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Toward the institutionalization of social sustainability

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ABSTRACT

This study applies framework analysis to understand how hospitality and tourism organizations can institutionalize social sustainability as a recursive, capability-driven governance process. Drawing on an integrated framework of dynamic capabilities, institutional, and stakeholder theories, we analyze data from multiple workshops with hospitality and tourism managers to identify how firms embed social sustainability into organizational routines and systemic governance structures over time. The findings reveal a recursive process composed of four interdependent capability-building stages: Sensing (stakeholder knowledge acquisition and organizational learning), seizing (human capital development and inclusive workforce governance), transforming (community embeddedness and cultural co-production), and systemic collaboration (multi-actor governance integration and ESG accountability). The study contributes by integrating dynamic capabilities and stakeholder co-production, offering a model for institutionalizing social sustainability.

Introduction

Sustainability has become a critical strategic concern for firms navigating increasingly complex stakeholder expectations and societal demands (Eikelenboom & de Jong, 2019). While environmental and governance dimensions have received substantial attention in both research and practice, the social dimension of sustainability remains comparatively under-theorized (Forés et al., 2023), particularly in terms of its long-term organizational integration (Gulino et al., 2020). The social dimension is highly sensitive to the idiosyncrasies of each location, and its effects are generally not identifiable in the short term (Elsharnouby & Elbanna, 2021). As the hospitality and tourism industry depends on healthy and productive relationships with the local community, it is essential that organizations can measure and improve their long-term social impact and implement processes to address social challenges (Elsharnouby & Elbanna, 2021).

This research addresses a fundamental question: How do hospitality and tourism firms institutionalize social sustainability into their strategies? The growing emphasis on social performance, both commercial and ethical, is influenced by external institutional pressures that are reshaping the industry's "rules of the game" (de Grosbois, 2016; Galleli & Amaral, 2025). Firms face increasing normative and cognitive pressures to move beyond symbolic social responsibility or stereotypical 'greenwashing' and embed authentic

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social goals into their core governance structures to maintain their license to operate and secure long-term legitimacy (Risi et al., 2023). Institutional theory explains *why* firms conform to these pressures, while the dynamic capabilities framework explains *how* they develop the organizational agency to do so (Teece, 2018). We argue that institutionalization is an agentic process that requires firms to develop the capacity to sense, seize, and transform their resources and routines in response to this evolving institutional environment (Pitelis et al., 2023). Crucially, this process is operationalized through stakeholder engagement, which functions as a critical *micro-foundation* for these capabilities (Schilke, 2014). It is through sustained dialogue and co-production with communities, employees, and other stakeholders that firms can accurately sense and interpret institutional demands, seize opportunities for joint wealth creation, and transform their operations to achieve genuine community embeddedness, thereby avoiding the legitimacy risks of inconsistent or superficial adoption (Chasapi et al., 2024).

Although hospitality and tourism research has increasingly addressed long-term sustainability through destination governance, public policy, community-based tourism, and systemic environmental, social, and governance (ESG) perspectives (Back, 2024; Madanaguli et al., 2022), less is understood about how social sustainability becomes institutionalized within hospitality organizations over time. Existing studies have provided valuable insights into governance arrangements and stakeholder coordination at destination and system levels (Della Lucia & Trunfio, 2018; Paskova & Zelenka, 2019), yet they offer limited explanation of the internal organizational processes through which social sustainability stabilizes as a durable governance condition. In particular, three aspects remain insufficiently theorized: the sequencing of organizational processes through which social sustainability moves from initial recognition to routinized practice; the dynamic interaction between managerial agency and institutional constraints; and the internal governance mechanisms that translate external legitimacy pressures into enduring organizational structures. While CSR research in hospitality often focuses on implementation outcomes or programmatic practices (Font & Lynes, 2018; Rhou & Singal, 2020), and dynamic capabilities studies emphasize adaptation and performance (Jiang et al., 2021; Teece, 2018), neither stream adequately explains how social sustainability becomes embedded as an institutionalized organizational condition.

This study addresses this gap by developing a process-based model that explains how hospitality firms institutionalize social sustainability through recursive capability development and governance integration. Further, this study focuses not on what hospitality and tourism firms aim to achieve in the short term, but on how they build systems to sustain social efforts over time. In other words, this study aims to conceptualize the Institutionalization of Social Sustainability as a dynamic, capability-driven organizational process through which hospitality and tourism firms progressively embed social goals into their internal structures and external relationships (Gulino et al., 2020; Teece, 2018; Wilden et al., 2013). Rather than serving as a governance framework themselves, dynamic capabilities are understood here as strategic mechanisms through which firms enact and stabilize governance processes related to social sustainability. These capabilities support the recursive adaptation of internal routines and external relationships needed to institutionalize governance arrangements over time (Teece, 2018). The study is guided by the following research questions:

- (1) How do hospitality and tourism firms institutionalize social sustainability within the context of long-term strategic development?
- (2) What organizational mechanisms support the monitoring and adaptation of institutionalized social sustainability in hospitality and tourism firms?

To address these questions, we adopted framework analysis (Gale et al., 2013; Ritchie & Spencer, 1994) as the methodological approach. Unlike grounded theory that is focused on inductive approaches that aim to develop theory from the ground up, framework analysis is a matrix-based method that allows both deductive (theory-informed) and inductive (data-driven) theme development (Matteucci & Gnoth, 2017). Drawing on the dynamic capabilities literature, our study developed an interview protocol which guided our foundational set of sensitizing concepts that were later extended beyond the established framework by following the five stages of framework analysis: Familiarization, identifying a thematic framework, indexing, charting, mapping and interpretation. Our integrated theoretical framework enabled us to not only capture emergent patterns beyond those in the dynamic capabilities literature, but also to understand managers' perceptions of external pressures (Institutional Theory) and stakeholder expectations (Stakeholder Theory).

The proposed process-based model provides a framework for how hospitality and tourism firms institutionalize social sustainability through recursive capability development and governance integration. The hospitality and tourism context presents distinct conditions for this process: service co-production with guests and local communities, labor-intensive operations with high employee visibility, and close interaction with place-based identity and cultural symbolism (Tribe, 2006). These features amplify the salience of social sustainability and create unique pressures for embedding legitimacy through stakeholder relationships. Stakeholder theory is often used in hospitality and tourism but rarely integrated into capability-building frameworks (Mahajan et al., 2023). As such, this study shows how stakeholder engagement is not just normative or relational but rather becomes part of an organization's dynamic architecture for sustaining social goals. Specifically, this study offers (1) a theoretically grounded framework for understanding how long-term social sustainability is embedded in hospitality and tourism organizations; (2) empirical insights into how firms build internal capacities and external collaborations to support sustained social outcomes; and (3) practical guidance for managers and policymakers tasked with operationalizing the social dimension of ESG frameworks within the hospitality and tourism sector.

