

# **Relationship Between Environmental Management Practices and Financial Performance with Mediating Effect of Environmental Performance and Competitive Advantage in Hotel Industry in Southern Province, Sri Lanka**

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## **ABSTRACT**

The relationship between environmental management and financial performance raises an ongoing debate in which the review of the existing literature yields no conclusive results. Different methods have been used to study this relationship and most of the analyses have focused on the manufacturing sector. This paper examines the relationship between environmental management practices and financial performance with mediating effect of environmental performance and competitive advantage in hotel industry in the Southern Province, Sri Lanka. The study is based on a survey of 118 of Star hotels, Boutique hotels, Boutique villas and tourist hotels registered under the Sri Lanka Tourism Development Authority, Sri Lanka and Partial least squares structural equation modelling (PLS-SEM) techniques are used. A two-step approach was adopted, first tested the outer model for convergent and discriminant validity, then tested the inner model was evaluated for hypotheses testing. The findings reveals that a positive relationship exists between environmental management & environmental performance, and between environmental management & competitive advantage. And revealed that a positive relationship exists between competitive advantages and financial performance while, there is no relationship between Environmental performances financial performance in the hotel industry of Sri Lanka. Further, this study reveals that environmental performance mediates the relationship between environmental management & financial performance and competitive advantage mediates the relationship between Environmental management & financial performance. This study contributes to the ongoing debate by providing of a solid theoretical foundation to analyze the relationship among environmental management and environmental performance, and competitive advantage and financial performance in a holistic model, which addresses lack of theoretical foundation resulting no convergence of knowledge in literature.

**Keywords:** Environmental Management, Financial Performance, Environmental Performance.

