Total quality management, corporate social responsibility and performance in the hotel industry

Carlos A. Benavides-Velasco [a,1], Cristina Quintana-García [b,*], Macarena Marchante-Lara [b,2]

[a] Dpto. Economía y Administración de Empresas, E.T.S. Ingeniería Industrial, Universidad de Málaga, Campus de Teatinos, 29071 Málaga, Spain
[b] Dpto. Economía y Administración de Empresas, Facultad de Ciencias Económicas y Empresariales, Universidad de Málaga, Campus El Ejido, s/n, 29071 Málaga, Spain

A R T I C L E   I N F O

A B S T R A C T

Total quality management (TQM) and corporate social responsibility (CSR) are relevant management philosophies in the hotel industry to be able to generate a sustainable competitive advantage. This paper examines how the implementation of both TQM and CSR influences the results of hotels' stakeholders as an antecedent of business performance. An empirical study of a sample of 141 Spanish hotels from the Andalusian region shows that the adoption of such approaches improves the capacity of hotels to create benefits for their stakeholders, and these results have a positive effect on hotel performance. The study also provides evidence of the complementarity of both management philosophies as TQM can enhance the development of CSR.

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1. Introduction

Total quality management (TQM) and corporate social responsibility (CSR) are considered potential sources in order to obtain a sustainable competitive advantage. TQM is a widely recognized management philosophy that focuses on continuous process improvement within organizations to provide superior customer value and meet customer needs bringing increased profitability and productivity (Wang et al., 2012). Companies are also encouraged to behave in a socially responsible way. The public, governments, customers and other stakeholders increasingly expect companies to recognize their social and environmental responsibilities, to adjust business practices to mitigate the negative impacts of their operations and to positively contribute to the communities where they operate (De Grosbois, 2012; Juholin, 2004). CSR is often considered in terms of a management philosophy, an overarching approach to business (Berger et al., 2007; Carroll and Shabana, 2010) that can be defined as the integration of social and environmental concerns in the firms' business operations and interactions with their

stakeholders on a voluntary basis (Commission of the European Communities, 2001). CSR should be embedded in the organizational culture. From this standpoint, social practices carried out by the company are considered appropriate way of doing things even if they are not related to financial concerns (Campbell, 2007; Wry, 2009). CSR promotes actions that appear to further some social good, beyond the interests of the firm and which is required by law (McWilliams and Siegel, 2001). There are several reasons for a firm to implement CSR: to provide a response to specific demands of stakeholders, to improve the firm's performance, to enhance corporate reputation, to generate customer loyalty or to preempt legal sanctions (Basu and Palazzo, 2008).

Both TQM and CSR are crucial management philosophies in the hotel industry, which entail huge challenges regarding new tourist profiles, tourists who seek the highest standards in facilities and services, more aggressive competition or the appearance of traveler communities whose opinions are spread over the Internet (Buhalis and Law, 2008; Harrington and Keating, 2006). These circumstances require hotel companies to improve their quality, efficiency, responsiveness, and maintain a sustainable advantage (Gray et al., 2000). Quality in the hotel industry is a key factor in order to obtain a competitive advantage and market distinction. It might guarantee customer loyalty, customer satisfaction, productivity/profitability and cost savings (Harrington and Keating, 2006; Qu et al., 2000; Wang et al., 2012). Additionally, the hotel industry is one of the sectors that can most benefit from the development

* Corresponding author. Tel.: +34 95 213 41 47.
  E-mail addresses: cabv@uma.es (C.A. Benavides-Velasco), cqg@uma.es (C. Quintana-García), mmarchante@uma.es (M. Marchante-Lara).
  [1] Tel.: +34 95 213 43 50.
  [2] Tel.: +34 95 213 72 65.

of CSR due to the economic, social and environmental impacts of this approach. CSR contributes to make the hospitality industry sustainable, fostering the retention rate of customers and employees (Tsai et al., 2010). Moreover, this industry has major repercussions on sustainable economic development associated with the gross domestic product (GDP), employment (WTTC, 2013), and natural resource conservation (Bohdanowicz, 2005; Chan, 2011).

TQM and CSR could be simultaneously implemented by hospitality organizations to develop a valuable firm strategy that provides a sustainable competitive advantage. There are some studies that analyze total quality management in the hotel industry (e.g. Baldacchino, 1995; Oakland, 2011), particularly the influence of TQM on performance (Bou and Beltrán, 2005; Claver-Cortés et al., 2008; Prajogo and Sohal, 2006; Wang et al., 2012). Similarly, although tourism CSR literature is scarce, a few contributions that focus on hotel industry investigate the relationship between CSR and financial performance (De Grosbois, 2012; Garay and Font, 2012; Kang et al., 2010).

