

## **The Case**

### ***Scandic Hotels: Case Study in Sustainability***

*By Arturo Cuenllas, 17 February 2014*

Nowadays "greenwashing" is a popular term. We are aware of companies such as BP Oil and many others being accused of greenwashing, claiming eco-consciousness or launching products and services that are less than legitimately green. But few people know that the term was originally coined to criticize hotels that encouraged guests to reuse towels for environmental reasons but made little or no effort to recycle waste: "Dear Guest... Save the planet! Keep your towels..." Meanwhile, the unaware housekeeping department was flushing the toilet four times or leaving the faucet running while cleaning a room. Jay Westerveld, an environmentalist who accused hotels of these practices, coined the term in 1986.

Believe it or not, nearly 30 years later, most hotels around the world are still doing the same thing: urging guests to save the planet by reusing their towels while applying unsustainable practices in their operations. No wonder why consumers are the first to be sceptical about hotels claiming sustainability practices. It is not what you say you believe in, it is what you show that you do that counts. Sustainability is transforming the way companies operate. The current trend is to integrate sustainability into all company activities.

#### ***Scandic Hotels: the role model for sustainability***

The good news is that there are such models - incredible companies like Scandic. These sustainable companies are at the forefront of environmental and social practices. They have organized themselves in such a way that every manager and rank-and-file employee is empowered to be innovative in sustainable practices. These companies have embraced sustainability to a point where it becomes part of the company culture; and it actually pays off. Innovation happens as a continuum within day-to-day working practices, improving the bottom line by reducing energy and water consumption or waste, or by designing new products and services that have less environmental impact.

Sustainability, in this context, is viewed as a never-ending path that requires continuous improvements and new goals. Indeed, they set the standards by which they and their competitors will be judged. So, if today we have decreased our carbon footprint by 65%, our goal for the following years will be to become carbon neutral by purchasing and producing 100% of electricity from producers who only use renewable fuels. Such sustainable companies are not

satisfied with simply reducing waste - maybe from 2kg to 0.7kg, per guest per night; they strive to divert all waste from going to landfill. Regarding social aspects, no matter how much they have contributed to social activities - for example 2,000 hours of community volunteer work - they are willing to increase their contribution even more in subsequent years.

Sustainable companies such as Scandic Hotels know that true ecological sustainability is not a cost to the company. On the contrary, it is a source of profits and a real competitive advantage. The holistic perspective of the theoretical framework for sustainability provides a triple bottom line: (1) the environmental dimension: how can we minimize environmental impacts in our organization? (2) The economic dimension: how can we maximize our economic profit? And (3) the social dimension: how can we maximize the social well-being of all stakeholders?

Hotel chains such as Scandic not only inspire their employees, but also their guests and the rest of their stakeholders.

A truly sustainable pathway never ends; it requires continuous innovation. Hotel chains such as Scandic enhance organizational knowledge by making every process of its operation more efficient. This is not only executives and managers thinking about how they can cut costs in order to increase the bottom line, but also the majority of employees participating with actions and ideas toward sustainable practices. Scandic analyses the whole life-cycle approach of the hotel, from its very beginning, in the design and construction phase, through its operations and refurbishing, until its end. They analyse upstream processes: how waste and environmental impacts can be reduced through the value chain. It involves choosing the right suppliers and co-innovating with them.

Real sustainable companies are also socially responsible and committed to social programs. They are involved in a continuous and sincere dialogue with their customers and employees.

Are customers rewarding sustainability practices in hotels?

