

A Case Study on CSR by Hotels in Chennai after Floods

P. Sravan Kumar

Excellence Hospitality

Email:hotelconsultant@rediffmail.com

Rajshree Bhargava

Assistant Professor, Chandigarh University

shreeandraj@gmail.com

Abstract

“Corporate social responsibility has emerged as an inescapable priority for business leaders in every country”. CSR implies the need for business to contribute to the communities and markets that have made them successful. It involves a triple line approach of people(society), planet (environment), and profit (economy). Hotels must consider the well being of society in addition to their owners, investors and guests.

According to WTTC “From a humble figure of 25 million in 1950, world tourism has grown to 1245 billion tourists in 2014, and it expected to reach 1800 billion by 2030. Being one of the major pillars of the industry, hotel sector has checked in revenue of 447 bn. USD in 2008, and has risen to record 550 bn. USD in 2016, with proportionate growth in profits”. In Indian context, as per Ministry of Tourism, there is a requirement of 1.88 lac additional rooms in the classified sector and 20.78 lac in the non classified sector by 2016 to meet the growing demand. The classified top end hotel segment in India is dominated by the Taj, Oberoi, ITC and The Leela groups, which together account for over 40% of the business.

In such a scenario, it is important to study the CSR contribution of hotels in India. Companies that practice CSR achieve better reputation, improved brand image, increases in sales, more visible to investors, and increases in customer loyalty. Companies deemed good corporate citizen are attractive to new customers and workers, and assist in raising staff morale, and have lower operating expenses. Companies are feeling pressure from activists, customers, employees, and governments to be socially responsible, and while they understand the need to report on their CSR activities, many of their CSR efforts are not yet integrated into their core business activities with this premise, this paper aims at examining the CSR in Indian hotel sector, and to identify the benefits to the hotels as well as to communities. It will be attempted to find out the importance attached to CSR by hotels and the expectations of the communities. A case study on CSR by hotel in Chennai after floods will be conducted and the findings declared.

Keywords: CSR, Hotels, Community, Benefit

Introduction

The foundation of Corporate Social Responsibility is laid on the principle of ‘what is good for business is good for country’. Corporate social responsibility requires organizations to demonstrate responsible business conduct that does no harm in the marketplace, in the workplace, in the community they operate in, and to the natural environment (Roberts, 2007). The actions of business impact the local, national, and global community, so businesses have a responsibility to ensure that the impact is positive (Paton, 2007).

Tourism industry in general and hotel industry in particular have a much more specific role and reason to practice good CSR. The primary reason is, they survive on the environment. While tourism industry thrives on selling ‘destinations’, a hotel flourishes mostly based on its ‘location’. Both the

destination and location have a deep impact on the industry as much as the industry has on the local communities.

Tourism industry is one of the largest, most potential and fastest growing industries, so the responsibility towards Corporate Social Responsibility is also more. According to WTTC “From a humble figure of 25 million in 1950, world tourism has grown to 1245 billion tourists in 2014, and it expected to reach 1800 billion by 2030. Being one of the major pillars of the industry, hotel sector has checked in revenue of 447 bn. USD in 2008, and has risen to record 550 bn. USD in 2016, with proportionate growth in profits”. In Indian context, as per Ministry of Tourism, there is a requirement of 1.88 lac additional rooms in the classified sector and 20.78 lac in the non-classified sector by 2016 to meet the growing demand. The classified top end hotel segment in India is dominated by the Taj, Oberoi, ITC and The Leela groups, which together account for over 40% of the business.

Review of the Corporate Social Responsibility

“Corporate social responsibility has emerged as an inescapable priority for business leaders in every country”. CSR implies the need for business to contribute to the communities and markets that have made them successful. It involves a triple line approach of people (society), planet (environment), and profit (economy). Hotels must consider the well being of society in addition to their owners, investors and guests.

Corporate Social Responsibility involves “achieving commercial success in ways that honor ethical values and respect people, communities, and the natural environment” (Clark, 2006; Porter & Kramer, 2006). There is no universally accepted definition of CSR, but most of the definitions have to do with business having a positive impact on the community (Redford, 2005) and meeting or exceeding public expectations of good corporate citizenship (Brands that do good, 2003). Ethical CSR is mandatory and means that a firm must obey all laws and avoid doing harm as a result of its business. This could include harm caused by pollution, faulty products, and unfair labor practices. Good laws and governmental policies will often alleviate ethical CSR problems (Lantos, 2002). Strategic CSR, on the other hand, involves choosing philanthropic activities that will also benefit the company and help it to reach its strategic goals. Caring corporate community service activities can enhance consumers’ perceptions of the business and attract more customers.

