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Amalan Pengurusan Alam Sekitar Untuk Hotel Di Malaysia:

Perspektif dari Pihak Kepentingan

Abstrak

Industri perlancongan telah menjadi tumpuan di Malaysia dalam dekad baru-baru ini. Ini adalah kerana ia mampu menyumbang dari segi pendapatan pertukaran wang asing serta mewujudkan peluang pekerjaan. Malaysia mempunyai kelebihan dalam bidang pelancongan disebabkan oleh faktor persekitaran semulajadi yang menarik. Oleh yang demikian, pertumbuhan industri perlancongan and bilangan hotel semakin meningkat. Akibat daripada permintaan yang bertambah, lebih banyak hotel yang akan dibina dan ini akan mengakibatkan lebih banyak penggunaan sumber persikitaran. Dalam jangka panjang, ini akan merosakkan potensi ekonomi dan alam sekitar yang berharga serta menyebabkan pertumbuhan industry perlancongan tersusut. Tekanan yang menuntut pihak perniagaan untuk menangani isu-isu alam sekitar semakin meningkat. Oleh itu, syarikat-syarikat, yang disokong oleh sebahagian besar dari masyarakat perlu melibatkan lebih serius daripada sebelumnya dalam activity-aktiviti perlindungan alam sekitar demi mengekalkan kejayaan perniagaan.

Kajian ini adalah bertujuan untuk memahami amalan-amalan pengurusan alam sekitar (EMP) untuk industri hotel di Malaysia; serta manfaatnya dengan perlaksanaan EMP. Teori Pihak Kepentingan telah digunakan untuk kajian ini untuk menilai peranan serta pengaruh pihak-pihak yang berkenan terhadap amalan-amalan pengurusan alam sekitar (EMP) bagi industri hotel di Malaysia. Justeru itu, prestasi hotel yang mengamalkan EMP juga dinilai. Ini dilakukan melalui kajian keratan rentas dengan kaji selidik yang dilakukan di kalangan pengurusan atasan hotel. Penemuan hasil kajian ini menunjukkan bahawa tahap perlaksanaan EMP di kalangan hotel-hotel

di Malaysia adalah sederhana rendah. Pengaruh pihak kepentingan dalaman and luaran ke atas amalan EMP bagi hotel masih tidak ketara. Walau bagaimanapun kaji selidik ini menunjukkan pelaksanaan EMP sesungguhnya mampu menyumbang kepada keuntungan yang ketara dari segi manfaat kewangan dan bukan kewangan. Kajian ini menunjukkan bahawa di kalangan industri hotel atau industri perkhidmatan, tumpuan dari segi pengurusan alam sekitar masih di peringkat awal jika dibandingkan dengan industri pembuatan. Ini disebabkan perbezaan dari segi penggunaan sumber dan kesan alam sekitar bagi industri hotel, tekanan pihak kepentingan berbeza dari sudut kepentingan dan kesungguhan.

Environmental Management Practices for Hotels in Malaysia:

Stakeholder Perspective

Abstract

Tourism has been the focus industry in Malaysia in recent decade as it emerged not only contributes in foreign exchange income but also create employment opportunities. Malaysia has an advantage in tourism due to her attractive natural environment. Due to the factors that supporting the growth of the tourism industry, the numbers of hotels are on the rise. On the other hand, with higher demand for hotels, the more the hotel will be built and the larger amount of resource will be consumed. In long term, by damaging this valuable environmental and economic potential, it will destruct the growth of the tourism industry making it unsustainable. Pressures that demand the business corporation to address the environmental issues are growing. Companies, which are also belongs to a huge part of the society are therefore required to involve more serious than ever in environment practices in order to be sustainable.

This is an exploratory study that seeks to understand about the level of environmental management practices (EMP) for hotel in Malaysia; as well as the benefit which brought in by the implementation of EMP. Stakeholder theory been applied in this study to assess the roles and influences of stakeholders with respect to environmental management practices (EMP) for hotel in Malaysia. Subsequently hotels' performance which results by EMP adoption is also been assessed. This is a cross section study with survey done among the hotels' top management. The findings from this study suggest that the level of EMP adoption among the hotels in Malaysia is moderately low. Internal and external stakeholder influences on EMP adoption for hotel are not

strong. From the survey however, adoption of EMP is indeed able to contribute to a significant gain in terms of both financial and non-financial benefit. This study implied that among the hotel industry which is associates with servicing, environmental management is still at infancy stage if compared with manufacturing industry. As the result of different in nature in terms of resource consumption and environmental impact for hotel industry, the driving pressures from stakeholders arise at different perspective with different urgency and intensity.

Chapter 1

INTRODUCTION

1.0 Introduction

As a result of worsening environmental issues such as climate change, water and air pollution brought by the world's growing population and industries activities, there are many rules and legislative requirement been form to protect the environment. Business organizations had to respond to the requirements such as building waste treatment plant to treat their process waste before discharge to the environment. However, it is not clear to what extent are they in compliance with the regulatory requirement. Secondly, it is also not well understood if the drive for business organization to reduce their environmental waste is purely due to regulatory reason or due to other pressures such as reputation or sustainability.

Some organization use EMP their business strategy to for their advantage. Common environmental practices such as reuse, recycle, reduce (3R) are one of the basic important strategies in EMP. The aim of the 3R is to extract the maximum benefits from products or process and to generate the minimum amount of waste. EMP is not solely for the purpose of compliance with regulation, but it is a strategy that proactively addressed long term issues or future threat on environment. To be practical, EMP not serve to conserve the environment but as strategy to reduce cost, improve efficiency, enhance innovation and building good company's reputation. This study seeks to understand the current level of Environmental Management Practices (EMP) for the hotel industry in Malaysia and the benefit arises due the implementation of this practice.

1.1 Background of Studies

1.1.1 Development of Tourism Industry in Malaysia

Tourism is widely considered to be beneficial to any country as their development focus due to its economic benefit. For some country like Spain and Maldives, tourism is treated as primary

engine of economic and social growth (Sharma, 2004). This industry is closely location oriented and it can be developed into market product. Important location attributes includes special natural features, historical or cultural attractions, urban or rural destination, other biophysical environment and etc are good marketing conditions which can be uses to promote the tourism industry. Over the past few decades, tourism development in Malaysia had been restricted due to several issues. Among those are persistent poverty, unfulfilled elementary need, changes in political realm, increasing threats to the environment and the sustainability of economic and social welfare (Sharma, 2004). For example in the 1950's, education, basic necessity such as clean water and electricity supply should have been the priority in development especially for rural area in Malaysia instead of developing the tourism industry. The intensity of the issue which restricts the tourism development also varies across location and time.

