Green reputation of hotel improvement through green accounting and harmonious culture

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ENVIRONMENTAL MANAGEMENT

Green Reputation of Hotel Improvement through Green Accounting and Harmonious Culture

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Abstract

This study aims to test green accounting which is moderated by harmonious culture (green culture) in building a green reputation of a hotel. Green accounting activities consisted of environmental awareness, environmental involvement, and environmental reporting. The concept of harmonious culture emphasises the harmonisation with God, human being, and the environment to reach happiness. The implementation of the two variables legitimates a green hotel, and therefore acts as a signal for consumers to help in hotel selection. Quantitative analysis with Partial Least Square (PLS) method was used to process data collected through questionnaires. Sampling was conducted using purposive sampling with criteria of the hotels participating in tri hita karana award in 2016. There were 124 hotels that met the criteria and 100 who were willing to fill the questionnaire. The research results indicated that environmental awareness, environmental involvement, and environmental reporting had a contribution in creating hotel’s green reputation. Whereas, green culture implemented at the hotel was able to legitimate hotel’s green reputation based on consumers’ perceptions. The results also showed that consumers had more trust on the services of a hotel were aware on the environment of its neighbourhood and provided implications on the legitimating theory that green accounting and green culture became a model to gain recognition from the society related to green hotel. The new model used in this research used green culture, sourced from local wisdom in developing hotel’s green reputation and could be used as a business strategy to face global competition. The hotel managers, therefore, should build awareness among their employees to maintain harmonious relationship with God, human beings and environment to strengthen the position of the hotel among the consumers, thus impacts the sustainability of the hotel in Indonesia.

Keywords: green accounting; harmonious culture; green reputation.

1. Introduction

Environmental issue is something that is still debated today, which makes it an interesting issue to be explored. The condition is proven by the increasing global warming that influences companies. Many companies are struggling to bring the green issue to build their reputation (Beckmann et al., 2014). The environmental issues are also utilised as competitiveness for the companies to implement their strategy (Christmann, 2004; King & Shaver, 2001; Beckmann et al., 2014). The companies give priority in environmental conservation and put it in a rule (Dowell et al., 2000; Christmann, 2004). Currently, it is a necessity for big companies to build their reputation through the awareness of the environment (Marcus & Fremeth, 2009; Searcy, 2012; Tang et al., 2012; Dangelico, 2015; Delmas et al., 2015). However, there are many companies that are unable to implement green concept perfectly despite their statement on their website, they also struggle to create green reputation among their customers or the societies (Parguel et al., 2011).

Green reputation for a companies can be a strategy to build competitiveness (Porter, 1990) since it is an intangible asset that give power to create a good name. Green reputation is measured through social responsibility, sustainability, and environmental report (Maak, 2008; van den Brink & van der Woerd, 2004). Some studies have been conducted in accommodation companies that has disclosed their environmental awareness based on the belief that it will bring positive impact on the company as a whole. For example, Tuwariji et al (2004) found that companies conducting good and transparent social and environmental responsibilities disclosure would have positive impact on the increase in their economic performance. Further, a study by Bennet et al. (2003) also stated that the higher the effort of a company in applying and implementing environmental management accounting could bring positive and significant change on the increase in its financial performance. A study by Russo and Fouts (1997) and Setiawan and Darmawan (2011) also found that there were positive relationships between environmental performance, environmental performance disclosure and the value of the company. Other studies testing the relationship between environmental performance disclosure and market reaction were also conducted by Guidri and Patern (2010) and Belkaoui and Karpik (1989), their findings indicated positive relationships between both variables.

The disclosure of environmental awareness through transparent accounting reports by accommodation companies is still limited; therefore, it is important to study the company awareness on social and environmental responsibility presented through the accounting report. This study refers the company’s awareness on social and environmental responsibility through the accounting report as green accounting. This study is triggered by various research results such as Caliskan (2014); Jones, (2010a, 2010b). They stated that green accounting has not been widely studied, especially those related to sustainable development that have sustainability reporting, environmental, social and economic indicators and plays an important role in providing information to all parties related to the awareness of
Green accounting reports prepared by accounting department represent the holistic illustration of company’s sustainability activities and indicate how and to what extent the company gives contribution to the sustainable development (Herzig & Schaltegger, 2011). A company is expected to exceed the traditional financial reporting reflecting past activities and decisions as well as historical data of the company by reporting future risks, opportunities, and strategies related to sustainability (ACCA, 2008). The accounting department might be effective in configuration and must prepare a sustainability report and offers opinion on the need of new reporting due to the change in the level and characteristic of the company’s activities as well as in law (ACCA, 2008). Thus, it creates long term value needed to evaluate future risks and modification based on the decision (Closs et al., 2011). It allows balance to be found between the economic goals of the organisation and the social and environmental needs.