Companies deemed good corporate citizen are attractive to new customers and workers, and assist in raising staff morale, and have lower operating expenses. Companies are feeling pressure from activists, customers, employees, and governments to be socially responsible, and while they understand the need to report on their CSR activities, many of their CSR efforts are not yet integrated into their core business activities.

CSR in Hospitality Industry

A company, even a hotel company that practices ethical values is known to be doing better financially than those who are not. Business Ethics’ list of the 100 Best Corporate Citizens showed these companies to have done better financially than all of the other companies in the S&P 500 Index (Clark, 2006). Thirty hospitality and travel brands listed in the Fortune Corporate Reputation Index were found to have a strong positive correlation between CSR and profitability. The same study also revealed that larger companies benefitted more from high CSR ratings (Brands that do Good, 2003), but smaller hotel chains and independent hotels may be able to implement environmental and social policies easier than the larger companies (Responsible Hospitality in Independent Hotels, 2005).

1. People prefer working for companies that care. Organizational commitment to CSR is becoming an important issue for prospective employees, and a good CSR track record may soon become necessary to recruit top level candidates (Cotterill, 2007).

2. Not only can CSR programs improve a company's reputation in the community, raise morale, and improve profits (Afiya, 2005), CSR programs can actually lead companies into more sustainable growth (Brands that do good, 2003). Operating costs can be substantially reduced through waste reduction and conservation (Clark, 2006), and these sustainable activities are of interest and can be communicated to existing and potential customers (Clark, 2006).
3. It is expected and accepted that hotels participate in CSR. Eight out of the ten top hotel companies (80%), as designated by Hotels magazine (official publication of the International Hotel and Restaurant Association), reported giving charitable donations, 60% reported having diversity policies, and 40% mentioned social responsibility as part of their company mission statements. The top ten hotel companies' web sites and annual reports were analyzed and the information found was categorized into community, environment, marketplace, vision and values, and workforce. Hilton Corporation was found to have the most comprehensive CSR reporting. Marriot came in as second most comprehensive and the Accor hotel group was third. Holcomb, Upchurch, and Okukmus suggested that most hotel companies can improve their CSR reporting and that hotel companies should "live up to their reputation of being 'hospitable' not only to their guests but also to society" (2007).
4. CSR can earn back goodwill that rightfully belongs to hotel industry. In a study by the International Hotels Environment Initiative, it was found that 90% of British, 70% of Australians, and only 30% of Americans surveyed believe the tourism industry is bad for the environment (Clark, 2006).
5. It is good business sense: Green practices save money, attract new customers, and help to preserve the natural environment which much of the tourism industry is dependent upon (Clark, 2006; Kasim, 2006).
6. CSR can protect: Mass tourism can threaten sustainability. Eco tourists have been accused of "loving nature to death and disrupting the lives of local people" (Kasim, 2006). For tourism to be sustainable this should meet the needs of tourists and locals while protecting and enhancing the future opportunities. CSR can take cognizance of the potential threats, and initiate steps to ensure damage already caused is undone and no further damage.

Aims & Objectives

In such a scenario, it is important to study the CSR contribution of hotels in India. Companies that practice CSR achieve better reputation, improved brand image, increases in sales, more visible to investors, and increases in customer loyalty. This paper aims at examining the CSR in Indian hotel sector, and to identify the benefits to the hotels as well as to communities. It will be attempted to find out the importance attached to CSR by hotels and the expectations of the communities. A case study on CSR by hotel in Chennai after floods will be conducted and the findings declared.

Methodology

In the study a qualitative research is done to understand the role of hospitality industry to define its approach regarding CSR, discuss the CSR initiatives implemented by the hotels in Chennai after floods in 2015. Our intention is to show hotels achievements in CSR activities and encourage as well as disseminate best practice. An exploratory research is initiated through in-depth personal interviews with General Managers of Chennai hotels.

Methodology	Case Study
Case	Chennai Flood 2015
Information	Qualitative -General Managers of Hotels in Chennai Perception, attitude and rating towards CSR practices
Data Collection	Primary Data – In-depth interview with GM of Chennai Hotels (Open ended questions) Secondary Information – CSR reports, academic & media publication, websites and corporate communications.

