

# THE INFLUENCE OF ACCOUNTING DIGITALISATION TRANSFORMATION AND SUSTAINABLE MANAGEMENT ON ESG PERFORMANCE TO ACHIEVE ENVIRONMENTAL SUSTAINABILITY

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**Abstract:** This research aims to examine and analyse the influence of accounting digitalisation transformation and sustainable management on ESG (Environmental, Social, and Governance) performance as a supporting capacity for hotel environmental sustainability programs. This research was conducted on a population of 1,010 four and five-star hotels in Indonesia based on data from the Central Statistics Agency. The study employed a quantitative research method with a survey design, utilising both online and offline questionnaires. Data analysis was conducted using a multiple linear regression approach. The empirical findings indicate that the digital transformation of accounting and sustainable management has a notable positive impact on ESG performance, thereby indicating its potential to bolster environmental sustainability within the hotel industry. This suggests that leveraging the digital transformation of sustainable accounting and management as a proxy for legitimacy theory can genuinely enhance ESG performance and contribute to environmental sustainability practices in the hotel sector. The research contribution is aimed at strengthening legitimacy theory in research in the field of sustainability accounting and can practically be used as a management reference in managing hotels towards sustainable hotels oriented towards environmental sustainability and receiving the title of green hotel.

Keywords: Environmental sustainability, digitalisation accounting, sustainable management, ESG performance.

JEL Codes: M41, O33, Q56.

## Introduction

An inclusive capitalism related to ESG (Environmental, Social, and Governance) has emerged recently. From an impact materiality perspective, the environmental dimension of ESG is about how a company impacts nature (Ionescu *et al.*, 2019). This includes resource use, waste handling, carbon emissions, and efforts to combat climate change (Bae *et al.*, 2023). From the perspective of impact materiality, the social aspect of ESG relates to a company's influence on society. This includes considerations related to employees, communities, customers, and other stakeholders (Mecca *et al.*, 2023). This aspect centres on important factors such as fair employment practices, employee welfare,

human rights, and community involvement (Bae *et al.*, 2023; Mecca *et al.*, 2023). By prioritising social responsibility, companies can build strong, positive relationships and make meaningful contributions to society's overall well-being. Regarding ESG in business, strong governance means that the company behaves honestly and transparently, can handle risks well, and prioritises the welfare of all stakeholders when making decisions (Ionescu *et al.*, 2019; Lau *et al.*, 2021; Ding & Tseng, 2023). More specifically, governance relates to corporate leadership, executive pay, and the composition of the board of directors, to name a few (Chen *et al.*, 2022).

Rising global temperatures, extreme weather changes and ecosystem damage pose serious challenges to the planet's sustainability (Saputra *et al.*, 2023). In facing these challenges, the ESG concept is increasingly recognised as an effective approach to mitigating carbon emissions and achieving sustainable development goals (Ionescu *et al.*, 2019; Ding & Tseng, 2023). Maintaining long-term company sustainability by upholding corporate governance guidelines is the key to increasing optimal company value for all stakeholders (Saputra *et al.*, 2022). Moreover, companies that pay attention to environmental, social and governance (ESG) issues can attract investors to make socially responsible investment decisions (Bae, 2022; Chen *et al.*, 2022).

Based on the results of the Globescan and Global Reporting Initiative (GRI) survey regarding the level of public trust in information disclosure in the 2020 sustainability report, it shows a significant increase reaching an average of 51% (Lau *et al.*, 2021; Ding & Tseng, 2023). This result increased sharply compared to the results of the same survey in 2003 of 30%. Of the 27 countries surveyed, Indonesia's level of public trust was the highest, reaching 81% and being in first place, beating China's position, which previously stood at 80% to 73% (Bae, 2022; Chen *et al.*, 2022). Meanwhile, Indonesia rose 2% from the previous achievement in 2016 of 79%, which means that the need for disclosure of sustainability information is increasingly needed because investors and other stakeholders are starting to reveal Environmental, Social and Governance (ESG) performance as an indicator of a company's strength (Saputra *et al.*, 2023). This situation is also supported by observations on the global stock market where companies with good ESG performance can better maintain their performance. This was also marked by the launching of a new index with the theme IDX ESG Leaders (ESGL) by the Indonesian Stock Exchange (Belaud *et al.*, 2019).