Theoretical framework

This study integrates Institutional Theory, Stakeholder Theory, and the Dynamic Capabilities framework to guide the Institutionalization of Social Sustainability in hospitality and tourism organizations. They are complementary anchors for distinct elements of

the institutionalization process. We posit that Institutional Theory explains the motivation for change i.e. the external pressures for legitimacy that drive firms toward social sustainability. It contributes to a macro-level understanding of how norms, expectations, and legitimacy pressures shape long-term organizational alignment with socially sanctioned practices. Stakeholder Theory provides the relational mechanism through which firms interpret these pressures and co-create value (Della Lucia & Trunfio, 2018). Finally, the Dynamic Capabilities framework explains the internal engine of change, showing how firms develop the ability to align social commitments with long-term strategic objectives through deliberate investments in internal capacities and stakeholder relationships (Teece, 2018; Wilden et al., 2013).

While these theories originate from different ontological levels, namely micro (capabilities), meso (stakeholder networks), and macro (institutional fields), their integration is grounded in a processual view of institutionalization. The recursive dynamic capability cycle enables firms to respond to stakeholder demands and institutional logics through structured learning and adaptation (Pitelis et al., 2023). Rather than treating these perspectives as additive, this study treats stakeholder engagement as a microfoundation of dynamic capabilities and a conduit for institutional embedding, aligning firm-level transformations with field-level expectations over time.

Institutionalizing social sustainability refers to the process through which socially oriented values, norms, and practices become embedded within the routines, governance structures, and strategic orientations of an organization (Font & Lynes, 2018). In this study, institutionalization is not conceptualized as the passive adoption of external norms but as a recursive process of capability-building through which internal systems align with external legitimacy pressures. Within this view, social sustainability extends beyond isolated initiatives or compliance to encompass sustained efforts to improve community well-being, workforce inclusion, and stakeholder participation over time (Rhou & Singal, 2020; Su & Swanson, 2017).

The integration of institutional theory, stakeholder theory, and dynamic capabilities in this study builds on a broader body of management scholarship concerned with sustainability, organizational change, and strategic adaptation. In particular, dynamic capabilities have been widely applied in strategic management to explain how firms navigate complexity, reconfigure resources, and institutionalize change over time (Schilke, 2014; Teece, 2018). In sustainability contexts, these capabilities have been linked to responsible innovation, environmental resilience, and stakeholder responsiveness (Eikelenboom & de Jong, 2019; Appiah-Kubi et al., 2024). Building on these cross-disciplinary insights, this study positions hospitality as a domain where dynamic, stakeholder-oriented governance capabilities are both contextually appropriate and strategically essential for sustaining long-term social value.

Institutional pressures as the impetus for change

Institutional theory posits that organizations are embedded within social and cultural contexts that define the rules of the game (de Grosbois, 2016). To survive and prosper, firms must conform to these rules to gain and maintain legitimacy. In the context of social sustainability, firms are not acting in a vacuum; they are responding to powerful institutional pressures that compel them to seek social legitimacy by moving beyond superficial corporate social responsibility toward deep, structural integration (Galleli & Amaral, 2025). The increasing emphasis on ESG, ethical consumerism, and community activism represents a shift in the institutional logic of the tourism field, creating new normative demands for authentic social performance (Risi et al., 2023). Thus, institutional theory provides the crucial contextual explanation for *why* the Institutionalization of Social Sustainability has become a critical strategic problem.

Stakeholder engagement as the relational mechanism

Stakeholder theory operates across multiple levels, encompassing firm-level managerial strategy, network-level stakeholder engagement, and broader societal legitimacy concerns (Freeman et al., 2020). In this study, it is primarily used to explain the networked processes through which social sustainability expectations are negotiated and enacted across internal and external actors. Stakeholder theory argues that a firm's success depends on its ability to manage its relationships with a variety of actors, including employees, customers, suppliers, and local communities (Freeman et al., 2020). The focus is on creating value for all stakeholders, not just shareholders (Mahajan et al., 2023). However, traditional formulations often stop at stakeholder identification and prioritization, as typified by Mitchell et al.'s (1997) stakeholder salience model. These approaches tend to remain normative and abstract, offering limited insight into how firms engage with stakeholders in procedural terms (Bernard et al., 2025). In contrast, recent extensions of stakeholder theory have introduced more processual perspectives, emphasizing dialogical engagement, co-creation, and the recursive nature of relationship building (Pless et al., 2022), conceptualizing stakeholder engagement as a dynamic, capability-building process rather than a static act of prioritization.

In the specific context of hospitality, stakeholder co-production involves collaborative routines that shape service delivery, community involvement, and legitimacy. These engagements are not ad hoc interactions but evolving processes that support long-term value creation and institutional stabilization (Hajjarrahmah et al., 2024; Zhang, 2026). The embedding of stakeholder inputs into strategy formulation, monitoring systems, and organizational learning enables firms to develop microfoundations that facilitate the sensing of external expectations, seizing of collaborative opportunities, and transformation of internal structures (Forés et al., 2023). This study builds on these perspectives by positioning stakeholder co-production as a microfoundation of dynamic capabilities and institutionalization. Stakeholder co-production is treated as a microfoundation because it involves repeatable relational routines such as joint knowledge acquisition, dialogues, and participatory co-design. These routines allow hospitality firms to sense, interpret, and respond to stakeholder expectations. Rather than treating engagement as an outcome or contextual condition, it is theorized as a mechanism through which firms interpret social demands, experiment with responses, and embed collaborative practices into operational routines. These processes are cumulative and reflexive, reinforcing internal legitimacy systems while adjusting to changing

stakeholder environments.

Dynamic capabilities as the engine of change

The Institutionalization of Social Sustainability refers to the process by which socially oriented goals become embedded in a firm's structures, routines, and governance models. This notion draws from literature on strategic social responsibility, dynamic capabilities and organizational transformation, considering that sustained social performance arises not from isolated interventions but from integrated, evolving capabilities (Leemann & Kanbach, 2022). Whereas much hospitality and tourism sustainability research has focused on discrete environmental practices or short-term social initiatives, institutionalization emphasizes the embedding of social sustainability within the strategic, structural, and cultural foundations of the firm (Hughes & Scheyvens, 2016; Jiang et al., 2023; Legendre et al., 2024). This approach requires not only the identification of social goals but also the internalization of capabilities and governance mechanisms that ensure long-term alignment between organizational objectives and stakeholder expectations (Khan et al., 2023).

Building on the dynamic capabilities framework, this study conceptualizes the Institutionalization of Social Sustainability as a multi-stage capability-building process that unfolds through sensing, seizing, transforming, and systemic collaboration (Teece, 2018; Wilden et al., 2013). Each stage reflects distinct but interrelated organizational processes that enable firms to recognize social issues, mobilize resources, restructure operations, and integrate external stakeholders into governance systems (Jiang & McCabe, 2021; Nguyen et al., 2023).

