INSTITUTIONAL THEORY AND SOCIAL RESPONSIBILITY HOTEL

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Abstract

The objective of this research is to analyze the management of Corporate Social Responsibility (CSR) of three, four and five star hotels located in the Euro-region based on Institutional Theory. The sample used was chosen taking the study as a whole into consideration as well as the necessary requirements for applying the model under study. A questionnaire was drawn up to obtain the information, the questionnaire was based on: the characteristics of the object of the study, who it is aimed at, the institutional pillars and the indicators of social responsibility directed at the hotel and catering industry. The Partial Least Square (PLS) methodology was used for modeling by making a segmentation of complex models. A series of implications derived from this research which could help hotels managers to define an appropriate institutional strategy and opt for greater legitimacy with their actions and consequently receive social support from interested parties of the organization.

Keywords: Hotel, Corporate Social responsibility; Institutional Theory; Euro-region; PLS.

Resumo

O objetivo desta pesquisa é analisar a gestão da Responsabilidade Social Empresarial (RSE) dos hotéis de três, quatro e cinco estrelas localizado na Eurorregião com base na Teoria Institucional. Pesquisa-se entre eles com base a utilizar uma amostra de estudo e os requisitos para a aplicação do modelo a ser testado. Para obter os dados foi desenvolvido um questionário com base nas caraterísticas do objeto de estudo, a quem se dirigem, os pilares institucionais e indicadores de responsabilidade social orientado no sector hoteleiro. Para a modelagem, utiliza-se a metodologia Partial Least Square (PLS) realizando uma segmentação de modelos complexos. Esta pesquisa deriva numa série de implicações, que pode ajudar os gerentes de hotéis a definir uma estratégia empresarial adequada e optar por uma maior legitimidade nas suas ações, portanto, no apoio social de grupos de interesse da organização.

Palavras-chave: Hotel, Responsabilidade Social, Teoria Institucional, Eurorregião; PLS.
Introduction

The tourism sector has several features which make it a priority in the Euro-region given its importance as a factor of development and growth. Gessa, Ruiz, and Jimenez (2008) recognize the importance of this sector highlighting the great economic and social weight that enterprises linked to tourism have. One of the backbones of tourism policy, today, is the determination of the tourism offer based on the strategy of quality. This strategy entails that the destiny of the North of Portugal and Galicia regions stand out through the constant management innovation of companies towards customer satisfaction, quality, and defense of the environment and sustainable management of resources under social responsibility principles in both regions. The strategic objective that the tourism sector presents is the application of a model of socially responsible management. This new model is based on organizations achieving their goals of the creation of value under the umbrella of the three dimensions of CSR: social, economic and environmental. This format of socially responsible management presents a new way of linking the interested groups of the organization. The role of the hotel is the key to the impact on the environment and its interested parties both in its services and location of its facilities. It is important that the professionals of these entities become responsible for the consequences and impact it may have from the development of its activities.

One of the potentials that Institutional Theory provides lies in analyzing the behavior of organizations throughout different countries (Kostova, 1999; Kostova and Roth, 2002). Organizations can come face to face with totally different institutionalized environments depending on their geographical location or social position (Lee, 2011). Greenwood, Diaz and Li (2011) show how companies in different geographical areas of Spain were subject to specific institutional logic. Llanas (2005) identifies that Institutional Theory pays special attention to the environment based on the aspects of the institutional context in which organizations are immersed. It is concerned about social relationships and coexisting institutions and establishes institutional standards and compliance as its success factors. Therefore, we believe that Institutional Theory provides a suitable argumentative basis for research.

With reference to the structure of this article, firstly we will develop, in a theoretical way, the importance and the connotations of Institutional Theory and its relationship with corporate social responsibility. Then we will explain how the questionnaire was developed and present the model on which we will base our research. Subsequently we will make an analysis in relation to the specified model and show the findings. In the last section we will include the bibliography.
1. Institutional theory and corporate social responsibility

There is a significant difference if there is a presence or absence of institutional factors that act as mediators of the behavior of socially responsible businesses. Nieto (2008) states that the presence of external factors stimulates organizations to adopt Social responsibility practices. Galaskiewicz (1991) identifies rules as an influential factor. He shows that companies have this tendency to adopt socially responsible behavior when regulatory or cultural institutions create suitable incentives for promoting such behavior.

