

Responsible Hospitality: Carlson Rezidor

Knut J. Ims and Kjell Grønhaug

This chapter proceeds as follows.¹ First, the history of Carlson Rezidor Hotel Group (CR) will be presented, focusing on the ultra-entrepreneur Curtis Carlson. We will also introduce the profile of CR: the policies—how it chooses to operate, and the activities that affect stakeholders; the assets—what resources CR chooses to own and manage; and CR’s governance—how power is exercised, and how the company makes decisions.

In Part 2 of this chapter, we describe and analyze CR from the perspective of progressive business, understood as *ecologically sustainable, future respecting and pro-social* enterprising (Zsolnai 2011). We briefly focus on how value is created for customers (Tece 2010). The resulting cost structure and profit potential of Rezidor, the Swedish part of CR and a listed company, will be analyzed. Carlson’s family-owned hotel business is part of a strategic partnership with Rezidor, which

K.J. Ims (✉) · K. Grønhaug
NHH Norwegian School of Economics, Bergen, Norway

since 2006 has been listed on the Nasdaq OMX Stockholm. Rezidor originated in Sweden in 1960 as a Nordic hotel company, but the Carlson family became the majority shareholder in 2006. Rezidor has a *Responsible Business Program*, on which we will focus. The main source of data is Rezidor's Responsible Business Report (2013, 2015) that describes their different approaches to sustainability.² Rezidor's Responsible Business Program includes all the hotels which are managed, leased or franchised by the Rezidor Hotel Group. More than 80% of new hotels are developed in Eastern Europe, the Middle East, or Africa.³ The Responsible Business program is in line with Carlson's 4D strategy (*Develop Talent, Delight Guests, Drive the Business, and Deliver Results*). The core of the program includes three dimensions: *Think Planet*—minimizing the company's environmental footprint, *Think People*—taking care of the health and safety of guests and employees, and *Think Together*—respect for social and ethical issues in the company and the communities in which the company operates.

In Part 3, CR and Rezidor's problems and challenges will be discussed. Part 4 concludes with some remarks about the innovativeness of the business model, and an appraisal of whether it may be generalized to other companies, industries, and countries.

We emphasize that we have addressed the Carlson Rezidor Hotel Group almost as a single company, even if the focus is on the Rezidor Hotel Group AB, hereafter called Rezidor. Rezidor, originally a Swedish company, started cooperating with the family-owned Carlson "travel agency" company, *Carlson Wagonlit Travel* (CWT), in 1994. This two-company partnership grew, and in 2006 the family-owned Carlson Company became the majority shareholder of Rezidor with the purchase of 51.03% of Rezidor shares.

1 History

Behind Carlson Rezidor there is one man in particular: Curtis Leroy Carlson (1914–1999), recognized worldwide as the "ultra-entrepreneur." Born of a Swedish father and a Danish-Swedish mother, Curtis grew up in Minneapolis (Minnesota), and graduated from the

University of Minnesota with a BA in Economics in 1937. In 1986, he donated 25 million dollars to his alma mater, whose school of management was renamed *The Curtis L. Carlson School of Management* as a sign of gratitude. At the time, this was the single largest gift ever donated to a public university. Curtis Carlson is remembered not only for the professional successes he achieved, but also for his love of family and community, and the integrity he demonstrated in life. His advice to others was: “Do not what I did, but seek what I sought.”

The 24-year-old Curtis L. Carlson originally created the Gold Bond Stamp Company in Minneapolis. Using a borrowed 55 dollars, his business idea was to incentivize customers to visit stores to exchange stamps for groceries and goods. In fact, this represents an early example of a customer loyalty program—a theme central to modern marketing practices. After World War II, Carlson’s business grew dramatically. The stamp program was also applied to the hospitality industry, and in the 1980s the business became a huge, diversified global company and the world’s biggest stamp trading company.

Mr. Carlson’s “Horatio Alger”⁴ qualities were a key to the continued expansion of his business, which in 2000 was one of the largest privately held companies in the world. The company was an international leader in providing hospitality, travel, and marketing services to corporate clients and consumers. In 2010, Carlson Companies were operating in about 150 countries and employing, through its brands, about 150,000 people worldwide and generating more than 22 billion dollars of revenue.⁵ Since Carlson Companies Inc. is a private company, it has not released an annual report, implying that its financial details are not open to the public. However, financial data from the annual reports of publicly quoted Rezidor Hotels itself are presented and discussed.

How did Carlson enter the hospitality industry?

In 1960, Curtis Carlson bought a Radisson hotel in downtown Minneapolis.⁶ In 1980, a Radisson SAS hotel was opened in Kuwait (the first to open outside Scandinavia); a sign of the company’s entry into new global markets. In 1994, Rezidor started to cooperate with Carlson regarding the operation and development of the Radisson brand in Europe, the Middle East, and Africa. The collaboration was structured as a “Master Franchise Agreement”. Later, in 2002,

cooperation continued with the brands *Park Inn*, *Country Inn*, and *Regent* in Europe, the Middle East, and Africa.

