

**ADOPTION OF ENVIRONMENTAL MANAGEMENT PRACTICES (EMPs) IN
THE MALAYSIAN HOTEL INDUSTRY:
AN INVESTIGATION ON EMPs DRIVERS AND MARKET PERFORMANCE
OUTCOMES**

By

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**PENERAPAN AMALAN PENGURUSAN ALAM SEKITAR (APAS) DALAM
INDUSTRI PERHOTELAN DI MALAYSIA:
SATU PENYIASATAN TERHADAP PENDORONG AMALAN PENGURUSAN
ALAM SEKITAR DAN HASIL PRESTASI PASARAN**

ABSTRAK

Kajian ini bertujuan untuk mengkaji sejauh mana penerimaan Amalan Pengurusan Alam Sekitar (APAS) di hotel empat dan lima bintang di Malaysia. Kajian ini juga bertujuan untuk mengenalpasti sama ada peraturan/kerajaan, permintaan pelanggan, tahap persaingan, kehijauan di peringkat organisasi, dan sikap tahap organisasi ke arah perubahan bertindak sebagai pendorong utama APAS. Di samping itu, kajian ini bertujuan untuk mengenalpasti sama ada prestasi pasaran bertindak sebagai hasil dari APAS. Penyeluruhan sistem pengurusan alam sekitar (SPAS) dan pengurusan hubungan di antara pihak berkepentingan mewakili APAS, manakala prestasi pasaran diukur melalui tiga dimensi iaitu keberkesanan, kecekapan, dan langkah penyesuaian prestasi pasaran. Populasi kajian ini adalah hotel empat dan lima bintang di seluruh Malaysia. Kajian ini menggunakan teori institusi untuk menyokong rangka kerja ini. Responden terdiri daripada 102 daripada 203 soal selidik diposkan dan kaedah kaji selidik telah digunakan untuk tujuan pengumpulan data. Keputusan kajian menunjukkan bahawa hotel empat dan lima bintang di Malaysia melaksanakan APAS di tahap yang sederhana. Secara umumnya, isomorfisma kognitif-budaya iaitu tahap kehijauan di peringkat organisasi bertindak sebagai pemacu utama untuk melaksanakan APAS. Di samping itu, kajian ini juga mendapati bahawa prestasi pasaran adalah hasil dari pelaksanaan APAS. Selain untuk melindungi alam sekitar, hotel juga boleh memastikan kemampuan perniagaan mereka dengan menggabungkan amalan mesra alam dan meningkatkan prestasi pasaran mereka.

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ABSTRACT

This study seeks to investigate the extent of the adoption of Environmental Management Practices (EMPs) among four- AND five- star hotels in Malaysia. This study also attempts to identify if regulation/government, customer demand, level of competition, greenness at the organisational level, and attitude of organisational level towards change act as the key drivers of EMPs. In addition, this study aims to determine if market performance acts as the outcome of EMPs. The comprehensiveness of environmental management system (EMS) and management stakeholder relations represent EMPs, whereas market performance is measured through three dimensions i.e. the effectiveness, efficiency, and adaptability measure of market performance. The population of this study is four- and five- star hotels in Malaysia. This study applied institutional theory to support this framework. Respondents consisted of one hundred and two (102) out of two hundred and three (203) mailed questionnaires and the survey method was employed for purpose of data collection. The results of the study showed that four- and five- star hotels in Malaysia implement the EMPs to a moderate extent. In general, cultural-cognitive isomorphism which is greenness at the organisational level acts as the main driver for hotels to implement EMPs. In addition, the study found that market performance is the outcome of EMPs. Besides to protect the environment, hotels can also ensure the sustainability of their business by incorporating environmentally friendly practices and improving their market performance.

CHAPTER 1

INTRODUCTION

1.0 Introduction

Sustainability and environmental management have become critical issues across a wide range of companies and industries because of the growing environmental awareness among consumers, governments, social groups and employees. Awareness and concern are particularly acute in the hospitality industry, and reflecting this, a number of research initiatives have been undertaken to address the issues in the hospitality industry context. Typically, the focus of such studies has been to identify environmental management initiatives adopted at green hotels (Al-Shourah, 2007; Bohdanowicz, 2005; Enz & Siguaw, 1999; Faulk, 2000; Kirk, 1995; Le, Hollenhorst, Harris, McLaughlin, & Shook, 2006; Masau & Prideaux, 2003; Mensah, 2006; Park, 2009; SitiNabiha, Wahid, & KamalulAriffin, 2010), or consumer awareness and attitudes towards environmental issues. Green products and services have been explored by some researchers (Anton, Deltas, & Khanna, 2004; Delmas & Toffel, 2004; ElTayeb, Zailani, & Jayaraman, 2010; Henriques & Sadorsky, 1996; Khanna & Anton, 2002; Manaktola & Jauhari, 2007), and identifying the motivation for green products and services has also been the focus of a host of studies (Al-Shourah, 2007; Bohdanowicz, 2005; Delmas & Toffel, 2003; Delmas & Toffel, 2004; ElTayeb, et al., 2010; Le, et al., 2006; Tzschentke, Kirk, & Lynch, 2004, 2008).

