External operating environment and resiliency of foreign ethnic restaurant

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Abstract
The presence of foreign ethnic restaurants has become a norm in this country. The establishment of such restaurant has been increasing steadily especially in the recent decades. This phenomenon is certainly could be attributed to some elements that motivate foreigners to open their businesses in this country. This study aims to uncover the underlying reasons for the foreigners to open their restaurants and how the external operating environment affect their restaurant businesses’ resiliency. Furthermore, there has been a lack of study looking into external operating environment and resiliency of a business. Therefore, this warrant an investigation on the issue at hand.

Keywords:
External operating environment, development and change, foreign ethnic restaurant, resilience
1 Introduction

Among various sectors under the umbrella of service industry, restaurant or foodservice industry is one of the key contributors toward the lucrative revenue generated within service industry. As of 2014, the sums of global restaurant industry revenue stand at US$2.7 trillion representing a compound annual growth rate of 6.4 percent between 2010 and 2014. This figure is expected to increase to a value of US$3.8 trillion by the end of 2019 (Research & Market, 2015). In developed nation such as the United State of America (USA), the restaurant industry generates more than US$700 billion of sales in 2015 which accounted for 4 percent of total gross domestic product for the USA (National Restaurant Association, 2015). Shubber (2015) pointed out that similar trend could be observed in the United Kingdom (UK) in 2014 where restaurant industry revenue charting £21.6 billion, a significant growth from £15.5 billion in 2010. The value is even expected to climb up to £52 billion mark by year 2017 (Michel, 2014). Those figures clearly showed that restaurant industry have really high return on investment value.

Similar development could also be observed in relation to the internationalization of the foreign ethnic restaurant. Numerous ethnic restaurants namely Indian, Chinese, Japanese, Thai, Middle Eastern and many more could be located in other countries for the purpose of establishing and expanding their businesses. For instance, as of 2004, there were 6,875 Thai restaurants overseas with 49 % of them in the USA and Canada, 20 % in Europe, 15 % in Australia and New Zealand, 14 % in Asia and 2% in other countries and most of them are owned by the Thai (Tsui, 2006). On the other hand, foreign ethnic restaurant from East Asia also enjoy some attention. This is evident as there are about 89,000 Japanese restaurants around the world (JMAFF, 2015). In the USA alone, there are 9,000 Japanese restaurants and this double the number Japanese restaurant in the last 10 years. According to Parham (2010), nearly 41000 Chinese restaurants in the USA and this number are three times more than the number of McDonalds franchise units.

The sheer numbers of fast food together with foreign ethnic restaurant established in other countries is not certainly smooth or without facing any issues. As such, operating internationally requires the attentive care in dealing with number of matters regarding migration regulations, social benefits, economic policies towards small businesses, the availability of venture capital and legal hindrance imposed on the foreign ethnic restaurant entrepreneur to an observable level (Kloosterman, 2000; Leung, 2003). In this context, some foreign ethnic restaurant operating in the UK, and Germany for instance are having trouble to recruit skilled labor particularly qualified chef from their homeland as labor migrants in those countries has been regulated strongly in effort to satisfy the economic and political interest of the countries (Leung, 2003). Furthermore, foreign ethnic restaurant also faced the issue of taste or palatability of the cuisine. This is certainly an issue they commonly encounter when opening the ethnic restaurant in the foreign land (Park, 2012). All of the issues faced by the foreign ethnic
restaurant operators lead to the most fundamental and crucial matter not only for restaurants businesses but also any businesses of any natures which is resiliency.

1.1 Issues in contextual study setting

The issue of business resiliency is also an ever-present challenge in the context of Malaysia’s foreign ethnic restaurant. This is an important matter as there are numerous type of foreign ethnic restaurants penetrating this country under the influence of rapid internationalization and globalization strategy of those restaurants. It is becoming more and more evident with the flourishing opening of the ethnic cuisine restaurants such as Western, Japanese (Chong, 2014), Korean (Azizan, 2012) and Middle Eastern restaurant (Raeis, Zahari, Hemdi & Suhaimi, 2013) which are the testament of the unstoppable wave or the influx of foreign food culture. The entrance could be seen as quite a number of foreign ethnic restaurants operating throughout the country. Despite no exact number, through anecdotal evidences there are more than ten thousand foreign ethnic restaurants currently in operation (Hungrygowhere.com, 2016). In addition. Wong, Foong, Chong, Pari and Ikram (2015) mentioned that more than 3000 outlets can be found in Kuala Lumpur city alone.

