

Environmental Reporting in UK Hotels: An Empirical Analysis¹

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ABSTRACT

The objective of this study is to analyze the influence of stakeholders on British hotels' decision to assess and separately disclose the environmental costs. To this end, a field survey was carried out in British hospitality sector. The results suggest that stakeholders have an impact on hotels' decision to measure and disclose the environmental costs. However, the results of this study indicate that environmental disclosures on a voluntary basis have not encouraged majority of the hotels to disclose environmental information. Mandatory disclosure requirements might be necessary to enhance environmental accounting practices in accommodation sector.

1. INTRODUCTION

The recent increase in the number of non-profit environmental organizations and in the variety of society's environmental demands indicate that public's sensitivity to environmental issues has significantly increased. The society – or groups in society – has become more anxious and critical about the environmental practices of firms. Today companies are not held accountable just for their financial performance; society expects that they should also accept accountability to stakeholders for their environmental and social performance. The costs of environmental impacts have also become increasingly significant and economically relevant. The environmental costs have long-term financial implications of sustainability of the firms (Gray et al., 1996). Hence, today, measuring and reporting environmental costs has become vital for the decision making process (Schaltegger and Burritt, 2000).

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As an attempt to respond to social expectations and as a result of the economic considerations, firms started devoting attention to environmental accounting issues. In recent times, both the number of firms making environmental disclosure and the amount of information disclosed has increased (Gray et al., 1995; Deegan and Gordon, 1996). However, the amount of both quantitative and qualitative environmental disclosures still remains at a relatively low level (Deegan and Gordon, 1996).

There has also been a marked increase in the research attention on this area. A comprehensive review is beyond the scope of this text, readers should consult other sources (Gray 2001 and Deegan 2002). Many various environmental accounting issues have been researched in the accounting literature. Some of the research questions that have been researched include:

- What are companies reporting?
- Is there link between environmental disclosure and corporate performance?
- What are the factors that influence managers' decision to disclose environmental information?

In many studies that attempt to answer the last question in the above list, stakeholders' involvement in environmental disclosure has been analyzed. A stakeholder is anyone who can influence or is influenced by organization. The stakeholders have some rights to information about the organization and the organization needs to satisfy information requirements of the stakeholders. Proponents of stakeholder approach believe that the increasing pressure from stakeholders concerned about the impact of corporate activities is the main reason for organizations to engage with environmental issues.

Majority of the studies that analyzed stakeholders' involvement in environmental accounting have used data from production firms. Service industry has unfortunately been neglected, although for the reason that traditionally the environmental cost analyses and environment accounting applications are mostly carried out by production enterprises. However, the services sector, particularly the accommodation enterprises have serious environmental costs and more studies on this sector is needed.

By consuming the natural resources, hotels affect the sustainability of the environment in which they operate. Their facilities produce significant amounts of solid waste and waste water. In addition, hotels pollute the local waterworks as a result of their activities and cause erosion and corrosion of the soil. Therefore, measuring and reporting environmental costs for the hotels is a significant task.

This study aims to contribute to environmental accounting literature by analyzing the role of the stakeholders in British hotels' environmental accounting practices. The rest of the paper is organized as follows. We outline the research methodology in Section 2. Section 3 summarizes the results. Section 4 concludes.

2. RESEARCH METHODOLOGY

Field research method was used to collect the data for the analysis and a questionnaire was designed. The questionnaire has three main parts. Questions regarding the general characteristics of the hotel are in the first part.

The second part consists of the questions designed to get information about the environmental reporting applications of the hotels. Questions about the hotels preferences on measuring and reporting environmental costs were presented to the respondents with the following options: preparing the costs in question as a separate report, preparing as part of the annual report, preparing within the financial statements in a separate account or indicating at the financial statement footnotes, and not reporting separately.

The questions regarding the impact of the stakeholders on hotels' environmental accounting practices were asked in the final part. The following groups were defined as the stakeholders: shareholders, creditors, management, employees and trade unions, customers, suppliers, communities, competitors and the society. In this part, managers were asked to present their view on the impact of the each stakeholder on environmental accounting practices using a five-point Likert scale.

The contact information of the managers of 1367 4 and 5 star hotels operating in United Kingdom was obtained from www.visitbritain.com website. Questionnaire form was sent to hotel managers via e-mail. If a reply was not obtained within a week, a remainder was sent. If after a week of the remainder there was still no response, the manager was contacted by phone and a phone interview was performed. This procedure provided 116 answered questionnaires and 104 of these were usable for the analysis.

