

ESG PRINCIPLE IN THE TOURISM INDUSTRY

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Abstract

This study has investigated a previously published article on the development of ESG [environment, social, and governance] index in the tourism industry. The study has been critically analysed by drawing comparisons with the results of other major publications in recent years. The study has provided a brief introduction of the reviewed article along with its premise and cause for selection. The study has analysed the methods and materials used by the study for the development of its inferences and results. The examination of the results generated from the selected study was the next major consideration. The study has discussed the results of the selected study with cross-analysis with other major studies in the same timeline.

Keywords:

ESG evaluation index; hotel industry; ESG guidelines; Delphi survey; tourism

1. Introduction

The selected study has been developed for the formulation of different ESG guidelines for the tourism sector. The study has placed further emphasis on the development of ESG principles for the hotel industry within the tourism sector. The benchmarks used in this study include the “K-ESG guidelines provided by Korea Corporate Governance Service (KCGS)” as well as the compliance standards placed by its tourism organisation for evaluation in the certification process (Bae, 2022). The study provides a regional view of ESG principles in the tourism sector that has further scope for broader international application.

2. Materials and Methods

The study has used different methods and materials for the development of the study. According to Bae (2022), the initial materials for this research were the “K-ESG guidelines provided by Korea Corporate Governance Service (KCGS)” and the compliance standards placed by its tourism organisation. The next major material used in this study was prior research on ESG principles and a Delphi survey. This process considered the method of critical evaluation of the factors and their modification for the development of an “ESG evaluation index”. The method also involved the participation of active professionals in academia, business and government with significant knowledge of this industry.

The subsequent panel was provided with different rounds of questionnaires for the layered development of knowledge and understanding with increasing levels of complexity and clarity. As stated by Ionescu *et al.* (2019), the development of such primary study methods with the significant engagement of professionals for explanatory data collection than descriptive data helps in understanding the ESG needs and subsequent principles for the tourism industry. The first round consisted of both open and close-ended questions for the development of both quantitative and explanatory data sets through brainstorming. The next round involved a sole focus on close-ended questions developed from the first round.

This method was pivotal in the development of the “ESG evaluation index” from this study for the hotel industry. It resulted in the development of three domains along with twenty indicators of ESG covering 41 items. As opined by Huang *et al.* (2022), the development of ESG indicators helps in the alignment of ESG principles with their application in the tourism industry. This study primarily used the concepts introduced by the “World Commission on Environment and Development (WCED)” as materials for the extrapolation of the principles and their indicators.

3. Results

The results of the second Delphi study were considered as the outcome of this study. The first ESG index was identified as Organisational objectives and its measuring indicator was found to be the goal and plan setting for environmental management. According to Chen *et al.* (2022), this is one of the most significant aspects of ESG in the tourism industry. The next index was “Eco-friendly food and beverage” and its indicator was considered to be eco-friendliness in ingredient use, food waste and disposable products. The aspect of eco-friendliness was also explored in transportation through the development of public transportation activation as the indicator.

[Refer to Appendix]

The consideration of eco-friendliness in the hotel rooms was also considered through the indicator of organic product use. As stated by Square and Island (2022), these indexes primarily focus on the ecological aspect of the ESG principles as the tourism industry has a high ecological footprint. The role of information disclosure was also included in the index through the indicator of GHG emissions, energy and water use, recycling rate, waste disposal and pollutant emission. This was followed by the indicator of “Eco-friendly certified products and services” for the aspect of eco-labelling.

Social Responsibility was also considered a major objective in this index. As opined by Causevic *et al.* (2022), emotional labour is a modern concept in ESG. The results of this study included this concept through the metrics of “Emotional labour status and inspection”, manual and training for customer service, and promotion of health programs. Staff protection was also considered through the indicators of full-time employee percentage, empowerment, job rotation and EWS. On the other hand, industrial safety included OSHS and “public disclosure of accident rate” as metrics for its measurement. Human rights were ensured through the metric of “Diversity and gender equality”.

