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## Editorial

We are pleased to present this issue of JABEM, which features three interesting articles from three emerging markets of Asia: Indonesia, Sri Lanka, and the Philippines.

In the lead article, Wati, Soma and Ispriyahadi explore how Fear of Missing Out (FOMO) influences the digital payment behavior of millennials across OVO and GoPay digital payment platforms. FOMO is a psychological concept triggered by anxiety, marked by the fear of not participating in enjoyable experiences others have, often arising from the desire for social connection and the fear of being excluded from satisfying moments. The authors use Smart PLS to examine the relationship between electronic satisfaction and loyalty across both platforms. They find a significant positive correlation between OVO and GoPay's millennial demographic. OVO exhibits a slightly stronger impact on electronic loyalty than GoPay, with a lower standard deviation indicating higher consistency. In their analysis, the authors find that both platforms have significant influence, but OVO has a stronger impact. They recommend crafting regulations aligned with current trends to enhance user satisfaction and loyalty for OVO and GoPay. They urge the government to focus on strengthening digital financial literacy through programs aimed at helping the public understand how their digital payment behavior is influenced by psychological factors such as FOMO, thereby enabling more effective and efficient use of digital payment platforms.

In the second article, Jayasiri and Wickramaarachchi explore how green features of buildings impact financial benefits and the building life cycle in Sri Lanka. The International Valuation Standard Council (IVSC) recognizes the pivotal role of green buildings in achieving sustainability goals, leading them to introduce guidance and standards for valuing sustainability features. Sri Lanka embraces green constructions, necessitating valuers to acknowledge and incorporate green features into property valuation. This study examines the perspectives of professional valuers on recognition and the significance of economic benefits associated with green features throughout a building's life cycle and across property types. They collected data through structured questionnaires and analyzed the data using ANOVA and Tukey HSD tests. The authors find that valuers possess a moderate level of awareness and that financial benefits vary across different phases of a building's life cycle. Management, energy, atmosphere, and indoor environmental quality are essential for all property types. Continuous awareness programs are imperative to enhance valuers' understanding and maximize financial benefits.

In the final article, Ortega examines the mediating role of corporate social responsibility between transformational leadership and job performance in the hotel industry in the Philippines. Transformational leadership impacts job performance within organizations, particularly in micro, small, and medium enterprises (MSMEs). Corporate social responsibility is a mediating factor in the relationship between transformational leadership and job performance. Survey data were gathered from MSME hotel employees in the Philippines. A significant positive impact of transformational leadership on job performance and corporate social responsibility was found using partial least squares-structural equations modelling. Moreover, corporate social responsibility positively affects job performance but does not mediate transformational leadership and job performance nexus. Exploring other leadership styles provides a more comprehensive understanding of the dynamics. This study also has implications for managers. Ortega urges to actively promote socially responsible initiatives by integrating corporate social responsibility values into their culture (e.g. replacing disposable plastic water bottles with refillable options). Further, he recommends that leaders actively advocate and engage in responsible practices, such as fostering a balance between work and personal life, to motivate and inspire employees. Given transformational leadership practices' motivational and inspirational impact, organizations can leverage these qualities to foster teamwork and individual capacities. Encouraging a collaborative and innovative

environment, facilitated by transformational leaders, improves team dynamics and enhances individual job performance.

In the book review section, Pasco, reviews the book by Solis entitled *the end of business as usual: rewire the way you work to succeed in the consumer revolution*.


Trust this issue will be worth reading. Please do share your comments.

*Editor-in-Chief*  
*Journal of the Academy of Business and Emerging Markets*  
Dr. Satyendra Singh, University of Winnipeg, Canada ([s.singh@uwinnipeg.ca](mailto:s.singh@uwinnipeg.ca))



## Unveiling E-satisfaction and E-loyalty: contrasting the user experience of E-wallet among millennials in Indonesia

Ina Kartika Wati\*  Universitas Teknologi Muhammadiyah Jakarta, Indonesia

AM Soma  Universitas Teknologi Muhammadiyah Jakarta, Indonesia

Heri Ispriyahadi  Universitas Teknologi Muhammadiyah Jakarta, Indonesia

\*Corresponding author: [inakartika93@gmail.com](mailto:inakartika93@gmail.com)

This study explores how Fear of Missing Out (FOMO) influences the digital payment behavior of millennials across OVO and GoPay digital payment platforms. FOMO is a psychological concept triggered by anxiety, marked by the fear of not participating in enjoyable experiences others have, often arising from the desire for social connection and the fear of being excluded from satisfying moments. Employing Smart PLS, the study examines the relationship between electronic satisfaction and loyalty across both platforms. The results show a significant positive correlation between OVO and GoPay's millennial demographic. OVO exhibits a slightly stronger impact on electronic loyalty than GoPay, with a lower standard deviation indicating higher consistency. Both platforms influence significantly, but OVO stands out with a stronger impact. Crafting regulations aligned with current trends can enhance user satisfaction and loyalty for OVO and GoPay.

*Keywords:* e-loyalty, e-satisfaction, millennial generation, Indonesia

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### Introduction

The development of internet technology impacts the millennial generation, born between 1981 and 2000. Throughout their growth process, this generation has been accustomed to technological access from birth, including using mobile phones and activities such as downloading music, blogging, online chatting, accessing YouTube, using iPods, and exploring the virtual world through the internet. Generation Y was raised during social and political changes after the fall of communism and the Internet revolution (Anantatmula & Shrivastav 2012). In the workplace, Generation Y is known for being confident, multitasking, and having a tendency not to be tied down. Their motivation is directed towards high positions and significant income, but their lack of attention to social approval makes them more inclined to seek flexibility. Generation Y is close to technology and active on social networking platforms such as Facebook, Twitter, and LinkedIn. They have virtual friends, are pragmatic, capable of multitasking, and feel



socially responsible. Informal, direct, and fast communication is their preference, and they prefer cooperative and collaborative leadership styles, emphasizing competence and togetherness.

However, with the growth of technology, the financial sector has also undergone a significant transformation from cash to digital payments. In this context, millennials are the perfect unit of analysis for this study. The question arises of how far millennials tend to remain loyal to a digital payment system or are influenced by the Fear of Missing Out (FOMO) trends among them. The FOMO refers to the anxious and fearful feelings that arise in a person due to missing out on something new, such as news, trends, and other things. This explanation is based on the definition taken from the official website of the Indonesian Ministry of Finance. Due to the FOMO trend, the credit scores of young people in Indonesia have experienced a significant decline. The FOMO phenomenon currently dominates Indonesia's young generation, driving online loans (i.e. fintech loans) (CNBC 2023). Young people—worried about missing the latest trends—tend to force themselves to follow trends without considering their economic capacity or purchasing power. The chase after this trend often leads to financial constraints. In a state of FOMO, they seek additional funds, one of which is through fintech loans that offer instant disbursement. However, the lack of education about fintech loans has led many young people to be trapped and struggle to repay. As a result, fintech loans do not provide financial benefits and may even be detrimental. One of the negative impacts is related to poor credit scores when young people cannot pay their fintech loan obligations.

Therefore, the study focuses on (1) analyzing the satisfaction of millennials with two popular digital payment systems—OVO and GoPay—in Indonesia and (2) understanding to what extent their satisfaction can predict the level of loyalty to these two digital payment systems. Thus, this study provides insights into millennial behavior related to the preference for using digital payment systems amidst the rapid development of technology. In the next section, we discuss the theory of FOMO, literature review, hypotheses development, analysis and results, discussion with implications for managers and direction for future research.

### **Theory of FOMO**

The fear of missing out (FOMO) refers to the fear of being left behind. In this study, we identify a critical factor that acts as a mediator in the positive relationship between neuroticism (a personality trait) and problematic social media use (PSMU) (Alshakhsi et al. 2023). FOMO is also associated with neuroticism, and the personality-PSMU associations may be mediated by FOMO (Rozgonjuk et al. 2021). FOMO exists in about 56 to 70 percent of adults who feel the impulse or concern related to the fear of missing out on various life aspects (Westin & Chiasson 2021). Although initially conceived offline, FOMO has demonstrated broad relevance in social media usage (Bloemen & De Coninck 2020, Reer et al. 2019). Over the last decade, researchers have highlighted the connection between FOMO and individual vulnerability in online settings (Thompson et al. 2021), misinformation and fake news dissemination, and social media fatigue (Malik et al. 2021). Several studies have explored the correlation between users' perceived FOMO and their interactions with system designs. For example, Westin and Chiasson 2021 suggest that FOMO regularly drives social media users to take actions compromising their privacy, such as actively sharing information more frequently. This finding underscores that FOMO is a significant predictor of risky online behaviors, including sexting and sharing passwords with friends, especially among teenagers (Popovac & Hadlington 2020).

FOMO is an intrinsic human drive involving a longing to engage in interpersonal relationships (Błachnio & Przepiórka 2018). FOMO is more accurately characterized as a social anxiety stemming from the belief that others might be having rewarding experiences from which one is absent. It is not an intrinsic human drive but rather a state that can lead to a desire to stay continually connected with what others are doing (Elhai et al. 2021). FOMO is often exacerbated by social media, where witnessing others' experiences can induce the worry of missing out on social interactions, events, and experiences. It mirrors

the inherent human motivation to partake in social interactions and feel connected to others to attain personal satisfaction. However, social exclusion can impede this inclination, often linked to experiences of social pain, complicating achieving desired connections (Lai et al. 2016). FOMO emerges due to a temporary or persistent deficiency in meeting three fundamental psychological needs: competence to feel capable, autonomy to control one's life, and social connectedness to experience meaningful relationships with others (Przybylski et al. 2013).

The theory of Self-Determination posits that these needs are essential for psychological health and well-being when an individual perceives a deficit in one or more of these areas—such as feeling less capable (competence), less autonomous (control over one's life), or less socially connected (meaningful relationships)—it can trigger the anxiety known as FOMO. This state can lead one to seek out social information or engagement compulsively, often through social media, to fulfill these unmet needs (Gupta & Sharma 2021).

However, the technology can leverage FOMO through design elements to extend usage (Alutaybi 2019). In this context, we examine how individuals' sentiments regarding their online interactions can impact their satisfaction levels (e-satisfaction) and subsequently shape their loyalty (e-loyalty) toward the platforms or services of their choice. Indeed, customer satisfaction is one of the crucial factors influencing marketing (Jamal & Anastasiadou 2009).

## Literature Review

### Generation and Millennials

Generation is a cohort born and raised in the same chronological, social, and historical context, sharing experiences shaped by critical developmental stages. The pivotal periods in childhood, adolescence, and early adulthood impact an individual's development. In this context, a generation refers to individuals of the same age influenced by shared experiences and historical events. Despite differing opinions on defining generation boundaries, there are generally four recognized employee generations: Veterans, Baby Boomers, Generation X, and Generation Y. Currently active in the workforce are Baby Boomers, Generation X, and Generation Y. Generational values encompass characteristics such as birth year, lifestyle, and views on money, leisure time, and technology, including perspectives on career, recognition, leadership, and authority. High work expectations, achievement-oriented attitudes, and a technological upbringing with constant access to mobile phones, the internet, and social media mark millennials or Generation Y (1981–2000). They exhibit confidence and flexibility and prioritize achievement and empathy.