Sensing capabilities: knowledge, learning and early stakeholder interpretation

In the sensing phase, hospitality and tourism firms detect, interpret, and internalize shifting social expectations. It includes how firms engage with stakeholders, absorb external knowledge, and convert early signals into strategic insight. Table 1 below synthesizes these core elements by organizing the main sensing dimensions, the mechanisms that support them, and the literature that informs their conceptualization.

Seizing capabilities: human capital development and social inclusion mechanisms

Seizing capabilities reflects the firm's ability to mobilize resources and design internal structures that translate sensed opportunities into actionable initiatives. In hospitality and tourism, these often involve human capital investments such as inclusive hiring, workforce development, and employee well-being programs that directly support social sustainability objectives (Chasapi et al., 2024; Prayag, Chowdhury, & Kanani Moghadam, 2024). Employee engagement is crucial, because frontline staff embody the firm's social values in service delivery and community relations (Burton & Dickinger, 2025; Paskova & Zelenka, 2019), thereby turning their organization's social mission into actions.

Internal organizational routines such as knowledge sharing, leadership training, and formalized inclusion policies institutionalize these practices and embed them into the firm's operational core (Legendre et al., 2024; Prayag, Chowdhury, & Kanani Moghadam, 2024). These initiatives help translate individual values into collective organizational culture, reinforcing psychological safety, fairness, and commitment to social equity (Adnan et al., 2024; Ostadi et al., 2024). Such routines transform socially responsible intentions into repeatable, scalable, and auditable practices that sustain long-term consistency. Importantly, human capital-based seizing capabilities also help firms navigate resource constraints and institutional uncertainties, particularly for small and medium-sized enterprises operating in complex tourism ecosystems (Madanaguli et al., 2022). Adaptive workforce strategies, inclusive employment policies, and staff empowerment programs provide flexible mechanisms for aligning internal capabilities with evolving stakeholder demands while simultaneously building organizational resilience (Burton & Dickinger, 2025).

Table 1
Sensing capabilities in hospitality and tourism.

Dimension	Concise description	Key mechanisms	Indicative references
Environmental scanning	Detecting social needs as they evolve, stakeholder expectations, and community concerns.	Monitoring labor shifts, community needs, cultural priorities, emerging norms.	Garay and Font (2013); Legendre et al. (2024)
Stakeholder engagement	Accessing diverse external knowledge to identify social risks and opportunities.	Dialogues with employees, communities, NGOs, regulators; feedback loops.	Back (2024); Paskova and Zelenka (2019)
Knowledge acquisition	Internal learning supports understanding of long-term social obligations.	Training, workshops, employee participation, learning routines.	Burton and Dickinger (2025); Chasapi et al. (2024)
Internal dissemination	Embedding social knowledge across organizational units to avoid superficial CSR.	Structured learning systems; cross-functional communication.	Garay and Font (2013); Prayag, Jiang, et al. (2024); Font and Lynes (2018)
Weak-signal interpretation	Translating early social cues into strategic priorities.	Sensemaking, cognitive evaluation, issue prioritization.	Appiah (2024); Adnan et al. (2024)
Early stakeholder integration	Aligning emerging demands with organizational values during early planning.	Participatory planning; community consultations.	Della Lucia and Trunfio (2018); Hughes and Scheyvens (2016)
Human cognition	Cognitive frames guiding recognition and interpretation of social issues.	Managerial judgement, mental models, value-based interpretation.	Dias and Lages (2021)

Transforming capabilities: community embeddedness and cultural integration

Transforming capabilities refer to the firm's capacity to reconfigure internal structures and external relationships, thereby embedding itself within community ecosystems and cultural environments. In hospitality and tourism, such reconfiguration involves partnerships with local actors, cultural preservation initiatives, and place-based governance models that align business operations with community interests (Prayag, Chowdhury, & Kanani Moghadam, 2024; Zhang, 2026). Transforming capabilities institutionalize community relationships as a part of the firm's core strategy, not an optional or peripheral social responsibility activity.

Strong community relationships lead to embedded partnerships that foster trust-based relationships and enhance organizational legitimacy and social license to operate (Burton & Dickinger, 2025; Su & Swanson, 2017). Community-driven co-production models offer mechanisms for stakeholder representation in decision-making, balancing power asymmetries and promoting mutual benefit (Chasapi et al., 2024; Della Lucia & Trunfio, 2018; Garay & Font, 2013). These collaborative governance structures serve as conduits for feedback loops that resolve conflicts and identify priorities of social sustainability.

Cultural integration further reinforces the long-term sustainability of these partnerships by ensuring that tourism development respects local identities, traditions, and heritage (Adnan et al., 2024; Paskova & Zelenka, 2019; Tribe, 2006). After all, these properties are embedded in the neighborhood and provide employment for the local community. Thus, by aligning organizational practices with local values and cultural narratives, hospitality and tourism firms transform themselves into legitimate institutional actors embedded within their community contexts, reducing risks of cultural commodification or social conflict (Burton & Dickinger, 2025).

Systemic collaboration and governance integration

In this study, institutionalization is not passive; rather it is defined as a recursive process of capability-building through which internal systems align with external legitimacy pressures. Thus, social sustainability extends beyond isolated initiatives or compliance to encompass sustained efforts to improve community well-being, workforce inclusion, and stakeholder participation over time (Rhou & Singal, 2020; Su & Swanson, 2017). Systemic collaboration involves coordinated partnerships with public authorities, non-governmental organizations, industry associations, and financial institutions to build governance architectures capable of sustaining social objectives across time and stakeholders (Burton & Dickinger, 2025; Garay & Font, 2013). Ultimately, this holistic approach is essential for embedding social sustainability deep within the tourism ecosystem.

In this study, governance of social sustainability refers to the structures, routines, and decision-making processes through which hospitality firms coordinate stakeholder expectations, allocate resources, and monitor outcomes related to social value creation (Della Lucia & Trunfio, 2018). While much of the literature on governance in tourism focuses on destination-level institutions, this study emphasizes the organizational level, examining how governance capabilities are internally developed and sustained. In this context, stakeholder theory informs the relational architecture of governance, institutional theory explains the normative embeddedness of sustainability practices, and dynamic capabilities theory provides a processual lens to examine how firms adapt and stabilize these arrangements.

