Responsible Hospitality:
Theory and Practice

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Principle 4: Develop mechanisms to take full account of the views of people and communities

There must be a long-term commitment to CSR activities, which must be support-ed at senior management level, taking into consideration the issues that are salient to the brands' stakeholders. There also must be sufficient resources to support actions and provide robust measures of performance.

(Polonsky and Jevons, 2006)

Almost since the invention of the firm, shareholders have been 'promoted' as the dominant decision makers and maximising shareholder value as the ultimate ob-jective of a business. Milton Friedman (the award-winning economist) is probably the best-known proponent of this view, often quoted as stating that 'the purpose of business is business'. For most capitalist economies, it would be naïve to suggest that this reality has reversed. It would also be misleading to claim that it remains unchallenged. One school of thought that has gained credence in the business world suggests that those organisations that address the interests of their stakeholders (as opposed to shareholder interests alone) will somehow perform 'better' than those that do not (Polonsky and Scott, 2005).

The failure of a number of high profile companies in recent years and the associ-ated scandals have brought the dominance of the shareholder model of doing busi-ness under increased scrutiny. A wide range of business leaders and thinkers have made statements about the significance of companies in broader society (see, for example, Henry Mintzberg's statement that 'Corporations are social institutions. If they don't serve society, they have no business existing' and the thoughts of Demos about the Future of the Firm). In essence, these acknowledge that the future resilience of many businesses depends, not just on the willingness of shareholders to invest, but also on the 'good will' of a large range of organisations/individuals quite apart from shareholders. These *stakeholders* include among others employees, suppliers, customers, clients, sub contractors, financial institutions, third sector organisations, government agencies, the communities in which the business is based and so on.

Business leaders, policy makers, commentators and citizens have begun to re-flect on what alternative types of capitalist structures might be more inclusive of all stakeholders, be more resilient in the long term and reduce the risk of future crises.

(Davies, 2009)

In knowledge and service economies, canny organisations – including a number of hospitality businesses – have come to the realisation that a number of different stakeholders are vital to their future success. In the words of William Davies, they recognise that:

> the value of a contemporary business consists largely of intangible assets, rooted in people, relationships, intellectual property (IP) and reputation, none of which is easily captured in the quantitative calculations of external investors. Treating these assets like physical items of property – tradable, dispensable, swiftly exploitable – can do great damage to their long-term value, as so much evidence on mergers and acquisitions suggests.

(Davies, 2009)

In short, businesses are coming to realise that the value on their balance sheets has as much to do with the nature of their relationship with employees, customers, clients, suppliers, communities and so on as the physical assets on which they are based. As Principles 5, 6 and 7 illustrate, hospitality businesses are not ignorant that within this people oriented sector, the quality of their links with stakeholders is crucial to their success[1], and many already have strategies to address key issues.

The power of the stakeholder

Stakeholders have the potential to help a business achieve its aims or to damage it. A handful of businesses have found their name in the press in recent years for all the wrong reasons, often as a result of the actions of one or more stakeholder groups. In most cases, these stakeholder groups are very small in comparison to the businesses that they tackle, but their media savvy approach makes size irrelevant. These groups tend to focus attention on a small number of issues that have the potential to fatally damage the reputation of a brand. The main issues are listed below:

♦ **Employment practices** – whether justified in a complaint or not, disaffected employees have access to a huge number of mechanisms through which to publish their views. These extend from the apparently innocent blog to blatantly controversial websites like fuckedcompany.com that seek to spill the beans on ill-doing by large businesses. Naomi Klein, for example, documents how employment practices of Nike and Gap were exposed by a small group of verbal activists and used to undermine trust in the brand (see Klein, 2000).

♦ **Treatment of suppliers** – suppliers can mobilise like never before and communicate with each other about poor company practices. Websites like Tescopoly (http://www.tescopoly.org/index) abound with support from powerful players (in the case of Tescopoly, the Small and Family Farms Alliance and GMB trade union among others) with the potential to disrupt the supply chain or reduce

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1 Many hospitality businesses, such as those serving leisure tourists in rural areas have long been aware that a key element of their appeal is the environment and community in which they are based.

Chapter extract

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