Along with Malaysia's industry evolved from agricultural, to mining follow onto industrialization, the issues related to restricting the development of tourism also evolved. Initially, tourism focus was narrowed to just economic growth. After the Second World War, tourism's development was extended into social and cultural benefits. In 1990s' the development was further expand to incorporate social, moral, ethical and environment consideration which has to deal with human betterment and fulfillment through the expansion of choice by Sharma (2004).

With the growth in the environment movement after the 1990s', environmental and sustainable development issues are often the topic of debate. On a global scale, the 1992 United Nations Conference known as Earth Summit (Rio Conference) and Agenda 21 has arrived action plans. Subsequently, the environmental topic continues to be at global attention and focus. The Earth Summit has been held regularly and still ongoing ("About Environmental Protection," 2011).

As main reflection of changes throughout these years, the situation and the priority in tourism development in a sustainable way had changes tremendously. Similar to other industry, traditional measurement of company success such as profit had been eclipsed by other measurements including social and environmental measure.

Tourism industry is the second largest contributor in foreign exchange in Malaysia ("myGovernment-The Malaysia Government's Official Portal," 2010). It contributes to economic

important of Malaysia's development. Figure 1-1 depicts the trend of number of tourist arrival and amount receipt yearly ("Tourism Malaysia," 2011). Tourist arrival increase at about 1.5 million yearly and contribute to an additional of 3.7 billions of receipts each year.

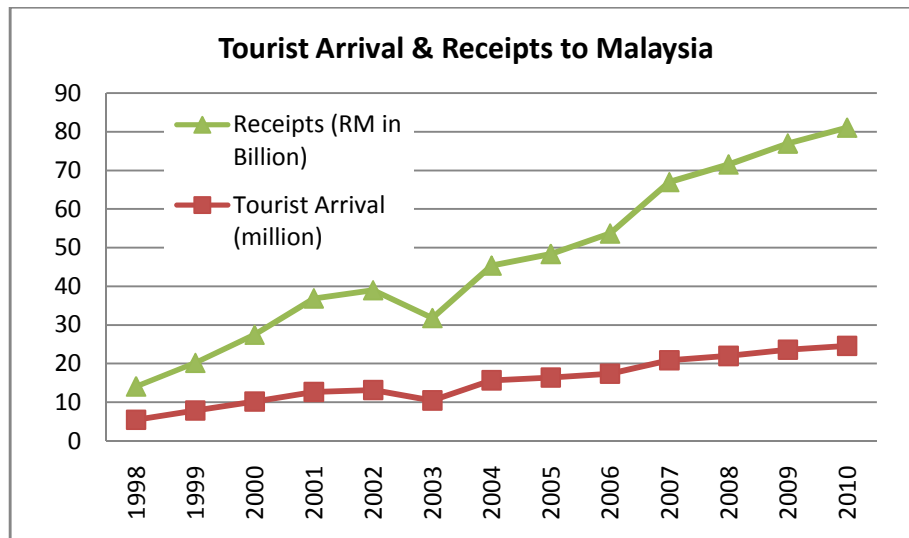


Figure 1-1: Tourist Arrival and Receipts to Malaysia ("Tourism Malaysia," 2011)

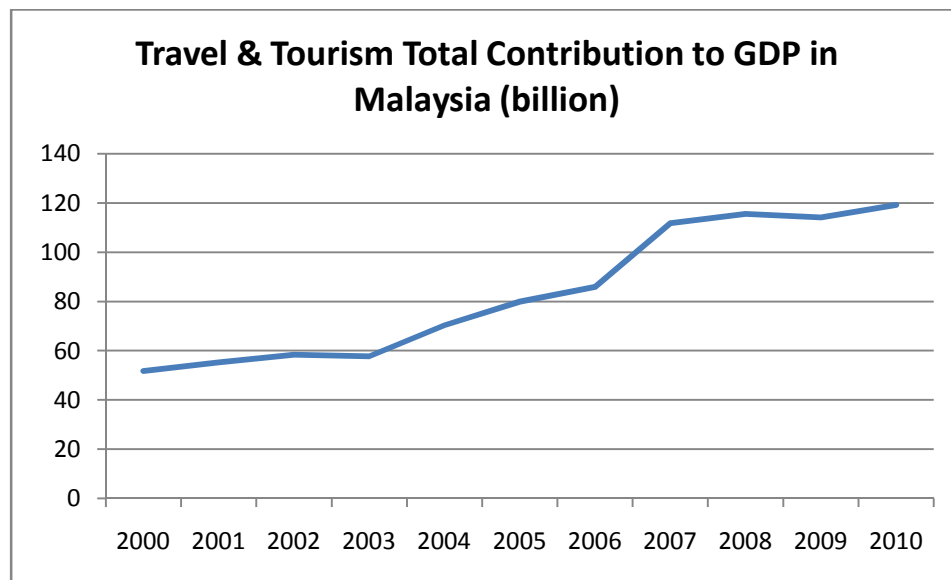


Figure 1-2: Travel & Tourism Total Contribution to GDP in Malaysia ("World Travel & Tourism Council," 2007)

Tourism industry is the industry which contributes to the highest employment with 258 million jobs worldwide generating 9.1% of global GDP ("World Travel & Tourism Council," 2007).

Figure 1-2 shows the Travel and Tourism contribution to GDP in Malaysia. This economic statistic data shown that from 2000 to 2010, there is an average increase of Ringgit Malaysia 7.9 billion per year in GDP ("World Travel & Tourism Council," 2007). Tourism has been the focus industry in Malaysia in recent decade as it emerged not only contributes in foreign exchange income but also create employment opportunities. Besides, it stimulates the development of other related and supporting industry like hotel, food, infrastructure such as air port, railway and roads, help preserve the local environment and provide well being to local development. The implementation of EMP among tourism industry is highly important as the change are taking place globally in tourist taste and growing awareness related to environment conservation among consumers (Maria del Mar Alonso-Almeida & Rodrigues-Anton, 2011).

Disadvantages may arise from tourism such as pollution causing environmental degradation, low pay, seasonal employment, inflation, crime and dilution of local culture (Dodds & Kuehnelt, 2009). These challenges are faced in most cases of development in the industry and a balance have to be met in overcome the negative effect while gaining the benefits. Based on the studies done by World Tourism Organization (WTO), (Lee & Chang, 2008; Sharma, 2004) economic contribution due to tourism will increase and reach US\$200 billion by 2020. On this basis, tourism industry has great potential for Malaysia's economic development.

