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Discussion paper

Investigating relationships between stakeholders' pressure, eco-control systems and hotel performance

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ABSTRACT

Stakeholders' pressure motivates the deployment of systems of environmental management control. Nevertheless, few insights are available regarding the impact of stakeholders' pressure on the extent to which eco-control systems are used. Findings from previous research on eco-control are said to be inconclusive, due to the lack of empirical evidence. In addition, the literature on hotels/tourism indicates a scarcity of studies investigating the factors associated with the use of these systems in the hotel sector. In this study, to help fill this gap, we contribute to the existing literature. We investigate, empirically, the associations between the impact of stakeholders' pressure and the use of eco-control systems, and whether the extent of using these systems is associated with hotel performance in the United Arab Emirates (UAE). Our findings conclude that the impact of stakeholders' pressure influences the extent of using eco-control systems in UAE hotels. However, contrary to expectations, the extent of using these systems is not significantly associated with hotel performance. Our findings and interpretations could reflect 'practice variation' in the adoption of eco-control systems in UAE hotels. It could be that UAE hotels do not capitalize on the implications the adoption of these systems could have on their performance. The academic and practical implications of our findings are discussed.

1. Introduction

In the past two decades, environmental concerns and potential environmental effects on organizational performance have attracted the attention of academics and practitioners alike (see, Jones, 2010; Parker, 2000). Such attention was triggered by many factors, including, but not limited to: global warming, ozone depletion, declining natural resources, pollution control, and deforestation and desertification. These incidents have led to a growing demand by stakeholders for organizations to develop, adapt and use more environmental friendly management practices (Burritt et al., 2002). As a consequence, a number of environmental management accounting initiatives have been suggested with a view to incorporating social and environmental issues in conventional management accounting systems. These initiatives have created a body of accounting practices which is referred to as 'environmental management accounting' (EMA).

The accumulated research in EMA is intended to help organizations in facing their environmental responsibilities and earning the potential economic and environmental benefits that would be obtained from cost savings due to improved ecological efficiency, or from an improved image and better community relations (Porter and Van der Linde, 1995; Shrivastava, 1995). The EMA tools adopted by managers to serve environmental information needs are recognized as environmental management control systems (EMCS). Management control systems, in general, play a pivotal role in organizations and influence organizational performance (see Franco-Santos et al., 2012). Eco-control systems are EMCS; they are defined as "the formalized procedures and systems that use financial and ecological information to maintain or alter patterns in environmental activity" (Henri and Journeault, 2010, p. 64; Schaltegger and Burritt, 2000). Eco-control systems integrate environmental information and cost in an environmental management

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strategy, and help organizations to measure, control and disclose their performance (Schaltegger and Burritt, 2000). They ensure that organizations handle environmental aspects/issues in a continuous process (Schaltegger and Burritt, 2000).

However, most of the previous research on EMA, including eco-control, has been criticized as being rather descriptive or prescriptive (see Bouma and Van der Veen, 2002; Eckel et al., 1992; Epstein, 1996a,b; Figge et al., 2002; Gunarathne and Lee, 2015; Scanlon, 2007), which has rendered inconclusive any findings from previous research on eco-control (Henri and Journeault, 2010). This is ascribed to a lack of supportive empirical evidence, and this, in turn, has led commentators to recommend more empirical research to remedy the insufficiency of empirical evidence in this field. In addition, due to the substantial environmental impact of manufacturing firms, their particular sector has dominated previous empirical studies in the field (see Henri and Journeault, 2010; Pondeville et al., 2013). Accordingly, commentators argue that little is known about how and in what conditions a service company can develop and implement an internal environmental strategy (Gunarathne and Lee, 2015).

Environment issues/concerns are said to affect the hotel and tourism industry worldwide (Hsiao et al., 2014). The United Nations World Trade Organization (UNWTO) report predicts 1.2 billion tourists worldwide by 2020 (UNWTO, 2010). However, expansions in tourism projects and hotels imply a degradation of the environment in terms of increased energy consumption, i.e. water and electricity (see Hsiao et al., 2014; Bastic and Gojcic, 2012). Like other businesses, hotels could have a significant impact on the environment through their regular energy-greedy operations, e.g. water use, heating, cooling, lighting, appliances and laundry systems. It is argued that hotels, as a major sector of the tourism industry, may either contribute to environmental degradation and destruction or they can be managed in a way that preserves the local environment and enhances the local community (Pigram, 1995). Hence, a number of action guidelines have been developed worldwide to help hotels to address their environmental impact, improve their environmental performance and protect their natural surroundings (see, for example, International Hotels Environment Initiative, 1996; the Asian Pacific Hotels Environment Initiative, as discussed in Chan and Lam, 2001). In addition, commentators recommend that the sustainable management of hotels requires more attention to environmental management issues.

