



Stakeholders' environmental influence. An empirical analysis in the Spanish hotel industry

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Abstract

We draw on the insights of stakeholder theory to explore the extent to which environmental management practices are driven by (i) an attempt to enhance a firm's legitimacy, and (ii) a response to pressures arising from powerful stakeholders. The material for this investigation has been gathered from a sample of 279 Spanish hotels. The hotel industry which is only marginally affected by environmental regulation and is thus a widely neglected setting in this context, could be a particularly interesting subject for investigation, able to throw some light on the extent to which firms produce different responses to the environmental concerns of their stakeholders. Our results reveal that corporate environmental management practices may be a response to genuine environmental concerns, and we then speak of explicit environmental management, or there may also be reasons different from the environmental, in which case we speak of tacit environmental management. Our findings suggest that explicit and tacit environmental management account for a variety of organizational responses to the environmental demands of stakeholders, depending on (i) the stakeholders' power regarding environmental issues, (ii) the stakeholders' use of power to protect the environment, and (iii) the perceived economic advantages of environmental management activities.

Keywords: Environmental management; Stakeholder theory; Hotels; Service industry

1. Introduction

Economic activity produces a steady degradation of the environment that results in increasing pressure on firms to “green” their operations and to become accountable for their environmental management practices (Henriques & Sadorsky, 1999). Managers thus experience pressure from shareholders to maximize the value of the firm at the same time that stakeholders such as governments, employees, clients, local communities, and ecologists demand that they strive for environmental protection (Donaldson & Preston, 1995; Harrison & Freeman, 1999). These conflicting pressures are not uniform across industries and sectors, however, but are contingent on environmental regulation. As noted by Baylis, Connell, and Flynn (1998), the greening of manufacturing industry is ultimately the result of comprehensive environmental regulation, which is regarded as a main driver for the spread of such practices. Environmental regulation stems from the political arena, thus reconciling the apparently conflicting interests of stakeholders. Environmental regulation, in contrast, neglects other industries and sectors (e.g. service, hotel). Nonetheless, the hotel industry is characterized by comprehensive environmental initiatives such as the *International Hotels Environmental Initiatives* (IHEI), or specific measures (e.g. voluntary change of towels; see Zurburg, Ruff, & Ninemier, 1995; Brown, 1996). Our investigation aims at examining why some industries take environment-friendly initiatives despite the absence of regulation, and what is the role of firms’ stakeholders in such environmental commitment.

The stakeholder approach provides many perceptive insights into the integration of environmental issues in business strategy (Shrivastava, 1994; Stead & Stead, 1996; Cramer, 1998; Henriques & Sadorsky, 1996, 1999; Madsen & Ulhøi, 2001). Although much valuable knowledge has been gleaned from previous studies, we have also identified two significant gaps in the conjunction of stakeholder and environmental management research. First, we deem it necessary to develop an empirical model aimed at explaining the extent to which pressure from stakeholders determines the environmental policy of firms. The notions of legitimacy and power incorporate the attributes and demands of stakeholders (Freeman, 1984; Jones, 1995; Mitchell, Agle & Wood, 1997; Frooman, 1999). Further, such concepts have helped explain the environmental policy of firms (Fineman & Clarke, 1996; Bansal & Roth, 2000). Second, the high and visible impact of manufacturing processes on the environment attracted first-order pressure on firms to adopt green management practices, which ultimately resulted in considerable research interest in such sectors (Fineman, 1997; Ulhøi, 1997; Madsen & Ulhøi, 2001). In contrast, the service sector, which reported more than 60% of the GDP of the developed countries, was held responsible for the majority of the planet’s environmental degradation (Hutchinson, 1996). Despite such economic and environmental data, the service industry experienced second-order pressures to attend to environmental management (Elkington, 1994), which resulted noticeably in considerable research neglect (see Halme, 2001 for a significant exception).

This study could be of interest for several reasons. First, drawing on the insights of stakeholder theory, we formalize a model that could advance our knowledge of the

underpinnings of environmental management practices in firms. Second, we test empirically the influence of stakeholder pressure on firms aimed at the integration of environmental practices. As noted in a significant number of studies (Gladwin, 1993; Cramer, 1998; Fuchs & Mazmanian, 1998), exploring the reasons why firms adopt green procedures, and investigating the role of stakeholders in enabling the integration of such procedures, constitute two major research areas in environmental management. Lastly, we focus our empirical analysis on the hotel industry. As noted above, the service industry has been widely neglected by environmental management scientists and, we believe, investigation of this industry may generate many positive insights into the overall field of environmental management (Brown, 1994; Foster, Sampson & Dunn, 2000).

2. Environmental management in hotels

Environmental management may be defined as “the study of all technical and organizational activities aimed at reducing the environmental impact caused by a company’s business operations” (Cramer, 1998, p. 162). Hotel operations are characterized by a massive number of activities that, taken individually, have a slight environmental impact and are thus arguably difficult to identify and regulate (Dobers, 1997). Taken together, however, the operations of the hotel industry exert a significant impact on global resources (Kirk, 1995, p. 3).

The opportunities for improving environmental management practices in the hotel industry are good. For example, Wight (1994, p. 667) showed differences between hotel facilities involving 10 times more consumption of energy to accomplish the same activity. Further, IHEI (1993, p. 33) reports that medium-sized hotels (e.g. 50–150 rooms) consume 507l of water per person and day, while those located in one well regarded, environmentally concerned area, namely the Balearic Islands, report consumption of 250l per person and day (Conselleria de Medi Ambient, 2000).

The hotel industry is characterized by a sharp distinction between activities that confront the individual customers face-to-face (front office), and those performed out of their sight (back-office). The importance of face-to-face activities in hotel management may have a dual effect on environmental practices. On the one hand, direct observation by customers of practices that eventually deteriorate or protect the environment may influence their overall assessment of hotel management. Further, insofar as clients are largely responsible for the consumption of resources and the generation of waste, hotels seek their commitment to practices of environmental protection. On the other hand, direct observation of hotel management by clients may motivate opportunistic environmental practices. For example, some managers favor short-term, easy-to-resolve problems over comprehensive strategies yielding long-term results. Additionally, some managers provide luxury services that involve the over-consumption of resources and the generation of waste, since clients are reluctant to pay a premium for an environment-friendly service. Gustin and Weaber (1996), for instance, examined the awareness and attitude of frequent travelers concerning environmental issues in lodging operations. Whereas

nearly 70 percent of individuals contended that they were likely or extremely likely to stay in a hotel with a proactive environmental strategy, only very few subjects admitted willingness to pay a premium charge for an environmentally friendly setting. Further, they were happy with actions aimed at energy conservation and recycling, but not with those diminishing their level of comfort such as longer periods for the change of towels or the installation of automatic faucets and low-flow showers.

