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Social Responsibility in the Era of Economic Downturn: The Importance of Triple Bottom Line Reporting for Tourism Firms

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It is a pleasure to accept the invitation to come here. I have been treated very well by my host here and I thank them very much for the opportunity to come and talk to you today.

It is quite a long title. I do not normally have such long titles but I was asked to introduce a number of things into the topic today. Soft science, environmental social responsibility, the global financial crisis, sustainable tourism, and triple bottom line reporting.

So, I tried to get as many of these topics into the title as I could and I now understand that the Universiti Utara Malaysia was the original tourism department in Malaysia and the original department that had doctoral studies. It is nice to know there is a history of tourism in the university.

What is the Importance of Tourism?

What is the importance of tourism? Over the past sixty year, tourism has been growing internationally and indeed one of the fastest growing economic sectors in the world. It is an important industry worldwide. Major international trade takes place in tourism and the export income generated by the national tourism rank fourth after fuels, chemicals and automotive products.

There is always some dispute about tins. Some say oil is the biggest industry in the world and others say no it is international armaments, some say agriculture but certainly tourism is one of the most important industries worldwide and unfortunately I think it is one of the least researched and if people are looking for an application for social science – for soft science,

I think tourism is a worthy candidate to study and I hope as I talk, you will gain some sense of that.

For many developing countries as Malaysia, it is one of the main income sources and the number one export industry. In many economies worldwide, it creates employments and opportunities for development. It provides funds through the taxation system for governments and the governments can use those funds in financing economic development in the countries.

Soft Science in Tourism

The realm of soft science in tourism, studies of the economics, marketing, sociology, psychology, geography in tourism provides inputs into tourism planning and the policies to support tourism industries development. And so, when I go to tourism conferences around the world, I find my colleagues are from a varied group of disciplines. Tourism is essentially a multi-disciplinary research activity and the main thrust of the research is in the soft science.

Tourism can be a catalyst for economic growth with positive effect on a nation is foreign exchange earnings, household income, employment and quality of life and so, as I have said that makes it a very important research area from soft science, and of course helping policies to promote these goals.

I was asked to link up tourism with sustainable development. The tourism industries shares with all of its stakeholders and obligation to protect and maintain the resources on planet earth. We are on a spaceship travelling through space. Unfortunately, we are polluting our life support system. Actually sustainability is all about the preservation and the conservation of the scarce resources and to pass these resources on unimpaired as we can to future generations.

Most discussion of sustainability has taken place at the destination management level – the macro level. However, I think there is been a neglect of the role individual business can play in achieving sustainable tourism development and a number of issues that I have discussed this morning would relate more to the role individual business can play in archiving this goal of sustainable tourism development.

The aim of my presentation is, firstly, I am going to talk about the importance of sustainability and I am going to link this up with the global financial crisis that unfortunately, has put sustainability issues off the agenda at the moment. They are no longer on the radar as they were before and yet there are long term crisis that need to be addressed and will remain so even as a shorter term crisis such as the global financial crisis is resolved.

I am going to show that coping with global financial crisis and maintaining sustainable operations are perfectly consistent with one another and I am going to argue to tourism organizations that they ought to adopt what is called a *Triple Bottom Line* approach in their reporting. Many of you may have heard of this, some of you may not and I will talk a little bit about that and again, I am going to come back to claim that reinforces the importance of soft science.

What is sustainable tourism?

What is sustainable tourism? Sustainable development for business means adopting business strategies and activities that meet the needs of the enterprise and its stakeholders today while protecting, sustaining, and enhancing the human and natural resources that will be needed in the future.

Sustainable tourism needs to fulfil three types of requirements: environmental, social and economic. Sustainable development addresses these three requirements where the pillars that support sustainability are the tourism industry and others to progress in a way that is friendly to environment, preserves valued environmental resources, that delivers economic benefits and does not upset the social fabric and hopefully, would progress in harmony with the social fabric. These are the pillars of sustainability.

