



## Green initiatives and their competitive advantage for the hotel industry in developing countries

Komkrit Singjai\*, Lanita Winata, Tyge-F. Kummer

Department of Accounting, Finance and Economics, Nathan Campus, Griffith University, 170 Kessels Road, Nathan, Brisbane, Queensland 4111, Australia

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### ABSTRACT

The purpose of this study is to identify the organisational capabilities that complement the adoption of a proactive environmental strategy, and the specific benefits that can arise from such a strategy. The study focuses on developing countries that depend heavily on the tourism industry, but where environmental problems challenge the future of this industry. The study proposes that learning orientation, innovativeness, and quality management positively affect the adoption of proactive environmental strategies. Based on empirical data from hotels in Thailand, PLS-SEM was applied to explore these relationships. The results confirm the hypotheses but also show that the green strategy positively affects environmental performance and organisational competitive advantage. More specifically, green strategies lead directly to positive environmental performance in terms of the consumption of utilities, waste management, and environmental risk management, leading to cost competitiveness and competitive advantage through differentiation.

### 1. Introduction

Dealing with environmental problems is a substantial challenge for the business community, as unsustainable business activities contribute to the deterioration of natural resources (Hall et al., 2010). Consequently, organisations are encouraged to apply a proactive approach in protecting the environment from the effects of their business activities on the biophysical environment through the over-consumption of natural resources and waste production (Fraj et al., 2015; López-Gamero et al., 2011). However, environmental aspects are often sacrificed in favour of profitability. While social pressures and environmental regulations can force organisations to become more active in environmental management (Barber, 2014), some organisations have little incentive to adopt environmental management practices which they either ignore or implement them only to meet regulation requirements. As a result, they may not be capable of taking advantage of the economic opportunities that are associated with environmental management due to a strong focus on short-term profit, or pure ignorance of environmental protection measures (Schaltegger and Synnestvedt, 2002). In contrast, other organisations go beyond what is required by regulation to implement proactive environmental strategies (PES) in order to gain a competitive advantage and to improve long-term financial performance (Aragón-Correa and Sharma, 2003).

This study builds upon the natural-resource-based view of the firm to explore how environmental and internal resources in relation to the

PES can be utilised as organisational capabilities in order to gain a competitive advantage (Hart, 1995). The theory distinguishes between resources and the capabilities required to utilise these resources and has already been used to examine the relationships between organisational capabilities and competitive advantage in the manufacturing context – supporting PES as a driver of performance (Clarkson et al., 2011; Menguc et al., 2010; Menguc and Ozanne, 2005; Molina-Azorín et al., 2009). Moreover, previous studies have found that the capability of learning orientation (Aguilera-Caracuel et al., 2012; Chan et al., 2014; Delmas et al., 2011), innovativeness (Razumova et al., 2015; Wagner, 2009), and quality-management (Molina-Azorín et al., 2015) independently complement the adoption of PES. In this context, learning orientation reflects the utilisation of resources in relation to employees' knowledge and skills as well as the organisational learning climate (Calantone et al., 2002). Innovativeness is the ability of an organisation to continuously innovate, driven by the organisational innovative climate (Calantone et al., 2002); while the capability of quality management represents the ability to utilise employees' skills and knowledge gained through organisational quality-management initiatives (Molina-Azorín et al., 2015).

Previous research in the hotel and tourism industry focussed mainly on developed countries (Fraj et al., 2015; Leonidou et al., 2015; Leonidou et al., 2013; Molina-Azorín et al., 2015). However, Myunget al. (2012) identified in a literature review that research in relation to developing countries is still in its infancy. Although

\* Corresponding author.

E-mail addresses: [komkrit.singjai@griffithuni.edu.au](mailto:komkrit.singjai@griffithuni.edu.au) (K. Singjai), [l.winata@griffith.edu.au](mailto:l.winata@griffith.edu.au) (L. Winata), [t.kummer@griffith.edu.au](mailto:t.kummer@griffith.edu.au) (T.-F. Kummer).

strategies that are implemented successfully in one country may be transferable to another country, the implementation of PES is likely to be affected by local factors such as local government regulations, the local environmental infrastructure, and the resources available (González-Benito and González-Benito, 2006). Moreover, the environmental challenges and policy choices in developing countries differ substantially from those in developed countries because of the large informal economy, high levels of poverty and inequality, weak capacity and resources for innovation and investment, as well as limited mechanisms for implementing environment-related incentives (OECD, 2013). Therefore, further research is required as environmental strategies implemented in developing countries might differ from those in developed countries.

The objective of this study is twofold: Firstly, a natural-resource-based view of the firm is utilised to merge previous findings in relation to PES in the hotel industry. This particularly applies to the integration of quality management in established models. The study proposes a comprehensive framework that combines firm-specific capabilities, which have been studied independently, into a single model in order to provide a holistic picture. As a result, the findings provide a better understanding of the interactions between organisational capabilities and the adoption of PES, and of the specific benefits that can arise from such a strategy. Secondly, this study follows Hart and Dowell's (2011) call to explore the natural-resource-based view in relation to organisational activities and their effect in developing countries with low levels of environmental activities. The success of PES in these countries can have substantial implications for the local community as negative environmental effects may endanger the national competitive advantage in the global competitive market and destroy the livelihood of local residents that require natural resources for their primary food source.

