Environmental proactivity of hotel operations: Antecedents and the moderating effect of ownership type

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ABSTRACT

This study examines the relative importance of three influential factors (stakeholder pressure, economic opportunities, and top managers' personal environmental concern) in shaping managerial attitudes toward adoption of green programs in the hotel industry. The results, based on a sample of 235 top managers of hotels affiliated with three U.S. state hotel associations, suggest that stakeholder pressure is the most dominant predictor of managerial attitudes toward adoption of green programs followed by economic benefits and top managers' personal environmental concern. In addition, the relationship between managerial attitudes toward adoption of environmental programs and organizational environmental commitment is found to be moderated by the ownership style. The relationship is stronger for independent hotels than for chain-affiliated hotels, indicating a more significant role of managerial discretion in implementing environmental strategies at the independent hotel setting than the chain hotel setting.

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1. Introduction

Environmental issues have become an integral part of the management agenda in various industry sectors. Environmental positioning is equally significant in the hotel industry due to external forces that encourage environmental responsiveness of hotel companies (Bohdanowicz, 2005; Kirk, 1995). For example, customers' environmental concern affects their attitude towards hotels' green practices and purchasing decisions (Han et al., 2010), thereby driving hotel managers to grapple with environmental issues. Reflecting this phenomenon, research interest in environmental issues has grown tremendously among hospitality academics in recent years. Scholastic work ranges from the categorization of green practices (Erdogan and Baris, 2007; Mensah, 2006) to motivations of environmental management (Garay and Font, 2012; Tzschentke et al., 2004), impacts of environmental management on company performance (Molina-Azorín et al., 2009), and customers' or managers' attitudes towards green practices (Chan and Hawkins, 2010; Gustin and Weaver, 1996; Han et al., 2011).

Among numerous environmental research topics, antecedents that lead hotels to embrace proactive environmental management are understudied. Studies that assessed determining factors focused typically on what factors are related to hotel environmental management (e.g., Álvarez-Gil et al., 2001; El dief and Font,

2012; Park et al., in press), and failed to answer which determining factors are more influential and how they lead to environmental proactivity of hotels. Furthermore, previous studies often relied on data collected from middle level managers (e.g., facility or environmental managers) to capture responding hotels' perceptions of the factors that drive organizations' environmental management and strategies. Although middle level managers often play an important role in corporate environmental management by championing environmental issues within their organizations (Andersson and Bateman, 2000), top managers, who are central to organizational decision-making (Daft and Weick, 1984), would be the most powerful individual in determining hotels' response to environmental issues.

To fill the research gap, this study consolidates earlier findings on the determinants of the adoption of hotel environmental management and examines relative effects of the key factors from a top management perspective in order to provide more accurate explanations of the development of environmental proactivity in the hotel industry. This study includes the three commonly cited determinants: environmental stakeholder pressure (e.g., Álvarez-Gil et al., 2001; Céspedes Lorente et al., 2003), economic benefits of green practices (e.g., Bohdanowicz, 2005; Tzschentke et al., 2004) and top managers' personal environmental concern (e.g., Park et al., in press; Tzschentke et al., 2008). As strategic issues are interpreted and given meanings in an organization by decision-makers (Daft and Weick, 1984; Dutton and Duncan, 1987), top managers' personal environmental concern, perceived pressure from environmental stakeholders, and perceived economic

benefits of environmental practices together would shape top managers' favorable or unfavorable attitudes towards adoption of environmental practices, which in turn lead to organizational commitment to green programs.

In order for top managers' perceptions and personal characteristics regarding environmental issues to turn to environmental actions of their organizations, it is critical that top managers possess great managerial discretion or latitude of actions that determines the extent to which top managers influence organizational outcomes (Hambrick and Finkelstein, 1987). Hotel ownership type is considered an important governance-related factor in the hotel industry that affects the extent to which top managers possess and exercise managerial discretion. Top managers in independently owned and self-managed hotels exercise managerial discretion more freely than those in chain-affiliated hotels under franchising or management contracts (Roberts, 1997). The presumably positive link between top managers' attitudes towards adoption of environmental programs and organizational commitment to green practices is therefore likely to be influenced by hotel ownership type. Thus, we examine the moderating role of hotel ownership type on the relationship between top managers' attitudes towards adoption of green practices and hotels' environmental commitment.

