

## *Hotel Council of San Francisco and Corporate Social Responsibility (CSR)*

### Summary

This case study focuses on the relationship that exists between the hotel industry and the community in which this industry operates. The goal of the case is to help its readers explore the industry's role and responsibilities as a corporate citizen, as well as to understand the challenges associated with formulating a strategy to address complex social issues faced by a community.

### Learning Objectives

The case study is intended to deliver the following learning objectives:

- Students will be able to discuss the economic impact of hotels within the community in which they operate relative to economic activity and employment; students will be able to define and provide examples of the multiplier effect.
- Students will be able to discuss the quality of the employment opportunities provided by the hotel industry and the unique demographics of the industry's workforce.
- Students will gain a better understanding as to how members of the hotel community fulfill their responsibility to be good corporate citizens and to help solve social challenges faced by the local communities in which they operate.
- Students will be able to generate logical and creative solutions to potentially address the challenge of aggressive street behavior and homelessness in San Francisco.
- Students will demonstrate their critical thinking skills by demonstrating their ability to link information related to each of the above learning objectives to corporate social responsibility, and to the strategy that they recommend in an effort to address the dilemma faced by the Hotel Council of San Francisco.

### Teaching Approach and Strategy

In order to replicate the challenge faced by the Hotel Council, an effective approach to delivering this case is to divide a class into small groups of five to eight (5 – 8) students each and to instruct each group to role play as though they are the Executive Board of the Hotel Council of San Francisco. Each "Executive Board," which includes the volunteer senior officers of the Council, should discuss the eight (8) questions provided at the end of the case study in an effort to ensure a common understanding relative to the hotel industry's performance as a corporate citizen. Finally, each "Board" should then formulate a strategy and plan to address the challenge.

Instructors should note that, as with any well-written business case study, there is clearly no "right," "wrong," or "best" solution to the

dilemma faced by the Hotel Council of San Francisco. Students must be evaluated on how well they sort through the available information and develop a creative, responsible strategy for the Hotel Council to follow utilizing appropriate details and information from the case to support their strategy. The goal is to persuade—not to identify the "correct answer."

In addition, students may find the information in the case is not presented in a logical manner or that some less relevant information is presented in great detail while other, seemingly more important information, is missing or incomplete. This is done in an effort to "simulate reality;" according to William Ellet, author of *The Case Study Handbook* (Harvard Business Review Publishing, 2007), a well-written business case studies require that students face a business dilemma in the same way that it may be encountered in the real world; "a business case imitates or simulates a real situation" (page 13). In order to "represent reality," well-written case studies may include "irrelevancies, sideshows, misconceptions, and little information or an overwhelming amount of it" (page 13). This requires students to "filter out irrelevant or low-value portions of the text" and to "associate evidence from different parts of the case and integrate it into a conclusion" (page 14).

### Target Student Audience:

This case study is ideal for inclusion in a range of business and hospitality management courses including the following: business ethics, hospitality marketing, hotel management, human resource management, marketing, non-profit management, or public relations. Baccalaureate students completing their final two (2) years of study or graduate students will be better prepared to successfully analyze this case since advanced critical thinking skills, as well as the ability to deal with ambiguity, is essential to students' abilities to formulate an appropriate strategy to address the challenge presented.

### Sample Answers and Guidance for the Discussion Questions:

The following teaching notes are not intended to provide thorough responses to each of the questions and prompts provided at the end of the case study; however, a non-exhaustive list of key points is provided for each question or prompt. While in most cases students will be able to provide thorough and appropriate responses based only upon the material provided in the case study, some of the points provided below will give the instructor additional insight that is not outlined in the actual case study that they may elect to provide to the students in a classroom setting. Students may also be able to find this information if they do some additional research while analyzing the

case. Finally, a key point is noted, relative to each of the questions provided at the conclusion of the case, that illustrates how each specific learning objective is related to identifying an appropriate solution for the dilemma faced by the Hotel Council; this point is identified with "Relationship to dilemma" noted at the start of the statement.