Foreign tourists especially, choose Malaysia as their destination mainly due of its attractive geographical position, tropical weather, rich in nature and biodiversity, country's multi-ethnicity and unique culture. Due to these attributes, tourism in Malaysia is classified as environmental-intensive industry as the popularity relies very much on these characteristic. Maintaining these valuable characteristics therefore is indeed important to maintain the attractiveness of tourism in Malaysia in a long run.

1.1.2 Malaysia's History in Sustainability Development

Sustainability development is defined as "development that can meet the needs of the present generation without compromising the ability of the future generations to meet their own needs" (Rogers et al., 2008). Global population growth is one of the main challenges in sustainable development. Malaysia is one of the fast growing country and being considered as one of the

newly industrialized country in Southeast Asia. Malaysia as one of the Southeast Asian nation shifted from reliance on agriculture and mining to manufacturing during 1970s. Heavy industries grew rapidly since then. Agriculture and mining had accounted for 42.7% of 1970 GDP; it was dropped to 16.6% in 1999, while manufacturing accounted 30% of GDP in 1999 ("Economy of Malaysia," 2011). This manufacturing bloom brings a great economy growth. However, there was a great paid-off in terms of resource depletion, environmental degradation and upset the traditional life and old social patterns. Upon realization, Malaysia began monitoring the environmental effect in the early stage of industrialization in the 1970s'.

At the time, Malaysia's emphasis in environment dimension was through the principle endorsed in the Third Malaysia Plan (1976-80) and was continued in the Fifth Malaysia Plan (1986-90) and Sixth Malaysia Plan (1991-95) (Yusoff, 2008). From year 1995, Malaysia began to monitor its sustainable development's indicator which cover health, education, social welfare, environment and economy, which is also after the Agenda 21 (Hasan & Adnan).

The awareness and pressure to the society are merely due to:

- Industrialized and developed countries started to impose stiffer compliance.
- In domestic, the public is generally better informed and more educated. They are more exposed about their right and asserting it. It includes social life from human rights, safety and environment.

Recently, the community set a higher expectation towards the business in shaping a better society, to be more environmental responsible, proving better benefits to employee in addition to making profits. (Hitchcock & Willard, 2006). Due to these reasons, more and more corporations start to integrate sustainable practices into their business operation. For instant, more companies adopted Environmental Management System (EMS) like ISO14001 to promote environment sustainable development. However this scenario occurred in most of the manufacturing industry. EMS adopted by hotel industry is considerably limited in Malaysia.

1.1.3 Value of Environment

In Malaysia government's official portal, key attractions of Malaysia are described as "multiculturalism, tropical weather, extreme contrasts of architecture from modern tower next to

a wooden built on stilts, green highlands, rolling down from cool to warm sandy beach and humid mangroves... “ (“Tourism Malaysia," 2011).

Water, forest, biodiversity play a major role in maintaining our ecosystem. Forest for example is crucial in maintaining water flow and water catchment area to maintain our water supply and moderating our climate. The tremendous economic value of the forest is the ability to clean the water quickly, maintaining human health and well being. Tropical rainforest have been long recognized as one of the most productive type of forest in the world. It is believed to be the oldest and among the richest in biologically diverse in the world. Tropical forest is home to thousands of species of biodiversity. Those biodiversity carry along countless benefit poses great potential for industry like medical and agriculture.

One of the main reasons for Malaysia being attractive among tourists in the world is due to the richness of biodiversity and its unique environment. This attracts thousands of tourists every year and brings in millions of income to the country. Malaysia has about 1671 known species of amphibians, birds, mammals and reptiles according to figures from the World Conservation Monitoring Centre. Of these, 13.9% are endemic, meaning they exist in no other country, and 9.3% are threatened. Malaysia is home to at least 15500 species of vascular plants, of which 23.2% are endemic. 4.1% of Malaysia is protected under a define categories by International Union for Conservation of Nature (IUCN) ("Environmental News," 2010).

1.1.4 Indication of hotel growth in Malaysia.

Due to the factors that supporting the growth of the tourism industry, the numbers of hotels are on the rise. The data from Malaysian Association of hotels (MAH) reflex from 2007 until 2011 the total number of hotel registered in Malaysia shows increasing trend. At the same time, the hotel average occupancy increase from year 2001 till 2007 and the average occupancy rate sustain above sixty percent thereafter. Figure 1-3 below shows the total number of hotel registered under Tourism Malaysia for all the states in Malaysia. These data also indicate that the demand for hotel in Malaysia is actually increase despite of the world-wide economic downturn and recession in 2008 (*Laporan Stok Harta Tanah*, 2007; "Malaysian Association of Hotels ", 2010). This is because with increasing number of hotel in Malaysia, the occupancy rate is still able to maintain above 60%. Figure 1-4 depict the hotel average occupancy rate.

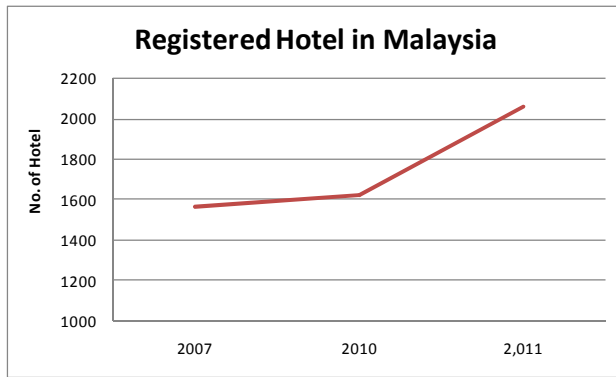


Figure 1-3. Total number of hotel registered

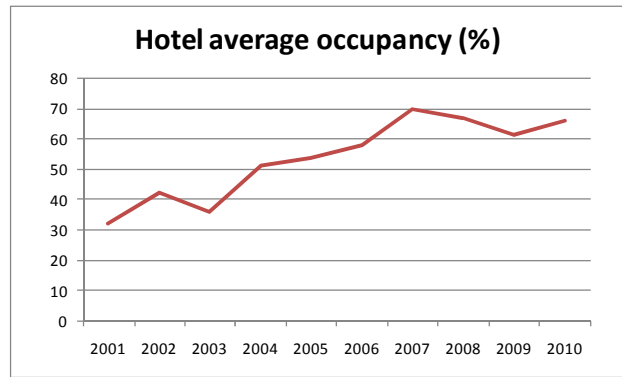


Figure 1-4. Hotel average occupancy rate with MAH

Source : Malaysia Association hotel (MAH) and Laporan Stock Harta Tanah

However, the higher the demand for hotels, the more the resource will be consumed to maintain the hotel. The greater the amount of resource used, the higher the damage from the surrounding environment. In other words, if the current environmental practices are not properly conducted, the damage to the environment will continue. As Malaysia is mainly relying on its natural environment as main attraction to their customer, destruction of environment will have negative effect to this industry and this may cause Malaysia to lag behind her competitors. In long term, by damaging this valuable environmental and economic potential, it will destruct the growth of the tourism industry making it unsustainable. As hotels and tourism industry works hand in hand, they will be the first to get the hit due to destruction of the environment.

