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Competitive Advantage of Green Hospitality Business Practices in 5 Star Hotels in Bali

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Abstract. This study gives an advantages account of green hospitality business practices in 5-star hotels in Bali island. The methods used were focus group discussion, case study, direct observation, and questionnaire. The results showed that all the studied hotels have practiced green hospitality, and have successfully integrated local values system pertaining to culture and ecology as green vision to elevate their social and ecological marketing. Furthermore, their green hospitality practices have been locally and internationally certified and recognized, making the hotels known for green products. These made them to be in demand because most clients are looking for green hotels that preserve culture and nature. Also, green practices have changed the image of hotels to be ecologically and socio-culturally friendly, and as agents of local economy development. In addition, the practices have made the hotels capable of producing products and services with lower costs, and higher profit to compete in a global market to sustain their competitive advantages.

Keywords. Sustainable Business Practices, Competitive Advantages, Local Values, Green Hotel, Green Products

1. Introduction

Green tourism business practices have been integrated in economy scheme, where all businesses have to integrate locals, socio-cultural, and ecological development. Furthermore, the goal of development is to holistically enhance the people's quality of life, not just in terms of economic welfare but also social-cultural and ecological perspective. Green tourism is no longer an ethical approach, but a product and a marketing strategy. In fact, people are ready to pay more in the green hotel, since young generation are aware that environment and culture would give them great experience. Therefore, the hotels design financial investment that focuses on green hospitality business practices for economic performance (Mihalič et.al., 2012).

Because being green is considered to be expensive, efforts directed toward the purposes were not popular before 21st century [1]. Since the official declaration of sustainable development in 1987, tourism sector has been mandated to integrate sustainable development because their activities may deplete resources such as water, energy, and culture. Also, customers' awareness of sustainable products and services have made the hospitality business become crucial in hotels [2], and have become a central theme for profit service organizations [3]. The importance of green practices have stimulated research in the field, and establishment of independent certification bodies such as Green Globe, EarthCheck, and Tri Hita Karana Award to verify and audit the practices in hotels.

In 2015, there were 86.7 million people visiting ASEAN countries, and they needed accommodations, food and beverage, transportation, attractions, and destinations to visit. Therefore, the countries have taken initiatives by creating Green Hotel Standards, in order to minimize adverse impacts on environment and local culture. The hotels within the ASEAN countries need to adhere to these standards in order to safeguard environmental sustainability and culture exposed to the visitors, as well as to elevate their contribution to local economy. Green hospitality practices is defined as being environmentally-friendly and adopting energy conservation measures. In the case of Bali, the practices do not solely consider ecological environment but also sacred, social, and cultural. This is because Balinese culture is more complicated, and they believe that the physical human body is also an environment [4], [5], and [6].

The green practices applied by hotels in Bali island is an integration between global and local value system. Therefore, the practices are verified and accredited by both local and global certification bodies, in order to ensure they comply with conventions on sustainable tourism development.

A large and growing body of literatures have investigated tourism impacts on the environment, culture and local economy. Furthermore, they have investigated what the tourism enterprises need to do in order to minimize their footprint and maximize their financial performance. Also, it has been strongly considered that green practices have become an important effort to lower the cost of non-renewable energy, government regulations relating to the subjects have put pressure, and hotel clients have become more demanding on the green products [7]. In fact, green hotel association pointed that 71% of guests would prefer to stay at a hotel cleaned with Green Works [8]. Meanwhile, sustainable practices in a hotel are no longer an ethical approach but a product strategy based on customers' demands. Therefore, the increasing green products demands have made hotels innovate their production patterns by adopting business models that focus on green practices to develop their competitive advantages.

Tough competition have evoked hospitality businesses to find competitive values in order to exist in the market [9]. Competitive advantage is a product of close and synergic interconnection with those who affect and are affected by the organization [10]. Therefore, the competitive advantage of a company is strongly dependent on their needs and preferences. Also, when the company can satisfy their expectation, the goals can be achieved [11]. The main purpose of this is to outperform competitors in the market [12]. In addition, the green practices of 5-star hotels is a determination taken for the betterment of their market position.

