



Cape Peninsula  
University of Technology

**THE FINANCIAL IMPACT OF ENVIRONMENTAL MANAGEMENT ON  
OPERATIONS IN SELECTED HOTELS IN CAPE TOWN SOUTH AFRICA**

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## ABSTRACT

Environmental management is a new phenomenon, one which affects not only the way that individuals live their lives today but also how businesses operate. Environmental policies cannot simply be introduced, especially in the hospitality industry. Although the industry thrives off customer satisfaction, like any other business it relies on making a profit each financial year for it to stay operational.

This research was undertaken to determine if implementing an environmental policy has any effect on the financial statements of a select group of hotels within the Cape Metropole. In answering this question, the researcher was able to establish what the relationship between implementing environmental management policies was and the effect it has on the financial side of a specific group of hotels. "Hotels are also being pressured to move towards triple bottom line reporting (3bl), involving the relationship between profit, people, and planet" (Kleindorfer, Singhal & Van Wassenhove, 2005:482). "To encourage an environmentally more responsible behavior in the hotel sector, it was necessary to demonstrate the cost savings of these practices" (Bohdanowicz, 2005:188-205).

The research methodology consisted of both quantitative and qualitative approaches. Interviews were conducted with participants from key organizations, and with people who were linked to the hotel industry and environmental management. These included government organizations, SARS, which deals with all tax-related laws in South Africa, Eskom, the country's energy providing company, as well as with a travel agency which deals with hotel bookings on both a local and international level. A focus group was also undertaken to ensure that the problems being researched were discussed fully by like-minded people, and by those who were directly involved with carrying out these policies in hotels. Questionnaires were sent to all the four- and five-star hotels within the Cape Metropole to assess the current situation relating to environmental management and their financial profit or loss.

The research determined that implementing environmental policies has both a positive and negative effect on financial statements, thus proving that there is a direct link between the two. The findings clearly showed that environmental policies, whilst good for the surroundings and the environment, can be financially draining for a business if not properly planned prior to implementation. With correct research, however, this can be done in the correct manner, with results that are positive for both the environment and for the company's financial statements.

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My mother who has encouraged me to fulfill my full academic potential

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## GLOSSARY

**SARS** South African Revenue Service. This is the tax-collecting and regulatory body of the Republic of South Africa.

**WTO** World Travel Organisation United Nations body responsible for international tourism regulations.

**PATA** Pacific Asia Travel Association. Local travel organization within the Pacific Asian region.

**IHEI** International Hotels Environmental Initiative. A charity program developed to assist hotels with environmental change.

**UN** United Nations. An intergovernmental organization established to encourage international cooperation.

**LEED** Leadership in Energy and Environmental Design. A rating system that is used when assessing the design, construction and thereafter the operations and maintenance of a building.

**3R's** Reuse, recycle and reduce. Basic understanding taught at school level to encourage environmental awareness.

**Carbon footprint** Refers to all of the greenhouse gas emissions that is caused from a specific person, event or organization

**Eco-friendly** Term used to describe goods and services that promote conservation of the external environment.

**Green marketing** Term used when marketing products or services that promote conservation of the environment.

**Eco-tourism** A usually small scale type of tourism which includes visiting relatively undisturbed natural areas, in contrast to mass commercial tourism.

**FEDHASA** Federated Hospitality Association of Southern Africa. A non-profit organization acting as the official hospitality voice in Southern Africa.

**SACA** South African Chefs Association. A non-profit organization acting as the official chef industry voice in South Africa.

## CHAPTER 1

### ORIENTATION AND BACKGROUND TO THE STUDY

#### 1.1 Introduction

The degradation of the environment is a major concern for modern society, and this in turn affects a firm's strategy (Gil, Jimerez & Lorente, 2001:457-471). During the past 20 years there has been growing pressure on businesses to pay more attention to their impact both on the environment and on the resources used in the products and services they offer (Kleindorfer, Singhal & Van Wassenhove, 2005:482). Hotels rely heavily on profit-driven business models (Elias, 2011:108). As with any business, incentive is a large draw-card when they consider new policies. Hotel guests make their decisions based on criteria such as where to stay, the services offered, and the price (Bohdanowicz, 2005:188-205).

There are numerous questions around implementing environmental management in the hotel sector. Firstly, how will it affect the customer and the services provided? Secondly, how it will affect the business, taking into account the costs of implementation as well as the costs of operations? Ultimately will it increase the business of the establishment and contribute to an increase in profits? The hospitality industry, although focused very much on service and the meeting of guests' needs, is also driven by profits – the basic principle of reducing costs and increasing sales.

Environmental management is a program which requires current businesses to monitor their operations on a regular basis and reduce any effect on the environment of the 'carbon footprint' (Christiansen, Wesnaas & Weidema, 2006:108). This is a relatively new initiative in the hospitality industry, only really gaining interest since the Prince of Wales International Hotels Environment initiative in the 1990s. Since then, many hotels, both those which are independent and those which are part of larger groups, have implemented various changes to reduce the carbon footprint and the damage to natural surroundings. However, very little research has happened relating to and environmental management strategy and how it would affect the financial operations of a hotel.

If a direct link were established between the implementation of environmental policies and profit gain, hotels and the service sector as a whole would be more encouraged to implement such policies (Bohdanowicz, 2005:188-205).

This study set out to evaluate the effect that environmental management policies have on the financial operations of a select group of hotels in the Cape Town Metropole.

## **1.2 Purpose of the study**

The South African hotel industry is lagging behind internationally, both with developing environmental policies and with implementing them. Unlike the international industry, our hotels receive no financial backing from government. So before spending large sums of money they need to ensure that environmental management will not only benefit the surroundings but will also be financially viable for their business operations.

Elias (2011), of the Vineyard Hotel, states that representatives of many smaller hotels often visit the Vineyard to enquire about the hotel's environmental management provision, and to acquire information about its implementation. Their focus is mainly on policies relating to the financial implications associated with such a program, and whether their smaller businesses will be able to cope with the start-up costs, as well as the validity of the program from a business point of view. There is an urgent need to investigate fully the financial result of environmental strategies in hotels. The service industry thrives on guest relations and theories of what makes the customer happy, but the reality is that, as with all businesses, profit is essential. Thus all policy changes need to make financial sense.

## **1.3 The research question**

The research question is:

What impact will an environmental management policy have on the financial operations of a select group of hotels in the Cape Town Metropole?

The research question led to the following sub-questions:

- What will the financial impact be of introducing environmental policies and initiatives?
- What is the difference in price and availability of environmentally friendly supplies compared to those that are not?
- What is the effect of environmental management on sales and marketing?
- What is the effect of eco-friendly policies on the hotels' daily costs?

## **1.4 Research Objectives**

After formulating the research question, the following aims were introduced for this research paper

- To investigate if there is a relationship between finances and environmental management
- To research the affect environmental management has on the sales and marketing of a hotel
- To investigate the daily affect an environmental management program has on a hotel's costs
- To compare the costs of environmentally friendly supplies with those that are not.

### **1.5 The hypothesis**

The following hypothesis was proposed:

There is a relationship between the implementation of environmental management policies and their effect on the financial business operations of a specific group of hotels.

### **1.6 Literature review**

This research paper included literature from academic papers, books, journals, official reports and websites. A discussion of the literature consulted follows.

“The degradation of the environment is a central concern in modern society, and in turn affects a firm’s strategy” (Gil, *et al*, 2001:457-471). “Over the past 20 years there has been growing pressure on businesses to pay more attention to the effects on the environment and on the resources used in the products and services they offer” (Kleindorfer, *et al*, 2005:482). “Environmental management is a broad term which covers issues such as controlling environmental impact (aesthetic, cultural, ecological and social), sustainability, resource management, and pollution” (Kirk, 1995:3-8). This point is further supported as companies are now paying more attention to their own carbon footprint, defined by Wiedmann and Minx (2008:1-11) as “the measure of the total amount of carbon dioxide emissions directly linked to a company’s operations”.

Since the 1990s, environmentalism has been identified with big business (Grove, Fisk, Pickett & Kangun, 1996:56-67).”Initial concern about the environment was confined to those industries which caused direct pollution” (Kirk, 1995:3-8).However, with increasing media coverage of environmental management (Stipanuk & Ninemeier, 1996:12), the services sector has been exposed as the `silent environmental destroyer’(Gil *et al.*, 2001:457-471).The service industry has a heavy reliance on the environment (Enz & Sigauw, 1999:72). “Many hotels and restaurants are situated in areas of outstanding natural beauty, in historic cities, or in areas with a sensitive ecological balance.” (Enz & Sigauw 1999:72)

However, Kirk (1995:3-8) informs us that the hospitality sector is often left with a dilemma. Despite the importance of the environment, many customers want hospitality services where they are pampered, with luxuries such as hot showers, bright decorative lights, fresh laundered linen, and copious amounts of food and drink. All of these can contribute to degeneration of our environment and add to a firm's carbon footprint.

Hotels operate predominantly according to profit-driven business models (Elias, 2011:108). As with any business, incentive is a large draw-card when they consider new policies.

Hotel guests make their decisions based on criteria such as where to stay, the services offered, and the price (Bohdanowicz, 2005:188-205). If there were a direct link between environmental policies and profit gain, hotels and the service sector as a whole would be more encouraged to implement such policies (Bohdanowicz, 2005:188-205). "There is also pressure on hotels to move towards triple bottom line reporting (3bl), taking into account the relationship between profit, people, and planet" (Kleindorfer, *et al*, 2005:482). "To achieve more environmentally responsible behavior in the hotel sector, it would be necessary to demonstrate the cost savings related to these practices" (Bohdanowicz, 2005:188-205).

The prices for green products, which affect those consumers who are sensitive to paying more, have slowed down the speed of environmental change in hospitality (Grove *et al.*, 1996:56-67). "Nevertheless, hotels need to accept that there is a direct link between environmental policies and profit gain" (Hart, 1993:18). Reusing, recycling, and reducing are the main 3R's associated with such policies and are related directly to cutting hotels' operational costs (Grove *et al.*, 1996:56-67).

Hotels should consider their financial statements, in particular the income statement as well as their balance sheet each financial year. Summaries of performance reflected in profit/loss, these itemize the revenues and expenses which have led to either profit or loss. They also allow a business to compare revenue from one year to the next.

Hotels can now reuse packaging materials; make new materials out of those recycled, and lower the use of resources such as water. This lowers the carbon footprint as well as the costs associated with running a hotel (Grove *et al.*, 1996:56-67). "The redeployment of waste products, for example in new furniture or as soil treatment aids, reduces the use of toxic chemicals and creates less waste for landfills, while at the same time saving the firm the cost of buying these new products" (Grove *et al.*, 1996:56-67).

Environmental management can also be used as a marketing tool (Blasthandt, 2011:62). Tour companies such as TUI have a policy of only doing business with 'green' hotels (Elias,



2011), while research by George and Frey (2009:16-24) has shown a direct link between the marketing of environmental status and the number of guests frequenting an establishment

On the other hand, studies have also shown that there is a negative side to such policies. Staff must know the basics of environmental problems and be trained in preventative measures. Lefter, Stanescu and Stan (2010:1171-1173) note that initial implementation costs can be very high, so such policies are often only accessible to larger groups or chain hotels.

Nevertheless, introducing environmental management policies and operating a green hotel are not only good practice but are also good for business (Enz, Sigauw, 1999:72). According to Kirk (1995:3-8), there are clear financial benefits, and implementation in some cases can lead to positive benefits for all the parties involved (Hart, 1993:18).

As with all other businesses, hotels need equipment and services from outside companies in order to perform their operations. Service providers in the hospitality industry either supply materials (light bulbs, cleaning equipment) or offer a specialized service (laundry).

### **1.7 Significance of the study**

The proposed research was intended to offer a base for smaller or non-participating hotels from which to view the financial impact of environmental management policies on the costs and profits of their business operations. The researcher was able to evaluate the statistics on start-up costs, determine whether they were manageable, and assess whether these costs were returned within a timeous business period in the researched hotels.

The study also aimed to analyse whether such policies caused an increase in business revenue, and if they aided in reducing operational costs, as well as the impact they had on the sales and marketing of the establishment.

Such results could help to improve overall knowledge for many hotels of the effect of environmental changes and their operational impact, and could be used as a tool to assist them in formulating new policies in their own operations which would reduce the carbon footprint and be more 'eco-friendly'.

The study would thus add to the research on a significant and important factor in current business. It could be used as a basis for comparison in operational decisions, and could be shared and used both locally and internationally

## **1.8 Research methodology**

The research was conducted in a natural setting and involved a process of building a complex and holistic picture of the phenomenon of interest. Creswell (2003:18) states that “qualitative research allows the researcher to explore multiple meanings of individual experiences which are socially and historically constructed”.

For the data collection, questionnaires were sent to the selected hotels, with the request that they be completed by their staff. Interviews were conducted with experts in the field of environmental policies. In designing the study, the researcher identified two types of respondents to be interviewed. The first were travel agents. These are by definition the people responsible for booking accommodation for groups and individuals, both locally and internationally. Secondly, a sample of selected external parties was contacted for interviews, the purpose of which was to gather information. These included Eskom, SARS, and travel agents, all of which were directly involved with the research topic.

In order to avoid differences in interpretation, closed questions were used (Coldwell & Herbst, 2004:51). Questionnaires were used to assess current thought and practice on environmental management policies in four- and five-star hotels in the Cape Metropole. Purposive sampling was used because this kind of approach is commonplace for the type of research that was being conducted (Lewin & Volberda, 2011:224). The questions on the questionnaire were relevant to the problem under investigation.

A focus group was held to gather opinions from like-minded individuals directly involved with the implementation of environmental management policy. In selecting the right respondents for the focus group, the researcher chose members of the industry who had the requisite qualifications and experience. The respondents had to be within the Cape Metropole area where the study was undertaken.

The main data gathered were quantitative, captured through the questionnaire and compared in graphical format. However, an aspect of qualitative research was incorporated, since the interviews took place so the researcher could gain a better understanding of the operational side of environmental management from those directly involved.

## **1.9 Ethical considerations**

Any research study presents a number of ethical and moral dilemmas. These must be identified and addressed prior to carrying out the study, in order to protect all the participants from any harm. Since most educational research deals with human beings, it is necessary to

understand the ethical and legal responsibilities involved in conducting a study (McMillan & Schumacher, 2006:142).

The participants were assured of full anonymity and confidentiality and of their right to withdraw (Johnson & Christensen, 2004:94).

Written approval was obtained from all the participants, who were not expected to disclose private confidential information. Ethical clearance was obtained from the Ethical Committee of the Business Faculty of CPUT.

### **1.10 Demarcation of the study**

The research was undertaken to evaluate the effect of an environmental policy on a select group of hotels within the Cape Town Metropole. Chosen across a variety of different areas within the Metropole, the hotels were of varying star ratings, and were divided between those which were privately owned and those which were part of a hotel chain.

By focusing on this select group of hotels, the researcher was able to further determine whether environmental policies differed between independent and chain-owned hotels, and to establish if area, star rating, and surroundings played a part in the financial results of environmental policies in their operations

### **1.11 Overview of the study**

#### **Chapter 1 – Orientation and background to the study:**

This chapter covered the research question and sub-questions, the hypothesis, objectives, purpose of the study, research methodology, the literature review, and the demarcation of the study.

#### **Chapter 2 – Literature review:**

Chapter 2 details the literature reviewed and forms the main body of the study. The focus was on the outcomes of the proposed research, to be used as a base from which smaller or non-participating hotels can view the financial impact of environmental management policies on the costs and profits of their business operations. The degradation of the environment constitutes a main concern for modern society, and this in turn affects a firm's strategy (Gil, *et al*, 2001:457-471).The literature was consulted both on the degradation of the environment and on how this problem could be solved.

### **Chapter 3 – Research methodology**

This chapter informs one of the research methodology, explaining the research methods that were used, the sampling group, the structure of the questionnaires, the choice of participants for the interviews and the focus groups, and the research design, Dawson (2002:59)states that “preparing a research design involves knowing the objectives of the study, the method of data collection to be adopted, the sources of information, the tools used, and the type of analysis employed, be it quantitative or qualitative”.

Questionnaires were used to record the current thought and practice on environmental management policies in four-and five-star hotels in the Cape Metropole and were completed by the staff of these hotels. A sample of selected external parties was contacted for interviews, the aim of which was to gather information on the research question. These included Eskom, SARS, and travel agents, all of which were directly involved with the research topic. A focus group of experts in the field was conducted to clarify certain concepts and to compare the information from the different participants.

### **Chapter 4: Data analysis**

The questionnaires sent to the selected hotels and recycling contractors were analysed. The findings of the questionnaires are discussed in terms of the structure of the questionnaire, the sources of information for the questionnaires, and the data methods used.

The outcomes of the research are discussed with regard to both the main and sub-questions of the research. A discussion follows on how the data was collected the process of interpreting the questionnaires and data-bases. A breakdown is given of each question that was asked, including the rationale for the question. Graphs are used to display the feedback received from the respondents, including a detailed explanation of the findings.

### **Chapter 5: Finding and recommendations**

Chapter 5 comprises an explanation of the findings and the data, and recommendations are made on the basis of these. The reliability together with the validity of the research study were also explained.

### **Chapter 6: Concluding remarks**

This chapter summarizes all the information from each chapter of the study. Recommendations were made for further research on the environmental issues, followed by concluding remarks.

## **1.12 Summary**

This research set out to develop a tool which could be used by both smaller and larger hotels when implementing environmental management programs. It examined all the aspects from start-up costs to funding, the costs involved with eco-friendly suppliers, and, most importantly, whether these programs have effect on the overall profits of a hotel and in which way. The research question and sub-questions were stated, a hypothesis was formulated, and the research methods and literature review were discussed.

## CHAPTER 2

### LITERATURE REVIEW

#### 2.1 Introduction

A number of environmental problems today threaten the future of humanity. They include the global warming phenomenon, over-consumption of non-renewable resources, and global air pollution (Chan & Wong, 2004:92). In the 1980's, a series of environmental disasters occurred which increased awareness of these problems (Kasim & Dzakiria, 2009). Business and industry have played a major role in preventing this damage (Chan & Wong, 2004:481-492).

The degradation of the environment is a main concern for modern society, and this in turn can affect a firm's strategy (Gil, *et al*, 2001:457-471). "The past 20 years have seen a growing pressure on businesses to pay more attention to the effects on the environment and resources of the products and services they offer" (Kleindorfer, Singhal & Van Wassenhove, 2005: 482). Thus since the 1990's environmentalism has been identified as a major concern of big business (Grove *et al*, 1996:56-67).

As a profit-making industry, tourism is inevitably accused of abusing the use of green and eco-labels for its products in order to increase sales (Knowles, Macmillan, Palmer, Grabowski & Hashimoto, 1998:255-265). "Hospitality leaders are aware of the initial profit sacrifice that environmental preservation entails, demonstrating the 'tensions between tourism development and sustainable tourism'" (Moeller, Dolnicer & Leisch, 2010:155-169).

"However, several hotel companies have adopted programs that have saved them money but which at the same time have helped to conserve the environment. Organizations such as WTO (World Travel Organisation) and PATA (Pacific Asia Travel Association) actively promote environmental awareness in the industry. Studies have shown that over time hotels which incorporate environmentally friendly products and procedures into their daily operations can save money" (Swanger, Benson & Paxson, 2000:1-5).

#### 2.2 Environmental management

In its narrower sense, the term environment refers to the physical environment, which includes both natural and manmade components. Environmental quality refers to natural features such as beautiful scenery, clean water, fresh air and diversity of species (Mihalic, 2000:65-78). As reflected by Mihalic (2000:65-78) in tourist demand, "environmental quality

is an integral part of the attractions of nature. Maintaining a high level of overall environmental quality is therefore important to the competitiveness of most types of tourism-related industries.

Environmental management is a broad term which covers issues such as environmental impact (aesthetic, cultural, ecological and social), sustainability, resource management, and pollution. (Kirk, 1995:3-8) However important the preservation of the environment, the need for a business to maximise profits remain its number one goal (Kirk, 1995:3-8).

Nevertheless companies are now paying more attention to their own 'carbon footprint', which Wiedmann and Minx (2008:1-11) describe as "the measure of the total amount of carbon dioxide emissions directly linked to a company's operations". Penny (2007:286) echoes this view stating that "environmental management is 'the practices and processes introduced by an organisation for reducing, eliminating and ideally, preventing negative environmental impacts arising from its undertaking'".

Most significantly, an environmental management program, at least in the early stages, can reduce costs through greater efficiency in the use of resources. For example, in the UK, the Department of the Environment stresses the considerable financial advantages which can accrue from an energy management program. They suggest that by taking simple low-cost measures hoteliers can achieve an energy saving of 20%. Further benefits include marketing advantages (Kirk, 1995:33-47).

Textbooks on business and economics are explicit on the objectives of a business, and while many vary, they have one factor in common: textbooks are all generally geared towards maximizing profits (Lee-Ross & Johns 1997:66-69). Hotels, too rely heavily on profit-driven business models (Elias, 2011), and incentive, or 'what is in it for me', is a large draw-card when hotels consider new policies.

The concept of identification of costs, and hence maximization of profit, has been around for years (Burgess & Bryant 2001:144-150). Businesses aim to exploit market trends to maximize profits while decreasing costs (Lee-Ross & Johns, 1997:66-69). Thus the main function of hotels is to provide accommodation services at low costs, so that profits will increase. Expenses and projects must therefore be within financial reason and implemented on the understanding that they will further increase the revenue received at the end of the day.

“At the same time pressure is being put on hotels to move towards triple bottom line reporting (also known as 3bl), which involves the relationship between profit, people, and planet” (Kleindorfer *et al.*, 2005:482).

