



**UNIVERSITI PUTRA MALAYSIA**

**A CASE STUDY ON THE SUPREME HOTEL SDN.BHD.  
STRATEGIC MANAGEMENT FOR ORGANIZATIONAL  
COMPETITIVENESS**

**WOO PAK YUAN**

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**MASTER OF BUSINESS ADMINISTRATION**

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**This project paper is dedicated to dad and mum , Jong Min and Shu Jeng .**



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A case study on the Supreme Hotel Sdn . Bhd . . Strategic management for organizational competitiveness is submitted to the faculty of Economic and Management , UPM , in partial fulfillment of the requirement for the degree in M.B.A.

## Pengesahan Keaslian Laporan

Dengan ini saya Woo Pak Yuan , Nombor Matrik 45177 penuntut tahun akhir program M.B.A. mengaku bahawa projek /kajian kes untuk kursus A case study on the Supreme Hotel Sdn . Bhd . . Strategic management for organizational competitiveness adalah hasil usaha asal saya sendiri .



(Woo Pak Yuan)



## Executive Summary

The objective of this case study are divided into two parts. In Part A of the case study , the introduction to the company background and the functions of each department will be discuss . The probable causes to the problem will be further discuss in this part by refering to the appendix . In Part B of the case study , the discussion will be base on methodology used , problem solving and to identify the strengths , weaknessess , opportunities and threats facing by the company . The elements that need to be evaluate are the company financial , operation , sales and marketing and lastly the human resources and training . It is very important for these elements to be analyze so that it can help to determine the level of competitiveness and limitation the company have . After analyzing each of the element , a suggestive recommendations will be given on how the company can expand , safeguard its market share , improving employer -employee relationships and the training and development programmes for its staffs .

The usage of weightage methodology to analyzc the internal factors (Finance , Management/Human Resources , Operation and Marketing) and external strategic factors (Political , Economy, Socio-Cultural, Technology, Competitor, Consumer, Substitute, New Entrance, Government). The SWOT analysis is use to guide the company on how to maximize its strengths and opportunities to overcome its weaknessess and threats. The SWOT matrix is use to guide the company to rank its five most important SWOT so that a clearer direction of the company can be narrow down further. Finally , the usage of

**Strategic Positioning and Action Evaluation model (SPACE) to determine the direction the company should go for .**

## Part A : Case Story

### 1.0 The hotel and tourism industry in Malaysia.

The tourism industry in Malaysia is the second fastest growing industry in the country after the manufacturing sector. The tourism industry comprises of tour and travel agencies , tourist guides and hotels . According to the Ministry of Tourism , the number of tour and travel agencies registered with the Ministry are 2,418 in 1996 compared to 2,212 in 1995 . In Kuala Lumpur , the registered number of agencies are 770 , followed by Penang 253 and Johor 226 . Meanwhile , the number of tourist guides registered with the Ministry of Tourism are 3,923 in 1996 compared to 3,518 in 1995 . Most of the tourist guides are based in Kuala Lumpur (1,178) , followed by Penang (623) and Johor (497) respectively . The number of tourists visited Malaysia has grown from 22.5 million to 33.5 million under the Sixth Malaysia Plan . Revenue generated from tourism related activities has increased tremendously from RM 31.2 billion under the Sixth Malaysia Plan compare with RM 12.8 billion under the Fifth Malaysia Plan. The increase in revenue is caused by the average expenditure *per diem* for each tourist has increased to 88.8% out of the RM135 by the year of 1990 to RM 269 in 1996 . (Source: Statistical Division , Ministry of Tourism)

The average night stay for tourists in this country has increased from 4.8 nights in 1995 to 5.4 nights in 1996 . Meanwhile , the average expenditure per capital for tourists has increased from RM 608 in 1990 to RM 1,443.90 in 1996 . According to the Ministry of

Tourism , the top five countries bringing in the most revenue to the tourism industry are from Singapore , Japan , Thailand , Brunei and England. (Source: Ministry of Tourism)

In the 1998 budget report , the Malaysian government has approved the allocation of RM 174 million to further develop the tourism industry . It is estimated that the tourism industry for the year 1998 , could earn foreign exchange as much as RM 14 billion compared with RM 11 billion for the year 1997 . The government's objectives of making Malaysia a shopping paradise for tourists , have further reduced taxes for goods such as executive cases, handbags and ties to 15% from the previous 20% and 30% (Please refer to appendix A).

To encourage further the growth for local tourism , construction of budget hotels and rest houses continues . In the same budget report , the government has decided to impose higher passport renewal fees for both the restricted and international passports.