Social impact

Social impact on hospitality and tourism is produced through interdependent processes that involve both organizational change and stakeholder engagement (Gölgeci et al., 2017). Rather than treating impact as an output of isolated initiatives, this study conceptualizes it as an evolving expression of dynamic capabilities. Drawing from the sensing-seizing-transforming model, social impact emerges when firms detect social issues, act structurally upon them, and reconfigure relationships and routines to sustain those actions over time (Prayag, Jiang, et al., 2024; Teece, 2018). These outcomes span diverse domains, including equitable employment, local empowerment, and cultural stewardship (Su & Swanson, 2017). In practice, social impact is thus both the result of internal alignment and a trigger for new forms of capability development.

Assessing social impact requires a distinction between the mechanisms that generate it and the systems that measure it. While community engagement is often highlighted in literature, Font and Lynes (2018) emphasize the importance of identifying the operational practices and institutional frameworks that sustain it over time. The recursive nature of social impact, where partnerships and learning loops reinforce internal structures, positions it as a process of continuous recalibration, not a fixed result.

Although dynamic capabilities, stakeholder theory, and institutional theory differ ontologically, emphasizing firm-level adaptation, meso-level relationality, and macro-level institutional logics respectively, their integration in this study is structured around their temporal and processual complementarity. As such, a triangulated framework of these theories provides a holistic understanding of how social sustainability is not simply adopted but institutionalized through iterative organizational learning, relational alignment, and field-level conformity. Dynamic capabilities serve as the internal mechanism for transformation, stakeholder engagement provides the interactional channel through which legitimacy and learning occur, and institutional theory explains the long-term stabilization of social practices. These theoretical perspectives intersect within the hospitality sector, where frequent community interaction, symbolic visibility, and stakeholder co-production shape distinctive pathways for institutionalizing social sustainability.

Methodology

Research design

This study is informed by a constructivist epistemology, which views knowledge as co-constructed through social interaction and influenced by context, culture, and experience. At the same time, it adopts a critical realist ontology, recognizing that while social

phenomena are interpreted through human perception, they are underpinned by real structures and mechanisms that influence behavior and outcomes (Matteucci & Gnoth, 2017). It supports the view that capabilities are not merely technical or economic assets, but are socially embedded, evolving through interaction with stakeholders, environments, and histories (Tribe, 2006). Hence, we applied Framework Analysis (Gale et al., 2013; Ritchie & Spencer, 1994) to guide the systematic interpretation of qualitative data, informed by our integrated theoretical lens combining Institutional Theory, Stakeholder Theory, and the Dynamic Capabilities framework.

As researchers based in academic institutions located in the U.S., Portugal, Switzerland and Malaysia, we recognize that our perspectives are influenced by both academic training and socio-cultural positioning. Our engagement with participants was informed by a commitment to reflexivity and ethical sensitivity, particularly in navigating power asymmetries and cultural nuances inherent in cross-contextual qualitative inquiry. This positional awareness guided our interpretation of how social sustainability is understood, enacted, and institutionalized within tourism organizations.

The framework analysis process began with familiarization with the literature on our three core theories to surface recurrent ideas and inform the prompts to workshop participants on social sustainability practices within their organizations. An initial coding framework was developed deductively based on the core constructs of all three theories, then refined inductively as new patterns emerged from the workshop data. Data were indexed manually and organized into thematic matrices to enable cross-case comparison. Manual coding was used to maintain close analytical engagement with the data, supporting interpretive depth and reflexivity essential in qualitative research. As part of the process, mapping and interpretation involved synthesizing coded data to both extend and challenge the dynamic capabilities framework. Through this iterative process, we identified emergent patterns that transcended established theoretical boundaries, leading to the Institutionalization of Social Sustainability within the hospitality context (Gale et al., 2013; Ritchie & Spencer, 1994).

Sampling and data collection

To study the phenomenon of social sustainability, the research was conducted in two stages, each designed to build upon and deepen insights from the previous. In the first stage, exploratory co-design workshops were conducted during the month of September 2024 with two groups of tourism professionals (19 in each group). The descriptives of each sample are presented in table A2 (in Supplementary materials). Participants were recruited using a purposive sampling strategy designed to ensure relevance to the study's objective of understanding organizational processes for institutionalizing social sustainability in hospitality firms. Invitations were distributed through established university–industry collaboration programs in Switzerland, particularly targeting mid- to senior-level managers involved in ESG, social responsibility, and human resources functions. Initial inclusion criteria specified at least five years of managerial experience and involvement in socially oriented initiatives within their organizations.

The workshops followed a semi-structured co-design format, using identical templates and prompts in both phases. They were designed to elicit open-ended, experience-based reflections on social sustainability practices, long-term community engagement, employee well-being, and organizational responses to emerging social challenges (See supplemental material 'Hospitality Social Sustainability Strategy Canvas' for workshop activity sheet). Each workshop session lasted approximately 2.5 h and was facilitated by two members of the research team. To mitigate social desirability and consensus bias, facilitators emphasized that divergent views were welcomed and encouraged participants to record both individual and collective responses. Participants were also directed to reflect individually before synthesizing insights as a group.

Results from the first phase generated four themes, offering a broad view of emergent social sustainability challenges and indicating the need for deeper exploration of these initial insights. Following this, a second stage of data collection was conducted with 23 and 14 hospitality professionals in April and May 2025, using the same recruitment process. The aim of this stage was to further develop, elaborate, and saturate the emerging categories and to identify new subdimensions. While the original four categories were largely supported, additional constructs such as generational workforce dynamics, employee housing, mental health, and strategic alignment emerged as important subthemes. These findings were used to inform and refine the design of Phase 2 workshops. While the same structural prompts and templates were retained to ensure comparability, the facilitation protocol in Phase 2 placed greater emphasis on clarifying ambiguous categories, exploring emerging tensions, and probing for organizational mechanisms that could explain observed patterns. The study reached conceptual saturation when no new codes or categories emerged in the second round of workshops, and data from later participants began reinforcing established patterns. Saturation was evaluated through constant comparison of themes across both phases and coding levels, ensuring that even newly emergent themes had been addressed through additional data collection. Nonetheless, we recognize that the institutional context of a university-affiliated executive program may influence managerial discourse and align participants with prevailing norms of ESG professionalism.

Reflexivity was maintained throughout the analytical process via memo-writing and team debriefings, particularly to monitor how academic or institutional framings might shape interpretations and encourage sensitivity to the reading of participants' narratives. This self-interrogation allowed the analysis to maintain transparency and awareness of the interpretive lens through which responses were constructed. Furthermore, this iterative design also allowed the second phase of workshops to focus more explicitly on confirming and elaborating emergent categories, with a view toward theoretical saturation. Data from these workshops were manually transcribed and analyzed to create themes, index and chart the responses using open ended and axial codes as proposed through the framework analysis process. This stage led to the development of four preliminary dimensions of long-term social sustainability: community and stakeholder engagement, employee development and well-being, organizational resilience and adaptability, and cultural and social impact.