1.1 Background of the Study

Since independence in 1957, Malaysia's rapidly developing economy has been underpinned by its wealth of natural resources and a growing population. During its time as a British colony, Malaysia only exported natural resources and agricultural products. However, when the new government started its five-year development strategies in the mid-1960s, Malaysia rapidly diversified and industrialized its economy. Presently, the industrial and services are the two dominant sectors in the national economy. In conventional economic literature, services are defined as intangible goods, and the services sector is known as the tertiary sector involving the provision of services to businesses as well as consumers (Ottenbacher & Gnoth, 2005). There are many types of service industries, such as hospitality, tourism, finance, transportation and healthcare, and each have individual characteristics.

The importance of the services industry to Malaysia is illustrated through the industry's contribution to the Malaysian economy. In 2009, the services sector's contribution to Gross Domestic Product (GDP) increased to 57.4 percent, up from 55.0 percent in 2008 (BankNegaraMalaysia, 2009). According to AmResearch, Malaysia's services sector was expected to grow 7.1 percent in 2010, led by stronger demand arising from positive wealth effects from the financial markets, stable employment conditions and rising income levels (TheStar, 23rd April 2010). The services sector also contributed about 60 percent of Malaysian small and medium enterprises GDP in 2008 (SME, 2008).

With the Malaysian services sector becoming an increasingly important economic contributor, the tourism industry is among the top contributors in this sector.

In 2012, the tourism industry contributed RM 60.6 billion to total Malaysian revenue, a 3.9 percent increase from 2011 (www.tourism.gov.my, 2011). This growth underpinned by Malaysia's diverse range of natural assets that enable tourists to experience the country in a variety of ways, such as tropical forests, animals and marine life, beaches and coral reefs, traditional cuisine, a rich natural heritage and ethnic culture. The government investment in tourism includes extensive promotional campaigns created to attract both local and international tourists, and in 2007 launched the "Visit Malaysia Year" campaign to increase awareness throughout the world of Malaysia as a tourist destination.

Other government efforts include improving the quality of tourism sectors, such as the hotel industry, and play an important role in attracting more visitors. The hotel industry, which is categorized as a people-oriented industry, has created thousands of jobs around the country, and is intrinsically linked to the success of the tourism sector. Its importance to the economy was highlighted in the "The Ninth Malaysia Plan, 2006-2010", which showed that the average hotel occupancy rate in Malaysia increased from 59.2 percent in 2000 to 63.5 percent in 2005, and is projected to increase further to 66.4 percent by 2010. In order to maximize tourism's contribution to economic growth and development, this industry has to continually progress and improve. Expanding the role of the hotel industry requires meeting shifting customer needs and rapidly changing demands, and increasing the focus on customer satisfaction to remain flexible and competitive in a global market.

As tourists become more aware of the impact that tourism and the hotel industry have on the environment, they are changing the expectations and demands of the hotel industry. Environmentally conscious tourists are demanding sustainability efforts by

hotels in order to minimize damage to the environment. Many attractive holiday destinations are also environmentally fragile, and the hotel industry directly pollutes these areas through its impact and discharges (Kirk, 1995), and has the potential to destroy the environment (Font, 2002). Generally, hotels are heavy energy and water consumers, and generate unbalanced amounts of waste (USAID, 2002).

It has been recognized for a number of years that the hotel industry plays an important role in environmental protection (Abdul Samad et al. as cited in Cooper, 1998), and early efforts in environmental protection work began in the 1990s (Samad, Rahman, & Ibrahim, 2008). Research programs attempted to show that by minimizing energy and water consumption, using resources efficiently, and reducing waste without compromising on quality or standard of service, hotels can not only protect their environment but also increase the competitiveness of their business (Font & Tribe, 2001). Furthermore, hotels are well positioned to encourage their suppliers and business partners to do the same (Font & Tribe, 2001). This interdependence with so many other businesses gives hotels a unique opportunity to challenge business partners to help in the environmental mission and to look at how they might change their own activities to be more environmentally friendly (Delmas & Toffel, 2003).

