry across the different standards and frameworks?
• What is the role of reporting guidelines in standardising sustainability metrics?
• Should sustainability reporting become a requirement or should be kept a voluntary activity?

**Materiality Assessment:**

• Have you identified any shortcomings on existing materiality assessment guidelines?
• e.g. how to set a materiality threshold, or how to aggregate the different stakeholders feedback from the questionnaire into a single stakeholder group for the materiality analysis
• How could they be overcome?
• Whose values do you think become represented in the materiality assessment for sustainability reporting?
• How does an industry materiality assessment contributes to the challenges of the hospitality sector?
• Do you think the industry materiality analysis it’s complementary or substitute to an individual organisation materiality assessment?
• Shall materiality assessment be one off exercise or how often should organisations repeat it?
• What are the current challenges for the materiality assessment?
• Shall organisations report the process of materiality analysis and the overall process of engaging stakeholders for building the reports?

**Stakeholder engagement**

• What is preventing organisations to engage in more meaningful ways with stakeholders?
• Do you see another alternative method for organisations to be accountable to their stakeholders in terms of sustainability?
• How could accountability towards stakeholders be improved?

10.11. Appendix 11: Interview themes, categories, subcategories and illustrative quotes

Step 0. Strategic planning and strategic and operational information sharing:
Organisational integration - Structure (7S)
Theme: Ownership structure
• Categories: Owned hotels
Ownership %
“Most of ((name organisation)) hotels are owned; so a good 85 to 90% now” (C4-L)
“Only a 20% of our hotels on management, so it is not a huge issue” (C1-M)
“It is a great issue for Intercontinental for example, or for Hilton” (C1-M)
“Maybe a third of the hotels are franchised, but we don’t own any of our hotels, we only rent the buildings” (C7-W)
“Now all are owned hotels” (C6-L)
Benefits from owning hotels
- Decision-making control
“That gives us a lot of lead way in making decisions” (C4-L)
“In the model of property we are the owners of the hotel, and in one way or another we do what we decided at a corporate level” (C3-M)
- Effective strategy roll-out
“When our hotel is owned they need to follow our strategy, which is great. And we are measuring our strategy, which is great. I mean the accomplishment on our targets, which is great” (C1-M) “making sure they are cascaded without any obstacles in the way” (C4-L)
- Having data
“I mean owned and rent for both we have the data, so we don’t have any problems.” (C1-M)
• Categories: Rental hotels
Conflicts of interest
“We have in the contract with the building owners and with the franchised stakeholders that they are going to implement all our standards and all our fields concerning sustainability and environmental issues. It’s a bit tougher to make changes in the buildings if the owner does not agree with us … And we have to pay for the changes ourselves even though we shouldn't because we don’t own the buildings.” (C7-W)
Decision-making control
“If the hotel is rented, we exploit the hotel according to our criteria, and we can also do what we consider appropriate” (C3-M)
• Categories: Management and franchising contracts
Challenges:
- Limited control
“When we have a management hotel we don’t have such control and the management team on this hotel, the owner of this hotel” (C1-M)
“It is an on-going challenge ensuring that pull through happens unless something is a brand standard” (C5-L)
- Complex management
“We try to develop in all hotels, but we know that it is more complicate not on our own hotels” (C2-M)
“Need a little bit more time for the franchised hotels. I’d say the organisation is not really mature for doing things in the same way in all our hotels” (C8-W)
- Struggle in approving and rolling-out the CSR strategy
“It is huge, this is the big issue... approval on the CSR strategy, it is the issue involving the owners of the hotels on our targets” (C1-M)
“We have different hotels that are managed in different ways and some that we call it franchised hotels, for example, they are more or less right now excluded in our in our roll out the strategy” (C8-W)
- Not sharing data
“We don’t share the database we don’t share the systems sometimes” (C1-M)
“Sometimes you don’t have the data... The problem comes with the with management contracts. And sometimes they’re part of our systems, that we share the systems so that we can track their
accomplishments, but some others not. Some other types of contracts are farther away from being integrated” (C1-M)

"On our annual report we explain for each of them the perimeter, but for most indicators, it is reporting from all hotels... most of the time it is for everybody, but sometimes with the energy or water, it could be just for owned hotels. It’s not the main indicators, not the main but the majority of indicators” (C2-M)

- Partial implementation of performance management systems

"We launched a new system for all hotels and also for sometimes for corporate but not for all. We can follow all the performance with this internal system” (C2-M)

- Barriers in investing on the building

"It’s a bit tougher to make changes in the buildings if the owner is not agreeing with us and has the same focus on sustainability...we have to pay for the changes ourselves even though we shouldn’t because we don’t own the buildings” (C7-W)

"The challenge for us is that we rent all the buildings. So it is another company owning the building and we can’t tell them that they should invest a lot of money to rebuild the buildings to make them more energy effective. So I think that the challenge for us is to convince these people that they should invest more money into the buildings to make them more energy effective” (C8-W)

No difference

- Little resistance

"Haven’t really had many challenges, even with our managed hotels with the CSR strategy. Perhaps only a few of them are reluctant to invest the money that we put aside, for our community invested projects, which is normally 0.1 to 0.2% of the yearly gross operating revenue. It’s on a case to case basis, and there is not enough, let’s say, resistance from the managed hotels” (C4-L)

“Some hotels are very good, and they are not our own hotels” (C2-M)

- Same treatment independent of the ownership

"We don’t categorise them in any different way. It is just a run of the mill exercise for us” (C4-L)

“I think it also comes with the fact that it’s part of the brand and the ethos, and perhaps there is an expectation even from the owners who engage ((name organisation)) to become the management company, that this will happen and this is one of the requirements” (C4-L)

“So in the (energy project) we saw it was more in an owned hotels that we thought we could launch it but in reality, we also have all type of hotels with this best practice” (C2-M)

Mitigation actions

- Inclusive management contracts

"Our expansion and development departments (need) to include these criteria on the management contracts for being sustainable. Otherwise, nothing is going guarantee that they are sustainable” (C1-M)

“We have in the contract with the building owners and with the franchised stakeholders that they are going to implement all our standards and all our fields concerning sustainability and environmental issues” (C7-W)

- Incentive programmes

"We see that both the manager and the chain manager they have to be measured on sustainability too” (C7-W)

“Launching some CSR bonuses... hoping it will help to implement some actions all over the group”(C2-M)

Lead by example in owned hotels

“Sometimes we begin with our hotels to proof that it would be good for other groups of hotels to follow the same actions” (C2-M)

- Education and communication

“All of these strategies are communicated to the managed, franchised and leased hotels” (C5-L)

“To these different groups educate why it’s important, and why it’s helpful in terms of the overall business” (C5-L)

Persuasion

"In a managed hotel we charge some management fees for hotel exploitation. In the models of management and franchise what is prime is how persuasive and capable you are to persuade the owner to be able to develop joint projects " (C3-M)

- Categories: Consequences of not following sustainability targets

Extinguishing management contracts if broken

"We have seen that some contract of the franchised hotels have been extinguished from (organisation name) because they haven’t followed our criteria for sustainability and environmental issues” (C7-W)
“If you don’t find a concept … you need to accomplish our targets otherwise you are not going have an ((organisation name)) hotel brand on the entrance. Either you have this, or you cannot really ask for commitment” (C1-M)

Not everything can be a brand standard

“Not everything can be a brand standard” (C5-L)

“Some of this it’s not mandatory for our franchise hotels, for example, it is recommended. Even on the community engagement front we cannot, I mean there are some things that are brand standards, for example on the environmental performance front. Other things that are not are more flexible but recommended” (C5-L)

Not knowing if sustainability is a brand standard for franchised hotels

“When it comes to the franchised hotels I can’t really answer that; I don’t really know that. Other hotels that we manage 100% ourselves, it’s considered a standard it is not a question of whether or not sustainability should be a part of the goals or objectives, it’s just the way it is” (C8-W)

Theme: Sustainability governance - Roles & responsibilities

• Categories: At the corporation

Chairman / CEO
- Review and approve the strategy
  “The chairman has the final right off (of the CSR strategy), let’s say the CEO” (C4-L)
- Define key stakeholders
  “The key stakeholders were defined with consultation with the CEO and other key members of the organisation” (C4-L)
- Develop performance review
  “Every year have a follow-up, we cover all the data, and then we share it …with the board of directors” (C1-M)

Board of directors
- Review and approve the strategy
  “Approved in the in the board of directors” (C1-M)
  “Always the board of directors with the CSR department” (C6-L)
  “Two commissions of the board of directors deal with specific themes of CSR” (C3-M)

Management / executive committee or Executive councils
- Define sustainability strategy and targets
  “The committee defines the targets at a regional level, and then share them with the business units management committee” (C1-M)
  “It helps to determine the overall environmental sustainability strategy” (C5-L)
  “They are also part of this process for determining our overall goals and directions.” (C5-L)
  “We have a strategic planning committee that develops areas liked with reputation, governance and responsibility” (C3-M)
- Review and approve the strategy
  “So that would be done through the CSR committee at the corporate level with the CEO” (C4-L)
- Receive annual reports
  “Every year have a follow-up, we cover all the data, and then we share it with the management committee” (C1-M)

Mentioned (C2-M)
- Report to CEO
  “They report directly to our CEO” (C5-L)

• Categories: At the shared business units

CSR department
- Define the strategy and targets
  “Part of my job to try and help guide them to create more specific goals that we can report out on” (C4-L)
  “Always the board of directors with the CSR department” (C6-L)
  “Review our CSR plan… present it to the board of directors” (C1-M)
  “We set the targets” (C1-M)
  “Part of my job is helping guide to create more specific goals, SMART goals we can report out on” (C5-L)

Strategy roll out
 “We roll out the strategy and make sure that it’s applied at the hotel level” (C4-L)

- Sustainability performance management
  “We’ve developed called the CSR scorecard” (C4-L)
"We can measure performance amongst the hotels and amongst their employees" (C4-L)
"Every year we have a follow-up, we cover all the data" (C1-M)
- **Reporting**
  "We collect all information, and we take a CSR score from that, and we benchmark in that form" (C4-L)
  "They all send to us, then we quantify them, and then we send out a summary of the performance" (C4-L)
  "We consolidate the reporting" (C1-M)
- **Policy-making**
  "We are looking at more human rights policies that need to be deployed" (C4-L)
- **Social projects**
  "We have a social scan, that we carry out before we go ahead with the projects" (C4-L)
- **Stakeholder engagement**
  "Stakeholder engagement work that we will begin" (C5-L)
- **Assisting and administration**
  "Sustainability department assisting out the director of sustainable business" (C8-W)
  "Sustainability coordinator coordinating and doing a lot of the administration regarding sustainability" (C8-W)
Mentioned (C2-M)
**External consultant**
- **Materiality analysis** (C1-M, C3-M, C8-W)
  "Next week to just set up the meeting with the consultants. So we are just about to embark on it" (C4-L)
- **Reporting (includes MA)**
  "We used an external consultant to help guide us to ensure that we’re aligned with those GRI standards" (C5-L)
- **Developing sustainability PMS**
  "Tool that was under development he’s considered the lead consultant" (C5-L)
- **Verify data**
  "An external company that is verifying those data (environmental) on a quarterly basis" (C1-M)
Mentioned (C2-M)
**Expansion and development departments**
- **Include criteria for management contracts**
  "Expansion and development departments to include these criteria, I mean these aspects, on the contracts, on the management contracts" (C1-M)
**Management committee**
- **Define targets at the regional level, approve and consolidate reporting**
  "They consolidate the reporting on the different hotels” (C1-M)
  "Approval on your management committee on what your targets are ...the committee defines the targets at a regional level and shares targets with the business units management committee” (C1-M)
**Sustainability group**
- **Set priorities redirect projects**
  "The sustainability group with people from all countries...sustainability group discusses what the priorities and activities that should be” (C8-W)
  "Internal working groups that meet on a quarterly basis set objectives, identify needs, opportunities and barriers, and redirect the projects on the environment, human resources, suppliers...” (C3-M)
**Country based management team/Regional managers**
  "One person responsible for social responsibility, one person responsible for environmental responsibility...not their main responsibilities, they are heads of larger responsibilities also undertaking the social or environmental responsibility” (C8-W)
- **Define corporate objectives**
  "Regional responsible visit hotels and define corporate objectives” (C6-L)
**Networks**
- **A network of councils disseminating initiatives**
  "A network of business councils worldwide ...work together to support various issues, such as culture for the company, or corporate social responsibility. They are often the ones, that are pushing the hotels to use the reporting systems and to support various initiatives that we've kicked off” (C5-L)
**A network of programme correspondents for hotel implementation**
  "Having some meetings with them...they can work directly with the hotels, executive hotels, working internally with corporate team to integrate the sustainable development in each hotel” (C2-M)
A CSR representative for each chain
"Having one representative from each hotel chain management...5 person representatives" (C7-W)

Operational committee
"An operational committee that deals with these issues on the day-to-day basis" (C3-M)

- Categories: At the property level

General manager
- Accountable for the strategy development
"Each general manager of the hotels are responsible for developing their strategy" (C1-M)
"Having a general manager...accountable or interested in monitoring these" (E4-C)

Maintenance officer
- Owning the sustainability data
"Control the consumptions ...this is reported at a hotel level" (C1-M)
"The ownership of the sustainability data" (C1-M)

Environmental manager
- Manage environmental sustainability
"Manage sustainability and energy" (C7-W)

External communication
"The main task of most environmental managers is greenwash, most of them are more in communications...trying to avoid somebody things it might be something wrong with the environmental impact of the company" (E8-A)

CSR champion
- At properties and business units
"They are some sustainability champions of CSR because we don't have resources again to have an expert in each hotel, not even in the business units" (C1-M)