## The Hotel Council

1. Explain the structure and mission of the Hotel Council of San Francisco. Outline the various activities that are spearheaded by the Hotel Council in an effort to achieve its mission.
  - It is stated in the case that the Hotel Council of San Francisco is a "membership-based advocacy organization committed to the economic and social vitality of the hospitality industry in San Francisco" (Hotel Council of San Francisco, 2015). The business of the Hotel Council is managed by a paid, professional staff, which includes an Executive Director, Director of Marketing and Membership, Manager of Programs and Communications, and Program Coordinator, which is overseen by a 24-member volunteer Board of Directors. Detailed information about the organization's activities can be found on the Hotel Council's website (<http://www.hotelcouncilsf.org>).
2. What options does the Hotel Council of San Francisco have relative to addressing the concerns of its members regarding aggressive panhandling and other offensive street behaviors that may negatively impact visitors and their perceptions of San Francisco? Identify the potential risks, rewards, and most likely outcome related to each strategy's implementation.
  - This question may be challenging for students; it will require creativity and conjecture. Consequently, it may be appropriate to dedicate some class time to explore potential strategies as well as the potential risks, rewards, and likely outcomes associated with each strategy.
  - Based upon a meeting held with a group of Hotel Council members, the following strategies were suggested, which are listed in order of support from most-to-least supported by those in attendance at the discussion:

*Increased enforcement of quality-of-life ordinances: Increase law enforcement's effort to address the concern, particularly in areas with high tourist traffic.*

*Address mental health issues: Many of the homeless suffer from mental illness; passing Laura's law and/or other measures may allow social workers to require those suffering from mental illness to seek treatment.*

*Get homeless off the streets: Increase social service agencies efforts, funding, and ability to get the homeless into shelters and back-to-work programs.*

*Increase accountability of spending: As outlined in the case, \$167*

*million annually is being spent to provide services to the less fortunate; increase the oversight of these funds and allocate the funds in the future based upon return on investment or the effectiveness as compared to the cost of the respective program.*

*Employee education: Educate hotel employees on the initiatives that are underway to address the homelessness and aggressive street behavior so that they understand the problem and can explain to hotel guests and visitors what is being done to address the problem.*

*Guest education: Provide a website, brochures (both printed and e-brochures), posters, and other promotional materials that explain all the steps that the San Francisco community is taking to address the problem of homelessness and offensive street behavior; this material should also communicate the level of spending targeted at addressing the problem.*

While these six (6) initiatives had the highest level of support, a number of additional initiatives were discussed, some of which are already in place, including the hotel non-profit collaborative, providing hotel employees with paid time off to work in shelters and soup kitchens, and back-to-work programs. It was also suggested that any guest education initiative also provide hotel guests with an easy way to donate money to organizations that provide services to the less fortunate or that a hotel booking website be created, for booking hotel rooms in San Francisco, with a portion of the room rate paid by guests that book through this website being contributed to social relief organizations. The Hotel Council leadership is concerned, however, with how these funds would be disbursed by the Council since there are several social service agencies that compete for funding.

**Relationship to the dilemma:** Obviously, as the central character in this case study, the role of Hotel Council is clear and does not require additional explanation.

## Corporate Social Responsibility – Financial Performance

1. As a part of a business's CSR policies, it has a responsibility to perform well financially. What factors are contributing to the strong financial performance of hotels in San Francisco? Identify the specific factors that are contributing to the high occupancy rates, Average Daily Rates (ADRs) and Revenue Per Available Room (RevPAR) currently being enjoyed by San Francisco hotels. How might these factors, positively and/or negatively affect the Hotel Council's response to the dilemma? San Francisco attracts business from a number different customer segments; since different travelers have different travel patterns, this is critical to running high occupancy, such as the 84.1% currently being enjoyed by San Francisco hotels. Some of the market segments attracted by San Francisco hotels

include IBT, leisure travelers, international travelers, corporate groups, association groups, citywide conventions, as well as cultural and sports enthusiasts, just to name a few.