If we base ourselves on the implications of the institutional pillars according to Scott (1995), depending on its contribution, each institutional pillar adopts different characteristics. In the regulatory pillar, culture induces the adoption of rules, laws and agreements; through the social structures different systems of Government and power are adopted; using routines influences the implementation of protocols and standard procedures. The policy pillar adopts culture through shared values and normative expectations; it confronts the involvement of social structures through regimes and systems of authority and adopts routines based on compliance and performance of duties. The last of the pillars, the cognitive, confronts the involvement of culture through categories, classification and distinction; structural isomorphism, identities are adopted using social structures and the involvement of routine is obtained through performance programs and scripts.

Each of the institutional pillars presents some characteristics that are unique and differentiating with respect to the others. These entail a different emphasis on the commitment acquired; logic, mechanisms and the indicators presented are different. The implications of each of the institutional pillars are in accordance to routine, social structures and the culture adopted by each of them.

Zimmerman and Zeitz (2002) warn that organizations must have the most important factors affecting the survival of the company identified. The company has to make a choice; it cannot satisfy all the social systems which it is facing at the same time. Social systems are those groups showing a series of standards, rules, patterns and similar role models. For Díez, Blanco and Prado (2010) it is important that organizations conform to social expectations. They defend Simcic and Vidaver-Cohen (2009) when the organization's objectives are aligned with the values of society, companies are legitimizing. Keeping a concordance between the values and the behavior of the company is beneficial for the organization forcing it to adopt a certain behavior. Society influences the demand for socially responsible behavior (Campbell, 2007). This author says that there is a relationship between institutional theory and CSR; enterprises adopt socially responsible behavior under certain
conditions. This same author establishes the institutional conditions to mediate between corporate behavior and economic conditions. Campbell (2007) identifies different internal forces that can lead to socially responsible behavior: the culture of the Organization, structure, leadership, management, compensation schemes as well as external forces. He says that institutions are not solely responsible that companies adopt socially responsible behavior.

Zaheer (1995) says that companies that conform to the pressures of the environment, which are responsible for acting in accordance with social rules and values, have more options of survival. Organizations that do not conform to the pressures of the environment do not survive.

The institutions are the main agent, according to Campbell (2007), that limit or enable organizations to adopt socially responsible behavior. This academic identifies the institutional factors as mediators in the relationship between the adoption of socially responsible behavior and the economic conditions of the companies. Mediator Institutional factors are: public-private regulation; non-governmental organizations; independent organizations that are responsible for the behavior of the companies; the dialogue between companies and interested parties; associative behavior and institutionalized rules of corporate behavior.

Maigan and Raltson (2002) affirm that according to the mediator factor, institutions tend to adopt responsible behavior to a greater or lesser extent. National institutions from different countries can influence administrations, and the latter can influence the organizations’ socially responsible behavior. Campbell (2007) establishes the probable association between the adoption of a socially responsible behavior and rewards or punishments that institutions from one place or another adopt.

Jackson and Apostolakou (2010) emphasize that CSR does not operate in an empty social context; such practices are more likely to be adopted and become effective by registering in a particular set of institutions. The institutionalization of rules and agreements in companies helps to formulate, communicate, and control these practices, in socially accepted ways. However, Brammer, Jackson and Matten (2012) mention that the implementation of institutional theory to understand the phenomena related to CSR has been recently developed.

Institutional Theory seems to be right in the centre of what has to do with the CSR (Brammer, Jackson and Matten, 2012). According to Crouch (2006), Institutional Theory is a strong candidate for the development of a conceptual framework. This theory is not only well established in a certain number of social sciences, but it also offers a promising way for the integration of diverse perspectives. The application of institutional theory to the study of CSR enables a better understanding of business responsibilities in two main aspects: the diversity

and dynamics of CSR (Brammer, Jackson and Matten, 2012). This corresponds largely to the two dominant schools of thought in institutional theory (Tempel and Walgenbach, 2007), which tends to emphasize the global dissemination of practices and the adoption of them by the organizations. And as for the aspect of diversity, a large number of publications which have implemented the institutional theory to the study of CSR are interested in understanding the national variations of this type of practice (Gjolberg, 2009; Blasco and Zolner, 2010; Jackson and Apostolakou, 2010). CSR as a concept of management, CSR, in its original form from North America (Carroll, 2008) can hardly be explained without an understanding of the institutional conditions in which this idea was conceived. In the same way, the understanding of the organizations’ social responsibility in different regions and countries depends on the institutional framework of the company (Doh and Guay, 2006; Deakin and Whittaker, 2007). Institutional Theory offers a lens to understand and explain how and why CSR assumes different forms in different countries (Brammer, Jackson and Matten, 2012). It also provides information on why this concept is now an integral part of business practices in almost all major countries around the world (Visser and Tolhurst, 2010).

