# Total quality management, corporate social responsibility and performance in the hotel industry

Carlos A. Benavides-Velasco [a,1], Cristina Quintana-García [b,*], Macarena Marchante-Lara [b,2]

[a] Dpto. Economía y Administración de Empresas, E.T.S. Ingeniería Industrial, Universidad de Málaga, Campus de Teatinos, 29071 Málaga, Spain
[b] Dpto. Economía y Administración de Empresas, Facultad de Ciencias Económicas y Empresariales, Universidad de Málaga, Campus El Ejido, s/n, 29071 Málaga, Spain

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## ABSTRACT

Total quality management (TQM) and corporate social responsibility (CSR) are relevant management philosophies in the hotel industry to be able to generate a sustainable competitive advantage. This paper examines how the implementation of both TQM and CSR influences the results of hotels' stakeholders as an antecedent of business performance. An empirical study of a sample of 141 Spanish hotels from the Andalusian region shows that the adoption of such approaches improves the capacity of hotels to create benefits for their stakeholders, and these results have a positive effect on hotel performance. The study also provides evidence of the complementarity of both management philosophies as TQM can enhance the development of CSR.

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## 1. Introduction

Total quality management (TQM) and corporate social responsibility (CSR) are considered potential sources in order to obtain a sustainable competitive advantage. TQM is a widely recognized management philosophy that focuses on continuous process improvement within organizations to provide superior customer value and meet customer needs bringing increased profitability and productivity (Wang et al., 2012). Companies are also encouraged to behave in a socially responsible way. The public, governments, customers and other stakeholders increasingly expect companies to recognize their social and environmental responsibilities, to adjust business practices to mitigate the negative impacts of their operations and to positively contribute to the communities where they operate (De Grosbois, 2012; Juholin, 2004). CSR is often considered in terms of a management philosophy, an overarching approach to business (Berger et al., 2007; Carroll and Shabana, 2010) that can be defined as the integration of social and environmental concerns in the firms' business operations and interactions with their stakeholders on a voluntary basis (Commission of the European Communities, 2001). CSR should be embedded in the organizational culture. From this standpoint, social practices carried out by the company are considered appropriate way of doing things even if they are not related to financial concerns (Campbell, 2007; Wry, 2009). CSR promotes actions that appear to further some social good, beyond the interests of the firm and which is required by law (McWilliams and Siegel, 2001). There are several reasons for a firm to implement CSR: to provide a response to specific demands of stakeholders, to improve the firm's performance, to enhance corporate reputation, to generate customer loyalty or to preempt legal sanctions (Basu and Palazzo, 2008).

Both TQM and CSR are crucial management philosophies in the hotel industry, which entail huge challenges regarding new tourist profiles, tourists who seek the highest standards in facilities and services, more aggressive competition or the appearance of traveler communities whose opinions are spread over the Internet (Buhalis and Law, 2008; Harrington and Keating, 2006). These circumstances require hotel companies to improve their quality, efficiency, responsiveness, and maintain a sustainable advantage (Gray et al., 2000). Quality in the hotel industry is a key factor in order to obtain a competitive advantage and market distinction. It might guarantee customer loyalty, customer satisfaction, productivity/profitability and cost savings (Harrington and Keating, 2006; Qu et al., 2000; Wang et al., 2012). Additionally, the hotel industry is one of the sectors that can most benefit from the development

* Corresponding author. Tel.: +34 95 213 41 47.
    E-mail addresses: cabv@uma.es (C.A. Benavides-Velasco), cqg@uma.es (C. Quintana-García), mmarchante@uma.es (M. Marchante-Lara).
  [1] Tel.: +34 95 213 43 50.
  [2] Tel.: +34 95 213 72 65.

of CSR due to the economic, social and environmental impacts of this approach. CSR contributes to make the hospitality industry sustainable, fostering the retention rate of customers and employees (Tsai et al., 2010). Moreover, this industry has major repercussions on sustainable economic development associated with the gross domestic product (GDP), employment (WTTC, 2013), and natural resource conservation (Bohdanowicz, 2005; Chan, 2011).

TQM and CSR could be simultaneously implemented by hospitality organizations to develop a valuable firm strategy that provides a sustainable competitive advantage. There are some studies that analyze total quality management in the hotel industry (e.g. Baldacchino, 1995; Oakland, 2011), particularly the influence of TQM on performance (Bou and Beltrán, 2005; Claver-Cortés et al., 2008; Prajogo and Sohal, 2006; Wang et al., 2012). Similarly, although tourism CSR literature is scarce, a few contributions that focus on hotel industry investigate the relationship between CSR and financial performance (De Grosbois, 2012; Garay and Font, 2012; Kang et al., 2010).

In spite of the benefits of adopting TQM and CSR to deal with the current challenges in the hotel industry, there are no contributions that simultaneously analyze both management philosophies to explain their influence on the performance of hotels. Moreover, those studies have analyzed the direct influence of each management approach on performance, without considering that each stakeholder has different expectations, and hence, TQM and CSR can have different effects on each stakeholder.

Furthermore, although there are some contributions that examine CSR practices implemented by the hotel industry (Ayuso, 2006; Chung and Parker, 2010; Erdogan and Baris, 2007), these studies are mostly oriented to the environmental impacts and performance. Likewise, the existing literature on CSR is highly focused on how CSR policies are being communicated, analyzing the reporting content and how this has evolved over the years (Holcomb et al., 2007; Priego and Palacios, 2008; Bohdanowicz and Zientara, 2008). However, less attention has been devoted to a comprehensive approach to CSR practices in hospitality companies.

The contribution of this study is to fill all these gaps in the literature by examining how the commitment to both TQM and CSR practices influences the results of the hotel's main stakeholders (employees, customers and society), which in turn will have an impact on the business performance. Furthermore, we explore CSR in an integral approach and we study how the implementation of TQM methods and actions may influence the development of CSR.

This paper is structured as follows. We begin by presenting the theoretical framework and hypotheses regarding the effects of TQM and CSR on the results of stakeholders, the link between both management philosophies, and the impact of those results on the performance of hotels. Next, the paper explains the methodology employed in the empirical study and provides its findings. Finally, the last section presents discussions based on the results and conclusions.