As for the supply of hotel rooms up to the 31st December 1996 , there were 1,289 hotels in Malaysia as compared to 1,220 in 1995 . The number of lettable rooms in 1995 was 76,373 as compared to 85,514 rooms in 1996 (Research Division , Tourism Malaysia 1996). In 1997, a total of 27,832 rooms would be added with the completion of 122 hotels (Malaysia Hotel-Supply Statistics Update 1997-2000).

stars hotel ) , 13 (4 stars hotel) , and 13 (3 stars hotel) in the Klang Valley as on 6 June 1997 . The MAH (Malaysia Association of Hotels) together with the Ministry of Tourism had conducted a star rating of hotels in 1996 . (Please refer appendix B).

By the year 2000 , the hotel industry would have a total of 133,238 rooms with the additional completion of 197 new hotels . From the new hotel breakdowns , 67 hotels are in the category of 300 rooms and above , 89 hotels are in the category of 100 to 299 rooms , and 37 hotels are in the range of 99 rooms and under . The report added that Kuala Lumpur would have 8,229 rooms , Selangor 4,759 rooms , Johor 3,255 rooms , Penang 2,260 rooms , Malacca 2,180 rooms , Sabah 1,866 rooms , Perak 1,021 rooms , Pahang 902 rooms , Kedah 829 rooms , Sarawak 729 rooms , Terengganu 648 rooms , Negri Sembilan 569 rooms , and Kelantan 522 rooms. (Research Division , Ministry of Tourism)

In 1998 , the Malaysian government through SUKOM 98 Sdn.Bhd. will be hosting the 16th Commonwealth Games and also will be launching the Sports and Recreation Year through the Ministry of Tourism . Other events such as the APEC (Asia Pacific Economic Cooperation) will be held at the later part of the year .

The national average occupancy rate in the hotel industry for the year 1996 was 62.3% as compared to 65.5% in 1995 . In Kuala Lumpur alone , the average occupancy rate for 300 rooms and above was 75.2% in 1996 as compared to 79.1% in 1995 . In the 100 to 299 rooms category the average occupancy rate was 73.6% in 1996 as compared to 73.4% in 1995 . Finally , the 50 to 99 rooms category the average occupancy rate was 71.4% in 1996 as compared to 73.3% in 1995 . (Research Division , Ministry of Tourism)

In 1996 , a total of 7,138,452 tourists visited Malaysia as compared with only 7,468,749 tourists in 1995 . In Peninsula Malaysia alone , the arrival of tourists in 1996 was 6,775,640

government expected 10.5 million tourists coming to Malaysia as compared to 9.6 million tourists in 1997. (Research Division , Ministry of Tourism)

## 2.0 Background of the company

The Supreme Hotel Sdn . Bhd . was founded in the late 1950s . The hotel is situated at Jalan Bukit Bintang in Kuala Lumpur and is about 30 minutes' drive from the Sultan Abdul Aziz Shah Airport (SAAS) and 45 minutes' drive from the Kuala Lumpur International Airport (KLIA) . The hotel is located near to major shopping complexes such as Lot 10 , Sungei Wang Plaza , Bukit Bintang Plaza , Starhill and Kuala Lumpur Plaza . There are bus and taxi services to the hotel directly , as well as a proposed monorail and LRT 2 .

In the early 1950s , Supreme Hotel started with 100 rooms and a restaurant . The hotel was run by close family members . The owner was appointed as chairman of the company, and his 4 children were appointed directors and managers , respectively . The hotel employed 100 employees to work in the reception , housekeeping and in the restaurant . Later , in the 1970s the hotel expanded its operations into outdoor catering services and consultation services .

In the same year , the hotel embarked in a reconstruction programme costing RM 5 million . The reconstruction programme saw an additional 100 rooms with new designs and a new facelift was given to the building . At the same time , 2 elevators were installed for the convenience of the guests .

In the early 1980s , the Supreme Hotel management acquired 2 hotel properties in Penang and 1 hotel in Ampang . In the same year , the chairman hired 4 foreigners to take charge of the daily hotel operations . The foreigners were appointed as General Managers and 4 Resident Managers (Deputy General Manager) would be assisting them . All final decisions pertaining to the hotel operations and administration were in the hands of the chairman . In the late 1980s , the chairman had decided to restructure the hotel operations and administration . The operation departments would be taken over by the Resident Manager and the administration departments would be taken over by the General Manager (Please refer to figure 1 and 2).

