



Dynamic capabilities driving an eco-based advantage and performance in global hotel chains: The moderating effect of international strategy



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HIGHLIGHTS

- Focus is on organizational capabilities driving an eco-based competitive advantage.
- Use of dynamic capabilities theory and testing the model among global hotel chains.
- Organizational learning, shared vision, and cross-functional integration are key drivers.
- An eco-based competitive advantage positively affects global financial performance.
- Certain international strategy dimensions moderate the advantage–performance link.

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ABSTRACT

Building on the dynamic capabilities theory, a model of organizational capabilities driving an eco-based competitive advantage and performance in the global hotel industry is tested. Data obtained from 102 hotel chains reveal that organizational learning, shared vision, and cross-functional integration are conducive to creating a green competitive advantage, though this is not the case with relationship building and technology sensing/response. In turn, an eco-based advantage positively affects global financial performance. Certain dimensions of international strategy, namely foreign entry through joint ventures and decision-making decentralization, positively moderate the advantage–performance link, while no moderation effect exists for global market configuration and standardization/adaptation.

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1. Introduction

Major concerns with protecting the natural environment in the last decades have significantly reshaped the landscape in which organizations operate in both domestic and international markets (Miles & Covin, 2000). For example, consumer preferences have shifted toward more environmentally friendly goods and services (Grove, Fisk, Pickett, & Kangun, 1996), while the general public has

become increasingly aware of and sensitive to the role of key environmental issues (Menon & Menon, 1997). In addition, various external (e.g., governments) and internal (e.g., shareholders) stakeholders have begun demanding that the business community stop ignoring ecological matters and take drastic measures to protect the bio-physical environment (Heather & Ditte, 2006).

In response to these trends, environmental issues have gained heightened attention from both business practitioners and academics (Chabowski, Mena, & Gonzalez-Padron, 2011). Specifically, evidence indicates that a growing number of firms (especially in developed countries) engage in eco-friendly activities to improve their competitive edge and enhance their financial position (Miles & Munilla, 1993). Moreover, in a recent review of the environmental literature, Leonidou and Leonidou (2011) revealed: (1) an exponential growth in both the quantity and quality of articles

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written on ecological issues; (2) a significant diversity in the routes followed to study the subject, together with increased in-depth coverage of the various topics examined; and (3) a marked transition of this field from an identification and exploration stage toward a phase characterized by greater maturity, sophistication, and rigor.

Despite these positive signs, the pertinent literature has been relatively silent on three critical issues surrounding environmental-related phenomena. First, environmental studies have concentrated mainly on manufacturing firms, with the hotel industry (and the wider service sector) receiving much less attention (Carmona-Moreno, Cespedes-Lorente, & de Burgos-Jimenez, 2004). However, investigating the green business practices of hotels is of paramount importance because: (1) they are usually heavy users of resources (e.g., electricity) with potential harmful effects on the environment; (2) they rely on ecological aspects of their product offering to influence the level of satisfaction in customer experience; and (3) they increasingly face stricter environmental regulations, necessitating greater incorporation of sustainability elements in their operations (Álvarez-Gil, Burgos-Jimenez, & Cespedes-Lorente, 2001).

Second, studies on green-related international business topics are generally limited, though many signs highlight the need to examine them further (Peng & Lin, 2008; Pinkse, Kuss, & Hoffman, 2010). For example, many foreign markets contain a growing segment of consumers who are sensitive to ecological matters and strive to purchase products/services from firms adopting an eco-friendly perspective (Miles & Covin, 2000). Moreover, an increasing number of firms prefer to compete against their local and/or foreign competitors on environmental and other socially responsible dimensions (Bellesi, Lehrer, & Tal, 2005). Furthermore, recent developments in communication, information, and social media help expose positive or negative elements of the firm's environmental actions to buyers and other stakeholders around the globe (Kirchoff, Koch, & Nichols, 2011).

Third, the factors leading to the creation of an eco-based competitive advantage and business performance remain unclear (Rodríguez & Cruz, 2007). For example, although research is relatively adequate on the internal determinants of the firm's environmental competitive edge, such as company size (El Dief & Font, 2010), organizational design (Sharma, 2009), top management education level (Rivera & de Leon, 2005), and green-sensitive leadership (Smerecnik & Andersen, 2011), the role of more dynamic firm elements (e.g., organizational capabilities) in achieving an eco-friendly advantage has only been tangentially tackled. In addition, studies have examined the performance outcomes of the firm's environmental behavior (e.g., Álvarez-Gil et al., 2001; Kassinis & Soteriou, 2003), but knowledge of how an eco-based advantage can enhance the firm's financial performance is limited.