## 2. Theoretical framework

Stakeholder theory (Freeman, 1984) suggests that firms expand the scope of consideration in their decision-making and activities beyond shareholders to several other constituencies with interests, such as customers, employees, suppliers and communities. The capacity of firms to generate sustainable wealth over time and its long-term value are determined by the relationship with both internal and external stakeholders (Post et al., 2002). TQM and CSR are appropriate corporate strategies that can enhance firm value since they consider the interest of both types of stakeholders. Total quality and excellence models introduce mechanisms to enhance continuous improvement through structured and systematic

processes, and have similar purposes and complementary practices as seen in the corporate social responsibility approach. The literature has analyzed TQM and CSR in an isolated way, but there are no empirical contributions that examine the effects of the commitment to both management philosophies on stakeholders. Focusing on the hospitality industry, we develop hypotheses regarding this research question.

### 2.1. Total quality management and its impact on stakeholders

Several research works have shown that quality management does not always improve the sustainability of a firm (Boje and Winsor, 1993; Viada-Stenger et al., 2010). This may be due to: the lack of involvement from top managers, the implementation of isolated techniques such as charts and just-in-time techniques without properly adopting the TQM philosophy (Harrington and Keating, 2006) or by not making any progress beyond quality certifications.

One of the aims of this study is to demonstrate the effects of managing quality in a way that encompasses the whole organization. The EFQM Excellence Model (EFQM, 2010), which is considered to constitute a valid representation of TQM in the European context identifies five enabler criteria to improve results with respect to people (employees), customers and society, as follows: leadership, employees, strategy, partnership and resources, and finally processes, products and services.

"Leadership" (EFQM, 2010) is required to develop an effective quality-management system (Harrington and Keating, 2006). The way employees perceive the leadership affects several important outcomes including employees' attitudes and performance. Empirical research demonstrates that hotel managers that exhibit a personal commitment to quality have a direct effect on employees' role clarity. Hotel managers are able to exert this important influence by acting as a role model, and offering rewards based on merits (Oakland, 2011) which have the added benefit of increasing job satisfaction and employee commitment to service quality (Clark et al., 2009). Some studies that analyze a leadership committed to quality as a component of the TQM approach also find a positive influence on other stakeholders such as customers (Tarí et al., 2010; Wang et al., 2012).

Excellent organizations value their "employees" and create a culture that encourages the mutually beneficial achievement of organizational and personal goals (EFQM, 2010). The implementation of TQM requires that organizations develop employees' capabilities through training, and stimulate empowerment and teamwork to promote creativity, innovation and participation in improvement activities (Oakland, 2011). Several contributions have verified that training, incentive and reward systems exhibit a positive moderating effect on the relationship between TQM and customer satisfaction as well as performance (Allen and Kilmann, 2001; Chandler and McEvoy, 2000). Similarly, Tarí et al. (2010) find that those hotels where commitment to quality management is above the average, have increased employees' motivation. Such hotels achieve higher stakeholder satisfaction and competitive performance.

"Strategy" is another relevant enabler of TQM, and it is considered one of the key issues that has an impact on the effectiveness of quality-implementation initiatives (Harrington and Keating, 2006). To guarantee sustainable results of stakeholders and organizations, there must be evidence that the operations and activities of the business are soundly based, systematic, and continuously reviewed and improved, that is, there must be an effective deployment of the strategies and policies (Oakland, 2011). In order to ensure the coordination and an effective implementation of TQM, appropriate communication of the strategic plan and its progress throughout

the company (up, down and across the organization) has been found essential (London, 2002).

Organizations committed to TQM manage "partnerships and resources" in order to support strategy and the effective development of processes. Managing external partnerships and internal resources with quality criteria demands the management of (EFQM, 2010; Harrington and Keating, 2006; Wang et al., 2012): partners and suppliers to obtain a sustainable benefit, financing to secure sustained success, facilities and all other types of resources in a sustainable way, and technology, information and knowledge to support strategy and effective decision making.

Finally, excellent organizations design, manage and improve "processes, products and services" (EFQM, 2010). Organizations should design processes to implement the strategy and identify, revise and optimize critical processes in order to improve service quality in a continuous way (Camisón, 1996). Products and services must be developed to create optimum value for customers. Organizations have to pursue process improvements that result in higher productivity, defect and waste reduction, increased operational reliability and innovation, and hence, the development of high-quality products and services (Prajogo and Sohal, 2006). Considering process management as a construct of TQM, Wang et al. (2012) demonstrate that this philosophy positively affects the performance of hotels since they are more responsive to changes in internal and external customer needs.

The success of TQM is guaranteed when responsiveness for quality is extended throughout all the levels in the organization (Bou and Beltrán, 2005). A suitable management of the five enabler criteria described above may have a positive impact on the results of the main stakeholders. Accordingly, we propose the following hypotheses:

*Hypothesis 1a*: A high level of total quality management implementation (through the five enabler criteria) positively influences the results with respect to employees.

*Hypothesis 1b*: A high level of total quality management implementation (through the five enabler criteria) positively influences the results with respect to customers.

*Hypothesis 1b*: A high level of total quality management implementation (through the five enabler criteria) positively influences the results with respect to society.

### 2.2. Corporate social responsibility and its impact on stakeholders

Most studies regarding corporate social responsibility focus on the relationship between CSR and firm performance, in an effort to assess the validity of concerns regarding a tradeoff between investment in CSR and profitability (e.g. Margolis and Walsh, 2001; McWilliams and Siegel, 2000; Peters and Mullen, 2009). However, findings on this relationship have been inconclusive, reporting positive, negative, and neutral results. It is suggested that the empirical inconsistency is due to issues such as: measurement and the subjective choice of proxies for both CSR and firm performance (McGuire et al., 1988; Peters and Mullen, 2009), the fact that financial outcomes vary across industries (Park and Lee, 2009), and the use of econometric models that are misspecified as they omit relevant variables (McWilliams and Siegel, 2000). The mixed findings from empirical studies could also be the result of not considering the market segment or industry effect when investigating such a relationship (Chand, 2006).

Focusing on the hospitality industry, this study tries to demonstrate that the implementation of CSR benefits the results of customers, employees and society which in turn have a positive impact on the performance of a hotel. The capacity of tourism to cause an impact on destination economies, societies, cultures and environments is well known. Customers and society are demonstrating growing concerns about the negative impacts of the hotel industry and they are increasingly interested in learning about its CSR practices (Chung and Parker, 2010; De Grosbois, 2012).

Operational activities of CSR fall under the economic, environmental and social dimensions (GRI, 2006, 2011).

