

# The Impact of Strategic Alliances on Sustainable Performance

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**Abstract:** *Competition in the hotel industry is very intense. To survive in this highly competitive market, hotels have to sustain their better than average performance over time. To achieve and maintain such performance, hotels need to measure (monitor) their financial and nonfinancial performance, or so called sustainable performance. This paper argues that one way to achieve such performance by a hotel is by building up alliances with other organisations. Hence, the objective of the study was to examine the relationship between strategic alliance and sustainable performance following the Sustainable Balanced Scorecard (SBSC) concept which includes financial, customer, internal business process, learning and growth, and social and environment perspectives. An online survey involving 85 hotel general managers was conducted to collect data from 4- and 5- star hotels located in Indonesia. Data analysis was performed using Partial Least Square (PLS). The results revealed that the relationship between hotel engagement in strategic alliance and hotel sustainable performance in terms of internal business process, learning and growth, and social and environment was found to be positive and significant. Therefore it can be concluded that strategic alliance may assist hotels to improve their internal business processes, learning and growth, and social and environment-related performances.*

**Keywords:** *strategic alliances, sustainable performance, hotel industry, sustainable balanced scorecard*

## 1. Introduction

Competition in Indonesia is becoming intense as it has experienced sound economic growth in recent years. Further, Indonesia is also welcoming ASEAN Economic Community (AEC) in 2016 which will invite more competitors to this country. The tourism industry is also experiencing tremendous growth. Data from the Indonesian Ministry of Tourism (2015) show that the tourism industry has become the fourth largest foreign exchange earner of the country in 2013 compared to the fifth place in 2010 to 2012. The hotel average room occupancy rate also increased from 48.86% in 2010 to 52.22% by April 2015

(Statistics Indonesia, 2015). This condition encourages hotels in Indonesia to fiercely compete for share of the market. Hence, the Indonesian hotels need to maintain their performance to survive in the long-term – a concept defined as *hotel sustainable performance* (Perrini & Tencati, 2006). As a response, engagement in strategic alliance is likely to provide a good solution.

An extensive literature search revealed only one study, by Winata (2005), in the Indonesian manufacturing industry context, that examined the relationship between strategic alliance and company financial and non-financial (customer, internal business process, and learning and innovation) performances. She argued that as Indonesia has a collectivist culture where people tend to work in a team (Hofstede, 1980) and trust is one of the cultural values of Indonesians (Winata, 2005), then a manufacturer's engagement in strategic alliance is likely to "play an important role in improving organisational performance" (Winata, 2005, p. 15). Surprisingly, Winata's (2005) findings suggest that the company's engagement in strategic alliance has no effect on its organisational performance (financial and non-financial perspectives, such as customer and learning and innovation performances); however, it does have a significant influence on its internal business process performance. She explained that these results may be caused by the Indonesian collectivism value where a company's engagement in strategic alliance is "a common business trait"; hence, it does not provide a competitive advantage to a company by doing so (Winata, 2005, p. 209). As a result, engagement in strategic alliance may not support a company in improving its performance.

To the author's knowledge, no research has been done to analyse the effect of a strategic alliance on the financial and non-financial factors, which also include the social and environmental perspectives, particularly in the Indonesian hotel industry context. The social and environmental indicators are important for providing a more comprehensive description to managers about hotel performance. The present study provides a valuable contribution by empirically analysing the relationship between strategic alliance and the five performance indicators (financial, customer, internal business process, learning and growth, social and environmental) in the Indonesian hotel industry. Although a previous study by Winata

(2005) in the Indonesian manufacturing industry reported no relationship between engagement in strategic alliance and organisational performance (financial, customer, learning and growth) – caused by the use of strategic alliance as a common business trait rather than competitive advantage – no study has been done to provide empirical evidence as to whether the same reason is likely to happen in the Indonesian hotel industry. Hence, the present study fills this gap.

## **2. Theoretical Framework and Hypothesis Development**

### *2.1. Strategic Alliance and Hotel Financial-Related Performance*

Winata (2005) revealed that there was no positive relationship between the extent of a manufacturing firm's engagement in a strategic alliances and its financial performance in Indonesia. She argued that it may be caused by the Indonesian cultural characteristic of collectivism where people are more likely to work in a group than individually (Hofstede, 1980). In a collectivist society, a strategic alliance in itself may not be considered to be a competitive advantage that improves financial performance. It may happen because its competitors also engage in strategic alliances along their supply chain (i.e., suppliers and customers). As a result: (1) a company may not get a cheaper price for its raw materials; and (2) a company may not get a good selling price for its product. As this study was conducted in the Indonesian manufacturing industry, the results need caution when generalising as the manufacturing industry has different characteristics to the hotel industry.

