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An Investigation on Hotel Environment Volatility and Low-Scale Hotel Organizational Competitive Strategy

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Abstract

This study examines how the hotel industry leaders prepare in formulating and integrating hotel environmental volatility to align with the organizational competitive strategy. This study offers insight into the researchers to investigate the correlation between hotel environment volatility and organizational competitive strategy and provide hotel managers with more useful approaches for business performance. This study aims to investigate the components of the hotel environment volatility and organizational competitive strategy which has not been comprehensively investigated in the context of low-scale hotel level. The dimensional scale of this study was investigated with a sample of 170 low-scale hotels in the Klang Valley vicinity, Selangor, Malaysia. The respondents were those holding at least an executive-level position and a human resource management team. Two instruments that were required for the study consist of environment volatility rate and hotel competitive strategy. The results show that the overall environmental volatility of low-scale hotel environment volatility was discovered slightly stable. Furthermore, the study finds the degree of uncertainty and the degree of complexity discovered slightly high, meanwhile, the rate of growth was discovered as slightly low. The results show the hotel executives using the defender strategy as their organizational competitive strategy.

Keywords: Environment Volatility, Organizational Competitive Strategy, Low-Scale Hotel

Introduction

Low-scale hotels have continuously participated in a significant responsibility to support the achievement of the hospitality and tourism industry. In 2018, there were 4.75 thousand hotels in Malaysia. The revenue in Malaysia's domestic tourism sector recorded an increase of 11.5 percent last year, making MYR 103.2 billion successfully recorded compared to only MYR 92.6 billion in 2018 (Asia Hospitality Career, 2019). The Malaysia tourism, arts and culture ministry reported in 2019, the total frequency of local tourism also increased by 8.1 percent to 239.1 million in 2019 compared to the previous year. At this point, the

government's efforts in ensuring that Malaysia has international quality hotel quality can show the influence of the hospitality sector. However, the government and hotel operators need to formulate a strategy to capture to catch up to ride the global wave to local and international tourist numbers. Compared to Asian countries such as Singapore, Thailand, Singapore, and Indonesia, this country does better marketing in promoting their destinations. Every country has its slogan to promote their country such as Singapore with the slogan "Singapoliday", Thailand's "Amazing Thailand" and Indonesia's "Wonderful Indonesia" as a platform to introduce their countries to increase the arrival of national and international tourists. Hence, hotels in Malaysian need to do a drastic change to a greater extent of volatility in the environment to compete with other Asian countries so that Malaysia can be on par with other Asian countries.

The hotel business faces a massive and unique economic risk. In general, the economic risk for the hotel business reflects various factors affecting business profitability. Factors that reflect primarily distinctive for profitable businesses such as the cost leadership strategy (Rodríguez and Pei Chun, 2014), strategic leadership Hitt et al (2005), competitive human resources strategy (Tavitiyaman et al., 2012), the quality of product, product mix and technology choices, as well as business organization preferences, combination factors, location, and productivity business specification and cost and demand factors (Haltiwanger, 2011). Hence business environment requires a prolonged competitive advantage through consistent business and competitive strategies.

The Objective of the Study

The objectives of the study are:

- to find out the components of the hotel environment volatility,
- investigate the low-scale hotel organization environment volatility rate,
- find out the low-scale hotel competitive strategy, and
- determine the extent of association between the low-scale hotel organizations environment volatility rate and the hotel competitive strategy.

The study proposed

- i) If the hotel environment volatility rate is very high or very dynamic, it would select the Prospector strategy.
- ii) If the hotel environment volatility rate is slightly high or slightly dynamic, it would select the Analyzer strategy.
- iii) If the hotel environment volatility rate is very low, it would select the Defender strategy.

