

THE EFFECT OF COMPETITIVE ADVANTAGE AND SUSTAINABLE MANAGEMENT ON SUSTAINABILITY PERFORMANCE

¹PUTU AYU SITA LAKSMI*
²KOMANG ADI KURNIAWAN SAPUTRA
³NOORLIZA MD. NOORDIN
⁴CARLOS AFONSO BARETO

^{1,2}Universitas Warmadewa, Jl. Terompong No. 24 Denpasar, Bali, Indonesia

³Mahsa University, Jln SP 2, Bandar Saujana Putra, Selangor, Malaysia

⁴Universidade da Paz, CGPW+4J6 Rua. Osindo 1, Manleuana, Timor-Leste

ayusitalaksmi@gmail.com

Received: June 5, 2024; Revised: August 14, 2024; Accepted: September 1, 2024

Abstract: *This research aims to examine and analyze the role of the influence of competitive advantage and sustainable management on sustainability performance in hotels based on the provisions of the Global Sustainable Tourism Council (GSTC). The research approach uses survey-based quantitative research methods in all four and five-star hotels in Indonesia, totaling 1,010 hotels. Data was collected using a questionnaire using digital tools, namely Google Form. The collected data was analyzed using a multiple linear regression mechanism. Empirical research findings show that competitive advantage and sustainable management have a significant positive effect on improving hotel sustainability performance. The originality of the research is demonstrated by the use of sustainability performance indicators based on the Global Sustainable Tourism Council which is still guided by the triple bottom line principle, but there are cultural sustainability principles that are in accordance with Indonesia's tourism orientation.*

Keywords: Competitive Advantage, Global Sustainable Tourism Council, Sustainability Performance, Sustainable Management.

INTRODUCTION

The World Conference on Sustainable Tourism held in Lanzarote, Spain, in 1995, stated that hotels need to implement sustainability practices, which in turn leads to a successful hotel business. However, hotel companies are still slow to add sustainability principles to the management agenda. Although sustainable development started a long time ago, it is not easy for hotels to understand sustainable practices (Li et al. 2021). The results of research by the World Tourism Organization (UNWTO) in December 2019 estimated that the

tourism industry would increase carbon emissions by around 25 percent by 2030. Tourism business players, especially hotels, agreed to create a climate of sustainability in their business operations (Saputra et al. 2023b).

As hotels grow, the social and environmental problems that arise become increasingly complex, for example, excessive use of groundwater (over pumping) by the hotel industry results in a water deficit and causes land subsidence, triggering sea water flooding. Therefore, there is a need for hotels to improve sustainability performance. In the context of

hotel sustainability performance in Indonesia, Minister of Tourism Regulation Number 14 of 2016 concerning Guidelines for Sustainable Tourism Destinations has directed the use of the Global Sustainable Tourism Council (GSTC) international standard to measure sustainable tourism ([Rubio-Mozos et al. 2020](#)).

Several studies on sustainability performance have obtained inconsistent results. Competitive advantage has a positive effect on sustainability performance. Competitive advantage is an important factor for companies to improve sustainable performance. However, [Manikas et al. \(2019\)](#) stated that the presence or absence of a competitive advantage has no effect on sustainability performance. [Saputra et al. \(2023a\)](#) found that implementing sustainable management has a positive influence on sustainability performance in hotel companies. However, [Abad-Segura et al. \(2020\)](#) argue that implementing sustainable management will incur additional costs for the company and can reduce profitability, so it does not have a positive effect on the company's sustainability performance.

Sustainability performance is important because an organization's performance is not only seen from its financial performance, but also its contribution to protecting and improving the quality of the environment ([Gil-Marín et al. 2022](#) and [Rudyanto & Siregar 2018](#)). For internal organizational purposes, sustainability performance reports are used by management in planning, controlling and making decisions related to sustainability programs/activities ([Shen et al. 2020](#) and [Shi & Tsai 2020](#)).