Oztüren and Sevil (2009) conducted a study in North Cyprus to examine the effect of hotel collaboration with their suppliers and customers on hotel performance. They revealed that having high collaboration with customers tends to improve hotels' net profit. Moreover, they suggested that hotel managers considered their suppliers as a source to increase their profit by decreasing the cost and improving the input quality. However, they only used a single indicator (net profit) to measure the financial performance. Hence, applying more indicators to measure the impact of strategic alliances on hotels' financial performance will be advantageous.

Concluding the discussion above, a strategic alliance is a key factor for the Indonesian hotel industry to compete in the highly competitive market. By doing this, the international partners may derive benefit from sharing knowledge and resources with their Indonesian partners (i.e., relating to natural and human resources, Indonesian culture, and local market), and overcome local regulation barriers (Sitawati, 2004). Whereas, their Indonesian partners may benefit from the international brand and its advanced technology, such as reservation system. As a result, the famous brand name and comprehensive reservation system may attract more customers, leading to a higher occupancy rate; thus, improving profit. This is because a strategic alliance may give a competitive advantage to its alliance members so they may obtain advantages from each other and decrease competition among themselves (Winata, 2005), leading to a higher market share (Sarkar, et al., 2001) and more profit (Contractor & Lorange, 2002). A strategic alliance also allows hotels to provide more services such as in house shops, restaurants, travel agents, beauty salons, medical centre, which increase the hotels' income. Therefore, it is arguable that hotels' engagement in a strategic alliance may lead to a better financial performance. Based on the discussion above, Hypothesis 1<sub>a</sub> is formulated.

**H1a.** *There is a positive relationship between a hotel's engagement in a strategic alliances and its financial performance*

## *2.2. Strategic Alliance and Hotel Customer-Related Performance*

The empirical study conducted by Ozturen and Sevil (2009) to analyse the relationship between hotel collaboration and hotel performance found that collaborating with customers and travel intermediaries may have a positive impact on customer satisfaction. By having a close relationship with either travel intermediaries or the customer, hotels may have better knowledge about customer expectations. This is why having strategic alliance may improve customer satisfaction, leading to customer loyalty and customer retention. Moreover, they also found that collaborating with the customer is the most important

step towards increasing the quality of hotel products such as customer service. Related to hotel engagement with suppliers, Ozturen and Sevil (2009) revealed that collaborating with suppliers is imperative in order to improve the quality of hotel products. They stated that good input from hotel suppliers such as tour operators is crucial in providing good service to satisfy customers. By having a closer relationship with its suppliers, a hotel may improve its service quality. For example, hotels may cooperate with a tour operator (hotel supplier) to include the hotel's name in a holiday package. As a result, customers need to go to one place only (tour operator) to arrange their holiday, including their accommodation. However, it should be noted that customer expectations might vary between countries. Therefore, the results need further consideration before being extended to other hotels in other countries such as Indonesia.

The former study by Winata (2005) in the Indonesian manufacturing industry reported no relationship between engagement in strategic alliance and a company's customer performance. She suggested that this may be because of the geographical factor, in that Indonesia is divided into thousands of islands, which may cause communication difficulties between alliance partners. Another possible cause is that the Indonesian culture of collectivism means that engagement in strategic alliance may not become a competitive advantage anymore. However, her findings may not be generalised to the Indonesian hotel industry, as this industry needs to cooperate with other parties to meet sophisticated customer demand. Unlike manufacturing companies, hotels deal directly with customers, who have different requirements and preferences (Winata & Mia, 2005). To give faster and broader services, hotels need to be more involved with different types of service companies. Hotels may engage in strategic alliance with travel agents and tour operators to speed up the customer reservation system. As a result, customers are more satisfied by this system because they may save time and cost when reserving a room at hotels. The satisfied customers may lead to customer loyalty, so they may come back to the same hotels in the future (customer retention). More customers means higher market share. Hypothesis 1<sub>b</sub> is formulated based on these discussions.

