

The Green Hotel Paradox: Understanding Managerial Tensions Between Sustainability and Business Performance

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Abstract

The increasing demands on the hotel industry to implement sustainable practices create challenges for hotel managers in balancing environmental goals and business performance. This situation has given rise to the green hotel paradox, a situation where hotels must meet sustainability demands without neglecting business targets. This study aims to understand the dynamics of this managerial tension through the perspective of Paradox Theory by examining the influence of paradox mindset, environmental sustainability orientation, and business performance pressure on perceived tension, as well as their impact on green innovation strategy and sustainable performance. The study used a quantitative approach, surveying 102 hotel managers in various tourist cities in Indonesia. Data were collected using a questionnaire and analyzed using Partial Least Squares–Structural Equation Modeling (PLS-SEM). The results indicate that paradox mindset, environmental sustainability orientation, and perceived tension positively influence the relationships tested. Green innovation strategy has also been shown to improve sustainable performance. However, business performance pressure has no significant effect on perceived tension. This study extends the application of Paradox Theory to the context of green hotels and emphasizes the importance of developing a paradox mindset and green innovation strategy to support organizational sustainability.

Keywords: sustainable performance, perceived tension, green innovation strategy

Introduction

The global hospitality industry is currently facing pressure to become more environmentally friendly. Khatter (2023) and also Siddiqui & Farooq (2025) note that hotels have a significant impact on the environment through high water and energy consumption, high waste production, and transportation activities associated with hotel operations. This pressure comes from various stakeholders, from increasingly environmentally conscious consumers, increasingly stringent government regulations, and even from local communities living near tourist areas. Recognizing the magnitude of the negative impact, hoteliers are beginning to prioritize action.

Patwary et al. (2022) and Ferreira et al. (2024) previously showed that topics such consumer behavior, corporate social responsibility, and sustainable development have become central to hospitality literature. This change is driven not only by environmental awareness but also by business opportunities. Hotel that implement environmentally friendly practices have been shown to increase guest loyalty while reducing operational cost in the long term. Modern consumers are also increasingly selective, tending to avoid hotels that do not demonstrate a real commitment to nature. This is where the concept of green hotels emerged as the industry's

response to the demands of a modern era that seeks a balance between economic and environmental sustainability.

The concept of a green hotel refers to accommodation that operate according to environmentally friendly principles, from energy and water conservation, waste reduction, to the selection of sustainable raw materials. Merli et al. (2019), and Vargas-Merino et al. (2022) state that practices can include LED lighting, water recycling, reducing single-use plastic, or composting food waste. In the hospitality industry, environmental sustainability is not just about the environment, it also encompasses the interconnected social and economic aspects. Verma et al. (2019) emphasize that these three dimensions must be implemented simultaneously, even though they often conflict with each other. The expected benefits of green hotel are quite diverse such as reduced operational cost, improved brand image, and easier regulatory compliance. Ultimately, green hotels are not just about creating long-term value for all stakeholders.

The main problems is that implementing environmentally friendly practices is often challenging and often creates tension with business demands. Yadav & Pathak (2017) and Niloy et al. (2023) found that not all environmentally friendly practices have a positive impact on performance, some even show no significant results. The most obvious tension is between the large initial investment cost and the promise of long term efficiency. Hotels must spend large sums on energy-efficient equipment or solar panels, while the benefits are not felt until year later.

Furthermore, managers also face a contradiction between guest's desires for luxury and comfort and efforts to conserve water, electricity, or eliminate single-use plastics, which are often perceived as detrimental to the guest experience. This is further exacerbated by the practice of greenwashing, where hotels claim to be environmentally friendly but are not. In management literature, this situation is called the paradox of two conflicting, yet interrelated demands that must be pursued simultaneously (de Jong et al., 2018; Dutta-Powell et al., 2024).

Research Gap

A review of prior studies indicates that at least four important research gaps remain unresolved. First, existing research on green hotel remains fragmented, as most studies tend to examine either environmental sustainability practices or business performance outcomes separately, while limited attention has been given to integrating both dimensions, within a single analytical framework (Patwary et al., 2022; Merli et al., 2019; Ferreira et al., 2024).

Second, although sustainability initiatives often generate competing demand between environmental responsibility and economic performance, limited research has examined the perceived tension experienced by hotel managers in managing these dual demands. This issue is central to the green hotel paradox, in which hotel must pursue sustainability goals while maintaining profitability, operational efficiency, and guest satisfaction (Miron-Spektor et al., 2018; Schad et al., 2016; Caniels & Hatak, 2022; Tjemkes et al., 2025).

Third, while paradox theory and the concept of paradoxical mindset have received increasing attention in general management literature, their application in the hospitality and the hotel management sector remains underexplored, particularly in developing countries such as Indonesia (Miron-Spektor et al., 2018; Caniels & Hatak, 2022; Tjemkes et al., 2025).

Fourth, empirical evidence remains limited regarding how a paradoxical mindset can help hotel managers interpret, accept, and respond constructively to sustainability-related tension, especially in transforming such tension into positive organizational outcomes. Addressing these gaps, this study investigates the green hotel paradox by examining the role of perceived tension and paradoxical mindset in the context of green hotel management in Indonesia.

Therefore, this research aims to how perceived tension arising from the Green Hotel Paradox influences hotel management responses and how an paradoxical mindset may help managers deal with the conflicting sustainability and business demands. By doing so, this study contributes to the green hotel literature by integrating environmental sustainability and business performance perspective, extends paradox theory within the hospitality context, and provides empirical insights from the Indonesian hotel industry

Literature Review and Hypotheses

Paradox Theory

The modern business environment is increasingly characterized by complexity, rapid change, and increasingly diverse demands from various stakeholders. In these situation, organization no longer simply face problems that can be resolved through simple choices, but often confront seemingly contradictory demands that must be met simultaneously. This situation is explained through Paradox Theory, which views the organizations as entities constantly facing tension due to the existence of conflicting yet interdependent demands (Schad et al., 2016; Sparr et al., 2022). Unlike traditional approach that focus on selecting the single best alternative, Paradox Theory emphasizes the need for organizations to manage both demands simultaneously.

The development of Paradox Theory in the management literature has increased significantly with the increasing complexity of the organizations face various pressures stemming from technological change, business competition, social expectations, and increasing demands for sustainability. Miron-Spektor et al. (2018), von Bommel (2018) and Carmine & de Marchi (2022) explain that paradoxes arise not only from objective organizational conditions but also from how individuals interpret the situation they face. Tension arises when individuals or managers realize that two seemingly conflicting goals are equally important and unavoidable.