The influence of generational values on individuals, including lifestyle, technological perspectives, and work tendencies, has become increasingly crucial in today's workplace. Understanding the unique characteristics of each generation, including Millennials or Generation Y, serves as a foundation for exploring how psychological concepts such as FOMO manifest within different generational groups. It is a crucial psychological concept in the digital era and has been tested and validated with several self-report psychological scales and physiological monitoring (Elhai et al. 2021). This unease arises when individuals feel absent or do not participate in crucial moments deemed satisfying by their surroundings (Przybylski et al. 2013).

Millennials experience FOMO syndrome and show high levels of curiosity. They constantly seek new information and stay updated on the latest developments. Their lifestyle also reflects a tendency to actively check social media frequently because social media is a daily necessity that allows them to interact and satisfy their desire to know new things. As a result, they are always connected to the latest information, enhancing their understanding and insight and providing motivation to be more productive, especially in honing their hobbies. Additionally, others' judgments of them are considered crucial, and they feel pleased and satisfied when receiving positive responses like likes, direct messages or comments from others through their posts (Aisafitri & Yusriyah 2020).

### **Customer Satisfaction and Loyalty**

Customer satisfaction is one of the main goals sought by service organizations as it brings long-term benefits such as positive testimonials, customer loyalty and sustained profitability (El-Adly 2019). However, satisfaction occurs when customers compare their perceptions of the actual performance of a product or service with their expectations. It can be an abstract and vague concept. The display of satisfaction can differ from product to product, person to person, and service to service. In line with this definition, customer satisfaction is the customer's attitude toward using various electronic banking services. A satisfied client perceives they receive worth from the producer or service provider. This value may arise from products, services, systems, or even something emotionally fulfilling (Ribowo et al. 2022).

Customer satisfaction is formed by evaluating anticipated performance compared to perceived performance and to what extent the paid price can satisfy customers (Manyanga et al. 2022). Customer satisfaction involves an evaluation process where a customer compares their prior expectations to the actual performance of a product or service they receive. Customer satisfaction will likely be high if the perceived performance meets or exceeds expectations. Conversely, satisfaction will likely be lower if the perceived performance falls short of expectations. Pricing also plays a role in customer satisfaction. Customers evaluate whether the quality and performance of the product or service justifies their price. A product that delivers high value for its cost can lead to increased customer satisfaction. In contrast, a product perceived to provide low value for its cost is likely to result in dissatisfaction. The complex interplay between expectations, perceived performance, and perceived value is central to customer satisfaction (Lin et al. 2022).

Customer satisfaction, as a standard performance metric, results from the excellence of the customer experience and various aspects related to the gap between customer expectations and actual experiences. This understanding highlights the importance of delivering a superior customer experience and positively responding to the differences between expectations and reality to ensure optimal satisfaction. Therefore, understanding and managing this gap is critical to improving service quality and customer satisfaction. Other studies have concluded that the level of customer satisfaction impacts the level of customer loyalty towards a brand. Factors such as product quality, customer service, and pricing, encompassing customer satisfaction, are vital in influencing consumers' decisions to remain loyal to a specific brand. In other words, the higher the level of customer satisfaction, the greater the likelihood that consumers will choose and maintain their loyalty to that brand (Alejandro & Palma-Samson 2023). Studies have examined the factors influencing brand loyalty in the coffee shop industry (Han et al. 2018), fitness clubs (Krivic & Loh 2016), and Chinese theme parks (Cheng et al. 2016). Customer satisfaction involves diverse definitions and concepts, capturing the nuanced perspectives within business and consumer relations. The multifaceted nature of customer satisfaction underscores the complexity and depth with which it is approached by different stakeholders in various contexts (Hoang & Nguyen 2022). Based on the above discussion, we propose two hypotheses about customer satisfaction and loyalty.

*H1. Satisfaction has a positive and significant effect on Loyalty in OVO.*

*H2. Satisfaction has a positive and significant effect on Loyalty in GoPay.*

### **Digital Payment Systems: OVO and GoPay**

In Indonesia, OVO and GoPay are the most popular digital payment systems. OVO—a product of PT Visionet Internasional—is a versatile transaction application that enables payments through OVO Cash and OVO Points. Established in 2017 by the Lippo Group, it received e-money authorization from the Bank of Indonesia in September 2017. Tokyo Century Corporation invested \$116 million for a 20 percent stake in December 2017. Grab and Tokopedia also invested in 2018, with Grab's ownership of about 80 percent in 2021. OVO expanded to 600 cities in Indonesia by September 2023 to offer financial services like loans

and insurance products, evolving from a payment platform to a comprehensive financial solutions provider (OVO 2024).

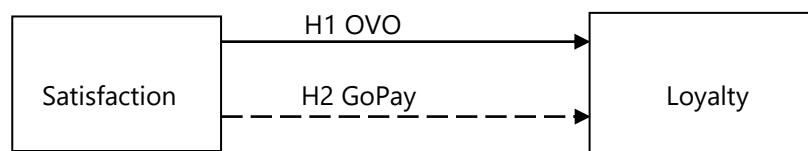
GoPay, a prominent e-wallet in Indonesia's fintech sector, emerged through the evolution of Gojek's business group. In 2016, Gojek's acquisition of PonselPay, an Indonesia-licensed bank entity, laid the groundwork for GoPay. Subsequent investments in 2017, including Kartuku, Midtrans, and Mapan, aimed to extend GoPay beyond the Gojek ecosystem. Aldi Haryoprato, Mapan's founder, assumed the role of GoPay's CEO. GoPay transitioned to a public non-cash payment tool in 2018, introducing innovations like QR codes and the GoPayLater feature. Between 2019 and 2020, GoPay diversified services, introducing GoSure insurance, GoInvestasi investment products, and the GoTagihan bill payment feature. The 2022 expansion into online lending through GoPayPinjam marked a partnership with Kredit Pintar. The 2021 merger with Tokopedia into Goto resulted in integrating GoPay services into the Tokopedia app. GoPay garnered prestigious awards, such as Fortune's *Change the World* in 2019, Best Digital Wallet in Indonesia at The Asian Banker Excellence, and Strongest Banks in Asia Awards 2022 (GoPay 2024).

According to the DSInnovate Fintech report, GoPay and OVO command 94 percent of brand awareness. Meanwhile, competitors like DANA, ShopeePay, and LinkAja strive to close the gap with slightly lower awareness levels of 93, 83 and 72 percent, respectively. OVO stands out as a top-of-mind choice, indicating that many individuals consider OVO first when discussing e-wallet services. The report also reveals that e-wallets are widespread among the population, with most users utilizing e-money services between 4 to 6 times monthly. The diverse usage includes activities such as money transfers, top-ups, online shopping, and even investments, highlighting the integral role of e-wallets in shaping the digital lifestyle of Indonesians (CNBC 2022).

The DailySocial survey found that OVO is the most popular digital wallet application used by 60 percent of respondents. However, OVO's lead is only slightly ahead of GoPay, which 58 percent of respondents use. ShopeePay ranks third, with 57 percent of respondents using the application. Dana occupies the fourth position, with 56 percent of respondents using the platform. Additionally, several other digital wallets have usage rates below 50 percent, such as LinkAja (18%), PayTren (3%), and i.saku (3%). The DailySocial Fintech Report 2021 involved 1,500 respondents, indicating that e-money or digital wallet products are Indonesia's most widely used financial technology products, with 54 percent of total respondents using the products (databoks 2022).

Figure 1 shows the linkages between the variables across the digital payment platforms. Our third hypothesis is to compare the satisfaction-loyalty relationship between the two digital payment platforms. According to the DSInnovate Fintech report, the DailySocial survey, and the popularity of OVO over GoPay, we propose the following hypothesis.

*H3. The satisfaction-loyalty relationship is stronger in OVO than GoPay*



**Figure 1. Conceptual Framework: Satisfaction-Loyalty Relationship across the Digital Payment Platforms**

*Source: the authors*

## Methodology

For this study, the questionnaire was distributed to 165 millennials through Google Forms over two months for data collection. The questionnaire comprised 18 statements to measure the attitude of millennials towards OVO and GoPay. We received 150 usable questionnaires that met the criteria set for inclusion in the subsequent data analysis. These criteria encompassed the completeness and consistency of responses, thereby maintaining the integrity and reliability of the data. Respondents are categorized explicitly as millennials. The sample included 80 males and 70 females. They had diverse occupational backgrounds: 15 students, 89 private sector employees, 11 civil servants, and 35 categorized under other professions. Their educational backgrounds varied significantly: approximately 25 percent of respondents hold high school diplomas, 73 percent have obtained bachelor's degrees, and two percent possess master's degrees.

We used a 5-point Likert scale from 1=strongly disagree to 5=strongly agree to measure the degree of agreement with the statements in the questionnaire. Satisfaction was evaluated using the six items, and loyalty was measured using the twelve items (Wati et al. 2024). The following items make up for the satisfaction (SAT) variable: SAT1=The pricing of products on the service meets expectations. SAT2=The service provides a diverse range of product options. SAT3=Information offered by the service aligns with my needs. SAT4=Responses received are satisfactory. SAT5=The service delivers a positive user experience. SAT6=The level of convenience matches expectations.

The loyalty (LTY) variable consisted of 12 items: LTY1=I utilize the e-wallet approximately five times weekly. LTY2=I opt for consistent utilization of this system. LTY 3=I choose this particular e-wallet. LTY4=I refrain from purchasing products across different service platforms. LTY5=I seldom purchase items from various service providers. LTY6=I have confidence in using this e-wallet. LTY7=I recommend the e-wallet to others. LTY8=I actively encourage others to adopt the e-wallet. LTY9=I share positive experiences of using the e-wallet. LTY10=I have a preference for this e-wallet. LTY11=This e-wallet stands out in terms of superiority. LTY12=I have no inclination to explore other e-wallet options, even if better offers are available.

This study employed the Smart PLS application to evaluate the relationship between satisfaction and loyalty among OVO and GoPay millennial users (Wati 2018). We analyzed the factor loadings, Cronbach's Alpha, and composite reliability, measured  $R^2$  and used the multi-group analysis (MGA) to compare millennial users of OVO and GoPay. We estimated two multiple linear regression equation models to compare the OVO and GoPay groups.

## Results and Discussion

Table 1 reports the loading values for all items of customer satisfaction and loyalty scale across OVO and GoPay. All are recommended values above 0.5 (Arifianti et al. 2023). The analysis confirms the scales' reliability and validity for both payment systems. *Cronbach's Alpha*, *Rho\_A* values, and *Composite Reliability* indicate reliability. All are about .90 except AVE for both scales, which is .84, within an acceptable range. The model also has substantial explanatory power ( $R^2$ ) for both payment systems.

Table 2 reports standardized path (i.e. loyalty-satisfaction) coefficients for both payment platforms, which are significant. There is a significant correlation between satisfaction and loyalty for OVO ( $\beta=.93$ ,  $p<.00$ ) and GoPay ( $\beta=.92$ ,  $p<.00$ ) digital payment platforms. So, *H1* and *H2* are accepted. This implies that any upswing in user satisfaction with digital payment services can positively and substantially impact user loyalty to the platform, a phenomenon observed in both OVO and GoPay. These results are consistent with the conclusions of previous studies (Alejandro & Palma-Samson 2023, Wati et al. 2024). Concerning *H3*, OVO outshines Gopay with a higher *t-value* (43.61 versus 34.53), indicating a more potent relationship between satisfaction and loyalty in OVO.

