Grounded Research on Business Strategy and Performance

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ABSTRACT: The purpose of this study is to conduct in-depth research on business strategies and performance of XYZ restaurant through grounded research as an approach study. In-depth interviews were conducted with the owner, manager, supervisor, loyalty customers, and newly visiting customers. The result of this research was a model construction that describes the business strategies and performance of XYZ restaurant. Quantitative research was suggested to test the model construction in future research. The originality of the research is the business strategy and performance model.

KEYWORDS: shao kao, grounded research, business strategy, business performance.

1 INTRODUCTION

Shao Kao is authentic and unique Chinese BBQ. It can be found among many street vendors in China. At a centre of culinary foods of Pantai Indah Kapuk in Jakarta, Indonesia, you can find Shao Kao not as street vendor culinary, but as a prestigious restaurant. Many customers come and come again to taste the BBQ. You can look at a long waiting list for customers, especially when it is the weekend. Therefore, we were interested to study what was the strategy of the business and how was its performance. We did grounded research to get in-depth descriptions of the subject.

2 LITERATURE REVIEW

According to Dunne (2011), one of the most problematic issues is related to how and when a literature review should be used when doing grounded theory. When The Discovery of Grounded Theory, was published by Glaser and Strauss (1967), it explicitly opposed the use of a literature review prior to the collection of primary data. They said that an effective strategy must first completely ignore the literature on the theory and the facts on the area that we examine (Glaser and Strauss, 1967; Dunne, 2011). The initial literature review of research was deemed to potentially limit and even steer the process of developing grounded theory and therefore, may reduce the quality and originality of research (Dunne, 2011).

According to Glaser (1998), the strong position of grounded theory (1) does not perform a substantive assessment of the literature in the field or related fields of research that will be conducted, and (2) when the grounded theory is almost complete at the time of the sorting and writing, the literature search on substantive area can be done to help assemble a theory or reinforce theories constructed or built into a comparative theory. Glaser’s establishment was also supported by Nathaniel (2006) and Holton (2007). But in the next decade, Strauss’ position significantly changed. With Juliet Corbin, Strauss changed his prior position with Glaser. Strauss recommends an initial relevant literature review and then such a shift was one factor rift with Glaser, because Glaser remains in his initial position.

3 METHOD

The study was done to know the business strategies and performance of XYZ restaurant in Jakarta. The interviewees of the study were the owner, manager, supervisor, loyalty customers, and newly visiting customers. Besides from an in-depth
interview with the interviewees, we also collected secondary data from documents, the Internet, magazines, mass media, etc. that report about XYZ restaurant, purposely for data triangulation as the qualitative method.

In this study, we used grounded theory methods. According to LaRossa (2005), there are different coding procedures among grounded theorists. They have different phases in the coding procedures. Glaser and Strauss (1967) gave four phases, Glaser (1992) gave two major phases plus several sub-phases, Strauss and Corbin (1990, 1998) referred to three phases. And in our study, we use the coding procedures according to Strauss and Corbin (1990, 1998) and follow three phases, namely open coding, axial coding, and selective coding.

According to Glaser (1998), when the grounded theory process is almost complete, we can do a literature review to help set the theory or to support the theory that we built or to compare the theory that we built. In the study, we followed the directive of Glaser.

4 RESULTS

The first phase is open coding. At this phase, we did an interpretive process and compared the events, actions and interactions to find the concepts and categories. And the concepts that we found were: segmentation, strategic location, corporate performance, consumers’ complaint, responsive, process innovation, employee training, service quality, taste, cultural adaption, perceived value, product differentiation, quality raw materials, product innovation, product quality, customer satisfaction, repurchase intentions, word of mouth, purchase intentions and purchasing power.

The second phase is axial coding. In this phase, we understand the dynamic relationship amongst the categories. The relationship is the basis of the emergent theory. Tentative hypotheses are formed through a deductive process at this stage (Khambete and Athavankar, 2013). We formed the twenty-eight propositions or hypotheses, namely the relationship between consumers’ complaint and responsive concepts, responsive and service quality concepts, process innovation and customers’ satisfaction concepts, employee training and service quality, quality raw materials and product differentiation, quality raw materials and product quality, cultural adaption and customer satisfaction, taste and customer satisfaction, service quality and customer satisfaction, perceived value and customer satisfaction, perceived value and purchase intentions, differentiation and customer satisfaction, product differentiation and purchase intentions, product innovation and customer satisfaction, product innovation and product differentiation, product innovation and product quality, product quality and customer satisfaction, customer satisfaction and repurchase intentions, customer satisfaction and business performance, customer satisfaction and word of mouth, repurchase intentions and business performance, strategic location and business performance, segmentation and strategic location, segmentation and business performance, purchase intentions and business performance, word of mouth and purchase intentions, purchasing power and purchase intentions, and business performance and service quality.

