



**DEVELOPING A FRAMEWORK  
FOR SCRUTINIZING STRATEGIC GREEN ORIENTATION AND  
ORGANIZATIONAL PERFORMANCE WITH RELEVANCE  
TO THE SUSTAINABILITY OF TOURISM INDUSTRY**

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**Abstract:**

The purpose of this paper is to review the concept of sustainability, theoretical background and strategic green orientation (SGO) to develop an in-depth understands for the benefit of organizational performance (OP). Theoretical background outlines how triple bottom line and ecological modernization viewpoints relate with SGO and OP towards the sustainability to develop a research framework. The paper discloses a series of gaps in sustainability related theories and empirical research at business organizations and recommends a quantitative research approach and method for an empirical study on SGO of business organizations in tourism industry of Sri Lanka. Proposed study expects that new relationships could be discovered and theorized. This may address identified research gaps and would contribute to the body of knowledge. The findings of proposed research could be useful to future research initiatives on green business modeling for the sustainability in terms of triple bottom line: economic, environmental, and social performance.

**Keywords:** strategic green orientation, organizational performance, sustainability, business organizations and tourism industry

**JEL:** L10, L83, Z30, Z32

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## 1. Introduction

The application of sustainable development principles at business organizations is being precedence in many economies around the world. Current economic growth pattern heavily depends on the earth's finite natural resources. This situation has been generated unacceptable social and environmental costs for every society (Jones et al., 2014). The concept of green economy is a new paradigm to funnel the sustainable development principles into business organizations and transformation of economies into right directions in order to minimize business activities embedded ecological deterioration, social issues, anthropogenic CO<sub>2</sub> emissions and climate change (UNEMG, 2011). Thus, the 'green' is all about sustainability aspects more than environmental issues. The global community including consumers and producers now make different efforts to keep the world as a cleaner and greener place. Hence, demand for green products and services in the global market have been increased over the recent past (Sumathi et al., 2014; Gast et al., 2017).

In globally, the demand for sustainable green tourism is greater than ever in the tourism industry. This industry contributes approximately 10.5 % of global GDP (WTTC, 2018). Total international tourist arrivals grew by 7 % to reaching a total of 1323 millions of international tourists (UNWTO, 2018). The forecast of World Tourism Organization indicates that international tourist arrivals will increase to 1.8 billion by 2030 (Glaesser et al., 2017). Despites of this global tourism growth, many negative impacts of tourism on natural and social environments have been observed as a consequence of the industry's response to growing needs for accommodation, travel and entertainment of tourists (Prud'homme & Raymond, 2016). Tourism is becoming one of the industries that contribute for the most global impact on climate change due to high anthropogenic CO<sub>2</sub> emissions (Gossling & Peeters, 2015; Scott et al., 2015). Thus, there is a growing concern on sustainability issues within the tourism industry (Miththapala et al., 2013).

Green orientation has now become prerequisite to achieve sustainable tourism development (Prud'homme & Raymond, 2016; Bucar, 2017). The negative environmental and social impacts of tourism industry can be reduced by implementing green orientation which impresses social and environmentally conscious travelers (Halbe & Parker, 2012; Miththapala et al., 2013). Hence, aim of this paper is to develop an in-depth understanding about the strategic green orientation and sustainability from the literature and developing a research framework. This paper commences with an overview of the concepts of green economy and sustainability in the literature. The theoretical background reviews the different aspects of triple bottom-line theory, and ecological modernization theory in relation to how these might explain strategic green orientation and sustainability for the tourism industry. The research gap from the existing literature and main research questions are also identified. This paper proposes a research framework to examine the determinants of strategic green orientation and its

impact on organizational performance in tourism industry of Sri Lanka: the context of a developing nation. Finally, this paper provides a research design for the investigation.

## 2. Review of concepts and theoretical background

In academic literature, there is a propensity on the concept of sustainability and application of sustainable development principles at business organizations. Thus, sustainability has become key strategic aspect in business management (Ehrenfeld, 1997; Ophuls, 1977; Rainey, 2006). Scholars suggested that business organizations are required to adopt corporate strategies as a new part of sustainability oriented management between social, ecological and technological centered business management (Gladwin et al., 1995). The Brundtland Commission (1987) defined the sustainability which is widely accepted: the sustainability is development that *“meets the needs of the present without compromising the ability of future generations to meet their own needs”* (WCED, 1987). Adams, (2006) reveals that aforementioned definition emphasis two fundamental issues: continuous need for the economic growth to alleviate poverty and the problem of nonstop environmental degradation as a consequence of economic growth.