- Resident manager
"The resident manager in every hotel is what we call the CSR champion" (C4-L)

Sustainability committee / green team at the property
"Rationalising it through a green team or sustainability committee at the property" (E4-C)

Technical integration - Strategy (7S)
Theme: Strategic planning
- Categories: Strategy definition/revision process

Strategy definition and revision input
- Corporate responsibility model /commitments
"In 2014 we made an analysis to define our global corporate responsibility model that applies its pillars to any regional in which the company works" (C3-M)
"Establish objectives based on the organisation’s twelve commitments at short, medium and long-term" (C6-L)
"Having a CSR master plan" (C1-M)

- Materiality assessment & stakeholder engagement
"The results, well, I think it’s also a good chance for us now to realign our CSR strategy" (C4-L)
"Redirect our CSR strategy" (C4-L)
"Inform our long-term sustainability goals for one" (C5-L)
"To redefine our CSR strategy" (C1-M)
"Saw the main topics for us, we had different materiality issues a few years ago so now we know what the main topics to work on are” (C2-M)
"That's the base, or that was the foundations for our strategy” (C8-W)
"Firstly, to know what priorities from the stakeholders perspective should address the company ...to know what the stakeholders expectations are, what they think we should do” (C3-M)
"The strategy is aligned with the business calls that we have...we made analysis of what our stakeholders value regarding sustainability and from that we have taken decisions...the triangle, in the top inspire, in the middle engage, in the bottom be responsible" (C8-W)
"Around that time we will also be doing stakeholder engagement as initial process...there is a very good chance that will help inform any kind of adjustments needed to long-term sustainability goals” (C5-L)
"Wishing to have done more formal process before resetting the sustainability goals, at least is around the same time”(C5-L)
- Benchmarking
“Doing a corporate benchmark with other sectors to widen our image in the hotel structure around sustainable development” (C2-M)
“Looking at what the most critical issues are for the business, looking how to address them, looking at operational efficiencies” (C5-L)

**Ways to do it**
- **Meetings**
  “Exchanging a lot with different departments in continuous meetings and launching some working groups” (C2-M)
  “Regular meetings on the new strategy, new KPI commitments, defining the main topics on the commitments, putting a quantitative target, packaging this and making the strategy comprehensive for internal teams and external people” (C2-M)
- **Using a consultancy company**
  “Resetting our sustainability goals was an exercise we did with a consultancy company...working with 80 different people from across the company, disciplines, and geographies, determining focus areas, asking them to consider as a proxy what other stakeholders might see as key areas of opportunity or risk” (C5-L)
- **General manager develops the strategy**
  “Then each general manager of the hotels are responsible for developing their own strategy...no need to discuss each target or objective with each hotel...would be a nightmare, or with each business unit” (C1-M)

- **Categories: Strategy roll-out**

**Establishing objectives**
"We establish objective for each regional, establish objectives for the hotels, set goals from top to bottom”(C3-M)
“Having specific targets under each five key areas and tying targets to yearly key goals” (C4-L)
“Something set at the corporate level is approved by the board of directors and the management committee...then develop the strategy at business unit level...identifying the CSR plan for the business units, setting the targets” (C1-M)

**Cascading down**
“The strategy cascades down each, regional implements and develops the model based on the reality they live. Not all the regional ones develop at the same time and the same speed and intensity all the pillars of the model. Objectives are set, and the projects are adapted to the reality of the destination.” (C3-M)
“Cascading down key goals at hotel level” (C4-L)
“Rolling out the strategy, making sure the strategy is applied at the hotel level” (C4-L)
“Deploying to the hotel” (C1-M)
“Leaders from each of those disciplines as the green environmental council had people representing everything from operations to legal to human resources and cascade responsibility down to people who report to them and held accountable, resetting the overall environmental and social goals” (C5-L)

**Ways to do it**
- **Meetings & emails**
  “Always through face-to-face meetings and e-mails” (C6-L)
- **Touring to hotels**
  “Going to go on tour next year to every hotel...traveling to our nearly ten gatherings in each country, training them in the new strategy, teaching them about the new environmental objectives, informing them about other strategy projects and sustainability issues, informing about other topics not only environmental topics...if they have good ideas or suggestions, we can work with we would like to know it...from each hotel must attend at least two persons, the manager, and the environmental coordinator but they can send other people if they want to...some hotels have an environmental group and it is ok if the whole group comes along” (C7-W)
- **Ordering commitments with pillars, stakeholder groups, and departments**
  “Ordering each commitment with pillars with the stakeholders and knowing for some of them it will be more the procurement team which will deploy the actions with the KPIs while for others is the marketing teams on partnerships” (C2-M)
- **Factsheets on concrete actions**
  “We have factsheet on each concrete action for hotels to launch. The big hotel can launch it by pillars, the human resources manager can use it for each topic or F&B or the technical service.” (C2-M)

- **Categories: Reviewing strategy**
  “Very ad-hoc” (C4-L)
  “Looking at whether the set targets are achieved or not and areas where are falling short” (C4-L)
“Hotels evaluate their actions, identifying where they are having a bigger impact and improving its scores. Evaluating the company network, the network organising some events and inviting all sites to progress” (C2-M)

- Categories: Monitoring

“Every year having a follow up covering all the data, sharing it with the management committee and the board of directors... seeing who is following and who is not... Need to correct the behaviours that are not following, helping with not following hotels to make it real... First needs to understand what they are not following and why... needing to have a dialogue with managers... you check... if something out of their control... we need to elevate” (C1-M)

- Categories: SDGs

“Something that we’re also we’re looking to discuss next week” (C4-L)

“The sustainability development goals are still quite new to us” (C8-W)

“The SDGs scheme were official after we did our strategy... We are aware of them now” (C8-W)

A matter of packaging it

“Many of our initiatives fall under one of the goals. It is just a matter of packaging it, looking at exactly where do they come under, and then how we can report back to those as well, without incurring huge extra workload” (C4-L)

Vague

“The sustainable development goals which some of them are concrete, most of them are pretty vague actually” (E8-A)

“I think the SDGs are on a very high level” (C8-W)

No changes

“... In retrospect, would we had a different set of strategies we had known about the SDGs before? I’d say no... I wouldn’t say that it would change our strategy we had known about them earlier” (C8-W)

Value

“Should be the general value to look at, to start with. That should be part of the goal of the highest level of management” (E8-A)

Without incurring in extra work

“Without incurring in huge extra workload” (C4-L)

Step 1. Integrating sustainability into the BSC:

Technical integration - Systems (7S)

Theme: Performance management systems’ use and sustainability integration

- Categories: Use

“In terms of control, I think we do that fundamentally through the CSR scorecard” (C4-L)

“CSR scorecard using it on a yearly basis... updated according to the new targets set in place... updated according to the CSR strategy. Every hotel submits back to head office twice a year, to measure performance amongst hotels, to measure performance amongst employee” (C4-L)

“Using the CSR scorecard to cascade down” (C4-L)

“Benchmarking hotels... capturing targets in key areas (e.g., volunteerism, utilities consumption)” (C4-L)

“Very detailed... for example, how many new sustainable seafood items you have on your menu, how much waste have you saved, how much renewable energy have you introduced this year” (C4-L)

- Categories: Separation vs. integration

Tool(s)

- Multiple tools for sustainability (C2-M, C3-M, C4-L, C5-L, C7-W, C8-W)

“We don’t have a general system we only have many systems” (C2-M)

“It’s more maintenance we launched it with the technical department... some social and environmental performance” (C2-M)

“We have multiple systems to measure different things” (C3-M)

“Various disciplines have invested in their own smaller, boutique platforms, and or developed their own. And that’s how we manage tracking and reporting out of performance” (C5-L)

“I would say that there are different kinds of tools, when it comes to social sustainability... and a system collecting data regarding environmental sustainability” (C8-W)

“We have different tools of following up these indicators” (C8-W)

- One tool for sustainability

“It’s managed separately in a specific tool” (C1-M)
“The CSR scorecard is a completely separate tool” (C4-L)

Lack of a general tool for sustainability

“We don’t have a specific tool” (C6-L)

Only environmental tool

“Internal software to measure environmental data” (C6-L)

Degrees of sophistication

“Some of them are not as developed as others” (C5-L)

“Engineering team is close to confirming the use of a much more sophisticated system ... to track on their engineering data” (C5-L)

Excel

“Puts us in a difficult position were everything is done internally on Excel sheets” (C4-L)

“Some areas are still dependent upon things like Excel, which I don’t think is the best solution at all, and we are aware of that. But in the meantime, we do an internal audit to ensure the accuracy of our data” (C5-L)

“We use Excel for tracking community projects... we do not measure impact” (C6-L)

Awareness of current deficiencies

“We are behind on the best practices definitely” (C1-M)

“Excel, which I don’t think is the best solution at all, and we are aware of that.” (C5-L)

“We have to make the sustainability tools the same toolbox as the other tools” (C7-W)

- Categories: Current sustainability integration

No organisation-wide system to integrate sustainability into it. (C1-M, C2-M, C3-M, C4-L, C5-L, C6-L, C7-W)

“We don’t have the reporting system for financial and non-financial issues all integrated yet” (C1-M)

“It’s not only sustainable development. Each department have their own tool.” (C2-M)

“We have different systems to measure different aspects” (C3-M)

“It is separate... a question that asks the guests: do they feel that the hotel does good things for the environment and the society? ... feeds back into what we call our guest loyalty index, and that’s part of the overall hotel performance” (C4-L)

“These various disciplines have invested in their own smaller, I call them boutique platforms” (C5-L)

“Simply we don’t have a defined tool” (C6-L)

“It’s a separate one until now” (C7-W)

Organisation-wide PMS with sustainability integrated:

“I’d say that it is involved in the overall performance management system” (C8-W)

Future integration

“Actively working in the integration of all our systems, I mean we don’t have the reporting system for financial and non-financial issues all integrated yet. So we can, but we don’t have the maturity yet. But definitely, it will come in the future” (C1-M)

“Next steps will be integrating the financial and non-financial reporting in one tool” (C1-M)

“I think in the future we will have this, and we want a very operational and really integrated on the task planning.” (C2-M)

“We are working towards having a business intelligent macro-project to integrate all the information from CSR that relates to the business for all the company” (C3-M)

“Something we are working on now” (C7-W)

- Categories: Opposing views on integrating sustainability into the organisation wide-PMS

Advocacy for separate systems

“There are some software that tries to aggregate everything, and maybe there will be something that aggregates lots of pieces together in a dashboard format for all software across the building, but I still have my doubts” (E4-C)

Operational and user-friendly tools, not integration (C2-M)

“It depends on the system and should we have a big system very old or too big and not operational. I think the main topic is to have some operational systems really easy to use” (C2-M)

“I don’t think the problem is to have a lot many tools... But the challenge is to have a tool linked with each job.” (C2-M)

Requirements:

- Top management priority

“The board of directors, or you know those in senior positions would deem important enough to be placed amongst the financial kind of targets” (C4-L)

- Increase awareness
“That everybody understands that it creates value. So again, it’s a question of being conscious that this is part of our business story” (C1-M)

- Solve measurement challenges
  “It is easier to measure economic and financial aspects than environmental and sustainability issues. It’s hard to find the indicators in these … it is not easy to know if you measure how much engagement the hotels are allocating and it’s harder to measure in many cases” (C7-W)

Advantages:
- Ensure accuracy
  “I see the value in using a larger system enterprise-wide to ensure accuracy, not just in terms of each discipline, but across regions...much better if they're using the system there the central reporting exactly the same fashion, no matter what region they're coming in from, and then aggregating the data” (C5-L)
- Understand performance
  “The advantage is that you finally understand your performance, your baseline. You can benchmark yourself with peers similar to you in the industry so you learn better how much you need to improve and how” (E5-C)

  • Easier management
    “If you have different systems it would be unsustainable to manage” (E5-C)

- Protect sustainability from being side-lined from the main strategy
  “I think there is always a risk if you have separate tools for different things in the organisation or if they don’t have good integration between them, we may have a situation where you’re not really going towards fulfilling the strategy you had” (E7-A)

  • Moving towards fulfilling strategy
    “The system should encompass across different departments, and it should be embedded within the business practices of the company as well, so it should not be left outside. You know just only as a sustainability tool. What you measure through sustainability management tool is it should be part of your business data for performance.” (E5-C)

    “I think it should be integrated... I think that financial performance, quality performance, sustainability performance those things should be integrated they would end up being different measures of course but they have to work as a whole in terms of moving the organisation towards fulfilment of goals.” (E7-A)

    “There is a need for integration between those systems” (E7-A)

    “I think you must always integrate into the financial management.... So for the big chains is really the big hotel chains it’s really important that they integrate it” (E8-A)

Categories: Integrating PMS and reporting

No integration between reporting and performance management

“A big difference is reporting is generally done because it’s requested by an external stakeholder... But nobody is using the reports as a performance management tool like they would with something else.” (E4-C)

“No, they really see it as something additional they have to do because others do it” (E8-A)

Theme: Performance evaluation

- Categories: Control and measurement systems
  “We obviously have systems for gathering information, we cannot make decisions without information” (C3-M)

  “We use the Net Promoter Score, how our customers evaluate our reputation, how responsible they think we are” (C3-M)

  “Internal CSR information collection system” (C3-M)

  “Data acquisition channels...information for decision-making, measurement systems, control systems and management monitoring systems” (C3-M)

  “System following up (environmental sustainability) on group level the consumption” (C8-W)

Categories: Measurement differences

Targeting stakeholders

- Different measures for different stakeholders
  “Internal ones are more things like stakeholders are no keen to know about. So how many hours did you spend on a specific themed volunteering activity. That would be something that our internal stakeholders, employees, would be interested to know about. And then you have the more detailed information on your water, energy, CO2 footprint that your external stakeholders need to understand better. Whereas internally
you just need to know whether you've met the targets, or not, for the year... what relates back to each stakeholder set, I guess” (C4-L)

