Integrating sustainability into business practices: a case study approach

Intrepid Travel

Facts and figures

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<table>
<thead>
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<tbody>
<tr>
<td>Type of organisation</td>
<td>Proprietary company</td>
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<tr>
<td>Industry</td>
<td>Retailing (Travel)</td>
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<tr>
<td>Turnover (2010)</td>
<td>A$120 million</td>
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<tr>
<td>Head office</td>
<td>Melbourne</td>
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<tr>
<td>Operations</td>
<td>25 countries</td>
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<tr>
<td>Employees</td>
<td>900</td>
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<tr>
<td>No. of travellers p.a</td>
<td>100,000</td>
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Intrepid Travel Pty. Limited (Intrepid) was established in 1989 by co-founders Darrel Wade and Geoff Manchester initially to provide adventure trips to Thailand. Sustainability, or to be more exact Responsible Travel, was and still is the fundamental principle underpinning Intrepid products.

‘Intrepid is committed to travelling in a way that is respectful of local people, their culture, local economies and the environment. With your participation we can help conserve the areas we visit and bring positive benefits to our host communities’ ([http://www.intrepidtravel.com](http://www.intrepidtravel.com))

There appear to be three distinct phases in Intrepid’s sustainability journey. Years 1 to 12 were the foundation years with hands-on owners, an ex-pat team of trip leaders and a focus on development of Responsible Travel product.

Intrepid is now getting towards the end of the development period (years 13 to 23) with a more mature governance framework, specialist teams at a central head office, broader Responsible Travel product range around the world, with mostly local trip leaders. During this period, Intrepid has also developed and implemented a sustainable development strategy and will be reporting its integrated social, environmental and economic performance publicly for the first time in 2011.

Intrepid is just about to enter the maturity years as a leader in Responsible Travel putting in place the systems, processes, people and controls in preparation for a public listing in the future.

A summary of the Journey is attached as an appendix to this case study.
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Case: Intrepid Travel

Awards
Intrepid has won many awards, including:

- 2007 Winner, British Travel Awards
- 2007 Gold Award Corporate Environment Programme
- 2009 Budget Travel Magazine ‘Extra Mile Award’
- 2009 Outside Magazine’s ‘Best Places to Work’ (USA)
- 2009 Finalist, BRW’s Private Business of the Year Awards.

Governance and strategy
During the foundation period as a small private company, there was no formal governance framework. The two founders designed and ran trips, initially to South East Asia and then all of Asia. The founders and the early trip leaders operated in line with the core values of the company around Responsible Travel (discussed in more detail below). There was minimal Head Office support; however, it is important to note that sustainable business practices were engrained in the culture and DNA of the organisation at this early stage through recruitment and training of like-minded leaders.

As Intrepid’s business developed into a global vertically integrated tour operator, so did both its capacity and need to back-fill some of the missing or incomplete policies, systems and processes. The founders started to focus more on governance, longer term strategy, risk management and sustainable growth, and became less hands on in the field.

Intrepid’s core purpose and values were documented to cement the uniqueness of the Intrepid experience for both potential travellers as well as the company’s growing global team.
**Our core purpose**

Our core purpose is to enrich people’s lives by creating unique, interactive travel experiences. We provide fun, affordable and sustainable travel that is profitable to Intrepid and beneficial to local communities.

**Our core values:**

- We act with integrity
- We are passionate about what we do
- We encourage personal growth
- We have fun
- We are creative and innovative
- We believe in sustainability and responsible travel.

Although Intrepid developed policies over time, a recent review identified certain weaknesses and gaps in its policies, which are now being rectified i.e. further strengthening to the anti-corruption policies.

As Intrepid tightens its governance as a private company, it is starting to consider what further changes will be required over the next 2-3 years to meet the needs of potential new external shareholders.

**Strategy to become the world’s most inspiring and innovative travel company**

From the start, the founders were conscious that they needed to look ‘beyond the health of the balance sheet and to the areas of which the business is intrinsically linked; the environment, society, economy and governance/ethics.’ The current strategy is summarised below.

**Our Strategy**

How are we going to work toward our goal, fulfill our purpose while living our values?