The Research Framework

To carry out the research work, the research framework (Figure 1) is based on analyzing the low-scale hotel environment volatility and organizational competitive strategy. The conceptual framework is as follows:

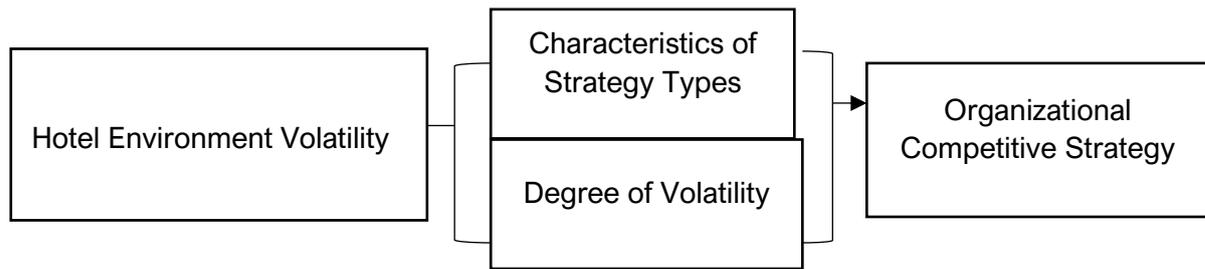


Figure 1. The Research Framework

Literature Overview

Business Environment

The business condition will be faced with environmental shifts and intricacies just as internal resource limitations and constraints. A key management task is to stream the environment for circumstances and to modify its resources to assemble the future challenge given by the environment. Kilinc (2008) stated that in the environment was taken into consideration in which hotel enterprises are working, it was seen that the hotels need to develop reliable strategies to work efficiently and effectively. Slattery and Olsen (1984) stated that the link between hospitality organizations and their environment is important to the management of the organizations because survival and growth are dependent on it. Emery and Trist's (1965) conceptualization of organizational environments is based on an open systems framework and focuses attention on the types of interconnections that exist between and within a focal system, such as a firm and the environmental system in which it operates. The Emery-Trist (1965) levels of organizational environments comprise four key organizational types: (i) Placid-random environment where the environment is relatively unchanged and changes occur slowly over time; (ii) Placid-cluster environment where changes also occur slowly and are still predictable, but the environment is comprised of some very powerful and active change agent. Threats to the organization are seen as clustered rather than random; (iii) Disturbed-reactive, where the environment is more complex and numerous competitors are seeking similar objectives, and (iv) Turbulent environment where there is a high degree of uncertainty and elements in the environments are increasingly interrelated. Hence, the organization should plan strategically in line with the demands of the environment.

Hotel Organization Competitive Strategy

Strategy is about ensuring the survival and prosperity of a firm (Grant, 2005) by implementing strategies to fulfill stakeholder expectations in an uncertain future. Firms that engage in strategic planning and have appropriately designed and applied competitive strategies tend to have higher performance than those that do not (Joñsson and Devonish, 2009). There are numbers of typologies to categorize the strategies that an organization can pursue at the unit level to realize its targets. The most widely used strategy types are those developed by (Miles and Snow, 1978). The Miles and Snow strategy is a useful tool for categorizing as well as understanding the types of strategies to be pursued by organizations. Miles and Snow (1978) classified strategy into four main types: (i) defender strategy where the firm's emphasis is on tight control of the operations, extensive division of labor, a high degree of formalization and centralization, and there is little change in the external environment; (ii) analyzer strategy where there is moderate centralized control, a tight control over routine activities, a slightly loose controls over new projects undertaking, and the environment is seen as changing but

the direction of change can still be predicted; (iii) prospector strategy which loosely controls the firm's activities, there is a low division of labor, a low degree of formalization and centralization, and the environment is seen as turbulent; and (iv) reactor strategy, which have the similar structure as the firm with a defender strategy, but the firm respond to change very reluctantly. The management of the reactor strategy type firm is unlikely to make any major adjustments in its operations until it is forced by pressure from the external environment.

There are several approaches for hoteliers to formulate their business strategy. Musa and Arif (2017) disclosed the significance of aligning personal, organizational, and external factors with their business strategy as the success factors for low-scale hotel entrepreneurs. Meanwhile, Jo'nsson and Devonish (2009) suggested that hoteliers should focus on various strategies by training employees in producing quality services that strengthen changes during customer demand so that the hotel will be more competitive. Leonidou et al (2012), suggested that hoteliers should take part in environmental initiatives that concentrate on programs aimed to conserve water, and energy and reducing waste, among the ways to support the firm to improve its reputation among guests and attract environmentally sensitive consumers. Furthermore, Agyapong and Boamah (2013) suggested that cost leadership, differentiation, and strategic leadership can enhance the performance of hotel businesses. Therefore, this study allows low-scale hotels to be sensitive to variables that can affect organizational efficiency so that internal processes can be achieved under the chosen strategy.

