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THE RELATIONSHIPS BETWEEN ADOPTION OF PROACTIVE ENVIRONMENTAL STRATEGY, ORGANIZATIONAL PERFORMANCE AND ORGANIZATIONAL CULTURE: EVIDENCE FROM THE HOTEL SECTOR

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ABSTRACT: *This study examines the significance of the adoption of proactive environmental strategy (APES) as a source of competitive advantage for the organization. The relationship between adoption of environmental proactivity and their environmental performance (ENVP) and economic performance (ECP) were studied, and then the prevailing organizational culture (OC) was introduced to explore whether it plays a moderating role in the relationship between APES and performance. A research model is developed and tested using a sample of 314 managers from star graded hotels in Sri Lanka. Data were collected through survey questionnaire and self-reported measures on APES, ENVP, ECP and OC were used. Data were analyzed using SPSS and structural equation modeling with AMOS. The findings of the study suggest that hotels with a higher degree of environmental proactivity obtain better environmental and economic performance and show significant positive impact of environmental performance on firm's economic performance. In particular, the study found that flexible organizational culture seemed to be the more suitable cultural type that enhances organizational performance through environmental proactivity.*

KEYWORDS: Adoption of proactive environmental strategy, Organizational performance, Organizational culture, Hotel industry

INTRODUCTION

In the present competitive business arena, environmental sustainability has become a debatable and a significant variable on business decisions and practices. Many researchers have revealed that the environmental initiatives and practices are considered as an instrument for high performance levels and that they gain competitive advantage for the organization (Liu, 2019; Marchi, Maria, & Micelli, 2013; Molina-Azorı´n, Claver-Corte´, Pereira-Moliner, & Juan Jose, 2009; Trung & Kumar, 2005; Hart, 1997; Shrivastava, 1995; Porter & Vander, 1995). The implementation of the environmental management practices help to reduce operational cost, improve company image,

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lead to competitive advantage and further helps to improve and safeguard the natural environment (Samdin, Abdu Bakori & Hassan, 2012; Chan, 2008; Esty & Winston, 2006; Hart, 1995).

Tourism is categorized under the Service Industry and recognized as one of the world largest economically benefited and rapidly expanding industries (United Nations World Tourism Organization -UNWTO, 2018). Compared to other industries like Construction and Manufacturing, the tourism industry does not create a considerable negative impact on the environment (Chang & Wong, 2006). However, the accommodation sector of the Tourism Industry can be considered one of the most environmentally harmful sectors. The accommodation sector has been known to be associated with the misuse of a vast amount of non-renewable goods, energy and water as well as generating large scale of waste (Bohdanowicz & Martinac, 2003). Meanwhile, the environmental sensitivity is more significant for the Industry since tourist attraction is highly depending on natural and man-made environment.

The United Nations specialized agency, World Tourism Organization (UNWTO) has emphasized the significance of responsible, sustainable and universally identifiable Tourism Industry around the world. UNWTO (201) has revealed that during the last sixty years, Tourism has become one of the fastest and largest growing economic sectors in the world with sustainable growth and diversification. Furthermore, as UNWTO revealed, international tourist arrivals have increased from 25 million to 1326 million globally during the period of 1950 to 2018 and, tourism earnings by destinations worldwide from US$ 525 million in 1995 to US$ 1.4 billion in 2018. Also, the market share increased from 30% in 1980 to 45% in 2017, and the predicted market share rise is 57% by 2030, while more than one billion international tourist arrivals are expected by the year 2030.

Tourism in Sri Lanka shows a big potential and has shown features of fast-growing industry. Sri Lanka is known as the pearl of the Indian Ocean, and it is one of the beautiful countries with a lot of natural gifts. In addition, it is considered one of the most popular tourist destinations in the region. The country consists of different types of attractive beaches, wonderful landscapes, rare inimitable wildlife, a rich cultural heritage, and timeless ruins. According to the World Tourism Organization (WTO), Sri Lanka has valuable tourist attractions. As WTO elucidates, Sri Lanka is rich with 49 unique attractions, 91 rare attractions, and 7 world heritage sites. Furthermore, Sri Lanka has 6 of the 300 ancient monuments in the world. Due to significant growth in the Industry, one of the most prestigious global travel publications in the world "Lonely Planet" has ranked Sri Lanka as the Best Country to Visit in the year 2019 (BOI Sri Lanka, 2018). According to the World Travel & Tourism Council (WTTC, 2018), Sri Lanka is known as one of the most attractive tourist destinations and which has fast-growing markets like China, India, Indonesia and Turkey regarding travel and tourism (Adaderana.lk, May 19, 2015). Further, Travel & Tourism generated US$ 4,381million direct contribution and US$13,480 million total contribution to the GDP locally in 2018 (World Travel and Tourism Council,2017). All the above facts and figures highlight the significance of the Industry and its potential in future.

The local and global information on tourism have emphasized that the Tourism Industry has a remarkable future and these trends and expansions can have significant impact on the natural environment. Tourism is identified as one of the significant economic sectors which can encourage

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change towards sustainability and green economy (UNEP, 2001). Literature has emphasized that the significance of concerning environmental issues by the Industry and also investing in the greening of hotels can reduce their cost of resources that they used for, such as, energy, water, and materials. This can also conserve cultural heritage and enhance the value of biodiversity by protecting ecosystems (UNWTO, 2018). Therefore, it is vital to study the hotel environmentalism in order to enhance environmental practices and performance.

