



# Top managers' environmental values, leadership, and stakeholder engagement in promoting environmental sustainability in the restaurant industry



Yoon Jung Jang\*, Tianshu Zheng, Robert Bosselman

Department of Apparel, Events, and Hospitality Management, Iowa State University, Ames, IA 50011, USA

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## ABSTRACT

This study examines the role of top managers' values and leadership in advancing environmental sustainability. It also investigates the effects of stakeholder engagement on restaurants' environmental sustainability and assesses the impact of related practices on restaurant performance. A web-based survey was administered to collect data from top-level restaurant managers in the United States. The sample was selected from panels recruited by a research company specializing in panel surveys. Invitation emails were sent to 2500 managers and 240 responses were returned, 218 of which were retained for final analysis (response rate: 8.7%). Structural equation modeling was used for testing hypothetical relationships among key constructs in the proposed research model: environmental values, leadership, stakeholder engagement, environmental sustainability, and restaurant performance. Findings confirmed the significant role of top management values and leadership in advancing environmental commitment. The results also demonstrated the strong impact of stakeholder engagement on restaurants' commitment to environmental sustainability. Finally, they indicated the positive influence of restaurants' environmental sustainability performance on both financial and nonfinancial performance. The study presents a theoretical framework, integrating theories or models from extant literature, and contributes to an enhanced understanding of restaurants' environmental sustainability. The findings suggest several practical implications for managers in the restaurant industry.

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## 1. Introduction

Sales in the U.S. restaurant industry have continued to grow, with a 2016 sales projection of \$783 billion (National Restaurant Association, 2016). According to the National Restaurant Association (2016), approximately 60% of consumers are more likely to choose a restaurant that offers locally sourced or environmentally friendly food. Today's consumers are willing to pay a premium to restaurant companies that engage in environmental sustainability practices (Hu et al., 2010; Jang et al., 2015). Following this trend, restaurant companies are adopting initiatives related to environmental sustainability. Competent managers now recognize that there can be no long-term financial growth without consideration of social and environmental responsibility. However,

top managers, the central players in advancing environmental sustainability, often do not know how to improve environmental performance.

Many hospitality studies have attempted to explore the factors that prompt restaurants' adoption of sustainable practices (Bohdanowicz, 2006; El Dief and Font, 2010a, 2010b; Nicholls and Kang, 2012; Tzschentke et al., 2008). In particular, researchers have identified critical factors (e.g., stakeholder pressure, public concerns, regulatory forces, competitive advantage, top management commitment, managers' values, beliefs) affecting environmental sustainability and enhancing corporate environmental behavior (Chan and Wong, 2006; Garay and Font, 2012; Lopez-Gamero et al., 2011; Park, 2009; Park and Kim, 2014; Tzschentke et al., 2008). The literature has also paid special attention to the impacts or outcomes of corporate environmental programs, including cost savings, improved profits, and improved market share (Claver-Cortes et al., 2007; Garay and Font, 2012; Kang et al., 2010; Lee and Park, 2009; Rodriguez and Cruz, 2007; Tari et al., 2010).

However, most studies lacked a theoretical grounding and failed to suggest testable frameworks that would enhance the

\* Correspondence to: Hotel, Restaurant & Institutional Management, Yonsei Graduate School of Human Environmental Sciences, 50 Yonsei-ro, Seodaemun-gu, Seoul, 120-749, Korea.

E-mail addresses: [yjjang@iastate.edu](mailto:yjjang@iastate.edu), [yoonyj923@gmail.com](mailto:yoonyj923@gmail.com) (Y.J. Jang), [tzheng@iastate.edu](mailto:tzheng@iastate.edu) (T. Zheng), [drbob@iastate.edu](mailto:drbob@iastate.edu) (R. Bosselman).

understanding of corporate environmental sustainability. Prior studies emphasized the role of top managers in promoting corporate environmental sustainability, but literature on their leadership has been very limited in environmental studies. The stakeholder is also a central variable in corporate environmental strategies; however, limited studies have focused on the effect of stakeholder engagement on the implementation of environmental strategies and practices. To fill this research gap, this study proposed a conceptual framework for understanding the relationships among the key variables of top managers' environmental values and leadership, stakeholder engagement, environmental sustainability performance, and restaurant financial and nonfinancial performance.

The specific objectives of the study were to (a) develop and test a conceptual model of environmental sustainability; (b) examine the effect of top managers' environmental values and leadership on stakeholder engagement; (c) evaluate the role of top managers' environmental values and leadership in restaurants' environmental sustainability; (d) examine how stakeholder engagement affects restaurants' environmental sustainability; and, (e) investigate how restaurants' environmental sustainability influences both their financial and nonfinancial performance.

