

Restaurant Performance from the Perspective of Top Management of Malay Restaurant: A Construct Validity Study

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Abstract

It is important for Malay restaurants to maintain their products and services, process, management, as well as marketing strategies to compete with other competitors. Hence, the influence of human capital to apply innovation practices can enhance the productivity of the restaurant and increase its performance. Experience and education are important to expand knowledge, skills, and new ideas towards the development of a restaurant. Innovation practices run as a mediator that contributes to the sustainability of the restaurant. A survey questionnaire was conducted with a total of 507 respondents among the top management of Malay restaurants from Kuala Lumpur and Selangor. The results from the study revealed that restaurant performance is important for the development and sustainability of their restaurants. The results also indicated that profitability, growth and satisfaction will lead to restaurant performance. Above all, top management need to have an influence on restaurant performance so that business development can be achieved.

Keywords: Malay Restaurant, Innovation Practices, Human Capital, Malay Restaurant Performance, Resource Based-View Theory

Introduction

Restaurant performance (RP) among Malay restaurant businesses have been a major concern due to the failure of their quality (Abdullah et al., 2017). The main reason of their closure relates to the operation inefficiency that uses the same conservative structure in management and technology without acknowledging the innovation practices that can be applied for future development. With the technological trend shifting into a new dimension, the trend of dining also changes, highlighting the new trend of eating-out that is becoming an obsession (Chahal & Kamil, 2017). As the trend grows, restaurant handlers need to think of a way to improve their quality of services, food, and technology, or by placing their incentives

in a positive light through the restaurant ambience (Nikbin, Marimuthu, & Hyun, 2016). Enz (2004) mentioned the relationship quality between employees and restaurant owners are always the biggest challenges and it arises frequently. The restaurant owners are to blame as they cannot afford to maintain the current workers for a long period which leads to a higher turnover rate among the employees.

Once the management disobeys the main part of the development, then it will cause mismanagement that can lead towards closure. For example, the *Anuar Kari Kepala Ikan* restaurant closed down due to its mismanagement and hygiene problems for 14 days (Mamat, 2020). Other examples of Malay restaurants that went through closure phase were the *Tudung Periuk* restaurant that belonged to the Malaysian actress Ning Baizura (Mahmud, 2019), and the 1Market restaurant owned by a Malaysian celebrity chef, Chef Wan (Astro Awani, 2018). Despite these restaurants having potential for belonging to popular and influential personalities in Malaysia, were deficient of quality communication, mismanagement, issues in menu preparation, and effective marketing that result towards bad perceptions towards these restaurants. On another perspective, these internal factors may need the intervention of innovation practices as the main strategy to call for restaurant accountability specifically in management, marketing, product, service and process (Abdullah et al., 2017). In addition, Yoshino (2010) explained that Malay food and restaurants fail to resemble as a Malaysian symbolism when the Malays themselves have difficulties in distinguishing Malay food, and are uncertain with their decision to find reasonable terms to represent the food itself. The terms are usually vague and ambiguous, and the definitions are rather unclear.

Hong, Chou, Liu, and Tsai (2013) mentioned that factors like innovative ideas, creativity, and knowledge can together create a proper foundation for the restaurant performance while sustaining the businesses. On top of that, the involvement of human capital intertwines with the application of innovation practices and restaurant performances. Nevertheless, there have been limited number of studies on the influence of human capital and mediating effect of innovation practices towards Malay business restaurant performance. In other words, to what extent does the human capital and innovation practices are involved with the development and sustainability of Malay business restaurant to gain better performance. Meanwhile, the dimensions of human capital namely experience and education involvement has not been widely discussed, though being significant to innovation practices and restaurant performances. Generally, there are limited published and unpublished studies relating to Malay business restaurant.

