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Dynamic Capabilities Driving an Eco-Based Advantage and Performance in Global Hotel

Chains: The Moderating Effect of International Strategy

Title page

Leonidas C. Leonidou^a

School of Economics and Management, University of Cyprus, Nicosia, Cyprus.

^aPostal address: School of Economics and Management, University of Cyprus, Kallipoleos 75, P.O. Box 20537, CY-1678 Nicosia, Cyprus

<E-mail: leonidas@ucy.ac.cy>

Constantinos N. Leonidou^b

Leeds University Business School, University of Leeds, Leeds, United Kingdom.

^bPostal address: Leeds University Business School, University of Leeds, Maurice Keyworth Building, LS2 9JT, United Kingdom

<E-mail: C.Leonidou@leeds.ac.uk>

Thomas A. Fotiadis^c

Democritus University of Thrace, Greece

^cPostal address: 2, Dorilaiou street, 55133, Kalamaria, Thessaloniki, Greece

<E-mail: thomas.fotiadis@yahoo.gr>

Bilge Aykol^{d*}

Faculty of Business, Dokuz Eylul University, Izmir, Turkey.

^dPostal address: Dokuz Eylul Universitesi Isletme Fakultesi Kaynaklar Kampusu Buca 35390 Izmir, Turkey

Phone: +90 232 301 82 35 Fax: +90 232 453 50 62

<E-mail: bilge.aykol@deu.edu.tr>

*Corresponding author

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**Dynamic Capabilities Driving an Eco-Based Advantage and Performance in Global
Hotel Chains: The Moderating Effect of International Strategy**

Highlights

- Focus is on organizational capabilities driving an eco-based competitive advantage
- Use of dynamic capabilities theory and testing the model among global hotel chains
- Organizational learning, shared vision, and cross-functional integration are key drivers
- An eco-based competitive advantage positively affects global financial performance
- Certain international strategy dimensions moderate the advantage-performance link

Dynamic Capabilities Driving an Eco-Based Advantage and Performance in Global Hotel Chains: The Moderating Effect of International Strategy

Abstract

Building on the dynamic capabilities theory, a model of organizational capabilities driving an eco-based competitive advantage and performance in the global hotel industry is tested. Data obtained from 102 hotel chains reveal that organizational learning, shared vision, and cross-functional integration are conducive to creating a green competitive advantage, though this is not the case with relationship building and technology sensing/response. In turn, an eco-based advantage positively affects global financial performance. Certain dimensions of international strategy, namely foreign entry through joint ventures and decision-making decentralization, positively moderate the advantage–performance link, while no moderation effect exists for global market configuration and standardization/adaptation.

Keywords: Dynamic capabilities, environmental management, competitive advantage, performance

1. Introduction

Major concerns with protecting the natural environment in the last decades have significantly reshaped the landscape in which organizations operate in both domestic and international markets (Miles and Covin, 2000). For example, consumer preferences have shifted toward more environmentally friendly goods and services (Grove *et al.*, 1996), while the general public has become increasingly aware of and sensitive to the role of key environmental issues (Menon and Menon, 1997). In addition, various external (e.g., governments) and internal (e.g., shareholders) stakeholders have begun demanding that the business community stop ignoring ecological matters and take drastic measures to protect the bio-physical environment (Heather and Ditte, 2006).

In response to these trends, environmental issues have gained heightened attention from both business practitioners and academics (Chabowski, Mena, and Gonzalez-Padron, 2011). Specifically, evidence indicates that a growing number of firms (especially in developed countries) engage in eco-friendly activities to improve their competitive edge and enhance their financial position (Miles and Munilla, 1993). Moreover, in a recent review of the environmental literature, Leonidou and Leonidou (2011) revealed: (1) an exponential growth in both the quantity and quality of articles written on ecological issues; (2) a significant diversity in the routes followed to study the subject, together with increased in-depth coverage of the various topics examined; and (3) a marked transition of this field from an identification and exploration stage toward a phase characterized by greater maturity, sophistication, and rigor.

Despite these positive signs, the pertinent literature has been relatively silent on three critical issues surrounding environmental-related phenomena. First, environmental studies have concentrated mainly on manufacturing firms, with the hotel industry (and the wider service sector) receiving much less attention (Carmona-Moreno, Cespedes-Lorente, and de

Burgos-Jimenez, 2004). However, investigating the green business practices of hotels is of paramount importance because: (1) they are usually heavy users of resources (e.g., electricity) with potential harmful effects on the environment; (2) they rely on ecological aspects of their product offering to influence the level of satisfaction in customer experience; and (3) they increasingly face stricter environmental regulations, necessitating greater incorporation of sustainability elements in their operations (Álvarez-Gil, Burgos-Jimenez, and Cespedes-Lorente, 2001).

Second, studies on green-related international business topics are generally limited, though many signs highlight the need to examine them further (Peng and Lin, 2008; Pinkse, Kuss, and Hoffman, 2010). For example, many foreign markets contain a growing segment of consumers who are sensitive to ecological matters and strive to purchase products/services from firms adopting an eco-friendly perspective (Miles and Covin, 2000). Moreover, an increasing number of firms prefer to compete against their local and/or foreign competitors on environmental and other socially responsible dimensions (Belleli, Lehrer, and Tal, 2005). Furthermore, recent developments in communication, information, and social media help expose positive or negative elements of the firm's environmental actions to buyers and other stakeholders around the globe (Kirchoff, Koch, and Nichols, 2011).

Third, the factors leading to the creation of an eco-based competitive advantage and business performance remain unclear (Rodriguez and Cruz, 2007). For example, although research is relatively adequate on the internal determinants of the firm's environmental competitive edge, such as company size (El Dief and Font, 2010), organizational design (Sharma, 2009), top management education level (Rivera and de Leon, 2005), and green-sensitive leadership (Smerecnik and Andersen, 2011), the role of more dynamic firm elements (e.g., organizational capabilities) in achieving an eco-friendly advantage has only been tangentially tackled. In addition, studies have examined the performance outcomes of the

firm's environmental behavior (e.g., Álvarez-Gil *et al.*, 2001; Kassinis and Soteriou, 2003), but knowledge of how an eco-based advantage can enhance the firm's financial performance is limited.

This study aims to shed light on these crucial issues by developing and testing a model of the organizational capabilities driving an eco-based competitive advantage and performance in global hotel chains. It specifically focuses on three key research questions: (1) How can different organizational capabilities of a global hotel chain, namely organizational learning, relationship building, shared vision, cross-functional integration, and technology sensing/response, help create an eco-based competitive advantage? (2) How can such an advantage, which is derived from the adoption of an environmentally friendly behavior (such as pollution control, energy saving, and recycling), enhance the hotel chain's global financial performance? (3) What is the specific role of certain dimensions of the hotel chain's international strategy, namely global market configuration, foreign entry mode, decision-making autonomy, and business standardization/adaptation, in moderating the association between competitive advantage and financial performance?

The study is theoretically grounded on the dynamic capabilities paradigm, which posits that over time organizations can integrate, build, and reconfigure internal and external competencies to address environmental volatility and generate new forms of advantage (Teece, Pisano, and Shuen, 1997). The dynamic nature of these capabilities enables the firm to acquire, combine, and transform tangible (e.g., financial) and intangible (e.g., reputational) resources in different ways, so as to match constantly changing market conditions and offer values of strategic intent (Morgan, Katsikeas, and Vorhies, 2012). In essence, dynamic capabilities are the means for activating organizational resources, updating their status, and even safeguarding their mere existence. In brief, they act as connecting bonds that help the

firm effectively adapt to changes in the overall business environment, enhance its competitive edge, and improve its performance (Krasnikov and Jayachandran, 2008).

