

Competitive Strategy In “XYZ” Four-Star Hotel Company in Tangerang City, Indonesia

Sam'un Jaja Raharja*

Department of Business Administration, Faculty of Social and Political Sciences University of Padjadjaran

Ria Arifianti

Department of Business Administration, Faculty of Social and Political Sciences University of Padjadjaran

— Review of —
**Integrative
 Business &
 Economics**
 — Research —

ABSTRACT

A strategy is a key word for all companies to be able to compete with similar companies based on internal performance or external company. The investigation into the performance of XYZ Hotel in Tangerang City using Malcolm Baldrige criteria affirms that the company is at the level of early improvement. This research was conducted to explain the proper competitive strategy for XYZ Hotel. With the use of SWOT analysis combined with the EFE–EFI matrix analysis, the position of XYZ Hotel was identified as quadrant V. The proper competitive strategy to do is hold and maintain on the basis of that position.

Keywords: competitive strategy, internal factor, external factor, hold, maintain.

1. INTRODUCTION

Established in 2012, XYZ Hotel is one of the four-star hotels in Tangerang City. The hotel has different and unique characteristics and a few rooms to cater to guests completely. Given its superior service and provision of an extraordinary experience, the uniqueness of XYZ Hotel provides it with a significant opportunity to dominate the market in Tangerang City, even though its guests pay an additional premium. Recently, many hotels have become main competitors for XYZ Hotel. These include Novotel Hotel, Istana Hotel, Narita Hotel, and FM7 Hotel. **Table 1** shows the number and development of the hotels and the number of rooms of XYZ Hotel's competitors since it was established in 2012.

Data show the increasing number of hotels annually. Such development generates a tight competition among the companies. Accordingly, the Board of XYZ Hotel continually attempts to boost the competitiveness of the company and win the competition in Tangerang City.

One of the requirements to compete properly is a satisfactory performance. Such performance from a hotel will make it the customers' choice. The number of visitors represents an appropriate performance indicator. **Table 2** shows the record of the XYZ Hotel guests in 2016.

Eighty-two foreign guests stayed in XYZ Hotel in September 2016. The number dropped 79% from 2015. Meanwhile, the Statistic Center Agency reports that foreign visitors who stayed at hotels in 2015 total to 84,806 people, an increase of 15% from 2014. These figures confirm that such guests are less interested in staying at XYZ Hotel.

The same trend is observed with the domestic guests. According to **Table 2**, domestic guests in XYZ Hotel until September 2016 amount to 18,767. Compared with the number of domestic guests in 2015, the recent figure is lower by 25%. Furthermore, the Statistic Center Agency report proves that the number of domestic guests in hotels until the end of 2015 was 333,898, representing an increase of 20% from 2014. The previous study by Hasyim (2016)

on the performance of XYZ Hotel using Malcolm Baldrige criteria affirms the condition regarding domestic guests (see **Table 3**).

Table 1. The Number of Hotels and Their Rooms of XYZ Hotel's Main Competitors in 2012—2015

Year	Number of Hotel	Amount of Room
2012	8	920
2013	9	1,022
2014	17	2,284
2015	24	3,363

Source: XYZ Hotel, Tangerang City, 2016

Table 2. The Number of Guests' Visit of XYZ Four-star Hotel, Tangerang City Period January—September 2016

Month	Foreign Guests	Domestic Guests
January	5	2,149
February	12	2,118
March	10	2,001
April	9	1,987
May	6	1,996
June	10	2,150
July	15	2,111
August	10	2,135
September	5	2,120

Source: XYZ Hotel, Tangerang City, 2016

Table 3. The Calculation of XYZ Hotel Performance in Tangerang City based on Malcolm Baldrige Criteria

Category and Item	Target	Achievement	Score
1. Leadership	120		59
1.1 Senior Leadership	70	28,5	
1.2 Governance and Social Responsibilities	50	30,5	
2. Strategic Planning	85		46
2.1 Strategy Development	40	21	
2.2 Strategy Implementation	45	25	
3. Customer Focus			44
3.1 Voice of the Customer	85	26,75	
3.2 Customer Engagement	45	17,25	
	40		
4. Measurement, Analysis, and Knowledge Management	90		35
4.1 Measurement, Analysis, and Improvement of Organizational Performance	45	15	
4.2 Management of Information, Knowledge, and Information Technology	45	20	
5. Workforce Focus	85		45
5.1 Workforce Environment	40	25	
5.2 Workforce Engagement	45	20	
6. Operation Focus	85		26,75
6.1 Work System	45	16,25	
6.2 Work Process	40	10,5	