**Relationship to dilemma:** Because San Francisco attracts business from so many disparate sources, it is highly unlikely that the market will collapse as a result of the aggressive street behavior; even if one or two customer segments are impacted by the behavior, there is such strong demand in the market from alternative sources of business that there will be no significant impact on the market as a whole.

2. Outline the impact that San Francisco's hotel industry contributes to the Bay Area's economy. Explain the multiplier effect and how it bolsters the industry's economic contribution. What relationship, if any, does the multiplier effect have to the Hotel Council's dilemma?

As outlined in the case study, the hotel industry generates \$6.6 billion in economic impact and supports 62,000 jobs.

The impact of direct spending by hotel guests contributes \$4.4 billion of impact and supports 25,936 jobs, while the remaining impact due to the multiplier effect, which is defined as the economic impact associated with the second wave or indirect spending by hotel industry employees and the local spending of hotels on capital expenditures and for services, supplies and equipment, totals \$2.2 billion supporting an additional 36,217 jobs.

**Relationship to dilemma:** The hotel industry contributes to the economic vitality of the San Francisco Bay Area as well as jobs for residents within the city and the region. Consequently, the hotel industry helps the community enjoy full employment and prosperity, which should help all the citizenry, including the least fortunate. The significant economic contribution made by the industry should also give the industry increased political clout when seeking assistance and support from others in the community in addressing the dilemma, as well as some economic resources to contribute to addressing the challenge.

3. How do hotel occupancy taxes in San Francisco compare to other destinations in the United States? How are the taxes allocated and how does this contribute to the industry's political clout? How might this political clout affect, either positively or negatively, the Hotel Council's response to aggressive street behavior? How might this political clout affect, either positively or negatively, the Hotel Council's response to aggressive street behavior?

San Francisco currently has one of the highest hotel occupancy tax rates in the country at 14.5%. This high tax rate, coupled with the high ADRs enjoyed in the San Francisco market, means that visitors to San Francisco are paying more in hotel taxes than visitors to any city in the nation. One concern that this presents, however, is that research has shown that high hotel

occupancy taxes can eventually have a negative impact on demand, particularly relative to group bookings, since it increases the overall cost of booking a meeting in the market.

Since hotel guests do not vote in local elections, yet they do consume municipal services, increasing hotel taxes is considered to be a low risk, but equitable way for politicians to increase tax revenues, particularly in markets that are performing exceptionally well.

The greatest proportion of hotel occupancy taxes, approximately 68% or more than \$170 million in 2012, is deposited into the city of San Francisco's general fund. This gives hoteliers considerable political clout in the city. Other major recipients of hotel taxes are Moscone Convention Center and San Francisco Travel, two recipients that exist for the sole purpose of increasing the number of visitors to the city. A number of cultural institutions, which also enhance San Francisco as a tourism destination, also receive support from the hotel occupancy tax. A small, but significant portion of hotel occupancy taxes (2% or \$5.5 million in 2012) are utilized to fund low-income housing subsidies.

**Relationship to dilemma:** The substantial contribution of taxes to the City's general fund does give the hotel industry some political clout should the Hotel Council seek increased levels of enforcement relative to quality-of-life regulations; however, if the Hotel Council puts too much pressure on politicians to address the issue, they may risk having tax revenues diverted that are currently being utilized to promote or support tourism or could even push politicians to consider increasing the hotel occupancy tax.

4. Other San Francisco businesses, organizations, and constituencies may share the Hotel Council's concerns, as related to aggressive street behavior. Identify these businesses and organizations. How might this impact the Hotel Council's response to the dilemma?

Other businesses that may share the Hotel Council's concern about aggressive street behavior include businesses that depend upon tourism as a key source of revenue. This would include restaurants, retail stores, local attractions, transportation companies and many others businesses. Like the San Francisco hotels, a large proportion of these businesses would likely be members of the San Francisco Travel Association.

Organizations that would share the concern include San Francisco Travel Association as well as many other business organizations, neighborhood associations, and local resident groups concerned about quality-of-life issues.