1.1.5 Impact of deteriorate environment on Tourism

Although tourism contributes to a considerably important to development of Malaysia, the attractiveness of this industry is continuously threatened by the negative effects of environment. As a result, increasing pressure had been accredited by stakeholders so that business entity can be more responsible on environmental impact (Céspedes-Lorente, Burgos-Jiménez, & Álvarez-Gil, 2003).

Large area of deforestation had taken place to support large scale development like palm oil plantation and new housing, could have caused large amount of pollution to water, deterioration

on the quality of air ("Economy of Malaysia," 2011). If these is not properly managed, the destruction to environment will be increased, these will be worsen, and subsequently threaten the superior characteristics which Malaysia is having ("Economy of Malaysia," 2011). If this destruction continues, it will be impossible for Malaysia to sustain the tourism industry in a long run.

1.1.6 Government focus

In the late 1980s, government of most countries noted the increasing global tourism and this industry affects the environment and society of their countries and the negative impact is increasing (Bowman, 2011). By the late 1990s, government and international organization including United Nations started to regulating this industry and educating both host and participants. Local stakeholders also began to pressure from below to alter the situation in order to conserve the environment, as well as preserve local culture and product (Bowman, 2011).

The New Economic Model (NEM) is an important government plan. The NEM (*New Economic Model for Malaysia*, 2010) defined the strategic reform initiatives that will propel Malaysia to the goal first set forth in Malaysia's Vision 2020. In march 2010, Prime Minister of Malaysia unveiled the strategies in one conference that the new NEM hold the same objective to eradicate poverty irrespective of race, the approach or the way people do things will be different (Wong et al., 2010). Within eight strategic initiatives which focus on economic growth and efficient private sectors, quality workforce, streamline of GLCs, building infrastructure for knowledge base; it is also stress on to enhance the sources of growth in sustainability manner (Quah, 2010). With all the environment issues like water shortage, land erosion and pollution at rivers and land etc signified that the situations are not in good control. This had been announces that it is important to upgrade Malaysia's economic through inclusivity of sustainability and supporting environmental activities. As tourism industry is one of the important industries which contribute to the foreign exchange, social and economic development, sustaining the industry towards the healthy growth is critical to maintain the benefit. For the tourism industry, a balance in conservation of the environment parallel with economic development is essential in building a sustainable tourism industry.

1..1.7 Roles of stakeholder in business world

Global warming, depletion of resources, pollution, flood are all significant environmental threats to the future of humanity. Global outbreak in communication technology like internet, email and diverse media has greatly increased the knowledge of public in many areas including environmental awareness. Companies have essential role to prevent environmental damage since they are responsible for much of the environmental degradation that caused by production. Pressures that demand them to address the environmental issues are growing. Companies, which are also belongs to a huge part of the society are therefore required to involve more serious than ever in environment practices in order to be sustainable.

1.1.8 Hotel industry and their roles of being green

Hotels are one of the important constitutions which support the tourism industry. Similar to any other industry, the development in the hotel industry has led to environmental issues that should not be neglected. For hotel to be competitive as in good reputation in the market, a good reputation in environmental conservation besides complying with regulation shall be essentially important. Ultimately, as most of business aim, hotel wants to get a good return, maximize revenue and create loyalty (Ahmad, 2007).

Environmental Management Practices (EMP) is a strategy introduced by the corporations and government aiming to reduce the negative impacts of industry or development towards the environment and thereby achieving sustainability. Example of EMP includes reduce water usage, recycle paper and reduce electricity consumption. In other word, EMP is a strategy that proactively addressed long term issues or future threat on environment. EMP does not only serve to conserve the environment but also serve to reduce cost, improve efficiency, enhance innovation and building good company reputation. However, executing EMP may incur extra expenses; argument may arise about justification on cost for hotel to implement EMP. Some hotel's managers perceive 'green' as 'clean environment' (Ahmad, 2007) although EMP serve beyond that. Instead of certified through Environment Management system (EMS) for hotel in Malaysia, EMP shall be the initial practices or starting point before a company is able to be considered for ISO14001 certification.

With respect to the EMP, some hotels adopt it reactively, limiting the scope to the existing legislation, making themselves just enough to continue to operate by meeting the minimum required standard. There are others that have chosen to adopt EMP more proactively, whereby they have the initiative and commit to make it better to the environment. Using this opportunities, some hotels even strategies, introducing EMP so that it is beneficial to their operation efficiency, building good reputation and enhance performance. Putting this from sustainability perspective, this is important to explore how the progress and the level of EMP adoption at hotels in Malaysia. Therefore, this study serves as other alternative to investigate the level of participation in EMP

Going green had been known to be good for the environment and it is also provides a competitive advantage for business (Michael & Jacquelyn, 1998). This had been observed in many advertisements as business been using this as marketing tactic. These activities portray good image for the company regardless if the 'green product' or practices provides real improvement or benefit to the environment. However, it is still unclear if the company doing it proactively or reactively from the view point of stakeholder. This can probably due to company's internal initiatives of the corporation to participate in EMP with their true commitment with real effort. This study is carrying out to explore on the drivers that influence the hotel to move into EMP. Besides, the performance of the hotel will be measured to quantify the benefit that brought along due to EMP.

1.2 Problem Statement

Servicing industry contributes to more than 60% of the GDP of most of the developed countries and is responsible for the majority of the globe's environmental degradation. Due to this reason, service sector experienced second-order pressure to attend to environmental management. However, research in this field is noticeably neglected (Céspedes-Lorente, et al., 2003). For tourism and hotel industry, the quality and the condition of the surrounding environment is one of the important factors which affect the competitiveness of their business. This is because they are relying on the attractiveness and safe surrounding as part of core product. Worst of all, many of the ecosystem and species of wild life, once destroyed, is impossible be regenerated.