Such conflicting situations make the hotel industry an interesting example for examining the extent to which managerial efforts help balance contradictory pressures from stakeholders to adopt environmental management practices. For example, hotel's managements have to try to reconcile requests for high comfort and high consumption of water from clients with those stemming from shareholders to cut costs on the water supply, as well as with demands from public opinion at large to employ management procedures that incorporate environmentally friendly practices.

3. The stakeholder theory and the natural environment

Stakeholder theory focuses on the characteristics and the behavior of organizations (Donaldson & Preston, 1995). In particular, stakeholder theory has brought to our notice valuable knowledge on ethical aspects (Jones, 1995), corporate codes (Clarkson & Deck, 1993), and the social responsibilities of firms (Clarkson, 1995; Preston & Sapienza, 1990). This last aspect, though “not central even to the corporate social responsibility literature” (Shrivastava, 1995a, p. 124), makes stakeholder theory especially suitable as a way of approaching environmental management issues, in that such issues are regarded as a part of the overall social responsibility of firms (Stanwick & Stanwick, 1998).

Studies within stakeholder theory that touch on the natural environment may be classified into four streams of research. First, some studies emphasize the role of external stakeholders in assessing environmental performance (Miller & Szekely, 1995; Ilinitich, Soderstrom, & Thomas, 1998) and corporate environmental risks (Schoemaker & Schoemaker, 1995). Second, other works focus on the importance of pressures on environmental reporting practices and communication programs in firms (Mastrandonas & Strife, 1992; Azzone, Brophy, Noci, Welford, & Young, 1997). Third, some works identify the more relevant stakeholders in relation to environmental issues and study their influence on the environmental strategy of firms (Madsen & Ulhoi, 2001). For example, Fineman and Clarke (1996) analyzed the influence of individual groups of stakeholders on environmental issues according to two main characteristics: the perceived legitimacy of the stakeholders' environmental demands and the threat that the stakeholders are seen to pose to the firm. Henriques and Sadorsky (1999) stressed that the managerial perception of stakeholder pressure differs statistically between different environmental commitment profiles. Finally, yet other studies examine the extent to which firms should develop a cooperative relationship with their stakeholders (Altman & Petkus, 1994; Grafé-Buckens &

Hinton, 1998). This last stream of research draws on data gathered from case studies aimed at investigating how such environmental cooperation with stakeholders has ultimately brought about a significant impact on long-term corporate performance (Schmidheiny, 1992; Hartman & Stafford, 1997).

Our review of the existing literature led us to identify three main reasons why firms adopt environmental protection activities according to a stakeholder perspective: (1) to gain legitimacy (e.g. Bansal & Roth, 2000); (2) as a response to stakeholder pressure (e.g. Fineman & Clarke, 1996); and (3) as a response to the different strategies that stakeholders use to influence the environmental protection activities of firms (e.g. Van den Bosch & Van Riel, 1998).

3.1. *Legitimacy*

The notion of the legitimacy of interest, claims or demands is usually addressed in most studies investigating the stakeholder issue (e.g. Donaldson & Preston, 1995, p. 76; Hill & Jones, 1992, p. 133; Clarkson, 1995, p. 106). Legitimacy is taken up as one of the essential features that determine stakeholder claims (Mitchell et al., 1997). Suchman (1995, p. 574) describes legitimacy as “a generalized perception or assumption that the actions of an entity are desirable, proper or appropriate within some socially constructed systems of norms, values, beliefs and definitions”.

Firms acquire legitimacy by conforming to institutional pressures. Conformity ultimately makes them resemble each other or, as institutional sociologists would put it, become isomorphic. DiMaggio and Powell (1991) refer to three sources of institutional pressure. Coercive pressures stem from the actions of the state, for example by enacting environmental regulation. As far as the hotel industry is concerned, coercive pressures are of marginal relevance due to the sparse environmental regulation. Normative pressures arise from the activity of the professions (e.g. consultancy firms) and professional associations (e.g. the hotel industry: the World Trade Organization), which play an active role in the dissemination of environmental management practices. Lastly, mimetic pressures involve the imitation of practices employed by other firms in the industry, especially those regarded as successful. In the hotel industry, tourism networks diffuse successful managerial practices and act as enablers of organizational learning (Halme, 2001).

Suchman (1995) regards legitimacy either as an organizational resource or as an alignment with laws or prominent norms. Further, Oliver (1991, pp. 159–162) contends that firms acquire legitimacy insofar as they satisfy the expectations of relevant groups in their particular setting. Accordingly, firms may acquire legitimacy by linking social responsibility practices to financial performance (Pava & Krausz, 1997). Thus, we distinguish between social legitimacy and economic legitimacy. Whereas the former denotes companies that undertake environmental protection activities on grounds of maintaining a high level of social esteem, the latter indicates that the driving force behind such activities is the positive impact they are expected to have on financial performance. This approach to environmental management is

related to the instrumental stakeholder model (Berman, Wicks, Kotha, & Jones, 1999).

The instrumental model contends that corporate stakeholders are embedded in a wider environment that ultimately demands a threshold of financial performance (Berman et al., 1999). Such an approach, we argue, has two additional implications. First, it limits the stakeholder perspective to just one of a firm's constituents, namely: the shareholders. Second, a firm's interest in the stakeholder relationship becomes largely dependent on its effects on financial success (Donaldson & Preston, 1995; Quinn & Jones, 1995). For example, the compliance of hotels with their stakeholders' environmental demands is attributed to their ultimate intention to increase their competitive advantage (e.g. savings in water consumption reduces costs).

Stakeholder theory also assumes that organizations adopt environmental management practices to align their overall strategy with environmental norms and beliefs. In doing so, firms gain social legitimacy insofar as they comply with shared social goals (Bansal & Roth, 2000). This approach is labeled the intrinsic model (Berman et al., 1999) and implies a genuine interest on the part of the firms to satisfy the interests of a wide typology of stakeholders (e.g. ecologists, employees, public opinion at large). Firms, it is argued, coordinate the interests of the diverse stakeholder groups. Given this approach, compliance with stakeholders' environmental demands ultimately reflects a moral commitment that seeks social recognition through the protection of a common good, namely the environment. However, such a commitment is not necessarily linked to financial reasons.

