

THE RELATIONSHIP BETWEEN ENVIRONMENTAL
MANAGEMENT PRACTICES (EMP) AND HOTEL
PERFORMANCE: EMP DRIVERS AND THE
MODERATING ROLE OF PERCEIVED BENEFITS

ABDALLAH AHMAD AL-SHOURAH

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AND THE MODERATING ROLE OF PERCEIVED BENEFITS**

by

ABDALLAH AHMAD AL-SHOURAH

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DEDICATION

This thesis is specially dedicated to:

***My beloved father, Ahmad and my beloved mother, Miriam,
and to all my family***

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Praise be to Allah (SWT) the Almighty for the successful completion of this thesis as through His Grace and the prayers of my loved ones, that this momentous journey in the pursuit of educational excellence has reached its destination. I would have done this alone without the support of seared people of around me.

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LIST OF ABBREVIATIONS

Analysis of Variance	ANOVA
Asia Pacific Hotels Environment Initiative	APHEI
Caribbean Alliance for Sustainable Tourism	CAST
Competitive Legitimacy	CL
Descriptive Statistics	DS
Drivers Environmental Management Practice	DEMP
Employees' Recognition	ER
Environmental Management	EM
Environmental Management Practice	EMP
Environmental Management System	EMS
Environmental Values	EV
Hotel Performance	HP
International Hotel Environment Initiatives	IHEI
International Standard Organization	ISO
Kaiser-Meyer-Olkin	KMO
Measure of Sampling Adequacy	MSA
Non-governmental Organizations	NGO
R Square	R^2
Resource-Based View	RBV
Statistical Package for Social Science	SPSS
Sustainable Development	SD
Total Quality Management	TQM
World Tourism Organization	WTO

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PERHUBUNGAN DI ANTARA AMALAN PENGURUSAN PERSEKITARAN (APP) DAN PRESTASI HOTEL: PEMANDU APP DAN PERANAN PENYEDERHANAAN MANFAAT YANG DITANGGAP

ABSTRAK

Kajian ini adalah tentang prestasi hotel dari sudut amalan pengurusan persekitaran (APP). Objektif utama kajian ini adalah untuk mengenalpasti sejauhmana APP dan impaknya ke atas prestasi hotel. Kajian ini juga menyentuh tentang peranan yang dimainkan oleh tanggapan terhadap manfaat sebagai penyederhana bagi hubungan di atas. Kajian ini mengenalpasti antiseden baru yang memandu pihak hotel meningkatkan APPnya. Populasi kajian ini terdiri daripada hotel bertaraf empat dan lima bintang dengan menggunakan borang soal selidik sebagai sumber utama pengutipan data. Satu rekabentuk kajian survei telah dibina dan digunakan untuk mengumpul data daripada 158 hotel bertaraf 4 dan 5 bintang di seluruh Malaysia. Dapatan kajian ini adalah berdasarkan interpretasi daripada analisis statistik yang telah dijalankan iaitu, analisis regresi bertingkat dan berganda. Kesan hubungan positif telah diperolehi antara APP dan prestasi hotel. Dari sudut kesan penyederhana, didapati bahawa hubungan di antara APP dan prestasi hotel adalah dipengaruhi oleh manfaat yang ditanggap yang diharapkan dari amalan pengurusan. Secara khususnya, kesan APP kepada prestasi hotel akan menjadi lebih besar sekiranya hotel bertanggungjawab bahawa hasil kepenggunaan amalan persekitaran akan membawa kepada manfaat yang signifikan. Daripada lima pembolehubah bebas, hanya pengiktirafan pengurusan persekitaran tidak membawa sebarang pengaruh ke atas amalan pengurusan persekitaran.

Manakala, pembolehubah yang lain iaitu, nilai alam sekitar hotel, sokongan pengurusan atasan, peraturan dan kewajaran mempengaruhi APP. Secara khusus, sokongan pengurusan atasan memberi impak sangat penting ke atas APP. Salah satu implikasi bagi pengurusan ialah pihak hotel perlu mempertimbangkan bahawa tahap impak APP ke atas prestasi hotel seharusnya bergantung kepada peranan pengurusan atasan dalam memenangi penyebab alam sekitar.

