

UNIVERSITI TEKNOLOGI MARA

**BUSINESS STRATEGY, ENVIRONMENTAL
VARIABLES, AND PERFORMANCE OF
HOTELS IN BATAM CITY, INDONESIA**

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ABSTRACT

Business Strategy, Environmental Variables, and Performance of Hotels in Batam City, Indonesia

In the previous years, the numbers of tourists visiting Batam city have been fluctuating. According to The Indonesian Statistic Bureau records, 1,526,094 tourist visited Batam city in 2004, 1,024,733 in 2005 and 1,012,536 in 2006 (BPS, 2007). The decreased in tourist receipts contradicted with numbers of hotel rooms whereby many new hotels have been constructed, and there has been an increased competition among the hotels. There were more than 6,725 hotel rooms in 2004 in Batam city and increase 7,097 hotel rooms in 2005 (BPS, 2007).

The increase of hotel industry in Batam city in recent decades pre-empted a growth in national and international hotel chains, and lately the emergence of global chains. The growth has not only occurred in the number of chains, but also in their size and segment market especially from Singapore and Malaysia. The highly volatile and competitive business environment has encouraged the hotel industry in Batam to provide a high standard of quality services to the customers. Problems arise when the flow of resources becomes uncertain due to unpredictable changes in the environment. These changes are assumed to have an immediate impact on the hotel industry's rate of growth and performance.

This research aims to study the area of improving a hotel manager's performance by identifying the working environment variables, which affect his strategy. The main objective of this study is to explore the strategic dimensions, the degree of environmental variables, the relationship between business strategy, environmental variables and performance utilized by hotels in Batam city.

This paper focuses on the influence of environmental variables on the business strategy and performance relationship among one to four star hotel

categories in Batam city. Focus respondent were selected from the total population of 44 hotels in Batam. Instruments were distributed to the Hotel General Manager or any members of the top management team.

Moderated Regression Analysis (MRA) was conducted to test the hypothesis. Results indicated that the two major hypotheses were either supported or partially supported. For hypothesis one, the results indicated that there was a no relationship between business strategy and performance was supported. Results from the hierarchical multiple regression analysis signified that hypothesis two was partially supported espoused that the effect of moderating variables between business strategy and environmental variables on performance relationship were significant.

Keywords: Business strategy, environmental variables, performance, hotel industry.

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