

ENVIRONMENTAL STRATEGY AND HOTEL COMPETITIVENESS-EVIDENCE FROM BRAȘOV COUNTY

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ABSTRACT

The present paper analyses the environmental behavior of hotel establishments located in Brașov County in order to determine the potential existence of a relationship between hotels' proactive environmental strategy and their competitiveness. Also, this study investigates the type of environmental management strategy (reactive or proactive) among different categories of hotels in the region mentioned above. In addition, the paper discusses both conceptual and practical implications at the management level in order to improve hotel operations in terms of environmental protection.

Our findings suggest that analyzed hotels from Brașov County focus on a proactive environmental strategy and it favors organizational competitiveness.

KEYWORDS: *environmental strategy, competitiveness, proactive strategy, reactive strategy*

JEL CLASSIFICATION: *L83, Q56*

1. INTRODUCTION

All tourism subsectors, including hotels carry out activities with a substantial dependence on the environment, an element that has modified the global competitive context. Therefore, hotel managers are required to reconsider their position in the conservation of natural resources used. In addition, this direction have to be followed since there are "green" tourists that have become increasingly demanding and concerned about the products and services offered by hoteliers. They began to recognize that environmental protection and conservation defines a clean land for the future generations. However, accommodation establishments' managers have to keep in mind that this responsibility comes from two directions: they should not ask tourists to take the full responsibility without getting any benefits.

In this context, an environmental strategy implementation could become a key success factor in terms of hotel competitiveness,

Brașov County, the analyzed region, is experiencing a growth in hotel development based on a sustained increase in tourist arrivals. Tourist arrivals to Brașov County grew from 484.044 in 2006 to 834.979 in 2013 and, during that period, the number of registered hotels in Brașov County grew by 144% from 50 to 122 (www.insse.ro-Tempo Online, 2014). We believe that Romanian hotel managers tend to place environmental concerns as the second priority, first being income generation.

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This study is organized as follows. In the next section, we describe the conceptual background and the research hypotheses. Consequently, we discuss the research methodology and then, we present the results analysis. In the end, we highlight the study conclusions, limitations and directions for future research.

2. CONCEPTUAL BACKGROUND AND RESEARCH HYPOTHESES

2.1. Hotel environmental strategy

The global economy creates without any doubt profound and significant changes for companies worldwide (Borza, A., et.al., 2012). Environmental management is a broad term, which emerged in the 1980s (Mensah, 2006 after Worcester, 1994), but in the hotel sector started in the form of initiatives by various associations and activities which begun in 1993 (Mensah, 2006 after Chan and Lam, 2001). There are many definitions for environmental management:

- environmental management embraces the study of all the technical and organizational activities aimed at reducing the environmental impact caused by a company's operations (Cramer, 1998: 162);
- some researchers define the concept from the perspective of Environmental Management Systems; Middleton and Hawkins (1998) describes these systems as relating to the conduct of existing day-to-day business operations and is a useful label for the range of programs undertaken by a public or private sector organization to protect, enhance or reduce its impact on the environment;
- environmental management is a process in which organizations apply mechanisms to develop and implement a set of cost-effective priority actions based on well-articulated societal preferences and goals for the maintenance or improvement of ambient environmental quality (Kessler et al., 2001).

Environmental management issues that have been important to the hotels are recycling of waste, waste management, energy savings, water conservation (Singh et al., 2014), policy formulation, green purchasing, compliance with environmental laws and regulations, environmental auditing, ecolabelling and certification, environmental education, pollution prevention and support for local communities (Bohdanowicz, 2006).

In a general context, the environmental strategy refers to the strategic orientation a firm gives to environmental questions and to how it uses them as a competitive tool (Carmona-Moreno et al., 2004:104). Furthermore, environmental strategy needs to be a synergetic part of the hotel's overall corporate strategy (Chung and Parker, 2008).

Carmona-Moreno et al. (2004) argue that in order to define hotels' environmental strategy, three dimensions must be taken into account: the extent to which different environmental management practices are implemented, the hotel's experience in applying such measures and the management's perception of environmental management as a strategic capability.

In regard with the first dimension, Gil et al. (2001) found that various factors had an effect on the degree of environmental practice implementation, such as hotel size, age of facilities, chain affiliation and pressures from operation management and internal and external stakeholders.

Studies show that hotels with more experience in environmental protection issues have a more proactive environmental strategy (Carmona-Moreno et al., 2004:107).

Finally, the view of environmental management as a strategic resource or capability is also important, since Teece (2007) highlights that dynamic capabilities enable an organization to rapidly

and efficiently adapt to changing markets and technologies, learn from this process, evolve, and ultimately renew its competencies over time. In addition, Aragón-Correa and Sharma (2003) argued that a proactive environmental strategy is a dynamic capability that allows organizations to evolve and align their strategy with the changing and uncertain environment.

