

## **INTEGRATED BUSINESS STRATEGY AND ITS CONSTRUCTS: PILOT STUDY AT HOTELS IN MALAYSIA**

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### **ABSTRACT**

Since hotel industry is major contributor to the growth of Tourism Industry in Malaysia, it is vital to take into consideration of issues that are being carried by the industry. For example the high turnover of employee in hotel due to poor strategy conducted by hotels' management. This paper explores the new strategy measurement which is the integrated business strategy dimensions in fitting the hotel industry due to the scarce of hospitality strategy at present. The new strategy is developed from the integration of four business strategy scholars. The new strategy dimensions have been renamed and items of the strategies have been tested through a pilot study. In the pilot study, a questionnaire of 29 items to measure integrated business strategy were formed. It is hoped that this measurement tool will contribute to the setting of a foundation to future hospitality strategy development and management of hotels in Malaysia.

**Keywords:** Hospitality strategy, business strategy, integrated business strategy and hotel

### **INTRODUCTION**

Hotel industry in Malaysia has been considered as second highest industry that contributed to national GDP. Report from Malaysia Insider (2010) mentioned that 9% of country's GDP is contributed by this industry. Hence, this number keep increasing in the concept of tourist arrival. For example 16.4 million tourist arrived in the year of 2005 and the number keep increasing within five years to 23.6 million (MTPB, 2010). Aligning to this, it has been reported in Industrial Malaysian Plan Three (IMP 3) that there will be 520,770 direct employees opportunities has been created as compared to IMP 2 which the number was only 91,156.

Despite the booming of the industry, report from Ministry of Human Resource in 2009 mentioned that the Tourism employee job turnover in Malaysia is relatively high at 16% and from this number 8% was contributed by hoteliers' job turnover. This issue has resulted that hotels keep loose-fitting skillful employees. Hence, has led to high cost that need to be bare by a hotel in order to employ new employee. On top of that, it is also time consuming in training

employee in keeping to hotel service standard. Due to this, researchers suggested that there should be strategy in retaining the employee in hospitality industry is needed (Okumus, 2002; Enrique, 2009). Moreover, hospitality researchers have been arguing that in order to ease the issue of losing skillful employees, appropriate hospitality strategy is needed (Okumus, 2002; Bamberger & Meshoulum, 2000; Fernando, 2005; Shahrin, 2010). Since hotel operation environment involve labour intensive which need continuously employee motivation. Further, at present, hotel strategy is at scarce (Okumus, 2002). Align with the discussion, this study is aim to evaluate and integrate various business related strategies in fitting the hospitality environment.

## **LITERATURE REVIEW**

### ***Strategy***

Strategy shall be varied in applying to different types of organization's objectives (Ansoff, 1965; Barnard, 1938; Hofer & Schendel, 1978; Lindblom, 1959; March & Simon, 1958; Mintzberg, 1973; Quinn, 1980). Align with this, many researchers have come out with varies sets' of strategies (Ansoff, 1965; Barnard, 1938; Hofer & Schendel, 1978; Lindblom, 1959; March & Simon, 1958; Mintzberg, 1973; Quinn, 1980). However, these strategies have been said to focus on the manufacturing and trade industries. This issue has made researchers from the hospitality field have come to question what strategies can be used. The main question that has arisen is related to the appropriateness of strategy being utilised in service industry, mainly in the hospitality sector. This argument is due to the products in service industry is known as perishable products. Further, hospitality industry is a labour intensive industry, which the action occurs at the moment the service is produced; for example, a smile that a waiter gives during serving meals (Edger & Taylor, 1996; Olsen & Roper, 1998; Okumus, 2002). Since, hospitality industry carry perishable products, it has come to the conclusion that the industry is unique in term of how to deal with it. Due to this, the strategy use in the hospitality industry shall be added together with the human resources perspectives. The additional of human resource perspective in the strategy can comprehend the need to motivate the service provider in the industry (Mintzberg, 1973; Schuler & Jackson, 1987). Hence, researchers in the hospitality industry have also been reminded, during numerous academic forums such as CHRIE and CHME (the hotel and tourism conferences), to contribute to the literature on hospitality strategy.