From the perspective of Paradox Theory, this situation differs from typical dilemma or trade-off. Conventional management approaches, tend to view goal conflicts as a situation that require the organization to choose one alternative to achieve optimal result. In contrast, Paradox Theory argues that conflicting elements can coexist and even reinforce each other in long-term (Schad et al., 2016; Sparr et al., 2022). Therefore, organizational success is no longer determined by the ability to resolve the conflicts but by the ability to sustainably manage the tension that arise.

Contemporary paradox literature emphasize the importance of changing organizational thinking in the face of conflicting demands. The paradox perspective encourages a shift from either to both, an approach that no longer positions organizational goals as mutually exclusive choices but as elements that need to be managed simultaneously (Putnam et al., 2016; Berti & Cunha (2022)). In the “either” approach, organizations tend to choose one goal at the expense of others perceived as conflicting. In contrast, the “both” logic emphasizes that contradictions are inherent in modern organizational dynamics and therefore need to be understood and managed sustainably. This perspective views tension not as obstacles to be eliminated but as realities that can drive organizational learning, innovation and adaptation.

In line with these developments, research on Paradox Theory shows that organizational tension can emerge in various form. Raisch et al. (2018) explain that paradoxes are not static, but rather developed dynamically through the interaction between organizational goals, processes, and actors. Meanwhile, Jarzabkowski & Le (2017) emphasize that organizations are often faced with competing demands, such as the need to maintain stability while implementing change, maintain efficiency while promoting flexibility, or meet the interest of different parties. These conditions indicate that modern organizations cannot avoid contradictions but need to develop the ability to manage them simultaneously.

The context of the hospitality industry is a highly relevant environment in which to apply paradox theory because hotels face increasingly complex pressures from various stakeholders. Increasing attention to environmental issues, regulatory changes, consumer demands, and industry competition are driving hotels to integrate environmental responsibility with the company's economic goals. Raza et al (2022) and Mzembe et al. (2021) explains that hotel operations have a significant environmental impact through energy consumption, water use, waste production, and other operational activities. At the same time, hotels are also required to maintain service quality, guest comfort, and profitability. This situation creates conditions in which organizations must simultaneously pursue seemingly contradictory goals.

This situation gives rise to a phenomenon that can be understood as the Green Hotel Paradox, a situation where the implementation of sustainability actually creates tension in managerial decision-making. The implementation of environmentally friendly practices often requires a large initial investment, while economic benefits are only felt in the long term. Furthermore, organizations also need to maintain the customer experience and service quality that are key characteristics of the hospitality industry. Carmine & de Marchi (2022) explain that in the context of sustainability, organizations often face tension between business orientation and environmental responsibility because both are perceived as different but equally important goals. Van Bommel (2018), Vourio et al. (2018) and Talukder et al. (2025) also points out that sustainable business models often create tension because companies must integrate economic, social, and environmental demands simultaneously.

Furthermore, recent research highlights the importance of a paradoxical mindset in helping individuals navigate contradictory situations. A paradoxical mindset refers to an individual's ability to simultaneously perceive, understand, and integrate seemingly contradictory demands. Shao et al. (2019) explain that individuals with paradoxical thinking skills tend to be more capable of generating creative and innovative solutions when faced with complex situations. These findings are supported by Caniëls and Hatak (2022), who demonstrated that the ability to constructively accept tension helps individuals develop resilience and a more adaptive response to change. In the context of green hotels, managers' ability to develop a paradoxical mindset is crucial because sustainability implementation requires the ability to balance environmental interests and business objectives simultaneously

Paradox Mindset and Green Innovation Strategy

A paradox mindset describes an individual's ability to simultaneously accept, understand, and integrate conflicting demands. Individuals with a strong paradox mindset tend to view contradictions not as obstacles, but as opportunities to generate new solutions. From the perspective of Paradox Theory, the ability to manage contradictions can encourage organizations to develop more innovative approaches when facing a complex situation.

Several studies have shown that a paradoxical mindset contributes to innovation. Shao et al. (2019) and Zhang et al. (2022) found that individuals who are able to think paradoxically are more likely to generate creative and innovative ideas because they are able to integrate conflicting perspectives. Similar findings are also represented by Andriopoulos & Lewis (2017) and Clauss et al. (2021), who explained that the ability to accept the contradictions enables organizations to develop innovation in situation of uncertainty.

However, Sharma & Bansal (2020) explained that the ability to accept paradox does not automatically lead to innovation if an organization lacks the resources, structural support and the culture that support the experimentation. Under certain conditions, high tensions can actually create strategic confusion and hindering the innovation development. In the context of green hotels, managers with a paradox mindset are expected to be better able to develop the green innovation strategies, because they can simultaneously integrate environmental and business objectives. Thus this research proposed following hypothesis.

H1: Paradox mindset positively influence green innovation strategy in green hotel industry.

Paradox Mindset and Perceived Tension

The Paradox Theory explains that organizational tension is not only determined by objective conditions but also influenced by how individuals interpret the situation. Individuals with a strong paradox mindset tend to be more open to contradictions and better prepared to deal with conflicting demands. Knight & Paroutis (2017) and Boemelburg et al. (2023) found that the way managers construct meaning about organizational contradictions influences their perception of tension. Research by Caniels & Hatak (2022) also shows that individuals who are able to accept the contradictions tend to be more resilient and better able to face organizational challenges.

However, Ashforth et al. (2018) and Herr et al. (2022) shows that continuous exposure to conflicting demands can still cause psychological stress, even when individuals possess the strong adaptive skills. This suggests that a paradox mindset does not always eliminate perceived tension. In the context of green hotels, managers with paradox mindset are expected to be better able to understand the sustainability demands and business goals, thereby reducing perceived tension. Thus this research proposed following hypothesis to be tested.

H2: Paradox mindset negatively influence perceived tension in green hotel industry

Environmental Sustainability Orientation and Perceived Tension

Environmental sustainability orientation reflects the level of an organizations' commitment to environmental sustainability goals and values. Organizations with a high sustainability orientation tend to be more active in implementing environmentally friendly practices in their business process. Aboelmaged (2018); Acar et al. (2025); and Momayez et al. (2023) found that environmental orientation encourages companies to make operational changes and innovation related to sustainability. Singh et al. (2020) also showed that a high sustainability commitment increases a company attention to environmental issues.