This condition of ESG performance has received much attention from accounting researchers regarding its relationship with

management accounting and competitive strategy (Saputra *et al.*, 2023). The company's competitive strategy is often demonstrated through digital transformation and sustainable management compensation. Varaniūtė *et al.* (2022) stated that digital transformation as a form of strategy positively influences the company's ESG performance in establishing environmental sustainability and awareness of hotel environmental management. The mechanisms underlying the relationship between corporate digitalisation transformation and environmental, social and governance (ESG) remain underexplored (Alrawadieh *et al.*, 2021). The relationship between digital transformation and ESG performance has not received much attention from researchers, especially in service companies in developing countries (Abad-Segura *et al.*, 2020; Chen *et al.*, 2022). Belaud *et al.* (2019) discovered the link between digitalisation and environmental performance. Sarkar *et al.* (2020) also found that digitalisation significantly positively affects social and environmental performance. Martinez (2019) also found a positive relationship between digitalisation and corporate governance performance. However, several other studies have found different results. Oleśniewicz *et al.* (2020) found no influence of digitalisation on financial, social and environmental performance. The same result was also stated by Blaisi (2019) namely that digitalisation does not affect environmental performance. Kabir *et al.* (2020) also discovered the inconsistency of the relationship between digitalisation and organisational performance. Based on the results of previous research which are still inconsistent and ambiguous, it is necessary to re-examine the relationship between digital transformation and ESG performance.

ESG considerations have become increasingly important in the business world as companies are expected to operate socially responsibly and sustainably (Toscano *et al.*, 2022). Hotels that prioritise ESG considerations contribute to a more sustainable and socially responsible world and stand to benefit in terms of reputation, customer loyalty, and long-term

financial performance. Investors, customers, and other stakeholders are increasingly considering a company's ESG performance when making decisions, and hotels that align with ESG principles may find themselves at a competitive advantage in the market (Carol, 2017; Lambriex & Tetereva, 2022). Strategies that hotels can take to achieve consistency with ESG principles are energy efficiency, water conservation, waste reduction, sustainable sourcing, green building design, community engagement, employee training and well-being, guest education, technology adoption, and measurement and reporting (Huang, 2021; Tóth *et al.*, 2021). By adopting these strategies, hotels can contribute to a more sustainable and responsible tourism industry while appealing to environmentally conscious guests and meeting the expectations of stakeholders who value ESG principles (Ionescu *et al.*, 2019; Dorfleitner *et al.*, 2020).

The development of sustainable infrastructure and social inclusiveness increasingly encourages Indonesia to pay attention to Environmental, Social and Governance (ESG) aspects in providing tourism infrastructure (Eliwa *et al.*, 2021). In the post-COVID-19 pandemic and the increasingly real threat of climate change, global awareness to move towards infrastructure development that pays more attention to environmental, social and governance (ESG) aspects is increasingly evident (Laksmi *et al.*, 2023). In the 2022 Enhanced Nationally Determined Contribution (ENDC) document, Indonesia strengthens its commitment to tackling climate change by increasing the Net Zero Emission target to 31.89% with its capabilities (unconditional) or 43.2% with international support (conditional) in 2030 (Cakranegara & Sidjabat, 2021; Saputra *et al.*, 2023). These two things indicate a need for "green" infrastructure investment in line with the increasing potential of existing "green" funds. In the context of providing infrastructure, the Ministry of Tourism and Creative Economy of the Republic of Indonesia has various support schemes and instruments, one of which is the implementation of CHSE certification for hotels and destinations (Ningrum & Septyandi,

2021; Parma *et al.*, 2021). The aim is to support ESG principles important for environmental sustainability and sustainable development.

The research results of Saputra *et al.* (2023) found that ESG performance, as represented by sustainability performance is influenced by sustainable management. Oleśniewicz *et al.* (2020) found that sustainable management compensation significantly influences sustainability performance. Johnstone (2019) found that sustainable management influences environmental and social performance. Kiesnere and Baumgartner (2019) also show the positive influence of sustainable management on organisational environmental performance. However, the relationship between sustainable management compensation and ESG performance has not yet been discovered, so further exploration is needed (Abad-Segura *et al.*, 2020). The inconsistent results indicate that further investigation and research opportunities are still needed. Bubicz *et al.* (2021) demonstrated this inconsistency and found that sustainable management does not affect ESG performance. Different results were also shown by Singh *et al.* (2020), which proved that sustainable management did not influence sustainability performance and governance performance. Apart from that, research on service companies in developing countries has not been carried out, so this research chose to explore service companies, namely hotels in Indonesia (Martinez, 2019; Sarkar *et al.*, 2020).