![Figure 1– Model Construction](image-url)
The third phase is selective coding: It is the process to arrive at a ‘core category’, which unifies all of the categories and leads to the theory (Khambete and Athavankar, 2013). At this phase, we connected propositions that we built at the second phase to build the model or theory as seen in Figure 1.

In Figure 1 – the model shows that business performance of XYZ restaurant was influenced by owners’ segmentation determining and strategic location choice, and by repurchase intentions of customers who are satisfied. Their customer satisfaction also influences the purchase intentions of new customers, which besides by process innovation, word of mouth, purchase intentions are also influenced by purchasing power, perceived value and product differentiation. The antecedents of customer satisfaction are cultural adaptation, taste, service quality, perceived value, product differentiation, product innovation and product quality. And product innovation and product quality are influenced by quality raw materials, which the product innovation influences product differentiation and product quality. Service quality of the restaurant is influenced by response of consumers’ complaints and employee training. And finally, good business performance influences the service quality itself.

Referring to Glaser (1998), after we built the model, we did a literature review to support or to compare with the model. The relationship between consumers’ complaints and responsive concepts is supported by Schoefer et al. (2005), who said that consumers’ complaints can cause response and Velazquez et al. (2010) said that responsiveness is caused by consumers’ complaints on dissatisfaction of service quality.

The relationship of responsive and service quality concepts is supported by Schoefer et al. (2005), who said that response to customers’ complaints can influence the service quality. Ashley et al. (2009) also said that the response to customers’ complaints causes restoration action to improve service quality. The relationship of employee training and service quality concepts is supported by Masoud and Hmeidan (2013), who found that employee training significantly influences service quality. Zumrah (2014) also found that one of factors that influence service quality is employee training. Khanfar (2011) said that employee training is a major path to form quality human resources.

The relationship of process innovation and customer satisfaction concepts is supported by Hu and Huang (2011), who found that innovation capability has a positive effect on customer satisfaction. The relationship of cultural adaptation and customers’ satisfaction concepts is supported by Lok and Crawford (2004), who found a positive impact cultural adaptation on customers’ satisfaction and commitment. The relationship of taste and customer satisfaction concepts is supported by O’Hara et al. (1997), who found customer satisfaction was gotten from the taste of food. Lu et al. (2015) found strong stimuli of taste influencing the emotion of customer evaluation significantly. Hwang and Zhao (2010) also found that perceived taste is a significant antecedent of customer satisfaction.

The relationship of quality raw materials and product differentiation concepts is supported by de Barcellos et al. (2005), who said that product differentiation depends on the quality of raw materials and specific productive process. The relationship of quality raw materials and product quality concepts is supported by Pieniadz and Hockmann (2002), who said that high quality products cannot be obtained without at least some minimal quality of raw materials. They said that a high quality of final products requires quality raw materials.

The relationship of service quality and customer satisfaction concepts is supported by Hume and Mort (2010), who said that service quality will impact on customer satisfaction. Kitapci et al. (2014) found customer satisfaction was influenced by empathy and assurance in service. Agyapong (2011) also found that service quality influences their customers’ satisfaction. Bei dan Chiao (2001) found that service quality caused customer satisfaction.

The relationship of perceived value and customer satisfaction concepts is supported by Fornell (1992; Lee et al., 2001), who said that considering cost can improve customers’ satisfaction and loyalty. Hume and Mort (2010) found customer satisfaction was influenced by perceived value, and the value can be time and money. Hellier et al. (2003) found perceived value was one of the major factors that influence customer satisfaction. Tian and Wang (2010) said that perceived value is a major factor of customer satisfaction, and Bei and Chiao (2001) said that the price that would be offered be the foundation of customer satisfaction.

The relationship of perceived value and purchase intentions concepts is supported by Wen et al. (2012), who said that there is an effect of perceived value on purchase intentions. Anuwichanont (2011) found that price played an important role as a major reason of purchase intentions. Beneke et al. (2013) also found a significant relationship between perceived values with purchase intentions. And Wu et al. (2014) said that perceived value has a positive impact on purchase intentions.

The owner of XYZ restaurant said that they offer product differentiation with its purpose being to make his customers satisfied. So we created a proposition that product differentiation has a relationship with customer satisfaction. And our interviewees who are customers of the restaurant told us that they are interested to visit the restaurant and are moved by...
product differentiation that can be offered by the restaurant. So we created a proposition that product differentiation has a relationship with purchase intentions.