Tourism has been globally recognized as the biggest industry, and it keeps expanding and growing rapidly. The wealth generated from this sector is often accompanied by various negative impacts, especially on environment and social. Those impacts may include natural resources depletion, biodiversity loss, water pollution, labor issues, encroachment, and overbuilding [13], [14], and [15]. Therefore, the concerns on environmental issues and policies addressed to developmental impacts have motivated service providers to develop

environmentally friendly products. The terms sustainability and sustainable tourism have been exaggeratedly used in literatures and development, with some confusion in their meaning and denotation [16]. Culturally, tourism can be ambivalent, and when properly managed, it can be an agent of cultural development and renaissance, however it can be a vector of cultural degradation or commodification when managed improperly [4].

The reasons companies, such as hotels, need to incorporate green strategies include the continuous increase of unrenewable resources, the growth in demand for green products and services, the increasing pressure on the companies environmental responsibility, and the refusal of consumers to accept globalization [17].

This study was conducted on six trans-international 5-star hotels located in Nusa Dua, Jimbaran and Ubud, using several methods such as direct observation, focus group discussion, and questionnaire. Furthermore, it aims to address the following questions (1). How do green practices impact the hotel competitive advantages? (2). How do the hotels implement their green visions to achieve their business goals? (3). What are the stakeholders roles in succeeding the goal of green hospitality business practices?

2. Literature Review

Research, theories, and concepts relevant to this subject were examined and discussed to determine whether competitive advantage brings benefit to their stakeholders. Since the propagation of sustainable development in 1987, environmental issues have vigorously emerged in the context of economic development and natural resources manipulation. Furthermore, the global pressures and the increasing demand for green products have led hospitality industries to integrate environment in their business operation [14], in order to create competitive advantage.

Warren J. Keegan defined competitive advantage as quoted by Mohammad Hakkak and Masoud Ghodsi [18] "the higher attraction rate a company offers compared to its competitors". The principle of competitive advantage is that costumers tend to accept products of higher values, where the company will receive higher profit margin, with low cost of production [19]. In the hospitality context, hotels have to develop organizations, especially green supply chain, and a common vision in order to meet the standards of green products. Peteraf [20] defined competitive advantage as the retention of earnings higher than normal. Furthermore, Bensanko David et al [21], confirmed that competitive advantages of a company is when it earns a higher economic profit than the average in the same market. Saloner Garth et al [22] elaborated that a company has the capacity to produce more valuable products or services than the ones produced by its competitors. In addition, competitive advantage is a state when a company can innovate products, or services to meet the needs of its stakeholders, and consistently exist in the market. Also, products and services innovation has to be demand driven, not only by direct customers but the stakeholders demand at large. For the last 25 years, green tourism products have been in strong demand, and enterprises in the sector have responded by integrating their products with environmental care. Meanwhile, trend of sustainable products will keep increasing, since health awareness and quality of life keep evolving [23].

The concept of green hotel was promoted in Germany in 1980s. The term unfolded from eco-hotel or ecological, eco-efficient, eco-friendly, and environmentally friendly hotel [24]. Furthermore, those with same vision develop an association called Green Hotel association, which defined a green hotel as follows: "The hotel itself has environmental performance, and the management method needs to be actively focused on saving energy, water resources, reducing waste, and avoiding the loss of resources in order to maintain the global environment.

Also, green hotels usually implement environmental protection measures to reduce their negative impact on the environment. The environmentally responsible practices (ERPs) contain sustainable standards, regulatory orders, protection measures and labels, management systems (EMSs), as well as environmental indicators” [25]. The concept has adopted three sustainable development bottom lines, namely economic, socio-cultural, and environmental sustainability because both culture and nature are the main appeal of tourism businesses [4].

The responsiveness in the society as a reaction to environmental degradation and global warming has led the hotel industry to pay more attention to environmental issues [14]. At the beginning, green practices was considered as the company's social responsibility, but eventually becomes a market demand, therefore the practices are voluntarily carried out by the hotels as part their products. Furthermore, the environment is treated as the asset or capital that has to be sustained. Due to the new paradigm shift from considering environment as a business object to a capital and asset, hospitality businesses have to put effort to maintain their business viability by investing in ecological resources preservation [26]. Meanwhile, hospitality business sustainability is strongly determined by their level of innovation which is commercially beneficial to the environment [27].

