

A political economic social technology analysis of malaysia tourism essay

[Sport & Tourism](#), [Ecotourism](#)



0. 0 Introduction

Nowadays international business is a vital aim for every firm despite small firm or large firm and they are moving toward to international business for the sake of foreseeable future of their business. Besides, international business is known to be business dealings crossing national borders at any stage of the transaction which included trading such as import and export activities that carry out by the small and large firm from domestic to international market across the world (King, 2008; Aneff, 2010). Moreover, at present, international business can be acknowledged as global business whereby the firms have to adapt their businesses to the outside world in different markets that the firms seek and approach to and deal with many different cultures that concern in every country (Nakate, 2010; King, 2008). With the changing liberalization strategy in the whole world, a lot of firms are gaining benefits from international trade and investments. On top of that, an agreement of GATT (General Agreement on Tariffs and Trade) was introduced to get control over the rate charges of the tariff and trade barriers (Geneva, 1986). In contrast, after the formation of GATT, in year 1995 followed by the formation of the World Trade Organization (WTO). Besides, there are 2 important forces that drive a business to international business which are the technological development and the disappearance of a substantial part of the communist world (Lausanne, n. d.).

Shangri-la Asia Limited is a company with the principle activity of investment holding which focusing on the business and operation of hotels as one with associated real estate properties with providing hotel management or

related services (Bloomberg, 2009; Shangri-La Asia Limited, 2009). The company mainly focuses in operating hotels and leasing spaces for commercial and residential. Shangri-la was incorporated in Bermuda and its main headquarters is located in Quarry Bay, Hong Kong. Furthermore, Shangri-la Asia Limited was founded in year 1971 and until now, Shangri-la has been in operating in the industry for 39 years and operates its hotels in the company of Shangri-La, Rasa, Trader, Summer Palace, and Shang Palace. Moreover, the group managed 65 hotels at the end of 2009 with 47 hotels invested as the equity which managed by its subsidiaries. Besides, as of year 2009, Shangri-La hotel employs approximately 260, 000 employees in the Asia countries (Shangri-La Hotels and Resorts, 2010).

1. 0 Macro Environment

1. 1 Political Environment

In China, the government attaches great importance to the tertiary industry in their country and there was positive government policies advance tourism in order to build tertiary industry to be one of their pillar industries (Lew, Yu, Ap, Zhang, 2003). Besides, the hotel and tourism industry in China had rapidity raise after the entry of World Trade Organization (WTO) to the domestic market in China. As according to the announcement from China National Tourism Administration (CNTA), with the entry of WTO in China, it brings the foreign international hotel industry to invest and set up hotel in China and the government of China approved the application of setting up wholly foreign-owned travel agencies in China thus, demand for hotel industry boosted up (Xinhua, 2004). Moreover, base on the Chinese

government's policy of long term goal, the inbound tourist arrivals to China will achieve 210 million by the year of 2020 in which this would benefit the hotel and tourism industry in China to gain more profit on the tourist visit. For instance, base on the information published by the Shanghai Tourism Commission (STC) in China, the entry of foreign travel companies would help to stimulate and rise of the business of the local tourism industry in the case of SARS that happened seriously in China in 2003 (China Daily, 2004). On the other hand, the political issue would be on political tension between Taiwan and Mainland China and these threats would be considered as the unforeseen event that the hotel developer and investor will take into account (Guo, et. al., 2004).

1. 2 Economical Environment

In 1992, China expanded its economic reform along with the open door policy, consequently bring benefits to the business activities and international tourist arrivals to China continued to increase and thus hotel investment is stimulated. In contrary, China government also ensured that overseas hotel do not dominate the market in which the action taken is to prevent the rise of competitiveness between local companies and foreign companies in the benefit of their professionalism, experience and resource advantages. Thus, to avoid economic leakage, Chinese government had implemented the policy of encouraging Chinese Hotels to establish in the country itself and also in foreign countries for Chinese to use with the association between Chinese Airlines and Hotels industry in order to retain the money from outflow to other countries (Zhang, Pine and Lam, 2005).