Since most of the strategies used in hospitality industries have been adopted strategies from organisational business strategies through Miles and Snow (1974) strategy, it has left a gap for this research to fill with new hospitality strategy dimensions. This research is also supposed to give a new paradigm of strategies by integration of strategies from a range of different strategic environments.

### ***Integrated strategy***

The content of strategy is vital since it can be modified based on current circumstances (Mintzberg, 1978; Snow & Hambrick, 1980). Strategy content is how an organisation interacts with its environment and the way it seeks to improve its performance (Rubin, 1988). Due to this, this study is tuned to conceptualise strategy content on integrated strategy which it integrates

with various business strategies and incorporates them with the human resource perspective. The rationale of integrating business strategies and human resource perspective is due to the nature of the study which has been proposed by Okumus (2002), that most strategic management studies in hospitality have been adopting business strategy measurements only despite the unique environment of hospitality industry. Hence, since the hospitality industry is a labour-intensive industry, the human resource perspective is deemed important in planning the strategy used besides business strategy. On top of this, Okumus (2002) mentioned in his study that at present strategy in hospitality industry is at scarce.

On the other hand, in the strategic hospitality management field, leading authors such as Michael Olsen, Richard Teare, and their colleagues tend to see strategy as a plan. Hence, in their writings, they strongly emphasise on the importance of achieving “fit” between the organisations’ external and internal organisations. They have called this as the “co-alignment” principle (Olsen, M et.al., 1998).

The argument between authors’ views is considered to be a positive issue since it would encourage more researches to be conducted in validating and contributing to strategic management studies (Schendel & Hofer, 1979; Venkatraman, 1989; Okumus, 2002). For example, strategic management can be characterised into four phases in management mainstream: analysis, formulation, implementation, and evaluation. Few authors considered that these phases can be an overlapping one another and conducted at once if the process is comprehensively understood. However, in the hospitality management field, most studies viewed strategic management as a linear process starting from analysis to evaluation.

Due to the reason that the strategy is at scarce in hospitality industry and most of the study conducted in researching hospitality strategy used business strategy, it has opened the gap to be filled. Okumus (2002) and Bamberger & Meshoulum (2000) mentioned that researchers in hospitality industry need to conducted more strategy researches in hospitality industry in contributing toward strategy knowledge in hospitality industry. Align to this, this study is using strategies from several different scholars of business and human resource perspective and integrate them in finding the best fit and apply it in hotel industry. Hence, according to neo-HR approach of theorists, the way employee being treated is vital since it will reflect the motivation to enhance productivity (Nankervis et.al. 2008). Due to this, HR perspective is needed in the integration of the strategies. From the strategies, a typology is created and the most popular strategies that have been agreed by most of the scholar will be adopted as a dimension for the strategies that will be utilized in hotel industry. This method has been suggested by Hasliza (2009) and Fernando (2005). Table 1 will illustrate the typology.

Table 1: Integration of Business Strategies Typology

Business Strategies Dimension	Miles & Snow	Porter	Jackson & Schuler	Miller	Selected Dimension
1) Product market breath	X	x		X	Product/marker breath
2) Success posture/innovation	X	x	x	x	Innovation
3) Surveillance rationality	X				
4) Growth/Assertiveness/Timing of entry	X	x		x	Timing of entry
5) Technological goal/Cost	X	x		x	Cost / Efficiency
6) Technological breath/Employee behaviours	X	x	x	x	Employee competencies
7) Technology buffers/Risk taking	X		x	x	Employee competencies
8) Dominant coalition/Financial	X	x			
9) Planning	X			x	
10) Structure	X			x	
11) Control	X				
12) Resource Level		x			
13) Active Marketing		x		x	
14) Quality	X	x	x	x	Quality