However, a high sustainability orientation does not necessarily create a more stable organizational environment. Carmine & de Marchi (2022) and Mena & Parker (2024) showed that companies that strive to integrate environmental and economic goals often face the conflicts of interest and organizational tension. Conversely, Seo et al. (2024), Leonidou et al. (2022) found that organizations that have internalized sustainability values into their corporate culture tend to experience less conflict. In the context of green hotel business, a higher environmental sustainability orientation is expected to increase managers' awareness of conflicting demands, thereby increasing perceived tension. Thus this research propose following hypothesis to be empirically tested.

H3: Environmental sustainability orientation positively influence perceived tension in green hotel industry

Business Performance Pressure and Perceived Tension

Business performance pressure reflects the demands placed on organizations to achieve financial targets, growth, efficiency, and profitability. This pressure, often become a source of conflict when the organizations are also required to meet social and environmental goals. Xu et al. (2021) showed that pressure on business performance can increase conflict in decision making process because the managers must meet the competing objectives. Research conducted by Zhang et al. (2024) also found that financial pressure can increase organizational tension in implementing sustainability strategies.

Conversely Vuorio et al. (2018) showed that performance pressure, under certain conditions, actually increses strategic focus, thereby reducing the uncertainty in decision

making process. In the field of green hotel business, higher pressure on business performance is expected to increase the managers' perceived tension. Thus this research propose following hypothesis to be tested.

H4: Business performance positively influence perceived tension in green hotel industry

Perceived Tension and Green Innovation Strategy

Paradox Theory views organizational tension as not always having negative consequences. Tension can be a source of learning and a driver of innovation when organizations are able to manage it constructively. Jarzabkowski & Le (2017) showed that organizational tension can encourage individuals to seek alternative solutions and new approach. Mignon & Bankel (2023) also proposed that sustainability pressures encourage the companies to develop innovation to maintain the competitiveness.

However, research by Potonik et al. (2022) shows that excessively high levels of tension can actually create resistance to change and reduce an organizations' ability to generate innovation. In the context of green hotels, perceived tension is expected to encourage managers to develop green innovation strategies as an effort to balance environment demands and business objectives. Thus this research propose following hypothesis to be empirically tested.

H5: Perceived tension positively influence green innovation strategy in green hotel industry.

Green Innovation Strategy and Sustainable Performance

Green innovation strategy refers to the development of practices, process, or strategies that simultaneously support environmental and economic goals. Green innovation strategies are seen as the capability to create competitive advantage and enhancing organizational sustainability. Tariq et al. (2019) and Hu et al. (2021) found that green innovation improves company performance through increased efficiency and long-term value creation. Xie et al. (2019) also showed that green process innovation improves organizational performance.

On the other side, several researches have found a conflicting result. Green innovation investment often require significant implementation costs, so economic benefits are not always felt in the short term (Aboelmaged, 2018; Acar et al., 2025). In the topic of green hotels, green innovation strategies are expected to improve sustainable performance through the integration of economic, social and environmental goals. Thus this research propose following hypothesis to be tested.

H6: Green innovation strategy positively influence sustainable performance in green hotel industry.

Research Method

Research Design

This research uses a quantitative approach with an explanatory research design, aimed at testing the causal relationship between variables in the research model. The quantitative approach is chosen because this research focus on measuring the relationship between constructs developed based on theory and previous research, specifically regarding Paradox mindset, environmental sustainability orientation, business performance pressure, perceived tension, green innovation strategy and sustainable performance. Through this approach, the study seeks to explain how these factors influence each other in the context of green hotel implementation.

The unit of analysis in this research is the hotel manager, as managers play a strategic role in organizational decision making, including responding to sustainability demands and business performance pressure. Furthermore, managers are seen as actors who directly experience and manage the tension (managerial tension) between implementing sustainability practices and

achieving business goals. Therefore, a managerial perspective is considered most appropriate for explaining the green hotel paradox phenomenon.

The study is conducted on hotels located in tourist cities, with 102 hotel managers as respondents. Tourist cities are selected based on the consideration that these areas have relatively high tourism industry activity, high hotel operational intensity, and more complex sustainability pressures than non-tourist areas (Pradapa & Santoso, 2021; Lusianti & Santoso, 2026). Tourist cities generally face high tourist mobility, energy consumption, water use, waste production, and increased expectation for sustainable business practices. Furthermore, hotels operating in tourist area tend to face greater demands from local government, local communities, and tourists regarding the implementation of environmentally friendly practices. These conditions make tourist cities a relevant context for examining the tension between sustainability demands and business performance.

This research does not limit hotel classification based on the stars, thus encompassing hotels with operational hospitality activities. This decision is based on the consideration that sustainability challenges and the pressure to achieve business performance are not unique to certain star-rated hotels. Furthermore, not limiting star categories allows this research to capture a wider variety of organizational characteristics, thereby enriching the research findings. The sampling technique used is purposive sampling, a non-probability sampling technique that selects respondents based on certain criteria in accordance with the research objectives. The respondents' criteria in this research included individuals who hold managerial positions in hotels, such as general manager, operation manager, human resources manager or other managerial position; have involvement in operational and strategic decision making and; understand about sustainability practices or operational policies.

Questionnaire Development

The questionnaire is developed based on validated measurement scales adopted and adapted from previous studies. The adaptation process is conducted to ensure that each item is relevant to the context of hotel managers and green hotel practices in Indonesia. All questionnaire items are adjusted to reflect managerial perception regarding sustainability-related tensions, green innovation strategy, and sustainable performance in hotel operations. The questionnaire consisted of six main constructs which are paradox mindset, environmental sustainability orientation, business performance pressure, perceived tension, green innovation strategy, and sustainable performance.

Paradox mindset is measured using five items adapted from Miron-spektor et al. (2018). This construct reflects hotel managers' cognitive ability to accept, understand, and integrate conflicting demands simultaneously. In the context of this study, the items are adjusted to capture how hotel managers deal with contradiction between environmental sustainability and business performance. Sample items include manager's tendency to handle conflicting demands simultaneously and their ability to view contradictions as opportunities for generating new solutions.