### **2.3 Environmental issues within hospitality**

Initial concerns about the environment were confined to those industries which caused direct pollution. However, with more media coverage (Stipanuk & Ninemeier, 1996:12), the role of the services sector, referred to by Gil *et al.* (2001:457-471) as the ‘silent environmental destroyers’, has been exposed. The service industry places a heavy pressure on the environment (Enz & Sigauw, 1999:72). Enz and Sigauw (1999:72) also inform us that “many hotels and restaurants are situated in areas of outstanding natural beauty in historic cities, or in areas with a sensitive ecological balance. In recognition of this reliance, as well as the obvious environmental degradation, governments, supported by the green movement within the hotel industry, as well as travelers and tourists themselves, have become increasingly aware of the effect on the environment and the need for measures to protect it”.

Environmental management developed in the post-war years when the realization that industrial expansion was causing damage to the environment and to people's health. However, it was not until early 1990's that the concept began to gain recognition in hotels worldwide, in particular through efforts made by various associations such as the International Environment Initiative (IHEI) (Penny, 2007:286-293).

The service industry so came to recognize its heavy reliance on the environment (Enz & Sigauw, 1999:72).

This is confirmed by research by Kang, Lee and Huh (2010:72-82), who noted that “the number of environmental news reports on a hospitality industry web site, Hospitality Net, increased from 63 items in 1999 to 139 in 2007. In addition, leading hospitality companies, including Hilton, Starwood and Choice Hotels now provide reports based on environmental issues”.

An annual report highlighting the top ten global challenges facing the hospitality industry will be also disseminated. It notes that three of the ten top concerns for 2006 were related to environmental issues (Swanger *et al.*, 2000:1-5).

The environment is the major recipient of negative impacts created by the construction and operation of hotel and facilities, yet the success of tourism as well as the hotel industry, largely depends on the availability of a clean environment. Hotels operate in different environments, ranging from metro cities to beach resorts. While operating in such a range of



environments, various resources are consumed. A hotel situated in a particular setting consumes various recyclable and non-recyclable natural resources pertinent to that setting. With the consumption of resources, depending on their usage, different types of solid, liquid and gaseous emissions and discharges are released from the hotel premises. However consumption of resources in an unbalanced manner overburdens the supporting environment (Manaktola & Jauhari, 2007:364-377).

Many surveys on environmental impact are being carried out, for example that of Chan and Wong (2004:481-492), who found that “waste generation is the most visible effect the sector has on the environment, with a typical hotel guest producing an average of 1kg of waste a day”.

The industry uses large amounts of energy for transport, heating, air conditioning, swimming pools, laundry and catering, leading to a number of negative effects, among them reduction of energy resources, a contribution to global warming and a possible contribution to acid rain. Also, the release of ozone-depleting substances from packaging, firefighting equipment and refrigeration has an impact on the depletion of the ozone layer. Land and water resources are also consumed by the industry (Kirk, 1995:33-47).

According to Foster (2000), the hospitality and tourism industry is under pressure to become more environmentally friendly, responding to factors such as consumer demand, increasing environmental regulation, and the need to preserve natural aesthetics (Manaktola & Jauhari, 2007:364-377).

The hospitality sector is often left with a dilemma. However important the environment, many customers seeking hospitality services do so expecting to be pampered, with hot showers, bright decorative lights, fresh laundered linen, and copious amounts of food and drink, all of which contribute to degeneration of the environment, and adds to the firm’s carbon footprint (Kirk, 1995:3-8). “Nevertheless, the industry as a whole is fundamentally dependent on the existence of the natural environment, which provides the essential resources that encourage tourists to visit” (Moeller *et al.*, 2010:155-169).

Hotels which implement successful quality programmes not only have greater customer satisfaction but also enjoy greater employee satisfaction, healthier profit margins, and lower operational costs than their counterparts without such programs (Bastic & Gojic, 2012:1012-1020).

## **2.4 Benefits of environmental management policies within Hotels**

Introducing environmental management policies and operating a green hotel are not only good practice, but are also good for business (Enz & Sigauw, 1999:72). Implementation in some cases can lead to positive benefits for all parties involved, the environment, the suppliers, the hotel operators, and their guests (Hart, 1993:18).”However to achieve more environmentally responsible behaviour in the hotel sector, it is necessary to further demonstrate the cost savings with these practices” (Bohdanowicz, 2005:188-205).

One of the main functions of a hotels facilities manager today is to address issues of environmental management (Penny, 2007:286-294). The industry generates negative environmental impacts associated with non-durable goods, energy and water consumption, followed by emissions released to air, water and soil. Many researchers report that improving hotels’ environmental performances would lead to the reduction both of energy consumption and operational costs.

“According to the 1992 United Nations Conference on Environment and Development, by installing visible eco-friendly technology (such as solar panels, low-flow showerheads, recycling bins etc.) hotels can lower their environmental impact while also gaining the attention of travellers interested in conservation” (Kang, Stein, Heo & Lee, 2012:564-572).

The hospitality industry now has many reasons to go ‘green’ (Chan & Wong, 2006:481-492) among these are “consumer pressure and, the reduced costs associated with improved efficiency. Increasingly these days managers and policy makers are coming to realize that purchasing can significantly affect corporate performance along environmental lines, and that products acquired through the purchasing function can affect the level of waste and pollution generated” (Handfield, Walton, Sroufe & Melnyk 2002:70-87).

There are a number of pressures on all industries, including the hospitality industry, to respond to the need to reduce negative environmental impacts. In relation to this motivation for change, there are five main motivators for the hospitality industry: Legislation and codes of practice, fiscal policies, public opinion, consumer pressure, and the financial advantages resulting from saving resources (Kirk, 1995: 32-47).

In many cases, programs for saving energy, water and other resources results in cost reductions. This is economically attractive to managers and easily supported by business and political forces located at the establishment itself (Mihalic, 2000:65-78).

The tourism and hospitality industries are aware of the need to protect the environment, while at the same time perceiving environmental efforts as counterproductive in terms of

their ultimate aim of maximizing revenue. One possible way to accommodate this is to accept that becoming more environmentally sustainable and maximizing revenue are not mutually exclusive and can indeed be complementary business goals (Moeller *et al.*, 2010: 155-169). "Hotels need to realize that there is a direct link between environmental policies and profit gain. Reusing, recycling, and reducing are the main 3-R's. These are directly associated with an environmental policy and linked to cutting operational costs within hotels" (Grove *et al.*, 1996:56-67).

Improved environmental performances can contribute to a hotel's effectiveness and productivity. A healthy, safe and ecologically sound environment reduces the adverse environmental impacts on both customers and employees. Many surveys show that there is growing consumer pressure on hotels to practice green principles, while practicing green principles helps to save the hotel costs. Finally, going green is also required for the compliance of some government regulations (Penny, 2007:286-294).

Regulations, rising costs, awareness of the ecological effects of business activities, and stakeholders' pressures have forced firms to reevaluate their strategic approach toward the natural environment. In the light of this, researchers have argued that the effective integration of environmental management practices into operations offers numerous benefits, including lower costs and enhanced efficiencies, competitive advantages through product or service differentiation (green products or services) and better servicing of niche markets (customers demanding ecologically friendly products). Other benefits include an improved image and the enhanced loyalty of key stakeholders. However a concern of many hoteliers is that 'environmentally friendly' alternatives are perceived as more expensive and less efficient (Kassinis & Soteriou, 2003:386-392).

## **2.5 Financial aspect regarding Environmental Management**

"Extant empirical work suggests that profitable firms tend to have a high environmental performance" (Kassinis & Soteriou, 2003:386-392).

The current economic situation forces hospitality institutions to continually improve their financial performance, while complying with regulations in their market. "At the same time consumers in major international markets are demanding that companies offer increasingly higher quality products and services which are consistent with societal and environmental values, if they wish to remain competitive in global markets. Stakeholders such as suppliers, government agencies, and other strategic partners have, as a result, become much more concerned with overall reputation when selecting firms with which to align themselves. These requirements to simultaneously improve performance and environmental performance

encourage firms to seek innovative ways to utilize environmental or green marketing, and management as a way of enhancing their reputation, competitive advantage, and ultimately their financial performance” (Darnell, 2009:418-421).

As a profit making industry tourism is inevitably accused of abusing green and eco labels in order to increase sales (Knowles *et al.*, 1998:255-265). “Hospitality leaders are aware of the initial profit sacrifice that environmental preservation entails, reflecting what has been described as the ‘tensions between tourism development and sustainable tourism’” (Moeller *et al.*, 2010:155-169).

Costs can be lowered when firms invest in those environmental management systems which result in a decrease in accidental environmental releases and liability. Costs may be reduced through proactively managing environmental regulations, creating barriers and first-mover advantages which are difficult for competitors to maintain. Lower costs can also result from reduced material waste and the identification and reduction of inefficient processes. Recent anecdotal evidences links strong environmental performance to lower costs, often through eliminating waste (Carter, Kale & Grimm, 2000:219-228).

According to one study, green buildings achieved energy savings of 25-30% averaging around 28%. The study quotes a remark from a conference sponsored by the California Sustainable Building Task Force with the US Green Building Council. Financial benefits are between \$50 and \$70 per square foot in a LEED (Leadership in Energy and Environmental Design) building, over ten times the additional cost associated with building green. The financial benefits are in lower energy, waste and water costs, lower environmental and emission costs, and lower operational and maintenance costs, coupled with increased productivity and health (Rahman, Reynolds & Svaren, 2012:720-727).

Kang *et al.* (2012:72-82) refers to Kirk’s 1995 research quoting a study done in the UK which showed that hotels only implemented environmental changes for direct financial gain.

In spite of rising interest in environmental management, and vigorous related activities in the hospitality industry, only a few research studies have been done on the impacts of environmental management and its effect on financial performance (Kang *et al.*, 2012:72-82). The most important aspect of environmental management was found to be that relating to the financial relationship (Kang *et al.*, 2010:72-82). Kang *et al.* (2010:72\*82) then asks the question “could it improve a firms value through immediate costs savings, enhance the firm’s reputation, and head off future action by those regulatory bodies, including governments, which might impose significant costs on the firm?”

Many claim that efficient equipment is prohibitively expensive. However the running costs of inefficient apparatus are frequently higher than the initial cost of installing more effective equipment (Bohdanowicz, 2006:662-682). When evaluating the cost of equipment and goods hotel managers should not only carry out research based on initial cost but also take into consideration the entire life cycle (Bohdanowicz, 2006:662-682).

In Europe surveys asking hoteliers to rank the best incentives for implementing an environmental management program found that the main factor was to reduce operating costs (Bohdanowicz, 2006:662-682).

An example was the London Hyde Park Intercontinental where changing extractor fans from fixed volume to variable speeds reduced the energy costs 18000 US Dollars annually (Penny, 2007:286-294). A study in Guernsey in 2006 echoed this with respondents stating that “the cost cutting opportunities are the foremost incentive in becoming environmentally responsible, especially when combined with reduced taxes operating subsidies and capital grants (Bohdanowicz, 2006:662-682).

Other examples confirm that environmental practices can be useful in improving customer loyalty and employee satisfaction, in reducing costs and enhancing competitiveness (Kassinis & Soteriou, 2003:386-392).

Hotels can now reuse packaging materials; make new materials from the recycled goods, and reduce the consumption of resources such as water lowering the carbon footprint as well as the costs associated with running a hotel (Grove *et al.*, 1996:56-67).

The re-deployment of waste products, for example in new outdoor furniture, or as soil treatment aids, reduces the use of toxic chemicals, creates less waste for landfills, while saving the firm the cost of buying these new products (Grove *et al.*, 1996:56-67).

Further evidence from the service management literature suggests that customer’s satisfaction influences their loyalty, which in turn affects profitability (Kassinis & Soteriou, 2003:386-392).

## **2.6 Environmental management and purchasing**

Bringing together products and production technologies which are designed to minimize their environmental impact, in conjunction with a strong management system, results in improved environmental performance (Zsidisin & Sifred, 2001:61-73).

Purchasing is at the beginning of the value chain, so a firm’s environmental efforts are unlikely to be successful unless they are integrated with purchasing activities, thus

contributing to a firm's overall environmental goals and undertaking (Eltayeb, Zailani & Ramayah, 2011:495-506).

Green purchasing includes making sure that the purchased items have desirable environmental attributes such as reusability and, recyclability and that hazardous materials are not included. Such an initiative that tries to ensure that the purchased products or materials meet the environmental objectives set up by the firm, such as reducing sources of waste, promoting recycling, reuse, resource reduction and substitution of materials. Green purchasing means that purchasing or supply chain managers take into account the issue of sustainability in their criteria of cost, quality and delivery. Most large manufacturing firms now devote substantial time and resources to environmental management. This is important as it allows industry to contribute to ecologically sustainable development by applying total quality environmental management processes or through redesigning their products manufacturing technologies (Buisse & Verbeke, 2003:453-470).

Companies are defined as 'environmentally-friendly' if in some way they aim at reducing their products' negative environmental impact (Manaktola & Jauhari, 2007:364-377). "Prior to the 1980s, the purchasing function was typically viewed as being primarily clerical. It was essentially a tactical activity and had little impact on how the firm competed in the market place" (Handfield *et al.*, 2002:70-87).

However when the buyer extends green purchasing principles to include more collaborative activities, the supplier's own environmental performance will be improved (Eltayeb *et al.*, 2011:495-506). The main environmental collaboration activities with a supplier could include:

- Supplier education which involves buyers conducting educational activities with their suppliers about environmental issues and environmental management activities. Examples could include holding awareness seminars informing them of the benefits of green practices, and bringing together suppliers in the same industry to share information.
- Supplier support, provided direct from buyers to suppliers to help them improve their environmental performance. Examples could include setting up teams to guide suppliers in developing environmental programs, visiting suppliers' premises to give onsite technical assistance, and providing financial assistance.
- Joint ventures where the buying firm works with its suppliers and establishes common teams and joint long term programs to develop green innovations and solutions (Eltayeb *et al.*, 2011:495-506).

Buyers need to purchase goods and services from suppliers who are able to offer products at the lowest cost, at the highest quality, within the shortest lead time, but who are also environmentally responsible in managing their processes (Handfield *et al.*, 2002:70-87).

Business operations such as sourcing, manufacturing and logistics are responsible for most of the problems associated with environmental management. 'Green' has become a common way to project an environmentally friendly image of products, processes, systems and technologies and how the business is conducted. However most of the adopted green solutions, especially in developing countries, continue to be the traditional command and control, or 'end-of-the-pipe' solutions, where a firm tries to eliminate or reduce negative environmental impacts after they have been created, rather than adopting a proactive approach to reduce the sources of waste or pollution (Eltayeb *et al.*, 2011:495-506).

Purchasing from 'green suppliers' has a further benefit beside the protection of the environment. Pollution consumes resources and increases costs, without generating any offsetting value. Eliminating it by purchasing the correct supplies and adopting correct procedures reduces costs and any associated legal costs can also be avoided (Handfield *et al.*, 2002:70-87).

Lower prices and greater variety in the purchasing aspect can only occur with an increase in demand for such supplies from the tourism and hotel sectors (Grove *et al.*, 1996). "It is also evident from the literature that cost benefits can be achieved by operating a more environmentally friendly hotel" (Grove *et al.*, 1996)

However, intangible outcomes such as organisational image and customer loyalty, receive little consideration as outcomes of a green supply chain initiative (Eltayeb *et al.*, 2011:495-506).

Three corporate purchasing approaches are used to address environmental concerns: resource reduction, product reuse, and recycling. Resource reduction is the minimization of waste resulting in efficient forward and reverse distribution processes. Reuse is the use of a product or component in the same form and for the same use without remanufacturing, it may be considered as a form of source reduction. Recycling is the process by which materials otherwise destined for disposal are remanufactured into new products (Zsidisin & Sifred, 2001:61-73).

## **2.7 Marketing the environmentally friendly hotel**

Marketing scholars agree that corporations assess their strategies on the basis of financial criteria (Miles & Covin, 2000:299-311). Marketing, by its very definition, takes a utilitarian

approach to social responsibility, placing more emphasis on maximising the wealth of shareholders and owners.

Marketing can, however be a vital tool for promoting more eco-friendly patterns of consumption as well as selling new lifestyles. Marketing is vast in its scope and can be used to find viable trade-offs between the economy and ecology. Sustainability should be the hallmark of a green philosophy, and for those who believe in working to create sustainable businesses, green marketing is the way ahead. It has been defined as the holistic management process responsible for Identifying, anticipating and satisfying the requirements of customers and society, in a profitable and sustainable way (El Dief & Font, 2010:157-174).

Environmental quality is a factor in the competitiveness between different tourist destinations, given their varying environmental quality. "In many cases, environmental objectives must be incorporated into a company's current attitudes, management strategies and methods, in order for it to stay competitive in the marketplace, that is, to prevent a decrease in sales and prices, revenues and profits" (Mihalic, 2000:65-78).

In an increasingly saturated marketplace, the development and promotion of tourism destinations need to be guided by analytical frameworks which focus on the concept of competitiveness (Hassan,2000:239-245).

Traditionally the concept of green marketing seems to have been associated with hype and with exaggerated claims for a products environmental impact, rather than of the positive information of the product itself. The 'green' hotel business is a growing niche, since not only do these establishments differentiate themselves from the smaller non-green hotels but they also fulfill a need in the market for environmentally less damaging goods (Manaktola & Jauhari, 2007:264-377).

From a customer's perspective, the hospitality product consists of core attributes. These take in both its functional performance and the nonessential attributes that deliver secondary benefits, including its environmental performance. This may relate to the product itself or to an aspect of it, such as water disposal or the use of an alternate energy source, thus reinforcing product differentiation (Manaktola & Jauhari, 2007:364-377).

Although environmental practices are not traditionally considered among the core functions of a hotel, green initiatives, depending on their presentation, may be seen as ancillary services which offer intangible benefits to guests. While spas, pools and fitness centers provide hotel guests with tangible comfort, green practices may satisfy their psychological or



emotional needs, or even reinforce their self-esteem. This satisfaction may in turn influence their willingness to pay premiums for environmentally sound practices (Kang *et al.*, 2012: 564-572).

From a marketing perspective, hotels will no longer be able to deny the marketability of green policies. In particular compliance with International accreditation of environmental policies has market value. A Scottish-based tourism business scheme reported an occupation rate 10 percent higher for establishments that were accredited above those that were not (Kasim & Dzakiria, 2009:16-25).

The number of customers seeking green hotel properties has grown. Marketing its environmentally friendly practices can be an effective strategy for a hotel looking to improve its position and its competitiveness (Han, Hsu, Lee, 2009:519-528). Food outlets which offer ecological sound and certified menus receive more patrons than companies which do not (Bohdanowicz, 2006:662-682). Environmental management can also aid with marketing if used as a marketing tool (Blasthandt, 2011:1).

Hotel guests make their decisions based on criteria such as where to stay, services offered, and price (Bohdanowicz 2005:188-205). Thus if there were a direct link between implementing environmental policies and profit gain, hotels and the service sector as a whole would be more encouraged to make such changes (Bohdanowicz, 2005:188-205).

“It is important to understand customer’s position in relation to environmental management, marketing and sales” (Kassinis & Soteriou, 2003:386-392). “The customer’s involvement has potential to influence environmental actions. Often certain environmental activities are hidden from the customer, since they take place in the back office. In restaurants, for example, waste disposal or recycling take place out of the customer’s view. In high-contact systems, however, such activities can also take place in the front office. In this case, an environmentally conscious customer might apply pressure on management to change the company’s environmental practices. In a hotel where a guest is in contact with the environmental changes (for example, air conditioning systems in the rooms), if these policies are not up to certain eco-friendly standards the guest may influence policy by demanding change or by not using the establishment again in the future” (Manaktola & Jauhari, 2007:364-377).

“Research has shown that, if customers are deciding between two otherwise similar establishments, they will choose an eco-friendly hotel over a standard hotel” (Manaktola & Jauhari, 2007:364-377).

## 2.8 Eco tourism and conventional tourism

Tourism theory has recognised the fundamental importance of environmental quality for ensuring the future existence of most types of tourist destinations. Managers are willing to incorporate environmental measures into their strategies and methods if they resulted in lower costs and higher profits (Mihalic, 2000:65-78).

Ecotourism in theory should be an ecologically responsible form of tourism. It ensures that the very resource on which tourism is based, the natural environment, is conserved and protected (Carter, *et al*, 2000:85-89).

“Ecotourism has received considerable attention in the past few years, both in the literature and in the international marketplace. It often involves people from developed countries travelling to less developed places in search of natural experiences” (Khan, 2003:109-124). “They are mostly affluent people looking for learning experiences in pristine environments. They are willing to pay more for products and services which preserve natural resources. They show interest in and appreciation for local customs and conditions, thus reinforcing the positive effect of ecotourism in hospitality sector” (Khan, Kunz, Kleinjinen & Antes, 2003:109-124).

Growth in the number of eco-tourists has led to higher occupancy rates (Penny, 2007:286-294). A study conducted by Bohdanowicz (2006:662-682 ) in “the Swedish and Polish hotel sectors showed that conventional tourism is associated with the availability of a clean natural environment, and that the hotel industry, given its very specific function, operating characteristics and services provides consumers with substantial quantities of energy, water and non-durable products”.

In the hospitality industry, lack of recycling space, small bottles of shampoo, and the air conditioner system all contribute to environmental inefficiency (Kasim & Dzakiria 2009:18-26). A WTO study of the Association of British Travel Agents also noted a similar change of attitudes in consumers, towards being more environmentally aware when travelling (Knowles *et al.*,1998:255-265).

Environmental concerns over conventional tourism development have a long history, and the consequences have been widely documented. With the world becoming a smaller place for the international traveler, these concerns are on a global scale. They range from visual damage to coastlines caused by the construction of high-rise hotels, to the potentially devastating effect on fragile ecological systems for example, The Great Barrier Reef in Australia and the Amazon in Latin America (Lansing & De Vries, 2007:77-85).

It has been estimated that 75 percent of all environmental impacts created by the hotel industry can be attributed to the excessive consumption of both local and imported non-durable goods, energy and water, followed by emissions released to air, water and soil” (Bohdanowicz, 2006:662-682). Tourism, as with most industries, aims primarily at maximizing profits (Moeller *et al.*, 2010:155-169).

