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## STRATEGY BUILDING AND SUSTAINING COMPETITIVE ADVANTAGE: A CASE STUDY OF SHANGRI-LA HOTELS (MALAYSIA) BERHAD

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This case was written by Haim Hilman and Narentheren Kaliappen, Universiti Utara Malaysia. It is intended to be used as the basis for class discussion rather than to illustrate either effective or ineffective handling of a management situation.

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## Introduction

In spite of growing rivalry in the domestic and global market, strong guests' demands, fast progression of technologies and on-going economic uncertainties, Shangri-La Hotels (Malaysia) Berhad (SHMB) is still poised for success. The outlook of Shangri-La hotels businesses for 2014 appears to be encouraging. In a highly competitive industry, Shangri-La hotels continually honoured worldwide recognition for their extraordinary service and Asian hospitality. For instance, in 2015 Shangri-La Hotel Kuala Lumpur was named the Top Hotels in Malaysia, Top Hotels for Romance, Top Luxury Hotels and Top Hotels for Service by TripAdvisor Travellers' Choice Awards.

Furthermore, Shangri-La Kuala Lumpur has once again retained the position as one of the best eco-friendly hotels in Asia by winning the ASEAN Green Hotel Award 2014-2016 for the fourth time running, having previously been awarded the awards in 2008-2010, 2010-2012 and 2012-2014. Three other SHMB such as Shangri-La Tanjung Aru Resort & Spa, Kota Kinabalu, Shangri-La Rasa Ria Resort & Spa, Kota Kinabalu and Shangri-La Rasa Sayang Resort & Spa, Penang were also honoured with this award.

During the twelve months to 31 December 2014, SHMB registered marginal increase in the revenue to RM513.679 million from RM511.225 million recorded in 2013. Specifically, Shangri-La registered higher revenue of RM487,458 from hotels and resorts segment in 2014 compared to RM485,487 in 2013. Throughout 2014, SHMB generally enjoyed more favourable market condition as leisure and business travel continued to grow at a healthy pace.

The reinforcement of its leadership position and competitiveness within the industry by maintaining and enhancing the quality of its portfolio through on-going capital investment programmes, underpinned by product and service innovation, while maintaining unrelenting focus on delivering the highest standards of service to guests definitely improved the financial performance and operational effectiveness.

In today's highly competitive and rapidly evolving market, numerous hoteliers are still facing several challenges. Hence, why certain hotels succeed in a dynamic competitive environment while rest fail? The answer might be simple and straightforward, but it is not easy. Hotels that grow and change are hotels that know how to build resilient strategies that secure and sustain competitive advantage.

The notion of strategy building and sustaining competitive advantage are at the very heart of business success. In view of that, this case is about the true competencies of Shangri-La hotels in overcoming the challenges in the 21st century based on the right strategy formulation, implementation, evaluation, and control and recognize its efforts to achieve the corporate goals as well as helping Malaysia to attain high income nation in 2020.

## History and growth of Shangri-La Group

The Shangri-La story began in 1971 with the first deluxe hotel in Singapore. Inspired by the legendary land featured in James Hilton's 1933 novel, *Lost Horizon*, the name Shangri-La encapsulates the serenity and service for which the hotels and resorts are renowned worldwide. Today, Hong Kong-based Shangri-La Hotels and Resorts is Asia Pacific's leading luxury hotel group.

The hotel is also regarded as one of the world's finest hotel ownership and management companies with over 85 hotels and resorts throughout Asia Pacific, North America, the Middle East, and Europe.

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