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PROFIT MAXIMIZATION AND SUSTAINABILITY PARADOX IN THE HOSPITALITY  
INDUSTRY

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# **Profit maximization and sustainability paradox in the hospitality industry**

## **Abstract**

The relationship between tourism and environment is arising some concerns for tourism agents and the community. This paper provides a context for the paradox between profit maximization and sustainability in the hospitality industry, focusing on small hotels as it is considered that the tensions experienced have a major impact in their business life. The research is qualitative, based on the analysis and in-depth interview of four small hotels. Results suggest a different positioning of the hotels, therefore different strategies for managing the paradox presented, also influenced by the nature of the hotel.

## **Keywords**

Tourism, Sustainability, Paradox theory, Business Strategy, Hospitality Industry.

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## **Introduction**

We have been assisting to an increase concern for sustainable development which has led to one of the greatest challenges facing the world, the pressure for the marketplace to adapt and adopt new procedures and actions that do not damage the planet. Customers are becoming more conscious about the activities performed by companies, and due to environmental issues that the world is facing, customers are also preferring ethical companies, with a good institutional image in the market and ecologically conscious (Tachizawa and Andrade 2008).

In accordance with Ferreira (2018), corporate sustainability is based on three pillars: environmental, social, and economic sustainability. These dimensions should serve for organizations to guide managers, promote interaction with the environment, and all its stakeholders. Although there is a developing trend regarding sustainability, we need to focus on what it means in practice, and if there is a conflict of interests faced by organizations in the marketplace. Organizations face a set of paradoxes, along with the pressure if the accomplishment of a topic compromises another one, especially if it compromises the economic stability of the organization. A paradox is defined as elements which seems logically individually, yet unreasonable and irrational when showed up simultaneously (Lewis 2000).

There are constantly needs for organizations to keep on track with the sustainable practices, by implementing up to date actions that maximize environmental sustainability. Therefore, there is a need of continuous investment to switch procedures and even constantly doing the appropriate maintenance of the procedures, thus, companies need to adopt strategies and position themselves to find a balance between sustainability and profit maximization. Within all the environmental issues impacting the business world, the tourism sector is no exception.

The continuous growth of Tourism has brought several advantages for the countries, by increasing its funds and consequently decreasing poverty (Dabour 2003). However, tourism

have been contributing to these social and environmental problems in a very active way, carbon emissions from airplanes, the degradation of natural properties and even the obvious frustration of local populations due to the excess of tourists that often invade their localities are just some of the many problems that have been associated with this sector over the last few years.

According to Statista, in 2020, roughly four million international travelers visited Portugal, it has been an attractive destination which contributed for a boost in the economy of Portugal, whereas, in 2020, foreign visitors in Portugal spent over 8.8 billion U.S. dollars during their journey. Thus, the concerns about environmental issues and the pressure in the hospitality industry to become active and sensitive about this topic are gradually increasing.

It was in this sense that the theme for this dissertation emerged, the solution of the profit maximization and sustainability in the hospitality industry paradox, focusing on small hotels, because of their economic structure and the necessary resources to keep investing in sustainable actions. The objectives of this thesis are varied, and it was chosen with the intention of perceiving, on the one hand, what are the strategies and motivations of the chosen hotels when implementing sustainability, and on the other hand, to understand the tensions related with integrating sustainability into their companies' strategy or not.

The present investigation presents itself as a qualitative, descriptive, and exploratory study, whose theme concerns the paradox that small hotels face between sustainability and profit maximization.

## **Literature Review**

### **Paradoxes in organizations**

As with the globalization and the evolution of technology, the business world becomes more competitive, thus managers are overwhelmed with information which increases the need for finding strategy to keep on track with up-to-date trends. An important topic which affects crucially the success of the organizations is the management of paradoxes, therefore finding strategies to surpass and meet the balance between paradoxes. There are complex business models associated with achieving the right strategies to deal with paradoxes. The complex business models rely on leadership to make dynamic decisions, create commitment to both overarching visions and specific goals, learn actively at multiple levels, and engage conflict (Smith, Binns, and Tushman 2010).

A paradox may denote a wide variety of contradictory yet interrelated elements as feelings, messages, demands, perspectives, identities, interests, or practices (Ford and Backoff 1988). As depicted in figure 1 paradoxical tensions result from cognitive or social constructions, then how individuals' defensive actions might influence reinforcing cycles and finally, how individuals can prevent becoming stuck in this paralyzing and vicious cycles by greater cognitive and behavioral complexity (Lewis 2000).

Kelly (1955) states that individuals usually tend to emphasize contradictions by interpreting data, as their own and others believes, feelings, organizational practices through simple bipolar concepts, constructing logical, internally consistent sets of abstractions that separate opposites. Thus, these may make sense to individuals' realities, but are extremely biased and resistant to change.

The achievement of a long-term sustainability is influenced significantly by the management of organizational paradoxes (Quinn and Cameron 1988; Smith and Berg 1987),

therefore, the reliance that embracing and managing multiple/opposing tensions simultaneously generates sustainable high performance (Lewis and Smith 2014).

The management of paradoxes does not depend on the elimination or final resolution of the paradox. According to Eisenhardt (2000, p. 703), “effective management leverages paradox in a creative way that captures both extremes”. There are several studies that state strategies to manage effectively the paradoxes faced by organizations, and the selection of which to adopt depend on internal and external factors of the organization. The study of Smith, Binns, and Tushman (2010) identified strategies to effectively manage the paradoxes, by performing dynamic decision making, building commitment to an overarching visions and specific goals, actively learning about each goal and the relationships between them, and finally engaging conflict. Moreover, the described strategies allow leaders to effectively manage continued tensions, instead of trying to find the resolutions that may result into limiting the firm’s long-term strategic (Smith, Binns, and Tushman 2010).