THE RELATIONSHIP BETWEEN ENVIRONMENTAL MANAGEMENT PRACTICES (EMP) AND HOTEL PERFORMANCE: EMP DRIVERS AND THE MODERATING ROLE OF PERCEIVED BENEFITS

ABSTRACT

This study is primarily an investigation of hotel performance from the perspective of environmental management practices (EMP). The basic aim of this research is to determine Malaysian hotels' adoption of environmental management practices and its impact on performance. In addition, the role of perceived benefits as a moderator of the said relationship is investigated. An attempt is also made to identify new antecedents that drive hotels to increase their extent of environmental management practices. The population of this study consists of four and five star hotels with questionnaires being the main source of data collation. A survey research design was developed and data was collected from 158 among 4 and 5 stars hotels across Malaysia. The findings of this study were based on interpretation from statistical analyses, namely multiple and hierarchical regression analyses. A positive influence between the extent of environmental management practices and hotel performance was evident from the findings. In terms of moderating influence, it was found that the relationship between EMP and hotel performance is contingent upon the perceived benefits of management practice. It was noted that the impact of EMP on hotel performance will be greater if hotels perceived that the outcome of adopting a set of environmental practices will bring about significant benefits. Out of the five independent variables, only employee recognition did not exhibit any influence on practices of environmental

management. The rest, which are hotels' environmental values, top management support, regulations and competitive legitimacy, were found to influence EMP. Specifically, top management support had the greatest impact on the adoption of EMP. One of the managerial implications is for hotels to realize that the degree of the impact of EMP on hotel performance is dependent on the role of top management in championing environmental causes.

CHAPTER 1

INTRODUCTION

1.0 Introduction

The importance of Environmental Management (EM) in organizations is becoming widely accepted across both the industrial and service sectors. Essentially, EMP is a program for developing, implementing, managing, coordinating, and monitoring corporate environmental activities to achieve two goals: compliance and waste reduction (Sayre, 1996). In recent years, environmental regulators have turned to perceived benefits in the hope that these formal systems would be useful in achieving mandated requirements and societal environmental goals (Hilson & Nayee, 2002). There is a need for background information on environmental practices in Malaysian's hotel industry which will serve as a basis for fashioning a comprehensive environmental management program for the sector. Such information will also help hotel managers, the government and the Malaysian Tourism Department to adopt and initiate appropriate environmental management programs aimed at protecting the environment and thereby making local hotels internationally more competitive. This will also augment national efforts aimed at protecting the environment (Mensah, 2006).

A research that examines existing EMPs may be necessary in order to address the roles of environmental management systems in environmental policy and hotel decision-making. As stated by Erdogan and Baris (2006), hotels that have implemented EMPs often expect to lower their environmental costs or to

improve their performance. This in turn should benefit society in terms of benefit from reduced energy consumption, pollution, and reduced waste generation. However, not all EMPs are equally effective in achieving these goals.

Although the hospitality industry does not consume vast amounts of resources, nonetheless, the amount generated has a significant impact on global resources (Kirk, 1995). Therefore, the industry has a vested interest in environmental management, owing to the need to preserve attractive and safe surroundings, an essential feature of its core business. As such, a system has to be in place to provide a roadmap for planning, delegating responsibilities, outlining processes, allocating resources and implementing best practices pertaining to environmental management. Thus, environmental management contributes to the formal facilitation of all its operations, to be in conformity with set environmental targets. Various researchers have analyzed factors that are industry specific that drive environmental management practice such as regulation and competition forces (Aragón-Correa, 1998; Hart, 1995; Nehrt, 1998; Russo & Fouts, 1997; Sharma & Vredenburg, 1998) as well as pressure from governmental organizations (Lawrence & Morell, 1995). This research investigates how extensive are EM practices in hotels and, in turn, proposes a design for an EMP that provides for better hotel performance.

This chapter is a discussion on the hotel industry's significance to the Malaysian economy. What follows next is an argument on the need to be environmentally friendly to garner a competitive advantage in the hotel industry. As this study endeavour to reconcile the apparent conflict within in the context of hotels in Malaysia, and provide a line of thinking that illustrates the significance of

this research from the theoretical and practical aspects will be offered. Definitions of key terms are also listed. Since environmental management is widely perceived to be an effective and practical management tool and not merely a theoretical approach, management research takes a descriptive role is assumed by this study as it attempt to link this tool with existing theories and models.

1.1 Background of the Research

There are many types of service industry, to name a few are the hospitality, tourism and healthcare industries, each possessing certain unique characteristics. The hotel industry is one of the service industries categorized as a people oriented industry. However, in today's rapidly changing service environments the comprehensive planning and rapid implementation of environmental management practices is especially vital in the hotel industry. This is because the service sector is a major revenue earner, as exemplified by the 6.2% growth rate experienced in 2004 due to high consumer expenditure amidst a record level of tourist arrivals (New Straits Times, 21 Feb, 2004). It can be observed from Table 1.1 that the number of tourist arrivals, hotel occupancy rates and tourist receipts has been on an upward trend annually. The exception being 2003 when the hotel industry was struck by the repercussions emanating from the Middle East conflict and the SARS outbreak. Notwithstanding this minor setback, the year 2004 saw an all-time high in tourist spending and arrivals, as well as an immediate jump in hotel occupancy rates (Bernama, 2003).