Moreover, China's sound economic growth stimulates the Hotel and tourism industry. As mentioned above about the openness to outside world had helped economy grow rapidly. The GDP of China in 2009 was RMB 33, 535. 3 billion where RMB 14, 291. 8 billion contributed by the tertiary industries with the growth rate of 8. 9 compares with the previous year (Chinability, 2009). An impressive economy growth will generate enhancement in infrastructure for hotel development, however, the sustainability of the economic boom are concern in the problem of bad-loan that commonly faced by state-owned banks. To overcome this problem, government needs to counter a soft landing for the rapid growing economy otherwise an unexpected of potential economic slowdown would occur and certainly bring some negative effects to the hotel industries in the country (Yu and Gu, 2005).

1. 3 Social Environment

Social environment concern is an important issue for the business developer and investor in China as Chinese used to practice the relationship and network of ' Guan Xi' in their daily life which including during the business dealing process. In fact, ' Guan xi' can be an influential practice compare with the Western-based business practice which westerners or foreign investors are not eligible to gain interest on this practice as such practice would be commonly focus on the motive of profit. Thus, foreign companies need to corporate with the local Chinese companies as partner in order to enjoy the privilege with the support of Chinese partner to avoid some existing and future legal control and international trade rules. For instance,

the foreign owner of the properties must depend on the local labor and partner in turn to get the reliable power supply and water supply (Zhang, Pine and Lam, 2005). On the other hand, hotel industries benefit from holiday and vacation when residents take holidays and this would lead to higher demand on the tourism and hotel industry in which the people shifting their lifestyle and get off from work with take effect on the domestic consumption. For example, in China, the government had intentionally increased the public holidays where made 3 weeks long holiday per year such as each during the Spring Festival, May Day Festival and the National Day holiday (Lew, Yu, Ap and Zhang, 2003).

1. 4 Technology Environmental

Generally, a good quality service to customer is the most important factor that makes the hotel to be more outstanding than others and to get more attraction from customer therefore this would influence the guests to make decision on the selection of which hotel is the most worthy and preferable to consume with the most satisfaction among those entire hotels that available in the area. Besides, with the acknowledgement of gaining better profit margins and financial returns, the hotel industries in China emphasis on the implementation of IT facilities in order to improve with efficiency daily operation and meanwhile to obtain benefits such as operational cost reduction and enhancement of service quality deliver to customer (Law, Giri and Michigan, 2005). In fact, in Hong Kong, China, the use of IT to conduct daily operation is generally practicing by the hotel industries in country since year 1997 (Law and Au, 1998). Besides, in China, the adoption of Computer

Reservation System (CRS) and hotel Property Management System (PMS) which utilize by hotel that ranked 3 stars and above was introduced to bring the companies into the market and to improve the interconnectivity by promoting about destination, information about their company and additionally assist on the efficiency and accuracy of internal information transmission and effectiveness of management. Meanwhile, the use of Information Communication Technology (ICT) within the hotel industries in China which focused on the front office functions such as reception, reservation, catering, marketing, customer relationship management and others had brought benefit to the operation of the industry (Ma, Buhalis and Song, 2003).

2. 0 The International Consideration

2. 1 Operation

Shangri-La Hotel and Resort operated almost in all over the place in the world where headquarter is in Hong Kong. Shangri-La Hotel and Resort is a well known brand which the brand name is so recognizable and respected by the people around the world. Besides, the group's main activities are emphasis on the ownership, operation and management of the hotels. At present, the group holds and operates 68 hotels under the trademark of Shangri-La, Trader brands, Rasa, Summer Palace, and Shang Palace in different countries with a room inventory of over 30, 000 in which operation carry out among Asia in current year which included of China, Japan, Malaysia, Hong Kong, India, Indonesia, Thailand, Taiwan, Republic of Maldives, Philippines and Myanmar. Furthermore, the company had

