Analysis of business environment in hospitality companies in North Sumatera

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Abstract

The aim of the research is to find out the empirical evidence about the business environment which is faced by hospitality companies in North Sumatra. The business environment can be seen on an internal environment and an external environment. The internal environment consists of variables (advantage and disadvantage) which are inside of the company whereas the external environment consists of variables (threat and opportunity) which are outside the company. The research uses descriptive approach. The data collection is done by a survey which distributes a questionnaire to 113 the luxury hotel in North Sumatra. The result of the research shows that the business environment is viewed from the internal environment dimension with three indicators, namely organizational personnel, organizational function, and organizational level staff are in moderate-high uncertainty condition. Furthermore, the business environment is seen from the external environment dimension with five indicators, namely customers, suppliers, social, political, and technological competitors are in *moderate-high uncertainty* condition.

Keywords: internal environment, external environment.

Introduction

The growth of the hotel business in Indonesia seems to be more intriguing. It is seen in the increasingly incessant business actors to expand their wings to various regions in Indonesia, including North Sumatra by building new hotels in potential areas, as well as in tourist areas. The total of hotel in North Sumatera as follows:

Table 1. The total hotels in North Sumatera Province Year of 2013 – 2015.

Year	1st Star	2nd Star	3th Star	4th Star	5th Star	Hotel Melati	Total
2013	23	26	25	16	6	693	789
2014	20	31	32	16	7	717	828
2015	22	32	36	17	7	735	848

Source: BPS Sumatera Utara, 2016.

Based on Table 1, it shows that the development of the total hotel increased every year in North Sumatera. At the beginning, the development of hotel industry is more directed on the development of tourism sector. In this case, it can be seen from hotel resort which is built near in the tourism sector. It contributes an income that is a foreign exchange for the country and for the around society that there is a job vacancy. However, along with the development of knowledge and economics, hotel is not as the tourism industry support but it has changed into as one of the service industry of business oriented.

The era of global competition is the most factors which are interested for a management to manage the company. For every product were produced, the problem is not how to market them but it was faced on the industry competition with the kind of industry as always doing a new innovation.

In understanding the challenges and opportunities in the hospitality industry, managers in this sector need information that brings together relevant financial and non-financial data for decision making in order to make various breakthroughs and continuous innovations. Businesspeople in this sector must understand that they cannot rely on core products to survive and thrive, in addition to providing excellent service to hotel guests, they also need augmented products to support the main product offered against hotel guests. Otley (1980) suggests that the level of availability of each characteristic of management accounting information is not the same for all situations. This is in line with the opinion expressed by Astuty (2015) which states that the characteristics of available information will be effective when appropriate to the level of user organization needs.

Environment is a physical and social factor that is directly taken into consideration in organizational decision making (Duncan, 1972). Furthermore, Abernethy and Guthrie (1994) stated that the application of management accounting information system to companies is influenced by uncertain environment; therefore environmental uncertainty is applied as a factor that can influence management strategy, information system and accounting (Chenhall & Morris 1986). Furthermore Vanevenhoven (2008) suggests the environment is: "The set of all objects a change in the attributes are changed by the behavior of the system gap". (All object changes whose attributes are changed by the system gap behavior).

The environment is embedded with uncertainty, the source of uncertainty is the company's external environment as something unpredictable (Milliken, 1987), i.e. suppliers, competitors, governments, distributors and customers. The same thing is expressed by Khan and Jain (2007) that that can add to the uncertainty is the possibility of consumer shifts, the actions of competitors, technological developments and changes in the economic or political environment. Milliken (2001) states that the changing environment, complexity and heterogeneity make the environment less predictable. The global economy is increasingly uncertain with rapid technological advances, ever-changing customers, increasing deregulation and the demand to abandon trade barriers. Based on the description above, the authors are interested to conduct research on the business environment at hospitality companies in North Sumatra.