Such approaches, we contend, may be perceived as complementary. A firm's conformity with pressures stemming from its wider institutional contexts (e.g. from the state through the enactment of environmental regulation) invests the firm in question with legitimacy, but may also pay off in financial terms. By complying with such pressures, firms avoid not only tangible financial losses arising from fines or the temporary shutdown of operations until additional environmental investments are made, but also losses of an intangible nature (e.g. loss of clients as a result of their low profile in environmental management). Hence, we hypothesize:

Hypothesis 1a: The greater the perceived social legitimacy of compliance with environmental demands from stakeholders, the greater the extent of environmental management practices adopted by the firm.

Hypothesis 1b: Firms tend to adopt environmental management practices when they perceive that these activities contribute in a positive way to the firm's profits.

3.2. The possession of power by stakeholder and the corporate reaction to environmental pressures

Dahl (1957, pp. 202–203) described the notion of power as “a relationship among social actors in which one social actor A, can get another social actor B, to do

something that B would not otherwise have done". This notion of power brings some interesting considerations into the relationship between stakeholders and corporate environmental policy, namely power and the use of power (Mitchell et al., 1997). The former refers to the capacity of the stakeholders to affect a firm's environmental protection activities, while the latter concerns the extent to which stakeholders attempt to influence the firm's environmental protection activities by means of various influence strategies.

Pressure from a firm's stakeholders is accepted insofar as it is being exerted by powerful constituents (Clarkson, 1995). The capacity of a stakeholder group to exert pressure depends on the possession of power (Mitchell et al., 1997; Frooman, 1999). Such notions help explain organizational decisions, so long as overall stakeholder views are related to their specific interests. In particular, it is argued that the stakeholders' interest in environmental management issues makes a lasting impact on a firm's decisions (e.g. Altman & Petkus, 1994; Fineman & Clarke, 1996; Henriques & Sadosky, 1996, 1999). Mitchell et al. (1997) contend that constituents do not necessarily make explicit pressures on firms since organizations regularly screen their environments to identify demands from powerful stakeholders. For example, a hotel established in an area suffering from a long drought may adopt certain practices with a view to controlling water consumption to comply with the environmental concerns of the local government, even though the hotel itself does not experience any shortage in the supply of water from the local community. This leads us to hypothesize:

Hypothesis 2: The greater the perceived concern of powerful stakeholders regarding environmental issues, the more extensive the adoption of environmental management practices by firms.

3.3. The use of power by stakeholders and corporate environmental policy

As noted above, the use of power by stakeholders is regarded as a driving force behind the influence of stakeholders on the decisions of firms (Rowley, 1997; Frooman, 1999), and this applies also to environmental management. The use of power focuses on the specifics of the stakeholders' environment-related pressure on firms (Frooman, 1999).

Stakeholders may influence the organization's environmental management through a variety of mechanisms such as incentives, penalties, advice, etc., and to varying degrees. The extent to which stakeholders use these environmental influence mechanisms depends not only on the importance they assign to environmental issues, but also on the degree to which they perceive that the organization has the capacity and/or responsibility to reduce its negative environmental impact (Pava & Krausz, 1997). Managers may recognize that stakeholders assign a certain importance to environmental issues, but that they do not feel sufficiently committed to their environmental demands to use their power against the company. For example, Fineman and Clarke (1996) found that managers in the power generation

and automotive industries were convinced that the customer signals they received did not merit a green response on their part.

Tour-operators link small-travel agencies with the supplier of the tourist service: hotel resort, entertainment park, or cruise. Tour-operators are thus actually among the main customers of hotels, and thus constitute powerful stakeholders. As far as environmental protection is concerned, some tour-operators impose explicit demands on hotels that should be followed if the hotels are to have any chance of doing business with them. For example, TUI, an international tour-operator, requires hotels to fill in an environmental questionnaire to assess their commitment with the greening of operations.

Thus, we hypothesize:

Hypothesis 3: Environmental management activity in firms is related to the extent to which powerful stakeholders impose explicit demands on organizations.

4. Method

4.1. Sample

As noted above, we focus on environmental practices in the service sector, which is a largely neglected area (Foster et al., 2000). In particular, we have chosen the hotel industry for a number of reasons. First, the emergence of a number of environmental programs in the sector, which signals its concern (e.g. Green Globe, or the International Hotel Environmental Initiative—IHEI). Second, the economic importance of the hotel industry in Spain, our focal country. For example, the supply of hotel beds in Spain accounts for 6.53% of the world supply, and it is the third largest in the world after the US (20.41%) and Japan (10.69%). Further, the hotel industry contributes to 1.38% of Spain's GDP. Finally, as we noted above, the hotel industry provides a setting that is very different from that of manufacturing industry (e.g. strict regulation and highly visible environmental activities), which means that it may be able to advance our understanding of the extent to which stakeholder pressure gives rise to a variety of environmental practices in firms operating in contexts of lax environmental regulation.

We drew our sample from Spanish hotels of the higher categories (3, 4, and 5 stars) for several reasons: (i) such facilities report high consumption of scarce resources in problematic areas (e.g. golf courses on the Costa del Sol and the Canary Islands, which suffer from a permanent shortage of water); (ii) the customers of well-regarded hotels demand high levels of comfort, which in turn implies high consumption of natural resources as well as considerable waste; (iii) as shown by FEH (1999), there is a strong correlation between quality and hotel size and, more importantly, high-quality hotels are on the way to becoming the largest segment in the worldwide supply of accommodation services.

The questionnaire. Our review of the literature provided us with many indicators of corporate environmental management (Aragón-Correa, 1998; Sharma & Vreden-

burg, 1998; Henriques & Sadorsky, 1999), as well as some more specific measures for the hotel industry (IHEI, 1993; Zurburg et al, 1995). Validation of the draft questionnaire was undertaken by way of interviews with the managers of 11 hotels. These were chosen in turn to represent independent hotels (six managers), and hotel chains (five managers). We started by conducting semi-structured interviews with them all on the basis of a preliminary draft of the questionnaire. One point that emerged from this round of interviews was that the establishment rather than the hotel chain should constitute our unit of analysis. Further, it became clear that environmental protection regulation has a marginal effect on the environmental management practices of hotels. These and other valuable insights led to some modifications in the questionnaire. For example, we established a new category of stakeholders (e.g. travel agencies). On the other hand, we merged environmental protection organizations and local community associations into a single category of stakeholders. At the same time, this round of interviews produced strong evidence of the non-significance of the financial institutions as an environmental stakeholder. Lastly, some items called for considerable re-definition (e.g. the extent to which the acquisition of green raw materials constituted a priority for hotels).

