

1 ■ Introduction

Tourism's current role in expanding economic opportunity in developing countries presents a paradox. Resolving this paradox offers tourism companies the potential to play a leadership role within the industry and the business community as a whole.

On the one hand, the past decade has seen marked growth in the attention paid by policymakers, development experts, and industry leaders to the contributions made by the tourism sector in many countries, especially in the developing world. For example, within the United Nations (UN) alone, the UN Commission on Trade and Development promotes the importance of tourism to Least Developed Countries; the UN Environment Programme promotes sustainable tourism; and the UN World Tourism Organization is not only exclusively devoted to tourism, but has even created an international foundation to enhance its contribution to development (Sustainable Tourism – Eliminating Poverty, or ST-EP).

There are also some widely-cited examples of individual tourism ventures and companies – both large- and small-scale operators – that partner with communities and bring economic prosperity to remote areas. These include local business linkage initiatives for sourcing fresh produce and crafts, training community tour guides and other local tourism workers, and providing health care services and education programs to surrounding communities.

Yet on the other hand, research by the World Bank and PriceWaterhouseCoopers that compares corporate responsibility practices across industry sectors shows tourism lagging behind other industries (see Box 1). Despite growing evidence of the beneficial impacts of tourism in developing countries and good practices by some individual firms, critics still question whether the overall balance of impacts is positive, particularly as regards large holiday complexes and international hotel chains.

As has been the case in many other industries, tourism companies have thus far focused most of their corporate responsibility efforts on environmental issues and philanthropic contributions to social programs. Much less attention has been paid to managing their economic multipliers and impacts along local and global value chains. The potential for innovative business practices that deliberately expand economic opportunities for the disadvantaged has not been fully realized.

It is taken as given that tourism already has substantial impact on developing economies. And yet, tourism companies are not development agencies. Tourism is a fiercely competitive, specialized, rapidly evolving commercial sector. It is composed of a diversity of large companies and a plethora of small owner-operated enterprises functioning on tight profit margins. Neither is flush with cash nor privy to shareholder enthusiasm for prioritizing development over profit. When CEOs have to consider strategic societal issues, there are plenty of other candidates for attention: the industry's carbon emissions, maintaining health and safety, and respecting human rights.

The crux of the matter is how to combine commercial reality with enhanced development impact: how can tourism companies adapt their business practices in ways that make long-term commercial sense and deliver greater benefits to the local economies their guests visit?

Adding to the challenge, a diverse range of actors constitutes the tourism industry, so there is no one-size-fits-all, broadly applicable model. Actors include small hostels, large hotels, tour operators, travel agents, ground handlers, cruise ships, airlines, car hire and transportation, local guides, and a range of leisure and entertainment services. Governments are key players in infrastructure, marketing, licensing, and regulation. What suits a small owner-operated lodge may be less applicable to an international hotel chain. The levers available to accommodation suppliers to enhance local impacts are quite different from those available to tour operators. Additionally, tourism companies operate in many countries with different regulatory structures with varying requirements for internal corporate governance, labor, health, and safety.

This report examines how tourism companies can enhance their contribution to economic opportunity in developing countries. It argues that the potential for action is substantial. While tourism overall may be lagging other sectors in CSR, it is experiencing a time of rapid experimentation and change, with some proven strategies and business returns. Indeed, the case studies that exist suggest that there are additional business motivations for action in tourism, relative to other industries, due to the nature of the product. Because customers physically go to the place of production, they encounter suppliers, employees, and communities as part of their vacation experiences. Tourism products and customers' experiences can be enhanced by combining commercial practice and local investment.

The report draws from case studies covering both large- and small-scale operators mainly in the accommodation sector. Section 2 briefly reviews the development impact that tourism as a sector already makes. Section 3 then considers factors that can constrain companies from enhancing that impact and the business case for taking action. Section 4 explores the business strategies that can be used to expand economic opportunity, including, specifically, how the concept of "inclusive business models" applies in tourism. Section 5 presents a number of recommendations focusing primarily on larger-scale, mainstream resorts and hotels, which have opportunities to lead the rest of the sector by helping to define and implement best practices.

BOX 1 INDEPENDENT RESEARCH FINDS THAT TOURISM LAGS OTHER SECTORS IN ADOPTION OF CSR PRACTICES

A 2006 review of CSR in 14 of Europe's leading hotels noted that:

- "Some progress has been made, but the sector lags behind other European industries in responding to Corporate Responsibility challenges.
- Because of the complexity of the sector it is not easy for hotel companies, and others in the industry value chain, to respond to many of the issues without engaging with business partners;
- Long term, there is a clear business advantage for those who get their Corporate Responsibility response right but real risks for those that don't."¹

A 2003 World Bank review of company codes of conducts and international standards across sectors concluded:

"Of all the industry sectors examined in this project, the tourism industry was the least 'developed' both in terms of CSR initiatives and codes of conduct. Very few codes of conduct were identified akin to those used in light manufacturing and textiles industry, the agribusiness sector, or the 'principles' used in lieu of codes of conduct in the extractive industries. Although some firms have carved out a specific niche in providing tourism services with a focus on environmental conservation, and other multinationals have put in place specific practices and programs which are socially or environmentally responsible, the use of codes of conduct is far from widespread in the tourism sector."²