Long term success of the tourism industry in Malaysia hinges on the country's ability to develop sustainable tourism and attract repeat visitors. This requires the development of sustainable tourism principles that are connected to its culture, traditions and heritage. Malaysia addressed this area with the National Tourism Policy, which includes policies on sustainable tourism, first declared in the Sixth Malaysia Plan (1991-1995), and updated in the following Seventh (1996-2000) and Eighth (2001-2005) Malaysia Plan. The Federal Government's broad policies for sustainable tourism

development in Malaysia include encouraging equitable economic and social development throughout the country by promoting rural enterprises, accelerating urban-rural integration and cultural exchange, and encouraging the participation of ethnic communities (NinthMalaysiaPlan, 2006).

Sustainable tourism development in Malaysia adopts an integrated approach in planning a continuing human resource development. A National Tourism Human Resource Development Council has been established to develop manpower for traditional tourism sectors, such as hotels, tour operators and the like (Cruz, 2003). This integrated approach also includes the preservation and beautification of tourism and historical sites. States that do not have tourism bodies have been encouraged to establish a mechanism to plan and coordinate tourism activities as well as formulate tourism master plans.

Additionally, sustainable tourism development in Malaysia includes developing environmentally friendly tourism products and the promotion of cultural and natural heritage. This is done by establishing “tourist villages” where local products and handicrafts may be put on display and cultural events may be staged. To support the development of environmentally friendly projects, the Malaysian Government budgeted more than RM 309 million in the Eighth Malaysian Plan (2001-2005) (EPU, 2000). The projects include the provision of budget hotels, historical site conservation, provision of pedestrian walkways and bicycle trails, and provision of soft loans for small to medium-sized tourism related projects. About RM 200 million alone has been earmarked for developing small and medium tourism enterprises (SMEs) (Cruz, 2003).

In spite of this, environmentally friendly hotels are not the norm in Malaysia as there are still no specific environmental laws or requirements for the hotel industry

(TheStar, 23rd April 2010). The hotel industry is not required to obtain green ratings or certifications, like the Green Leaf (USA), Green Key (Denmark), Nordic Swan (Scandinavia) and EU Flower (European Union). 'Green' rated hotels are hotels that have taken extraordinary steps towards greening the hospitality industry, for example by implementing actions to save water, energy, recycle and have proper waste management. However, the latest requirements of Malaysian hotel star ratings are only based on normal criteria like bedroom requirements, services, safety facilities, staff benefits and others (www.hotels.org.my, 2006).

Hence, the Malaysian policy and regulatory requirements are different from environmentally conscious countries as there is less focus on environmental policies and practices, but more emphasis on facilities and services (Samad, et al., 2008). These regulations include general environmental practices such as recycling, proper waste management, clean air, energy and water conservation, environmental health, and the issuance and monitoring of permits such as building permits, compliance with legislation, purchasing policies and environmental education (Manaktola & Jauhari, 2007; Miller, 2001). A survey of 14 hotels across Malaysia by Abdul Samad et al. in 2008 revealed a serious lack of awareness in green practices among hotel management. For example, the survey showed that only 50 percent of the hotels had committees for environmental issues and only a few hotels had best practices as guidelines for staff to follow (Samad, et al., 2008).

This lack of environmental awareness was the motivation behind a later pilot study, conducted by Abdul Wahid et al. (2010), of environmental practices employed in hotels in the two American continents. The study identified common green indicators that could be used as benchmarks for the environmental performance of Malaysian

hotels, and developed into a Green Practice Index (GPI) (Wahid, Abustan, SitiNabiha, & Amran, 2008). However, even with a green index, the hotel and tourism industry will suffer in the long run if the measures are not adopted or compliance is not enforced. Hence, it is essential to identify the drivers of EMPsand to understand the benefits of these practices on financial performance. Armed with such information, it then becomes possible to motivate Malaysian hoteliers to become more environmentally conscious and ensure the industry's sustainability.

1.2 Tourism Industry in Malaysia

Malaysia is recognized worldwide as a popular holiday destination, and hence tourism remains a growing sector of the national economy. In 2009, the World Tourism Organization (WTO) reported that Malaysia was in the ninth place of the “top ten most visited countries” list, up from eleventh position in 2008 (UNWTO, April 2010). The impact of this on Malaysian tourism revenues is an increase from RM 58.3 billion in 2011 to RM 60.6 billion in 2012 (Ninth Malaysia Plan, 2006; Tourism Malaysia, 2010). In its fifth year, the 2008 survey by Global Traveler Magazine (a US-based business travel publication) selected Malaysia as the Best International Tourism Destination for the third time running. More than 31,000 Global Traveler readers claimed that Malaysia was the best destination for business and leisure holiday products (NinthMalaysiaPlan, 2006; TourismMalaysia, 2010).