The proliferation of the foreign ethnic restaurant could be attributed to several discerning external environmental factors such as good government policies, market stability, sound economic base, easy visa application, education hub and great tourist destination (Raeis et al., 2013; Md Akhir et al., 2012; Ho, 2010). Government policies that encourage and welcome foreign direct investment from all over the world is capable of attracting many foreigners to open their restaurant businesses in Malaysia. This investment portfolio is strengthening with the market and economic stability that this region and specifically Malaysia possess (Rais, 2011; Ho, 2010). The policy also encourages the open education system that allow international student from all over the world to study in Malaysia (Bernama, 2015). The sight of foreigners taking courses in public and private universities and colleges are gradually becoming the norm this day and this in addition to the international business directly contribute the proliferation of foreign ethnic restaurants (Verbik & Lasanowski, 2007). In other words, it can be said that all of these factors certainly contribute to foreign investors’ decision to open their restaurants in Malaysia.

As previously mentioned, the existence of resiliency issues is inherent in restaurant business operation. The gravity of the issue is increasingly high especially for foreign ethnic restaurant looking to gain an upper hand in the competitive international market. Taleb (2008) mentioned that business resiliency has become the attention as of late due to unforeseeable globalization effect, economic uncertainty and in light of changes on social expectation and responsibility toward a company (Porter & Kramer, 2007).

Furthermore, the existence of foreign ethnic restaurants that present foreign food culture into foreign environment will certainly collide with the existing local food culture which present another issue that could affect the level of foreign ethnic restaurant
resiliency. Therefore, all of the matter highlighted raises some fundamental questions like does the populace at large adapts to the foreign ethnic cuisine or is it the foreign restaurant operators adapting to the local cultural preference? Does the foreign food culture has become a norm within this country? How does external operating environment in Malaysia affect foreign ethnic restaurant operation? What are the key ingredients leading to their success and resiliency? Besides those questions, majority of the studies related to ethnic restaurants (Tunsi, 2000; Turgeon & Pastinelli, 2002; Utami, 2004; Verbeke & Lopez, 2005; Withers, 2000) and restaurants of particular ethnic cuisine (Bailey & Tian, 2002; Josiam & Monteiro, 2004; Qu, 1997; Ray, 2007) was conducted in foreign country setting. Furthermore, there is a lack of study exploring into foreign ethnic restaurant historical development and the force behind its resilience and sustainability in Malaysia context particularly in Middle Eastern, Japanese, Korean and Western/European restaurants.

2 Literature Review

2.1 External operating environment

The design of the entrepreneurship model, including the independent variables, began with an investigation of the rapidly changing business environment (Wortman, 1986, 1987). Since organizations are in constant exchange with their environments (Snow & Hrebiniak, 1978), it is arguable that successful entrepreneurial firms better “fit” their environments than those firms that are unsuccessful, maximizing the benefits of the exchanges with the environment (Naman & Slevin, 1993). The centrality of the environment in models and theories of entrepreneurship is evident in the writings of Bygrave and Hofer (1991), Bruno and Tyebjee (1982), Carsrud et al. (1986), Cooper (1986), Garud and Van de Ven (2002), Kent (1984), Roure and Keeley (1990), Zahra (1991), and many others. They conclude that the environment is a major driving force that influences the organization.

Duncan (1972) defined business environment as “the totality of physical and social factors that are taken directly into consideration in the decision-making behavior of individuals in the organization.” According to Selznick (1948), “the business environment can be defined as the flows of information relevant to goal setting which influences decision-making through managerial perceptions.” An organization should have the ability to scan, analyze, and forecast critical events and trends affecting it. Examples of environmental studies include industry and competitor analysis, environmental scanning, and scenario development.

2.1.1 Economic factor

Economic development and improving national welfare are among key priorities of developing countries governments and foreign direct investment (FDI) is thought to be a key driver of economic growth and ultimately poverty eradication (Kolstad & Wiig,
It is vital to understand that there are both macro and micro-economic fundamentals that should be satisfied for FDI to have a positive impact on the host countries’ economic development. From a macroeconomic point of view there should be capital accumulation which is brought about by having a positive net transfer on the capital account, current account and government revenues (Sarode, 2012; Salman & Hui Xiao, 2009). While from a microeconomic point of view, there should be a positive spillover effect to the indigenous firms (Damijan, Rojec, Majcen, & Knell, 2013). In the case of foreign business firm, the government play an important role in promoting and providing a conducive environment in which the foreign investors become attracted to invest and open their businesses in the host country. It is important to understand that FDI stock takes into account the initial capital injection made by the foreign company and all succeeding capital transactions between two corporates and among affiliated companies, regardless of their status (Cotula, Vermeulen, Leonard, & Keeley, 2009).