Based on estimates for year 2004, the Malaysian Association of Hotels president, Mohd Ilyas Zainol Abidin had stated that the hotel industry remained on-

course to record an impressive growth rate for 2004, despite the then haze and terrorism scare. Being one of the more resilient industries, the hotel industry has received significant boosts from the Malaysian government during periods of slow growth and recession. Some of the relief measures accorded by the government include a 5 percent discount on monthly electricity bills for hotel operators, levy exemption from the human resource development fund, and special relief guarantee facilities to tour and hotel operators (Malaysian Business, 1st April 2005).

2005 can be regarded as bumper year for the Malaysia tourism industry as it continued to benefit from the Asian tourism boom, with tourist arrivals reaching almost 17 million, matching the target set by the Malaysian government at the beginning of the year. Despite the fact that Singapore remained the top country for tourist arrivals i.e., accounting for 57% of the total arrivals in 2005, Malaysia was also ranked among the top three countries for the most number of tourist arrivals among the 53 commonwealth nations surveyed by the World Tourism Organization. Within this period, the market was able to recover rapidly from the 2003 SARS outbreak, recording a 48% leap in arrivals in 2004. International events such as the F1 Malaysian Grand Prix, Le Tour De Langkawi and F1-Powerboat Grand Prix had also played an important part through their promotion efforts. On the domestic front, the *Cuti-Cuti* Malaysia Campaign provided an added impetus to the industry as revealed by the Malaysian Tourism Department 2003-2005. Obviously the tourism industry is not considered to be a separate industry in the national accounts in terms of goods and services produced.

Table 1.1*Summary of Tourist Arrivals and Total Expenditure Between 2000-2006.*

Year	Tourists Arrivals	Average	Total Tourist Spending
		Occupancy Rates	(RM, in million)
2000	10,221	49%	17,335
2001	12,775	51%	24,221
2002	13,292	53%	25,781
2003	10,576	51%	21,291
2004	15,703	63%	29,448
2005	16,431	66%	31,704
2006	17,236	69%	33,424

Source: Malaysia Tourism Promotion Board; and Economic Planning Unit, Prime Minister's Department. The Eight Malaysia Plan, 2000 to 2006.

The main aim of this research was to determine whether the local hotel industry possesses an understanding of environmental management issues and practices. The study is an exploratory study that seeks to find out environmental management practices of hotels in Malaysia and to establish the differences on the extent and implementation of such practices among 4 and 5 stars hotels. This is especially important as EMP has an effect on performance of hotel industry and also the perceived benefits case for the moderating effect of the relationship between EMP and hotel performance. The results of this research confirm with those of previous studies by Forbes (2001), Gil et al. (2001) and Kirk (1998).

The hotel industry has faced increasing pressure to pay appropriate attention to environmental issues despite its emphasis on attracting more tourists

inflows. As a result of this attention, more managers now understand that long-term economic sustainability and growth depend upon the nature of their environmental policies. In this regard, clean environment is now perceived to be a basic component of quality service and is important for the development of the travel, tourism, and hotel industries. However, the nature and extent of the industry's commitment to environmental issues in Malaysia is largely unknown. Thus, the study aims to identify good examples of environmental management as practiced the Malaysian hotel sector. This is because a majority of previous research was designed at understanding "what the hotel industry does", rather than "why do they do it". It is new about time that a more comprehensive understanding of the issues related to the latter is provided through a scientific research.

1.1.1 Environmental Management Among Hotels in Malaysia

Over the past decade many organizations, both in the private and the public sectors, have recognized the value of a systematic approach to the management of their organizations. Superficially, it might be argued that environmental management is not an important issue in the Malaysian hotel industry. After all, certain groups might argue that it is impossible for hotels to be environmentally conscious due to the high investment costs involved. However, upon deeper examination of the subject might reveal that hotels in Malaysia cannot avoid confronting this issue for long if they are to remain competitive.

Given that excellent service deliverables are a prerequisite in attaining a 4 - or 5 - category status, hotels need to seek alternative avenues to be competitive. Hotels in Sabah and Sarawak are actively gearing themselves in the aspect of eco

tourism and to be perceived as environmentally friendly. A decade ago, in 1996, Tasik Kenyir Golf Resort was the first to implement ISO 14000, which signifies the high priority it accords to continued improvement of environmental management and the prevention of pollution (New Straits Times, 18th August 1996).