“Being a natural process relating back to each stakeholder set” (C4-L)

“Engineering has a different way of tracking performance internally than they do in terms of some of these external reporting indicators” (C5-L)

“Reporting out on greenhouse gas emissions numbers so much internally.... It makes more sense to communicate to them around, total energy use specially if you are talking all the way down to the level of our properties level engineers” (C5-L)

- Different level of detail

“If we have a different type of reporting then probably but with GRI we don't need, I mean it’s very much aligned” (C1-M)

“We have to make reporting and communication a little bit more detailed so the hotels actually can see how they are doing compared with the other hotels. Externally we don't go to that detail level, and we talk about more the performance on the whole chain” (C7-W)

“Sometimes we consolidate some data, but a lot of them are the same” (C2-M)

“Indicators internally, there is a wider range of indicators, on KPIs that we use. Externally we want to narrow it down to communicating on fewer indicators...internally they are more detailed For instance, internally we follow up how many hotels still use gas stalls but that it is not something that we communicate externally” (C8-W)

- Country differentiations

“How do you evaluate in one country is completely different from another country” (E7-A)

- Categories: Consolidating indicators for external reporting

“Indicators for internal decision-making and external reporting do not differ a lot, we consolidate some data, but a lot of them are the same” (C2-M)

“Aggregated and consolidated but not different” (C1-M)

“Internally making reporting and communication a little bit more detailed...externally talking about more the performance on the whole chain” (C7-W)

“A lot of the data that we've collected we've been able to use for external reporting purposes” (C4-L)

“We haven't identified different indicators for internal management than for external reporting. No, not really. We have it them aggregated and consolidated, but they are not different” (C1-M)

Theme: Rewards systems

- Categories: Incentive programme

For who:
“For the resident manager in every hotel” (C4-L)

Purpose

“Become familiar with the CSR strategy” (C4-L)

“Hoping it will help to implement some actions all over the group” (C2-M)

“(At the beginning) being a great communication program for the issue” (C1-M)

“A big transformation for the company culture...completely new in the culture of the company” (C1-M)

What

“Linked back with benefits” (C4-L)

No incentive programme

“If you have good sustainability work that will imply your economic results, by doing, so there is no need for sustainability compensation system” (C8-W)

“In quality criteria, there is nothing linked to environment or sustainability” (C6-L)

“Now having the targets, all expect your targets on environment....would be very helpful...but some other priorities in the company need to be incentivised” (C1-M)

Planning in the future

“Planning to start with incentive compensations systems in the future... hotel manager must score well on all this 8 criteria to get the bonus.” (C7-W)

Theme: Other tools

- Categories: Sustainability –related policies

Control purpose

“Deploying new policies for control” (C4-L)

Topics

- Human rights
“Definitely new policies for example just looking at more human rights policies that need to be deployed” (C4-L)

Environment
“We only have an environmental policy...we are also going to make sustainability policies” (C7-W)

Suppliers
“We have a code of conduct for our suppliers, and we are also going to make a policy concerning which suppliers and how we are going to become better in how invest suppliers in more sustainable practices” (C7-W)

Structure
“We are thinking about making one top policy and make some, maybe three under policies and each hotel chain will make their own hotel policies” (C7-W)

External assistance in developing policies
“Contacting some consultants concerning policies we are going to make...feeling a little bit extreme in making those policies in the long run as the last policy that we made was a little bit no concrete enough” (C7-W)

Challenges
“Having a sound procurement policy” (E1-O)

- Categories: **External audit**

  “Control from an external auditor on a sample of hotels” (C2-M)
  “External audit visiting 23 hotels every year and the headquarters to see if we deserve the (environmental) certificates” (C7-W)
  “From environmental certifications” (C1-M, C6-L)

- Categories: **Internal audit**

Data accuracy
“Each hotel has internal environmental audits” (C7-W)

“having quality assurance...83 employee travelling and visiting all our hotels each year...big part of the visit being sustainability and environmental issues” (C7-W)

“Meantime we do an internal audit to ensure the accuracy of data” (C5-L)

Managers' self-audit
“Self-audit regarding social sustainability where managers are asked a bunch of questions.... Self-audit managers fill in once a year with a bunch of questions connected to the strategy and system collecting data regarding environmental sustainability” (C8-W)

- Categories: **Environmental certifications**

“Important having eco-labels” (E8-A)

Benefits
- Aligning the team
  “Being aligned with the external certifications helps to involve our internal team” (C1-M)

- Roadmap
  “Certifications have a roadmap...easier to define what actions are to be implemented” (C1-M)

“Based on the TravelLife certificate we organise the follow-up meetings and implementation of the environmental management”(C6-L)

- Selling to consumers
  “Helping to sell the hotels to the clients” (C1-M)

“Consumers will want this kind of third-party assurance, call it eco-label or some other certificate, credible certification... they read those reports, processed all the information, they give you assurance hotels are going ok” (E7-A)

Issues:
- Disparity
  “If you look at those labels they have different parameters, different issues, different detail, often not quantifiable, just is there a management report? Is there a regulation within your hotel? Are you informing your guests about something? What is the effect of all this work?” (E8-A)

- Missing key issues
  “Basic things are just a couple and are generally missing” (E8-A)

- Not transparent results
  “Almost never required in such schemes, certainly not as a public number...but then kept by the NGO instead of published”
Cognitive integration- Shared Values (7S)
Theme: Approach to performance measurement and management

- Categories: Internal reporting

Closed reporting
“Individual hotels cannot see the performance of the other hotels in sustainability” (C1-M)
“Only the corporation at group level sees the results” (C8-W)
“Between them (hotels) no, they need to wait for the report” (C6-L)
“Hotels cannot compare their score with the 355eighbour hotels” (C2-M)
“Hotels can ask if they want to, the network has all the resources, so if they want they can give the information” (C2-M)
“Giving a benchmark by country, some reports with some details” (C2-M)

- Categories: Motivations for using a sustainability PMS

Performance improvement
“It was more the strategy issues. I mean, is that we approved that we wanted to be committed with the environment or the CSR in general and we set our strategic targets. And out of this, it is 4easier to having the reporting. But reporting cannot be a reason. I mean reporting is part of your commitments for being transparent” (C1-M)
“If we don’t measure we don’t reduce, we don’t accomplish. So it is critical to have the indicators” (C1-M)
“If you want to have good results on sustainable development really to have some database in order to measure your progress” (C2-M)
“There was financial trouble in the middle of the 90s, and they decided to take action to costs and one field that they saw that they could do that was the field of environmental sustainability, cutting the energy costs, for example,...they also saw that this heavily connected to sustainability.” (C8-W)
“Now we absolutely see the benefit on the internal side, even more than the external side in terms of driving performance” (C5-L)

Reporting influence
“Initially it was more a need for external reporting”(C5-L)
“Since we’re following the GRI I would way that is heavily on the external” (C8-W)

Mixed
“A bit of both: internal decision-making and external reporting...It’s a demand from all, not all from partners” (C7-W)
“It’s both. We try to respond to external refereeship But I think the main criteria it’s to be aligned with our strategy and with the commitments” (C2-M)
“I would not dare to say; I believe its half internal decision making and half external reporting” (C6-L)
“The selection of indicators is influenced by both reporting requirements and internal decision-making needs”(C2-M)

Measuring performance
“Initially for internal purposes, measuring performance, understanding areas for improvement, identifying lacking areas, steering the hotels towards which targets we want them to achieve during the year” (C4-L)

Communicating efforts
“This year about communicating our efforts, for example how many successful CSR campaigns did you hold and what was the impact” (C4-L)

- Categories: Initial motivation for measurements and choice of indicators

Handling things that come up – not strategic
“How we need to have a larger platform” (E4-C)
“How we need to roll-up programmes” (E4-C)
“How we need to develop partnerships”(E4-C)
“How we need to achieve larger and bolder goals such as size-based targets or sustainable development goals” (E4-C)
“The big corporate discourse is just handling all the different things that come in” (E4-C)
“In many organisations is not even thought off the strategic level” (E7-A)
“Oversimplifying that a company just goes and sets a sustainability strategy and has its influences it’s just realistically in the day to day to sustainability it depends on what’s that sustainability officer made of and where did they come” (E4-C)
“Not used as a transforming force in the organisation” (E7-A)
“Many companies think that sustainability is like a nice to have... don’t really see that sustainability is a is a big part of the business” (C8-W)
Categories: 
**Corporate discourse**

Shallow understanding
- “The discourse is really the same it has been for years” (E4-C)
- “Just a general basic understanding of green or sustainability but never going any deeper, never advancing as much” (E4-C)
- “Certain properties in certain places excelling and become leaders” (E4-C)
- “The best majority just sort of waiting around for something to happen” (E4-C)
- “The bare minimum that we do to stay legitimate and address the issues that the public and the customers” (E7-A)

Widespread philanthropy
- “The social pillars of sustainability are very much implemented in the hospitality industry... a lot of charitable programmes” (E5-C)
- “I think that is the easiest part of this implementation of sustainability that we see in the industry” (E5-C)
- “It's just standalone philanthropy? Which is all very nice but everybody can chuck you” (E1-O)
- “The social sustainability, so that is very much developed” (E5-C)

Limited environmental issues
- “Environmental sustainability we are still behind other industries” (E5-C)

Categories: 
**Property discourse**

Waste management
- “Understand that definitely waste is a big issue. And probably is the next step” (C1-M)
- “The most difficult one to implement, to deploy at a local level and the most expensive one” (C1-M)
- “Most difficult problems that the hotels are facing now is the monitoring and reduction of waste, especially in developing countries in islands resorts, because there is no infrastructure to support that adequately” (E5-C)
- “But if you are at a place where is nothing organised then it can be a challenge or if that is organised in a bad way maybe waste is collected, but disposal may be in a very irresponsible way” (E8-A)

Carbon footprint
- “Identifying what are the targets at a hotel level... carbon footprint ratios” (C1-M)
- “Energy consumption and energy reduction only matter because energy has a carbon footprint attached to it” (E4-C)
- “Having hotels in geographical locations influence the potential for certain carbon footprint” (E7-A)
- “The main issue being carbon footprint per guest night”(E8-A)
- “Providing the carbon footprint number” (E8-A)

Step 2. Recognising stakeholder value (Inclusiveness & Responsiveness):

Theme: Stakeholder engagement

- Categories: **Unclear stakeholder concept**
  - “Developing the whole process ... could put people off a bit” (E1-O)
  - “Stakeholder is a kind of a very encompassing concept ... Immediately makes it a huge crowd and not very practical for organisations” (E7-A)
  - Categories: **Stakeholder engagement complexity**
    - “Pretty sophisticated” (C1-M)

Local perspective
- “How do you make it locally relevant without making a huge over deal to get that information” (E1-O)

Inward looking
- “It’s very inward looking” (E1-O)
- “That’s stakeholder engagement to a degree, but it's not you know, you think, it has to have sort of broader groups rather than you know seeing how good you look” (E1-O)
- “An extensive list of topics of all kinds, from topics related to strategic brands, product service, growth, financial results, environmental aspects, human resources, good subjects related to people, talent, employability, so they return this questionnaire” (C3-M)

Obligation to act
- “Once you’ve asked a question to somebody you know you cannot hear that answer” (E1-O)
- “There is an obligation then you could say to act on this” (E1-O)
“We try to respond to all these expectations” (C3-M)

**Trust**
“...would think trust may be one issue” (E7-A)
“Business and NGOs not speaking the same language. There are cultural barriers, and the trust issue is when those two sides come on the table” (E7-A)

- Categories: **Industry collaboration**

**Collaboration instead of competition**
“Collaboration around issues that we both see interest in our companies, and working together to address them” (C5-L)
“At an industry level? Continued collaboration around key issues (i.e., water, carbon, human rights, youth employment, etc. and agreed upon metrics and industry goals” (C5-L)
“We believe in alliances, we really believe in collaboration and these issues we believe that is more about collaboration than in competition. And that we really elevate the impacts on the initiatives” (C1-M)
“We really see that in several other areas to cooperate instead of competing” (C7-W)
“Collaborating” (C2-M)
“I believe it is important and it has to be done” (C6-L)
“We put together () which you know develops some further guidance for properties and ... it’s just invaluable to engage with stakeholders” (E1-O)
“See the key issues collectively to the industry” (E4-C)
“Need to have everybody to come together and understand some of these key impacts, these key issues that we need to focus on as an industry and then based on those, everybody needs to act on those” (E4-C)

**Conditions for collaboration**
“Cooperation is with others that are at the same level as us ... hard for us to work with them because we feel they are the only ones benefiting from it” (C7-W)

**Process facilitators**
“They need some facilitators for the process, the process not to be one-on-one level but around bigger around a table that the challenges and issues that all of them face would be discussed then, would receive the impact from different parties.” (E7-A)

**Stakeholder collaboration**
“What must be taken into account is that to ensure the sustainability of a destination, not only the wills or strategies of private sector companies influence, but that there is a need for confluence among the public actors, the private sector and society” (C3-M)

- Categories: **Broader engagement**

**Opportunity**
“Show potential for expanding stakeholder engagement beyond any groups that they might be working with right now” (C5-L)
“The more this process gets a bit more formalised, the more we’ll be able to identify an extended circle” (C5-L)
“Great opportunity...depends on whether you can afford it or not... how far you want to reach versus you can afford to reach on that” (C1-M)
“Expecting more about how to work with stakeholders” (C7-W)