SAS is the abbreviation for Scandinavian Airlines, founded in 1946, owned by three partners, Sweden, Denmark, and Norway. It is the flag carrier of the three countries and was the largest airline in Scandinavia. Rezidor was at first the hotel section of SAS Airlines, which opened its first hotel in 1960 in Denmark. The hotel was called *The Royal Copenhagen* and was an architectural hallmark. From then onwards, the hotel line was further developed into an international company. In 2006, SAS sold the hotel business and Rezidor was converted into a limited company and went public through being listed on the Stockholm Stock Exchange with Carlson as the dominant shareholder. Rezidor has been named one of the world's most ethical companies for 6 years in a row (since 2010). (Rezidor's Responsible Business Report 2015: 3)

In 2012, Carlson and Rezidor started a *strategic partnership* for the purpose of operating the *Carlson Rezidor Hotel Group*. The purpose was to better exploit their relative advantages and benefit from the effects of synergy. Hubert Joly, President and CEO of Carlson, said this about the partnership between Carlson and Rezidor: "Going to market as one is a next and natural step. We are leveraging the strengths of two great companies to create value for all our stakeholders."

Carlson Wagonlit Travel is one of the world's leading business travel management companies, with a specialization in business travel, meetings, and events. They help clients to optimize their travel programs, provide assistance to travelers around the world, and are present in more than 150 countries (Fig. 1).

Figure 1 shows that Carlson Company is the majority owner of Rezidor Ltd (51.3% ownership stake). Rezidor operates in strategic partnership with Carlson Hotels as the Carlson Rezidor Hotel Group (7.3 billion dollars' revenue in 2016). Carlson Wagonlit Travel (CWT) is a separate business unit (24.2 billion dollars' revenue in 2016) and is owned by the Carlson Company.

One goal of the Carlson Rezidor hotel group (CR) was to grow their core brands *Radisson Blu* and *Park Inn*. In 2014, the group was operating over 1300 hotels in more than 100 countries, employing more than

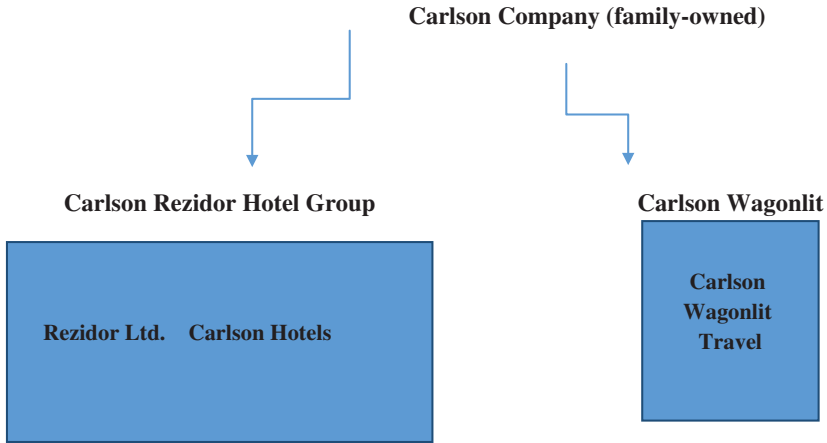


Fig. 1 The Carlson company

88,000 people, and was the ninth largest hotel company in the world. In 2016 CR reached a milestone of 100,000 rooms. Rezidor alone was operating 360 hotels (80,000 rooms in 80 countries), while 110 new hotels were under development. Moreover, 17 of the new hotels were in “new” countries, indicating that Rezidor is a very dynamic company. In 2016, Rezidor entered Kyrgyzstan and Angola and is building new Radisson Blu hotels in Dubai. Expanding into many emergent markets implies the will to take considerable risk. (Responsible Business Report 2015: 2) Rezidor is also the largest international hotel operator in Russia and Baltics.

The group has a set of complementary global brands which focus on different segments. Radisson Blu is an “upper upscale” brand, while Country Inns & Suites by Carlson is the “upper mid-scale” brand.⁷ The Carlson group owns the brand Radisson and is also franchising the name Radisson and taking on management contracts for new hotels throughout the USA.

In May 2016, Carlson Company accepted a bid from the *HNA Group* (a Chinese investor in airlines and tourism) for 51.3% of its shares in Rezidor Hotel Group AB. This purchase will make HNA group the majority shareholder, able to direct Rezidor’s policies and

management. One immediate effect was that one member of the board of directors and the chief executive officers have already resigned from his position with effect from February 1, 2017. He is being replaced by a new executive officer from HNA group.