The pressures exerted by several societal stakeholders are said to have awakened a sense of environmental responsibility among hotels. Park and Kim (2014), for example, have found that stakeholders' pressure in the US hotel sector is the dominant predictor of managerial attitudes toward the implementation of green programs. Meanwhile, Mensah (2014) has demonstrated that primary stakeholders such as customers and boards of directors have a significant influence on the environmental performance of hotels. Rivera (2004) has also explored how regulatory and stakeholders' pressures may affect voluntary environmental behavior in the context of the hotel industry.

In this study, we contribute to the existing literature on EMCS, tourism and hospitality by investigating, empirically, the impact of stakeholders' pressure on the use of eco-control systems, and whether, in turn, the extent to which eco-control systems are used is associated with hotel performance in the UAE.

Within the UAE context, the UAE government focuses on expanding tourism projects as a way to diversify the economy and enhance the country's reputation and image worldwide (Elbanna et al., 2015). Meanwhile, the UAE government seriously considers environmental concerns and embeds environmental awareness and management in its strategy. UAE is a part of many international agreements; such as: biodiversity, climate change, climate change-Kyoto protocol, desertification, endangered species, hazardous wastes, marine dumping, ozone layer protection (World Factbook, 2015).The UAE Ministry of Environment and Water (MoEW) has developed the national environmental education and awareness strategy for 2015–2021 with the following main goals: "educate young people to drive the UAE towards a sustainable future; improve the community's commitment to sustainable and environmental protection; encourage the active involvement of business and industries in moving towards environmental sustainability; engage key government stakeholders to support environmental sustainability; and ensure the alignment and effectiveness of environmental education and awareness efforts in the UAE" (Ministry of Environment and Water, UAE, 2015). This suggests that our study is timely and has considerable empirical implications for the hotel sector in the UAE.

The remainder of this paper is organized in four sections. The theoretical framework and development of hypotheses are presented in next section. The research method is presented in Section three, while the data analysis and results are in Section Four. Discussion and conclusions are presented in the last section.

2. Theoretical framework and the development of hypotheses

2.1. Stakeholders' pressure and eco-control systems

Stakeholders' pressure is said to motivate the development of EMCS (Henriques and Sadorsky, 1999; Porter and Van der Linde, 1995; Schaltegger and Burritt, 2000). In the hotels sector, several previous studies have investigated how firms react to the environmental pressure exerted by stakeholders' groups. Nevertheless, these attempts provided few insights into the impact of stakeholders' pressure on the extent to which eco-control systems are used. According to the stakeholders' theory, it is believed that organizations should be managed in the best interests of stakeholders who have the right to make sure that their participation in the decision making process is maintained. Therefore, stakeholders are expected to be a central element of several issues in environmental management, since these issues are regarded as part of a firm's overall social responsibility (Cespedes-Lorente et al., 2003; Pondeville et al., 2013). In this sense, stakeholders' pressure is perceived as a link between the organization's objectives and the expectations of society (Whetten et al., 2002).

An eco-control system has three main constituents, namely the use of environmental performance indicators, rewards, and budget planning (Ittner and Larcker, 2001; Luft and Shields, 2007). Rewards indicate the extent to which the environmental performance indicators are integrated in employee performance evaluation. It is argued that if employees are rewarded on the basis of revenue or profit achievements alone, they may implicitly perceive environmental concerns as not at the top of management's agenda; subsequently, environmental performance will be negatively affected (Epstein, 1996a, 1996b). Budget planning is also treated as a component of the eco-control system because they are commonly used in the hotel sector for the purposes of control and performance evaluation (Brown, 1994). Therefore, the inclusion of this constituent is intended to measure the extent to which environmental goals are integrated into the budget planning process with particular emphasis on environmental expenses, environmental investment, and income from material scrap or recycled waste.

Cespedes-Lorente et al. (2003), using stakeholders' theory, have empirically investigated the influence of stakeholders' pressure on environmental management practices in 279 Spanish hotels. The findings demonstrate that the adoption of environmental protection activities is driven by a variety of organizational responses to the environmental demands of stakeholders, depending on (i)