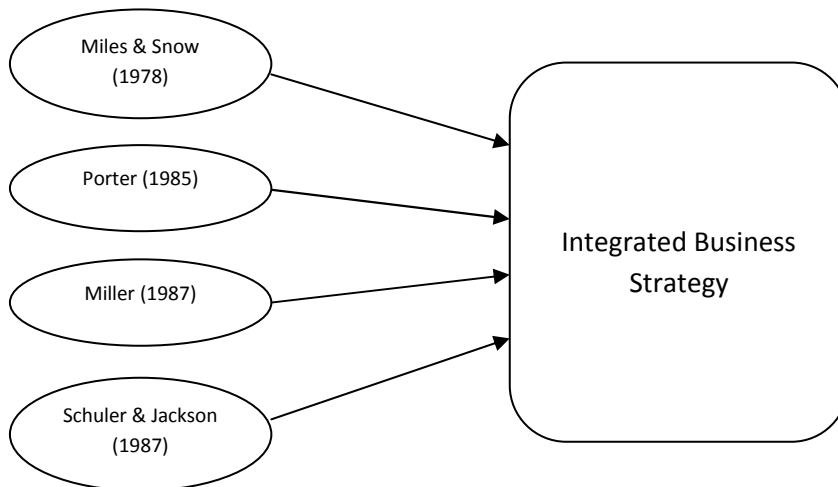
From the typology, four main scholars’ strategy has been evaluated and integrated. However, through the typology only dimensions that concerns on product breath, innovation, time of entry, cost efficiency, employee competencies and quality are being selected. The selection of dimension was done through the most popular items and dimensions being use by all four scholars. Through selecting the popular dimensions and items, it shows that the four scholars agree on the usage of the dimensions in measuring strategy. And from there, the selected dimensions are renamed to superiority-based strategy, uniqueness strategy, product expansion strategy and cost efficiency strategy. In superiority-based strategy, it is highly focus on quality enhancement of product and services. While, the uniqueness strategy focuses more on the differentiation of service or product is offered by organization. The third strategy, which is product expansion strategy, focus on the products and services breaths within the product line. And the last strategy that has been renamed is cost efficiency strategy. In this cost efficiency strategy, flexibility in cost controlling in monitoring products and services is considered.

## METHODS

### Conceptual Framework

The conceptual framework (Figure 1) explains the underlying process, which is adapted to guide this study. As discussed, this study is deemed to propose the integration of strategies in having strategy fix which is deemed needed in hotel industry since it is at scarce. Contingency Theory is proposed to be used since the theory has an argument that organizational performance or effectiveness results from fitting certain organizational characteristics and strategies to contingencies that reflect the situation of the organization (Burns and Stalker, 1961; Galbraith, 1973; Hage and Aiken, 1969; Pugh et. al., 1969). Due to that, in this study the integration of strategies is in need due to contingencies of hotel environment that changes it objectives gradually due to economic factors.

Figure 1: Conceptual Framework of Integrated Business Strategy



### Instrumentation

#### Pilot Study

A pilot study is a study conducted in a smaller scale of respondent in order to experiment of a logistic and check the validity of measurements before conducted the study in a larger scale or the real study. During the pilot study, a questionnaire should be piloted with a reasonable sample of respondents who come from the target population or who closely resemble the target population (Cavana et. al., 2000). The reason of conducting the pilot study is due to it will help to validate the measurement by undergo several processes before conducting pilot study for example, face validity and content validity. Face validity has been regarded as the basic or surface of questionnaires validity testing. In operating face validity, a researcher can have peer review of the questionnaires and the peer need to prove and understand the questionnaires and is

it adequate for the type of unit of analysis that will be used (Zikmund et. al., 2010). Whilst, content validity is the degree to which a measure relates to other variables as expected within a system of theoretical relationship (Babbie, 2008). However, Zikmund (2003) has suggested that content validity to be defined together with face validity and their activities of testing instruments are similar to each other. This is due to in both processes are trying to examine the measures proposed by researcher in achieving research objectives.

There are rules in conducting pilot study, for example, if the questionnaire has 20 opinion items and factor analysis need to be conducted, then, the ideal number of respondents will need to be multiplied by four to ten times of the items. This number has counted if there is data missing in the questionnaires answers. However, if the questionnaire contains only factual items, then a pilot study of 30 respondents is common. Hence, Browne (1995) conducted the study in health area mentioned that in conducting pilot study a respondent of 30 is accommodative enough by the rule of thumb. However, since the questionnaires in this study are adapted from literature, they are considered opinion items. But, Cavana et. al., (2008) mentioned that if the number of respondent is too large and if it almost impossible to achieve, most of business researchers will apply less number of respondent and accept the result will be only indicative. Align with these arguments; the study is considering 106 hotels and resorts to be utilized for pilot study by taking the consideration items in the questionnaires are 106.

