

Opinions

Building a business case for sustainability in hotels

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Sustainability advocates don't always speak the same language as hotel company CFOs and CEOs, but tools exist which can help them make a business case for going green.



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A few months back, I took a course from [Bob Willard](#), a sort of grandfather of sustainability, who has authored books and been part of some of the most important developments in sustainable frameworks and models.

His latest legacy is an open-source [Sustainability ROI tool](#). When he explained his inspiration for this, he shared a few stories, all of which had one theme: Sustainability advocates are not speaking the language of CFOs and CEOs.

I frequently hear people in the industry who want sustainability initiatives say, “they don’t care”—they being owners. I think that’s an oversimplification and a misunderstanding of the problem. Even if they are not personally compelled, executives will take note as [key stakeholders highlight the role of sustainability in demand and investment decisions](#). The problem more likely lies in the lack of a clear business case.

Whether you are a finance professional who is a sustainability novice or a sustainability professional who is a finance novice, you will find yourself in a position to make an economic business case for a sustainability proposal. This tool can be invaluable in the process.

Some key features of the Excel workbook:

- It’s free.
- It’s automated. Plug in the factors and assumptions relevant to your proposal and you get return on investment, payback period, net present value, internal rate of return and a risk analysis.
- It’s packed with helpful guidance. Many of the cells have explanations and formulas, and there are links to videos and resources throughout.

- It's based on best-in-class features from 20 sustainability business case frameworks and outlines sustainability goals based on the [Future Fit Business Benchmark](#), which maps to the [Sustainable Development Goals](#) (SDGs).

You get out what you put in

The downside is you have to put in the work to use this tool. Someone in finance will have many of the input elements because it's the same factors that go into most financial analysis—revenue, operating expenses, salaries, etc. The hard part in any financial analysis is the assumptions on which you base the calculations. We assume a certain competitive set, a certain growth rate, a certain interest rate—there is a lot of widely available research that gives us a great deal of confidence in selecting these numbers.

Other assumptions you will need when using this tool are not as easy to make, but the data exists and is growing. For instance, a factor in the expenses part of the tool is the impact of sustainability initiatives on employee productivity. One example of this is “gains from working in green buildings.” There are studies that show specific [gains in productivity](#) as a result of working in green-certified buildings.

You will also need some baseline metrics you may not already have, such as your greenhouse gas emissions. Again, there are tools, such as the [ITP Hotel Carbon Measurement Initiative](#) (another free tool) that can help you get a handle on these measurements.

If the proposal is for a common project, like an LED lighting upgrade, there is plenty of data to show the quick payback for that investment. It's simple math that involves the cost and installation of new bulbs (and maybe new fixtures and wiring), compared to energy usage data on the new bulbs, local utility rates, expected lifetime of the bulb and lower maintenance costs for replacement. Or you could just take a shortcut and use the data from any number of studies on this to create your business case, like [this one from AHLA](#).

Other proposals, however, will require more finesse. How do you justify the benefits of a green roof? The inputs are more complex and varied than LED lighting upgrades. Also, the quantifiable benefits are many, and the benchmark data may be less straightforward, [but it is out there](#).

Boomerang impacts

Willard presents the idea of “boomerang impacts,” meaning that investments in society and the environment will come back around to benefit the business. This requires a long-term investment mentality, and it takes more than a good spreadsheet tool to change the investment culture.

On one side, sustainability advocates have not done enough to present the argument in terms of financial gains. On the other side, executives need to expand their thinking to understand the responsibility they have beyond just a financial bottom line. Tools like the [Sustainability ROI Workbook](#) do take us a step farther in closing that gap and bringing the two sides together for triple bottom line impact.



Industry customization

Open source is a two-way street. Not only can our industry benefit from such a tool, there is an opportunity to evolve and build on this tool for the nuances of running a hotel. Those who download and use the tool should share their adjustments and additions with Bob. I would also like to hear about your experience in using this or other tools that help you build a business case for sustainability.

Dr. Aurora Dawn Reinke, ISHC, ISSP-SA founded Astrapto to bring about sustainability change in hospitality, travel, and events. Astrapto offers practical training, toolkits, and assessments to make sustainability simplified and approachable for busy industry professionals. Aurora's chairs the Business Travel Working Group for the Global Sustainable Tourism Council (GSTC), serves on the sustainability committee of the Global Business Travel Association, and is on the redesign task force for green meeting standards (APEX) for the Events Industry Council. Email her at aurora@astrapto.com or follow [@AstraptoSusty](https://twitter.com/AstraptoSusty) on Twitter.

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