Gürlek M and Tuna M [28] quoted the definition of green innovation from [29] as innovation in products and production process to reach the environmental objectives and decrease ecological footprint throughout life cycle of a product. Therefore, green hospitality business practices are no longer an ethical approach but business one.

Green hospitality practices cannot be over simplified as merely minimizing the depletion of resources, minimizing cost and maximizing revenue, but it requires a well-structured green organization in the company. With the vision and mission, hotels can lower production cost and increase the selling value, therefore they can develop competitive advantage [30] and [31]. Also, since green practices are efforts to respond to the green demand from clients, hotels need to be active and communicate the information to the public. Furthermore, they have to design, process, and produce green product that will elevate the image of the company in order to increase profit and benefit to the environment [32]. In addition, green business practices are strategies to reduce waste, conserve energy, promote environmental health [33] create values for individual, society, as well as the environment [34]. The practices based on the studied literatures are efforts taken by the hotels to create green products, by reducing their footprints on the planet, creating values demanded by the costumers to improve their market and profit, at the same time preserve natural resources.

The International Hotel and Restaurant Association (IH&RA) demonstrated the best practice of Scandic Hotel written by Coenllas Arturo, which points out that green practices are sources of profit and become real competitive advantage. In fact, the hotels have strived to minimize environmental impacts of their organization, in order to maximize their economic profit and the social wellbeing of their stakeholders (http://ih-ra.org/public/images/document/scandic-sustainability-case.study_.pdf, retrieved on 27 July, 2019). However, for those located on Bali island, the conception and policy pertaining to green practices have to be innovated and extended to meet stakeholders' need.

The green practices on Bali island have become legal requirements since the enforcement of the regional tourism law No. 2/2012 chapter 1 verse 1, point 14 which stated that Bali's cultural tourism is on Balinese culture, rooted in their Hindus teaching and philosophy of tri hita karana as the main potential. Therefore, a dynamic reciprocal relationship between tourism and culture can be achieved, making the culture synergically, harmoniously, and sustainably developed, and bringing prosperity to the community (Budarma Ketut, 2015). The three bottom lines of tri hita karana (in harmony with God, People, and Nature) obligates companies in Bali to adapt

their green policies with Balinese cultural context. All 5-star hotels then need to participate in Tri Hita Karana award in order to demonstrate their compliance. Meanwhile, three major elements have to be verified during the accreditation of the THK awards, namely element of culture, community, and natural environment.

The cultural element has to be manifested with the existence of holy places (temple) in the company, the use of Hindu religion symbols (statues, banners, shrines, etc.), rituals, communication or relations with the hotel, maintenance and conservation of the holy places. Furthermore, it has to be manifested through quality improvement of Balinese culture, application of traditional architectural concept, arrangement and layout of the holy place, religious activities performed both daily and periodically, as well as contribution and participation from the company towards religious activities. The elements of community include inter-employee and management relations, the existence of social organization within the company, local manpower, composition within the company, and improvement of the local manpower potential. Also, the company's atmosphere includes community relations, business capability, ability improvement and human resources development, improvement of the communal human resources ability, sympathy towards humanity problem, business contribution, as well as participation in preserving Balinese cultural development. The element of environment has to embody the company's commitment to environmental quality, application of style and concept of Balinese architecture, preservation and ecosystem development, and waste management (fluid matter, solid matter and gas). in harmony with Balinese culture, environmental management is according to valid or positive law, periodical review and evaluation [35].

3. Research Methodology

This study was conducted in Bali island, known for its cultural and natural diversity as the capital of tourism development, where international 5-star hotels are nested. Furthermore, it used six hotels from different international chains operating on the island, namely St. Regis, Conrad Bali, Melia Bali, Intercontinental hotel, Mandapa, and The Royal Pita Maha hotel. From these six, three are located in the enclave tourist resort of Nusa Dua (St. Regis, Conrad Bali, Melia Bali), established in 1971, Intercontinental hotel is located in Jimbaran, and was opened in 1993, 22 years after the establishment of Nusa Dua resort. The other two (Mandapa and The Royal Pita Maha) are located in Gianyar Regency, known as the center of Balinese art and culture.