2. Green Hotel Management Literature

Scholarly efforts on environmentally-related issues in the hotel industry have significantly intensified in the past decade. However, only a few studies (e.g., López-Gamero, Claver-Cortes, and Molina-Azorin, 2008) have focused on the organizational capabilities, competitive advantage, and performance implications related to hotel eco-friendly practices. Moreover, with the exception of some studies with an international focus (e.g., Bohdanowicz, Zientara, and Novotna, 2011), the bulk of this research has adopted a domestic perspective or drawn comparisons across countries. The pertinent literature can be organized into three broad areas: internal drivers of environmental behavior, green management practices and strategies, and eco-friendly competitive advantage and performance.

2.1. Internal drivers of environmental behavior

Internal factors driving hotel environmental behavior have mainly involved firm demographic characteristics. Specifically, while research has found that size, chain affiliation, star class, and modernization level (age) of the hotel are positively related to pro-environmental behavior (Álvarez-Gil *et al.*, 2001; Carmona-Moreno *et al.*, 2004; El Dief and Font, 2010, 2012), foreign ownership status yields mixed results (Shah, 2011). Moreover, the adoption of (or intention to adopt) environmental management practices is positively influenced by hotel organizational design (Sharma, 2009), the presence of a written environmental policy (Shah, 2011), the use of certain operations management techniques (Álvarez-Gil *et al.*, 2001), the extent of staff training (Chan and Hawkins, 2012), and the possession of voluntary-based business values (El Dief and Font, 2010). Furthermore, top management characteristics, such

as age (El Dief and Font, 2010), level of education (Rivera and de Leon, 2005), and altruistic/moral behavior (Garay and Font, 2012), have a favorable effect on the adoption of hotel ecological practices.

Research also reports that certain organizational resources (e.g., physical, financial) and capabilities (e.g., strategic proactivity, continuous innovation) are conducive to an eco-friendly hotel business approach. For example, Shah (2011) stresses foreign ownership, chain affiliation, and financial availability as vital resources in building a corporate environmental responsibility among hotels. Fraj, Matute, and Melero (2015) also report that learning orientation and innovativeness are instrumental organizational capabilities in the execution of proactive environmental strategies. Moreover, López-Gamero, Molina-Azorin, and Claver-Cortes (2011) distinguish between ‘existing’ and ‘newly acquired’ resources and capabilities: while the former refer to sets of technologies, skills, and knowledge generated and enlarged over time, the latter correspond to the acquisition of new resources resulting from the firm’s implementation of eco-friendly strategies, such as green technologies, ecological infrastructure, and social reputation.

2.2. Green management practices and strategies

Green management practices involve the hotel’s deliberate actions to control, change, influence, or adapt to inputs related to ecological matters (Clark, Varadarajan, and Pride, 1994). Within this context, some scholars have investigated the extent to which hotels undertake specific measures, such as energy saving, solid waste treatment, and water conservation (Baloglu and Jones, 2014; Erdogan and Baris, 2007). Other studies have focused on the determinants of resource consumption that influence hotels’ environmental conduct, such as laundry load for water use (Deng and Burnett, 2002), air temperature for energy use (Chan and Mak, 2004), and occupancy rate for waste produced (Chan and Wong,

2006). In addition, some scholars focused on the development of environmental management systems' indicators that can be used by hotels for the evaluation of environmental performance (Gössling, 2015; Hsiao *et al.*, 2014), while others introduced new environmental management approaches for hotels and resorts (Kasim *et al.*, 2014; Ruddy *et al.*, 2014).

Regarding hotel environmental strategies, research has focused on strategic and/or technical/operational aspects (e.g., López-Gamero *et al.*, 2008; López-Gamero *et al.*, 2011). While the strategic aspects mainly involve incorporating environmental concerns in business plans and budgets, brand positioning, marketing communications, purchasing, employee training, and guest education (Álvarez-Gil *et al.*, 2001; Sharma, Aragon-Correa, and Rueda-Manzanares, 2007), technical/operational dimensions include engagement in and control of issues such as water conservation, energy saving, recycling, noise reduction, and bio-diversity (Kassinis and Soteriou, 2003; Le *et al.*, 2006; Smerecnik and Andersen, 2011). Some studies have focused on environmental targeting and positioning, developing green-related services, setting prices in relation to green issues, selecting eco-friendly distribution channels, and using green advertising/communications (Hudson and Miller, 2005). Notably, empirical evidence shows a positive link between eco-conscious tourist targeting and the deployment of environmental strategies (El Dief and Font, 2010; Shah, 2011).

2.3. Eco-friendly competitive advantage and performance

An eco-friendly competitive advantage refers to the firm's superiority over competitors in implementing environmental strategies. These can take the form of either lower costs (e.g., better utilization of resources, more energy savings, stricter process control) or differentiated market offerings (e.g., ecologically designed products/services, safer products, quality improvement) (Porter and van der Linde, 1995). Despite its importance, only a few studies have emphasized the role of organizational resources and capabilities in the creation of an

eco-based competitive advantage in hotels. For example, López-Gamero *et al.* (2011) show that pursuing environmental management practices in a hotel setting has an indirect effect on differentiation (but not cost) competitive advantage through the mediation of newly generated resources and capabilities, while Fraj *et al.* (2015) report that the employment of proactive environmental strategies has a positive influence on organizational competitiveness. Bagur-Femenias, Lach, and Alonso-Almeida (2013), on the other hand, find that environmental practices have a direct positive impact on a hotel's competitive position and an indirect effect on competitiveness through operational improvement.

Many studies have shown that hotel adoption of environmental activities can have direct or indirect effects on environmental, financial, and market performance. For direct effects, research has found that the implementation of an eco-friendly strategy is either positively (Carmona-Moreno *et al.*, 2004; López-Gamero *et al.*, 2011) or negatively (Rivera and de Leon, 2004) related to environmental performance, defined as the extent to which a firm succeeds in reducing its harmful impact on the environment (Klassen and McLaughlin, 1996). In addition, while some studies report a direct positive effect of environmental management practices on financial performance (Alvarez-Gil *et al.* 2001; Garay and Font 2012; Molina-Azorin *et al.* 2009; Rodriguez and Cruz 2007, Segarra-Oña *et al.*, 2013, Singal, 2014), others do not reveal any significant association between these two variables (Carmona-Moreno *et al.* 2004; Claver-Cortes *et al.* 2007; Inohue and Lee 2011). López-Gamero *et al.* (2011) also report that an ecological competitive advantage favorably affects financial performance. Finally, Kassinis and Soteriou (2003) find that environmental management practices indirectly affect market performance, through the mediating effects of customer satisfaction and loyalty.