Tourism sector has been growing in Malaysia for the past; however how long is this industry is able to sustain a good balance between economic growth and maintaining wealth of the environment is a question. It is increasingly apparent that tourists destroy the very things that they come for. Interest in alternate forms of tourism arose as a respond to the exploitative aspect of the mass tourism, the result shows that the trend is getting stronger within the developing countries (Bowman, 2011). Since most of the hotels are located around the area of tourist attractions, any issue which encounter by the environment at the tourist spot will be cascading to the hotel industry and impact their business. For example haze and flood, tourist will try to avoid the areas if they get to know that their safety or comfort will be traded off.

The exposure and awareness related to environmental value is rising among the public due to the advancement of communication technology and increasing knowledge. As a result of pollution and deterioration of the environment, external pressure demanding on environmental protection from consumers, environmentalist and surrounding communities may grow. They may demand for change and improvement from related control parties like government and hotels to conserve the environment. Internal stakeholders for hotel industry may react to this demand. If business is as usual and the hotelier does not change their practice, these may threaten their business.

Surveys carried out at the departure terminal at Crete & Greece airport (Tsagarakis et al., 2011) shown that more than 70% of the consumers support hotel with EMP as long as their comfort is not compromised. However, practices like saving water and electricity might affect their comfort. Such scenarios are conflicting with the benefit of EMP whereby hotel gain substantial cost saving from their operation through practices of saving energy and water. However, due to better company image, customer loyalty and reputation hotel performance may be improved (Mensah, 2006). Hotel sector is in the situation where they need to strive for a balance between the demand of the stakeholders like government and customer who require them to conserve the environment; at the same time facing the challenges from internal stakeholder to improve the cost and efficiency of hotel operation.

The needs of the hotel to adopt EMP are clear however, how the hotels in Malaysia embracing the concept of environmental management practices at this point of time is uncertain. Therefore,

there is a need to understand the current level of practices which serve as basis to strategies environmental program by sector in Malaysia. This is important to understand the right path to develop an internationally competitive and sustainable hotel industry. Researcher believes that better understanding on current situation that govern the hotel EMP should provide a better efficiency in operation activities by the hotel. Therefore this research is aim to address the following questions:

1.3 Research Questions

- a. What is the level of participation of hotel industry in EMP?
- b. Who are the main stakeholders that influence the participation of EMP for hotel industry in Malaysia?
- c. Does EMP help in hotel performance?

1.4 Research objective

This study seeks to understand the current level of participation of the Environmental Management Practices (EMP) for hotel industry in Malaysia. It provides some empirical evidence related to the level of adoption of EMP. In environmental management, one of the major constitute in research for environmental management is through exploring the power of stakeholders which enabling the adoption and implementation of EMP. By drawing on insights of stakeholder theory, this study also modeled to analyze which pressure from the stakeholders that influence the adoption of EMP for hotel industrial in Malaysia. It is important to explore which the drivers that influence and motivate them to move towards EMP.

Like we seen, there are hotels that take the initiative in green movement like asking the guests to reuse tower, and saving the electricity and water practices. All these initiatives require efforts and investment. Are these expenses able to be paid-off is a question. How should this uncertainty been addressed so that will enable us to generate further insight on how environmental management and contribute to a profitable and sustainable hotel industry.

In summarized the research objectives are:-

- a. To examine the level of hotels' participation in EMP.
- b. To identify who are the main stakeholders who influence the participation of EMP.
- c. To examine how EMP could help in hotel performance.

1.5 Definition of Key Terms

1.5.1 Hotel

Hotel in this study is referring an entity that provides lodging and usually meals as well as other services typically for travelers. Hotel guest refers to their customers requiring hospitality service and pay for it for their trip for business, leisure or other personal purpose during their travel period.

1.5.2 Environmental Management Practices (EMP) for hotel

EMP for hotel is referring to activities which are able to reduce the negative impact to the environment. The basic of this practice includes reuse, reduce and recycle which is able to maximize the benefit from the hotel operation process. Example: reduce water usage, recycle paper and reduce electricity consumption.

1.5.3 Government

It is a set of laws imposed by governing bodies of a state or country in Malaysia. Incentives and regulation include environment protection, pollution control, tax procedure, control laws, suspension of business and penalties (Ahmad, 2007) .

1.5.4 Activist

This is referring to person who works to achieve environmental and social change, especially as a member of an organization with particular aim. For this study, NGOs, journalist and media who work to address the concerned environmental issues are classified as activist.

1.5.5 Competitors

Related to parties which run the same type of business whereby their existence and activities poses threat to the hotel's competitiveness.

1.5.6 Top Management

Top management is defined as owner or the decision maker for the hotel. If top management are committed and support the EMP, this might have determined their vision and mission for the hotel, company's environmental goals and target. If top management believes in EMP, they are the key stakeholders that influence the focus of their work team. It is possible to influence their work force through providing necessary resources and recognition to employees that shape, contribute and support the effort which help to achieve environmental sustainability.

1.5.7 Hotel performance

Hotel performance is referring to the business or non-business related performances which help them to improve their competitiveness and improve or sustain their business objective.

1.6 Significant of the study

In this study the level of EMP adoption among the hotelier is explored and measured. Stakeholder theory is used to explore who are the main groups that influence hotels' initiative in EMP. The influence from the stakeholder varies depending on the industry; where factors such as government policy, institutional pressure, competitor, customer, or top management affect most depending on surrounding situation and their development exposures. With recent foreign investment and economy growth, the exact stakeholder who affects the adoption of EMP for hotel in Malaysia has remained unclear. This study expects to obtain a clearer understanding on the dominant stakeholders who drive the EMP.

If hotels' operation efficiency can be proven to be improved through EMP, this study would serve as a push for hotel that does not adopt EMP to move forward and invest their resource on EMP. The finding of this study will be good information for researcher and practitioners, which

later on contribute to the development and better direction in managing sustainable efforts. This is vital to expedite our focus and attention in moving towards sustainable future.

1.7 Organization of the Remaining Chapters

This report is divided into six sections. The first chapter provides an introduction as well as an overview of the study. Second chapter presents the review of literature that relates to previous studies undertaken in relation to stakeholder influences, level of EMP by the hotel and hotel performance which brought by implementation of EMP. Chapter three discuss about the theoretical framework and the hypotheses development. The forth chapter elaborates the data and variable used in terms of research design, sample collection, measurement variables, methods use for data analysis as well as the expected outcome. The fifth chapter provides the results from the finding and analysis base on the result. This covered the statistical analysis using SPSS where method used for data analysis is described. Finally, the last chapter presents the findings and discuss on the implication based on the study conducted. It also explained the limitation of this study beside suggestion for future research and conclusion.