Data Collection

Chennai floods - 2015

For the first time since its founding in 1878, the newspaper The Hindu was not published on 2 December in Chennai, since the workers could not reach the office, caught in the floods. The situation was caused due to excessive rain fall, wherein the city received 1049 mm (41.3in) rainfall in November, the highest recorded after 1918 when 1088 mm (42.8in) was recorded. These are just two instances examples of the havoc wreaked by floods in Chennai in particular and in Cuddalore and parts of Andhra Pradesh in November-December 2015.

The Fury of Rains

On 15 November, Chennai airport recorded 266 mm rainfall in 24 hours. On 01 December, Tambaram recorded 490 mm rainfall in 24 hours. By afternoon of that day, about 60% of city lost electricity, and most hospitals stopped functioning. The state declared postponement of school examinations scheduled from 7th December to January. The Southern railways cancelled major trains and Chennai airport was closed for a week. However, these are small indicators of what lay in store ahead. By the evening of 2 December, Chennai was declared a disaster area.

Immediate fallouts of floods in Chennai - Normal life expectedly was thrown out of gear. Citizens and livestock suffered badly. At many places, greed overtook sympathy and compassion. Some of the consequences included:

- a. Supplies of necessities including milk, water and vegetables suffered due to logistic failures.
- b. Schools and offices were closed indefinitely.
- c. Over 1.5 lakh street vendors sustained losses of about Rs.300 crore.
- d. Automakers Ford, Renault, Nissan and Daimler have temporarily halted production, resulting in estimated losses of up to Rs.1000 crore.
- e. Indian Oil Corporation closed its refinery in Chennai.
- f. Motor cycle producer, Royal Enfield closed its offices and plants.
- g. Several television channels suspended telecast due to water logging and related technical difficulties.
- h. The losses of real estate market are estimated to be about Rs.30,000 crore.
- i. Over 20,000 small and medium industrial units (across the state) reported losses of over Rs.14,000 core.

The Human Suffering

As it happens in any disaster, the survival, well-being and recovery of the victims have assumed primacy. The people, both residents of the city as well as visitors suffered on an unprecedented scale, mostly on following counts:

- a. Houses in low lying areas got inundated, forcing residents to move upwards in high rise buildings, and evacuate houses and shift out of localities to safer areas.
- b. Prices of almost all essential commodities have sky rocketed due to short supply as well as greed. Besides water, milk and vegetables, other items like candles, diesel, kerosene and mosquito repellents joined this group.
- c. Medicines were in short supply. Chronic patients depending on medicines suffered mostly.
- d. Poor people suffered by not having enough money to buy essentials, while the rich suffered due to short supply.
- e. Basic transportation suffered, and short journeys took long hours. Outstation travel collapsed with Southern railway cancelling most of major trains, airport being shut down, and roads inundated, making surface transport impossible. It took several days to resume transport and several months to restore roads and make them worthy again.

Social Responsibility

As is the case with any disaster, the order of preference is rescue, relief and rehabilitation. There were good measures initiated in all the directions. By 6 December, rescue efforts have more or less ceded, while relief measures have started by 3 December itself. Chennai international airport re-opened partly for passengers by 6 December. Chennai Corporation began to disburse relief packages. Food and fuel supplies were coming through and basic medicines were available. Rail services were restored gradually. Health camps and first aid camps were attending to the immediate health needs. After being closed for about a month, schools and colleges were reopened by middle of December. Relief operations were largely wound up by 19 December.

Anti-Social Response (Anti CSR)

A half liter packet of milk was sold for Rs.100, five times the usual price. A one liter bottle of water was sold between Rs.100 and Rs.150, many times the original price. Vegetables were sold for about double their normal price. Not all of them, especially vegetables could be attributed to greed. The increased cost of procurement and transportation, added to the logistic inconvenience has made the prices rise. However, the most anti social response was seen from the airlines. A round trip from Chennai to Mumbai or New Delhi or Karnataka was sold by Jet Airways at almost Rs.1,00,000, a trip which would ordinarily cost Rs.10,000 to Rs.15,000. In response, the Ministry of Civil Aviation warned companies against taking advantage of the situation. On its own, the ministry operated flights from Rajaji naval air base at fixed prices of Rs,1,000 and Rs.2,000 for anywhere in South India and North India respectively.

Ladles of Love – Response of Hotels to Floods in Chennai

It was for the first time the city hotels have witnessed such fury of floods, since an earlier instanced of such serious floods was only in 1918. None of the hotels has anticipated the severity, so, naturally were not prepared to face the situation themselves, leave alone participating in the relief. However, the hotel industry, known for its signature profession of hospitality, rose to the occasion quickly, and took lead in providing relief, supplementing the efforts of everyone else. The two strong areas of hotels being accommodation and food, they did chip in, with finesse and a large heart. The individual efforts of hotels soon turned into a stream and eventually flooded the city yet again, only this time, in the flood of love. Aptly, the codename given to the relief by hotels is called ‘Ladles of love’ since this is what the hotels have poured out. Following are some glimpses.