The balance in the achievement of the company’s goals is influenced by the organisational culture (Schein, 2004); therefore, and it is needed to establish green behavior in the company. Indonesia implements the green culture in hotel management that promotes the harmony with God as the creator of nature and its contents, harmony with human being (stakeholders), and harmony with the natural environment. The three relationships in green culture (tri hita karana or harmony culture) are rooted from the local culture of Balinese society implemented in the daily life of the communities, companies, and the government. The green cultural concept has similar values to Schein (2004) and gives influence on the organizational culture and the performance of companies in Bali (Astawa et al., 2016; Astawa & Sukawati, 2016). PutuAstawa et al., 2016; Astawa & Sudika, 2015; Astawa, 2013).

Based on previous researches, such as Caliskan (2014) and Jones (2010a, 2010b) that gave emphasize only on green accounting and sustainable development, stated that this type of study is limited. In contrast, Behrend et al., 2009; Fairchild, 2008; Maak, 2008; van den Brink & van der Woerd, 2004 gave emphasize on the activity of companies that environmentally aware and not on the reporting that impacted the reputation of the companies. These different opinions indicate an issue on "how the influence of green accounting in creating green reputation". Therefore, the aim of the research was to test green accounting developed by Astawa et al. (2016) by adding green reputation (Maak, 2008; van den Brink & van der Woerd, 2004) and green culture (Astawa et al., 2016).

According to Deegan (2004), legitimation theory is related to the effort of a company to ensure that it operates within the limits of values and norms prevailed in or related to the society and how it interacts with the surrounding communities, thus can receive legitimation from the community. Bell and Lehman (1999) define green accounting as a temporary concept in accounting science that support the green movement of a company or organisation by recognising, quantifying, measuring, and disclosing the contribution of the environment to the business process of the company. Green accounting, according to Cohen and Robbin (2011), is various efforts to collect, analyze, appraise, and prepare reports both related to the environment or to the financial data with the future goal of reducing the effect and cost caused by environmental damage. Polimini et al. (2010) stated that there are various reasons to be considered by a company to decide whether to implement environmental accounting or green accounting, which is fulfilling consumers’ expectation of more environmentally friendly products or raw materials, among others. Green accounting usually discloses through a report known as sustainability reporting. According to Dilling (2009), the Global Reporting Initiative (GRI), which is an institution focusing on the effort of quality improvement of environmental accounting reports, defines sustainability accounting as a company’s effort to measure and disclose its activities related to its environment and social as a concrete step to create environmental and social responsibilities. The environmental awareness creates identity or reputation of the company (Massey, 2001).

Fombrun (1996) explained that company reputation is the explanation of the activities conducted by the company in the past and in the future with better attribute compare to their competitors. Limited information on company reputation becomes the signal for stakeholders in considering a decision (Myers & Majluf, 1984; Behrend et al., 2009). Reputation is determined by how the society reacts toward various activities conducted by the company (Love & Kraatz, 2009; Rindova et al., 2005). Companies will try to use all their resources, including reputation, to design business strategies (Barney & Hesterly, 2012). They will deliver various important issues as signal that able to significantly influence society's opinion. The important issues include a report on corporate social responsibility activities consisting of a report on environmental awareness (Brammer & Pavelin, 2006). The commitment of the company to the environmental awareness will form green corporate reputation that is important for workers and investors (Behrend et al., 2009; Fairchild, 2008) as well as acts as a mechanism in managing reputation risk (Bebbington & Moneva, 2008). Based on the previous explanation hypothesis 1 (H1) can be proposed that green accounting has influence on green reputation.