We have to emphasize the difference between a reactive environmental strategy and a proactive one. While reactive strategies involve the implementation of standardized and easy-to-copy solutions (Majumdar and Marcus, 2001), a pro-active response organization is one which is responding through management systems which can be verified, to challenge existing management conventions and to encourage organizational change (Brown, 1996 after Roome, 1992). Moreover, reactive behaviors are short-term-focused solutions, while proactive approaches imply that the hotel is fully committed to solving its environmental problems through the development of systematically innovative practices (Buisse and Verbeke, 2003). Moreover, studies show that innovation plays an important role in adopting a proactive environmental strategy. This approach requires hotels to be open to new ideas, products, processes and technologies and to assume some risks (Menguc and Ozanne, 2005). Available literature generally suggests that larger hotels are more proactive (Mensah 2006) than smaller ones. We believe that limited capital resources, lack of internal structures, procedures or management experience cause this situation. Also, those belonging to large chains, appear more likely to be environmentally active (Chung and Parker, 2008:275) because they are more visible to local and international stakeholders and more likely to gain access to cost-effective pollution prevention technology (Christman and Taylor, 2001).

It has been argued that, the transition from reactive to proactive approaches involves complex organizational changes that do not always result in business success (Aragón-Correa and Rubio, 2007).

To summarize, environmental management is a business strategy that involves significant resource reconfiguration and the development of relevant capabilities (Russo and Fouts, 1997). Thus, hotels with a proactive environmental management strategy should not only allocate resources in order to implement this type of strategy, but also modify service production and processes (Park and Kim, 2014).

Drawing from the above arguments, the following hypotheses are proposed:

- H1:** Affiliation to hotel chains is positively related to the proactive environmental strategy.
- H2:** Size of hotel is positively related to the proactive environmental strategy.
- H3:** Class of hotel is positively related to the proactive environmental strategy.
- H4:** Hotel management are focused on an environmental proactive strategy.
- H5:** Proactive environmental strategy positively influences hotel competitiveness.

2.2. Hotel environmental strategy and competitiveness

Findings and theoretical views highlight heterogenous direction regarding the competitive consequences of adopting innovative environmental strategy.

Studies conducted by Gilley et al., (2000) and Thornton et al., (2003) suggest a lack of a relationship between environmental practices and hotel competitiveness. Wagner et al., (2002) support a negative linkage between these two elements. However, several recent researches support the existence of competitive advantages from the implementation of environmental strategy (Delmas et al., 2011; Menguc et al., 2010; Torugsa et al., 2012, Fraj et al., 2014).

3. RESEARCH METHODOLOGY

Data for this study was obtained by means of questionnaires from a sample of hotel managers in the Braşov County. All classified hotels from Braşov County were included. Out of 122 hotels studied, 60 filled in the whole questionnaire, 49.2% of the total. In order to increase the response rate, the confidentiality and anonymity of the respondents were assured.

A Likert scale ranging from 1 (strongly disagree) to 5 (strongly agree) was used to determine managers' attitude towards proactive environmental strategy (10 items). These items are presented in the table below:

Table 1. Proactive environmental strategy statements

| | |
|-------|--|
| PES1 | The hotel has a written environmental policy |
| PES2 | Hotel management follow an environmental certification system |
| PES3 | Hotel management is focused on purchasing ecological and environmentally respectful products |
| PES4 | Hotel management is focused on energy-saving |
| PES5 | Hotel management is focused on water-saving |
| PES6 | Hotel management encourages selective collection of solid residues |
| PES7 | Managers allocate sufficient funds and time to undertake initiatives for environmental improvements |
| PES8 | Training in environmental matters is provided for hotel employees |
| PES9 | We educate guests about responsible environmental practices |
| PES10 | We try to facilitate customer collaboration in achieving a more sustainable hotel (reusing towels, lighting and climate control, responsible use of facilities, recycling) |

Hotel competitiveness included three items. In this case, managers had to evaluate their hotel's position in comparison with that of their main competitors in terms of current profitability, five-year profitability and ability to attain hotel environmental goals. These indicators were selected following previous studies (Fraj et al., 2014), with minor modification.

The last part of the questionnaire contains factual questions that capture hotel characteristics: number of stars, number of rooms, number of employees, affiliation (independent or chain-affiliated) and regular customers.

4. RESULTS AND DISCUSSIONS

Regarding the sample, 76.7% of the respondents are 3-star hotels; 20% corresponds to 4-star establishments and only 3.3% are 5-star hotels. On average, the sample hotels have 79 employees and offer for sale 87 rooms. Regarding type of hotel management, 8.33% of the establishments are chain-affiliated, whereas the remaining 91.67% are independent. The most regular customers of the hotels are holidaymakers (62.5%) and businessmen (21.4%). Educational, medical and transit tourism have lower weights (3.5%, 7.2% and 5.4% respectively).

Cronbach's alphas are shown in Table 2. In all cases, values are above 0.7, indicating an adequate internal consistency of the items in each scale.