Research Methodology

The case study design was selected to determine the extent of the relationship between environment volatility rate and hotel competitive strategy. There is a total of 170 hotels of low-scale hotels located in the Klang Valley vicinity responded to the study. The study used convenience sampling selected from the list of hotels published in the directory of hotels by Tourism Malaysia. The respondents represented those holding at least an executive-level position in the hotel. Secondary information was derived from research reports, journal articles, and published data by Tourism Malaysia, the Ministry of Tourism, and Economic Reports.

Two instruments were required for the study. These instruments consisted of structured questions aimed at identifying environment volatility rate and hotel competitive strategy. These instruments were combined in the form of a questionnaire that was mailed out to the hotels. Each respondent was asked to respond to the environment volatility instrument based on a 6-point Likert scale, while for the identification of the hotel, strategy type the respondent was asked to indicate the extent of the organization practices on each of the 18-item instruments through the use of a semantic differential scale.

Environment Volatility Measurement

Environment Volatility Rate is measured on three main variables:

1. Rate of Growth – Degree of growth opportunities in your market area.
 - Rate of growth in industry sales,
 - Rate of growth of new hotels,
 - Rate at which hotels were going out of business or closure,
 - Rate of growth in a similar group of hotels, and
 - Rate of growth in the volume of customers.

2. Degree of Uncertainty – The extent of change (rate and velocity) in the business environment.
 - Changes in room rates,
 - Availability of labor supplies,
 - Demand for hotel rooms,
 - Changes in competitive tactics used by the competitors,
 - Changes in regulatory activities, and
 - Changes in customers' tastes and preferences

3. Degree of Complexity – The extent of complexity in the business environment.
 - Geographic concentration of competitors,
 - Geographic concentration of industry sales,
 - Geographic concentration of labor availability,
 - Level of products/services differentiation,
 - Geographic concentration of customers, and
 - Technological diversity used in the industry.

The scale used in measuring the dimensions of the environment volatility rate is as follows:

Unstable	Very Stable	Slightly Stable	Slightly Dynamic	Moderately Dynamic	Very Dynamic
Unidentifiable	Very Low	Slightly Low	Slightly High	Moderately High	Very High
1.00 – 1.83	1.84 – 2.66	2.67 – 3.49	3.50 – 4.32	4.33 – 5.15	5.16 – 6.00

Identification of the Hotel's Competitive Strategy was based on the following 18 items:

1. Offering of room/services type
2. Orientation toward cost control
3. Nature of stated objective
4. Maintaining operating efficiency
5. Labour Cost % Total Revenue
6. Services/Products innovations
7. Capital structure
8. Emphasis on Price Leadership
9. Product/Service differentiation
10. Maintaining image and reputation
11. Monitoring guest satisfaction
12. Quality control activities
13. Response to market condition
14. Price competitiveness
15. Financing source for new projects
16. Tracking competitors
17. Monitoring employee productivity
18. Scanning external environment.

Scale:

Reactor	Defender	Analyzer - Defender	Analyzer	Analyzer – Prospector	Prospector
1.00 – 1.83	1.84 – 2.66	2.67 – 3.49	3.50 – 4.32	4.33 – 5.15	5.16 – 6.00

Based on the average total score derived via the semantic differential scale, the hotel would be type-set into one of the four following competitive strategy types with their characteristics.