Literature Review

Malay Restaurant Performance

As stated by Kasim and Ismail (2012), the environment of the restaurant will have a big impact to the restaurant performance as it brings ambience to the surroundings and improve customers' experience. While performance is the main indicator, the improvement process needs to have some knowledge and certain skills to be developed as it can benefit the company internally and externally (Heo, 2017). Innovations may improve company performance as it needs every aspect of measurement to begin the company structure (Lee et al., 2016). Innovation is useful to the current businesses as it designs modern solutions to solve current issues involving the company performance. Restaurant performances are also

related to human capitals, in which it uses resources in the businesses to develop its performance. Knowledge, experience, and skills are among resources that benefit the restaurant performance (Aidis & van Praag, 2007; Fayolle & Gailly, 2015; Hadjimanolis, 2000; Sondari, 2014). There are three major constructs in restaurant performance, namely profitability, growth, and satisfaction of performance.

Profitability

Mun and Jang (2015) elaborated that the management efficiency especially in operative performance may positively impact the profitability of the restaurant. Mun and Jang (2018) also highlighted other major points including the firm size, financial stability, market competitiveness, and other issues that may hinder a strong accountability in the restaurant performance. Erkuş-Öztürk and Terhorst (2016) described the growth of the restaurant services depends on the mass visitor of locals and foreigners in one particular country, state or even area. It contributes to the cultural exchange in one particular culture that had been visited by the foreign people.

Growth

According to Terhorst and Erkuş-Öztürk (2018), the diversification of the traditions and national identity in the kitchen possibly affects the growth and the development of the performance in restaurants. When a management opens room for exchanging ideas and opinions with their employees, it will build a closer bond between the two parties and the positive interaction between them will then singlehandedly boost the performance and development of the organization (Perramon, Alonso-Almeida, Llach, & Bagur-Femenías, 2014). The organization can also benefit from employees' positive working experience that is developed by the influence of the operational, production and service structure (Jogaratnam, 2017). Above all, the influence of top management and innovation practices in restaurant development could lead to the satisfaction of its performance.

Satisfaction with Performance

Gagic (2016) highlighted that restaurants had significantly improved their performances after taking initiatives to apply innovation practices, which in return maximized their profit. Other than that, Hallak, Assaker, O'Connor, and Lee (2018) in their research have recognized the importance of innovation and creativity to successfully manage a restaurant in efforts to boost its performance. Bufquin, DiPietro, Park, and Partlow (2017) had researched about the importance of maintenance of the human capital. Employees in particular, can interact better when they are working in a friendly environment with good ambience, and all-rounded and experienced colleagues as it can directly impact the restaurant performances. In other cases, Koys and DeCotiis (2015) in their research have found that a good interaction between the employees and their employers creates a positive environment in the restaurant, directly affecting their overall restaurant performance. These findings explained how the surroundings especially management contributes most to the satisfaction in the workplace.

Methodology

In order to validate the suitability and reliability of the restaurant performance construct, a descriptive research design was applied. The population for this study focused on top management - namely the owners, managers, and assistant managers of Malay restaurants in Klang Valley and Selangor. The data was collected using the snowball sampling method. Two

phases of data collection were conducted, specifically pilot study and field study. The data were collected using personally administered questionnaires. In total, 507 respondents had successfully answered the questionnaires given. For research instrument, restaurant performance contains three constructs and 15 items measured using 7-Likert scale (from 1-strongly disagree, 2-disagree, 3-somewhat disagree, 4-neutral, 5-somewhat agree, 6-agree, 7-strongly agree).

A hypothesis structural model consisting of profitability, growth, and satisfaction of performance is proposed for this study. These three constructs work as exogenous variables, whereas restaurant performance runs as an endogenous variable. Based on the constructs, three hypotheses are taken from the structural model of the study. The hypotheses are as follows:

H₁. Profitability as a construct of restaurant performance

H₂. Growth as a construct of restaurant performance

H₃. Satisfaction of performance as a construct of restaurant performance

Findings

Confirmatory Factor Analysis

Convergent Validity

According to Hair et al. (2010); Byrne (2010); and Pallant (2010), the Chi-square statistic is referred as the scale of whether the measure used is good or bad. Chi-square is the traditional measure to evaluate the overall model fit in covariance. They mentioned further that a good model fit would be stated as $p > 0.05$. To identify whether the model fit is good or bad, the measurement breaks down into two values, whereby small χ^2 - values represent the bad fit, and large χ^2 - values represents a good fit. The degree of freedom as a standard by which to access chi-square is marked as small or large. Other than that, the assessment of the goodness of fit concluded by Hair et al. (2010), Byrne (2010); Ernest et al. (2008) used CMIN/df, GFI, P, and RMSEA to analyze the whole model whether it is good or bad. The rule of thumb of the cutoff point also been used only for the model analysis. Table 2 below shows the assessment of the goodness of fit:

Table 2:

Assessment of Goodness of Fit

Types of constructs	Cut-off
Chi-square (χ^2)	Smaller to 0
Degree of freedom (df)	
CMIN/df	$\leq 2-5$
Goodness of fit index (GFI)	≥ 0.90
Probability (P)	≥ 0.05
Root mean squared error of approximation (RMSEA)	≤ 0.08

Source: Hair et al. (2010), Byrne (2010), and Ernest et al. (2008)

Campbell and Fiske (1959) suggested that as a basis of reasoning, convergent validity is closely related to latent variable that measure the values between variables, and indicators will be validated whether it is perfect or not suitable for the construct. In short, convergent validity is an s-verification that needs to be done to get an appropriate result (Gaskin, 2016). If there is no convergence, the items need to be erased in order to get a perfect result. Other than that, discriminant validity also needs to be conducted. Discriminant validity is one of the requirements to measure the coefficient of correlation among the components (Gaskin, 2016). The result of restaurant performance convergent validity is shown in Table 3.

Table 3:

Results of First Order CFA

Variables	Chi-Square χ^2	Degree of freedom (df)	Ratio	Goodness of fit index (GFI)	P-Value	RMSEA
	Restaurant Performance					
Profitability	7.156	2	3.578	0.994	0.028	0.071
Growth	1.714	1	1.714	0.998	0.190	0.038
Satisfaction	1.948	1	1.948	0.998	0.163	0.043

The second order of CFA was conducted to analyze the restaurant performance as a latent construct. Based on the results shown in table 4 below, second order analysis has been run successfully. Three constructs have been analyzed with 11 items. The constructs were profitability, growth and satisfaction with performance.

Table 4:

Results of Second Order CFA

Model Fit Indicator	Chi-Square χ^2	Degree of freedom (df)	Ratio	Goodness of fit index (GFI)	P-Value	RMSEA
Value	138.119	35	3.946	0.955	0.000	0.076

Table above shows the goodness of fit of restaurant performance model ($\chi^2 = 138.119$, $df = 35$, Ratio = 3.946, GFI = 0.955, P-Value = 0.000, and RMSEA = 0.076). Through second order CFA analysis, it has been confirmed that three constructs of restaurant performance with 11 items used in the study is valid.