4. Discussion

The ESG principles indicate the significant considerations that meet the ethical and legal obligations of organisations along with their performance on different bottom lines. As opined by Sierdovski *et al.* (2022), the tourism industry needs to include the compliance and practices of its ancillary industries and partner companies for collective growth and performance. This was indicated in the results of the reviewed study. As stated by Delmas *et al.* (2019), the social contribution of the tourism industry is another major ESG consideration that can be fulfilled by quota employment and preference for local products. This has been reflected in the results of the reviewed study. Adopting ESG principles would focus on the basic three principles. It

would help the organisations to maintain their reputation and help to build the competitive advantages to that of the rival groups. It would take measure on lowering pollution, lowering carbon di oxide output and also would help to reduce the wastes significantly. In the paper it has been discussed behind the necessity of ESG. The investors would be attracted more towards the business; it would also help to build up the customer loyalty. On the other hand, financial performance can be enhanced and the business operations can be made more sustainable as well. Broad activities and monitoring has formed another major part of the ESG principle application in the tourism industry. According to Pham *et al.* (2022), the right of the shareholders in the tourism industry needs to be considered within its ESG principles through the aspects of notice, general meetings and dividend policy. This has been reaffirmed in the reviewed study. As seen in figure 1, the major ESG principles in the industry include GHG reduction, carbon neutrality, energy efficiency, waste minimisation and water conservation as the environmental factors. The protection of employees, guests, diversity, youth and human rights are considered as the social principles in the framework.

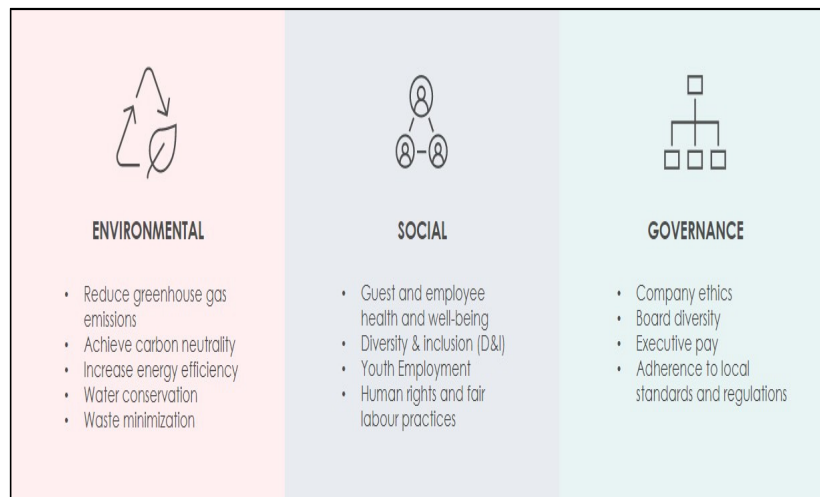


Figure 1: ESG Principles of Tourism Industry

(Source: Hassan and Meyer, 2022)

The aspects have been addressed in the study. As opined by Hassan and Meyer (2022), the governance aspect in ESG includes ethics, diversity, pay and adherence to regulations by the company and its board. These have been equally addressed in this study through transparency, ethical management, audit committee and participation in decision-making. The metrics developed from the study include “compensation and whistle-blower systems”, public disclosures of violations, “internal audit committee” and “employee participation rate”.

5. Conclusion

The study has been investigated to locate some of its major limitations. The primary limitations of the investigated study have been identified as the limited range of participants in this study and not considering the people directly engaged in the implementation of the ESG principles in the hotel industry such as the hotel personnel and hotel patrons. The focus of the study on the hotel industry has also limited the applicability of its inferences to the broader tourism sector. However, it has simultaneously opened new avenues of investigation such as the investigation of the role played by tourists and other ancillary industries in the implementation of these ESG principles and guidelines.

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Appendix: Results of the Delphi Study

Table 10. The results of the second Delphi survey.