Although many customers demand sustainability, hotel operators are concerned about whether sustainability increases or decreases hotel bookings, costs and profitability. Mainstream hoteliers perceive sustainability as large investments and additional costs not worth taking on. There is a problem of unawareness and lack of education. Working to achieve sustainability requires a new mindset. It requires knowledge. Notwithstanding, Scandic has shown us that sustainability actually pays off. It saves businesses money in the short, medium and long-term, but also increases brand awareness and positioning – credibility. Yet this could only be possible if you are a truly sustainable company and not the greenwash we're used to seeing - hotel chains that halt their green efforts after the first year. Or one of those hotels that abandon their environmental efforts right after obtaining their EMAS certification (Environmental

management decision-making in certified hotels). Nevertheless, these hotels still claim to be green. Truly sustainable companies are able to share values with customers, and thus increase their loyalty. They can approach a competitive advantage by gaining credibility and creating more demand for their products. 'Green' itself is not actually a functional product benefit," as John Grant states in his Green Manifesto. "It does nothing for me directly nor fulfils the USP (Unique Selling Proposition)." But green products often have secondary benefits; they can be more efficient, durable, affordable or basic, or they can be healthier, better made...

### ***The beginnings: the Natural Step Sustainability principles***

Scandic Hotels was one of the first hotel chains to believe that it is a good strategy to do the right thing for the environment, and earn money at the same time by sharing values with its guests. They linked customers and employees with a shared vision about the environment and social issues. Scandic Hotels are not only customer-and-employee focused but they unify core values for both of them as well. As former CEO Ronald Nilsson prognosticated: "The next generation won't tolerate insensitivity with the environment".

How did this great strategic story of sustainability begin? In 1992 Scandic Hotels was about to declare bankruptcy. Between 1990 and 1992, the hotel chain reported losses of approximately US \$50 million. A new CEO, Ronald Nilsson, was hired to make a tremendous turnaround. Contrary to common wisdom, which said that any environmental program could only be carried out if the company was first financially healthy, Nilsson made environmental responsibility one of the core values from the very beginning of the turnaround. At the same time, he decentralized the company, giving more power of decision to managers and front-line employees. If Scandic was to be truly customer focused, employees needed to be empowered to make the right decisions and act accordingly. Such a strategy required a great psychological and cultural change, not possible to accomplish if it weren't for Nilsson's leadership.

Nilsson knew about the Natural Step and its success in implementing sustainable principles at IKEA. Scandic was going to be transformed into the "IKEA of hotels," and the overall guiding spirit was to communicate the new shared values with the customers. The Natural Step, a Swedish non-profit organization, was primarily chosen because it was not the traditional environmentalist NGO telling you what to do. Instead, they gave Scandic – just as they did with IKEA - the scientific principles of sustainability with which to start building a share model within the organization. Once the Natural Step framework and methodology was taught to the whole company – all 5,000 of its employees at the time – in a period of 6 months they were on their way toward sustainable practices. Only in the first two years, they implemented 1,500 actions, reducing costs straightaway in energy and water and waste disposal, as well as

improving best practices and eliminating harmful chemicals – cleaning products. Leading The Natural Step was Dr. Karl-Henrik, who created the four system conditions of sustainability, which had to be translated into the hotel's reality and common language. This process could only succeed by integrating every environmental aspect into the hotel operations. So every single hotel had to develop their action plan toward sustainability. Scandic corporate offices would co-lead and co-ordinate with the rest of the hotels. The key success of this environmental program was to provide a base knowledge for the whole organization through several educational seminars and courses, so they could build a common framework or share a common mental model, from which everyone could make their own decisions. Consequently, every hotel could have clear guidelines to start its way to sustainability. These guidelines were collected in an environmental policy that stated actions such as:

- develop products and services so that we use nature's resources as sparingly as possible;
- choose raw material and recyclable packaging – products that do not fulfil this criteria should not be used;
- strive to use environmentally-safe and recyclable energy sources;
- reduce waste and promote waste reduction;
- choose, influence, and educate our suppliers to help us implement our environmental policy;
- develop an environmental network of enthusiastic representatives from each hotel
- and every year review the results of our environmental policy and establish goals for future development.