**H1b.** *There is a positive relationship between a hotel's engagement in strategic alliance and its customer-related performance*

### *2.3. Strategic Alliance and Hotel Internal Business Process-Related Performance*

The hotel business has to provide fast service directly to the customer, which leads to a better internal business process performance. One of the effective indicators for measuring internal business process performance in the hotel industry is the time required to complete key processes and tasks such as bookings and the check-in system (Denton & White, 2000). In order to decrease the length of time required for a customer to place a booking, a hotel may engage in a strategic alliance in its marketing area. For example, there is a marketing alliance between seven large hotel brands: Dusit Hotels and Resorts; Kempinski Hotels; Landis Hotels and Resorts; Marco Polo Hotels; Omni Hotels; Pan Pacific Hotels and Resorts; and The Leela Palaces and Resorts (Chathoth, 2008). This alliance uses technology as an innovation to create synergy between these hotels so they gain better global access to the markets. At the same time, they run a one-stop Internet website that provides information such as prices and products of all member hotels. Some member hotels also recognise other member's guest recognition programmes. Customers may then use their accumulative points at these hotels. As a result, customers can make flexible and faster bookings by using this system. Overall, this innovation has improved the internal business process of the member hotels.

The hotel industry in Indonesia has intense competition. One reason is the increasing customer demand. This means that hotel managers need to have a competitive advantage in order to meet customer expectations, thereby leading to enhanced customer satisfaction and attracting more customers. However, due to the lack of resources or knowledge, local hotels may engage in strategic alliance to learn the required technology or skill from their partners, such as a sophisticated reservation system or customer database. As a result, Indonesian hotels may reduce the operation cycle time. It can be argued that after

engagement in a strategic alliance, hotels may improve their operational efficiency, which leads to a better internal business process performance. Hence, Hypothesis 1c is formulated.

**H1c.** *There is a positive relationship between a hotel's engagement in strategic alliance and its internal business process-related performance*

#### *2.4. Strategic Alliance and Hotel Learning and Growth-Related Performance*

There was one study conducted by Winata (2005) in the Indonesian manufacturing industry that reported no relationship between engagement in strategic alliance and a company's learning and innovation performance (i.e., number of new products, number of new patents, and time to market new products). Winata (2005) suggested that this may happen because of the lack of trust and communication between alliance partners in the Indonesian manufacturing industry. Another reason was that because of the Indonesian collectivist culture, engagement in strategic alliance is already commonplace in the Indonesian business environment. Therefore, engagement in strategic alliance in Indonesia may no longer be used by companies as a competitive advantage.

Generalisation of this result to the hotel industry needs caution. For example, strategic alliance in the manufacturing industry may focus on improving the production process, while the hotel industry is likely to emphasise the development of skills in human resources. Moreover, hotels need to cooperate with other parties within the tourism industry to provide a quality service to their customers (Pansiri, 2009). For example, hotels may engage in a strategic alliance with their suppliers, such as tour operators, travel agents, airline companies, or even other hotels to employ a sophisticated reservation system where customers can make reservations at these alliance partners when planning a holiday. Therefore, it is likely that engagement in strategic alliance becomes a competitive advantage for hotels to survive in the highly competitive market.

Hotels may conduct strategic alliance in order to learn from their partners. For example, Preble et al. (2000) proposed that local hotels in Israel might benefit from improved staff knowledge resulting from training provided by their foreign partner. Another benefit is that local hotels may learn about the comprehensive reservation system owned by their international partner. By being allied, the local hotel gains the benefit of learning this knowledge and technology, which may be difficult to obtain without a strategic alliance. Unfortunately, these authors did not conduct statistical analyses to test their arguments.

In relation to the condition in Indonesia where customer satisfaction with hotel service is relatively lower than managers' perceptions (Nasution & Mavondo, 2008), it is necessary to improve hotel service quality relating to customer expectations and needs. Skilful employees are needed to achieve this goal. In response, managers may focus on appointing staff who have a customer-oriented attitude and who understand the importance of service quality (Sparks & Weber, 2008). This skill may be obtained from induction or training programmes emphasising customer service and service quality. In this case, managers may need external partners such as hotel consultants or may need to form alliance with foreign partners who are able to provide such staff training. By using another party's expertise, managers benefit by gaining more skilled employees. In the end, the more skilled employees can give better customer service, thus improving their job performance which in turn leads to lower employee turnover. It can be argued that strategic alliance may have a positive influence on company learning and growth performance. Hypothesis 1<sub>d</sub> is formulated based on this argument.