Figure1. Location of the hotels

Data were collected by distributing questionnaires to the six hotels in order to ascertain the impacts of their green practices on competitive advantages. The target departments are those

with strong role in implementing green practices, namely F&B Manager, Purchasing Manager, Learning Development Manager, Director of Engineering, Public Area Manager, and CSR Manager. Furthermore, other methods were deployed such as focus group discussion, observation and interview. Secondary data were mostly obtained from literature reviews and websites of the hotel chain.

The collected data were analyzed using deductive-qualitative method, and were segmented from general cluster to the more specific ones to test the hypothesis. In addition, two main variables were examined, which are green practices and competitive advantage.

The hotels were selected since they are located in three epicenters of major tourism activities on the island. Furthermore, the green activities were not collectively designed, because they have to work with hundreds of small and medium sized enterprises as their suppliers having different vision. Also, the community where the hotels are located has played an important role in green practices. These practices play an important role not only for their business viability but also for the island.

4. Result and Discussion

The six selected hotels as the objects of the study have practiced green hospitality by using different approaches based on their vision and mission in order to elevate their competitiveness in the market. Since these hotels are located on Bali island, a destination characterized by high local cultural attraction, they integrate international standard practices with locality.

St. Regis Bali Resort as one of Marriot hotel chain, focuses its green business practices by integrating social and environmental viability, as well as welfare. Furthermore, its mission is to Educate and help develop an understanding of sustainability, which is then integrated in the context of its business locus, Bali, Indonesia. Also, the hotels actively participate in Tri Hita Karana award, known as THK. This award examines hotel's participation in supporting socio-cultural and natural sustainability in local culture context. The hotel built a Hindu temple within the premises, divided its land use plot based on Balinese spatial conception, sacred sphere (Utama Mandala) where the temple erected, residential sphere (Madya Mandala) where the guest rooms and its amenities are located, and disposal sphere (Nista Mandala) where wastes are disposed. To keep its commitment to be a green hotel, St. Regis left 60% of the land plot unbuilt, in order to green it with rare plants and nourish local birds and turtles. Furthermore, the hotel employs locals to help local economic development, from professional management position to hawkers selling their merchandises on the beach.

Meanwhile, Marriot as a worldwide hotelier have strongly expressed its commitment to sustain its business while reducing impacts and protecting the environment. Its strong mission on human welfare is to put people first, giving back to communities and operating more sustainably, including resource-efficiency, employment opportunity, empowering local businesses, purchasing sustainable products, human right, children protection, and supporting programs. Furthermore, Marriott has committed to develop the model with its 2025 sustainability and social impacts goals [36].

Melia International focuses on its four 2030 international agenda on sustainable development goals. The first one is corporate ethics, which is related to transparency and accountability in its operation, human right, and business transparency. Furthermore, the second focus is on the society, especially children protection, knowledge sharing, talent and employability, social action, as well as philanthropy. The environmental focus covers climatic change, innovation, measurement and impacts on the environment. The last one is reputation which consists of leadership, sustainable brand and responsible value chain [37].

Melia Bali as one of the international chain hotels focuses on the community services known as community involvement project (CIP). It recruits locals and people with disability to work in the hotel. Furthermore, it is relevant to the international vision on human right, knowledge sharing and employability. This hotel has built some houses for poor families in Karangasem Regency east Bali.

Conrad Bali is one of Hilton hotel chains, where Hilton announced that it would cut its environmental footprint in half and double its social impact by 2030. With this commitment, Hilton will become the first major hotel to institute science-based targets in order to reduce carbon emissions and send zero soap to landfill. Furthermore, this hotel has committed to develop local economy by buying stuffs from local suppliers through value shared approaches. Also, women and youth around the world will be empowered by supporting the United Nation's 2030 Sustainable Development Agenda. This is integrated in Hilton's Travel with Purpose corporate responsibility strategy. In addition, Hilton has been in the business for about 100 years, and found that the clients are strongly in demand of hotels that have commitment on environmental and socio-cultural sustainability.