Tourist arrivals in Malaysia continue to grow, and have increased from 24.6 million in 2010 to 24.7 million in 2011, and 25.0 million during 2012 (Tourism Malaysia, 2012). These arrival numbers show an increase of 1.2 percent in 2012 over 2011, and during 2012 recorded its highest number of tourists to Malaysia at 25 million,

(Tourism Malaysia, 2012). Malaysia's top ten tourist generating markets in 2009 (December) were Singapore, followed by Indonesia, Thailand, China, Brunei, India, Australia, Philippines, the United Kingdom and finally Japan. Table 1.1 lists a brief summary of tourist arrivals and receipts to Malaysia.

Table 1.1: Tourist arrivals and receipts to Malaysia

Year	Arrivals	Receipt (RM)
2012	28.0 million	60.6 billion
2011	24.7 million	58.3 billion
2010	24.6 million	56.5 billion
2009	23.6 million	53.4 billion
2008	22.0 million	49.6 billion
2007	20.9 million	46.1 billion
2006	17.5 million	36.3 billion
2005	16.4 million	32.0 billion
2004	15.7 million	29.7 billion
2003	10.5 million	21.3 billion
2002	13.2 million	25.8 billion
2001	12.7 million	24.2 billion
2000	10.2 million	17.3 billion

Source: <http://www.tourism.gov.my> (2012)

Increasingly, tourists arriving in Malaysia, with its tropical jungles and pristine beaches, are demanding environmentally friendly accommodation, or eco resorts (Font, 2002; Kirk, 1998; Park, 2009). This has motivated more hotels to improve their environmental performance, and some have been recognized as green hotels from their efforts to become more environmentally friendly. In 1995, 12 Malaysian hotels were declared environmentally friendly hotels by The Green Hotels Association: Hotel Bagus Place Retreat, Tioman; Hotel Frangipani, Langkawi; Hotel Melia, Kuala Lumpur;

Putrajaya Shangri-La Hotel; Shangri-La Golden Sands Resort, Penang; Shangri-La Hotel, Kuala Lumpur; Shangri-La Rasa Ria Resort, Kota Kinabalu; Shangri-La Rasa Sayang Resort, Penang; Shangri-La Tanjung Aru Resort, Kota Kinabalu; Tanjung Sanctuary Hotel, Langkawi; Traders Hotel by Shangri-La Hotel, Penang; Traders Hotel, Kuala Lumpur (GreenHotelsAssociation, 1995). This group awards the title “The Best Green Hotel” to lodging properties which have taken environmental actions and extraordinary steps towards greening themselves and the hospitality industry. Whereas “Environmentally Friendly Hotels” is the title given to hotels that are environmentally friendly and act “green”, even if in only one small way.

1.3 Problem Statement

The World Commission on Environment and Development (1987) and the International Hotels Environmental Initiative (IHEI) (1992) have acted as a catalyst that pushed for the greening hospitality practices (Kirk, 1995; Tzschentke et al., 2004). Consequently, many hotels have participated in greening initiatives and adopted pro-environmental policies. In addition, customers’ increasing environmental concerns and desire for eco-friendly accommodation have driven the implementation of environmental initiatives (Gustin & Weaver, 1996; Manaktola & Jauhari, 2007), thereby enhancing hotels’ corporate image, and achieving higher levels of energy and resource efficiencies (Iwanowski & Rushmore, 1994).

While some hotels have already adopted green practices, others have not. So, an important question to ask is, “What determines a hotel’s commitment to environmental practices?” Most of the previous research across a range of disciplines has attempted to identify forces that motivate and encourage companies to respond to environmental

issues. It has identified stakeholders such as customers, local communities, government agencies, and public interest groups, as relevant parties that affect environmental decision-making and actions, which in turn, have an impact on the stakeholders (Lee & Rhee, 2006; Park, 2009). Organizational capabilities and the availability of resources to implement proactive EMPs also play a part in managerial decision-making (Lee & Rhee, 2006; Park, 2009).

Some of the previous research effort has focused on identifying hospitality management's perceived motivation to go green (Kirk, 1998; Tzschentke, et al., 2008), which include financial benefits, improved stakeholder relationships (Iwanowski & Rushmore, 1994; Kirk, 1995; Tzschentke et al., 2004), and ethical concerns (Tzschentke et al., 2008). Such green motivations are determined by the way top managers view environmental issues, as well as various internal and external factors that are relevant to their organizations (Park, 2009).