- a. Hotel GRT Grand was closed due to flooding. However, they converted the convention center on the same road into a relief camp. Every day, they prepared over a lakh of meals for the flood victims. The hotel not only cooked fresh and steaming hot food but also provided biscuits, milk and medicines too. As per Vikram Cotah, COO of the hotel, though they suffered a loss of several cores, rising to the need of the hour is more important and more satisfying.
- b. Stayzilla, an online platform for rooms, has started a drive asking for residents in safe areas to open up any spare rooms they had to accommodate flood-victims. Within a day, 100 residents signed up, and Stayzilla took up the responsibility of allotting the rooms and monitoring their usage.
- c. Hotel aggregator OYO Rooms too has responded to requests from trapped residents and has offered special rooms at various OYO hotels in the city. It offered rooms at a special discounted tariff of Rs.799 for single, double and triple occupancy.
- d. Treebo, a chain with two hotels in Chennai has offered free accommodation to the displaced flood victims.
- e. Hotel Aloft Chennai has opened up its lobby, coffee shop and banquet hall to the people trapped due to floods, and has offered coffee and refreshments, and has sheltered the flood victims till they could venture out.
- f. Hotel Mithran Residency at Gummidipoondi is a small one with just 12 rooms. However, they opened up the rooms and filled with residents whose homes were flooded. As per its proprietor B. Siddarthan, they even provided hot beverages, snacks and refreshments to the victims till they could go back to their homes.
- g. At least 30 flood affected residents took shelter in Hotel Rohini International in T.Nagar. Food was procured from nearby restaurants for them. Even when it comes to food, the hotels in Chennai did not let the victims down.
- h. The Old Madras Baking House, a chain of bakeries in the city, offered that people are welcome across their branches in the city to have some sandwiches and hot tea/coffee and stay till the rain recedes.
- i. Zomato, a food app, ran an initiative for flood relief, wherein for any one meal bought on their app, they would buy one meal for the victims on their behalf. They also partnered with more than 10 restaurants to distributed free food to the needy.
- j. Restaurateur M. Mahadevan has organised a fully-equipped food truck to reach the interiors of Manali and serve hot food to the communities there. "My factory and some restaurants — Mana Andhra, Bombay Brasserie, EnteKeralam — are under water, so we can't even cook there. We are asking the chefs to help other relief centres, and assisting them with resources. So, we are looking at restaurants like The Marina and Copper Chimney to cook, stock and dispense food," says Mahadevan.
- k. Maplai restaurant, owned by Chef Koushik Shankar, cooked and distributed 2,000 kg of rice within three days. Being a chef himself, he planned recipes and menu with whatever groceries and ingredients were readily available, since supplies have stopped.
- l. SPI cinemas closed their restaurants but invited people who have any material to come and cook there, and use their RO plant water. This came in handy since at many kitchens, quality of water and non availability became an issue. Surprisingly, many housewives came forward to operate such central kitchens with their own recipes.

Hotels as Victims of Flood

The efforts of the hotels were in spite of themselves being victims of the flood. For many hotels, managing their internal affairs while simultaneously participating in relief was handling two roles, but they did with total dedication.

- a. Hotel Residency Towers had to shut down for a short period for maintenance, since water flooded their basement, putting the DG sets out of work, and the hotel had to pump out the flood water prior to resuming operations.
- b. Hotel Hilton had 100 per cent occupancy, and realized that the visitors to their coffee shop had nowhere to go since several feet of water accumulated around the hotel. Crowd management was an issue since all their restaurants and banquet halls were filled with non-resident guests, and providing them food and keeping them comfortable while ensuring the safety and security of hotel became a challenge.
- c. ITC Hotel Grand Chola had a different set of problems. With the largest area of all hotels, with approximate 1.6 million square feet, the hotel operates several gensets to keep the lighting and air conditioning. The hotel had to zone the areas to shut down non essential areas, so that energy and diesel could be conserved for other areas. With about 600 employees and 750 guests on premises, the hotel ran the prospect of running out of food ingredients, and managed by toning down their buffet spread. To overcome staff accommodation since they could not go home, the hotel converted their banquet halls into dormitories, one for men and one for women.
- d. Connectivity was an issue. Hilton and ITC Chola lost their telephone connections, and were cut off from the outside world. No one could call the hotel even to enquire the well being of residents, causing some anxious moments.
- e. Loss of business: Many hotels had to cancel many events for several days, causing business loss, adding to the loss caused by water logging.
- f. Shortage: Among all items, cooking gas and diesel were running out of supply and had no chance of resuming anytime soon. So, conservation was of paramount importance.