## **2.9 Green and eco-initiatives**

A green hotel is an environmentally friendly establishment which practices green principles and programs (for example, water and energy savings or the reduction of solid waste and emissions) to help save the environment, while at the same time improving the hotel’s effectiveness (for example, through cost savings). Alternatives to term ‘green’ include ‘eco-friendly’, ‘environmentally responsible’ and ‘environmentally friendly’ (Han *et al.*, 2009:519-528).

Environmental accreditation, such as the ‘blue flag’ status of beaches increases travelers’ interest and influences their behaviour (Kasim & Dzakiria 2009:16-25). Environmental accreditation within Australia and New Zealand has furthered the status of hotels, positively influencing tourists purchasing behaviour (Kasim & Dzakiria 2009:16-25).

Discussions through the WTO have also prompted many hotels to feature an aspect of environmental management in their policies (Font & Harris, 2004:986-1007). Ecotourism encourages the environmentally responsible traveler to visit relatively undisturbed natural areas.

Travellers with pro-environmental attitudes have distinct socio-demographic characteristics and are more interested and willing to pay for eco-labels (Moeller *et al.*, 2010:155-169). Thus for a sub-segment of the tourism market, increased environmental sustainability does not conflict with economic viability. Tour companies such as TUI now only do business with ‘green’ hotels (Elias, 2011:108). Research by George and Frey (2009:826) has shown a direct link to the marketing of environmental status and the number of guests frequenting an establishment.

On the other hand, there can be a negative side to such policies. Staff need to know the basics of environmental problems and be trained in preventative matters. In addition, initial implementation costs can be very high, often only accessible to larger groups or chain hotels (Lefter *et al.*, 2010:1171-1173).

High prices for green products, which discourage consumers who are sensitive to paying more have slowed down speed of environmental change in hospitality (Grove *et al.*, 1996:56-67).

## **2.10 Governmental involvement**

An emphasis in legislation on the minimum standards that companies must meet could reduce businesses' incentives to exceed those standards (Bramwell & Alletorp, 2001:91-103). Global political agreements have resulted in environmental issues progressing from being the concern of a minority of green protest groups and fringe political parties to forming part of the manifesto of mainstream political parties. However, it is generally recognized that global agreements, by themselves, will not induce change. Significant change will only result when local action is taken by local government, business and pressure groups (Bramwell & Alletorp, 2001:91-103).

International pressure on governments to become involved has increased. The WHO, for example, is asking for certification on the level of eco friendliness of hotels and suggesting tax cut-backs or government grants based on this (Font & Harris, 2004:986-1007). However, lack of drivers and the presence of many barriers have discouraged hoteliers from going beyond the basic cost-effective measures as stipulated in their operating procedures (Kasim & Dzakiria 2009:16-25).

In most countries the response to environmental and cultural concerns about tourism has largely been to rely on individual and corporate responsibility through industry self-regulation (Bramwell & Alletorp, 2001:91-103).

The Agenda 21 developed during the Earth Summit in Rio highlighted the role of service providers in environmental issues" (Kasim & Dzakiria, 2009:16-25). Since the Rio Summit the World Tourism Organization, the World Travel and Tourism Council, and Earth Council have all taken initiatives to introduce a global environment program to the travel and tourism industry.

In addition, in Europe the IHEI is working together with the World Travel and Tourism Council to develop the European Community Network for Environmental Travel and Tourism" (Kirk, 1998:33-47).

In North America, Tourism Canada has proposed that all resources affected by tourism and hotels be managed in such a way that they fulfill economic, social and aesthetic needs (Kasim & Dzakiria, 2009:16-25). "In Malaysia numerous pressure groups have been formed to monitor environmental issues. These groups include non-governmental organizations

(NGOs) such as the Environmental Protection Society of Malaysia” (Eltayeb *et al.*, 2011:495).

“In the United States, organizations such as the Green Hotel Association have been established to encourage environmentally friendly practices, while a number of European Union countries have introduced environmental laws and codes of conduct aimed at creating awareness” (Kasim & Dzakiria 2009:16-25).

Although tourism is not yet a specific power or competence of the European Union (EU), it is one of the five major areas identified in the EU’s fifth Environmental Action Plan which also highlights a role for market-based instruments in national environmental policies. It involves a commitment to improve the environmental performance of organizations, be they commercial firms, in the public sector, or voluntary bodies, with respect to the resources under their control, such as land, buildings, artifacts, processes and products (Stabler & Goodall, 1997:19-33).

Governments can seek to secure the adoption of sustainability measures by tourism operators by intervening in the operation of the market. One argument in support of such intervention is that it encourages or even compels businesses to include the costs and benefits for the environment and society in their internal accounting and decisions, when otherwise they are unlikely to take these into account (Bramwell & Alletorp, 2001:91-103).

Several types of government policy instruments can be used to encourage the industry to introduce environmentally and socially responsible practices (Bramwell & Alletorp, 2001:91-103). Government encouragement can take place through information, education and general persuasion directed at tourism businesses such as government-led voluntary green rating schemes for companies which adopt environmentally friendly initiatives. Government financial incentives can be used to alter the prices facing businesses for environmentally or culturally damaging behaviour. Regulations can be put into place which either prohibit or require particular courses of action, with compliance backed by law, but which do not involve financial incentives.

In practice there is likely to be a mix of government intervention and businesses making their own decisions in response to market forces” (Bramwell & Alletorp, 2001:91-103).

### **2.11 An environmental management program**

“An effective environmental management plan ensures not only that technical measures or strategies are applied, to control environmental impacts, but also that administrative and

human strategies are used to move employees towards a collective goal” (Penny, 2007:286-294).

An industry guide to best practice for environmental management was produced by the International Hotels Environment Initiative. It outlines a strategic plan for management (Penny, 2007:286-294) and it includes guidelines such as:

- Have a clear environmental policy
- Designate staff or a team to be in charge of the environmental management program
- Create an implementation plan to reduce excessive consumption of goods, energy and water, and control emissions
- Have a plan to raise the environmental awareness among staff and customers
- Seek business partners’ support by providing environmentally friendly materials
- Become a member of environmental organizations
- Seek published information on environmental matters
- Have a plan to audit environmental performances.

A good environmental management program will improve a hotels efficiency and adds value to its performances and services (Penny, 2007:286-294).

## **2.12 Challenges with environmental management**

At present the perceived costs of environmental management policies is too high, so that hospitality companies make their policy changes dependent on affordability. Ways in which the tourism and hospitality sectors could be given financial incentives to implement environmental policies need to be investigated (Moeller *et al.*, 2010:155-169).

Owners, especially of new or smaller businesses will need help in staying commercially viable if sustainable practices are to be realistic. This reflects the seriousness of the profit sustainability trade-off. Without this it is unlikely that the tourism business would be able to afford the luxury of environmental protection” (Moeller *et al.*, 2010:155-169).

Academics have found that small-scale businesses are sacrificing natural assets and environmental change in favor of economic survival (Knowles *et al.*, 1998:255-265). “In addressing environmental matters, larger corporations are more advanced, since they have competitive access as well as more financial resources at their disposal” (Kasim & Dzakiria 2009:16-25). “Small and medium enterprises on the other hand have less access to these resources and this affects their environmental strategies. The sheer size of the service economy’s contribution to gross domestic product adds to the importance of exploring its environmental issues. As such, the service economy merits consideration both as a source

of environmental harm and as a potential instrument to reduce environmental impacts” (Kassinis & Soteriou, 2003:386-392).

Smaller businesses often want to improve their environmental performance but have little knowledge on how to begin or where to secure the funding (Kasim & Dzakiria, 2009:16-25). A further challenge (and at the same time a possible opportunity) for high-contact service firms is to meet customer demands and manage customer involvement without compromising the quality of the services they offer (Kassinis & Soteriou, 2003:386-392).

Traditional green initiatives are vulnerable to many weaknesses and problems. The end-of-pipe approach does not eliminate pollutants, but merely transforms them from one medium to another. Moreover establishing green practices in an organization may affect the environmental performance of other companies in its supply chain. For instance, the poor environmental performance of small suppliers can badly affect the performance and image of buying companies. In addition, community stakeholders often do not distinguish between a company’s environmental practices and the practices of its suppliers (Eltayeb *et al.*, 2011:495-506).

While environmental management principles and standards offer powerful tools with the potential to generate significant improvement in the performance of an organizations, their focus is restricted to creating and documenting environmental policies and procedures. Such policies and procedures may represent efforts to improve environmental performance only within an organization’s operational boundaries, rather than being extended throughout the supply chain. Thus firms can market themselves as being environmentally friendly without making the effort to ‘green’ their supply chains (Eltayeb *et al.*, 2011:495-506).

Despite the opportunities to do so, some hoteliers remain hesitant to invest in green initiatives because they are not convinced that such investments are financially beneficial. This is why implementation of some new green practices call for significant initial investments. Quantifying returns for those investments is often difficult since the results such as the enhancement of a firm’s reputation as it becomes conservation-orientated, are less tangible. One way to alleviate this is for hotels to charge premiums for green practices which put them at risk of losing guests (Kang *et al.*, 2012:564-572).

### **2.13 Summary**

Many well established hotel chains such as Radisson, Holiday Inn, Canada Pacific, The Intercontinental Hotel Group and Forte Hotels have positioned themselves as corporate bodies which are more environmentally friendly, with the efficient use of energy, water and

materials while still offering quality service (Kasim & Dzakiria, 2009:16-25). These hotels have seen the benefits, such as reduced costs and positive cash flows, which have enhanced the popularity of green hotels. It is important that similar rewards are available to local hotels, both those which are independent and those which are part of groups. For this to happen research needs to be done to see exactly what the current situation is locally with this phenomenon, and find ways to ensure that locally we can compete on an international level (Kasim & Dzakiria, 2009:16-25).

By using the latest technologies, and acting upon principles of sustainability, rather than rapid development and short-term fiscal goals, the hotel industry could transform itself into an example of environmentally sound operations and act as a conduit for the dissemination of information about sustainability (Kang *et al.*, 2012:564-572).

Given the hospitality industry's high visibility around the world, it has the potential not only to save millions of dollars by 'going green' but also to become a channel for social change (Kang *et al.*, 2012:564-572).

Research methods were used to view the current situation relating to the impact of an environmental management policy, specifically in the sample area of this study. The next chapter reviews the methods that were employed in this study.



## **CHAPTER 3**

### **RESEARCH METHODOLOGY**

#### **3.1 Introduction**

A research methodology gives a researcher the knowledge and skills needed to solve a research problem (Blumberg, Cooper & Schindler, 2005:4). Good research generates dependable data, which is derived from applying research methods that are conducted professionally and that follow the structure of the scientific method. It uses a sequential process that involves several clearly defined methods (Blumberg *et al.*, 2005:56). “Research is therefore the task of questioning what you do, and systematically examining the observed information to find answers with a view to instituting appropriate changes” (Dawson, 2002:56). In this study, such changes were aimed at creating a more effective professional service in the Hotel Industry.

Research issued to discover new facts, verify and test important established facts, analyse events or processes, develop new tools, find scientific solutions and resolve problems. It can be used to find out more information about any topic relating to our everyday lives. The research methods used need to be approached in a systematic manner by constant commitment and with the kind of dedication that relies on the virtues of patience, industriousness, thoroughness and care. The guidelines of a systematic inquiry imply concern for the comprehensiveness and representativeness of information collected, orderliness in the manner in which it is collected and thoroughness, accuracy, and care in the translation, transfer or transcription of such information (Waghid, 2013:1).

This chapter discussed the research process used in this study, defining the methods that were used, the sampling methods, the structure of the questionnaires, the choice of participants for the interviews and the focus groups and the research design. The preparation of such a design involves defining the objectives of the study, the method of data collection to be adopted, the source of the information, the tools used and the analysis, be it quantitative or qualitative (Dawson, 2002:59).

#### **3.2 Research Methodology**

It should be recognised that there is a difference between research methodology, and research methods (Meir, Newell & Dazier, 2002:258).”Research methods may be understood as all of those methods / techniques which are used for the conduction of a study. They help the researcher to collect samples and data and find a solution to a problem.

Methodology, however, is the systematical approach to solving a research problem” (Meir *et al.*, 2002:17). In the research design, we establish the various steps that are adopted in resolving a problem, along with the logic behind them. Thus it can be said that methodology consists of the research methods undertaken during a project, as well as the related logic.

Collecting data for research purposes is broadly divided into two approaches, the quantitative and the qualitative approach (Hancock, 2002:45; Welman *et al.*, 2005:6).

### **3.3 Qualitative research**

Qualitative research methods are based on the opinions, experiences and feelings of individuals (Hancock, 2002:51). “Such research is conducted in a natural setting and involves a process of building a complex and holistic picture of the phenomenon of interest. It allows the researcher to explore multiple meanings of individual experiences which are socially and historically constructed” (Cresswell, 2003:18).

Data collected through qualitative research is done by direct encounters with individuals, one-on-one interviews or group interviews, and is used to understand the social world. The benefits of such research include the richness of the data collected and the opportunities it offers for deeper insights. However, the qualitative research also has disadvantages. Capturing and reading, as well as assessing the data are more time-consuming and complicated, and cannot be shown through statistics (Hancock, 2002:51).

Qualitative data is derived from the insights that the participants provide during the interviews or focus group discussions (Ospina, 2004:2; Brynard & Hanekom, 2005:29). Both of these were conducted to enhance the qualitative aspect of the study.

A qualitative approach was adopted, since the study sought to understand perceptions through the comments and reflections of the respondents. This emerged through the contacts with the individual subjects (McMillan & Schumacher 2006:1). The research topic also included finding out more information about finance and its relation to environmental management. This is a new and highly complex practice that few establishments in the hospitality industry have either implemented or perfected in their operations. Because of this, the researcher felt the need for more in-depth data collection methods, with more one-on-one encounters with specialized participants, not only to get more specific results but also to find out more information about such practices and their positive or negative effects. This would mean using qualitative methods.

### 3.3.1 Interviews

An interview is a systematic way of collecting data through conversation, by talking and listening to people (Hoyle, Harris, Judd, 2002:32). It can be highly structured in design, semi-structured, or unstructured. It can also be very flexible and so can be used to collect large amounts of data (Dawson, 2002:1-25). A structured interview, also referred to as a standardized interview, occurs when all respondents are asked the same questions (Corbetta, 2003:60-78).

A semi-structured interview involves a series of open-ended questions based on the topic the researcher wants to cover. It allows interviewees to express their thoughts and feelings spontaneously (Flick, 2009:156). Open-ended questions also allow the interviewer to focus on the topic of conversation, without limiting the respondents' particular answers.

With an unstructured approach, each interview is different and the respondent is allowed to speak freely and frankly on the topic, giving as much detail as possible (Corbetta, 2003:60-78). Interviews are an effective way to secure more information on a research topic, however sufficient preparation needs to be done to ensure that the correct people are interviewed and that the interviewer has sufficient prior knowledge of the topic involved (Hancock, 2002:1-16).

For this study, two types of respondents were interviewed. The first were travel agents. These are by definition people responsible for booking accommodation for individuals or groups, both locally and internationally. Although they were not the primary area for the study, the researcher felt that it would enhance his findings to assess their thoughts on the environmental management policies within hotels, and the effect these have on travellers booking at certain establishments. To this end, a semi-structured interview was conducted with a travel agent.

In addition, two organisations which were directly involved with environmental management and its related finances were identified. The first was Eskom, the national energy providing body in Southern Africa, responsible for all tariffs and rebates regarding energy usage in the country. The second was SARS, the national body which controls all taxes in the country.

The researcher interviewed a representative from each of these bodies. A series of unstructured interviews was carried out to gather knowledge on their involvement with environmental management, and the part they played in the assessing and encouraging the implementation of a green initiative. A conversation was conducted, notes taken that was transcribed later.

### **3.3.2 Focus Group**

It is sometimes preferable to collect information from groups of people, rather than from a series of individuals (Hancock, 2002:1-16). A focus group is a general term given to an interview conducted with a group (Terre Blanche, Durrheim & Painter, 2006:57). Typically it involves people who share similar experiences, but who are not 'naturally' constituted as an existing social group. Thus in a focus group, a number of individuals with shared interest in a particular topic are gathered together and their views on the subject are collected. A moderator is always present to ensure that the discussion stays on the chosen topic. Group interaction allows for greater discussion and debate (Hancock, 2002:1-16). In the past, this particular method was not often used, but in recent years many more academics have adopted it and moulded it to suit their research needs.

A focus group uses both an interview and an observational technique (Teddlie & Tashakkori, 2009:227). The interpretation on the feedback to the questions from participants can be verified within the group, offering access to. In conducting a focus group, the triangulation of the research study is increased. During the discussions of the focus group notes were taken. These notes were then coded and transcribed.

There are two broad types of focus groups, a structured approach and a less rigid approach which is used more for social research topics. For this study, the researcher felt that the investigation would benefit from a less structured focus group. Not only could the participants discuss their own views on the research topic and its objectives, but also respond to the various findings that the researcher himself brought to the discussion.

### **3.4 Quantitative research**

Quantitative research involves the numerical representation and manipulation of observations for the purpose of describing and the explaining a specific phenomenon" (Creswell, 2003:18). Quantitative data is therefore measured with numbers. The researcher taking this approach views the world as knowable, predictable and open to precise conclusion (O'Leary, 2004:7). The methodology is driven by the formulation of hypotheses, and research findings are regarded as highly reliable and reproducible under similar circumstances. For this study the topic was known to the researcher, since he had studied in this field and was currently employed in the hospitality industry. He could therefore also make certain predictions.

Quantitative research is also distinguished by being analytical and categorical, with a strong emphasis on observed behaviour (Gilham, 2000:52). It is formal and disciplined in character, and data collection is highly structured. Thus it is more structured than qualitative research,

uses easily understandable methods of recording data, and takes less time to carry out. However, it is limited in the type of questions which can be asked and answered, and therefore lacks flexibility and depth. Structured questionnaires were used to collect the quantitative data for the present study (Fullermann, Breitenmoser, &Fischi, 2011:48).

Even when data is not in numeric form, the research may still be classified as quantitative. It is designed using instruments aimed at specifically converting the results into numeric form. Examples of such research include surveys and questionnaires (Meir,*et al.*, 2002:258). The topic for this study called for a general overview of four and five star hotels in the Cape Metropole. The researcher investigated all of these hotels to see whether environmental management was used, and the effect it had on the companies in question. It called for information from larger groups which needed to be collected through statistical measures it thus required the researcher to use quantitative methods.

Given these two different approaches, the researcher understood that the type of research methods used would dictate the type of data and information received, and more specifically the way this data was collected and exposed. A mixed method design was therefore chosen, using both quantitative and qualitative systems. The design included questionnaires, focus groups, as well as one-on-one interviews.

### **3.4.1 Questionnaire**

The quantitative part of the data collection took the form of a questionnaire. This is a tool for collecting and recording information about a particular field of interest. It should always have a definite purpose, related to the objectives of the research, and the researcher needs to be clear from the outset how the findings will be used. Put simply, a questionnaire is a list of written questions which can be completed in one of two basic ways (Dawson, 2002:59).

The choice is between open-ended and closed-ended (multiple-choice variety) questions (Brynard & Hanekom, 2005:38-39; Welman et al., 2005:174).Open-ended questions in a questionnaire or interview allow interviewees to formulate their responses themselves. Alternatively, the questions can be presented in a multiple-choice format in which respondents have to select the response which best applies to them from among two or more possible answers. In an open-ended format, the interviewer asks a question, avoiding any prompting as to possible answers. The respondent's reply is noted verbatim. In a self-completed questionnaire, there is no prior list of answers; instead a line or space is left for the respondent to write his or her own answer" (Brace, 2008:46, Gillham, 2000:63; Welman *et al.*, 2005:174). "The advantage of open-ended questions is that the respondent's answer

is not unduly influenced by the interviewer or the contents of a questionnaire. Moreover, verbatim replies can offer a rich source of varied material which might otherwise have been untapped using the categories on a pre-coded list” (Welman *et al.*, 2005:175).

A closed or pre-coded question, in contrast, gives the respondents a range of answers from which to choose, either verbally or from a show card. In the case of a self-completed questionnaire, the answers are set out and the respondent is asked to tick the appropriate boxes or give a ‘yes’ or ‘no’ answer (Brace, 2008:46). The various categories shown should be mutually exclusive and exhaustive so as to make provision for every possible response, with no answers appearing simultaneously in more than one category (Welman *et al.*, 2005:175).

For this study, closed questions were mainly used in the questionnaire, with a range of answers for each question from which the participants could choose.

### **3.4.2 Structure of the questionnaire**

In order to obtain the information that was needed, the questionnaire was divided into sections. The first section focused on biographical information, with questions on the subject’s gender, age, academic performance and location. The second section was developed from the literature review. In one approach, the respondents could be asked to complete the questionnaire with the researcher not present; this is referred to as a postal/self-administered questionnaire (Dawson, 2002:59). In the second approach the respondent could be asked to complete the questionnaire by verbally responding to questions in the presence of the researcher. The questionnaire was seen as an essential research tool, as it would give a more accurate picture of environmental management practice over a larger number of hotels (Dawson, 2002:59).

Given the large number of questionnaires which needed to be completed, the postal/self-administered version was chosen. These were emailed or posted to hotels and asked if the respondents could please choose an appropriate answer for each question. The advantages of such an approach were that it could be used to collect a high number of information at a low cost, was quicker and more convenient for the respondent, and was also a good way to reach people who were often not available. It also gave respondents the freedom to be more honest in selecting their answers (Brace, 2008:46).

### **3.5 Sampling:**

The primary purpose of sampling is to collect specific cases, events or actions that can clarify or deepen the researcher’s understanding of the phenomenon being studied

(Neuman, 2006:56). Two main methods of sampling are identified, probability (also known as random sampling) and non-probability sampling (Cohen, Manion & Morrison, 2007:110).