It should be borne in mind that environmental degradation from improper channelling of waste and refuse into the streams would inevitably cause potential tourists to turn to other tourist destinations. For example, beaches along the tourist belt in Penang were recently highlighted for their terrible state of cleanliness (New Straits Times, 21 Feb 2004). In contrast, Bali has always been a favourite travel destination due to its ability to harness its natural surroundings to its advantage.

There is a realization among many hotels that environmental management does not solely mean preventing their surroundings from being polluted. Daily operational activities and consideration, which range from the use of recycled papers to minimizing the use of heavy chemicals also provide a significant cost saving measure for hotels (Hong & Parker, 2004). Therefore, it is not true to state that investment in environmental management practices will result in the escalation of operational costs and erosion of profit margins. In fact, in developed nations, a pattern has emerged where the hospitality and tourism industry are continuously under pressure to be perceived as environmentally friendly. This pressure is exerted by: (a) consumer demand, (b) increasing environmental regulations, (c) ethics, and (d) customer satisfaction (Foster, Sampson and Dunn, 2000). The key environmental concerns for most tourists are wildlife, conservation of water and energy, related resources, pollution, construction and planning (Trung & Kumar, 2005).

Hotels in Malaysia would soon have to face similar issues, especially those involved in the eco-tourism sector. This sector covers a large number of hotels, on the east coast of Peninsular Malaysia, Langkawi Island, East Malaysia (Sabah and Sarawak) and some parts of Penang Island. As such, being insensitive towards environmental concern could mean losing revenue to more established tourist spots such as Bali and Phuket Island. In 2003, Shangri-La's Tanjung Aru Resort was awarded the Prime Minister's Hibiscus Award for its commitment towards clean-green effective operations (Mohamed & Zakariah, 2003).

Such an emphasis in the hotel industry would mean that environmental management should be studied from all technical and organizational angles so as to reduce the environmental impact caused by a company's business operations, while not forgetting the main goal, which is to maximize revenue and achieve customer loyalty. In order to achieve this, operations can essentially be broken down into activities, which would exert a significant impact on global resources if not in parts (Kirk, 1995).

The benefit of adopting EMP is multifarious. This fact is attested to by some studies on the subject. For instance, of the streamlining of a hotel's operational activities to be consonant with environmental needs will accrue savings (Rondinelli and Vastag, 1995) through the prevention of environmental degradation in turn leading to reduced cost of production and higher profits (Pava & Krausz, 1997; Russo, Fouts & Paul, 1997; Waddock & Graves, 1997). Ultimately, the implementation of EMPs may provide hotels with unique environmental resources operation, capabilities and benefits that may confer a competitive advantage to practitioners (Hart, 1995; Klassen & Whybark, 1999a). Such benefits may be

derived from: 1) the approval of a hotel's customer base (image benefit), 2) regulations, 3) first mover advantages, 4) the embracing of eco-tourism and 5) cost savings (Aalders, 2002; Holland & Foo, 2003; Kollman & Prakash, 2001, 2002). Other benefits gained have been attested to by several studies. For instance, the energy-saving potential in hotels has been estimated at 10–25 percent (Blank, 1999; West and Elliot, 1996). This depends on the age, size and the type of equipment installed, as well as maintenance and standard operating procedures in use.

It should also be remembered that the cost of not adopting EMPs is financially debilitating. For instance, Wight (1994) stated that those hotels with 10 times more consumption of energy than normal often did not have a proper EMS in place. Hotels built around non-retro fitted facilities should achieve the greatest energy conservation. Another potential saving lie in lighting which in some cases can cater up to 40 per cent of the total energy consumption of a hotel (CHOSE, 2001). This is despite the claim that efficient equipment is prohibitively expensive. However, those people are equally unaware of the fact that the running costs of inefficient apparatus are frequently much higher than the initial cost of installing more effective equipment (Bohdanowicz, 2005b; McIntosh and Smith, 2001; Morrow and Rondinelli, 2002).

Another significant aspect of effective environmental management practices is in a hotel's ability to promote towel reuse. This is somewhat still at its infancy in Malaysia, although it has been widely accepted by guests in Europe as reported by Bohdanowicz's (2005a) survey. In fact, it has been estimated that an average 150-room hotel with an active towel and linen reuse program could save 22,700 liters

of water and approximately 150 liters of detergent monthly. This corresponds to savings of US\$6.50 per day per occupied room (Griffin & DeLacey, 2002).