The "economic dimension" of CSR is aimed at generating prosperity at different levels of society and addressing the cost effectiveness of the economic activity (GRI, 2006, 2011; UNEP-WTO, 2005). It is related to the firm's overall commitment to aspects such as the distribution of the direct economic value generated, procedures for hiring employees from the local community, policies regarding locally based suppliers, etc. These actions might have a positive impact on stakeholders' perceptions, boosting a favorable attitude toward the firm. Empirical evidence exploring such an impact is scarce. Lee et al. (2012), analyzing a sample of service enterprises, demonstrate that the economic dimension of CSR positively influences organizational trust, which in turn benefits job satisfaction. When employees perceive that the organization is actively involved with economic CSR activities, they are more likely to be satisfied with their job because they will witness an improvement in productivity, and customer satisfaction, which have a direct impact on the employees' work environment and conditions (Deshpande, 1996; Lee et al., 2012; Vitell and Davis, 1990). Although without isolating the effect of the economic dimension, some works show that an investment in CSR activities has a positive influence on consumers' perception, and it is critical for differentiating products and services from competitors (Luo and Bhattacharya, 2006; Chomvilailuk and Butcher, 2010).

The aim of the "environmental dimension" of CSR is to conserve and manage resources, especially those that are not renewable or are precious in terms of life support (UNEP-WTO, 2005). It includes actions to minimize pollution, to save costs related to resources, water and energy consumption, and to conserve biological diversity and natural heritage (Chung and Parker, 2010). The environmental dimension plays an important role in the case of hotels because it is increasingly linked to the quality of the tourism product. The environmental conservation of the destination could become a key success factor in terms of hotel competitiveness, since it helps to keep the destination's appeal and, therefore, to attract tourists (García Rodríguez and Armas Cruz, 2007; Tarí et al., 2010). Some research has confirmed these arguments. An empirical study of US hotel customers (Lee et al., 2010) demonstrates that a green hotel's overall image contributes to more favorable behavioral intentions regarding revisiting, offering positive recommendations to others and willingness to pay a premium. Furthermore, empirical evidence shows that hotels that are environmentally friendly positively influence the intention to stay of both customers who actively practice ecofriendly activities and those who are not often engaged in environmentally conscious behaviors (Han et al., 2010). Regarding the rest of the stakeholders, a case study in the Nordic hospitality industry (Heikkurinen, 2010) reveals that an environmentally responsible image improves the perceptions of key internal and external stakeholders, and the hotel becomes a more preferred employer, partner and supplier.

The "social dimension" of CSR concerns the impacts an organization has on the social system it operates in. This dimension includes actions surrounding labor practices, human rights, society, and product responsibility (GRI, 2006, 2011). With regards to employees, a socially responsible company secures equal opportunities, good working conditions, fair salaries, health and safety, etc. Social actions toward customers may include issues such as the safety and durability of products or services, prompt and courteous attention to queries and complaints, and adequate supply of products or services. Examples of social actions toward the community could be to respect and enhance the historic heritage, culture,

traditions and distinctiveness of host communities, and to maintain and strengthen the quality of life in local communities (UNEP-WTO, 2005). Empirical evidence exploring the impact of the social dimension of CSR on stakeholders' perceptions and results is scarce. Moreover, hospitality is characterized by temporary and precarious employment. Thus, actions to improve health and safety and work conditions might have a highly positive impact on employees' behavior. A survey to employees from several hotels demonstrates that while the levels of risk related to occupational health and safety increases, the satisfaction level of the employees decreases (Kiliç and Selví, 2009). Other quantitative and qualitative studies find a positive relationship between work–family balance, workplace flexibility and other aspects regarding quality of work life on employees' outcomes such as turnover intentions, job satisfaction and motivation (Karatepe and Uluda, 2008; Kandasamy and Ancheri, 2009). Some evidence also finds that customer satisfaction is positively influenced by the hotel's adoption of sustainable development practices including social actions such as supporting the local community (offering local products) (Prud'homme and Raymond, 2013).

Based on these insights, we propose the following hypotheses:

*Hypothesis 2a*: A high level of corporate social responsibility implementation (through the economic, environmental and social dimensions) positively influences the results with respect to employees.

*Hypothesis 2b*: A high level of corporate social responsibility implementation (through the economic, environmental and social dimensions) positively influences the results with respect to customers.

*Hypothesis 2c*: A high level of corporate social responsibility implementation (through the economic, environmental and social dimensions) positively influences the results with respect to society.

### 2.3. TQM, CSR and performance

Total quality management and CSR practices are in many ways complementary. TQM aims at providing competitive products and services of excellent quality, and in a manner that emphasizes human dignity, work satisfaction and mutual and long-term loyalty between the organization and all its stakeholders (Oppenheim and Przasnyski, 1999). Thus, TQM has a foundational similarity to CSR in that it has an ethical anchor (Kok et al., 2001).

Both management approaches focus on identified needs and claims of various stakeholders (employees, customers, and society) and have common values such as acting proactively, the importance of creating trust and mutual benefits in relationships with partners as well as adopting an ethical perspective that exceeds the expectations of society and laws. The implementation of both TQM and CSR can produce an improvement in the efficiency of the organization, a reduction of bureaucracy by eliminating duplication of policies and procedures, and the alignment of goals and processes.

More specifically, the idea of continuous measurement and improvement inherent to TQM combines change with sustainability on a meta level. The principles of TQM regarding continuous improvement and innovation stimulate learning processes relevant to CSR (Zwetsloot, 2003). TQM systems or excellence models are valuable instruments to put the concept of corporate sustainability into practice. The implementation of TQM systems produce changes in the organizational culture that facilitates the incorporation of the CSR goals and practices (Zink, 2007). The implementation of a TQM management system contributes to the achievement of higher social standards and greater transparency (Zwetsloot, 2003). Within this framework, organizations promote a debate of relevant issues and recognize the needs of their stakeholders. These aspects constitute an essential foundation to enhance CSR implementation (Kok et al., 2001).