In non-probability sampling the researcher targets a specific group, in the full knowledge that it does not represent the wider population. The selected group simply represents itself. This is frequently the case in small-scale qualitative research, where no attempt to generalise is anticipated. Non-probability samples are less complicated to set up, are less expensive and can prove perfectly adequate where researchers do not intend to generalise their findings beyond the sample in question (Cohen, *et al.*, 2007:114)

Ideally the sample should be representative and should allow the researcher to make accurate estimates of the thoughts and behavior of the larger population. Three questions need to be asked when assembling the sample: Who will be surveyed? How many people will be surveyed? and How should the sample be chosen (Dawson, 2002:59).

Probability sampling is based on the concept of random selection – a controlled procedure which ensures that each population element is given a known non-zero chance of selection (Welman *et al.*, 2005:56, Bryman & Bell, 2007:182). Non-probability sampling, on the other hand, is non-random and subjective as the researcher personally chooses the respondents (Welman *et al.*, 2005:56).

Probability and non-probability sampling methods were both used for this study. Purposive sampling which is a non-probability sampling method was used, since the researcher handpicked the participants for the interviews and focus groups for their judgment of their typicality or their knowledge of particular information pertaining to the topic. In this case it was used to locate experienced people with in-depth knowledge of the relevant issues based on experience.

Stratified random sampling which is probability sampling was incorporated when choosing participants who completed the questionnaires. The sample was first divided into strata for the different levels of staff in the hotels and then a random sample was done for those who completed the questionnaire. Sixty questionnaires were sent out and 51 were completed and returned. This was a response rate of 83.6%.

### **3.5.1 Focus group sample**

In selecting the right respondents for the focus group, the researcher chose members of the industry who had the relevant qualification and the experience. They also had to work in the Cape Metropole area where the study was undertaken.

### **3.5.2 Interviews sample**

The researcher built four specific interviews into the research. Each interviewee was chosen for his or her position within a particular institution, taking into account that the positions had to be relevant to the research field. In the case of the interviews with the travel agents, three travel agencies were chosen employees were phoned at random and asked specific questions. Purposive sampling was used.

### **3.5.3 Questionnaire sample**

The study was undertaken in the Cape Metropole area, Western Cape. It was focused on four and five star hotels in this area, with the understanding that the findings would be used to assist smaller and start up hospitality institutions which wished to 'go green'. All 4 and 5 star hotels were selected.

### **3.6 Process for data analysis**

A software statistical programme, SPSS, was used to analyse the information obtained from the questionnaires and interviews as well as from the hotels' past records. The software statistical analysis of data allowed for in-depth data access and preparation, analytical reporting, graphics and modeling.

### **3.7 Summary**

In order to find answers to questions within this research, the researcher needed to map out a research design, a form of map that was used to see what tools were required to achieve outcomes that would be relevant to the topic and would help in solving the research problem. Using these methods the researcher was able to achieve results showing the exact situation of the research topic as it currently stood in the samples groups.

In the previous chapters an area was found within a specific field where research could be done, and a research question with objectives for the project was formulated. A literature review was compiled. This was an in depth analysis of the 'going green' phenomenon, the effect it has on the hotel business, its financial implications for the hospitality industry. The literature review was related to the research topic and its objectives, covering the current situation both locally and internationally.

The following chapter covers the data analysis of the questionnaires and the interpretation of the interviews.



## CHAPTER 4

### DATA ANALYSIS AND INTERPRETATION

#### 4.1 Introduction

At the start of the process of data collection, a researcher engages in a preliminary analysis of the data (Brynard & Hanekom, 2005:48). "Whatever is not relevant to the research is discarded and only what is relevant is kept. The aim of such analysis is to generate meaning from the collected data" (Coldwell & Herbst, 2004:92). Once the data is collected, further analysis is carried out and the findings are explained.

For this study, questionnaires were completed by the staff of the four- and five-star hotels. Interviews were also conducted with professionals in the field of environmental management in the hotels. The advantage of questionnaires was that data could be collected from numerous participants and was easy to compare and analyse. Respondents also had more time to think about the answers to the questions. Conducting the questionnaires was in itself the culmination of a careful process of thought and discussion on how to gather data to solve the research problem and prove the hypothesis (Welman, *et al*, 2005:174).

In contrast, the interviews allowed the researcher to explain the questions if the respondents were not clear on what was being asked (Brynard & Hanekom, 2005:32). The questionnaires and the interviews complemented each other, allowing the data to be checked for reliability and validity.

This chapter deals with analysis and interpretation of the questionnaires and the interviews.

#### 4.2 Data collection methods

Both qualitative and quantitative data collection methods were used in this research. Each of these methods has its own specific qualities and use in a project (Rubin & Babbie, 2008:417). Quality refers to the essential character or nature of an entity, and to its meaning, which can be defined by analogy, by a model or by metaphor. Quantity, on the other hand, assumes the meaning of the data, and focuses upon measuring it. Quality thus refers to the 'what', while quantity refers to the 'how much'. In this study, the questionnaires represented the quantitative method, while the interviews used a qualitative data collection method.

#### **4.2.1 Questionnaires**

A questionnaire is a technique for collecting and recording information about a particular issue of interest. It consists of a list of questions, but should also include clear instructions and space for answers or administrative details (Brynard & Hanekom, 2005:38). “A structured questionnaire was used as the data collection instrument in this study. It consisted of closed-ended questions designed to avoid differences in interpretation (Coldwell & Herbst, 2004:51). The questionnaire was used to record the current thought and practice on environmental management policies in four- and five-star hotels in the Cape Metropole.

Purposive sampling, a non-probability sampling technique, was used in selecting the participants. This kind of approach is commonplace for the type of research that was being conducted. It allowed the researcher to rely on his experience and ingenuity to obtain units of analysis in such a manner that the sample obtained would be representative of the relevant population (Welman, *et al.* 2005:69). Working in the hospitality industry allowed the researcher to apply his experience and the contacts he had built up in the industry when carrying out the sampling.

#### **4.2.2 Interviews**

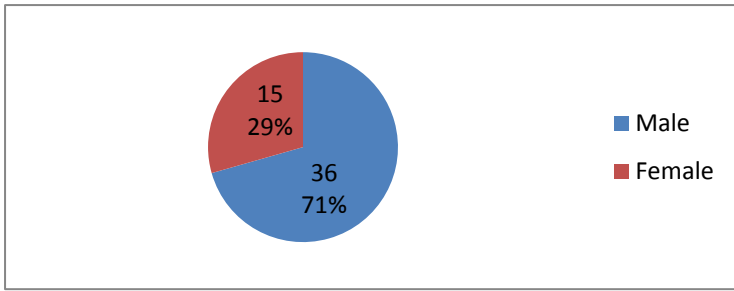
Interviews are a useful follow-up and complement to structured questionnaires (Coldwell & Herbst, 2004:54). Open-ended questions were asked during the interviews. Two types of respondents were interviewed. The first was travel agents, the other was experts in the field of environmental management and the conservation of energy. Travel agents are by definition responsible for booking accommodation for groups and individuals, both locally and internationally. Their thoughts on the environmental policies in hotels, and the effect these have on travelers booking at certain establishments could assist with the findings. Interviews were conducted with a travel agent, a manager from SARS and a representative of ESKOM.

### **4.3 Analysis of questions**

The findings to each question were discussed.

#### **4.3.1 GENDER**

##### **Figure 4.3.1 Gender**

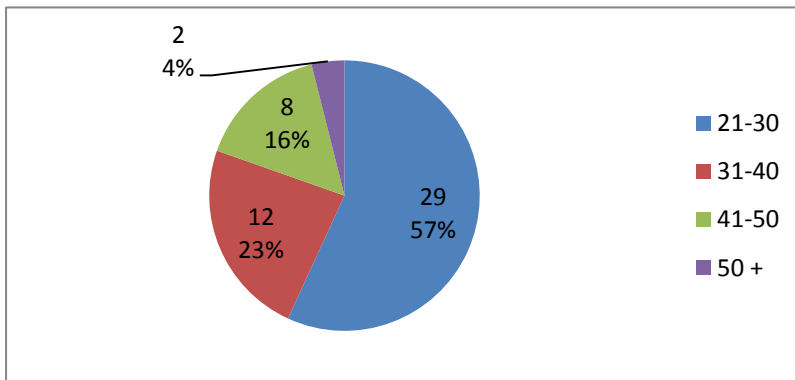


MALE	36	71%
FEMALE	15	29%
TOTAL	51	100%

The findings showed that the majority of respondents, 71%, were male, while 29% were female. This question was asked to determine if there was a difference between in the responses of males and females.

#### 4.3.2 AGE GROUP

**Figure 4.3.2 Age Group**

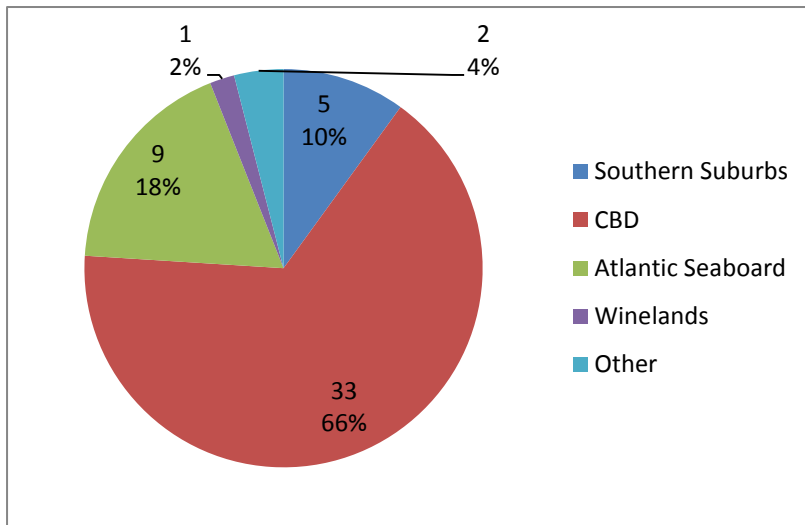


21-30	29	57%
31-40	12	23%
41-50	8	16%
50 OR OLDER	2	4%
TOTAL	51	100%

The researcher asked about age in order to find out whether thinking on environmental issues, which is fairly new, was more popular among younger employees than those who had been working for longer. Of those who completed the questionnaire, 57% were in the 21-30 age group, 23% in the 31-40 age group, 16% in the 41-50 age group, and 4% in 50+ age group.

### 4.3.3 LOCATION

**Figure 4.3.3 Location**

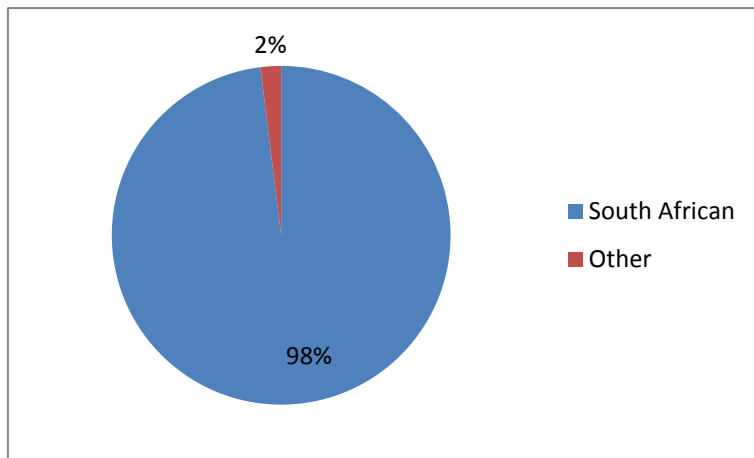


SOUTHERN SUBURBS	5	10%
CDB	33	66%
ATLANTIC SEABOARD	9	18%
WINE LANDS	1	2%
OTHER	2	4%
TOTAL	50	100%

The area in which a hotel is situated can often reflect the type of policies in place, especially with regard to environment. This question was asked to see if those in particular areas were more focused on hospitality policies. The majority of the hotels, 66%, which participated in this questionnaire, were in the CBD area, with a smaller number in the surrounding areas.

#### 4.3.4 NATIONALITY

Figure 4.3.4 Nationality



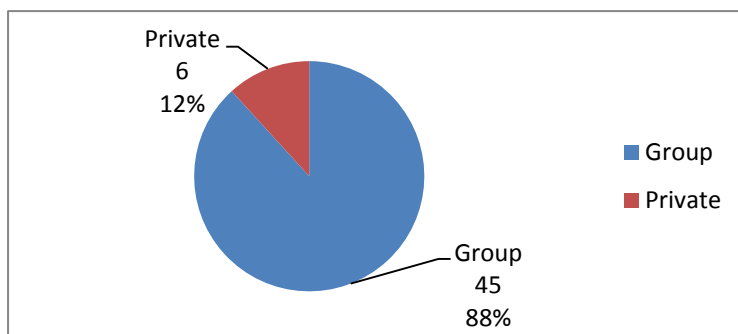
SOUTH AFRICAN	50	98%
OTHER	1	2%
TOTAL	51	100%

98% of the participants were South African; the other 2% were employees who had been promoted in a hotel group from the United Kingdom.

#### 4.3.5 Is your hotel private or part of a hotel group?

This question was essential, since hotels which form part of a group have more resources available than those which do not. It was important to see whether or not this affected the hotels' environmental plans.

Figure 4.3.5 Is your hotel private or part of group



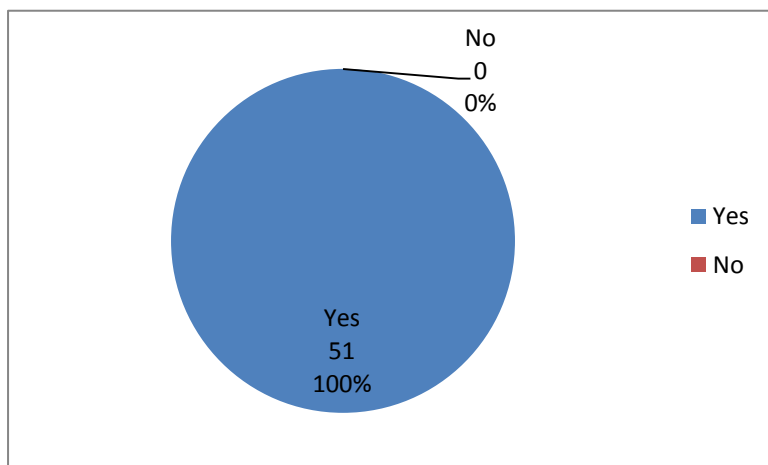
GROUP	45	88%
PRIVATE	6	12%
TOTAL	51	100%

The largest percentage, 88%, of hotels that participated belonged to a hotel group. This was not surprising, as the hotels in the sample were either four- or five-star. Building and running these types of hotels costs a lot of money, but funding is more readily granted to larger local or international established groups. Since the hotels in this study were part of such groups, funding was easier for them to secure when it came to financing projects. 12% of the hotels were private.

#### 4.3.6 Does your hotel have an environmental policy in place?

This was a key question, since the main purpose of the study was to assess whether or not the hotels in the sample had environmental policies.

**Figure 4.3.6 Does your hotel have an environmental policy in place**



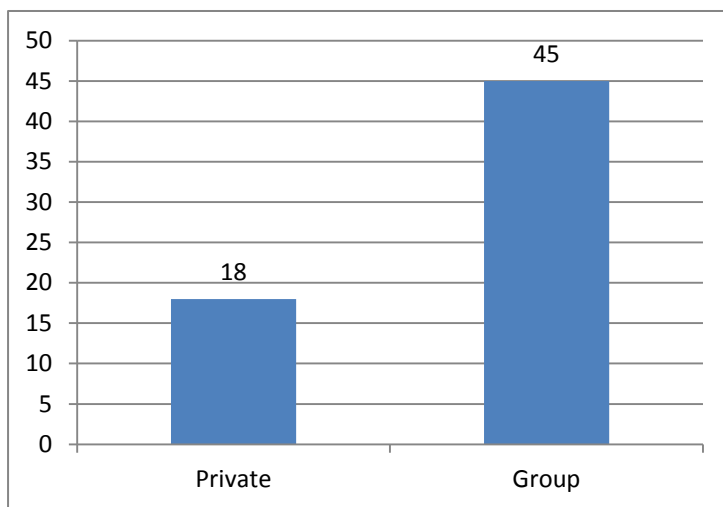
YES	51	100%
NO	0	0%
TOTAL	51	100%

All the hotels that were investigated had some form of an environmental policy in place. This confirmed that 'going green' was important in the hospitality sector.

#### 4.3.7 Was such a policy a private initiative or part of a group's environmental change?

As noted in a previous question, it was important to know whether environmental policies were group-initiated or part of a hotel's private policies. This would ultimately reveal the source of the funding.

**Figure 4.3.7 Was such a policy a private initiative or part of a group's environmental change**



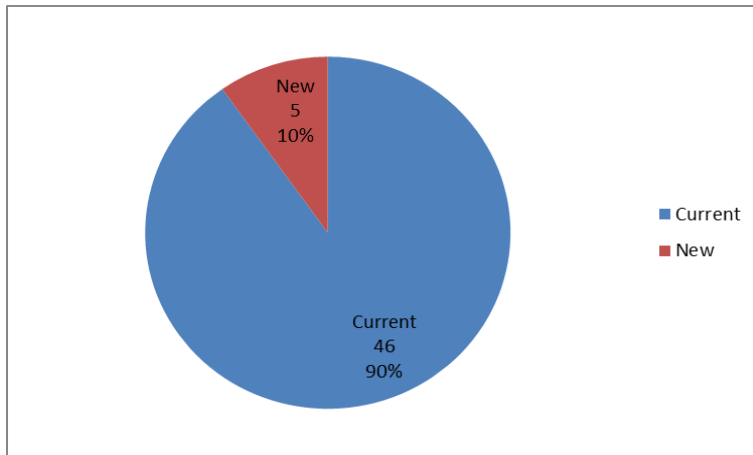
GROUP	18	28.5 %
PRIVATE	45	71.4 %
TOTAL	63	100%

Since a large percentage, 71%, of the hotels were members of groups, it was no surprise that their environmental management policies were included in the larger groups' strategies. Many of those which were part of groups, however, had policies which were their own private initiative. This indicated that they were acting independently to achieve success in environmental ways in their daily operations.

#### 4.3.8 Does the environmental management project fall under an established or new department in your hotel?

The implementation of a new department in a hotel is expensive, so knowing whether it falls under an established department or a new one is relevant to assessing the expenses relating to these policies.

**Figure 4.3.8 Does the environmental management project fall under an established or new department in your hotel**



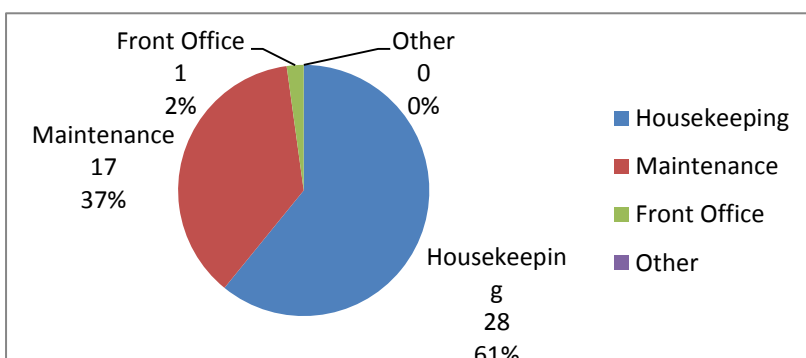
CURRENT	46	90%
NEW	5	10%
TOTAL	51	100%

Very few hotels have developed new departments to manage environmental strategies, mainly because a new department requires extra staff, which is an added expense.

**4.3.9 If the environmental management project falls in an existing department, which one?**

This question related to the training expenses associated with implementing an environmental policy.

**Figure 4.3.9 If the environmental management project falls in an existing department,**





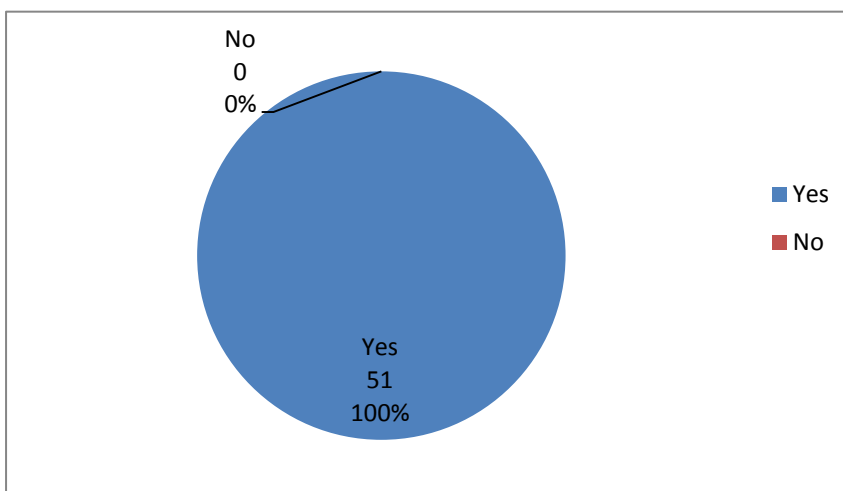
HOUSEKEEPING	28	61%
MAINTENANCE	17	37%
FRONT OFFICE	1	2%
OTHER	0	0%
TOTAL	46	100%

The hotels which introduced an environmental policy to an established department did so either to the maintenance or the housekeeping department. A large proportion of environmental management was done in the hotel rooms and in the daily maintenance of the building. Because of this, the two departments directly involved with these aspects were often given the added job of implementing environmental policies.

**4.3.10 Was a large amount of financial capital needed to implement environmental strategies?**

Implementing any policy change, as well as operational changes, requires financial capital; this question was asked to confirm this with all the sample hotels.