**Relationship to dilemma:** Since the Hotel Council is concerned that any action or position that it may take relative to aggressive street behavior may be negatively construed by advocates of the less

fortunate and some community members as a lack of concern or compassion for the less fortunate, it may not be wise for the Hotel Council to respond to the situation unilaterally. The Hotel Council should coordinate their efforts with other groups, organizations, and businesses that share their concern. In addition, because the San Francisco Travel Association serves as the chief marketing agency for the city, perhaps they should take the lead on communicating the tourism and business community's position on the issue—particularly in light of their extensive communications and social media marketing campaigns that are highlighted in the case. Finally, if the chosen response to the dilemma includes an attempt to educate tourists about all of the efforts that are being made by the San Francisco community to address the challenge of aggressive street behavior and homelessness, then San Francisco Travel should construct and deliver this message.

### **Corporate Social Responsibility – Ethical, Philanthropic, and Legal**

1. Discuss the unique characteristics of the hotel industry's workforce in San Francisco. How does it differ from other employers within the city? How might the workforce, and the characteristics of it, help in addressing aggressive street behavior?

The hotel industry provides many employment opportunities that do not require a college education and employs a diverse workforce, which is significant since there are fewer opportunities in today's knowledge-based economy for workers that lack an undergraduate, graduate, or professional degree—particularly in San Francisco with all its technology-based employment. In addition to providing a pleasant work environment, upward career mobility, and competitive benefits, hotels in San Francisco pay substantially higher wages and, with 84.1% occupancy, provide more stable employment in terms of scheduled work hours each week, than other hotel markets in the United States.

**Relationship to dilemma:** The hotel industry has the potential to provide employment opportunities for some of San Francisco's least fortunate. Many hotels have successfully implemented back-to-work programs designed to help workers get back "on their feet" after a personal or financial setback in partnership with social service agencies. Employers participating in such programs also receive tax benefits to cover training and other costs associated with hiring workers that are receiving public assistance from social service agencies.

2. Discuss pending legislation and other activities the San Francisco community has already undertaken to help its homeless population. How might the legislation and other activities affect the Hotel Council's response to its dilemma?

San Francisco currently has legislation in place that protects the rights of the homeless, who are often, but not always, those that are aggressively panhandling. This legislation presents

challenges in that enforcement officials cannot always address aggressive panhandling and other offensive public behavior, much to the dismay of San Francisco businesses. Similar legislation is being considered on the State level.

Several business and community organizations have expressed their concern with the pending legislation since, in the opinion of many, it impedes local communities, neighborhood associations, and business organizations from protecting the quality-of-life in their communities. Unfortunately, in the eyes of homeless rights activists, this legislation is necessary since many quality-of-life ordinances discriminate against the less fortunate based upon housing status. Should the Hotel Council oppose this legislation, they should do so in partnership with other business organizations and community groups to ensure that the hotel industry is not singled-out or targeted by activists.

The community is investing millions of dollars annually, nearly one-half-million dollars per day, to provide services and support to San Francisco's least fortunate residents. Yet, nearly 7,000 chronically homeless individuals continue to live on the streets of the City. Many, if not most, tourists would not be aware of this substantial investment. It may be beneficial to communicate this to tourists that express concern about the chronic homelessness issue that plagues San Francisco.

The hotel industry does give back to the community in many forms – the Hotel Non-Profit Collaborative; Aids Walk San Francisco; raise funds for local charities; donate personal hygiene supplies and invest their time to Project Homeless Connect; and, contribute time, money, and materials to support Project Night Night.

**Relationship to Dilemma:** Despite the sincere efforts of the San Francisco community, including the hotel industry, to address the homelessness issue, the problem persists. The pending legislation indicates that, although the majority of the population may agree that it is inappropriate for any person to engage in certain behaviors publicly (such as urinating, defecating, sleeping, etc.), there are advocates in the community that view these types of behaviors as basic human rights that should not be restricted and will view any attempts to address these quality-of-life issues as discriminatory. Consequently, the Hotel Council runs the risk of negatively impacting its image as a good corporate citizen with at least some members of the community, in terms of its ethical and philanthropic responsibilities, should it use its considerable political clout to encourage the restriction of these behaviors or by opposing the proposed legislation.

