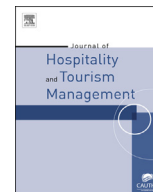


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The effect of sustainability practices on financial leakage in the hotel industry in Jordan

Nidal Alzboun ^{a,*}, Hamzah Khawaldah ^a, Kenneth Backman ^b, DeWayne Moore ^c^a *Geography Department, Faculty of Arts, University of Jordan, Amman 11942 Jordan*^b *Department of Parks, Recreation, and Tourism Management, Clemson University, USA*^c *Department of Psychology, Clemson University, USA*

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ABSTRACT

This study aims to assess the effect of sustainability practices on financial leakages in the hotel industry in Jordan. A self-administered survey was distributed to hotel managers in all 213 classified hotels in Amman, Aqaba, Petra, and the Dead Sea area. Of these, 163 questionnaires were returned with a response rate of 76.5%. Confirmatory Factor Analysis and Structural Equation Modeling were used to test research hypotheses. Despite that many studies have predicted sustainability practices to have a negative effect on financial leakages, the results of this study indicated that sustainability practices didn't reduce the financial leakage level in Jordanian hotels. However, financial leakages are predicted to be reduced through sustainability practices over time. These results could help hotels to develop financial and conservation strategies benefiting their local economies, resources, and cultures. Future research may extend this work to other tourism businesses.

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1. Introduction

Many developing countries look to the tourism industry as a powerful and feasible force for achieving economic growth (Aniah Eugene, Eja, Otu Judith, & Ushie, 2009; Scheyvens & Momsen, 2008). The primary source of this economic impact is tourist expenditures on a wide variety of goods and services that generate new levels of consumer demand for the host economy (Galdon, Garrigos, & Gil-Pechuan, 2013). As long as these financial resources are spent or re-spent locally, they foster economic development in the host countries. However, often these revenues are not an accurate indication of positive impact from tourism since in some cases the benefits flow outside the host country as leakage (Lacher & Nepal, 2010; Rahman, 2012; Supradist, 2004).

This economic leakage is the main reason tourism has failed to achieve economic development for local economies (Lacher & Nepal, 2010; Mitchell & Ashley, 2007). However, determining this leakage is challenging because tourism is a complex industry involving multiple services and sub-sectors which makes it difficult to track (Song, 2012; Font, Tapper, Schwartz, & Kornilaki,

2008). The economic leakage has a negative impact on the ability of local communities, and future economic growth and sustainability (Supradist, 2004).

On a similar vein, tourism literature demonstrates that there is a paradigm shift from the past trend of mass tourism to alternative forms of tourism such as sustainable tourism (Bohdanowicz, 2005; Butler, 1993; Kirk, 1998; Mensah, 2006). In this context, the scholars and business leaders have realized that the appropriate way to maintain continuous economic benefit is by achieving social equity and ecological integrity, what is referred to as the "Triple Bottom Line" (TBL) (Smerecnik & Andersen, 2011).

The Triple Bottom Line is of special interest to the hotel industry as it is classified among the high consumptive components of tourism in terms of energy, water, and non-durable products, in addition to the potential harmful emissions into the air, water and soil due to its functions as a service provider (Bohdanowicz, 2005; Erdogan & Baris, 2007; Kasim, 2009; Mensah, 2006). Consequently, many interested stakeholders, including academic researchers, have criticized the general policies of the hotel industry. In addressing these concerns, many hotels around the world have adopted sustainable tourism practices to reduce the negative impacts of their activities having realized their responsibilities in protecting the environment (Mensah, 2006; Ayuso, 2006).

* Corresponding author.

E-mail addresses: n.alzboun@ju.edu.jo (N. Alzboun), khawaldah1@gmail.com (H. Khawaldah), frank@clemson.edu (K. Backman), moore@clemson.edu (D. Moore).

2. The purpose and relevance of the study

The purpose of this study is investigating the effect of sustainability practices on financial leakage levels in the hotel industry in Jordan, adding a novel contribution to the tourism literature. In addition, it applies a holistic definition of sustainable development including the pillars of economic, socio-cultural and environmental aspects, while most of the previous studies have focused on only one dimension of sustainability, primarily the environmental aspect.

This study is important because of the relevance of the tourism sector to the Jordanian economy, representing 12.4% of the GDP (CBJ, 2013), with the accommodation sector being one of the primary producers of tourism services (Claver-Cortés, Molina-Azorín, & Pereira-Moliner, 2007; Cooper, Fletcher, Gilbert, Shepherd, & Wanhill, 1998). As Goss-Turner (1996) indicates, approximately one-third of the total trip expenditure goes to accommodation, also an essential ingredient of the tourism experience. Coupled with their role in economic development, hotels also constitute a primary component in the organized chain of activity in the travel and tourism industry, and as such are crucial in the environmental protection related to tourism and travel, primarily because of the energy, water, and nondurable products they consume (Erdogan & Baris, 2007). Being environmentally and socially responsible, hotels can gain a competitive and cost advantage as well as community recognition (Anderson, Fish, Xia, & Michello, 1999). To do so from a management perspective requires an effective reporting system to monitor the sustainability of hotel operations while tracking performance relative to the social and environmental objectives. Managers also need to ensure that the firm is improving in terms of being financially, socially and environmentally responsible (Assaf, Josiassenc, & Cvelbar, 2012). By focusing on sustainable tourism practices in the hotel industry of Jordan and its effect on financial leakage levels, this study addresses a crucial problem in the hospitality industry in Jordan. However, it also offers two broader contributions to the field: first, it proposes a strategy for addressing the financial leakages in the hotel industry by strengthening the links between the hotels and other sectors in the country. Second, it explores the possibility of applying this strategy to other sectors with high levels of financial leakage, taking into consideration the uniqueness of each.