We used a questionnaire survey to reflect the variety of segments operating in the hotel industry, while also capturing the variety of responses of such firms to pressure from their stakeholders to adopt environmental management practices. By quantifying results this study seeks to provide a complementary perspective to the existing qualitative literature concerned with green management in firms (e.g. Ulhøi, 1997; Fineman & Sturdy, 1999).

In November 1998 the questionnaire was sent to 2528 Spanish hotels, that is, the entire population of 5, 4, and 3stars hotels according to the data provided by the *Federación Española de Hoteles* (Association of Spanish Hotels). By February 1999, 168 questionnaires had been completed. At that time a second questionnaire was sent out, which meant 315 questionnaires altogether. Accordingly, the rate of response was 12.5% of the population. We used an ANOVA to test for sample bias between questionnaires returned in the first and second rounds, but did not find any significant differences. Of the 315 replies, 279 were considered valid for our purposes; the rest had not been fully completed. Nor were any significant differences found between our sample and the total population in dimensions such as size, legal category, and geographical distribution across the country. The hotels that answered the questionnaire registered responses to environmental concerns among their stakeholders ranging from dismissal to total compliance and the consequent enactment of sophisticated environmental management policies. Despite this variety in the responses, however, claims of a sample bias in favor of “green” hotels cannot be totally ruled out.

4.2. *Variables and measurements*

Environmental management. A number of dimensions define environmental management practices (Aragón-Correa, 1998; Klassen & Angell, 1998; Klassen & Whybark, 1999). Klassen and Angell (1998) found that manufacturing firms

introduced such practices as a result of environmental legislation, as well as from a genuine desire to adopt them. In a similar vein, [Wolters, James, and Bouman \(1997\)](#) distinguished between two dimensions of business environmental activities: environmental management and total performance. The latter are not primarily driven by environmental considerations, but can still be of environmental significance. [Peattie and Ringler \(1994\)](#) drew a distinction between software and hardware environmental activities. Software activities are those focused on organizational issues such as systems, procedures, audits and manuals, whereas hardware activities are concerned with technological change to reduce the environmental impact of the firm. Interestingly for our purposes, [Brown \(1994\)](#) found that environmental practices in the hotel industry either pursued genuine issues of environmental protection, or relied on that apparent target in order to achieve other purposes: satisfying customer demands, reducing costs, fulfillment of legal requirements and counteracting the actions of competitors. For example, many hotels are now urging customers to re-use towels for “environmental reasons”. Although this may be a genuine argument, it could also be an attempt to reduce laundry costs. Our interviews with the hotel managers to validate the questionnaire revealed the relevance of distinguishing between activities aimed at environmental protection and those with environmental implications.

Consequently, we operationalized the environmental management construct using a multi-item scale for the two factors identified. We used thirteen items measured on an 11-point scale¹ (see [Table 1](#)) connected with practices or activities considered in the literature as belonging to environmental management, and adapted them to the characteristics of the hotel industry ([Zurburg et al., 1995](#)).

Social legitimacy. [Suchman \(1995\)](#) described social legitimacy as the degree to which the various practices and activities developed by firms benefit from social prestige and acceptance. Admittedly, our reliance on managerial perceptions to build a construct of social legitimacy constitutes an indirect measure of such a variable. Our construct is thus an indirect measure of the extent to which wider institutional pressures are adopted through processes of mimetic or normative isomorphism. In this way, high values in the construct would mean that environmental norms and values were thoroughly disseminated in the wider contexts of firms. We measured the construct in terms of the following items: the degree to which organizations imitate environmental activities from other hotels, from firms in other sectors, or from firms in their own area. Lastly, we also measured the support received from the government and from professional organizations operating in the broader area of environmental protection ([Table 1](#)). In all cases we used an 11-point scale.

Economic legitimacy. This construct measured the extent to which the implementation of a firm’s environmental protection activities enhanced its economic performance. Accordingly, we drew on the existing literature to ascertain

¹The use of an 11-point scale was discussed during the preliminary round of interviews. Such a scale served to improve precision. Further, each and all of our interviewees agreed that such a long scale would not involve any particular problems in completing the questionnaire, as Spanish people are used to being graded on an 11-point scale since elementary school.

Table 1
Factor analysis of the multi-item scales in the questionnaire^a

Questions ^b	Factors ^c				
	F-1	F-2	F-3	F-4	F-5
<i>Environmental management</i>					
The hotel quantifies its environmental savings and costs in its budget	0.56	0.31			
The hotel gives its employees training about environmental issues	0.75				
The hotel rewards the authors of the best environmental initiatives	0.68				
The hotel uses ecological arguments in its marketing campaigns	0.67				
The hotel organizes or sponsors environmental protection activities	0.78				
The hotel makes arrangements for the separate collection of paper, oil, glass, etc.	0.54	0.39			
The hotel applies some environmental protection practices although they are not profitable in the short term	0.59	0.39			
The hotel gives priority to purchasing ecological products (biodegradable, reusable, recyclable,...)	0.36	0.66			
The hotel facilitates customer collaboration in environmental protection (voluntary changing of towels,...)		0.63			
The hotel reduces the use of toxic and dangerous products		0.73			
The hotel applies water-saving practices		0.81			
The hotel applies energy-saving practices		0.80			
The hotel uses natural vegetation where possible	0.34	0.37			
<i>Economic legitimacy</i>					
Environmental protection activities allow the hotels to reduce the total costs of their overall operations			0.74		
Environmental protection activities help hotels to reduce their physical consumption of resources (energy, water,...)			0.76		
Environmental protection activities help to attract new clients, to retain existing clients or to differentiate from competitors			0.68		
Environmental protection activities reduce the risk of accidents, fines, legal action, and responsibility			0.71		
Environmental protection activities put limitations on budget achievement			-0.63		
The use of environmental management helps to improve the profitability of the hotel.			0.77		
<i>Stakeholders' use of power</i>					
The stakeholders threaten the hotel with sanctions if it does not protect the environment.				0.79	
The stakeholders promise rewards if the hotel improves its environmental behavior				0.70	
The stakeholders remind the hotel of its moral obligation to protect the environment				0.76	
The stakeholders exchange impressions on how to deal with environmental problems	0.36			0.58	0.36
The stakeholders encourage the hotel to identify itself more strongly with environmental protection	0.41			0.61	0.30

Table 1 (continued)

Questions ^b	Factors ^c				
	F-1	F-2	F-3	F-4	F-5
Social legitimacy					
Environmental protection activities are being adopted by most of their competitors					0.74
Many companies in other sectors are adopting environmental protection activities			0.42		0.66
Environmental protection activities are being widely adopted by hotels in the area					0.78
The government and professional organizations disclose and promote the adoption of environmental protection activities by hotels					0.78
Explained variation (%)	14.66	13.04	12.99	10.09	9.88

^a Principal component analysis. Varimax rotation with Kaiser Normalization.