Conrad Bali does not practice its green hospitality only for its internal stakeholders, but also for socio-cultural and environmental issues in general. This business has developed school for poor families in a village called Munti Gunung located in East Bali, where most beggars come from. Furthermore, Conrad has developed center for community empowerment in the Village. Besides, it has established a dormitory to accommodate needy students from all over Indonesia and send them to tourism schools, trains them in the hotel, then recruits them. For its green operation, it has used mostly local products, reduced the use of water and electricity both by technological and policy intervention. In addition, waste management and disposal process are carried out in cooperation with local community using recycle, reuse, and reduce approaches. Mandapa located in Ubud is a new hotel under Ritz Carlton, and it resonate Ritz Carlton vision on its operation. The Mandapa green practices has committed to take care of business value, community and environment. Furthermore, it has committed to carry out ethical business practices, create employment, support the community and culture. Human right protection and legal compliance are also integrated in its business values. Regarding the community care, it focuses on child-wellbeing, encouraging community to take care of the environment, as well as hunger and poverty alleviation. In term of environment, it has quite similar approaches to the other establishment, such as reducing energy and water consumption, increasing local and organic dining options by partnering with local farmers, growers and seafood purveyors, sourcing for environmentally preferred products, empowering the development partners to build green hotels and engaging the employees and guests in conservation efforts [38].

Mandapa hotel is operated in the context of locality, using Balinese architecture, local products, taking care of the hotel environment, as well as the surroundings. Furthermore, it integrates local farmers and small businesses owned by locals into their business, thereby implementing value shared models, since the hotel maximize the use of local products. Also, Balinese culture has been strongly demonstrated in its green hospitality practices, Hindu temple are built within the premises, and daily offerings are being carried out. When the guests check in, they are welcomed with Balinese infusion drink, given three colored thread bracelets called tridatu, red, black and white as a symbol of Balinese trinity, Brahma the creator, Wisnu the preserver and Siwa as the dissolver. It also symbolizes the circle of life, birth, life and death. The Royal Pita Maha Hotel is a locally owned hotel that is closely related to the royal family of Ubud Palace. In 2013, the owner signed UNWTO's Global Code of Ethic for Tourism as the token of its commitment on sustainable tourism, especially in the hospitality sector. This global ethic code especially chapter 3 to 5 are very relevant to the green business practices. Chapter

three focuses on minimizing hotel footprints on the environment, chapter 4 on culture while chapter 5 focuses on maximizing the hotel role in developing local economy. The hotel presents the palace ambience as the power of the Balinese culture.

Before commencing the discussion, competitive advantage needs to be briefly reviewed. A company is considered to have a competitive advantage when it has the capability to contribute the same benefit as its competitors at a lower price, since the production cost is lower. Furthermore, a company is said to have this advantage when it is able to contribute benefits higher than competitors. Therefore, a company has to develop policies and strategies to create high quality products or services to sell at higher prices in the market [39].

The studied six 5-star hotels carefully designed policies and strategies to ensure their customers that they have adopted and integrated international and local convention in their business practices. Furthermore, their policies, strategies, and commitment are openly exposed globally, and accessible online. In fact, their commitment of sustainability is no longer an ethical approach but has become a marketing campaign [33].

The exhibition or promotion of green initiatives have been designed to influence consumer purchasing behavior. In fact, the hotels marketing of green products has a significant power to encourage environmentally responsible purchasing behavior amongst consumers with green intelligent. Meanwhile, the hotels are aware that public interest of green products and sustainable operation keeps increasing, therefore those hotels integrate sustainable initiatives and green marketing as the core value of their businesses [40]. The effort of the hotels to communicate their practices to the public or stakeholders is a green marketing referring to an organization's effort to design, promote, price and distribute products that have no bad effect on the environment [33].