**Not opportunity**
“Don’t identify one more stakeholder to include at the moment” (C2-M)
“Not really” (C8-W)

- Categories: **Process-characteristics**

**Informal**
“We don’t have one in place. It’s more of an informal discussion” (C4-L)
“Long-term relationships with various stakeholders so I mean maybe it is not formalised in some sort of a document, but they are very much aware of whom they need to be working with, in terms of stakeholder groups” (C5-L)
“No, not really” (C1-M)
“The later more intuitive process” (C8-W)
“Adhoc” (C6-L)

**Inward looking**
“It’s very inward looking” (E1-O)
“That’s stakeholder engagement to a degree, but it’s not you know, you think, it has to have sort of broader groups rather than you know seeing how good you look” (E1-O)
Formal
“Structured and established ... model of dialogue to express commitment we have with them and the channels and tools through which we maintain dialogue with them” (C3-M)
“With each stakeholder group a dialogue is maintained using multiple channels” (C3-M)
“Not all areas of the company maintain a dialogue with the stakeholders, the different areas manage and direct the dialogue with these stakeholders. The corporate level monitors and coordinates the dialogue” (C3-M)
  • Categories: Tools
External consultation
“We had a consultant come in ... they were the ones who carried out an initial stakeholder engagement” (C4-L)
“We used an external consultant to help guide us” (C5-L)
“with an external, that they are experts on this of course” (C1-M)
“The company that we consulted ... during this process” (C8-W)
Stakeholder map
“We have a map of stakeholders” (C1-M)
“We did a map of our stakeholders” (C8-W)
  • Categories: Criteria
Revenue
“Which stakeholder listed and also the distribution of revenue associated” (C2-M)
“Because of the impact in our big percentage on our invoice in systems ... this is the prioritization, the amount of business that we have with them” (C1-M)
Business model
“Quite obvious some of the stakeholders are shareholders of course” (C8-W)
“With our business model we know which are the stakeholder” (C2-M)
Influence/impact to be business
“People or business that influence our business” (C8-W)
Alignment with company projects
“if aligned with the company projects” (C6-L)
Relationship
“Working with them for several years, so it was quite obvious that we should include them” (C7-W)
Stakeholders’ commitment to sustainability
“The commitment to sustainability” (C1-M)
Does not know
“To be honest, I can’t really tell you that, because I’ve never undergone the process” (C4-L)
Confidential
“This is confidential information, I can tell you some very generic aspects, but the detail of the process is confidential.” (C3-M)
  • Categories: Attitudes towards NGOs
Reactive attitude
“They are suggesting that we e: we do things like this” (C7-W)
“What we are told by our collaborators, NGOs ask for collaboration on specific topics; then we evaluate if the company wants to work with them or not” (C6-L)
Proactive attitude
“Social scan, that we carry out before we go ahead with the projects, so the hotels will use this kind of toolkit to go out and do a social scan on two or three beneficiaries that they like to kind of engage with” (C4-L)
“First we define the project, and when we define who with we can do the project, with which partners” (C1-M)

Step 3. Determining environmental and social exposure of strategic business units (MA):
Technical integration - Systems (7S)
Theme: Reporting guidelines adopted
  • Categories: Quality (GRI principles for report quality -5 out of 6 not fulfilled)
(Im-)Balanced (biased disclosure)
“The child presents information in the way it suits the child” (E2-R)
“The annual report or whenever they report to shareholders ... it is like a child then years old writing to the parents saying how its doing at school. And even if its doing you know badly at mathematics at school it will not say that; it will say I am doing well at sports” (E2-R)
“The child presents information in the way it suits the child” (E2-R)
“Had for years situations were companies were reporting on things that they are performing well on and amending the information were they are not doing so well” (E7-A)

(Vague or kind of fully hopeful in terms of language, providing metrics would be more helpful to investors” (E3-R)
“A lot of information is qualitative, there’s not metrics, and even if there are metrics the metrics are easily reported in different units over different time frames, so its really kind of hard just tell which companies are actually making progress” (E3-R)

“Done in many ways and in many different qualities” (E6-C)
(Not great disclosure by hospitality companies on sustainability issues, so it’s really hard for an investor or a consumer to actually know who are the true sustainability leaders” (E3-R)
“Lot of very lightweight sustainability reports” (E5-C)
“Talk only about social sustainability that is easy but very few are tacking environmental sustainability” (E5-C)
“It is not necessarily central reporting” (E1-O) “what you find is on companies websites, you might find some anecdotal stuff” (E1-O)

“Why are you doing it?, it’s just standalone philanthropy” (E1-O)
“Much information is qualitative” (E3-R)
“Not necessarily defined in a strategic way” (E1-O)
“Not transferred into a sort of tangible business benefits” (E1-O)

“Sustainability reports are typically very text heavy, dry and complicated” (C5-L)

(Quotes from the MA referring to lack of transparency on the process, methods...)

- Categories: **Fragmented content**

Controversy in decoupling growth from impacts

“Need to be looking more absolute, so if it is an intensity metric well how does it go against your growth...if you are growing your business, you might be able to increasing your efficiency but you’re actually still increasing your impact on the planet so where is the compensation? The transparency on that to say actually we are decoupling our growth, our business growth, we want to grow, but we are decoupling that from environmental impacts” (E1-O)

“Evidently a company that grows is able to emit more, it is an issue of volume. That’s not the problem. The problem is when the ratio of consumption per stay is reduced. If we take the consumption to the room and we see that it goes down, although being bigger we are operating better, in a more efficient way” (C3-M)

Separate to performance

“No direct reflection of performance” (E1-O)

“I don’t see how that makes you a better company to invest in, what makes you more a long-term prospect, what makes you less of a risk” (E1-O)

“Needing to find ways to interlink CO2 emissions to performance... value of room night, a great experience or whatever it is beneficial to the hotel” (E5-C)

“As long as sustainability reports are separate you know they are seen as being separate and why are they separate? Are they separate for good for a good reason or why isn’t this a short part of a short, snappy part of an annual report?” (E1-O)

“How do we give business value to such a metric (CO2 emissions) that we can incorporate it into the financial reporting, only then sustainability is going to be really taken seriously as you know a vital part of the business.” (E5-C)

“It’s not that you should do everything just for a business benefit, but you should question if you’re not linking sort of activities to your business and the community” (E1-O)

“Looking at water as a risk, not as a sustainability issue” (E1-O)

“Should be about how you are operating your business” (E1-O)

“Unless we do not find a solution of that type there is not going to be enough drive in the industry” (E5-C)

Genuine care not central to the business
“Just standalone philanthropy? Which is all very nice but you know everybody can chuck you” (E1-O)
“Not about giving to philanthropic causes it’s how you make your money; the way you do business in the first place” (E1-O)
“Not how you spend your money” (E1-O)
“Needing to look more impacts and outcomes rather than inputs” (E1-O)

Limits to reduction focus
“The curve on reductions and accomplishments it cannot be the same” (C1-M)
“The reductions are limited, and then it’s time to have innovation” (C1-M)
“Jump to innovation and change the metric system again” (C1-M)
“The metric in the future is going to be what percentage of your energy is from renewable sources ... energy reduction only matters because energy has a carbon footprint attached to it” (E4-C)

Meaningless without context
“Targets reduced such and such a thing by 20%, all that’s absolutely meaningless” (E1-O)
“Results have a context” (E1-O)
“You need to be taking more of a local approach” (E1-O)
“On a corporate level, it can be difficult to know really sort of perspective on the ground unless you take the trouble to ask” (E1-O)
“Reduce reducing to what right? Setting a 10% reduction goal where did that number come from? So the reductions are meaningful in a global context” (E4-C)
“It does not make sense to say that we emitted a certain amount of tons of CO2” (C3-M)

Metrics to compare what makes sense to compare
“The indicator that allows to measure how a company progresses in this direction is to take the data to the consumption or the emission per stay” (C3-M)

• Categories: Reporting audience

Relative to business model
“Depends on the company” (E4-C)
“Some companies you know will have to address all the stakeholders; some don’t have to address any of them” (E4-C)
“Sustainability reporting has a different audience and is needed depending on the nature of your business” (E5-C)

Relative to the framework used
“Different frameworks have different audiences and goals” (E3-R)

Relative to stakeholders
- Investors and shareholders
“If the company is public traded with interested investors and you know the shareholders may ask for it” (E4-C)
“Financial reports for the investors” (E7-A)
“Definitely aimed at the public and customers and the investors” (E7-A)
“Reports can also be used by different agencies that evaluate their performance for financial and investment purposes” (E7-A)
“CDP... many investors use it” (E2-R)
“The report is widely consulted, solicited and valued by analysts, by investors, by our own shareholders.” (C3-M)
- Customers
“If they have corporate customers, corporate customers may ask for it” (E4-C)
“CSR reports like GRI mostly for the customers and the public” (E7-A)
“Sustainability reporting the way they stand those sustainability reports I think currently are mostly directed at customers, general public, to some extend to the communities” (E7-A)
“GRI is looking at much broader range of stakeholders, such as customers and employees, suppliers” (E3-R)
“(Customers) prefer probably a website or a sustainability report or something like that” (E3-R)
“It can be the customers, I think it could be authorities, companies working with this hospitality company, media potentially as well” (E6-C)
- Employee
“Staff and employees definitely is a big one as well” (E4-C)
“GRI is looking at a much broader range of stakeholders, such as customers and employees, suppliers” (E3-R)
- **Suppliers**
  "GRI is looking at a much broader range of stakeholders, such as customers and employees, suppliers" (E3-R)
  "It can be the customers, I think it could be authorities, companies working with this hospitality company, media potentially as well" (E6-C)

- **NGOs and communities**
  "If you're going into cities, social license to operate you need the citizen's view. NGOs, activist who want to know what's the company doing" (E4-C)
  "Sometimes associations will ask for standards for reporting so they produce" (E7-A)
  "Sustainability reporting the way they stand those sustainability reports I think currently are mostly directed at customers, general public, to some extent to the communities" (E7-A)
  "should be the general public the governments, and the NGOs" (E8-A)

- **General public**
  "CSR reports like GRI mostly for the customers and the public" (E7-A)
  "Sustainability reporting the way they stand those sustainability reports I think currently are mostly directed at customers, general public, to some extent to the communities" (E7-A)
  "Definitely aimed at the public and customers and the investors" (E7-A)
  "Should be the general public the governments, and the NGOs" (E8-A)

- **Media**
  "It can be the customers, I think it could be authorities, companies working with this hospitality company, media potentially as well" (E6-C)

- **All stakeholders**
  "A report to respond to any stakeholder the company has" (C3-M)
  "Categories: **Reach**

From large organisations for large investors to large corporate buyers
  "Sustainability reporting is a concept that started basically from a lot of large companies for large investor groups for large corporate buyers" (E4-C)
  "It doesn't triple down in the and adapt as well to an individual property for the basic reasons that nobody is asking for reports at the property. And they have the framework is not made for a small company really." (E4-C)
  "Huge discrepancies between the large companies and the small businesses" (E7-A)
  "Larger companies do it, while not all smaller companies are still thinking about sustainability and to report about it" (E6-C)
  "Not at all an extended practice within the industry" (E5-C)
  "Categories: **Global Reporting Initiative**

What is it?
  "GRI is like a book that tells you how you would make your own report about the performance ... a book about how to report" (E2-R)
  "Gives guidance about how to report in their own reports" (E2-R)
  "If the hotel chain is owned by a property management company they will put more emphasis on a sustainability reporting that looks at the longevity of the building rather than the operational outfit of the building because the real value for them it is in the increased value of the property" (E5-C)
  "GRI is looking at a much broader range of stakeholders, such as customers and employees, suppliers" (E3-R)
  "One of the internationally accepted, recognized and endorsed standards" (C3-M)
  "A system that eliminates asymmetries, type of company, sector, and country" (C3-M)

**Use**
  "Using GRI" (C4-L)
  "First starting reporting to GRI" (C1-M)
  "Making reports according to the GRI" (C7-W)
  "Have GRI to identify the key challenge associated with each main stakeholder" (C2-M)
  "We are not using any framework, and there is no logical explanation on why we are not using GRI" (C6-L)
“GRI is a good system to compare with other entities that do different things because they work in other industries and allows us to eliminate asymmetries, establish criteria for monitoring and standardisation according to what the international reporting trends accepted today are” (C3-M)

- Categories: CDP

What is it?
“A process that requires reporting” (E2-R)
“The only platform that you have to report directly into a data base that can be published” (E2-R)
“The CDP it was more detailed, and it asks more profound questions than we decided to put in our sustainability report” (C8-W)

Opinions
“CDP it was great, it was a very clear process, so we shared with finance and legal and others saying that we were about to fall behind in the scoring process” (C5-L)
“Carbon reporting is important …most probably for companies that have more active shareholders where they need to demonstrate that the CO2 emissions are under control” (E5-C)

- Categories: Integrated Reporting

Opinions
“A good idea” (C5-L)
“Something we need to look at, but it’s definitely the path” (C1-M)
“It’s really interesting” (C2-M)
“Integrated reporting is voluntary” (C3-M)
“We have been reporting with greater transparency, greater quality and greater reliability and one of the best ways to convey what the company is really is to combine financial and non-financial information” (C3-M)

Challenges for implementation
“Not enough investors are asking for this yet either” (C5-L)
“It will take time to adopt given that annual reports typically go through a more rigorous review process, and we do not yet perform a full external audit of our entire sustainability report” (C5-L)
“Timing issues as well, when we have sustainability reporting data ready vs. when the annual report goes out” (C5-L)
“The task of educating internal stakeholders around the value of integrated reporting” (C5-L)
“We are not ready yet; this is again a very sophisticated issue” (C1-M)
“It’s just a question of time, maturity, resources and that’s it” (C1-M)

- Categories: SASB Regional stock exchanges

“Looking at information for investors that would be disclosed at annual security filling” (E3-R)
“New KPIs form the ((region name)) stock exchange, and then we also need the sustainability statements for Bursa ((regional name))” (C4-L)