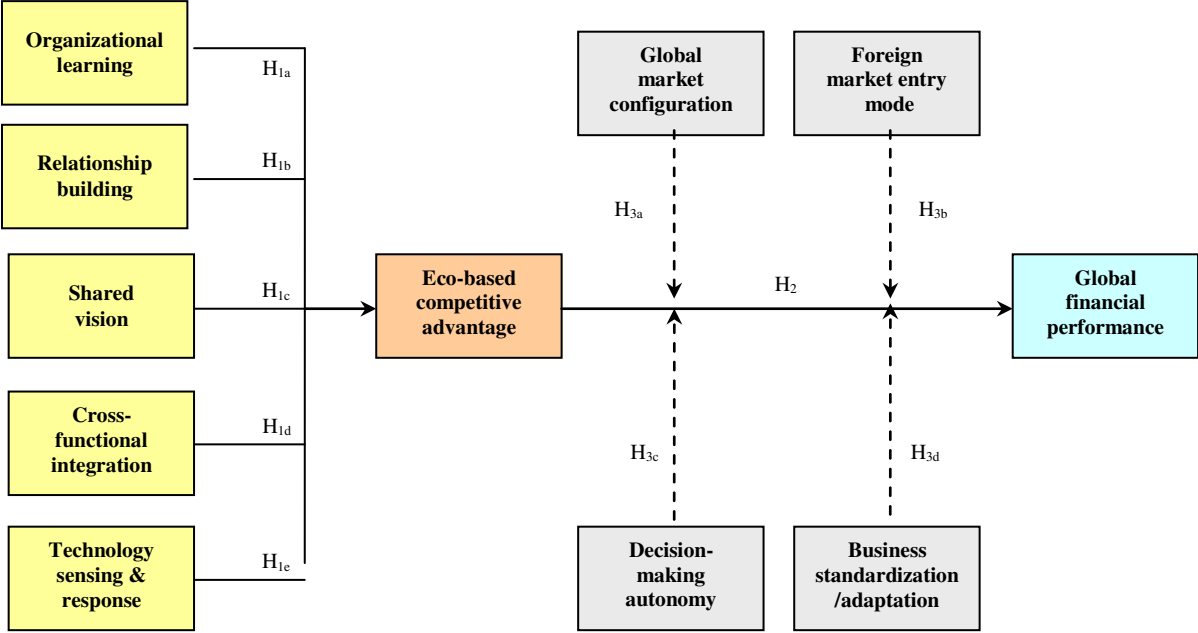
In light of the above inventory of knowledge, our study aims to contribute to the tourism literature in four ways. First, it investigates the environmental behavior of hotel

organizations from a dynamic capabilities theoretical perspective, which has rarely been used in prior research. Second, it identifies which organizational capabilities are essential in building an eco-based competitive advantage for hotels in global markets. Third, it illustrates the positive effects of possessing such an advantage in enhancing a hotel chain’s global financial performance. Fourth, it stresses the contingent role of certain international strategy factors in fostering the effect of an eco-based competitive advantage on global financial performance, thus adding to the under-developed international business–environmental management dialogue.

3. Model and Hypotheses

Figure 1 presents the study’s conceptual framework, which posits that the global hotel organizational capabilities act as antecedents to the creation of an eco-based competitive advantage, which subsequently helps enhance global financial performance. In addition, certain aspects of a hotel chain’s international strategy moderate the competitive advantage–financial performance link.

Figure 1: The conceptual model



3.1. Organizational capabilities and competitive advantage

Organizational capabilities can take various forms, such as outside-in processes (e.g., market sensing), inside-out processes (e.g., environment health and safety), and spanning processes (e.g., new product/service development) (Day, 1994). By default, they span different functional areas within the organization, involve people from various managerial levels, and serve multiple purposes (Amit and Shoemaker, 1993). As such, they are expressed in the form of complex patterns of skills and knowledge that over time become embedded as routines and are performed better than those of the firm's competitors (Bingham, Eisenhardt, and Furr, 2007). By combining different types of resources, firms can maintain their capabilities, change their content, or generate new ones to respond to market changes, as is the need to accommodate various ecological problems (Eisenhardt and Martin, 2000). However, to obtain a competitive edge and enhance business performance, the firm's capabilities should be constantly superior to those of competitors (Prahalad and Hamel, 1990). Several capabilities are instrumental in an eco-friendly approach to business, including organizational learning, relationship building, shared vision, cross-functional integration, and technology sensing/response (Aragón-Correa *et al.*, 2008; Russo and Fouts, 1997; Sharma, Aragón-Correa, and Rueda-Manzanares, 2004; Sharma and Vredenburg, 1998).

Organizational learning capability refers to the firm's ability to acquire, process, and make use of information to better sense environmentally related issues such as new green technologies, evolving regulatory frameworks, and changing consumer ecological needs (Sharma *et al.*, 2004). This knowledge is vital in adopting new approaches in decision-making, executing specialized tasks, and deploying resources that support the organization's ecological initiatives (Russo and Fouts, 1997). Such initiatives may include, for example, the development of eco-friendly innovations, training employees to become more ecologically-oriented, and cultivating a proactive green thinking (Sharma and Vredenburg, 1998). It also

helps the firm achieve a competitive advantage, by better understanding how to handle ecological risks, conform to environmental regulations, and adopt new green technologies (Sharma *et al.*, 2004). This is particularly vital for hotels operating in multiple foreign markets because of the high uncertainty, volatility, and diversity of the business environment, which make decisions regarding green-related issues more complex, costly, and risky (Christmann, 2004; Pinkse *et al.*, 2010).

Building relationships with suppliers, customers, and other parties is also a key organizational capability because it helps the firm to better understand and effectively accommodate the green requirements of various environmentally sensitive groups (e.g., governments, local communities, environment activists) well in advance of the competition (Rodriguez-Diaz and Espino-Rodriguez, 2006). Hotels with this capability may also be in a better position to monitor and swiftly respond to the demands of green consumers through their wide network of partners (Banerjee, Iyer, and Kashyap, 2003). They also have the opportunity to form strategic alliances with other firms to collectively handle ecological issues, share investment expenditures, exchange expertise and knowledge, and better face pressures from different stakeholders (Erkuş-Öztürk and Eraydin, 2010). Geographic, cultural, and business differences between the home and foreign markets, coupled with the multiplicity of environments confronted by hotels internationally, elevate even more the critical role of this capability in gaining an advantageous position over competitors (Morgan, Kaleka, and Katsikeas, 2004).

The cultivation of a *shared vision* among employees about environmental matters is a key capability that helps the firm to better gather, organize, and use organizational resources to develop sustainable business practices (Sharma *et al.*, 2004). Through shared diagnoses and discussions of various ecological trade-offs, hotel employees can develop collective thinking and commitment to these matters more effectively and efficiently than competitors

(Aragón-Correa *et al.*, 2008). The adoption of eco-friendly practices involves radical changes in new technologies, equipment, and procedures, which are doomed to fail without the full understanding of and support from everybody in the organization (Russo and Fouts, 1997). In addition, operating on a global scale makes the role of this organizational capability even more crucial, because the diversity in ecological requirements between countries necessitates common thinking among employees to harmonize the firm's green activities across its foreign subsidiaries (Rugman and Verbeke, 1998).

The complex, dynamic, and costly nature of environmental issues calls for *cross-functional integration* in the firm, expressed in the form of intensive interactions among employees from different functional areas (e.g., procurement, operations, marketing) (Stone, Joseph, and Blodgett, 2004). Such an interaction facilitates the ongoing exchange of ideas/knowledge, the prompt sharing of information, and the joint collaboration in activities that can help exploit opportunities and avoid threats related to ecological matters (Stone and Wakefield, 2000). Specifically, cross-functional coordination within a global hotel chain is critical in gaining an advantage in: (1) sensing and accommodating green customer requirements; (2) understanding competitors' movements that incorporate green elements; (3) developing new eco-friendly products and services; (4) adopting innovative environmental management technologies; and (5) conforming to existing and/or new environmental legislation (Russo and Fouts, 1997; Sharma *et al.*, 2004). The great physical and psychological distance between home and host countries also makes the coordination of functional activities to accommodate environmental problems essential, because the firm must operate in diverse business settings characterized by high levels of uncertainty and complexity (Azzone *et al.*, 1997).