There is debate on the impact of environmental strategies on economic and environmental performance of the firm and the fact that there is no agreement in the business world as to how environmental strategy influences a firm's performance. Moreover, literature's emphasis to achieve optimal economic and environmental performance implies that the firms' environmental management should be integrated with each corporate management function (Barba-Sánchez & Atienza-Sahuquillo, 2016; North, 1992). These environmental strategies can range from reactive strategy, which only complies with current legislation requirements to proactive strategy, and which in turns is characterized by the voluntary adoption of measures that helps to reduce the environmental impact (Bagur-Femenias et al., 2016; González-Benito and González-Benito, 2005). As Aragón-Correa and Sharma (2003) mentioned, the variety and diverse nature of these measures transform environmental proactivity into a complex, multidimensional construct (Barba-Sánchez & Atienza-Sahuquillo, 2016). It is recognized that the environmental strategies and their impact on performance in hospitality sector have rarely been addressed in past research. Research findings in this area can provide a significant contribution to the existing literature on strategic and environmental management.

Many studies have revealed that the organizations can gain competitive advantage and improve their performance level through environmental initiatives and practices. Nevertheless, there are different views and debates on environmental management and economics performance (Schaltegger & Synnestvedt, 2002). Mainly there are two views, one is that environmental performance improvements basically cause additional costs for the organization and will affect the reduction of their profit margins. The other is that the improvements of environmental performance will reduce operational cost and act as competitive advantage, thus contributing to increase economic performance (Schaltegger & Synnestvedt, 2002). Though, empirical and theoretical researchers have provided arguments for both views neither has been conclusive so far.

Organizations' proactive environmental strategy outlines how organizations expect to achieve their environmental sustainability goals to attain competitive advantage (Endrikat et al, 2014). However, organizations have realized that it is easier to formulate environmental strategy but difficult to implement it. The way organizations feel and act within the organizational milieu has been identified as an important source of acceptance or difficulty in implementing environmental strategy of the organization (Magsi et al., 2018; Forbes & Jermier, 2002). The literature recommends that the successful strategy implementation and attaining greater performance depend on the association of organization's shared norms and values with the strategy requirement (Anderson & Zeithaml, 1984; Galbreath & Galvin, 2008; Dadzie, et al., 2012). This shows that the fit between proactive environmental strategy and organizational culture is critical for effective and efficient implementation of environmental strategy (Bansal et al., 2017; Boiral & Paillé, 2012). However, many organizations are still facing the challenges of managing organizational culture in

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ways that successful implementation of environmental strategy would be possible (Magsi et al., 2018; Dia, 1996). However, though this issue is significant among theoretical and empirical scholars, the current understanding about how organizational culture influences the adoption of proactive environmental strategy and how this affects environmental and economic performance is still limited.

Many research studies on corporate environmentalism have given their attention on macro level engagements. Yet less concentration has been given on internal – micro level understanding about environmental management. However, it is important to create better awareness about individual internal firm factors and their contribution to the companies' environmental strategy and performance. Therefore, it is significant to study at the firm level using the company and employee values and norms relating to environmental proactivity. Hence, it is vital to study the internal micro-level factors that assure the organizations' environmental performance. The conception that the organizational culture being a significant factor that influences firm's green practices is vital to be tested empirically (Magsi, Ong, Ho & Hassan, 2018; Bansal, Song & Similar, 2017; Boiral & Paillé, 2012). The present paper analyzes the environmental behavior of individual hotels; (1) to identify the proactivity of their environmental strategy, (2) to determine the relationship between hotels' environmental proactivity and their environmental and economic performance, (3) to decide the relationship between environmental and economic performance, and finally, (4) to identify the moderating impact of hotel culture on the strategy - performance relationship.

LITERATURE REVIEW

Adoption of Proactive Environmental Strategy

Firm's environmental strategy is described by firms' existing environmental actions and practices. Scholars have emphasized that the linking environmental issues with business decision-making (Newton & Harte, 1997) and considering natural environment as a strategic or subjective issue than as a normative or ethical one (Tseng, Chang & Chen, 2019; Arago´n-Correa et al., 2004; Banerjee, 2001; Cordano & Frieze, 2000; Sharma, 2000). These strategies are significant to achieve real environmental improvements as well as organizational performance (Bagur-Femenias et al, 2016; Arago´n-Correa et al., 2006). Literature has revealed different typologies, definitions and measures regarding firm's environmental strategy. Moreover, environmental strategy of firms which are in a same competitive setting/industry may differ from one another due to several reasons. The strategic approach to corporate environmental management is expected to exist on a continuum ranging from reactive to proactive corporate environmental practices (Kim, 2018; Buysse & Verbeke, 2003). Reactive corporate environmental practices are highlighted in complying with environmental regulations and require little involvement of top management and no company-wide employee training or education. Reactive environmental strategy prefers to implement environmental activities at a minimum level (Walls, Phan, & Berrone, 2011) .While proactive corporate environmental practices go beyond compliance by stressing corporate pollution-prevention activities, higher-order learning, and redesigning of existing processes are considered voluntary actions taken over protecting natural environment (Sharma, 2000; Hart, 1995).However, proactive environmental practices with respect to the natural environment are closely related to the development of organizational capabilities and resources that influence the

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sources of competitive advantage of the firm and affect firm's ability to gain financial benefits from improved corporate environmental performance (Endrikat et al, 2014).