- Categories: A tool for Accountability

Wanting vs. real accountability
“I don’t think enough people are using it as an accounting tool” (E1-O)
“People wanting it to be accountability or accounting but it’s I feel it’s missing the mark because it is too much waffle” “(E1-O)
“It’s accountability if you have to you know, publicly disclose your performance then yes. But if you seem to have great performance somehow every year, then there’s something wrong” (E4-C)

Being accountability
“The fact that we are asking the companies to engage with the community is both accountability” (E7-A)

- Categories: A tool for Legitimacy

Wanting vs. real legitimacy
“People what it to be this kind of a legitimating I’d just think they are not clear, it’s not clear who these reports are directed to” (E1-O)
“Legitimization yeah you could say that, that’s a cynical view, but actually that relies on actually reading the reports” (E1-O)
“They can point to the fact that it is there, does that legitimise it? I don’t know” (E1-O)
“Definitely companies are giving more than a social representation of the way they want to be seen” (E4-C)
“If you’re required to do a report then you might not even care of your social license to operate because you are just doing it because it’s compliance” (E4-C)
“It certainly is something that you could legitimise your actions” (E5-C)
“If we say its they are presenting themselves as the way they want to be seen it would almost kind of undermine the whole exercise that we’re doing” (E7-A)
“Reports may not give more than a social representation of the way the company wants to be seen” (E6-C)

**Being legitimacy**
“The bare minimum that we do to stay legitimate and address the issues that the public and the customers are more and more concerned about” (E7-A)
“Having disclosure is helpful for legitimacy” (E3-R)
“To tell what we do to legitimise that they are doing something on sustainability” (E6-C)

**Theme: Formality of MA**
- **Categories: Purpose**

**Inform reporting**
“A lot of the data that we’ve collected we’ve been able to use for external reporting purposes” (C4-L)
“Help to inform our reporting” (C5-L)
“Secondly, to report on the different reporting and corporate information systems that the company publishes” (C3-M)

**Redefine strategy**
“The results, well, I think it’s also a good chance for us now to realign our CSR strategy” (C4-L)
“Redirect our CSR strategy” (C4-L)
“Inform our long-term sustainability goals for one” (C5-L)
“To redefine our CSR strategy” (C1-M)
“Saw the main topics for us, we had different materiality issues a few years ago so now we know what the main topics to work on are” (C2-M)
“That’s the base, or that was the foundations for our strategy” (C8-W)
“Firstly, to know what priorities from the stakeholders perspective should address the company ...to know what the stakeholders expectations are, what they think we should do” (C3-M)
- **Categories: Industry and organisation MA**

**Complementary**
“Participating in industry convening groups ... but I also think it’s important to look at it in terms of your company in particular ... complementary” (C5-L)
“Our first approach at ITP was a good starting point, and after that, we developed our own, which was very much aligned with what we had also identified at industry level” (C1-M)
“It’s complementary” (E1-O)
“It can contribute to a companies materiality assessment” (E3-R)
- **Categories: Organisations MA**

**Benefits**
“Doing a more formal step beyond this process stakeholder engagement process this next year as part of our next sustainability reporting process” (C5-L)

**Introspective**
“More tied to how you operate your business” (E1-O)
“The most introspective piece” (E1-O)

**Local issues**
“Having a local perspective” (E1-O)
“Should really look at those issues different ... from the perspective of the specific area” (E8-A)
- **Categories: Industry MA**

**Benefits**
“Deflect criticism to the industry” (E1-O)
“More franc, much more open, and get much better feedback ... honest feedback” (E1-O)
“Independent evidence of you know our priority areas” (E1-O)

**Collective work**
“Needing to understand what we can do as a collective (C1-M, E1-O, I)
“Needing to have everybody to come together and understand some of the key impacts needing to focus as an industry, then based on those everybody needs to act on” (E4-C)
“What could we do as a collective? We’re all facing these issues” (E1-O)
“Think that the big issues in the industry, we need to have a partnership to solve it” (C1-M)
- **Categories: MA concept**
“It means that different stakeholders give their opinion on what matters are most important to regarding our business” (C8-W)
“Identify stakeholders that are affected the most and the issues that are important for those stakeholders” (E7-A)
  - Categories: MA Criteria
Specific criteria
“Issues that are of key interest to us in terms of helping to thrive our business” (C5-L)
“Issues that have been brought to our attention by our stakeholders in some cases in a negative way... seeing a pattern, where it’s something that is significantly brought to our attention” (C5-L)
“Frequency and importance for business on the different issues” (C1-M)
“The frequency identified by the stakeholders and also the impact in the business” (C1-M)
“The impact on stakeholder expectations from our hotel business, in terms of reputation and financially” (C2-M)
General criteria
“Because of the owner’s interest” (C7-W)
“Where we affect the environment most” (C7-W)
“Some issues are of key interest to us in terms of helping to thrive our business. For example and there’re also issues that have been for example brought to our attention by our stakeholders... we identify this risks and opportunities” (C5-L)
“Materiality assessments that have we done prior have been looking at other elements as a proxy to speak for that group” (C5-L)
Cannot respond
“I can’t tell you that because I don’t know and I hadn’t started my work” (C8-W)
“This is confidential information, I can tell you some very generic aspects but the detail of the process is confidential.” (C3-M)
  - Categories: MA Frequency
“No more than every other year and no less than every five years” (E1-O)
“We will do an update but... at the moment it is not necessary to launch a new materiality table” (C2-M)
  - Categories: Intentions
“Trying to do more in terms of formalising it, starting with materiality assessment in 2017” (C5-L)
“We are actually, so I’ll be in (city) next week to just set up the meeting with the consultants. So we are just about to embark on it... At the moment no we haven’t (approach and criteria for MA)” (C4-L)
“We haven’t done nothing so far in that area yet, but that’s also something that we are working on now, that we see that we have an area of improvement” (C7-W)
Theme: External assurance
  - Categories: Use a Third Party
Already using a third party
“We used an external consultant to help guide us” (C5-L)
“With an external, they are experts on this of course” (C1-M)
“Contacting some consultants” (C7-W) (for developing policies)
“The company that we consulted... during this process” (C8-W)
Cognitive integration - Shared Values (7S)
Theme: Reporting related motivations
Stakeholder demands (Clients)
“They (clients) are asking for CSR corporate social responsibility or sustainability criteria on the request for proposals every time we sell a hotel” (C1-M)
Reputation - Stock exchange recommendations
“It’s now part of the (region name) stock exchange new rules, well it’s highly recommended” (C4-L)
  - Categories: External drive - External assurance
Mandatory - because I have to
“We have in the financial report, and is already assured, of course., it is legal, we have to assure it. I mean the financial is compulsory” (C1-M)
“It is by law, by legislation we have to audit the accounts, an independent audit” (C3-M)
Reputation
“For the risk of e-mails on reputation, it is important to have an external assurance” (C2-M)
Ranking positions
“If we got external assurance we got to an additional: 10 points” (C5-L)

Stakeholder trust
“More transparent more honest data, for our external stakeholders” (C4-L)
“Is much more valuable if an accredited third-party expert gives a good view of what he sees, what he perceives, what he audits.” (C3-M)
“For transparency, reliability, and quality of information” (C3-M)
- Categories: External drive - Sustainability reporting

Being mandatory – because I have to
“Definitely given a push to have to comply with new listings and rules” (C4-L)
“We are obliged for the sake of transparency and because there are also legal requirements for the company’s turnover to publish economic results, financial results, management, corporate governance and, of course, sustainability” (C3-M)
“If you’re at Hong Kong you’ve to report against the Hong Kong ESG” (E4-C)
“If you are a French company you have to” (E4-C)
“These big companies need to comply to certain legislation which takes into account sustainability” (E5-C)
“Public groups … there is a pressure to deliver transparent reporting to for example CDP reporting which for all public hospitality groups now is a must” (E5-C)
“So somebody reports because they generally have to” (E4-C)
“If you’re required to do a report then you might not even care of your social license to operate because you are just doing it because it’s compliance” (E4-C)

Reputation
- Leadership and recognition
“Companies adopting sustainability because of the leadership” (E7-A)
“A company want to be known among certain circles I want to be on the Down Johns Sustainability Index, so we are going to try to apply on the Down Johns Sustainability Index so our reports is going to serve that” (E4-C)
“Big companies ... to position them ... you see it is a bigger responsibility on a big company a big company should be doing a lot more stuff on the social and environmental front” (E1-O)
- Best practice
“The best practice overall” (E4-C)
“The mass participation of the companies ...most companies report under the CDP; most companies now recognise that it is a reasonable activity that it’s a good idea, it’s healthy” (E2-R)
- Public relations- If you don’t do it is bad
“Is better than you do it because if you don’t do it is bad” (C1-M)
“Generally use it for their public relations than for really making things better” (E8-A)
- Ranking positions
“Received approval at a point when we were in danger of at least keeping up with our competitors for CDP score. And knew that if we got external assurance we got to an additional: 10 points” (C5-L)
“Have ratings and rankings that kind of thing” (E4-C)
- Fulfil expectations
“It’s expected” (E2-R)

A game to produce the better report or disclose the most
“Now it seems just to become a game of who’s able to produce the better reports or disclosed the most information” (C4-L)

Stakeholder requests
- Investors and shareholders requests
“CDP reporting ... Is a request of the investor and the shareholders very much” (E5-C)
“Big companies to satisfy sort of the investors and shareholders” (E1-O)
“Carbon reporting ... probably for companies that have more active shareholders where they need to demonstrate that the CO2 emissions are under control” (E5-C)
“The authority of investors” (E2-R)
“Information requests come from investors” (E2-R)
- External requests
“Because it’s requested by an external stakeholder, we want to see what you’re doing in this report on these issues” (E4-C)
“It’s a demand from partners... If they don’t do it, then we don’t get any customers” (C7-W)
“Tour operators require levels of compliance” (C6-L)
“Our stakeholders require information not necessarily financial” (C3-M)

- Categories: **Internal drive – Materiality**

**About time**
“Last time was back in 2012” (C4-L)

**Leadership commitment**
“There’s been a lot of structural change within the group” (C4-L)
“Much change within the senior internal management” (C4-L)

- Categories: **Internal drive - External assurance**

**Control mechanism**
“Ensure what we are computing in internal level is correct” (C4-L)
“As a control kind of mechanisms” (C4-L)
“Be transparent and to be sure of the information” (C2-M)

- Categories: **Internal drive - Sustainability reporting**

**About owners’ commitment**
“Many hotel operators are privately owned, so the interests are driven by the owners, and if the owners are believers in sustainability you will see that is driven across” (E5-C)

- **Ethics driven**
“Some owners they see it from an ethics point of view that they need to operate in a responsible way” (E5-C)

- **Efficiency-driven**
“Some owners are more pragmatic, and they see it from a business point of view, sustainability makes business sense, because you operate more efficiently, so your bottom line is going to improve because you reduce your operational costs” (E5-C)

**Transparency commitment**
“Reporting cannot be a reason, reporting is part of your commitments for being transparent, for communicating your efforts, for communicating your results and your success stories” (C1-M)

- **Communication out**
“A good means to kind of get that message out” (C4-L)
“Reporting is the justification of the changes from a company looking less in sustainability to focusing or having it integrated as part of their procedures” (E6-C)

**Theme: Value of reporting**
- **Categories: Organisational benefits**

**Focus on strategy**
“The fact that they report can shape the strategy that they will kind of pursue in the long run” (E7-A)
“To report they engage with stakeholders to identify those issues, identifying the material issues, their impacts is very important for their organisation in a sense to change them or influence them to be contributors to the society in a positive way, or mitigate the negative impacts at least” (E7-A)

**Employee engagement branding**
“Think it is very good in encouraging, you know, positive employee engagement branding” (C4-L)
“One of the big benefits of sustainability reporting is to come together ... is great in that it's an exercise that's very purposeful in terms of bringing people together around goals and mission, and reporting it out” (C5-L)
“Our own employees know the company, often from a different perspective by consulting the annual report” (C3-M)
“More kind of grass-roots movements where the company employees are more engaged” (E7-A)

**Performance measurement**
“Good way to measure our performance and, you know, what we need to do to improve upon” (C4-L)
“Areas were we are falling short” (C4-L)
“It’s a rigorous annual process ...much more thoughtful and rigorous process for them, which they would not be quite as subjected to otherwise” (C5-L)
“Asking about management approach and challenges and opportunities” (C5-L)
“Also a nature of knowing how much our impact, we want to know how we impact the environment” (C7-W)
“It’s really about finding management attention to a neglected area” (E2-R)

**Commercial tool**
"That’s what the best cover letter” (C3-M)
"It is a very important commercial tool, an essential asset to boost reputation.” (C3-M)
“To communicate what the company is... When the expansion team needs or wants to transmit information to a hotel owner, one of the best ways to make them understand what the company is, is to facilitate our annual report” (C3-M)

- Categories: Mixed opinions

There is value
"I think there is value in sustainability reporting, similarly as there is value in financial reporting. It’s just that with financial reporting we have the standards, it’s more allowing benchmarking, it’s allowing comparison, it’s allowing evaluating the financial performance of the organisation. If the social reporting can have the same level of standardization, measures or quality or third-party assurance it can meaningfully allow us to see how well those companies are doing” (E7-A)
“It is a very important commercial tool, an essential asset to boost reputation.” (C3-M)

What’s the value?
“What’s the value in doing good reporting? In terms of you know the really robust content, engaging content, and good design, you know, good metrics what’s the point?” (E4-C)

Step 4. The MBSC – barriers & enablers:
Organisational integration - Structure (7S)
Theme: Industry model: size and ownership structure