Literature Review

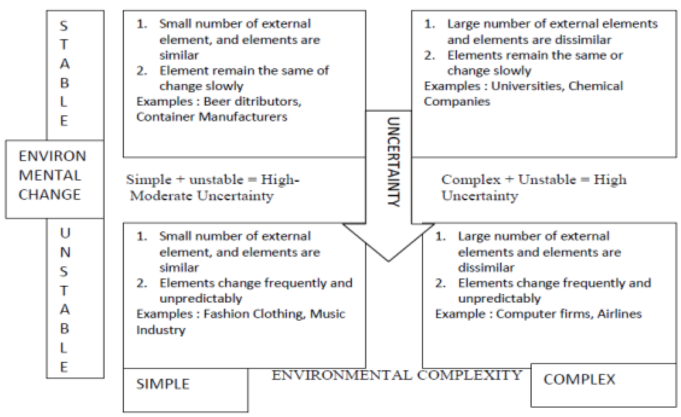
A company will survive in the long term if it can adapt to the environment. Environment is everything that is outside the organization (Robbins 1994). The population ecological theory explains that the survival and success of the firm is determined by the environmental characteristics in which the firm is located (Child, 1997). Furthermore Vanevenhoven (2008) suggests that the environment is: The set of all objects a change in whose attributes are changed by the behavior of the system gap.

Wheleen and Hunger (2006) distinguish the corporate environment over the external environment and the internal environment as follows:

> "The external environment consists of variables (opportunities and threat) that are outside the organization and not typically within the short- run control of top management. These variables form the context within which the corporation exists. The internal environment of a corporation consists of variables (strengths and weaknesses) that are within the organization itself and are not usually within the short-run control of top management. These variables form the context in which work is done. They include the corporation`s structure, culture, and resources".

Environment is inherent with uncertainty, the source of uncertainty is the company's external environment as something unpredictable (Milliken, 2001), that is supplier, Competitors, governments, distributors and customers. The same thing is expressed Khan and Jain (2007), which can add to the uncertainty is the possibility of consumer shifts, the actions of competitors, technological developments and changes in the economic or political environment. Milliken (2001) states that the changing environment, complexity and heterogeneity make the environment less predictable. The global economy is increasingly uncertain with rapid technological advances, ever-changing customers, increasing deregulation and the demand to leave trade barriers (Mia and Clarke, 1999 in Schulz et al, 2010).

Duncan in Daft (2010) suggests a framework for assessing environmental uncertainty as follows:



Source: Duncan in Daft (2010)

Figure 1. Framework for assessing environmental uncertainty.

According to Schulz (2010), three types of the certainty about business environment in general namely:

1) Technological uncertainty
2) Economic Uncertainty (or macroeconomic volatility)
3) Political uncertainty

The technology of uncertainty adds the range of uncertainty affected to industry, company, and economy. The more innovation technology period, be inclined has the high of uncertainty technology while economics uncertainty connects with financial market function, economic development, costumer trust, rate exchanged or inflation. In addition, the most extreme from the uncertainty is political risk. The discontinuity risk in the business environment is resulted from the political changing.

Furthermore, according to Milliken (2010) is about the three-uncertainty environment, namely:
1) State Environment (or Perceived Environmental Uncertainty)
2) Impact Uncertainty
3) Response Uncertainty

The organization faces the uncertainty when they see the organization environment cannot be predicted. The uncertainty about the environment situation is that someone does not understand how the environment component might be changed. In spite of with the uncertainty, it connects with the individual ability to predict what the impact of environment change, the effect of organization change will be in the uncertainty. The impact of uncertainty is defined as disability to predict the impact from the environment in the future. Meanwhile, the uncertainty is connected with the effort to comprehend what the available response choice to organization and what the value or the function from each choice. The response of the uncertainty is defined as the less of knowledge about response choice and/or the uncertainty to predict the possibility consequence from the response choice itself.

From the study, it can be said that the uncertainty environment is the uncertainty of someone to know what will happen in the organization environment in the future, because in the future it will not decide. The comprehending of environment uncertainty is the important factor to comprehend the organization.

Research Method

Design Research is a descriptive research, which holds activities of data collection and analysis with the aim to create a description, systematic description, and relationships and the phenomenon being investigated. Research focuses on the business environment. To achieve the purpose of this study was conducted by survey at hospitality companies in North Sumatra. In summary, the operationalization of variables in this study is presented in the following table:

Table 1. Operationalization of research variables.

Variable	**Dimension**	**Indicator**	**Scale**
Business Environment (Duncan, 1972)	1. Internal Environment	1. Organization personnel 2. Functional Organizations and staffing units 3. Ordinal organizational level	Ordinal
	2. External Environment	1. Customers 2. Supplier 3. Social Competitors 4. Politics 5. Ordinal Technology	Ordinal

Data collection in this study using a questionnaire, which is done by sending a list of questions to the hoteliers to obtain data related to the application of management accounting information system conducted. To support the analysis to be performed in this study required valid data, both in the form of primary data and secondary data. Primary data were obtained from hotel entrepreneurs who were sampled related to the application of management accounting information system while secondary data was obtained from Badan Pusat Statistik (BPS). In this study, the population includes all hospitality companies located in North Sumatra, amounting to 113 companies. Therefore, the number of population is 113 companies.