In the early 1990s , the hotel increased its room supply to another 200 units making it a total of 400 rooms . The room facilities were further upgraded in the early 1997 , introducing ensuite bathrooms with separate bath and shower , in -house movie channels , CNN and satellite TV , in-room facsimile/printer and personal computer outlets . The hotel also provides butler services to VIP guests as well as businessmen , staying at the executive floor. The rapid expansion sees the building of 4 more restaurants , making it altogether 5 restaurants as a whole . The Botanica Brasserie (an all-day dining restaurant serving an international a la carte menu) , Pavilions (a perfect place to rendezvous for traditional

European tea or cocktails) , the Celestial Court Chinese Restaurant (serving a la carte Chinese menu and dim sum on weekends and public holidays) , Villa Danieli (modern Californian -Italian style restaurant) , Villa Bar , Riva's (restaurants/nightclub , with live band room and lounge). In addition , there are 3 meeting rooms with a sitting capacity of 300 persons , with the elegant Wawasan Ballroom. The Wawasan Ballroom is 685 sq m floor space which can accommodate 1,000 people for cocktail functions and 500 people for sitting down meals . An executive boardroom was built , featuring audio visual facilities which includes video conferencing and live- telecasting .

There is also the Renaissance Spa-the largest with 10,000 sq. ft-which features Technology Resistance equipment , including cardio-theatre , cardio-vascular , free weights , strengths equipment , separate treatment rooms for both men and women , hydro-therapy , steam bath , sauna , jacuzzi and massage (shiatsu and reflexology). The hotel also provides shopping arcades , a business center , a library and a recreation hall for children . The facilities and services star ranking by the Ministry of Tourism .

### 3.0 Mission statement of Supreme Hotel

Being one of the established international hotels in the country , Supreme hotel is committed to provide the best service available to its guests . It also provides the necessary training and skills for its employees to upgrade themselves in this industry . The positive



training received from the staff helps to improve their performance and this would definitely reflect the positive image of the hotel to the guests as well as to the nation .

#### 4.0 Hotel Organization Chart

(Please refer to figure 1 and 2 on next page)