Zink (2007) establishes a theoretical proposal that links TQM philosophy to the subsequent development of CSR. There are a few case studies that suggest that TQM benefits CSR implementation. McAdam and Leonard (2003) presented an exploratory case research study concluding that CSR can advance more rapidly in organizations that implement TQM models. Kok et al. (2001) proposed a corporate social responsibility audit instrument along the lines of the TQM methodology and piloted it in a study case. Isaksson (2005), with a similar approach, compared indicators used in the triple bottom line with TQM related measurements. These contributions concluded that methodologies established on the broad principles of total quality enable the effective implementation of CSR in organizations. However, in the current literature there is a lack of empirical studies using quantitative methods to support the above statement. The present paper aims to fill this gap. The implementation of quality standards within the hotel industry is a widespread practice. TQM is a more extended philosophy compared to CSR, whose implementation is more recent in the hospitality context (e.g. Alonso-Almeida et al., 2012; Claver-Cortés et al., 2008; Kang et al., 2010). Hence, it is coherent to analyze how the effects of the TQM methods already implemented in hotels may influence the development of CSR in these organizations.

Accordingly, we propose the following hypothesis:

*Hypothesis 3*: A higher implementation of total quality management positively influences a higher implementation of corporate social responsibility.

The performance obtained by an organization depends on its capacity to satisfy the needs and expectations of the stakeholders. Thus, the following hypotheses are stated:

*Hypothesis 4a*: The higher the results with respect to employees, the higher the performance of the hotel.

*Hypothesis 4b*: The higher the results with respect to customers, the higher the performance of the hotel.

*Hypothesis 4c*: The higher the results with respect to society, the higher the performance of the hotel.

## 3. Method

### 3.1. Sample

The database was created in the context of the project "Quality, Productivity and Competitiveness in the Hospitality Industry for Andalusia" [PO7/SEJ-02889] financed by the Regional Government of Andalusia. It includes representative parameters regarding TQM and CSR for a sample of 141 Andalusian hotel establishments. The database including these parameters of the sample of hotels were obtained from semi-structured questionnaires administered to the hotel managers by the researchers of the project. According to SIMA (the System of Multiterritorial Information of Andalusia), which was created by the Institute of Statistics and Cartography of Andalusia, there were a total of 822 establishments with 3–5 stars in Andalusia in 2009. Thus, the database provides direct information on 17.15 per cent of the establishments in the region. Given that Andalusia is very large, we took the distribution of the sample into account based on the relative importance of the hotel sector in each province. In addition, we identify establishments according to their location (coastal, inland, or capital).

For sampling purposes, the 822 Andalusian hotels with 3–5 stars in 2009 were taken as the statistical population. The survey for this study was conducted in 2010. Since the number of

**Table 1**
Profile of the sampled hotels (n = 141).

| Characteristics | | Frequency |
| --- | --- | --- |
| Location | Capital | 67 |
| | Coastal area | 54 |
| | Inland | 20 |
| Category (stars) | 3 stars | 55 |
| | 4 stars | 79 |
| | 5 stars | 7 |
| Size (number of rooms) | [7–75] | 64 |
| | [76–150] | 32 |
| | >150 | 45 |
| Family-owned hotel | Yes | 76 |
| | No | 65 |

hotels was known, it was possible to calculate the sample size for a finite population. With a 95 per cent confidence level and a 5 per cent sampling error, we estimated an adequate sample size of 262 hotels. Based on this, a directory of the hotels to be surveyed was created using the Turespaña Hotel Guide, which lists certified hotels and that is published by the local government of Andalusia (i.e. Junta de Andalucía) and Camerdata.[3] After discarding the questionnaires where all the questions regarding TQM, CSR and outcome results had not been answered correctly, the final sample consisted of 141 hotels. The profile of the sampled hotels is reported in Table 1. Fieldwork was conducted in person by researchers of the project during spring–summer 2010. The economic data was obtained directly via questionnaires and the annual accounts filed by firms in the Mercantile Registry.[4] We addressed the potential for nonresponse bias by comparing certain key attributes such as location, category (stars) and size (number of rooms) of respondents to nonrespondents contained in our database. The results of statistical tests for nonresponse bias (t-test and Kolmogorov–Smirnov two sample test) suggest that there are no significant differences between both groups.

### 3.2. Measures

The performance of the hotels is the dependent variable of the model. We have included four different measures of this variable. The first measure is "net income" (or net loss), which is expressed in euros; we used a logarithmic transformation of this variable to account for its skewed distribution.[5] A second measure is "net income growth", that is defined as the annualized rate of growth over the previous year's net income. Net income growth is the percentage gain (or loss) in net income over the previous year, and it is an indicator of the rate at which hotels have increased profits. "Performance results: Economic-financial goals" is also included as a qualitative measure of key results, based on the EFQM Excellence Model (EFQM, 2010), regarding the level of achievement of the economic and financial goals. We created a 7-point Likert-type scale for both measures, where 1 = 0%, 2 ≤ 20%, 3 = between 20% and 40%, 4 = between 40% and 60%, 5 = between 60% and 80%, 6 = between 80% and 90%, and 7 = between 90% and 100%. We included a fourth

measure of performance "net income by number of rooms". It is defined as the logarithmic transformation of net income divided by the number of rooms of the hotel. For this relative measure we estimate an additional model in order not to include "size" as a control variable that will be explained later.

As far as the impacts on stakeholders are concerned, we included three variables "*Employee Results*", "*Customer Results*" and "*Society Results*". These constructs explain the performance of the hotel and are explained by TQM and CSR approaches. Thus, they are endogenous variables in the model. The items of each construct have been formulated based on the EFQM Excellence Model (EFQM, 2010) and the Global Reporting Initiative (GRI) framework (GRI, 2006). For statistical analysis, we created a 7-point Likert-type scale for all of the items. Appendix shows the items used to measure each theoretical construct.

"Total Quality Management implementation" is an exogenous variable that explains the impacts on stakeholders and CSR. This variable is built up by five constructs related to the following enablers: leadership, employees, strategy, partnership and resources, and finally processes, products and services. We created a 7-point Likert-type scale for the items of each enabler where 1 = very low and 7 = very high. The items where designed following the definitions and criteria of the EFQM Excellence Model (EFQM, 2010) and are based on previous literature that helped us to establish the hypotheses (Camisón, 1996; Claver-Cortés et al., 2008; Wang et al., 2012). Appendix shows the items employed to measure each construct.

"Corporate Social Responsibility implementation" is an endogenous variable explained by TQM and that explains the impacts on stakeholders. This variable is built up by three constructs regarding the economic, environmental and social dimensions. The items of each construct have been formulated based on the GRI framework (GRI, 2006) and on previous literature that helped us to establish the hypotheses (UNEP-WTO, 2005; Tarí et al., 2010). We created a 7-point Likert-type scale for the items to measure the level of commitment depending on the implementation of actions and practices of each dimension of CSR, where 1 = very low level of implementation and 7 = very high level of implementation. Appendix shows the items used to measure each construct.