In terms of the sustainability concept, actions that prolong the active life of various items, which minimizes their environmental costs (from a life cycle point of view), include change carpets and draperies once in 5 years. Besides this, guests are also receptive to the idea of reusable detergent packaging instead of throwaway alternatives. In addition, the installation of soap and shampoo dispensers in guest bathrooms instead of individually packed toiletries are also considered environmentally cost conscious efforts though driven by cost savings. Likewise, the International Hotels Environment Initiative IHEI (1993) reported that medium-sized hotels (e.g. 50-150 rooms) consume 5,071 litres of water per person per day. This figure is approximately twice that of hotels, which are environmentally conscious.

All favourable notions put forward on the environmental management practices are thus far only found in European studies, without any corroboration by local research (Jiang & Bansal, 2003). Consequently, the following problem statement would summarize and put forward the issue that is to be addressed by this study.

1.2 Problem Statement

There are two notable strands of thought in environmental management literature, i.e. one which states that environmental management practices are integral to hotel or firm performance (Curkovic, Handfield, Melnyk and Sroufe, 1997), while a second set asserts that paying such attention would accrue

unnecessary costs that confer no corresponding benefits to the firm (Waley & Whitehead, 1994). Basically, both sides have differing opinions regarding how costs and efficiency fare when operated on a perceived benefits of framework, with pundits of perceived benefits believing that adoption of EMP would result in cost savings, and improvement in corporate image (Poksinska, Dahlgard and Eklund, 2003) and profitability (Tibor, 1996).

In this regard, it is interesting to note that Gustin and Weaber (1996), stated that in Spain, 70 percent of individuals surveyed contended that they were either likely or extremely likely to stay in a hotel with a proactive environmental strategy. However, only a few respondents admitted a willingness to pay a premium charge for an environmentally friendly setting. Moreover, they supported actions to preserve energy and recycling, but not those that diminish their levels of comfort such as longer periods for the change of towels or the installation of automatic faucets and low-flow showers. Such conflicting feedback makes the hotel sector an important setting for examining the extent to which the struggle between efficiency and customer satisfaction balances contradictory pressures to adopt environmental management practices. For example, a hotel's management has to reconcile requests for high comfort and high consumption of water from guests, with that of shareholders seeking cost cutting measures on water supply (Gil, Jimenez & Lorents, 2001).

While all indicators show that sound environmental practices in hotel management result in huge savings on operational costs, increased market share, and improved corporate image, there are complexities involved in the implementation of environmental management practices (EMP). The researcher

believes that listing of activities that govern the environmental management practices (EMP) should foster efficiency in operational activities. This is because if such operational excellence is not part of the EMP framework, it makes little sense for hotels to adopt such practices. Therefore, unlike in developed countries where enforcement and environmental regulation drive the adoption of EM measures, pressure factors related to hotels in Malaysia are believed to be more operational efficiency, and impression management in orientation.

Thus, it can be surmised that the motivations behind the adoption of EMP by hotels in Malaysia and in more developed countries might be attributed to different causes. Therefore, this research seeks to address the following questions:

1.3 Research Questions

This study attempts to investigate performance within the context of Malaysian hotel industry. Specifically, the research objectives can be framed into 3 main research questions, which are as follows:

Q1: What is the extent of EMP among 4 and 5 star hotels in Malaysia?

Q2: What are the antecedents driving EMP and how do they contribute to performance?

Q3: How do perceived benefits affect the relationship between the extent of the EMP adoption and hotel performance?

1.4 Research Objectives

The objective of this study is to determine the environmental management policies and practices of hotels in Malaysia. Furthermore, this research aims to

reconcile the issues raised in the foregoing section. The objective of this research is to provide some empirical evidence on the industry performance measures and on the nature of relationships between environmental management practices measures with other contextual variables such as the perceived benefit of environmental management, the factors driving the adoption of environmental management practices, and hotel performance.

Specifically, it investigates the impact of environmental management practices in hotel performance. The research objectives are set out as follows:

- (1) To determine the extent of EMP among 4 and 5 star hotels in Malaysia.
- (2) To identify new antecedents that drive EMP adoption.
- (3) To identify the role of perceived benefits on the relationship between the extent of EMP and hotel performance.

The broader scope of this study is to examine existing environmental protection policies and their application by the Malaysian hotel industry (focusing on 4 – and 5 - star hotels). The rationale behind the selection of 4 and 5 stars hotels is because the size, resources and customer expectations of this category of hotels would render the adoption of comprehensive EMPs feasible (Gil et al., 2001).