However, the majority of existing studies have focused on the relationship between EMPs and the manufacturing industries (Kirk, 1995). Environmental activities in these industries have a highly visible impact on the environment, and stories of environmental destruction are frequently published in the newspaper (Bowen, 2000; Budeanu, 2005; Dobers, 1997). The service industries also have a negative impact on the environment, but they are typically slow and silent destroyers (Hutchinson, 1996; Ottenbacher, 2007; Ottenbacher & Gnoth, 2005; Ottenbacher & Harrington, 2010; Tarí, Claver-Cortés, Pereira-Moliner, & Molina-Azorín, 2009).

Yet another group of studies have looked at EMPs in the context of different countries. Font (2002) and Faulk (2000) studied EMPs in American, European and Australian companies, while Kirk (1995) examined EMPs specifically in the hospitality

industries of the US. Delmas (2002) on the other hand investigated the implementation of ISO 14001 in Western Europe, Asia and the US, and Bohdanwicz (2006) examined environmental awareness in Swedish and Polish hotel industries. Meanwhile, Darnall, Henriques and Sadorsky (2008) studied the impact of EMPs in a number of companies in the manufacturing industry.

Despite the copious amount of existing research, there are few studies that have examined the dimensions of environmental management practices, such as comprehensiveness of the environmental management system (EMS), and management of stakeholder relations (Darnall et al., 2008; Delmas & Toffel, 2003). Moreover, the existing research has investigated EMPs in general, but has not conducted a detailed examination of the different aspects of environmental management practices. The earlier work by Darnall et al. (2008) stated that successful outcomes from green practices are largely dependent on the organization's environmental management system (EMS) and its comprehensiveness, which is the number of processes and systems it covers. To understand the link between EMS and the impact of green practices on the organization's performance, it is also important to consider the motivations for adopting green practices in the context of stakeholder relations (Darnall, 2008).

In Malaysia, almost no research has examined the importance of the drivers of EMPs and the relationship between EMPs and market performance in the hotel industry. Only a few studies have looked at EMPs in service industries, with most of the previous studies focused on the manufacturing industries (ElTayeb et al., 2010; Hutchinson, 1996; Montabon, Sroufe & Narasimhan, 2007).

In addition, the role of marketing in contemporary businesses is recognized and marketing philosophy is widely accepted, but the tourism industry has lagged in this

area, and is one of the last to experience the change from a seller's to a buyer's market (Calantone & Mazanec, 1991). The hotel sector has been slow to accept and implement marketing concepts (Appiah-Adu, Fyall, & Singh, 1999) and marketing planning is rarely discussed in hospitality related journals.

Hence, this study has examined the drivers for the adoption of environmental management practices, and the relationship between EMPs and market performance in Malaysian hotels. This research also examines the relationship between EMPs in relation to the effectiveness measure of market performance, the efficiency measure of market performance and the adaptability measure of market performance.

While other researchers, such as Al-Shourah (2007), have examined EMPs in the Malaysian hotel industry, their work has been based on resource based theory, concentrating mainly on hotels with ISO 14001 certifications. In contrast, this research examines EMPs using the institutional theory. By looking at the comprehensiveness of environmental management systems in hotels and the relationships between the stakeholders in the organizations, this research focuses more on practices implemented rather than certifications obtained. In addition, this research attempts to address the gap in Al-Shorah's study, which did not define the general EMPs of a hotel.

1.4 Research Questions

Based on the underlying problems presented above, the study attempts to answer the following research questions:

1. Do the four and five stars hotels in Malaysia implement the EMPs?

2. Do the main key drivers (regulation/government, customer demand, level of competition, greenness at the organisational level, and attitude of organisational level towards change) lead to the EMPs?
3. Does EMPs lead to Market Performance as the outcome?

1.5 Research Objectives

In order to answer the research questions identified by the current research, the following research objectives are sought:

1. To investigate the extent of adoption of EMPs among the four and five star hotels in Malaysia.
2. To identify if the regulation/government, customer demand, level of competition, greenness at the organisational level, and attitude of organisational level towards change act as the main key drivers of EMPs.
3. To determine if the market performance act as the outcome of EMPs.

1.6 Significance of Study

By using institutional theory, this study seeks to identify the relationship between drivers and EMPs in Malaysian hotels. Initially, the literature review uncovered five main drivers: regulation/government, customer demand, level of competition, greenness at the organizational level, and attitude of the organization towards change. In addition, the intent is to utilize institutional theory to identify the connections between EMPs and the outcomes. The environmental management practices' outcome, market performance, has also been ascertained. This includes effectiveness performance, efficiency performance,

and adaptability performance. The overall contribution of this study can be divided into two categories, a theoretical contribution and practical contribution.