Adoption of Proactive Environmental Practices, Environmental and Economic Performance
Organizational performance (OP) is considered the heart of a firm's survival (Singh, Darwish & Potocnik, 2016). In business and management research, OP is recognized as a central outcome variable of interest (Singh et al., 2016). In very generic terms, Kaplan and Norton (1992) have defined OP as a set of both financial and non-financial indicators capable of assessing the degree to which organizational goals and objectives are accomplished.

Measurement of performance should be based on different purposes and use different performance indicators. Anderson (2012) claimed that the measurement of performance depends on the three factors; environment, strategies and objectives. Therefore, measurement of organizational performance with a single indicator cannot apply to all organizations. However, organizational performance could be evaluated in both subjective and objective methods. Since financial indicators of performance measurement are even more famous, especially in the changing competitive environment, non-financial performance should be considered in order to fill the gap in case of insufficient information (Dess and Robinson, 1984). The differences in definition of organizational performance and measurement lead to the inconsistent results in empirical researche on relationship between strategic orientation and organizational performance (Liu & Fu, 2015). Hence, this study measures organizational performance with two dimensions, economic performance and environmental performance.

Based on resource – based view, Sharma and Vredenburg (1998) claim that proactive environmental strategies are associated with the unique capabilities of the organization. Furthermore, Aragon - Correa and Sharma (2003) stated that proactive environmental strategy is a dynamic capability which supports to align corporate strategy with the dynamic business environment. Hence, proactive environmental strategy provides various benefits and positives to the organizations (Ryszko, 2016). As empirical research highlighted, there is a link between environmental proactivity and firm's performance, but the findings are varied and some studies found a positive relationship in environmental proactivity on firm performance (Al-Mawali1, Sharif, Rumman & Kerzan, 2018; Molina-Azorin et al., 2009; Russo and Fouts, 1997) while others disclosed no such relationship (Lee & Rhee, 2007; Link & Naveh,2006). Environmental practices on pollution prevention such as reducing the input and energy consumption, and recycling help to save control costs (Hart, 1999). Therefore, simultaneously organizations can improve their environmental and economic performance through pollution prevention. Wagner (2005) found there is no positive impact of proactive environmental strategy on firm's financial performance. Environmental proactivity of firms reduces the environmental impact of companies by improving their environmental result. Therefore, Barba-Sánchez and Atienza-Sahuquillo (2016) have emphasized that the environmental performance can be seen through environmental results of the firm. Liu et al. (2015) performed a meta-analysis of sixty-eight studies which had been conducted in different countries and they concluded that environmental proactivity affects both the firms' economic and environmental results. As stated by Carmona-Moreno et al. (2004) literature reveals that the most proactive environmental strategies are always associated with an improvement in

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environmental performance, lower risk and liability, reduced waste and discharges, improved green image (Arago´n-Correa, 1998; Klassen & Whybark, 1999; Roome, 1992; Hart, 1995).
Environmental proactivity reduces the environmental impact of companies by improving their environmental result. Barba-Sánchez and Atienza-Sahuquillo (2016), have studied on environmental proactivity and its relationship on environmental and economic performance and found that the relationships established between environmental performance and its different dimensions are significant and positive; therefore the findings concluded that environmental performance is reflected by the environmental proactive strategies adopted by the company. Based on their findings, authors reveal that environmental performance not only reduces resource consumption and waste generation, but also helps to minimize the environmental impact of wineries. These environmental results also have a positive impact on perceived corporate performance (Barba-Sánchez & Atienza-Sahuquillo, 2016).As Lia , Jayaramanb , Paulrajc and Shangd (2016) revealed, the proactive environmental strategies- green product design and green supply chain processes, play an important role in improving firms' environmental and financial performance. Furthermore, they highlighted green product design may not have a direct impact on financial performance. The relationship between environmental proactivity and organizational performance depend on the range of environmental practices in which this proactivity is verified, and on the forms of business performance which is considered by the studies (González-Benito & González-Benito, 2005). Accordingly, the study proposed following hypotheses:

H1: Proactive environmental strategy has a direct positive effect on organization's environmental performance.

H2: Proactive environmental strategy has a direct positive effect on organization's economic performance.

H3: Organization's environmental performance has a direct positive effect on organization's economic performance.

The Moderating Effect of Organizational Culture

During the last few decades, considerable research attention has focused on the relationship between organizational culture and firm performance (Dadzie, Winston & Dadzieet, 2012; Zhang, Yang, & Li, 2011; Wilderom, Glunk, & Maslowski, 2000).Furthermore, majority of these scholars have given too much attention on the direct relationship between culture and performance and limited research exert effort to uncover a causal relationship between organizational culture and performance. However, no sufficient research has investigated how different organizational cultures directly or indirectly influence competitive strategy - performance relationship (Dadzie et al., 2012). Therefore, the study fills the gap in the existent literature, regarding how organizational culture moderate the strategy - performance linkage.

