



A Natural Step Case Study SCANDIC HOTELS



A PLACE TO REST YOUR HEAD

Scandic Hotels is the largest hotel operator in the Nordic region, and one of Europe's most successful hotel chains. The company's full service hotels are in the three- and four-star categories, and are generally situated either in city centers or on the outskirts of cities and major towns to facilitate access to local airports and major road networks.

With headquarters in Stockholm Sweden, Scandic operates more than 145 hotels in nine countries for a total of 24,000 rooms. Currently, Scandic has the highest market penetration of city-center-located hotels in Sweden, and has captured more than 20% of the total room capacity in Sweden. The company's 2007 revenue was 745 million Euros, and they had a total staff of 6,400 members. Scandic is owned by EQT, which purchased the hotel chain from Hilton Hotel Corporation for 833 million Euros in 2007.

Since 1994, Scandic has been committed to making sustainable operations an integrated part of its business, and the company has an impressive track record to show for it. For Scandic, sustainability is not just about being part of and contributing to a sustainable society and environment; it is about driving new business, working smarter and lowering costs. It is about being part of the solution, not part of the problem. Since its implementation, Scandic's sustainability programme has resulted in savings of more than 18 million Euros.

Scandic's management is convinced that the strong recognition and loyalty their brand enjoys today originates in the company's smart, value-for-money concepts, unrivalled consistency of service delivery, and commitment to sustainable business operations.

FORTY YEARS IN THE MAKING

Scandic was founded in 1963 as the Esso Motor Hotel chain by US petroleum giant, Exxon, to bring the American concept of a motor hotel to northern Europe. For nearly 30 years, Scandic grew and thrived in Sweden, Denmark and Norway, gaining brand recognition and popularity among travelers to Scandinavia. However, by the early 1990s, the company was in serious trouble.

Between 1990 and 1992, Scandic had accumulated losses of approximately 350 million SEK (approximately US \$50 million at the time). In response, the parent company brought in a new CEO,

Roland Nilsson, who created a new management team to deal with the crisis which threatened their survival. The new team concluded that the marketplace had changed significantly over the years, and the former management had lost touch with the changing values of their customers.

At the time, Scandic lacked a set of unifying core values with which either its customers or its own employees could identify. It became clear that the company needed a new vision to reflect a changing society and market. Nilsson determined that the way forward for the "new" Scandic had to be based on a whole new set of core values – values based on a profound caring for Scandic's customers, its co-workers, its shareholders, the communities in which it operates, and the natural environment.

FOCUS ON SUSTAINABILITY

Nilsson realized that concern for the Earth and the impact of business on the natural world had become a significant value for many people, and Scandic had not kept pace with this shift. The company needed to find a way to quickly educate senior management and all employees on environmental issues, and effectively bring environmental values into the strategy and operations of its business.

The company researched the environmental sector and determined that the one organization that had credibility in both environmental and business circles was The Natural Step. When Nilsson met with the founder of The Natural Step, Dr. Karl-Henrik Robèrt, he was impressed with the clarity, simplicity, and profound implications of Robèrt's approach. Consequently he invited Robèrt to make a presentation to the management group to give them the opportunity to learn more about The Natural Step methodology. That meeting confirmed Scandic's decision to make The Natural Step the basis of its environmental education and programmes. Nilsson chose this approach because he believed it provided a knowledge platform with which to address both the environmental and social realms of sustainability.

To communicate the significance of the internal values shift and change in vision, and to mark the transition from the old regime to the new Scandic, Nilsson took his entire senior management team on a five day corporate retreat and workshop in 1994. During the retreat, Dr. Robèrt gave a full day introductory training in The Natural Step Framework to the group. Over 100 employees, including all of the hotel general managers, participated. Although initially skeptical, many of Scandic's senior executives and hotel managers described The Natural Step training as "life-changing" and "the most powerful presentation that I have ever attended." Today, most executives look back on that event as the turning point in the company's fortunes and a powerful signal of Scandic's new vision for the future of its business.



Few companies have engaged The Natural Step with such immediate commitment, intensity, and understanding, or on such a grand scale. Within the first year of Dr. Robert's one-day workshop with Scandic's senior management team, all 5,000 Scandic employees had received The Natural Step training, and over 1,500 operational suggestions had been put forward by staff, and implemented. From the very beginning, CEO Roland Nilsson understood that The Natural Step Framework was the knowledge platform that he needed for the new Scandic to implement his vision of working with his customers and his people to create a new set of values for the company.

Because of the breadth and depth of integration of TNS-based sustainability into Scandic's corporate strategy and operations, only the highlights are mentioned here. The Natural Step Framework for Sustainable Development is now as integral to Scandic's operations and worldview as any other core element, such as financial control or quality of service. It is fully embedded as a key part of the way Scandic does business.

Before their work with The Natural Step on sustainability, Scandic's business mission was "to offer many people the highest value for money when staying in [Scandic] hotels, during work and leisure." Scandic Hotels has since changed the vision to incorporate its commitment to making sustainability an integrated part of its business. Today, the company strives to "[Create] value by being the place and inspiration for conscious people in a better world". This new vision clearly articulates the company's focus on sustainable development and its efforts to contribute to a sustainable society.