Chapter 2

LITERATURE REVIEW

2.0 Introduction

This chapter provides a preview of past research undertaken on the related subject, giving an overview of literature done on stakeholder roles in environmental practices, influential characteristic and the underlying theory. It is also discuss on the past study done in the sphere of hotel performance due to EMP adoption. The theoretical framework and hypothesis development is revealed towards the end of this chapter.

2.1 Sustainable in Business

Traditionally, companies plan for everything in their business. They are the ones who decide on type of product to sell, amount of material or services and etc based on which they are able to offer. However, as globalization evolves into different phases, stakeholder getting more empowered (Werther & David, 2006). They are also gaining recognition among company and public. This situation becoming crucial as the world is exposed to environmental issue. There is evidence show that the impact of environmental issue to business is alarming. As a result, many players in market reacted with different set of strategies in order to absorb the impact (Amran, Zain, & Sulaiman, 2010).

In Malaysia, the important on conversation of environment would arrive earlier among eye of public before the relation on this issue with business appears to be in the plan for companies. This concept had been brought in through corporate social responsibility (CSR) from the developed countries to Malaysia. Stakeholder's influence has been viewed as powerful and able to affect company's decision and performance since then (Amran, et al., 2010). There are social, economic and environmental attributes which comes with CSR however subject related to environment is brought into the focus for this study. Bursa Malaysia has made it mandatory for public listed companies to disclose their CSR practices in 2007 ("Launch of Bursa Malaysia's CSR Framework for PLCS In Conjunction With The Rat Race 2006," 2006). This came about as Malaysia, which is very rich in natural resources and biodiversity, is exposed to environment deterioration rapidly and raising importance of social rights.

Malaysia's positive GDP growth had signified the stability in economic for the past two decades. It continue to show positive value and although drifted to -1.7% in 2009 due to global financial crisis, it managed to recovered quick to 7.2% in 2010 (*Economic and Financial Data for Malaysia*, 2010). Moving forward for the better in economy, Malaysia has no exception to facing the environmental challenges like many other countries. Many cases related to environment issue like land slide, thunder flood, water shortage and had been again repeatedly reported in newspaper. The climate change issue also lead the Prime Minister to declare a reduction target of carbon emission up to 40 percent by 2020 (Amran, et al., 2010).

Climate change has becoming a global issue and this affecting all businesses. Regardless the change is favorable or not, the mainstream of business model will have to adapt to the new situation. Crisis management on disaster like forecasting, prevention can be part of the changes. Another example can be in risk management such as contamination, mitigation, insurance or some other regulatory consulting support and services (Winn et al., 2010). The changes in climate simulate the demand in the market and these occurrences will eventually require a broad range of tools and activities to curb the environmental damages.

Figure 2-1 below depicts a practical solution ("International Tourism Partnership," 2011) to address emerging global issues. The chart graphically elaborates the need to attained sustainability in business operations, where this tool can be used either as management information tool or as part of training tool. It structures key principle and indicators required to achieve sustainability, from which performance can be measure and report against. For success in today's business, the needs for change by business entity into more sustainable is inevitable. The Tourism industry must embrace sustainability and adopt new ways of doing business if it is to survive and prosper ("International Tourism Partnership," 2011).

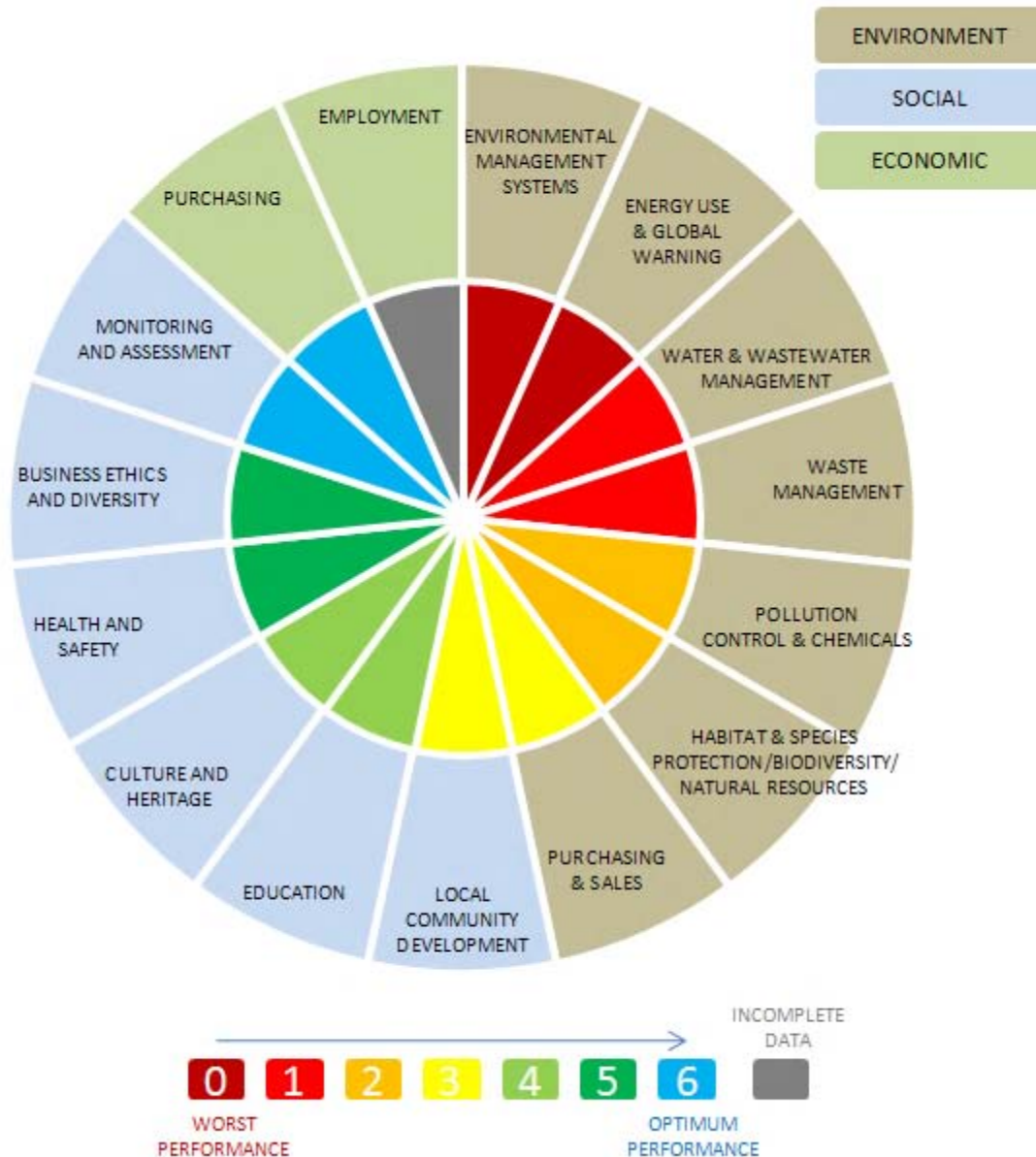


Figure 2-1: Sustainable Performance Operation Tool (SPOT)