^b All factor loadings below 0.3 are suppressed. In all items we use a scale from 0 to 10, where 0 is total disagreement and 10 is complete agreement.

^c F-1: Explicit environmental management; F-2: Tacit environmental management; F-3: Environmental economic legitimacy; F-4: Stakeholders' use of power; F-5: Environmental social legitimacy.

the pros and cons of environmental protection activities among firms. The advantages most commonly referred to include costs savings, risk reduction, and customer support (Shrivastava, 1995b; Porter & Van del Linde, 1995). The disadvantages were connected with high costs and the enactment of limits or restrictions to the normal development of economic activity (Walley & Whitehead, 1994). A question about the overall effect of these practices on corporate profitability was included. The scale was thus based on six items (see Table 1), measured on an 11-point scale.

Power. Our review of the existing literature provided some perceptive insights on the categorization of corporate stakeholders in relation to environmental issues (Henriques & Sadorsky, 1999). We divided the stakeholders of the hotel industry into three categories. First, we included those traditionally considered in the literature, namely customers, competitors, employees, government, shareholders, and suppliers. Second, we included the non-governmental organizations that are usually concerned about environmental issues (e.g. local ecologists). Lastly, we also accounted for some stakeholders specific to the hotel industry (e.g. hotel chains or associations, tour-operators and travel agencies). Our questionnaire put two questions about each of these stakeholder groups. One asked hotel's managers about the perceived importance of environmental protection for each stakeholder with respect to other potential issues of interest, whereas the second question required the extent to which management perceived that stakeholders could influence organizational policies (not specifically as regards environmental issues). For both questions we used an 11-point Likert scale. In the first case, 0 implied weak relative

importance, while 10 signified great importance. In the second case, 0 meant no capacity, while 10 indicated high capacity to exert influence. Following Gill, Crosby and Taylor (1986), we measured the power of each stakeholder group in relation to environmental protection by weighing the importance that each of such groups assigns to environmental issues and its capacity to influence organizational policies, that is, its power over the firm as perceived by hotels' managers. To measure the stakeholders' power we calculated the average of each stakeholder group's power over the firm.

Use of power. We drew on the categorization of forms of power in Raven and Kruglanski (1970), e.g. coercion, reward, expertise, legitimacy, reference and information, and on the strategies associated with these sources of power in Frazier and Summers (1984) to develop a construct to measure each of these dimensions. Thus, the use of power was measured by a number indicating the extent to which the main stakeholders of hotels exert each one of these influential strategies over firms (Table 1). We used an 11-point Likert scale, where 0 implied no use of power, and 10 indicated substantial use of power.

Control variables. Most studies of environmental management have focused on large corporations (Fineman & Clarke, 1996; Aragón-Correa, 1998; Henriques & Sadosky, 1999). Such investigations found a relationship between size and the level of environmental protection. Thus, large firms are assumed to have slack resources (Sharma & Vredenburg, 1998) and to assign high visibility to their actions (Henriques & Sadosky, 1996), thus constituting models to be imitated (Ghobadian, Viney, Liu & James, 1998). In a similar vein, large firms are found to have a more formal approach to environmental management (Merritt, 1998), or to enjoy economies of scale for making use of wastes (re-utilization, recycling or valorization; see Andersen, 1997). We had problems in gathering financial data for some of the hotels under investigation, in so far as this is a matter of voluntary disclosure in Spain, which prevented us using it as a control variable. We used the logarithm of the number of rooms as a proxy of a hotel's size. Admittedly, this proxy of size might bias top-level hotels, because these organizations have a higher level of income per room than their low-level counterparts (FEH, 1999). The use of this measure was motivated by the difficulty attaching to the use of average numbers of hotel employees to measure a hotel's size, due to the seasonal nature of the work and the large numbers of part-time employees.

Membership of a hotel chain may alter the competitive strengths of an organization, in that such membership may provide the affiliates with resources of knowledge, reputation and market power (Ingram & Baum, 1997). Furthermore, we argue that membership of a chain may influence the environmental behavior of a hotel in several ways: by imposing some common/minimum norms for environmental protection, by facilitating the formation and diffusion of environmental protection techniques and methods, or by allowing access to more ecological markets. We may thus expect to find a significant influence on a hotel's environmental management stemming from its affiliation with a chain. We therefore included a dichotomous variable in our model that acquires a value of 1 if the hotel belongs to a hotel chain, and 0 if it does not.

4.3. Statistical analysis

First, to test the existence of a single dimension in each of the compound scales, we performed an exploratory factor analysis including all their items. We used a model of structural equations analyzing the influence of different sources of pressure on corporate environmental management to test the hypotheses. Structural equation models are capable of incorporating estimations of measurement errors in the study, allowing for the reduction of possible bias in the estimations of the parameters by means of the use of multiple indicators. LISREL 8 was used to develop the models of the structural equations. LISREL is an analytical procedure that combines path analysis with multiple regression analysis (Jöreskog & Sörbom, 1993).

In order to construct the structural equation systems for hypothesis testing, we made some adjustments in the measurement scales. Due to the large number of variables used in each scale, it became necessary to reduce the number of parameters to be estimated in our model (Hair, Anderson, Tathan, & Black, 1992, p. 444). Thus, to reduce the number of items in the compound scales, we used the procedure described in Mathieu and Farr (1991, p. 128), and reduced the compound scales of 4–6 items to two indicators and those of 7 items to three indicators. To establish the indicators for each multi-item measure we first fitted a single-factor solution to each set of items and then averaged the items with the highest and lowest loadings to form the first indicator, then the items with the next highest and lowest loadings to form the second indicator, and so forth until all items were assigned to one of the indicators for each variable.

5. Results

Table 1 shows the exploratory factor analysis of all the multi-item scales. We identify five factors with eigenvalues greater than 1. All items corresponding to the same construct are grouped in the same factor. Results of the exploratory factor analysis confirm the existence of two environmental management dimensions. The items with high loading in Factor 1 correspond to the environmental protection activities carried out in a voluntary, conscious and explicit way by the firm. Accordingly, the basic reason for implementing such environmental protection activities seems to be the hotel's concern about such issues (e.g. "the hotel rewards the authors of the best environmental initiatives"). Hence, we designated it as *Explicit Environmental Management*. In contrast, the items with a higher loading in Factor 2 are those which usually owe their implementation to reasons other than environmental protection, such as cost savings or reducing the risk of accidents (e.g. "the hotel applies water-saving practices"). Environmental protection concerns, albeit important, play a subordinate role, and has thus been designated as *Tacit Environmental Management*. Examination of the secondary weights of factors identified in Table 1 shows that some items in the explicit environmental management dimension have a weight higher than 0.3 in the tacit environmental

management dimension, which in turn suggests some relationship between the two dimensions.