Co-innovation with suppliers: upstream processes

Ivarsson, head of purchasing and environment, led many co-innovative actions with suppliers, such as working with the laundry supplier to remove chlorine bleach from its laundry processes. Scandic also worked with the dishwashing liquid supplier to reduce detergent dosage in washing machines for breakfast dishes - the amount of detergent needed for breakfast dishes is not as high as for lunch or dinner.

In 1995, Scandic was the first hotel chain to design the eco-room. This means that rooms would be designed and built for their eventual disassembly and that they would utilize ecologically benign components. With the goal of returning rooms to nature, they created the 97 percent recyclable room (designed together with customers, architects and furniture-equipment manufacturers). The life span for eco-rooms is longer than conventional rooms. Luxury, quality and sustainability can work together. The aesthetics of a hotel room can live in harmony with

sustainability. All the interiors of the rooms were designed with environmental concerns in mind: reducing 30% of mercury used in mirrors by reducing their size, using wood for floors and parts of the wall, using cotton and wool instead of synthetic textiles, avoiding plastics...Even plastic and metal lamp parts were replaced with wood, etc.

Ivarsson also worked with suppliers to reduce the size of bar soap, once they realized that a typical guest used only about three grams of bar soap per stay, while throwing away the rest (the typical bar of soap weighed 15 grams). He also worked with suppliers to reduce waste of the 30-ml shampoo bottles by getting the shampoo manufacturer to work together with the bottling company to create a new product. "A small plastic bottle of shampoo per guest per hotel for the past 12 years means millions of bottles," said Ivarsson. So they developed a more natural soap and shampoo in a PET dispenser.

### ***Empowered employees***

Scandic and other sustainable companies know that, to be successful on the path to sustainability, they have to empower their employees. The principles of empowerment assume that employees are willing to accept responsibilities and improve their daily work processes and relationships. The outcome is a learning organization that continuously innovates, taking advantage of its full human resource potential. An effective sustainable approach such as that used at Scandic is based on giving more accountability and responsibility to its managers and rank-and-file employees, then hoping for more actions and results. Creativity is also key, and it wouldn't happen without these empowerment principles. Creativity is sustained by principles such as eagerness to do the job, intrinsic motivation, to be able to think outside the box, not being afraid of being punished if failing to put ideas into practice, etc. Sustainability training programs at Scandic were key to creating this very powerful vision. Everybody was committed and convinced that this new sustainable path was possible.

But how did this empowerment manifest itself in Scandic's employees? From its very beginning, The Natural Step Dialogue and Educational Program gathered 1,500 useful suggestions, which were classified as (1) short-term, concrete activities that can be carried out immediately - actions that required no investment such as best practices - (2) ideas that needed further investigation, and (3) ideas that needed investment consideration. Olaf Ivarsson developed a very simple but powerful indicator that worked very well: the number of activities that were specified in the local environmental plans (in which everyone in every hotel were involved) and the number that were actually achieved after six and 12 months.

In 1996, Scandic started to follow energy and water consumption and the amount of unsorted waste. The key aspect of this program was to create a reporting system SIR (Sustainability

Indicator System) every month to measure progress. With this program they were able to reduce 17% of energy, 36% of unsorted waste and 14% of water overall. Average energy consumption at Scandic's Nordic hotels was then reduced to 47kWh per guest per night, and water consumption to 235 litres per guest.

It is estimated that a typical hotel annually releases between 160 and 200 kg of CO<sub>2</sub> per m<sup>2</sup> of room floor area. Average energy consumption is 55 kWh per guest per night. Water consumption depends on the type of facility and services (outdoor and indoor pool, air-conditioning, whether the hotel is located in a tropical area, etc.). However, a standard European hotel could consume between the ranges of 170 to 360 litres per guest per night. Regarding waste, the average for a normal hotel is 1kg to 1.5kg waste per guest per night. Scandic's hotels figures for 2012 were: (i) unsorted waste: 0.5 kg per guest per night (ii) energy consumption: 45.9 kWh per guest per night (iii) water consumption: 201.9 litres per guest per night (4) fossil carbon dioxide: 1.9 kg per guest per night.