**H1d.** *There is a positive relationship between a hotel's engagement in strategic alliance and its learning and growth-related performance*

## *2.5. Strategic Alliances and Hotel Social and Environmentally-related Performance*

The hotel industry is not an industry that produces pollution like the manufacturing industry does. However, hotels affect their environment by consuming large amounts of energy such as electricity and



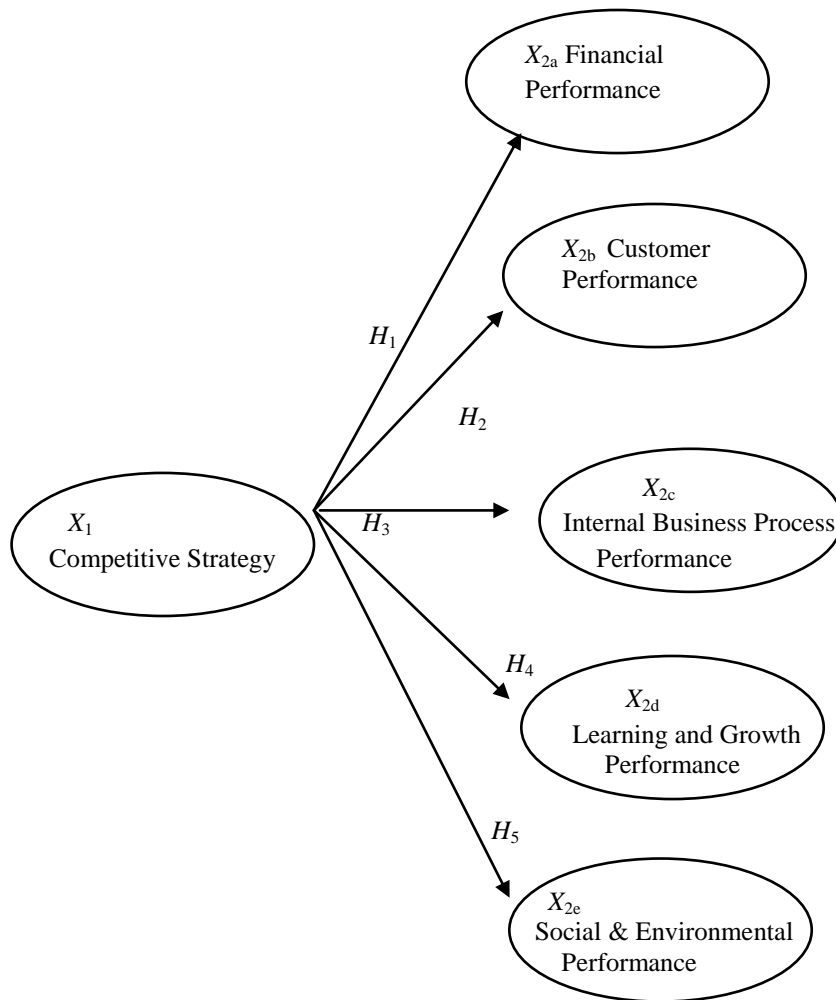
water, resulting in high energy and water consumption costs. In response, some international hotels have learned to decrease their environmental costs by installing solar power panels, fitting energy-efficient light bulbs with motion detectors, or by recycling grey water for gardening, washing floors, flushing toilets, and so on (Molina-Azorin, J. F., Claver-Cortes, E., Pereira-Moliner, J., & Tari, J. J., 2009). Hotels may also outsource their laundries to their alliance partners and keep the hotels' environment green and clean. However, not all hotels have applied the environmentally-related strategy, because of the lack of knowledge and skill or lack of professional advice (Chan, 2008).

In Indonesia, the Ministry of Tourism provides a Green Hotel Award to those 4- and 5- star hotels that apply environmental and sustainable development activities at their hotels. Therefore, hotels may need to learn from their competitors or partners in order to be 'green'. Hotels will improve not only their environmental performance but also their social image by being 'green'. For instance, hotels may learn from their alliance partners' experience about applying environmentally-related issues relating to certain regulations, resulting in certification such as the 'eco-labels', which may attract environmentally sensitive tourists (Molina-Azorin, et al., 2009). Hotels may also learn from their more experienced partners about how to quantify environmental savings and costs in their budget, and apply energy and water saving practices (i.e., how to make energy and conserve water). By practising these environmental management matters, hotels may achieve a safe, clean, and healthy environment (Mensah, 2006), which leads to a higher appreciation from their employees and customers, and, thus, improved social and environmental performance. Hence, it is arguable that engagement in a strategic alliance may have an impact on social and environmental performances. Hypothesis 1<sub>e</sub> is formulated on the basis of this discussion.