**Figure 4.3.10 Was a large amount of financial capital needed to implement environmental strategies?**



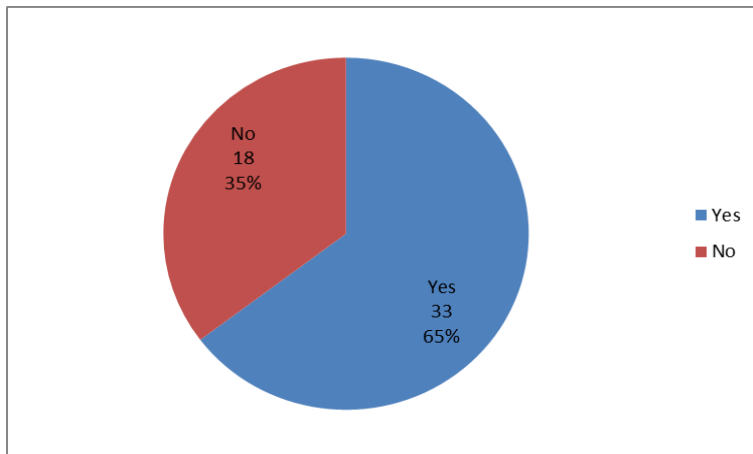
YES	51	100%
NO	0	0%
TOTAL	51	100%

The fact that 100% of the participants said `yes` was an indication that there was indeed a heavy financial burden attached to implementing environmental policies.

#### 4.3.11 Was it easy to secure funding for these policies?

One of the main questions in this study was to find out whether or not the financial burden of implementing an environmental policy was too heavy. This question thus related to whether or not funding was available.

**Figure 4.3.11 Was it easy to secure funding for these policies**



YES	33	65%
NO	18	35%
TOTAL	51	100%

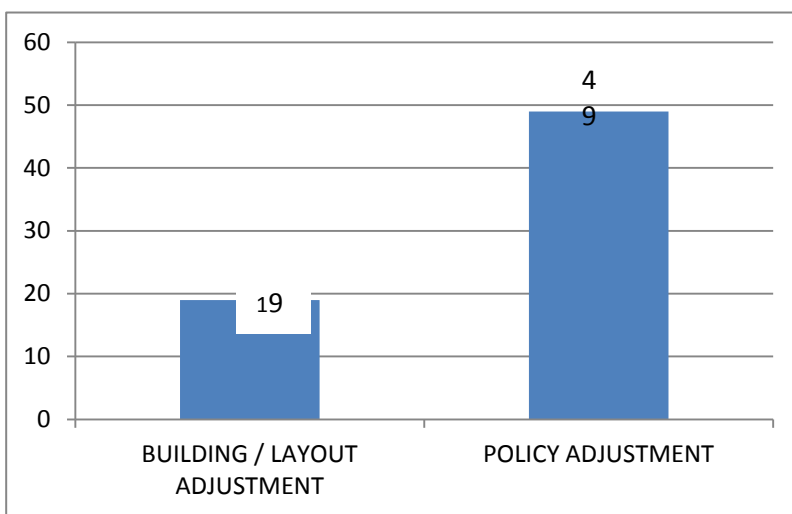
The findings showed that 35% of the hotels struggled, while 65% achieved funding more easily. This could have been due to a number of factors. They included the magnitude of the changes and amount needed to fund them. The financial situation of the hotel, especially in relation to cash flow for repayments, was important. Hotel groups could assist member

hotels with the funding of such projects. Those hotels which were part of international groups especially had larger budgets to work with for such changes.

**4.3.12 Did the hotel have to undergo building or layout changes, or was it a simple case of policy adjustment?**

The financial burden of a policy adjustment is lower than that for building changes.

**Table 4.3.12 Did the hotel have to undergo building or layout changes, or was it a simple case of policy adjustment**



BUILDING / LAYOUT ADJUSTMENT	19	27.9%
POLICY ADJUSTMENT	49	72.1%
OTHER	0	0%
TOTAL	68	100%

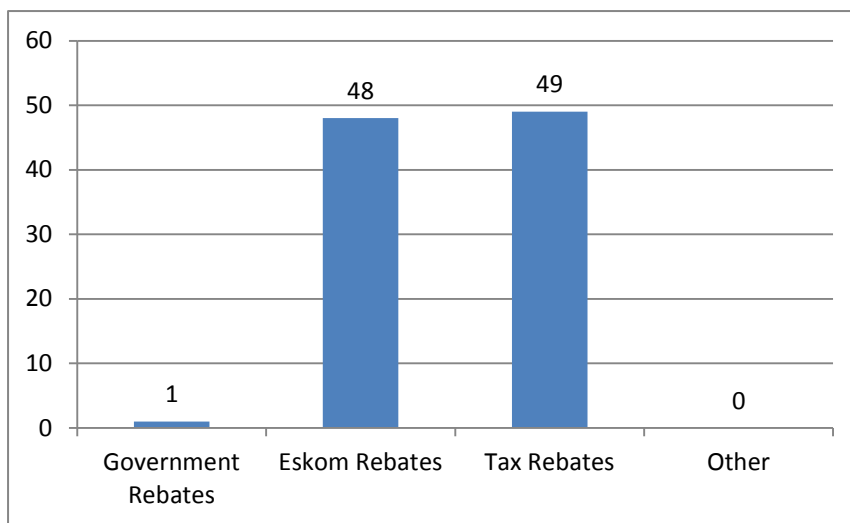
The respondents could choose more than one options therefore it seems as if there is an increase in the number of respondents but that is not the case.

Adjustments both to policy and to building and layout accompanied environmental change in the sample group’s hotels. This called for changes in mindset, but also involved operations and how the hotel was run, forcing certain building modifications.

**4.3.13 Were any of the following cutbacks received as a result of having any form of environmental management policy?**

A positive side of many policy changes is that there may be financial rebates associated with such changes, which could ultimately lower the operational expenses.

**Table 4.3.13 Were any of the following cutbacks received as a result of having any form of environmental management policy**



GOVERNMENT CUTBACKS	1	1%
ORGANISATIONAL CUTBACKS	48	48.9%
TAX CUTBACKS	49	50%
OTHER	0	0%
TOTAL	98	100%

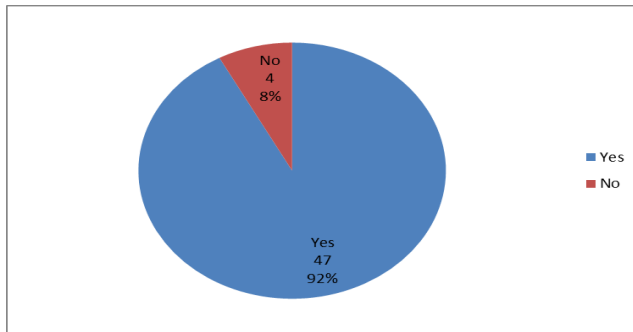
The respondents could choose more than one options therefore it seems as if there is an increase in the number of respondents but that is not the case.

The hotels indicated that rebates were received from various organisations, including 1% from government cutbacks, 48.9% from organisational cutbacks, and 50% from tax cutbacks.

#### 4.3.14 Do environmental management policies affect the type of supplies bought in?

Supplies to hotels are one of the larger expenses and it was important therefore to know whether an environmental policy affected the supplies that were brought in.

**Figure 4.3.14 Do environmental management policies affect the type of supplies bought in**



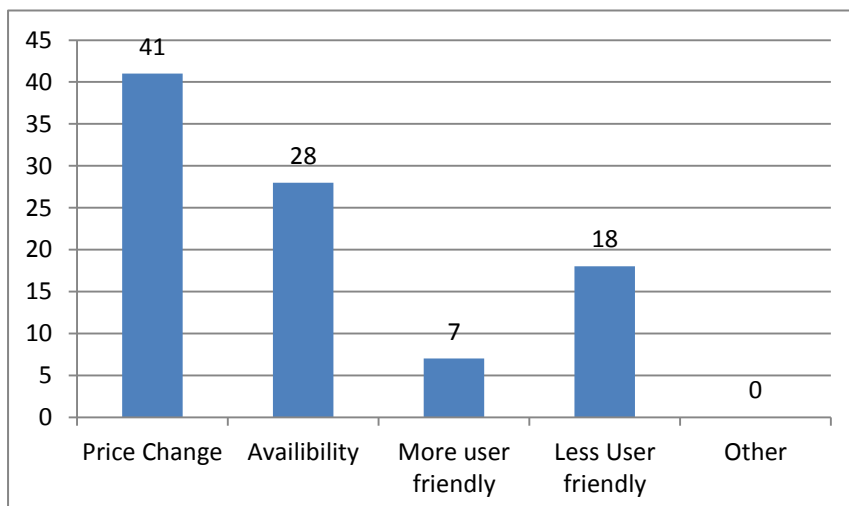
YES	47	98%
NO	4	2%
TOTAL	51	100%

98% of the hotels indicated that new environmental policies did affect the supplies bought in.

#### 4.3.15 In what way are supplies that are bought in affected?

If this policy did affect the supplies, it was important to know in what ways they were affected.

**Table 4.3.15 In what way are supplies that are bought in affected**



PRICE CHANGE	41	43.6%
AVAILABILITY	28	29.7%
MORE USER-FRIENDLY	7	7.4%
LESS USER-FRIENDLY	18	19.1%
OTHER	0	0%
TOTAL	94	99.8%

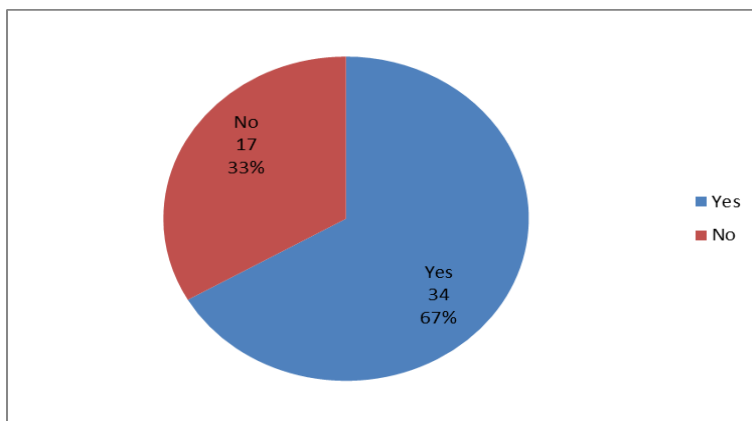
The respondents could choose more than one options therefore it seems as if there is an increase in the number of respondents but that is not the case.

43.6% of the hotels reported that price change affected the supplies that were bought in, while 29.7% indicated that availability affected supplies. 7.4% of the results showed that the supplies were more user-friendly, while 19.1% indicated they are wireless user-friendly.

**Figure 4.3.16 Do environmental management policies affect the suppliers with which your hotel works?**

If supplies need to be changed in order to accommodate environmental policies, does this also mean the hotel has to change the suppliers from which they receive goods?

**Figure 4.3.16 Do environmental management policies affect the suppliers with which your hotel works**



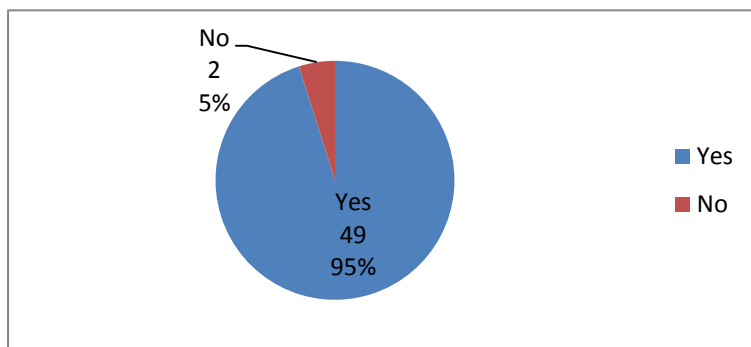
YES	34	67%
NO	17	33%
TOTAL	51	100%

67% of the hotels chose suppliers in accordance with their environmental management policies, while 33% did not consider these policies when deciding on suppliers.

#### 4.3.16 Are environmental supplies more expensive than normal?

As noted above, the financial burden was an important factor in this study, so this question was relevant to assessing whether environmental supplies and suppliers were cheaper or more expensive.

**Figure 4.3.17 Are environmental supplies more expensive than normal**



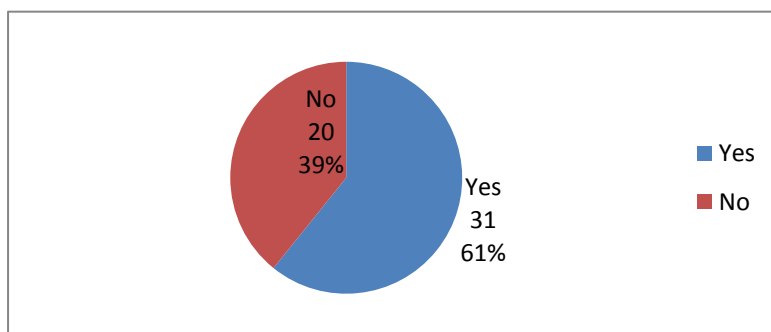
MORE EXPENSIVE	49	95%
LESS EXPENSIVE	2	5%
TOTAL	51	100%

95% of the hotels reported that environmental supplies were more expensive.

#### 4.3.17 Are environmental supplies easy to get hold of?

This question related to the ease or otherwise of securing proper supplies.

**Figure 4.3.18 Are environmental supplies easy to get hold of**



YES	31	61%
NO	20	39%
TOTAL	51	100%

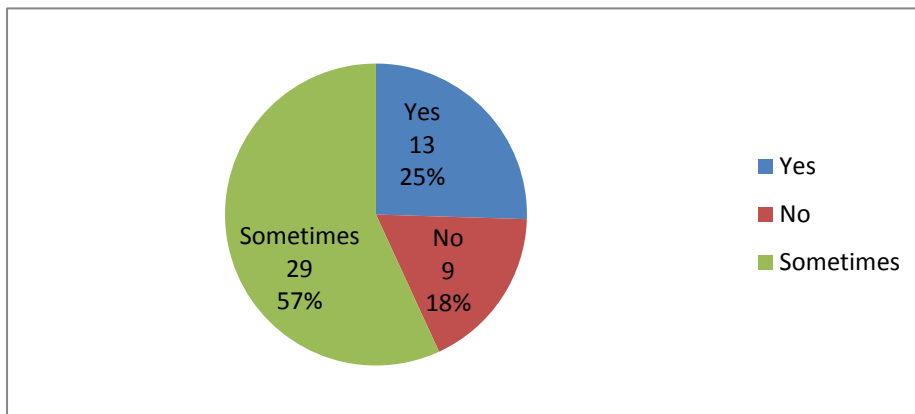
There was a mixed response from the hotels on the availability of environmental supplies. 61% found it easier to get them in, 39% did not.

Perhaps this could be due to the fact that many of the supplies needed to be imported. Hotels which were part of an international group had easier access to these resources.

#### 4.3.18 Do environmentally approved supplies last longer?

Supplies which last longer are less of a financial burden, as they need to be.

**Figure 4.3.19 Do environmentally approved supplies last longer**



YES	13	25%
NO	9	18%
SOMETIMES	29	57%
TOTAL	51	100%

It was important to see whether or not the supplies that cost more lasted longer. As shown in the results, 25% said they did, 18% said they did not, while 57% said that sometimes they lasted longer. For supplies which lasted longer, the initial additional fee was acceptable,

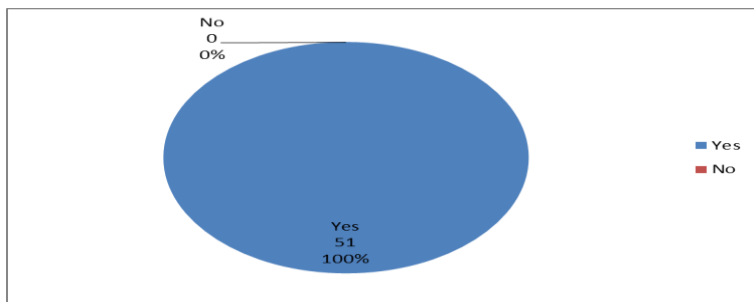


since the products did not need to be replaced so many times. However, with those that did not last longer there was an additional expense.

#### 4.3.19 Do staff, whether new and old, need to be trained on environmental strategies?

Training is an expense in any hotel, so any extra policy that requires more training means an additional expense.

**Figure 4.3.20 Do staff, whether new and old, need to be trained on environmental strategies**



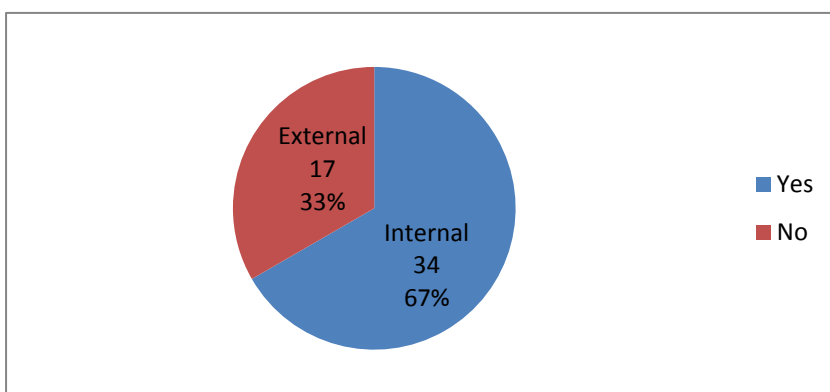
YES	51	100%
NO	0	0%
TOTAL	51	100%

100% said 'yes'. This was clearly seen as a serious initiative and one which needed to be done properly, so investing in staff training was important. Environmental strategies only work if all those involved are aware of the procedures which need to be followed.

#### 4.3.20 Is training an internal or external operation?

To do training internally is cheaper than if external companies need to be brought in.

**Figure 4.3.21 Is training an internal or external operation?**



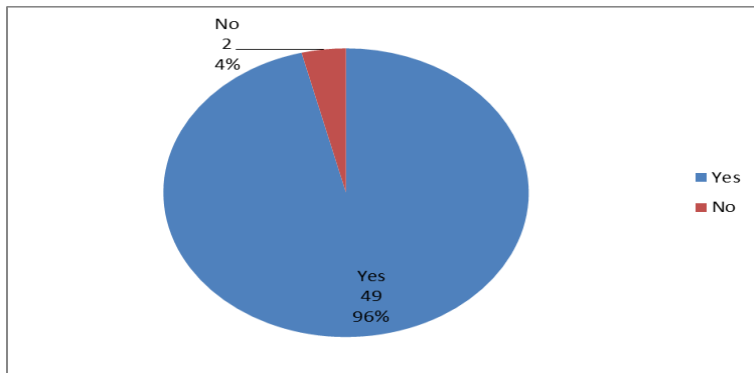
INTERNAL	34	67%
EXTERNAL	17	33%
TOTAL	51	100%

67% of the hotels had internal training, while 33% had external training. External training often comes with an additional expense, so by doing it internally the hotels saves money

#### 4.3.21 Do eco-friendly policies get used as a marketing tool?

Marketing various changes in policy has been known to bring in more business, which will ultimately increase revenue. Knowing whether an eco-friendly policy was used in marketing could help assess whether it resulted in increased revenue.

**Figure 4.3.22 Do eco-friendly policies get used as a marketing tool**



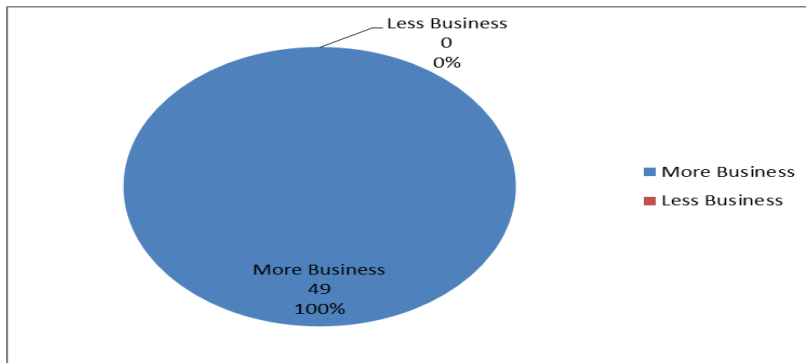
YES	49	96%
NO	2	4%
TOTAL	51	100%

96% of the hotels stated that in one way or another they used eco-friendliness in their marketing. This showed that there was a belief that customers would respond better to environmental policies and awareness in an establishment.

#### 4.3.22 Do these policies bring in more business?

If such policies brought in more money, their introduction would be justified.

**Figure 4.3.23 Do these policies bring in more business**



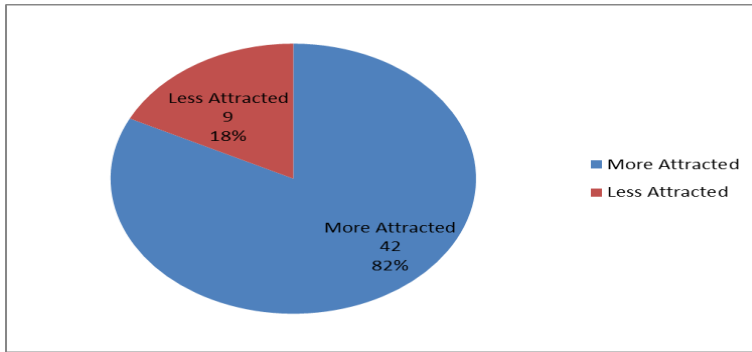
MORE BUSINESS	49	100%
LESS BUSINESS	0	0%
TOTAL	49	100%

All the participants, 100%, from the hotels who answered this question agreed that these policies brought more business. If environmental awareness were used as a marketing tool it would ultimately enhance awareness of the establishment. So, regardless of whether travellers were visiting because of their environmental belief, or by hearing about the place through an environmental marketing strategy, it would still increase business and thus revenue

#### 4.3.23 Are guests more attracted to hotels with such policies in place?

If guests were more attracted to hotels with environmental policies, such policies would be more beneficial to the hotels which had them in place.