Scandic operates hotels across many of the Nordic and Baltic states and in Belgium, Germany, and the Netherlands.

THE ENVIRONMENTAL DIALOGUE

Scandic initially developed its environmental programme in the spring of 1994 by training 15 internal trainers in The Natural Step Framework. This group designed "The Environmental Dialogue," a training programme made up of four key steps. Each step of the programme is based on The Natural Step concepts and aims to help the company build organisational capacity and generate innovative solutions for sustainability.

Each step of the programme is outlined below:

1. An environmental guide is provided to each Scandic employee. The guide covers the basic concepts of The Natural Step Framework, including the re-incorporation of human activities into nature's cycles and the four Natural Step [Sustainability Principles](#). It contains information, ideas, and tips to stimulate environmental thinking and action, a description of Scandic's Environmental Dialogue process, and an outline of the company's environmental goals and

recent activities. The guide is constantly updated and continues to be made available to Scandic employees.

2. One week after receiving their environmental guide, Scandic employees are convened for an environmental meeting. The meetings provide an opportunity for employees to work in small, cross-departmental groups to explore ideas to make environmental improvements to the hotel. At the end of the meetings, employees prioritized their ideas based on the environmental guide.
3. Based on the group process at the environmental meetings, an environmental programme, or action plan is created. Several groups in each hotel work in parallel to generate suggestions on how the individual hotel can take steps to reduce its impact on the environment. These suggestions are coordinated through the hotel's environmental networker, who divides them into three categories: concrete activities to be carried out immediately; ideas that need further investigation; and ideas that need investment consideration. Then the suggestions are discussed with the hotel manager and prioritized further. The environmental programme is distributed to all employees and made available to hotel guests. A copy is also sent to Scandic's environmental headquarters and included in the hotel's business plan. The Natural Step's tools for prioritization allows Scandic to consider critical aspects of potential new programmes, such as whether actions take the hotels in the right direction, whether they provide a flexible platform for future action, and whether they will result in a reasonable return on investment.
4. Finally, Scandic's environmental index is a quarterly status report produced by each hotel, which outlines its progress toward meeting the goals set out in the environmental programme. In the first year of the Environmental Dialogue process, all of Scandic's then 5,000 employees in eight countries participated, with every hotel preparing its own environmental programme.

As a result of the programme, more than 1,500 new measures were implemented. While some of the new measures were large and sweeping, and others were small, each took the company a step closer to its goal of reducing its environmental impact and becoming more resource efficient and effective. After the first year of the Environmental Dialogue, Scandic implemented an additional 500 additional measures that required more time or investment to implement. The company saved resources by starting with the "low hanging fruit" that was easy and inexpensive to implement, then moved quickly into bigger challenges as their momentum grew. This process became the basis for a new environmental measurement system.



MEASURING RESULTS

Scandic has learned through experience the truth behind the saying 'what gets measured gets managed.' For environmental thinking and action to be integrated into daily business operations, it is essential to figure out what to measure and how to measure it; that the measurement takes place accurately and fairly; and that it is communicated clearly to employees. Scandic has developed the following mechanisms for measurement of their environmental programmes:

Environmental Barometer. This simple measurement system compared the number of activities each hotel said it was going to do to the number that actually got done. Ola Ivarsson, Director of Scandic's environmental programme recalls that she learned quickly that the barometer was of great value "because even such a broad or inconsistent measurement challenged people. We published those figures hotel against hotel, country against country." The Barometer helped Scandic harness employee competition to maintain and even raise interest their environmental work. It also gave the company's environmental policy credibility in the employees' eyes and reinforced the understanding that Scandic's



environmental commitment was a genuine priority of the management group, not mere lip service.

Environmental Index. Scandic's environmental index was initiated in 1995, and identified ideal performance for 60 activities in nine areas. Typical activities included the installation of low energy light bulbs, making bicycles available for guests, and conducting a thorough energy analysis. The index continues to be displayed for guests and employees, and provides transparent evidence of Scandic's ongoing efforts to become more sustainable.

Resource Hunt. The Resource Hunt takes the environment more deeply into the heart of Scandic's business operations. The focus of the programme is on resource efficiency (energy, water, and waste), sustainability, and dematerialization based on TNS principles. Scandic expects that, over the long term, prices will rise as resources become scarcer and taxes increase. The Resource Hunt was initiated using the same methodology as the Environmental Dialogue. A new booklet was prepared for all employees, local seminars were organized in which every employee participated, and objectives were set in a local activity plan. The activities focus on steps — large and small — that everyone in the hotel can take to reduce their consumption of energy and water and the amount of unsorted waste they produce. All of the information is communicated using the company's centralized information technology systems, where a wealth of information is accessible to all employees. Within the first 5 years of the programme (1996-2001), the annual costs for energy and water were reduced by almost 1.3 million Euros. The savings helped fuel other ambitious programmes and reduce annual CO₂ emissions in that period by more than 10%.