The managerial perceptions, interpretations (Andersson & Bateman, 2000; Bansal & Penner, 2002; Egri & Herman, 2000; Sharma, 2000) and organizational culture (Forbes & Jermier, 2002; Welford, 1997) help to find out organizational responses to the issues of environmental protection. Moreover, literature reveals that the organizational culture is considered an important determination of any change initiatives and that culture can act as an "insuperable barrier" which may hinder and delay change (Fernandez et al., 2003). As Klassen (2000) hypothesized

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organizational culture and corporate environmental sustainability are closely related with weaknesses in business culture being blamed for hindering environmental progress. Some previous studies on sustainability and environmental management argue that organizations need an impressive culture change in order to respond to environmental challenges effectively (Harris and Crane, 2002). Nevertheless, changing culture is not an easy task and it will take a long time and effort. Therefore, it is vital to explore how prevailing organizational culture effect on green efforts of an organization.

According to Lee and Kim (2017), some organizational cultures moderate the relationship between CSR and financial outcomes, and organizational culture may play an important role in enhancing a positive relationship between CSR and firm performance. The same study has explained that many studies have investigated the effects of organizational culture on CSR in the Western contexts and very rarely in the non-Western contexts. Furthermore, organizational culture represents a set of shared values and philosophy of management and these shared values and beliefs are likely to be different across national contexts (Lee & Kim, 2017). Dai, Chan and Lee (2018) through their survey on 250 Chinese manufacturing firms revealed that customer and competitor pressures have direct effects on environmental strategy proactivity and the flexibility and control orientations play different roles in the relationships between these two market pressures and firms' environmental strategy proactivity. Hence, the study examines the moderating influence of organizational culture on the relationship between adoptions of proactive environmental strategy and firm performance,

H4: Organizational culture moderates the relationship between adoption of proactive environmental strategy and environmental performance.

H5: Organizational culture moderates the relationship between adoption of proactive environmental strategy and economic performance.

The conceptual model proposed in this study is shown in Figure 1.

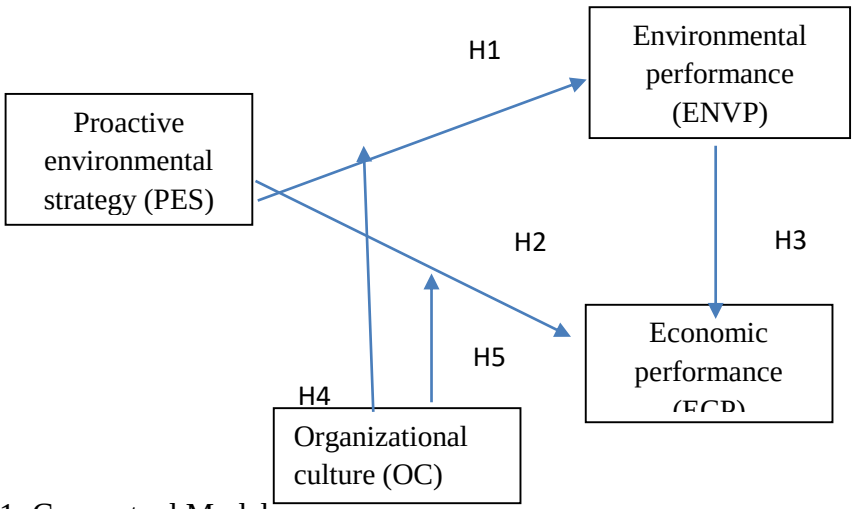

Figure 1: Conceptual Model

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RESEARCH METHODOLOGY

Sample and Data Collection

The current study aims to investigate proactive environmental strategy of the hotel sector in Sri Lanka. The sector has more than 5% direct contribution to the Gross Domestic Production (GDP) in Sri Lanka (during 2016-2018) and is ranked as the third (3rd) foreign exchange earner of the country (Annual Statistical Report, 2017 and 2018, SLTDA). As far as the study context is concerned, only star graded (classified) hotels in Sri Lanka are included. These hotels apply environmental management practices as one of their main strategy to face the competition and survival in the Industry. The total number of star graded tourist hotels in Sri Lanka in year 2018 was 151 units with 13804 room (Sri Lanka Tourism Development Authority (SLTDA)-Statistical Report, 2018; SLTDA Web Site, 2018).Since, the study is interested in analyzing the impact of proactive environmental strategy on environmental and economic performance of the hotels and its cultural influence, the data will be gathered from top managers and owners of star grade hotels in Sri Lanka. The managers and owners were chosen for the study as they are the key decision makers who are familiar with and aware of the hotels' environmental practices and performance. In the data collection, a total of 500 questionnaires were distributed to the managers and owners in star graded hotels. The 338 completed questionnaires were returned and 314 usable questionnaires were considered for data analysis by eliminating missing data and outliers. The sample size of this study for data analysis is supported with the number of 300 sample size recommended by Hair et al. (2010) to analyze with SEM.

Table 1: Demographic profile (n= 314)

Demographic variables	Frequency	Percentage (%)
Managers from each star category		
1 Star	33	10.5
2 Star	65	20.7
3 Star	53	16.9
4 Star	77	24.5
5 Star	86	27.4
Position in organization		
Senior Management	70	22.3
Head of the Departments	220	70.1
Owner Manager	24	7.6

Measures

All measures comprised in the questionnaire were developed based on the previous literature. Prior to collecting data for the main survey, the questionnaire was consulted with a panel of scholars and Industry experts in order to assess the validity of the items in the questionnaire. The five point Likert scales (5- strongly agree/very great extent; 1-strongly disagree/ not at all) were used to assess all the items in the questionnaire. Table 2 summarizes all the constructs in the study and their items.