**H1e.** *There is a positive relationship between a hotel's engagement in a strategic alliances and its social and environmental-related performance*

The following Figure 1 shows the model tested in this study.

Figure 1. Model



### 3. Research Method

#### 3.1. Sample

A survey was developed and subsequently distributed to 4- and 5-star hotel general managers (GMs) in Indonesia. The survey was pilot tested, a sample was selected from the Indonesian Hotel and Restaurant Association (IHRA) using the systematic random sampling method, and responses tested for validity. Eighty five usable responses (final response rate was approximately 24%) were received. Results from ANOVA test and  $t$ -test indicate a non-response bias for the sample of the current study.

### 3.2. Measurement of Variables

#### 3.2.1. Strategic Alliance

The present study adopted the instrument from the study by Bucklin and Sengupta (1993), which was also used by Li and Atuahene-Gima (2001), and Winata (2005) in order to measure a company's engagement in strategic alliance. It used a Likert-type scale, where 1 represents *strongly disagree* and 5 represents *strongly agree* (Bucklin & Sengupta, 1993; Li & Atuahene-Gima, 2001). Each respondent was asked to indicate the extent to which their company used strategic alliance relative to their competitors over the last three years based on the following four items:

1. Entered into cooperative agreements with other firms to design new products and services
2. Collaborated with other firms to market new products and services
3. Joined with other firms to introduce new products and services
4. Jointly provided support activities for new products and services with other firms

Two items from the original Bucklin and Sengupta (1993) study were excluded because they focused on new product lines and research and development (which are not the main activities in the hotel industry).

#### 3.2.2. Hotel Sustainable Performance (HSP)

The present study has categorised hotel sustainable performance (HSP) as having five indicators (financial, customer, internal business, learning and growth, social and environmental) based on a Sustainable Balanced Scorecard (SBSC) approach. As there is no common standard for measuring HSP in the hotel industry (Bohdanowicz & Martinac, 2007; Clarke & Chen, 2007; Evans, 2005; Font, 2002; Holcomb, Upchurch, & Okumus, 2007), the present study adapted HSP instruments from several relevant studies. The items in this study (financial, customer, internal business process and learning and growth performance) were adapted from items developed by Chen et al. (2011) based on Kaplan and Norton's Balanced Scorecard approach (Kaplan & Norton, 1992, 1996, 2001). The social and environment

performance items were adapted from items developed by Holcomb et al. (2007) and Gil et al. (2001), supported by in-depth interviews and pilot study.

From an extensive search of relevant literature, it was found that it is likely that there are no objective measures of HSP. As a result, the present study used subjective measures by asking the respondents to indicate their hotel's performance compared to that of their competitors. Subjective data have been gathered by using a Likert-type scale, where 1 indicates *well below average* and 5 indicates *well above average*. This method has been used in previous studies to measure organisational performance (Abernethy & Lilis, 1995; Avci, et al., 2011; Bangchokdee, 2008; Chen, et al., 2011; Dess & Robinson, 1984; Garrigos-Simon & Marques, 2005; Hoque & James, 2000; Jennings, et al., 2003; Patiar & Mia, 2008; Winata, 2005). Despite some criticism of this self-insight approach, this method improves the quality of managerial self-insight because it uses decision-makers such as top managers as respondents (Chenhall & Morris, 1986; Larcker, 1981; Wright, 1977). Table 1 presents all instruments applied for the purpose of this study.

#### **4. Results**

The hypotheses were tested using the partial least squares (PLS) technique (Chin, 1998; World, 1982). Following the procedure advised by Hulland (1999), an evaluation of the PLS model was conducted, as described below. Firstly, the PLS measurement model was analysed; secondly, the PLS structural model was evaluated by performing a hypotheses test.

Table 1 and Table 2 provide a summary of the results for confirmatory factor analysis and discriminant validity analysis. Table 1 shows that the AVE for each variable is 0.50 and above; it therefore demonstrates adequate convergent validity (Chin, 1998; Hair, et al., 2010; Hair, et al., 2011). The composite reliability in Table 2 are above 0.70, which Hair *et al.* (2011) suggest supports good reliability of the constructs. Discriminant validity of the constructs was completed using a variance extraction test. In conclusion, the results from the PLS measurement model demonstrate that each construct in the current study exhibits satisfactory reliability and validity.