The green missions and visions displayed in the hotels' websites as a tool to market and communicate their green practices to the global public have brought positive impacts on their revenue and profit. This finding is confirmed by Dodds Rachel and Holmes Mark [41] which examined the benefit of the green hospitality practices for hotels in North America. Meanwhile, a question arises on the operational cost for being green, whether it increases or decreases. The six hotels demonstrated activities done to conserve resources such as energy and water by operational strategies and technological interventions. This was done to reduce and economize resources, and in the long run, reduce operational cost.

Four hotels in the southern coast have to develop desalination plants, known as Sea Water Reverse Osmosis (SWRO), because fresh water supply is becoming more depleted. This means that green practice integration needs investment, which might not be favourable with the hotels' financial performance [42] and [43]. Does the money invested on sustainability mission elevate the hotel financial performances? From the focus group discussion, they confirmed that green practices have promoted their brand image and attracted customers with green intelligent to enjoy their products and services. Furthermore, green marketing has a strong influence to transform customer's behavior and attitude to buy a product or service from a company that cares for natural resources conservation, social-and cultural preservation and take part in local economic development.

The green practices implemented in the six 5-star hotels have been extended in a larger scope, not merely focused on hotel concepts and economic benefits, but also in the context of the community at large. The hotels are convinced that their contribution to the local socio-cultural and environmental preservation have promoted their brand image, and strengthened their relation and communication with local community. Also, they provide opportunities for locals to be accommodated in their dormitory, become educated in local tourism colleges with scholarship scheme, and then be employed (Conrad Bali). Melia Bali Hotel initiated foster

parents program for local needy children, they invite their customers to sponsor the recruited children to study in tourism colleges and when they complete the study, they are employed to work in the hotel. These activities encourage their customer to repeatedly stay in the hotels and they travel to Bali with a purpose.

Green hospitality practices have become a platform for the hotel to care and satisfy their stakeholders, which is a group or an individual who can affect or is affected by the organization achievement [10]. Also, the competitive advantage of the hotels in implementing sustainable values cannot be segregated from their stakeholders [11].

Bali as a culturally rich tourism destination, where those six hotels are located, has been known for its cultural resiliency [5] and [4]. Even though it is small, the cultural value system has controlled transnational hotels operating on the island. Furthermore, since tourism commenced on the island, another culture was created called Balinese touristic culture [5]. These hotels have realized that their business viability on the island is due to the Balinese vibrant culture, both the sacred and the profane ones [4]. Therefore, being a green hotel in Bali involves being socio-culturally and environmentally friendly, as well as contributing to the development of local economy. Green business practice or sustainability has been highly regarded as an important strategy to win global competition [44], in other word, the practice is a product differentiation to keep the hotel's competitive advantage.

There needs to be a critical question concerning the philanthropic activities of the hotels outside their operational domain, and how it correlates with their competitive advantage. How do the hotels connect those activities to the viability of their business? The secret is the acceptability and harmonious relation between the hotels with their stakeholders, in this case, the local community. Also, there would be no tourism business without local acceptability [4]. This acceptability is the most significant issue to ensure the success of hotel operation. In addition, the hotels exposed their contributions to the community, and the general public as their citizenship obligation.

5. Conclusion

The findings and discussion of this study showed that green business hospitality practices in 5-star hotels in Bali have contributed to their competitive advantage. In the long, these practices will reduce overhead cost through resources conservation green supply chain, and positive support from their stakeholders. Green practices attract customers who are in demand of sustainable tourism products, which has consistently increased, making the hotels globally competitive [44].

The green visions of the hotel are implemented in three main clusters, constructed, and integrated on the philosophy of tri hita karana (pious relation between human beings and God, Nature and fellow human beings). The hotels showed the concept through sacred zones establishment in their premises, along with regular rituals to provide their guests with authentic cultural experience during their stay. Furthermore, Environmental Management System is applied to ensure that they can conserve and economize natural resources. In addition, most of their employees are locals, and they develop community involvement project (CIP) to help local economic development.

Therefore, stakeholder is a determining factor for the success of green practices. The green team and champion initiated in the hotels inspire all members to give their best in order to accomplish the company goals. In addition, community, government, certifying bodies, and clients provide pressure for the hotels to operate within the context of sustainability in a holistic sense.

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