

# Large Corporations and Global Issues

by

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I am here to share with you today some thoughts on how large corporations can and should be challenged to address the global issues we have been talking about and that so many of us experience personally every day.

I work for a large, global hotel company, InterContinental Hotels Group (IHG). We have seven brands, some of which you may be familiar with —InterContinental and Holiday Inn —and some of them you probably are not familiar with because they are not in your part of the world. We are largely a franchise company, which means that most of the 3,800 or so hotels we have around the world are independently owned and operated. We have about 550,000 guestrooms and operate in 100 countries. We have many thousands of employees who work for us directly, and hundreds of thousands who work for us indirectly through our franchisees. We also have an extremely loyal customer base —in fact we have about 25 million members in our guest loyalty program, the Priority Club Rewards. These numbers will have more significance to you in a few minutes as I work my way through this presentation.

[Referring to slide] This is a snapshot of our Americas region, the region for which I have responsibility from a corporate affairs standpoint. This encompasses North and Latin America and 13 Pacific Rim countries. There are some wildly different economies represented in this region. For us, as with most major corporations, regional issues often have global implications. I will use a couple of examples to illustrate my point.

In the United States, September 11, 2001 ('9-11') was, of course, for us a seminal moment in time, and devastating in many ways, not only because of the personal and human loss we all experienced either first or second hand, but also because of the devastation it caused to our economy. In the tour and travel industry, not just in the United States but globally as a result of 9-11, we saw our revenues and our profits plummet by more than 50%. That is important to any corporation but also to the individuals whose livelihoods depend on the jobs provided by the corporations involved in this global enterprise of travel and tourism.

Then, just as we were starting to rebound from 9-11, SARS (severe acute respiratory syndrome) came along. While many of you will be well aware of the implications of SARS in your local communities, it was also devastating from a global travel and tourism standpoint.

To use a specific example, we had purchased the Regent's Hotel in Hong Kong for about US\$350 million a year or two before the outbreak of SARS. We had just spent another US\$50 million to refresh the hotel as we rebranded it as an InterContinental. When SARS started to spread throughout the region and concern was spreading

throughout the world, that hotel was running at 9% —which means there was literally nobody there.

Obviously, you cannot sustain a business over the long haul with those kinds of revenues. The implications are so far-reaching because of all of the people whose jobs and livelihoods depend on the health of that business. An example that could be closer to home for you here would be the terrorist bombings in Bali. Those of you from Australia, of course, realise first-hand how many lives were lost in that terrible event and the devastation it caused to the economy in Bali. From the tourism standpoint people were reluctant to travel there for many, many months. Those on the island who were heavily dependent on travel and tourism struggled even more than they normally would to support their families.

When you think about natural disasters, and when you think about the implications these disasters have for all of us as individuals, I believe that we in the private sector have a role to respond and be a part of the healing and the humanitarian effort that must flow after you have such occurrences as the Tsunami in Southeast Asia, the hurricanes that devastated the United States and Mexico and other parts of the Caribbean in 2005, and the earthquakes in India and Japan. These devastating events have large implications for a company such as IHG, both from the standpoint of the business we conduct in those areas and the personal relationships that we have.

As I mentioned earlier, we are largely a franchise. In the United States, there is a huge percentage of hotel owners who are Indian-American, so when we saw the earthquakes in Gujarat a few years ago, it was incumbent upon us to join with our franchisees who were originally from that part of India to raise money for humanitarian relief.

HIV/AIDS has been referenced at this meeting a couple of times so I do not need to say a lot about this issue. It is a scourge that absolutely impacts every one of us. From the standpoint of big corporations and business, we obviously have an interest in the human implications. But as you look at whole countries —in fact in the case of Africa, a whole continent is potentially being destabilised by HIV/AIDS —and the monies that have to be diverted from other worthwhile agencies to support people who have AIDs or children who have been orphaned or disadvantaged by AIDS, it is a huge issue that impacts on us all.

War and terrorism —we see this on our newscasts every night. Many of us have closer ties to war and terrorism because we have loved ones who are involved in those conflicts or who have been victims. For us this has implications throughout our business. Indeed, the bombings in the United States and the bombings in Spain and Britain, which I referred to earlier, have not only taken a human toll, but a great toll on business as well. Again, this translates back to us as individuals, and how we can support and care for our families and extended families.

Trade issues —like genetically modified food, tariffs, intellectual property rights and data privacy —are also issues that big business focuses on every day and devotes a great deal of resources to.

Then there is the issue of the exploitation of women and children —we can all speak first-hand to the issues of child labour, sex trafficking and child prostitution, which are happening around the globe every day, even in my home city of Atlanta, Georgia. Child prostitution is a huge issue and the hotel industry plays a part in that. We have a responsibility to face and address this issue.

What does it take for big corporations to step up and deal with some or all of the challenges? Just like in governments and families, you have to have committed leadership. Unless you have leadership that recognises the role of the corporation in dealing with global challenges, nothing is going to happen. You have to have robust corporate responsibility (CSR) programs. There is a widespread distrust in the consumer population that a lot of these programs are public relations fluff —and in some cases that is true. But we have to hold corporations accountable in order to achieve some substance and some measurable outcomes against their CSR programs.

We need to have stakeholder engagement and what I mean by that is engaging our employees and customers. I mentioned earlier that we have more than 25 million people in our loyalty program. After the tsunamis and the hurricanes —so many of these natural disasters that we have seen over the last few years that many of us would attribute to climate change —we were able to reach out to our loyal customers, to our franchisees and our employees and say, 'Let us work together to volunteer to make a difference, to go into these communities to help restore them, and let us work together to raise money for humanitarian relief'.

As a company we contributed a significant amount of our own money, but we were also able to reach through to members of our loyalty program and our employees, to raise millions of dollars to go directly to such entities as UNICEF (United Nations Children's Fund) and the International Committee of the Red Cross for disaster relief.

My recommendation is that while we need to hold corporations accountable for their actions, we also need to look at them as partners and embrace them and challenge them to be a part of the solution.

Remember that at the heart of all corporations there are individuals just like us who can make a difference. As consumers we have a responsibility to let corporations know that this is important to us and that they will be held accountable for that. I think in large part we will be pleasantly surprised by the responses we get.