Previous research on the topic of sustainability performance has not considered the four pillars of the GSTC to measure hotel sustainability performance ([Rubio-Mozos et al. 2020](#) and [Saputra et al. 2023a](#)). This research will use the GSTC criteria in measuring hotel sustainability performance, as proposed by the Ministry of Tourism and Creative Economy, regarding the acceleration of sustainable tourism development and sustainable tourism strategic plans, namely development that takes into

account the environment, economy and socio-culture for the present and future ([Rasoolimanesh et al. 2020](#)). Motivational factors need to be the focus of research as predictors of hotel sustainability performance in developing countries which include competitive advantage and sustainable management ([Tefera & Hunsaker 2020](#) and [Cabral & Chiappetta Jabbour 2020](#)).

Stakeholder Theory

Stakeholder theory is designed to be able to explain company behavior in relation to a group of stakeholders. Explicitly, the stakeholder theory view states that in order to fulfill stakeholder interests, you must deal with differences in interests between stakeholders ([Mahajan et al. 2021](#) and [Christina & Alexander 2019](#)). Differences in interests between managers and stakeholders, as well as between stakeholders themselves, are a challenge for companies because each party wants to maximize their interests ([Toscano et al. 2022](#)). Stakeholder theory provides an analysis of which groups are the recipients of social action, and attempts to reconcile the needs and expectations of a wider stakeholder group. In connection with assessing company sustainability performance, stakeholder theory more broadly provides an explanation that company performance is also determined by stakeholders ([Hörisch et al. 2020](#)).

Competitive advantage

This research adopts the typology proposed by [Porter \(1980\)](#). Porter argues that companies need competitive advantages resulting from innovation, improving quality and reducing costs (low costs) to survive in the market ([Ramírez et al. 2021](#)). The competitive advantage proposed by [Chen and Chang, \(2013\)](#) adopts Porter's typology and adds environmental strategy ([Ramírez et al. 2021](#); [Tefera & Hunsaker 2020](#)). The first strategy, namely the company has a low-cost competitive advantage regarding environmental

management compared to its main competitors. Second, the quality of environmentally friendly products or services offered by the company is better than that of its main competitors. Third, the Company is better able to carry out environmental R&D and green innovation than its main competitors. Fourth, the company is better able to carry out environmental management strategies than its main competitors ([Qorri et al. 2018](#); [Muisyo et al. 2022](#); and [Ferreira et al. 2020](#)).

Sustainable Management

The sustainable management framework includes employee management, shareholder management, customer management, government management, environmental and resource management, local community management, competitor management, and innovation management ([Singh et al. 2022](#)). Sustainable practices at the employee level, including a healthy work environment, provision of occupational health and safety facilities, working hours that comply with the law, and employee salaries that are accurately reflected in employment contracts ([Kiesnere & Baumgartner 2019](#) and [Blaisi 2019](#)). Shareholder management is needed because it is important for companies to continue to generate profits by establishing strategies to be able to maintain their financial performance. Companies need customer management that includes customer service culture, service innovation and development, customer experience management, speed of service delivery, handling complaints, improving available services and introducing new services ([Chan & Hsu 2016](#) and [Martins et al. 2021](#)).

Sustainable management is also related to government, as organizations must meet legal requirements and government policies ([Buxel et al. 2015](#)). Environmental management is an important practice that includes energy and resource conservation, complying with environmental laws and regulations,

environmental activities and initiatives, environmental marketing, long-term environmental strategies and environmental cost savings ([Saputra et al. 2023a](#)). Local community management is important in companies, especially in terms of social welfare by improving service quality and involving staff and customers in environmental activities. Competitor management needs to be done to avoid unethical business competition ([Ding & Tseng 2023](#)). Companies can carry out collaborative business practices by building strategic alliances. Innovation management includes administrative and technological actions that support the delivery of services or products in a company.