The final organizational capability is *technology sensing/response*, which reflects the extent to which a firm is aware of new technological developments related to ecological

issues and the speed of adopting such technologies (Aragón-Correa, 1998; Sharma *et al.*, 2007). This capability becomes more important in the case of hotels operating internationally because of differences in technological levels, regulatory requirements, and technical standards across countries (Rugman and Verbeke, 1998; Srinivasan, Lilien, and Rangaswamy, 2002). Eco-friendly technologies are unique because they change rapidly, involve significant investments, and differ from conventional technologies, while their application cuts across many areas, ranging from energy/water conservation and waste minimization to new green product/service development and recycling materials (Shrivastava, 1995). Rapid adoption of new eco-friendly technologies helps the hotel reduce the level of uncertainty surrounding green-related investments and gain differentiation (e.g., incorporating eco-friendly elements in products/services) and/or low cost advantages (e.g., reducing expenses through waste minimization programs) against rivals (Sharma *et al.*, 2007). Based on the above, we can hypothesize that:

H₁: The global hotel chain's organizational capabilities related to (a) organization learning, (b) relationship building, (c) shared vision, (d) cross-functional coordination, and (e) technological sensing lead to an eco-based competitive advantage.

3.2. Competitive advantage and global financial performance

By capitalizing on an eco-based competitive advantage, the firm can improve its financial performance in international markets (Banerjee *et al.*, 2003; Menon and Menon, 1997; Orsato, 2006). Indeed, evidence from empirical studies in both the general environmental field (e.g., Klassen and McLaughlin, 1996) and the green hotel sub-field (e.g., Carmona-Moreno *et al.*, 2004; López-Gamero *et al.*, 2011) indicates the positive influence of eco-based competitive advantage on financial outcomes (e.g., Carmona-Moreno *et al.*, 2004; Klassen and

McLaughlin, 1996; López-Gamero *et al.*, 2011). Within the context of global markets, multinational firms' engagement in environmentally friendly (and other socially responsible) activities can also be beneficial to international business performance (Peng and Lin, 2008).

This positive impact on the firm's financial results can come from two directions. The first involves the 'product differentiation' benefits that stem from engaging in eco-friendly business activities. For example, enriching the company's offering with ecological elements helps enhance the existing customer base satisfaction levels and secure repeated sales in the long run (Dechant and Altman, 1994). The firm's engagement in environmental initiatives also helps attract new customers, especially those who want to reward firms that behave in a socially responsible manner (Azzone and Bartelé, 1994). In addition, enriching products with green elements boosts a brand's quality image, making it more appealing especially to more affluent consumers (Miles and Covin, 2000), and also allows the firm to stress its superiority to competitors' products and (if this fits its overall pricing strategy) to charge higher prices (Menon *et al.*, 1999).

The second route is 'cost minimization', which is achieved through more efficient use of resources, such as waste reduction, water/energy conservation, and package recyclability (Orsato, 2006). The lower potential for litigation expenditures, the payment of reduced insurance fees, and the prevention of penalties associated with violations of environmental laws can also reduce costs (Miles and Covin, 2000). Finally, greening the company's offering can make the product/service more economical to use, making it a more attractive purchasing option for both existing and potential buyers (Miles and Covin, 2000). Taking into consideration the financial benefits derived from a product differentiation and/or cost minimization standpoint, we may posit that:

H₂: The global hotel chain's eco-based competitive advantage enhances its financial performance.

3.3. International strategy dimensions as moderators

The conceptual framework indicates that the international strategy pursued by the global hotel chain moderates the association between an eco-based competitive advantage and global financial performance. Specifically, four key international strategy dimensions with a potential effect on this association are identified: global market configuration, foreign entry mode, decision-making autonomy, and business standardization/adaptation.

Regarding *global market configuration*, hotel chains adopting a global perspective are more likely to foster green issues across different countries and try to gain advantage from it than hotels following a market-extension approach (which emphasizes the home market). This is because such a global perspective makes the firm more accountable to stakeholder pressures pertaining to environmental (and other social) issues coming from external (e.g., governments) and/or internal (e.g., subsidiary employees) sources (Husted and Allen, 2006). A global approach to international business also helps the hotel establish best practices related to ecological protection across geographical boundaries, as well as transfer financial, technical, experiential, and allied resources across countries to provide balanced support of environmentally friendly programs worldwide (Christmann, 2004; Strike, Gao, and Bansal, 2006).

The *foreign market entry mode* of the global hotel chain (whether joint ventures or wholly owned subsidiaries) could also play a moderating role. Specifically, firms entering foreign markets using joint ventures, rather than wholly owned subsidiaries, are more likely to take environmental issues seriously into consideration because: (1) the existence of national participation in the ownership structure favors greater social involvement of the subsidiary in the foreign country's ecological needs; (2) investors from the host country, especially those having institutional status, usually show stronger sensitivity and interest in positively

responding to the social needs of their local communities; and (3) partners in foreign countries are usually better able to understand and exploit local market needs, such as those related to eco-sensitive consumers (Déniz-Déniz and García-Falcón, 2002; Turban and Greening, 1997). Thus, a hotel chain entering foreign markets mainly through joint ventures will achieve more financial benefits from the proper exploitation of an eco-based competitive advantage.

Our third moderator is the degree of *autonomy in decision-making*, whether centralized (i.e., the headquarters closely controls and directs the activities of subsidiaries in foreign countries) or decentralized (i.e., subsidiaries in host countries have considerable autonomy to develop strategies for local conditions) (Muller, 2006). Firms operating on a cross-cultural basis face diverse environmental pressures and encounter different types of stakeholder groups, which makes the task of accommodating green issues in centralized organizational structures rather cumbersome and costly, due to heightened complexity, risk, and response time (Peng and Lin, 2008). Conversely, a decentralized approach can be a more financially sound option because it allows subsidiaries to: (1) achieve greater responsiveness to local environmental matters at a much lower cost; (2) secure a more proactive undertaking of environmental initiatives, which will be more geared to host country conditions; and (3) obtain greater flexibility in using environmentally related attributes to attract new customers (Muller, 2006).

Finally, in *foreign business standardization/adaptation*, the firm either standardizes its business policies worldwide or allows its subsidiaries to adapt them in accordance with local conditions (Christmann, 2004). Hotel chains with an adapted approach in international business are more likely to give greater leeway to their subsidiaries to adjust their environmental technologies, technical standards, and procedures to the specific requirements of the countries in which they operate (e.g., regulatory frameworks, industry norms, buyer expectations) (Pinkse *et al.*, 2010). As a result, they are in a more advantageous position than

their counterparts that employ a standardized route in more effectively exploiting green-related opportunities in foreign markets, which subsequently yields higher financial returns.