CR is a strategic partnership between a family-owned company (Carlson) and a limited company, Rezidor Ltd. Rezidor is listed on the Stockholm Stock Exchange. The headquarters of the Carlson group is in Minnetonka, (close to Minneapolis in the state of Minnesota) in the USA, while Rezidor's corporate office is located in Brussels, Belgium. Trudy Rautio was CEO of CR until 2015, and Wolfgang M. Neumann is CEO of Rezidor. The Rezidor Ltd. is dominated by the Carlsons who own 51.3% of the shares. The remainder 48.7% is largely owned by institutional owners. Accordingly, Carlson has been able to control Rezidor, including its strategy. From a Swedish point of view, almost 80% of Rezidor's shareholders are classified as foreign owners. The market price for each share at the end of 2015 was SEK 31.2, (in 2014, 28.1; 2013, 40; 2012, 23; and in 2011, SEK 22.1) which indicates "modest volatility."

The market value of Rezidor at the end of 2015 was SEK 5441 million, while in 2013 it was 6000 million (2012, 3480; and 2011, 3315 million). Rezidor did not pay any dividends during the period from 2009–2014. In 2014 and 2015 it paid EUR 0.03 and 0.07 per share, respectively.

In May 2016, when the Chinese HNA Group made the bid, the market value of Rezidor increased to SEK 5800 million. Rezidor shares rose 1.5% to SEK 33.90 on the Stockholm stock exchange, reversing earlier losses. Each of the 174.4 million shares has one vote and is associated with an equal right to participate in the group's profits and assets.

How are the decision-making systems in Rezidor organized? Rezidor is incorporated under the laws of Sweden and is publically listed on the Nasdaq OMX Stockholm. This means that the operations of Rezidor Hotel Group AB (Ltd.) are based on Swedish legislation and regulations. The majority owners, Carlson Group, have emphasized the need for active ownership. This is made concrete in the way that the president and CEO of Carlson, Trudy Rautio, has been chairman of the board of Rezidor since 2012 and has been a board member since 2005.

Rautio is also chairperson of the Carlson Wagonlit Travel board of directors. Second, the Rezidor board of directors consists of seven people: three Americans and four (AGM) is simultaneously translated into English—the Swedish Companies Act mandates certain administrative procedures and values transparency in particular.

The level of *remuneration* of the Board of Directors and the election of the Board of Directors are important decisions which are made at the AGM. The policy is to offer “a competitive remuneration package that helps align executives with shareholder interests, to increase the proportion of remuneration linked to company performance and to encourage executive share ownership.” This means granting the CEO and the executive committee a package of: (i) fixed remuneration, (ii) annual variable remuneration based on the meeting of financial and individual performance targets, (iii) a long-term, share-based incentive program, (iv) a pension, and (v) other benefits. The remuneration of the board of directors decreased from 2011 to 2013 (ca. 5%). In 2013, 2014, and 2015 the chairperson received 80,000 EUR, while the vice chairperson received 65,000 EUR. However, their total compensation is somewhat higher because members participate in either the audit committee or compensation committee and also receive remuneration for those tasks. The base salary of the CEO is 679,000 EUR (2015) with variable remuneration of 828,000 EUR, which together with a pension and “Housing, schooling and company cars” totals 1,635,000 EUR. This is a dramatic decline from 2011 when the CEO received 4,776,000 EUR. The reason for the high-level of remuneration of 2011 is probably because the former CEO retired. The total remuneration of the executive committee, including the CEO, has declined by almost 50% since 2011. Accordingly, it appears that the company’s compensation cost structure for top executives has been slimmed down. We also note that the mix of base remuneration and variable remuneration drastically changed between 2012 and 2013, leaving much less base remuneration in 2013 (only one-third of the level paid in 2012).

Efficient operating processes are a third important criterion of good governance. Rezidor combines a top-down and bottom-up approach to ensure maximum engagement in operations. Rezidor has a CEO and Executive Committee at headquarters, including a *Responsible Business*

Department. At the regional level, there are 23 *Regional Responsible Business Coordinators* who define regional targets in line with group strategy. At the hotel level, there is one *Responsible Business Coordinator* in addition to a *Responsible Business Team*.

The main task of the executive committee of Rezidor, which is led by the CEO (Neumann), is to produce key information for the board. The executive committee consists of eight individuals with an impressive multicultural background draw upon a pool of very different professional competencies.

2 Carlson Rezidor's Business Model

According to the president and CEO of Carlson, Trudy Rautio: "Carlson is in the service industry, and we have a noble cause to not only serve our customers and guests, but also our communities. Responsible business and caring are Carlson's core values, and they reinforce our commitment to leave a lasting legacy and make our world a better place."

As we can see from the paragraph above, the business model of Carlson is to serve their customers and communities. The word "serving" is a strong term with spiritual associations, and by including "the community" in their mission statement, Carlson's business model is an example of extended social responsibility. One important component of the business model of Carlson is their loyalty program (*Club Carlson SM*), which in its time was a genuine innovation (Foss and Saebi 2015).