Detailed Index	Measuring Indicator	Mean	SD	CVR	Agreement	Convergence	Result
Objectives	Setting environmental management goals and plans	6.00	0.603	1.00	1.000	0.00	Approved
Eco-friendly food and beverage	Eco-friendly ingredient use	5.83	0.389	1.00	1.000	0.00	Approved
	Amount of food waste	6.08	0.515	1.00	1.000	0.00	Approved
	Disposable product use	6.17	0.577	1.00	0.875	0.38	Approved
Eco-friendly transportation	Activation of public transportation, the establishment of convenience systems	5.92	0.515	1.00	1.000	0.00	Approved
Eco-friendly guest room	Eco-friendly product use	6.00	0.603	1.00	1.000	0.00	Approved
Information disclosure	Greenhouse gas emission	6.00	0.739	1.00	0.750	0.75	Approved
	Energy usage	6.25	0.622	1.00	0.833	0.50	Approved
	Water usage	6.17	0.718	1.00	0.833	0.50	Approved
	Waste disposal	6.33	0.492	1.00	0.833	0.50	Approved
	Recycling rate	6.42	0.515	1.00	0.833	0.50	Approved
Eco-labeling	Pollutant emission	6.17	0.577	1.00	0.875	0.38	Approved
	Eco-friendly certified products and services	5.92	0.793	1.00	0.708	0.88	Approved
Objectives	Social responsibility goal setting and planning	5.92	0.289	1.00	1.000	0.00	Approved

Detailed Index	Measuring Indicator	Mean	SD	CVR	Agreement	Convergence	Result
Emotional labor	Emotional labor status and inspection	5.83	0.577	1.00	0.875	0.38	Approved
	Customer service manual	5.75	0.622	1.00	0.833	0.50	Approved
	Customer service training	5.67	0.651	1.00	0.833	0.50	Approved
	Health promotion program	5.83	0.577	1.00	0.875	0.38	Approved
Staff protection	Percentage of full-time employees	5.92	0.515	1.00	1.000	0.00	Approved
	Job rotation	5.92	0.515	1.00	1.000	0.00	Approved
	Empowerment	6.00	0.603	1.00	1.000	0.00	Approved
	Employee welfare system	5.83	0.718	1.00	0.833	0.50	Approved
Industrial safety	Occupational safety and health system	5.83	0.577	1.00	0.875	0.38	Approved
	Public disclosure of industrial accident rate	5.67	0.651	1.00	0.833	0.50	Approved
Human rights policy	Diversity and gender equality	5.83	0.718	1.00	0.833	0.50	Approved
Partner company	Growing together	6.25	0.622	1.00	0.833	0.50	Approved
Social contribution	Employment quota for local residents	6.00	0.603	1.00	1.000	0.00	Approved
	Preferential use of local products	6.08	0.669	1.00	0.875	0.38	Approved
Board composition	Board members	6.00	0.603	1.00	1.000	0.00	Approved
	Separation of the CEO and Chairman of the Board of Directors	5.83	0.577	1.00	0.875	0.38	Approved
	Gender diversity of board	6.00	0.739	1.00	0.750	0.75	Approved
Board activities	Board activity	6.00	0.603	1.00	1.000	0.00	Approved
	Expertise (hiring professional businessmen)	6.08	0.515	1.00	1.000	0.00	Approved

Shareholder rights	Noticing the convocation of the general meeting of shareholders	5.67	0.651	1.00	0.833	0.50	Approved	
	Dividend policy and implementation	5.92	0.515	1.00	1.000	0.00	Approved	
Transparency	Employee evaluation and compensation system	6.25	0.622	1.00	0.833	0.50	Approved	
	Whistleblower system	5.75	0.452	1.00	0.875	0.38	Approved	
Ethical management	Public disclosure of violations of the code of ethics	5.67	0.651	1.00	0.833	0.50	Approved	
	Compliance with the code of ethics (protecting personal information, etc.)	5.83	0.718	1.00	0.833	0.50	Approved	
Audit committee	Establishing an internal audit department, audit expertise	5.83	0.577	1.00	0.875	0.38	Approved	
Involvement in decision making	The participation rate of employees, hearing employees' opinion	5.83	0.718	1.00	0.833	0.50	Approved	
No. of the panel members: 12 persons CVR: 0.56 Kendall's W = 0.309 ($p = 0.000$ ***)				1:	Items are removed when CVR is less than 0.56			
				2:	Items are removed when a mean score is less than 5.0			
				3:	However, the items of 1 and 2 phases remain when the experts decided to do so			
Note: *** means $p < 0.001$.								

(Source: Bae, 2022)