## **FINDINGS**

### **Demographic Data**

The sample contained more city hotels (56.6%) than resorts hotel (43.4%). This uneven numbers between the two logistics area is due to numbers of hotels being built are more in city than in the resort area. In addition, the respondents from city type hotels are more cooperative than the resort area.

### **Data Distribution**

Normality refers to the shape of data distribution for an individual metric variable and its correspondence to the normal distribution. It is a foundation process of analyzing data. A data set need to be evaluated through normality first before proceeding to further testing. Through the result gained from normality test, a data set will then only be decided to proceed with parametric or non-parametric test. Normality test cab be assessed by using skewness and kurtosis values. Skewness is used to measure the symmetry of a distribution while on the other hand, kurtosis is used to measure the peakness or flatness of a distribution when compared to a normal distribution (Hair, Anderson, Tatham & Black, 1998).

Based on the results, skewness for all items of integrated business strategy tested were ranged from -0.071 to 1.083. Hair et. al. (1998) mentioned that the normal curve bell-shaped is within +/- 3 standard deviation from its mean. Due to this, all the means of various can be considered

normally distributed. Whilst, the kurtosis values for all the items ranged from -1.416 to 0.621. Referring to the values ranged in kurtosis result, they do not exceed the threshold of +/-10 and according Hoyle (1995) if a value of kurtosis exceed +/-10, it can be considered “problematic”. Due to the justification by Hoyle (1995), the data is considered to bear a decent kurtosis value.

### **Reliability Test**

The overall Cronbach’s Alpha score for all 29 items to test the integrated business strategy was 0.87. As stated in Table 1, most of the dimensions measured integrated strategies are above 0.60, which ranged from 0.57 to 0.77. According to Nunnally (1978) and Sivanisan (1985), these values were quite acceptable since the data has not been validated. Through the Cronbach’s Alpha gained from the study, it is considered that the measurements are reliable for data collection as has been suggested by Nunnally (1978) which minimum of 0.50 at Cronbach Alpha. Due to the justification obtained from Nunally (1978), Cost efficiency should be deleted since it’s only gained 0.24 of Cronbach’s Alpha which is lower than 0.50. However, since this pilot test has been conducted in a small sample size, the dimension shall be kept for further analysis due to literature suggested that it is vital for hospitality study.

**TABLE 1: CRONBACH’S ALPHA RELIABILITY TEST RESULTS FOR INTERGRATED STRATEGY DIMENSIONS**

<b>Construct</b>	<b>Cronbach’s alpha</b>	<b>No of Items</b>
Overall Integrated Business strategy	.87	29
Uniqueness	.57	9
Product Expansion	.75	9
Superiority-based	.77	6
Cost Efficiency	.24	5

### **DISCUSSION AND CONCLUSION**

This pilot study explore the integrated business strategy attributes for evaluating and comprehend strategies that have developed earlier by scholar such as Miller (1987), Miles & Snow (1978), Porter (1985) and Schuler & Jackson (1987). From the integration of the strategies, most popular strategies will be adapted in evaluating the strategies in hotel environment due to the need of strategies in hotel industry. Through the literature of business strategies and visitation to hotels added with discussions with the hotels’ human resource managers toward hotel strategies, four dimensions with 29 items have been agreed to be accessed for the study. These includes dimensions starts from differentiation, product expansion, quality and cost efficiency.

From the reliability result, two dimensions (product expansion and superiority-based) showed high reliability, one (uniqueness) has moderate reliability. However, cost efficiency dimension has showed low reliability although the dimension has been proven in literature that it has high reliability in measuring strategy in organization (Hasliza, 2009; Olsen, 1998).

In this article, the questionnaire developed was tested with relatively small sample size and respondents were all human resource executive and above. Limited tests and analysis also were conducted on the data collected. To confirm the value of this research tool, further study will be conducted with different sets of hotel respondents with larger sample size and more statistical analysis will be performed.

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