

2030 Sustainable Development Goals (SDG's) & Global Hotel Chain in Leadership Models in Japan

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日本のリーダーシップモデルにおける持続可能な開発目標とグローバルホテルチェーン

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Abstract

This paper outlines some models of sustainability-focused business management in the hospitality sector in Japan. Focus is on leading global chain hotels operating in Japan. These global hotel chains standardize and align targets with UN Sustainable Development Goals for 2030 with a mission to establish sustainable Return on Investment (ROI) fulfilling their duty to shareholders. The SDG's align with the three pillars of sustainable business aims to make improvements for society and environment in addition to maintaining profitable business operations. This paper proposes that despite Japan's adoption of the 2030 SDG targets in 2015, there are few examples of clear corporate policy in the hospitality or tourism sectors. Sustainable business models of some successful global hotel chains, which operate in Japan, involve promoting education, third-party accountability, and transparency. There is growing necessity for Japan-based brands to create clear targets to meet the SDG for 2030 and implement sustainable business strategies. Efficiency targets will not only improve industry standards across the hospitality sector, but as the number of visitors to Japan continues to rise, international hotel brands will increase. Therefore, domestic brands must rise to international standards in SDG's in order to retain the high-quality branding of made-in-japan *omotenashi* hospitality.

Keywords: Sustainable Business Models, Sustainable Development Goals (SDG's), Hospitality, Tourism, Innovation

Introduction

Japanese consumers are consistent with consumers worldwide in showing a greater interest in ethical and sustainable products and services¹⁷⁾, even at greater cost. Researchers have found that when top management have a passion to implement sustainable change, it has more success in the long-term and can boost the triple-bottom-line; improving the quality of life of their staff and the greater community, improving their business' environmental impact,

yet still maintain essential ROI¹⁵). In contrast, when top-management is not behind sustainability initiatives, they fail at a rate of 98%¹⁶.

A few high-profile hotels in Tokyo brand themselves in terms of sustainability. Indicators suggest this should have an effect on new entrants to the market in the coming years. Many hotels publically define their mission, or business philosophy, on a CSR page or downloadable document. Best practices studied for the purpose of this paper outline corporate activities in terms of the three pillars of equity, environment and financial stability².

The Hyatt hotel chain worldwide has over 110,000 staff (referred to as “colleagues”) has consistently ranked by Forbes and other institutions as one of the Top 100 companies to work in terms of human rights as it has policies promoting diversity which support women and their families, LGBT, youth and people with disabilities⁴). The Tokyo Grand Hyatt is a good example of a business which aims to uphold sustainable business strategies. To correlate with online claims, a visit to the hotel was made in January, 2016³) to observe if operations align with the brand’s sustainable targets. The bilingual staff were capable of clearly communicating how the hotel adheres to the three pillars. Although there were many positive examples of renewable energy use, and vigilance by all staff to reduce water and food waste, there was also transparency in honestly detailing the trade-offs necessary to maintain a high-level luxury hotel experience³). For example, staff explained the wasteful luxury of “overflowing baths” which the hotel has become famous as a necessary trade-off for successful luxury branding³) and profitability. One strategy proposed was to off-set any waste by balancing efficiency gains in other areas of operation through resource conservation, efficiency and waste management³). As seen below (fig.1), many specific examples of how the publicized targets (on Hyatt CSR publications) were being carried out during a visit to the hotel.

The second international brand researched is a part of the IHG Intercontinental Hotels and Resorts chain. This hotel differs somewhat in its challenges from others in the IHG chain, however, as the building was acquired from a Japanese hotel chain. The staff relayed the challenges of achieving the global standards for IHG efficiency while updating an older building⁵). Choosing to remodel the building instead of rebuild is more cost-effective and usually a more sustainable practice, but the trade-offs are a less efficient infrastructure which can take more time to improve. One of the most important aims of IHG is to focus on staff training to improve efficiency and reduce waste while still maintaining a high-quality brand image. IHG invests a lot in staff training and education, depending on staff understanding to inform management on where and when upgrades need to be made and to update information onto an international database for accountability⁶).

Marriott is a global leader in sustainable business practices, has clear targets in seventeen SDG's in spite of being the biggest hotel chain in the world. It operates twenty-one hotels across Japan. There are similarities in SDG targets, education, training and checks and balances similar to the Hyatt and IHG brands. It has acquired other major hotel brands, such as Starwood in 2016, which like the ANA chain acquisition, requires infrastructure challenges. It now boasts over 5,800 properties in 110 countries worldwide⁹). According to its public CSR