Based on the issues raised by the authors Maigan and Raltson (2002); Campbell (2007) and Nieto (2008), the adoption of socially responsible behavior by organizations is mediated by external factors such as institutions. If there were no institutions, companies would tend to behave socially irresponsible. The influence of interested parties is vital in key areas for the organization. Based on the review of the literature, we propose the following hypotheses that we intend to verify in this study:

• Coercive pressure produced by the laws and other regulations applicable to the activities carried out by three, four and five-star hotels located in the Euro-region positively influence the adoption of CSR practices by these organizations.

• The acceptance of values and norms that come from the regulatory pressures that occur in three, four and five-star hotels located in the Euro-region positively influence the adoption of CSR practices by these organizations.

• Imitation of CSR practices of organizations perceived as successful by three, four and five-star hotels located in the Euro-region has a positive influence on the adoption of CSR practices by these organizations.

2. The questionnaire

The questionnaire was developed based on the review of the academic literature used in order to contrast the hypotheses proposed. The main objective of the questionnaire is to measure the pressures that come from the institutional environment, or organizational field of
three, four and five star hotels located in the Euro-region. The questionnaire is composed of 75 items divided into nine sections in the official language of each country. It is made up of different types of questions: questions using the Likert scale, open response, dichotomous and socio-demographic characterization.

Data collection was carried out in the following way: firstly a pretest was undertaken in both regions, during the month of April, 2012 by applying the questionnaire to a total of ten people, five managers of different hotels in each region of Galicia and the North of Portugal. Once the pretest stage was finished at the end of April, found the hotel managers were asked if they had understood questionnaire properly and if they considered that it had been drawn up correctly. The section to get rid of these options was removed after the pretest, creating the final questionnaire. The managers of the hotels were contacted on a weekly basis for data collection from May until the end of August 2012.

The questionnaire was divided into sections from previous validated scales. It was reviewed by three academic experts in the areas of management, geography, tourism and social responsibility. The development of the final draft included suggestions and improvements from these professionals. After the academic reviews, the pretest was conducted. Once reviewed and verified the final draft was drawn up. The section corresponding to the Institutional Theory was developed on accordance to Riquel studies, 2010; Llanas, 2005 and Kostova and Roth, 2002, subdivided according to the three institutional pillars (regulatory, normative and cognitive) identified by Scott (1995), derived from the institutional pressures (coercive, normative and mimetic) identified by DiMaggio and Powel (1991). The paragraph that makes reference to legitimacy, uses the scale adapted from Depphouse (1996), also used by Fernández (2001); Llanas (2005) and Riquel (2010). The scale validated by Gallardo, Sanchez and Corchuelo (2011) and Gallardo-Vázquez and Sánchez-Hernández (2012) was used for the development of CSR practices adapted.

3. Research model and hypothesis

Taking the literature review as reference, and based on the hypothesis to be contrasted, we establish the research model. The model focuses on a set of variables related to the institutional context of three, four and five star hotels located in the Euro-region. We represent this model in Table 1, in which the causal relationships that are intended to be collected amongst research hypotheses are reflected. We will apply the model with the data from different parts of the Euro-region; this will allow us to compare the proposed model.
Table 1- Research and hypothesis model

<table>
<thead>
<tr>
<th>Ref</th>
<th>Research Hypothesis</th>
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<tbody>
<tr>
<td>1a</td>
<td>The coercive pressure produced by laws and other regulations applicable to the activities carried out by three, four and five-star hotels located in the Euro-region have a positive influence on the adoption of CSR practices by these organizations.</td>
</tr>
<tr>
<td>1b</td>
<td>The acceptance of values and norms that come from regulatory pressures that occur in the context of three, four and five-star hotels located in the Euro-region have a positive influence on the adoption of CSR practices by these organizations.</td>
</tr>
<tr>
<td>1c</td>
<td>Imitation of CSR practices in organizations perceived as being successful by three, four and five-star hotels located in the Euro-region has a positive influence on the adoption of CSR practices by these organizations.</td>
</tr>
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</table>

Pcor: coercive pressure; Pnor: regulatory pressure; Pmin: Mimetic pressure; PRSC: corporate social responsibility practices

Source: Own elaboration.