**Table 1. Outer Loading, Cronbach's Alpha, Composite Reliability, Average Variance Extracted (AVE), R<sup>2</sup> and Adjusted R<sup>2</sup>**

Items	OVO		GoPay	
	Satisfaction	Loyalty	Satisfaction	Loyalty
SAT1	.93		.95	
SAT2	.95		.97	
SAT3	.96		.94	
SAT4	.96		.96	
SAT5	.97		.97	
SAT6	.98		.94	
LTY1		.96		.96
LTY2		.97		.95
LTY3		.94		.96
LTY4		.93		.94
LTY5		.95		.96
LTY6		.97		.97
LTY7		.98		.93
LTY8		.95		.96
LTY9		.95		.90
LTY10		.94		.96
LTY11		.67		.73
LTY12		.77		.82
OVO (GoPay)				
	<i>Cronbach Alpha</i>	<i>Rho A</i>	<i>CR</i>	<i>AVE</i>
Satisfaction	.98 (.98)	.98 (.98)	.98 (.98)	.97 (.92)
Loyalty	.98 (.98)	.99 (.98)	.98 (.98)	.84 (.85)
OVO (GoPay)				
	<i>R<sup>2</sup></i>		<i>Adjusted R<sup>2</sup></i>	
Loyalty	.87(.85)		.86(.85)	

Further, the lower standard deviation value for OVO (.02) compared to Gopay (.03) signifies that user responses to OVO services are more consistently aligned, implying a higher level of uniformity than Gopay. Although OVO and GoPay exhibit a robust relationship between satisfaction and loyalty, the distinctive strengths lie in the details. With its higher t-value and lower standard deviation values, OVO emerges as the platform with a more pronounced and consistent influence on user loyalty than GoPay.

**Table 2. Path Coefficient**

DPS	Path	Coefficients	Mean	SD	t-value	p
OVO	Sat → Loyalty	.93	3.91	.02	43.61	.00
GoPay	Sat → Loyalty	.92	3.99	.03	34.53	.00

Despite the non-significant difference in means, OVO (.93) demonstrates a slightly higher impact of satisfaction and better consistency than GoPay (.92) in influencing user loyalty. This suggests that there is room for improvement in satisfaction that could contribute to loyalty towards OVO. Despite a slight difference between the averages of GoPay and OVO, both platforms exhibit a strong correlation between user satisfaction and loyalty.

### Conclusion

The study aims to test the relationship between satisfaction and loyalty in the context of the millennial generation in Indonesia. Specifically, the aim was to examine the extent to which they remain loyal to a

digital payment platform or are influenced by the fear of Missing Out (FOMO), as it drives individuals to exhibit excessive behaviour on social media. Those with FOMO intentionally share content to appear constantly up-to-date, seeking excitement and false happiness through media. The research aligns with prior studies linking emotional instability to excessive social media use and emphasizing FOMO as a driving force in shaping online behaviour patterns. FOMO symptoms include difficulty detaching from one's phone, anxiety over not checking social media, prioritizing online communication, obsessing over others' posts, and a constant urge to share every activity. These findings underscore the impact of FOMO on individuals constructing a captivating virtual life to avoid feeling left behind, emphasizing its dominance in shaping online interactions. We find the higher the user satisfaction with digital payment services, the higher the level of loyalty. The millennial generation remains loyal to digital payment systems. Millennials are the primary target for digital services, and if user satisfaction is maintained, they are more likely to stay loyal.

The implications of this research for society include an increased awareness of FOMO's impact on millennials' digital payment behaviour. This awareness can help individuals become wiser in using digital payment platforms and manage the anxiety or desire to participate continually. Meanwhile, for the government, the implications focus on enhancing digital financial literacy through programs aimed at helping the public understand how their digital payment behavior is influenced by psychological factors such as FOMO, thereby enabling more effective and efficient use of digital payment platforms. An additional Implication for policymakers is that formulating regulations in alignment with contemporary trends can increase user satisfaction and loyalty towards services such as OVO and GoPay. We propose to broaden the research scope by encompassing multiple generations, acknowledging the current restriction to the millennial generation. Involving diverse ages in the study would offer a more holistic insight into how regulations impact the perception and acceptance of digital financial services.

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### Authors



Ina Kartika Wati (ORCID 0009-0001-8394-516X) is a faculty member at the Universitas Teknologi Muhammadiyah Jakarta, Indonesia. She is also a professional at Amar Bank and specializes in risk management and fraud investigation. Her research interests lie in financial technology. She can be contacted at [inakartika93@gmail.com](mailto:inakartika93@gmail.com)



Dr A Mukti Soma (ORCID 0000-0001-8128-1761) is a lecturer of management at the Universitas Teknologi Muhammadiyah Jakarta, Indonesia. Dr Soma is a certified financial planner and focuses on financial literacy, market discipline, and financial risk management. Dr Soma can be contacted at [muktisoma@utmj.ac.id](mailto:muktisoma@utmj.ac.id)



Dr Heri Ispriyahadi (ORCID 0000-0001-8919-198X) is a lecturer at the Universitas Teknologi Muhammadiyah Jakarta, Indonesia. He specializes in international financial management, strategic management, and central banking. Dr. Ispriyadi can be contacted at [heriisp.dosen2020@gmail.com](mailto:heriisp.dosen2020@gmail.com)



## How green features of building impact financial benefits and building life cycle: evidence from Sri Lanka

Kushani Tharushika Jayasiri , University of Sri Jayewardenepura, Sri Lanka  
Nishani Champika Wickramaarachchi\* , University of Sri Jayewardenepura, Sri Lanka

\*Corresponding author: [nishani@sjp.ac.lk](mailto:nishani@sjp.ac.lk)

The International Valuation Standard Council (IVSC) recognizes the pivotal role of green buildings in achieving sustainability goals, leading them to introduce guidance and standards for valuing sustainability features. Sri Lanka embraces green constructions, necessitating valuers to acknowledge and incorporate green features into property valuation. This study examines the perspectives of professional valuers on recognition and the significance of economic benefits associated with green features throughout a building's life cycle and across property types. We collected data through a structured questionnaires and analyzed the data using ANOVA and Tukey HSD tests. Findings indicate that valuers possess a moderate level of awareness, and that financial benefits vary across different phases of a building's life cycle. *Management, energy and atmosphere*, and *indoor environmental quality* are essential for all property types. Continuous awareness programs are imperative to enhance valuers' understanding and maximize financial benefits.

**Keywords:** green building council, green features, rating system, property valuation, Sri Lanka

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### Introduction

As global environmental concerns continue escalating, integrating sustainable practices has become paramount across various sectors. In property valuation, the conventional approach has typically revolved around location, size, condition, and market demand. However, with the growing emphasis on environmental consciousness, there is an emerging need to recognize the significance of green features and value in property valuation (Hindagoda et al. 2020). The World Green Building Council defines a Green building as “a building that, in its design, construction or operation, reduces or eliminates negative impacts, and can create positive impacts, on our climate and natural environment and which preserves precious natural resources and improve our quality of life” (WGBC 2016). Hence, considering green

features in property valuation cannot be overstated. Green features refer to sustainable properties' economic, social, and environmental benefits. These benefits include energy efficiency, water conservation, waste management, indoor air quality, and environmental impact reduction. By acknowledging and quantifying these elements, valuers can provide a more comprehensive and accurate assessment of a property's worth, aligning it with the evolving demands of a greener future (Tsai 2022).

In line with the global interest in green features, the International Valuation Standard Council (IVSC)—as the international body for developing guidance on property valuation—has introduced some professional advice and standards on sustainability features in property valuation. Property valuation professionals recognize the importance of green features. As a result, local valuation bodies are responsible for developing their guidelines following the standards. Sri Lanka implements property valuation practices through a legally recognized body, the Institute of Valuers Sri Lanka (IVSL), a recognized body of the IVSC. Thus, the green feature consideration in property valuation is embedded in the standards of the local body too.

Green value is defined as "the net additional value obtainable by a green building in the market compared to conventional or non-green properties" (Edvardsen et al. 2011). That is, green value refers to the economic, social, and environmental benefits of sustainable and environmentally friendly practices in the real estate sector. It goes beyond the conventional financial valuation of a property and considers the positive impacts on the environment, energy efficiency, resource conservation, and occupant well-being (Abdullah et al. 2018). Therefore, before estimating the green value, it is important to know what green features are and their contribution or significance to property values. One of the emerging trends in green features is the construction of green buildings and the accommodation of green features. With this transformation, there are many benefits expected (Liu et al. 2012). It contributes significantly to saving the operational cost of the building and reducing carbon emissions to the environment.

Sri Lanka, known for its breathtaking landscapes and diverse ecosystems, has experienced rapid urbanization and development in recent past years. This growth has brought about both opportunities and challenges for the real estate industry. Parallel to the development, there is a significant increase in the demand for real estate. As the demand for properties rises, the necessity to evaluate their environmental impact and sustainability also increases. Professional valuers in Sri Lanka play a crucial role in assessing property values and their perspectives on incorporating green features into the valuation process are of utmost significance.

Further, the Green Building Council of Sri Lanka (GBCSL) has taken numerous steps to promote green buildings. Corresponding to that, the GBCSL has introduced two rating systems: the "GreenSL® Rating System" and GreenSL® Labelling System. Under the GreenSL® Rating System, GBCSL rates the already built environment using eight green features, and under the GreenSL® Labelling System, GBCSL rates the products/materials used in the construction industry. Hence, the consideration of green features in property valuation becomes more significant (Ismail & Masjid 2014). Including green features in property valuation is necessary to capture a property's actual value accurately and encourage sustainable practices, increase financial benefits, and enhance environmental stewardship.

However, there is limited research in Sri Lanka (1) on the perceptions of professional valuers regarding green features and (2) about the importance of green features on the financial benefits during a life cycle of a building, and (3) whether there is a difference to the significance of green features according to property types. However, past studies examined only six green features (Shazmin et al. 2017) and five economic benefits of green features (Nurick et al. 2015).

The three objectives of the study are to (1) identify the awareness of green features introduced by GBSL and to determine impact of (2) green feature on financial benefits during building life cycle, and (3) green features across property types. The next section is devoted to literature review followed by methodology, analysis, results, discussion and conclusion.

## Literature Review

### Green Value

The "green value" is the net increased market value obtained by a green building over conventional or non-green properties (Edvardsen et al. 2011). It refers to the economic, social, and environmental benefits of sustainable and environmentally friendly practices in the real estate sector (Leskinen et al. 2020). It encompasses energy efficiency, resource conservation, indoor air quality, and environmental impact reduction. The consideration of green value in property valuation goes beyond traditional financial valuation methods, providing a more comprehensive assessment incorporating sustainable features' long-term advantages (Stasiak & Olbińska 2018). Although the Royal Institution of Chartered Surveyors (RICS) introduced the 'green value' concept in 2005, demonstrating whether sustainable development creates money (RICS 2009), the research on green value is still in its early stages. It is too early to draw generally accepted conclusions from these early efforts.