Table 1. Factor Loadings from Final PLS Measurement Model

	$X_1$	$X_{2a}$	$X_{2b}$	$X_{2c}$	$X_{2d}$	$X_{2e}$
$X_1$ – Design new products & services	<b>0.580</b>	0.065	0.163	0.113	0.205	0.233
$X_1$ – Introduce new products & services	<b>0.890</b>	0.227	0.297	0.529	0.386	0.383
$X_1$ – Market new products & services	<b>0.752</b>	0.009	0.049	0.271	0.189	0.206
$X_1$ – Support activities	<b>0.832</b>	0.164	0.220	0.388	0.389	0.298
$X_{2a}$ – Occupancy rate	0.228	<b>0.828</b>	0.549	0.304	0.314	0.304
$X_{2a}$ – Net profit ratio	0.176	<b>0.888</b>	0.568	0.384	0.384	0.402
$X_{2a}$ – Revenue growth	0.111	<b>0.809</b>	0.555	0.308	0.366	0.358
$X_{2a}$ – Return on assets	0.122	<b>0.859</b>	0.582	0.389	0.364	0.412
$X_{2b}$ – Customer loyalty	0.172	0.526	<b>0.706</b>	0.387	0.425	0.501
$X_{2b}$ – Customer satisfaction	0.131	0.550	<b>0.809</b>	0.465	0.467	0.554
$X_{2b}$ – New customer acquisition	0.161	0.495	<b>0.872</b>	0.544	0.538	0.534
$X_{2b}$ – Market share	0.227	0.573	<b>0.666</b>	0.345	0.305	0.364
$X_{2b}$ – Service quality	0.352	0.503	<b>0.804</b>	0.515	0.562	0.517
$X_{2c}$ – Customer background information compilation	0.327	0.278	0.425	<b>0.774</b>	0.331	0.388
$X_{2c}$ – Management efficiency enhancement	0.189	0.281	0.340	<b>0.730</b>	0.307	0.404
$X_{2c}$ – Time reduction of operation cycle	0.221	0.416	0.548	<b>0.642</b>	0.479	0.532
$X_{2c}$ – Time reduction for handling customer complaints	0.528	0.274	0.388	<b>0.805</b>	0.491	0.500
$X_{2d}$ – Employee ability to manage emergencies	0.203	0.221	0.376	0.326	<b>0.753</b>	0.521
$X_{2d}$ – Employee satisfaction	0.305	0.379	0.513	0.483	<b>0.740</b>	0.552
$X_{2d}$ – Employee ability to use IT products	0.251	0.461	0.557	0.421	<b>0.703</b>	0.503
$X_{2d}$ – Knowledge and resources sharing among employees	0.245	0.168	0.349	0.350	<b>0.715</b>	0.482
$X_{2d}$ – Employee productivity	0.353	0.240	0.387	0.363	<b>0.778</b>	0.490
$X_{2d}$ – Employee professional ability	0.409	0.320	0.456	0.430	<b>0.744</b>	0.510
$X_{2e}$ – Quantification of environmental savings & costs in hotel budget	0.265	0.340	0.507	0.470	0.534	<b>0.736</b>
$X_{2e}$ – Ecological arguments for	0.211	0.280	0.460	0.511	0.477	<b>0.745</b>

marketing campaigns						
$X_{2e}$ – Support for local community	0.194	0.272	0.392	0.452	0.435	<b>0.659</b>
$X_{2e}$ – Diversity & equality	0.296	0.383	0.555	0.420	0.423	<b>0.650</b>
$X_{2e}$ – Use of environmentally friendly materials	0.339	0.260	0.441	0.383	0.416	<b>0.743</b>
$X_{2e}$ – Health & safety for workers	0.275	0.394	0.603	0.482	0.631	<b>0.845</b>
$X_{2e}$ – Local recruitment priority for workers	0.202	0.233	0.410	0.413	0.467	<b>0.695</b>
$X_{2e}$ – Applies energy & water saving practices	0.305	0.466	0.538	0.581	0.498	<b>0.772</b>
$X_{2e}$ – Compliance with social/environmental regulation	0.310	0.291	0.499	0.462	0.511	<b>0.837</b>
$X_{2e}$ – Employees training on social/environmental issues	0.401	0.325	0.477	0.407	0.538	<b>0.718</b>

$X_1$  = strategic alliances;  $X_{2a}$  = financial performance;  $X_{2b}$  = customer-related performance;  $X_{2c}$  = internal business process-related performance;  $X_{2d}$  = learning and growth-related performance;  $X_{2e}$  = social and environment-related performance.