Sustainability Performance

Sustainability performance consists of aspects of sustainable management, socio-economic sustainability, cultural sustainability and environmental sustainability. [Shi & Tsai \(2020\)](#) explained that social performance creates added value through all activities related to different stakeholder groups such as employees, financial partners, local governments, communities and shareholders. The research results of [Papoutsis & Sodhi \(2020\)](#) show that the most relevant benefits resulting from environmentally friendly business practices in the economic aspect are reducing costs, increasing profits, and increasing asset value. Sustainability performance is one aspect of the sustainability report. This Sustainability Performance contains the company's performance from various aspects holistically ([Qorri et al. 2018](#)). This means that Sustainability Performance must present organizational performance in a broader sustainability context ([Kristoffersen et al. 2021](#)). The question underlying sustainability reporting is how a company contributes or aims to contribute in the future, to improvements or declines in economic, environmental and social conditions,

developments and trends at local, regional or global levels ([Saputra et al. 2023a](#)).

Hypothesis Formulation

Previous research that examined competitive advantage on sustainability performance still focused on manufacturing and construction companies. [Gannon et al. \(2015\)](#) proposed a model to test Porter's strategy in explaining the relationship between dimensions of competitive advantage in the hotel industry. They argue that hotels can use Porter's typology, which is based on the value of products and services offered on the market. Research by [Kristoffersen et al. \(2021\)](#) found a significant positive relationship between competitive advantage and environmental performance in the hotel industry in Malaysia. [Cantele & Zardini \(2018\)](#) also found positive results between competitive advantage and sustainability performance in manufacturing companies in China and Taiwan. ([Saputra et al. 2023a](#)) found that competitive advantage had a significant positive effect on sustainability performance in the hotel industry in Bali. In contrast, research by [Famiyeh et al. \(2018\)](#) did not find a relationship between competitive advantage and company performance in the manufacturing industry in Ghana. Also, [Dwyer et al. \(2012\)](#) also found different results, namely that competitive advantage does not have a significant influence on the sustainability performance of manufacturing companies in Slovenia. The contradictory results require further research to validate them.

Hotels need to integrate aspects of sustainable management, socio-economic sustainability, cultural sustainability and environmental sustainability into their business strategies to achieve short-term and long-term success ([Lu et al. 2019](#)). The results of this research will help managers to evaluate and choose the best competitive strategy and lead to

company sustainability. Thus, the first hypothesis of this research is as follows.

H₁: Competitive advantage has a positive effect on sustainability performance

In the hotel industry, previous researchers found that sustainable management has an influence on sustainability performance. However, research by [Loehr et al. \(2021\)](#) did not find a relationship between sustainable management and sustainability performance. The differences in the results of this study require further research to be able to validate them. The differences in research results motivate researchers to research again on the same industry in developing countries. Hotels require sustainable management, one of which is implementing a collaboration or association-oriented strategy, for example the hotel industry collaborates with travel, airline, tour and travel agencies, and other parties to meet increasingly complex customer demands ([Werastuti et al. 2018](#) and [Saputra et al. 2023b](#)). The availability of sustainable management in the form of collaboration with other parties, can help hotel managers to reduce operating costs (for example, by collaborating with travel agents or tour and travel operators to promote the hotel, thereby saving marketing costs), and result in better financial performance ([Ahmad et al. 2018](#)). Several studies have been conducted to analyze the influence of sustainable management on hotel performance including non-financial performance measures, including reveals a positive relationship between sustainability management and hotel non-financial performance. Thus, the fourth hypothesis of this research is as follows.