Findings and discussion

Indexing and thematic mapping

To answer research question one, which examined how hospitality and tourism firms institutionalize social sustainability in long-term strategic development, we utilized framework analysis to code, organize and interpret the qualitative data obtained from the exploratory co-design workshops into themes. Table A3 (in the Supplementary materials) shows the types of social sustainability practices hospitality firms engage in and which dynamic capability (sensing, seizing and transforming) they reflect. What stands out from the findings is that social sustainability is not ad hoc CSR actions, but rather enacted through capability building activities.

Sensing: constructing organizational awareness of social sustainability through knowledge and learning

The workshop data reveal that managers identify salient social issues through a combination of formal and informal learning activities (e.g., stakeholder consultations or frontline employee feedback). These activities allow firms to detect emerging social challenges and patterns specific to their operational context. As illustrated by the participant quotations in Table A3, these learning processes are not merely communicative; they are operationalized to drive strategic changes in how the organization perceives its social obligations. Firms that demonstrate the most robust awareness are those that embed knowledge-sharing routines across diverse functions, aligning human resources, operations, and marketing to detect shifting social expectations early.

The data also highlights the role of individual agency in the awareness phase. Four managers explicitly identified their personal ethical convictions as the primary drivers for prioritizing organizational attention toward social inclusion. For example, in the third workshop, one participant mentioned her concern regarding preserving local culture and one hotel manager from workshop 2 highlighted the hotel's role in cultural custodianship. These individual mental models often dictate which social signals are prioritized and which are filtered out. However, the findings also suggest a risk of stagnation at this stage; firms that fail to move beyond these initial detections often settle into symbolic sustainability traps, where short-term, visible projects are substituted for deep, long-term organizational learning.

Our findings indicate that sensing involves more than issue recognition. Instead, it reflects the capacity to identify, interpret, and prioritize emerging social expectations. In the hospitality context, this capacity is enabled by stakeholder proximity and by routines that integrate employee feedback, community dialogue, and cross-functional learning (Cepeda & Vera, 2007; Leemann & Kanbach, 2022). Hence, stakeholder co-production functions as a microfoundation of sensing. Through repeatable routines such as joint knowledge acquisition and dialogical feedback loops, hospitality firms are better equipped to interpret weak, place-based social signals and translate them into strategic attention. However, firms with weaker sensing routines would more likely remain reactive, relying on fragmented or symbolic initiatives rather than building the sustained learning processes necessary for long-term social sustainability (Back, 2024; Madanaguli et al., 2022).

Seizing: operationalizing social sustainability through human capital

The workshop data demonstrate that hospitality firms operationalize social commitments through targeted internal interventions, primarily focused on inclusive human resource management and the creation of psychological safety structures (participants mentioned specific activities like burnout prevention, health support, or front desk stress mitigation). These initiatives are designed to foster deep workforce engagement and translate broad social intentions into repeatable and scalable operational routines. As detailed in the participant statements in Table A3, managers view these interventions as essential for mobilizing internal resources effectively once specific social challenges have been identified during the awareness phase.

A prominent sub-theme emerging from the findings is a strategic focus on workforce diversity, specifically the recruitment and retention of marginalized groups, including immigrants, persons with disabilities, and economically vulnerable populations. Managers reported implementing these inclusive hiring practices as a dual-purpose strategy: to address local socioeconomic inequalities while simultaneously stabilizing labor supply in a volatile industry environment. Throughout the workshops, however, a clear tension was observed between purely instrumental approaches (e.g., compliance-driven hiring to reduce turnover) and a deeper level of institutionalization where inclusion is fully integrated into the organizational culture and identity.

Theoretically, these empirical findings constitute the *seizing* phase of the process, where organizations mobilize internal resources to address stakeholder demands through deliberate structural interventions (Teece, 2018). Within this phase, firms translate sensed opportunities into actionable initiatives by redesigning internal systems to embed social value (Legendre et al., 2024). From an institutional lens, these are not merely human resources decisions but powerful legitimacy-building signals. By visibly conforming to societal norms of equity and inclusion, organizations advance their position from being simple market actors to becoming recognized as critical local stakeholders.

Stakeholder co-production in the direct formulation of social initiatives (e.g., inclusive workforce governance or community-led development programs) firms build the necessary psychological safety and shared accountability required to translate sensed opportunities into durable, routinized internal structures. Rather than an external condition, stakeholder co-production function as the generative micro-engine through which hospitality firms interpret social demands, experiment with collaborative responses, and embed those practices into their operational core. This process positions human capital as an institutional lever through which social sustainability is operationalized within the firm's core. Employees are recognized as key internal stakeholders whose treatment and empowerment become a public demonstration of the firm's commitment to the new institutional logic of social sustainability.

Ultimately, these seizing capabilities rely on workforce investments and organizational justice policies to ensure that sensed knowledge is successfully converted into routinized, enduring internal practices.

Transforming: embedding firms within community and cultural systems

Workshop participants described a distinct transition from internal workforce development to the external reconfiguration of their organizational roles within local communities. These efforts were established as long-term partnerships, active collaboration on cultural initiatives, and the deliberate alignment of business operations with the priorities of residents. Participants explicitly mentioned specific activities like community involvement. Accordingly, firms positioned themselves as integral social actors within their respective community ecosystems. Managers specifically highlighted collaborations with local institutions and community leaders as the primary means to co-produce social value, as reflected in the specific examples provided in Table A3.

The findings further reveal a qualitative shift among successful firms from mere stakeholder engagement to genuine stakeholder collaboration (e.g., working together with schools). This collaboration is often realized through place-based governance models, where the firm and its community stakeholders together co-produce the rules and norms that define their relationship, thereby securing a durable social license to operate. Within this context, firms moved beyond one-way social responsibility donations toward cultural preservation and the shared creation of social value. Such cultural stewardship was viewed by participants as a vital mechanism for ensuring that tourism development respects local identities and traditions, ultimately stabilizing the firm's social legitimacy.

These observations describe the *transforming* phase of the capability-building process, characterized by the firm's capacity to reconfigure its external relationships (Gulino et al., 2020). This stage involves embedding the organization deeply within community ecosystems and cultural environments. Community-aligned actions at this level serve as an organizational manifestation of attentiveness to localized, socially constructed value domains that must be frequently evaluated and internalized. This reconfiguration signifies a movement beyond internal change toward a comprehensive restructuring of the firm's role within its broader social environment (Hughes & Scheyvens, 2016).

These transforming capabilities effectively reposition hospitality and tourism firms from simple market actors into embedded institutional actors (Adnan et al., 2024; Appiah, 2024). In this framework, community embeddedness operates simultaneously as a legitimacy-building strategy and a governance mechanism (Back, 2024; Jiang et al., 2023). Cultural stewardship, in particular, acts as a stage for managing stakeholder power asymmetries and protecting firms from legitimacy threats by ensuring long-term alignment with local values. The transformation stage reveals how firms move beyond internal change to restructure their role within community ecosystems. Rather than one-way social responsibility donations, sustainable firms co-produce social value with communities and adopt place-based governance models.