Table 2. Reliability and Average Variance Extracted (AVE) statistics, and correlations from PLS model

Variable	Cronbach's Alpha	Composite reliability	AVE	Correlations					
				$X_1$	$X_{2a}$	$X_{2b}$	$X_{2c}$	$X_{2d}$	$X_{2e}$
$X_1$	0.764	0.846	0.585	<b>0.765</b>					
$X_{2a}$	0.870	0.910	0.717	0.184	<b>0.847</b>				
$X_{2b}$	0.836	0.882	0.601	0.264	0.634	<b>0.775</b>			
$X_{2c}$	0.724	0.828	0.549	0.477	0.415	0.595	<b>0.741</b>		
$X_{2d}$	0.834	0.879	0.548	0.410	0.422	0.609	0.546	<b>0.740</b>	
$X_{2e}$	0.909	0.925	0.554	0.382	0.441	0.576	0.616	0.516	<b>0.745</b>

$X_1$  = strategic alliances;  $X_{2a}$  = financial performance;  $X_{2b}$  = customer-related performance;  $X_{2c}$  = internal business process-related performance;  $X_{2d}$  = learning and growth-related performance;  $X_{2e}$  = social and environment-related performance.

The structural model of PLS is used to test the hypotheses. Table 3 presents the path coefficients and the significance of the standardised  $\beta$  resulting from the analyses.

Table 3. Results from PLS Analysis (Path coefficients, N = 85)

From	To	Path coefficient	t-value	p-value	Conclusion
$X_1$	$X_{2a}$	0.038	0.575	0.283	Not Significant
$X_1$	$X_{2b}$	0.059	0.928	0.178	Not Significant

$X_1$	$X_{2c}$	0.305*	3.812	0.000	Significant
$X_1$	$X_{2d}$	0.261*	2.909	0.002	Significant
$X_1$	$X_{2e}$	0.204*	1.971	0.026	Significant

\* Significant at 0.05 level (one-tailed)

$X_1$  = strategic alliances;  $X_{2a}$  = financial performance;  $X_{2b}$  = customer-related performance;  $X_{2c}$  = internal business process-related performance;  $X_{2d}$  = learning and growth-related performance;  $X_{2e}$  = social and environment-related performance.

The results for Hypothesis  $H_{1a}$  indicate that strategic alliance was not significantly associated with hotel financial performance. Thus, hypothesis  $H_{1a}$  was not supported. A possible explanation for the lack of significant results is the Indonesian collectivism value. Previous scholar suggests that a firm's engagement in strategic alliance in a collectivist society such as Indonesia's is a common business trait (Winata, 2005). Accordingly, the alliance itself may not give a competitive advantage to the hotel, and thus have no influence on financial performance. Hotels in Indonesia become members of IHRA which helps them to conduct strategic alliance, especially with hotel competitors. Joining this association as a form of developing strategic alliance is not a competitive advantage itself, because every hotel should become the member to gain knowledge and expertise from the association's other members. A hotel may not sell its products or services at a better price than that of its competitors, as the competitors might engage in similar alliance with suppliers and customers. Moreover, in a collectivist country like Indonesia, managers are likely to put less focus on cost-benefit calculations when engaging in an alliance (Triandis, 1995).

The results presented in Table 3 reveal that strategic alliance did not have a significant influence on hotel customer performance. Therefore, Hypothesis  $H_{1b}$  was not supported. The reason for non-significant relationships between strategic alliance and customer-related performance may relate to the Indonesian society's character of collectivism. In this type of society, engagement in strategic alliance may be a common business activity (Winata, 2005). Therefore, being a member of strategic alliance in such a society may not enhance a hotel's customer-related performance straightaway. The current study provides

empirical evidence to support Rindfleisch and Moorman's (2003) argument that strategic alliance (particularly among competitors) may not have a positive effect on a company's customer orientation. This is caused by highly intensive alliance, in which companies put more emphasis on how to do better than their partner-competitor instead of focusing on their customers (Gatignon & Deshpande, 1994; Luo, et al., 2007; Moorman, 1995; Rindfleisch & Moorman, 2003). The results of the current study extend the previous study in the Indonesian manufacturing industry by Winata (2005), who found no direct relationship between engagement in strategic alliance and a company's customer performance. This current study also extends the work of Shrader (2001) who found no significant relationship between a company's engagement in strategic alliance and its performance (sales growth, market share, R&D intensity and advertising intensity). Both studies argued that there are other factors that can moderate this relationship.