What are the indicators?

Well, what are the indicators? *Environmental sustainability indicators* can be found in environmental assessments. Many of you will be familiar with this. We talk about energy and water use, green house gas emissions and other forms of pollution, ecological footprint and depletion of natural resources.

I have done research in Australia where we have developed measure of the carbon footprint of the tourism industry and compare carbon footprint of other industries. People talk about tourism being a green industry, to some extent it is but like any industry that involves any type of economic activities there will be a carbon footprint attached to those activities.

Then, there are *social sustainability indicators*: benefits such as local employment, impacts on or support of local cultures and lifestyles. I will talk a bit about these indicators.

Then, there are the *economic sustainability indicators*: the contributions the industry make to foreign exchange earnings, contributions to employment, contributions to local economy, profitability of businesses and the control

of leakage out of economies. The more the revenues stay within the economy, the more economic impact they will have.

Sustainable tourism as a balance

Sustainable tourism is a balance and the balance must be established between the three dimensions in order to guarantee tourism's long-term sustainability. What do we mean in this context is sustainable tourism, firstly, ought to make optimum use of environmental resources that constitute a key element in tourism development, maintaining essential ecological processes and helping to conserve natural heritage and biodiversity, and confront the challenges of global warming.

A number of those issues of course are in realm of natural science and so the tourism industry - tourism researchers can take on board the findings of the natural scientist in order to help them formulate policies that are important for tourism. So, I would not want to draw a firm distinction here between the realm of social sciences - soft science and the realm of natural sciences because in this case, there is certainly room for both of them to play important roles as inputs into research.

Now, of course the respect of the socio-cultural authenticity of host communities, conserves their built and living cultural heritage and traditional values, and contributes to inter-cultural understanding and tolerance. Many people believe that the tourism industry is capable of fostering such values. I often doubt this, I think that in many cases tourism does not do this and unfortunately it can lead to alienation between the host and the guest. Nevertheless, this is an important role that soft science can perform in respect of enlightening us about how tourism can progress in a way that is authentic and consistent with the social-cultural attitude, beliefs and ethics in the host destinations.

On economics, to ensure viable, long-term economic operations, providing socio-economic benefits to all stakeholders that are fairly distributed. That is important. We do not want an economy that makes the rich richer and the poor relatively poorer. We would like the benefits of tourism to be distributed among other people in the host community. There need to be stable employment and quality jobs for people across the board, income-earning opportunities and hopefully, tourism would contribute to poverty alleviation. Many people talk about tourism as a tool for relieving poverty internationally. Well, it does have the potential to do that. Unfortunately, it does not always do that because the ownership of tourism resources is vested in people who are already wealthy and become wealthier. In many cases, jobs attached to tourism are at the lower level with poor conditions and poor wage earnings. So, that is a real important issue firmly on my policy agenda as a soft scientist looking at this area and one that unfortunately,

has been under-researched but hopefully, will be given more attention and devotion to in the future.

Attributes of sustainable tourism

Attributes to sustainable tourism; well *it is informative*. Travellers not only learn about the destination but also they learn how to help sustain its character while deepens their travel experiences. Residents learn that what is ordinary and familiar to them can be of interest and value to outsiders.

Another attribute of sustainable tourism is that it supports integrity of place. Destination-savvy travellers seek out businesses that emphasize the character of the locale in terms of architecture, cuisine, heritage, aesthetics, and ecology. I have been to Kuala Lumpur (KL) before and in those days I was a backpacker, where the architectural icon of KL was the rail-way station. So, all travellers who came in saw the rail-way station, if you remember the rail-way station. Well, of course KL has changed over the years, the architecture has changed and with it the image of the destinations. These are important issues, again they are very good issues for soft scientist to do research on.

Tourism ought to *benefit residents*. What is the point of having a tourism industry if it does not benefit its residence? And the more the local community controls ownership within the tourism industries, then, the more benefits of tourism can filter to the residents of the country.