H₂: Sustainable management influences sustainability performance

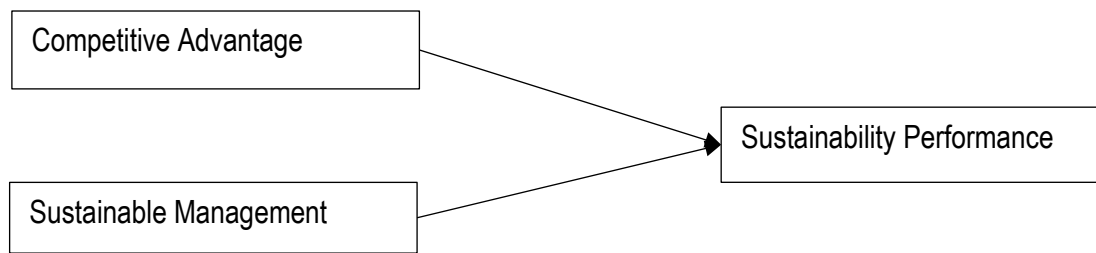


Figure 1. Research conceptual model

RESEARCH METHOD

The research was conducted in natural settings at each hotel as the research location, where the researcher's involvement was at a minimal level, namely when explaining research procedures to respondents. The time horizon for data collection is cross-sectional, namely once at the time of filling out the questionnaire. The unit of analysis in this research is the organization represented by the General Manager as respondent. Hotel General Managers were chosen because they were able to provide information about hotel performance, competitive advantage, and sustainable management. This research focuses on the hotel industry. The hotels selected are four-and-five-star hotel categories in Indonesia. The population of this study was 1,010 hotels in Indonesia with four-and-five-star ratings. To obtain a sample that could describe and reflect the population in this study 1,010 hotels with four-and-five-star ratings, the sample size was determined using the Slovin formula. Slovin's formula for determining the minimum sample size (n) if the population size (N) is known at the α significance level:

$$n = \frac{N}{1+Na^2} = \frac{1.010}{1+1.010(0,05)^2} = 286,52 = 287$$

From the calculation results, a sample of 287 general managers of four-and-five-star hotels in Indonesia was used. Primary data collection was carried out using a survey

method, namely a self-administered survey. The data collection technique in this research was a questionnaire sent by the researcher via hotel email using Google Form. Hotel addresses and email addresses were obtained from directories released on the Ministry of Tourism and Creative Economy website and/or digital applications such as traveloka, agoda and booking.com. The number of questionnaires that were returned and met the requirements for analysis was 200 data. Respondents for this research came from the hotel industry with different stars; The sample is dominated by 5-star hotels (55 percent of respondents), followed by 4-star hotels (45 percent).

The assumption of normality is considered fulfilled if the data used is large enough ($n > 30$). The statistical test that can be used to test the normality of the residual is the Kolmogorov-Smirnov test.

Competitive advantage is a series of policies, regulations and methods carried out by a company to achieve a profitable and sustainable position compared to competitors in similar industries. [Aguiar et al. \(2021\)](#) argue that companies need competitive advantages resulting from innovation, quality improvement, and cost reduction to survive in the market. The measurement uses an interval scale, which is a scale used to give numbers, has levels, and has distances. The type of interval scale used in this research is a 1-5 choice Likert scale, with gradations namely (1) strongly disagree, (2)

disagree, (3) neutral, (4) agree, (5) Strongly agree.

Sustainable management, is a corporate strategy that stands out as an innovative model in the field of sustainability and corporate strategy. [Rasoolimanesh et al. \(2020\)](#) argue that sustainability management is the integration of sustainability in company strategy. The measurement uses a five-point Likert scale, namely (1) strongly disagree, (2) disagree, (3) neutral, (4) agree, (5) strongly agree. Strategic sustainability management forms eight indicators, namely: employee management, shareholder management, customer management, government management, environmental and resource management, local community management, competitor management, and innovation management [\(Alameeri et al. 2018\)](#).