Looking at the credo of Carlson and the Code of Business Conduct and Ethics, we see a strong commitment to ethical values. In their own words: "The Carlson Credo has been a success story, which is driven by a strong work ethic, a spirit of caring, and an uncompromising set of values." The founder, Curtis L. Carlson, is known to have followed the credo described below:

“Whatever you do, do it with Integrity.
Wherever you go, go as a Leader.
Whomever you serve, serve with Caring.

Whenever you dream, dream with your All.
And never, ever give up.”

According to the Carlson Code of Business conduct and ethics, “Carlson strives to provide all whom we serve with quality products, services, and solutions, and in doing so, we must maintain the highest ethical standards...As Carlsonians, we are defined both by the results we achieve, and the way we achieve them...ethical decision making is so much a part of our cultural DNA and ‘the how’ we do business that it’s become part of our daily routine.”

Concerning strategy, Rezidor has formulated what they call a 4D Strategy: “Our mission, values and vision are the fundamentals of our strategy.” The 4D Strategy has four pillars: Develop Talent, Delight Guests, Drive the Business, and Deliver Results. Rezidor’s 4D Strategy is a long-term, multidimensional business approach—involving every employee within the group. According to a Rezidor strategy statement:

Our mission is all about *Yes I Can!*, our DNA and the philosophy that sets us apart: We provide a unique *Yes I Can!* Service – this is our way of life, and demonstrates our positive attitude, our personal approach and the empowerment of our people. In everything we do, we build on our strong *values* that differentiate us: Being Host, Living Trust, and Fighting Z –pirit. The latter term indicates that Rezidor’s leaders emphasize the importance of daring to do things differently, and ‘always being entrepreneurial, innovative and opportunity driven’. One value the management try ‘to sell’ to the organization is obviously borrowed from Obama’s presidential campaign: ‘Yes we Can.’ (Annual Report 2013: 6)

Our *vision* is that we will be recognized as: the most passionate team of hoteliers; building outstanding guest loyalty by providing memorable experiences, and committing to attracting, developing and retaining talent. (Annual Report 2013: 6)

Another ambition of the CR hotel group is to be regarded as “the most innovative and responsible organization; leading the industry in anticipating trends and responding to changing customer needs, *and caring for our planet by acting in a sustainable way.*” (The authors’ emphasis).

CR also aspires to be the most dynamic hotel company. They express the importance of involving all the members of their organization “in bringing 4D to life.” Concerning “Development dynamics” ... “Our long-term strategy and turnaround program Route 2015 target a profitable, sustainable and asset-light growth that helps mitigate market volatility and drive margins.” (Annual Report 2013: 18)

The business development of CR is concentrated on CR’s two main brands; Radisson Blu and Park Inn by Radisson, and a geographical focus on emerging markets and key countries. However, in 2015 two new brands were developed. Radisson RED, which is an “upscale” brand called “lifestyle select,” and the Quorvus Collection. The latter is oriented toward the market for luxury. It is obvious that with a brand name called “lifestyle” CR tries to influence the customer’s preconception about the product. By creating this new class of hotels, the CR tries to attract new customers and make their product distinct in relationship to competing products that is hotels. We might expect a swimming pool and a well-equipped trim room in an “upscale” class hotel.

On the African continent, Rezidor operates more than 20 hotels, while Russia/CIS and Baltics and Africa are regarded as the most important regions for development. In these markets President and CEO of Rezidor, Neumann writes that “...we take responsibility through sustainable development and construction processes as well as through the creation of thousands of jobs and through training for our local newcomers....and are a lead partner of the Youth Career Initiative that offers traineeships and training to underprivileged youngsters.” (Responsible Business Report 2013: 1)

Our employees are our biggest asset.

Rezidor attracts, develops and retains team members through a performance management program. (Annual Report 2013: 30)

Our business is a people business...And a key focus is the training and development of 35,000 ‘team members.’⁸

Concerning individual career plans, one goal is to have women in 30% of leadership positions by the end of 2016. (Annual Report 2013: 32)

A number of initiatives such as new courses aimed at developing female talent in the company (*The STEPS Program*) and a workshop *Develop YOUR Talent* were implemented in 2015 (Responsible Business Report 2015: 31) and will have a positive effect on the proportion of women in leadership positions. It is clear that Rezidor uses ‘talent reviews’ regularly for all areas and functions. The *Mentor Mentee Program* offers young leaders the opportunity to learn under the patronage of an experienced senior manager. *The Business School @ Rezidor* is the company’s own management development institute (950 participants in 2013) through which training is provided at different hotels in Europe, the Middle East, and Africa. According to CR, this is “an Employee Value Proposition,” which captures the elements that “make us distinct as an employer”. (Annual Report 2013: 32) The intention is to create “an emotional connection” between the company and the employee, formulated as: “We are powered by passion; We genuinely care; We innovate to shape our future; We act responsibly; We stand out together; We grow talent, talent grows us; It’s all about you!” (Annual Report 2013: 32)

