

Level of Quality Management Program, Environmental Management Practices and Social Environmental Responsibility towards Performance

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Abstract— Many studies have examined quality management program (QMProg) and environmental management practices (EMPrac) separately. This paper analyzed the level of QMProg, EMPrac and also social environmental responsibility (SER) towards on hotel performance. The data was collected from a sample of hotels in Malaysia. The research objectives are (1) to analyze how the level of QMProg influences on firm performance. (2) To investigate the level of EMPrac and its influence on firm performance. (3) To determine the level of SER and its influence on firm performance. This study aims to contribute to service industry strategic decision-making processes by helping to predict the varying impacts of positive and negative corporate social responsibility (CSR) activities on financial performance in their respective industries, and thereby help to develop more appropriate CSR strategies. The findings showed that the commitment to quality and environmental practices influences hotel performance.

Keywords— Corporate Social responsibility (CSR), Environmental Management Practices, Quality Management, Social Environmental Management.

I. INTRODUCTION

CORPORATE social responsibility (CSR) is the commitment of business to contribute to sustainable economic development, working with employees, their families, the local community and society at large in order to improve their quality of life (Tsai, Hsu, Chen, Lin & Chen, 2010). CSR programs are performed to improve social and environmental performance. Thus, social responsibility is regarded as an important component of organizational effectiveness. Today, CSR calls for corporations to take their social responsibilities as seriously as they pursue their economic objectives. Many industries embraced the culture of CSR and that include the service industry such as hotels. A long term goal of CSR commitment can be seen through the

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efficiency of Quality Management Program (QMProg), Environmental Management Practices (EMPrac) and Social Environmental Responsibility (SER) towards performance.

CSR research and studies in hotel industries have recently shown an increasing trend with reported cases of the tourism industry and this encourage more widespread CSR practices studies in the tourism industry. Henderson (2007) emphasized that the tourism industry has particular and identifiable CSR duties outside of the business arena due to its relationship with their environment and society. Thus, it indicated that CSR has a valuable contribution to make tourism industries sustainable.

Furthermore, when QMProg and EMPrac were integrated (Wilkinson & Dale, 1999; Corbett & Cutler, 2000; Karapetrovic, 2002, 2003; Poksinska et al., 2003; Zutshi & Sohal, 2003), they created an improvement in the efficiency of the organisation, a reduction of bureaucracy by eliminating duplication of policies and procedures, the alignment of goals and processes and a reduction in the costs of internal and external audits. In fact, EMPrac offers a striking parallel with QMProg. A long term goal of both QMProg and EMPrac is to move towards a proactive, preventative stance (Tari, Cortes, Moliner & Azorin, 2010).

II. PROBLEM STATEMENT

Although companies are increasingly disclosing their CSR information, it is highly questionable whether the current annual, stand-alone CSR or social and environmental reports can satisfy the increasing demand for accountability. In the service industry, examination of CSR activities' impacts on financial performance seems insufficient, considering the industry's growing interest in CSR and firms' massive commitments. Given that the bottom line (fundamental goal) for a company is to maximize its value (Friedman, 1970), it has become important considerations for companies to judiciously invest in CSR activities, which concurrently can maximize firms' value and profitability. Nonetheless, few empirical researches have been performed regarding the impacts of such activities on firms' financial goals (maximized value and financial profitability) in the context of hotels (Lee & Park, 2009). However, Kirk (1995) studied hotel environmental policies and activities in the U.K. by employing

a survey method, and concluded that the hotel industry reacted to environmental issues only for direct financial rewards (e.g., energy and waste management) and governmental requirements.

III. CORPORATE SOCIAL RESPONSIBILITY

CSR management is very similar to corporate sustainability management, which aims to integrate the economic, environmental, and social aspects of business management. True corporate sustainability requires an integration of all three sustainability dimensions into business management, which can even lead to business model transformations to secure sustainable operations in the long term. CSR can also include short-term activities with an isolated focus on environmental or social aspects. Economic success is seen as a possible outcome of CSR management but not as a critical component (Weber, 2008).

IV. RESEARCH QUESTIONS

This study is to test the results of QMProg, EMPrac, and SER in relation to the performance of the hotel industry. The research questions are:

1. Does the level of quality management program influence the firm performance?
2. Does the level of environmental management practices influence the firm performance?
3. Does the level of social-environmental responsibility influence the firm performance?

V. RESEARCH OBJECTIVES

This study aims at analysing the highlighted factors which may contribute to commitment of corporate social responsibility in the hotel industry? These studies suggest that quality and environmental management systems and standards have become a key pillar for the improvement and survival of many organizations. A commitment to quality and environmental issues requires managers to consider several aspects to be successful by implemented such as obtaining commitment from the top management, adequate resources to integrate the systems, communication and training, and integrated audits (Tari et al., 2010).

The main contribution of this paper is to analyse the degree of corporate social responsibility towards the hotel performance. Therefore, this paper carries three specific objectives as follows:

1. To investigate the level of quality management program and its influence on the firm performance;
2. To investigate whether the level of environmental management practices influence on the firm performance; and
3. To investigate the level of social-environmental responsibility and the influence on the firm performance.

VI. SCOPE OF STUDY

There are diverse forms of service organizations operating in the commercial, industrial and social structure in Malaysia. However, there is no possibility of looking into and analyzing QMProg, EMPrac and SER in relation to all types of

organizations in a study of this nature. Therefore, this current study has to be confined to hotels operated in Malaysia as registered with the Ministry of Tourism.