Tri hita karana (the three cause of happiness) or harmonious culture is called as green culture as it consists of concept on environmental stability which has similar concept to World Tourism Organisation that require anyone involve with tourism should keep harmonization of being and maintain environmental stability ( lee, 2013; Miller et al. 2015; Mihalic, 2016 ). Green culture implemented in Indonesia contains spiritual aspects to maintain a harmonious relationship with God (parahyangan), human being (pawonangan), and the nature (palemahan) (Putu Astawa et al. 2016).

Green culture should be used as a basis for hotel’s operation as indicated by Schein (2004) who considered that organizational culture can be formed from a local culture that consisted of three components: artifacts, espouse values, and basic assumptions. Culture is a behavior that continuously conducted and becomes the characteristic that strengthen company name. Culture developed in each country has implication to the existing companies; therefore, various opinions occur that culture is able to increase performance (Astawa & Sukawati, 2016; Astawa et al., 2016; Astawa & Caliskan, 2015; Astawa, 2013).

The role of culture is needed to develop the character of each individual so that a view of a company that has environmental awareness is occurred since it has succeeded in developing green culture in the company. One form of environmental-awareness culture is tri hita karana (THK) that has significant influence on companies in Bali (Astawa et al., 2016). The cultural concept gives emphasize on maintaining harmony with God as the creator of nature and contents, with fellow human being, and with the nature. The cultural concept emphasizes on maintaining the harmony with God (parahyangan) as the creator of the nature and its contents, with other human being (pawonangan), and with the nature (palemahan). The cultural concept has been recognized by the world in the tourism industry by aligning the three concepts in running a hospitality business. The three dimensions of the green culture are basically attached to the values of the organizational culture developed by various experts such as Kotter & Haskett, 1997 and Denison & Mishra, 1992. Based on the green culture, Indonesia becomes a cultural-based world tourism destination and gives image of environmental friendly (Astawa & Sukawati, 2016).

Bartikowski et al. (2011) mentioned that national culture is developed from local culture that able to be used as a good moderation to the relationship between customers loyalty and
company’s reputation. In addition, Oswari (2011) indicated that local culture is a variable that able to decrease company’s risk and improve performance.

The power of local culture combined with organisational culture may bring impact to individual’s behaviour of the staff to perform better. Organisational culture is created to give behavioural direction and also as the representation of the company. Based on this discussion, hypothesis 2 (H2) can be proposed as “green accounting has influence on green reputation with the moderation of green culture”.

2. Materials and Methods

The research was different from previous studies where green culture was used as a moderating variable in green accounting disclosure to achieve green reputation. The aim was to find out the role of green culture implemented in strengthening the relationship between green accounting and green reputation. Theories on green accounting, green culture, and green reputation based on legitimacy theory (Doegang, 2004) and signaling theory (Besley & Brigham, 2008) were used to build hypothesis. The research used quantitative analysis with Partial Least Square (PLS) method. Purposive sampling was conducted with the following criteria: hotels that participate in the tri hita karana award and had been established at least five years and it resulted in sample of 124 hotels. The result of study indicated that green culture implemented was dominantly toward the environment, whereas attention to employees and God was limited and had not disclosed clearly in green accounting reports. Green culture gives a new power in building green reputation, thus strengthen the company’s good name.

The design of the research model can be explained in Figure 1 where the exogenous variable was green accounting consisted of awareness, involvement and reporting (Caliskan, 2014), endogenous variable of green reputation measured through social responsibility, sustainability, and environmental reports (Maak, 2008; van den Brink & van der Woerd, 2004), and moderating variable of green culture, referred to the research of Astawa et al (2016), consisted of parahyangan, pawongan and palemahan. The research was conducted at star hotels in Indonesia from January to December 2016. Data was collected through questionnaire with Likert scale of 1 to 5 where 1 – disagree, 2 – somewhat disagree, 3 – somewhat agree, 4 – agree and 5 – strongly agree. The questionnaires were sent to the hotels through email or mail and addressed to the general manager. For questionnaires sent through mail were attached with a return envelope and stamp to send the questionnaire back to the researcher. For questionnaire with unclear responses, phone confirmation was conducted with previous permission obtained by emailing the hotel.