1.6.1 Theoretical Contribution

The hotel industry, one of the most promising industries in Malaysia, is also one with an increasing number of customers expressing environmental concerns, and should be readily implementing environmental management practices. However, of the few existing studies on EMPs in developing countries, most have been conducted in the manufacturing industries. This study aims to make a positive impact towards improving knowledge of and action in EMPs in the services industry, or more specifically, the Malaysian hotel industry. In addition, lack of study has previously been undertaken that examines the relationship between EMPs and market performance in Malaysian hotels.

It achieve these aims by determining in what way the five drivers identified from the literature review influence the adoption of EMPs among hotels in Malaysia. Hence, the findings of this research add considerable knowledge in this area and provide a base for future studies about environmental issues. This research also enriches existing theories that deal with the diffusion of innovation or practices among hotels, such as the institutional theory, and has the potential to validate the generalizations of previous findings related to EMPs and market performance in developed countries such as Australia, Singapore, Spain, etc.

Two different aspects of EMPs been examined in this study, namely the comprehensiveness of the Environmental Management System (EMS), and the management of stakeholder relations. This approach was taken because EMPs are more practical in an organization when incorporated with comprehensiveness of the EMS' and

management stakeholder relations. The management of stakeholder relations is important as an organization's stakeholders influence the organization's decisions and the achievement of its objectives. Hopefully, this study helps future research to conceptualize EMPs with these two dimensions.

Another way this study contributes is to address the lack of existing studies that examine the relationship between EMPs and market performance. This contribution to the body of knowledge is achieved by conceptualizing market performance into three dimensions; effectiveness, efficiency, and adaptability are measures of market performance in the service organization, especially in hotels industry. Therefore, this research evaluates the impact of EMPs on three dimension of market performance. Moreover, the examination of the institutional theory framework in the context of Malaysian hotels also enriches these existing theories about the value of EMPs.

1.6.2 Practical Contribution

Environmental management and sustainability have recently become important issues in the hospitality industry (Park, 2009), and the outcomes from this research add to the knowledge about how EMPs are diffused among hotels in a Malaysian context. Overall, the benefits to the hotel industry, the main sector of hospitality, from environmental initiatives include improving corporate image and increasing resource and energy efficiency. Hence, this research focuses on important issues in a growing services industry (hotels), in a Malaysian context. There is no doubt that the implementation of EMPs in the hotel industry in Malaysia impact performance levels and the cleanliness of the hotels (GreenHotelsAssociation, 1995).

Furthermore, this research hopes to enhance the knowledge and performance of managers in the hotel industry and public organizations by offering tested actions for promoting sustainable tourism in Malaysia. It identifies the drivers for EMPs in the Malaysian context, and reveals the influence of each driver in EMPs. The first driver is regulation/government, which is the most obvious stakeholder that influences the industry's adoption of EMPs. Regulators and governments can clearly signal their endorsement of EMPs by reducing information and search costs linked to the adoption of the standard and by providing technical assistance to potential adopters. In addition, regulation/government can influence other service industries in Malaysia to apply environmental management practices, and this study may aid the Malaysian government's aim of sustainable services. On the whole, the findings of this study inform the hotel industry about the important regulations or government rules that affect the adoption of EMPs.

Secondly, as tourists have become increasingly aware of the need to preserve the natural environment, this research illustrates that by applying EMPs, Malaysian hotels can experience increased demand from the environmentally sensitive customer group and attract tourists from other countries to Malaysia. It is also possible that the ecological characteristics of services can be used as a differentiator that is appreciated by "green" customers (Darnall, Henriques, & Sadorsky, 2008). The increases in customer demand for such services may create opportunities for attaining competitive advantage and increase the level of competition in hotel industry, which in turn helps Malaysian hotels to compete with hotels in other countries.

Thirdly, environmental sensitivity at the organizational level may help the hotels' employees and guests remain healthier as a result of the implementation of green

practices. This study hopes that the findings increase knowledge and awareness to the stakeholders in the hotel industry about the importance of environmental management practices. With the stakeholders more concerned, they are more likely to influence the hotels to implement environmental management practices. Furthermore, it is hoped that the findings of this research encourage innovation in the Malaysian hotel industry and also that the Malaysian government is able to enter new markets and attract environmentally conscious customers and tourists by implementing green, in services or practices.

Key element of this study it that Malaysian hotels may better understand the effect of the adoption of EMPs on market performance. It is hoped that the Malaysian hotels industry recognizes that the positive impact of marketing EMPs influences hotel performance. Such awareness may help policy makers in developing countries in general, and Malaysia in particular, in setting appropriate policies and strategies for improving EMPs of the services industry. Hopefully, the hotel industry in Malaysia can adopt more comprehensive EMS and require hotel management to apply environmental management practices.