### **Sustainability and profit maximization**

There is a growing pressure on firms to comply with sustainable requirements, consumers have the power and low switching costs to choose among companies. Thus, an emergence of the term “corporate sustainability”, as an alternative of traditional growth and profit maximization model, however many argument that these term is paradoxical in nature due to the fact that an organization has to achieve environmental, social and economic goals simultaneously, thereby, several studies demonstrate that organizations which proactively comply with social responsibilities display impressive competitiveness and vitality (Thiel 2017; Ivory and Brooks 2018; Daddi et al. 2019).

However, there are some bad facets related to the use of nature resources. For instance, the study conducted by Olsson and Gooch (2019) states that there is an unequal access to

resources as well as the unequal burden of the environmental consequences of the extraction and processing of the natural resources (Anguelovski and Martinez-Alier 2014).

The cut of plastic straws by companies, and adopting the use of reusable metal straws, bamboo straws, and paper straws, just to name a few, as a strategy to be eco-friendly, however, on the other side there is a downside on the use of this alternatives, for instance, Falinski (2021) states that a single metal straw results in the production of more greenhouse gas emissions than 1,000 normal plastic straws because a single steel straw also requires more energy during production and uses more materials from the Earth. Thus, there is a huge paradox companies face insight sustainability itself. With the purpose of meeting the needs of future generations, and to preserve the planet, the World Commission on Environment and Development officially created the concept of sustainable development, which aims to use efficiently natural resources to meet present needs without compromising the life of future generations (Bueno, Diniz, and Pompeu 2017).

However, there is a concern that small/medium organizations meet the requirements (Soderstrom and Heinze 2019). Although, it is a delicate topic for all the organizations due to the tensions about the different, desirables and interdependent company goals.

At its core, a paradox perspective on corporate sustainability embraces tensions to simultaneously arrange competing yet interrelated economic, environmental, and social concerns that occupy different levels and operate in different logics and time settings (Hahn et al. 2015). Thereby, there is some concern regarding the possibility of an organization to combine the economic and environmental issues and still achieve profit maximization. The goal to achieve long-term growth is solely the responsibility of companies, and it is crucial for the achievement of sustainability development (Bueno, Diniz and Pompeu 2017).

Using sustainable tools may contribute to generate wealth and increase profit, as soon as the activities adopted by the company are efficient and adequate for its industry, which arises

the tensions of which activities to invest on and use as a core for the daily business life. Many authors argue that environmental responsibility is a part of the management process and has the potential of making companies more competitive in the long run, which emphasizes the need of a strategy behind. However, some other authors argue that it shifts the focus for making the business successful, and it should not interfere in the determination of a company's goals (Ambler and Wilson 1995).

Besides, another challenge is the gap between theory and practice, not only in the corporate but in the individual level, and the difference across economies. In the U.S corporate executives are the responsible for enhancing sustainability, while in Europe business managers of each department are responsible for dictating sustainability actions. Furthermore, how to do it effectively is still a topic with a large area for future research (Beckmann, Schaltegger and Landrum 2020).

### **Sustainability paradoxes in the hospitality industry**

In the recent years, tourism has proven to be an economic activity surprisingly strong and resistant, having made a strong contribution to the recovery of the economy, and creating millions of jobs. This behavior has been common in destinations around the world, with greater relevance in Europe, thus consolidating its way out of one of the periods most dramatic economic events in its entire history (Almeida 2016).

Hospitality is considered an industry with a huge dependence of human capital, thus as the world evolves, customers have become more demanding, and requiring more sophisticated services with a high quality and a good price rebate. The service quality in this industry it is constantly increasing and so the need for hotels to keep on track with latest trends and activities. However, companies in the hospitality industry need to pay attention to the modern trends that might not necessarily be directly related to customers, as environmental-friendly and sustainable practices (Pizam and Shani 2009).

Sustainability is a paradoxical theme in the sense that it means all things to all people. Many criticize the concept as a marketing tool, which aims to attract consumers who want to adapt what they pursue as environmentally and socially conscious, while at the same time conceal the real environmental and social concerns (Jones, Hillier, and Comfort, 2016).

As a way for companies to engage in sustainable activities, the Sustainable Development Goals (SDGs) were born in 2012, with the goal of producing a set of universal goals that meet the urgent environmental, political, and economic challenges facing our world. Therefore, it can lead to a tension between the interest of the company and the interest of external stakeholders. At the same time multinational companies may face challenges in developing overall corporate sustainability strategies in the face of different government approaches to the prioritization of the SDGs in different parts of the world (Jones, Hillier and Comfort 2017,10-11).

The selection of being environmental-friendly can cost hotels an amount of profit, firstly because the implementation and maintenance of the same requires a prior investment. Furthermore, some sustainable activities require a sacrifice of the customers comfort, and it can cause customers to complain and question about the company's quality. On the other hand, the responses from customers depend on which category they belong, if in fact they are consumers that are willing to pay more for sustainable hotels and those that are not (Boronat-Navarro and Pérez-Aranda 2020).

Another challenge for the hospitality industry is the need to create a comfortable and relaxed environment for guests to feel at home yet provide a remarkable experience, to escape from the ordinary (Mistry 2021).