Sustainable tourism ought to conserve resources reducing unnecessary waste in energy consumption and so on and I would put it in another way, reducing tourism carbon footprint.

Tourism ought to respect local culture and tradition. Foreign visitors often want the world to sort of be the world they are comfortable in, but that is not always the case. Tourists ought to realise when they go to foreign lands, there are cultural traditions and they need to have a respect for the local culture and a courtesy towards their host.

Another attribute of sustainable tourism is it does not abuse the product. Often, tourist love destinations to death, and that leads to a degradation of the product. Tourists go to Bali and what was dance that would be on for an hour, an hour and half at a local village is truncated into a ten-minute performance in a hotel. Well, that leads to a commoditisation of culture, a bastardisation of the product. It is not the real thing. It is not authentic! It is put together so tourists can enjoy ten-minute performance, get back on the bus and go somewhere else. Does this preserve the local heritage? Well, I do not think so. And yet, the other side of it is if the tourist were not there then, they are not buying the art, they are not seeing the theatre, and they are not going to local production dances and so on. What would

happen to culture if they were not there? Interesting question, again for soft scientists to come up with answers as to what the real balance is.

Sustainable tourism strives for quality, not quantity. It is not about numbers of visitors. Many destinations around the world pride themselves on the number of visitors who come. It is not about numbers! It is about the quality of the experiences of the people when they come to a destination. Tourism destinations are now talking more about yield than they are about numbers.

Finally, it means great trip, having a good time, satisfaction, excitement and the wish to come back and repeat the visit. If tourists feel that way and repeat the visit then, the nation gains because those people come back, spend their money, create jobs and so on.

The 10 Rs (Middleton, 1998)

There are ten Rs for operators. What can operators do about this? *Recognizing* the issues, the problems, *Refusing* to participate in activities that are deemed to be damaging to the sustainability of the operation. It is often up to the operators to make choices in this respect.

Reducing the usage of energy and waste. In a carbon-constrained world at the moment, look at destinations such as Las Vegas. The enormous amount of electricity generated keeping those lights on all the time. What sort of carbon-footprint does that have? What is its contribution to global warming? It is just absolutely enormous.

Replacing supplies and processes that may be deemed environmentally unfriendly. In Australia, we are trying to move to friendly types of coal that do not have as much carbon content and so on. And all around the world, there are efforts to reduce the carbon emissions from economic activities.

Reusing supplies in order to be more economically efficient. *Recycling*, *Reengineering* traditional corporate management structures and operations to achieve further growths and better competitiveness. *Retraining staff*. This does not happen near to the extent it ought to be.

Rewarding groups and individuals for initiatives. All of us want to be recognised and rewarded even if it is by saying "you are doing a good job" and so on. And *Re-educating* customers through staff best practice behaviour. It is not a one way street. We need customers to be aware of these issues as well.

So, these are ten Rs for operators. If they adopt these Rs, they can do their bits to help in achieving a sustainable tourism industry.

The Global Financial Crisis

Now, the global financial crisis (GFC) that I was asked to talk about. This is interesting because until the global financial crisis came along, there were a lot of concerns about tourism and the environment and climate change was the big issue. Along came the GFC, the effect of the global financial crisis on tourism flow has been extraordinary worldwide. Why? Because what the GFC's has done is to reduce wealth and income and led to a lot of un-employment. What is the biggest generator of tourism flow internationally? It's *income*. Income is the big driver of tourism, when people go out and explore the world. When income falls, tourism flows has fallen and of course investment has fallen along with it.

Tourism *spending is discretionary*. You have a choice. People have to meet the basic needs that they have, to pay off mortgage of their home, to run their car to buy the family food and so on but tourism is a discretionary type of expenditure. It can be postponed and indeed that is what exactly what is happening around the world. People are postponing that type of expenditure. Prices have come down but they are not overcoming the reduction in income. Exchange rates in many cases have fallen, I believe the Ringgit (Malaysian Ringgit) has fallen but again that is insufficient to overcome the constraint people face in respect to their lower income.