Thus:

H₃: *The association between an eco-based competitive advantage and global financial performance is stronger when the global hotel chain adopts (a) a global rather than a market-extension configuration, (b) a joint venture rather than a wholly owned subsidiary foreign entry mode, (c) a decentralized rather than a centralized decision-making approach, and (d) an adapted rather than a standardized foreign business approach.*

4. Study Methodology

4.1. Scope of research and sampling procedures

The empirical setting used to test the research hypotheses is the global hotel industry, which plays a significant role in international business. This industry was chosen for conducting the study because: (1) firms have strong links with the natural environment and the social context within which they operate (Jennings and Zandbergen, 1995); (2) global hotel units are strongly consumer-oriented and, as consumer demand is one of the key drivers of ecological behavior, they increasingly undertake eco-friendly initiatives (Rodriguez and Cruz, 2007); (3) the hotel industry itself is highly competitive, with many firms searching for new ways (such as being ecologically-oriented) to achieve competitive advantage (Menon and Menon, 1997); (4) environmental and social issues have topped the agendas of hotel associations in the past few decades (Zhou *et al.*, 2007); and (5) the global nature of the industry allows for more thorough examination of the moderating role of various international strategy-related factors in ecological practices (Holcomb, Upchurch, and Okumus, 2007).

The study sample came from “Hotels’ 2007 Giants 325 Executive Directory”, which contains contact information on the world’s largest global hotel chains.¹ The directory is published by “Hotels” magazine and its editor-in-chief provided us with an endorsement letter, which described the purpose of the study and the potential benefits that directory members would gain from its findings. The unit of analysis for the study was the hotel chain’s headquarters, which is in a better position to comment on organizational capabilities, environmental practices, and financial performance across countries than its subsidiaries. The headquarters could also offer more information on various aspects of the hotel chain’s international business strategy.²

4.2. Scale development

Appropriate scales of the key constructs employed came from previous research published in reputable sources, having as a key criterion the reported Cronbach’s alpha to be greater than .70 (Nunnally and Bernstein, 1994) (see Table 1). All scale items used were measured on seven-point Likert-type scales, ranging from strongly disagree (1) to strongly agree (7). The only exception was financial performance (operationalized in terms of operating profits, return on assets, sales turnover, and cash-flow), which was measured compared to the hotel chain’s main competitors over the past twelve months on a seven-point scale, ranging from much worse (-3) to much better (+3). The four dimensions of international strategy were

¹ Initially, the idea was to focus exclusively on green hotels included in the directory of “Green Hoteliers Club”, as provided on the club’s website (<http://www.greenhotelier.org/>). However, to obtain a more balanced sample and avoid selection bias, the Giants 325 directory focusing on the top 325 hotel chains was finally selected. This is because the latter directory includes not only purely green hotel chains, but also hotel chains that have partially implemented environmental activities or no environmental practices at all.

² To minimize the possibility of perceptual bias in the study, the following safeguards were taken: (1) anonymity and confidentiality in the answers of respondents who participated in the study were strongly emphasized in the questionnaire, thus ensuring an unbiased response to the questions raised; (2) only respondents who were familiar with the subject, knowledgeable of the topic, and confident about providing information on the issues mentioned in the questionnaire, were included in the final sample, while respondents who failed the key informant competency check were excluded from the final analysis; and (3) a common method bias test based on Lindell and Whitney’s (2001) methodology verified the non-existence of such bias in the study.

derived from the international business literature (Christmann, 2004; Husted and Allen, 2006; Muller, 2006; Strike *et al.*, 2006). These were measured on a dichotomous scale, as follows: global market configuration (global expansion *versus* market extension), foreign market entry mode (joint venture *versus* wholly owned subsidiary), decision-making autonomy (centralized *versus* decentralized), and foreign business standardization/adaptation (standardization *versus* adaptation). Three academics with extensive experience in the field helped verify the face validity of all scales. These were refined further on input from informal discussions with five hotel managers on the idiosyncrasies of global hotel chains.

Table 1. Scale items, reliabilities, and factor loadings

Constructs and scale items	Factor loading
Organization learning ($\alpha = .92$; CR = .94; AVE = .80) (Seven-point scale, adapted from Sharma <i>et al.</i> (2004))	
We continuously update our knowledge of the forces affecting the global hotel industry with regard to green issues.	.91
We try to look at solutions to environmental problems regarding the hotel industry from fresh angles.	.87
We use both formal and informal channels for exchanging information regarding environmental issues.	.84
In our firm, both line and staff managers are involved in developing new eco-friendly practices, processes, systems.	.87
In our firm, there are incentives and rewards for those employees who find solutions to green problems. (D)	-
Relationship building ($\alpha = .93$; CR = .95; AVE = .82) (Seven-point scale, adapted from Morgan <i>et al.</i> (2004))	
We fully understand foreign customer requirements regarding environmental issues.	.92
We fully understand requirements of other stakeholders (e.g., travel agents, local authorities) regarding green issues.	.94
We fully establish and maintain close relationships with suppliers (e.g., food, toiletries) regarding green issues.	.93
We establish and maintain close collaboration with internal and external strategic partners regarding green issues.	.84
Shared vision ($\alpha = .92$; CR = .94; AVE = .79) (Seven-point scale, adapted from Aragón-Correa <i>et al.</i> (2008))	
All our employees have a very clear idea about our firm's environmental objectives.	.93
All our employees make significant efforts to reach our firm's environmental objectives.	.95
Managers and employees always agree on the right environmental procedures for our firm.	.82
Employees often offer valuable ideas for improving our firm's ability to achieve its environmental objectives.	.85
Cross-functional integration ($\alpha = .84$; CR = .90; AVE = .76) (Seven-point scale, adapted from Aragon-Correa (1998))	
We have informal systems for better coordinating environmental issues among departments in our firm.	.82
We have formal systems for better coordinating environmental issues among departments in our firm.	.90
We work around projects (not departments) with multi-disciplinary teams regarding environmental issues in our firm.	.89
Technology sensing & response ($\alpha = .89$; CR = .93; AVE = .82) (Seven-point scale, adapted from Srinivasan <i>et al.</i> (2002))	
We are often one of the first in the industry to detect technological developments that may affect our green efforts.	.89
We actively seek intelligence on technological changes that are likely to affect our environmental efforts.	.92
We generally respond very quickly to technological changes that have to do with environmental issues.	.91
Our firm lags behind the industry in responding to new technologies that have to do with environmental issues. (R)	-
(D)	

<i>Eco-based competitive advantage</i> ($\alpha = .93$; CR = .94; AVE = .73)	
(Seven-point scale, adapted from Banerjee <i>et al.</i> (2003))	
Being environmentally conscious has led to substantial cost advantages for our hotel chain.	.86
Our firm has realized cost savings by experimenting with ways to improve the green quality of our products/services.	.80
By regularly investing in new eco-friendly technologies/ processes/strategies, we have gained leading market position	.89
Our hotel chain has managed to enter lucrative new markets by adopting environmental strategies.	.83
Our hotel chain has managed to increase service quality by making its current processes more eco-friendly.	.89
The negative green impact of our firm's activities has led to a quality improvement in products/services provided.	.91

<i>Financial performance</i> ($\alpha = .94$; CR = .95; AVE = .84)	
(Seven-point scale, adapted from Moorman and Rust (1999) and Zhou <i>et al.</i> (2009))	
Operating profits	.94
Return on assets	.92
Sales turnover	.90
Cash-flow	.91

Notes: (R) denotes a reverse scale; (D) denotes that the item was excluded as a result of scale purification procedures.