Research Instruments

Before the questionnaires were distributed to the field, at the beginning it is tested the research instrument through validity test and reliability test to 30 hotels in Medan. The validity instrument is done by correlated score in each item with the total score. The technic analyzing used is coefficient correlation of *product moment pearson,* it is the correlation analyzing which is the function to determine a scale stated how the strong connection a variable with another variable (Sugiyono, 2012). The minimum qualification is to complete whether every question is a valid or not by using r_{count} through r_{tabel}= 0,361 (see r table for N=30), where r_{count}> r_{tabel}. Based on the result counting done is the question no 1 until 8 is a valid and it can be used to explain business environment variable, where all the r_{count} the observer instrument > r-table. Next the reliability instrument is a function to know what is a data collection tool in the basic form shows that the appropriate range, accuracy, stable and consistency tool in explore the certain indication from individual's group, even though it is done on the different time. The reliability instrument is done through the questions or the valid questions. Based on the counting result it is known a value Cronbach's Alpha is 0,840 so the business environment variable instrument is concluded having the highest reliability (if alpha between 0,8 so the reliability is good).

Analysis Method

This research uses descriptive analysis techniques, with more descriptive of the results of questionnaires and interviews. The data obtained are then analyzed qualitatively and described in descriptive form.

Result and Discussion

The results of respondents' answers about the business environment on each item of statement are outlined in Table 3 below:

Table 3. Respondents' response up business environment variable.

No	Indicator	Respondents Response Frequency				
		5	4	3	2	1
1	Organization personnel	9 (8%)	58 (51%)	44 (39%)	2 (2%)	0 (0%)
2	Functional organization	12 (11%)	66 (58%)	27 (24%)	5 (4%)	3 (3%)
3	Organizational level staff unit	66 (58%)	32 (28%)	14 (12%)	1 (1%)	1 (1%)
	Internal Environment	29(27%)	52 (46%)	28 (25%)	3 (2%)	2 (2%)
4	Customer	75 (66%)	18 (16%)	12 (11%)	5 (4%)	3 (2%)
5	Supplier	34 (30%)	37 (33%)	36 (32%)	7 (6%)	0 (0%)
6	Competitor	50 (44%)	57 (50%)	5 (4%)	2 (2%)	0 (0%)
7	Social politics	24 (21%)	64 (57%)	20 (18%)	5 (4%)	0 (0%)
8	Technology	40 (35%)	67 (59%)	7 (6%)	0 (0%)	0 (0%)
	External Environment	45 (39%)	48 (43%)	16 (14%)	3 (3%)	1 (1%)

The research results for the internal environment dimension using three indicators, namely organizational personnel, organizational function and organizational level staff unit. Based on Table 3, it can be concluded that the internal environment seen indicator personnel organization is in moderate-high uncertainty condition because there are still personnel who do not have the skills needed in the hospitality business. The inability can be caused by the inappropriate specs expected at the time of employee recruitment and also the impact of the hotel competition which requires the hotel to continuously improve the service so that the hotel company needs to improve the human resources to be more qualified. Furthermore, seen from the functional indicators of the organization can be summed up the internal environment seen functional organizational indicators are at high-moderate uncertainty condition because technology as the development of the era is constantly changing. From the indicator of organizational level staff level, it can be concluded that the internal environment seen by organizational staff unit level indicator is in the condition of high uncertainty, because the hotel operates based on public trust, so that hotel company should be able to maintain customer trust, and customer's complaints cannot be mediated the hotel can reduce customer confidence in the hotel.

Based on the results of research on the internal environment dimension shows that the internal environment of hospitality company is in moderate-high uncertainty condition, which is formed by the existence of organization personnel who do not have the required skills of the hotel, such as officer performance standards, hotel hygiene and neatness standards, product knowledge And hospitality services, standards of communication with customers, and the ability to use technology owned hotel, because if its human resources do not master the technology, then it becomes a waste considering the expensive technology used by hospitality companies. In addition, due to lack of reviews of technology that support information systems, because over the times will continue to change, hospitality companies must be able to read and adapt quickly to technological advances, because customers will find a hotel that has a complete facility, comfortable and provide ease during Stay and ease in transacting.