Empowered employees are needed to create an interactive value creation process to educate guests and to communicate with them about the company's environmental processes. Because Scandic is a role model, it can take the task of educating its guests with lots of credibility. This educational approach with guests is based on building programs based on knowledge rather than image; and this is done by sharing enthusiasm and by giving your customers ways to participate. This is not just selling "my brand" but sharing responsibility and involving both guests and employees in actions toward environmental and social concerns.

### ***Scandic in Society***

Thousands of different activities have taken place in the Nordic Countries. All these activities have one thing in common: they are based on personal involvement rather than fundraising. Activities which involved personnel working hours such as offering and serving lunch to the homeless, donating bed linen to shelters, -cooperation with schools and universities, etc. The "Scandic in Society" program aims to contribute to the well-being of societies in which the company operates. Following the dialogue with team members, community programs were created in each hotel. Individual hotels frequently enter into partnerships with local authorities and Non-Governmental Organizations (NGOs) to find innovative solutions for local community problems.

In 2005, Scandic also supported the breast-cancer campaign of the Swedish Cancer Fund by providing 3 million Swedish crowns. In October of the same year, Scandic's guests could book a room at a "pink price" with 10 per cent of income going to the Pink Ribbons campaign.

Since 2006, every cup of ordinary coffee, espresso and cappuccino served at the Swedish Scandic hotels is fair-trade coffee. This means 9 million cups every year. Fair trade is an initiative designed to help especially small-scale farmers to survive in the global economy.

Products labelled as fair-trade guarantee strict standards worldwide on certain environmental, labour and remuneration practices. Fair-trade means that a minimum price is paid for coffee, which gives more than 20 per cent extra income to the growers for their certified coffee. With that extra money, they can provide for their communities through different activities, such as the construction of schools.

Organic products not only benefit the environment by reducing environmental impacts, resulting in less transportation required (food miles), less soil erosion, no pesticides and herbicides... but they are also good for the community, as buying locally supports local farmers. Since 2002, all Swedish hotels offer breakfast with KRAV 22 eco-labelled items. The Swedish KRAV organic label stands for sound and natural environment, solid care for animals, good health and social responsibility.

In 2004, Scandic introduced the disability co-ordinator in the person of Magnus Berglund, who first entered the company as a cook but later had to abandon his job due to a joint muscle disorder. Magnus has been Scandic's Accessibility Ambassador ever since, working to ensure that all hotels are accessible to everyone. Scandic's unique accessibility standard contains 110 points, 81 of which are compulsory for all hotels, and the whole list is met in both new and renovated hotels. In 2006, Scandic received the St. Julian prize for its contribution to increasing accessibility. The UN has also recognized Scandic's focus on accommodation for guests with disabilities.

### ***Omtanke***

B. Nattrass and M. Altomare write in *The Natural Step for Business* that if omtanke could be translated into English, it would be analogous to "profound positive caring and attention". Nilsson described omtanke as an essential core learning process in Scandic, "a way of maintaining the values in the company in a very solid way". Omtanke could be seen as the glue, which holds everything and everyone together by being open and honest to each other and the rest of stakeholders, by taking care of the shareholders, by maintaining the highest integrity when working with fellow employees and by taking care of society.

Scandic Hotels share a vision of "Omtanke", caring for their guests and each other while caring for the environment and society. They have to be profitable by bearing a good spirit of enterprise and by doing things efficiently. Without profits, no company can be sustainable. But at the same

time, they know that the environment matters, so by being a role model Scandic thinks they can encourage others to do so. The same applies for being a socially responsible company, taking a share of responsibility with the local and global community through the Scandic Society Program.

## OMTANKE



We definitely need role models like Scandic for the success of a sustainable society in the near future.

*These are extracts taken from the text on <http://www.hospitalitynet.org/news/4064048.html> . If you want to read the whole text, click on the given link.*

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