

Managing Green Based Alliances for Sustainable Competitive Advantage: Empirical Evidence of the Sri Lankan Hotel Industry

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Introduction

Firms that have a green orientation are likely to achieve greater financial gains and market share (Busch and Hoffmann, 2011), high levels of employee commitment (Maignan & Ferrell 2001), increased firm performance (Pujari et al., 2003), and increased capabilities (Baker & Sinkula 2005), from a natural resource based perspective, which can lead to competitive advantage (Hart, 1995). On the other hand, a sustainable competitive advantage can result in superior financial and market advantages and distinctive capabilities (Day & Wensley, 1988) only if it is valuable, rare, inimitable, and non-substitutable to competitors in the market place (Barney, 1991).

As per the new logic of linking natural resource perspectives to the dynamic capability view of firm, Hart and Dowell (2011) argue that in order to sustain a competitive advantage from green business practices in a global and dynamically characterized market place, firms should develop dynamic capabilities defined as "the firm's ability to integrate, build, and reconfigure internal and external competences to address rapidly changing environments (Teece, Pisano & Shuen, 1997). Thus, firm must constantly re-invest to maintain and develop existing capabilities in order to inhibit imitability (Mahoney, 1995). From a dynamic capability perspective, market-relating deployment capabilities are strategically important to execute proactive environmental strategies that match their market environment (Menon & Menon, 1997; Morgan et al., 2009).

Amongst market relating capabilities, alliance management capabilities are well recognized as providing firms with external reconfiguration and integration capabilities, resource acquisition capability, learning network capabilities (Cronin et al., 2010; Schilke & Goerzen, 2010; Chen, 2012; Giudici & Reinmoeller, 2012). Day (1995) pointed out firms

having an alliance capability, have a deep base of experience that is woven into a core competency that enables them to outperform rivals in many aspects of alliance management. Green alliance management capability is defined as an organizational ability for finding, developing, and managing alliances as it relates to eco-friendly initiatives of a firm (Lambe, Spekman & Hunt, 2002).

The present study's scope revolves around the corporate sustainability exercises undertaken in the hospitality industry in Sri Lanka. In order to reap the benefits of the tourism industry upsurge, the government has set targets to attract 2.5 million tourists by 2016 (Sri Lanka Tourism Development Authority, 2013). Nevertheless, beyond the quantitative targets for the tourism industry, the industry needs to ensure the environmental sustainability of the industry due its increased consumption of resources (Wickramasinghe, 2013). Tourism and hospitality industry consumes significant quantities of water and energy resources and generates waste. Miththapala (2011) argues that better environmental management practices result in reduced cost of operation as well as increase the brand reputation of the hotels and thereby increase the consumer demand for eco-friendly services. In spite of the above mentioned increased strategic significance of environmental management initiatives for the sector, empirical studies highlight that there is an insufficient level of commitment to adopt environmental initiatives whilst some hotel executives have an ambiguity about the benefits from investments in green business practices (Jayawardena & Miththapala, 2013c).

Research Problem

On the above grounds, the study formulated the research problem as to how green based alliance management influences sustainable competitive advantage of the hotels.

Objectives of the Study

The study is aimed at identifying the present level of green based alliance management capabilities and elucidates its influence on sustainable competitive advantage of the hotels in Sri Lanka.

Research Methodology

Survey research strategy was adopted. 102 local hotels covering star category and unclassified hotels were randomly selected. Green based alliance

management capability was operationalized adapting Schilke and Goerzen's (2010) whilst sustainable competitive advantage was measured using battery of Day and Wensley (1988). Self-Administrative structured questionnaires consisting of 5 point -Likert scales was used. Data analysis included both descriptive and inferential statistics using SPSS17® and SMARTPLS® software.

Key Findings

The reliability and validity of the measures was assessed. Mean analysis of the green alliance management capability highlighted that the hotels in the sample had an average value of 3.79 (On a five point Likert scale) for the overall green alliance management capability whilst alliance coordination, green based inter-organizational learning, green alliance proactiveness and green alliance transformation averaged to 3.92, 3.89, 3.63 and 3.73 respectively. Further mean analysis of sustainable competitive advantage of the hotels in the sample revealed that overall construct of sustainable competitive advantage from green initiatives averaged to 3.57 (on a five point Likert scale).

In explaining the influence of green alliance management capability on green based sustainable competitive advantage, structural path analysis revealed that green alliance management capability had a significant influence on sustainable competitive advantage (path coefficient= 0.489, $p=0.000$ and $R^2=0.239$). Further analysis revealed that at the dimensional level analysis of sustainable competitive advantage, green alliance management capability had positive impact on financial performance (path coefficient= 0.252, $p=0.026$), market place position (path coefficient= 0.336, $p=0.006$) and inimitability of green capabilities (path coefficient= 0.497, $p=0.000$). As per the path analysis, it is evident that green alliance management capability is a significant organizational level capability that affects hotel firms in Sri Lanka to respond to the highly volatile tourism market. It was evident that green based alliance management capabilities had more influence in maintaining the inimitability of green based capabilities and green market place position than financial performance. These have implications for hotel managers to focus on developing proactive environmental strategies by means of creating and managing mutually beneficial green based alliances through proper alliance coordination, inter-organizational learning, proactive decision making and alliance transformation in the future years to come.

The R^2 value implied that green alliance management capability accounted for only 23.9 percent of the overall change of the sustainable competitive advantage. This suggests that hotel managers should look for other important organizational capabilities such as green marketing, green innovation when crafting and implementing their proactive environmental strategies so that they could maintain their green based competitive advantage in the industry. Further research should be carried out to explain how other contextual factors such as size, ownership, alliance, experience, maturity of the hotel and industry characteristics such as market dynamism influence the relationship between green alliance management capability and level of sustainable competitive advantage of the hotel firm.

Conclusion

The empirical findings support that though the Sri Lankan hotels possess lower levels of green based alliance management capabilities as a way of responding to changing demands from green market segments and stakeholders, they have positively influenced sustainable competitive advantage in the areas of green based financial performance, green market place position and green based inimitability in the Sri Lankan hotel sector. This implies that mere adoption of green initiatives is not sufficient for sustaining green based competitive advantage. It requires generating complementary organizational capabilities that improve the green market relating capabilities of the hotel firm so as to respond to the requirements of stakeholders in the industry due to the highly volatile nature of the tourism industry.

Keywords: Environmental Sustainability; Green Alliances; Sustainable Competitive Advantage; Hotel Industry

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