Sustainable development is explained using three dimensions: social, environmental and economic dimensions. Adams, (2006) further argued with his work that more healthy and sustainable economy can be set up through achieving of social and environmental dimensions. However, three dimensions of sustainable development have been operationalized in an isolated manner from each other in last two decades (UNEMG, 2011). As a result, degradation of natural capital which includes natural resources and ecosystems has been accelerated along with this pattern of development and growth in the global economy. Businesses are allowed to run up with largely unaccounted and unchecked social and environmental externalities which resulting to irreversible depletion of world's stock of natural capital. It is further bounded with accelerating anthropogenic carbon emissions that indicate a mounting threat of climate change. In particular, it has greater potential for disastrous human consequences (UNEP, 2011). Thus, the concept of green economy paradigm seeks to address the gap in the integration of three dimensions towards the sustainability. The green economy is an approach to break resource-intensive growth models of economies and efforts to a transformation of consumption and production into more sustainable patterns in global business environment to achieving sustainable development. In the other word, it is a transformation of demand and supply in the market into a sustainable pattern. Therefore, the green economy seeks to make an effort for well-being and social equity together with value of human and natural assets as the centre of economic development. Thus, green economy intends to change business operations as well as behaviors of consumption and production in the society (UNEMG, 2011).

The green economy is defined as *“an economy that results in improved human well-being and social equity, while significantly reducing environmental risks and ecological*

*scarcities*" (UNEP, 2011). In the other word, it is a low-carbon, resource efficient and socially inclusive economy. Furthermore, a green economy is driven by public and private investments that reduce carbon emissions and pollution, enhance energy and resource efficiency, and prevent the loss of biodiversity and ecosystem services as well as creating growth in income and employments. The green economy seeks to integrate three dimensions of sustainable development to mobilize action- oriented and bottom-up pathways to advance the implementation of sustainable development (UNEP, 2011; Bucar, 2017). Scholars further argued that the green economy provides vast opportunities for business organizations to consider the global challenges of growth, scarcity of resources and environmental changes as the key strategic drivers for the sustainability and performance of business organizations in future (Jones et al., 2014). There are complex relationships between sustainability and business organizations. Several theories developed over the past period to understand and explain these complex relationships (Chang et al., 2017). Scholars widely used triple bottom line and ecological modernization theories to explain and conceptualize the sustainability at the business organizations. Triple bottom line and ecological modernization theories are discussed in following sections to understand how these two theories are useful to achieve the sustainability via green orientation at the business organizations.

## **2.1. Theory of triple bottom line**

The theory of 'triple bottom line' (TBL) is a core for organizational sustainability. Literature reveals that TBL had been widely used in business management for measurement and reporting process of sustainability during the late 1990s and early 2000s (Milne & Gray, 2013). Elkington, (1997) developed the theory of TBL that says there are three bottom lines with business organizations: social, environmental and financial bottom lines. In conventional accounting, "the bottom line" is defined as profit. This theory added two more bottom lines for the organizations to account with its operations. The theory of TBL was further described by Elkington, (2004) as "*economic, environmental and social value of investment that may accrue outside an organization's financial bottom line*". This theory is occasionally referred as organization's triple value adding: people, planet and profit- "*the 3Ps*" (Roberts & Cohen, 2002; Hammer & Pivo, 2016). Another viewpoint for this theory was added by Emerson, (2003) as blended value of social, environmental and financial bottom lines (Hammer & Pivo, 2016). It is suggested that TBL theory can be integrated with management approaches to facilitate business organizations to move toward sustainable organizational performance and development (Jamali, 2006). Furthermore, scholars provided the evidence to support the strategic orientation of organizations by focusing on the TBL that can improve the sustainable organizational performance in terms of economic, environmental, and social perspectives as a competitive advantage (Melissa & Lenita, 2007; Chang et al., 2017). This was further supported by previous studies on sustainability orientation (Mitchell et al., 2010), Environmental orientation (Bakir et al., 2013) and Strategic Green Orientation (Hong et al., 2009). The TBL theory was