This research is based on legitimacy theory which directs that digitalisation transformation mechanisms and sustainable management compensation are related to improving environmental, social and governance (ESG) performance (Oleśniewicz *et al.*, 2020; Bae *et al.*, 2023). This research aims to test and analyse the influence of digitalisation transformation and sustainable management compensation on ESG performance in hotel companies in Indonesia (Saputra *et al.*, 2021). This research was conducted in the hotel industry in Indonesia because this industry has developed quite significantly and applies accounting mechanisms that are always developing all the time and

concentrate on implementing the principles of environmental sustainability as a requirement for receiving a CHSE (Cleanliness, Health, Safety, and Environmental Sustainability) certificate from the Ministry of Tourism of the Republic of Indonesia. Apart from that, this industry must apply sustainability or ESG concepts, so it seems most relevant that this research was conducted in a hotel context. Digital accounting mechanisms are most clearly applied in the hotel industry (Ponte, 2020; Ding & Tseng, 2023).

## Literature Review

### *Legitimacy Theory*

Legitimacy theory divides the legitimacy process into four phases: Establishment, maintenance, extension, and defence (Saputra *et al.*, 2023). Establishment is the stage where the company is aware of social construction and values and acts following what society wants to gain legitimacy. Maintenance is a stage where companies need to anticipate and prevent various conditions that have the potential to damage legitimacy (Eliwa *et al.*, 2021; Silva, 2021). Extending legitimacy is a stage that cannot be avoided when a business grows and changes must be made. This process occurs, for example, when a company expands its market share. Defending legitimacy is a reaction to threats to the company's legitimacy (Ahmad & Sulaiman, 2004).

Legitimacy theory provides suggestions regarding effective strategies for building and maintaining company legitimacy. Company legitimacy is becoming increasingly important because company development focuses on environmental issues. Environmental issues such as environmental pollution, gender issues, and work safety issues can undermine a company's legitimacy. In this condition, companies must have strategies and plans to be reactive to environmental issues (Alattar *et al.*, 2009).

A form of legitimacy in the context of the tourism business is the granting of CHSE certificates by the Ministry of Tourism of the Republic of Indonesia to hotels and destinations (Lasarudin *et al.*, 2022). The CHSE certificate is

a sign of the legitimacy of a business entity that has implemented health protocols and applies the principles of cleanliness, health, safety, and environmental sustainability (Illiyina *et al.*, 2021).

### ***Cleanliness, Health, Safety, and Environmental Sustainability (CHSE) Certification***

Cleanliness, Health, Safety, and Environmental Sustainability (CHSE) certification is the provision of certificates to businesses, destinations and tourism products as a guarantee to tourists that these businesses have implemented standard health protocols, namely the implementation of Cleanliness, Health, Safety, and Environmental Sustainability (Ningrum & Septyandi, 2021; Parma *et al.*, 2021). Having a CHSE certificate will benefit you, including increasing the number of tourists (Laksmi *et al.*, 2023). Tourists or visitors will choose destinations or tourism products that are safe and comfortable. Because they certainly do not want to take risks if they go on holiday to a tourist destination and stay at a hotel. These changes will give a new face to the tourism business being undertaken (Illiyina *et al.*, 2021).

Things that impact change most greatly include cleanliness, health, safety, and environmental sustainability. This will also make visitors or tourists more interested in visiting (Illiyina *et al.*, 2021; Ningrum & Septyandi, 2021). The CHSE certification process includes a review and assessment from the operational side. Therefore, a CHSE certificate can help hotels evaluate and improve their operational efficiency (Parma *et al.*, 2021). Guests who feel comfortable and safe at a CHSE-certified hotel are more likely to return to this hotel in the future. This can increase guest loyalty to the hotel (Laksmi *et al.*, 2023). CHSE certification can help hotels become more competitive in the tourism market because many customers are looking for hotels that are safe, clean, and environmentally friendly (Parma *et al.*, 2021; Lasarudin *et al.*, 2022).