Administrative and Non-Operational Departments

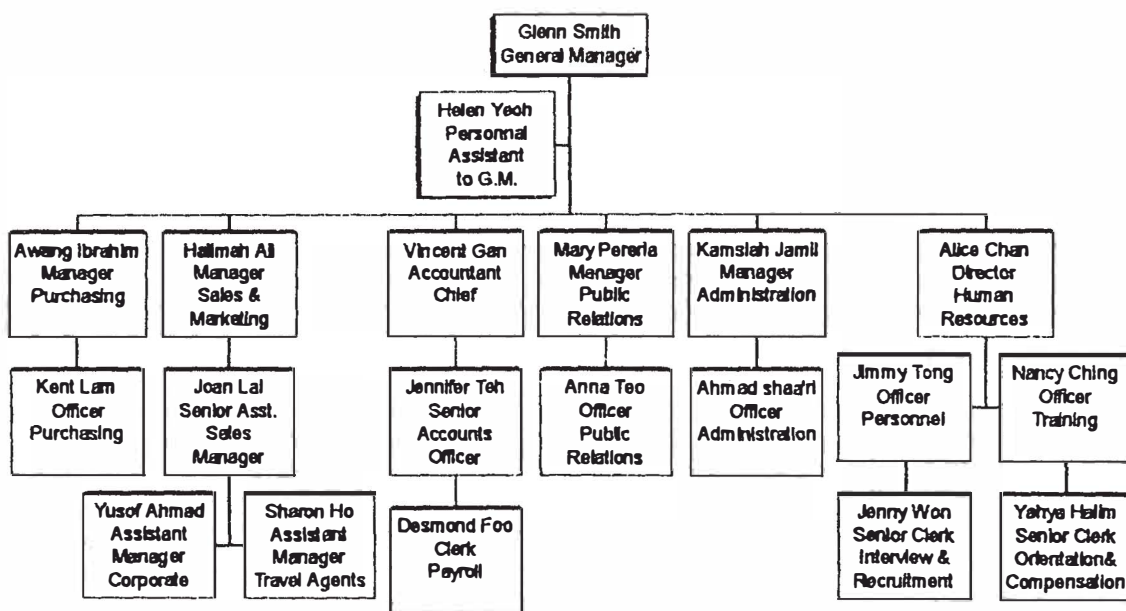


Figure: 1

The Operation Departments of Supreme Hotel

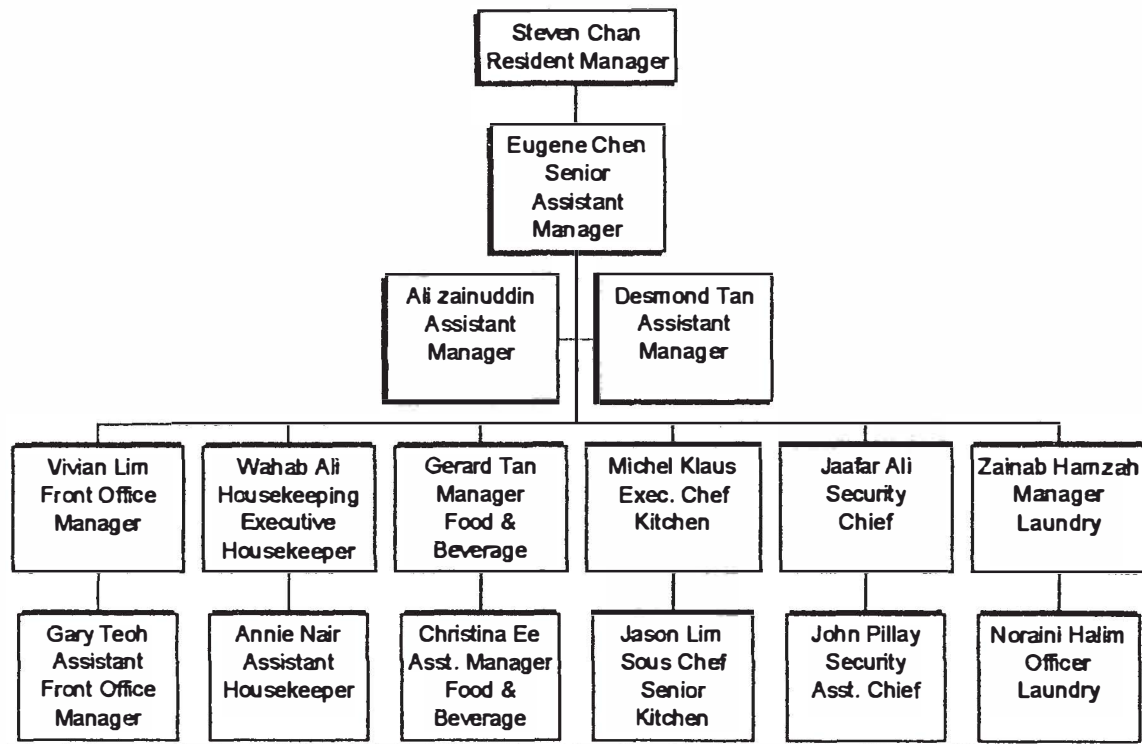


Figure : 2

## 5.0 The functions and services provided by the operation departments

### **5.1.1 Front Office Department**

The Front Office Department consists of several sub- departments . Each sub-department is headed by a supervisor . The sub-departments are the Reception , Bell Service , Reservation , Switch board operator , Cashier , Concierge and Business Center .

The Reception department provides the check-in , handling inquiries , handling complaints, and taking reservation after office hours . The Bell counter provides services such as handling guests' baggage upon arrival

as well as to other offices in the hotel , and greeting the guests upon arrival . The Reservation Department provides services such as accepting reservation from travel agencies , groups , corporate and individuals . The Reservation Department also the room occupancy daily as well as handling special requests for the guests before their arrival

hotel , paging services , record messages for the guests , transmitting telex and fax , handling in-house movie channels and giving morning calls to the guests . The Cashier Department provides checking-out , posting of bills to the respective guests' account , handling safe deposit boxes and monitoring guests'

provides services such as escorting the VIPs to their rooms , booking and reconfirmation of flights , as well as arranging tours for the guests . The Business Center provides services such as typing , shorthand and internet facilities to the in-house guest as well as outsiders .

### **5.1.2 Housekeeping department**

The Housekeeping department consists of several sub-departments . Each sub-department is headed by a supervisor . The sub-departments are Rooms , Public Area , and Laundry . The Room's division provides turndown service , cleaning all the rooms and corridors , and giving child care services . The Public Area division is responsible for the cleaning of public toilets , lobby , restaurants , and car park . Finally , the Laundry division provide cleaning services for the guest and for the staff uniforms .

### **5.1.3 Food and Beverage department**

The Food and Beverage department consists of several sub-departments . Each sub-department is headed by an assistant manager and assisted by a supervisor . The sub-departments are Outdoor Catering , Banqueting , Restaurants , and Room Service . The Outdoor Catering department provides services such as buffet and fine dining to residential area , company and organization within the Klang Valley radius . The Banquet department provides services such as wedding functions , annual dinner and conferences . In the restaurant outlets , various types of cuisines are available for the guests to choose from . The Room Service department provides breakfast , lunch and dinner menu at 24 hours a day for the in-house guests .