Building a better world is one part of Rezidor’s holistic Responsible Business Program which may differentiate them from many other hotel companies. Rezidor claims that they “care for our people, and act in a sustainable way.” (Annual Report 2013: 34) 25,700 employees participated in Rezidor’s climate analysis in 2013, while 77% of hotels were eco-labeled, and 32000 tons of carbon were offset and trees were planted in 2015. Rezidor’s participation in water stewardship activities can be emphasized as a future-oriented initiative which addresses the challenge of managing global water resources and providing access to clean drinking water. The initiative was established by the United Nations in 2007 and has been designed to assist companies to develop water sustainability policies and practices. Rezidor signed the *CEO Water Mandate* in 2014, becoming the first signatory from the hospitality industry.

Rezidor is a member of the United Nations’ *Global Compact*, a global policy initiative aimed at businesses that are committed to aligning their operations and strategies with universally accepted principles in the areas of human rights, labor, environment, and anti-corruption.

Rezidor also publishes a responsible *Business Report* that describes the most relevant sustainability aspects of its operations. This includes all the hotels which are managed, leased or franchised by Rezidor. The Responsible Business program is aligned with the company's 4D strategy, which consists of three pillars; Think Planet (minimizing impact on the environment), Think People, (taking care of the health and safety of guests and employees) and Think Together (respecting social and ethical issues in the company and the communities in which Rezidor operates). (Annual Report 2013: 34)

Think Planet includes an energy-saving initiative whose goal is to reduce energy consumption at every hotel. One goal is to reduce the consumption of water to 34 liters per guest night on average. In relation to this, a Radisson Blu hotel in Cape Town, South Africa won an internal competition by reducing energy consumption by 28% in 2012. Every employee received as a prize “a foldable bicycle—a trendy and environmentally friendly reward.” (Annual Report 2013: 34)

In 2013, more than two-thirds of Rezidor's hotels received an independent, third-party eco label. The global loyalty program (Club Carlson) launched a *Think Planet innovation* program on Earth Day 2013 according to which every meeting at a Carlson Rezidor hotel must have climate protection on the agenda. As a “free environmental extra,” the idea is to plant as many trees in Kenya's Rift Valley as will offset the carbon emissions of the meetings.

Think People has resulted in the training of underprivileged young adults in South Africa and Ethiopia. In 2013 this project was recorded and broadcast on CNBC Africa in the documentary film *It's Africa's Time*.

Rezidor is a partner of the *Youth Career* initiative which offers 6 months of training to disadvantaged young people (in Poland, Romania, Jordan, Ethiopia, Dakar, and Senegal) to increase their living and working skills. “Think Together” implies that Rezidor hotels are engaged in a *Responsible Business Action Month* which involves organizing a number of charity activities (for example, a street-golf tournament in Amsterdam, a bike ride along the Baltic Way, and the *Box Appeal*). Carlson Rezidor has also raised EUR 127,000 for their global charity partner *World Childhood Foundation*. EUR 560,000 was collected in

2013 for a series of local charities in more than 260 communities in 56 countries. “All our 35,000 employees get involved when we celebrate our Responsible Business Action Month (RBAM)—a dedicated period when hotels contribute to their local communities and fundraise for our corporate charity organization World Childhood Foundation.” In September 2015, more than 10,000 volunteers took part in 780 activities. The annual Box Appeal resulted in 23,400 boxes being filled with staple items for laborers and people in need. The boxes were distributed by Radisson hotels and Park Inn hotels in South Africa and Middle Eastern countries.

Rezidor has identified eight Responsible Business stakeholder groups to which they make a particular commitment. Concerning employees, Rezidor is committed to promoting education and making conscious decisions in favor of environmental, ethical, and social issues in employees’ work and private lives. The other stakeholders are Customers, Property owners, Shareholders, Suppliers, Authorities, and Community. Concerning the latter, Rezidor make efforts to play an active role in the global, responsible business community, and to contribute to the local communities where operations take place. The eighth and final stakeholder is the Environment. About this, Rezidor declares: “We do our utmost to continuously improve our performance in the areas of energy and water use, chemical and resource consumption, and waste generation. Our goal is to reduce our impact on the environment and minimize our carbon footprint.”

Employees from Carlson’s corporate headquarters volunteered to build a *Habitat for Humanity* home in north Minneapolis. This was the fourth such building Carlson has built in the area, which was ravaged by a tornado in 2011. More than 230 employees from 20 departments donated 2160 volunteer hours to building a number of four-bedroom homes. The houses were sold to moderate income families in North Minneapolis.