In addition, the findings of this research can act as a catalyst to encourage the Malaysian Hotel Association (MHA) to implement EMPs in all Malaysian hotels. The concepts and results of EMPs developed in this study may be utilized by policymakers to improve EMPs in the hotel industry.

1.7 Operational Definition

Drivers are defined as the motivators that encourage business organizations to adopt environmental management practices (EMPs) (Hoffman, 2001).

- **Regulation/Government**

Government policies are defined as regulations that establish price, service standards, environmental standards, marketing or distribution methods, accounting procedures, etc. (Le et al., 2006; Rivera, 2002). In reference to this study, government agencies are in charge of developing and deploying the monitoring and enforcement efforts to execute protective policies which also involves including economic policies. The lack of enforcement may disregard the public policy prescriptions and regulations (Rivera, Oetzel, deLeon, & Starik, 2009).

- **Customer Demand**

Customer demand is the set of beliefs that puts the customer's interest first, while not excluding those of other stakeholders such as owners, managers, and employees, in order to develop a long-term profitable enterprise (Jaworski & Kohli, 1993; Le et al., 2006). Organizations that operate in the more turbulent markets are likely to have to modify their services and products continually in order to satisfactorily cater to customers' changing preferences (Jaworski & Kohli, 1993; Le et al., 2006).

- **Level of Competition**

Level of competition can be defined as the intensity of rivalry in a situation where competition might be fierce or calm due to the number of competitors in the marketing and the lack or presence of potential opportunities for further growth (Jaworski & Kohli, 1993; Le et al., 2006). A firm's behavior as competition further intensifies is heavily influenced by the actions and contingencies undertaken by competitors. Jaworski and Kohli (1993) explains this phenomenon by stating that

when rivalry is fierce, products/services and processes have to be innovated, new markets have to be explored, novel ways to compete have to be found and finally ways to differentiate the company from its competitors is vital.

- **Greenness at the Organizational Level**

‘Greenness at the organizational level’ can be defined as the awareness and the concern of the organization to protect the environment, and the attitude of the organization towards sustainability (Horobin & Long, 1996). Some research state that by implement greenness at the organizational level can improve environmental performance generally involves several types of cost (Darnall, et al., 2008; Delmas & Toffel, 2004; Hoffman, 2001; Le, et al., 2006; Telle, 2006).

- **Attitude of Organization Level towards Change**

Attitude towards change as defined by Hurley and Hult (1998) as the organization being able to enter new or established markets with new or existing goods, in which the organization can implement new ideas, services or practices. Le et al. (2006) also define attitude towards change is the same as innovations which are ideas, practices, or concepts perceived as new to potential adopters. Organizations whose cultures emphasize innovation when resources are available tend to implement more innovations and develop a competitive advantage (Hurley & Hult, 1998).

- **Environmental Management Practices (EMPs)**

The definition of Environmental Management Practices (EMPs) can be defined as the techniques, policies and procedures an organization uses that are specifically aimed at monitoring and controlling the impact of its operations on the natural environment (Montabon, Sroufe, & Narasimhan, 2007).

- **Comprehensiveness of Environmental Management Systems (EMS)**

Comprehensiveness of EMS can be measured by examining a facility's diverse environmental practices (Khanna & Anton, 2002). An EMS is considered more comprehensive if it incorporates a greater number of environmental practices that have been recognized as important components of different types of EMSs (Darnall, et al., 2008; Khanna & Anton, 2002). An environmental management system (EMS) coated with a collection of internal policies, assessments, plans and implementation actions, affecting the entire organizational unit and its relationships with the natural environment (Coglianese & Lazer, 2003; Darnall, et al., 2008).

- **Management of Stakeholder Relations**

Management of stakeholder relation defined as various stakeholders, suppliers, competitors, industry and environmental non-government organizations (ENGOS) (Delmas & Toffel, 2004). By having the relationship with stakeholder, it can influence the achievement of an organization's objectives, organization's decisions, and hence, affecting organizations performance (Delmas & Toffel, 2004). This link suggests the possibility of an instrumental posture towards stakeholders on the part of the organization, with the organization seeking to manage those stakeholders in order to maximize profits (Delmas & Toffel, 2004).

- **Market Performance**

Market performance defined as the measurement of success of the organization marketing programs (Ambler, Kokkinaki, & Puntoni, 2004; Clark, 2000; Walker, Jr., & Ruekert, 1987).

- **The Effectiveness Measure of Market Performance**

Effectiveness is described as the degree to which organizational goals and objectives are achieved (Baker & Sinkula, 1999; Clark, 2001; Morgan, Clark, & Gooner, 2002; Ruekert, Walker, Jr., & Roering, 1985; Tay, 2001, 2002). Effectiveness is increasingly employed to measure market performance in some marketing and strategy literature. The effectiveness notion posits that any measure of performance should incorporate the objectives of the decision makers (Bonoma & Clark, 1988; Sheth & Sisodia, 1995; Tay, 2001, 2002; Yu & Lee, 2009). The purpose of implementing strategy is to achieve some set of objectives in a company when effectiveness provides an alternative measure to evaluate the performance of company's objectives.