The worst might not be over for the tourism industries, we'll wait and see.

Positive of the Global Financial Crisis

Well what does this mean? Before I link it up to sustainable tourism again, I do see some positive to the GFC. There are opportunities. It gives firms opportunities to *identify distortion* that increase the cost of doing business which reduce destination price competitiveness, again there is scope for soft science to have an input. Areas of *productivity improvements*, again soft science research is useful. *Internal structure reforms* which can facilitate technological, organizational innovation again soft science access the existing market - future markets, what is happening out there? What are the trends taking place? I've done work on global trends effecting tourism and this is leading towards interesting shifts of the major origin markets for the future.

Firms need to access what their future markets will be, identify demands, creating strategies, those that add value to firms, instead of just cutting price (but) try to add value to the product. *Business investment* should be geared towards providing a basis for competitive advantages because when the GFC ends then firms that have undertaken such studies would be in better position to achieve competitive advantage. Such initiative better position them for the future.

But don't forget the environment. The recent emphasis on economic issues, the problem achieving sustainable tourism development has been neglected. Many countries around the world that were going to introduce good climate change mitigation policies say we can't afford them now. It's too expensive. We have our financial crisis.

We're still on that spaceship, the earth travelling through the universe and we're still polluting our life support system and so this issue will not go away. And I'm going to now turn it back and say that a concern of both sustainable development and a concern with financial issues are not inconsistent. I'm going to argue that they're compatible, they're linked together.

Triple Bottom Line

I'm going to argue that a very important initiative is what is called TBL or *triple bottom line* reporting. I believe this is the most comprehensive approach to achieving sustainable operations. It links up with CSR, *corporate social responsibility* and so on. People talk about quadruple bottom line with corporate governance is another pillar and so on but I'm going to talk about the triple bottom line reporting. It is a technique which integrates economic environmental social thinking into core business activities.

Basically you know that firms report on their financial bottom line. That is balance sheet, profitability and loss, accounts and so on. What TBL is about is saying do not just be concerned with the financial bottom line but look at the social impact of the firms operations, look at the environmental impact of the firms operation as well.

There are three forms of capital. They are financial capital, natural capital and social capital and a firm need a return in investment in each of these forms of capital.

What is TBL?

What is TBL? At its narrowest it is a reporting mechanism with firms reports on it financial bottom line, its social impact and its environmental impact. On a much wider level, it's about the value the firm has, the whole set of values, issues and process that companies must internalise if their activities are to create economic, social, environmental value and indeed in many western universities at the moment, TBL is thought in accounting degrees as subject. It is a serious issues many accountant treating TBL report as a very important component of business courses.

What I'm saying is that tourism firms and other firms ought to take on board some of the concepts and practices. I think there's been neglect

in TBL in tourism, tourism stakeholders when ever I've spoke to tourism stakeholders there's very little awareness of this or its relevance to the achievement of sustainable development.

What are the Benefits?

What are the benefits? I'll go through them quickly. There are *Efficiencies and Cost Savings, Reduced operating costs* – if you can reduce waste, if you can reduce your carbon footprint, *Potentially lower compliance costs*- Regulatory bodies and so on, the more they know firms performance here are in position to regulate firms, it not just in terms of financial regulation but also in the position to be putting into place social and environmental mechanism as well.

Attracting and retaining competent staff. You know the most important asset of business is its staff and managers tell you this but in their day to day practice they often don't treat staff as a valuable resource. It's one of the first thing that they do in bad financial times is to sack staff to save money. Well what you ought to be doing is finding ways to retain staff because if there's such wonderful asset then there surely ways to retain that asset rather than to sack them soon time look a bit bad.

Improved access to capital- These days there are a lot of investment funds which specialise in green investment or ethical investment and so on. So there been a whole change towards a more enlighten approach to allocating funds for investment projects.