The research results for the external environment dimension using five indicators, namely customers, suppliers, socio-political competitors, and technology. Based on Table 3, it can be concluded that that the external environment seen customer indicator is in moderate-high uncertainty condition which indicates that the increase in the number of hotel customers is uncertain. The hotel is a type of accommodation that uses part or all of the buildings that provide lodging services, food and beverages and other publicly-owned commercial services. The progress of the hospitality industry is strongly driven by the development of tourism industry, business, and ease of transportation access and supported by adequate infrastructure. Furthermore, it can be concluded from the indicator suppliers can be concluded that the external environment seen by competitors' indicator is in the condition of high uncertainty, because with the number of hotels trying to give the best service, cause the hotel is not easy to obtain loyal customers, because customers will find a hotel that provides excellent service and facilitate the activity Customer. While seen from competitor indicator can be concluded that the external environment seen by competitor indicator is in condition of high uncertainty, because with the number of hotel trying to give the best service, cause hotel not easy to get loyal customer, because customer will look for hotel which give excellent service and simplify the customer's activity. Furthermore, from socio-political indicator it can be concluded that the external environment seen socio-political indicators are in moderate-high uncertainty condition. This shows that the rules that have been set by the hotel company, so the hotel must be able to adapt to the rules set. Social politics shows that government regulations are in control of hotel activities in North Sumatra. Furthermore, the technological indicator can be concluded that the external environment that is seen indicator technology is in the condition of high uncertainty, because the rapidly developing technology that causes uncertainty is very high.

Based on the results of research on the external environmental dimension shows that the external environment of hospitality companies is in moderate-high uncertainty condition, which is formed by the increasing number of uncertain hotel customers. High rate of turnover, high level of competition due to the number of hotels trying to provide the best service, cause the hotel is not easy to obtain loyal customers, the rules set by the government and already run by the company, so the hotel should Able to adapt to the established rules, as well as rapid technological developments cause the uncertainty is very high for the hospitality company.

Changes in the business environment are one factor that often causes the company to make adjustments to the company's condition with the environment. The acceleration of high business environment changes leads to higher environmental uncertainty, making management difficult to get relevant, valid, accurate and timely information for decision making (Miliken, 1990). Environmental uncertainty poses a threat to strategic management as uncertainty hampers an organization's ability to develop long-term plans and to make strategic decisions to keep companies balanced with the external environment (Wheelen & Hunger, 2006; Astuty, 2012; Astuty, 2015).

Elenkov (1997) explains that the perception and interpretation of managers to their environment is the basis for strategic action. This argument supports the measurement of the environment based on the perception (subjective measure), in this case the manager's perception methodology is valid, and has a level of accuracy that is not inferior to the objective measure. Furthermore, Gul and Chia (1994) assert that perceptions about environmental uncertainty are better than actual environmental uncertainty, because they affect the decisions managers make in responding to the company's operational environment.

Conclusions

1. The internal environment of hotel companies in North Sumatra is in moderate-high uncertainty condition, this is due to the presence of organization personnel who do not have the required skills of the hotel, such as officer appearance standards, hotel hygiene and neatness standards, knowledge of hospitality products and services, Standards communicate with customers, as well as the ability to use technology owned hotel. In addition to the lack of reviews of technology that support information systems, hospitality companies should be able to read and adapt quickly to technological advances, because customers will find a hotel that has a complete facility, comfortable and provide ease during the stay and ease in transacting.
2. The external environment of hospitality companies in North Sumatra is in moderate-high uncertainty condition, due to the increasing number of uncertain hotel customers. High turn-over rate, high level of competition due to the number of hotels trying to provide the best service, cause the hotel is not easy to obtain loyal customers, the existence of rules set by the government and has been run by the company.
3. In the facing of uncertainty in business environment, the company is able to know the environment condition automatically, to know what is the customer needed, to give the ease, the comfortable, and the satisfaction on the using product offered, meanwhile the arrangement of the program is in order to a product offered is not easy to imitate and to compete it so that it is able to achieve customer loyal. In spite of the study needed through the technology supports the company information system because the customer will find out hotel which has a complete facility and to give the easy way of transaction.

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