Environmental sustainability orientation is measured using five items adapted from Aboelmaged (2018) and Acar et al. (2025). This construct reflects the extent to which hotel management prioritizes environmental sustainability in organizational decision-making, strategy development, and operational practices. The items are adapted to the green hotel context by emphasizing environmental commitment, environmental friendly operations, and the integration of environmental issues into hotel strategy.

Business performance pressure is measured using five items adapted from Baer & Oldham (2006), Mitchell et al. (2018), and Arun Kumar & Lavanya (2024). This construct captures the extent to which hotel managers experience pressure to achieve financial targets, improve profitability, maintain operational efficiency, and sustain short-term business

performance. In this research, the items are contextualized to reflect the business demands faced by hotel managers in managing hotel operations.

Perceived tension are measured using five items adapted from Jarzabkowski & Le (2017), Carmine & de Marchi (2014) and Sharma & Bansal (2020). This construct reflects hotel managers' perception of conflicting yet interrelated demands between environmental sustainability and business performance. The items are developed to capture tension between environmental and business goals, sustainability and profitability, operational needs and environmentally friendly practices and the difficulty of managing these demands simultaneously.

Green innovation strategy is measured also using five items adapted from Cao & Chen (2019), and Xie et al. (2019). This construct reflects the extent to which hotels develop and implement innovative practices, process, and technologies to reduce environmental impacts and improve resource efficiency. The items are adjusted to the hotel context by emphasizing sustainable operational practices, environmental technology investment, resource efficiency and the development of new ideas related to sustainability.

Sustainable performance is measured using five items adapted from Tariq et al. (2019) and Yusliza (2020). This construct reflects the hotels' achievement in balancing economic, environmental, and organizational sustainability outcomes. The items are adapted to measure improvements in energy efficiency, reduction of environmental impact, economic performance, sustainability-related organizational image, and the balance between economic and environmental goals.

All items are measured using five-point Likert scale ranging from strongly disagree to strongly agree. Prior to main data collection, the questionnaire is reviewed to ensure clarity, relevance and consistency with the green hotel context. The final questionnaire is then distributed to hotel managers who met the respondents criteria established in this research.

Measurement Model Validity

Convergent validity is used to measure the extent to which indicators within a construct have a high degree of interrelationship and truly represent the construct being measured. Convergent validity testing is conducted by examining the outer loading and Average Variance Extracted values. The outer loading values indicate the contribution of each indicator to the latent construct. According to Hair et al. (2022) an indicator is considered to meet the validity if its loading factor value is greater than 0.70. However, in theory development research, indicators with values between 0.60 and 0.70 can still be considered for retention if they do not degrade the overall quality of the model.

In addition, the AVE value indicates the proportion of indicator variance that can be explained by the latent construct. A construct is said to have good convergent validity if it has an AVE value greater than 0.50, which indicates that the construct is able to explain more than 50% of the variance of its indicators (Hair et al., 2022).

Discriminant validity is assessed to ensure that each construct in the research model is empirically distinct from other constructs. In this research, discriminant validity is evaluated using the Heterotrait-Monotrait Ratio of correlation. According to Henseler et al. (2015), discriminant validity is established when the HTMT value is below the recommended threshold of 0.90. Therefore, this research examined whether the HTMT values among all constructs are lower than 0.90 to confirm that the constructs are conceptually and empirically distinct.

Measurement Model Reliability

Reliability is used to measure the internal consistency of indicators in measuring research constructs. A reliable construct indicates that a set of indicators produces stable and consistent measurement.

In the PLS-SEM approach, reliability is evaluated using Cronbach's Alpha and Composite Reliability values. Cronbach's Alpha is used to measure internal consistency based on the correlation between indicators, while Composite Reliability is considered more appropriate in PLS-SEM because it takes into account the outer loading values of each indicator (Hair et al., 2022). A construct is considered reliable if it has a Cronbach's Alpha and Composite Reliability values greater than 0.70. Throughout a series of tests, the research instrument is expected to be able to meet validity and reliability standards so that it can be used for testing structural models and testing the hypotheses more accurately.

Paradox Mindset scale consists of 6 indicators and was developed from Miron-Spektor et al. (2018); Environmental Sustainability Orientation scale consists of 5 indicators and was adapted from Aboelmaged (2018) and Acar et al. (2025); Business Performance Pressure consists of five indicators, and was adapted from Baer & Oldham (2006); Mitchell et al. (2018) and Arun Kumar & Lavanya, 2024); Perceived Tension scale consists of five indicators and was adapted from Sharma & Bansal (2020), Jarzabkowski & Le (2017), and Carmine & de Marchi (2022); Green Innovation Strategy scale consists of five indicators and was developed from Cao & Chen (2019) and Xie et al. (2019); finally Sustainable Performance scale consists of five indicators and was developed from Tariq et al. (2019) and Yusliza et al. (2020).

Structural Model Analysis

Path coefficients are used to indicate the direction and strength of the relationship between latent constructs in a research model. Tests for the significance of path coefficients are performed using bootstrapping, a resampling technique that generates an empirical distribution of parameter estimates. According to Henseler et al. (2015), a relationship between variables is considered significant if it has a t-statistic value greater than 1.96 at the 5% significance level.

Shmueli et al. (2019) explain that bootstrapping allows researchers to evaluate the significance of relationships between variables using t-statistics and p-values. A research hypothesis is accepted if the test results show the t-statistic value exceeding the critical value and the p-value falling below the specified significance level.

Results and Discussion

Respondent Description

Based on work experience in the hotel industry, the majority of respondents about 31 persons has 6-10 years of experience. Furthermore, 22 respondents have 3-5 years of experience, followed by 21 respondents with 11-15 years of experience, 16 respondents had more than 15 years of experience, while 12 respondents have less than 3 years of experience. This distribution indicates that most respondents have sufficient experience in the hotel industry, thus likely possessing a good understanding of the dynamics of hotels' operation and the various managerial challenges faced.

Based on hotel classification, respondents came from various hotel categories, ranging from non-star hotel to five-star hotels. The majority of respondents about 29 persons came from four-star hotels, followed by three-star hotels for 25 respondents, and five-star hotel for 17 respondents. Meanwhile, 13 respondents came from two-star hotel, 10 from non-star hotels and 8 persons from one-star hotels. This distribution indicates that the study encompasses a wide variety of hotel organizations and is not limited to a specific category, allowing for a more diverse perspective on sustainability implementation.