- Categories: Barriers - Data collection

Limited data sharing
"Have the franchising model, encouraging those partners or requiring those partners to share the information can also be difficult” (E7-A)
“They are very much dependant on what properties report back to them” (E1-O)
“It’s a matter of what agreement they have with their franchisees to share information” (E1-O)
“But even (when) they can give us some information they admit that it’s not necessarily fully complete” (E1-O)

- Categories: Industry model

Conflicts of interest hinder investments
“The challenge for us is that we rent all the buildings... to convince these people that they should invest more money into the buildings to make them more energy efficient” (C8-W)
“The biggest challenge overall has separate owners from operators. Because the owner has different interests regarding different approaches than the operator” (E4-C)
“The model of the hotel business is growing by franchising and separating the ownership from management, which it helps, it helps chains grow, it even helps owners grow, it helps franchisees grow, it helps everybody grow. But when it comes to making changes, significant changes that cost money to building that is inhibited because of the structure” (E4-C)
“Strong conflict of interests between the owners of the buildings and the management companies and no either one or the other one take responsibility for this investments so that is certainly slowing down improvement that we could see in the performance of the monitoring of resource consumption” (E5-C)
"Problem is not the project but how to direct the message to develop the project, especially when it entails a need for investment. What is the prime responsibility of the owner of the asset we manage “ (C3-M)

- (Un)Willingness
"We have in the contract with the building owners and with the franchised stakeholders that they are going to implement all our standards and all our fields concerning sustainability and environmental issues. It’s a bit tougher to make changes in the buildings if the owner is not agreeing with us and has the same focus on sustainability... Some are very eager to help us and make changes in the buildings and some are not. And we have to pay for the changes ourselves even though we shouldn’t because we don’t own the buildings” (C7-W)

(Non-)Inclusive management contracts and brand standards
“Need our expansion and development departments to include this criterion on the management contracts for being sustainable. Otherwise, nothing is going to guarantee that they are sustainable” (C1-M)
“It is an on-going challenge ensuring that pull through happens unless something is a brand standard... and not everything can be a brand standard” (C5-L)

- Organisation vs. brand specific strategy
“To implement the same strategy across different brands within the group ... while deploying sustainability strategy that links back to the brand itself” (C4-L)
“Adapting the sustainability strategy to the different brands” (C4-L)
(In-)consistent strategy roll-out
“Have a nice overall CSR report and sustainability goals and that kind of things but if you look at the individual hotels, I do not see the difference actually, I do not see why they are green” (E8-A)
“Somehow the higher management is not able to let their ideas go down to the reality to the workforce to the individual hotels” (E8-A)
“Communicated broadly across managed, franchised, and leased hotels” (C5-L)
“We have a global model that equally affects any management model, what happens is that the way to execute and implement is different ... because you have to understand how are the management models” (C3-M)
Focus on portfolio growth and profits margins (Self-serving interests)
“The industry model is based on growing your portfolio. It’s wasn’t before based on brand, it wasn’t before based on efficiency of the buildings, especially when you’re only franchising them, or you’re getting a management contract, were the managing company makes money, you want to make some money from real state over the long term, so everybody makes money. The industry is serving interests of the industry model more so than anything. And so it’s not a context where sustainability is a profit it’s how you embed anything into that model right now” (E4-C)
“If the businesses see benefits that can emerge from investing in sustainability initiatives they will be more likely to adopt them” (E7-A)
“Hotels are just accounted for their profit margins and not for their environmental performance” (E8-A)
Separating ownership than management
“The model of the hotel business is growing by franchising and separating the ownership from management” (E4-C)
Structure inhibiting sustainability integration
“Franchising, the whole relationship between the hotel management companies, hotel owners, franchisees, flat owners is affecting how things can be done and resolved” (E7-A)
"It is not the same to manage a project of corporate responsibility in a hotel of property that to do it in one of management” (C3-M)
“Right know the industry is serving interests of the industry model more so than anything... not a context where sustainability is a profit it’s how you embed anything into that model right now” (E4-C)
- Categories: Enablers - Industry model
Inclusive management contracts
“We need to have in place agreements between management companies and the property owners who would be responsible for keeping up the investment on the property itself” (E5-C)
“Write things in the contract language” (E4-C)
“We need our expansion and development departments to include these criteria, I mean this aspect, on the contracts, on the management contracts for being sustainable” (C1-M)
Theme: Organisational roles and responsibilities
- Categories: Enablers
Internal organisation fit for sustainability
- Align responsibilities
“Make the individual managers at least responsible for eh for the environmental impacts” (E8-A)
- Align tasks
“Give some actions linked with the job of the employees, so that they, it’s logic all for them to launch them” (C2-M)
- Align decisions
“Take into account sustainability criteria when making decisions” (C6-L)
Organisational integration - Staff (7S)
Theme: Disempowerment of the CSR departments (SE, MA, SR, EA)
- Categories: Lean financial resources capacity
Disempowered managers
“They have to win their own battles, so they need to gain the political company, they need to go and figure out how do I gain importance, how do I gain people’s attention, how do I do it in a low budget, how do I make the biggest impact” (E4-C)
“They need to prove themselves” (E4-C)
“We don’t have big resource; not on budget” (C1-M)
“Low margins” (C5-L)
“Taking some time for us to catch-up, because we are lean on resources” (C5-L)
“Some financial restrictions” (E6-C)
“Lack of the initial funding that might be required” (E6-C)
“Lean capacity” (C5-L) “tight budget” (C5-L)
“Low margins” (C5-L) “Low EBITDA compared to other industries” (C1-M)
“Financial capacity” (C5-L)
“The cost as well can be a barrier, particularly when we look at the adoption of different sustainability initiatives over a period, it’s often been the case that the initiatives that will cost less but higher potential for generating savings for the organisation would be the first one to adopt” (E7-A)
“Initial investment that you might need ... some entities in the hospitality industry might not have the resources for it” (E6-C)
“Some financial restrictions” (E6-C)
• Categories: Lean human resources capacity
“A question on resources” (C1-M)
“We don’t have big resource; not on the team” (C1-M)
“The staff is lean” (C5-L)
“Need to have a big team to manage all this dialogue” (C1-M)
“Effort that it takes to do stakeholder engagement” (E1-O)
“Lean capacity” (C5-L, C1-M, C6-L, E1-O)
“Knowledge on whom to report and how to report” (C8-W)
“Human resources capacity” (C5-L)

Technical integration- Systems (7S)
Theme: Reporting standards adopted
• Categories: Enablers- Increase report’s quality
Increase process transparency
“Requirements for transparency in the process as well, to see how those issues are identified” (E7-A)
“I think you should, it can be such quite simple ... to have an appendix where you can outline your methodology” (E1-O)
“The organisation engaging in materiality, that they make the process transparent, identified methods, and how they engaged those stakeholders” (E7-A)
Clear Format
- User friendly
“More user-friendly” (C5-L)
“More digestible and shareable” (C5-L)
“Simplify more and add more visuals and infographics” (C5-L)
- Shorter
“Keep it a lot shorter and snappier” (E1-O)
“Sustainability reports brought down to real minimum number pages” (E1-O)
Engaging content
- Long-term focus
“Much more of a view to the future” (E1-O)
“What you are going to do you know a bit of the longer-term strategy” (E1-O)
“Forward-thinking on which makes you investable makes you less of a risk, your ability to operate” (E1-O)
“How that makes you a better company to invest in, what makes you more of a long-term prospect to me, what makes you less of a risk” (E1-O)
- Link to performance
“Not how you spend your money, so it’s not about giving to philanthropic causes it’s how you make your money, you know, just you know the way you do business in the first place, demonstrating that” (E1-O)
“How are you adding value ... what makes you a better player to stay or to invest in” (E1-O)
“Where is the present performance tight to anything that’s real in life going forward” (E1-O)
- Impacts and outcomes
“Looking more impacts and outcomes rather than inputs” (E1-O)
“More quantifiable impact” (E1-O)
“Have a lot more facts” (E1-O)
“Be looking more absolute” (E1-O)
“If people could report, the sustainability reports a little bit more like CDP reports it would be so much better, as it is much more quality information in a CDP disclosure” (E1-O)
- No numbers without stories and no stories without numbers
“You need a narrative to go over these facts to explain why that is relevant” (E1-O)
“No numbers without stories and no stories without numbers” (E1-O)
Sincerity
“Make it sincere from other stakeholders point of view” (E1-O)
External assurance
“If M the social reporting can have the same level ... third-party assurance it can meaningfully allow us to see how well those companies are doing” (E7-A)
“Similarly we don’t read the financial reports they are an important tool to communicate, but the customers will always rely on a kind of third-party assurance” (E7-A)
“More verification” (E6-C)
Reports for improving performance
“The opportunity to use it as a tool for improving our work. Right now we are just using it as a reporting tool” (C8-W)
- Categories: External encouragement
Positive transparency reinforcement
“More positive reinforcement for being transparent” (C5-L)
Government intervention - Mandatory reporting
“They have requirements to report they do it” (E7-A)
“The authorities they need to put in the necessary legislation” (E6-C)
- Categories: Consensus building
Clarify audience
“Clear audience in mind” (E1-O)
Increase level
“If the social reporting can have the same level of standardization, measures or quality or third-party assurance it can meaningfully allow us to see how well those companies are doing” (E7-A)
“Provide a carbon footprint guest night as a standard for each different hotel so you can see the difference, and just provide it the number, and then the public can make a choice based on that” (E8-A)
Standardisation
“Some kind of integration in all the standards would definitely be useful” (C4-L)
“Create more consolidation around reporting and asks” (C5-L)
“Better alignment of indicators for each industry” (C5-L)
“More standardisation” (E6-C)
Theme: Performance evaluation
- Categories: Enablers
Develop sustainability performance management systems
“Reports are only going to look good if your corporate platform is good” (E4-C)
“Need to take a look back inward and see what should we be doing as a company and then it’s easier to embed that into a report” (E4-C)
Improve processes
“Perhaps better processes in place” (C4-L)
- Categories: Barriers - Data collection
Lack of systems
“Difficult to comply if you don't have an HRS system in place” (C4-L)
“The right systems in place to enable us to collect better and process the data” (C4-L)
“We do not have a defined tool” (C6-L)
“New system for all hotels, sometimes for corporate but not for all” (C2-M)
“A lack of technology that makes gathering all data easy” (E5-C)
Unclear measurement/metrics
“The whole idea of measuring, being able to measure performance and the fact that we still lack those measures that will capture some of those social and environmental issues” (E7-A)
“Harder with efforts and initiatives that promise those long-term returns and are hard also to measure” (E7-A)
“The matter of proper metrics” (E7-A)
“It is easier to measure economic and financial aspects than environmental and sustainability issues. It's hard to find the indicators and get good measures, having the right measures. It is not easy to know if you measure how much engagement the hotels are doing, are allocating, it's harder to measure in many cases” (C7-W)

- Categories: Barriers - Measurement challenges
  - (Un)willingness
    "Issue of willingness to collect and share the data" (E8-A)
    "Data collection in general, gathering the data whether it's one property or across a portfolio" (E4-C)
  - Difficult measurement
    "Some sustainability issues are really difficult to measure” (E8-A)
  - Unclear metrics
    - Complex metrics
      "Over complicating...too technical, too comparative...way deep into the details, way too overbearing on it...not something that's accessible to everybody in the industry...For example, the basic guest/night metric it's great for looking at your performance for water or something else, but the hotel industry never used guest/night...many cases they don’t” (E4-C)
    - Different language
      "Not using the dialogue or the metrics the way all hotel industry acts” (E4-C)
    - (Non)Alignment
      "Not correctly adapting performance measurement in sustainability to the mainstream performance measurement of hotels in general” (E4-C)

- Categories: Barriers - Performance management system
  - Data:
    - Detail of the data
      "The amount of detail that goes into the scorecard would just not be applicable to the business strategy which has the key kind indicators such as revenue, and colleague engagement” (C4-L)
      "It's crazy to think that a platform would work for every single subject matter that I'm working here in the business” (C5-L)
    - Sensitiveness of the data
      "Human resources statistics are extremely sensitive that I can't even look at...So there are definitely thinks that could not, ever go into that larger platform” (C5-L)
  - Software:
    - Availability
      "There's no one software that solves all the problems of a hotel” (E4-C)
      "The disadvantage is that....there are not many around the world there are not many solutions so you have a very limited choice and the choice that you have is still not as easy to use as you would imagine” (E5-C)
    - Costs of software
      "Other systems that we could purchase that help to track progress overall for the company and many different disciplines can plug into them but they are extremely expensive, and that's another area that is an argument, a particular argument area to get the funding which is not there yet” (C5-L)
      "The disadvantage is that it is an extra cost that you need to add” (E5-C)
    - Unclear business link
      "The disadvantage is ...even though by monitoring your sustainability outputs you could tackle your costs performance is still very early stage and there are very few businesses and studies that prove this. So it is still very difficult to prove that there is a very strong business benefit to it.” (E5-C)
    - Complexity
      "really complicating to the company to have one unique system with all on it” (C2-M)
      "Can't have one unique tool" (C2-M)
    - Knowledge
      "Integrative sustainability management is a matter of knowledge and proper metrics” (E7-A)

- Theme: Employing reporting standards
  - Categories: Barriers- Unclear guidelines

- Stakeholder prioritisation
  "How do you prioritise your stakeholders? Every stakeholder has its own view. If you ask somebody who's involved in labour they are clearly going to say labour is the most important issue. If you ask an
environmental NGO about biodiversity they are going to say the most important thing is not to build and deplete the rainforest.” (E4-C)

**Issues prioritisation**

“What does it mean to prioritise energy more than water? Does that mean I need to spend more money on energy than water? It means I’m going to spend more time? It means I’m going to try to improve that more in terms of my performance? I’ll have stronger goals for energy? I mean, nobody translates that” (E4-C)