The *Business for Peace* Foundation was established in 2007 to inspire business leaders to cooperate with society as partners in developing shared value and increasing trust between business and society. “Business worthiness” is a concept developed by the foundation to

indicate how business leaders can create trust with communities, contribute to well-being, and create conditions for sustainable development.

Marilyn Carlson Nelson, chief executive officer and chairperson emeritus of the Carlson companies, was in 2014 the recipient of the Oslo *Business for Peace Award*. This is the highest form of recognition that is given to individual business leaders who foster peace and stability through creating shared value between business and society. Marilyn Carlson Nelson was nominated by the United Nations Global Compact (UNGC) for her leadership in promoting responsible business practices “ranging from advocacy for the abolition of sexual exploitation of children, to guidance of the UNGC as an active board member.” The criteria for selection are “business persons who, through their own actions and commitments, promote socially responsible and ethical business practices in an outstanding way, and stand out as examples to the world.” Marilyn’s response was that “...this recognition is further affirmation that business is indeed a force for good, and I am greatly honored.”⁹

The US think-tank, the *Ethisphere Institute*, described Rezidor as “one of the World’s most Ethical Companies” for the sixth consecutive year in 2015.¹⁰ We should also emphasize that Radisson Blu was named “Sweden’s Best International Hotel Chain” by the *Swedish Travel and Tourism Industry*. (Annual Report 2013: 30)

3 Problems and Challenges

In this section, we will discuss problems and challenges and in particular focus on Rezidor’s *Responsible Business program*.

Hotel operations take place in a very dynamic industry, so the company buys and sells parts of its portfolio regularly and rapidly. It is a challenge for the authors to define the boundaries of this complex company.

Over the years, Rezidor has expanded to Eastern Europe, including Russia, as well as moving into Africa and the Middle East. This has created opportunities as well as heightening risk. In December 2016,

Carlson Company accepted a bid from the HNA Group for the Carlson Rezidor Hotel Group, which includes Carlson's majority shares in Rezidor. HNA Group is a Fortune Global 500 company with operations across many sectors. One of the divisions is HNA tourism Group Co., founded in Beijing in 2007. HNA operates more than 2000 hotels in China and other countries, while its business model is focused on integrating "smart tourism" services in transportation (that is, in integrating air travel, tourism, finances, and tourism e-commerce). The intention for HNA's acquisition of Carlson Hotels is probably future growth and improved competitiveness. HNA has now full control over the former Carlson Rezidor Hotel group.

One of Rezidor's earlier challenges was to focus on maintaining the profitability of the leased hotel portfolio in Western Europe. In 2011, Rezidor initiated a turnaround which included a number of initiatives that were expected to increase profits. In 2012, Rezidor and Carlson were doing business together as the Carlson Rezidor Hotel Group to facilitate this work. (See Rezidor Annual Report 2015: 4)

Rezidor also attempted to create more synergy with their partner and brand owner Carlson, in particular by working with them to strengthen the customer loyalty program, Club Carlson. Other initiatives included developing the competences of employees and learning how to solve environmental problems. One of the major problems for the company is keeping carbon emission to a minimum. Increasing societal concern over the years has been taken into consideration in the company's operations since 1989. The main issue is identifying how CR can promote the well-being of the world around it. In this respect, the company has clearly demonstrated its social spirit in a number of ways.

The global travel industry has a considerable impact on social, economic, and environmental conditions around the world. The *World Travel & Tourism Council* (WTTC) estimated in 2013 that the global travel industry generated over 260 million jobs (one in 11 jobs worldwide) and contributed 9% of the global gross domestic product. The number of global travelers surpassed one billion.

Rezidor's strategy has taken into consideration the impact of the three critical global impacts of the global travel industry: (i) climate change, (ii) resource use, and (iii) employment in local communities.

If the tourism industry continues to operate the way it does today, energy use and emissions will double by 2050, and water use will increase 2.5 times. Buildings are responsible for 30% of global energy consumption and greater use of energy-saving technologies is critical. However, a technological fix is not enough. The need for the creation of new mindsets about traveling and life-styles is urgent. More than 230 Rezidor hotels are eco-labeled and are thus audited by a "Green Key Expert." This means that they contribute more to the local community and to a sustainable future than non-eco-labeled hotels. Every Green Key accredited hotel is required to meet 90 sustainability criteria, which is clearly a positive step. The inconvenient question is: Is this good enough?

Traditional hotels are very resource-intensive, particularly in terms of energy and water use. They also have an impact through food use and waste generation. One estimate by the United Nation shows that by 2050 the world's need for drinkable water will double and the need for fresh water for agriculture will increase by 80%. There is an urgent need to reduce the water consumed during the operation of hotels. One challenge is to integrate the latest water-saving technologies into new-build hotels and also to retrofit existing hotels with these features. However, a radically new way of thinking may be required to cope with these environmental challenges and make the hotel and tourism business more sustainable.