This study aims to shed light on these crucial issues by developing and testing a model of the organizational capabilities driving an eco-based competitive advantage and performance in global hotel chains. It specifically focuses on three key research questions: (1) How can different organizational capabilities of a global hotel chain, namely organizational learning, relationship building, shared vision, cross-functional integration, and technology sensing/response, help create an eco-based competitive advantage? (2) How can such an advantage, which is derived from the adoption of an environmentally friendly behavior (such as pollution control, energy saving, and recycling), enhance the hotel chain's global financial performance? (3) What is the specific role of certain dimensions of the hotel chain's international strategy, namely global market configuration, foreign entry mode, decision-making autonomy, and business standardization/adaptation, in moderating the association between competitive advantage and financial performance?

The study is theoretically grounded on the dynamic capabilities paradigm, which posits that over time organizations can integrate, build, and reconfigure internal and external competencies to address environmental volatility and generate new forms of advantage (Teece, Pisano, & Shuen, 1997). The dynamic nature of these capabilities enables the firm to acquire, combine, and transform tangible (e.g., financial) and intangible (e.g., reputational) resources in different ways, so as to match constantly changing market conditions and offer values of strategic intent (Morgan, Katsikeas, & Vorhies, 2012). In essence, dynamic capabilities are the means for activating organizational resources, updating their status, and even safeguarding their mere existence. In brief, they act as connecting bonds that help the firm effectively adapt to changes in the overall business environment, enhance its competitive edge, and improve its performance (Krasnikov & Jayachandran, 2008).

2. Green hotel management literature

Scholarly efforts on environmentally-related issues in the hotel industry have significantly intensified in the past decade. However, only a few studies (e.g., López-Gamero, Claver-Cortes, & Molina-Azorin, 2008) have focused on the organizational capabilities, competitive advantage, and performance implications related to hotel eco-friendly practices. Moreover, with the exception of some studies with an international focus (e.g., Bohdanowicz, Zientara, & Novotna, 2011), the bulk of this research has adopted a domestic perspective or drawn comparisons across countries. The pertinent literature can be organized into three broad areas: internal drivers of environmental behavior, green management practices and strategies, and eco-friendly competitive advantage and performance.

2.1. Internal drivers of environmental behavior

Internal factors driving hotel environmental behavior have mainly involved firm demographic characteristics. Specifically, while research has found that size, chain affiliation, star class, and modernization level (age) of the hotel are positively related to pro-environmental behavior (Álvarez-Gil et al., 2001; Carmona-Moreno et al., 2004; El Dief & Font, 2010, 2012), foreign ownership status yields mixed results (Shah, 2011). Moreover, the adoption of (or intention to adopt) environmental management practices is positively influenced by hotel organizational design (Sharma, 2009), the presence of a written environmental policy (Shah, 2011), the use of certain operations management techniques (Álvarez-Gil et al., 2001), the extent of staff training (Chan & Hawkins, 2012), and the possession of voluntary-based business values (El Dief & Font, 2010). Furthermore, top management characteristics, such as age (El Dief & Font, 2010), level of education (Rivera & de Leon, 2005), and altruistic/moral behavior (Garay & Font, 2012), have a favorable effect on the adoption of hotel ecological practices.

Research also reports that certain organizational resources (e.g., physical, financial) and capabilities (e.g., strategic proactivity, continuous innovation) are conducive to an eco-friendly hotel business approach. For example, Shah (2011) stresses foreign ownership, chain affiliation, and financial availability as vital resources in building a corporate environmental responsibility among hotels. Fraj, Matute, and Melero (2015) also report that learning orientation and innovativeness are instrumental organizational capabilities in the execution of proactive environmental strategies. Moreover, López-Gamero, Molina-Azorin, and Claver-Cortes (2011) distinguish between 'existing' and 'newly acquired' resources and capabilities: while the former refer to sets of technologies, skills, and knowledge generated and enlarged over time, the latter correspond to the acquisition of new resources resulting

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