### Green Building

Different scholars and institutions give a wide range of definitions for green buildings. Green building is an endeavor to expand the sound effects of the built environment on nature and society while eliminating the negative ones (Kriss 2014). Green building means a structure with sustainability-related features and the process of constructing or remodelling a structure with sustainability-related features (APB Board 2015). The United States Environmental Protection Agency defines green building as the discipline of designing systems and using ecologically responsible and resource-efficient techniques in the life cycle of a building, from siting to design, construction, operation, maintenance, repair, and deconstruction (USEPA 2016). The World Green Building Council (WGBC)—a principal institution that promotes green building worldwide—defines a green building as a building that, through its design, construction, or operation, reduces or eliminates adverse impacts on climate and the natural environment while also having the potential to create positive effects, preserve precious natural resources and improve the quality of life (WGBC 2016). The development suggests that the earlier definitions also show the incorporation of sustainable features in their descriptions of green buildings.

### Green versus Efficiency

Green buildings mainly focus on the efficiency factor in design and development, energy, water, resource, and indoor environmental quality (Zafar 2019). However, green building can also include features that consider social responsibility (Schumann 2010). Hence, the most important fact on green building to be understood is, it is one of the drivers of principles of sustainability. Green buildings focus on the three main pillars of sustainability: economic growth, social progress, and environmental preservation (de Francesco & Levy 2008). Consequently, it is more than energy efficiency and it encompasses other features that are related to the sustainability concept. Hence, there is a clear distinction between "energy efficiency" and the term "green" as green building comprises water efficiency, sustainable site selection, indoor environmental quality, material selection, operations, maintenance, etc. Consequently, the energy-efficient building is not considered a green building as it only possesses less energy than other conventional buildings (APB 2015).

Green buildings reduce the maintenance cost of a property, operating expenses through energy cost reduction, repair cost, maintenance cost and waste costs (Wills & Bowman 2008). In 2005, RICS in the United Kingdom conducted a study that concluded that green buildings are not only good for the environment and provide healthier living and working environments, but they can also command higher rents and prices, attract tenants more quickly, reduce tenant turnover, and cost less to operate and maintain. In addition, previous research on the valuation of green buildings indicates that green office buildings command higher rental rates, rental growth, and operating cost savings advantages in the first year of operation compared to conventional buildings. It can also attain higher sale prices and effective

rental yield which increases investment return (Wills & Bowman 2008). Hence, it is vital for valuers to understand the distinction between green buildings and energy-efficient buildings because incorporating sustainability as one of the property features and reflecting the property's market value is the responsibility of a valuer (Lorenz & Lützkendorf 2011).

### **Sustainability in Green Building Valuation**

Integration of sustainability began into property valuation began in 1996 (Harrison & Seiler 2011). However, with the rapid growth of green building constructions and developments worldwide, different approaches, frameworks, and methods have introduced (Sayce et al. 2009, RICS 2009). For example, Lorenz and Lützkendorf 2011 emphasize the following four arguments to identify a property's green value. (1) The valuer must provide data on transactions detected in the market and predicted market progress. (2) Valuation professionals are responsible for sustainable development in the real estate and construction sectors as part of the appraisal profession's professional ethics and social responsibilities. (3) Proper property valuation; i.e. continuing the appraisal as standard, can lead to correct capital allocation and deterioration of financial, natural, and social resources. (4) Lack of awareness on the part of some market participants about the relationship between the sustainable performance of buildings and property risk and financial performance leads to a misinterpretation of personal property assets, assuming that smart investors can take advantage of settlement investment opportunities by purchasing conventional property at "low cost".

However, buildings (including traditional) possess sustainability challenges in its valuation, as these buildings are risky for being obsolete fast and a shorter economic lifespan. Although there is no prescribed framework for the implication of sustainability factors in property valuation, incorporating sustainability principles into the policies of property owners and occupants is beneficial. Also, interpreting them in their property decisions should still be easier (Abdullah et al. 2018). When valuing green buildings, valuers should use appropriate discounts or capitalization rates; green buildings have a lower risk. All green features related to sustainability cannot be easily presented or translated into market value. An advanced valuation method should account for the green value (Hindagoda et al. 2020). As such, RICS offers professional guidance annually to identify and estimate the sustainability factors in property valuation.

The valuer must identify those green features in a property with competence to address those factors (RICS 2009). In order to maintain the credibility and the accuracy of the valuation report, the valuer should consider sustainability features in property valuation. The valuers also should recognize that buildings constructed by specific "green" standards are more valuable than buildings that do not comply with such standards (Guidry 2004). However, sustainability factors should be reflected in market value only when market participants favor sustainable properties (Wilhelm 2012). Because the market valuation would assess the most likely selling price, the assessment should include sustainable property features only to the extent that these affect the property's competitiveness. The valuer appraiser needs to (1) identify the impact of a new market force on sustainability and green building, and (2) understand new property features (green features) because every market believes that green features increase market value and should only reflect the factors that impact prices (Abdullah et al. 2018).

Therefore, the validity of sustainability in the assessment process depends on the assessor's capacity, specificity, and experience. However, there is a debate in the valuation industry whether it is mandatory for valuers to identify green features to satisfy clients' desire. Regardless, the valuer has to follow the RICS guidelines and provide accurate information about the property considering sustainability factors in property valuation.

### **Perspectives of Valuers on Green Building Valuation**

Studies indicate that valuers do not consider green features in property valuation and that green building

constructions in the market are not prominent (Abdullah et al. 2018). In another study, valuers expect an increment in the market value due to the green factors and low yield due to the low-risk premium, lower operating costs compared to conventional buildings, higher rents due to a “green” rent premium, a lower vacancy rate in comparison to conventional buildings, and lower exit yield due to gentler depreciation. And most valuers do not believe that the lack of a standardized and conceptual approach to valuing green buildings and well-defined ethics related to valuation professionals as barriers to considering the green factor in property valuation (Jasimin & Ali 2015). Further, the awareness of values on sustainability in property valuation is at a moderate level. Moreover, discount rate, risk premium, less depreciation, longer lease terms and marketing costs have less impact on property valuation in terms of sustainability (Wilhelm 2012). Considering the findings from the valuers’ perspectives, operating costs, rental growth, and market rent are the key benefits that impact property valuation.

### Theory

Our research is grounded in the principles of sustainable development and property valuation theories. Sustainable development, covering environmental, social, and economic factors, aims for long term prosperity. Green building, a key component of sustainable development, prioritizes resource efficiency, energy conservation, and eco-friendly construction methods and support with more financial benefits to a property (Ragheb et al. 2016). This symbiotic relationship positions green building as a catalyst for broader sustainable development goals. Thus, promoting green buildings among owners and investors is crucial to align with global efforts to mitigate environmental impact. Property valuation is recognized as an important economic strategy because property value is a greater motivation for investment. The theory underlined in property valuation is to estimate the benefits to be derived from a property. Thus, the more the benefits, the more the value will be. Green building valuation theory recognizes property value extends beyond finances, encompassing owning or investing benefits (Ismail & Majid 2014, Nurick et al. 2015). Identifying tangible and intangible benefits like energy savings followed by less operational cost and community well-being, our focus is to recognize the weightage given on these green building advantages, emphasizing how green features boost property values. Incorporating the sustainability features into property valuation aspects presents the role of valuation in promoting green constructions. Our dual theoretical approach advocates integrating green buildings to enhance property values and foster environmentally conscious real estate development. Proper property valuation is crucial for market functionality, financial systems, and national economies.

The three objectives of the study are to (1) identify the awareness of green features introduced by GBSL and to determine impact of (2) green feature on financial benefits during building life cycle, and (3) green features across property types.

### Methodology

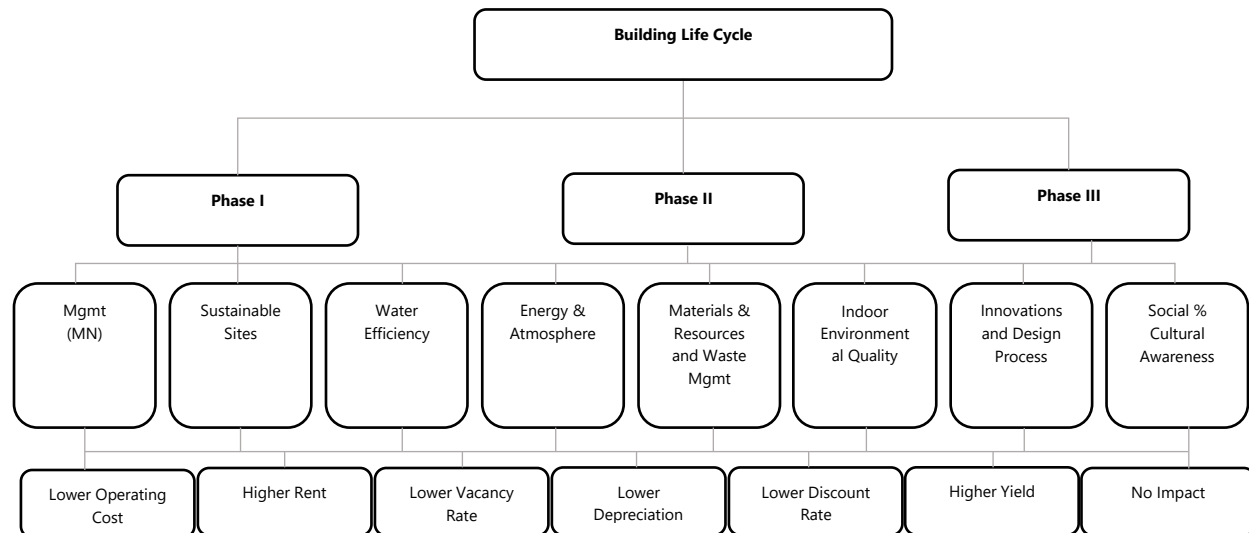
#### Operationalization of the Variables

**Green Features:** The GBCSL has introduced GreenSL® Rating System which rates the built environment using the eight major green features: (1) *management* (2) *sustainable sites* (3) *water efficiency* (4) *energy and atmosphere* (5) *materials and resources and waste management* (6) *indoor environment quality* (7) *innovations and design process* and (8) *social and cultural awareness*. Table 1 lists the green features.

**Financial Benefits:** Incorporation of green features in a building contributes financial benefits. For the purpose of the study, we use the 7 financial benefits indicators recommended by Muldavin 2010: (i) *Lower operating costs*, (ii) *higher rent*, (iii) *lower vacancy rate*, (iv) *lower depreciation*, (v) *lower discount rate*, (vi) *higher yield* and (vii) *no impact*. The six financial benefits were applied to this research to identify the views of valuers on the importance of considering green features in a property valuation during the life cycle of

a building. In addition, one more feature as 'no impact' was also added to validate the perceptions given by the valuers.

Building Life Cycle: Impact of green features and sub features on a property evaluation differs according to the building life cycle (Boyd 2005). To accommodate the time line, we identified the three phases of a building life cycle: Phase I  $\leq 15$  years;  $15 \leq$  Phase II  $\leq 30$  and, Phase III  $\geq 30$ . Figure 1 depicts the Building Life Cycle, the major eight green features and the six financial benefits.