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Adoption of Proactive Environmental Strategy (PES)

Previous research suggests that environmental proactivity is a multidimensional construct (Wright et al., 2012) due to its multifaceted nature that is reflected in a multitude of different environmental practices (Banerjee et al., 2003; Gonzalez – Benito & Gonzalez – Benito, 2005). In order to develop a measuring scale for proactive environmental strategy in hoteliers, the current study consulted both general and sector-specific literature (Carmona-Moreno et al., 2004; Hunt and Auster, 1990; Arago´n-Correa, 1998; Henriques & Sadorsky, 1999; Krik, 1995). These practices included a wide range of environmental practices in different areas.

Environmental Performance (ENVP)

The study used environmental performance scales adapted from previous empirical studies to assess hotels' environmental performance (Cruz & Soto, 2010; Sraufe, 2003; Carmona-Moreno et al., 2004).The scale adequately covers physical and societal aspects of environmental performance and the managers were asked to point out to what extent they agreed with certain questions on environmental performance, such as whether the environmental objectives laid out had been accomplished, whether the hotel had a good environmental reputation or whether it was relatively efficient in the use of resources (energy, water and other materials).

Economic Performance (ECP)

Economic Performance can be defined as "an assessment of organization's success in areas related to its assets, liabilities and overall market strength". Further, an economic performance of the company makes sure that it remains on the right track financially (Business Dictionary, 2019).The four items for measuring economic performance were adapted from previous empirical literature (Molina-Agorin et al., 2009; Darnall & Sides, 2009; Alvearez-Gil et al., 2001).The economic performance items in this study consist of the increases in room occupancy, profit, revenue and decreases of operational cost of the hotel. The study selected subjective measures and respondents were asked to evaluate the impact of adoption of proactive environmental strategy on items relating to economic performance of their hotels.

Organizational Culture (OC)

This study adapted the Competing Value Framework (CVF) which was developed by Cameron & Quinn (1999, 2006) to measure organizational culture of hotels. Each cultural type consists of 6 items but it was reduced as a 4-itemed scale to decrease the lengthiness of the questionnaire and to retain the respondent's attention. Altogether, the construct of organizational culture consisted 16 items. According to Cameron and Quinn (1999, 2006), there are four types of organizational cultures: clan, adhocracy, market, and hierarchy. Further, Cameron and Quinn (1999, 2006), explained that the clan and adhocracy cultures were considered as flexible organizational cultures and, market and hierarchy as control cultures. Flexibility orientation emphasizes change, creativity, adaptability, risk taking, and spontaneity (Khazanchi et al., 2007; Liu et al., 2010; McDermott & Stock, 1999) while stability, predictability, rigidity formality, and efficiency control orientation (Khazanchi et al., 2007; Liu et al., 2010; McDermott & Stock, 1999).This study focuses on flexible and control dimensions with 16 itemed scale. Participants were asked to indicate the extent to which they agree or disagree on a five point Likert scale.

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Table 2: Construct and items

Code	Items
	Proactive Environmental Strategy (PES)
PES1	Gives priority to purchasing ecological products (biodegradable, reusable, recyclable)
PES2	Has a waste management practice.
PES3	Reduces the use of environmentally dangerous products
PES4	Applies energy-saving practices
PES5	Applies water-saving practices.
PES6	Makes a selective collection of paper, oil, glass, etc.
PES7	Provides training to employees on environmental issues
PES8	Gives compensation to employees who have environmental initiatives
PES9	Uses ecological arguments in marketing campaigns
PES10	Facilitates customer collaboration in environmental protection (voluntary changing of towels)
PES11	Organizes or sponsors environmental protection activities
PES12	Applies some environmental protection practices although they are not profitable in the short term
	Environmental Performance (ENVP)
ENVP1	Reduced water consumption
ENVP2	Reduced energy consumption.
ENVP3	Minimized waste generations
ENVP4	Reduction in environmental hazards
ENVP5	Increased guest awareness of environmental initiatives
ENVP6	Increases in pro-environmental behavior among employees
ENVP7	Increases in environmentally responsible purchases and contracting
ENVP8	Improves hotel strength to obtain through environmental certifications
ENVP9	Saving natural resources and preserving their quality
	Economic Performance (ECP)
ECP1	Increases in occupancy rates.
ECP2	Increases in profitability
ECP3	Reduction in operational cost
ECP4	Increases in revenue.
	Organizational Culture (OC)
FOCC1	A very personal place like a family
FOCC2	Teamwork, consensus, and participation
FOCC3	Loyalty and mutual trust
FOCC4	Development of human resources, teamwork, and concern for people
FOCA5	Entrepreneurial and risk taking
FOCA6	Individual risk taking, innovation, freedom, and uniqueness
FOCA7	Commitment to innovation and development
FOCA8	Having the most unique and newest products and services
COCM1	Competitive and achievement oriented
COCM2	Competitiveness and achievement

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COCM3	Emphasis on achievement and goal accomplishment
COCM4	Winning in the marketplace and outpacing the competition
COCH5	Controlled and structured
COCH6	Security, conformity, predictability
COCH7	Formal rules and policies
COCH8	Dependable, efficient, and low cost

METHODOLOGY

The collected data was analyzed using SPSS (version 21) and AMOS (version 23). SPSS was used for missing values and outlier analysis, descriptive analysis and exploratory factor analysis (EFA). Structural equation modeling (SEM) with AMOS was used for confirmatory factor analysis (CFA) and hypotheses testing. A two- step approach was used in SEM. In the first stage, CFA was used to test the reliability and validity of the constructs used in the model. Then, in the second stage, a hypothesized structural model was assessed using path analysis technique for testing the hypothesized causal relationships among the constructs proposed in the conceptual model. The internal consistency was explored by analyzing Cronbach's alpha value. Furthermore, the item reliability was tested through factor loadings (given as Regression Weights in the AMOS) which specify whether each item that forms the construct is highly correlated with its relevant latent variable. Next, average variance extracted (AVE) and composite reliability (CR) values are tested to determine convergent validity. Discriminant validity check is done by comparing the square root of AVE's with the correlation for each of the constructs. The AVE of a latent variable should be higher than the correlations between the latent variable and all the other latent variables.