Systemic collaboration: multi-level governance and institutional embedding

Workshop participants highlighted a final stage of organizational development characterized by systemic collaboration with public institutions, non-governmental organizations, and multi-stakeholder platforms to co-govern social sustainability objectives. This phase emerged as firms moved beyond the internal transformation of routines to focus on the co-configuration of governance structures with external actors. Specifically, managers emphasized that these collaborations provide external accountability platforms where social performance is monitored through shared goals, ESG reporting, and destination-level sustainability assessments. Such partnerships are not merely adaptive but are constitutive of long-term value creation, embedding social logics into systems of co-governance with local governments and organizations.

A distinct pattern emerged during the data analysis when comparing firms that merely partnered with local actors against those that actively co-created systemic rules. This latter group focused on the sustained orchestration of cross-organizational partnerships, shared accountability mechanisms, and the building of field-level trust. Managers noted that these external collaborations are vital for protecting against organizational drift, ensuring the firm remains accountable to both market and non-market stakeholders over time.

While dynamic capabilities theory defines the transforming phase as the reconfiguration of internal assets and structures to maintain alignment with changing environments within an *existing* institutional context (Schilke, 2014; Teece, 2018), our findings revealed a distinct subsequent stage where firms moved beyond alignment to actively participate in creating *new* governance structures within the sector, suggesting that social sustainability institutionalization in hospitality requires a qualitatively distinct capability: the sustained orchestration of cross-organizational partnerships, shared accountability mechanisms, and field-level trust.

These practices are not merely adaptive but constitutive of long-term value creation, embedding social logics into systems of co-governance with communities and local governments and organizations (Della Lucia & Trunfio, 2018). This shift from being an institutional *taker* to an institutional *maker* is the defining feature of Systemic Collaboration and justifies its conceptual separation from transformation. It is here that firms act as institutional entrepreneurs, purposefully shaping the future rules of the game rather than simply conforming to them. This distinction is critical because it explains how firm-level agency and field-level structures become recursively linked over time. These collaborations provide external accountability platforms where social performance is monitored through shared goals, ESG reporting, and destination-level sustainability assessments (Ostadi et al., 2024). Theoretically, this stage depicts firms acting as institutional entrepreneurs. The collaboration with governments and other players may lead to the construction of shared governance architecture. In this sense, they are not merely responding to institutional pressures but are actively shaping the future rules, norms, and cognitive understandings of social sustainability for the entire tourism field.

Institutionalization as recursive capability reinforcement

To address RQ2 regarding the organization mechanisms that support the monitoring and adaptation of Institutionalization of Social Sustainability, our findings show a non-linear process. Instead, it is a recursive and contested governance process through which hospitality and tourism firms continuously revise their social sustainability objectives in response to institutional, market, and stakeholder pressures. Institutionalization functions as a higher-order capability that reinforces and recalibrates sensing, seizing, transforming, and systemic collaboration over time. Rather than representing closure, institutionalization creates new organizational expectations, performance standards, and accountability mechanisms that loop into subsequent cycles of capability development. It involves routinized learning (Leemann & Kanbach, 2022), structural alignment with social purpose (Prayag, Jiang, et al., 2024), and sustained relational commitments (Khan et al., 2023), enabling firms to continuously monitor and adapt their social sustainability practices. Furthermore, the new institutions created at this stage (e.g., new reporting standards, new destination-level goals) become the “new normal” that all firms will have to sense in the next cycle. This closes the loop between firm agency and institutional structure.

At this stage, community legitimacy and strategic alignment are operationalized through routinized governance mechanisms. Community legitimacy is established through repeated engagement structures, formalized partnerships, and participation in destination-level platforms where community actors influence decision-making, rather than through reputational claims alone. Strategic alignment is reached when social sustainability objectives are included in internal planning processes, performance evaluations, and ESG reporting systems, enabling managers to monitor consistency between stated commitments and practices enacted. Importantly, social impact does not function solely as an outcome of institutionalized alignment but also operates as a feedback signal that prompts renewed sensing, reassessment of stakeholder expectations, and subsequent recalibration of organizational capabilities.

To visualize the interdependent mechanisms that support these relationships, Fig. 1 situates the Institutionalization of Social Sustainability as central to the organizational processes, framing it as a foundational mechanism through which sustainability practices are ingrained. This concept emerges as the cumulative outcome of four interrelated thematic domains, each aligned with a specific phase of dynamic capabilities theory (Teece, 2007; Wilden et al., 2013). As demonstrated in the previous paragraphs, sensing capabilities begin with Knowledge and Learning that allow firms to capture weak signals from internal and external environments and translating them into training, education, and awareness mechanisms (Cepeda & Vera, 2007). Next, the seizing phase transitions into Human Capital and Social Inclusion as firms allocate resources and redesign internal structures to embed equity, retention, and employee well-being as long-term commitments (Su & Swanson, 2017).

Community and Culture is presented at the next phase, as it reflects a transformation of organizational practices through deeper engagement with local sociocultural contexts, where community legitimacy and cultural stewardship become operationally integrated (Panda & Sangle, 2020; Prayag, Chowdhury, & Kanani Moghadam, 2024). As firms mature in this process, they enter Systemic Collaboration, where advanced transforming capabilities enable them to co-create value with non-governmental organizations, governments, and multi-actor networks (Khan et al., 2023). Arrows labeled “Knowledge Activation”, “Operational Embedding”, “Contextual Integration”, and “Strategic Alignment” capture the sequential development through which social sustainability is internalized.

A final loop, Strategic Reflexivity, illustrates how system-level collaboration feeds back into learning mechanisms, supporting iterative recalibration, consistent with tenets of dynamic capabilities theory. Strategic reflexivity emerges as a critical mechanism sustaining institutionalization. Reflexivity is driven primarily by senior management and cross-functional governance bodies that collect feedback through stakeholder consultations, employee surveys, ESG audits, and external reporting requirements. These feedback loops vary in frequency and intensity but function to periodically reassess priorities, detect misalignment, and recalibrate organizational responses. Learning cycles are therefore uneven and adaptive rather than scheduled or uniform, reflecting the dynamic nature of social sustainability governance. Fig. 1 conceptualizes institutionalization as the recursive reinforcement of dynamic capabilities rather than a terminal stage. The arrows linking knowledge activation, operational embedding, contextual integration, and strategic alignment illustrate cumulative capability development, while the feedback loop labeled strategic reflexivity captures how system-level collaboration reshapes organizational learning and future sensing. In this way, institutionalization operates as a stabilizing yet adaptive governance condition, allowing firms to remain legitimate within shifting institutional environments while maintaining strategic coherence.