VII. SIGNIFICANCE OF STUDY

According to the knowledge of the researcher, the relationships between QMProg, EMPrac, and SER have not been examined so deeply in the literature relating to the hotel industry in comparison to other industries. Besides, no empirical studies of the effects of the joint commitment to QMProg, EMPrac and SER on hotel performance have been conducted. Therefore, it is necessary to examine these relationships in the hotel industry to fill this gap (Tari et al., 2010).

Findings of this study are expected to contribute not only to the existing CSR literature, but also to management in service firms by providing strategic insight for CSR's beneficial impact on increasing firm value by taking into account legitimate stakeholders. More specifically, this study aims to contribute to service firms' strategic decision-making processes by helping to predict the varying impacts of positive and negative CSR activities on financial performance in their respective industries, and thereby developing appropriate CSR strategies.

VIII. RELATIONSHIP BETWEEN VARIABLES

A. Relationship between Quality Management Program and Performance

QMProg can be defined as a holistic management philosophy that focuses on the maintenance and continuous improvement of all the functions within an organization, with the goal of meeting or exceeding the requirements of customer and other stakeholders (Kaynak, 2003). The quality gurus suggested that the role of quality was key in the improvement of performance had pointed out that higher quality implies lower costs and increased productivity, which in turn gives the firm a greater market share and enhanced competitiveness.

B. Relationship between Environmental Management Practices and Performance

EMPrac can be described as a methodology by which organizations acting in a structured manner assess their operations to ensure that they are functioning in an environmentally legitimate way. They define the impacts of their activities on the natural environment, subsequently proposing actions (within defined timescales) to minimize or reduce those impacts that they consider (under criteria defined by them) as harmful. An EMPrac system is a management system that aims to encourage an organization to control its environmental impacts and reduce such impacts continuously (Jones, Pryde, & Cresser, 2005).

C. Relationship between Social Environmental Responsibility and Performance

Planning and implementing a coherent strategy of social environmental protection implies that a firm must accept and respect a series of principles or restrictions on its behavior that

may be either legally binding or incorporated voluntarily by the organization in response to the demands of its stakeholders. In either case, the restrictions may condition or limit the most economically efficient way of carrying out an activity, and from this point of view may have a negative impact on firm performance (Ahire & Dreyfus, 2000).

The increases in number of CSR activities may influence its performance. The possible relationships between these variables could be explained by the following framework:

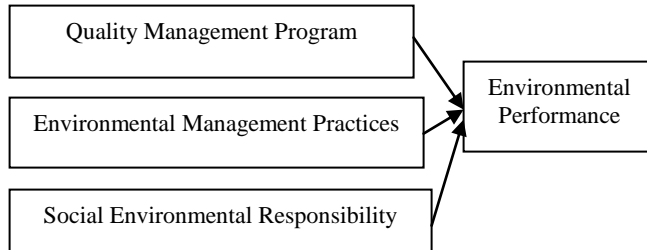


Fig. 1 Theoretical Framework for Factors That Affect Performance of Company

IX. HYPOTHESIS

Hypothesis 1: There is a relationship between QMProg and PERF. The coefficient of QMProg is equals to 0.774, significant at the 0.05 level. This means for each one unit change of the independent variable, QMProg, there is an expected change of 0.774 in the dependent variable, PERF. The sign is positive. For each increment of one unit in QMProg, one predicts a 0.774 increment in PERF. An examination of the t-values ($t = 2.596$, $p < 0.05$) indicates that QMProg contributes to the improvement of PERF. This suggests that QMProg is significant to PERF, and thus allows authors to reject the null hypothesis.

Hypothesis 2: There is a relationship between EMPrac and PERF. The coefficient of EMPrac equals to 0.642, significant at the 0.05 level. For each unit change of the independent variable, EMPrac, there is an expected change of 0.642 in the dependent variable, PERF. For each increment of one unit in EMPrac, one predicts a 0.642 increment in PERF. An examination of the t-values ($t = 1.991$, $p < 0.05$) indicates that EMPrac contributes to the improvement of PERF. This suggests that EMPrac is significant to PERF, and thus allows authors to reject the null hypothesis.

Hypothesis 3: There is a relationship between SER and PERF. The coefficient of SER equals to 0.546, significant at the 0.05 level. For each unit change of the independent variable, SER, there is an expected change of 0.546 in the dependent variable, PERF. The sign is positive. For each increment of one unit in SER, one predicts a 0.546 increment in PERF. An examination of the t-values ($t = 2.041$, $p < 0.05$) indicates that SER contributes to the improvement of PERF. This suggests that SER is significant to PERF, and thus allows authors to reject the null hypothesis.

X. CONCLUSION

The results indicate that most respondents were aware of the need to provide corporate social responsibility (CSR) in hotels activities. Results agreed CSR might influence their performance either in financial aspect as well as in reputation aspects. Therefore, it is important for the companies to put continuous efforts towards CSR. Analysis also shows that each management applied to perform CSR as it is an importance goal in the organizations.

The findings of this study unveiled the growing awareness within the hotels operated in Malaysia. The use of QMProg voluntarily is spreading in hotels in Malaysia. The programs provide a framework for hotels to manage more effectively their environmental obligations, including compliance with applicable laws and regulations. Accordingly, QMProg together with EMPrac can help companies to move beyond compliance, to improve overall PERF, while meeting their environmental obligations more efficiently and maintaining their competitive position in the market.

Respondents reported that they had identified waste as one of the environmental issues, the practices that would reduce waste problem such as reduce, reuse and recycling was rather low. A study conducted by (Tsai et al., 2010) found similar findings where although the level of environmental awareness was high but environmental factor ranked fourth after quality, price and brand when making purchasing decision by the consumers. Specifically, when the managers put an effort on environmental protection will leads to improve total quality environmental management in the companies (Brio et al., 2001).

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