## 2. Review of literature

### 2.1. Corporate environmental sustainability

Sustainability is based on the verb *sustain* meaning “to maintain, nourish, or encourage a phenomenon, and/or strengthen or improve it” (Sumner, 2007, p. 77). The most widely accepted definitions of sustainability focus on improving the quality of human life without harming the environment and the capability of natural systems (Brundtland, 1987; IUCN/UNEP/WWF, 1991). The sustainability approach helps corporations work toward the goals of economic, social, and environmental sustainability and equally emphasize three pillars, which are triple-bottom line on a corporation (Perez and del Bosque, 2014; Wilson, 2003).

Scholars who attempted to explain corporate sustainability – sustainability at the corporate level – stressed that people inside and outside corporations (stakeholders) should be considered and treated ethically, and in a responsible manner while working toward three dimensions of sustainability (Dyllick and Hockerts, 2002; Wilson, 2003). According to their definitions, corporate sustainability can comprise all corporate activities related to the pursuit of economic, social, and environmental health with the aim of raising standards of living for shareholders, employees, customers, pressure groups, and communities (Dyllick and Hockerts, 2002; Van Marrewijk, 2003).

Corporate environmental sustainability, the focus of this study, could be defined as corporate-level activities that preserve resources and protect the environment, while considering improvements in living standards for people within and outside the corporation (Perez and del Bosque, 2014; Van Marrewijk, 2003; Van Rheede and Blomme, 2012).

### 2.2. Restaurants' environmental sustainability

Significant growth of the restaurant industry has created serious environmental problems through excessive energy and water consumption, and the generation of large amounts of non-recyclable trash and wasted food (Hu et al., 2013). The Green Restaurant Association has attempted to improve restaurants' environmental sustainability performance by providing environmental guidelines that enumerate seven indicators of environmental sustainability: energy, water, waste, disposables, chemical and pollution

reduction, sustainable food, and sustainable furnishings and building materials (Green Restaurant Association, 2015). Many studies have also described the objectives that restaurant companies must accomplish to achieve environmental sustainability (Choi and Parsa, 2006; Hu et al., 2010; Park, 2009; Schubert, 2008; Szuchnicki, 2009). For example, Choi and Parsa (2006) proposed three domains of sustainable practices in the restaurant industry: serving organic or locally grown food, engaging in environmentally friendly practices, and donating money and time to the community. In this study, environmental sustainability describes a restaurant company's attempts to mitigate its negative environmental impact by, for instance, serving sustainable food, promoting energy efficiency and conservation, promoting water efficiency and conservation, reducing waste, reusing and recycling, and supporting the community's efforts to enhance the environment.

### 2.3. Top managers' environmental values

Eco-oriented managers' values have a decisive influence on corporate environmental sustainability (Egri and Herman, 2000; El Dief and Font, 2010a; Han, 2015; Han et al., 2015; Park and Kim, 2014). The theory of altruistic behavior emphasizes the importance of environmental values in explaining pro-environmental behaviors. For example, Schwartz's (1977) norm-activation theory of altruism argues that individual altruistic behavior is activated by a moral norm or moral obligation resulting from an individual's relevant values (Nordlund and Garvill, 2002). Stern et al.'s (1999) value-belief-norm (VBN) theory of environmentalism—an extended model of Schwartz's (1977) norm-activation theory—links personal values, the New Environmental Paradigm (NEP), beliefs about the biophysical environment, the pro-environmental personal norm, and environmental behavior. According to the VBN theory, individuals with strong environmental values are likely to know the consequences of an environmental problem, to take responsibility for environmental actions, and to participate in or support pro-environmental actions (Stern, 2000; Stern et al., 1999).

The theory of planned behavior (Ajzen, 1991) also explains the relationship between values and behavior. These theories state that individuals' beliefs and attitudes toward a specific behavior determine their behavioral intention to engage in that behavior. Many environmental studies applying these theories confirmed that individuals' normative beliefs and attitudes toward pro-environmental behavior were proven to be the most important antecedents of their environmental behavioral intentions (Flannery and May, 1994; Han et al., 2010; Han et al., 2015; Park and Kim, 2014). For example, Han et al. (2015) showed that hotel guests' moral norm along with their attitude was the most influential antecedent in predicting their behavioral intention to stay at environmentally friendly hotels, implying that individuals' ethical obligation plays a crucial role in their environmentally responsible behavior.

Studies of the psychological determinants of pro-environmental behavior have identified individual values as an important factor in individuals' commitment to environmentally responsible behaviors (Nordlund and Garvill, 2002). Nordlund and Garvill (2002) tested the existence of causal links between individuals' environmental values and their problem awareness, personal norms, and pro-environmental behavior. Those findings supported the predicted causal relations among variables and implied that leaders' environmental values may affect their awareness with regard to environmental problems and their moral obligation to work to protect the environment, which are considered environmentally responsible leadership behaviors. Managers with strong environmental or ethical values are also more likely to address stakeholders' environmental interests and to have genuine and ethical relationships with them, thereby helping a corporation

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