### ***Accounting Digitalisation Transformation and ESG Performance***

The reasons underlying the importance of digitalisation in accounting include increasing accuracy in dealing with high levels of uncertainty in competitive markets (Kim, 2022). Another reason is that data can be processed quickly, which can also affect customer service (Curic, 2022). Therefore, it is important to obtain an overview of the effects of digitalisation on accountants because business accountants are responsible for improving company performance internally and externally (Pan & Lee, 2020; Curic, 2022; Varaniūtė et al., 2022). This encourages various sectors to utilise technology to increase income and business efficiency, including accounting. Digital technology is predicted to become the main tool that strengthens the accounting profession in the future. The existence of the Industrial Revolution 4.0 makes everything more effective and efficient (Nenkina, 2020; Singh et al., 2022). Even though it looks more effective and efficient, workers will lose their jobs if they are not competent in their respective fields because technology will replace their roles. The human resources industry needs today are those competent in using digital technology (Kiesnere & Baumgartner, 2019; Abad-Segura et al., 2020). The digitalisation of accounting makes it easier to support economic recovery during the pandemic, encouraging the development of MSMEs and increasing financial inclusion for marginalised communities (Singh et al., 2020; Bubicz et al., 2021). The digitalisation of accounting also supports environmental conservation efforts by reducing paper and fuel use (Punja, 2021). Sustainability in the ESG concept and digitalisation go hand in hand: To improve the economy, preserve the environment and improve community welfare. With ESG, the digitalisation of accounting helps overcome the pandemic and achieve the Sustainable Development Goals (SDGs) (Singh et al., 2022).

The research results of Nenkina (2020) found that the digitalisation transformation of accounting can improve environmental and

social performance in sustainability. Calderon-Monge and Ribeiro-Soriano (2023) also stated that the digitalisation transformation of accounting is fully correlated with improved governance performance. Curic (2022) stated in his research that the digitalisation of accounting influences environmental, social, and governance performance. However, several studies conducted in the context of sustainability state that digital accounting transformation does not affect ESG performance (Pan & Lee, 2020). Overall ESG performance includes environmental, social and governance performance. Alrawadieh et al. (2021) stated that the era of digital accounting transformation has begun and can be utilised to achieve sustainability. Digital accounting certainly has the best place in ESG implementation, so digital accounting transformation positively correlates with ESG performance (Calderon-Monge & Ribeiro-Soriano, 2023). Based on the results of previous research, the research hypothesis can be determined as follows:

*H<sub>1</sub>: Digital transformation of accounting influences ESG performance*

### ***Sustainable Management Compensation and ESG Performance***

Legitimacy theory in many studies is applied to corporate sustainability because stakeholder issues are social and environmental issues companies face (Bubicz et al., 2021). The ethical and managerial perspectives of legitimacy theory emphasise that companies must carry out strategy and planning (Singh et al., 2020). Sustainable management refers to legitimacy theory which considers stakeholders' interests so that it can improve sustainability performance (Buxel et al., 2015). Sustainable management has become one way to maintain growth and competitiveness in the hotel industry and to meet customer demand. Sustainable management influences environmental performance (Marchi et al., 2012), social performance, and governance performance (Santos et al., 2017). In the hotel

industry, one of the reasons for implementing sustainable management is to create and market effective and efficient products and improve ESG performance (Rubio-Mozos *et al.*, 2020).

Sustainable management can increase the certainty of achieving ESG performance by communicating and ensuring understanding of the vision, mission, goals and values adopted by the organisation to individuals as members of the organisation (Xue *et al.*, 2020). Rubio-Mozos *et al.* (2020) revealed that hotel companies use sustainable management compensation to prepare the organisation's vision, mission, goals, and values to comply with regulations or certification standards. Several studies have been conducted to analyse the effect of sustainable management compensation on hotel performance including non-financial performance measures including ESG, including Mihalič *et al.* (2012), Rodríguez-Antón *et al.* (2012), and Rubio-Mozos *et al.* (2020) revealed a positive relationship between sustainability management and hotel ESG performance. Thus, the second hypothesis of this research is as follows:

*H<sub>2</sub>: Sustainable management compensation has a positive effect on ESG performance*