**Figure1. Building Life Cycle, the major eight green features and the six financial benefits.**

*Source: the authors*

### Data Collection and Sample Characteristics

The sampling frame consists of all professional valuers in Sri Lanka from both private and public sectors. We used convenience-sampling method to collect data using a structured questionnaire with the 5-point Likert scale to measure importance of green features according to type of the property. The questionnaire structured with three distinct sections: (1) seven questions focusing respondent's profile and the awareness on green features (2) fifteen questions exploring the perspectives on the application of green features and the financial benefits during the life cycle (3) six questions for the perspectives on the impact of green features across the property types. The sample size was 60. The consent of each respondent to answer the questionnaire was obtained using the first question asking whether they agree or disagree to answer and it is noteworthy that all chosen professionals exhibited a positive response to the questionnaire. Consequently, the non-response rate in this research is zero. Respondents were the members of IVSL (78%), private sector (35%) and public sector (53%). The gender distribution is male (49%) and female (51%). Age over 40 constituted (51%).

### Analysis

Based on the first objective the awareness on the green features in property valuation was collected through professionals' perspectives and analyzed using descriptive statistics. Secondly, it was tested the impact of green features on financial benefits during building life cycle and the professional's perspectives on the effects of green features introduced by GBCSL and the financial benefits related to the building life cycle was gathered through 5-point Likert Scale and analyzed using descriptive statistics. The third objective is to determine the impact of green features across property types. This was tested on the three

types of properties, i.e. condominiums, larger commercial buildings, and offices as presented in Table 2. The perceptions were collected to each sub-green feature in a 5-point Likert Scale and analyzed using the mean values later were aggregated under each main green feature, as presented in Table 1. To confirm the impact across the property types, we used One-way ANOVA test, whereas to compare whether there is a difference in between groups across the three types of properties, we conducted the Post Hoc Test as the sample size is equal among the three groups. Table 2 reports ANOVA test results.

## Results

Our descriptive analysis results indicate that under the professionals' perspectives on the awareness of incorporating green features in property valuation, 78 percent and 17 percent of the respondent's has a moderate and low level of awareness respectively. About 90 percent of the respondents agreed that green features have an impact on the value of a building. 60 percent account green features as special facility or convenience of the property while 12 percent consider green features as scenic view that add value. However, 42 percent and only 15 percent of them agreed that there is a lack of guidance from the working organizations and professional organizations such as the RICS in terms of green features in property valuation respectively. Also, 57 percent of the respondents have agreed that there is a duty to inform their clients on sustainable benefits as they might influence the value stability and value development of the subject building.

Under the second objective of impact of green features on financial benefits during building life cycle, Table 1 presents the importance of financial benefits according to the green features. We find that sustainable site, *water efficiency*, and *innovation* and *design process* green features have a greater impact on the financial benefits in the Phase I during the life cycle of a building specially on higher rent (50%), lower operating cost (50%), lower discount rate (25%) and higher yield (48%). Environment management, and energy and atmosphere show a greater impact on financial benefits, especially on lower vacancy rate (40%) and lower operating cost (56%) in the phase II. Environment Management and Innovation and design process show an impact on financial benefits especially on lower operating cost (45% and 38%) in the Phase III the building life cycle.

**Table 1. Importance of Financial Benefits for Green Features**

Features	Building Life Cycle																				
	Phase I (%)							Phase II (%)							Phase III (%)						
	Financial Benefits							Financial Benefits							Financial Benefits						
	i	ii	iii	iv	v	vi	vii	i	ii	iii	iv	v	vi	vii	i	ii	iii	iv	v	vi	vii
MN	10	37	38	15	2	7	17	42	8	50	10	20	8	5	<b>45</b>	12	42	12	25	8	12
SS	17	<b>50</b>	42	5	3	7	5	22	43	50	5	0	8	10	18	5	35	8	5	8	25
WE	<b>50</b>	8	12	3	3	<b>48</b>	17	41	5	8	10	4	38	11	52	5	20	3	3	49	10
EA	37	29	16	11	8	24	13	<b>56</b>	36	<b>40</b>	11	13	27	10	36	25	31	7	8	14	17
MR	12	8	18	16	3	12	28	15	10	20	16	8	10	39	14	10	15	7	8	11	39
IE	16	12	19	3	18	10	5	29	11	21	3	8	10	0	28	10	25	8	3	6	0
ID	31	16	17	10	<b>25</b>	19	28	44	20	15	11	15	39	14	<b>38</b>	17	25	20	18	12	28
SC	8	10	15	0	10	5	56	5	3	11	0	12	3	50	3	7	14	0	15	5	48

Source: the authors

Note: MN=Management, SS= Sustainable sites, WE= Water efficiency, EA=Energy and atmosphere, MR=Material and resources, IE=Indoor environment quality, ID=Innovation and design process, SC=Social and cultural awareness. FB=Financial benefits. i=Lower operating cost, ii=Higher rent, iii=Lower vacancy rate, iv=Lower depreciation, v=Lower discount rate, vi=Higher yield, and vii=No impact.

Building Life Cycle: Phase I ≤15 years; 15 ≤Phase II ≤30; and, Phase III ≥30



With respect to impact of green feature on property types, Table 2 reveals that the green feature of *management* is a significant ( $p=.00$ ) feature in the valuation of condominium (3.41), commercial building (2.16) and office building (2.86) depicting high significance in the valuation of condominium (3.41). In the green feature of *sustainable sites*, there is a significant ( $p=.00$ ) difference in valuing between condominium (2.72) and commercial building (3.34), but there is no significant ( $p=.54$ ) difference between condominium (2.72) and office building (2.60). Also, there is a significant difference ( $p=.00$ ) in valuing commercial building (3.34) between condominium (2.72) and office building (2.6). In the green feature of *water efficiency*, there is no significant difference ( $p=.07$ ) in valuing between condominium (3.64) and commercial building (3.43), condominium (3.64) and office building (3.42) ( $p=.06$ ), commercial building (3.43) and office building (3.42) ( $p=.99$ ). In the green feature of *energy and atmosphere*, there is a significant ( $p=.00$ ) difference between condominium (3.72) and commercial building (2.58) and office building (2.14) ( $p=.00$ ) and there is a significant ( $p=.00$ ) difference between commercial building (2.58) and office building (2.14). In the green feature of *materials and resources and waste management*, there is no significant ( $p>.05$ ) difference in the valuation between condominium (3.38) and commercial building (3.2), but there is a significant difference ( $p=.00$ ) between condominium (3.38) and office building (2.91), and commercial building (3.20) and office building (2.91) ( $p=.00$ ). The green feature of *indoor environmental quality* is a significant feature in the valuation of condominium (4.37) ( $p=.00$ ), commercial building (3.41) ( $p=.00$ ) and office building (2.91) ( $p=.00$ ) depicting high significance in the valuation of condominium (4.37) ( $p=.00$ ). The green feature of *innovations and design process* is not a significant feature in the valuation of all the three property types: between condominium (1.52) and commercial building (1.67) ( $p=.68$ ), condominium (1.52) and office building (1.65) ( $p=.74$ ) and between commercial building (1.67) and office building (1.65) ( $p=.99$ ). Finally, the green feature of *social and cultural awareness* is not a significant feature in the valuation of all the three property types: between condominium (1.57) and commercial building (1.76) ( $p=.34$ ), condominium (1.57) and office building (1.61) ( $p=.96$ ) and between commercial building (1.76) and office building (1.61) ( $p=.48$ ).

**Table 2. Importance of Green Features across Type of Property**

Green Features	Mean values/Tukey HSD/ $p$ -value			F**	Sig.
	Condominium	Comm. Bldg.	Office Bldg.		
Management	3.41/.00/.00	2.16/.00/.00	2.86/.00/.00	105.01	.00
Sustainable Sites	2.72/.00/.54	3.34/.00/.00	2.60/.54/.00	26.20	.00
Water Efficiency	3.64/.07/.06	3.43/.07/.99	3.42/.06/.99	3.30	.03
Energy and Atmosphere	3.72/.00/.00	2.58/.00/.00	2.14/.00/.00	87.50	.00
Materials and Resources	3.38/.05/.00	3.20/.05/.00	2.91/.00/.00	17.70	.00
Indoor Environmental Quality	4.37/.00/.00	3.41/.00/.00	2.45/.00/.00	91.60	.00
Innovations and Design Process	1.52/.68/.74	1.67/.68/.99	1.65/.74/.99	.41	.66
Social & Cultural Awareness	1.57/.34/.96	1.76/.34/.48	1.61/.96/.48	1.10	.33

Source: the authors

\*Note: The  $p$  values for HSD Test, presented within the slashes, represents under the first column as the significance between Condominium and Commercial, and Condominium and Office Building, respectively. The second column represents the significance of Commercial Building between Condominium and Office Building and the significance of Office Building between Condominium & Commercial building respectively in the third column.

\*\* ANOVA test results are depicted in the last two columns of Table 2

## Discussion

Our results indicate that the level of awareness of many of the respondents on green features in property

valuation is at a moderate level in Sri Lanka, which is consistent with the findings of past studies (Jasimin & Ali 2015, Wilhelm 2012). Thus, unawareness of green features in property valuation is a crucial feature among valuers. Further, half of respondents do not appear to consider the green features in property valuation due to the lack of proper guidance. Similar results were found in other countries mentioning that most of the valuers do not get a proper guideline to consider green features in property valuation (Skillington et al. 2022).

However, most respondents agree that the green features of a building have an impact on its value. Given the present situation in Sri Lanka, it is not peculiar considering other countries; various perspectives have been found in previous research. For example, Abdullah (2018) has found that most of the valuers in Malaysia did not believe that green features have an impact on its value. Most of the valuers in UK believed that the green features of a building have an impact on its value (Wilhelm 2012). Further, some valuers in South Africa have stated that the value of the green-certified buildings is greater than the non-green certified buildings (Nurick et al. 2015). Hence, though the world assessment varies, the valuers in Sri Lanka agree that the green features of a building have an impact on its value and property valuation.

The study finds that the impact of green features on property valuation is greater in the middle phase of the building than the first and last phase of the building life cycle. Further, the *operating cost* is the most affected valuation variable by green features. Second, affected valuation variable is "lower vacancy rate". A similar result has been discovered in the researches done by (Halburd & Elain 2015).

In summary, our study reveals that *environment management, sustainable sites, water efficiency, energy and atmosphere, materials and resources, materials and resources and innovation and design process* are the green features which have greater impact. The materials and the design of the green buildings reduce the costs of operating, costs of repair, maintenance and replacement of materials which ultimately increases the net operating income impacting the property valuation. The same result was discovered in this study as well. Hence, we support that the green features incorporated into building designs and construction Impact on the financial benefits during the building life cycle.

The study reveals that green features of *management, sustainable site, energy and atmosphere, materials and resources and waste management and indoor environment quality* are significant in valuation of all three property types. Also, Green Building Council of Australia indicates that energy efficiency is the key green feature that impacts commercial properties in Australia. As per the results, there is no significant difference in the valuation of all three property types in terms of *water efficiency, innovations and design process* and *social and cultural awareness*. However, it was found that energy efficiency, water efficiency, and innovations have significant impact on valuation of different property types (Ismail & Majid 2014). It was also found that *management* is the most important feature that contributes to rental depreciation for conventional office buildings, whereas the second important feature is energy efficiency (Rodi et al. 2022). So we support that the green features incorporated into building designs and construction Impact on the valuation across property types.