4.3. Questionnaire design and testing

The structured questionnaire consisted of four major sections. The first section comprised questions related to the five organizational capabilities of the hotel chain. The second section focused on the firm's competitive advantage gained from adopting environmentally friendly practices. The third section contained the financial performance implications associated with the hotel chain's eco-based competitive advantage. The final section sought information about elements of the hotel chain's international strategy. The end of the questionnaire included four questions on a seven-point scale measuring the respondent's role in the organization, familiarity with the subject, knowledge of topics, and confidence in providing information on the issues (Cannon and Perreault, 1999). Before launching the full-scale study, the questionnaire was pilot-tested with five hotel managers to measure its length, ensure its flow, and resolve any misunderstandings.

4.4. Data collection and respondent profile

The mail survey was designed following Dillman's (2000) proposed guidelines. All firms registered in the directory were first contacted by telephone to gauge their willingness to participate and identify appropriate key informants. Of these, only 185 responded positively,

while commonly cited reasons for non-participation included a company policy against taking part in surveys, lack of available time, and company ceasing/suspending operations. Senior managers from the headquarters who agreed to participate received a cover letter explaining the nature, purpose, and benefits of the study. The questionnaire was posted (and sometimes sent electronically) to all hotels agreeing to participate in the study, accompanied by instructions on how to administer it. A reminder letter was sent two weeks after the initial mailing and a replacement questionnaire one month later. Several follow-up calls were made to encourage respondents to reply and to assess reasons for non-response.

In total, 109 responses were returned (58.9% response rate), and a non-response test conducted among early and late respondents (Armstrong and Overton, 1977) revealed no particular bias. Of the questionnaires received, four were eliminated from excessive missing data, and another three were removed from failure to meet the key informant requirements. Thus, the final sample contained 102 firms, which, on average, had the following characteristics: number of employees (2,205), number of beds (22,000), and number of operating foreign markets (23).

5. Analytical Method and Research Findings

The Partial Least Squares – Structural Equations Modeling (PLS-SEM) was employed, using the SmartPLS 3 package (Ringle, Wende, and Becker, 2014), to analyze the data and test the research hypotheses.³ This method is: (1) robust, especially for small sample sizes and

³ The Partial Least Squares – Structural Equations Modeling (PLS-SEM) is an alternative approach to Covariance-based Structural Equation Modeling (CB-SEM). PLS-SEM produces models that maximize explained variance of the endogenous latent variables by estimating partial model relationships in an iterative sequence of ordinary least squares (OLS) regressions (Hair et al., 2011), while CB-SEM estimates model parameters in such a way as to minimize discrepancies between estimated and sample covariance matrices (Monecke and Leisch, 2012). Neither technique is superior to the other, as each uses different statistical methods and both are considered to be appropriate depending on research objectives, data characteristics, and model configuration (Hair et al., 2014). PLS-SEM (also called PLS-Path Modeling), though related, is not equivalent to PLS Regression (PLS-R). The former relies on pre-specified networks of relationships of constructs and between constructs and measures (Hair et al., 2014). The latter explores linear relationships between multiple independent variables and single or multiple dependent variable(s) by constructing composite factors and reducing dimensions through principal components with the aim of removing multicollinearity and improving predictive validity (Mateos-Asparicio Morales, 2011).

relatively high numbers of constructs; (2) stable, because improper or non-convergent solutions are unlikely to occur; and (3) reliable, because its bootstrapping capabilities can provide solid results even in limited samples (Kumar *et al.*, 2011).

5.1. Data purification procedures

First, the correlation between the constructs was calculated and data from the outer model were used to assess their validity and reliability (see Table 2). This was performed by examining descriptive statistics, scale reliabilities, individual factor item loadings, and the average variance extracted (AVE) for each construct. Convergent validity was met, since each item loaded highly on its assigned constructs, with the lowest value being .80, while the AVE for each construct was above the recommended threshold of .50 (Hair *et al.* 2012). Discriminant validity was also evident, since any cross-loading between items and constructs was low, while the squared root of AVE between each pair of constructs exceeded their shared correlation (Fornell and Larcker, 1981). Composite reliability values were equal to or greater than .90, implying a highly reliable measurement of each theoretical construct (Bagozzi and Yi, 1988).

Table 2. Correlations and summary statistics

Measures	Correlations ^a						
	1.	2.	3.	4.	5.	6.	7.
1. Organizational learning	1						
2. Relationship building	.59	1					
3. Shared vision	.64	.59	1				
4. Cross-functional integration	.61	.48	.74	1			
5. Technological sensing & response	.68	.76	.70	.68	1		
6. Eco-based competitive advantage	.65	.56	.73	.75	.66	1	
7. Global financial performance	.07	.22	.19	.30	.06	.34	1

Summary statistics

Number of items	4	4	4	3	3	6	4
Mean	5.56	5.85	5.37	5.23	5.49	5.05	5.44
Standard deviation	1.17	1.16	1.11	1.19	1.27	1.18	.94

^a Correlations greater than $|\pm.19|$ are significant at $p < .05$.

Common method bias (CMB) was tested using the marker variable approach, by employing a theoretically unrelated construct (i.e., respondent tenure) in the analysis as a proxy for common method variance (Lindell and Whitney, 2001). The marker variable did not exhibit any significant correlation with the model constructs. The average correlation coefficient for this marker variable ($r_M = .033$) was subsequently used to compute the CMB-adjusted correlations for the variables under investigation (Johnston *et al.*, 2012). A comparison between the original and CMB-adjusted correlation matrices revealed no statistically significant differences (at $\alpha = .05$). All these suggest that common method bias was not a problem in the study.

5.2. Testing main effects

To test the significance of the main hypothesized paths, a structural model following a bootstrapping procedure of 5,000 sub-samples was run (Hair *et al.*, 2014). The following evaluations were subsequently made: the quality of the inner model by inspecting the number of significant associations among the constructs, the percentage of variance explained by the endogenous latent variables (i.e., R^2), the predictive relevance of each dependent variable (i.e., Q^2), and the effect size for each hypothesized relationship. The results revealed that more than 50 percent of the hypothesized relationships were accepted, while the variances explained for eco-based competitive advantage and global financial performance were high (i.e., .67 and .34 respectively). In addition, using the blindfolding procedure, the model produced values greater than zero for eco-based competitive advantage (i.e., $Q^2 = .47$) and

global financial performance (i.e., $Q^2 = .08$), which indicates that the model exhibits adequate predictive relevance, while all significant effect sizes were at least moderate and, in some cases, strong (Hair *et al.*, 2014). Finally, the model produced an acceptable Standardized Root Mean Square Residual (SRMR = .07), which enhances confidence in the quality of the model (Sarstedt *et al.*, 2014).⁴ The results of the analysis appear in Table 3. With the exception of H₂ and H₅, all hypotheses related to direct effects were accepted.

Table 3. PLS path coefficients and results

Hypothesized main path	Path coefficient	t-value	Result
Organizational learning → Eco-based competitive advantage	.17*	2.42	Supported
Relationship building → Eco-based competitive advantage	.11	.96	Not supported
Shared vision → Eco-based competitive advantage	.24*	1.99	Supported
Cross-functional integration → Eco-based competitive advantage	.41**	2.80	Supported
Technological sensing & response → Eco-based competitive advantage	.02	.13	Not supported
Eco-based competitive advantage → Global financial performance	.34*	2.44	Supported
R ² for eco-based competitive advantage			.67
R ² for global financial performance			.34
Q ² for eco-based competitive advantage			.47
Q ² for global financial performance			.08
Standardized Root Mean Square Residual (SRMR)			.07

* $p < .05$ (two-tailed), ** $p < .01$ (two-tailed).