### **The Challenge**

Finally, based upon each of the factors above, please recommend a specific strategy to address aggressive street behavior in San Francisco and provide support for these recommendations.

- For this last question, there is obviously no “correct answer”; however, the key consideration is how well the student thought through their recommendations and are able to provide logical support for their recommendations.
- In addition, it is critical that the student has touched on many of the key points outlined above, in the “relationship to the dilemma” sections each of the items above, while formulating his or her recommendations. For example, a good response from a student will outline in their recommendations that the Hotel Council should not take a position unilaterally and that they should get San Francisco Travel, at a minimum, involved in formulating a strategy. In addition, they may want to work with other business associations and community groups that are mentioned in the case as working in opposition to homeless rights legislation.
- Students that submit a good response may also identify some additional research and information that may be needed to make more informed recommendations (e.g. a survey that assesses the current perceptions of the destination’s image by visitors, questions provided in the beginning of the case study at the end of the introductory section, etc.).
- Another insight that would be highly appropriate would be the recommendation that the Hotel Council enlist the support of some social service agencies or experts in formulating their strategies. The bottom-line is: the hotel industry does not want an antagonistic relationship with homeless rights advocates or social service providers—they want to be a part of the solution. Currently, it appears as though business interests, sociologists, and homeless rights activists appear to be on opposite sides of the issues; however, in reality, everyone involved wants to formulate an effective and compassionate strategy to help those in need.
- Finally, while homelessness and aggressive street behavior is a concern that needs to be addressed for any number of reasons, realistically, it is unlikely that the problem will derail the strong financial performance of San Francisco area hotels any time soon due to the strong fundamentals in the market—minimal growth in the supply of hotel rooms within the market; San Francisco’s natural beauty and nearby natural attractions; up-scale shopping; nightlife and entertainment; multiple cultural venues; etc. all points highlighted in the case study.

***Suggested Grading Rubric:***

The following rubric may be utilized to assess students’ analysis of the case based upon the discussion questions provided within the case study:

Criterion	Exceeds expectations	Fully meets expectations	Acceptable	Below expectations	Unacceptable or not addressed
“Corporate Social Responsibility” (CSR) defined including the four (4) key responsibilities of a business organization	18	16	12	10	0
Economic impact of hotels explained and appropriately related to CSR	9	8	6	5	0
Quality of hotel employment opportunities described and related to CSR	9	8	6	5	0
Hotel taxes and their impact are appropriately explained	9	8	6	5	0
Appropriate and creative recommendations developed	18	16	12	10	0
Potential risks of each recommendation are identified	9	8	6	5	0
An appropriate role for the Hotel Council, San Francisco Travel, and others involved in addressing the dilemma are proposed	9	8	7	6	0
Overall quality of logic and reasoning	9	8	7	6	0
Paper structure, grammar, spelling, and references	10	9	8	6	n/a
<b>Total</b>	<b>100</b>	<b>89</b>	<b>70</b>	<b>58</b>	<b>0</b>

**Exceeds expectations:** Student has thoroughly responded to the questions and prompts provided while addressing all of the key points; student may also have conducted some additional research, appropriately related course content to the situation, and/or provided particularly advanced insight into the topic.

**Fully meets expectations:** Student has thoroughly responded to the questions and prompts provided while addressing the majority of the key points; student has appropriately related course content to the situation, and provided solid insight into the topic.

**Acceptable:** Student has responded to the questions and prompts provided but was less than thorough while touching just on one or two of the key points; student may not have appropriately related course content to the situation or failed to provide solid insight into the topic, although they appear to have at least a basic understanding of the relevant concepts.

**Below expectations:** Student has not appropriately responded to the questions and prompts provided or addressed the key points; the student has failed to demonstrate their understanding of the topic and concepts.