As we can see in Table 1 we graphically represent the different relations which we express through hypothesis among different constructs, the three pillars on which the Institutional Theory rests: coercive pressure (Pcor), regulatory pressure (Pnor) and mimetic pressure (Pmin). From these pressures we intend to find out which acts with greater intensity in the adoption of CSR (PRSC) practices in organizations.

For the empirical application of the model we used the Partial Least Square (PLS), as any Structural Equations Models (SEM) methodology. This methodology requires the development of a measurement model and a structural model. The measurement model specifies relationships between observable variables or indicators with latent variables or constructs. And the structural model assesses the existence and magnitude of relationship between latent variables or constructs (Barclay, Higgins and Thompson, 1995).

4. Analysis

4.1. Technical specifications of sampling

The unit under study is the three, four and five-star hotels located in the Euro-region. The questionnaire, adapted to the language of both countries was used for data collection. The database was drawn up with data provided by Turismo de Galicia (Galician Tourism Office) and Turismo de Portugal (Portuguese Tourism office). The hotels registered in the year 2011 in both countries are part of these.
With reference to the sample, we have considered a confidence level of 95%, the sample error obtained with the final sample is 6.01%, where \( p = q = 0.5 \). The questionnaires received coincide with the number of valid questionnaires making a total of 109 valid answers. This data represents a response rate of 30.44% of the population.

The sample size is small, consisting of 109 valid observations. This poses the first barrier, which will not allow us to implement models based on the co-variances for the analysis of structural equations with sufficient guarantees of success. To overcome this problem, we apply the PLS technique, developed in the Visual Software PLS of partial least squares or variance analysis, since the minimum recommendations of this technique are between 30 and 100 sample observations. By analyzing with PLS we will try to contrast suggested scenarios which will allow us to answer the research questions.

**4.2. Analysis of the measurement model**

The individual reliability of the items, the required level of acceptance is the stipulated by Falk and Miller (1992). All the loads from the different indicators along with their respective constructs are higher than 0.505 (Falk and Miller, 1992), therefore all the variables remain in the stipulated model. We duly analyze the evaluation of the convergent validity, this assessment is based on the average variance extracted (AVE). This variance provides information about the amount of variance that a construct obtains from its indicators in relation to the amount of variance; this is due to measurement error. Based on the recommendations of authors Fornell and Lacker (1981), who inform us those values greater than 0.5 are the best suited. This argument is based on fulfilling the established premise, which at least 50% of the construct variance is due to its indicators. All the analyzed constructs are all higher than 0.5. (Fornell and Lacker, 1981). The next step is to analyze the assessment of the reliability of the constructs, i.e. to check the internal consistency of all indicators when measuring the concept. How precisely the latent variables are being measured is evaluated in this case. To assess this reliability we select the composite reliability (pc), based on the advantages defended by authors Calvo de Mora and Criado (2005) in contrast with Cronbach’s alpha. To analyze the values obtained by composite reliability (pc), we rely on Nunnally (1978), who suggests that 0.7 is a level of acceptable reliability for modest reliability in early stages of research levels. All variables exceed the value of 0.7 established by Nunnally (1978) and therefore the variables achieve a level of acceptable reliability. Then we carry out the evaluation of the differentiating validity of a construct. To carry out this evaluation we will rely on whether the average variance extracted (AVE), of a construct, is larger than the square correlations between the construct that we
are analyzing, and the others that make up the research model (Fornell and Lacker, 1981). If this premise is true it will indicate that the construct is different from another. In our case we will carry out the reverse procedure to the calculation procedure. To do this, we will determine the differentiating validity of a construct by calculating the square root of AVE, using the software VISUAL-PLS. For a construct to be unlike another the square root of AVE must be greater than the correlations presented with the rest of the constructs.

The premise established by Fornell and Lacker (1981) is fulfilled in the model; a construct is different to another. The square root of AVE is greater than the correlations it presents with the rest of the constructs.

The relationship between coercive and regulatory pressures is positive and significant in all cases, the Mimetic pressure being negative. This does not achieve a significant value. The coercive pressure exerted greater influence on CSR practices than regulatory pressure.

In our case it is fulfilled, $R^2$ for PRSC is 0.306, showing a suitable predictive power. In order to calculate the predictive value we use the value of explained variance ($R^2$) for the dependent latent variables (Chin, Marcolin and Newsted, 1996; Falk and Miller, 1992; Leal and Roldan, 2001). Following Falk and Miller (1992) we will take values equal or greater than 0.1 as appropriate values of explained variance.

We must bear in mind nevertheless that inferior values are still statistically significant, although they indicate a low predictive level of the latent variable.