employed in diverse settings of industries (e.g., tourism industry etc.) to formulate business strategies to collaborate with stakeholders in order to link and leverage ideas and resources for innovation, cost sharing and enabling greater impact with better results. The TBL perspectives and approaches improve organizational learning, network development and stakeholder engagement in business organizations (Hammer & Pivo, 2016). Thus, this theory is supported for innovation, social capital and organizational learning of business organizations. Mihalic et al. (2012) used the theory of TBL combining with three dimensions of the sustainability to study the sustainability orientation of the Slovenian tourism industry. This work extended the economic bottom line from tangible performance (financial) to non-tangible performance (marketing); environmental bottom line from resources and biodiversity to environmental education and social bottom line as: employees, local culture and participation of stakeholders.

## **2.2. Theory of ecological modernization**

The ecological modernization theory (EMT) can be used to describe how to incorporate environmental concerns with the business organizations. Scholars extensively used this theory to explain the green economic initiatives for the sustainability of business organizations. Joseph Huber (1982) developed the EMT which argued: *“the central institutions of modern society can be transformed in order to avoid ecological crisis”* (Huber, 1982). A study reveals that EMT explained a constructive approach that can be applied to resolve environmental issues through science and technology (Mol & Spaargaren, 1993). Ecological goals can be institutionalized into the business organizations through the process of production and consumption (Mol, 1994).

Environmental concerns and technological development are critical factors to transform the sustainable production and consumption at organizational level (Huber, 2009; Mol et al., 2009; Mol, 1994; Spaargaren, 1997; Longhofer & Jorgenson, 2017). Scholars reveal the three different viewpoints of the EMT: institutional transformation, environmental rationality and market dynamics. Institutional transformation can be executed by injecting environmental aspects into the modernization process through developing new environmental friendly technologies (Vatansever & Arun, 2016). It can be further argued that the interest of environmental concerns makes more market dynamics to create a competitive market environment. Thus, EMT can be applied as a systematic eco-innovation theory at organizational level (Pushpakumara et al., 2018). Furthermore, the EMT supports to address the environmental issues through technological innovations for better economic returns and sustainable organizational performance (Zhu et al., 2012).

## **3. Contribution of strategic green orientation for the organizational sustainability**

Theoretical background in the previous section shows the underpinning theories of: TBL and EMT are two of the most related theories that link the sustainability into business organizations within the context of green economy. The organizations'

sustainability has become an important perspective in research over the past period by funneled downing 'sustainability' into the organization's level (Chang et al., 2017). Literature reveals that strategic orientations are critically important for the higher level of organizational performance and sustainability. Previous studies on market orientation show the importance of environmental and sustainability concerns for better organizational performance (Banerjee & Solomon, 2003; Gonzalez-Benito & Gonzalez-Benito, 2006; Harrison-Walker, 2001; Stone & Wakefield, 2000; Bakir et al., 2013). Environmental orientation, sustainability orientation and green orientation were derived from the market orientation (Jaworski & Kohli, 1993; Kohli & Jaworski, 1990; Stone et al., 2004; Stone & Wakefield, 2000; Hong et al., 2009; Mitchell et al., 2010; Bakir et al., 2013). Based on the literature, researchers argued that these three orientations can be unified as strategic green orientation with a view to adequate integration of the social, economic and environmental perspectives into the business organizations (Pushpakumara et al., 2018).

According to Hong et al. (2009: p. 514), strategic green orientation is a business organization's *"long-term commitment for producing environmentally sound products and services through the implementation of environmental improvement goals and programmes in the past, present and future"*. Several studies provided evidence that there is a positive influence of green orientation on organizational performance in businesses organizations (Florida & Davison, 2001; Rosenzweig et al., 2003; Bakir et al., 2013). Scholars particularly demonstrated that strategic green orientation positively impacts to improve the organizational performance (Hong et al., 2009). Hence, aforementioned findings are further overwhelming the previous work by Klassen and Wybark (1999), which reveals that adapting sustainable development principles with business operations make positive contribution to the businesses organizations and the society. The review of TBL and EMT provides a strong support of theoretical background that describes several factors relevance to the strategic green orientation. Scholars provided empirical evidence for those factors such as competitive market environment, innovation, social capital and organizational learning that positively influenced on green orientation of business organizations and its implementation towards the sustainability (Hong et al. 2009; Bakir et al., 2013, Campopiano et al., 2016; Mirghafoori et al., 2017).