2.1.2 Technological factor

Organizations implement new technologies to achieve specific results, such as increased productivity and reduced operating costs, but outcomes have not always met expectations (Kim & Shanklin, 1999). Technologies are powerful tools for creating a stronger and more efficient organization. However, to realize the benefits from any given technology, it must be perceived as being useful, adopted, and then used by employees (Venkatesh & Bala, 2008). One of the most salient factors impacting organizations and employees is technological change and advancement (Duxbury, Higgins, & Thomas, 1996). These technologies have the potential to change roles and responsibilities of employees within the organization and must be communicated properly to meet organizational objectives for long-term success.

2.1.3 Political-regulatory factor

This factor focuses upon the government structure and the initiative taken to promote and establish a welcoming environment for the potential foreign investor through favorable policy and general infrastructure. The vast and growing literature on the democratic peace finds that political regimes influence relationships between national-states. This well-developed literature on the democratic peace is helpful in understanding the potential benefits of democratic governance structures for foreign investors. If democratic political institutions allow higher levels of cooperation between states, they may also allow for higher levels of cooperation between states and multinational corporations. There are three interrelated reasons why democratic systems might attract higher levels of FDI. The need to attract FDI pressures governments to provide a climate more hospitable to foreign corporations, potentially altering patterns of domestic economic policy, possibly even challenging the de facto sovereignty of the nation state and the capacity for democratic governance. Government policies which promote good operating structures, development of local businesses and entrepreneurship and encourage foreign firms compete by providing
value-adding activities have been identified to be important in ensuring that the positive impacts of FDI prevail (Chen, Melachroinos, & Chang, 2010).

2.2 Organization development and change

Porras and Robertson (1992) define organizational development and change (ODC) as planned interventions, based in behavioral science to improve individual development and organizational functioning by altering the on-the-job behaviors of organizational members. According to Macy and Izumi (1993), the major intention of ODC is to determine whether there are consistent patterns of change and innovation that improve the performance of the organization, and also whether the cost of these change agents would be worth the expenditure. The development and change experienced by any organization is largely contributed to the influence of external operating environment (Weick & Quinn, 1999; Cummings & Worley, 2014). These matters could be seen through the gradual social change through demographic shift and attitude toward foreign culture. Change within the pattern of needs is also crystal clear in the work force with various need such as sabbaticals, shorter work weeks, job enrichment, flexible hours and work at home. People are more mobile, moving from job to job, organization to organization and area to area. Technology too is rapidly expanding, and the accelerated rate of change itself contributes to the turbulence experienced by most of us. Social, political, economic, and technological changes are increasing at an almost unbelievable pace.

A variety of important changes have become evident in todays’ organizations as a result of powerful societal forces. For example, the role and purpose of most organizations in our society are changing. Business firms, for example, are increasingly expected to earn reasonable as opposed to maximum profits, and to join in the fight against pollution and global warming. Organizations are becoming larger and larger and much more complex. This is true for government, hospitals, educational and religious institutions as well as for business firms. Size increases at statistical rates increase the complexity of task roles, relationships and the processes that are required to coordinate activities. The various elements that influence the organization development and change activities will ultimately affect its resiliency in a given business environment.

2.3 Food socio-cultural factor

The relationship between food, culture and society has always been an important one. Although food has been mentioned as a common topic of cultural discourse, it is often considered as popular culture, or mass culture as opposed to high culture such as music, art or architecture (Gans, 1999). In the last decade, the spread of food and cuisines across the globe, although not a new phenomenon (Kiple, 2007), is now understood as a way to clarify economic and cultural processes of globalization (Cwiertka & Walraven, 2002, Locher, 2003). Studies tackle globalization through Mexican cuisine and tacos (Pilcher, 2008), King’s Christmas pudding (O’Connor, 2009), Thai cuisine (Sunanta, 2005), Sushi (Bestor, 2000, 2001) and French-African beans
(Freidberg, 2003), among others. These studies not only have in common food and globalization as research interests, but also a commodity network approach to unfold the phenomena of food going global. Since the nature of restaurant business directly intertwine with the customers, the element of socio-cultural is crucial in establishing a profitable restaurant business especially for the foreign ethnic restaurants looking to open their businesses in other countries.