Sustainability performance, namely the approach used by the company to assess the company's sustainability strategy, by always paying attention to aspects of sustainable business process, socio economic sustainability, cultural sustainability and environmental sustainability in every business consideration [\(Rubio-Mozos et al. 2020\)](#). Questions or statements on the sustainability performance variable are measured using a five-point Likert scale, namely (1) strongly disagree, (2)

disagree, (3) neutral, (4) agree, (5) strongly agree. The greater the score value indicates the answer supports the question/statement, and vice versa. Sustainability performance is formed by four indicators based on GSTC criteria, namely: Sustainability management, cultural sustainability, socio-economic sustainability, and environmental sustainability [\(Novelli et al. 2017\)](#). To test the hypothesis carried out in this research, a multiple regression analysis model was used with the following equation formula:

$$Y = \alpha + \beta_1 X_1 + \beta_2 X_2 + e \dots\dots\dots(1)$$

Information:

- Y = Sustainability performance
- X₁ = Competitive advantage
- X₂ = Sustainable management
- α = Constant
- β₁ β₂ = Independent variable coefficient
- e = Error

RESULTS AND DISCUSSION

This research was carried out first by testing the validity and reliability of the instrument. The validity test uses the product moment Pearson correlation test by connecting each item score with the total score obtained in the research, while the instrument reliability test is measured based on the Cronbach's alpha value.

Table 1. Competitive Advantage Model Indicators and Measurements

Item	Code	Pearson Correlation	Cronbach's Alpha
Green-based innovation is a competitive advantage of companies to attract customers.	A.1	0,707	0,818
The strategy chosen by the company is to produce unique or superior quality products so that they will be valued higher by customers.	A.2	0,716	
A strategy used by companies that have the lowest costs compared to their competitors.	A.3	0,732	

Table 2. Sustainable Management Model Indicators and Measurements

Item	Code	Pearson Correlation	Cronbach's Alpha
Sustainable practices at the employee level are important in a company.	B.1	0,709	0,846
The company allows participation in decision making between shareholders and management.	B.2	0,712	
Maintain good relations with customers, because it is important for the company to meet customer needs.	B.3	0,701	
Companies must comply with government regulations and policies.	B.4	0,722	
Conservation of energy and resources, complying with environmental laws and regulations are important practices in the company.	B.5	0,770	
Ensuring social welfare by improving service quality and involving staff and customers in environmental activities.	B.6	0,710	
Companies compete in an ethical manner through collaboration with national and international associations or participation.	B.7	0,716	
Innovation management is needed which includes administrative and technological actions that support the delivery of services or products in the company.	B.8	0,709	

The results of the validity test of the research instrument can be seen in the Pearson correlation value. Based on the results above, all question items are declared valid and can be used in a wider research sample. Based on the

value of the Cronbach's alpha coefficient, this research instrument has a value of ≥ 0.6 , so it is declared reliable or consistent, so that the research instrument can be used for research and has been consistent.

Table 3. Sustainability Performance Base on GSTC Model Indicators and Measurements

Item	Code	Pearson Correlation	Cronbach's Alpha
The company demonstrates an effective sustainability management system	C.1	0,779	0,872
Companies maximize social and economic benefits for local communities and minimize negative impacts.	C.2	0,723	
Companies maximize benefits for cultural heritage and minimize negative impacts	C.3	0,730	
The company maximizes benefits for the environment and minimizes negative impacts	C.4	0,745	

Hypothesis test

Multiple linear regression is an equation model that explains the relationship between one response variable and two predictor variables. In this research, the independent variables are competitive advantage and sustainable management, while the dependent variable is sustainability performance. The aim of the multiple linear regression test is to predict the value of the dependent variable if the values of the independent variable are known. Testing the hypothesis of the influence of competitive advantage and sustainable management on sustainability performance obtained the following results.

The results of the regression analysis of the direct influence of competitive advantage on sustainability performance obtained a significance value of 0.000 in a positive direction. A coefficient with a positive sign means that the relationship between competitive advantage and sustainability performance is in the same direction. The research results obtained a t-statistic value in table 4 of 4,610 > 1,960. This research proves that competitive advantage has a direct and significant positive effect on sustainability performance. Thus, there is sufficient empirical evidence to accept hypothesis one (H1), that the higher the competitive advantage strategy, the higher the sustainability performance. Likewise, if the competitive advantage strategy is lower, it will result in lower sustainability performance.