## Conclusion

There is a growing necessity to identify the green features in a building in property valuation as the value of the building depends on the opinion of the professional valuer. Valuers are in the opinion that incorporating green features in a building enhances more financial benefits which in turn increases the market value of a property. The results of the study find that although professional valuers need to consider green features in property valuation, their awareness and knowledge of green features is at a moderate level, and most of the valuers do not consider green features in property valuation due to the lack of proper guidelines and framework. It was also identified that different green features are important at different phases of the life cycle of a building but mostly it is important at Phase II. Further, the findings reveal that the importance of considering the green features in property valuation varies according to the

type of building, whereas management, sustainable site, energy and atmosphere, materials and resources and waste management and indoor environment quality are the main green features that have a greater impact on valuation aspect from the perspectives of valuers in Sri Lanka. This is because the market characteristics are different from property to property. The majority are highly important in the condominium properties. The findings of the study should be interpreted in light of the fact that we could contact only 60 valuers; however, we believe that the sample is representative of the populations as findings support previous findings, giving credence to the study. This study focuses only on the green features introduced by the GBCSL and does not consider other factors that are included in the concept of sustainability. But, those are not the only green features can be seen in green buildings and there may have another green features impacted on property valuation.

In sum, we conclude that environment management, sustainable sites, water efficiency, energy and atmosphere, materials and resources, and innovation and design process are the main green features that have a greater impact on valuation aspect from the perspectives of valuers in Sri Lanka. Future study could consider on constructing a framework as a guideline to consider green features in property valuation.

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### Authors




Kushani Tharushika (ORCID 0000-0001-7668-8380) is a graduate of the Department of Estate Management & Valuation, Faculty of Management Studies & Commerce at the University of Sri Jayewardenepura, Sri Lanka. She conducts research in incorporating green features into buildings for property valuation. She can be contacted at [kushanitharushikaj@gmail.com](mailto:kushanitharushikaj@gmail.com)



Dr Nishani Champika Wickramaarachchi (ORCID 0000-0002-8206-1514) is a Professor in the Department of Estate Management & Valuation, Faculty of Management Studies & Commerce at the University of Sri Jayewardenepura, Sri Lanka. Her research interest lies in Land Economics, Property Valuation, Housing, Planning and Environment and Sustainability. Dr Wickramaarachchi can be contacted at [nishani@sjp.ac.lk](mailto:nishani@sjp.ac.lk)



# Transformational leadership and job performance: the mediating role of corporate social responsibility in hotel industry in the Philippines

*Drixel M. Ortega* , San Beda University, Philippines  
[2022-10084@sanbeda.edu.ph](mailto:2022-10084@sanbeda.edu.ph)

Transformational leadership impacts job performance within organizations, particularly in micro, small, and medium enterprises (MSMEs). Corporate social responsibility is a mediating factor in the relationship between transformational leadership and job performance. Survey data were gathered from MSME hotel employees in the Philippines. A significant positive impact of transformational leadership on both job performance and corporate social responsibility was found using partial least squares-structural equations modelling. Moreover, corporate social responsibility positively affects job performance but does not mediate transformational leadership and job performance nexus. Exploring other leadership styles provides a more comprehensive understanding of the dynamics. This study also has implications for managers.

*Keywords:* leadership, transformational leadership, corporate social responsibility, job performance, MSMEs, hotels, Philippines

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## Introduction

Micro, Small and Medium Enterprises (MSMEs), particularly in developing countries, significantly drive economic growth. It accounts for most businesses worldwide and contributes to job creation and economic development. About 90 percent of businesses and more than 50 percent of employment worldwide are represented by MSMEs (WB 2015). Over 99 percent of business enterprises in the Philippines are MSMEs, generating 65 percent of the country's total employment. In 2021, the top five industry sectors based on the number of MSMEs were: (1) Wholesale and Retail Trade; Repair of Motor Vehicles and Motorcycles; (2) Accommodation and Food Service Activities; (3) Manufacturing; (4) Other Service Activities; and (5) Financial and Insurance Activities. Almost 50 percent of them were operating in Luzon, wherein the National Capital Region (NCR) had the highest concentration of MSMEs with about 19 percent. An MSME in the Philippines refers to any business activity or enterprise engaged in industry, agribusiness and services that has (1) an asset size (excluding land) of up to Php100 million and (2) an employment size with less than 200 employees (Statistics 2021).

With the challenging and rapidly changing nature of modern business and the geopolitical environment, such as Artificial Intelligence's increasing popularity in automating business operations and consumers becoming more motivated to purchase from companies committed to making the world a better place (Stobierski 2021), the role of leaders is important in navigating a volatile, uncertain, complex, and ambiguous world. De Jong and Hartog (2007) describe leadership as a process of influencing people to achieve desired results, whereas Lok and Crawford (2004) declare that leadership determines the success and failure of a firm. Moreover, a firm's performance is significantly influenced by leadership, a concept deeply rooted in literature (Yanney 2014). These leadership styles include, among others, autocratic leadership, democratic leadership, transactional leadership, strategic leadership, servant leadership, and transformational leadership (Yusra et al. 2016). These styles can impact employee job performance and, consequently, organizational performance.

One of the most popular leadership styles practiced nowadays is transformational leadership. Bass and Avolio (1995) identified four transformational leadership components: charismatic role modelling, individualized consideration, inspirational motivation, and intellectual stimulation. Researchers are increasingly drawn to the study of transformational leadership because of its significant and positive impacts on job performance and overall organizational performance (Manzoor et al. 2019). The accumulated literature trends show that transformational leadership influences job performance, task performance, organization performance, and corporate social responsibility. Furthermore, the transformational leadership scholarship proposes that transformational leadership practices significantly affect job performance in developing countries (e.g. India, Malaysia, Philippines, and Sri Lanka) (Hongdao et al. 2019). Based on literature trends, studies have explored transformational leadership, job performance, and corporate social responsibility, primarily within large organizations in developed countries. These topics have been applied to SMEs in developing countries, such as Pakistan, to expand the existing literature. However, more research needs to be conducted on how transformational leadership through corporate social responsibility activities influences job performance in Philippine MSMEs. This study fills the gap.

MSMEs are a significant segment of the Philippine economy and contribute to job creation and economic growth. However, challenges related to job performance, employee motivation, and sustainable business practices persist within these organizations. Understanding the dynamics of transformational leadership, job performance, and corporate social responsibility presents an opportunity to address these challenges. Although transformational leadership has gained extensive recognition for its positive influence on job performance, the mechanisms through which it operates in the context of MSMEs in the Philippines and the role of corporate social responsibility practices as potential mediators between transformational leadership and job performance still need to be explored. Therefore, the study aims to examine the effect of transformational leadership on job performance through the mediation of corporate social responsibility in hotel MSMEs in the Philippines. Specifically, we examine (1) the effect of transformational leadership on job performance, (2) the mediating mechanism of corporate social responsibility between transformational leadership and job performance, (3) the influence of transformational leadership on MSME employees' perceptions on corporate social responsibility; and, (4) the incorporation of corporate social responsibility as a fundamental strategic value in the operations of MSMEs.

### **Literature Review, Theory, and Hypotheses Development**

MSMEs in the Philippines are the backbone of the national economy. Because of the adverse economic effects of the novel coronavirus disease, COVID-19, MSMEs remain confronted with a sharp drop in demand and revenues even if the Philippine economy has moved to recovery. This is the opportune moment to assist MSMEs in their recovery and resurgence. In today's dynamic and competitive economy, the significance of leadership has grown substantially. Leadership style is fundamental in determining a

firm's performance, and the ethical qualities of leaders can directly influence employee job performance (Manzoor et al. 2019). This is crucial in shaping the organization's long-term success (Banaag 2023). Gill et al. (2006) build on this by emphasizing that leaders play a crucial role in influencing outcomes and stimulating, motivating, and acknowledging followers, underscoring effective leadership's multifaceted impact on organizational performance. Aftab et al. (2021) add that effective leadership plays a crucial role in the success of various businesses, including small and medium-sized enterprises.

Transformational leadership is one of the widely adopted leadership styles. Lyubykh et al. (2022) categorize transformational leadership into four dimensions. First, idealized influence or charisma involves leaders creating positive images by exuding self-confidence to bolster employees' assurance. Second, individualized consideration involves leaders inspiring employees' maximum potential through care and humanized management, fostering improved creativity and learning abilities. Third, intellectual stimulation involves leaders inspiring employees to enhance their problem-solving abilities by encouraging them to approach challenges from various perspectives and maintain an objective standpoint. Fourth, inspirational motivation means leaders use symbols and emotions to boost employees' enthusiasm for achieving common goals. Transformational leadership, known for its positive impact, has been linked to favourable employee job performance outcomes (Khan & Khan 2019).

Employee job performance refers to how well company employees achieve goals aligned with the company's overall objectives (Otuya & Akporien 2020). It can be categorized into task and contextual performance (Kalia & Bhardwaj 2019). Task performance involves behaviors associated with the job, while contextual performance encompasses interpersonal and motivational factors. Greening and Turban (2000) add that employee job performance is multifaceted, considering not only the output in terms of quality and quantity but also the effectiveness of their work and their interpersonal behaviors within the workplace. Hence, leaders have to understand performance metrics and use effective reviews to ensure their workforce meets business and customer needs (Lei 2011).

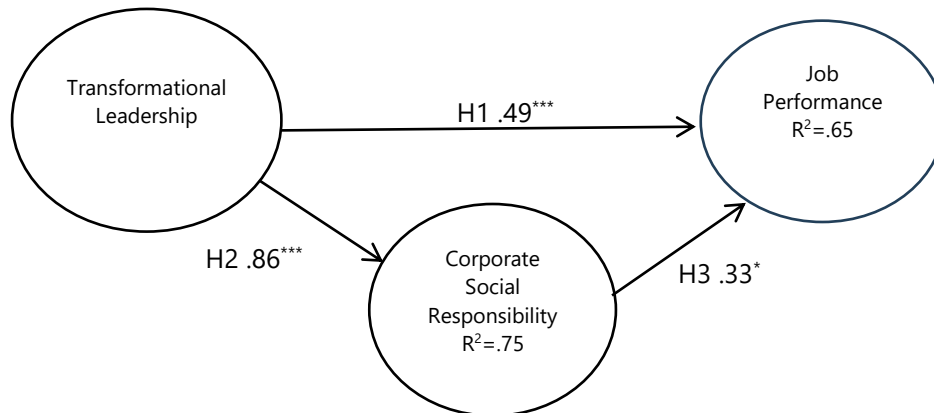
Corporate social responsibility is a multifaceted model encompassing economic, legal, ethical, and discretionary societal expectations on organizations at any time (Carroll 1979). In addition, corporate social responsibility is rooted in stakeholder theory, acknowledging the importance of various parties such as owners, customers, employees, suppliers, non-government organizations, and the local community. It emphasizes considering and addressing the interests and impacts of all relevant stakeholders (Munilla & Miles 2005). Internally, corporate social responsibility optimizes organizational efficiency through quality, health and safety, human resources, and environmental management. This entails a commitment to maintaining high standards within the organization's operations for the benefit of its employees (Hongdao et al. 2019). Externally, corporate social responsibility reflects a company's efforts to contribute positively to society and the environment through social welfare initiatives (Islam et al. 2019). Moreover, Kusi et al. (2021) indicate that corporate social responsibility often focuses on leadership and its influence on organizational practices concerning the local community. This emphasis on leadership aligns with the broader adoption of corporate social responsibility practices, ensuring attention to the needs of both primary and secondary stakeholders (Vera & Crossan 2004).