Global Hotel Chain in Japan	Societal support	Environmental efforts	Comments
Grand Hyatt Tokyo (Hyatt International Chain)	Follow Global Standard: +SDG Targets +Training & Education +Charity +Internships +Transparency (HP/website) + Very Knowledgeable staff	Follow Global Standard: +LEED (2015~) +Reduce GHG, water, landfill waste, & energy by 25% (2020) (below 2006 levels) +Supply chain sustainability targets (2017~) +Sustainable seafood, local products	Follow Global Standard: (+) Clear targets (by 2020) (+) 3rd party collaborations (WWF, Avendra..), certifications & awards (2017-2017) (+) All staff knowledgeable in 3 pillars / SDG's
ANA Intercontinental (IHG International Chain)	Follow Global Standard: +SDG Targets (6,8,10,11,12,13,17) +Training (IHG Green Engage) & Education (IHG Academy) +Charity +Internships +Transparency (HP/website) +Disaster Assistance + Moderately knowledgeable staff	Follow Global Standard: +Upgrade original building instead of rebuild +Upgrade efficiency floor by floor + Reduction targets 2017~ (below 2012 levels)	Follow Global Standard: (+) Clear targets & goals (+) 3rd party collaborations, certifications & awards (+) Most Staff knowledgeable about 3 pillars / SDG's

Fig.1 Global Hotel Chains in Tokyo with Integrated SDG's in Business Model

pages, it has multiple certifications with third parties, which supports measures of its internal checks and balances, to keep operations on target, accountable and transparent. Marriott has received many awards and, alongside the Hyatt and IHG, is ranked as one of the “top 100 best companies to work for worldwide”⁹⁾.

Japanese hotel chain, Mitsui Garden Hotel (MGH) seems to be above the norm, for this calibre of hotel, in terms of its environmental initiatives¹⁰⁾. MGH has initiatives to reduce consumption of energy and water resources, promotes local food and encourages staff to be active in waste reduction campaigns. There was a high level of transparency as the company targets as its activities regularly appear on their website¹⁰⁾ in Japanese, English and Chinese. In person, the management were knowledgeable about the various aims, programs and were willing to discuss policies. The front desk staff printed out an example of transparency (shareholder disclosure) detailing their corporate mission and sustainable activities. The company has clear targets to improve local food supply sources, energy and water reductions, collaborate with NPO's to recycle waste materials and re-use used clothing, as well as

fundraise for various charities¹¹). These environmental initiatives are important, and do have positive impacts on society in some ways, but the social pillar could be improved- for example, by implementing the diversity initiatives employed at the international chains. Fig. 2 shows some examples of the MGH environmental and societal support efforts from their website confirmed by staff in 2016. Although there is collaboration with charities, NPO's and other organizations, similar to the global chains, there were no assessments by 3rd parties or clear reduction targets set by the MGH chain.

Environmental initiatives	Societal
(+) Forest conservation collaboration donated 5.4 million yen (+) Limited to 1 elevator with auto-shutdown function (+) staff trained to watch for water, energy consumption and waste. Bath levels recommended to customers. (+) guests can choose an “eco-plan” to reduce laundry, resource use. (+) Electric sensor-lights in toilet, elevator, efficient bulbs (+) faucet water sensor (-) paper towels	(+) Community interaction: Staff clean the sidewalk and road in front of the hotel each day in uniform. (+) Locally sourced ingredients, majority from nearby areas. (+) Staff diversity reflects consumer diversity (English speaking, Chinese and Korean). (+) Annual used clothing campaigns for charity. (+) Free WIFI in lobby (-) smoke smell in lobby from smoking area

Fig. 2 Mitsui Garden Hotel : Environmental and Societal Improvement Initiatives

Discussion

Hyatt has over seven-hundred hotels in over fifty countries worldwide and operates ten Hyatt hotels within this chain across Japan. All Hyatt hotels must follow the SDG targets and high caliber international standards⁴ in maintaining sustainable operations. IHG manages more than thirty hotels across Japan and operates more than five thousand hotels⁴ in one hundred countries in all. There are twenty-one Marriott hotels across Japan and the influence of this major brand. As mentioned above, despite its differences in comparison to the global chains in Japan, Mitsui Garden Hotel is a leader in domestic hotel chains in terms of its sustainable business operations. It has thirteen hotels¹⁰ across Japan.

In Japan's tourism industry, some of the most successful hotels are leading the way in sustainability goals as they integrate the three pillars with their branding and high-quality customer service. Hotel chains aiming at international clientele have the most clearly defined approaches and strategies as shown on their CSR pages. There needs to be further research into the reasons for this disparity. In order to achieve greater acceptance of a long-term sustainable approach in the hospitality sector, public-private collaboration in terms of government regulation, industry standard commitments, third-party certification and public

pressure would be effective ways to promote positive change. Bob Willard (2012) argued that most businesses would fall into the basic compliance stage 2. This Business-As-Usual, status-quo approach in any industry, Willard claims, is unlikely to change until there is a *tipping point* of 20%¹⁵⁾ of the major businesses in their industry gaining recognition by achieving the *integrated strategy, purpose and passion* of the higher stages (p.40). Looking at the major international hotel chains established in Japan that have clear SDG targets for operations, Japan may soon be at tipping point.