The hotel industry is characterized by seasonality, it plays a major role in understanding customer behavior. The seasonality tensions, which the business operates in annual cycles that are punctuated by seasons. There are the so called "off seasons" where the tourists' fluctuation

is weak, therefore they have significant impact in the organizations' revenues. Therefore, given the seasonality challenge, sustainability investments may be influenced, since there are seasons of high revenues and others with low, the decision to implement or the maintenance of sustainable activities may be reevaluated given the period of the year.

A notable sustainability paradox in the hospitality industry is observed, however, there is a lack of understanding if it impacts the profitability of the organization. Thus, the goal of this study is to understand if the implementation of sustainability activities compromises the profitability of small hotels more specifically, given the nature of these hotels it may be more challenging to obtain the investments necessary and what is the relation of this tension with the others mentioned above. With the purpose of understanding, what are the strategies, motivations and limitations faced by the hotels, that may influence the managers to integrate sustainability into the companies' strategy or not.

## **Methodology**

In order to investigate the paradox between sustainability and profitability, a qualitative method was defined as the methodology to be adopted, because the goal was to understand the perception of the hotels interviewed about the factors that contribute for the paradox, as well as investigating if small hotels may face more tensions than big ones when investing in sustainable activities.

It is common to study the integration of sustainability in the strategy of companies through case studies (Peters and Simaens 2020). Thus, the study will be directed to the tourism sector, where interviews will be carried out with the 4 hotels considered small according to institute of hotel management Bhubaneswar (**25 rooms or less**), that will be the subject of a case study with the aim of investigating the theme of the project and answer the questions presented above.

Within the qualitative method adopted, the investigation was addressed through semi-structured interviews since this method provides a more concrete description and explanation about the topic in a professional context, in addition to allowing new findings, new hypotheses, and the detection of issues that are not mentioned in the literature (Campbell et al. 2004). The semi-structured interviews will be applied with the main objective of making the interviewees to reflect openly on the factors that positively or negatively influence the integration of sustainability into the company's strategy and describe what are the tensions faced by the organization.

The great advantages of qualitative interviews lie in the fact that it deals with questions of values and is not limited to predefined variables and “yes or no” answers, it allows a better understanding of the opinions of the interviewees, and approximation of all the processes and results obtained (Rocha, 2022).

### **Population and Sample**

To carry out this work, a sample of 20 hotels was randomly selected, where 4 of them replied and accepted to participate in the project by answering some questions, and then interviews were carried out with managers of hotel groups Portugal. The inclusion criteria were small hotels located in Portugal, and an interview with a representative of the hotel in question. The criteria for exclusion were hotels outside Portugal, hotels of other categories outside the small category.

Then, we proceed with an interview lasting about 40 minutes with the representative(s) of the hotels, which was held about the environmental practices identified in the literature, and the main sustainability measures in the hospitality industry. The interviews were held online, due to the pandemic circumstances. A confidentiality form was presented upon the interview where all the confidentiality questions were respected and guaranteed (see appendix IV). When conducting the interviews, before answering the questionnaire and the placement of the

questions (see appendix III), the participants were asked if they agreed with the conditions previously presented and if they authorized the recording of the interview, so that they could later be transcribed. After a positive response, participants were asked to answer the questions presented beforehand.

### **Description of the Case Studies**

The following section will present a short description of the hotels, yet there is a need to use an unreal name for the hotels, due to confidentiality matters. The sample consisted of 4 hotels identified by: Hotel 1, Hotel 2, Hotel 3, Hotel 4, it represents 4 hotels in the small category, located in Portugal (see appendix V).

#### **Hotel 1**

An elegant and intimist exclusive boutique hotel located in the region of Viana de Castelo in the north of Portugal with 10 years in the industry. The hotel reserves 15 rooms and 3 suite tents (glamping style), it offers and suggests to its guests a wide selection of experiences from wine tasting, cultural and gastronomic visits, experiences in nature, picnics, horse riding. Thus, it frames in the small category of hotels with only 20 employees.

#### **Hotel 2**

It is rural type of hotel, it is located near the best beaches of Portugal in Algarve more specifically in Faro, the hotel has 36 years operating in the hospitality industry. There are 13 rooms, designed in perfect harmony between rusticity and sophistication. The hotel disposes of 15 employees, and it offers a whole garden, which is cultivated with fruit trees, ancient olive, and carob trees, as well as a saltwater pool.

#### **Hotel 3**

It is a small luxury hotel located in Albufeira, it is a quite recent hotel, with 3 years, and a total of 5 employees. The hotel has 8 rooms, its atmosphere is of a Boho Eco-Chic small resort with white, wood and bamboo being the main colors. Their goal is to deliver a healthy and

happy experience, moreover they dispose of organic items and its veggie concept where they only serve vegetarian meals.

#### **Hotel 4**

It is an eco-friendly hotel, located in the region of Alentejo. They adopted biologic agriculture, with zero waste. They are a 4\* hotel, with 3 years in the industry, an average of 65 employees and 20 rooms. The hotel itself, in addition to being in tune with the chain and fulfilling the same goals and commitments, also undertakes some initiatives autonomously, namely at the social level through helping families at risk of poverty, and helping the community evolve.

#### **Results**

After the interviews, an analyze was performed where the questions were analyzed one by one and considering each hotel individually. After performing the analysis, the presented topics were found:

#### **Hotel's positioning on sustainability**

The hotels perceive sustainability as crucial in the hospitality industry, however they present some differences among each other when integrating sustainability in the hotel operations. Hotel 4 adopted the strategy of integrating social, economic, and environmental sustainability, mutually, thereby it represents a variation in the relative position in terms of sustainability integration, and the importance they give to the social component in the hotel's strategy.