The findings confirmed H_{1a}, H_{1c}, and H_{1d}, linking eco-based competitive advantage with organizational learning ($\beta = .17$, $t = 2.42$, $p < .05$), shared vision ($\beta = .24$, $t = 1.99$, $p < .05$), and cross-functional integration ($\beta = .41$, $t = 2.80$, $p < .01$). Specifically, the study confirmed the vital role of the firm's ability in information acquisition, processing, and dissemination to reduce the uncertainties and overcome the complexities in building a

⁴ Though the SRMR value is considered to be acceptable within SEM research (i.e., $< .08$), unfortunately there are no established guidelines or accepted thresholds yet in the literature to guide its use with PLS-SEM (Sarstedt *et al.*, 2014).

competitive advantage based on ecological issues (Sharma *et al.*, 2004). This finding is consistent with the fact that shared vision, which capitalizes on such knowledge to develop a collective understanding of environmental aspects, cultivates a collaborative spirit to continuously support green initiatives (Russo and Fouts, 1997). Cross-functional integration is also required to coordinate everybody in the organization to better exploit environmental opportunities so as to stay ahead of the competition in international markets (Sharma *et al.*, 2004; Stone *et al.*, 2004).

H_{1b} and H_{1c}, referring to the links of relationship building ($\beta = .11, t = .96, p > .05$) and technology sensing/response ($\beta = .02, t = .13, p > .05$) with green competitive advantage, were not confirmed. An explanation for this finding might be the unique nature of hotel organizations, which: (1) have business associates, such as members of the supply chain, that usually do not possess the means to inform them about new environmental developments; (2) are always in direct contact with end-users to grasp the needs of the market for green requirements; and (3) are not intensive users of sophisticated environmental technology in their operations (Erdogan and Baris, 2007).

The study confirmed that achieving an eco-based competitive advantage can enhance the global hotel chain's financial performance ($\beta = .34, t = 2.44, p < .05$), in support of H₂. This is in harmony with the findings of other previous empirical studies in the hotel industry (e.g., Carmona-Moreno *et al.*, 2004; López-Gamero *et al.*, 2011), which also underscored the favorable effects of possessing an eco-based competitive advantage on the firm's financial performance. The qualitative input received from hotel managers during our exploratory interviews clearly indicate that such an advantage helps enrich the company offering, makes it more attractive to customers (especially those who are sensitive to green issues), and leads to significant savings in resources (i.e., water, energy). Such an advantage also enhances the

hotel chain's reputation, both locally and internationally, and creates positive publicity through word of mouth (WOM).

5.3. Testing moderation effects

To test the moderating effects of the hotel chain's international strategy, a sub-group analysis was employed. Specifically, the data for each moderating construct were divided into two groups, depending on the responses recorded. Eco-based competitive advantage was then regressed on financial performance using the new data sub-groups. The Chow test assessed the statistical significance of the difference in the regression coefficients across every two sub-groups for each moderating variable (Becker *et al.*, 2009). The results revealed that foreign market entry mode ($F = 3.94$; $p < .05$) and decision-making autonomy ($F = 4.98$; $p < .01$) moderate the eco-based competitive advantage \rightarrow financial performance link, while global market configuration ($F = .73$; $p > .05$) and business standardization/adaptation ($F = .93$; $p > .05$) exert no significant moderating effects. These results lead us to accept H_{3b} and H_{3c} , but reject H_{3a} and H_{3d} (see Table 4).

Table 4. Results of moderation analysis

Hypothesized moderating effect on eco-based advantage - global financial performance link	Sub-groups	R^2	ΔR^2	β	t-value	F-value
H_{3a} : Effect will be stronger when adopting a global rather than a market-extension configuration.	Global configuration ($n_1=62$)	.07	.02	.26*	1.99	.73
	Market-extension configuration ($n_2=40$)	.05		.22	1.34	
H_{3b} : Effect will be stronger when adopting a joint venture rather than a wholly owned subsidiary entry mode.	Joint venture entry mode ($n_1=70$)	.25	.23	.50**	4.66	3.94*
	Wholly owned subsidiaries mode ($n_2=32$)	.02		.14	.60	
H_{3c} : Effect will be stronger when adopting a decentralized rather than a centralized decision-making approach.	Decentralized decision-making ($n_1=20$)	.46	.43	.72**	4.23	4.98**
	Centralized decision-making ($n_2=82$)	.03		.10	.88	
H_{3d} : Effect will be stronger when adopting an adapted rather than a standardized foreign business approach.	Foreign business adaptation ($n_1=75$)	.08	.04	.21	1.77	.93
	Foreign business standardization ($n_2=27$)	.04		.32	1.09	

* $p < .05$; ** $p < .01$.

Specifically, the findings suggest that the competitive advantage–performance path is significant when global hotel chains choose joint ventures ($\beta = .50, t = 4.66, p < .01$), rather than wholly owned subsidiaries ($\beta = .14, t = .60, p > .05$), as a foreign market entry mode. This stresses the role of national partners in better sensing green requirements by local stakeholders (e.g., governments, pressure groups, buyers), and in taking care to maintain a good ‘corporate citizen’ image in the communities in which they operate (Déniz-Déniz and García-Falcón, 2002). In addition, the findings support the hypothesis that a decentralized ($\beta = .72, t = 4.23, p < .01$), rather than centralized ($\beta = .10, t = .88, p > .01$), decision-making structure enhances the impact of eco-based competitive advantage on financial performance. This is consistent with prevailing views about the benefits associated with decentralization in multinational corporations, such as flexibility, responsiveness, and proactivity, which are critical success factors in environmental initiatives (Muller, 2006).

However, the findings do not support the view that the adoption of a global ($\beta = .26, t = 1.99, p < .05$), rather than a market-extension ($\beta = .22, t = 1.34, p > .05$), approach leads to a stronger effect of competitive advantage on performance. To some extent, this is because a vast number of countries now require a minimum set of environmental standards, thus making the adoption of eco-friendly programs compulsory, regardless of whether the strategic emphasis is on the home or global market. Finally, the association between competitive advantage and performance does not become stronger when the hotel chain adopts an adapted ($\beta = .21, t = 1.77, p > .05$), rather than a standardized ($\beta = .32, t = 1.09, p > .05$), approach to its international business activities. This might be explained by recent evidence indicating that the standardization/adaptation decision is situation specific, in the sense that it depends on ensuring a proper ‘fit’ between the particular conditions prevailing in a foreign country and the characteristics of the organization to yield superior performance (Katsikeas, Samiee, and Theodosiou, 2006).

6. Conclusions

This study examines the antecedents and outcomes of an eco-based competitive advantage in global hotel chains, an issue of strategic importance in light of growing stakeholder pressures to protect the natural environment. With regard to antecedents, the emergence of organizational learning, shared vision, and cross-functional coordination as instrumental capabilities in the creation of an eco-based competitive advantage in hotels is in harmony with the findings of other empirical studies in the wider environmental management field (e.g., Aragón-Correa, 1998; Russo and Fouts, 1997; Sharma *et al.*, 2004; Sharma and Vredenburg, 1998). These capabilities comprise important ingredients of the firm's market orientation process, which means that they are also critical in becoming an environmentally-oriented organization (Day, 1994). However, two other capabilities—namely, relationship building and technology sensing/response—, although crucial for manufacturing firms (especially in heavy industrial sectors), were downplayed in hotel organizations, due mainly to their lesser technology-intensive nature.