**Position**

To focus on the ‘experiential’ segment of the travel industry.

**How**

- By supplying a diverse range of remarkable products
- By distributing these products broadly
- By developing Intrepid as a strong global brand
- By growing our resources of exceptional staff and developing best practice systems
- By developing a vertically integrated business model.
Responsible travel – Intrepid’s core IP and driver of brand value

In order to protect and develop the company’s core IP, a dedicated team consisting of the Responsible Travel Manager, destination managers as well as local operations managers has been established to:

- Develop policies, practices and guidance to assist passengers in travelling responsibly and get the most out of their cultural adventure
- Develop tools, and deliver regular training, to support and update each trip leader in leading responsible travel practices. (It is important to hold regular refresher training as 92% of leaders are local and may not have much formal education.)
- Ensure that the Annual Responsible Travel Evaluations (ARTE) are completed by the local offices for each of the 500 tours. These 18 point checklist reviews cover transport, accommodation, and optional inclusions and assess whether each complies with Intrepid’s Responsible Travel Code of Conduct. Action plans are developed in country to remediate issues.
- Assess the design of new tours (transport, accommodation, individual activities) to ensure that it will deliver the cultural experience and the requirement of a Responsible Travel itinerary.
- Monitor the performance of country offices, and the leaders, through review of the leaders’ trip reports as well as the ‘happy pax’ (passenger) feedback scores, including evaluation of the leader and the Responsible Travel experience.

There are separate Annual Safety Evaluations completed by the purchasing managers in each jurisdiction on all accommodation, transport and other activities offered by Intrepid.

The continual focus on, and development of, Intrepid’s Responsible Travel policy and practices underpins the brand value of the company and its reputation globally. Intrepid also works hard to protect its IP through strict enforcement of its policies, genuine and equitable support in the host communities, and by strengthening its alliances with both retail and wholesale travel agents and tour operators to maximise its global presence and respond to travel trends in its experiential sector.

For this reason, Intrepid also recently established a Product Strategy department to develop a 3 year product strategy, including potential acquisitions, to meet changing trends and customer needs. The focus is on maintaining the quality of product, but being quicker to market.

Leadership and employee engagement

In 1998 Intrepid employed a part time Responsible Travel Co-ordinator and in 2000 a full time Responsible Travel Manager. In 2008, this was expanded into a sustainability department, and Intrepid recruited a sustainability manager. One of the Sustainability Manager's first steps was to align the company with a recognised global sustainability initiative, and so publically demonstrate the company's commitment to sustainable development. At the end of 2008, the company signed the UN Global Compact (UNGC), and developed its Sustainable Development Policy (http://www.intrepidtravel.com) around the UNGC ‘s10 core principles.

The sustainability manager developed a framework to document how sustainable development was integrated in Intrepid’s strategy and current practices, and highlighting the areas where more work was needed (Figure 1).
Resources and alliances

Building sustainable support for local communities (social response)

From the outset, the founders made a commitment to ‘give back’ to the host communities providing the business opportunities for Intrepid. Initially 10% of net profit after tax was set aside for local community projects; however, this policy could let communities down in poor years.

Therefore in 2002 the Intrepid Foundation was established to professionally manage both the company’s ‘give back’ commitment to host community projects and, through becoming a registered Australian charity, for staff, alumni (Intrepidites) and the company (through $1 for $1 matching) to contribute towards global relief efforts.

Building capability and capacity in local communities, and managing risk (economic response)

Initially Intrepid recruited like-minded Australian ‘ex-pat’ Group Leaders (or at least people with Western backgrounds). These individuals understood Responsible Travel and lived the company’s core values; however, as ex-pats they missed cultural opportunities that only locals knew about, and the ex-pat model was expensive and fraught with compliance obligations and recruitment issues.

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Case: Intrepid Travel
Intrepid realised that establishing local subsidiaries, and recruiting and properly training local staff, provided a more sustainable outcome. Now Intrepid has 10-12 overseas subsidiaries and joint ventures and over 90% of staff are local in-country recruits. This transference to the regions not only removed the issues noted above, but also improved the unique cultural experience for the travellers and contributed more economically to the host communities.