The number of population of star hotel in Indonesia was 2,387 (Bureau of Statistics, 2016). Sampling was conducted using purposive sampling, with criteria (Ghozali, 2006) of hotels participating in the Tri Hita Karana Award and had been operating at minimum of five years. The number of sample met the criteria was 124 hotels and 100 of them were willing to fill the questionnaire. The reason for the unwillingness of the hotels to fill the questionnaire was due to their rush activities and the availability of data related to green accounting.

Green accounting in a hotel is a report containing all the hotel environmental and social activities as a concrete step to create environmental and social responsibilities (Bell & Lehman, 1999; Dilling, 2009; Cohen & Robbin, 2011; Caliskan, 2014; Jones; 2010a, 2010b). Green accounting variable consisted of three indicators, namely, awareness, involvement, and reporting and that each measured by fifteen question items scaled 1 – 5 (Caliskan, 2014). Green culture (harmonious culture / tri hita karana) is a culture implemented by the hotel that put forward harmonious relationship between hotel and God (parahyangan), employees / consumers (pawongan), and environment (palemahan) (Astawa et al 2016). Green reputation variable consisted of three indicators, namely, parahyangan, pawongan and palemahan, each measured by 17 items in scale of 1 – 5 (Astawa et al 2016). Green reputation is all activities conducted by the hotel related to social responsibility, sustainability, and environmental reports. Each of the activity was measured by five question items in scale of 1 – 5 (Maak, 2008; van den Brink & van der Woerd, 2004).

The research used quantitative approach with PLS as the tool of model testing (Solimun, 2007). The equation of outer model for green accounting (X1) was \( x_{1.1} = \lambda_{x1.1} \times 1 + \varepsilon_{1} \) and \( \lambda_{x1.1} = \lambda_{x2.1} X_{21} + \delta_{1} \). For Green Culture (X2) the variable equation was formative, \( X_{2} = \lambda_{x2.1} X_{21} + \lambda_{x2.2} X_{22} + \lambda_{x2.3} X_{23} + \delta_{2} \) (Caliskan, 2014; Solimun, 2007). Based on the model equation, it can be explained that \( \lambda_{x1.1}, \lambda_{x1.2}, \lambda_{x1.3} \) was the loading factor for \( x_{1.1}, x_{1.2}, x_{1.3} \) and \( \delta_{1} \) was an error of measurement of manifest variable for exogenous variable of green accounting, \( X_{21} \) (palemahan), \( X_{22} \) (parahyangan), and \( X_{23} \) (pawongan) were formative indicators toward latent variable of green culture (X2). Coefficient of \( \lambda_{x2.1}, \lambda_{x2.2}, \lambda_{x2.3} \), respectively, was the loading factor for indicator \( X_{21}, X_{22}, X_{23} \), and \( \delta_{2} \) was the error of measurement for exogenous variable of green culture. Exogenous latent variable of the interaction between green accounting and green culture was explained with the following equation: \( Y_{1} = \lambda_{x1.1} Y_{1.1} + \varepsilon_{1} \) and \( \varepsilon_{1} = \lambda_{x1.2} Y_{1.2} + \varepsilon_{1} \) and \( \lambda_{x1.3} \) was the loading factor for indicator \( Y_{1.1}, Y_{1.2}, Y_{1.3} \) were the indicators of Social Responsibility, Sustainability, and Environmental reports which were reflective toward latent variable of green reputation. The inner model equation could explain the relationship of latent variable thus the equation was \( Y_{1} = \gamma_{1} X_{1} + \delta_{y1} X_{1} + \gamma_{y1} X_{2} + \delta_{y2} \) (Caliskan, 2014; Solimun, 2007; Maak, 2008; van den Brink & van der Woerd, 2004).