2.4 Organizational resiliency

The concept of resiliency can be thought as the maintenance of positive adjustment under challenging conditions such that the organization emerges from those conditions strengthened and more resourceful. By “challenging conditions” it include discrete errors, scandals, crises, and shocks, and disruptions of routines as well as ongoing risks (e.g., competition), stresses, and strain. The disruption also includes both the sets of conditions (exogenous shocks and ongoing strain) because research has shown that the accumulation of small interruptions can compromise the safety of a system just as readily as a larger event (Rudolph & Repenning, 2002).

Two specific beliefs seem to anchor resilient organizations. First, these organizations treat success lightly and are leery of the potential for the unexpected (Weick & Sutcliffe, 2001). In other words, resilient organizations assume their models of risks need regular updating, their countermeasures are incomplete, and their grasp on safe operations is fragile. Second, resilient organizations also hold onto the belief that they can readily cope with a wide array of anomalies and are constantly striving to grow their capabilities to do so. In other words, resilient organizations operate under the belief that they are imperfect but can become more perfect over time through learning from events and near events. Resilience also relies upon processes, structures, and practices that promote competence, restore efficacy, and encourage growth endow organizations with capabilities to mediate jolts and increased strain (Stutcliffe & Vogus, 2003).

3 Conceptual Study Framework

The following Figure 1 is derived based upon the review of the extant literature which highlight the issue and serve as the building block for the study framework. The framework depicts the relationship that is exerted by external operating environment on the foreign ethnic restaurant resiliency. It also displays the organization development and change within foreign ethnic restaurant as mediating variable whereas the food socio-culture factor acts as the moderating variable between organization development and change and foreign ethnic restaurant resiliency.
4 Methodology

4.1 Study design

This study utilized a cross sectional, mixed method approach in designing the instrument, data collection and data analysis. Through convergent parallel design (Creswell et al., 2011) both quantitative and qualitative approaches are used to collect the necessary data. Given the nature of the study that looks into the connection between external operating environment in Malaysia and foreign ethnic restaurant resiliency, the targeted samples are chosen among the foreigners who has operated their restaurant business in Malaysia for at least 5 years. This is to ensure the restaurant business has sufficient time to recover its initial investment and still able to continue operating which indicate certain degree of resiliency.

4.2 Instrumentation

The quantitative data is collected using survey questionnaire. The questionnaire is separated into five sections with each section corresponds to each construct in the study framework except for section A addressing demographic background. Majority of the items in the questionnaire are adapted from previous studies and some modifications are made to tailor them to the need of the study. The first section deals with the demographic information of the samples including gender, age, marital status, education, ethnicity, religion and years of restaurant operation. Section B focuses on the construct of external operating environment which is economic factor, technological factor and political-regulatory factor. Section C is used to measure the mediating variable which is the foreign ethnic restaurant organization development and change. Section D is created to measure the food socio-cultural factor as seen by the foreign

Figure 1: Conceptual framework
restaurant owners. Finally, Section E deals with the dependent variable which is the resiliency of foreign ethnic restaurant operation within the external operating environment in Malaysia. Seven-point Likert scale is utilized to elicit the response from the samples with 1 represent “strongly disagree” and 7 represents “strongly agree”. Majority of the questions used in the survey questionnaire has been altered using simple and concise wording in consideration to the variation in respondent language proficiency level. The questionnaire is therefore able to be read and understood within short amount of time and answered without any difficulties. An in-depth interview with 15 foreign ethnic restaurant owners will be conducted to supplement the quantitative data. The interview is semi-structured with all the questions correspond to the quantitative data objective.

5 Conclusion

This study is still underway and therefore, the result is yet to be presented. Academically, this study is hoped to better understand the nature of foreign ethnic restaurant businesses and their resiliencies while operating in foreign external operating environment. From this study also, the nature of food culture in the country in relation to foreign ethnic food could be better comprehended. The resulting data will expand the available body of literature on the foreign ethnic restaurant studies. In term of its practical contribution, the related government agencies will be able to better understand the element that attract the foreign investor and thus strive to build and provide the necessary environment and facilities to achieve the goal. The present study would be able to provide a potential restaurant operator with the guidelines and general views on the factors important for development and its resiliency. This information will enable the potential restaurant operators to assess and evaluate as well as develop strategic planning whenever they are considering to open and operate in foreign country.

6 About the authors

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7 References