Note: Pure Form of Strategy=> 70%

Characteristics of Each Strategy Type	
No.	Characteristics
1	<p>Reactor Strategy: The company type does not appear to have a consistent customer/market orientation. However, the company is usually not aggressive in maintaining established markets and services as some of its competitors, nor is it willing to take as many risks. It is rather the organization responds in those areas due to pressures from customers, suppliers, competitors, or the government.</p>
2	<p>Analyzer Strategy: The company type attempts to maintain a stable and limited line of products/services, while at the same time moving quickly to follow a carefully selected set of the most promising new developments in the market. The company is hardly using 'first-in' with new concepts or services. By carefully monitoring the actions of competitors in areas compatible with its stable customer base, it can be 'second-in' with a more cost-efficient facility or service.</p>
3	<p>Prospector Strategy: The company typically serves a broad customer/market base that undergoes periodic redefinitions. The company values remaining "first-in in offering new concepts, even if not all those efforts prove to be profitable. The company responds rapidly to early signals concerning areas of opportunity, and these responses often lead to new rounds of competitive actions. Nevertheless, the firm may not maintain strength in all the market segments it serves.</p>
4	<p>Defender Strategy: The company's efforts to conserve a secure niche in a relatively stable customer/market segment. The company tends to offer a more limited range of services than its competitors, and it tries to protect its position by offering quality at lower prices. This company is not at the forefront of development in the market and tends to ignore market changes that have no direct influence on its current areas of operations and it concentrates instead on doing the best job possible in a limited market segment.</p>

Findings

The study findings are reported in the following format: (i) Response Rate and Respondent Profile, (ii) Environmental Volatility Variables, and (iii) Competitive Strategy.

Response Rate and Respondent Profile

The results show a total of 170 low-scale hotels solicited participation. A total of 22 hotels responded for participation and this represented a 13% response rate. Of the 22 responding hotels, the responses were derived from 12 (55%) were general managers, 2 (9%) were directors, 7 (32%) were heads of sales and marketing and 1 (4%) was the assistant human resource manager.

Environmental Volatility

The degree of environment volatility rate is measured by three variables: (i) Rate of growth which measured the degree of growth opportunities in your market area, (ii) Level of environmental uncertainty which measured the extent of change (rate and velocity) in the business environment, and (ii) Level of environmental complexity which measured the extent of complexity in the business environment.

Rate of Growth

The rate of growth of low-scale hotels is measured by five dimensions which were (i) the rate of growth in industry sales, (ii) the rate of growth of new hotels (iii) the rate at which hotels were going out of business or closure (iv) similar hotels growth rate, and (v) growth rate of customers volume. Table 1 indicate the overall low-scale hotel growth rate in 2019. The results show the low-scale hotel company experienced a slightly low overall rate of growth. The overall growth rate for the mid-range hotel group was found to be slightly high as supported by a similarly slightly high level of growth in sales volume, the growth in the number of new hotels, and the growth in customer volume. In contrast, the rate of hotel closure and the growth in similar hotel types were indicated as either very low or slightly low, respectively. This is illustrated in Table 1 below.

Table 1

Low-scale hotel growth rate in 2019

No	Factors	Mean
1	Sales volume growth rate	Slightly High 4.02
2	New hotels' growth rate	Slightly High 3.70
3	Rate of hotel closure	Very Low 2.24
4	Similar hotels' growth rate	Slightly Low 3.48
5	Customer volume growth rate	Slightly High 4.02
	Overall Growth Rate	Slightly Low 3.49

Level of Environmental Uncertainty

The level of environmental uncertainty was measured on the extent of changes in room rates, the level of availability in labor supplies, the rate of demand for hotel rooms, the rate of changes in competitors' tactics, the rate of changes in regulatory activities, and the rate of changes in customers' tastes and preferences. As indicated in Table 2, the overall results show

that the low-scale hotel revealed the level of environmental uncertainty was slightly high. The rate of changes in the room rate was at a slightly low level and the changes in customers' tastes and preferences were at a moderately high level. The other four factors were in support of the overall findings of slightly high and they were the level of availability in labor supplies, the rate of demand for hotel rooms, the rate of changes in competitors' tactics, and the rate of changes in regulatory activities.