Based on the hotels' operational location, respondents are spread across various tourist cities in Indonesia. The majority of respondents came from Bali for 24 respondents, followed by Yogyakarta for 18 respondents, and Bandung for 14 respondents. Furthermore, respondents from Malang is about 11 people, 10 persons from Surabaya, Lombok for 9 respondents, and Batam is about 8 respondents. The dominance of respondents from Bali and Yogyakarta indicate that this research covered areas with high tourism activity. These areas are known as high intensive level of competition, and more complex sustainability demands, making them relevant to the context of research on the green hotel paradox.

Validity of Measurement

The measurement model is evaluated by examining the outer loading and Average Variance Extracted values for each construct. Overall, all construct demonstrated adequate convergent validity because all indicator loading exceeded the recommended threshold of 0.70 and all AVE values are above 0.50. These results indicate that the indicators used in this research adequately represent their respective latent construct. For the Paradox Mindset construct, the outer loading values ranged from 0.744 to 0.898, and the AVE value is 0.721. These results indicate that the construct has good convergent validity and that the indicators adequately capture hotel manager's ability to accept and manage contradictory demands.

Table 1. Indicators for Paradox Mindset

No	Item	Indicator	Outer Loading	AVE
1	I enjoy handling conflicting demands simultaneously	PM1	0.744	0.721
2	I feel comfortable facing seemingly contradictory goals	PM2	0.895	
3	I tend to find ways to fulfill two conflicting goals simultaneously	PM3	0.898	
4	I see contradictions as opportunities to find new solutions	PM4	0.818	
5	I enjoy the challenges that arise from conflicting situation	PM5	0.882	

The Environmental Sustainability Orientation construct also showed strong measurement validity. The outer loading values ranged from 0.859 to 0.920 with an AVE value of 0.810. This finding suggests that the construct effectively reflects the extent to which hotel integrates environmental sustainability into their decision making, operational practices and strategic orientation.

Table 2. Indicators of Environmental Sustainability Orientation

No	Item	Indicator	Outer Loading	AVE
1	Our hotel places environmental sustainability as a key priority in its decision making	ESO1	0.859	0.810
2	Our hotel has a strong commitment to environmentally friendly operational practices	ESO2	0.896	
3	Environmental issues are considered in the development of the hotel's strategy	ESO3	0.920	
4	Hotel management actively encourages activities that support environmental sustainability	ESO4	0.909	
5	Our hotel views environmental protection as an essential part of its business objectives.	ESO5	0.913	

The Business Performance Pressure construct demonstrated acceptable convergent validity, with outer loading values ranging from 0.862 to 0.944 and an AVE value of 0.816. These results indicate that the indicators consistently reflect the pressure experienced by hotel managers in achieving business targets, profitability and operational performance.

Table 3. Indicators of Business Performance Pressure

No	Item	Indicator	Outer Loading	AVE
1	I face high pressure to achieve the hotels' business target	BPP1	0.918	0.816
2	Achieving financial performance is the organization's top priority	BPP2	0.902	
3	Management faces pressure to increase profitability	BPP3	0.944	
4	The hotels' operational targets create pressure in decision making	BPP4	0.889	
5	I feel pressure to maintain short-term business performance	BPP5	0.862	

For the Perceived Tension construct, the outer loading values ranged from 0.826 to 0.897, while the AVE value is 0.748. This result confirms that perceived tension is well represented by indicators related to the conflict between sustainability demands, business objectives, operational needs, and profitability concern in green hotel management.

Table 4. Indicators of Perceived Tension

No	Item	Indicator	Outer Loading	AVE
1	I perceive a conflict between the hotels' environmental and business goals	PT1	0.885	0.748
2	I often have difficulty balancing sustainability and profitability	PT2	0.856	
3	There is tension between operational needs and environmentally friendly practices	PT3	0.897	
4	I feel that sustainability and business goals often conflict	PT4	0.826	
5	Managing environmental demands and business targets simultaneously is challenging	PT5	0.860	

The Green Innovation Strategy construct also fulfilled the convergent validity criteria. The outer loading values ranged from 0.795 to 0.921, and the AVE value is 0.761. These findings indicate that the construct adequately captures hotel's effort to develop environmentally friendly operational practices, implement green innovation, invest in sustainable technologies, and improve resource efficiency.

Table 5. Indicators of Green Innovation Strategy

No	Item	Indicator	Outer Loading	AVE
1	Our hotel develops new operational practices that support environmental sustainability	GIS1	0.795	0.761
2	Our hotel actively implements innovations to reduce environmental impact	GIS2	0.860	
3	Our hotel invests in more environmentally friendly technologies	GIS3	0.887	
4	Our hotel continuously seeks innovative solutions to improve resource efficiency	GIS4	0.921	
5	Our hotel encourages the development of new ideas related to sustainability	GIS5	0.893	

Finally, the Sustainable Performance construct showed satisfactory convergent validity, with outer loading values ranging from 0.834 to 0.942 and an AVE value of 0.763. These results indicate that sustainable performance is well represented by indicators related to energy efficiency, reduced environmental impact, economic performance, organizational image, and the balance between economic and environmental goals.

Table 6. Indicators of Sustainable Performance

No	Item	Indicator	Outer Loading	AVE
1	Our hotel has successfully improved energy efficiency	SP1	0.942	0.763
2	Our hotel has successfully reduced its operational environmental impact	SP2	0.883	
3	Our hotel has demonstrated sustained improvements in economic performance	SP3	0.864	
4	Our hotel has successfully enhanced its organizational image regarding sustainability	SP4	0.840	
5	Our hotel has achieved a balance between economic and environmental goals	SP5	0.834	

Overall, the validity test result show that all construct in this research model meet the required criteria for convergent validity. Therefore the measurement model can be considered appropriate for further reliability testing and structural model analysis.

Reliability of Measurement

Based on Reliability Test below, all construct in this study demonstrated Cronbach's Alpha and Composite Reliability values are above 0.70. The result showed that all constructs have excellent internal consistency. The high reliability values for each constructs indicate that the indicators used in this research are strongly related in measuring the same concept. In other words, the item making up each variable are able to provide relatively consistent measurement result and do not show significant measurement differences between indicators within a single construct.