### **The Theory and Conceptual Framework**

This paper is anchored on leadership theory and focuses on transformational leadership. It posits that transformational leadership behaviors can positively impact employee attitudes and behaviors, ultimately improving job performance. Leadership, in general, involves influencing, guiding, and motivating individuals or groups to achieve common goals and objectives. Leadership is "the ability to influence, encourage, and permit workers to contribute to the achievement and efficiencies of the organization" (Bushra et al. 2011). Scholars agree that leaders and the style they employ in managing their organizations play a significant role in the success of their firms (Alazzani et al. 2019, Manzoor et al. 2019). A transformational leader often exhibits altruism and a willingness to self-sacrifice for the greater good of



their followers and the organization (Waldman et al. 2006). Leaders demonstrate this via corporate social responsibility, among others, which, in turn, can inspire employees to go above and beyond their regular duties, resulting in enhanced job performance (Hongdao et al. 2019). Figure 1 provides a visual representation of the interconnectedness of the variables within the operational framework that this study will test and measure empirically. The independent variable is transformational leadership, which influences the dependent variable job performance through corporate social responsibility acting as a mediating variable.



**Figure 1. Interconnected Variables**

\* $p < .05$ , \*\* $p < .01$ , \*\*\* $p < .001$ ; Standardized coefficients shown

### Hypothesis Development

Leadership and job performance are two intertwined fundamental aspects that significantly impact an organization's success. Often considered the driving force behind employee motivation and engagement, leadership plays a pivotal role in influencing the behavior of individuals within a workplace. Jiang et al. (2017) state that transformational leadership is the most effective for influencing employees and achieving organizational goals. Jena et al. (2018) describe transformational leadership as inspiring subordinates to look beyond self-interest, fostering confidence and a willingness to exceed expectations. Naeem and Khanzada (2018) studied the relationship between transformational leadership, job performance, and the mediation of job satisfaction in Pakistan's health sector. They found that transformational leadership plays a significant role in job performance, such that the qualities of a transformational leader motivate and influence employees to perform at a higher level. This is underpinned by the study of Wang et al. (2022), wherein the findings indicated that transformational leadership has a positive effect on affective organizational commitment and job performance. Santya and Dewi (2022) obtained similar results in their study, demonstrating that transformational leadership positively and significantly impacts employee performance. In the context of SMEs, transformational leadership significantly influences and ultimately predicts employees' job performance (Manzoor et al. 2019). Similarly, Hongdao et al. (2019) have demonstrated in their research that effective transformational leadership practices inspire and motivate employees, encouraging them to meet individual and team expectations, ultimately resulting in enhanced performance. Hence, the first proposed hypothesis is:

*H1. Transformational leadership has a significant positive relationship with employees' job performance.*

Leaders transcend traditional boundaries. Beyond profit margins and shareholder value, it encompasses a profound commitment to broader societal well-being and ethical conduct. This shift towards responsible and ethical leadership finds its embodiment in transformational leadership. This style inspires and

motivates within the organizational context, extending its influence on corporate social responsibility. Corporate social responsibility, according to the European Commission (2011 p. 6), refers to the responsibility of enterprises for their impact on society. In addition, Waddock (2004) defines corporate social responsibility as the continued commitment of a business to behave ethically and contribute to economic development while concomitantly improving the quality of life of its employees and their families, the local community and society at large. Organizations perform corporate social responsibility activities by reducing carbon footprints, improving labor policies and practices, community volunteering, diversity, equity and inclusion, and charitable global giving (DMI 2022).

Studies have shown the link between transformational leadership and corporate social responsibility. Waldman et al. (2006) highlighted that transformational leadership positively influences corporate social responsibility and shapes and impacts corporate social responsibility strategies. Du et al. (2012) discover a positive correlation between transformational leadership and strategic corporate social responsibility. A recent study by Kusi et al. (2021) highlights the importance of transformational leadership in setting a clear direction, motivating employees, and cultivating a sense of value for team members who actively fulfill their social responsibilities. This leadership style encourages individuals to excel within the organization and contribute positively to society. Moreover, in Vương's (2023) study on employees in MSMEs in Vietnam, a positive correlation was observed between employees' perception of corporate social responsibility and job performance, highlighting the importance for managers to implement effective corporate social responsibility strategies for enhanced work attitudes and behaviors. Building on these findings, the second hypothesis is formulated as follows:

*H2. Transformational leadership has a significant positive relationship with corporate social responsibility.*

Corporate social responsibility has evolved into a critical framework that defines an organization's commitment to ethical practices and societal impact, demonstrated by integrating social and environmental concerns into business operations. This commitment, in turn, has profound implications for employee job performance. Cegarra-Navarro and Martinez-Martinez (2009) posit that corporate social responsibility mechanisms are employed to guarantee the sustainability and competencies of firms, which, in turn, may contribute to enhancing organizational performance. Evidence shows that engaging in corporate social responsibility activities cultivates a positive perception of organizations and influences job performance. This conception is corroborated by the findings of Story and Castanheira (2019), indicating that employees tend to reciprocate with enhanced job performance when they perceive that their organization is actively investing in corporate social responsibility initiatives and when these initiatives align with their values and beliefs. Furthermore, Skouloudis and Avlonitis (2015) argue that an individual's perception of corporate social responsibility profoundly impacts their sense of responsibility in the workplace. This can be explained further using Blau's social exchange theory (1964), wherein reciprocity occurs when individuals perceive that their organization is investing in corporate social responsibility initiatives and aligning with their values. Hence, employees are more likely to reciprocate by demonstrating enhanced job performance and a more substantial commitment to their responsibilities. Sarfraz et al. (2018) suggest a strong link between corporate social responsibility and job performance, asserting that the former improves a company's reputation for potential employees and significantly influences employee job performance. This is further supported by Sarfraz et al. (2018b) and Paruzel et al. (2021), who found a positive relationship between employees' corporate social perceptions and job performance. Drawing upon these findings, the third hypothesis is formulated as follows.

*H3. Corporate social responsibility has a significant positive relationship with employees' job performance.*

### **The Mediation Effect**

The interplay between leadership, corporate social responsibility, and job performance forms a dynamic nexus at the forefront of contemporary organizational research. Transformational leadership, characterized by its ability to inspire, motivate, and empower employees, has catalyzed organizational success. Its emphasis on vision, innovation, and individual growth aligns with the principles of corporate social responsibility. This, in turn, serves as the conduit through which transformational leadership enhances job performance.

Manzoor et al. (2019) investigated the influence of transformational leadership on job performance, with corporate social responsibility as a mediating variable, carried out within the context of SMEs in Pakistan. The findings indicated a positive relationship between transformational leadership and job performance. It also reveals a mediating role of corporate social responsibility between transformational leadership and job performance. Hongdao et al. (2019) share the same notion in their study involving employees working in law firms in Pakistan. The results of their study confirmed their conjectures that transformational leadership is significantly related to job performance and corporate social responsibility and that the latter mediates the relationship between transformational leadership and job performance. In addition, similar results were obtained in the study of Aftab et al. (2021), which studied the immediate effect of ethical leadership on job performance and explored the indirect mediating impact of corporate social responsibility on the nexus of ethical leadership and job performance. Results indicated that ethical leadership has a strong positive connection with job performance and corporate social responsibility and that corporate social responsibility positively influences job performance. Furthermore, it reported a strong mediating effect of corporate social responsibility in the nexus of ethical leadership and job performance. Therefore, the fourth proposed hypothesis (not shown in the diagram) is:

*H4. Corporate social responsibility has a mediating effect on the relationship between transformational leadership and job performance.*

### **Methodology**

This study used a cross-sectional survey questionnaire design to test the linkage between transformational leadership (TL) and job performance (JP) by mediating corporate social responsibility (CSR). The research design is most appropriate for studying and analyzing observational data collected within a population (Hongdao et al. 2019). A self-administered pen-and-paper questionnaire was distributed to employees of purposively selected MSME hotels in Tacloban City in the Philippines. Of the 70 circulated questionnaires, 61 were received, resulting in a response rate of 87 percent. The sample included 46 percent of males and 54 percent of females. Within the 20–30 age range, 67 percent of respondents were represented, and 85 percent reported having 1–5 years of job experience. Additionally, a significant majority, 51 percent, held bachelor's degrees in education. Respondents provided verbal consent before participating and were briefed on their responses' confidentiality. The survey questionnaire used multiple items and 5-point Likert scales adopted from Hongdao et al. (2019) for measuring transformational leadership (TL=7 items), corporate social responsibility (CSR=9 items), and job performance (JP=7 items).

### **Analysis and Results**

The partial least squares-structural equations modelling (PLS-SEM) with Smart PLS 4 was used to determine the constructs' relationships (Ringle et al. 2015). PLS-SEM, a non-parametric test, is known for its leniency toward the test of assumptions (Viernes & Pasco 2023). Also, it has gained significant popularity and is frequently used in most business management studies (Ali et al. 2018). Further, the statistical results were interpreted based on the methodology outlined by Hair et al. (2015). To test the

reliability of constructs (TL, CSR, JP), Cronbach's alpha (CA), composite reliability (CR), average variance extracted (AVE), and Rho\_A values were assessed.

Table 1 reports that JP has the highest mean value of 4.22, indicating that respondents have a positive and strong perception of their job performance at work. TL and CSR mean values indicate a moderate level of similarity, suggesting that these aspects hold comparable significance among the respondents. Moreover, CA, CR, and Rho\_A are all above .70, indicating good reliability. The  $R^2$  value shown in Figure 1 indicates the proportion of variance in the dependent variable explained by the independent variables. The substantial  $R^2$  values of corporate social responsibility ( $R^2=.75$ ) and job performance ( $R^2=.65$ ) strengthen the model's predictive outcome capability. Moreover, there are indications of model fit of the final model with values of  $SRMR=.06$  and  $NFI=.74$ .