Another difference relies on how they perceive sustainability, which is a topic very contradictory and after the interviews it can be observed that sustainability can be raised with the company or a strategy with the goal of decreasing costs always aligned with the economic stability of the organization, as it is for Hotel 1 and 2.

The accomplishment of sustainability development is also a distinctive aspect, whereby the manager of Hotel 2 stated an interesting opinion, "sustainability is important; however, the hotel

is not 100% sustainable and we find it impossible to be 100% sustainable”. On the other hand, Hotel 3, defends that the organization was founded through the sustainability concept and finds it an accomplished goal from the beginning, thereby for future investments.

### **Sustainability practices adopted by each hotel**

After performing the analysis of each hotel, there were some sustainable practices that were common however each one has its own way to implement them. As for simplicity, the table above summarizes the practices implemented by each hotel:

|                                                             | <b>Hotel 1</b> | <b>Hotel 2</b> | <b>Hotel 3</b> | <b>Hotel 4</b> |
|-------------------------------------------------------------|----------------|----------------|----------------|----------------|
| Use of equipments with less consumption: ex led lamps       | x              | x              | x              | x              |
| Reduce number of towels per consumer                        | x              |                |                |                |
| Use liquid dispensers as a way to reduce the use of plastic | x              |                | x              |                |
| Solar pannels                                               | x              | x              |                |                |
| Rainwater retention well                                    | x              |                |                | x              |
| Kitchen waste recovery                                      |                | x              |                | x              |
| Energy and cold storage                                     |                | x              |                |                |
| Shop Local                                                  |                | x              |                | x              |
| Recycle                                                     |                | x              | x              |                |
| Use of photovoltaic energy                                  |                |                | x              | x              |
| Wastewater treatment                                        |                |                |                | x              |
| Use of electric cars when shopping                          |                |                |                | x              |
| Integrate in the local community                            |                |                |                | x              |
| Investing in agriculture(producing their own food)          |                |                |                | x              |

### **Sustainability and economic stability**

It represents a sensitive topic to the hotels, although there is a similarity in their opinion, Hotel 2 agrees that the integration and maintenance of the sustainable activities does compromise the financial stability, they argue that it is unavoidable given the location of the hotel which is in the middle of the nature. The hotel tries to find a balance between financial stability and being sustainable. However, it is an occurrence the need of an investment to adopt and maintain environmentally friendly procedures. Since it was an old firm, there is a need to

invest gradually in sustainable activities, in order to not compromise the stability of the hotel. By doing this they targeted simultaneously a segment that is more environmentally conscious and are willing to pay more.

On the other hand, Hotel 3, and Hotel 4 defend that sustainability does depend on continuously investments to keep updated eco-friendly practices, however, it should not be prevented or blocked because of others economic goals, since this organizations were founded as eco-friendly organizations, which prioritizes sustainability as their main goal. Thus, Hotel 4 does comprehend that the necessary investments associated with sustainability development may be a sensitive decision specially in low seasons, however they do not see it as a concern in the decision-making process. Therefore, there is a certain paradox among the two topics, however the way that the managers of the hotels perceive it is different.

### **Challenges associated with the practice of sustainable activities**

The main challenges that influence the implementation of sustainability of the sample are the Human factor, Government factor, Seasonality and the Location factor.

The human factor is related with the fact that customers want green hotels but are not willing to sacrifice their comfort and have the patience to understand that they may have some aspects which will be affected by the adoption of sustainable procedures. Although there are practices that depend solely on the decision of the manager and the capital required to implement them, there are others that have greater dependence on customers. Given that, it depends on the decision whether or not to carry it out, with the hotel unit having mostly a role in raising awareness, as can be seen through the quote “We advise the client to reuse bath towels whenever he/she finds it convenient or according to his/her preference to also avoid impacts on the laundry room” made by Hotel 2, however there are clients that refuse to do this, and it turns difficult for the hotel to argue against them.

Thus, the manager of Hotel 2 argue that it is difficult to stimulate the collaborators, clients to be environmental sensitive, mainly because of culture background and ways of thinking. Customers are the main source of revenue, therefore there is a need to respect their position about sustainability and some of them do not care. Moreover, the issue of suppliers was perceived as a difficulty for some hotel managers and one of the reasons was the fact that the existing product alternatives are less sustainable and ecological than they seem:

There are many things that seem more sustainable and more ecological from the start, for instance, bamboo toothbrushes, but it is not that linear because they are not produced in Portugal very often. There are many things to consider, and it is not always easy to find an alternative that is more sustainable (Hotel 4).

An important challenge was the government, the certificate requirement brings bureaucracy and a feeling of obligation rather than care for hotels about the environment. Hotel 1 and Hotel 3 argue that certificates are not effective, and people do not care about them, thus it is perceived as an investment without logic for most hotels and an initiative from the government that does not help in fact the hotels.

Another common challenge is the seasonality, where the hotels complain that it is very difficult to find a balance to keep doing the same practices and investments in the periods where the revenues decrease.

Hotel 1 and Hotel 2 stated that it may have a challenge related to the location of the hotel, such as hotels which are not located in the center may have problems in doing investments promptly.

### **Covid-19 and sustainable performance in the hospitality industry**

Regarding the investigation we run with our sample, they all discussed that the pandemic situation caused a regression in the sustainable development. Due to the fear to survive the crisis, some opt to save and not do huge investments including the sustainable

projects that required a huge capital, as it is the case of Hotel 1 and 2, moreover the manager of Hotel 2 explained that given the uncertainty that the hospitality industry was facing they were forced to postpone some investments. On the other hand, the health and safety rules imposed by Covid-19 made it difficult to carry out some ecological practices, leading to a regression in some measures already implemented that ended up generating more waste and, especially, high consumption of plastic.