General Responses of Hotels

“First priority was to save lives and that was handled properly inside the hotel.” (Sr. GM Grand by GRT Hotels) The Boats, Vehicles like trucks and tractors which could operate in high water were rearranged to evacuate the people and distribution of food supply. Food & water was priority and so arrangements were made to receive from other sources to offer the guest, staff and people around. The second step was to serve the food. The Hotel Grand started serving 35000 nos. of meals to people who could come with their utensils and distribute. They avoided plate service because sourcing of stationary on those days were very difficult.

The most of decision taken by the Chairman and management was to provide wholesome food to people who were in trouble and we in total in about 5 days supplied food to the tune of 1,75,000 to 02 lac meals. So the arrangements were made for pumps for pumping out water in the various areas inside the hotel and side areas. Hotels cancelled all the forthcoming bookings and also processed refunds those who didn't want have the function and stays in the hotel premises. The generators were arranged to ensure power supply was restored for lighting at least.

Guest faced problem for logistics that is closure of the airport, roads and transportation to go out of the city. Communication like phones were not operational due to power let down and also signals not in available thru various towers. Employees were taken care off, but parents were worried back home and wanted them to come back, which we refused since it was risk to send them in this crisis situation, but as time went by we did make arrangements to send them to safety.

Hotels helped in organizing medical camps for people with the help of Life line hospitals and medicines from government hospitals. Minister also came by and inspected the arrangements. It was free medical check and free medicines. This has impact with local communities so **Hotel Grand GTR taking care of the Kesari school which near hotel premise.**

By and large, hotels, whichever participated in flood relief, did so whole heartedly, and without looking for short term gains. All of them had one goal-that is do whatever they can, to put the city life back on rails.

Beneficiaries of Social responsibilities

As per survey, three primary parties appear to be positively benefited by the hotel's post flood CSR activities (1) the local communities, (2) customers who have taken part in these initiatives (3) the company itself. The residents of the local communities have been benefitted post flood CSR activities due to improvements in their living standards. The hotels help local communities through different projects such as educational institutions, 2.2% of recruitments of disabled person as employees, 80% of purchases of raw material from local suppliers, conducting of medical camp and forum to raise awareness among residents.

The customer who takes part in CSR initiatives gains a better understanding of CSR. This will help the customers develop a greater sense of their role and place in their own society.

Finally, CSR by hotels will lead to (1) an increased motivation of the employees which will effect their work and high-quality services at the same time will increase customer satisfaction. (2) Customer to chose the hotel due to its brand value. As per "Customer satisfaction Survey" 20%-40% customers have chosen the hotels which have taken in CSR activities during and post flood.

Conclusion

Findings suggest that focus of CSR was outward and provide a context for understanding how CSR viewed & function in hospitality sector.

1. The hotel industry has a positive outlook towards CSR and views it not only as imparting values on the triple bottom line approach, but also largely believe 'what is good for the business is also good for the country'. It is in this perspective that most hotels extended material and logistic support in flood relief operations in Chennai in 2015.
2. In the past, there used to be a divide between the hotels and their host communities on the lines of 'We' versus 'Them', which has now been replaced with 'us', bringing in an environment of cooperation instead of conflict.
3. Hotel groups are mostly found engaging in CSR activities directly related to their core activity of (a) generating skilled employment opportunities, and (b) providing livelihood enhancement through employment and creating self sustaining professions.
4. The role of hotels in the aftermath and recovery of floods in Chennai 2015 has been substantial, though largely unreported. It is also not clear as to who and how much of the effort and spend has been reported as CSR formally. Waste management should be top priority since to avoid choking of drains. Proper marking of areas where water accumulate. Hotels must keep separate budget for disaster and CSR activities to ensure proper functioning at the time of need.

Way Forward for Future Studies

1. How has the impetus of CSR by hotel industry sustained itself once the problems due to disasters have eased up?
2. Have the CSR activities added to the brand image of participating hotels? Have there been any financial gains?

3. What motivations can help maintain the momentum of conducting CSR by hotel industry?
How have the other stakeholders gained?
4. What can be the future strategies of hotel industry to formalize their CSR efforts and link them with other green initiatives?

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