This study contributes to the literature on hotel environmental management in the following ways. First, examining the relative effects of the determinants of hotel environmental proactivity could allow researchers to predict the focus of environmental management in the hotel industry and thereby direct future research. For example, if the adoption of green programs were derived from a profit-making stance rather than from the need to respond to stakeholder pressure, researchers would be able to predict likely patterns of environmental management as well as the public's reaction to them. Second, hospitality scholars have recently been interested in the influence of top managers' psychological variables regarding the natural environment (environmental values and concern) on environmental commitment of organizations (e.g., Park et al., in press). This study presents a more truthful picture of the effect of top managers' personal characteristic, such as environmental concern, on organizations' environmental commitment by concurrently controlling for two other known environmental management drivers (stakeholder pressure and economic benefits). Lastly, we further explain why top managers' attitudes towards adoption of environmental practices have differential effects on hotel companies' environmental commitment by exploring the moderating role of hotel ownership type. The moderation effect would shed light on the significance of the organizational contextual factors that may regulate the extent to which top managers shape organizational response to environmental issues.

2. Conceptual framework and hypotheses

Strategic management literature has highlighted the influence of top managers on organizations' strategy formulation (e.g., Chaganti and Sambharya, 1987; Jaworski and Kohli, 1993). The key assumption underlying this literature is that top managers' intentional behaviors in response to various strategic issues facing their organizations determine organizational actions (Child, 1972; Dutton and Jackson, 1987). A strategic choice perspective (Child, 1972, 1997) and upper echelons theory (Hambrick and Mason, 1984) provide theoretical grounds for the critical role of decision-makers in firms' strategy and actions. According to these perspectives, organizations are an interpretation system that actively scans external events, and decision-makers are central to this process (Daft and Weick, 1984). Meanings attached to the events are largely determined by decision-makers' selective

attention and interpretation as well as the organization's internal environment, such as management structure and system (Child, 1997; Dutton and Jackson, 1987). Hambrick and Mason (1984) also argued that top managers' values not only serve as the basis for their perceptions of the situation, but also directly affect firms' strategic choice (Hambrick and Mason, 1984).

The literature liking individuals' cognition and characteristics with firms' strategy and actions also assumes that top managers may develop certain attitudinal positions regarding strategic issues as a result of their individual perceptual and interpretive process. For example, based on their perceptions of various relevant factors or events, top managers view environmental issues as threats or opportunities (Sharma, 2000) and develop strong or weak commitment to environmental issues (Banerjee et al., 2003). Fundamentally, managers' proactive attitudes towards a certain strategic issue influence firms' actions (Álvarez-Gil et al., 2007).

The preceding theoretical perspectives suggest that top managers' perceptions of key forces pertaining to adoption of environmental management and their personal values concerning the natural environment should underlie environmental proactivity of hotels. Additionally, hotel ownership type governing the levels of managerial discretion that top managers possess is likely to be a key internal organizational factor qualifying the strength of the link between top managers' attitudes towards green programs and hotel companies' environmental commitment.

2.1. Stakeholder pressure and top managers' attitudes towards adoption of environmental practices

Stakeholder perspective provides a solid framework to understand firms' role and responsibilities beyond the profit maximization goal by considering claims and interests of non-shareholding groups (Mitchell et al., 1997). Since much literature on stakeholder theory centers on answering what groups of stakeholders deserve management attention (Mitchell et al., 1997), large variations exist in definitions of stakeholders. Freeman (1984) offers one of the broadest definitions of stakeholders: "any group or individual who can affect or is affected by the achievement of the organization's objectives" (p. 46). On the other hand, Donaldson and Preston (1995) offer a narrower definition of stakeholders: "persons or groups with legitimate interests in procedural and/or substantive aspects of corporate activity" (p. 85).

Environmental management literature adopting the stakeholder theory perspective focuses on differences among firms in their environmental responsiveness because of various expectations and pressures from environmental stakeholders (e.g., Buysse and Verbeke, 2003; Henriques and Sadorsky, 1999). Proactive environmental strategies go beyond regulatory compliance and manage a number of stakeholders' expectations and demands (Buysse and Verbeke, 2003). Different environmental stakeholders have varying levels of pressures on firms' environmental performance (Kassinis and Vafeas, 2006).

Little empirical research has been conducted on the influence of different environmental stakeholders on environmental strategies in the lodging context. However, studies investigating the reasons for hotel companies to adopt environmental management practices suggest that expectations and demands of the following groups are critical. First, local governments, as a regulatory body, initiate environmental schemes and provide various incentives to encourage local hotels' participation in greening efforts. Second, because of increased public attention paid to the effects of the hotel industry on the natural environment (Manaktola and Jauhari, 2007), the need for the hotel associations to improve industry image and environmental legitimacy of member hotels is greater than ever. American Hotel and Lodging Association (AH&LA) is the leading U.S. hotel industry association acting as an external