- **The Efficiency Measure of Market Performance**

Based on Walker et al., (1987), efficiency measure of market performance is the outcome of a business' program in relation to the resources employed in implementing them. Other studies also refers to efficiency as marketing productivity, which examines how best to allocate marketing activities and assets to produce the best performance. Similarly, efficiency is defined as "the outcome of a business programs in relation to the resources employed (Walker, et al., 1987; Yu & Lee, 2009).

- **The Adaptability Measure of Market Performance**

The adaptability measure of market performance is the ability of the organization to respond to environmental changes (Baker & Sinkula, 1999; Clark, 2001; Morgan, et al., 2002; Tay, 2002; Walker, et al., 1987). Based on Walker et al., (1987),

adaptability is the business' success in responding over time to changing conditions and opportunities in the environment. Adaptability can be measured in a variety of ways, but the most common measures are the number of successful new product/services introductions in relation to those of competitors or the percentage of sales accounted for by products/services introduced within some recent time period (often operationally defined as the past three or five years) (Ottenbacher, 2007; Ottenbacher & Gnoth, 2005; Ottenbacher & Harrington, 2010; Walker, et al., 1987).

1.8 Organization of the Thesis

This thesis is divided into six chapters. Chapter one presents the overview of this research. Briefly, it highlighted the motivation that leads to the underlying thesis of this research. Chapter two presents relevant literature leading to the conceptualization of the respective study variables and followed by chapter three that dwelled the hypotheses development and theoretical framework. In turn, chapter four presents the methodology aspects employed by this research and followed by chapter five which presents and discusses the result and findings of this research. Finally, chapter six wraps up the whole research through presenting the implication and suggestion for future research.

CHAPTER 2

LITERATURE REVIEW

2.0 Introduction

Montabon et al. (2006) defined environmental management practices as the techniques, policies and procedures an organization uses that are specifically aimed at monitoring and controlling the impact of its operations on the natural environment. Furthermore, questions relating to execution of environmental responsibility, for example, “What needs to be done?”, “When it has to be done?”, and “How it should be done?” can be answered by looking at the environmental management practices of the organization (USAID, 2002). As usual, the environmental management practices provide the directions relating to the means in achieving the action plan and often include resource requirements as well (USAID, 2002).

The hospitality industry has been traditionally considered as an industry that does not have a great impact on the natural environment compared to industries such as the petroleum and manufacturing industries. However, the hotel sector, one of the main business sectors in the hospitality industry, has a much more negative environmental impact than the general public perceives. The sector consumes a vast amount of local and imported non-durable goods, energy and water, as well as emitting a large amount of carbon dioxide (Bohdanowicz, 2006; Kirk, 1998). As a result, environmental management is an emerging business strategy in the hospitality industry and has been attracting a lot of interest from industry practitioners as well as scholar.

This is partly due to the fact that consumers are increasingly concerned about the responsibility of business in perceiving and conserving the environment in which it

operates. The belief that industry needs to take a more proactive role in environmental conservation and preservation appears to stem from a lack of trust in industry by consumers, as documented in the Century Research Corporation's 1990 survey:

“Approximately 37% of the 600 respondents claimed that business can ‘hardly ever be trusted’ when it comes to the environment”, (United State Travel Data Centre, 1991).

Faulk (2000) quoting from Swarbrooke and Horner (1999), argued that the tourism industry should reach an advantageous level of sustainability through the minimisation of negative impacts and the maximisation of the benefits to the local community. Bohdonowicz's (2005) study even suggested that some environmental initiatives should be focused on stimulating the “environmental conscience” of hotel guests and creating demands for a greener alternative within the hotel and tourism industry. Besides, an improvement in pollution control would probably foster interest from environmentally sensitive tourist (Chan & Wong, 2006). The WTO (1998) stated that guest perceptions about the accommodation service quality level were influenced by such factors as the state of the environment.

Tourist have become increasingly demanding about the product or services and thus force hoteliers to adapt to their new tastes and preferences, including having a greater respect towards the environment (Tari et al., 2009). The implementation of environmental management practices, they are likely to improve their guests' perception of environmental quality, in addition to offering a healthy location and having differentiation badges such as eco-labels. This in turn will place them ahead of other less environmentally friendly hotels (Chan & Wong, 2006; Kirk, 1998; WTO, 1998).