One-third of all the food produced in the world for human consumption is lost or wasted (approximately 1.3 billion tons). In Europe, 180 kg of food is wasted per person per year. Food and drink is responsible for over 30% of the Carlson Rezidor hotel groups' revenue, and the challenge of reducing waste and the resource intensity of the food and drink supply chain is of great importance.

Rezidor has hotels in more than 80 countries across Europe, the Middle East, and Africa and Rezidor's staff are of more than 150 different nationalities. Most of the staff are employed locally, and on-the-job-training and human development is important. Rezidor also offers

extended local training and employment opportunities to disadvantaged groups. The challenges are to comply with local laws, inform employees of their rights, ensure the application of nondiscriminatory practices, and that staff adhere to the groups' ethical principles. Rezidor appears to operate as if diversity is an asset.

Looking at the financial reports of Rezidor (a 5-year summary), we see positive economic developments. While the company suffered a loss of 12 million EUR in 2011, the income statement shows 34 million EUR profit in 2015. We interpret this as a turnaround, but not an innovative change. We believe that Rezidor originally, and in a courageous way, built upon Nordic values and ideas in an attempt to differentiate themselves using these values. However, one of their competitors in Europe, *Nordic Choice* hotels, operates 187 hotels in five countries. The Nordic Choice hotel chain is owned by a young entrepreneur and self-made man, Petter Stordalen. Concerning ethics and caring for the environment, Nordic Choice, like Rezidor, has won a large number of pro-social and pro-environmental awards. One of the innovations of the Nordic Choice hotel chains is to bring art directly to hotel guests. So how can Rezidor differentiate itself from this competitor and others in Europe?

To profit from a differentiation strategy, one has to build upon (i) real differences or (ii) customers' perceptions of differences. It looks like Rezidor faces increasing difficulty in pursuing this strategy. This situation corresponds to what has been recognized in the literature about how firms respond to crises. At first, there is a tendency to ignore negative signals. Firms also seem to be having difficulties finding new and improved ways to respond. A classic example is the Swedish business machine company *Facit* which lost its dominant position in the market and eventually went out of business because of its failure to embrace technological development (Starbuck et al. 1978).

Que vadis, Rezidor? When Rezidor was established, it was built upon Nordic ideas and values such as equality, a high level of worker participation, the establishment of the rights of workers, and strict environmental standards. Will this be affected by the sale of Carlson's hotel business, plus their shares in Rezidor? Does this "selling out" indicate the definite closure of an important branch of the Carlson

family-owned company, the hotel business which Curtis L. Carlson started more than 50 years ago?

4 Conclusions

We have described and discussed in detail the development of CR, and, in particular, focused on the originally Swedish hotel company, Rezidor. The main challenge was how to understand the company as an *ecologically sustainable, future respecting, and pro-social* enterprise (Zsolnai 2011). It is clear that the company really has taken environmental challenges seriously. A number of examples demonstrate that the management is genuinely concerned about the environment. This is demonstrated in their attempts to calculate the carbon emissions involved in events (conferences and meetings) and by giving customers a real chance to pay to offset their emissions to protect the climate. The idea of planting trees in Kenya's Rift Valley to offset the carbon emissions incurred by meetings is exciting. This arrangement would be easy to replicate at other hotel chains and may contribute to the (much-needed) stabilization of carbon dioxide emissions. Rezidor has also established an internal competition to enhance energy saving among the different hotels. Furthermore, leaders have shown environmental concern about the need to integrate new, "greener" technologies during the building of new hotels. Accounting for carbon emissions during the planning of meetings is also an example of a future-respecting initiative. If such a "fee" was levied by all hotel chains, it might lead to a decrease in the number of travelers, which may be the ultimate environmental solution. Even so-called green tourism creates environmental problems because any kind of long-distance travel creates a carbon footprint.

Rezidor as a company has been *pro-social* in terms of educating their own staff through establishing their own educational institution, giving disadvantaged people access to some of their positions, and doing a lot of charity work in local communities. For years, Rezidor has behaved according to the norms of a progressive business. Company reports show that it was engaged in more than 700 charity activities in one year. Rezidor must be aware of the limits of their lofty aspirations. In order to

achieve some of their aspirations and goals, they must remain competitive and be able to stay in business. They should act according to their strategy, but at the same time must stay afloat within the hotel industry. Rezidor demonstrates that it is not focused on the one-dimensional pursuit of profit. Rather, the company tries to operate so as to cover costs in the long run, and to develop new and innovative ways to become a sustainable company.