The relationship of product innovation and customer satisfaction concepts was supported by Pan and Zinkhan (2006; in Naveed et al., 2014), who said that innovation is used as a strategic orientation on customer satisfaction and loyalty. According to Bolton (1998; Naveed et al., 2014), innovation can have a positive impact on customer satisfaction at every sector, because the innovation product can create new products that have an effect on customer satisfaction. Naveed and Cheema (2014) found a significant relationship between product innovation and customer satisfaction. Pishgar et al. (2013) found a positive effect between product innovation on customers’ satisfaction.

The relationship of product innovation and product differentiation concepts is supported by Naveed et al. (2014), who said that the purpose of innovation is to create a new and unique product that competitors don’t have. So it emerges positive and good experience from customers toward providers. The relationship of product innovation and product quality concepts is supported by Nemati et al. (2010; Naveed et al., 2014), who said that product innovation must have quality to fulfill customers’ specific needs.

The relationship of product quality and customer satisfaction concepts is supported by O’Hara et al. (1997), who found that product quality have a significant correlation with customer satisfaction. Andaless et al. (2006) also found that customer satisfaction of restaurants is influenced by quality food. Wen et al. (2012) found that quality food has a significant effect on customer satisfaction. Bei and Chiao (2001) also found that product quality is very important to build customers’ satisfaction. And according to Tsiotsou (2005), a quality product significantly has an effect on customer satisfaction.

The relationship of customer satisfaction and repurchase intentions concepts is supported by Hume and Mort (2010), who found that customer satisfaction influences repurchase intentions. Hellier et al. (2003) also found the effect of customer satisfaction on repurchase intentions. Kumar (2002) said that customers who were satisfied will consider to do repurchase intentions. Wen et al. (2012) also found that customer satisfaction has a significant effect on repurchase intentions. And Butcher et al. (2002) also found that customer satisfaction significantly impacts repurchase intentions.

The relationship of customer satisfaction and business performance concepts is supported by Edvardsson et al. (2000), who said that customer satisfaction has an impact on financial performance. Butcher et al. (2002) also said that customer satisfaction is important for a business’s success. Wiele et al. (2001) said that there is a positive relationship between customer satisfaction and an indicator of organisation performance. Chi and Gursoy (2009) said that customer satisfaction has a positive impact on financial performance.

The relationship of customer satisfaction and word of mouth concepts is supported by Kitapci et al. (2014), who found that there is a relationship between customer satisfaction and word of mouth. They said that customer satisfaction moved customers to promote the corporate to others. Kau and Loh (2006) also found a significant effect of customer satisfaction on word of mouth. Harrison and Shaw (2004) said that word of mouth is impacted by customer satisfaction toward a product. And Royo-Vela and Casamassima (2011) also said that customer satisfaction will move customers to promoting product to others by word of mouth.

The relationship of repurchase intentions and business performance concepts is supported by Aksoy et al. (2012), who said that there is a positive relationship between repurchase intentions and firm financial performance. The relationship of strategic location and business performance concepts is supported by Keramati et al. (2012) who said that there is a relationship between location or place on sales performance. Koske (2012) also said that the place or strategic location has an effect on sales performance.

XYZ restaurant determined their segmentation on the young people and Chinese, so it moved them to determine a strategic location in Pantai Indah Kapuk wherever a Chinese population crowd the location. So we created a proposition that segmentation has a relationship with strategic location. The relationship of segmentation and business performance concepts is supported by Hunt and Arnett (2004), who said that to target can emerge superior financial performance. The owner and manager of XYZ restaurant told us that their business is increasingly growing because purchase intentions from potential customers increase too. So we created a proposition that the purchase intentions has a relationship with business performance.

The relationship of word of mouth and purchase intentions concepts is supported by Torlak et al. (2014), who said that there is a positive and significant relationship between word of mouth and purchase intentions. Jalilvand et al. (2012) found that word of mouth is one of the most effective factors of purchase intentions. And Davidow (2003) also said that word of mouth played an important role in influencing the purchase intentions. The relationship of purchasing power and purchase
intentions concepts is supported by Wang (2014), who found that purchase power is one of factors that move customers to buy a product. So the purchasing power has an impact on purchase intentions.

And the relationship of business performance and service quality concepts is supported by Chen and Tsai (2006; Tzeng and Chang, 2011), who said that service quality influences quality of business performance. Johnson and Mathews (1997; Tzeng and Chang; 2011) also said that corporate must keep their service quality to keep customers’ loyalty. And the customers’ loyalty is an effect of customer satisfaction and can increase business performance. And Tzeng dan Chang (2011) said that one of the important factors of service quality in the restaurant business is restaurant performance itself.

5 CONCLUSION

The study gave results as a model construction that described the business strategies and performance of XYZ restaurant. The results of the study can become a model to develop a business, especially for similar businesses. As shown in Figure 1, many factors that created the performance were found through the grounded research. Although it is an advancement of grounded research, it may need to be supported by quantitative research in a future study.

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