The internal consistency of the items that compose the different compound scales is satisfactory. Cronbach coefficient $\alpha = 0.82$ for tacit environmental management, 0.87 for explicit environmental management, 0.83 for social legitimacy, 0.84 for economic legitimacy, and 0.84 for use of power. To address the issue of common method variance, we used Harman's Single Factor procedure (Podsakoff & Organ, 1986), which has been used in other recent studies (e.g. Clugston, Howell & Dorfman, 2000). Confirmatory factor analysis was used to compare the fit of a single-factor model to the five-factor model. None of the fit indices for a single-factor model approached acceptable levels, while the five-factor model provided an adequate fit. Common method variance was not thus regarded as a problem in this study.

Means, standard deviations and correlations corresponding to the reduced scales are shown in Table 2. The estimation of the proposed model of structural equations (model 6) is displayed in Fig. 1. In this way, we assume that the likelihood of adopting explicit environmental management increases if a hotel applies tacit environmental management. Thus, a path was constructed from the latter to the former. This argument assumes that the tacit environmental management constitutes a prerequisite for the implementation of other environmental management practices.

In addition, various models ranging from two to six factors, and control variables, were estimated. In models 1 to 4 we considered a single factor corresponding to environmental management and 1 to 4 factors for the legitimacy and power constructs. In model 5, we examined the proposed model with the two dimensions of environmental management, legitimacy and power. We also added a path from social legitimacy to economic legitimacy (model 6), as we assumed that institutional pressures may lead managers to decide that environmental practices do pay off. In this way, a possible positive relationship between the index that we based on management's perception of institutional pressures on the one hand and environmental management on the other, would reveal that the adoption of such practices by firms would seek social legitimacy irrespective of their financial consequences.

The overall goodness-of-fit of each model may be evaluated from the absolute and incremental fit measures. Thus, the fit indices used in the current study are the good of fit index (GFI), adjusted goodness of fit index (AGFI), residual mean square root (RMSR), mean square root of the error of approximation (MSREA), incremental fit index (IFI), normed fit index (NFI), and relative fit index (RFI). The results shown in Table 3 indicated that the proposed model provided a better fit for the data. All indices are situated above the recommended level for this model (model 6).

The estimated coefficients shown in Fig. 1 indicate that each construct has a statistically significant relationship with at least one dimension of environmental management. The relationship between social legitimacy and environmental management (Hypothesis 1a) is the only exception, and it is not statistically significant in either case. This suggests that social legitimacy significantly affects economic legitimacy and, in doing so, exerts an impact on environmental

Table 2
Means, standard deviations, and correlations of variables^a

Variable	Mean	Sd	1	2	3	4	5	6	7	8	9	10	11	12	13	14
1 Use of power 1	3.41	2.36	1													
2 Use of power 2	3.26	2.44	0.76	1												
3 Explicit environmental management 1	3.94	2.41	0.43	0.54	1											
4 Explicit environmental management 2	4.23	2.55	0.35	0.46	0.67	1										
5 Explicit environmental management 3	3.57	2.72	0.46	0.52	0.68	0.67	1									
6 Tacit environmental management 1	7.10	2.24	0.23	0.31	0.48	0.41	0.46	1								
7 Tacit environmental management 1	7.14	1.96	0.31	0.35	0.61	0.49	0.52	0.69	1							
8 Economic Legitimacy 1	5.88	1.91	0.32	0.30	0.42	0.38	0.39	0.29	0.33	1						
9 Economic Legitimacy 2	6.32	2.05	0.24	0.21	0.35	0.31	0.27	0.29	0.30	0.71	1					
10 Social Legitimacy 1	4.72	2.13	0.42	0.44	0.38	0.37	0.38	0.19	0.25	0.44	0.40	1				
11 Social Legitimacy 2	3.91	2.18	0.44	0.52	0.38	0.37	0.37	0.18	0.26	0.35	0.29	0.75	1			
12 Power	5.70	1.34	0.46	0.45	0.48	0.37	0.41	0.31	0.40	0.26	0.23	0.36	0.29	1		
13 Size	4.56	0.96	0.17	0.23	0.32	0.26	0.25	0.31	0.22	0.14	0.11	0.17	0.22	0.23	1	
14 Chain affiliation	0.49	0.50	0.16	0.16	0.27	0.28	0.26	0.13	0.20	0.13	0.11	0.22	0.22	0.26	0.24	1

^aN = 279.

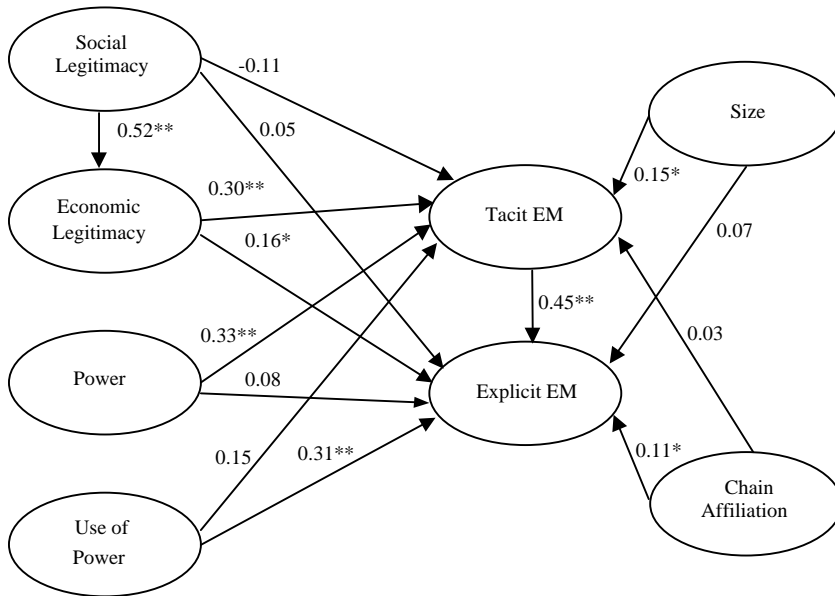


Fig. 1. Estimated LISREL structural model. The results are based on maximum likelihood estimation. The values correspond to standardized coefficients. Global fit statistics are shown in Table 3 (model 6). * $p < 0.05$, ** $p < 0.01$.

management. Additionally, it is necessary to differentiate between the two dimensions of environmental management in our analysis of hypothesis testing.