#### **4. Research gaps**

Several adverse impacts of ecological, social and economic have been experienced over the past period due to inadequate integration of sustainable development perspectives with market based corporate strategies and management processes (Melissen, 2013; Gast et al., 2017). The market prices do not reveal unsustainable use and overexploitation of natural resources. Hence, the increase of cost of production associated with rising ecological scarcity is not reflected at the market. Therefore, sustainability has become key strategic aspect in business management (Ehrenfeld,

1997; Ophuls, 1977; Rainey, 2006). However, application of sustainable development principles in business management is observed in slow progress during the last two decades (Brenton, 1994; Jackson, 2009; Stern, 2006; UNO, 2012). Scholars also identified the deficiency of market orientation: interests of stakeholders and environmental orientation are inadequately addressed by the market orientation (Dobscha et al, 1994; Helfert et al., 2002; Gonzalez-Benito and Gonzalez-Benito, 2008; Mitchell et al., 2010). Literature reveals that there is an increasing pressure on organizations to act in environmentally oriented manner today (Banerjee et al., 2003; Chen, 2010). On the other hand, the studies on theory development for integration of sustainable development perspectives with market based cooperate strategies are limited in many industries: e.g. tourism industry. Knowledge about green orientation is until now a little (Meek et al., 2010; Nagar et al., 2013). Hence, scholars identified a need for more research in the context of green management and entrepreneurship (Meek et al., 2010).

Literature shows, the relationship between greening, environmental management and organizational performance in tourism industry are yet to be concluded with more empirical evidence (Molina-Azorín et al., 2009; Pereira-Moliner et al., 2015). Research in tourism on the linkage between environmental management and organizational performance are hardly available except a few recent studies (Leonidou et al., 2013; López-Gamero et al., 2011; Pereira-Moliner et al., 2015). A little attention of research has been given to provide empirical evidence and theoretical model to describe “how, why and when” green orientation can improve tourism organizations’ performance along with the triple bottom line for the sustainability. The qualitative research with descriptive approach has been employed in many tourism related research on green orientation as a tradition which is still far from clear to make managerial decisions for a competitive difference (Aragon-Correa et al., 2015). On the other hand, most studies on sustainability practices in tourism industry limited to larger business organizations such as star class hotels (Alonso-Almeida et al., 2018). Research on sustainability of other tourism business organizations such as small tourism business is very little (Thomas at al., 2011; Alonso-Almeida et al., 2018). Therefore, scholars reveal that existing literature shows a gap of inadequate attention and data on sustainability in the tourism industry (Alonso-Almeida et al., 2018). Further to this, scholars suggest that sustainability is a beneficial path to follow regardless of size, category and budget of business organizations in the tourism industry (Hellmeiste, & Richins, 2019). Low cost sustainability strategies and practices could be implemented at any type of business organizations in tourism industry.

A little attention of empirical research has been given to investigate: can green orientation enhance the organizational performance in tourism industry in order to achieve the goals of sustainable tourism development? The contribution to sustainability related theory development in tourism research is also very limited in context of developing courtiers such as Sri Lanka though tourism is playing a crucial role in development of the economy. It is still unclear that what factors affect on green orientation of business organizations and impact of green orientation on organizational

performance in the tourism industry of Sri Lanka. Hence, the relationship between green orientation and organizational performance is yet to be confirmed with further empirical evidence since it is still far from clear in the literature (Samarasinghe et al., 2015). This paper identifies a valid knowledge gap in relation to strategic green orientation and organizational performance in the tourism industry.