We believe in the moral integrity of the CEO of CR and the chairman of Rezidor, Trudy Rautio when she writes. “A hotel company is more than just bricks and mortar; it is people. The Board wants to thank and recognize the more than 35,000 people working for Rezidor brands who not only serve as ambassadors for the company, but also provide bright spots for customers and communities. We value the lasting legacy they create each and every day with their caring spirits and service hearts.” (Annual Report 2013: 84)

Rezidor declares that their strategy is to create “asset-light growth” that helps mitigate market volatility and drive margins. A case in point is how Rezidor created an asset management department in 2012 to optimize the companies’ leased portfolio through the elimination and restructuring of unprofitable leases. This will make the company dynamic and reduce risk in emerging markets where Rezidor wants to have a stronger presence. This means in practical terms that Rezidor will only take responsibility for operating hotels, while other owners will finance and maintain the buildings in which they operate. It should also be noted that Club Carlson, the ordinary global loyalty program, has almost 12 million members worldwide. This represents a real asset. Through new digital technology, the company is trying to promote innovative interaction with guests.

Since the global travel industry has a considerable impact on social, economic, and environmental conditions around the world, there is an urgent need for a new mindset concerning the travel industry and climate change, resource use, and employment in local communities. The Rezidor hotel group has defined ambitious sustainability goals for 2015 and 2016 which include making 25% energy savings across all hotels and offices and having 100% of its hotels eco-labeled. These

future-oriented ambitions are strong signals to their competitors and should challenge other hotel chains to do the same.

Rezidor has implemented a number of projects that are exemplary from a holistic and ecological perspective. Some of them represent a much-needed change in mindset, and are practical examples of what Zsolnai sees as the necessary redefining of economic rationality into a “more holistic, substantive and humanistic form.” (Zsolnai 2011).

Rezidor has from the very start been built on an innovative business model that emphasizes Nordic values and ideas. However, it seems that it is increasingly difficult to differentiate the company based upon these progressive “people and planet” values. Our prediction is that Rezidor will primarily encounter price competition in the future. New technology will enhance market transparency and may mean that the market encounters stronger price competition which will exploit and deteriorate the value of brands.

5 Questions to Address

What are the possible consequences of the Carlson family’s sale of their hotel business to the Chinese HNA group in terms of CR’s originally Nordic business values (in particular, Rezidor’s *Responsible Business Program*, and Rezidor’s emphasis on sustainability)?

What are the consequences of Carlson Rezidor’s strategy of expanding to new, emerging markets?

Are the initial business values of Curtis L. Carlson still present and valid? Whether those pro-social and pro-nature values are still present and valid?

What are the potential consequences of the sale of the Carlson Rezidor hotel group, focusing on community activities and responsibilities?

What are the main drivers for the Carlson family’s sale of their hotel business?

Do you think that the (expected) increase in emphasis on efficiency will affect the value of the original brands, and will a policy and practice of due respect and fairness for all (80,000) employees be maintained?

What implications might this have in relation to the empowerment of shareholders and other stakeholders?

Notes

1. The authors would like to thank Eleanor O'Higgins for substantial constructive feedback on several drafts of this chapter.
2. The main sources are the Rezidor Responsible Business Report 2013, and the Rezidor Hotel Group Annual Report 2015. In addition, we used a Rezidor Hotel Group corporate presentation from November 2016, accessed January 30, 2017.
3. The Responsible Business Report has not been independently reviewed by auditors or any other third party.
4. Horatio Alger, Jr., (1832–1899) was an author known for his many novels about “impoverished boys and their rise from humble backgrounds to lives of middle-class security and comfort through hard work, determination, courage, and honesty.” His narratives had a formative effect on America (especially American youth) during the Gilded Age (Wikipedia, accessed 5.01.2014).
5. The New York Times, www.nytimes.com/1999/02/23/classified/paid-notice-deaths-carson-curtis-1.html retrieved 04.01.2015.
6. Radisson is named after the French explorer and fur trader Pierre-Esperit Radisson (1636–1710). As a teenager, he traveled to Quebec. While out duck hunting he was captured by the Mohawks, but was adopted by his captors and learned their language and way of life and even joined them in their wars. The first Radisson Hotel was built in 1909 in Minneapolis, Minnesota, US.
7. In the hotel industry, the different brands are segmented and categorized based on the average room rates. The general segments are luxury chains, upper upscale chains, upscale chains, upper mid-scale chains, mid-scale chains, economy chains, and independents. This means that the average room rates of the Radisson hotels are close to the luxury class, which should imply that the customers/guests should expect a nice room supported with a very high level of service. For a glossary of hotel terms, see <https://www.strglobal.com/recources/glossar>.
8. As of November 2016, the number of employees of Rezidor was reported to be more than 45,000.

9. See <http://responsiblebusiness.carlson.com/carlson-chairman-emeritus-earns-oslo-business>, accessed 31.10.2014.
10. The methodology covers seven categories: Corporate Citizenship and Responsibility, Corporate Governance, Innovation that Contributes to Public Well Being, Industry Leadership, Executive Leadership and tone from the Top, Legal, Regulatory and Reputation Track record, Internal Systems, and Ethics/Compliance Programme.

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