The relationship between economic legitimacy and environmental management is significant for the tacit and explicit dimensions, at levels of significance of 0.01 and 0.05 respectively. Hence, our data shows support for Hypothesis 1b. The relationship between power and tacit environmental management is significant ($p < 0.01$). In contrast, no statistically significant connection was found between power and explicit environmental management. This furnished some support for Hypothesis 2. The relationship between the use of power by stakeholders and environmental management was almost statistically significant for the tacit case ($p < 0.12$). However, we found a significance level for the explicit case ($p < 0.001$). We found some strong support for Hypothesis 3.

As noted above, size is regarded as an explanatory variable in the adoption of corporate environmental practices. Our data provides support for such a contention, in that the relation is significant for the tacit dimension ($p < 0.05$), and not significant ($p = 0.17$) for the explicit one. However, chain affiliation has a statistically significant relationship ($p < 0.05$) with explicit environmental management, but is not significant with regard to tacit environmental management.

Table 3

Goodness of fit indices of the estimated structural equations models

Estimated models	χ^2	d.f.	RMSEA	RMR	GFI	AGFI	NFI	IFI	RFI
Model 1 ^a	517.40	73	0.15	0.083	0.79	0.70	0.73	0.76	0.67
Model 2 ^b	360.57	69	0.12	0.081	0.85	0.77	0.81	0.84	0.75
Model 3 ^c	194.49	64	0.086	0.055	0.91	0.86	0.90	0.93	0.86
Model 4 ^d	167.89	59	0.081	0.042	0.92	0.86	0.91	0.94	0.87
Model 5 ^e	82.74	52	0.046	0.025	0.96	0.92	0.97	0.98	0.93
Model 6	86.15	56	0.044	0.030	0.96	0.92	0.96	0.98	0.93

^a Environmental Management, a single construct for Legitimacy and Power, and control variables (size and chain affiliation).

^b Environmental Management and one construct for Legitimacy and another for Power, and control variables (size and chain affiliation).

^c Environmental management, Social and Economic Legitimacy and a single construct for Power, and control variables (size and chain affiliation).

^d Environmental management, Social and Economic Legitimacy, Power, Use of Power, and control variables (size and chain affiliation).

^e Tacit and Explicit Environmental Management, Social and Economic Legitimacy, Power, Use of Power, and control variables (size and chain affiliation).

6. Discussion and conclusions

6.1. Discussion

Our review of the existing literature on environmental management revealed a lack of studies attempting to quantify the effect of stakeholder pressure on corporate environmental management. The present investigation has aimed at enhancing our understanding of this area of environmental management, and especially of the forces that influence the adoption of environmental protection activities by firms (Fuchs & Mazmanian, 1998, p. 195). We argue that an investigation of environmental management practices in the hotel industry is particularly relevant, since this industry is only marginally affected by the enforcement of environmental regulation. Thus, an examination of the hotel industry may throw some light on the variety of responses that organizations produce in response to pressure from their stakeholders.

Our results suggest that the greater the economic legitimacy of environmental practices perceived by firms, the greater the likelihood that such practices will be adopted. Likewise, the power of stakeholders with regard to environmental issues is positively related to an extensive application of corporate environmental practices. Further, the use of stakeholder power through a variety of strategies showed a positive relation with the adoption of environmental management practices. On the other hand, the relationship between social legitimacy and environmental management was not found significant. And finally, the likelihood of adopting such activities was positively related to a hotel's size and its affiliation with a hotel chain.

Our choice of variables to capture the impact of stakeholders (e.g. legitimacy, power, and use of power) could admittedly be regarded as managerial opinions. Our

findings may thus represent a partial cognitive mapping of managerial perceptions about the competitive conditions of the firms in question. [Fineman and Clarke \(1996\)](#) stress the importance of managerial perceptions in assessing the influence of stakeholders. Further, these authors contend that such interpretive understanding underlies present developments in stakeholder theory ([Donaldson & Preston, 1995](#)), as shown by the role of management in adapting stakeholder demands to a firm's goals. Managerial opinion regarding the extent to which stakeholders exert an influence on firms is thus relevant in the design and implementation of environmental strategies. The application of such strategies would not necessarily be aimed at enhancing the competitive advantage of firms, but may also be part of the pursuit of social legitimacy.

The existence of a number of dimensions within environmental management, although recognized in other empirical works ([Aragón-Correa, 1998](#); [Klassen & Whybark, 1999](#)), has not been analyzed in the service industry. The distinction between explicit and tacit environmental management has been made here specifically for hotels, and has been based on whether these activities were motivated by genuine reasons of environmental protection (explicit environmental management) or whether the fundamental reason for adopting the practices lay elsewhere (tacit environmental management). Our results show that the likelihood of putting explicit environmental protection activities into practice was greater in the case of hotels with a high level of tacit environmental management.

Although we distinguished between economic and social legitimacy, we also acknowledge a possible relationship between them. For example, in so far as some environmental practices do reap a certain social legitimacy, they can also convey the idea that they have a positive effect on financial performance (e.g. economic legitimacy). We found that the case for the adoption of environmental management in hotels was motivated by the expected economic advantages and, to a lesser extent, by such aspects as the imitation of other organizations or compliance with social rules. Although we found that stakeholder pressure to improve environmental management may have a positive effect on the economic performance of hotels, no significant relationship was encountered between social legitimacy and environmental management. Arguably, these results may be attributed to the belief that on their own the operations of hotel establishments make a minor impact on the environment and that these organizations are only mildly concerned about environmental protection. This contention is endorsed by the sparse Spanish environmental legislation geared to the tourist industry.

On the other hand, we found that hotels are prone to adopt environmental protection practices when these can be expected to have a positive impact on financial performance. The relation was found to be stronger in the case of tacit rather than explicit environmental management, which suggests that some firms regard several environmental activities as not being profitable over a certain threshold, i.e. what have been dubbed the win-win-win activities ([Walley & Whitehead, 1994](#)). These results can be compared to those found by [Berman et al. \(1999\)](#). These authors did not find support for the intrinsic stakeholder commitment model, whereby firms are viewed as having a normative commitment to treating

stakeholders in a positive way, and this commitment in turn is seen as shaping their strategy and impacting their financial performance. Our findings reveal that a significant number of hotels primarily adopt activities that pay off, something that in our view could be attributed to their focus on short-term and local problems.