1.5 Significance of the Study

The increasing adoption of environmental management in hotel firms seems to have been sparked off by growing concerns over the impact of tourism on the environment (Mensah, 2004). Subsequently, hoteliers must assess the strengths

and weaknesses of the product or service they provide, and whether it accurately represents guest expectations (Philips & Moutinho, 1999).

A research on EMP and hotel performance would provide a different perspective into an organization's capabilities. Seen from a resource based perspective strategic advantages have often been attributed to the ability of any organization to provide product and service differentiation from its available resources. In other words, the optimal use of tangible and intangible resources, which are scarce, inimitable and non-substitutable, would allow a hotel to achieve a competitive advantage. This study extends this view, by emphasising a need to divert from traditional RBV and the natural Resource Based View (RBV) theory (see Hart, 1995). This would allow the strategic management discipline to observe EMS as a potential resource for creating a defensible position by leveraging on RBVs traditional strengths (Russo, Fouts & Paul, 1997).

Indirectly this research would attempts to resolve a critical paradox influencing the acceptance, implementation and use of EMP i.e., whether the EMP is a resource or expenditure saving mechanism. By showing that operational efficiency can be gained from environmental management practices (EMP), it is believed that the present study would highlight the need for hotels to go beyond investment in EMP for the mere purpose of compliance with regulations, a move which is both short term and reactive in nature (Cespedes-Lorente, Jimenez & Gil, 2003).

Arguably, the novelty of adopting EMP lies in its role as a source of cost reduction, heightened efficiency, innovation and image building. Thus, the practical significance of the study does not focus solely on proactive environmental

protection but also on enhancing corporate image and efficiency of hotels (Srofe & Montabon, Narasimhan & Wang, 2001).

1.6 Definition of Research Variables

The research variables are defined briefly as follows:

1.6.1 Environmental management (EM)

Environmental management refers to all technical and organizational activities aimed at reducing impact on the environment due to a company's business operations (Cramer, 1998).

1.6.2 Environmental Management Practices (EMP)

Environmental Management Practices (EMP) refers to the collective initiative of hotels in increasing efficiency under the guise of environmental protection (Cespedes-Lorente et al., 2003). For the purpose of this study, environmental management is defined as a continuous process adopted through management decisions, by which a hotel's activities are monitored and appropriate programmes and activities devised to reduce negative environmental impacts.

1.6.3 Environmental Management System (EMS)

An Environmental Management System (EMS) is a set of organizational procedures, responsibilities, processes, and necessary means to implement corporate environmental policies (Begley, 1996; Kirkland & Thompson, 1993).

1.6.4 Perceived Benefits of Environmental Management

Perceived Benefits of environmental management (PBEM) refers to a set of favourable outcomes, accruing from EM implementation and certification (Zutshi & Sohal, 2004), as anticipated by management. These outcomes may be both quantifiable and non-quantifiable in nature.

Eco-tourism, is a process that allows “tourism growth while at the same time preventing degradation of the environment” (Nijkamp & Verdonkschot, 1995).

Sustainable Development (SD) is the development that meets the needs of the present generation without compromising the ability of future generations to meet their own needs (World Commission Environmental Development, 1987).

Regulations are to a set of laws and tulles imposed by the governing bodies of a particular area/country. Regulations include environmental protection laws, control laws, suspension of business and penalties (Azone & Bertele, 1994; Gao, 1995; Lin, et al., 1996).

Legitimacy - A generalized perception or assumption that the actions of an entity are desirable, proper or appropriate within some socially constructed systems of norms, values, beliefs and definitions (Suchman, 1995).

Competitive Legitimacy relates to justifiable acceptable actions taken for the purpose of competing effectively with other organizations (Henriques & Sadorsky, 1996).

Environmental Values (EV) refers to one's concern as well as beliefs about the importance and preservation of the environment (Yiang, 1995).

Top Management Support (TMS) is defined as the top management's commitment and involvement in environmental management through its embodiment of certain goals and values as well as through its shaping the ideas and values of the entire organization (Deshpande & Webster, 1989; Drumwright, 1994).

Employees' Recognition (ER) is the attitude that employees have a significant influence in the implementation of environmental conservation (Gao, 1993). Thus, the employee environmental recognition meant in this study involves the employee's favourable attitude, understanding and acceptance the importance of the environment and their roles in its preservation.

1.6.5 Hotel Performance

Hotel Performance (HP) is defined as financial and non-financial indicators which include profitability, the level of sales growth, and market share that reflects the efficiency and effectiveness of hotel management policies (Kirk, 1995).