The results for Hypothesis  $H_{1c}$  indicate that hotel engagement in a strategic alliance was positively and significantly associated with its internal business process-related performance. The results of the current study were in line with other studies, such as those of Lo and Yeung (2004), Lawson et al. (2009) and Winata (2005), who found that engagement in strategic alliance has a positive and significant association with internal business process-related performance in the manufacturing industry. In the hotel industry, the results of the current study provide empirical evidence supporting Chathoth's (2008) study, which indicated that conducting strategic alliance in the marketing area may result in better access to markets. He gave the example of a marketing alliance between several large hotels that run a one-stop Internet website. This website enables customer to check information and book services from any of the participating hotels, thus improving the hotels' internal business process. The current study also supports the study by Espino-Rodriguez and Padron-Robaina (2004), who suggested that outsourcing may have an impact by providing a better, faster, and more efficient hotel service. The current study extends their study by adding six more items to measure hotel internal business process: customer background information compilation, hotel management efficiency enhancement, hotel product's innovative and



uniqueness, time reduction of the operation cycle, time reduction for handling customer complaints, and effective problem-solving percentage.

The results presented in Table 3 support Hypothesis  $H_{1d}$  support the idea that hotel engagement in strategic alliance was positively and significantly associated with hotel learning and growth-related performance. The current study provides results that are different from those obtained by Winata (2005) who reported no relationship between engagement in strategic alliance and manufacture's learning and innovation performance in Indonesia. This may occur because the hotel industry has a different focus – such as a greater emphasis on the development of skills in its human resources – from that of the manufacturing industry, whose focus is more on improving the production process. Furthermore, the tourism industry (including hotels) is a highly integrated industry where there are almost no boundaries between the major players (hotels, airlines, travel agents, tour operators) (Go & Appelman, 2001; Poon, 1993). Consequently, hotels need to engage in strategic alliance with other players to survive in the global market. The results of the current study also offer empirical evidence to support Cheng et al.'s (2004) study, which proposed a model to explain the relationship between strategic alliance and employee satisfaction and commitment. The current study's results extend a previous study by Preble et al. (2000) by providing empirical evidence that strategic alliance in the hotel industry may improve learning and growth-related performance. It also supported Pansiri's (2009) statement that hotels need to engage in strategic alliance with their suppliers, customers, or competitors to survive in the highly competitive market.

The results presented in Table 3 reveal Hypothesis  $H_{1e}$  indicate that hotel engagement in strategic alliance was positively and significantly associated with hotel social and environment-related performance. Therefore, Hypothesis  $H_{1e}$  was supported. Results of the current study support Espino-Rodriguez and Padron-Robaina's (2004) study, which revealed a positive relationship between outsourcing and hotel non-financial performance. The current study also supports Ozturen and Sevil's (2009) study, which found a significant and positive relationship between supply chain practices and

hotel non-financial performance. However, none of those studies measured the relationship between strategic alliance and social-environmental performance. The current study did.

## **5. Conclusion, Implication and Limitation**

The present study sought to investigate the relationship between strategic alliances and hotel sustainable performance incorporating each of the five perspectives of the Sustainable Balance Scorecard (SBSC). The result provides empirical evidence that strategic alliance has a direct and significant relationship with some hotel performances; namely internal business process, learning and growth, and social environment-related performances, but no relationship with financial and customer-related performances. Hence, hotel managers should not aim to increase their financial and customer related-performance straightaway after engaging in strategic alliance. This result was in line with the findings of Winata's (2005) study in the Indonesian manufacturing industry, that engagement in strategic alliance does not correspond with financial, customer, and learning and growth-related performance. The current study adds one perspective in measuring non-financial performance: social and environment. It should be noted that the present study confirmed a previous study by Gil et al. (2001) who found that application of environmental management techniques are more likely to be associated with high ranking (4- and 5-star) hotels.

There were three limitations in this study. The first limitation was that the study did not classify strategic alliance into vertically, horizontally, or diagonally linked to achieve growth and competitiveness in the hotel industry. Such categorisation may be useful to see how each type of strategic alliance may influence hotel sustainable performance.

Second, the sample size is relatively small (85 respondents). It would be useful to reinforce the present research findings by examining a larger sample in order to be able to better generalise the results.

Third, the current study selected star hotels for the sample, particularly 4- and 5-star hotels. Data collected from hotel categories with lower standards would allow access to a broader understanding of the

topic. Further, the examination of the proposed theoretical model of the current study using data from other service industries such as banking or the health industry would make a significant contribution to the literature.

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