Intrepid has achieved economic growth both organically through innovation (new types of tours/ additional locations) and through acquisitions, alliances and joint ventures. This has enabled Intrepid to spread risk and move from a product provider to a vertically integrated sales organisation with end to end service delivery (retail and wholesale sales, product owner and tour operator). The current distribution channels through joint ventures with Flight Centre, APT Connections also protect Intrepid’s position in the adventure travel market as such arrangements could not easily be replicated by new entrants.

**Driving environmental responsibility through education and action (environmental response)**

In 2005, Intrepid decided to focus on how to minimise the company’s impact on Climate Change. The initial focus was to measure and seek to reduce the direct emissions from the company’s global offices by making changes to reduce energy use, waste and business travel (the three biggest areas of emission). The company also switched to green power, and has committed to become carbon neutral in 2010 and beyond. Residual emissions will be offset through the purchase of accredited carbon credits.

Intrepid is not only addressing its own emissions but working with its customers to reduce trip related emissions such as passenger flights by assisting them to offset their flight emissions. Carbon offset flights is optional when a customer books their airfare through Intrepid Travel.

The greatest environmental impact comes from Intrepid’s product - their trips. Recognising this, Intrepid developed a methodology for calculating the emissions for each tour and offsetting the carbon produced by each passenger. The cost of offsetting these emissions is built into the purchase price of each trip, thus being a compulsory offset for the traveller. The methodology used aims to cover the emissions from the main sources of carbon emission i.e. all ground transport, accommodation and waste. The ‘carbon offset’ volumes are disclosed in marketing literature and on Intrepid’s website.

Intrepid have worked with Cleaner Climate to select appropriate offset clean energy and water projects that are located in the regions visited by the company.

Continued focus on developing all its resources towards delivering sustainable outcomes

Intrepid embedded sustainable business practices into its DNA from the outset, and so has always been developing and growing its key resources. For example, the company has:

- Engaged its people (overall score: 4.22 out of 5), managed diversity (65% women at all levels; and over 90% of staff are indigenous to their region) and experienced low turn-over
- Satisfied ‘happy’ passengers (overall score: 4.67 out of 5) who will recommend Intrepid to their friends (98% based on feedback; feedback received from over 50% of travellers) and join further Intrepid trips (over 95% would consider another Intrepid trip, while 30% are repeat travellers)
- Been welcomed by local communities (including local transport, accommodation and eateries) as Intrepid tours have a strong reputation for respectful engagement, low impact and equitable distribution of both travel dollars and community project donations
- Formed strong alliances with Industry leaders which provides the vertical integration, and so more global sales channels and more choice for the passenger

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- Been innovative, with many new ideas coming from the founders and management team, although, Intrepid has a ‘travel lab’ where all tour ideas (from management, staff and passengers) are assessed against certain criteria, and if appropriate progressed to a research or pilot stage
- Started to further develop its internal infrastructure to support the global operations through improved IT, HR, risk management and financial systems, processes and controls.

However, Intrepid’s Responsible Travel anchor philosophy and resultant suite of products (its IP) has been the central ‘resource’ that has underpinned the company’s success and development of its global brand and reputation.

**Accounting and integrated reporting**

**Honest feedback, and working towards development of an integrated report**

From the outset, Intrepid has been open and transparent about its strategy, its core value proposition and its focus on Responsible Travel. A clear example of the company’s candour is available on its website – passenger feedback is included verbatim.

Intrepid is a private company and is not required to report performance publicly, however it chooses to on its website, and more recently through its UNGC Performance Report. Its current disclosures tend to be qualitative with evidence provided through feedback and case studies. However, the company has committed to providing more quantitative measurement of performance (its scorecard) and producing a full sustainability report (GRI B+) for 2011. The management team has agreed to include financial data in this report, so it will effectively be an ‘integrated report.’

Internally, the company has established core company goals. These are then cascaded into divisional goals, and then into personal plans. There is a direct link between individual goals, performance assessment and annual bonuses (100%, 75%, 50% etc.).

There are only two financial goals at a company level, the other nine relate to sustainable management of the company’s scarce resources and delivery of key projects. Each goal has a true target, threshold and stretch. Performance is measured through surveys, feedback forms or extracts from core records. There is regular management reporting – weekly for sales and monthly for most financial metrics.