("International Tourism Partnership," 2011)

Stephen Farrant, Director of the International Tourism Partnership (IHEL) at the World Tourism Forum-‘International Tourism Partnership Director Map Route Towards a More Sustainable Industry’ held in Lucerne, April 2011 cited, a recent poll of 766 CEOs where 93 per cent of those surveyed said that sustainability is critical for their business’s success. This survey was the

largest ever survey of CEOs on the topic of sustainability done by Accenture and the UN Global Compact in June 2010.

“The tourism industry cannot rely on “business as usual” if it wants to continue to grow and prosper as it has in the past. The days of freely available natural resources and cheap oil are limited. Certain modal shifts are essential – such as investing in high speed rail as a viable alternative to air travel for many journeys, increasing the adoption of solar energy, and a new generation of highly efficient hotel design to make better use of resources. We won’t be able to continue as usual when, for example, the global consumption of water is doubling every 20 years, and by 2025 the demand for fresh water will exceed supply by 50%.” he said ("International Tourism Partnership," 2011).

2.2 Common EMP Practice by Hotel

EMP is a continues process adopted through management decisions, by which hotel’s activities aim to reduce the negative environmental impacts (Ahmad, 2007). These practices becoming important as environment degradation had been identified as a global issue (Qi, Shen, Zeng, & Jorge, 2010). The essential intention of being eco-efficiency is to produce and deliver more cost efficiently at the same time reducing ecological impact and resource intensity, reduce material as well as energy. EMP operation can be broken into different activities or area which exerts significant improvement in resource use. For example in purchasing terms and conditions, operation process with green target or adopting green concept at product design stage. Some kind of environmental management practices at hotel provide cost saving to water and energy.

One common hotel EMP method is reducing the water consumption. These can be done by optimize loading for laundry, encouraging guests to reuse linen and towels, regularly check on pipes, taps leakages, install some device to detect water over flow issues for pool, water storage tank for washroom, kitchen etc. There are also other effective ways to save water like recycle for reuse of rain water for garden, floor washing, toilet flushing. Another simple EMP method is saving the electricity, it can be done through simple step auto switch off air-condition, lights, TV when the room is vacant, uses of energy saving lighting, motion detectors lighting at corridor, escalator, improve insulation to reduce the use of air-condition and etc. Other green efforts can be like maximize the use of local food, compose waste and use as fertilizer, uses renewable

energy like solar and wind, recycle plastic containers and paper, encourage conservation of wildlife at their surrounding, allocation of no smoking section, promote culture or related activities (Ayuso, 2006; E. Chan & Hawkins, 2010; King, Funk, & Wilkins, 2011; Lin & Hemmington, 1997; Mensah, 2006; Merwe & Wocke, 2006; Scanlon, 2007; Tim, Macmillan, Palmer, Grabowski, & Hashimoto, 1999)

2.3 Hotel with EMP adoption

There are lesser hotels in Asian countries been issued with ISO 14001 environmental certifications compared with Western countries and Japan. Environmental Management Practices (EMP) are perceived by companies to provide benefit in terms of market advantage as reputation become better, cost savings and able to raise the status and image (Perry & Singh, 2001). Main reason of adoption of EMP by Multi National Company (MNC) in manufacturing industry in Malaysia are due to gaining competitive advantage and eliminate trade barrier (Perry & Singh, 2001). However, based on finding by Cespedes (2003), adoption of EMP by manufacturing industry is the pressure of comprehensive environment regulation. The scenario of EMP adoption varies across the region. By the promotion of economic growth in Malaysia for example has left very little emphasis on environment conservation (Kofoed & Fønnesbech, 2000). However, all the above literatures derived to a common motive where all of them aim to continue to exist, to maximize economic benefit and ensure the success in business.

One distinct characteristic of hotels is they have face to face or front line service like help desk and back office like linen cleaning where what they perform mostly are out from customer sight. For front line service, customer can directly observe the hotel's EMP and this observation can directly influence their overall judgment about hotel management performance. Hotel is required to seek their customers' corporation in EMP besides practicing it internally. This is because customers are the one who consume majority of the resource and generating the waste. On the other hand, the direct observation by customers actually pressure the hotel to practice EMP (Céspedes-Lorente, et al., 2003). In a study carried out for by Chan & Wong (2006) for hotels in Hong Kong shows that with EMP, the hotels not only gain financial benefit due to cost reduction in various resources, but it also improve the hotels' image among other stakeholders.

Most of the study shows that individual preferred to stay in hotel with EMP. Result shows that 70% would 'likely' or 'extremely likely' to stay in hotel with EMP (Céspedes-Lorente, et al., 2003). Through the surveys with 2308 tourists (Tsagarakis, et al., 2011) at two international airport at Greece, 86% of the respondents shows positive result. As long as not affect their comfort such as using low flow shower, they will be happy to support the EMP. This depending situation makes the hotels an interesting example for research. In addition the hotel's management requires reconciling the requirement of comfort by their guest and at the same time facing pressure from shareholder to minimize cost as well as public opinion to be green.

There are reviews (Yousef, Aidan, Frank, & Hussein, 2008) indicate a significant positive relationship due to EMP adoption which has contributed towards firms' business performance as the result of competitiveness achieved. The result continues to show consistency with their earlier reviews. For closer illustration, green innovation strategies promote efficient use of resources, thus it directly lower down the costs. Some hotel's managers favor short term benefit, they provide luxury services which involved over-consumption of resource resulting more waste generated (Céspedes-Lorente, et al., 2003). Another way of EMP can be done by reusing their waste material, make it saleable or even reduce emission to required levels. All these will help to ensure firms' comply with regulation and thus reduce the liability costs. By doing this, they can eventually built up their image and reputation which directly contribute to their market advantage. This relation had been proven by Yousef, E., Aidan, K. (2008) where they published their finding with significant positive relationship between green innovation strategy and companies' business performance.