### **Implementation of sustainable practices and strategies for balancing both**

There is a divergence in the main motivation for the implementation of sustainable projects, thus as it was presented previously, Hotel 1 and Hotel 2 agree that the main motivation is profit maximization, since sustainable procedures are more profitable in the long run, on the other hand, Hotel 3 and 4 discuss that it is for the brand image and for the community. However, it can be observed a commonality between Hotel 2, Hotel 3 and Hotel 4, it represents a certain level of pressure of the consumer and the existence of a different segment which are environmentally conscious and willing to pay more for eco-friendly organizations.

Despite, there is a difference among the mentioned motivations, which represents a competitive differentiator among hotels, as stated by Hotel 4 “It is a priority of our top management to have hotels with this concept and, therefore, the motivation here comes from above, it was our organization that, when opening a hotel, did not want to open another hotel in Portugal, but a hotel that differentiated itself of others and that this differentiation would involve respect for the Earth's resources. At the same time, the prospect of cost reduction through increased levels of operational efficiency was also mentioned as a motivation, according to the following interview:

The economic issue is a motivation that must always be there, thus decreasing costs is a valuable motivation, for example, by investing in solar panels, we hope to save money. Solar panels are now profitable between 5 and 8 years (Hotel 1).

## **Discussion**

After presenting the research results that were possible to investigate through the interviews carried out and the respective questionnaires, the respective analysis and discussion is then presented in the light of what is described in the literature review.

### **Hotel's positioning on sustainability**

Organizations have started to emphasize the need to implement corporate social responsibility as a strategy to increase employees retention rate and increase engagement which contributes positively to profitability and greater business performance (Casey and Sieber, 2016). However as already analyzed by the investigation, organizations may present different motivations and perceptions of sustainability, which is explained by the fact that achieving the diverse goals of a company including the sustainable development, is arduous and such successes have been partial, reversible, and idiosyncratic, therefore it is difficult to detect which business model is the best for creating the effective balance (Clark, Crutzen and Schellnhuber 2005).

As expectations raised by customers are increasing, organizations must integrate social responsibilities among the corporations' goals, thus the example of Hotel 4 that embraces sustainability in the three dimensions: environmental, economic, and social.

However, there is a difference in the decision of adopting sustainable procedures, when there are hotels which choose to do it from the beginning, and in contrast there are others which implement them gradually. As for the analysis of the interviews the implementation of led lamps are predominant, which is a positive initiative and more profitable for hotels. According to Scholz, Ivica and Kristýna (2020), led lamps have a higher durability, a more intense luminosity and greater energy efficiency. Despite the fact that in the long term it represents a source of savings, this measure has high initial costs. Some hotels are investing in solar panels,

as for a higher return investment, however, there are several obstacles related to them, since they entail high costs, and their installation is complex (Scholz, Ivica and Kristýna 2020).

In accordance with the investigation almost all the hotels from the sample recognize the need for finding a balance between economic and environmental sustainability, meanwhile Hotel 3 does not see it as a need but as the foundation of the hotel, which represents a different target that focuses on customers that are willing to pay more for sustainability. It is possible to observe that some characteristics due influence the way companies in the hospitality sector integrate sustainability, thus representing a difference in the results obtained.

The companies that were the subject of the study and that are recent already have the integration process well assimilated, something facilitated by the fact that sustainability is already intrinsically linked to the brand that gave rise to the respective hotels. This factor is clearly visible, since the two most recent hotels (Hotel 3 and 4) have a department working specifically with these issues, in addition to both presenting their vision, mission, values, commitments, objectives and practices through their sustainability reports because of the company's image.

On the other hand, Hotel 1 and 2 needed to give significance for sustainability and incorporate in the company's mission and vision. Therefore, there is a discrepancy when observing Hotel 1 and 2 as its position are still at an early stage of the same process when compared to the others, although there is an increasing focus on the part of the companies to take these issues into consideration in its strategy, thus the focus being partially linked to the legislation that has been predominant in the recent years, as well as the possibility of becoming differentiated in relation to competitors.

## **Sustainability and economic stability**

Although, all the organizations from the sample agree that the hospitality industry depends on a healthy global ecosystem and is uniquely vulnerable to environmental damage, ergo there is a great effort to complement the two topics.

Thus, it is important to state that maintenance is perceived as an investment because resources are used today to do maintenance in order to reduce cost or get higher benefits in the future as compared to if the resources are not spent. However, organizations usually perceive maintenance as separated from the true investment because it is matter of restoring an old function or keeping up an old function as it is the case for Hotel 1 and 2 (Lind and Musingo 2012).

Moreover, the hotels do understand the need of such investment and state that it is a decision that require a gradually revision and analyzation, however, here lays another distinctive aspect, thus, Hotel 3 and 4 do not carry this investment as a weight, given the fact that now maintenance is a part of the decision making of organizations, often seen as a strategy to keep on track with the trends of the industry (Aryee 2011). On the other hand, Hotel 1 and 2 find it important to do choices and do sustainable investments gradually for the sake of economic stability.

## **Challenges associated with the practice of sustainable activities**

There is such importance in the challenges faced by the hotels of sustainable activities.

