Chapter 8

The Influence of Institutional Environment on Quality Practices and Its Impact on Regional Development

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ABSTRACT

This chapter studied the institutional influence associated to quality practices in hotels. The aim was to interpret whether it was the normative, coercive or mimetic pressures (Institutional pressures) that influenced the three, four and five star hotels in north of Portugal. In order to accomplish these objectives the author used an investigation model that connects institutional context pressures with quality practices and quality practices with legitimacy. To study used the Institutional Theory as theoretical reference.

INTRODUCTION

This work studied the institutional influence associated to quality practices in the hotels of Northern Portugal. The aim was to decipher whether it was the normative, coercive or mimetic pressures (Institutional pressures) (DiMaggio & Powell, 1991) that influenced the three, four and five star hotels of the autonomous region of Portugal more. In order to accomplish these objectives we used an investigation model that connects institutional context pressures with quality practices and quality practices with legitimacy. Despite the fact that not much attention has been dedicated to this by academic literature it is considered to be vital to study these factors. To remedy this situation, Institutional Theory was used in this study as theoretical reference; in other words, the results obtained contribute to the progress under this theory.

The hypotheses in Institutional Theory have been subject of study and verification by various authors (Moyano-Fuentes, 2001; Restrepo & Rosero, 2002; Arend & Ferraz, 2005; Dias et al., 2006; Bastidas & Moreno, 2006; Murillo et al., 2010; Rivera, 2004; Shah & Rivera, 2007; Riquel, 2010; Zhu et al., 2011; Vargas-Sánchez & Riquel-Ligero, 2012; Zapata & Hall, 2012; Shah
& Rivera, 2013; Rivera, 2004; Llamas-Sanchez et al., 2013; and Mellinger, 2014) in various kinds of organizations (golf courses, public administrations, non-profit making human services organisations). We can draw attention to recent studies by Sanchez-Fernández et al. (2014) and sustainable practices by Glover et al. (2014) in the area of social responsibility under this framework.

When it comes to the environment, sustainability and social responsibility it is the works that come under Institutional Theory that have been especially researched.

Nonetheless, the repercussion of quality practices on the institutional environment has not been explored by many empirical studies. Sila (2007) performed one of these studies and focused on the different levels of isomorphism that can arise when carrying out quality practices (however the behaviour of institutional pressures was not investigated). The aim of this study was to decipher what the influences of institutional pressures on profit-gaining organizations (hotels) were in a geographically delimited area (Northern Portugal).

One of Portugal’s leading economic motors is its tourism sector. Official statistics and authors of the kind of Gessa et al. (2008) and Álvarez et al. (2013) recognize the enormous economic importance this sector has in Portugal. This work studied the hotel subsector and its quality practices in the tourism sector. For uniformity’s sake the three, four and five star hotels in Northern Portugal were chosen as the study unit.

BACKGROUND

In this section we review Institutional Theory and quality in organizations and its future relationship with tourism in Portugal.

Institutional Context

DiMaggio and Powell (1991) established coercive, normative and cognitive pillars as the three institutional pillars. In this institutional context three mechanisms are present: coercive, normative and mimetic (Scott, 1995). Legal requirements develop because of the coercive mechanism. It is the organizations that use these practices by adapting to generalised standards in order to obtain social legitimacy that take care of the normative mechanism’s pressures. The mimetic mechanism is considered to be that in which an organization tends to emulate other organizations’ practices, those they deem to be exceptional and with great social legitimacy.

Legitimacy is of paramount importance to Institutional Theory. Some organizations make structures to seem legitimate to their stakeholders (Sila, 2007). Scott (1995), Suchman (1995), Deephouse (1996), Ruef and Scott (1998), Kostova and Zaheer (1999), Kostova and Roth (2002), Golant and Sillince (2007), Baum and Oliver (1991), Hunt and Aldrich (1996), Egels-Zanden and Wahlqvist (2007), Díez et al. (2010), Baum and Oliver (1991) and Castello and Lozano (2011) stated in their studies that legitimacy is indispensable for organizations. It enables their survival and has an effect on their growth. Accordingly, it is important that companies consider a correct adaptation to the institutional environment in order to obtain or maintain social legitimacy to be able to develop strategically. This therefore means that company directors must manage the legitimacy of their organizations (Castello & Lozano, 2011).

Institutional Theory is a framework in which the organizations’ institutional context and impact on legitimacy when carrying out quality practices in companies can be studied.

Next we develop the main arguments of why and how legitimacy can be treated strategically and the importance of managing it adequately. The strategic approach treats legitimacy as an operational resource (Suchman, 1995) that can be managed and directly influenced by the organization (Asforth & Gibbs, 1990). Legitimacy is often calculated by managers (Castelló & Lozano, 2011). Companies do not limit themselves to portraying
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