In spite of the benefits of adopting TQM and CSR to deal with the current challenges in the hotel industry, there are no contributions that simultaneously analyze both management philosophies to explain their influence on the performance of hotels. Moreover, those studies have analyzed the direct influence of each management approach on performance, without considering that each stakeholder has different expectations, and hence, TQM and CSR can have different effects on each stakeholder.

Furthermore, although there are some contributions that examine CSR practices implemented by the hotel industry (Ayuso, 2006; Chung and Parker, 2010; Erdogan and Baris, 2007), these studies are mostly oriented to the environmental impacts and performance. Likewise, the existing literature on CSR is highly focused on how CSR policies are being communicated, analyzing the reporting content and how this has evolved over the years (Holcomb et al., 2007; Priego and Palacios, 2008; Bohdanowicz and Zientara, 2008). However, less attention has been devoted to a comprehensive approach to CSR practices in hospitality companies.

The contribution of this study is to fill all these gaps in the literature by examining how the commitment to both TQM and CSR practices influences the results of the hotel's main stakeholders (employees, customers and society), which in turn will have an impact on the business performance. Furthermore, we explore CSR in an integral approach and we study how the implementation of TQM methods and actions may influence the development of CSR.

This paper is structured as follows. We begin by presenting the theoretical framework and hypotheses regarding the effects of TQM and CSR on the results of stakeholders, the link between both management philosophies, and the impact of those results on the performance of hotels. Next, the paper explains the methodology employed in the empirical study and provides its findings. Finally, the last section presents discussions based on the results and conclusions.

2. Theoretical framework

Stakeholder theory (Freeman, 1984) suggests that firms expand the scope of consideration in their decision-making and activities beyond shareholders to several other constituencies with interests, such as customers, employees, suppliers and communities. The capacity of firms to generate sustainable wealth over time and its long-term value are determined by the relationship with both internal and external stakeholders (Post et al., 2002). TQM and CSR are appropriate corporate strategies that can enhance firm value since they consider the interest of both types of stakeholders. Total quality and excellence models introduce mechanisms to enhance continuous improvement through structured and systematic

processes, and have similar purposes and complementary practices as seen in the corporate social responsibility approach. The literature has analyzed TQM and CSR in an isolated way, but there are no empirical contributions that examine the effects of the commitment to both management philosophies on stakeholders. Focusing on the hospitality industry, we develop hypotheses regarding this research question.

2.1. Total quality management and its impact on stakeholders

Several research works have shown that quality management does not always improve the sustainability of a firm (Boje and Winsor, 1993; Viada-Stenger et al., 2010). This may be due to: the lack of involvement from top managers, the implementation of isolated techniques such as charts and just-in-time techniques without properly adopting the TQM philosophy (Harrington and Keating, 2006) or by not making any progress beyond quality certifications.

One of the aims of this study is to demonstrate the effects of managing quality in a way that encompasses the whole organization. The EFQM Excellence Model (EFQM, 2010), which is considered to constitute a valid representation of TQM in the European context identifies five enabler criteria to improve results with respect to people (employees), customers and society, as follows: leadership, employees, strategy, partnership and resources, and finally processes, products and services.

"Leadership" (EFQM, 2010) is required to develop an effective quality-management system (Harrington and Keating, 2006). The way employees perceive the leadership affects several important outcomes including employees' attitudes and performance. Empirical research demonstrates that hotel managers that exhibit a personal commitment to quality have a direct effect on employees' role clarity. Hotel managers are able to exert this important influence by acting as a role model, and offering rewards based on merits (Oakland, 2011) which have the added benefit of increasing job satisfaction and employee commitment to service quality (Clark et al., 2009). Some studies that analyze a leadership committed to quality as a component of the TQM approach also find a positive influence on other stakeholders such as customers (Tarí et al., 2010; Wang et al., 2012).

Excellent organizations value their "employees" and create a culture that encourages the mutually beneficial achievement of organizational and personal goals (EFQM, 2010). The implementation of TQM requires that organizations develop employees' capabilities through training, and stimulate empowerment and teamwork to promote creativity, innovation and participation in improvement activities (Oakland, 2011). Several contributions have verified that training, incentive and reward systems exhibit a positive moderating effect on the relationship between TQM and customer satisfaction as well as performance (Allen and Kilmann, 2001; Chandler and McEvoy, 2000). Similarly, Tarí et al. (2010) find that those hotels where commitment to quality management is above the average, have increased employees' motivation. Such hotels achieve higher stakeholder satisfaction and competitive performance.

"Strategy" is another relevant enabler of TQM, and it is considered one of the key issues that has an impact on the effectiveness of quality-implementation initiatives (Harrington and Keating, 2006). To guarantee sustainable results of stakeholders and organizations, there must be evidence that the operations and activities of the business are soundly based, systematic, and continuously reviewed and improved, that is, there must be an effective deployment of the strategies and policies (Oakland, 2011). In order to ensure the coordination and an effective implementation of TQM, appropriate communication of the strategic plan and its progress throughout