1. The opinions of customers about company's decisions have a notable impact and it is for the interest of the company itself. Thus, it is important to examine which impact such actions have in customers' mind, as stated by hotel 4 their main challenge is related to the fact that there are customers that value green enterprises, however, are not prepared to deal with the discomforts associated with sustainable practices. Individual's perception and

decisions are directly influenced by the organizations' performance and behavior (Robbins 2001).

2. The implementation of certificates is important for credibility of companies, however, the active participation of the government in hospitality industry may be inefficient due to the characteristics of the industry itself (Font 2002). There is criticism about the implications of the ecolabels, arguing that they are expensive, they require time, and the criteria focus on environmental management, not environmental performance (Synergy 2000). Thus, this reveals the challenge mentioned by the manager of Hotel 1 when implementing the ecolabels designed by hotels, moreover hotels argue that ecolabels are not efficient for some hotels as they are for others.

3. The location of the hotel itself is an aspect that has an extreme importance when running the business, thus the arrivals in rural destinations tend to be less than in coastal areas, and the ability in generating resources off-peak is lower (Martín et al. 2019). As previously mentioned in the results the managers of Hotel 1 and Hotel 2, argue that it can be a challenge because as they are not in Lisbon, some investments take a long to be approved and implemented.

4. Seasonality is predominant in all the discussions among the four different hotels. As the Hotels' stated seasonality has a huge impact in the company's revenues, and employment process, it turns difficult for companies to attract and retain employees in the hospitality sector, thus hotels experience a shortage in skilled and well qualified employees (Baltescu 2016).

### **Covid-19 and sustainable performance in the hospitality industry**

Covid-19 crisis impacted all the industries in the world, however in Portugal it was a disaster given the weight of tourism in the economy, in the case of Alentejo, the reduction in guests was lower due to a high and unusual affluence of the domestic market (Costa, 2021).

Hotels argue that it is a must to have the liquidity to meet its expenses, especially in the short run, even with the regime of layoff, hotels suffered a prejudice which may have an impact till nowadays. Thus, it caused a regression in the sustainable development initiatives because hotels needed to prioritize the economic stability due to the uncertainty that the world was facing, as it was explained by the manager of Hotel 2.

### **Implementation of sustainable practices and strategies for balancing both**

There are different motivations for organizations to integrate sustainability in the business mission and vision, there is an increasing interest for part of customers in eco-friendly organizations and thereby an opportunity emerges to capture a new segment with a higher willingness to pay.

Customers pressures' on environmentally practices are increasing, therefore organizations find it a necessity to comply with those requirements given that without customers the organization does not survive. Accordingly, these different types of motivations lead to different types of strategy and opinions about sustainability and economic stability. Organizations which do it for profit or because of the pressure of customers and the goal to attract new segments, choose wisely which procedures to implement and do investments gradually to not compromise the economic stability of the organizations. Thus, it was verified that customers who search for environmental practices in hotel and are environmentally conscious are willing to pay more for sustainable practices (Boronat-Navarro and Pérez-Aranda 2020).

Despite, there is a different approach adopted by organizations which are raised by this concept and do it for the community, these organizations do not concern if it is expensive, they choose the procedures that are the best for the community, however the best is subjective.

This dissertation aimed to understand the paradox between sustainability and profit maximization, thus after the analysis performed it shows that there is a tension between these

topics, focusing on small hotels, and the existence of a set of factors which increases the predominance of the paradox. Although the case studies, were not big enough, and cannot be assumed to be representative of the sector, we observed differences in the factors and motivations affecting the implementation of sustainable procedures. However, some of these turned out to be predominant to all companies, which may be relevant for the sector, the seasonality is a relevant factor, it represents a challenge in the hospitality industry, and interferes in the resolution of the tensions faced by hotels. Besides, the strategy to diminish the tension varies according with the motivation of the organization, consequently the decision of sustainable investments differs among organizations, and how they perceive sustainability.

As it was already discussed by Zhang and Dong (2020), sustainable development has been a growing concern, thus it was observed that sustainability is a present topic in the hospitality industry and a mechanism of competitive advantage. Given the importance of the topic nowadays, the tension between sustainability and profit maximization turns out to be more relevant and requires a set of strategies to be implemented in the business cycle of the organization.

## **Conclusion**

This study extends the line of research that analyzes the paradox between sustainability and profit maximization with the emphasis in small hotels, as there is a tendency to be more affected by the tensions related with this topic. Given the importance of sustainability in the hospitality sector, it is important to understand the current state of the sector in this matter. In terms of theoretical implications, the study made it possible to explore a better understanding of the phenomenon under study and a comprehensive view from the perspective of hotel managers about environmental strategies in small Portuguese hotels. However, the study corresponds to the current situation in addressing the interference of covid-19 in the environmental management of hotels. The study presented a set of factors that influences the

management of the hotels. Even with the different responses of the challenges faced by the hotels, some demonstrated a predominance, thus seasonality, represents a typical problem of the sector which influences the management of the paradox. Additionally, as a result, employees' poor perception of the hotel's environmental management somehow affects their behavior.

According to the results obtained, there was a discrepancy of opinions in the management of such tensions and the motivations related with sustainable initiatives, thus introducing the concept of green hotels, and demonstrating that it represents a huge difference in the motivation for corporate social responsibility and thus the balance between sustainability and profit maximization. However, it is also mentioned by the participants that there is a difficulty in implementing these practices, particularly when it comes to small enterprises, due to the necessary initial investments.

### **Limitations**

The present investigation represents some limitations. First, is the qualitative method regarding the veracity and accuracy of the information collected. In addition, the analysis can be very subjective due to the researcher's interpretation. Another limitation is the size of the sample, which were just four, although that the four hotels presented different characteristics which enabled a vast understanding of different cases in the same industry, and because the focus was on small hotels, it is a little representation of the sector, thus, the results obtained may not be synonymous with the results that would be obtained with other organizations.