This study addresses the research gap by using the lens of the natural-resource-based view in order to examine the following research question: What are the necessary capabilities to obtain a competitive advantage through proactive environmental strategies in developing countries? In order to answer this research question, a set of hypotheses was developed and a survey was used to collect data from 97 hotels in Thailand. Structural equation modelling (SEM) was used to test the model and supported the importance of the capabilities learning orientation, innovativeness, and quality management on PES, which in turn drives environmental performance and competitive advantage.

The remainder of this study is organised as follows: Section 2 describes the theoretical framework and research hypotheses. Section 3 describes the research methodology, the data collection process, and the measurement of variables. The analysis of the results is presented in Section 4, while Section 5 presents the main findings, the limitations, and directions for future research.

## 2. Literature review and hypotheses development

### 2.1. Proactive environmental strategies and the natural-resource-based view

All businesses have to develop and maintain their own resources and capabilities in order to survive and sustain their operations. A firm's unique resources and capabilities are the key sources of a sustainable competitive advantage (Hart, 1995; Wernerfelt, 1984). Resources include tangible and intangible assets that are tied semi-permanently to the firm, such as in-house technological expertise, trademarks, brand names, trade contacts, and highly skilled employees (Wernerfelt, 1984). Capabilities, in contrast, refer to the capacity to accomplish specific value-added tasks using supporting resources (Clarkson et al., 2011). In a very competitive global market, these resources and capabilities are important to enable businesses to obtain or sustain their competitive advantage (Hart, 1995; Hart and Dowell, 2011).

Management approaches to environmental problems may vary for

several reasons, including managerial values, organisational resources and capabilities, and industry and market conditions (Aragón-Correa and Sharma, 2003). Approaches to environmental challenges can be categorised into reactive or proactive environmental strategies (Fraj et al., 2015), the former of which are short-term-focused solutions adopted only in response to regulations, and the latter of which include voluntary actions to prevent environmental pollution, minimise energy and water consumption, and/or reduce waste (Fraj et al., 2015). Sharma (2000, p. 683) defines PES as “a consistent pattern of company actions taken to reduce the environmental impact of operations, [rather than] to fulfil environmental regulations or to conform to standard practices”. In summary, a firm that is committed to solving its environmental challenges by developing innovative practices is considered as a proactive, environmentally friendly business (Buysse and Verbeke, 2003; Fraj et al., 2015). This definition is followed in this study.

According to the natural-resource-based view (Hart, 1995), strategy and competitive advantage are likely to be rooted in capabilities that facilitate environmentally sustainable economic activity. Firms can gain a competitive advantage by adopting environmental strategies that improve operational efficiency, enhance their reputation, and raise their rivals' costs as a result of influencing future industry standards related to the environment (Clarkson et al., 2011). To minimise the environmental burden that is associated with a firm's growth, a company must develop a sustainable strategy that implements a long-term vision using the development of clean technologies (Buysse and Verbeke, 2003). This paper builds on the natural-resource-based view, being the implementation of sustainable strategies requiring unique organisational resources and capabilities that can contribute to sustaining the firm's competitive advantage.

Hart's (1995) natural-resource-based view contains three interconnected strategies: (a) product stewardship; (b) sustainable development; and (c) pollution prevention. The product stewardship strategy focuses on product design and development processes in order to exit environmentally hazardous businesses, redesign existing product systems to reduce liability, and develop new products with lower life-cycle costs. The sustainable development strategy relates to substantial investment and a long-term commitment to market development that require a long-term vision of management to minimise environmental impacts and to maximise long-term organisational performance. In order to implement product stewardship strategy, a firm must be able to coordinate functional groups within the firm and to integrate the perspectives of key external stakeholders into decisions on product design and development (Hart and Dowell, 2011). These capabilities are summarised in the socially complex skill of cross-functional management, which can be achieved through a learning and innovative climate in an organisation. In addition, the development of the sustainable-development strategy requires a firm to establish a shared vision, which refers to the common commitment to the firm's long-term future by encouraging members at all levels to work in the same direction and towards the same goal (Hart, 1995). It is argued that this is a rare skill as an organisation-wide dedication to the shared vision is key to generate the pressure and enthusiasm required for innovation and change (Hart, 1995). A shared vision such as this can be found in learning orientated organisations (Calantone et al., 2002). Based on this argument, capabilities related to learning and innovation are required and Fraj et al. (2015) included these capabilities in their model to investigate the effects of organisational capabilities on the adoption of PES and organisational competitive advantage.

For Hart's (1995) third strategy – pollution prevention – firms aim to reduce emissions by applying continuous-improvement methods. Continuous improvement can be achieved through quality management. Quality management is an integrated approach that aims to continuously improve the products and processes of an organisation in order to exceed customer expectations through the voluntary involvement of all levels of employees in a continuous-improvement effort

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