1.7 Organization of the Thesis

The thesis is organized into six chapters. Chapter 1 provides the overall view of the whole research. It highlights the background, problem statements, as well as research questions, objectives, significance of the study.

Chapter 2 covers literature in the areas of environmental management practices, perceived benefits, sustainable development, factors driving management practices, and performance measurement in the hotel sector. The discussion of the literature is rooted in the resource-based view theory related to hotels. The development of this research's framework is considered in Chapter 3. Both the framework and hypotheses of this research are developed from the general consensus in the literature regarding the relationship among contextual variables, namely, EMP, perceived benefit of environmental management and factors driving EMP and hotel performance.

Chapter 4 outlines the methodology employed by this study and explains how the data were obtained in order to test the hypotheses generated in Chapter 3. This chapter elaborates on the research design, research site, sampling and data collection procedures, questionnaire design, measurement of research variables, and the statistical techniques used to test the hypotheses. Chapter 5 reports the results obtained from the data analysis techniques used in this study.

In Chapter 6 a comprehensive discussion of the findings and results of this study is included which can provide additional insights on the findings of prior research. This Chapter will also explain the theoretical and practical implications of this study and its limitations as well as offer recommendations for future research. It concludes with a summary of the research.

CHAPTER 2

LITERATURE REVIEW

2.0 Introduction

This chapter addresses the research question from a theoretical perspective. The study reviews the literature relevant to the hotel industry. Environmental Management Practices (EMP), Perceived Benefits of Environmental Management, and factors Driving Environmental Management Practice (DEMP). The thesis is then framed by building on environmental studies from the resource-based view theory. This review has the same structure for each area: a typology, and the process. A typology represents the different forms in which a phenomenon can manifest itself (Meyer, Alan, Anne and Hinings, 1993). A process explains how a phenomenon takes place (Pettigrew, Herd & O'Heocha, 2001).

Recently, there has been a great deal of interest in research literature regarding how environmental management practices improve hotel performance. The literature focuses on the systems, programmes and practices of environmental management either as desirable targets for hotel industry to aim towards or as actually observed. The main themes of this literature review cover these particular areas as well as the literature on hotel performance.

As, this study explores the effect of perceived benefits on the relationship between environmental management practices and hotel performance, the resource-based view of the hotel concept of complementary assets is addressed.

2.1 Environmental Management's Practices (EMP)

This section starts with a definition of environmental management and the identification of reasons why environmental issues are relevant to business organizations. Worcester (1994) argues that environmental management practices, which emerged in the 1980s, are a new and important aspect of management control and will continue to be an integral part of firms at an increasing rate by the 1990s and beyond. Generally speaking, EMP refers to the collective initiative of the hotel to increase its efficiency guise the banner of environmental protection (Cespedes-Lorente et al., 2003). Environmental management literature can most easily be described as appearing in journals whose specific theme is the environment, or having been written for a practitioner audience. Examples of this literature include early editions of "Business Strategy and the Environment" journal, textbooks such as Beaumont et al. (1993) or Welford (1994), and papers appearing in more practitioner oriented journals such as Azzone et al. (1997), Hunt and Auster (1990), Newman and Breeden (1992), and Winsemius et al. (1992).

Environmental management is a management framework for reducing environmental impacts and improving organizational performance over time. In other words, environmental management provide organizations of all types with a structured approach for managing environmental and regulatory responsibilities to improve overall environmental performance, including areas not subject to regulation such as unregulated risk, resource conservation, and energy efficiency. Basically, environmental management helps an organization better integrate the full scope of environmental considerations and get better results, by establishing a continuous process of checking to make sure that environmental goals are met.

The environmental management approach is based on the concept of Total Quality Management (TQM), which was initially developed as a tool by the private sector to achieve higher and more consistent product quality. The framework is based on a plan-do-check-act continual improvement approach that leads an organization through a regular cycle of planning, implementation, performance monitoring, and review/improvement (Vandermerwe & Oliff, 1990).

EMP initiatives consist of several practices such as having an environmental policy, training and rewarding workers to find opportunities to prevent pollution, setting corporation-wide internal standards that are maintained even in other countries with lower environmental standards, undertaking internal environmental audits and adopting the philosophy of total quality management (TQM) in environmental management. Hotels' have considerable flexibility the extent to which they adopt EMPs and thus the comprehensiveness of the EMS has been observed to vary a great deal across firms (Khanna and Anton, 2002). Previous researches indicate that international and chain hotel managements were most likely to pay sufficient attention to environmental issues (Mensah, 2005).