The structural model has been examined through the significance of the path coefficients (standardized β value) which indicate the strength of causal relationships between constructs and by observing the R^2 (squared multiple correlations) values of the dependent variables.

In addition to the direct relationships, the study attempts to test moderating effects of organizational culture on the relationship between adoption of proactive environmental strategy and organizational performance. A moderator is a variable that changes the relationship between two related variables. The term interaction and moderation carries the same meaning. The interaction between independent variable and moderator in the model could decrease or increase the effects on dependent variable or change the direction (i.e. positive to negative or vice versa) of the relationship (Lindley and Walker, 1993). The moderator does not need to have a significant relationship with predictor/criterion (Hair et al., 2006). The moderating effects in SEM can be tested in many ways. This mainly relies on the nature of the variable. According to Hair et al. (2006), the "Interaction" method can be applied for testing the moderating effect of continuous variables. This requires a series of calculations (items in the predictor X items in the moderator) to create a new variable for the purpose of interaction effect (Hair et al., 2006).

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RESULTS

The assessment of Measurement Model

In the first step, the study applied exploratory factor analysis (EFA) for all latent variables to determine the factor structure of the measures using principal component analysis. The EFA revealed that the two- factor construct for proactive environmental strategy and unidimensionality of the environmental performance, economic performance, flexible and control organizational culture. After the factor rotation was done, a factor loading of 0.50 and the above were considered significant at the 0.05 level (Hair et al., 2010); hence, the variables of a factor loading less than 0.5 were eliminated. Accordingly, PES3 was removed due to low factor loading. A two- factor construct of proactive environmental strategy was labeled as basic proactive environmental strategy and advanced proactive environmental strategy.

The reliability and validity of measurement model were tested with item reliability, internal consistency and discriminant validity. As shown in Table 3, all factor loadings are greater than threshold value of 0.5 (Hair et al., 2006). This indicates that the survey instrument is reliable to measure each constructs in the model. Further, Table 3 explains that Cronbach's alpha values are greater than 0.8 and composite reliability values are also higher than threshold of 0.6. This confirmed the internal consistency of each construct. The values of average variance extracted (AVE) were also higher than the accepted value of 0.5 which indicates the confirmation of convergent validity.

Table 3: The CFA Report for Every Constructs in the Measurement Model

Construct	Item	Mean	SD	Standardized Factor Loading (>0.5)	AVE (>0.5)	CR (>0.6)	Cronbach's alpha (>0.8)
B-PES	PES1	3.77	1.005	0.75	0.535	0.819	0.816
	PES2	4.15	0.880	0.56			
	PES3	4.21	0.893	Removed			
	PES4	4.03	0.826	Removed			
	PES5	4.11	0.795	Removed			
	PES8	3.23	0.976	0.78			
	PES9	3.72	0.928	0.81			
A-PES	PES6	3.89	1.033	0.84	0.589	0.877	0.867
	PES7	3.25	1.129	0.73			
	PES10	3.72	0.928	0.69			
	PES11	3.60	1.020	0.79			
	PES12	3.82	0.936	0.77			
ENVP	ENVP1	3.83	0.757	0.82	0.634	0.924	0.882

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	ENVP2	3.82	0.810	0.78			
	ENVP3	3.91	0.729	Removed			
	ENVP4	3.58	0.772	0.70			
	ENVP5	3.60	0.719	Removed			
	ENVP6	3.48	0.820	0.72			
	ENVP7	3.40	1.000	0.88			
	ENVP8	3.48	1.234	0.80			
	ENVP9	3.60	0.765	0.86			
ECP	ECP1	3.68	0.747	0.81	0.684	0.896	0.877
	ECP2	3.86	0.870	0.82			
	ECP3	3.88	0.768	0.92			
	ECP4	3.75	0.809	0.75			

The Table 4 confirms the discriminant validity of the constructs since all the square root of AVE values are larger than the correlations between the respective constructs (Awang, 2015).

Table 4: The Discriminant Validity

	B-PES	A-PES	ENVP	ECP
B-PES	**0.731**			
A-PES	0.628	**0.767**		
ENVP	0.381	0.335	**0.796**	
ECP	0.419	0.398	0.555	**0.827**

The structural model assessment

In the second step, the structural equation modeling (SEM) is assessed using AMOS software. As shown in Table 5, all the fit indices (RMSEA, CFI, TLI GFI and CIMIN/DF) achieved recommended levels (Awang. 2015).Therefore, the study asserts the structural model adequately fits with the data.