## Method

In this research, researchers used an assessment method based on the philosophy of positivism (Hair, 2015). This research is explanatory, meaning it explains the position of the variables studied and the influence between one variable and another. The main reason for using explanatory is to test the proposed hypothesis (Hair *et al.*, 2010). ESG performance variables have environmental, social and governance indicators (Bae, 2022). Accounting digital transformation indicators consist of the realisation of sustainable business value, the percentage of cloud-based business processes, innovations successfully accepted by the market, the percentage of business processes enabled by Artificial Intelligence (AI), employee experience and productivity (Curic, 2022). Sustainable management indicators

consist of employee management, shareholder management, customer management, government management, environmental and resource management, community management, competitor management, and innovation management (Saputra *et al.*, 2023). Each measurement indicator uses a five-point Likert scale, namely (1) strongly disagree, (2) disagree, (3) neutral, (4) agree, and (5) strongly agree.

The population of this research is 1,010 four and five-star hotels in Indonesia registered with the Central Statistics Agency as of December 2022. Based on recent developments, researchers must determine sample size through power analysis (Saputra *et al.*, 2023). Power analysis determines the minimum sample size by considering the part of the model with the largest number of predictors (Hair *et al.*, 2010). Information regarding power, effect size, and significance level is needed to calculate the minimum required sample size. Various statistical programs are available to perform power analysis such as G\*Power (Hair, 2015; Saputra *et al.*, 2023). This research uses the sampling technique Hair *et al.* (2010) suggested by conducting power analysis using the G\*Power 3.1.9.7 application (Figure 1). Based on the G\*Power mechanism, the number of samples in this study was 119 samples.

Primary data collection was carried out using a survey method, namely a self-administered survey, where respondents filled out questionnaires independently without supervision from researchers. This research used a pilot study to test the feasibility of the questionnaire. Validity testing uses the product moment Pearson correlation test by connecting each item's score with the total score obtained in the research. In this validity test, the basis for decision-making is that the research instrument is declared valid if the calculated R-value is greater than or equal to the table R-value. However, if the calculated R-value is smaller than the table R, the research instrument is declared invalid. The results can be seen in the Pearson correlation value by comparing the R table at DF=N-2 and probability 0.05. The DF

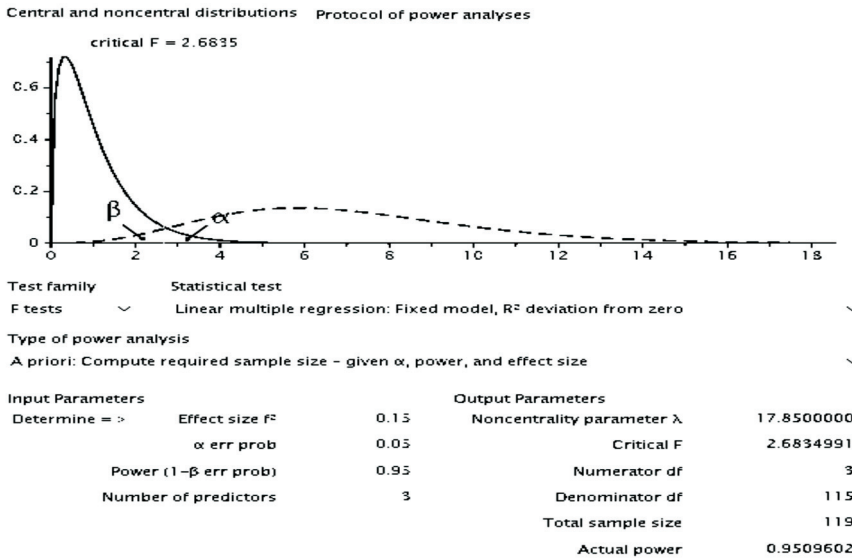


Figure 1: Sampling results using G\*Power 3.1.9.7

value in this test is  $30 - 2 = 28$ , and the R table in DF 28 is 0.3061. All variables show valid results. Instrument reliability testing is measured based on Cronbach's alpha value. The Cronbach's alpha coefficient value for this research instrument is  $\geq 0.6$  after invalid indicators are removed. Therefore, the measurement instrument is declared reliable or consistent. A multiple regression analysis model was used to test the hypothesis carried out in this research.

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

### Results

Respondents in this research were top management at a sample of 119-star hotels in Indonesia. The characteristics of the respondents studied were differentiated based on gender, age and length of work. Table 1 is a general description of the characteristics of respondents.

Based on Table 1, it can be seen that the number of male respondents is greater than female respondents. Most respondents are aged 30 to 39 years, working for more than five to 10 years.