When multiple-item scales are used to measure constructs, it is important to assess the reliability and validity of such scales. The selection of scale items on the basis of the accepted frameworks provided by the EFQM and GRI, and previous literature helped ensure content validity. We employed confirmatory factor analysis (CFA) to test the validity of all the measures (see Table 2). A sample size of 150 units (141 hotels in our case) requires a factor loading of 0.45 or above for each item (Hair et al., 1998). The CFA results reported in Table 2 lend support to the convergent validity of all the measures because all the estimated loadings of indicators for the underlying constructs are significant (minimum factor loading = 0.528). The Cronbach alpha reliabilities for each construct are also reported in Table 2. The general agreement regarding the lowest limit for Cronbach $\alpha$ is 0.70 (Robinson et al., 1991); we can observe that constructs were above this value, thus indicating internal consistency.

Based on a recommendation made by MacKenzie et al. (1998) on the weighing of individual items in estimating a structural model, we used the average of multiple measures to create a single scale score for each construct (the results with respect to stakeholders, leadership, employees, strategy, partnership and resources, and processes, products and services, and the economic, environmental and social dimensions) after seeing that the results of the confirmatory factor analyses and reliability test proved affirmative. Then, we conceptualized "Total Quality Management implementation" as a latent variable, in which the dimensions: leadership, employees, strategy, partnership and resources, and processes, products

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[3] Camerdata SA, created in 1985 by the Spanish Chamber of Commerce, is a pioneering company in creating business databases that include the censuses of all Spanish Chambers of Commerce. It also has a permanent program that ensures that the national census is fully updated at least once a year using data from all Chambers of Commerce. This database is complemented by data from other sources or public media, such as the Mercantile Registry.

[4] In Spain, the firms are required to deposit their annual financial accounts in the Mercantile Registry, making the registers in an important source of reliable data from Spanish firms.

[5] We set 0 if the hotel had negative profit (there were only 16 hotels with loss). This is a common technique for handling negative values when logarithmic transformation is implemented.

**Table 2**
Construct validity and reliability.

| Construct | Factor loading | Cronbach α |
|---|---|---|
| Employee results | | 0.708 |
| ER-Item 1 | 0.881 | |
| ER-Item 2 | 0.857 | |
| Customer results | | 0.704 |
| CR-Item 1 | 0.751 | |
| CR-Item 2 | 0.893 | |
| Society results | | 0.853 |
| SR-Item 1 | 0.836 | |
| SR-Item 2 | 0.706 | |
| Leadership | | 0.701 |
| L-Item 1 | 0.712 | |
| L-Item 2 | 0.820 | |
| L-Item 3 | 0.528 | |
| Employees | | 0.719 |
| E-Item 1 | 0.720 | |
| E-Item 2 | 0.769 | |
| E-Item 3 | 0.834 | |
| Strategy | | 0.703 |
| S-Item 1 | 0.787 | |
| S-Item 2 | 0.803 | |
| S-Item 3 | 0.620 | |
| Partnership and resources | | 0.702 |
| P&R-Item 1 | 0.782 | |
| P&R-Item 2 | 0.728 | |
| P&R-Item 3 | 0.621 | |
| Processes, products and services | | 0.841 |
| PPS-Item 1 | 0.735 | |
| PPS-Item 2 | 0.610 | |
| PPS-Item 3 | 0.670 | |
| PPS-Items 4 | In the interval: 0.575–0.836 | |
| Economic dimension | | 0.810 |
| EC-Item 1 | 0.819 | |
| EC-Item 2 | 0.870 | |
| EC-Item 3 | 0.864 | |
| Environmental dimension | | 0.892 |
| EN-Item 1 | 0.841 | |
| EN-Item 2 | 0.889 | |
| EN-Item 3 | 0.875 | |
| EN-Item 4 | 0.872 | |
| Social dimension | | 0.861 |
| SO-Item 1 | 0.848 | |
| SO-Item 2 | 0.930 | |
| SO-Item 3 | 0.873 | |

and services, act as indicators of this latent construct. Likewise, we conceptualized "Corporate Social Responsibility implementation" as a latent variable, using the economic, environmental and social dimensions as indicators.

We included two control variables related to the features of the hotel: size and family hotel "Size" was measured as the number of rooms in the hotel This variable controls for the effect of scale economies on the implementation of TQM and CSR, and for the advantages resulting from the superior availability of resources (Garay and Font, 2012; Harrington and Keating, 2006). Thus, size is a key control variable that can directly explain performance (García Rodríguez and Armas Cruz, 2007) We included "family hotel" as the second control variable since being profitable and running a quality business seem to be a priority for family owned hotels (Getz and Carlsen, 2000). Some contributions have reported that family firms tend to outperform nonfamily firms (Anderson and Reeb, 2003; Chaston, 2012). Differences between family and nonfamily owned firms with regard to patterns of ownership, governance, management and succession, business structure, goals, and strategies are an important predictor of different business performances (Hallak et al., 2012). There is a lack of consensus on the exact definition of family business. However, it would appear that three key issues have been commonly employed by researchers when defining a family firm (Chaston, 2012; Westhead and Cowling, 1997). These

**Table 3**
Means, standard deviations, and correlations.

| Variables | Mean | S.D. | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 1. Net income (log) | 10.97 | 4.42 | 1.00 | | | | | | | | | | |
| 2. Net income growth | 0.75 | 5.46 | 0.30* | 1.00 | | | | | | | | | |
| 3. Performance result: economic–financial goals | 4.65 | 1.42 | 0.75* | 0.29* | 1.00 | | | | | | | | |
| 4. Net income by number of rooms | 0.17 | 0.21 | 0.28* | 0.21* | 0.28* | 1.00 | | | | | | | |
| 5. Employee results | 5.14 | 1.08 | 0.54* | 0.27* | 0.41* | 0.19* | 1.00 | | | | | | |
| 6. Customer results | 5.70 | 0.86 | 0.70* | 0.26* | 0.59* | 0.34* | 0.45* | 1.00 | | | | | |
| 7. Society results | 5.10 | 1.12 | 0.51* | 0.19* | 0.43* | 0.20* | 0.37* | 0.33* | 1.00 | | | | |
| 8. Total quality management implementation | 5.29 | 0.68 | 0.39* | 0.31* | 0.35* | 0.22* | 0.56* | 0.41* | 0.25* | 1.00 | | | |
| 9. Corporate social responsibility implementation | 4.63 | 1.11 | 0.63* | 0.33* | 0.50* | 0.29* | 0.30* | 0.41* | 0.71* | 0.24* | 1.00 | | |
| 10. Size | 137.3 | 144.87 | 0.30* | -0.04 | 0.05 | 0.33* | 0.09 | 0.05 | 0.10 | 0.15* | 0.18* | 1.00 | |
| 11. Family hotel | 0.54 | 0.49 | -0.15 | 0.24* | -0.11 | 0.11 | -0.01 | -0.03 | 0.04 | 0.00 | -0.02 | -0.09 | 1.00 |

* $p < 0.05$.