## **5. Recommendations for an empirical research**

In the context of Sri Lanka, tourism can be considered as one of the key industries that make greater contribution in employment generation, revenue and foreign exchange earnings as in many other countries of the Asian region. Tourism industry has been recorded an unprecedented growth over the recent past in Sri Lanka (Fernando et al., 2017). Many tourism business organizations around the world have been demonstrating a growing trend of their commitment on the sustainable tourism (Jones et al., 2014). Increasing level of awareness on negative impact of tourism, a trend of socially and environmentally conscious consumers are rapidly growing in global tourism market. Hence, tourism industry of Sri Lanka needs its preparation to respond for the rapidly growing international tourism market of socially and environmentally conscious tourists (Miththapala et al., 2013). However, the country is still far behind many of its competitors and Asia neighbors in terms of transition to the sustainable tourism in order to address the demand from the socially and environmentally conscious travelers. Tourism industry of Sri Lanka is less encouraging to implement green orientation (Rathnayake & Miththapala, 2011). The level of commitment of tourism industry to adopt greening initiatives is insufficient and implementation of green orientation is at a slow rate in tourism industry of Sri Lanka (Wickramasinghe, 2013; Samarasinghe et al., 2015). Previous studies reveal that factors such as competitive market environment, innovation, social capital, organizational learning influenced on green orientation of business organizations though studies on factors affecting to adopt green orientation in tourism industry of Sri Lanka are limited (Hong et al., 2009; Bakir et al., 2013, Campopiano et al., 2016; Mirghafoori et al., 2017). Hence, adopting of green orientation whether results in direct increased of organizational performance believed to be a suspicion among the tourism organizations in Sri Lanka (Samarasinghe et al., 2015). Therefore, a research conducted in this area is vital in the context of Sri Lanka since tourism has a tremendous growth potential in the economy. This paper proposes an empirical study that aiming to investigate the determinants of strategic green orientation and its impact on organizational performance with a view of triple bottom line: environmental, social, and economic perspectives of sustainability in the tourism industry of Sri Lanka. Further to this, following research questions (RQ) should be more specifically explored through this research study:

RQ1. Which factors affect on adapting strategic green orientation in tourism industry of Sri Lanka?

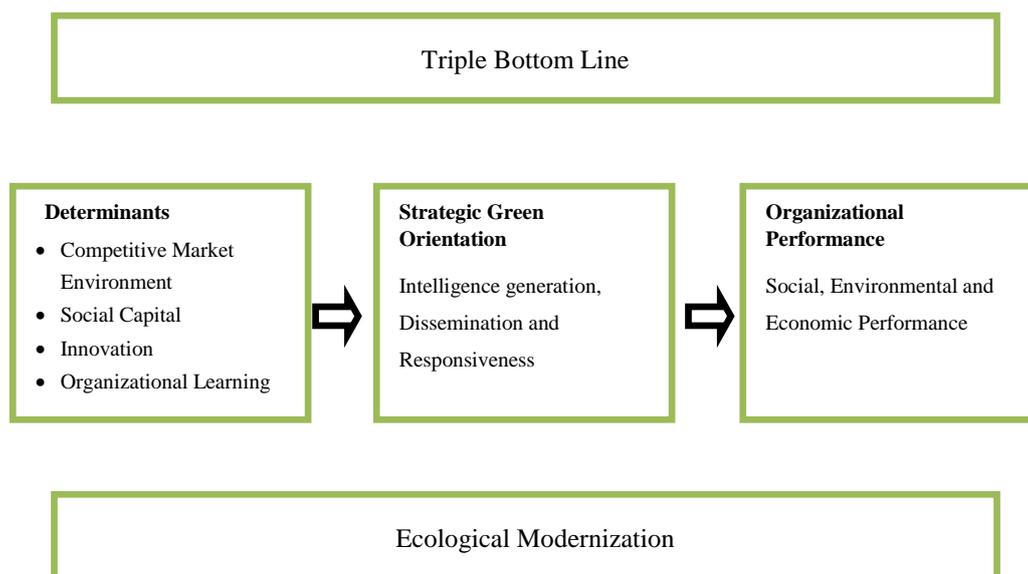
RQ2. What is the relationship between competitive market environments, organizational learning and strategic green orientation in tourism industry of Sri Lanka?

RQ3. Is there any relationship between innovation, social capital and strategic green orientation in tourism industry of Sri Lanka?

RQ4. What is the relationship between strategic green orientation and organizational performance in tourism industry of Sri Lanka?