Importantly, institutionalization does not eliminate tension. Our findings indicate that firms frequently navigate conflicts between market imperatives and institutional pressures for inclusion, equity, and community investment. Stakeholder relationships are therefore not uniformly harmonious but involve negotiation and contestation, particularly when firms engage with marginalized communities, local authorities, or civil society actors. Institutionalization enables firms to manage these tensions by creating forums for dialogue, conflict resolution, and compromise, rather than assuming consensus.

Conclusion and contributions

Conclusion

This study utilizes framework analysis to illustrate how hospitality and tourism organizations institutionalize social sustainability through a recursive, dynamic capabilities-driven process. The findings reveal that institutionalization unfolds through the sequential and mutually reinforcing development of sensing, seizing, transforming, and systemic collaboration capabilities.

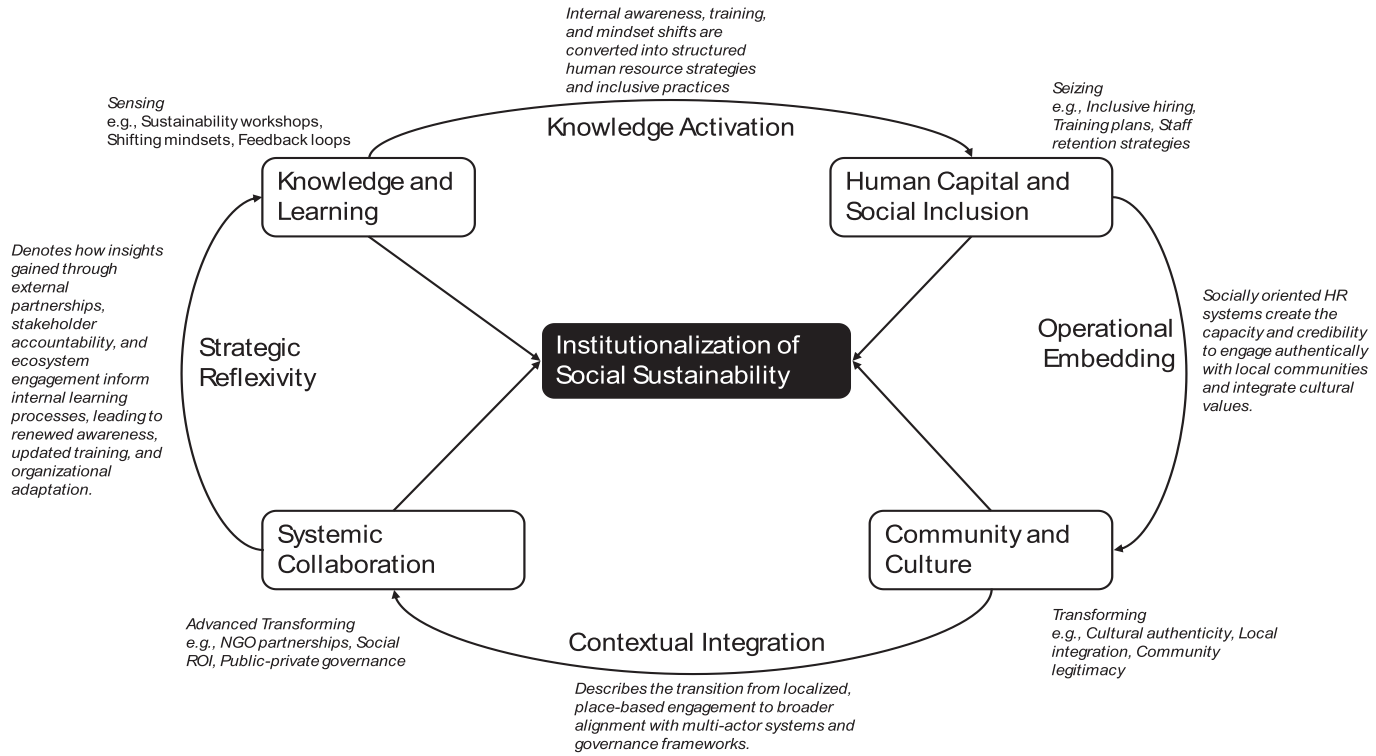


Fig. 1. Institutionalization of social sustainability in hospitality and tourism firms.

Theoretical contributions

This study contributes to theorizing the Institutionalization of Social Sustainability in hospitality by demonstrating how hospitality and tourism organizations embed social sustainability into long-term governance systems, positioning it as a recursive governance capability rather than a static endpoint. Existing research often treats institutionalization as a final stage in sustainability or CSR maturity models (Rhou & Singal, 2020), or as the operationalization of ESG metrics (Appiah-Kubi et al., 2024). While existing models provide insightful taxonomies of sustainability implementation (e.g., Lee et al., 2013), they often assume static categories or normative progressions. In contrast, the results reveal institutionalization as an iterative process involving continual sensing, stakeholder engagement, and realignment, thereby advancing a dynamic and processual understanding of embedding social sustainability. Our findings thus advance a process-oriented perspective that bridges microfoundations of adaptation with the institutional dynamics of normative stabilization.

We expand the scope of dynamic capabilities theory by conceptualizing social sustainability not merely as a strategic choice, but as a domain of governance that requires long-term coordination, legitimacy-building, and stakeholder integration. Prior applications of dynamic capabilities in tourism have largely emphasized environmental resilience or firm innovation (Melenez-Roman & Font, 2026; Pitelis et al., 2023). Furthermore, our findings reveal a process that transcends the development of simple operational (first-order) routines. The four-stage recursive process of sensing, seizing, transforming, and, a new extension, systemic collaboration, to represent the creation of a second-order or meta-capability: the organizational capacity to purposefully create, extend, and continuously modify its social value creation routines and governance structures. As such, the study also extends dynamic capabilities theory by specifying a distinct systemic collaboration as a meso-level capability that arises when firms move beyond internal reconfiguration to influence the institutional arrangements that enable long-term social sustainability.

Following Font and Lynes (2018) challenge, this research integrates dynamic capabilities with stakeholder co-production, governance, and institutional perspectives in hospitality and tourism. More specifically, we advance a recursive model of co-evolution that bridges the agency-structure debate in strategic management. Existing literature often treats institutional pressures as an external force to which firms must react. Our model contributes by demonstrating how agency and structure are recursively linked over time (Galleli & Amaral, 2025). The process model proposed here bridges the gap between micro-level capability processes and macro-level institutional structures by incorporating stakeholder co-production as a meso-level mechanism. While stakeholder theory often focuses on salience, legitimacy, and identification, it provides less insight into how long-term engagement unfolds as a capability (Font et al., 2017). Firms (agents) develop dynamic capabilities in response to the institutional field (structure). However, during the “Systemic Collaboration” stage, these firms actively engage in multi-actor governance, co-creating norms, metrics, and accountability mechanisms that, in turn, shape and alter the destination's institutional rules. Our findings conceptualize stakeholder co-production not merely as a normative principle but as an embedded microfoundation that contributes to dynamic realignment and legitimacy. This repositions stakeholder engagement as a source of adaptive governance rather than a reactive compliance mechanism (Della Lucia & Trunfio, 2018).