Environmental management practices usually relate to the following major themes: environmental responsibility, corporate image enhancement, sustainable development and efficient management firms' resources (Montabon, Sroufe, Narasimhan & Wang, 2002). Angell and Klassen (1999) argued that management practice in the environmental issues is a corporate responsibility. Additional work in the environmental management field includes Bansal and Roth's (2000) qualitative study of motivations and contextual factors that induce corporate ecological responsiveness. Studies have suggested that environmental practices reflect a

corporate commitment to advance management systems in general (Florida, 1996; Florida, Atlas & Cline, 1999).

On the whole, environmental management practices would include the extent to which a company has defined its environmental policy, developed procedures to establish environmental objectives, to select and implemented environmental practices assessed the outcomes of such practices and has allocated environmental responsibilities (Klassen & Whybark, 1996). The consideration of these elements would provide better alignment between EMP and strategic practices with business objectives, strategies and the planning of processes. Similarly, a more comprehensive review of the critical factors of EMP show that, strategic structure could allow better planning, control and co-ordination of the EMS implementation both at the strategic and the firm level (Gatewood & Riordan, 1997; Tsaur & Lin, 2003).

Environmental Management has also targeted at reducing wastage of water and improvement of water quality partly because the hotel industry is greatly affected in terms of water availability and quality and will face difficulty in alleviating over-consumption and in dealing with exorbitant water costs (Zhao and Merna, 1992). As a result of cost savings waste management and energy and water savings have become popular environmental management practices (Forte, 1994).

Recently, there has been an increase in research describing how firms can achieve enhanced operational performance through various environmental programmes. Many labels, such as industrial ecology and environmental operation management as conceived by Gupta and Sharma (1996), environmentally conscious and responsible manufacturing as conceptualised by Sarkis and

Rasheed (1995), describe these programmes of environmental management. (A number of specific environmental management practices (EMPs) fall under these rubrics). These include life cycle analysis, recycling and environmental audits (Melnik & Handfield, 1995). Some firms have adopted the practices piece-meal, while others have taken a more integrated approach (Theyel, 2000). Ramos and Melo (2004) argued that how EMP has been adopted in service sector based on self-assessment. It shows that the integration of environmental practices into the services industry is quite new, although with a positive trend when compared with other public sectors. Dowell, Hart and Yeung (2000) found that firms which adopt global environmental standards set out beyond legal requirements have higher market values than firms which adopt standards at or below the legal mandate.

An EMS does not impose new technical requirements. Rather, it helps an organization develop its own short- and long-term environmental goals and objectives, its own operational controls, and its own improvement requirements. In other words, an EMS may lead an organization to adopt new methods, modify existing ones, or accept the practices it already has in place in the quest for improvement. The implementation of environmental management systems follows largely the same sectoral and national patterns as the issuance of environmental policy statements.

The EMS framework can be adapted to support the needs, priorities, and circumstances of the implementing organization. Many other businesses have adopted formalized sets of environmental management practices, but have not officially registered to the ISO 14001 standard. While some may have adopted the EMS equivalent of ISO 14001 standard and chosen not to formally register, others

have adopted systems which fall short of ISO requirements. In 1996, ISO adopted the first and most important of the ISO 14000 series standards, ISO 14001. The ISO 14000 series standards apply an environmental management approach to organizational environmental issues. Organizations that meet the requirements of ISO 14001 can be certified, thereby earning the right to publicize their operations as meeting the international standard for environmental management (Hutson, Edward & Andrews, 2004).

Feldman and Soyka (1997) found that firms which improve their environmental performance by adopting environmental management systems which go 'beyond compliance' (exceed legal requirements), and by lowering their toxic emissions levels, realize lower capital costs. Conceptually, the authors hypothesize that firms which adopt advanced environmental management systems (such as systems that incorporate environmental considerations in all phases of design and production) and experience, as a result, improved environmental performance (such as a reduction in average annual emissions as measured by Toxic Release Inventory criteria) effectively signal to capital markets that their 'systemic risk' has been lowered. Findings by Feldman and Soyka (1997) suggest that stock volatility, can be reduced by either an improvement in environmental management or an improvement in environmental performance results; and that a 50% improvement in both can reduce *beta* by a significant amount, i.e., about 13%.

As with any other system, EMP is also accompanied with many obstacles. The main drawbacks highlighted by the critics of EMS/ISO14000 are due to lack of understanding of the standard as well as the broad ambiguous scope of the standard (Pullin, 1998). In contrast, EMP/ISO 14001 talks about "standardization in