Table 7. Measurement Reliability Test Result

No	Construct	Cronbach's Alpha	Composite Reliability
1	Paradox Mindset	0.902	0.928
2	Environmental Sustainability Orientation	0.941	0.955
3	Business Performance Pressure	0.943	0.957
4	Perceived Tension	0.916	0.937
5	Green Innovation Strategy	0.921	0.941
6	Sustainable Performance	0.922	0.941

Table 8. Structural Model Result

No	Independent Construct	Dependent Construct	T-Statistic	P Values	Original Sample
1	Paradox Mindset	Green Innovation Strategy	8.071	0.000	0.781
2	Perceived Tension		1.986	0.050	0.195
3	Paradox Mindset	Perceived Tension	5.946	0.000	0.819
4	Environment Sustainability Orientation		2.985	0.004	0.337
5	Business Performance Pressure		1.677	0.097	-0.193
6	Green Innovation Strategy	Sustainable Performance	18.306	0.000	0.968

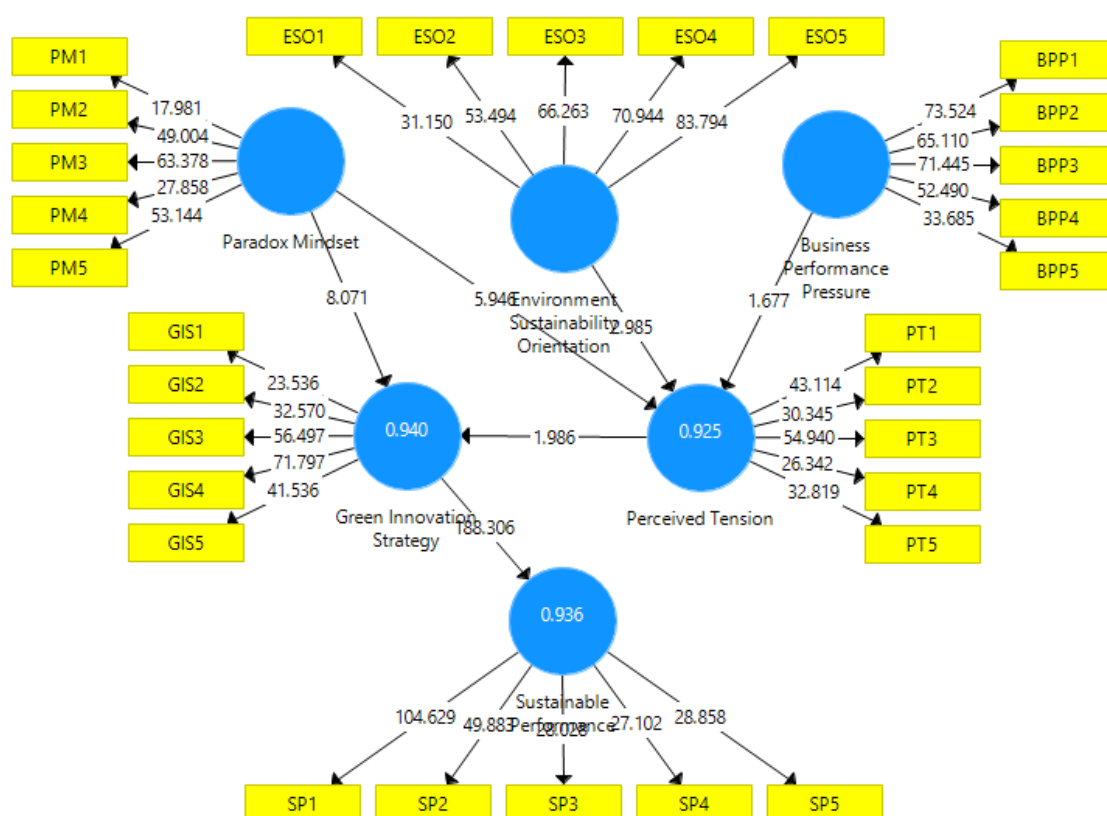


Figure 1. Structural Model

Discussion

Paradox Mindset and Green Innovation Strategy

Managers with a paradox mindset do not see sustainability and business performance as two opposing choices. Instead, they tend to view both goals as important and interrelated. In the context of green hotels, this mindset helps managers search for innovative ways to reduce environmental impact while maintaining service quality, guest satisfaction, and business efficiency. For example, managers may support energy-efficient technologies, water-saving systems, waste reduction programs, and environmentally friendly operational practices.

This finding is consistent with Miron-Spektor et al. (2018), who explained that individuals with a paradox mindset are more capable of engaging with competing demands and transforming tensions into constructive outcomes. It is also in line with Lee et al. (2023), who found that paradoxical thinking can encourage creativity and innovation. Sharma and Bansal (2020) also support this argument by showing that accepting contradictions can help organizations generate more relevant and adaptive responses.

However, this finding differs from Andriopoulos and Lewis (2017) and Clauss et al. (2021), who argued that paradoxical tensions do not always lead to innovation. Under certain conditions, tensions may create confusion, conflicts over priorities, or resistance within organizations. In this study, however, the positive result suggests that hotel managers in Indonesia may use paradoxical thinking as a useful capability to deal with sustainability challenges. In other words, the green hotel paradox can become a starting point for innovation when managers are able to interpret contradictions constructively.

In the Indonesian hotel context, this finding is important because many hotels must balance environmental expectations with cost efficiency and guest comfort. Hotels in tourist destinations such as Bali, Yogyakarta, Bandung, Lombok, and other areas face pressure to be more sustainable, yet they must also remain competitive. Therefore, a paradox mindset becomes

valuable because it helps managers avoid choosing between “being green” and “being profitable.” Instead, it encourages them to find strategies that support both goals.

Paradox Mindset and Perceived Tension

The second hypothesis proposed that hotel managers’ paradox mindset negatively influences perceived tension. However, this hypothesis is not supported in the expected direction. The result shows that paradox mindset is positively related to perceived tension. This means that managers with a stronger paradox mindset do not necessarily feel less tension. Instead, they appear to be more aware of the tensions involved in managing sustainability and business performance simultaneously.

This finding may seem different from the common expectation that a paradox mindset reduces tension. However, it can be understood from another perspective. A paradox mindset does not always eliminate tension. Rather, it may make managers more sensitive to the existence of contradictory demands. Managers with a paradox mindset are more likely to recognize that environmental sustainability, business performance, operational efficiency, and guest satisfaction are all important. Because they understand the importance of these competing goals, they may become more aware of the tension between them.