Table 2. Cronbach’s coefficient alpha

| Variable | Number of items | α |
|----------------------------------|-----------------|----------|
| Proactive environmental strategy | 10 | 0.76 |
| Hotel competitiveness | 3 | 0.82 |

Source: Authors’ calculations

Discriminant validity of the study constructs was also examined. Correlations among constructs ranged from 0.42 to 0.85, suggesting that the relationships are in the same direction (see Table 3) and providing support for H1, H2 and H3. Therefore, hotel affiliation, size and number of stars are positively correlated to a proactive environmental strategy. Taking in consideration these three variables, we observe that the lowest correlation coefficient (0.42) was found in number of rooms and proactive environmental strategy. We consider that affiliated hotels hold more knowledge, innovation resources and market power, but also better reputations. The highest correlation coefficient (0.85) was found in hotel competitiveness and proactive environmental strategy. Consequently, hotel managers from Braşov County should focus on implementing at least some environmental measures.

Table 3. Correlation matrix

| Variable | Mean | Median | SD | 1 | 2 | 3 | 4 | 5 |
|-------------------------------------|------|--------|------|-------------|-------------|-------------|-------------|-------------|
| 1. Proactive environmental strategy | 4.12 | - | 0.51 | 1.00 | | | | |
| 2. Hotel competitiveness | 2.72 | - | 0.67 | 0.85 | 1.00 | | | |
| 3. Number of stars | - | 3 | 1.00 | 0.78 | 0.81 | 1.00 | | |
| 4. Number of rooms | 87 | - | 0.68 | 0.32 | 0.68 | 0.69 | 1.00 | |
| 5. Hotel affiliation | - | Ind. | 0.54 | 0.76 | 0.77 | 0.56 | 0.67 | 1.00 |

Source: Authors’ calculations

p <0 .05; SD-standard deviation; Ind.=Independent hotel

Analyzing the questionnaire’s results, we observe that the most popular environmental strategy practices are PES2 (mean=4,4), PES6 (mean=4,2), PES4 (mean=3,9), PES5 (mean=3,8), and PES8 (mean=3,5) (see Table 1 for abbreviations) providing support for H4.

We observe that hotel managers tend to have a proactive environmental strategy but still incipient. Hotel managers are less committed to formulating and writing environmental policy statements. This is a negative situation since Kirk (1995) considers it the first step in the environmental management process. An environmental policy best guides the entire staff in order to understand the importance and benefits of implementing it.

A positive aspect is that hotel managers focus on training employees in environmental matters, but we highlight that these trainings need to be continuously conducted. Unfortunately, even if an employee is motivated, satisfied and sincerely willing to get involved at work, it is uncertain whether performance and efficiency are to be expected or not (Popa, M. & Salanta, I., 2012). The main goal of employee training is to reduce impact on environment, but we believe that another aim is to improve service quality to meet customers' needs.

In this context, we recommend that hotel managers consider tourists as collaborators for implementing environmental strategy. The success of environmental strategy implementation also depends on the tourists' acceptance and perception.

As Table 4 shows, proactive environmental strategy in studied hotels has a positive impact on hotel competitiveness variables providing support for H5. We observe a positive and significant impact upon current profitability ($\beta=0.712$, $p<0.01$) and ability to attain hotel environmental goals ($\beta=0.658$, $p<0.01$).

Table 4. Regression analysis (standardized coefficients with t-values in parentheses)

| Variable | Current profitability | Five-year profitability | Ability to attain hotel environmental goals |
|----------------------------------|-----------------------|-------------------------|---|
| Proactive environmental strategy | 0.712 (5.44) | 0.527 (2.35) | 0.658 (3.46) |

Source: Authors' calculations

$p < 0.05$

CONCLUSIONS AND IMPLICATIONS

The findings of our study provide relevant implications to hotel managers for the development of successful hotel operations and management. More precisely, results show that environmental management practices have a positive impact on the hotels' competitiveness in terms of three variables mentioned above.

The most relevant findings coming out from our research refer to:

- Hotel managers are oriented on environmental measures that reduce costs (energy and water saving), but equally important is considered training employees. We believe that hotel managers must invest in learning capabilities prior to the development of proactive environmental strategies based on the complexity and evolution of this direction. A learning orientation allows hotel managers to observe and to respond to internal and external environmental threats and opportunities;
- Hotel managers are interested in implementing environmental certification systems even though the Romanian regulation does not require it. Moreover, we believe that developing green hotels should be encouraged by government especially through incentives;
- Writing and following an environmental policy is not seen important by the hotel management, even though scholars consider it the foundation of an proactive environmental strategy;
- With regards to the control variables, on the one hand, number of rooms did not significantly influence any of the constructs included in our research. This suggests that there are no differences between small, medium and large hotels in terms of environmental proactivity, which is a good situation. On the other hand, the findings suggest that hotel rating and affiliation affected the implementation of a proactive environmental strategy. Higher-rated and chain-affiliated hotels probably own large amounts of resources that can be allocated to research environmental issues and implement appropriate measures.

Future studies on environmental management in hotels should focus on obtaining more insights into the environmental attitudes of hotel managers and their influence on hotel competitiveness. In addition, a future research direction refers to the extent of the study including other regions from Romania.

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