**Figure 4.3.24 Are guests more attracted to hotels with such policies in place**



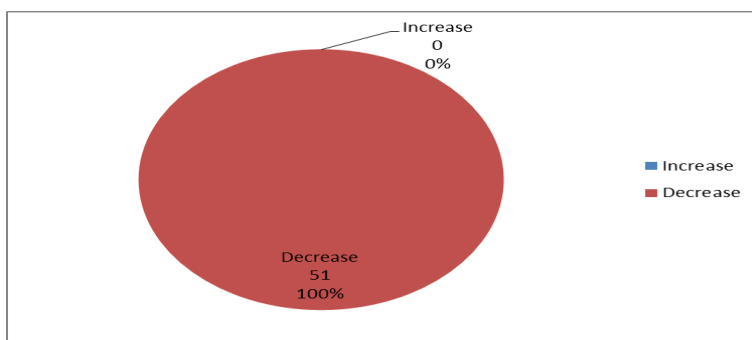
MORE ATTRACTED	42	82%
LESS ATTRACTED	9	18%
TOTAL	51	100%

The majority, 82%, felt that guests were more attracted to hotels with environmental policies.

#### 4.3.24 Do environmental policies increase or decrease operational costs (water, electricity, etc.)?

Operational costs are heavy financial burdens for hotels, so if they were lowered through an environmental policy then such an innovation would be financially positive.

**Figure 4.3.25 Do environmental policies increase or decrease operational costs**



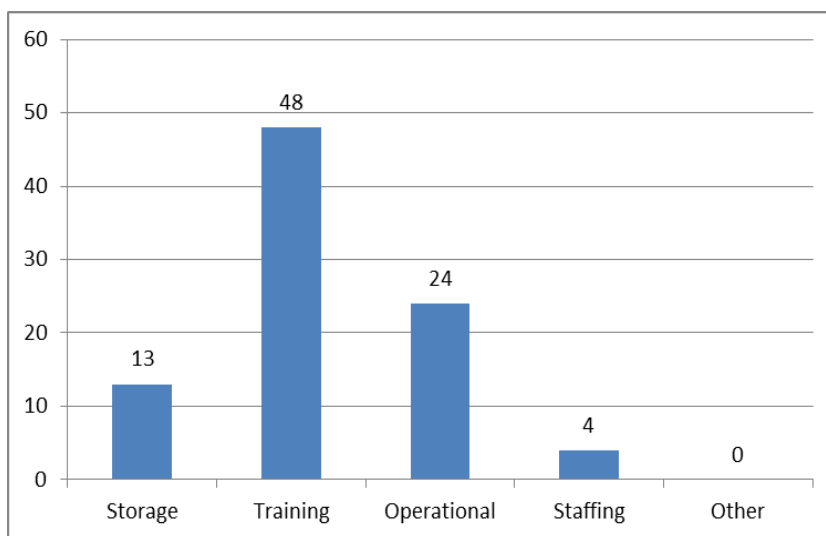
INCREASE	0	0%
DECREASE	51	100%
TOTAL	51	100%

100% reported a reduction in operational costs and thus a decrease in expenses on the annual profit or loss statement.

#### 4.3.25 What maintenance costs are involved with the upkeep of environmental strategies?

It was important to determine which costs were affected by an environmental policy.

**Table 4.3.26 What maintenance costs are involved with the upkeep of environmental strategies**



STORAGE	13	14.6%
TRAINING	48	53.9%
OPERATIONAL	24	26.9%
STAFFING	4	4.4%
OTHER	0	0%
TOTAL	89	100%

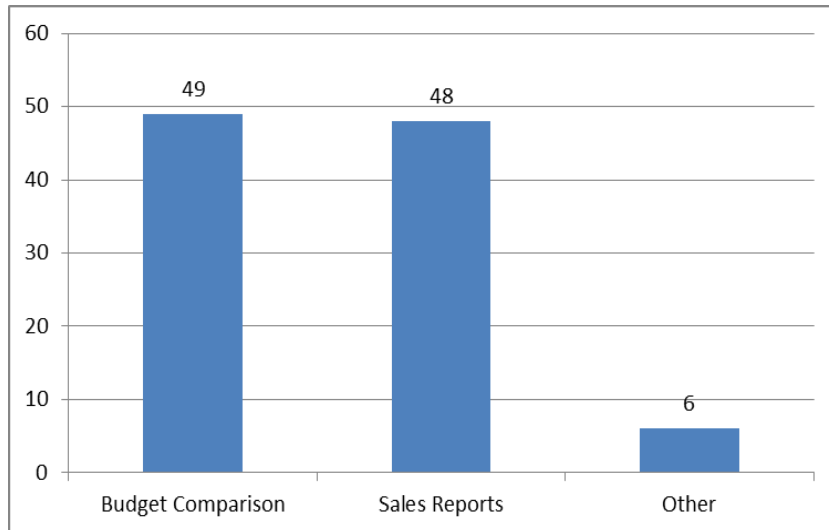
The respondents could choose more than one options therefore it seems as if there is an increase in the number of respondents but that is not the case.

These results show that there was a mix of maintenance costs connected with environmental management programs, which added to the companies' expenses.

**4.3.26 How does your hotel monitor the financial effects environmental policies have on annual financial statements?**

It was important to see whether hotels monitored the financial effects of this policy and in which ways.

**Table 4.3.27 How does your hotel monitor the financial effects environmental policies have on annual financial statements**



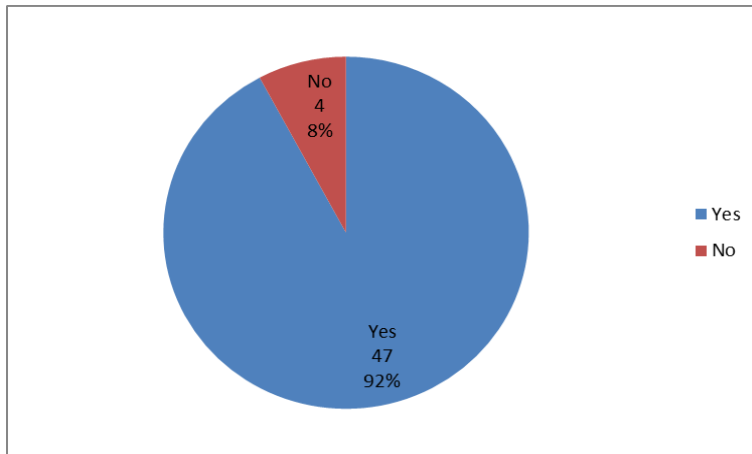
BUDGET COMPARISON	49	47.6%
SALES REPORTS	48	46.6%
OTHER	6	5.8%
TOTAL	103	100%

All hotels monitor business received in their financial statements and sales reports. These inform them where their main business comes from, so they can continue to expand in specific markets. It also tells them where to cut costs. Some hotels bring in other monitoring devices, through measures such as external statistics companies that assist with business tracking and monitoring.

Internal monitoring devices, which place no additional cost on the hotel, continually show the results of investments in environmental changes and whether these changes are financially viable.

#### 4.3.27 In your opinion, does it make financial sense to implement an environmental management policy in a hotel?

Figure 4.3.28 In your opinion, does it make financial sense to implement an environmental management policy in a hotel



YES	47	92%
NO	4	8%
TOTAL	51	100%

#### 4.4 Interviews

The researcher felt that in certain instances an interview would prove more informative when researching the environmental management phenomenon. Interviews were conducted with a representative of Eskom Marketing and PR department, Western Cape, a travel agent, and a customer service liaison representative for SARS Western Cape. The subjects were chosen because of their knowledge of environmental management, adding their inputs to the data that was needed to solve the research problem.

The interviewees were chosen from different sectors relating to environmental management in the Western Cape. Informed consent was obtained from them, and they were assured of their privacy and informed of the purpose of the interview. The questions were prepared before the interview and were structured in such a manner as to obtain the optimum information from the interviewees.

##### 4.4.1 Interview with Eskom Marketing and PR Department, Western Cape

Eskom is the sole energy supplier in South Africa. They provide electricity for both commercial and private home use. Many of their environmental policies are related to reducing energy consumption and thus lowering the 'carbon footprint'.

**Does Eskom offer any rebates to a commercial entity implementing energy-saving environmental policies?**

This question was asked in order to gain insight into cost savings pertaining to using Eskom as a supplier.

Eskom is strongly in favor of environmental change in commercial enterprises in South Africa. The company encourages any change which will reduce energy consumption in the country, lower the carbon footprint and develop the use of renewable energy.

The company runs environmental rebates through an Integrated Demand Management programme (IDM) with three main sub-categories. These are an ESCo programme, a standard offer program, and the standard product program

**Can you give a brief description of each of these programs?**

In order for the researcher to understand why Eskom rebates offer savings, details pertaining to them were required

The ESCo programme includes energy-efficient provisions, where the actual incentive is linked to both the cost of the program and the amount of energy saved.

With the standard offer program Eskom 'buys back' energy that is saved over a period of three years. If a company saves a certain amount of energy during this period and can prove this through correct auditing methods provided by Eskom, money will be returned to them as an incentive.

The standard product offering is an incentive-based program in which rebates are offered when a company replaces old technology with newer, more energy-efficient technology.

**How do these rebates work?**

The term rebate is used when it comes to cost saving and it was important to understand why.

As with any incentive program, strict control measures are set out for the companies to follow. The best route is for businesses to contact Eskom and get full details prior to any changes to ensure that all the correct measures are met. These include simple things such



as using approved suppliers, following the correct auditing methods, and filling out the necessary rebate application forms. If no problems occur, the request will be granted.

**Are these rebates advertised so that companies, especially the smaller ones, are aware and can make the changes needed to receive the benefits?**

The researcher wanted to know if Eskom made people aware of these rebates so that companies could actually use them

Larger companies will always seek legal advice when making policy changes, and this includes looking at all the challenges, as well as requirements from various government and private organizations on what laws will be affected, tax structures and rebates, as well as the preferred suppliers. Smaller companies usually look to our more 'mainstream' incentive programs, as these larger programs do not affect them to such a degree.

**Could you elaborate on these smaller rebate programs?**

Eskom offers rebates on solar heating in commercial and private entities, as well as heat pumps. For private individuals, small guest houses, hotels or bed-and-breakfast' places, these initiatives are small and more affordable, and easier to implement as an environmental policy to reduce their carbon footprint.

Funding to install these energy-saving devices is also available to the commercial and agricultural sectors. The business would need to apply to Eskom directly, and, once a number of criteria had been met, aid would be provided.

**How do these rebate programs work?**

The programs fall under the Integrated Demand Management scheme, but are advertised more widely as separate 'promotions' because of their relevance for both domestic and commercial enterprises.

The solar heating system is very useful, especially in hotels, as it can reduce a water heating bill by up to 90% and the total electrical bill by about 40%.The installation also allows for rebates. The customer pays the full price, and then submits a claim to Eskom, and, providing an approved Eskom supplier is used for the installation, the money will be refunded.

**Any further advice on how businesses such as a hotel could lower energy costs?**

The main objective of the research was finding ways in which environmental management either increases or decreases costs and this question would assist with such findings

## **Geysers**

Set the thermostat of an electrical geyser at 55°–60°C. Also, ensure that the geyser together with steel hot water pipes in the roof are well insulated with items such as fiberglass or newspaper.

Solar heating units are good as they can reduce a geyser's electricity usage by 40% to 50%. This could result in a saving of about 200kWh to 250kWh of electricity per month, depending on the number of geysers and the number of users.

## **Lights**

Do not leave lights switched on if you are not using them, and in addition, rather use less bulbs with a higher watt; for instance, one 100-watt bulb produces a similar amount of light as two 60-watt bulbs. Install a dimming switch which also reduces electricity usage. Rather implement the use of compact fluorescent lamps (CFL),

## **Heating**

Ensure the correct type of heater is used, with the infrared electricity heaters being the more efficient type, while an oil-filled heater is the safest. Make sure the thermostat on the heaters is in working order

Many of the newer hotels, both internationally and locally, have installed energy-saving door-locking mechanisms. With these, when a key card is removed from the door, all electrical appliances go off. When the guest returns, he or she can insert the key card and the electricity will be turned on again.

### **4.4.2 Interview with travel agent**

Many bookings received at hotels are through travel agents, offering travellers package deals as well as reducing the hassle. It was therefore important to talk to an agent to see whether or not environmental policies in hotels were relevant to such travellers. A travel agent from a local branch of Thompsons Travel was chosen for the interview, as he had dealt with both local and international travellers, as well as with many corporate clients.

- **Do your clients book mainly for local or international travel?**

This question was asked in order to see the type of clientele used by this particular travel agent

Families with children book mostly local travel, whereas single people or groups book mainly for international travel.

- **When selling travel packages, do you select hotels that offer environmental policies or are location and rate more important?**

This question was asked to see whether it makes any difference from a business point of view for a hotel to market their environmental friendly policies

It depends on the particular package. Many of the international hotels have these policies in place as a standard, so it is something that is expected, as opposed to something which is asked for. International travellers expect eco-friendliness in their accommodation, so we know beforehand to make sure these policies are in place. Local travellers we find are far less involved in insisting on these policies.

- **Do your clients request environmentally eco-friendly hotels?**

The researcher asked this question in order to find out if such policies do bring in more business for hotels

As mentioned, international travellers expect it, local people less so. However, the national view is slowly changing, especially with corporate requesting eco-friendly accommodation when deciding on travel tenders.

- **Do hotels advertise their eco-friendly status enough?**

This question was asked so that the researcher could investigate whether hotels utilised environmental management as a marketing tool

No. Hotels should use these aspects more in their own marketing. Ultimately this would educate their clientele, so in the future, especially locally; these policies would be more relevant and would increase their business to a more noticeable level.

#### **4.4.3 Interview with customer service liaison for SARS Western Cape**

Together with government, SARS recognizes the importance of commercial entities being eco-friendly, and has many incentive programs directed at companies which implement environmental management programs and structures in their daily operations.

#### **How does SARS help promote eco-friendly initiatives in businesses?**

The researcher asked this to see if there is any support from SARS for environmental policies

There are a variety of taxes, as well as tax incentives in place to encourage such policies.

### **Can you explain what taxes are out there that encourage eco-friendly incentives?**

The researcher asked this question to find out if there are any financial cut backs with regards to taxes and environmental policies

There are quite a few, which include an environmental levy that is placed on all electricity generated from a source that is 'nonrenewable'. In addition, an extra levy has been introduced on all incandescent (old) light bulbs in the hope that this will encourage both individuals and companies to use the more energy-efficient bulbs.

Taxes have also been imposed on fuel and vehicles. The idea behind this is to reduce the use of fuel which is produced through non energy-efficient methods. This affects hotels, as their clients rely on travel which is affected by fuel and motor-related taxes.

### **What tax breaks are available currently?**

The most important and relevant tax break is given to a business which reduces its investments in renewable energy and bio-fuel production at a faster rate. This fast-track depreciation gives businesses a cash flow advantage, encouraging more investment in current and future renewable energy projects and initiatives. A recent adjustment to this tax provision now allows a company to receive benefits on all costs relating to renewable energy projects (for example, wind turbines or solar energy panels).

All businesses receiving benefits from Clean Development Mechanisms (CDM) are further exempt from paying tax on revenue derived from these benefits.

The most important and relevant tax break is covered in Section 12L of the Income Tax Act, in which SARS gives tax breaks to organizations which have become more energy efficient.

It involves energy-efficiency certificates, verified by professionals and issued by the Department of Energy. This promotes the implementation of environmental management policies, since businesses do not pay tax on certificate allowance.

### **For a startup or small business, are there tools to educate people on these taxes, as well as on tax incentives?**

One of the main problems pertaining to the research objectives was that startup costs are too high. This question was asked to see if there is aid pertaining to educating people about environmental management and the cost savings

SARS offers a range of training seminars, especially to small business enterprises, and these are often sponsored by various government departments.

They can call SARS offices for a consultation on the available options. Hiring a financial advisor or tax expert is sometimes also encouraged.

#### **4.4.4 Interview with a hotel general manager**

##### **Does your hotel have an environmental policy in place?**

Yes.

##### **Are South Africans far behind, or on a par with international environmental standards?**

Our country is slowly getting there. More money is available for first-world countries to spend on researching and implementing technological changes which reduce the carbon footprint. We use what is being done overseas as a model and try to adapt it to work in our own surroundings. Environmental policies have been implemented for years in some countries, but the phenomenon is quite new still in ours.

##### **Do you feel that this policy assists in any way with the financial outcome on a monthly or annual basis?**

The whole world is moving slowly to becoming more environmentally aware. This means that travellers also want to be sure that, when they stay in a hotel, the utmost is being done to prevent any damage to the surrounding environment. With that said, most hotels these days have environmental policies in place, so one would have to market very special environmental projects in order to make a large difference to the annual revenue.

##### **Would you recommend smaller hotels or guest houses implementing such a policy, bearing in mind that their financial resources are smaller than those of larger hotels?**

In the short term, it can be quite pricey, but with proper planning it can be done in stages, so that the financial burden is not so heavy. Also, remember, many of these changes are in people's actions or mindset, and not always in building or technological changes.

#### **4.5 Focus group**

Focus groups offer an opportunity for people with similar interests in a researched topic to come together and discuss their views in the relevant area.

For this study, the researcher arranged for a focus group with four general managers and an ex-hotel management company consultant, as well as an academic, who were brought together to discuss their views and experiences relating to environmental management.

The researcher asked the participants to discuss the main questions, as well as sub-questions, in the research paper, to assist him with the findings and help with making recommendations.

The first question the group was asked was how the establishments where they worked measured the financial success of any new policy or change, in particular an environmental management policy. The group agreed that many hotels did budget comparisons to measure the financial success of a policy change, while others also used sales analysis reports to see if there were any increase or decrease. Hotels which belonged to a group often measured their success rate when implementing a new policy by comparing their results with those of sister or partner hotels which either had or had not yet introduced similar policies.

The researcher then asked the group what start-up costs were involved in implementing environmental policies, and whether or not these policies had added any financial burden at the initial stage. The group all agreed that there definitely were large start-up costs and that funding was needed. The costs relating to building changes were discussed, as well as the costs of training and implementation which came with a policy change. Participants who came from a hotel which was part of a group said that this helped with securing finance for start-up costs, whereas the other members stated that proper planning and provisions over a longer period were needed when applying for loans.

The group was asked to elaborate on what type of start-up costs would be involved, especially with building changes. They discussed changes in types of geysers being used, the introduction of solar heating panels, changing technical systems in rooms in order to conserve energy and reduce wastage, and replacing air conditioning units with more environmentally friendly units. One member said that his hotel also implemented changes to the property, with gardens redesigned to deal with water and food waste. Worm gardens were started and the hotel grew its own herbs and vegetables to become more sustainable.

After covering start-up costs, the discussion turned to the relationship of supplies and suppliers to an environmental management policy. Some of the members said their hotels would need additional cash to change from their current suppliers to those which were eco-friendly, since eco-friendly supplies were more expensive. However, even though they cost more, they often lasted longer, so over time less was spent on certain supplies. The group also mentioned that, while these supplies sometimes cost more and placed a financial

burden on the hotels' finances, the investment was worth it. This was especially so with room amenities, air-conditioning, electrical supplies and larger machinery (including door-locking mechanisms), since they caused less damage to the environment.

The researcher asked the group for their thoughts on whether or not environmental policies had any effect on the sales and marketing of a hotel. They all agreed that it definitely did. As managers, they knew that a proper marketing plan could increase sales, and that the proof of any marketing drive was in the sales figures. They felt that initiating environmental policies was a growing trend, locally as well as internationally, and that guests would look out for these policies when deciding on accommodation. They also acknowledged that an increase in advertising about such policies had made more people aware, so many hotels were being forced to implement them. International guests, in particular, were more aware of environmental issues when choosing a hotel.

Finally, the researcher asked the group their opinions on whether it was financially viable for a hotel to implement environmental policies. They agreed that there was some relief in expenses, as well as an increase in room sales, but that this was usually only felt over a period of time. Should a hotel want to implement these changes, it should make provisions in its budget for lower profits, if not losses, for the first few years, as repayments could take place over longer periods. Notes were taken during the discussions in the focus groups. These notes were then coded and then transcribed.

#### **4.6 Summary**

The responses to the questionnaires and interviews were analysed by coding them and then transcribing them. The results of the questionnaires were illustrated by pie graphs and bar graphs with a legend. The reasons for asking the questions were explained, as were the responses to the questions. The questions asked in the interviews and the answers were discussed.

The data gathered from the analysis of the questionnaires and the interviews will be used in the next chapter as a basis for the findings and recommendations. These results will be taken and compared to the various questions relating to environmental management.

## CHAPTER 5

### FINDINGS AND RECOMMENDATIONS

#### 5.1 Introduction

In recent years, the hospitality industry has had many reasons to go 'green', among them consumer pressure and the reduced costs associated with improved efficiency (Chan & Wong, 2004:481-492). Increasingly managers and policy makers are coming to understand that purchasing along environmental lines can significantly affect corporate performance, and that the type of products acquired through purchasing can reduce the level of waste and pollution generated (Handfield *et al.*, 2002:70-87).

The main reason for this study was to evaluate the effect that an environmental management policy has on the financial side of a business's operations. In particular, it could offer a model to smaller hotels to see whether implementing environmental change in their own establishments would be beneficial. In the previous chapter, a number of research tasks relating to this topic were undertaken. Questionnaires, interviews and focus groups were used in order to gather relevant information.

The research also sought to gain insight into the impact of environmental policies on a company's financial statements, to analyse the availability of supplies which are environmentally friendly, the effect this has on sales and marketing, and the overall effect these policies might have on a hotel's profit and loss statement.

In this chapter, we look at each of the research questions, see if they were answered, determine if the hypothesis was valid, and make recommendations.