This interpretation is consistent with Liu et al. (2019), who argued that individuals with paradoxical cognition are more sensitive to organizational complexity and contradictions. Sheep et al. (2017) also suggested that individuals with stronger cognitive awareness are more capable of recognizing tensions embedded in organizational practices. Similarly, Miranda et al. (2022) indicated that cognitive capacity can help individuals identify competing demands within complex organizational settings.

However, this finding differs from Shao et al. (2019) and Lee et al. (2023), who suggested that paradox mindset may reduce perceived tension because individuals are better able to accept contradictions as normal conditions. In this study, the opposite pattern suggests that Indonesian hotel managers with a paradox mindset may not ignore or reduce tension immediately. Instead, they become more conscious of the tension because they understand both sustainability and business performance as important priorities.

In the Indonesian green hotel context, this result means that many hotels are still developing their sustainability practices, while business pressures remain strong. Managers who are more aware of sustainability issues may also become more aware of the difficulties involved in implementing them. For example, reducing plastic use, saving energy, or investing in green technology may support sustainability, but these actions may also increase costs or change service routines. Therefore, a paradox mindset may increase awareness of tension before it helps managers respond to that tension constructively.

Environmental Sustainability Orientation and Perceived Tension

The result show that sustainability commitment, although positive, can increase managerial complexity. When hotels place environmental sustainability as an important organizational priority, managers must translate this commitment into real practices. These may include reducing energy consumption, conserving water, managing waste, reducing single use plastics, training employee, and investing in environmentally friendly technologies. Such practices require resources, coordination, and operational adjustment. As a result, managers may experience greater tension when environmental goals must be implemented alongside business targets.

This finding is supported by Seo et al. (2024) who found that environmental orientation can increase organizational complexity because firms need to adjust their strategies, resources, and routines. Lopez-Gamero et al. (2022) also indicated that environmental strategies may create challenges in resource allocation and organizational priorities. Liu et al. (2024) similarly

suggested that proactive environmental strategies can create additional demands because firms must align environmental goals with market and performance expectations.

However, this result differs from Mignon & Bankel (2023), who argued that strong environmental orientation may reduce tension when organizations have a clear sustainability direction and well-developed capabilities. In other words, sustainability orientation may reduce uncertainty if the organization already has strong systems and resources to implement it. In this study, however, a stronger sustainability orientation appears to increase tension, possibly because many hotels still face practical challenges in translating sustainability values into daily operations.

In the Indonesian hotel context, this finding is very relevant. Hotels in tourist destinations are increasingly expected to demonstrate environmental responsibility, especially in areas where tourism activity affects local resources and communities. However, not all hotels have equal access to green technology, financial resources, or sustainability expertise. Therefore, when hotels become more committed to sustainability, managers may feel stronger tension because they must balance environmental ideals with practical business realities.

Environmental Sustainability Orientation and Perceived Tension

The fourth hypothesis proposed that business performance pressure positively influences perceived tension. This hypothesis is not supported. The result indicates that business performance pressure does not necessarily increase perceived tension among hotel managers.

This non-supported finding is important. One possible explanation is that business performance pressure is already a normal part of hotel management. Hotel managers are accustomed to dealing with occupancy targets, revenue, profitability, cost control, service quality, and competition. Because these pressures are part of their daily responsibilities, managers may not perceive them as unusual or as a direct source of tension.

This finding contrasts with Yu et al. (2018), who argued that performance pressure can increase managerial conflict and organizational stress. It also differs from Xu et al. (2021), who found that high business targets may increase psychological pressure within organizations. These studies suggest that business pressure can create tension when employees or managers feel overloaded by performance expectations.

However, the finding of this study is more consistent with Xu et al. (2021), who suggested that business pressure can be perceived as a routine organizational condition and therefore does not always create additional tension. In the hotel industry, this explanation is reasonable because business pressure is not new. Managers are expected to manage demand fluctuations, competition, guest expectations, and operational costs as part of their normal managerial role.

In the Indonesian hotel context, this result can be understood more clearly. Hotels in Indonesian tourist cities operate in a highly competitive and dynamic environment. Seasonal tourism demand, price competition, changes in tourist arrivals, and operational cost pressures are common. Therefore, managers may already view business performance pressure as a regular part of hotel operations. It may not be perceived as a paradoxical tension because it is familiar and expected.

Interestingly, the finding suggests that tension becomes more visible when business demands intersect with sustainability demands. In other words, hotel managers may not feel strong tension simply because they face business pressure. They may feel tension when they must achieve business targets while also implementing environmental practices that require investment, behavioral change, and operational adjustment. Therefore, this non-supported hypothesis contributes to the literature by showing that not all pressures create perceived tension. In green hotels, sustainability-related demands may be more likely to generate tension than ordinary business performance pressure.

Perceived Tension and Green Innovation Strategy

The fifth hypothesis proposed that perceived tension positively influences green innovation strategy. This hypothesis is supported. The finding indicates that perceived tension can encourage hotel managers to develop green innovation strategies.

This result supports the central idea of Paradox Theory: tension does not always produce negative consequences. When managers recognize tension between sustainability and business performance, they may be encouraged to search for new solutions. In the green hotel context, this may include improving energy efficiency, reducing waste, using environmentally friendly materials, redesigning operational processes, or adopting green technologies.

This finding is consistent with Potonik et al. (2022), who found that organizational pressure can encourage innovation when organizations respond adaptively. Awan et al. (2019) also suggested that environmental pressure can stimulate sustainable innovation. These studies support the idea that pressure or tension can become a driver of innovation when it is interpreted as a challenge rather than as a threat.

However, this finding differs from Fernando et al. (2019), who argued that organizational pressure can reduce innovation capacity when organizations focus too much on short-term problems. Under such conditions, managers may lack the time, resources, or motivation to explore new solutions. This contrasting view is important because it shows that tension does not automatically lead to innovation. Tension can support innovation only when managers and organizations have the capacity to respond constructively.

In Indonesian green hotels, perceived tension may encourage innovation because managers need practical solutions to balance sustainability and business needs. For example, hotels may adopt energy-saving systems not only to reduce environmental impact but also to lower operational costs. Similarly, waste management programs may improve environmental performance while strengthening the hotel's image among environmentally conscious guests. However, the effect of tension on innovation may depend on hotel resources, managerial commitment, and access to green technologies. Therefore, perceived tension can act as a trigger, but it still needs organizational support to become real innovation.