Furthermore, the fact that the focus was just on the hospitality industry, the factors considered relevant by the target companies of the case study in this sector may differ significantly from the factors that would be identified from the analysis of another sector.

Finally, the lack of literature on the subject of sustainable paradoxes in Hospitality, particularly regarding the Portuguese industry, can be limiting, as it makes it impossible to present and compare more complete and recent data.

## **Recommendations**

Sustainable development is becoming a crucial tool for competitive advantage and reducing costs, however the implementation of some sustainable procedures requires an initial investment, which the return will only be observable in long term perspective. Thus, the need to find a balance in sustainability and profit maximization specially for small enterprises, as it is more difficult to raise funds for the implementation of sustainable initiatives. With the aim of helping Hotel managers to better manage the paradox mentioned in the literature review, a set of possible strategies are presented below:

- Incorporate environmental management in business practices.
- Detect, measure, record and analyze environmental costs in order to optimize them.
- Communicate and educate stakeholders about the topic.
- Increase public awareness therefore it increases customers with a willingness to pay more and more environmentally conscious.
- Applying supply management in such a way that it identifies good practices for tourism suppliers.
- Do investments gradually in order to not compromise the stability of the organization.

Following this study, further investigations may be carried out that seek to address some issues that were not mentioned throughout this analysis. First it would be interesting to develop a study, surpassing one of the limitations above, as the existence of few case studies. By exploring more hotels with different characteristics from each other, it would be possible

to obtain a more comprehensive view of the sector, and a more concrete representation of the population in relation to the integration of sustainability.

Another appealing approach was to focus not only in the hospitality sector, thus it would allow a better understanding of the paradox and if it is in fact observable in other sector, consequently enabling a better understanding of the topic as a whole.

Finally, the focus could be adding a different tension other than the economic stability and sustainability, as for instance the seasonality factor, therefore it would allow a different view of what are the relevant factors for this issue that may or may not differ from the most relevant factors for companies in the hospitality sector.

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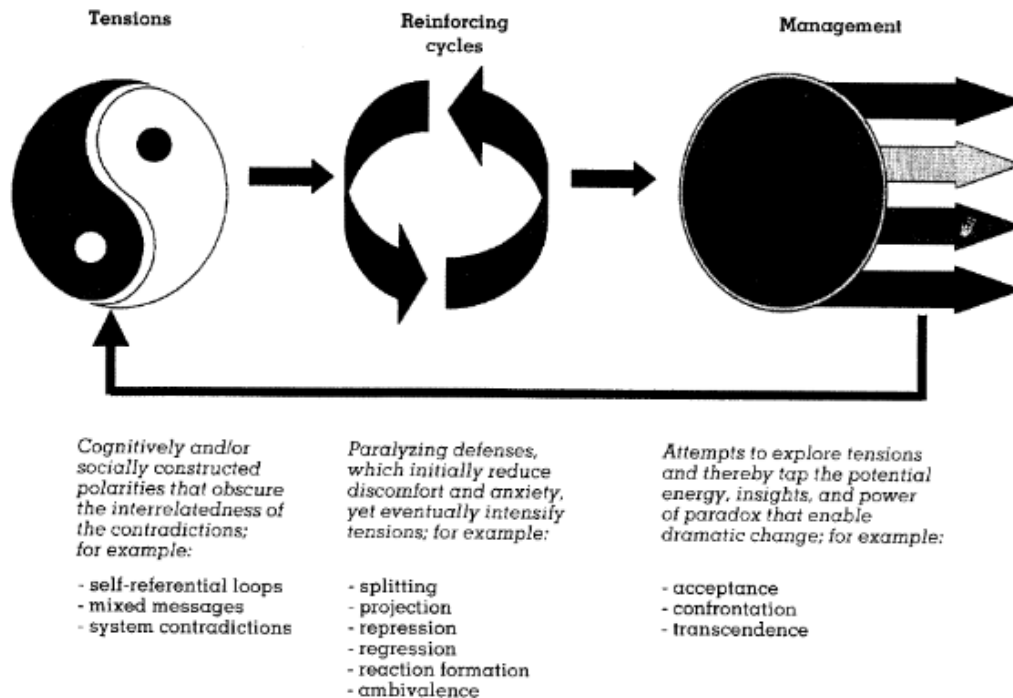
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## Appendix

### Appendix I- A paradox framework



Source: Lewis, Marianne W. 2000. "Exploring Paradox: Toward A More Comprehensive Guide". *Academy Of Management Review* 25 (4): 762.

### Appendix II- SDGs 17 goals

|                                                                                                          |
|----------------------------------------------------------------------------------------------------------|
| 1. End hunger, achieve food security and improved nutrition and promote sustainable agriculture.         |
| 2. Ensure healthy lives and promote well-being for all at all ages.                                      |
| 3. Ensure inclusive and equitable quality education and promote lifelong learning opportunities for all. |
| 4. Achieve gender equality and empower all women and girls.                                              |
| 5. Ensure availability and sustainable management of water and sanitation for all.                       |
| 6. Ensure access to affordable, reliable, sustainable, and modern energy for all.                        |