7. Result	450		212
7.1 Product and Process Outcomes	120	40	
7.2 Customer-Focused Outcomes	90	44	
7.3 Workforce-Focused Outcomes	80	48	
7.4 Leadership and Governance Outcomes	80	50	
7.5 Financial and Market Outcomes	80	30	
TOTAL	1000		467,75

Source: Raharja (2017)

The calculation based on the performance measurement above verifies that the achievement of XYZ Hotel in Tangerang City reaches 467.75. Regarding its performance assessment, the company is in the level of early improvement with its average predicate. Within that condition, XYZ Hotel must implement a proper strategy to be able to compete in the future. This study aims at describing and analyzing the competitive strategy of XYZ Hotel using SWOT analysis combined with the matrix of internal and external factor evaluations.

2. LITERATURE REVIEW

Formisano (2004) defined a strategy as:

a detailed plan for achieving success, the bundle of decisions and activities that we choose to achieve our long-term goals. Strategy is the path we choose. Every organization has to figure out what it wants to achieve and then how it is going to make it happen, with its products, customers, and operations.

That definition indicates that a strategy is a detailed plan resulting from a set of decisions taken to achieve a long-term target. The strategy of each organization describes what to achieve and how it can be realized by producing various types of products, by serving customers, and through company operational activities.

Shimizu (2012) explained a strategy as a future plan to achieve a certain goal. A strategy consists of identifying target customers, providing better or less expensive services/products than competitors, and utilizing the strengths (uniqueness) of the company.

The assertion of Shimizu is fairly similar to Formisano's description of a strategy as a future plan to achieve a clear purpose. Shimizu added that a strategy encompasses related aspects by identifying target customers, providing better or less expensive services or products than competitors, and using the strengths or uniqueness owned by the company. The definition by Shimizu is highly relevant as a theoretical step in analyzing the case in XYZ Hotel Company in Tangerang City.

Porter (1980) asserted that, in coping with the five competitive forces, three potentially successful generic strategic approaches are available to outperform other companies in an industry: overall cost leadership, differentiation, and focus.

Differentiation, the second generic strategy identified by Porter, is done by creating something new or providing something unique. A few types of differentiation are known, starting from design image, technology, customer service, and supplier network. An ideal differentiation is one that employs a couple of dimensions at one time. A differentiation can be a separator among competitors due to customer loyalty. In addition, customers are generally insensitive to price.

Furthermore, to attain a superior position against competitors and decide on a proper strategy, a company must assess its internal condition and environment. Such process is called strategic management, and it is in line with the statement of Alkhafaji on management strategy. Alkhafaji (2004) defined strategic management as the process of assessing the company and its environment to meet the long-term objectives of the organization. It refers

to the series of decisions taken by the management to determine the long-term purposes of the organization and the means to achieve such purposes.

Moreover, Alkhafaji claimed that strategic planning is one of the important activities that constitute a tool of strategic management.

“A management tool to look at the future and see tomorrow’s opportunities or challenges to gain competitive position. Competitive strategic planning not only predicts future events but also influences them and energizes resources and activities. The evolutionary process integrates decisions and actions into a vision of where the organization wants to be in the future, rather than allowing daily demands to determine the organization’s future direction and position in the marketplace” (Alkhafaji, 2004).

The strategic planning itself has four main objectives (Alkhafaji, 2014), namely:

- a. to find, attract, and keep the customers;
- b. to ensure that the company is meeting the needs and wants of its customers, which is a cornerstone in providing the quality product or service that customers really want;
- c. to sustain a competitive position; and
- d. to utilize the strength of the company and capitalize upon the weakness of competitors.

Alkhafaji (2014) likewise validated that strategic planning has several important aspects.

It is an analysis of

strengths, weakness, opportunities, and threats (SWOT analysis). SWOT analysis typically generates strategic alternatives, which become the basis to forecast the future as it relates to the organization and to formulate the strategies and objectives that best match the organization with the environment.

The SWOT analysis arises from the analysis of elements from the internal and external environments of an organization. SWOT entails a brief classification from environmental analysis. Boards of companies utilize the results of SWOT analysis to decide the development of a comprehensive strategy and as a premise for determining targets and formulating company policy.

To analyze the strengths, weaknesses, opportunities, and threats pertaining to XYZ Hotel, the author uses SWOT analysis combined with the matrix of internal and external evaluations. The implementation of the Internal Factor Evaluation (IFE) matrix is arranged in five steps (David, 2011).