### 4.3. Analysis of the hypothesis strength

To carry out the analysis of the strength of the hypothesis, we firstly have to check the values of the regression coefficients or $\beta$ coefficients, corresponding to the connections between the model constructs. We verify the values of the regression coefficients or $\beta$ coefficients corresponding to the connections between the model constructs which have to be more than 0.2 (Chin, 1998) to determine if the assumptions made are statistically significant. The results obtained are as follows:

- The $P_{cor}$ scale > PRSC, has a value of 0.362, the hypothesis is accepted, it is greater than 0.2 (Chin, 1998). The coercive pressure produced by the laws and other regulations applicable to activities carried out by three, four and five-star hotels located in the Euro-region have a positive influence on the adoption of CSR practices by these organizations.

- The $P_{nor}$ scale > PRSC, has a value of 0.307, the hypothesis is accepted, it is greater than 0.2 (Chin, 1998). The acceptance of values and norms which come from
regulatory pressures in the context of three, four and five-star hotels located in the Euro-region have a positive influence on the adoption of CSR practices by these organizations.

- The $\text{Pmin} > \text{PRSC}$, has a value of $-0.044$, the hypothesis is rejected, it is less than $0.2$ (Chin, 1998). The imitation of CSR practices in organizations perceived as being successful by three, four and five-star hotels located in the Euro-region has a positive influence on the adoption of CSR practices by these organizations.

Generically, it should be noted that the hypothesis made are accepted, with the exception of the relationship between mimetic pressure and CSR practices where the hypothesis is rejected.

5. Conclusions

From the theoretical arguments we can deduce that the role of the institutions is fundamental for enterprises to take active action oriented towards socially responsible behavior. Companies implement this behavior on the basis of more or less intense involvement by the institutions (Maigan and Ratlson, 2002) and depending on whether they create a set of appropriate incentives or not (Galaskiewicz, 1991). Campbell believes (2007) that the institutions are a key element in limiting or empowering organizations. The factors which influence organizations adopting socially responsible behavior are the location of facilities, the countries where they operate and the incentives offered by institutions.

Another of the considerations to take into account in the influence of company behavior is the internationalization process, in which many of them are immersed. This progress helps the spread of social responsibility practices in organizations throughout the different countries in which they operate (Nieto, 2008).

In the contrast of hypotheses those which refer to the two coercive and normative pressures in the proposed model are fulfilled. Regulations and laws have a positive influence on the adoption of CSR practices in companies. This is not so in the case of mimetic pressure, companies do not adopt CSR practices based on the imitation of other organizations.

In the analysis of the institutional environment in relation to social responsibility practices, coercive pressure is above regulatory pressure in the applied model. Laws have more influence than regulations in the companies that adopt socially responsible behavior. It follows the same pattern as the results obtained in the study by Riquel (2010) on golf courses in Andalusia.

Any empirical study is considered to be limited in some way and the present one, which is not an exception, also has some limitations. A first limitation is related to the notion of
causality. The establishment of causal figures requires the use of longitudinal data and our study is mainly based on cross-sectional data, so there could be disadvantages in accepting the causality of the raised relationships. Anyway, in order to reflect the temporal dimension in relationships between variables, the wording of certain questions implied that the interviewee had the temporary horizon in mind. Secondly, we have relied on measures based on the perceptions of three, four and five star hotel directors that participated in the study, so in all cases the information about the hotel was received from one single informer. We must admit the possibility that the perceptions of respondents may not correspond with reality and that for a more comprehensive study the opinion of other interest groups should be taken into account.

As a future line of research, we believe that this work could be completed with qualitative research methods such as case studies in hotels that are implementing CSR practices. This would be a good way to expand and improve the results obtained. Similarly, we consider it suitable to reproduce those case studies in different moments of time giving them a longitudinal character. This will help us keep track of the evolution of the institutional environment of three, four and five star hotels located in the Euro-region.

With reference the dissemination and transfer of knowledge. From this research work a series of implications are derived, which can help managers to define an appropriate institutional strategy and opt for greater legitimacy with their actions, to obtain the social support of the organization’s stakeholders.

This work can be of interest to researchers working in fields to do with social responsibility, tourism and in particular the hotel subsector. Or also to researchers who are interested in the geographic area of study, the Euro-region. Also for those interested in continuing this research, for example, to compare it with other geographical areas having a good theoretical framework as a base. In addition to professors it may be of interest to professionals, hotel staff, especially those involved in the strategic management of the organization.

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