Another contribution lies in specifying the empirical micro foundations of social dynamic capabilities in the hospitality and tourism context. While the dynamic capabilities framework is well-established, its constituent micro foundations (the specific skills, processes, and structures that underpin it) are often left abstract (Dias et al., 2026). A key contribution of this study is its empirically grounded specification of these micro foundations for the unique domain of social sustainability. We show that capabilities are not monolithic constructs but are built from tangible organizational activities: sensing is built upon micro foundations like stakeholder knowledge acquisition and organizational learning routines; seizing is underpinned by inclusive workforce governance and human capital development; and transforming relies on the micro foundations of community embeddedness and cultural co-production.

Fourth, the study contributes to hospitality and tourism literature by offering a cross-level integration of institutional, stakeholder, and capabilities theories to explain how firms engage in long-term social value creation. Whereas earlier models have tended to isolate internal sustainability initiatives (Su & Swanson, 2017), we show how organizational actors mediate between institutional expectations and strategic adaptation through recursive capability reinforcement, adding granularity to conceptualizations of how socially oriented routines become institutionalized through cycles of internal learning and external alignment.

Practical implications

The findings offer practitioners a streamlined approach for embedding social sustainability into the operational systems and long-term governance of hospitality and tourism firms. The data implies that early-stage sensing, which involves internal knowledge-sharing routines, community consultations and structured stakeholder engagement enable firms to preemptively recognize developing social issues such as local dissatisfaction with tourism growth, rising worker housing stress, or gaps in workforce inclusion before they escalate into operational or reputational threats. At the initial stage, firms can develop institutional knowledge that guides how they formalize processes for employee listening mechanisms, periodic community forums, and feedback systems with local institutions as this action could enable firms to detect social challenges ahead of time and connect them to strategic priorities. Practical tools include creating stakeholder maps or being aware of recurring community needs can be integrated into routine strategic planning cycles.

Progressing stakeholder engagement into a micro foundation requires financial commitments in accessible, high-impact co-design practices. Hospitality firms, particularly small and medium-sized ones, can deploy participatory workshops to co-develop inclusion policies or launch pilot initiatives with community partners on issues such as youth employment or housing access. Institutionalizing these practices within HR and procurement routines through diversity criteria, local sourcing provisions, or development-oriented

metrics helps embed social commitments into everyday decision-making.

In the next phase, achieving internal alignment calls for social governance infrastructures that support role clarity, shared performance indicators, and cross-functional collaboration. Mechanisms such as incorporating social indicators into management dashboards or integrating social impact targets into team evaluations promote coherence across units. Even resource-constrained firms can create cross-department working groups or designate informal sustainability champions to reinforce collective accountability.

Lastly, the notion of systemic collaboration suggests that firms are unable to advance social sustainability in isolation. Therefore, industry professionals should nurture partnerships with educational institutions, municipal agencies, and non-profit actors to co-design programs, share data, or pursue co-financing opportunities. Joint steering committees, memoranda of understanding, and shared digital platforms are examples of mechanisms to help structure these collaborations and ensure continuity.

While the above implications may appear resource-intensive, it is important to recognize that they can also be enacted through low-cost, informal practices, particularly in the context of small businesses, engaging through everyday interactions and lightweight coordination mechanisms. For instance, sensing activities can be supported through regular informal conversations with customers or community members. Seizing can be facilitated through small-scale experimentation, such as testing new ideas with a limited set of stakeholders or adapting existing services based on direct feedback. Digital tools such as messaging applications or social media can further support ongoing stakeholder dialogue at minimal cost. Transforming can be achieved by offering underutilized lobby or meeting space for local community groups or cross-promoting local artisans. Finally, for systemic collaboration low-cost activities could involve active participation in existing local business associations or shared digital message boards to co-design community-wide responses to social challenges.

Limitations and future research

While this study offers a theoretically grounded model of the Institutionalization of Social Sustainability in hospitality and tourism, several limitations present opportunities for further research. First, the findings are contextually situated within the specific institutional, geographic, and managerial settings of the firms studied. Furthermore, as participants were recruited through university–industry executive education programs in Switzerland, which may reflect a relatively professionalized and normatively aligned managerial discourse on social sustainability, this may potentially limit the transferability of the findings to hospitality contexts characterized by different regulatory, cultural, or organizational conditions. Although theoretical generalization is achieved through processual modeling, future research should examine the applicability of the institutionalization model across a broader range of hospitality and tourism subsectors, including small and medium enterprises, independent hotels, and different cultural or regulatory environments (Paskova & Zelenka, 2019). Comparative studies across destinations or regions would allow examination of how varying institutional pressures shape the recursive development of sensing, seizing, transforming, and systemic collaboration capabilities.

Second, while this study integrates dynamic capabilities with stakeholder governance perspectives, additional research is needed to further unpack the micro-foundations underpinning capability development, including leadership cognition, organizational learning routines, and the role of middle managers in sustaining long-term social sustainability. Longitudinal studies could also capture the temporal dynamics of institutionalization processes, providing insights into how firms sustain or recalibrate social sustainability architectures as stakeholder expectations evolve or external crises emerge.

Third, future research may explore the interaction between institutionalization processes and emerging technological enablers, such as digital transparency tools, blockchain governance systems, or virtual stakeholder engagement platforms, which may further structure systemic collaboration and accountability mechanisms. Finally, while this study focuses on the social dimension of sustainability, future work could expand the model to explore how institutionalization processes may integrate ESG dimensions into unified capability-building trajectories within hospitality and tourism organizations.

CRedit authorship contribution statement

Álvaro Dias: Writing – original draft, Validation, Methodology, Investigation, Formal analysis, Conceptualization. **Laura Zizka:** Visualization, Methodology, Data curation, Conceptualization. **Shaniel Bernard:** Writing – original draft, Validation, Methodology, Formal analysis. **Manisha Singal:** Writing – review & editing, Supervision, Project administration, Conceptualization. **Jo Ann Ho:** Writing – review & editing, Validation, Methodology.

Declaration of competing interest

The authors declare that they have no known competing financial interests or personal relationships that could have appeared to influence the work reported in this paper.

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Appendix A. Supplementary data

Supplementary data to this article can be found online at <https://doi.org/10.1016/j.annals.2026.104181>.

Data availability

Excerpt from qualitative data are mentioned in the text.

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