### 5.1 Proposed research framework

Several studies provided evidence that market orientation has positive influenced on organizational performance (Slater & Narver, 2000; Lin et al., 2008; Reijonena & Komppulab, 2010; Fauzul et al., 2010; Chandrakumara et al., 2011; Wang, 2008; Herath & Mahmood, 2014). Strategic green orientation derived from the market orientation. Strategic green orientation is conceptualized as a strategic orientation towards the sustainability of business organizations in tourism industry for this study. Theories of triple bottom line and ecological modernization provide the theoretical foundation to build a research framework to investigate how green orientation influences for the integration of economic, environmental and social dimensions of the sustainability into the organizational performance at business organizational level. These two theories further support to conceptualize the factors that affect on green orientation. The review of literature provides a number of factors that affect on strategic green orientation and the relationship between strategic green orientation and organizational performance (Hong et al., 2009; Bakir, 2013; Bakir et al., 2013, Campopiano et al., 2016; Mirghafoori et al., 2017). The proposed research framework for this study is given in figure 1.



**Figure 1:** Research Framework

## 5.2 Research design

The quantitative research approach is appropriate to examine the casual relationships amongst the variables (Sekaran & Bougie, 2016). A cross-sectional survey design can be employed since it is more suitable for this study. The population of this study is the managers of all registered tourist hotels in central province of Sri Lanka. Central province is one of most popular destinations with highest tourist arrivals in Sri Lanka (SLTDA, 2016). This research focuses different categories of tourist hotels (star class hotels, boutique hotels and villas, tourist guesthouses, and unclassified tourist hotels) classified by the Tourism Development Authority of Sri Lanka for the investigation in order to obtain a more comprehensive view of green orientation in the tourism industry of Sri Lanka. Thus, this research extends previous research that focused on green orientation of star class hotels category and sustainability by considering responses of managers from different categories of tourist hotels in the tourism industry. The unit of analysis is therefore individual managers. In this research, non-probability sampling can be employed since sample frame is unknown (Memon et al., 2017). This study proposes a sample of 300 managers from tourist hotels of the central province. Perceived perspective of these individuals on green orientation and organizational performance are independent to each other. Hence, independent perceived perspectives of individuals are used to investigate the research problem. A self-administered questionnaire (adapted from previous studies) can be administrated as the survey instrument for data collection. A five-point Likert scale from 1 to 5 (where 1= strongly disagree, and 5 = strongly agree) is used with this questionnaire.

The study is underpinning to analysis the causal relationships between: determents and strategic green orientation; strategic green orientation and organizational performance in tourism industry. The statistical techniques: descriptive analysis, reliability analysis (Cronbach Alpha) and multivariate techniques: exploratory factor analysis (EFA) and confirmatory factor analysis (CFA) and structural equation modeling (SEM) can be employed for data analysis and testing of research hypothesis (Blunch, 2008; Hair et al., 2010; Kline, 2005; Awang, 2015). As such this design and research process shows well suited for the analysis to draw the conclusion to guide the decision making on adapting green orientation in tourism industry of Sri Lanka towards the sustainable tourism development.

## 6. Concluding remarks

This paper reviews the concept of sustainability, green economy and different aspects of sustainability related theories: triple bottom line and ecological modernization in relation to how these might influence on strategic green orientation towards sustainability of business organizations in the tourism industry of Sri Lanka. This review discloses a series of gaps in the literature and suggests a quantitative research approach and method for an empirical study to examine the relationship between strategic green orientation and organizational performance in tourism industry. This

paper provides a synthesis of previous works, which tends to be fragmented in literature on strategic green orientation, environmental orientation, sustainability orientation, green management, innovation and social capital and sustainability perspective. These viewpoints are vital in transition to green economy with a view of low carbon producing business approach to the body of academic knowledge. The theoretical significance of this study is the effort to take on what factors affect on green orientation and its impact on organizational performance in tourism industry. Hence, this study hopes that new relationships can be discovered and theorized. This study will contribute to examine the existing research gap on strategic green orientation of business organizations in the tourism industry within the context of Sri Lanka. This knowledge would be important for business organizations to make managerial decisions to enhance their competitive position and policy makers to formulation of future green policies in carbon emission reduction, environmental management practices and social inclusion for sustainable tourism development in Sri Lanka. Furthermore, proposed research framework could be useful for future research on green business modeling and sustainability in terms of triple bottom line: of economic, environmental, and social performances.

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