Table 2

Low-scale hotel level of environment uncertainty in 2019

No.	Dimensions	Mean
1	Changes in room rates	Slightly Low 3.14
2	Availability of labor supplies	Slightly High 3.64
3	Demand for hotel rooms	Slightly High 4.18
4	Changes in competitors' competitive tactics	Slightly High 4.02
5	Changes in regulatory activities	Slightly High 3.62
6	Changes in customer tastes and preferences	Moderately High 4.38
	Overall Level of Environment Uncertainty	Slightly High 3.83

Level of Environmental Complexity

The level of environment complexity measured the extent to which factors in the environment contributed to the complexity of the environment and those factors included the density of geographical concentration of competitors, industry sales, the availability of labor, and customers; and the level of product/service innovations, and the level of technological diversity used by Industry. Table 3. Indicate low-scale hotel level of environment complexity 2019. The results show the overall level of environment complexity as considered as slightly high which was supported in the slightly high geographical concentration, the slightly high level of product/service innovations, and the slightly high level of technological diversity used by the industry. The concentration of competitors and industry were of moderately high level, while the availability of labor was considered as slightly low.

Table 3

Low-scale hotel Level of environment complexity 2019

No.	Factors	Mean
1	Geographic concentration of competitors	Moderately High 4.41
2	Geographic concentration of industry sales	Moderately High 4.39
3	Geographic concentration of labor availability	Slightly Low 3.45
4	Level of products / services differentiation	Slightly High 3.70
5	Geographic concentration of customers	Slightly High 4.28
6	Technological diversity used by industry	Slightly High 4.07
	Overall Level of Environment Complexity	Slightly High 4.05

Overall Environmental Volatility

As shown in Table 4, the overall low-scale hotel group environment results show slightly dynamic. The results show the degree of uncertainty and the degree of complexity are slightly high, while the rate of growth was noted as slightly low.

Table 4

Environment volatility rate for mid-range hotel category in 2019

Rate of Growth	Degree of Uncertainty	Degree of Complexity	Overall level of Environment Volatility
Slightly Low 3.49	Slightly High 3.83	Slightly High 4.05	Slightly Dynamic 3.79

Identification of the Strategy Type

Based on the responses of the low-scale hotel group, the respondents indicated that a slight majority of 10 hotels, or 42% assumed the Defender strategy. This is followed by 9 hotels or 37% with the Analyzer Strategy. The Prospector strategy was noted in 3 (10%) of the 22 hotels, while another 2 or 8% could not identify any distinctive pattern in their characteristics and were thus assumed as following a Reactor strategy type.

Table 5

Identification of the Strategy Type

No.	Characteristics	Responses	
		Frequency	Percent
1	<p>Reactor Strategy: The company type does not appear to have a consistent customer/market orientation. However, the company is usually not aggressive in maintaining established markets and services as some of its competitors, nor is it willing to take as many risks. It is rather the organization responds in those areas due to pressures from customers, suppliers, competitors, or the government.</p>	2	8 %
2	<p>Analyzer Strategy: The company type attempts to maintain a stable and limited line of products/services, while at the same time moving quickly to follow a carefully selected set of the most promising new developments in the market. The company is hardly using 'first-in' with new concepts or services. By carefully monitoring the actions of competitors in areas compatible with its stable customer base, it can be 'second-in' with a more cost-efficient facility or service.</p>	9	37 %
3	<p>Prospector Strategy: The company typically serves a broad customer/market base that undergoes periodic redefinitions. The company values remaining first-in in offering new concepts, even if not all those efforts prove to be profitable. The company responds rapidly to early signals concerning areas of opportunity, and these responses often lead to new rounds of competitive actions. Nevertheless, the firm may not maintain strength in all the market segments it serves.</p>	3	13 %
4	<p>Defender Strategy: The company's efforts to conserve a secure niche in a relatively stable customer/market segment. The company tends to offer a more limited range of services than its competitors, and it tries to protect its position by offering quality at lower prices. This company is not at the forefront of development in the market and tends to ignore market changes that have no direct influence on its current areas of operations and it concentrates instead on doing the best job possible in a limited market segment.</p>	10	42%
	OVERALL	24	100 %

Identification of The Low-Scale Hotel Group Competitive Strategy Type

It was determined a pure form of strategy type was identified in 70% and above the number of hotels that indicated the same strategy. Thus, in this case, it is determined that the strategy type that formed the majority would be the combination of the Analyzer and the Defender strategy type but leaning slightly more towards the Defender strategy. This is illustrated in the following table.