expanded their company to Middle East countries such as Sultanate of Oman and United Arab Emirates; Europe country in France; North America country in Canada; Oceania countries in Austria and Fiji Island. In addition, in year ended 2009 the company had equity interests in 49 operating hotels containing 24, 432 of guest rooms (Golden Circle, 2010) Moreover, the company will develop and build up 29 more hotels in various countries in which project development of 1 hotel in Paris in 2010, 11 hotels will be establish in China, India, Singapore, Macau, Qatar, Austria in 2011, 9 hotels in China, India, Mongolia, United Kingdom, Turkey and Canada in 2012 and nevertheless 7 hotels in China and Russia in 2013 and 1 hotel in Philippine in 2014 (Shangri-La Hotels and Resorts, 2010)

2. 2 The PEST in Malaysia

2. 2. 1 Social and Culture Environmental

Commonly, Malaysia is known as an Islamic country therefore certainly Malaysia is involving in the Halal food industry and Malaysia is the major exporter of halal product to Organization of Islamic Conference (OIC) countries such as AEAN and Middle Eastern markets in 2008. Malaysia has made an integrated long term plan to develop the halal industry which including the goods and services related sectors namely, meat and meat-based product, processed food, cosmetic and personal care products and pharmaceutical products (Sadek, 2010). Thus, the halal certification would be the main requirement for the tertiary industries in Malaysia that needed conforming to it especially on the food and beverage which play an important role in overall satisfaction level such as halal dining is a necessity

for Muslims. In fact, according to Department of Islamic Development Malaysia (JAKIM), the statistic shows that out of 991 hotels in Malaysia, there are only 10. 19% of the hotels which amount to 101 hotels that certified with Halal logo (Zailani, Fernando and Mohamed, 2010).

Besides, to set up businesses in Malaysia require some general needs of its local market segment included religious and cultural practices such as to being halal conscious through implementation of crescent rating which this system is require under the traditional Muslim rules to the examine the halal friendliness of facilities and services in hotel industries in Muslim country (Fazal, 2009) For instance, Awana Spa & Island Resort in Langkawi crescent rated at category 5 which indicate that the hotel accommodate some specific Muslim needs and Shangri-La's Rasa Sayang Resort & Spa in Penang rated at category 3 (Crescent Rating, 2010). Moreover, regarding the culture in Malaysia, the main facilities of prayer room or ' Surau' is important for Muslims as they required praying 5 times daily due to the ease of travel from current location to mosque. Besides, the culture in the aspect of employee working hour, there are slightly different if compare with oversea working time as for Muslims every Friday afternoon is the weekly prayer time thus Muslim employee need to leave their work place at this time (Usama, 2007). Moreover, festival holiday is a main issue that need to concern in Malaysia as Malaysia has much festival to celebrate such as Hari Raya Aidilfitri, Chinese New Year and others therefore public holiday would interrupt the operation performance of the company where by employee off from work on the particular day. (Zailani, Omoar and Kopong, 2010)

2. 2. 2 Political and Legal Environment in Malaysia

According to the A. M. Best country risk report, Malaysia has a moderate level of political risk which categorized as CRT-3 which indicate that Malaysia is a developing country that having a developing legal environment, legal system and business environment (A. M. Best, 2010). Generally, political risk comprises the stability of the government and society in a country and here the political environment would be first concentrate on the change of government and key leader in Malaysia. Up to date in 2010 political position in Malaysia involves two separate downside risks which happened 2 years back in 2008; the political power was changed due to the general election and the result was the National Front which had ruled Malaysia for 52 years had lose control and defeated by opposition (Marshall, 2009; Stamer, 2010). Then again, according to the executive summary by Political & Economic Risk Consultancy, the political issue that foreign investors concern is about the hesitation on how good the opposition parties perform after they gained the political authority as a Malaysia government in handling some problem such as poor policies and others. Additionally, as a result of some political accusation, the case of Anwar on sodomy gave a flashpoint on the political stability condition. Due to the changes in the government authority, the political stability in Malaysia is affected much over these years and would bring further damage to investment in the country if the trend maintains (Marshall, 2009; Political & Economic Risk Consultancy, 2010).