It can *Improved Market Positioning-*in many countries in the world today consumers are deliberately seeking out firms which display a concern for the environment, Green consumerism and so on. As people become more educated, more aware of values such as that they are seeking to do business with firms, tourism operators and so on that have environmental awareness in their mission statement.

Better Stakeholder Relationships- Stakeholders range from the managers of firms, employees, communities, governments, suppliers and so on. The more people that are involved in this exciting activity to progress in a sustainable way then the more likely that goal is to be achieved.

Improved "Strategic" Decision Making- where you are not making decision just in terms of the financial bottom line but you are looking at the effects of the firms operations on the environment and the social fabric.

And why this nation benefits because the destination is the sum of the entities that comprise it and if the entities that comprise the destination, firms acted in sustainable ways that helps the macro cause of the destination being sustainable.

In all of those respects, in benefits of TBL to tourism organizations, soft science can play an important role. Because all of them involves human beings, attitudes, values, behaviour and so on.

Integrating TBL into a Tourism Organization

Integrating TBL into a Tourism Organization, there has to be essential attitudes and behaviours. There has to be *Commitment to Accountability*, a commitment to be accountable not only to shareholders but to wider stake holders.

A Commitment to Transparency- that your operations are ethical, that your activities are open to scrutiny for their ethical and their social morality and so on.

Commitment to Integrated Planning and Operations- Again because you are not just concern about the financial bottom line and as I mentioned you need the commitment from all stake holders not just those in term to the firm.

Identifying and Selecting Indicators

Now there are a whole set of issues of identifying and selecting indicators. Again this is where the hard sciences and the soft sciences have a real opportunity to collaborate in identifying and selecting indicators that are to be used. A United Nations UNEP (United Nations Environment Programme) agency has developed the GRI (Global Reporting Initiative) many of you might be familiar with Global Reporting Initiative that has the indicators that can be used for TBL reporting.

Role for Government

Role for Government- I will go through this quickly. Government, I see government playing an essential role here. Often governments when they enter into this situation create more problems than existed before they entered into the situation. But I do think that governments to show some leadership here especially given the benefits that can arise from TBL reporting. They can sell TBL as a way businesses can improve competitiveness. Governments at all level connects as catalyst of development of TBL reporting, they can provide support for facilitating TBL when firms needs to collaborate for cooperative endeavours and so on.

They can use TBL in their procurement policies, when they buy goods and services form private sectors or commission products to be made for government agencies and again they can develop strategies and measurements of accountability in public sector decision making and in Australia at the moment we have local governments which are serious

about reporting in terms of TBL and this is a very important issues now in Australia where local government authority are reporting in term of triple bottom line.

Government also can support research into this and I just want to say government's needs to show more leadership here. "Do as I do" and not "Do as I say" so government need to actually perform a leadership role on doing something on TBL.

Role for Industry Codes

Finally we're the end the Role for Industry Codes with its voluntary initiative promote sustainable development. Industry code of conduct can provide valuable and practical guide to both small and large businesses including wards code of conduct certification, education (and) awareness program. That is to say people, customers, (and) tourist deal with firms that has a commitment as part of their meeting a code of conduct in term of their sector. Increasingly e tourism industry has this codes of conduct attached to different sectors of tourism. These have a valuable role to play in fostering TBL growth.

The Role of Soft Science

Finally we come back to issue we started with, the role of soft science. We know fundamentally it involves the study of human behaviour. We can't advance tourism research without a good understanding of human values, interest and behaviour. Important role of soft science is it can help us understand the role that human can play in interpreting the world, informing policies to improve social welfare. That is what it's all about. And my claim is that the adoption of TBL in the tourism industry is dependent on the use of soft science to formulate reason for its adoption, barriers and obstacles to its implementation and the monitoring and evaluation of its effects.

And if we talk about nation building, tourism is such an important sector it can be a catalyst for nation building and what I've tried to show you in some small details the role of soft science can play in underpinning TBL which can help tourism become a nation builder.