Table 2 shows that the minimum value of the accounting digitalisation transformation

variable is 5 and the maximum value is 17, with an average of 9.8548. The sustainable management variable has a minimum value of 54.00 and a maximum value of 90.00 with an average of 75.2097 the performance of respondents in this study is included in the high category because the total average of respondents' answers was 75.2097, so the majority the respondent's answer was agreed or a value of 4. The ESG performance variable had a minimum value of 39.00 and a maximum value of 75.00, averaging 60.2258. ESG performance stated that the majority of respondents' answers were 4, with an average of 60.2258, so it can be stated that the ESG performance variable is included in the high category.

From the regression analysis above, it can be seen that the variables that significantly influence ESG performance are the digital transformation of accounting and sustainable management (Table 3). This also states that hypotheses one and two are accepted, namely that the digital transformation of accounting and sustainable management affects ESG performance in the hotel industry in Indonesia (Figure 2).

Table 1: General description of respondents

Characteristics		Percentage (%)
Gender	Man	59.7
	Woman	40.3
Age	20-29 years old	21
	30-39 years old	32.3
	40-49 years old	24.2
	50-59 years old	11.3
	60 years or more	11.3
Experience	< 1 year	21
	12 years	11.3
	25 years	11.3
	5 - 10 years	33.9
	10 years or more	22.6

Source: Data Processed (2024)

Table 2: Results of descriptive analysis of research variables

	N	Minimum	Maximum	Average	Standard Deviation
Accounting digitalisation transformation	119	5.00	17.00	9.8548	3.95403
Sustainable management	119	54.00	90.00	75.2097	7.54687
ESG performance	119	39.00	75.00	60.2258	7.61452
Valid N (listwise)	119				

Source: Data Processed (2024)

Table 3: Hypothesis test results

Explanatory Variables	ESG Performance Response Variables		
	Coefficient	T-count	Significance
Constant	99,580	20,852	0,000
Accounting digitalisation transformation	-2,050	-4,704	0,000
Sustainable management	-0.577	-2,441	0,018
R-square		0,764	

Source: Data Processed (2024)

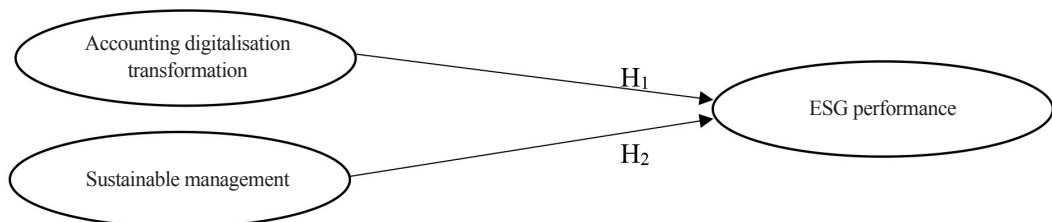


Figure 2: Conceptual framework of research



## Discussion

### ***Accounting Digitalisation Transformation and ESG Performance***

Digital transformation refers to integrating digital technology into every aspect of a business, fundamentally changing a company's operations and delivering value to customers. Digital strategy aligns business goals with digital technology to create a competitive advantage. Digital resources are a company's digital assets and capabilities, including hardware, software, data, and digital skills (Saputra *et al.*, 2023). Digital organising involves structuring and coordinating a company's digital resources and activities to achieve business goals. Digital adoption measures the extent to which a company embraces and leverages digital technology to improve its operations and customer experience (Curic, 2022; Saputra *et al.*, 2023). Digital marketing leverages digital channels for more effective customer reach and engagement. A digital innovation culture fosters a culture that welcomes new technology and ideas to drive business growth and sustainability. Digital management efficiently plans, organises, and controls digital resources and processes within a company to achieve strategic goals (Singh *et al.*, 2020; Bubicz *et al.*, 2021). The rise of technology and digital transformation has reshaped the volatile business environment while providing unique new development opportunities for hospitality businesses (Bae, 2022; Chen *et al.*, 2022). Integrating ESG into digital transformation is critical to driving sustainable and responsible business practices and improving ESG performance (Oleśniewicz *et al.*, 2020; Bae *et al.*, 2023).