#### 5.2 Main research question and the sub-questions

The main question of the study was: What impact will an environmental management policy have on the financial operations of a selected group of hotels in the Cape Town Metropole?

The sub-questions were the following:

- What will the financial impact be of introducing environmental policies and initiatives?
- What is the difference in price and availability of environmentally friendly supplies compared to those that are not?
- What is the effect of environmental management of sales and marketing?
- What is the effect of eco-friendly policies on a hotel's daily costs?



One of the main aims of this study was to research the impact any form of change in environmental policy would have on a new, emerging, or small hospitality business. The findings could be used by hotels when planning for such a policy. However, unlike larger hotels, smaller establishments do not always have the capital to make such changes. This conclusion was relevant to the main research question. This question was answered through the findings of the sub-questions. An overall look at all the research objectives discussed aided in supporting the researcher's hypothesis.

The findings to both the main research question and the sub-questions were discussed.

### **5.3 Findings from the main research question**

The aim of this study was to investigate the financial implications of implementing environmental policies in the larger, established hotels. This led to the main research question:

What will be the impact of an environmental management policy on the financial operations of a selected group of hotels in the Cape Town Metropole?

At the end of the day, a business has to increase profits, so the researcher needed to discover whether most hotels (either over a short or a long period) were able to use such changes to increase their profits, or whether a clear loss was shown.

Hotels use a variety of different means to measure profit and loss. These include budgets, financial statements, and sales reports. Question 4.3.27 of the questionnaire asked, How does your hotel monitor the financial effect environmental policies have on annual financial statements? The results showed that 47.5% used budget comparisons, 46.6% used sales reports, and 6% used other methods.

This confirmed that hotels had ways of measuring the effects of policy change on the financial side of the business. Budget comparisons showed whether an initiative created more profit, or resulted in a loss. Sales reports were also important, as the main sources of revenue in hotels are through sales. Such reports would show whether or not there were increases in bookings following a policy change. This was reiterated during the focus group discussions. The members were asked how they viewed the success of their environmental policies. They were agreed on the importance of budget comparisons, forecasting, comparisons with sister or neighbouring hotels (or other hotels in their groups), and sales reports. This corresponds with literature obtained from Bohdanowitz (2006:662-668) who stated that "it is important for industry to first evaluate the cost costs, and should evaluate

the cost effect not only on startup costs, but also take into consideration the entire financial life cycle through budget comparisons and similar tools”.

Once this question was answered, it was important to assess the outcome of implementing an environmental policy. Before this could be done, the researcher needed to establish that each hotel had in some way undergone environmental changes. Thus question 4.3.6 asked whether the hotels had implemented an environmental policy or initiative. All the subjects agreed that they had; this meant that further questions would apply to all those in the sample group. This finding corresponds with what we learnt from Gil, *et al*, (2001:457-471) who acknowledged that “the degradation of the environment is a main concern for modern society, and this in turn has affected most hospitality entities policy and strategy”. This was further supported by Kleindorfer, Singhal & Van Wassenhove (2005:482) whose research stated that “in the past 20 years businesses have had to pay attention to the effects on the environment and resources of the products and services they offer”.

In answer to question 4.3.28, over 92% of the hotels stated that it made financial sense to implement environmental policies, largely because of the ultimate reduction in daily costs. Such findings are on par with those done internationally such as that from Rahman, Reynolds & Svaren (2012:720-727) where it was found that “the financial benefits are in lower energy, waste and water costs, lower environmental and emission costs, and lower operational and maintenance costs”. Carter, Kale & Grimm’s (2000:219-228) research agrees by stating that “recent anecdotal evidences links strong environmental performance to lower costs”.

Profit and loss, however, are measured not only in daily expenses but also in start-up costs. Findings from question 4.3.10 showed that the biggest problem with environmental changes was the need for the hotel to secure capital for initial start-up and implementation. All the hotels agreed that there were large start-up costs associated with such changes. This would mean that the hotel would earn lower profits for a time while paying off the associated liabilities. The focus group agreed there would be some relief in expenses, as well as an increase in room sales, but this would only be felt after a period of time. The group further noted that when planning on making changes, the hotel should budget for lower profits, if not outright losses, for the first few years. Repayments could take place over longer periods, and might include not only policy changes but also building and infrastructure, which cost more. Moeller *et al* (2010:155-169) found similar data where they state that at present the perceived startup costs of environmental management policies is too high.

Rebate systems, however, can help with start-up costs, and also allow for payment over longer periods. During the interview with the SARS customer liaison representative, the

researcher learned that SARS offered tax rebates to compensate for the depreciation of newly-installed environmental assets, especially for smaller businesses. This fast-tracking of assets affected the overall profit and loss of a business, but in a positive way. The most important tax break from SARS, though, fell under Section 12L of the Income Tax Act, which allowed for a variety of tax breaks for companies which had been assessed as energy efficient. These include benefits for introducing methods for generating non-renewable energy.

Energy consumption is an important factor in environmental management. In his interview, the Eskom representative explained that there were rebates and payment plans on offer relating to electrical supply, energy use and environmental policies. Eskom rebates include financial aid for implementing non-renewable energy, such as solar heating, as well as the ESCo program, through which a company can have its energy 'bought back' and the money returned if after a three-year period it can prove it is energy efficient.

The interview with the SARS representative also proved to be enlightening. Not only did SARS have rebate systems, as well as tax incentives, for companies implementing environmental change, but they had also introduced levies for companies which did not. A levy was added to items such as old incandescent light bulbs, with an additional levy for electrical power which was not generated from a non-renewable source.

This data is similar in what has been seen in other research papers. Bohdanowicz (2006:662-682) found in his study that in Europe hoteliers rank the best incentive for implementing environmental management program to be for the costs savings through energy and tax expenditure.

As recorded under the various research methods, the questionnaire, the focus group and the individual interviews, all the hotels agreed that, if well planned over a longer period of time, it was financially beneficial to implement environmental changes since they ultimately reduced daily costs. Many start-ups were expensive and required large sums of capital, but rebate systems, tax cuts, and the imposing of penalty levies, together with proper planning could reduce the period of liability repayment, so that an increase in profits could be seen sooner.

#### **5.4 Findings from sub-question one**

The researcher divided the investigation of the costs between those for operations and those for start-ups. A number of questions were included in the questionnaire which related to both.

Sub-question one specifically examined the finance needed for the start-up phase of environmental policies. Question 4.3.6 in the questionnaire confirmed that all the hotels had an environmental policy in place. In question 4.3.10, the researcher asked whether or not a large amount of capital was needed as a start-up for an environmental change. This is supported by readings of Moeller *et al* (2010:155-169) where it is perceived that startup costs of the environmental management policies are too high, and that hospitality companies make changes in accordance to affordability.

The response yet again was unanimous agreement that there was. The question of start-up costs was then taken step further. Question 4.3.7 established whether or not the hotels' environmental changes were part of a group's change in policy or their own private initiative. 28.5% of the hotels made changes based on a group's decision, while for 71.4% it was based on their own private policies.

Support from a larger group for the proposed changes would result in funding being received from head office, not just from the hotel's own budget. During the focus group, it emerged that hotels in a group were often told what policy adjustments needed to take place, with little leeway allowed over the changes for any particular establishment. The advantage of this was that there was more funding from the group, and therefore fewer liabilities from external loan sources.

Kasim & Dzakiria (2009) had similar findings in their research where they say that "smaller independent businesses often want to improve environmental performance, but have little knowledge on where to begin, how to perform and where to secure funding, unlike those hotels part of larger groups".

Other factors with start-up costs needed to be assessed, and these included staffing and operational changes. Question 4.3.8 asked the hotels whether a new department needed to be started for these policies. Only 10% had started new departments, which were an additional financial burden, but the remaining 90% had increased the workload of other departments, which also means an increase in staff and training costs. Training was affected by new policy changes. At the outset, it was important that all staff were aware of the changes and how to adapt to them. The responses to question 4.3.20 showed that training had taken place in all the hotels when policies affecting the environment were introduced. The answers to question 4.3.21 showed that 67% of the hotels chose to carry out internal training, since it was a cheaper option, while 33% brought in an outside company. These changes were ongoing and affected the hotels' financial statements for an extended period.

Such data can be aligned with that received in a research paper by Kleindorfer et al (2005:482) where it was stated that the main function of a hotel is to provide accommodation service at low cost, so that profits will increase. Expenses and projects, especially in relation to startup costs, must therefore be within financial reason and implemented on the understanding that they will further increase the revenue received at the end of the day.

Question 4.3.12 was asked in order to assess additional costs for buildings and renovations. Everyone was aware that changes to facilities were far more expensive than policy changes on paper. In question 4.3.12, the findings were that 27.9% of the hotels had to make changes to the infrastructure, which were on top of the normal start-up costs. This involved preparing for building upgrades, which were expensive, and also required shutdown and losses in sales for the period when the upgrades took place. The focus group discussion offered a more specific answer as to what type of building costs were involved. These included the costs for solar heating panels, changing technical systems in the rooms (to conserve energy), upgrading air conditioning units, as well as water servicing units and geysers in all the rooms. Some hotels went a step further and introduced specialty gardens to deal with water and food waste. Besides these expenses, 72.1% of the hotels also needed additional cash for the simple policy change and the adjustments that went with it.

Stabler & Goodall (1997:19-33) support these findings through their research paper that shows that in the European Union 5<sup>th</sup> Action Plan involved a commitment to improve environmental performance of organizations, with major support from government organisations.

Eskom, the local energy supplier in Southern Africa, was contacted. In these discussions it was found that Eskom assisted all their commercial clients with start-up costs. Their representative was asked if Eskom offered any rebates for implementing energy-saving environmental policies. He said that one of their rebate programs, the ESCo program, was an incentive linked to the amount which would ultimately be saved by making such changes. Eskom's standard product offering was a further form of assistance with start-up costs. It worked by offering rebates when a company replaced old technology with newer, energy-efficient technology. Hotels, especially smaller hotels, could take advantage of rebate programs relating to solar heating. By applying for assistance through Eskom, smaller hotels could draw on the aid offered when specific technology changes were required.

In an interview with a SARS representative, the researcher asked how SARS assisted start-up companies when introducing environmental changes. The response was that SARS, as a government institution, also helped businesses with start-up costs pertaining to

environmental policies. A recent change in policy allowed companies to receive benefits when implementing renewable energy projects, reducing the start-up costs.

This shows that there is support from government to assist companies in implementing environmental changes. Similar research from Font & Harris (2004:986-1007) stated that international pressure on governments to become more involved with environmental changes has assisted the change towards 'green initiatives' in hotels

Considering that extra capital was needed, question 4.3.11 asked whether or not the companies struggled to secure funding for these changes. 65% of the hotels had no problem, whereas 35% struggled to get the amount needed to fully implement all changes.

It is interesting to note similar findings with research done by Bramwell & Alletorp, (2001:91-103) where in the recommendations it is stated that "it should be a mix of government intervention and businesses making their own decision in response to market forces that allows for assistance with regards to startup costs".

As the findings showed, major costs were associated with starting up and implementing the initial phase of environmental changes. These included a variety of aspects, such as building changes, staff training, increase in staff numbers, as well as marketing and sales. If a company carried out sufficient research during the planning stages it could take advantage of a number of rebate systems to assist with payment plans and financial aid programs. Such planning would help any business to receive financial aid, which over a structured period time could be paid off in a manner which did not financially suffocate the business.

## **5.5 Findings from sub-question two**

Sub-question two asked what would happen when the analysis of the availability of environmental suppliers and the cost of their supplies had been carried out.

Once the new environmental equipment and practices have been implemented, the company needs to ensure that all suppliers and the products bought meet the new standards and measurements which have been put in place. The cost of supplies needs to be taken into account in financial planning, since it will affect the financial statements on a monthly basis. The sub-question was whether or not such costs affected the statements in a negative or positive way, especially when measured over a longer period of time.

In question 4.3.14 it was found that most of the hotels experienced changes with the supplies they bought in and how they fit into the new policies. 92% of the hotels had to change their supplies, with only 8% stating that their current supplies were in accordance to

the new policy. This meant that the hotels had to relook not only at what was bought in but also at the suppliers that provided these goods. This had an impact on contracts and agreements that had previously been forged with relation to price agreements and delivery costs.

It is acknowledged that these findings match literature from Eltayeb, *et al*, (2011:495-506) where hotels had to change suppliers as “purchasing is at the beginning of the value chain, so a firms environmental efforts are unlikely to be successful unless they are integrated with purchasing activities”.

The problem, however, was not just about changing supplies, but in how they changed. The answers to question 4.3.15 showed that 43.6% of the hotels found that the price of the supplies had changed. 29.7% had changes in availability, while 19.1% said environmentally friendly supplies were less user-friendly and 7.4% said it was more user-friendly. This meant an increase in the initial costs of buying in and finding new suppliers, as well as training staff on awareness about the new supplies. This is supported by literature from Buysse, *et al*, (2003:453-470) that says green purchasing does also need to take into account the price factor when choosing suppliers and that most environmental supplies to carry a higher cost.

In the focus group discussion, the researcher learnt that the hotels needed an additional source of money to change supplies, since the environmentally friendly supplies which matched the new policies were generally more expensive. The advantage was that some of these supplies lasted longer and therefore the cost balanced out at the end of the day. The focus group also confirmed that such supplies had a more positive effect on the environment, from room amenities and electrical supplies to larger machinery (items such as air conditioning, door-locking mechanisms, etc.). However, they also meant an increase in expense and a bigger burden placed on the hotel's finances.

Question 4.3.16 asked the hotels whether or not the new environmental policies affected the suppliers, 67% stated 'yes', while 33% said 'no', adding that they would stay with their current suppliers. Question 4.3.17 asked that if the actual supplies were more expensive. 95% stated that they were more expensive, while 5% said that they were not.

Handfield *et al* (2002:70-87) together with Grove *et al* (1996:56) confirms this in their research stating that “environmental suppliers are higher in cost, but lower prices and greater variety can only be available with an increase in demand for such products and services. Furthermore both papers agree that it is important to purchase goods and services from suppliers who are able to offer products at the lower cost which is not always possible when it comes to environmentally friendly goods”.

The respondent of one of the hotels felt that the biggest problem with the change in policy was with the suppliers. In the early days, it was difficult to find local suppliers that met with new regulations, and those that did were far too expensive. In many cases, he would import goods. However, with changing times and the trend to be more environmentally viable, it had become easier and more cost-effective.

The study found that eco-friendly policies did place a financial burden on the suppliers, as well as the supplies that was bought in, given all the new regulations they now had to meet.

## **5.6 Findings in response to sub-question three**

Sub-question three asked what effect environmental management had on sales and marketing.

The biggest challenge facing a business with a change in environmental management policy was how to market this to increase business. One of the sub-questions being asked was to determine whether or not the hotels could use these changes as a marketing tool, and whether this made a difference with the actual number of rooms being sold.

One of the best ways to discover whether or not these changes affected the marketing was through both the hotel managers and the travel agents that many tourists and travelers use when booking accommodation. It was important to see whether or not hotels used these policy changes when marketing their product, and whether travelers actually took note of the policies when deciding on accommodation.

A travel agent who dealt with both local and international travellers was selected, as he could give an informed response on the trends both locally and overseas.

During the interview with the Thompson Travel employee, the researcher asked if travellers requested environmentally hotels when booking accommodation. The answer was that local guests were less interested in the environmental status of hotels. Internationally, however, travelers were more inclined to choose hotels that had environmental and green policies, as internationally these trends were now more a standard than a luxury.

The response from an international point of view is on trend with research found by Manaktola *et al* (2007:364-377) which states "if customers are deciding between two otherwise similar hotels, they will choose an eco-friendly hotel over a standard one. This however does not correspond with what the pattern is for local guests and travelers, who from the research gained shows that they do not worry about such policies".



He was also asked if hotels used eco-friendly status as a marketing tool, to which the answer was that they did not, and that there was more potential in using this as a sales and marketing tool.

This finding was very different to that found within other literature such as Kasim & Dzakiria (2009:16-25) who states that from a marketing perspective hotels have for a long time accepted the marketability of green policies.

In the focus group, the topic of sales and marketing was also brought up. A proper marketing plan will help increase sales, and the proof of any hotel is in the number of rooms sold. Many of the group felt that these trends were increasingly being viewed by local guests as something to look out for. It was also noticed that, because the environmental trend was still new locally, advertising it brought more awareness, as something new and exciting. It also caused many hotels to start adapting to new policies and changes. All the members of the group agreed there was more interest and more questions from international travellers, since such visitors expected environmental friendliness from a hotel.

Bohdanowicz (2005:188-205) in his research done internationally agrees with these findings stating that hotel guests make their decisions based on criteria such as where to stay, services offered and price. Thus, if environmental policies affected the price, then it would affect their decisions.

Question 4.3.22 asked all respondents whether or not their establishment used eco-friendly policies as a marketing tool, 96% said that they did, while 4% did not. To those that did, question 4.3.23 asked whether marketing these policies brought in more business, and 100% agreed that it did.

Similar finding can be seen in research by Kasim & Dzakiria, (2009:16-25) where they found occupation rates were 10% higher for establishments that were accredited above those that were not.

Question 4.3.24 gave the hotel's perspective that 82% of their guests were more attracted to eco-friendly policies, compared to the 18% that were not. The results showed that internationally and, if more slowly, locally, people were more green-conscious when choosing rooms.

Manaktola & Jauhari, (2007:364-377) states a similar attitude saying that "from a customer's perspective, the hospitality product consists of core attributes which customers expect, environmentally friendliness fast becoming one of these core items".

The more environmentally friendly an establishment was, the more likely a guest would be to choose it over another. Two different perspectives were noted, however, with a booking agent feeling that these policies needed to be marketed more in order to be successful, and the hotels feeling that they had already marketed these initiatives enough.

## **5.7 Findings in response to sub-question four**

Sub-question four investigated the effect of eco-friendly policies on a hotel's daily costs.

One of the most appropriate methods to view the effect an innovation has on a company's financial status is by checking the daily costs. Here the question was how much it would cost to run a hotel once all the environmental changes had taken place. For this study, this was kept separate from the overall financial burden and therefore excluded start-up costs and loan repayments.

Both start-up and implementation costs were discussed under the previous sub-question. The present discussion deals with the subsequent operational costs. The first area was the buying of supplies. Question 4.3.17 asked the respondents whether or not supplies that were environmentally more friendly were more expensive. 95% said they were, with only 5% disagreeing. The higher costs resulted in an increase in daily expenses. The focus group, however, noted that, while such supplies were more expensive, they lasted much longer, and the energy consumption with some of them was much lower. Thus while buying in these products cost more in some ways, many of them lowered the daily costs, since they lasted longer and reduced energy usage. The focus group agreed that when comparing the increase in supply costs with how much longer they lasted, it was clear that energy-efficient supplies were financially far more advantageous.

On par with these findings are those from research done by Penny (2007:286-294) where she wrote that "many researchers report that improving hotels' environmental performances would lead to reduction in both energy consumption and lower operational costs".

The interview with the Eskom representative also gathered data on how to save on daily expenses. The representative was asked how a business could lower its daily energy costs. He said that the easiest ways were through heating, lighting, and geyser systems – all items which increased daily operational costs. By using the correct light bulbs and introducing dimming switches or systems where lights were switched off when the room was not occupied, energy consumption could be reduced. Geysers consume a lot of electrical wattage, so by using solar heating, installing energy-saving geysers and setting them to appropriate temperatures, costs could be reduced.

Literature from Mihalic (2000:65-78) has similar findings where it is found that “programs for saving energy, water and other resources results in cost reductions. This is economically attractive to managers”.

The focus group discussion highlighted air conditioning as another area where hotel rooms fell short when it came to environmental friendliness. Using new door-locking controls which switch off the lights, electricity and air conditioning in a room unless the guest’s door card is in place, will save unnecessary use of electricity and result in a definite reduction in costs.

Question 4.3.26 in the questionnaire also showed that 53.9% of the daily cost increases were for training, 26.9% for operations, 14.6% for storage, and 4.4% for staffing.

To conclude, sub-question 4.3.25 asked whether environmental policies overall increased or reduced operational costs. All the respondents agreed that they reduced costs.

This is confirmed nicely by Moeller *et al* (2010:155-169) who concluded his findings by stating that becoming more environmentally friendly and maximizing revenue are not mutually exclusive.

## **5.8 Proving the hypothesis**

The study was based on the hypothesis that there is a relationship between the implementation of environmental management policies and the effect on the financial business operations in a select group of hotels.

It was important to determine the relationship between ‘doing the right thing’ and implementing environmental policies, before assessing what effect this ultimately had on the financial status of a business.

Question 4.3.6 asked the hotels whether or not they had implemented environmental policies, and 100% stated that they had. Question 4.3.10 then asked if implementing such a policy required a large amount of capital. Again, all agreed, saying that a larger amount of capital was needed. This showed that a relationship between the policy and the financial operations of a hotel existed from the early stages of implementation.

Further questions were asked to develop the hypothesis and assess the relationship between implementing an environmental policy and a hotel’s finances. Question 4.3.13 showed that such policies resulted in cutbacks in daily operational expenses. 49% of the cutbacks were from Eskom, 50% from SARS (also known as tax cutbacks), and 1% from government. These results clearly indicated that environmental policies received support

from organizations and government institutions, reinforcing a hotel's finances with cutbacks and payment plans.

Question 4.3.15 asked which aspects of the supplies that a hotel bought in were affected by environmental change. The answers showed that for 43.6% of the hotels the price of the supplies changed, for 29.7% the changes were in availability, 7.4% focused on environmentally friendly supplies, and 19.1% claimed that supplies were less user friendly. This further confirmed the relation between a hotel's finances and environmental policies, as did the results from question 4.3.17, where 95% of hotels stated that environmental friendly supplies were more expensive, with only 5% saying they were less expensive.