**Table 1. Reliability and Validity Results of Variables**

Descriptive Statistics, Construct Reliability and Validity Test Results						
Construct	Mean	SD	CA	CR	AVE	Rho_A
CSR	3.64	.95	.96	.96	.76	.96
JP	4.22	.72	.94	.95	.75	.94
TL	3.59	1.11	.95	.96	.79	.95
Discriminant Validity Test Results - Heterotrait-Monotrait Test (HTMT)						
JP ↔ CSR	.80					
TL ↔ CSR	.89					
TL ↔ JP	.82					
Discriminant Validity Test Results - Fornell-Larcker Criterion						
	CSR	JP	TL			
CSR	.87					
JP	.76	.87				
TL	.86	.79	.89			

Similarly, the values for AVE exceed .50, suggesting good convergent validity. Furthermore, the Heterotrait-Monotrait (HTMT) values fall below .90, indicating the presence of discriminant validity. This means that the constructs are sufficiently different from one another. This is further reinforced by the Fornell-Larcker Criterion values that show correlations below the square root of the AVE. The relationships between the constructs (TL, CSR and JP) have correlation values. TL has a positive relationship with CSR ( $r=.78, p<.00$ ) and JP ( $r=.72, p<.00$ ). Similarly, CSR shows a positive relationship with JP ( $r=.61, p<.00$ ). The presence of positive correlations initially supports the hypotheses of this study, indicating a positive association between the constructs involved. Table 2 reports PLS path coefficients and Hypotheses test results.

**Table 2. PLS Path Coefficients and Hypotheses Test Results**

Construct path	Path Coefficient	p-value	Results
TL → JP	.49	.00	H1 supported
TL → CSR	.86	.00	H2 supported
CSR → JP	.33	.02	H3 supported
TL → CSR → JP	.29	.06	H4 unsupported

## Discussion

H1 is supported. Transformational leadership positively and directly affects job performance ( $\beta=.49, p<.00$ ). This is aligned with the findings of the study by Naeem and Khanzada (2018), showing that

transformational leadership plays a significant role in job performance within the health sector of Pakistan. Qualities associated with transformational leadership inspire employees to perform better. Wang et al. (2022) obtained the same findings in their study involving 845 hotel employees in China, indicating that transformational leadership has a positive effect on job performance. In a Chinese context, transformational leadership is crucial for motivating employee attitudes and performance. Moreover, Lai et al. (2020) showed in their study of nurses that employees inspired by transformational leadership are more inclined to fully engage in their work, leading to improved task performance and a higher likelihood of displaying helpful behaviors.

H2 is supported. Transformational leadership has a significant and direct relationship with corporate social responsibility ( $\beta=.86, p<.00$ ). This finding is reinforced by various studies in literature, such as those by Tuan (2012), Du et al. (2013), and Khan and Siddiqui (2021). These studies consistently highlight a positive association between transformational leadership and corporate social responsibility. This connection is attributed to transformational leaders' charismatic and intellectually stimulating characteristics. Charismatic leaders are likely to engage in behaviors and advocate policies that relate to corporate social responsibility (Menges & Manyike 2019). Further, Golja (2019) added that transformational leadership, particularly with supportive and responsive leaders, accelerates the transition toward Corporate Social Responsibility 2.0.

H3 is supported. Corporate social responsibility positively and directly affects job performance ( $\beta=.33, p<.05$ ). This result is consistent with the conclusions stated in the study of Jneswar and Ranjit (2020) wherein the data from 306 full-time employees in the Indian manufacturing industry revealed a positive relationship between corporate social responsibility and employee job performance. Silva et al. (2022) find incorporating corporate social responsibility initiatives into company strategies is worthwhile, as employees' perceptions and performance are positively influenced by their organization's corporate social responsibility activities. However, corporate managers should accurately identify the specific types of corporate social responsibility activities that resonate positively with the employees. Not all corporate social responsibility initiatives equally motivate employee job performance (Otuya & Akporien 2020).

H4 is unsupported. Corporate social responsibility does not mediate the relationship between transformational leadership and job performance ( $\beta=.29, p>.05$ ). This represents a situation of direct-only non-mediation, meaning that the relationship between transformational leadership and job performance is significant without the involvement of corporate social responsibility as a mediating factor. This finding contrasts studies that identified corporate social responsibility as a mediating factor between transformational leadership and job performance. The research by Jneswar and Ranjit (2020) reached a contradictory conclusion, indicating that corporate social responsibility mediates between transformational leadership and job performance, though it was only partial. Hongdao et al. (2019) present evidence that corporate social responsibility mediates the connection between transformational leadership and job performance. This mediation is facilitated by introducing organizational, social, and psychological contexts of corporate social responsibility. Further, the study highlights that employees experiencing exemplary leadership behaviour and effective corporate social responsibility policies are likely to demonstrate elevated job satisfaction, leading to higher levels of job performance. In the same vein, Manzoor et al. (2019) identified a positive and confirming mediating impact of corporate social responsibility in the relationship between transformational leadership and job performance, implying that the qualities of transformational leadership and corporate social responsibility strategies may enhance employees' job performance.

### **Implication for Managers**

The findings of this study establish a connection between transformational leadership, corporate social responsibility, and job performance. It delves into how transformational leadership significantly shapes

corporate social responsibility, emphasizing leaders' critical role in fostering socially responsible practices within organizations. These practices motivate and inspire employees, promoting individual and team capacities and contributing to improved job performance. Notably, this connection stands out because, contrary to literature trends, corporate social responsibility does not mediate between transformational leadership and job performance in the context of the hospitality industry in the Philippines. Industry-specific dynamics and cultural nuances could influence this. After Typhoon Yolanda and amid ongoing COVID-19 challenges, priorities may focus on basic needs. Resource constraints and the urgency for swift recovery highlight the importance of direct leadership influence, prioritizing immediate and tangible actions over the slower, indirect effects usually associated with corporate social responsibility activities. Practical implications, especially relevant for MSME hotels, can be drawn from this study. First, organizations should strategically recruit leaders with solid transformational leadership qualities. Recognizing the significant impact of transformational leadership on corporate social responsibility and job performance, selecting leaders with these capabilities is crucial for shaping socially responsible practices and enhancing overall job performance. Additionally, the finding that corporate social responsibility does not mediate the relationship between transformational leadership and corporate social responsibility indicates that hotels can prioritize fostering transformative leadership styles to directly influence job performance, without necessarily relying on corporate social responsibility as an intermediary. Second, the study highlights how leaders are vital in shaping corporate social responsibility practices. Hotels are urged to actively promote socially responsible initiatives by integrating corporate social responsibility values into their culture (e.g. replacing disposable plastic water bottles with refillable options). Moreover, leaders should actively advocate and engage in responsible practices, such as fostering a balance between work and personal life, to motivate and inspire employees. Third, given transformational leadership practices' motivational and inspirational impact, organizations can leverage these qualities to foster teamwork and individual capacities. Encouraging a collaborative and innovative environment, facilitated by transformational leaders, improves team dynamics and enhances individual job performance.

While this study has strong points, it also comes with certain limitations. The research employs a cross-sectional design to collect data on a single city. Future studies can use a longitudinal technique across a broader geographic area, allowing for a more in-depth exploration of causal connections over time with a large sample size. Further, this study only considers one leadership style for predicting job performance, overlooking the potential impact of other leadership approaches. Subsequent research could explore the influence of different leadership styles on job performance. In addition, future research is necessary to identify other potential mediator variables that could impact the relationship between transformational leadership and job performance within the Philippine context.

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### Author



Drixel M. Ortega (ORCID 0009-0007-9338-5921) is an entrepreneur and real estate consultant specializing in the management of hotels, hostels, dormitories, co-living spaces and co-working facilities. Mr. Ortega can be contacted at [ortegadrixel@gmail.com](mailto:ortegadrixel@gmail.com) or [2022-10084@sanbeda.edu.ph](tel:2022-10084)



## BOOK REVIEW

### Book

The end of business as usual: rewire the way you work to succeed in the consumer revolution

Solis B

2012 Wiley, ISBN: 978-1-118-07755-9

### Reviewer

Michael B. Pasco , San Beda University, Philippines

[mpasco@sanbeda.edu.ph](mailto:mpasco@sanbeda.edu.ph)

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Years before the COVID-19 pandemic, the developments in digitalization were advancing. Solis wrote his observations and vision of what the business and consumer revolution would become. It has value in comparing this holistic view of Solis with the current phenomenon we are experiencing in the digitalization era, characteristics of consumers, internet and social media marketing, and the changes in the management of information technology and the social aspects. With the progress of the internet and cloud and the accessibility to wide arrays of information by every person, new business and marketing playing fields have also emerged. The author writes that the internet culture affected social consumerism, smartphones became focal points of communications and transactions, social networks became an integral part of each person's human network, the endorsements in social media became stronger, commerce and education in the digital settings were greatly accepted, and the extension of influences was either online or offline. A foreword in this book made by another person, Katie Couric, clarified the book's intended message.

This book is admirable. From his in-depth understanding of the evolution of the network economy and digitalization, he proposed superior business and marketing strategies for firms and organizations. From the consumer's magical experiences through smartphones to the transparency in market information, he presented several winning strategies that included devising shareable experiences, co-creation of brands, brand management, customer satisfaction and engagement, cultural and social responsibility as market differentiators as well as customer-centric approach in supplier, employees, and firm management. Further, he emphasizes that change management, disciplined management, process implementation, monitoring, cultural adoption, and transformative leadership are unavoidable in digitalization. The mindset needs to focus on accountability, resources, authority, and rewards. To drive cultural adoption means the execution of a communication plan, training, support network, measurement model, long-term sustainment, and accountability tools. Being customer-centric also means progressing into connected ecosystems and adaptive stages from hoarding information and two-way communication. Ultimately, the book encourages firms to be efficiently predictive to anticipate barriers and prevent the disadvantages of being reactive.

The determination of the segment of customers, their sensitive value requirements, and cherished goals need big data for comprehensive analysis. The book utilized thematic analysis of qualitative data and recommendations for big data analysis. Most importantly, the book has the relevance of tremendous business potential in serving shared experiences and marketing lifestyles. The levels of perceptions of the consumers and the businesses are to be understood. It would be more impactful for the readers to highlight the most important chapters with titles according to the identity and uniqueness of the recommendations. While several arguments are raised in the book, I would like to capture them faster and internalize the book's heart.

It is amazing that Solis foresaw the need for digitalization strategies and alarmed different companies before the great requirement occurred during and after the pandemic. Today, we observe the future of business as being affected by developments in information, as he portrayed. The reader of the book gains an awareness of the predicted conditions that made them calm, composed, and in control of their activities during and after the COVID-19 pandemic. One can learn more business and management techniques from this book. I experienced to achieve organizational heights instead of firm's losses because of the readiness, and the processes that Solis guided. More efficient marketing investments and inter-organizational communication were improved faster, leading to normal business as usual. While he elaborated different frameworks to justify his arguments, there are a lot of scenarios that the business communities are now aware of to validate his principles and recommendations in the book. Furthermore, readers can learn that the structure, technologies, and infrastructure needed to adapt to the new normal are mandatory.

Business, management, and academic communities should read this book and evaluate the fulfillment and the gaps between the premises. These efforts will drive the implementation and advancements of different digitalization business models to prevail in the new normal.

### Reviewer



Dr Michael B. Pasco (ORCID 0000-0001-9147-1729) is a Professor at the Graduate School of Business, San Beda University, Philippines. He has research and academic experiences related to management innovation, strategic management, human behavior in organization, managerial statistics, and advanced statistics at graduate and post-graduate levels. Dr Pasco is also a licensed veterinarian and a director of a global animal nutrition subsidiary in the Philippines. He can be contacted at [mpasco@sanbeda.edu.ph](mailto:mpasco@sanbeda.edu.ph)



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