**Table 4**
Structural model.

| Endogenous outcome variables | Exogenous variables | Endogenous variables | Error |
|---|---|---|---|
| Net income (log), net income growth, performance: economic-financial goals, net income by number of rooms | Total quality management implementation, size, family hotel | Corporate social responsibility implementation, employees results, customer results, society results | $\varepsilon_i$ |
| Employee results = | $\beta_1 c + \beta_2$ total quality management implementation | $+ \beta_3$ corporate social responsibility implementation | $+ \varepsilon_1$ |
| Customer results = | $\beta_4 c + \beta_5$ total quality management implementation | $+ \beta_6$ corporate social responsibility implementation | $+ \varepsilon_2$ |
| Society results = | $\beta_7 c + \beta_8$ total quality management implementation | $+ \beta_9$ corporate social responsibility implementation | $+ \varepsilon_3$ |
| Corporate social responsibility implementation = | $\beta_{10} c + \beta_{11}$ total quality management implementation | | $+ \varepsilon_4$ |
| Net income (log) = | $\beta_{12} c + \beta_{13}$ size $+ \beta_{14}$ family hotel | $+ \beta_{15}$ employee results $+ \beta_{16}$ customer results $+ \beta_{17}$ society results | $+ \varepsilon_5$ |
| Net income growth = | $\beta_{18} c + \beta_{19}$ size $+ \beta_{20}$ family hotel | $+ \beta_{21}$ employee results $+ \beta_{22}$ customer results $+ \beta_{23}$ society results | $+ \varepsilon_6$ |
| Performance: economic-financial goals = | $\beta_{24} c + \beta_{25}$ size $+ \beta_{26}$ family hotel | $+ \beta_{27}$ employee results $+ \beta_{28}$ customer results $+ \beta_{29}$ society results | $+ \varepsilon_7$ |
| Net income by number of rooms = | $\beta_{30} c + \beta_{31}$ family hotel | $+ \beta_{32}$ employee results $+ \beta_{33}$ customer results $+ \beta_{34}$ society results | $+ \varepsilon_8$ |

are whether: (1) more than 50 per cent of voting shares are owned by a single family group; (2) the company is perceived by the firm to be a family business; and (3) more than 50 per cent of the management team is drawn from the largest family group that owns the company We included these three questions in the questionnaire to determine whether the hotel could be considered a family business "Family hotel" is a dummy variable that takes value 1 if the hotel answered affirmative to the three questions and value 0 otherwise.

## 4. Results

Descriptive statistics and correlations for the variables in the study are reported in Table 3.

In the proposed model of this study (see Table 4), a set of complex relationships between different variables must be analyzed. Some variables explain the behavior of other facts and, at the same time, they are explained by other variables. Moreover, we measured the theoretical variables regarding TQM and CSR implementation through latent variables. Thus, structural equation modeling has been considered the most suitable statistical technique to contrast the hypotheses. We used Stata software. This tool lays out and estimates multiple dependent relationships between the variables of interest. We estimated the model whose paths, given in Tables 4 and 5, specify the relationships established in the hypotheses. Taking into account that we could not obtain information of the net income for a few hotels, maximum likelihood with missing values was employed (Acock, 2013).

**Table 5**
Structural equation model estimation results.

| Hypotheses | Path | Effect Estimate | z-Statistic |
|---|---|---|---|
| H1a, H1b, H1c | Total quality management implementation → employee results | 1.554*** | 4.01 |
| | Total quality management implementation → customer results | 1.140*** | 3.81 |
| | Total quality management implementation → society results | 0.300 | 1.42 |
| H2a, H2b, H2c | Corporate social responsibility implementation → employee results | 0.721* | 2.34 |
| | Corporate social responsibility implementation → customer results | 0.965*** | 3.90 |
| | Corporate social responsibility implementation → society results | 1.398*** | 5.92 |
| H3 | Total quality management implementation → corporate social responsibility implementation | 0.395** | 3.15 |
| H4a, H4b, H4c | Employee results → net income (log) | 0.873** | 2.81 |
| | Employee results → net income growth | 0.323* | 2.08 |
| | Employee results → performance: economic-financial goals | 0.424*** | 4.57 |
| | Customer results → net income (log) | 2.517*** | 7.59 |
| | Customer results → net income growth | 1.411** | 2.71 |
| | Customer results → performance: economic-financial goals | 0.733*** | 7.41 |
| | Society results → net income (log) | 0.648* | 2.35 |
| | Society results → net income growth | 0.043* | 2.01 |
| | Society results → performance: economic-financial goals | 0.251** | 3.26 |
| | Size → net income (log) | 0.006*** | 3.74 |
| | Size → net income growth | 0.002 | 0.73 |
| | Size → performance: economic-financial goals | 0.0004 | 0.91 |
| | Family hotel → net income (log) | −0.720 | −1.31 |
| | Family hotel → net income growth | 0.815* | 2.31 |
| | Family hotel → performance: economic-financial goals | −0.311 | −1.90 |

*$p < 0.05$; **$p < 0.01$; ***$p < 0.001$ (two-tailed tests for hypothesized variables)
$\chi^2 = 135.00$ (89 d.f.) Normed $\chi^2 = 1.51$; GFI = 0.981; RMSEA = 0.073; CFI: 0.925

| | | | |
|---|---|---|---|
| H4a, H4b, H4c | Employee results → net income by number of rooms | 0.019* | 2.28 |
| | Customer results → net income by number of rooms | 0.184*** | 3.83 |
| | Society results → net income by number of rooms | 0.011* | 2.07 |
| | Family hotel → net income by number of rooms | 0.057 | 1.40 |