The positive impact of eco-based advantage on the global hotel chain's financial performance is also congruent with the results of prior empirical studies conducted mainly among manufacturing firms (e.g., Klassen and McLaughlin, 1996). Despite concerns that the costly nature of environmentally friendly programs usually results in higher prices for end-products/services (with all the negative consequences that this may entail for sales, market share, and other financial indicators), this study shows that the benefits accrued from an eco-based competitive advantage (e.g., new customer attraction, customer loyalty, reputation) outweigh these damaging effects. In the case of hotels, investments related to environmental programs do not have the magnitude and diversity of those in manufacturing firms to create pressures on increasing end-user prices.

Hotels entering foreign markets through joint ventures and adopting a decentralized decision-making approach gain financial benefits from eco-friendly activities, which underscores the key role of local knowledge in the foreign market to respond more effectively and efficiently to green issues. Such knowledge seems important to quickly grasp environmental developments (e.g., new regulations), solve any ecological problems regarding the firm's business practices (e.g., water pollution), and proactively implement eco-friendly initiatives that can boost the firm's reputation (e.g., maintaining clean beaches). However, the study showed that in the case of hotel organizations, environmental success is not contingent on the firm's global expansion or standardization/adaptation strategy.

6.1. Managerial implications

The study has several implications for global hotel chain managers. First, they should instill mechanisms to continually learn how to identify, analyze, and swiftly respond to eco-friendly opportunities (and accommodate environmental problems) in the foreign markets in which they operate. Such capability would help them understand, *inter alia*, governmental actions, competitors' movements, and buyers' needs with regard to green issues. They should also develop a common mental frame of reference among employees (through, for example, seminars/workshops, assimilation exercises, and on-site visits to foreign markets) to help them interpret and face environmental challenges in a consistent manner. However, to achieve maximum effectiveness and efficiency in the way green issues are handled, it is crucial to maintain a high level of coordination among the various functional areas of the organization under the aegis of the environmental or other senior manager in the hotel chain.

Hotel chain managers should also capitalize on the favorable effects of an eco-friendly competitive edge on financial performance. In this respect, they should incorporate into their communication programs elements on both their 'internal' eco-friendly behavior (e.g.,

energy/water conservation, recycling activities, waste minimization) and ‘external’ efforts to protect the bio-physical environment (e.g., taking initiatives in drafting industry association green-related codes, sponsoring community eco-friendly events, actively participating in environmental associations). Along with other company offerings, the adoption of such a green approach will help attract eco-sensitive buyers, improve customer satisfaction, and boost company reputation, which in turn will improve financial results.

To further enhance the positive role of eco-friendliness on financial performance, hotel chain managers should carefully select the appropriate international strategies. Specifically, collaboration with local partners in foreign countries should be cultivated (rather than relying solely on their own forces) to better understand local nuances in terms of environmental regulations, customer eco-sensitivities, and competitive green activity. They should also give subsidiary managers autonomy to handle the environmental issues in their respective countries. Such a decentralized approach would help them quickly grasp green requirements in the local market, gain a rapport with domestic pressure groups (e.g., environmental activists), and adopt a more proactive stance in exploiting eco-friendly opportunities.

6.2. Future directions

Future research could compare and contrast green-related organizational capabilities of global hotel chains with headquarters in different countries, since there are signs that the domestic institutional environment plays an important role in developing eco-friendly business thinking (Rugman and Verbeke 1998). On the subsidiary side, research could shed more light on the nature of the foreign markets in which the global hotel chain firm operates. Some variables to examine include: (1) the degree of regulatory intensity of ecological issues; (2) the nature of green practices adopted by both domestic and international rivals; (3) the

degree of psychological distance separating headquarters from host countries; (4) the level of public awareness and knowledge in the host country with regard to environmental matters; and (5) the stage of economic development of the foreign country, whether underdeveloped or advanced.

Another line of research could focus on the hotel chain's strategic approach to ecological issues, whether reactive (the firm passively responds to competitor's moves and/or environmental regulations) or proactive (the firm takes a more aggressive stance to exploit environmental opportunities). Other international strategic issues with a potential effect on the hotel chain's ecological behavior that warrant investigation include whether the firm follows: (1) a concentrated (i.e., operating in a few markets) or a spreading (i.e., having activities in many markets) international market expansion; (2) a greenfield (i.e., establishing entirely new business ventures) or an acquisition (i.e., taking over already established firms) approach when entering foreign markets; and (3) a geographical (i.e., organized along geographic regions) or functional (i.e., organized according to enterprise functions) structure.

Finally, the data of this study are subjective in nature, relying on input from a single key informant in each organization. Although the literature provides many examples of how perceptual data corroborate with objective factual organizational data (e.g., Judge and Douglas, 1998; Morgan *et al.*, 2004), future research (whenever this is feasible) could utilize objective archival data which would enable findings to be verified. Another limitation of the study refers to the cross-sectional nature of the data collected, which are based on events collected at a specific point in time. However, since some time has to elapse before organizational capabilities can help to achieve a competitive advantage, and a competitive advantage to yield a superior financial performance, it is also important to embark on longitudinal monitoring of changes in the ecological behavior of hotel chains. A more

qualitative analysis in the form of case studies would also facilitate a deeper understanding of the interconnections of the constructs used in this study.

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Dynamic Capabilities Driving an Eco-Based Advantage and Performance in Global Hotel Chains: The Moderating Effect of International Strategy

Author Biographies

Dr. Leonidas C. Leonidou (Ph.D., M.Sc., University of Bath) is a Professor of Marketing at the School of Economics and Management of the University of Cyprus. His current research interests are in the areas of international marketing/purchasing, relationship marketing, strategic marketing, and marketing in emerging economies. He has published extensively in these fields and his articles appeared in various journals, such as *the European Journal of Marketing*, *Industrial Marketing Management*, *Journal of the Academy of Marketing Science*, *Journal of Business Research*, *Journal of International Business Studies*, *Journal of International Marketing*, and *Journal of World Business*.

Dr. Constantinos N. Leonidou (Ph.D., University of Leeds, MBA, Cardiff University) is an Associate Professor of Marketing at Leeds University Business School, University of Leeds, UK. His main research interests focus on sustainability, international marketing, consumer behavior, advertising, and tourism marketing. His research has appeared in various journals, such as *European Journal of Marketing*, *Industrial Marketing Management*, *Journal of the Academy of Marketing Science*, *Journal of Business Ethics*, *Journal of Business Research*, *Journal of International Marketing*, *Journal of World Business*, and *Tourism Management*.




Dr. Thomas A. Fotiadis (Ph.D., MBA, University of Macedonia, M.Sc., Aristotle University of Thessaloniki) is an Assistant Professor of Marketing at Democritus University of Thrace, Greece. His research interests are: sustainability, tourism marketing, and high-tech marketing. He has published in various journals including *Tourism Management* and *Journal of International Marketing*.

Dr. Bilge Aykol (Ph.D., MBA, Dokuz Eylul University) is an Associate Professor of Marketing at the Faculty of Business of Dokuz Eylul University. Her research interests center on international marketing, industrial marketing, and experience marketing. Her articles appeared in *Journal of International Marketing*, *Management International Review*, and *Journal of Small Business Management*.

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Author Photographs

	<p>Leonidas C. Leonidou</p>
	<p>Constantinos N. Leonidou</p>
	<p>Thomas A. Fotiadis</p>



Bilge Aykol