3. Literature review

Over the last ten years, a growing body of literature has investigated sustainability practices in the hotel industry, attempting to evaluate and identify the level of performance for these practices throughout the world (Bohdanowicz, 2005; Chan, Hon, Chan, & Okumus, 2014; Erdogan & Baris, 2007; Jones, Hillier, & Comfort, 2013; Kasimu, Zaiton, & Hassan, 2012; Mensah, 2006; Mensah & Blankson, 2013; Mihalic, Zabkar, & Cvelbar, 2012; Nicholls & Kang, 2012; Pulido-Fernández, Andrades-Caldito, & Sánchez-Rivero, 2015; Rahman, Reynolds, & Svaren, 2012; Smerecnik & Andersen, 2011). For example, Kasimu, et al. (2012) studied the current level of the contribution of hotels to environmental practices and the role of hotel managers in adopting practices which protect the environment in Malaysia. In Ghana, Mensah and Blankson (2013) identified the factors measuring the environmental performance of hotels and examined the socio-demographic characteristics of managers that determined the environmental performance of Ghanaian hotels. In the American context, Nicholls and Kang (2012) have analyzed the awareness and perceived benefits of adoption green practices within Michigan accommodation sector. In the same respect, Smerecnik and Andersen (2011) investigated the adoption of sustainability innovations in the North American hotel and ski resort industries.

As an opposite result, Pulido-Fernández et al. (2015) conducted a study using the World Economic Forum's empirical evidence from 128 countries, backed by the economic data search tool of the World Travel & Tourism Council. It demonstrates that progress in tourism sustainability does not affect a country's main economic tourism indicators in the short term, and does not constrain profitability and competitiveness. Jordan was among 71 countries that their travel and tourism sustainability have worsen. Therefore, they concluded that the sustainability of tourism activity at global level has declined in overall terms in the period 2008–2011.

On the local scale, few studies have investigated sustainability issues in the hotel industry in Jordan (Ali, Mustafa, Al-Mashaqbah, Mashal, & Mohsen, 2008; Hayek et al., 2008). The study conducted by Ali et al. (2008) found that few classified hotels had installed energy saving equipment. In addition, they also found that high class hotels were the most willing to use energy efficient appliances to reduce energy consumption. Hayek et al. (2008) conducted Cleaner Production assessment in four hotels in Aqaba and Petra classified as 1, 2 and 3-star hotel. They found that the implementation of Cleaner Production program enhanced the efficient use of resources, and further it advanced the financial position of the enterprises. They recommended two types of sustainability practices: the first one requiring no or low investments such as installing water saving taps and showers, using a dual flushing system for toilets, using dispensers for shampoo and soap, and improving the dish washing procedures. The second type of practices requires moderate to high investments including installing sensors in the windows and corridors and a central cooling system.

The contribution of this study is twofold: first, the issue of sustainability was investigated in the context of the hotel industry in Jordan; therefore, this research attempts to bridge this gap through applying the holistic concept of sustainability. Second, this is the first study to date which assesses the effect of sustainability practices on the financial leakage in the hotel industry taking into consideration that financial leakage is a chronic problem most of the developing countries suffer with, and sustainability is one of the philosophies or paradigms that most of researchers and planners call firms to adopt to enhance their performance and to solve problems related to the environment, community, and economic development.

Regarding financial leakage, many studies have investigated the economic leakage in the tourism industry (Andriotis, 2002; Campbell, 1999; Chirenje, Chitombe, Gukurume, Chazovachii, & Chitongo, 2013; Lacher & Nepal, 2010; Walpole & Goodwin, 2000). In general, developing and small island countries are more susceptible to leakage than developed ones because of their weak economies and their dependency on other countries. In 2013, Chirenje et al., suggested that financial leakage could be reduced by creating strong, sustainable links between ecotourism and other livelihood options, training local communities, expanding local assets and fostering strong local community participation in ecotourism activities. Based on this theoretical framework, this study will test the following hypotheses:

Main hypothesis (H). Sustainability practices reduce or negatively related to financial leakage in Jordan's hotels:

Ha. Sustainability practices reduce or negatively related to importing food and beverage in Jordan's hotels.

Hb. Sustainability practices reduce or negatively related to importing materials and equipment in Jordan's hotels.

Based on the theoretical background presented here, this study proposes the model seen in Fig. 1 suggesting that a high level of sustainability practices may influence the financial leakage in the

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