1. List key internal factor as identified in the internal audit process. Total from 10 to 20 internal factors, including both strengths and weaknesses.
2. Assign a weight range from 0.0 (not important) to 1.0 (all important) to each factor.
3. Assign a rating of 1–4 for each factor to indicate whether it represents a major weakness (rating = 1), a minor weakness (rating = 2), a minor strength (rating = 3) or a major strength (rating = 4).
4. Multiply the weight of each factor by its rating to identify a weighted score for each variable.
5. Sum the weighted score for each variable to determine the total weighted score for the organization.

The implementation of the EFE matrix is also arranged in five steps (David, 2011).

1. List the key external factors as identified in the external audit process. Include a total of 15 to 20 factors, including opportunities and threats that affect the firm and the industry.
2. Assign a weight range from 0.0 (not important) to 1.0 (very important).

3. Assign a rating of 1–4 to each key external factor to indicate how effectively the current strategies of the firm respond to the factor, where 4 = the response is superior, 3 = the response is above average, 2 = the response is average, and 1 = the response is poor.
4. Multiply the weight of each factor by its rating to determine a weighted score.
5. Sum the weighted score for each variable to ascertain the total weighted score for the organization.

The combination of the internal and external matrices (or the IE matrix) is based on two main dimensions: IFE total weight score at the X axis and EFE total weight score at the Y axis.

David (2011) verified that the IE matrix can be divided into three parts consisting of nine cells or quadrants. Quadrants I, II, and IV are described as requiring the “grow and build” approach with an intensive strategy (market penetration, market development, and product development) or with the integrative strategy (back, front, and horizontal integration). As for quadrants III, V, and VII, the strategy is “hold and maintain” or market penetration and product development. Quadrants VI, VIII, and IX entail the “harvest or divest” approach.

Raharja (2017) examined the analysis of *PDAM* Cirebon through SWOT analysis and concluded that a balance exists between the strengths and weaknesses in terms of production and marketing. The financial aspect also has more strengths than weaknesses. As regards opportunities and threats, the former outnumber the latter. The study also deduced that *PDAM* Cirebon can further grow and expand.

3. METHOD

This study employed a descriptive method. Data were collected through observation, a questionnaire, and interviews. Observation was conducted to ascertain the condition and situation of the hotel’s infrastructures related to its service to consumers. The questionnaire was utilized to obtain reactions about hotel management. Respondents were selected purposively, such as the employees related directly to daily operational activities.

4. RESEARCH FINDINGS AND DISCUSSION

In this discussion, SWOT analysis was employed for the selection of the proper strategy that utilizes opportunities and strengths, neutralizes threats, and avoids weaknesses.

SWOT analysis is an evaluation of the internal strength and weakness and the external opportunities and threats by analyzing internal and external factors. The calculation of each Malcolm Baldrige criterion was used to formulate the strategy using SWOT analysis. The calculation was made by ranking the achievement of each item of the Malcolm Baldrige criteria of the company. The selection of strength and weakness factors was based on the rank of the criteria item. Each item of the criteria that is considered a strength must have the achievement $\geq 50\%$ and rank 1–5. Conversely, items with the achievement $< 50\%$ and with ranks of 6–12 are considered weaknesses.

Table 4 shows the rank of performance achievement of each item of the Malcolm Baldrige criteria of XYZ Hotel related to the categories based on SWOT analysis.

Table 4. The Rank of Performance Achievement and SWOT Categories

Category and Item	Achievement Percentage	Achievement Rank	Category
1. Leadership 1.1 Senior Leadership 1.2 Governance and Social Responsibilities	40.71% 61%	9 2	Weakness Strength
2. Strategic Planning 2.1 Strategy Development 2.2 Strategy Implementation	52.50% 55.56%	5 4	Strength Strength
3. Customer Focus 3.1 Voice of the Customer 3.2 Customer Engagement	59.44% 43.13%	3 8	Strength Weakness
4. Measurement, Analysis, and Knowledge Management 4.1 Measurement, Analysis, and Improvement of Organizational Performance 4.2 Management of Information, Knowledge, and Information Technology	33.33% 44.44%	11 7	Weakness Weakness
5. Workforce Focus 5.1 Workforce Environment 5.2 Workforce Engagement	62.50% 44.44%	1 6	Strength Weakness
6. Operation Focus 6.1 Work System 6.2 Work Process	36.11% 26.25%	10 12	Weakness Weakness

Source: Result of survey

The achievement rank above used the Malcolm Baldrige criteria. Thereafter, the internal factors that became strengths and weaknesses were analyzed using the internal evaluation matrix or the IFE matrix. **Table 5** exhibits the calculation of the internal analysis of XYZ Hotel using IFE.