Table 5: Goodness of fit of the model

Name of category	Name of index	Index value	Required value	Comments
Absolute fit	RMSEA	0.075	<0.08	The required level is achieved
	GFI	0.917	>0.9	The required level is achieved
Incremental fit	TLI	0.932	>0.9	The required level is achieved
	CFI	0.951	>0.9	The required level is achieved
Parsimonious fit	CIMIN/DF	2.770		The required level is achieved

At the end, the proposed structural model has been examined through the significance of the path coefficients (standardized β value) and by observing squired multiple correlations (R^2) values of

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the dependent variables. The direct effect of the causal model is presented in Table 6 and Figure 2.

Table 6: The results of the structural model

Hypothesis	Relationship	β value	p- Value	R^2
H1	PES → ENVP	0.478	<0.001	0.229
H2	PES → ECP	0.258	<0.001	0.432
H3	ENVP → ECP	0.517	<0.001	0.432

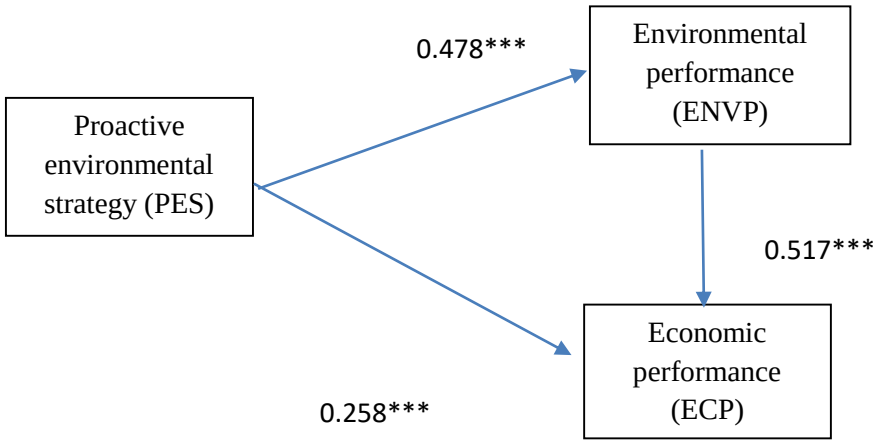

Figure 2: Results of the causal model

Testing direct effects

The developed structural model explains the 23% variance of environmental performance and 43% variance of economic performance. This confirms that proactive environmental strategy influences firms' economic performance to a greater extent than environmental performance. Further, environmental performance influences firms' economic performance to a greater extent. The direct effects were examined by interpreting the structural path coefficients and its significance (Table 6). The results have shown that proactive environmental strategy has a strong significant positive effect on environmental performance (β= 0.478, p <0.001), thus H1 was supported by data. Regarding the Hypothesis 2 (H2), proactive environmental strategy has significant positive effect on economic performance (β= 0.258, p <0.001), but not strong as on environmental performance. Therefore, the H2 also was supported. The direct effect of environmental performance on economic performance has a β= 0.517 and statistically significant (p <0.001), and hence, Hypothesis 3 (H3) was also supported by data for.

Testing moderating effect of organizational culture

The study used the interaction method (Heir et al., 2006) to test moderating effects of organizational culture with two cultural dimensions, flexible and control. To test interaction effect, the study assessed two structural models. One was to test the interaction effect of flexible organizational culture on the relationship between proactive environmental strategy and

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environmental and economic performance. The second model was used to test the interaction effect of control organizational culture on the relationship between proactive environmental strategy and environmental and economic performance. The model fit indices for both models showed a relatively good fit (Model 1: RMSEA = 0.078, CFI = 0.922, TLI= 0.903, GFI, = 0.870 and CIMIN/DF = 2.885 and Model 2: RMSEA = 0.079, CFI = 0.912, TLI= 0.902, GFI, = 0.869 and CIMIN/DF = 2.930). The following Table 7 and 8 have summarized the result of the interaction effect of proactive environmental strategy and environmental and economic performance with the moderating effect of the organizational culture (flexible and control).

Table 6: Result of interaction effect (moderating effect) of organizational culture (flexible and control) on the relationship between proactive environmental strategy and environmental performance

Independent	Step 1		Step 2			
	APES		APES x FOC		APES x COC	
	SRW (β)	P-value	SRW (β)	P-value	SRW (β)	P-value
APES	.478	.000	.369	.035	.498	.000
Interaction effect						
APES x FOC			.639	.000		
APES x COC					-0.072	.160
R^2		.178 (18%)		.589 (59%)		.232 (23%)
ΔR^2				(41%)		(5%)

Table 8: Result of interaction effect (moderating effect) of organizational culture (flexible and control) on the relationship between proactive environmental strategy and economic performance

Independent	Step 1		Step 2			
	APES		APES x FOC		APES x COC	
	SRW (β)	P-value	SRW (β)	P-value	SRW (β)	P-value
APES	.258	.000	.292	.035	.306	.000
Interaction effect						
APES x FOC			.175	.007		
APES x COC					-.145	.002
R^2		.432 (43%)		.471 (47%)		.455 (45%)
ΔR^2				(5%)		(2%)

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The moderation effect of organizational culture on the relationship between proactive environmental strategy and environmental performance is assessed. The model explained 59 percent (R^2=59%) of variance for FOC and 23 percent (R2=23%) of variance for COC (Table 7). The initial model, which was without the moderation effect, is reported with 18 percent (R2=18%) variance. Thus, it can be concluded that the explanation power of the models has increased with the moderation effect. The moderation effect of FOC is significant and positive (P<0.000; β= 0.639). Accordingly, with the increase of flexibility of the organizational culture, organizations can increase their environmental performance through adoption of proactive environmental strategy. Furthermore, the moderation effect of COC is insignificant and negative (P<0.160; β= -0.072).