|                                                                                                                                                                                                    |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 7. Promote sustained, inclusive, and sustainable economic growth, full and productive employment, and decent work for all.                                                                         |
| 8. Build resilient infrastructure, promote inclusive and sustainable industrialization and foster innovation.                                                                                      |
| 9. Reduce inequality within and among countries.                                                                                                                                                   |
| 10. Make cities and human settlements inclusive, safe, resilient, and sustainable.                                                                                                                 |
| 11. Ensure sustainable consumption and production patterns.                                                                                                                                        |
| 12. Take urgent action to combat climate change and its impacts.                                                                                                                                   |
| 13. Conserve and sustainably use the oceans, seas, and marine resources for sustainable development.                                                                                               |
| 14. Protect, restore, and promote sustainable use of terrestrial ecosystems, sustainably manage forests, combat desertification, and halt and reverse land degradation and halt biodiversity loss. |
| 15. Promote peaceful and inclusive societies for sustainable development, provide access to justice for all and build effective, accountable, and inclusive institutions at all levels.            |
| 16. Promote, just, peaceful, and inclusive societies.                                                                                                                                              |
| 17. Strengthen the means of implementation and revitalize the global partnership for sustainable development.                                                                                      |

Source: Jones, Hillier and Comfort, 2017. “The Sustainable Development Goals and the Tourism and Hospitality Industry”. Athens Journal of Tourism - Volume 4, Issue 1, page 9.

### **Appendix III- Interview Guide**

1. What is the hotel's position on sustainability and what practices are implemented?
2. Do the practices and their maintenance compromise the hotel's financial stability?

3. What are the main challenges associated with the practice of sustainable activities?
4. What is your opinion relatively on profit maximization versus adopting sustainable practices?
5. Do you think that the pandemic caused a regression in the performance of sustainable activities?
6. What is the motivation for the implementation of sustainable practices and what are the strategies for balancing both? (Sustainability and profit making)

#### **Appendix IV- Term of Confidentiality**

##### **Participant Information Sheet**

|                                                                                                                     |
|---------------------------------------------------------------------------------------------------------------------|
| Title of the research project:                                                                                      |
| The paradox between profit maximization and sustainability in the hospitality industry.                             |
| Name of researcher(s) and contact information:                                                                      |
| Deborah Isabel Moreno Fanti; <a href="mailto:fantideborah27@gmail.com">fantideborah27@gmail.com</a> ; +351934608866 |
| Purpose of the study:                                                                                               |
| Master thesis project                                                                                               |
| Procedures:                                                                                                         |
| Interview                                                                                                           |
| Confidentiality Statement:                                                                                          |
| I hereby declare full anonymity and confidentiality of the interview.                                               |

## Participant Consent Form

1. I confirm that I have read and have understood the information sheet dated 14/03/20222 for the above study, or it has been read to me. I have had the opportunity to consider the information, ask questions and have had these answered satisfactorily. ☐
2. I understand that taking part in the study involves a video recorded interview ☐
3. I understand that my participation is voluntary and that I am free to stop taking part and can withdraw from the study at any time without giving any reason and without my rights being affected. ☐
4. I understand that I am free to decline to answer any particular question or questions. ☐
5. I understand that I can ask for access to the information I provide, and I can request the destruction of that information if I wish at any time prior to anonymization / publication/ 3 months. I understand that following 3 months, I will no longer be able to request access to or withdrawal of the information I provide ☐
6. I understand that the information I provide will be held securely and in line with data protection requirements at the Nova School of Business and Economics until it is fully anonymized and then deposited in the archive for sharing and use by other authorized researchers to support other research in the future. ☐

Participant Name: \_\_\_\_\_

Date: \_\_\_\_\_

Signature: \_\_\_\_\_

Principal Investigator/Research Assistant Name:

\_\_\_\_\_

Date: \_\_\_\_\_

Signature: \_\_\_\_\_

Source: Nova SBE template

#### **Appendix V:** Table with the presentation of hotels

|                | Location         | Number of Employees | Number of rooms | Average age |
|----------------|------------------|---------------------|-----------------|-------------|
| <b>Hotel 1</b> | Viana do castelo | 20                  | 18              | 10          |
| <b>Hotel 2</b> | Distrito de faro | 15                  | 13              | 36          |
| <b>Hotel 3</b> | Albufeira        | 5                   | 8               | 3           |
| <b>Hotel 4</b> | Alentejo         | 65                  | 20              | 3           |

#### **Appendix VI: Organizations in the tourism industry**

- Secretary of State for Tourism (SET)
- Portugal's National Tourism Organisation (Turismo de Portugal - TP)
- Confederation of Tourism (Confederação Turismo de Portugal - CTP)
- Association of Hotels (Associação de Hotéis de Portugal - AHP)
- Association of Restaurants (Associação de Hotelaria e Restauração de Portugal - AHRESP)
- Association of Travel Agencies (Associação Portuguesa Agências Viagens e Turismo - APAVT)
- Association of Spas and Health Tourism (Associação das Termas de Portugal -ATP)
- Association of Rural Tourism (Associação de Turismo de Habitação - TURIHAB)

- Association of Congresses, Tourism Entertainment and Events Companies (APECATE)
- Association of wine tourism
- Regional tourism boards of the five NUTS in the mainland (North, Centre, Lisbon, Alentejo, Algarve)
- Regional Directorate of Tourism of Madeira
- Regional associations of tourism promotion of the five NUTS in Portugal and Madeira
- Leaders of the operational programmes in the mainland (five NUTS II) and in Madeira and the Azores.

Source: Costa (2021). "The Impact Of The COVID-19 Outbreak On The Tourism And Travel Sectors In Portugal: Recommendations For Maximising The Contribution Of The European Regional Development Fund (ERDF) And The Cohesion Fund (CF) To The Recovery".