Table 5. Internal Factor Evaluation (IFE) Matrix of XYZ Hotel

Internal Strategy Factors	Weight	Rating	Score (WxR)
Strength			
1. Workforce environment	0.120	4.000	0.481
2. Management and social responsibility	0.118	4.000	0.470
3. Market and customer knowledge	0.115	3.000	0.343
4. Strategy dissemination	0.107	3.000	0.321
5. Strategy development	0.101	3.000	0.303
Weakness			
1. Information, information technology, and knowledge	0.086	2.000	0.171
2. Workforce involvement	0.086	2.000	0.171
3. Market relationship and satisfaction	0.083	2.000	0.166
4. Senior leadership	0.078	2.000	0.156
5. Work system	0.070	1.000	0.069

6. Organization performance measurement and analysis	0.064	1.000	0.064
7. Work process	0.051	1.000	0.050
Total	1.000		2.771

The total IFE matrix owned by XYZ Hotel is 2.771. The total score is bigger than the average score of 2.5. This finding confirms that XYZ Hotel has a proper strategy in utilizing its internal strength and succeeds in anticipating company weaknesses. The most dominant strengths of XYZ Hotel is (1) the conducive work environment where the board succeeds in creating a smooth work atmosphere between the employees and the management and (2) social responsibility that signals that the company responsibility to the society is categorized as highly satisfactory and that the business cares about society. Such strengths support the increase of company branding.

The work process obtained the lowest score and, hence, should be the main concern for the company. Many complaints were received regarding activities in term time, such as the process of checking in, an extended time for maintaining broken facilities, slow Wi-Fi access, and few elevators that require the guests to queue. Reportedly, the food in the restaurant does not taste good sometimes.

Furthermore, the analysis of the external company factor or EFE that covers market analysis, the competitors, the condition of society and government, the customers, and the economy may reveal the opportunities and the threats for the company. The analysis of the questionnaire given to the customers and the employees provides the EFE matrix shown in **Table 6**.

Table 6. The External Factor Evaluation (EFE) Matrix of XYZ Hotel

External Factor Evaluation	Weight	Rating	Score (WxR)
Opportunities			
1. The strategic location	0.131	4.000	0.525
2. The number of business opportunities that have not been touched for meeting rooms, seminar, and wedding	0.126	3.000	0.377
3. The segment of medium price that keeps growing	0.121	3.000	0.362
4. The availability and recruitment of talented workforce from the society around	0.115	3.000	0.345
5. The policy of Tangerang City local government that supports hospitality industry	0.114	3.000	0.340
Threats			
1. The rapid promotion programs by the competitors	0.106	3.000	0.319
2. The establishment of new hotels with low-cost concept	0.098	2.000	0.196
3. The change of consumers' taste	0.095	2.000	0.189
4. The facilities and services from the competitors	0.094	1.000	0.094
Total	1.000		2.752

The total of EFE matrix owned by XYZ Hotel is **2.752**. The score is bigger than the average score of 2.5. Such outcome validates that the hotel has a proper strategy in utilizing

its external opportunities and succeeds in avoiding the external threats to the company. The most dominant opportunity for the hotel is its strategic location, scoring 0.525. By contrast, the most dominant threat for the company is its rapid promotion program, with has score of 0.319.

The next phase is the selection of an alternative strategy for XYZ Hotel. The selection refers to the result of the combination of the internal and external factors. **Figure 1** provides the illustration of the matching phase.

Figure 1. Internal-External Matrix of XYZ Hotel in Tangerang City

		Total Weighted Internal Factor Score		
		Strong	Average	Weak
		3.0—4.0	2.0—2.99	1.0—1.99
		3.0	2.0	1.0
Total Weighted External Factor Score	High	I	II	III
	Medium	IV	V	VI
	Low	VII	VIII	IX
	4.0			
	3.0			
	2.0			
	1.0			

The IE matrix is divided into three main parts that correspond to different alternative strategies. First, companies that are in quadrants I, II, or IV are in growth. The intensive strategy for these quadrants covers market penetration, market development, and product development or back, front, and horizontal integration. Second, companies in quadrants III, V, and VII are optimally managed using defense and maintenance strategy, market penetration strategy, and product development. Third, companies in quadrants VI, VIII, and IX are best operated through divestment (David, 2011).