**Lack of transparency**

“Requirements for transparency in the process as well, to see how those issues are identified… If is the organisation engaging in materiality make the process transparent, identify methods, and how they engage those stakeholders” (E7-A)

“I can’t think exactly if people have reported that or not … I think you should, it can be quite simple … to have an appendix where you can outline your methodology” (E1-O)

- **Categories: Barriers - Lack of consensus**

**Unclear audience**

“Not clear whom these reports are directed to” (E1-O)

“The business community has been asking who is the audience of the reports” (E7-A)

“Unclear audience” (E1-O, E3-R)

**Unclear purpose**

“Too much waffle” (E1-O)

“Waste of money reporting on issues that were not an issue in the first place” (E8-A)

“Missing the mark” (E1-O)

“Those who don’t report don’t necessarily mean they are not performing well, just not reporting. So there is also the question that we may have some that reports like you mentioned for their image purpose and others without substantial things to change their operations to be sustainable. And then we may have organisations that do not report but actually perform better on sustainability issues” (E7-A)

“Lack of reason to do so” (E4-C)

**Unclear usefulness**

“People do not read the reports” (E1-O)

“No body is reading those reports” (E4-C)

“Waste of time” (E1-O)

“By going for a full range of sustainability issues, you get a discussion that is not clear anymore” (E8-A)

“If we try to concentrate on everything we end up with nothing, that’s often the case (laugh).” (E8-A)

“Nobody is using the reports as a performance management tool as they would you know with something else” (E4-C)

“Just using it as a reporting tool” (C8-W)

**Unclear right topics and metrics**

- **Lack of standardisation**

“There is no standardisation; there is not a way to do it” (E6-C)

“Non-comparable reports” (E3-R)

“Sometimes they are using different metrics from frameworks” (E1-O)

“Needing consistent mechanisms across companies and over time” (E3-R)

“Lack of consensus over which right measures and topics are” (E3-R)

“Further harmonisation and consolidation expected over time” (E3-R)

“For turning to a common set of metrics needing to identify and agree on who the audience and purpose is” (E3-R)

“With financial reporting, we have the standards, it’s more allowing benchmarking, it’s allowing comparison, it’s allowing evaluating the financial performance of the organisation. And allowing evaluating financial performance of the organisation. If the social reporting can have the same level of standardization, measures or quality or third-party assurance it can meaningfully allow us to see how well those companies are doing.” (E7-A)

- **Nonalignment of frameworks**

“If you look for instance on those labels they are so full of very different parameters and issues, and details and often yeah not really quantifiable” (E8-A)

“Creates sometimes confusion on companies” (E3-R)

“Frameworks that were originally developed basically were a long list of all the possible things a company could or should report and how” (E4-C)

“Some serious fundamental flaws in that to begin with” (E4-C) - in relation to MA
"Needing better alignment of indicators for each industry, for example, CDP" (C5-L)
"GRI don't tell you exactly the indicators, it's very, I mean, because we don't have an industry GRI definition" (C1-M)
"Should be streamlined from CDP to GRI, to Global Compact progress reports, to the millennial development goals" (C4-L)
"Much based on how do you evaluate it in one country that is completely different from another country. And in most reporting systems you tend to have one value that should cover every place in the world and that makes things complex and difficult to apply" (E8-A)

- Categories: Barriers - External discouragement

Inadequate transparency mechanisms
"More positive reinforcement for being transparent, for example, in CDP an honest answer to a challenge can lead to a loss of points, whereas skipping that question or not transparently answering could lead to a better score" (C5-L)
"Certainly not as a public number, sometimes they are in to get a rating but then is just kept by the NGO instead of published" (E8-A)

Political uncertainty
"Lot of political uncertainty, which is going to be reflected in business operations" (E5-C)
"The economic system has sort of broken people" (E5-C)

Limited incentives for sustainability
"The conditions to save energy and emissions really they are not really good there are not too many incentives form the outside...in the bigger countries, they often get a bargain for their price... that doesn’t help" (E8-A)

Theme: Degree of formality of the SR process
- Categories: Barriers - Managerial capture

Representativeness
"Getting stakeholders involved in finding the issues ... not as good as it could be ... often we have some selective stakeholders that are addressed" (E7-A)
"Are the stakeholders that are engaged really representing all the parties that are affected by the organisation?" (E7-A)
"Had those stakeholders in, we had the community representation but are they really representing all groups?, especially vulnerable groups in the community that they are affecting?" (E7-A)
"How many people were engaged? What kind of people were engaged?... Just for interest or is it actually statistically significant?" (E1-O)
"Tied to the knowledge of the stakeholders they involve in the conversation" (E7-A)
"All the interest groups of the company participate, because what can not be done is to leave some of the interest groups out" (C3-M)

Procedural quality
"So if you ask the questions, it depends how free people are to bring up other issues" (E1-O)
"What kinds of people were engaged? And in what way?" (E1-O)
"Is the company who sets the questions, isn't it? So if you think about it, any survey is going to be as good as the questions asked" (E1-O)
"having a set of questions in a questionnaire, you stir people to look it from that perspective rather than the perspective that they might have" (E1-O)
"It’s very inward looking" (E1-O)
"A list of topics is obviously not left open because we would lose focus and the dispersion of themes would be such that it would not make sense to do the analysis of materiality" (C3-M)

Quality feedback
"You’ve got to engage with people who kind of know you are talking about and know the company quite well" (E1-O)
"I can’t comment on a companies’ performance if all I can read about its what they written about" (E1-O)
"Quite a few people are doing it by a third party, so I think that's probably the best way to be honest" (E1-O)
"The quality on their responses of course" (C1-M)
"An extensive list of topics of all kinds... so they return this questionnaire" (C3-M)

Quantity feedback
"We do not have the feedback, the quantity of feedback expected" (C1-M)
"Difficulty is just to get to understand others to be involved in answering" (C1-M)
“You need quite a few responses to make that valid” (E1-O)

Justness of the outcome
“How would you weight and how would you explain your rationale for weighting different the stakeholders?” (E1-O)
“I am assuming that they are giving everybody the same weight, but I’d be very interested if not” (E1-O)
“Decision-making is not necessarily done including those different stakeholders” (E7-A)
“There was a workshop with the top management team of the company where they had a presentation of each and every stakeholder priorities. They analysed this, and from that [they] made a decision on what to aggregate and [what] results should be and what the priorities for the company [are]” (C8-W)
“The organisation makes a decision on what they think is important, important to do, and important to share is not always exactly the same thing” (E7-A)
“Who is really participating in that materiality decision-making?” (E7-A)
“Including and identifying the issues is one thing, the decision making in the organisation is another thing” (E7-A)

“Stakeholders actively participate in the integration of certain approaches” (C3-M)

• Categories: Barriers - Potential for posture
“Materiality can be in a negative sense used by those organisations to kind of hide things that they don’t want to show, but defending themselves with the fact that they conducted materiality analysis. And actually those issues are not as important” (E7-A)
“There’s been for years situations were companies were reporting on things that they are performing well on, and kind of amend the information were they are not doing so well” (E7-A)

• Categories: Barriers - Pointless exercise
“There is this big standard point of materiality saying let’s understand the biggest impacts but again the over qualification or over assessment of materiality at this point I think is counterproductive” (E4-C)
“By this point, if we haven’t figured out what the most important topics are for the industry or any industry then what have we been doing this whole time right? How is it that somebody still needs to go and ask they have no idea what their biggest impacts are?” (E4-C)

• Categories: Barriers - Data collection
Lack of systems
“Difficult to comply if you don’t have an HRS system in place” (C4-L)
“The right systems in place to enable us to collect better and process the data” (C4-L)
“We do not have a defined tool” (C6-L)
“New system for all hotels, sometimes for corporate but not for all” (C2-M)

Unclear measurement / Metrics
“What measures to use” (E7-A)
“What timeframe to use for the measures” (E7-A)
“The scale” (E7-A)
“For many things, there is not a sound methodology for how to measure impacts” (E7-A)
“More work to have established measures” (E7-A)
“Need agreement to have those measures” (E7-A)
“Initiatives that promise those long-term returns and are hard also to measure” (E7-A)
“Difficult to report on a sort of aggregated way on social things” (E1-O)
“Over complicating” (E4-C)

• Categories: Enablers - Use a Third Party

Third party
“Few people are doing it by a third party, so: I think that’s probably the best way to be honest” (E1-O)
“The less they have to do the better” (E1-O)

Cognitive integration - Skills (7S)
Theme: Knowledge and skills of employees
• Categories: Not well-developed organisational capabilities:

MA
- Lack of knowledge
“There is no knowledge about this” (C1-M)
“There is no experts on this or the other side” (C1-M)
- Time management
“A question of time” (C1-M)
External assurance
- Lack of knowledge
  “Lack of knowledge” (E6-C)
Stakeholder engagement
- Lack of knowledge
  “Trying to embark on this robust stakeholder engagement, and understand exactly how that works, they often want some training for that” (C5-L)
  “Knowing where to start sometimes” (E1-O)
  “Lack of knowledge” (E6-C)
  “Having to learn … expecting more about how to work with stakeholders’” (C2-M)
- Time management
  “It is time-consuming” (E1-O)
  “Lack of time” (E6-C)
- Capacity to reach out
  “Having the right connections” (E1-O)
Sustainability Reporting
- Lack of basic management
  “Need for basic management” (E1-O)
  “We don't see carbon reporting or sustainability reporting more widespread is because hotels do not have data” (E5-C)
  “Lot of consumption still monitored on estimates” (E5-C)
  “Hotels are not measuring their water use” (E1-O)
  “Really difficult to create a sustainability report if you don't have robust baselines on which to base your assumptions and to make forecasts for your business” (E5-C)
- Time management
  “Time reporting vs. time doing things” (E1-O)
  “Another step of something else to do” (E1-O)
  “A waste of time” (E1-O)
  “Why should you put more money and time effort to do a report when you are so busy with so many things going on?” (E4-C)
- Materiality
  “The matters of defining what is the material issues” (E7-A)
Sustainability management
- Lack of basic management capabilities
  “They make real the management of this (sustainability)” (C1-M)
  “The most important thing is that data is available not the sustainability data from the industry in general” (E5-C)
  “Still need to understand the baseline and how to monitor the resource consumption in general” (E5-C)
  “It will take quite a long time to address” (E5-C)
- Lack of knowledge
  “Still in hotel industry, you don’t have many sustainability managers understand the topic very well, so you might have it only in big organisations big hotels but after at more granular level of independent hotels you don’t have anyone that understands data and knows what to do with it” (E5-C)
  “Having enough skilled employees who can kind of bring that expertise on how the organisation implement quality or integrative sustainability management” (E7-A)
  “It’s the matter of knowledge” (E7-A)
  “Lack of knowledge about what it includes” (E6-C)
- Elementary performance management systems
  “We cannot develop such big sophisticated tools, yet, in general” (C1-M)
  “Everything is done internally, you know, on excel sheets” (C4-L)
  “Some areas are still dependent upon thinks like Excel, which I don't think is the best solution at all” (C5-L)
  “We use Excel to monitor social initiatives” (C6-L)
- The internal organisation not fit for sustainability
  - Responsibilities
    “They are not organised to take all these kinds of problems” (E8-A) (Example on energy)
    “Need to go to the old management of the enterprise” (E8-A)
“Maybe told a little bit wrong where we had had an environmental department, we have made our own tools and our own systems, reporting systems. Where we see that it doesn’t get enough attention focus in the company” (C7-W)
- **Time management**
- **Lack of time** (E6-C)
- **Materiality**

“The matter of defining what is the material issues” (E7-A)

**Cognitive integration - Shared Values (7S)**

Theme: Organisational culture and values system

- Categories: **Barriers - Cultural behaviour**

**Value-laden decision-making**

“Peoples beliefs influence their work” (C6-L)

“Make sense for the person, so it’s also person related from the person who works on the company” (E6-C)

“It’s just realistically in the day to day to sustainability it depends on what’s that sustainability officer made of and where did they come” (E4-C)

**Cultural diversity**

“Make adjustments which were difficult considering cultural differences” (C5-L)

“People from inside and outside the company are used to do things differently...operational departments are used to work with another culture” (C6-L)

**Operational reactive non-strategic focus**

“Short-term thinking that it’s you work here and now, and do not think on a long-term strategy” (E6-C)

“People of the hospitality industry is very business busy with the day to day management and therefore don’t think long-term” (E6-C)

“Their work with sustainability is not well prepared, well structured and therefore not always totally prioritised according to the needs” (E6-C)

“I think that hospitality company can choose to work with a specific part and in general if there was a total overview then it might be more relevant to start with another part” (E6-C)

“It is not so holistic, and it’s more easy solutions or taken the part of the sustainability work that is easier” (E6-C)

“The effect is not maximised. If you had an overall overview of all the different parts of sustainability you would know where the biggest difference could be made” (E6-C)

“There’s all the things that come at it, so for example suddenly there is a debate on the UK, so we need to do something to address slavery in the supply chain, ok I’m going to react” (E4-C)

- Categories: **Barriers - Balancing values for prioritisation (Values trade-off)**

**Balancing economic and environmental values**

“I see the challenges to balance the economic values and the environmental values, and because sometimes there are investments that you want to do to improve the environmental sustainability ...but you cannot, it costs too much money to do that. So I would say the challenge is to find the balance between the economic and the environmental sustainability” (C8-W)

**Balancing economic and social values**

“It comes to a balance between economic and the activities that we want to do regarding social sustainability” (C8-W)

“Just a question of prioritising” (C8-W)

**Low hanging fruits (Dependency from prioritisation of economic outputs)**

“Prioritise among all these opportunities. We cannot, we do them all at the same time” (C8-W)

“What can we do that does not cost much that gives the image that we would like to show and it’s easy, so the low hanging fruits basically” (E6-C)