Clemens (2006) found out that regardless of big or small companies which involved in environmental practices are able to obtained financial benefit. For the case of small companies there is a significant positive relationship found between green economic incentives and financial performance ($p=0.02$). There are empirical research (María del Mar Alonso-Almeida & Rodríguez-Antón, 2011; Ayuso, 2006; Céspedes-Lorente, et al., 2003; Gil, Jimenez, & Lorente, 2001) conducted earlier found out that hotel with chain affiliated having higher tendency in adapting EMP. This is because the chain enables the hotel with access in information on

environmental protection measures as well as sharing in resource. Due to this, they are having the advantage to achieve economic of scale.

In the study related to environmental supply chain for large tour operator around Europe (Budeanu, 2009) in a specific situation shows that, reactive towards EMP giving more benefit than proactive way. This is true especially in working to maximize the benefit with their suppliers. In the presence of unexpected events that give massive impact to tourism industry like economic downturn, terrorism, natural disasters makes the intangible aspect of buyer-supplier relationship like trust and loyalty are invaluable. In the situation with unstable financial resources, absent of institutional pressure, lack of skill and top management focus overwhelm the long term benefit. All these factors are valid in short term and can be the reason that slows down the adoption of EMP for hotel industry.

2.4 Theoretical Review

There are rigorous researches done related to the success of business in maximizing stakeholder value. Popular topics in business literature are like strategic management, marketing, effectiveness of organization and many others to further understand the contributing factors and occurrences. For corporation success, literatures and theories found which relates to Economic Theory, Marketing Value Theory, Stakeholder Theory, Resource-Based View Theory and Institutional Theory. Each of these come with certain advantages but it also have some limitations in its ability to explicate business management view on adopting EMP.

In Economic Theory, organizations effectiveness strategy pursue on profit and very goal-oriented. This model views a company as a single product which operating in a competitive environment, pursuing to maximizing their profit in a period of time by looking at total fixed and variable cost (Koll, 2003). Since EMP is related to long term strategy of a company and weighted at both tacit and explicit side of company value, this theory may not directly serve this purpose of study. There are criticism launched against economic theory where failure of the theory to provide decision maker with sufficient criterion on investment decision. Issues on risk factors, company image does not take into consideration (Koll, 2003).

Market Value Theory stress on maximizing market value when comes to decision making process (Koll, 2003). On the other hand, Michael (1998), explore in detail on how marketer

consider the influences of stakeholder in green new product development decision. How much the impact to the environment degradation improves is another topic of argument but interestingly this study reflex that understanding and adopting stakeholders' interest is important in green product development as this directly lead to marketing success (Michael & Jacquelyn, 1998). This is because some benefits are failed to notice without stakeholder involvement; making the process not market oriented.

Institutional Theory leverage environmental management practices by firms with respect to internal and external stakeholder including government, regulators, customers, competitors and many others (Delmas & Toffel, 2004). This theory also emphasizes on influences due to social and cultures pressure that imposed to the organizations characteristic which later influence their environmental management practices.

Institutional theory is also use to access how institutional pressure influence EMP for firm. This theory considers how the stakeholders impose coercive pressure on firms. It emphasize on important of regulatory resulting the firm to practice beyond their normal technical efficiency. In respond to this driving pressure and the way where firm manager perceive and react upon is the outcome that reflex on the EMP. Institutional theory emphasizes legitimating processes and the tendency for institutionalized organizational structures and procedures to be taken for granted, regardless of their efficiency implications (Delmas & Toffel, 2004). It is defined as "cognitive, normative, and regulative structure and activities that provide stability and meaning of social behavior" (Herremans, Herschovis, & Bertels, 2008). Looking from this perspective, the adoption of EMP may vary between locations even though they come from the same organization. This is because although the pressure from and stakeholders are the same to the organization but the pressure perceived by the manager may not be the same (Delmas & Toffel, 2004). This theory is viewing from another way of how it relates to EMP adoption and how the certified standard comes into implementation although it is also coming from stakeholder perspective. For this research context, this theory might not be as direct as in practice.

Resource-Based View Theory (RBV) was used in a study related to EMP as well as in firm performance. The main principle of this theory is linking the competitive advantage with internal resources (Ahmad, 2007), which can be divided into tangible and intangible aspect. Tangible resource is related to equipment, assets while intangible is related to employees' knowledge and

skill (Sarkis, Gonzalez-Torre, & Adenso-Diaz, 2009). Their resource, which view as internal strength of the hotel is view as important basis to sustain the competitive advantage. It is dynamic capabilities that influence the success of the company operation, strategy, which finally influence the development of companies' competitive advantage. Top management role in this context is view as influential to managerial duties, cultivation of organization culture and internal stakeholder awareness (Sarkis, et al., 2009). Usually, the effectiveness of RBV is measure through customers' perceptions on product based after adoption of EMP (Yen, Steven, Charles, William, & Steve, 2006). The effectiveness of the major different between RBV and Economic Theory is Economic Theory view environmental protection as high cost activity which making companies trying avoid (Yen, et al., 2006).

Others research review on stakeholder roles in EMP from the viewpoint of participation process. Skill facilitation, requirement in scientific understanding, clear objective, proper method for decision-making and stakeholder needs were emphasized. There is evidence from the study that stakeholder participation can enhance the quality of environment decision due to more comprehensive inputs (Mark, 2008). Stakeholder theory was used as the basis of framework development of this study. Unlike RBV, Stakeholder Theory views both the internal and external stakeholders are important constitute that influencing the hotel to adopt EMP. This theory is not limited to humans but also include the nature environment (Yen, et al., 2006). This is especially true in new phase of globalization where communications technologies play an important role in every second at every corner of the world. The change in technology had caused to a drift from traditional powerful shareholder to a new era whereby stakeholders are highly empowered (Werther & David, 2006).

2.5 Stakeholder and business entity

Companies including hotels exist due to a common goal which is to generate profit, although there are also a few exceptions that form for social purpose like youth hotel, YMCA (Young Men's Christian Association). In a traditional way, the owner or shareholders are the main person or group that has the direct influence in an organization. However, the existence of a company also depends on the interaction and support from creditors, customer, employees, government, community as well as activist. Their involvement can be in a direct form like business transaction, or indirect like without any economic interface (Werther & David, 2006).