Green Innovation Strategy and Sustainable Performance

The sixth hypothesis proposed that green innovation strategy positively influences sustainable performance. This hypothesis is supported, thus this finding show that hotels that implement green innovation strategies are more likely to improve their sustainable performance.

This result indicates that green innovation can help hotels achieve both environmental and business outcomes. Through green innovation, hotels may reduce energy consumption, improve resource efficiency, reduce waste, strengthen organizational image, and create long-term value. Therefore, green innovation serves as a bridge between environmental sustainability and business performance.

This finding is supported by Singh et al. (2020), who found that green innovation improves environmental and economic performance. Xie et al. (2019) also showed that green innovation strengthens competitive advantage and organizational sustainability. Similarly, Tariq et al. (2019) found that green innovation can contribute to firm performance by improving environmental and business outcomes.

However, this result is not fully consistent with Asadi et al. (2020), who argued that green innovation does not always produce immediate performance improvement because it often requires substantial investment, organizational adaptation, and time before benefits are realized. This contrasting view is important because green innovation may involve initial costs, especially for hotels that need to invest in new technology, employee training, or operational redesign.

In the Indonesian hotel context, the positive relationship between green innovation strategy and sustainable performance is highly meaningful. Hotels in Indonesia must remain competitive while responding to growing demands for sustainable tourism. Green innovation can help hotels reduce operating costs, improve environmental performance, and strengthen their reputation. For example, energy-efficient systems and water-saving practices can reduce environmental impact while also supporting cost efficiency. In tourist destinations where environmental issues are increasingly visible, green innovation may also improve hotel image and guest trust.

Overall, the findings show that the green hotel paradox is not simply a problem to be eliminated. Instead, it is a managerial reality that need to be understood and managed. The study shows that the paradox mindset, environmental sustainability orientation, perceived tension, and green innovation strategy play important roles in explaining how hotel managers respond to competing sustainability and business demands.

This research also highlight the importance of the Indonesian hotel context, which operate in a developing tourism market which characterized by intense competition, diverse hotel classification, uneven sustainability capabilities, and increasing environmental expectation. These conditions make Indonesia as a valuable context for understanding how sustainability-related tension emerge and hot hotel managers respond to them. Therefore, this research contributes to Paradox Theory by showing that sustainability-related tension in green hotels can stimulate innovation and performance when managers are able to recognize and manage contradiction constructively. At the same time, this research also show that not all pressure create tension. In particular, business performance pressure may be seen as a routine activities by hotel's manager, while sustainability demands may create more visible and meaningful tension in the green hotel context.

Conclusion

This study aims to understand the dynamics of managerial tension in the implementation of sustainability practices in the hotel industry through the perspective of Paradox Theory. Generally, the result show that most of the causal relationship which tested in this research, gains significant empirical support. The findings indicate that the paradox mindset, environmental sustainability orientation and perceived tension play a role in explaining the dynamics of managerial decision making in the context of green hotels. Furthermore, Green Innovation Strategy also prove to be a significant factor in driving the improved sustainable performance. These result demonstrate that sustainability implementation is not solely related to the environmental practices but is also influenced by the ability of organizations and managers to simultaneously manage the conflicting demands.

However, there is one hypothesis which lacks empirical support. Business performance pressure is less significant provide the impact on managerial perceived tension. This findings provide an insight that pressure to achieve business target is not clearly perceived as a source of conflict by hotel managers.

The main theoretical contribution of this study lies in extending Paradox Theory to the green hotel context. While Paradox Theory has generally been used to explain how organizational manage competing demands, this study shows how paradoxical tension emerge specifically in hotel sustainability practices. The study demonstrates that the green hotel paradox is not simply a conflict between environmental responsibility and business performance, but a managerial condition that can encourage innovation when it is understood and managed constructively.

This research also contributes to the hospitality and sustainability literature by showing that green innovation strategy serves as important mechanism for transforming sustainability-related tension into sustainable performance. In the Indonesian hotel context, this findings

especially important because hotels operate in a competitive tourism environment while facing increasing demands for environmentally responsible practices. Therefore, this study provides empirical evidence that the ability to manage paradoxical sustainability demands is essential for supporting green hotel development in Indonesia.

This study has several limitations that must be considered when interpreting the result. First, this research uses 102 hotel managers as respondents in several tourist cities. Although this specification is met the minimum requirement for PLS-SEM analysis, this sample size still limits the generalizability of the study to the broader hotel industry context. Second, this research does not differentiate the hotel based on specific categories, such as star-rated, and operational scale. These characteristics can influence how hotels respond to sustainability demands and business pressure.

Theoretical Implication

This research makes several contributions to the growing literature on Paradox Theory, sustainability and hotel management. First of all, it expands the application of Paradox Theory to the hotel industry context, specifically in explaining the green hotel paradox. This finding reinforces the view that organizational paradoxes need to be understood as inherent reality of the managerial process. Second, this research provides empirical support for the “both/and” thinking perspective in Paradox Theory.

These findings also reinforce the argument that an individual’s ability to simultaneously perceive contradiction that enables organization to manage the conflicting demands. This research also contributes to the sustainability literature by demonstrating that green innovation strategy is an important mechanism in driving sustainable performance. These findings suggest that green innovation can serve as a bridge which connects the economic and environmental goals within the organizations.

Managerial Implication

This study also provides several managerial implications for hotel managers. First, hotel managers need to develop a paradox mindset when dealing with sustainability challenges. Managers should not view environmental responsibility and business performance as opposing choices. Instead, both should be treated as important goals that can be pursued together through creative and strategic decision making.

Second, hotel managers should recognize that tension is a normal part of implementing green hotel practices. Tension may arise when hotels try to reduce environmental impact while maintaining guest comfort, service quality, and profitability. Rather than avoiding this tension, managers should use it as a signal to seek better solutions and improve operational practices.

Third, hotels need to strengthen green innovation strategies. This can be done through energy-saving systems, water conservation, waste reduction, environmentally friendly technologies, and sustainable service practices. Green innovation can help hotels reduce environmental impact while also improving efficiency, reputation, and long-term competitiveness.

Fourth, in the Indonesian hotel context, managers should pay attention to the specific challenges faced by hotels in tourist destinations. Hotels in Indonesia often operate under strong competition, seasonal demand, resource limitations, and increasing expectations for sustainable tourism. Therefore, managers need to design sustainability strategies that are realistic, cost-effective, and suitable for their hotel’s operational capacity.

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