PURCHASING SUSTAINABLY

Another very significant area where environmental aspects were integrated into daily operations early on was Scandic’s unique purchasing system. In addition to her role as Director of the Environmental Program, Ivarsson was functionally responsible for Scandic purchasing at the launch of the programme. Her dual role indicated Scandic’s intention to integrate environmental thinking into the heart of its operations. When interviewed a few years ago, Ivarsson pointed out the enormous opportunity that exists for picking the easy “low hanging fruit”, at the moment a company selects its suppliers and products.

Scandic developed projects jointly with its suppliers to improve environmental performance to their mutual benefit. Like every quality hotel, Scandic regularly invests in renovation and refurbishing of its guest rooms. Seeing an opportunity in this aspect of their business, Scandic worked with the TNS principles for sustainability and its own employees to come up with an innovative new concept: a 97% recyclable hotel room. The rooms are designed and built for their eventual disassembly, and use ecologically benign components to the highest extent possible with current technology. The rooms have proven to be very popular with Scandic’s customers due to both their aesthetic quality and their contribution to a healthier environment.

Scandic’s analysis of its purchasing policies also explored dematerialization, which refers to an absolute or relative reduction in the amount of materials required to perform a given task. In other words, it means doing more with less. Through a combination of training and shrewd purchasing, Scandic was able to prevent over 400 million single-packed toiletry items from entering the waste stream between 1996 and 2007.



Scandic’s need-driven lighting is activated by the room key.
Photographer: Magnus Mårding

IMPACTS AND LESSONS

Scandic has made one of the biggest perceptual breakthroughs possible in business today by entering a new paradigm: true ecological sustainability is not a cost to the company — it is a source of profit and real competitive advantage. The company used The Natural Step as its compass to guide its journey toward becoming an ecologically sustainable corporation.

Some of the benefits to Scandic of implementing The Natural Step are listed below:

- 1. In a precarious financial situation, the CEO needed to create a positive new vision, values and strategy for Scandic. A focus on environmental sustainability helped distinguish the hotel chain from others, and The Natural Step became the single best team building programme that Scandic had ever used. Employee morale improved dramatically, and the new sense of purpose and mission helped revitalize the company. In the words of Scandic’s then-CEO, Roland Nilsson, “It was the first cooperative activity where [employees] were really unified, irrespective of where they worked in the company. I mean, it was fantastic. Everybody loves taking care of the world.”
- 2. In a highly competitive marketplace, Scandic needed to understand and respond to the changing values of its customers. The Natural Step’s rational, science-based platform helped Scandic become the first in its market to make environmental sustainability a competitive advantage. By integrating the TNS Framework into the heart of Scandic’s corporate strategy and practices, the company established a profitable and enduring business relationship with its clients.
- 3. Most of the material and energy flows through Scandic passed a multi-departmental sustainability review. By bringing different departments together for a common goal, greater eco-efficiencies were realized, resulting in higher profits and less waste.

AWARDS AND RECOGNITION

Scandic has won multiple Swedish and international awards over the years. Some of the most well recognized of these include:

“St. Julian Disability Award” City of Stockholm, Sweden
“Glassbjörnen Environmental Award” GRIP Forum, Norway
“Oslo’s Urban Environmental Prize” Oslo City, Norway
“Best Environmental Program” Grand Travel Awards, Sweden
“Stilpriset Hjärter Ess” accessibility Stil, Sweden
“Swedish Recycling Award” Recycling & Miljöteknik, Sweden
The Sustainability Award, “SLEEP” European Hotel Design Awards, London, UK
“Best CSR Programme” International Hospitality Awards, Paris, France

LAST WORDS

In the eleven years since Scandic's environmental programmes began, the hotel chain has seen some very impressive results. The company has saved a total of 18.75 million Euros in energy costs and eliminated 400 million single-packed toiletry items and reduced unsorted waste by 67%. They have reduced CO₂ emissions by 30% between 1996 and 1997, and the company's goal for 2011 is to reduce CO₂ to 50% of 1996 levels. Scandic's goal for emissions is to completely eliminate fossil fuel CO₂ emissions by 2025. The company has won dozens of awards for its success as a sustainable business.

"No company can avoid taking responsibility for the environment and focusing on environmental issues. Scandic will therefore lead the way and work continuously to promote both a reduction in our environmental impact and a better environment. Scandic will contribute to a sustainable society."

Scandic Environmental Policy, 2008



ADDITIONAL INFORMATION

For more information about Scandic's sustainability programmes, visit the company's sustainability Live report on line at <http://www.scandic-campaign.com/livereport/> or contact Jan Peter Bergkvist, Vice President Sustainable Business, Scandic: janpeter.bergkvist@scandichotels.com

For more on Scandic's use of The Natural Step Framework, <http://www.scandic-campaign.com/betterworld>, an interactive website detailing the company's history and sustainability work. The website includes interviews with TNS founder Dr. Karl-Henrik Robèrt, and a set of sustainability tips for homeowners.