The IFE–EFE matrix analysis used to map the company competitive strategy affirms that the sum of the weighting score of the IFE that illustrates the company internal strength on the X axis is 2.771. Moreover, the sum of the weighting score of EFE that depicts the company interest in the industry on the Y axis is 2.752. The analysis also placed the company in quadrant V. The result verifies that XYZ Hotel is in the average competition position. The alternative strategy for that position is to hold and maintain what has been achieved. The hold and maintain strategy selected for XYZ Hotel is then combined with the differentiation strategy that is in accordance with the uniqueness of the said hotel. Differentiation refers to the offer from an organization that is considered a plus value by customers. Differentiation is related to uniqueness. The analysis result validates that the uniqueness of XYZ Hotel is having a sizeable meeting room and a ballroom supported by its strategic location. XYZ Hotel offers an extraordinary experience to its customers by branding itself as a meeting and convention hotel.

Product development can be achieved by packaging and programming, which means

presenting a product such that it becomes interesting and visually appealing. Various program packages are offered by XYZ Hotel, including international and traditional wedding packages, office meetings, family gatherings, and other packages. This type of strategy can be considerably intensive if the hotel can reach customers by offering its products and services directly and continuously. Accordingly, the following activities may be pursued:

1. Establishing cooperation with hotel online agents, travel agents, airlines, or catering businesses;
2. Promoting collaboration with the local government, the ministry, and private companies regarding the use of meeting rooms and the ballroom by issuing package discounts for the meeting room and for stays at the hotel; and
3. Seeking the cooperation of event organizers for various occasions, such as seminars.

5. CONCLUSION AND RECOMMENDATIONS

1. Currently, XYZ Hotel sits at the average level. The hotel must choose a proper strategy to enable the company to achieve its vision and mission.
2. The IFE and EFE analysis with Malcolm Baldrige criteria affirms that XYZ Hotel is in quadrant V. For the hotel to improve company competitiveness, it must implement the appropriate strategy of hold and maintain, along with the differentiation strategy and the positioning of featured products and services.
3. The hotel is expected to focus on its processes, specifically on its work system through an improvement in management, building maintenance, and building facilities.
4. The company must widen its information network and the range of its marketing through cooperation with local governments and private companies (such as travel agents and online agents) and by developing a website.

REFERENCES

- [1] Alkhafaji, Abbas F. 2014 *The Art of Strategic Management : Formulaton, Implementation and Control in Dynamic Environment*. Vol 8. Mumbai. Jaico Publishing House
- [2] Bungin, Burhan. 2007. *Metodologi Penelitian Kualitatif*. Edisi 2 Jakarta. Prenada Media Grup.
- [3] Creswell, J. 2010. *Research Design: Pendekatan Kualitatif, Kuantitatif, dan Mixed*.
- [4] Yogyakarta: PT Pustaka Pelajar
- [5] David, Fred R, 2011. *Strategic Management: Concepts and Cases 13 eds*. New Jersey.
- [6] Pearson Education
- [7] Formisano, Roger A. 2004. *Manager's Guide to Strategy*. New York The Mc Graw Hill Company
- [8] Porter, Michael E. (1980) *Competitive Strategy: Techniques for Analyzing Industries and Competitors*. New York. The Free Press
- [9] Shimizu, Katsuhiko, 2012. *The Cores of Strategic Management*, New York. Routledge
- [10] Supriyanto, Budi. 2016. *Kota Tangerang Dalam Angka 2016*. Tangerang : BPS.
- [11] Research Paper
- [12] Hasyim, M.Ardi Nupi (2016). *Analisis Kinerja Perusahaan Berdasarkan Kriteria Malcolm Baldrige : Studi Pada Hotel Bintang Empat "XYZ" di Kota Tangerang Indonesia*. Thesis. Unpublished Research
- [13] Jannah, Emy Miftahul, Arif Rahman, Rahmi Yuniarti, 2013 *Penentuan Strategi Bersaing Perusahaan Berdasarkan Pengukuran Kinerja dengan Metode Malcolm*

Baldrige National Quality Award MBNQA : (Studi Kasus PT. Cakra Guna Cipta Malang)

https://www.google.co.id/?gws_rd=cr,ssl&ei=F2VdWaaWBoeOvQTctpv4DQ#q=penen+tuan+strategi+bersaing