Increasing support from Finance in managing, monitoring and reporting sustainable business performance

With the commitment to prepare and publish a 2011 sustainability report (including financial data), the likely introduction of external shareholders in the near future and the potential for an IPO, Finance, as well as other departments, are working closely with the Sustainability Manager in a number of areas:

- **Selection of reportable GRI indicators** – working through the GRI indicators to determine which ones are relevant and material to Intrepid’s core business strategy. A survey of some 1000 stakeholders including passengers and staff was undertaken to identify which indicators were most important.

  The Sustainability team is now working with Finance to determine what information is readily available to report performance against the GRI framework. Currently some 89 indicators appear to be relevant, and have information available. The focus now is to determine which of these metrics are actually strategic and material.
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- **Improvement of business IT** – currently work is underway to enhance the Navision (Microsoft) finance system to capture office data required for GHG calculations, as well as other information required for key scorecard metrics. In addition, Intrepid are building a new ‘Starship’ CRM system to support their global operations and capture information for the sustainability scorecard re customer feedback, tours feedback, audit performance, supply chain performance etc.

- **Sustainable head office** – a divisional goal for the Operations group at Intrepid is to locate a new HO premises that is in line with Intrepid’s Carbon Management Plan objectives of: a green(er) building in a ‘stop-hop’ location (for public transport) in the CBD or inner city. There are also work layout requirements to support productivity and staff well-being, and the building must be cost effective.

- **Risk management** - Finance recently undertook an enterprise-wide risk assessment and identified 15 key sustainable business risk areas. Each area is now being worked through to ensure there are policies, systems, processes and controls to mitigate the risks, close any gaps, and report performance locally and to HO.

Finance has an important role in ensuring there is balance in reporting of financial and sustainability performance information that supports internal management’s decision making, and meets the needs of external stakeholders.

‘The CFO’s role is critical to determine what drives value for the business. The CFO works to ensure performance of growth strategies, systems and processes are reported, for example through dashboards, for management information and action; as well as assists in ‘talking to the company’s story’ to key stakeholders.’ Matt Beard, Intrepid CFO.

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**Lessons learned**

The Intrepid team embedded sustainable business practices throughout the organisation from the beginning; however, there have been many lessons learned, including:

**Governance and strategy**

- Establish the business’s core mission and values, and issue a code of sustainable business conduct.
- Integrate the sustainable business goals within the overall corporate strategy, so they operate together to drive business value.
- Be prepared for some sustainable business projects to fail – don’t overcommit to one specific opportunity.
- Do not over-engineer compliance obligations so they become a burden, but put in place systems and processes to address key obligations.
- If possible, integrate sustainable business thinking into the business DNA from the start.
Leadership and employee engagement

- Align performance-based remuneration to the key sustainable business goals
- Ensure steadfast commitment to sustainability from the leadership team, and that there are champions of sustainable business practices at all levels
- Ensure that ‘blockers’ to the business’ sustainability strategy are identified; and work with them to resolve concerns
- Align performance based remuneration to the key sustainable business goals
- Do not over-commit resources, or go too fast in driving change - bring people along the journey with you
- Obtain and respond to regular feedback from your staff and customers.

Resources and alliances

- Engage with all key stakeholders and explain the importance of sustainability to long-term business success
- Be open and transparent in all public communications, e.g. embracing poor feedback as an opportunity to improve
- Sign up to a respected global initiative to help get traction (e.g. UNGC)
- Recruit and train local employees, and where possible use local suppliers
- Build sustainability into the design of products and solutions.
- Where possible use local suppliers, as this provides a more sustainable solution (i.e. reduced freight, local community support etc.)

Accounting and integrated reporting

- Minimise bureaucracy and reporting burden for the organisation, and focus on reporting information and metrics that are material, relevant and aligned to strategy
- Align internal and external reporting to minimise duplication where possible
- Focus external audit and internal evaluations on the sustainability of key areas of the business
- Document systems, processes and controls in key areas of operations (including reporting) as a reference for new employees, and to assist employees located away from head office
- Use IT systems that are commensurate with the size and complexity of the business.