

Ethical Decision Making in Hospitality Businesses

Assignment 3

Course: 5G - Hospitality Management

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Student Name: Bilal Hussain Khan Niazi

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Abstract

Ethical decision-making has become a critical concern in the hospitality industry due to increasing customer awareness, digital transparency, and global competition. Hospitality businesses face ethical challenges related to guest safety, employee treatment, pricing transparency, data privacy, and operational practices such as overbooking. This study explores the role of ethical decision-making in hospitality organizations and examines how ethical practices influence organizational reputation, customer trust, and long-term sustainability. Through an analysis of real-world case studies from organizations such as Marriott, Airbnb, and local hotels, this report evaluates ethical dilemmas faced by hospitality managers and their consequences. The study also proposes a practical ethical decision-making framework that hospitality businesses can adopt to navigate complex ethical challenges while aligning business objectives with societal expectations.

1. Introduction

The hospitality industry is fundamentally built on trust, service quality, and long-term relationships with guests and employees. Ethical decision-making is therefore central to organizational success in this sector. Hotels, resorts, restaurants, and travel companies operate in environments where decisions directly affect human well-being, safety, fairness, and dignity. In recent years, increased scrutiny from consumers, media, and regulatory bodies has highlighted the importance of ethical conduct in hospitality operations.

Ethical issues in hospitality often arise from operational pressures such as maximizing occupancy rates, reducing costs, and maintaining competitiveness. Practices such as overbooking, hidden fees, unfair labor practices, and inadequate safety measures can result in short-term gains but may damage brand reputation and customer trust in the long run. As hospitality businesses expand globally, ethical standards must also account for cultural differences, legal requirements, and stakeholder expectations.

This report aims to analyze ethical decision-making in hospitality businesses by examining common ethical challenges, evaluating real-world case studies, and proposing a structured framework to support ethical management practices.

2. Literature Review

Ethical decision-making refers to the process by which individuals and organizations evaluate moral principles and choose actions that are fair, responsible, and socially acceptable. In hospitality management literature, ethics is closely linked to corporate social responsibility, stakeholder theory, and service quality.

Stakeholder theory emphasizes that hospitality businesses have responsibilities not only to shareholders but also to guests, employees, suppliers, communities, and regulators. Ethical decisions must therefore balance the interests of multiple stakeholders. Research suggests that ethical behavior enhances brand loyalty, employee commitment, and long-term profitability.

Service ethics literature highlights the unique nature of hospitality services, where direct human interaction increases the potential for ethical conflict. Studies indicate that ethical leadership and organizational culture play a significant role in guiding employee behavior and decision-making. When ethical values are embedded in corporate culture, employees are more likely to act responsibly even in high-pressure situations.

Recent research also links ethical conduct to reputation management. In the digital era, unethical practices are quickly exposed through social media and online review platforms, amplifying reputational damage. This makes ethical decision-making a strategic necessity rather than a purely moral consideration.

3. Methodology

This study adopts a qualitative research approach based on secondary data analysis. Academic journals, industry reports, hospitality management textbooks, and publicly available case studies were reviewed to identify ethical challenges and best practices within the hospitality sector.

Case studies from global hospitality brands such as Marriott and Airbnb, as well as examples from smaller local hotels, were analyzed to assess ethical decision-making outcomes. The analysis focuses on identifying ethical dilemmas, management responses, and their impacts on reputation and customer trust.

4. Findings

Ethical Challenges in Hospitality Businesses

One of the most common ethical challenges in hospitality is overbooking, particularly in hotels and airlines. While overbooking helps maximize occupancy, it can lead to guest displacement, dissatisfaction, and reputational harm when not managed transparently.

Hidden fees and lack of pricing transparency are another major ethical concern. Resort fees, service charges, and undisclosed costs can mislead consumers and erode trust.

Employee treatment presents a significant ethical issue, especially in terms of wages, working hours, job security, and workplace safety. Poor labor practices negatively affect employee morale and service quality.

Guest safety and data privacy have become increasingly important ethical considerations.

Hotels collect sensitive personal and payment information, making ethical data management essential.

5. Discussion

Case Study 1: Marriott International

Marriott has faced ethical scrutiny regarding data breaches affecting millions of guests worldwide. Although the incident negatively impacted trust, Marriott's response included public acknowledgment, cooperation with regulators, and enhanced cybersecurity measures. This

response highlights the importance of transparency and accountability in ethical crisis management.

Case Study 2: Airbnb

Airbnb has encountered ethical challenges related to discrimination, housing shortages, and regulatory compliance. In response, Airbnb introduced anti-discrimination policies, host education programs, and stronger verification systems. These initiatives demonstrate how ethical reforms can align platform growth with societal expectations.

Case Study 3: Local Hotels

Many local hotels struggle with ethical dilemmas related to staff welfare and guest safety due to financial constraints. Hotels that prioritize ethical labor practices and transparent pricing tend to achieve higher customer loyalty and better online reviews, even if short-term profits are lower.

6. Ethical Decision-Making Framework for Hospitality Businesses

To navigate complex ethical challenges, hospitality organizations can adopt the following framework:

Issue Identification

Clearly identify ethical concerns and affected stakeholders.

Stakeholder Impact Analysis

Evaluate how decisions affect guests, employees, communities, and the organization.

Ethical Principles Evaluation

Assess decisions based on fairness, transparency, accountability, and safety.

Legal and Policy Compliance

Ensure alignment with laws, industry standards, and internal codes of conduct.

Decision Implementation

Execute decisions consistently and communicate them clearly.

Review and Learning

Monitor outcomes and integrate lessons into future policies.

This framework supports ethical consistency and strengthens consumer trust.

7. Conclusion

Ethical decision-making is a foundational element of sustainable success in the hospitality industry. Ethical challenges related to overbooking, pricing transparency, employee treatment, and guest safety require thoughtful management and principled leadership. The analysis demonstrates that ethical lapses can significantly damage reputation and customer trust, while ethical practices contribute to long-term brand loyalty and organizational resilience.

By fostering ethical cultures, adopting transparent policies, and applying structured decision-making frameworks, hospitality businesses can align business objectives with societal expectations. Ethical decision-making is not only a moral responsibility but also a strategic imperative in today's competitive hospitality environment.

References

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Appendices

Appendix A: Summary of Ethical Challenges in Hospitality

Appendix B: Ethical Decision-Making Framework Diagram

Appendix C: Case Study Comparison Table