*$p < 0.05$; **$p < 0.01$; ***$p < 0.001$ (two-tailed tests for hypothesized variables)
$\chi^2 = 104.82$ (59 d.f.) Normed $\chi^2 = 1.77$; GFI = 0.942; RMSEA = 0.071; CFI: 0.928

For the proposed model we got a satisfactory fit. We obtained a goodness-of-fit index (GFI) of 0.981 for our model, and it is desirable for this measure to be close to or above 0.90 (Hair et al., 1998). The normed chi-square, where the $\chi^2$ is adjusted by the degrees of freedom, has a value of 1.51, which is in the recommended range (1.0–2.0). The root mean square error of approximation index (RMSEA) is 0.073, and falls within the 0.05–0.08 range recommended by Bollen (1989). The comparative fit index (CFI) is 0.925 that fulfills the acceptable standard of 0.90 or higher (Acock, 2013). The model that includes "net income by number of rooms" also has a satisfactory fit as all parameters are in their recommended range. We have obtained an acceptable enough level of fit, which has allowed us to examine the theoretical relationships between the variables.

Hypotheses 1a, 1b and 1c predicted that developing a high level of total quality management implementation positively influences the results with respect to employees, customers and society. Hypotheses 1a and 1b are supported. Results in Table 5 confirm the positive impact of TQM on results of two groups of stakeholders: employees and customers. Nevertheless, hypothesis 1c is not supported. Such management approach does not have a significant influence on society results. Findings strongly support hypotheses 2a, 2b and 2c. The level of CSR implementation has a significant and positive influence on the results regarding employees, customers and society. The results also provide support for hypothesis 3. Hotels that have a higher implementation of total quality management show a higher level of development of CSR.

Results from our empirical research provide evidence that confirms hypotheses 4a, 4b and 4c. The results with respect to employees, customers and society have a significant and positive effect on the indicators employed to measure the performance of hotels. In examining the effect of control variables, size is significant and positively related to net income. Family hotel has a significant and positive effect on net income growth.

## 5. Discussion and conclusion

Most studies that analyze total quality management or corporate social responsibility in the hotel industry, examine the influence of these philosophies on performance. One of the significant contributions of this study is to explore the impact of the implementation of both TQM and CSR on the results of each of the main stakeholders of the hotels as an antecedent of business performance.

The results of our study indicate that managing quality in a way that encompasses the whole organization through the selected enablers (leadership, employees, strategy, partnership and resources, and processes, products and services) has a positive influence on two main stakeholders: employees and customers. This is consistent with previous contributions that demonstrate the importance of quality management in the hospitality industry to support and improve its competitiveness (e.g. Camisón, 1996; Claver-Cortés et al., 2008; Wang et al., 2012). Nevertheless, it seems that quality management has no direct influence on the satisfaction of society's needs. The image and reputation of hotels and the level of satisfaction of society regarding their actions are more related to the implementation of CSR actions. Although initially the hotel sector received less attention than the mining, chemical or manufacturing industries, widely seen as the heavy polluters, the public and society are demonstrating growing concerns with the negative impacts of the hotel industry and therefore they are increasingly interested in its CSR strategy (De Grosbois, 2012). Moreover, findings support our assumption that CSR actions benefit the results regarding employees, customers, and society.

Our study confirms that the level of development of corporate social responsibility is positively influenced by TQM implementation. The adoption of both approaches improves the capacity of hotels to create benefits for its stakeholders. This result is coherent with those works that suggest that quality management models and methodologies established on the broad principles of quality are a foundation and catalyst for effective CSR in organizations (McAdam and Leonard, 2003; Zink, 2007). Empirical evidence from this study also shows that it is necessary to fulfill the expectations of the three groups of stakeholders as their results have a significant and positive relationship with the performance of hotels.

The current study provides theoretical and managerial implications. From a stakeholder framework, this study tests, in an integral way, the benefits of two relevant management philosophies to achieve a sustainable competitive advantage. Both philosophies share similar purposes regarding stakeholder's expectations through enablers and practices that are complementary. Examining the combination of both philosophies can provide new insights about the capacity of a hotel to improve the results with respect to stakeholders and its level of competitiveness. From the management perspective, developing both TQM and CSR requires taking into account several aspects for a successful implementation, such as: obtaining commitment from the top management, having adequate resources to integrate the approaches, having suitable communication and training (Zutshi and Sohal, 2005), and overcoming resistance to change. Evidence of the potential synergy of TQM and CSR and its impact on stakeholders and the performance of a hotel contributes to their added-value. Particularly, quality management, which is used already in many hotels, can stimulate and facilitate the development of CSR. Understanding this complementary implementation can encourage hotels to reconsider their commitment to TQM and CSR in order to advance more effectively and efficiently toward corporate sustainability. Furthermore, knowledge concerning different effects of both management philosophies and their enablers and dimensions on each stakeholder can provide useful information to managers so as to adopt suitable practices to fulfill the stakeholders' expectations.

This study includes several limitations that offer opportunities for future research. Our empirical investigation was based on cross-sectional data from a relevant Spanish tourist region. Future research could focus on a longitudinal design, which will allow us to examine the evolution of the causality between variables, especially the relationship between the implementation of TQM and CSR. To better understand this relationship, and the obstacles and the key drivers of their successful simultaneous implementation, it would be very useful to employ qualitative research methodologies. Due to the fact that the sample was drawn from one specific area, it would be of interest to extend this research to other regions and countries to strength the generalizability of the conclusions. Despite the introduction of control variables (size and family ownership) which did not demonstrate any significant differences between the sample hotels and the broader sub-set of hotels that constituted the sampling frame, it is reasonable to assume the more committed to TQM and/or CSR a hotel is, the more likely it will engage with this kind of study. On this basis it is quite possible that the study is somewhat skewed toward hotels that have a higher commitment to TQM and CSR. Another limitation comes from the respondents of the semi-structured questionnaires who were hotel managers. They provided subjective opinions using the 7-point Likert scale in each question. However, managers usually cited examples of TQM and CSR actions while providing the answers in terms of the Likert scale and some managers admitted not having implemented any actions regarding specific items of the questionnaire. Additionally, we obtained information about concrete actions from annual reports and CSR reports (that in some cases followed the GRI guidelines). Further research incorporating interviews to stakeholders (employees, customers and society) is needed to fully understand the relationships that we have studied.