2. 3 Internationalization Method

The internationalization process is a very important process for a company that plan to expand their business outside their domestic base market by adopting several internationalization methods. In Shangri-La, the internationalization method that the group adopting is more on equity based method on foreign direct investment. The Group is using its equity assets in the expansion of their company throughout the world and for another purpose of project development in new countries. Moreover, investment into a company is the competitive advantage of this company. Additionally, the Group is adopting 2 main internalization methods on its subsidiaries which through merger, acquisition and alliances. According to the financial report of Shangri-La in Malaysia, the subsidiaries are consolidated by using the purchase method of accounting in which the Group has the ability to exercise the power in the subsidiaries in order to manage the financial and operating policies of an entity as to attain benefits from their daily activities (Shangri-La Hotels and Resorts, 2010). Alternatively, some subsidiaries are consolidating by adopting merger method for example, UBN holding Sdn Bhd which happened on 1st of January 2006. As for the associate methodology, the Group has major influence but not control over the financial and operating policies. The hotel properties located in Malaysia at 31 December 2009 included Rasa Sayang Resort & Spa, Traders Hotel, Golden Sands Resort, Palm Beach Resort in Penang, Shangri-La Hotel in Kuala Lumpur and Rasa Ria Resort in Sabah. (Shangri-La Malaysia, 2008)

2. 4 Problem and Solution

The problem that the company confronts would be on the aspect of the culture differences between the origin country and the other country for example Malaysia. Cultural differences of international hotel groups would influence the operation of the company and also the efficiency of their human resource in the company. Besides, condition of cultural differences dilemma would also harm the company from gaining better return in either investment nor operating profit which due to the competition among the hotel industries in the specific country. Thus, to overcome these cultural dilemmas, some solution on these problems needed to be implementing in order to resolve the problem to prevent any operation failure. The solution proposed would be through adoption of cross cultural strategies.

According to Master and Prideaux, culture can be distinguished into 2 views that represent an ideological perspective including beliefs, norm, value and customs. Next, would represent the material element which including of the dining etiquette, where to buy and where to travel. (Prideaux, Moscardo and Laws, 2006) As mentioned above, the main cultural problems that face in Malaysia is about the Halal certification and also the employee culture problem. Therefore, from the cross cultural management approaches, it must emphasis on the staff inspiration and motivation method and improvement on product and service quality in order to satisfy customer's demands. Firstly, company should implement the strategy of cross cultural empathy through training and education that enables the staffs in the group from origin country to let them to be more considerate to accept other people

cultures in Malaysia as well as the staffs in the company itself. This would help to solve any conflict rises concerning to the culture misunderstanding among three major races employees of Malaysian and between the headquarter staffs rather than behave stubbornly on their own local culture perspective.

Besides, in order to solve the cultural diversity problem in the case of halal certification, the company needs to employ the strategy of cross cultural through special design and marketing of hotel products and services. There are a lot of customers come from different religions and backgrounds, thus customers have different needs on the services and products. By using this strategy, the company is able to improve the degree of customers' satisfaction whereby the products and services is specially designed for the purpose of tailor-made to adapt to different need of the customers. For instance, Muslims in Malaysia require some halal facilities and also on the foodstuff, as a result the hotel must pay close attention on serving the proper food at the table and also the facilities of prayer room in their hotel to allow Muslim to conduct prayer during the time that they are in the hotel area.