Our investigation reveals the importance of considering a variety of stakeholder dimensions to explain the adoption of corporate environmental protection activities. We distinguish between stakeholder power regarding environmental issues on the one hand and, on the other, the degree to which the stakeholders actually employ such power to influence strategies involving environmental protection activities (use of power). We have found that the importance assigned to environmental issues by stakeholders helps explain the practice of environmental management, especially when the power of the stakeholders over the firm is controlled for. Further, our data reveals that this kind of power is significant in the case of tacit environmental management, while it is not as intense when it comes to explicit environmental management. Our results thus build further on [Henriques and Sadorsky \(1996, 1999\)](#), where the relevance of stakeholders to environmental management is analyzed but only as regards certain specific aspects of their influence.

When a firm realizes that its main stakeholders use their power to influence its environmental management practices, it tends to adopt an explicit mode of environmental management. However, this relationship is much less strong in the case of tacit environmental management. A plausible explanation here is that this kind of interaction between firms and their stakeholders generates greater concern about corporate degradation of the environment, as well as fostering collective learning and new ways of solving such problems ([Boons, 1998](#)).

The distinction between the stakeholder power in itself and the exercise of such power over the firm constitutes a key issue when it comes to identifying a firm's response to environmental pressures. When stakeholders pay attention to environmental protection but do not exert any pressure on the firms, organizational responses tend to concentrate on the adoption of tacit environmental management. When the pressure refers to specific activities, firms are more likely to adopt concrete practices revealing a growing organizational commitment to environmental issues.

Lastly, our investigation suggests that firm size plays a significant part in an organization's environmental commitment. We thus agree with those who contend that large firms have high levels of environmental concern (e.g. [Andersen, 1997](#); [Ghobadian et al., 1998](#); [Henriques & Sadorsky, 1996](#); [Tapper, 1997](#)). Affiliation with a hotel chain also reveals a positive influence on the environmental management of firms, especially as regards the explicit dimension. This suggests that chain affiliation may be a source of operating knowledge for hotels in the area of environmental management.

6.2. Limitations and extensions

This study has a number of limitations that may encourage further work. First, the empirical material for this investigation was gathered from a survey with a 12.5% response rate. Although we found a considerable variety of hotel responses to

environmental management questions, the contention that the sample may be biased in favor of hotels with a strong commitment to environmental concerns cannot be ruled out. It was also interesting that we did not find any significant difference between our sample and the population of hotels as a whole in dimensions such as size, legal category or geographical distribution across the country. Nor did we find any significant sample bias as regards questionnaires returned in the first or second rounds. Nevertheless, only further research based on surveys with a higher response rate can check the generalizability of our conclusions

Second, our model is aggregated and considers stakeholders as a whole. In this context it might be interesting to distinguish between primary and secondary stakeholders (Madsen & Ulhøi, 2001), as well as to capture the environmental pressures exerted by the separate stakeholder: their importance, their power over the firm, the nature of this relationship, the power they may exert over other stakeholders, and the way this influence is exerted. The relationship between the individual firm and its stakeholders may provide interesting insights into corporate environmental management practices (Rowley, 1997). Since these aspects cannot easily be examined by surveys covering a large sample of organizations, in-depth research of a qualitative nature is needed to investigate the bilateral relations between the individual firm and each one of its stakeholders. Similarly, our questions focused on managerial perceptions, which may imply some bias, which cannot be confirmed by appealing to secondary sources. Alternatively, the measurement of stakeholder influence may draw upon pressures enacted separately by each specific stakeholder category (e.g. number of environmental demands made by each individual group, including things like meetings, demands, and sanctions).

Three, our hypotheses draw on the predictions of stakeholder theory. However, studies of environmental management practices that rely on the insights of stakeholder theory focus on manufacturing industry. Hence, further research may throw up other hypotheses especially suited to the service sector. Further, the intersection with other bodies of literature (i.e. green management, e.g. Stallings, 1995; or critical organization theory, e.g. Willmott, 1992) may also generate hypotheses illuminating the adoption of corporate environmental policies.

Further research could also explore issues such as the relation between organizational performance and the adoption of environmental management practices or the effect of the different strategies of influence on organizational responses, as well as the effect of including various internal and contextual characteristics.

Some implications also arise from the results of this study. First, we have shown that the corporate response to environmental pressure is not unidimensional, and that it is thus necessary to take into account the existence of at least two dimensions in environmental management: the tacit or minimum, and the advanced or explicit. Stakeholder theory provides a comprehensive, theoretical model appropriate to environmental management research, which helps explain why firms adopt environmental protection practices (Fuchs & Mazmanian, 1998, p. 193). Although the literature offers numerous theoretical models, such as those presented by Shrivastava (1995a, b), Berry & Rondinelli (1998) or Ghobadian et al. (1998), further

empirical testing is needed. The present study can perhaps contribute to an adequate definition of certain variables, as well as enhancing our understanding of the relation between some of the factors behind the adoption of environmental management practices.

A number of practitioner-focused studies highlight the advantages of considering the environmental demands of the stakeholders. Our study attempts to quantify the impact of certain factors that affect environmental pressure in the stakeholder context (e.g. power, use of power, economic and social impact). In industries where the incidence of corporate activity on the environment is not individually relevant, the position adopted by stakeholders such as customers, the community or the employees may promote advanced environmental management, as they exert their power. In fact, the regulatory role of government may be shaped in line with the extent to which firms perceive these groups as giving priority to environmental protection. Thus, extensive legislation may be substituted by the publication of the fact that such activities serve to promote cost savings and customer satisfaction, as well as curbing risks and, in short, encouraging the support of the stakeholders.

An examination of environmental management, drawing on the insights from stakeholder theory, may help management to identify the challenges and threats attaching to environmental issues (Madsen & Ulhøi, 2001). Consequently, a dialogue between firms and stakeholders that allows for the exchange of information and concerns relating to environmental issues may generate a proactive approach that favors prevention and innovation measures over the correction of failures. The instrumental approach to stakeholder theory suggests that the enhancement of corporate relations with stakeholders and the incorporation of stakeholder concerns into the organizational strategy may also have a positive impact on the financial performance of the firms in question.

Acknowledgements

The authors are grateful to Salvador Carmona, Kristian Kreiner and the anonymous SJM referees for their many constructive suggestions on early drafts of this paper. This research was partially funded by Spanish MCYT and FEDER aid SEC2001-1578-C02-02.

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