The results of the regression analysis of the direct influence of sustainable management on sustainability performance obtained a significance value of 0.000 in a positive direction. A coefficient with a positive sign means that the relationship between sustainable management and sustainability performance is in the same direction. The research results obtained a t-statistic value in table 4 of 5,301 > 1,960. This research proves that sustainable management has a direct and significant positive effect on sustainability performance. Thus, there is

sufficient empirical evidence to accept hypothesis two (H2), that the higher the sustainable management program, the higher the sustainability performance. Likewise, vice versa, if the sustainable management program is lower, it will result in lower sustainability performance.

Discussion

Discussion of the influence of competitive advantage on performance sustainability is to answer the problem formulation and research hypothesis which states that competitive advantage has a significant positive effect on sustainability performance ([Johnstone 2019](#)). Facts on the ground show that competitive advantage directly impacts sustainability performance. For this reason, it is necessary to discuss the empirical results. Strong competition in the hotel industry has encouraged managers to look for competitive strategies that can differentiate them from other hotels. Without having unique value, a hotel will have difficulty attracting customers ([Kristoffersen et al. 2021](#) and [Saputra et al. 2023a](#)). Offering low room prices has the consequence of many hotel competitors offering the same price. Apart from offering low prices, competitors also improve customer service, use unique architecture, interior design and properties, and create cultural packages for customers staying in their hotels ([Rodríguez-Antón et al. 2012](#)). A strategy like this will attract more customer interest because it is able to provide different value compared to its competitors. In fact, when prices are higher, customers will prefer hotels that offer service or service differentiation ([Gannon et al. 2015](#)). By having more customers, hotel occupancy rates will increase, leading to higher revenues. By implementing competitive advantages, a hotel can create its own value, which can differentiate it from its competitors and thereby improve its financial performance ([Dang & Wang 2022](#)).

Table 4. Hypothesis Test Results

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.	95.0% Confidence Interval for B		Collinearity Statistics	
	B	Std. Error	Beta			Lower Bound	Upper Bound	Tolerance	VIF
1 (Constant)	4.667	4.318		1.039	.311	-3.322	12.333		
A	.669	.180	.441	4.610	.000	.415	1.901	.556	1.807
B	1.241	.129	.467	5.301	.000	.607	1.243	.556	1.807

a. Dependent Variable: C

A successful competitive advantage can add value and provides an advantage to the hotel because customers consider the hotel's products and services superior to competitors. This value will have an impact on the premium price paid by customers ([Saputra et al. 2023a](#) and [Gannon et al. 2015](#)). A hotel chain that always targets strategic locations for its buildings, has to pay higher land prices. Other hotels, who want to build a luxury resort, spend more to have private beaches and exclusive quality villas. A successful competitive advantage can add value and provides an advantage to the hotel because customers consider the hotel's products and services superior to competitors ([Ramírez et al. 2021](#) and [Ferreira et al. 2020](#)). This value will have an impact on the premium price paid by customers. A hotel chain that always targets strategic locations for its buildings, has to pay higher land prices. Other hotels, who want to build a luxury resort, spend more to have private beaches and exclusive quality villas. Differentiation strategies in the hotel industry are not only based on luxury facilities or strategic locations ([Saputra et al. 2023a](#)). Another important factor that attracts customer attention is service quality. Hotel management can design room decorations based on customer needs, offer regional specialties, or traditional massages ([Saputra & Paranoan 2024](#)). Customer service will make customers feel comfortable and motivate them to

come back. Satisfied customers will recommend it to friends and relatives so that the number of customers increases. Thus, competitive strategy can be a way to improve hotel customer performance ([Laksmi et al. 2023](#)).