3.0 The Growth of Business

Shangri-la has a well operational performance which its operations contribute the main source of revenue and operating profit for the Group. Besides, the concentration of the growth in the luxury hotel market in Asia would particularly focus on China. Thus, the group is continued to plan out the strategies of setting up new hotel across the world. According to the

financial report in 2009, a total of 7 hotels opened for business during the year and 4 hotel being subsidiaries of the group. During these years, Shangri-la is adopting the market development strategies which the group is targeting new markets or new areas in different countries. For example, in 2011, the group will conduct foreign direct investment of 29 hotels in other countries such Qatar, Austria and others. Besides, the implementation of product development strategy in the group develops their services and quality to gain higher level satisfaction from customers through training of employees to deliver better services to customer. For instance, the networking of the Shangri-la throughout the international subsidiaries had improved through communication and result in the integration with its international counterparts by applying uniform standards for inbound and outbound logistics and this give rise to higher level of efficiency in the operation, sales and marketing. Consequently, Shangri-La had gained positive reviews and reputation from regulatory bodies and this benefit the company to connect into all revenue-generating marketing channels (Shangri-La Asia Limited, 2009; Chitika 2009).

As for the future direction of growth, according to Ansoff's Product-Market Matrix, the product development strategy should highlight in the company. The reason is that it is important to have possession of distinctive advantage over its competitor by reason of keen competition existed among the local and other international hotel industries in the market. Besides, hotel industry is leisure and tourism destination places, customers are the main earnings sources from the hotel operations, it seem to be not enough to have similar

existing facilities promoted in the hotel to attract customers. Thus, an innovation technique is required to improve the product and services in the hotel in order to maintain an advantage over competitors meanwhile to attract more customers. By examining through proactive development strategy to develop the product base on the anticipation of the evolution of customers' needs; or through the adaption of reactive development strategy whereby the product is develop in order to deal with the customer needs. Besides, as a result of adapting product development matrix, the company is able to develop and launch new product or services where the products or services are presently not being offered by any other competitors however it able to keep the existing market and nevertheless attract more new customers. For instance, product development strategy including offering high-level service to the customers through providing some specialty facilities such as promotion on the discount offer to their customer base on an alliance with the air companies and provide free shuttle for the customer to take them from airport to the hotel. Thus, Shangri-La hotel must provide services that other competitors do not offer and the most importantly, making the customer feel at home and even better than that.

4.0 New Venture

The new venture of Shangri-la hotel would using the foreign direct investment method which the company will expand and build up hotel under equity base method in the chosen country, ' Kingdom of Heaven', Bhutan. While Shangri-La investing in Bhutan, the group will suggested to conduct joint venture with the local partner such as the tourism agencies to increase

the inflow of the tourist to the hotel and other share value-added joint venture, for instance, merge with the local hotel industry where the hotel contribute the same function and this will reduce the competition among the similar industry and nevertheless increase economies of scale. As Shangri-La is moving into the new market and segment, it is necessary to understand what strength determines the profit of their industry. Thus, Porter's Five Forces analysis would be taken to identify all the threat in hotel industries in Bhutan. Firstly, the threat of supplier power in the market will take into concern. The supplier power in hotel industry would be the availability of skill of the employees that provide services to customers due to tertiary industry is totally focused in services. Thus, Shangri-La need to provide a high level of training program to ensure the employees are able to carry out best service to their customers. This is because employees can influence the profitability and the attractiveness of the hotel itself. Besides, supplier power can be the organization that control and provide the food and beverage to the hotel industry in the country. In this case, there are plenty of suppliers in Bhutan which mainly working on supplying of the food for local distribution whereby they import all the food stuff items, such as the company of Dollay Food Product, Sharyang Enterprise, Sonam Choki Enterprise and many others suppliers (Cheaponsale, 2010). So supplier power force is considered weak to the company.

Secondly, would be the buyer power. This force reflects the strength of bargaining power from the customers which concerning the level of quality served and price rate of the hotel. Commonly, from the behavior of the

customers, customers seek for best quality with lesser price of hotel, solution for this problem would be the hotel management should make some adjustment to its strategies in order to meet the demand of the customers to avoid switching among the hotels in the market, if the switching problem happen then the buyer power is high which will bring disadvantage to the company.