“People are working with making money and selling, and that’s the important for the staff and if they get a little bit time we work with sustainability and environmental stuff” (C7-W)

“How do I gain people’s attention how do I do it on a low budget, how do I make the biggest impact. So they’ll go to focus on the financial costs, energy reduction costs, so that’s straight they’ll help save the company money” (E4-C)

“They want to do something, so they look it’s easy to take that part of sustainability work, and so we do that, and that’s our focus, but they haven’t made an overall assessment of what ok what was really need it” (E6-C)

- Categories: **Barriers - Creating value out of sustainability**
Monetise sustainability
“The big challenge is to create value out of this, to monetize this. Is that the consumer chooses you because you are you are a sustainable hotel. Is that your employee choose you because you are a sustainable hotel or a chain and that your investors choose you because you are a sustainable hotel, even your owners for the management contracts, choose you because you are a sustainable hotel. This will be the end of the story. Because we create value out of this.” (C1-M)

Not making money just spending
“Until now is still pending” (C1-M)
“Still we are not making money out of this” (C1-M)
“It’s hard to be focused on sustainability if you are not making money” (C7-W)

• Categories: Enablers

Owners engagement
“You need to engage the owners more, the real hotel state. They may be completely separate from the hotel industry has no part of the discussion at all. They see themselves as one of their investments in buildings that happen to be hotels. If we can get them involved, in the hotel’s sustainability discussions, realise what it means, what it entails, and what the opportunities are, I think that would help” (E4-C)

Top management endorsement
“Support from the CEO” (E5-C)

Involved teams
“Many opportunities to collect those ideas and make them turn into activities” (C8-W)
“The success depends on the participation and commitment of employee... some projects are proposed by the employee” (C6-L)

• Categories: Cultural behaviour

Appropriate cultural behaviour
“Cultural behaviour is one of the key elements to implement a goal or target successfully unless you don’t have that you’re not going to achieve anything” (E5-C)

Theme: Managerial attitudes
• Categories: Fear from exposure (SE)

Reputational fear
“Not feeling like we are on the spot. And I think that’s another element there is a fear” (E1-O)
“Sector stakeholder engagement: “deflects some of the criticism for the industry” (E1-O)

• Categories: Fear from exposure (SR)

Fulfilling high expectations
“We have an owner that is very much in the media talking about environmental issues. Therefore, the guests and the community expect us to do more, and that can be hard to fulfil their expectations” (C7-W)

• Categories: Data collection

Limited data sharing
- **Unwillingness (companies and partners)**
  
  "In the hospitality industry, they're not willing to share much" (C5-L)
  
  "Let's see what the other hotel companies are reporting, they're not reporting as robustly as us we are reporting the most, we are not going any further at this point" (C5-L)
  
  "Having the lower option at least for sustainability reporting" (E7-A)
  
  "Lots of different partners that they are working with and those partners not necessarily want this information to the shared" (E7-A)
  
  "There is an issue of willingness to collect and share the data, specifically the later one" (E8-A)
  
  "Some sustainability issues are really difficult to measure, but some are very easy and are not done" (E8-A)
  
  (Example: Scope 2 energy use which is already on the bill)

  - **Categories: Narrow reach of Industry collaboration**

  "If Hotel Carbon Measurement Initiative is the global standard that the industry assess then it should be more widespread across the industry" (E5-C)
  
  "Need the vast majority of the industry to use it as well and to know it and to be aware of it" (E5-C)
  
  "Much communication that needs to be done at that level" (E5-C)

  - **Categories: Sustainability reporting**

  **Costs vs. value**
  
  "If you don’t see the benefit from it, why pay the cost and engage in this activity?" (E7-A)
  
  "They don't see it as a priority" (E5-C)
  
  "If you don't see the benefit from it" (E7-A)
  
  "for some reason, they are not aware of that" (E8-A)
  
  "It is an added cost" (E5-C)

**A battle to convince**

"We’re trying to also push the argument around the work that needs to be done” (C5-L)

"Have not fully convinced them about that yet” (C5-L)

"It’s not that they’re not supportive of sustainability or CSR, in general, it’s just either more intricate parts, so we have we can educate them around why” (C5-L)

"To keep it alive” (C1-M)

"Kind of a battle every time because we are not used to doing it” (C8-W)

**Lack of internal endorsement**

"Need full buy-in from stakeholders, especially internal” (C5-L)

- **Categories: Sustainability management**

**A battle to convince**

"We have fought for being part of the strategy of the company otherwise, is very risky. Perhaps one day you have the CSR strategy and perhaps another day this doesn’t come” (C1-M)

"Constantly convince the top management team that sustainability is part of our business, that affects our business” (C8-W)

"To convince all parties this is a commitment that is here to stay, this is serious, and we need to do good things for the benefit of all” (C6-L)

"Many companies think that sustainability is like a nice to have ...they don't see that sustainable companies are more successful than others. So the challenge is to convince them” (C8-W)

"Many times they have to win their own battles, so they need to gain the political company, they need to go and figure out how do I gain importance” (E4-C)

**Lack of senior endorsement**

"Unless you don’t have senior management endorsement is not going to happen” (E5-C)

"Need to have the support of the top level management...Being conscious that this is part of our business story” (C1-M)

"To have the top management support could be a challenge” (C2-M)

"Full buy-in from stakeholders, especially internal” (C5-L)

**Not involved teams**

"We would be successful on our targets if we had our teams completely involved” (C1-M)

**Theme: Awareness of sustainability**

- **Categories: MA**

**Low political awareness**

"Sustainability is pretty new in the management of a company ... so materiality is just out of this world” (C1-M)
“This [materiality] is pretty new, very unknown issue. It’s something you need to explain” (C1-M)
“Not everybody understands the importance of this and is not, I mean, this people is not aware on this” (C1-M)

- Categories: **External assurance**

**Unclear need and usefulness**
“Working to convince our internal stakeholders that we need a budget, for example, to do an assurance an external assurance. So we are used for that for several years” (C5-L)
“Belief that it’s just extra costs and then the value is not corresponding to it” (E6-C)

- Categories: **Stakeholder engagement**

**Low political awareness**
“Seeing that maybe they don’t have to do it, so why again engage with the stakeholders?” (E7-A)
“They will engage with shareholders, owners in a sense because of that financial tie. The other stakeholders I think the challenge is that they don’t always see they should so it’s not getting high on their agenda” (E7-A)
“Unfortunately we don’t have enough business cases, successful business cases that speak for themselves” (E5-C)
“Might not be aware” (E6-C)
“Not on the priority list. It’s not up enough in the priority list” (E5-C)

- Categories: **Sustainability reporting**

“A kind of political issue how interested is the hospitality industry in climate change or sustainability, is to do with the political evolution of awareness in that sector” (E2-R)
“A few years ago it was enough to report how the business evolution and the income statement” (C3-M)
“Compared to other industries our carbon footprint is peanuts” (C1-M)
“To make sure that everybody understands the importance in a 21st century that companies must accomplish and be committed to this thing… the difficulty is to make sure that everybody understands the big opportunity” (C1-M)

**Industry maturity**
“They’re not as mature in terms of the stakeholder engagement piece” (C5-L)
“It is a question on maturity” (C1-M)
“Huge discrepancies between the large companies and the small businesses” (E7-A)

**Lack of attention**
- **Lack of external pressure**
“No NGO or no public that is pressing the sector to do something really” (E8-A)
“The sectors that have more customer pressure or government pressure …they do it” (E7-A)
“Need for more efforts on the companies and the whole community to help the industry move more towards sustainable performance” (E7-A)
- **Not enough care**
“It’s all to do with the care and attention society applies to the problem.” (E2-R)
In reference to Financial reporting: “existing formal processes for evaluating companies financial performance, and there is very high degree of standardization in financial reporting” “investors will kill the management of companies that fail to make money” (E2-R)
“If nobody cares it will be very difficult to make the difficult children report consistently” (E2-R)

**Voluntary activity**
“Unless it’s not compulsory why do it?” (E5-C)
“The sectors that have … requirements to report they do it.” (E7-A)
“If it’s a voluntary activity if you don’t see the benefit from it, why pay the cost and engage in this activity?” (E7-A)
“Until legislation does not enforce the sustainability reporting as a must, no one is going to do it but not only in the hospitality industry but in any industry” (E5-C)
“In other industries, there are legislative requirements, so they do it” (E5-C)
“In the hospitality industry, these requirements apply only to the big conglomerates” (E5-C)
“Need to see whether the local governments are committed to implementing stricter legislation” (E5-C)
“Have it as voluntary is ridiculous” (E2-R)
“If financial reporting were voluntary it would be a disaster to the world … the world relies on a 100% on compulsory financial reporting, but the world is not really threatened by financial reporting, the world is threatened by the environmental crisis. The same principle applies. Absolutely should have a 100% reporting all, for example, greenhouse gas emissions” (E2-R)
“The minimum level should be mandatory. It would include that there is a CSR policy produced at leased by each one with targets and that can be monitored and evaluated” (E6-C)

Theme: Legislation
  • Categories: Barriers - Tackling country legislations
    “The challenge of the hospitality industry, if we look it from a global international point of view every country has different regulation, legislation which needs to be tackled at country level” (E5-C)
    “It depends very much on where the accommodation is” (E8-A)
  • Categories: Enablers
    Policy and regulations
    “The government should be much more active on this respect and make the prices rise so that polluting the environment is costly. Also, regulate things like water-based waste management and that kind of things in a better way and account complete for it.” (E8-A)
    “There should be a mechanism to get to care for the carbon footprints and other issues like water usage, etc.” (E8-A)
    “A series of policies developed to support the application of new technologies like …in this country that 2020 all businesses should be supplied with smart meters but as well what is the next step, after heading smart meters how our business is going to make use of this data to their benefit. And what are the next policies that should be put in place to move this country to the next level” (E5-C)
    Mandatory reporting
    “Definitely given us a little bit more push to have to comply with new listings, and rules” (C4-L)
    “They have requirements to report they do it” (E7-A)
    “The authorities they need to put in the necessary legislation” (E6-C)

Theme: Stakeholder pressure
  • Categories: Enablers Sustainability management and Reporting
    Increase external pressure
    - International agreements
      “Of course the pressure is increasing after Paris is more and more countries are doing things, but so far in the hospitality industry there it’s no mainstream to do that” (E8-A)
    Public pressure
      “No public that is pressing the sector to do something really” (E8-A)
      “A more important tactic for all because they know the customers expect everybody to do something. For the management to know that if you don’t do anything, you will lose the battle. I think you see now that when everybody knows this is important for lots of people” (C7-W)
    - Customer engagement
      “We haven’t engaged consumers or buyers of hotels rooms to start helping to build the market case” (E4-C)
      “Have more customer pressure or government pressure” (E7-A)
      “Customers, individuals or companies using the hospitality industry should have some demands on it” (E6-C)
    - Empowering NGOs
      “NGOs have a role to push for the changes” (E6-C)
      “NGOs power, there are a lot of NGOs, but most of them are so much involved in the tourism sector itself that they are not really empowered, they are not creating scandals to which companies have to react… that’s not enough incentives for those who don’t and make big money for it” (E8-A)
      “The shareholders will just ask for the money unless there is an NGO that pressures you to say something about the environment, but if there is not, then that’s the final heard” (E8-A)
    Tipping point
      “In history, companies did not always report the financial performance but then gradually more, and more companies did and then eventually all companies realised that was what they should do. We are in that process with environmental reporting” (E2-R)
      “Consider the sustainable report part of a large political process that society is engaged in” (E2-R)
      “The hospitality sector itself needs to take a leading role” (E6-C)
    Collaboration instead of competition
      “Continued collaboration around key issues ... and agree upon metrics and industry goals” (C5-L)
      “Need more mechanisms to engage the entire industry, all of the hotels regardless of the level, efficiency or performance” (E4-C)
“Haven’t been giving the mechanisms to encourage hotels to go forward, little by little to advance, incremental benefit” (E4-C)
“Find a common benefit to working with other chains” (C6-L)

Process facilitators
“Need some facilitators for the process, the process not to be one-on-one level but around bigger around a table that the challenges and issues that all of them face would be discussed then, would receive the impact from different parties” (E7-A)

Investors endorsement
“If investors collectively are extremely interested and put pressure on companies, they will become high degrees of the organisation in quality in reporting” (E2-R)
“Educating internal stakeholders around the value of integrated reporting” (C5-L)
“Not enough investors are asking for this yet either” (C5-L)
10.12. Appendix 12: Transcription symbols

[ ] Brackets: onset and offset of overlapping talk

= Equals sign: no gap between two utterances (no hueco entre dos enunciados)

(0.0) Timed pause: silence measured in seconds and tenths of seconds

( ) A pause of less than 0.2 seconds

. Period (stop): falling or terminal intonation

, Comma: level intonation

? Question mark: rising intonation

↑ Rise in pitch

↓ Fall in pitch

- A dash at the end of a word: an abrupt cutoff

< Immediately following talk is ‘jump started’, i.e. starts with a rush

> < Faster-paced talk than the surrounding talk

< > Slower-paced talk than the surrounding talk

—— Underlining: some form of stress, audible in pitch or amplitude

: Colon(s): prolongation of the immediately preceding sound

° ° Degree signs surrounding a passage of talk: talk with lower volume than the surrounding talk

.hh A row of h's prefixed by a dot: an inbreath (inhalación)

hh A row of h's without a dot: an outbreath

WORD Capital letters: utterance, or part thereof, that is spoken much louder than the surrounding talk

(word) Utterance or part of it in parentheses: uncertainty on the transcriber's part, but a likely possibility

( ) Empty parentheses: something is being said, but no hearing can be achieved.

(( ) ) Double parentheses: transcriber’s descriptions of events, rather than representations of them.