#### **5.1.4 Kitchen**

The Kitchen department consists of 6 sub-departments . Each sub-department is headed by a chef de partie . The sub-departments are the Main kitchen , Hot kitchen , Cold kitchen , Muslim kitchen , Chinese kitchen , and Pastry kitchen . The Main kitchen prepares soup , raw poultry , raw beef , pasta and raw seafood to the Hot and Cold kitchen . The Hot kitchen prepares deep fried , fried , stew , grilled , steaming and poaching methods of cooking . The Cold kitchen prepares various types of salads , and desserts . On the other hand , the Muslim kitchen prepares “halal” food and the Chinese kitchen prepares the non “halal” foods . Finally , the Pastry kitchen prepares cakes for weddings and anniversaries as well as other local delicacies .

#### **5.1.5 Security department**

The Security department in the Supreme Hotel provides 24- hour service to the guests . The security department is also in charge for the collection of parking fares .

### **6.0 The functions and services provided by the non-operational departments**

#### **6.1.1 Purchasing department**

The Purchasing department handles all the purchasing for the whole hotel . The purchasing department allows dry goods to be unloaded on Mondays , Wednesdays and Fridays .

Meanwhile , the perishable goods gets unloaded on Tuesdays , Thursdays and Saturdays . Each respective department collects their supplies from 8 a.m. until 2 p.m. daily except Sundays .

### **6.1.2 Sales and Marketing**

The Sales and Marketing department handles the sales of rooms , banquet , food and beverages and conferences of the hotel . The Sales and Marketing department operates under 3 divisions : corporate , private and travel agencies . The Sales and Marketing department has services on various market segments (Please refer to appendix 1 ) .

### **6.1.3 Accounts department**

The Accounts department handles the accounts receivable , the accounts payable and the payroll . The accounts receivable office processes payments received from travel agencies and corporate in advance . Terms and conditions (Please refer to the appendix 2 ) . Meanwhile , the accounts payable office would be responsible for advanced payment to the suppliers and banks . Terms and conditions (Please refer to the appendix 2). The payroll office handles all the employees' wages and salaries include the part-timers .

### **6.1.4 Public Relations department**

The Public Relations department handles all the inquiries pertaining to the hotel . It is also involved in promoting the hotel locally and overseas . The Public Relations department responsibilities include welcoming the VIPs to the hotel , handling complaints and give press briefings .

#### **6.1.5 Administration department**

The Administration department serves as a coordinating center for all the departments in the hotel . The administration department handles all mail correspondences of the hotel as well as providing back-up secretarial services to the other departments .

#### **6.1.6 Human Resources department**

The Human Resources department handles recruitments , conducts interview , staff orientation , training , and compensation . The Recruitment division handles all job inquiries and placing job advertisement in the hotel as well as in the newspaper . The Personnel Officer would conduct the first interview with the candidates , followed by a second interview with the Human Resources Director and Head of Department . The Orientation Division would handle the staff familiarization programme and briefing of the hotel rules and regulations . The training division would handle training programmes and seminars for all the departments . Finally, the Compensation Division would handle EPF , Socso and insurance claims .



## 7.0 Financial Highlights of the company

The Supreme Hotel started to make profit in 1994 when she achieved the highest profit margin and the net profit margin was 55.60% . The Supreme Hotel had a turnover of RM 11 million in 1995 . The industry average net profit margin was around 40% and an average of RM 10 million turnover .

The Supreme Hotel is able to maintain its sales level from 1994 to 1996 and achieve profit margin of over 40% for three consecutive years . The Supreme Hotel had an initial paid-up capital of RM 300 million and increased to RM 500 million in 1996 . (Please refer to appendix 3 ).

## 8.0 Operations

The Supreme Hotel has a staff strength of 500 , in which 70% of them are involved in the operations of the hotel and the remaining 30% are from the non-operation categories. The hotel operates 24 hours daily , with operation staffs who are required to work in a 3 rotation shifts : morning , afternoon and midnight . The non-operation staff is required to work 43.5 hours work per week ranging from Mondays to Saturdays . The hotel , since 1995 , has been running under full capacity because of the high demand for the Supreme Hotel products and services . The hotel , apart from receiving local guests , also receive guests from the ASEAN region as well as from the Middle East , Europe and North America .