The findings from the focus group were also relevant in assessing the relationship between finance and a hotel's new environmental policies. The group was asked whether there was in fact any such relationship, and the response was a firm 'yes' from all the participants. Some said that, while many hotels claim they implement such changes because they want to improve the environment, the real reason was that they wanted the financial relief that went with these policies in the form of cutbacks, longer-lasting supplies, and an increase in deals through related marketing.

One of the main ways to investigate a policy's effect on finances is through sales figures. Question 4.3.22 asked whether eco-friendly policies were used as a marketing tool. 96% said that they were, while only 4% did not use them as a tool. The following question, 4.3.23, asked whether this marketing resulted in more business and 100% said that it did. This showed that there was a link between eco-friendly policies and an increase in sales revenue, reflected in the hotels' financial statements.

A further way of linking policies to financial statements is through operational costs. Question 4.3.25 asked whether environmental policies affected operational costs, and 100% said that they did. Again, a clear link was found between policy change and finances.

Thus the findings indicated a relationship between the implementation of environmental policies and the financial statements of a hotel. Various factors resulted in increasing revenue, yet over a prolonged period a reduction was seen in the daily costs faced in the operations of the hotels. This confirmed the hypothesis that there was a direct relationship.

It is evident that the findings from this research are similar to the research done through various literature of environmental management. The data shows that many of the Hotels in the Cape Metroplloe experience many cost savings through implementing environmental policies, and this was on par with the literature obtained such as that from Kasim and

Dzakiria (2009:16-25) who in their research done internationally stated that “many well established hotels such as Radisson, Holiday Inn, Canada Pacific, The Intercontinental Group and Forte Hotels have positioned themselves as corporate bodies which are more environmentally friendly, with efficient use of energy, water and materials, while still offering quality service, and in the end seeing benefits such as reduced costs and positive cash flows”.

### **5.9 Testing the reliability**

The reliability of a research study depends on its findings and their credibility (Welman *et al.*, 2005:145). Reliability relates to the stability of the measurement tools that are used, which means that the outcome should not be different if the testing is repeated in the same way (Merriam, 2009:209). In other words, a research measure is reliable if a test is done twice and has similar outcomes (Coleman & Briggs, 2002:60).

The parallel forms test was used to check the reliability of this study. This uses interchangeable versions of results that have been compiled to measure the same construct equally, but by means of different content (Welman *et al.*, 2005:146)

With this methodology, the researcher used questionnaires that were handed out to 51 different hotels. All the data collected was checked and documented using the Excel software program. In conjunction with this, individual interviews were carried out, as well as a focus group, after which the results were coordinated and similarities were assessed.

### **5.10 Testing the validity**

Validity refers to the research measuring what is supposed to be analysed, and how accurate this measurement ultimately is (Golafshani, 2003:597). It is the extent to which the research findings accurately represent what is happening in the investigation. An effect or test is valid if it demonstrates or measures what the researcher thinks or claims it does. Faulty research procedures, poor samples, and inaccurate or misleading measurement can all undermine validity (Welman, 2005:142).

To improve the validity and the reliability of the research, Denzen’s concept of triangulation was employed. Triangulation is a strategy that adds rigour, breadth, complexity, richness and depth to an enquiry. A variety of instruments was used to enhance triangulation. This entailed collecting material in different ways and from diverse sources (as cited in Babbie & Mouton, 2001:275). In this study, triangulation was based on the data sources of questionnaires, focus group discussions, and structured interviews plus literature.

There are two main types of validity, construct validity and criterion-related validity. Construct validity means that when a variable is measured, the instrument used must measure that which it is intended to measure (Welman *et al.*, 2005:142)

Three measuring instruments were used in this study. The questionnaire measured the actual situation of introducing environmental management policies in a select group of hotels in the Cape Metropole. The results were seen as valid, as the questions were answered by people working in the hotels who were actively involved with carrying out these policies.

A focus group was also used as a measuring tool. Focus groups are effective instruments as they measure fact as well as emotion, and also generate further discussion on a specific topic. For this to be a valid measurement instrument, all members of the group needed to have sufficient knowledge of the topic. In this study, each member worked directly with the environmental aspects being researched in both the main and sub-questions.

Structured interviews were also conducted. Each interview was with a specific person, whose knowledge was essential to an aspect of the study, thus assuring its validity. The research tools, as well as the results obtained through the findings, were relevant to the main research problem, thus creating valid research findings.

### **5.11 Recommendations**

In analysing the findings to sub-problem one it became evident that a number of costs are involved in implementing changes in environmental policy. The following recommendations are therefore made.

Smaller hotels and hospitality institutions should use the templates of larger companies when carrying out changes. This means doing field research and comparisons on the different types of changes taking place in other establishments, reviewing the costs involved, and deciding which aspects would be needed in the company. A full feasibility study would need to be done on the various changes that could be made and the related costs. The present study found that environmental provisions have been around for longer in international hotels, so it is recommended that research not be limited to a local level. Viewing environmental change at an international level would give local bodies a greater insight into the changes which can occur and ways to avoid possible related financial burdens.

Smaller hotels and hospitality institutions should group together when deciding on change. From the findings, it was evident that hotels which are part of larger groups make changes more successfully and struggle less when it comes to finance. By grouping together, smaller

hotels could lower feasibility costs, create larger buying power when it came to suppliers, form groups with repayment plans and secure financial assistance, and, importantly, share the time given to meetings, training, etc. This grouping together could also be done in conjunction with industry support groups such as FEDHASA, or with tourism boards and provisional government SME support associations, which offer avenues not only to gain access to research but also to receive financial support.

Given that environmental awareness is still regarded as a new phenomenon in South Africa, many of the companies that provide supplies and services to hotels have not yet changed to making their own operations environmentally friendly. This means that hotels are either forced to look elsewhere in other countries, or to go to the few suppliers that do offer them what they require, even though at a higher cost.

Further research needs to be done on the suppliers in the hotel industry. The environmental regulations for suppliers in surrounding cities and countries need to be compared with what is on offer locally. A pricing analysis also needs to be done so that hotels as a whole in the Cape Town area can come together and insist that suppliers meet environmental standards. Hotels could also look into providing many of the supplies themselves. For example, a hotel could introduce a worm garden, not only to reduce wastage costs but also to create fertilizer for plants and for further gardening projects. This could be done in hotels that have the space for gardens with vegetables and herbs which are home grown, pesticide free and environmentally friendly. This would cut the costs of buying in food supplies, as well as reducing waste management costs, since the suppliers would have to dispose of less waste.

A further recommendation is that smaller hotels look into incorporating the costs of new supplies in their initial capital costs when calculating the expenses of environmental changes.

The findings from the interview with the Thompson Tours agent showed that there was much untapped potential when it came to sales and marketing. It is recommended therefore that all hotels include environmental changes in their marketing and sales strategies. The findings showed that travellers were more willing to choose places offering such policies and amenities, than those which did not. Simple things such as the type of shampoo used make a difference to certain guests.

Hotels should educate established guests as well as potential guests on environmental friendliness and eco-friendly policies. By doing so, they would inform people on what they were marketing, encouraging them to use these policies as choice indicators in the future, making the hotel's marketing financially more viable.

By developing such strategies, smaller hotels could see an increase in room sales to the correct target market. The internet could be used to showcase their policies. Many corporate businesses, local government and organizations also offer awards associated with environmental policies. The South African Imvelo awards, for example, are hosted annually for those hospitality establishments that create awareness of and change to the environment.

It is also recommended that hotels in the Cape Town area find ways to increase awareness of their environmental changes and policies for local travellers. Doing this would benefit them in their marketing, as people would become aware of the changes and how these help preserve the environment in which locals live, work and play.

The findings clearly showed that there are many advantages to introducing environmental policies. While some costs are increased, with the new rebates and energy-saving incentives the daily costs are much lower. At present, the hospitality industry as a whole does not take enough advantage of local organizations such as FEDHASA and the South African Chefs Association. Acting as a group, they would be better able to bargain and exploit the various rebate systems, tax cuts, levies and repayment schemes that are available to them. By joining up with these organizations, they could also draw on the free training available to members, thus ultimately reducing daily training costs. It is also recommended that hotels carry out their own research into the types of rebates and tax cuts that are available when starting up and implementing environmental changes. The study showed that, once the initial start-up costs had been paid off, these policies would have a positive effect on a business's financial statements and would lower its expenses.

Renovations should be done over a long period of time as opposed to all at once. Change can be costly, but if planned well can take place with minimum effect on daily business. Such feasibility studies would also help a company secure funding from financial organizations.

## **5.12 Summary**

The responses to the questionnaire, the focus group and the interviews showed that a variety of different hotels and their staff members, as well as associated companies, were aware of the effect that implementing and running environmental policies would have on the financial status of their hotels. Smaller hotels did not always have the same financial freedom as larger hotels, especially those in a group. Nevertheless, this study could be used by smaller hotels when researching the pros and cons of implementing these policies.



Environmental changes have both advantages and disadvantages. However, in the long term, given the available financial relief, the hotels stand to benefit.

## CHAPTER 6

### CONCLUDING REMARKS

#### 6.1 Introduction

It is generally acknowledged that environmental management is a growing concern in all areas of business and industry. The hospitality industry is focused very much on the services offered to guests. This includes the way environmental management policies affect such services. At the same time, hotels are driven by the need to make profits. The main aim of this study, therefore, was to research the impact that environmental policies have on the financial statements of a select group of hotels in the Cape Metropole area.

The study highlighted the effect these policies have on start-up costs, on the availability and costs of supplies, on sales and marketing, and on the hotels' daily operational costs. This final chapter sums up the findings, and offers recommendations for further studies.

#### 6.2 Summary of the research

Chapter one formed the basis of the proposed study and explained its layout. The researcher set out to investigate how implementing environmental policies affected the overall financial statements of hotels. In particular, it was felt that smaller hospitality institutions could use the study as a tool when implementing such policies. The chapter highlighted sales and marketing, start-up costs, daily operational costs, and the role of supplies and suppliers, as key areas which were affected by such policy changes.

The chapter outlined the research question, the sub-questions, and the hypothesis, described the research methods that would be used, reviewed the related literature, explained the demarcation of the research, and gave a general overview of environmental management.

Chapter two looked at environmental management in more detail and explained how it affects all business types, in particular the hospitality industry. Even though hotels market themselves as people- and service-driven, they are also businesses and are therefore profit-driven. Any proposed change, whether or not it is 'the right thing to do', needs to be viable from a financial point of view.

An investigation was made into other studies done on international hotels and hotel groups setting up environmental policies and on the financial changes involved. The financial support hotels can receive from government, financial institutions, and institutional organizations internationally was also reviewed. This was done in order to give the local

hotels a basis for comparison, as well as giving the researcher more insights when making recommendations.

Once the topic of the study and the related questions were established, a methodology was developed in chapter three. For this, a research design was created, a form of a map used to see what tools would be needed to achieve outcomes which would be relevant to the topic and would answer the research questions. Both quantitative and qualitative methods were used. Questionnaires, interviews and focus groups were identified as the best tools to achieve a mix of results which could be captured and analyzed.

Chapter four detailed the responses to the questionnaires, interviews and the focus group discussions. The results of the questionnaires were illustrated by pie graphs and bar graphs, accompanied by a legend. The reasons for asking the questions were explained to the participants. Both the questions asked during the interviews and the responses were discussed.

The data gathered from the questionnaires and the interviews was analysed in chapter five, which covered the findings and recommendations. These results were taken and compared to the various questions relating to environmental management. The conclusion was that a variety of different hotels, as well as associated companies, needed to be made aware of the effect that implementing and running environmental policies would have on their financial status. Smaller hotels do not always have the same financial freedom as larger hotels, especially those in a group. Thus the findings of the study could be used by smaller hotels when researching the pros and cons of implementing these policies.

Environmental changes have both advantages and disadvantages. While there are costs in the short term, in the long term financial relief is available to the hotels, with clear benefits.

### **6.3 Recommendations for future studies**

From the findings to sub-question one, it was evident that a number of costs were involved in implementing an environmental policy. The following recommendations are therefore made for future studies.

Smaller hotels and hospitality institutions could use the templates of larger companies when introducing changes. This would mean carrying out field research and making comparisons with the experiences of other establishments, the costs involved, and what they would need in their own company. A full feasibility study would need to be done of the various changes that could be made and the related costs. Environmental policies have been around for

longer in international hotels and hospitality companies, so the research should not be limited to a local level. Viewing environmental provisions at an international level would give local hoteliers a greater insight into the changes which could occur and the different ways they could avoid the accompanying financial burden.

Smaller hotels could group together when deciding on change. Those which are part of larger groups generally make changes more successfully and struggle less when it comes to finance. By grouping together, smaller hotels could lower feasibility costs, wield a larger buying power when dealing with suppliers, form groups to create repayment plans, secure financial assistance, and, importantly, share times for meetings and training. This grouping together could also be done in conjunction with industry support bodies such as FEDHASA, tourism boards or provisional government SME support associations, which not only have avenues to carry out research but also offer financial support.

Environmental awareness is still regarded as a new phenomenon in South Africa, so many of the companies which provide supplies and services to hotels still need to change their operations to make them environmentally friendly. This means that hotels either have to look elsewhere in other countries or go to the more limited number of local suppliers which offer them what they require, if at a higher cost.

Further research needs to be done on the suppliers to the hotel industry. The environmental regulations affecting suppliers in surrounding cities and countries could be assessed, to compare them with what is on offer locally. A pricing analysis could be done so that hotels in the Cape Town area could come together and insist that suppliers meet accepted environmental standards. They could also look into generating many of the supplies themselves. For example, worm gardens would not only reduce wastage costs, but also create fertilizer for gardening projects. These could be started in hotels which have space for vegetables and herbs, etc, which would thus be home-grown and pesticide-free. This would reduce the need to buy in fertilizers and would also reduce waste management costs.

Smaller hotels should look into incorporating the costs of new supplies in their initial capital costs when calculating the expense of initiating environmental changes. The interview with the Thompson Tours agent showed that there is much untapped potential when it comes to sales and marketing. It is strongly recommended therefore that all hotels exploit environmental changes in their marketing and sales strategies. They should educate their guests, both established and potential, on the meaning and importance of environmental friendliness and eco-friendly policies. Potential clients would take these policies into account when choosing their accommodation.

When smaller hotels develop strategies that include environmental awareness in their marketing and sales plans they will see an increase in room sales to the correct target market. Using the internet to showcase their policies, how they work and how they benefit the environment, will also raise awareness of their enhanced services.

Many corporate businesses, local government bodies and organizations have awards associated with environmental policies. The South African Imvelo awards, for example, are hosted annually in recognition of those hospitality establishments which create awareness of and changes in the environment. Besides bringing credit to a hotel, the award is also important from a sales and marketing perspective.

Hotels in the Cape Town area need to find ways to increase awareness of environmental changes and policies among local travellers. This would benefit them in their marketing, as people would learn about the changes and how these assist in preserving the environment in which the locals live. Travellers would thus be more inclined to choose these establishments.

The findings clearly indicate many advantages to implementing environmental policies. While some daily costs are increased, the new rebates and energy-saving incentives can help to reduce such costs and lower expenses.

Changes should be planned to take place over a period of time, as opposed to in one go. While change is good, it can be costly. However, if planned well it can take place with a minimal effect on daily business, and maximum effect on enhancing the environment.

#### **6.4 Conclusion**

The world has finally realized that sustainability is not only the responsibility of individuals, but also of both large and small corporations. The hospitality industry depends heavily on the environment to attract business, so it is essential that environmental policies have a positive effect. However, businesses must make changes that not only positively affect the external environment but offer internal rewards as well. This study analysed larger hotels and the advances they made through their environmental policies. These could be used as a framework for smaller hotels and hospitality companies to follow suit.

Many different options are available to hotels to implement changes that will not only be good for the environment but for their profits as well. These include being energy efficient (through strategic lighting, with control of lights being switched on and off, energy-efficient equipment, and the use of renewable energy), water conservation (with special environmentally-friendly showerheads, reuse programs, salt water for pools), waste

management (recycling, worm farms, the reuse of certain materials) and reduction of carbon dioxide emissions.

This study has shown that a hotel, with proper planning and research, can make changes and carry out strategies to protect and enhance the environment, while at the same time improving its own financial status.

The researcher can thus from the literature reviewed as well as the findings from this research paper can confirm the general framework that implementing an environmental management program in a hotel will result in an initial financial loss due to high startup costs, but with time will cause a decrease in expenses and overall gain in profits.

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## COVER LETTER

To whom it may concern

My name is Luke van Rensburg and I am currently busy with my MTech in Tourism & Hospitality at the Cape Peninsula University of Technology.

You are invited to participate in this research in the form of completing the attached questionnaire.

The research that is being undertaken is about the effect that an environmental management policy will have on the financial statements of a select group of hotels within the Cape Metropole.

This questionnaire will enable me to find out whether environmental policies are not just “feel good” policies, but whether they have any financial gains to the hotels operations, and whether it is a financially viable program

The questions are designed so that the all that is required is for an x to be placed next to your chosen answer

All information that is supplied in this questionnaire will be treated as **confidential** and will only be used for the purpose of this research. Access to the questionnaires is restricted to my supervisor and me. If you would like to obtain a summary of the results of this research, I would be happy to send it to you.

Should you have any queries, please contact me on 071 895 8407 or you can e-mail me on [lukevanr@yahoo.com](mailto:lukevanr@yahoo.com). Thank you for your time and valuable contribution.

Yours sincerely,

*Luke van Rensburg*

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## QUESTIONNAIRE

Please answer all the questions.

Make a X next to the appropriate answer

### 1. GENDER

MALE	
FEMALE	

### 2. AGE GROUP

21-30	
31-40	
41-50	
OR OLDER	

### 3. LOCATION

SOUTHERN SUBURBS	
CBD	
ATLANTIC SEABOARD	
WINELANDS	
OTHER	

### 4. NATIONALITY

SOUTH AFRICAN	
OTHER	



**5. Is your hotel private, or part of a hotel group?**

GROUP	
PRIVATE	

**6. Does your hotel have an environmental policy in place?**

YES	
NO	

**7. Was such a policy a private initiative, or part of a group's environmental change?**

GROUP	
PRIVATE	

**8. Do the environmental management projects fall under a current or new department within your hotel?**

CURRENT	
NEW	

**9. If the environmental management projects are part of an existing department, which one?**

HOUSEKEEPING	
MAINTENANCE	
FRONT OFFICE	
OTHER	

**10. Was a large amount of financial capital needed to implement environmental strategies?**

YES	
NO	

**11. Was it easy to get funding for these policies?**

YES	
NO	

**12. Did the hotel have to undergo building or layout changes, or was it a simple case of policy adjustment?**

BUILDING / LAYOUT ADJUSTMENT	
POLICY ADJUSTMENT	
OTHER	

**13. Were any of the following cutbacks received through having any form of environmental management policies?**

GOVERNMENT CUTBACKS	
ORGANIZATIONAL CUTBACKS	
TAX CUTBACKS	
OTHER	

**14. Do environmental management policies affect the type of supplies bought in?**

YES	
NO	

**15. In which way are supplies that are bought in affected?**

PRICE CHANGE	
AVAILABILITY	
MORE USER FRIENDLY	
LESS USER FRIENDLY	
OTHER	

**16. Do environmental management policies affect the suppliers your hotel works with?**

YES	
NO	

**17. Are environmental supplies more expensive than normal?**

MORE EXPENSIVE	
LESS EXPENSIVE	

**18. Are the environmental supplies easy to get hold of?**

YES	
NO	

**19. Do environmentally approved supplies last longer?**

YES	
NO	
SOMETIMES	

**20. Do staff, new or old, need to be trained on environmental strategies?**

YES	
NO	

**21. Is training an internal or external operation?**

INTERNAL	
EXTERNAL	

**22. Are 'eco-friendly' policies used as a marketing tool?**

YES	
NO	

**23. Do these policies bring in more business?**

MORE BUSINESS	
LESS BUSINESS	

**24. Are guests more attracted to hotels with such policies in place?**

MORE ATTRACTED	
LESS ATTRACTED	

**25. Do environmental policies increase or decrease operational costs (water, electricity, etc.)**

INCREASE	
DECREASE	

**26. What maintenance costs are involved with upkeep of environmental strategies?**

STORAGE	
TRAINING	
OPERATIONAL	
STAFFING	
OTHER	

**27. How does your hotel monitor the financial effect environmental policies have on annual financial statements?**

BUDGET COMPARISON	
SALES REPORTS	
OTHER	

**28. In your opinion, does it make financial sense to implement an environmental management policy in a hotel?**

YES	
NO	

### **Interview questions with Hotel General Manager**

1. Does your hotel have an environmental policy in place?
2. Are South Africans far behind, or on a par with international environmental standards?
3. Do you feel that this policy assists in any way with the financial outcome on a monthly or annual basis?
4. Would you recommend smaller hotels or guest houses implementing such a policy, bearing in mind their financial resources are lower than of those larger hotels?

### **Interview questions with customer service liaison for SARS Western Cape**

1. How does SARS help promote eco-friendly initiatives in businesses?
2. Can you explain what taxes are out there that encourage eco-friendly incentives?
3. What tax breaks are available currently?
4. For a start-up or small business, are there tools to educate people on these taxes, as well as tax incentives?

### **Interview questions with travel agent**

1. Do your clients book mainly for local or international travel?
2. When selling travel packages, do you select hotels that offer environmental policies or are location and rate more important?
3. Do travellers request environmentally eco-friendly hotels?
4. Do hotels advertise their eco-friendly status enough?

### **Interview questions with Eskom representative**

1. Does Eskom offer any rebates with regard to a commercial entity implementing energy-saving environmental policies?
2. Can you give a brief description of each of these programs?
3. Are these rebates advertised so that companies, especially the smaller ones, are aware of them and can make the changes to receive the benefits?
4. Could you elaborate on these smaller rebate programs?
5. How do these rebate programs work?
6. Any further advice on how a business such as a hotel can lower energy costs?