3. Results and Discussion

3.1. Descriptive Statistics

Descriptive statistics is aimed to give description on the characteristic of the research data. Descriptive statistics measurement in the research was in form of minimum and maximum values, average value and standard deviation. Green culture variable, for each indicator, had score in the range of 17 to 85

![Figure 1. Research Model](image-url)
with median value of (17+85)/2 = 51. The result of statistical analysis is presented in Table 1. The table indicates that the hotels had implemented the concept of harmonious relationship with the Creator (God) through a belief that all life, including business, is the gift of God; therefore, they should be thankful by implementing the attributes of God of filial, honest and respect other lives and through various activities based on the employees' faith (Astawa & Sukawati, 2016). Another result indicates that the relationship between hotel and its employees (pawongan) and natural conservation (palemahan) had been well implemented with average of 67.26 and 69.22, which was above 51 (Median). The result explains that the integration of the three indicators of green culture had formed a hotel culture that aware to the natural condition that needed to be protected through business activities and local genius. At present, natural conservation through business activities is the main attention of the world including through an innovation (Herzig & Schaltegger, 2011); therefore, hotel could give contribution in accordance with WTO (World Travel Organization). The implementation of green culture at the star hotel in Indonesia could be a strategy in developing green competitive advantages (Christmann, 2004; King & Shaver, 2001; Beckmann et al., 2014).

The result of descriptive analysis in Table 1 shows that all indicators of green accounting had minimum value of equal to or above the median value of 45. Therefore, descriptively, the implementation of green culture at the hotels in Indonesia was above the average. Environmental awareness had the highest value among the indicators of green accounting, which was 70.23 percent. The high awareness strengthened the green culture at the hotels (Beckmann et al., 2014). The less convincing indicator of green accounting was reporting with minimum value of 45 or equal to the median value. The result illustrates that hotels needed to improve the detail report on environment. Most of the hotels were still in doubt to disclose the information due to confidentiality. Green reputation variable was divided into three indicators; responsibility, sustainability, and environmental reports. Each indicator was measured by five question items. The result of descriptive statistics in Table 1 indicates that the implementation of social responsibility program had a strong signal to build green reputation. It followed by economic development awareness in the neighbourhood communities and report on activities related to environment that needed to be improved to create green reputation for the hotels. Overall, the indicators of green reputation at the hotels in Indonesia could support the image of the hotels and it is in line with green culture, which is the organizational culture of the hotel. The concept is also supported by various studies, such as Kumarek et al. (2013) and Kuriand & Zell, (2011).

### Table 1. Descriptive Statistics

<table>
<thead>
<tr>
<th>Indicator</th>
<th>Minimum</th>
<th>Maximum</th>
<th>Average</th>
<th>Std. Dev.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Parahyangan</td>
<td>55</td>
<td>84</td>
<td>70.33</td>
<td>6.537</td>
</tr>
<tr>
<td>Pawongan</td>
<td>51</td>
<td>85</td>
<td>67.28</td>
<td>7.324</td>
</tr>
<tr>
<td>Palemahan</td>
<td>59</td>
<td>85</td>
<td>69.22</td>
<td>5.331</td>
</tr>
<tr>
<td>Awareness</td>
<td>47</td>
<td>75</td>
<td>70.23</td>
<td>6.234</td>
</tr>
<tr>
<td>Involvement</td>
<td>48</td>
<td>73</td>
<td>67.12</td>
<td>5.12</td>
</tr>
<tr>
<td>Reporting</td>
<td>46</td>
<td>70</td>
<td>64.68</td>
<td>5.07</td>
</tr>
<tr>
<td>Social responsibility</td>
<td>19</td>
<td>25</td>
<td>23.04</td>
<td>6.18</td>
</tr>
<tr>
<td>Sustainability</td>
<td>16</td>
<td>25</td>
<td>20.03</td>
<td>6.23</td>
</tr>
<tr>
<td>Environmental reports</td>
<td>15</td>
<td>21.22</td>
<td>5.28</td>
<td></td>
</tr>
</tbody>
</table>

#### Table 2. Result of Inner Model Test

<table>
<thead>
<tr>
<th>Indicator</th>
<th>mean of subsamples</th>
<th>Standard deviation</th>
<th>T Statistic</th>
<th>p-value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Green Accounting (GA)</td>
<td>0.307</td>
<td>0.076</td>
<td>4.028 *</td>
<td>0.000</td>
</tr>
<tr>
<td>Green Reputations (GR)</td>
<td>0.200</td>
<td>0.086</td>
<td>2.325 *</td>
<td>0.014</td>
</tr>
</tbody>
</table>