In relating to interaction effect of organizational culture on economic performance, the model explained 47 percent (R^2=47%) of variance for FOC and 45 percent (R2=45%) of variance for COC (Table 8). The initial model, which was without the moderation effect, is reported with 43 percent (R2=43%) variance. Thus, it can be concluded that the explanation power of the models has increased with the moderation effect. The interaction term of flexible organizational culture (PES x FOC) and controlled organizational culture (PES x COC) were significant. The moderation effect of FOC is significant and positive (P<0.007; β= 0.175). Consequently, with the increase of flexibility of the organizational culture, organizations can increase their environmental performance through adoption of proactive environmental strategy. Furthermore, the significant and negative (P<0.002; β= -0.145) moderation effect of COC explained that with the decrease of control organizational culture aspects, a firm can increase their economic performance through proactive environmental strategy.

This concludes that both flexible and control organizational cultures moderate the relationship between the proactive environmental strategy (PES) and economic performance while only flexible organizational cultures moderate the relationship between the proactive environmental strategy (PES) and environmental performance. Hence, this confirmed hypothesis H4 was partially supported by data and H5 was totally supported by data.

DISCUSSION AND CONCLUSIONS

Environmental sustainability in the Hotel Industry is receiving amplified attention from various stakeholders namely, governments, hotel managers, customers, environmental interest groups, local communities, and even the natural environment itself encourages firms to consider ecological impacts in their decision making (Saeed & Kersten, 2019; Valero-Gil et al., 2017; Bansal & Roth, 2000). Hence, this study explores the relationship between proactive environmental strategy, environmental and economic performance. Furthermore, the study sought to examine the moderating effect of organizational culture on the proactive environmental strategy - performance relationship.

The results of the study have confirmed the direct effect of proactive environmental strategy on environmental and economic performance. The findings were in line with the previous research (Barba-Sánchez & Atienza-Sahuquillo, 2016; Liu et al., 2015; Arago´n-Correa, 1998; Klassen & Whybark, 1999; Hart, 1995; Roome, 1992). Nevertheless, the impact of proactive environmental strategy on economic performance was lower than the impact on environmental performance.

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Because, the economic motivation is would not be the main reason behind the choice of firms' proactive environmental strategy (Bansal & Roth, 2000). However, the findings show strong significant positive effect of environmental performance on the economic performance. This advised that organizations' economic performance can be improved by improving their environmental performance through adopting proactive environmental strategy. This empirical result is in agreement with the findings of the previous research (Endrikat et al, 2014; Schaltegger & Synnestvedt, 2002).

The results on moderating effect of organizational culture on the relationship between environmental strategy and performance give different conclusions for environmental performance and economic performance. This study examines the moderating effect of the organizational culture on the proactive environmental strategy – environmental performance relationship and organizational culture on the proactive environmental strategy – economic performance relationship. Two types of the organizational culture were identified i.e. flexible and control culture. The Hypothesis 4 of the study displays partial support since the flexible organizational culture was shown to significantly moderate proactive strategy- environmental performance while moderating effect of control culture on same relationship was insignificant. In terms of the moderating effect of organizational culture on the relationship between proactive environmental strategy and economic performance, results of the study concluded that flexible culture has significant positive effect on economic performance while control culture has significant negative impact on economic performance. However, the findings of the study have highlighted that hotels with more flexible culture is more likely to enhance organizational performance through adopting proactive environmental strategy. This is possibly because hotels with such flexible culture be likely to have features of change, creativity, adaptability, risk taking, and spontaneity (Khazanchi et al., 2007; Liu et al., 2010; McDermott & Stock, 1999) that support adoption of proactive environmental practices. Hence, this suggests that encouraging and maintaining such organizational culture is vital for hotels of Sri Lanka to enhance environmental sustainability.

Through the findings, the study has made a valuable contribution to the field of environmental sustainability by notifying the relationships between proactive environmental strategies – performance because scholars and managers still struggle to recognize how an organization chooses its environmental practices. Further, another theoretical contribution of the study is the exploration of the both economic and environmental performance that results from the adoption of proactive environmental strategy. The researcher believes that this study provides one of the first attempts to understand the interaction impact of organizational culture on the strategy – performance relationship.

LIMITATIONS AND FUTURE RESEARCH

However, this research has some limitations. The study has explored the environmental concern of "star grade hotels", and hence the findings may not be generalizable to other accommodation establishments in Sri Lanka. To replicate these findings, more industries could be studied and the geographical scope covered by future studies could be broadened. This might also involve undertaking comparative studies across various countries in the region. Another limitation of the study is related to the research design and data collection. This study is of cross sectional type. A

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cross sectional study is an observational study that analyzes data collected from a population, or a representative subset, at a specific point in time. Hence, the study does not shed light on changes in environmental strategies over time. Furthermore, organizational performance, both environmental and economic, has been measured through subjective measures. There are possibilities to vary subjective measures from objective measures. The study basically applied positivist research methodology (correlational design with questionnaire survey method). Also, the study uses only one method to collect data and mainly relies on top managers' self-reported data to measure study constructs. This would not be the reality. In the future, this can be tested in neo- positive research domain of mix method (quantitative study followed by a qualitative method).

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