Table 6

Low-scale hotel group strategy type

Reactor	Defender	Analyzer - Defender	Analyzer	Analyzer – Prospector	Prospector
8%	42	✓	37%	-	13%
1.00 – 1.83	1.84 – 2.66	2.67 – 3.49	3.50 – 4.32	4.33 – 5.15	5.16 – 6.00

Extent of Relationship Between Hotel Environment Volatility Rate with Hotel Competitive Strategy type

In determining the extent of the low-scale hotel environment volatility rate with the hotel competitive strategy, it could be concluded that there was a slight relationship since the environment volatility rate was found to be at a slightly high or dynamic level and the hotel competitive strategy was of the Analyzer-Defender type. For a full relationship, in a slightly volatile environment, the strategy to be adopted would be the Analyzer strategy.

Table 7

The extent of relationship between hotel environment volatility rate with hotel competitive strategy type

Variables	Findings	Extent of Relationship
Hotel Environment Volatility Rate	Slightly Dynamic 3.79	Partial Relationship
Hotel Strategy Type	Analyzer- Defender Strategy Slightly Low	

Summary and Conclusion

This study revealed organizational competitive strategy was related to the low-scale hotel environment volatility rate of mid-range hotel group environment as can be observed by comparing the rate of growth, the level of uncertainty, and the level of environmental complexity. The low-scale hotel performance shows the growth in sales volume, the growth of new hotels, and the growth in customer volume. Low-scale hotels need to analyze the external environment effectively to respond to the changing needs and desires of the customers and adapt to market conditions. In this regard, strategic management could be considered as providing proper tools to ensure the adaptation of hotels to the external environment. Financial sectors also need to be working well with new and current hotel operators to allocate credit for them to start-ups and expanding businesses. Ever since start-ups business and small businesses tend to be more tentative, thus causing them to be more

volatile, the financial sectors must be able to accommodate and oversee not only the start-ups and expanding businesses but also the high probability of contraction and business exit. Low-scale hotels particularly need compelling information to sustain daily routines and develop new strategies for the future. Thus, they must set systems going to gather information, disseminate it among different parts of the business, and create new solutions and responses to the changes occurring in the market. Furthermore, the hotels that focus on strategy were more into concentrating on a narrow segment of the market by trying to address a specific customer segment formed by those people interested in specialty products and services and who are not price sensitive. As the limits of this study, some issues must be expressed such as the concepts of service quality will provide the best foundation for successful strategies of sampling businesses. The study recommends the hoteliers should collaborate with other partners of the supply chain such as vendors and outside contractors to improve the business strategy by setting out promotional and communication efforts that will feature their company's green advertising endeavors. The findings may be more significant and more valid consequences can be created when the study would be repeated on a broader sample.

Significant of The Research

Slattery and Olsen (1984) stated that the link between hospitality organizations and their environment is important to the management of the organizations because survival and growth are dependent on it. There are several approaches for hoteliers to formulate their business strategy. Musa and Arif (2017) disclosed the significance of aligning personal, organizational, and external factors with their business strategy as the success factors for low-scale hotel entrepreneurs. Meanwhile, Jo'nsson and Devonish (2009) suggested that hoteliers should focus on various strategies by training employees in producing quality services that strengthen changes during customer demand so that the hotel will be more competitive. Leonidou et al (2012), suggested that hoteliers should take part in environmental initiatives that concentrate on programs aimed to conserve water, and energy and reducing waste, among the ways to support the firm to improve its reputation among guests and attract environmentally sensitive consumers. Furthermore, Agyapong and Boamah (2013) suggested that cost leadership, differentiation, and strategic leadership can enhance the performance of hotel businesses. Miles & Snow's approach is chosen in this paper as a basis of its theoretical framework in determining the extent of the low-scale hotel environment volatility rate with the hotel competitive strategy. This study is aimed to determine the extent of association between the low-scale hotel organizations environment volatility rate and the hotel competitive strategy of 170 low scale hotels in the Klang Valley vicinity located in Selangor, Malaysia. According to the typology of Miles and Snow (1978), the results concluded that there was a slight relationship since the environment volatility rate was found to be at a slightly high or dynamic level and the hotel competitive strategy was of the Analyzer-Defender type. However, for a full relationship, in a slightly volatile environment, the strategy to be adopted would be the Analyzer strategy.

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