Hotels with poor social and environmental conditions due to an unhealthy or unsafe work environment have the impact that employees lose confidence in doing their work and customers lose confidence in using hotel services ([Lau et al. 2021](#)). Therefore, hotels implement competitive advantages by paying attention to improving social and environmental performance. The hotel applies high environmental management standards and collaborates with local people to protect the environment. By implementing social and environmental practices, hotels gain the trust of employees and customers, leading to a better reputation ([Ding & Tseng 2023](#)). One strategy chosen by most hotels in Bali, for example, is by establishing a hotel in a strategic location with beautiful views. The hotel has built the hotel while maintaining rice fields and forests or by leaving the hotel land for parks or green areas. The hotel also carries out tree replanting activities for greening, be it annual wood trees, mangrove trees to protect against coastal erosion, even trees that produce fruit by involving the local community ([Youn & Kim 2022](#)). The use of natural energy has not been fully implemented by industry hotels in Bali due

to limited knowledge and greater costs. Even though currently there are many applied technologies that can be used and are ready to use. It is hoped that with increasing awareness of environmental sustainability, hotels will allocate their profits to create building concepts that are truly environmentally friendly ([Loehr et al. 2021](#) and [Saputra et al. 2022](#)).

Sustainable management refers to stakeholder theory which pays attention to stakeholder interests, so that it can improve sustainability performance ([Darvishmotevali & Altinay 2022](#) and [Omune et al. 2021](#)). Hotels require sustainable management, one of which is implementing a collaboration or association-oriented strategy, for example the hotel industry collaborates with travel agencies, airlines, tours and travel agencies, and other parties to meet increasingly complex customer demands. The availability of sustainable management in the form of collaboration with other parties, can help hotel managers to reduce operating costs (for example, by collaborating with travel agents or tour and travel operators to promote the hotel, thereby saving marketing costs), and result in better financial performance ([Hussain et al. 2019](#)). Sustainable management has become one way to maintain growth and competitiveness in the hotel industry and to meet customer demand. Sustainable management has an influence on financial performance, managerial performance and hotel marketing performance ([Saputra et al. 2023b](#)).

Sustainable management can increase the certainty of achieving sustainability performance, by communicating and ensuring understanding of the vision, mission, goals and values adopted by the organization to individuals as members of the organization ([Christ & Burritt 2017](#)). [Rubio-Mozos et al. \(2020\)](#) revealed that hotel companies tend to use sustainable management programs in terms of preparing the organization's vision, mission, goals and values so that they comply with regulations or certification standards.

CONCLUSION

This research succeeded in building a theoretical model of sustainable performance in the hotel industry, based on the Global Sustainable Tourism Council (GSTC) approach, with the following results: First, there is a significant positive relationship between competitive advantage and sustainability performance. Second, sustainable management has a significant effect on sustainability performance. The findings from this research have several practical implications, namely First, the results of this research show that hotels that implement competitive advantages will have greater involvement in sustainability programs. Hotels that have unique competitive advantages, in practice, tend to have limited resources. To improve its capabilities, hotels can be involved in sustainability programs to support sustainability performance. Second, this research reveals that hotels that implement competitive advantages will obtain high sustainable business process performance. Hotels will put more effort into improving the skills and efficiency of employees' internal business processes to ensure high-quality service, leading to greater customer satisfaction. Market opportunities will increase and occupancy rates high, resulting in more profits for the hotel. The results of this study make a contribution offering additional insight into which hotel categories can benefit from implementing competitive advantages. This research offers insights that hotels can benefit from implementation of sustainable management in achieving sustainability performance. This research provides empirical evidence that competitive advantage and sustainable management have a direct and significant relationship with hotel sustainable performance. The limitations of this research sample lie in the choice of four-and-five-star hotels. Future research could collect data from hotel categories with lower standards.

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