Based on the dimensions of digital transformation, this paper believes that the impact of a company's digital transformation on a company's ESG performance is that strengthening the company's internal control and limiting potential cost increases is a fundamental guarantee for companies to increase the possibility of survival in the future (Lau *et al.*, 2021; Ding & Tseng, 2023). Relevant research shows that digital transformation

impacts managers' business behaviour in ESG performance, such as strengthening managers' internal control capabilities and strengthening managers' cost adjustment capabilities to reduce corporate cost stickiness to achieve ESG performance (Mecca *et al.*, 2023). Based on the respondents' viewpoints, it is not difficult to see that companies can significantly strengthen management's awareness of sustainable development through implementing digital transformation and improving ESG performance. This will encourage employees below them to pay more attention to matters conducive to the company's long-term survival so that the hope for long-term development becomes the consensus of the entire company (Gallardo-Vázquez *et al.*, 2019).

Digital transformation changes the way information is transmitted inside and outside the company, from paper announcements, verbal transmission, and analogue signal transmission to real-time digital information interconnection (Gallardo-Vázquez *et al.*, 2019). Therefore, the company's traditional business environment is undergoing major changes. Companies must actively adjust their resource allocation methods to adapt to these changes. In this process, the traditional innovation mode with innovative production tools is gradually being replaced by an innovation mode that also stimulates the company's innovation potential and supports the achievement of ESG performance and the integration of sustainability principles in the company (Martinez, 2019; Sarkar *et al.*, 2020).

The main key for tourism actors to survive amidst competition is good adaptation, innovation and collaboration capabilities (Martinez, 2019). These three capabilities have begun to be implemented in Indonesia through digital transformation and have fulfilled the requirements for CHSE certification (Sarkar *et al.*, 2020). Digital transformation is an effective strategy for promoting various destinations and Indonesia's tourism potential through

various platforms hosted by the Ministry of Tourism with CHSE certification (Saputra *et al.*, 2023). In addition, CHSE requires that digital transformation be implemented into the hotel management structure, along with digital accounting transformation. This means that the digital transformation of accounting is not only for financial reporting but also as a sign that hotels have now shifted towards sustainability in the wider tourism environment to improve welfare, support sustainable development, and increase the number of foreign tourists visiting Indonesia (Sarkar *et al.*, 2020; Saputra *et al.*, 2023).

It could be said that the trend of digital accounting transformation and digitalisation of tourism will certainly be a big leap for the tourism sector in Indonesia as well as strong encouragement from the government with its CHSE commitment (Saputra *et al.*, 2023). Because CHSE with the integration of digital tourism, indirectly makes people more aware and adapt to technological developments (Rubio-Mozos *et al.*, 2020). Of course, it is not difficult because people's lifestyles tend to be fast and in direct contact with the Internet. Also, the trend in hotel business management is also starting to shift towards digital. One proof of this can be seen in using digital platforms in all business lines, including accounting reporting (Saputra *et al.*, 2022). Management activities, control systems, and investment mechanisms are almost entirely conducted digitally. Interestingly, CHSE supports technological developments in the tourism industry, making this sector one of the sectors experiencing rapid digitalisation in business management, management and environmental sustainability (Saputra *et al.*, 2021). In other words, implementing a digitalisation transformation strategy, one of which is accounting digitalisation transformation is the right choice to attract investors and help management increase revenue.

### ***Sustainable Management and ESG Performance***

The availability of sustainable management in collaboration with other parties can help

hotel managers reduce operating costs (for example, by collaborating with travel agents or tour and travel operators to promote the hotel, thereby saving marketing costs) and result in better financial performance. Sustainable management has become one way to maintain growth and competitiveness in the hotel industry and to meet customer demand. Sustainable management influences ESG financial performance. In the hotel industry, one of the reasons for implementing sustainable management is to create and market effective and efficient products (Rubio-Mozos *et al.*, 2020). Sustainable management can increase the certainty of achieving ESG performance by communicating and ensuring understanding of the vision, mission, goals and values adopted by the organisation to individuals as members of the organisation (Xue *et al.*, 2020). Rubio-Mozos *et al.* (2020) revealed that hotel companies use sustainable management programs to prepare the organisation's vision, mission, goals, and values to comply with regulations or ESG certification standards.