3. RESULTS

General features of the hotels that have participated in the research are presented at Table 1. 29.8% of the hotels in question are 5-star and 70.2% are 4-star hotels. The ratio of the hotels whose bed capacity is between 30 and 50 is 13.5%, between 51 and 100 is 54.8%, between 101 and 150 is 21.2%, and between 151 and 250 is 10.6%. 51% of the hotels are visited by the customers with vacation purposes, 34.6% with business purposes and 14.4% with other purposes. 39.4% of the hotels in the research have standards concerning the environment and 60.6% do not have any standards regarding environment.

Based on the classification provided by www.visitbritain.com website, United Kingdom was divided into geographical regions; these are: London, East Midland, The East of England, England's North Country, Heart of England, South East England, South West England, Scotland, Wales, Northern Ireland, Channel Island and Isle of Man. The answering ratios in these areas were as follows: %14.4, %3.8, %4.8, %11.5, %6.7, %8.7, %28.8, %2.9, %5.8, %2.9, %4.8, %4.8 respectively.

Table 1 summarizes the general characteristics of the hotels in the sample.

Table 1: The General Features of the Hotels

Features of Hotels		Frequency	Ratio%
Star	5	31	29.8
	4	73	70.2
Bed Capacity	30-50	14	13.5
	51-100	57	54.8
	101-150	22	21.2
	151-250	11	10.6
Accommodation Type	Vacation	53	51.0
	Business	36	34.6
	Other	15	14.4
Environmental Quality Standard	Exists	41	39.4
	Do not exist	63	60.6
Area	London	15	14.4
	East Midland	4	3.8
	East of England	5	4.8
	England's North Country	12	11.5
	Heart of England	7	6.7
	South East England	9	8.7
	South West England	30	28.8
	Scotland	3	2.9
	Wales	6	5.8
	Northern Ireland	3	2.9
	Channel Island	5	4.8
	Isle of Man	5	4.8

A logistic regression was employed to relate hotels' environmental accounting practices to the impact of the stakeholders. Based on the responses to the questions from Part 2, hotels were classified into two groups. The first group "separately determines and reports" the environmental costs, the second group "does not". This binary variable was the dependent variable of the regression and answers from Part 3 provided the data for the independent variables. The results of the logistic regression are shown in Table 2.

Table 2: Logistic Regression Analysis

Variables	Odds Ratio
Employees	-0.383 (1.240)
Creditors	-3.771* (1.466)
Suppliers	1.567 (1.225)
Shareholders	-2.577* (1.010)
Competitors	-1.343 (0.966)
Customers	-0.520 (1.088)
Managers	-3.465* (1.450)
Society	0.528 (1.182)
Constant	20.973* (6.938)

(The numbers within parentheses are standard error values, * = $p \leq .05$, N = 104, -2 Log likelihood = 23.970, Chi Square=104.416, Nagelkerke R² = 0.894)

According to the regression results, the constant and three independent variables are statistically significant. These variables are Creditors, Shareholders and Managers. All significant variables have a negative sign.

Table 3 presents the classification table. The model successfully predicts the outcome 95.2% of the time.

Table 3: Classification Table

Observed	Predicted		Percentage Correct
	0	1	

0	69	3	95.8
1	2	30	93.8
Overall Percentage			95.2

4. CONCLUSION

This study analyzes the role of the stakeholders in British hotels' environmental accounting practices. The results suggest that stakeholders have an impact on hotels' decision to measure and disclose the environmental costs. Based on the regression results we can say that the creditors, shareholders and managers have an effect on hotels' decisions on environmental accounting issues.

However, the sign of all significant variables in the logistic regression are negative. This suggests that there is negative relationship between these variables and hotels' decision on measuring and reporting environmental costs. Regression results also suggest that the other important stakeholders do have an impact hotels' decision on environmental disclosures. This result was unexpected as it was predicted that especially the society and customers would have a role in the process.

It should be noted that only about 31% of the hotels in the sample separately measure and disclose the environmental costs and only about 39% of them have environmental quality standards. In the absence of the legal requirements to disclose environmental costs, majority of hotels choose not to disclose them.

The results of this indicate that environmental disclosures on a voluntary basis have not encouraged majority of the hotels to disclose environmental information. Mandatory disclosure requirements should be put in place to enhance environmental accounting practices.

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