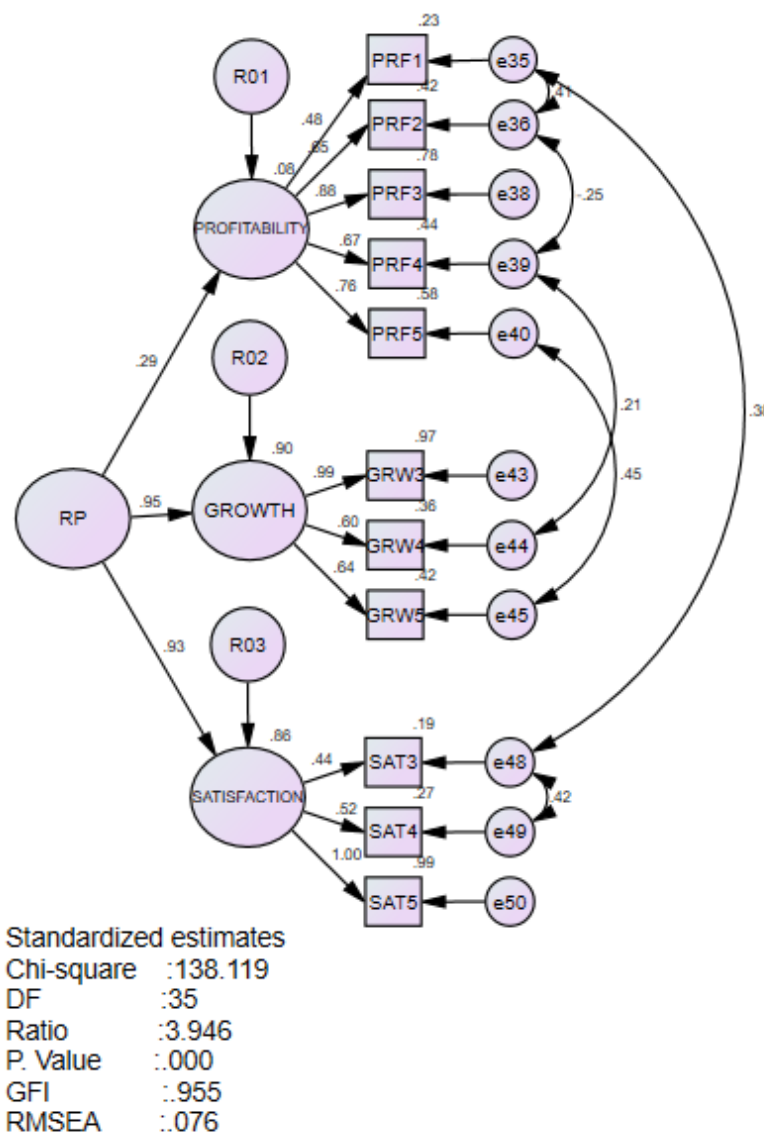


Figure 1: Second Order CFA of Restaurant Performance

Reliability Tests

By using SEM AMOS, coefficient alpha can be extracted. Table 5 below shows the result of composite reliability and average variance extracted of the construct. According to Fornell and Larckell (1981), average variance extracted measures “amount of variance that is captured by the construct in relation to the amount of variance due to measurement error”. AVE should be considered as to capture variance in the items than measurement error. But, Fornell and Larcker (1981) mentioned about the AVE less than 0.5 is acceptable if the composite reliability (CR) is higher than 0.6. Thus, the convergent validity of the construct still adequate for the study. This statement supported by Lam (2012) and Hair, Black, Babin and Tatham (2009) which indicate the AVE less than 0.5 is acceptable but need to looking at the CR value must be greater than 0.6.

Table 5:

Variance Extracted and Construct Reliability Test

Construct	Item	Factor Loading	Cr	Ave	Convergent Validity
PROFITABILITY	PRF1	0.476	0.821	0.488	YES
	PRF2	0.646			
	PRF3	0.881			
	PRF4	0.665			
	PRF5	0.763			
GROWTH	GRW3	0.986	0.797	0.581	YES
	GRW4	0.596			
	GRW5	0.645			
SATISFACTION WITH PERFORMANCE	SAT3	0.439	0.711	0.485	YES
	SAT4	0.518			
	SAT5	0.997			

The results in Table 7 indicates that CR and AVE as well as convergent validity (CV) for restaurant performance construct has achieved the minimum acceptable values as referred to Fornell and Larcker (1981). Therefore, to conclude the study, CR, AVE and CV of restaurant performance has achieved the acceptable values.

Results of Hypothesis Testing and Variance Explained (Squared Multiple Correlations)

Table 8 below shows the results of hypothesis testing and variance explained for restaurant performance construct as an endogenous variable, and profitability, growth and satisfaction of performance as exogenous variables. The confirmed hypothesis for restaurant performance is PRF ($\beta=0.093$, $CR=5.425$, $P>0.000$), GRW ($\beta=0.701$, $CR=17.669$, $P>0.000$) and SAT ($\beta=0.253$, $CR=9.260$, $P>0.000$).

Table 8:

Results of Hypothesis Testing and Variance Explained (Squared Multiple Correlations)

	Exogenous	Endogenous	Std Estimates	Std Error	CR	SMC	P
H1	PRF	RP	0.093	0.017	5.425	0.085	0.000
H2	GRW	RP	0.701	0.040	17.669	0.900	0.000
H3	SAT	RP	0.253	0.027	9.260	0.860	0.000

Discussions and Conclusions

This study requires researcher to confirm the model fit of restaurant performance. Eventually, all constructs have been taken as a part of RP. The constructs have been reorganized to fit in to Malay restaurant context which could bring success to Malay restaurant businesses. We believe that this model will be useful in the future managerial research and practice for these businesses.

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