Furthermore, Ochieng *et al.* (2016) stated that sustainable management should parallel an environmentally based management control system to regulate organisations by controlling environmental costs. Controlling environmental costs is carried out in various ways, namely water management, energy efficiency, waste and resource recovery, purchasing policies and ecological aspects, and controlling noise, air quality and landscape integration (Saputra *et al.*, 2022). For the hotel industry, controlling environmental costs reflected in environmental management accounting is necessary because it can improve ESG performance. In several hotels in Indonesia, the most visible breakthrough is the provision of green rooms which have been recognised by consumers, certification bodies and the government (Dang & Wang, 2022; Saputra *et al.*, 2022). The various product innovations come from basic materials that are easily recycled such as clothes hangers made from sawdust and sandals made from woven dry grass (Setiawati & Sitorus, 2014). This does not mean that using equipment made from recycled

materials sacrifices guest satisfaction but is more economical (Saputra *et al.*, 2021). As a benefit, several hotels have succeeded in achieving cost savings, especially costs for equipment, electricity bills, and building and garden maintenance costs so that ESG performance can be achieved.

CHSE certification is a standard that ensures a business carries out its operations by paying attention to cleanliness, health, safety, and the environment (Parma *et al.*, 2021). This certification is about complying with regulations, commitment to sustainability and corporate social responsibility, and implementing ESG. In sustainable management, CHSE is responsible for preserving the environment and society or customers (Ningrum & Septyandi, 2021). CHSE certification, integrated into hotel sustainable management is very important in assuring tourists and the public that the products and services they receive comply with cleanliness, health, safety, and environmental conservation protocols (Lasarudin *et al.*, 2022). For management of the hotel, this CHSE certification manifests the company's consistency in complying with ESG principles in its operations. ESG in hotels has a huge positive impact on the hotel itself, the community, and the surrounding environment (Ding & Tseng, 2023).

### **Conclusions, Limitation and Implication**

Under the wave of digital transformation, international and domestic attention to ESG performance and its evaluation systems has grown rapidly. Based on this, this article empirically verifies that digital transformation is positively related to ESG performance. This study found that corporate digital transformation can significantly improve the ESG performance of hotel companies. There are several specific pathways for a company's digital transformation to influence a company's ESG performance: Realisation of sustainable business value, percentage of business processes that are cloud-based, innovations successfully accepted by the market, percentage of business processes enabled by Artificial Intelligence (AI), employee

experience and productivity. Further analysis shows that the role of digital transformation in improving the ESG performance of hotel companies will be channelled in three ways: The same industry, the same region and the same institutional investors.

This research aims to develop legitimacy theory, showing that digital accounting transformation and sustainable management as a form of CHSE implementation can improve ESG performance. Practical contributions are made to hotel management to consistently implement digital accounting and sustainable management in the hotel's vision, mission and operations. For the government, the results of this research can be used as a reference to start making policies so that every hotel or tourism industry applies ESG principles and is consistent in CHSE through the implementation of digital accounting transformation and sustainable management.

Based on research results prove that sustainable management has a positive effect on ESG performance. This research shows that the hotel's commitment to implementing CHSE through digital accounting transformation and sustainable management can improve ESG performance. CHSE, which is the legitimacy of the government and society for hotels with an environmental and health conservation perspective can be implemented in various organisational elements. Sustainable management can be implemented by paying attention to customers, government, society, competitors, and investors in environmental, social, and governance matters. This concludes that domestic tourists still do not consider environmentally friendly values, but foreign tourists who visit are very selective and raise more comprehensive eco-friendly standards. So, continuous management is needed, especially customer management, to respond to the 100% Indonesian campaign. Consumers who are willing to pay extra for environmentally friendly hotels are increasing, but unfortunately, several hotels still do not demonstrate environmentally friendly values to consumers, so industry adaptation is still

low. Demand for green activities, green destinations, and green plus+ is increasing as a result of Indonesia's tourism offering, which is wonderful for Indonesia. Based on this, sustainable management is needed to improve ESG performance.

### **Limitation**

The study focuses specifically on hotel companies, and the findings may not be easily generalised to other industries. The impact of digital transformation on ESG performance may vary across different sectors.

### **Implications**

This study's focus on hotel companies provides valuable insights into the relationship between digital transformation and ESG performance in that particular industry, and caution should be exercised when applying these findings to other sectors. A more comprehensive understanding requires industry-specific research and considerations.

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### **Conflict of Interest Statement**

The authors declare that they have no conflict of interest.

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