**Appendix A.** List of items included in the questionnaire to measure the theoretical constructs

| Construct | Sources | Items | 7-Point Likert scaling |
|---|---|---|---|
| Performance: economic-financial goals | EFQM (2010) | The level of achievement of the economic and financial goals | 1 = 0%, 2 ≤ 20%, 3 = between 20% and 40%, 4 = between 40% and 60%, 5 = between 60% and 80%, 6 = between 80% and 90%, and 7 = between 90% and 100% |
| Employee results | EFQM (2010), GRI (2006) | ER-Item 1. Improvement in the level of achievement of the key results of the hotel thanks to employees' training and career development | 1 = very low<br>7 = very high improvement |
| | | ER-Item 2. Increase in the employees' motivation and involvement | 1 = very low<br>7 = very high increase |
| Customer results | | CR-Item 1. The hotel's complaint rate of customers this year | 1 = a very high rate<br>7 = 0 per cent |
| | | CR-Item 2. Repeated guest rate (loyalty) | 1 = 0 per cent<br>7 = very high rate |
| Society results | | SR-Item 1. The image and reputation of the hotel according to press, professional publications, awards and recognitions, etc. | 1 = very low<br>7 = very high |
| | | SR-Item 2. The level of satisfaction of society with the hotel's actions according to letter of complains or acknowledgements received, press, etc. | 1 = very low<br>7 = very high |
| Leadership | EFQM (2010), Camisón (1996), Claver-Cortés et al. (2008), Wang et al. (2012) | L-Item 1. Level of involvement of directors to ensure the continuous improvement in the hotel | 1 = very low<br>7 = very high |
| | | L-Item 2. Level of participation of directors in professional associations, meetings and seminars, and in the giving and receiving of training programs on quality and excellence | 1 = very low<br>7 = very high |
| | | L-Item 3. Number of actions to recognize employees' performance and effort toward continuous improvement (employee of the month, awards, and other recognitions) | 1 = very low<br>7 = very high |
| Employees | | E-Item 1. The frequency with which quality training programs for employees are developed | 1 = very low<br>7 = very high |
| | | E-Item 2. Level of involvement and responsibility assumption of employees for quality issues (taking part in meetings and quality circles, suggesting improvements, etc.) | 1 = very low<br>7 = very high |
| | | E-Item 3. Level of improvement of the employees' knowledge of topics regarding safety and health at work, and the environment through diverse communication means | 1 = very low<br>7 = very high |
| Strategy | EFQM (2010), Camisón (1996), Claver-Cortés et al. (2008), Wang et al. (2012) | S-Item 1. Number of information sources taken into account in a systematic way to define the hotel's strategy (stakeholders, economic magnitudes, degree of national and international competitive rivalry, etc.) | 1 = very low<br>7 = very high |
| | | S-Item 2. The frequency with which the strategy is defined, revised and updated | 1 = very low<br>7 = very high |
| | | S-Item 3. Level of communication of the strategy to guarantee its successful implementation | 1 = very low<br>7 = very high |
| Partnership and resources | | P&R-Item 1. Number of alliances with other hotels, companies and institutions (such as suppliers, travel agencies, and local touristic attractions) | 1 = very low<br>7 = very high |
| | | P&R-Item 2. Level of development of economic and financial management using tools such as balanced scoreboard, risk management, sensitivity analysis, and Activity Based Costing | 1 = very low<br>7 = very high |
| | | P&R-Item 3. The degree at which resources, buildings, equipment and material is managed in a sustainable way | 1 = very low<br>7 = very high |
| Processes, products and services | | PPS-Item 1. The degree at which process management is implemented | 1 = very low<br>7 = very high (in all areas of the hotel) |
| | | PPS-Item 2. The frequency with which innovations in management, personnel politics and organizational structure are developed | 1 = very low<br>7 = very high |
| | | PPS-Item 3. The frequency with which innovations of products and services are developed taking into account the necessities and expectations of customers | 1 = very low<br>7 = very high |
| | | PPS-Items 4. Level of quality of the following processes: (a) Customer attention; (b) comfort; (c) functionality; (d) cleaning of rooms and common areas; (e) procurement; (f) building and equipment maintenance; (g) modernity; (h) restaurant; (i) leisure activities; (j) event organization; (k) safety for customers and employees; (l) location; (m) human resource management; (n) marketing; (o) strategic planning; (p) general management | 1 = very low<br>7 = very high<br>(each process has it own valuation) |

| Construct | Sources | Items | 7-Point Likert scaling |
|---|---|---|---|
| Economic dimension | GRI (2006), UNEP-WTO (2005), Tarí et al. (2010), Lee et al. (2012) | EC-Item 1. Improvement in the direct economic value generated and distributed (revenues, employment compensation, donations, payments to capital providers and governments, etc.) | 1 = very low<br>7 = very high level of implementation |
| | | EC-Item 2. Design of a sustainable supply chain (requirement of standards to suppliers, which have to demonstrate ethical employment and trading policies) | 1 = very low<br>7 = very high level of implementation |
| | | EC-Item 3. Contribution to local prosperity (encouraging employment of local labor, hiring top manager from local community, using local suppliers, etc.) | 1 = very low<br>7 = very high level of implementation |
| Environmental dimension | | EN-Item 1. Initiatives to reduce energy consumption/energy saved due to conservation and efficiency improvements | 1 = very low<br>7 = very high level of implementation |
| | | EN-Item 2. Initiatives to reduce water consumption/recycling and reuse of water | 1 = very low<br>7 = very high level of implementation |
| | | EN-Item 3. Contribution to habitat protection and restoration/strategies for managing impacts on biodiversity | 1 = very low<br>7 = very high level of implementation |
| | | EN-Item 4. Initiatives to reduce emissions, effluents, and waste | 1 = very low<br>7 = very high level of implementation |
| Social dimension | | SO-Item 1. Providing a healthy and safe work environment/offering products and services with no impacts on health and safety of customers | 1 = very low<br>7 = very high level of implementation |
| | | SO-Item 2. Initiatives to ensure diversity and equal opportunities and to prevent discrimination in the workplace/promotion of work-life balance | 1 = very low<br>7 = very high level of implementation |
| | | SO-Item 3. Conservation of the cultural heritage and traditional values of local communities | 1 = very low<br>7 = very high level of implementation |

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