Thirdly, competitive rivalry is also a serious force that the company has to concern on it. This force would focus on the number of the competitors in the same industry in Bhutan. In Bhutan, there are hotels that available in the specific geographic areas. For instance, According to The Hotel Association of Bhutan (HAB), Bhutan is divided in 20 administrative districts and there are 121 hotels in the country and exactly with 34 hotels with 3 stars and above are available in the certain districts in Bumthang, Trongsa, Punakha, Thimphu, Wangdue Phodrang and Paro; the rest are ranked as 2 stars and below (Tourism Council of Bhutan, 2010; Cabinet Secretariat, 2010). Thus, competitive rivalry in hotel industry is quite high due to the number of competitors offering in the market and the company should adapt specific strategy to overcome the problem such as create differentiation on the product and services in order to differentiate themselves from the competitors. Due to the problem faced by the competitive rivalry, the threat of substitution which examine on the similar product and services is high in the hotel industry because there are a 121 hotels accessible in the Bhutan and enable the customers to have alternative choices on what hotel that they prefer to select. Thus, better marketing strategy is needed for the

company to deal with the substitution problem such as changes in technology and services in the hotel could bring some advantage like good reputation for the hotel to compete with its rivals.

Lastly, threat of new entry is high in the hotel industry in Bhutan as Hotel Association of Bhutan (HAB) reported that there 46 new hotels will open up in the country. However, the Bhutan government had approved 100 percent of foreign direct investment to build 5-star hotels and 70percent of foreign direct investment for 4-stars hotels in Bhutan in early 2010 (Dawa, 2010; Dahal, 2009). In this case, Shangri-La has the total advantage of investing and setting up hotel in Bhutan as Shangri-La is ranked as 5-star hotel.

Besides, the structural expansion of the hotel in Bhutan would be difficult because most hotels was in debt due to the financial institution had stopped giving loan for hotel construction. This is because of government's policy on the existing hotels that they are required to upgrade their hotels within 2 years time in order to provide better service to customers with the help of government by providing incentives of tax breaks for up to 10 years to make the upgrading possible (Cabinet Secretariat, 2010; Dawa, 2010). Hence, with good reputation and its 5-Stars ranked hotel, Shangri-La has gained the advantage to compete with the hotels in Bhutan. Thus, Shangri-La needs to come out with some new plan to sustain its market position.

5. 0 Conclusion

In summary, various analyses needed to be considered and examined in the progress of business expansion to the international market. Going international not only mean to explore the new market abroad but it also

enable the company to have better understanding on the expansion strategies that needed to adopt in turn to deal with the dilemma that occurred in the international market. Besides, international business can promote faster growth in the country economy due to the entry of foreign direct investment in the country which stimulate the domestic competition in the market and in effect would encourage improvement in the service and product of the company, besides it would help the employment rate of the country as well. Moreover, in order to go for international business, the particular companies need to ensure that the correct strategies are adopted. With the assist of PEST in the expansion of macro environment in a market, the company, and here would be Shangri-La can easily gain the information of the specific market and taking the next step to invest into the market. Besides, by examining the international consideration, it gives clearer picture on what the company doing in the existing market and how the company give solution against the problem that they faced and yet understand how they enter an international market such as foreign direct investment which adopted by Shangri-La hotel into various countries. Other than that, by using the Ansoff's product-market matrix, it enables the company to make good use of the strategies in order to have a better strategic planning in the expansion of the businesses such as to study on the direction of growth of Shangri-La Company. Lastly, with the analysis of Porter's Five Forces, it helps the company to understand the strength and the threat of the market when the foreign company planning to invest into the country. By having all these strategies, the company can have the advantage to globalize and to compete against the competitors that existed in the market in order to offer

better products and services nevertheless gain more profit and attract more customers. In conclusion, all these strategies would benefit and success the companies in doing international business.