Japan's tourism market has been historically small compared to nations of similar sized economies, yet accounts for less than 8%¹⁷⁾ of the country's GDP. The service industry is seeing record growth and provided more than 7% of Japan's employment in 2015. In 2012, Prime Minister Abe announced targets to increase tourism to 20 million when Tokyo will host the 2020 Olympics. When the data for 2015 revealed 19.73 million visitors, however, the government decided to double the target to 40 million by 2020¹⁷⁾. The WTTC states that 2015 was a record year for Japan as it improved its international arrivals by 47% and was among countries where its tourism GDP actually outperformed¹⁷⁾ its wider economy and other industries. 2016 was another record-breaking year with inbound visits surpassing 24 million and by July of 2017, rates were 16.8%⁸⁾ higher than a year earlier showing continuing strong growth.

Necessity of Making Clear Targets & Deadlines

Hotels around the world use a disproportionate amount of resources and create a large amount of waste, especially in terms of water, food and energy. Resource issues of water, energy and food are important issues in Japan. Food self-sufficiency in Japan is much lower than other countries with similar GDP. Japan has been at the 45% level for the past 20 years and despite government targets to reach 50% by 2020¹⁷⁾, changing diets in Japan has increased meat imports and lessened demand for gains which has weakened food self-sufficiency. According to Munier (2005), sustainability indicators give information about what effect one system has on other systems¹²⁾, and how this may weaken the operation's "links to the economy, environment and society"¹⁴⁾.

Topic 2 : Checks and Balances : Collaboration with 3rd party organizations

Some hotels like the Intercontinental chain have created their own set of sustainability guidelines, like the "IHG Green Engage"⁶⁾ and have set international standards, training seminars as well as run an online checklist to verify compliance and track efficiency. Assessment of these indicators allows a hotel to benchmark its level of biodiversity against competitors, learn about new technologies for efficiency as well as have a chance to win awards for its successful accomplishments. Even applying for an award or a certification is good education and training in ways to improve and gets you recognition for your efforts in

the process.

The benefits of joining internationally recognized certification organizations not only allows for benchmarking, education and clear target creation; it also allows hospitality businesses more transparency, accountability and believability in their CSR linked to branding. For example, the Carbon Disclosure Project⁹⁾, that the Marriot is a member of, can be a transparency measure for the public and benchmarking for competitors as it displays all grades on their website.

The Accor group¹⁾ had third party groups (PwC and LCA experts in France) assessing their data which was then cross referenced with the most recent scientific research, not just the hospitality industry standard. Accor claims it was surprised to discover that two-thirds of all of its waste derived from building and refurbishing its hotels¹⁾, whereas a mere 5% of their waste derived from actual hotel operations. It seems logical to generalize that many similar style hospitality businesses would find similar results with a LCA analysis. Creating greener infrastructure saves energy, uses less water and reduces waste seems to be a very effective, long-term focused strategy for sustainable hotels. For example, LEED certified buildings are also incorporating recycled materials that can also be recycled at the next stage of refurbishment in its life cycle⁹⁾.

Topic 3 : Education, training and transparency

Intercontinental, Hilton, Accor and Marriott emphasize the necessity of employee training in attaining targets of sustainability. The benefits of a clear corporate mission, transparency and staff training were apparent at all the hotels visited.

It is important that the staff who plan, manage and assess the status of sustainability are passionate about their role and able to collaborate with the others to make sure that the proactive targets followed through to full potential. Indicators should show whether more enthusiastic (and productive) employees can be kept on a full-time basis as they are a valuable asset to the company. Enthusiastic staff could offer “sustainability tours” of the facilities to guests as customer service, marketing and enhancing brand value. Along the same lines, hosting conferences, events, internships and other educational activities to students and community outreach programs helps transparency, accountability and supports local communities. The possible multiplier effect¹⁴⁾ of treating staff well has a great impact on the hotel’s ability to reach sustainability targets.

Summary

Researching and observing effective sustainable operations of international hotel chains in Japan can help to create a roadmap for all businesses in the hospitality sector to achieve the SDG targets by 2030. Nikkei news states that Japan’s government has made clear targets to address environmental and societal issues of the SDG’s by 2030¹⁴⁾. The government, as well as

all industries in Japan which play key roles in the economy, will be held accountable by the UN and other third party assessments⁶⁾ in terms of how well they are able to reach the SDG's. The Japanese hotel industry has a good reputation for high-quality service as a part of its made-in-japan *omotenashi* image. Therefore, quality branding, aligned with the SDG targets, transparency, third-party accountability and educational tactics could help the nation reach its goals by 2030. Operating sustainable business models will also help secure future business for domestic Japanese chains currently fighting for a share in the competitive hotel market among strong global brands.

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