#### Table 3. The Result of Outer Model Test for Green Culture

<table>
<thead>
<tr>
<th>Indicator</th>
<th>mean of subsamples</th>
<th>Standard deviation</th>
<th>T Statistic</th>
<th>p-value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Palemahan</td>
<td>0.707</td>
<td>0.402</td>
<td>1.759 *</td>
<td>0.045</td>
</tr>
<tr>
<td>Parahyangan</td>
<td>0.087</td>
<td>0.431</td>
<td>0.203 ns</td>
<td>0.420</td>
</tr>
<tr>
<td>Pawongan</td>
<td>0.444</td>
<td>0.414</td>
<td>1.072 ns</td>
<td>0.147</td>
</tr>
</tbody>
</table>

Based on the statistical values for loading factors resulted from PLS analysis, as presented in Table 3, the test result of the relationship between variable and its indicator can be explained as follows. Indicator weight shows the influence of the indicator to predict latent construct. Based on the result of outer model in latent construct of formative green culture value, the following equation was resulted: $X_2 = 0.707 X_{21} + 0.087 X_{22} + 0.444 X_{23}$. The main indicator in the construct of green culture value was *palemahan* with loading factor of 0.707. It means that the higher the relationship between an institution and the environment it can be predicted that the green culture value of the hotel will be increased. *Palemahan* indicator had significant influence on green culture. It can be proved from the T value of 1.759 and p-value = 0.045. On the contrary, two other indicators, *parahyangan* and *pawongan*, had no significant influence on green reputation according to green reputation was 0.307 with T value = 4.028 (p-value = 0.000). It can be interpreted that the increase in the number of green accounting reporting will increase the green reputation. The influence of green culture on green reputation would be divided into two: the coefficient test result of green culture and the interaction between green accounting and green culture. The regression coefficient of green culture to green reputation was 0.095 with T value = 1.040 (p-value = 0.154). It explains the insignificant influence on green reputation. The coefficient test result for green culture was insignificant, whereas for the interaction part, the result was significant. The result gave decision that green culture value was pure moderation in nature to green reputation. Regression equation on green reputation was: $GR = 0.307 GA + 0.095 GC + 0.200 GX GC$

### 3.3. Outer Model Test

*Outer model* is aimed to test the relationship between each indicator and the existing latent construct in the structural model. In the relationship between the indicator and reflective constructs the factor weight was taken from the value of the result for outer weights, whereas the formative constructs the factor weight was taken from the value of the result for outer loadings. In the research, latent construct was only on the value of green accounting and it was formative. The result of analysis can be explained in Table 3.

#### Table 2. Result of Inner Model Test

*Source: Processed data, 2017*

#### Table 3. The Result of Outer Model Test for Green Culture

*Source: Processed data, 2017*

*Note: ns = not significant (p-value > 0.05); * = significant at the value of 0.05 (p-value < 0.05)
organisational culture. The cultural concept gives specific characteristic in disclosing green accounting reporting to be more honest, transparent, and accountable. Honesty is the characteristic of God that is believed to have impact on the human life if they are not honest in working. Through the belief of, all involved parties will implement the culture well and this condition has never been revealed by previous researches in conducting awareness, involvement, and reporting in order to explain green accounting to strengthen green reputation.

Hotel’s green reputation will be stronger in the eyes of the community through activities that environmentally aware, by involving more employees in the social actions as well as professionally reporting environmental-related activities periodically. The interesting matter is strengthening the employee behavior with green culture that containing the values of belief packaged with customary and religious activities. The concept will create a sustainable competitiveness for the hotel in current tight competition.

4. Conclusions

Green accounting reporting that regularly conducted by the hotel management brought impact on the green reputation and the assertiveness to stakeholders that environmental awareness was not a wasting money activity, instead, it able to influenced tourists to stay longer at the hotel. Tourists were more comfortable to stay at the hotel that has environmental awareness since they consider environment as very influential for human life (Massey, 2001; Dilling, 2009). Green culture implemented in the hospitality world is a new model to motivate the company to implement green accounting without any pressure from the consumers, government, and the stakeholders but it is the natural awareness that growth among the society so it will bring out the sustainable tourism. The research result has an update but additional study is still needed by considering the policies of the company and government regulation to be more comprehensive.

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References