

# Corporate Meeting Destination Choice: The Effects of Organizational Structure

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## 〈Abstract〉

This study attempted to determine the influence of organizational structure on the novelty preference for corporate meeting destination choice. The three dimensions of structure incorporated were formalization, centralization and complexity. A total of 75 corporate meeting planners drawn from public listed services organizations were involved. The main method of data collection was questionnaire survey and multiple regression analysis was employed as the main statistical technique. The results revealed that both formalization and centralization were negatively correlated with novelty preference while complexity was positively correlated. However, only complexity contributed significantly to the prediction of novelty preference for corporate meeting destination choice. The main implication of this study is pertaining to the segmentation and targeting of the corporate meeting market. This study helped in bridging the gap between tourism marketing and organizational research. It also contributed by developing the measurement for novelty preference from the context of experiential marketing.

Keywords: Corporate meeting destination, Novelty preference, Organizational structure

## I . Introduction

Tourism industry has played a significant role in contributing to the Malaysian development in terms of its economic and social aspects (Ahmad *et. al*, 2001). The meetings sector of the tourism industry today is one of the most competitive and lucrative of market segments (Crouch and Louviere, 2004;

Weber and Chon, 2002). Despite this fact, relatively very little academic research has been conducted concerning the behavior and decision process of the various components of this substantial market. This was partly due to a lack of quantifiable information on the meeting and conference market (Rockett and Smillie, 1994; White, 1993), geographical and market fragmentation, inconsistency in terminology and measurements, and the sensitivity and unwillingness of organizations

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to share information on certain activities (Crouch and Ritchie, 1998; Rockett and Smillie, 1994).

This lucrative meeting market that consists of two main sub-sectors: association meetings and corporate meetings, acts as a major revenue generator in the tourism and hospitality industry. The corporate market represents the majority of the events held while the associations market accounts for the highest delegate numbers (Leask and Hood, 2001). Comparing the two sub-sectors, the association meeting is gaining far more attention from the researchers (Choi and Boger, 1998; Go and Zhang, 1997; Oppermann, 1996; Weber, 2001). The reason is because as opposed to the corporate meeting, associations are claimed to be relatively flexible with respect to choosing their meeting destination while in the corporate sector, business locations and headquarters are claimed to be commonly determined the selected meeting destination (Oppermann, 1996; Weber, 2001).

Recent development has indicated that there is a growing interest among corporate organizations to hold their meetings in a less conventional or novel setting (Callan and Hoyes, 2000; Leask

and Hood, 2001) either in unusual venues (facility-bound) or rural, second-tier or regional areas (destination-bound). The development of rural, second-tier or regional tourism can help to increase employment opportunities, to generate economics activities as well as to provide a better environment in the rural areas (Lapping *et. al*, 1989; Luloff and Swanson, 1990; Middleton, 1982; Oppermann, 1996; World Tourism Organization, 1998).

## II . Issue and Purposes

As mentioned in the beginning part of this chapter, the destination of corporate meeting is claimed to be commonly determined by the business location or headquarters (Oppermann, 1996; Weber, 2001). Besides headquarters or branch offices, corporate organizations also do not stray far from areas that are home to their clients, customers or have at least some relevance to their business (TNS, 2004). Interestingly, recent development indicates that there is a growing interest among corporate organizations to hold their meetings in a less conventional or novel setting (Callan and Hoyes, 2000;

Leask and Hood, 2001), far away from the area of their business locations.

According to Zelinsky (1994), as the industry has expanded, the location and shape of the activity have changed considerably. Crouch and Louviere (2004) argued that the traditional locations of a few large cities with substantial convention infrastructures have been losing market share to new locations. The researchers further added that other smaller cities and towns have entered the market in more exotic locations and by building modern, hi-tech meeting facilities typically targeting the small to midsize convention sectors. A novel destination would provide the feelings that the meeting experiences are exciting, different and motivating to employees. Compared to “commonplace meeting”, conducting meetings in novel destinations will produce significant spillover benefits to other tourism sub-sectors such as lodging, transportation, shopping and tourist destinations.

This observation has led to the major issue that this research mainly attempts to address - “what are the factors that drive the choice of corporate meeting planners on meeting destination with respects to its

novelty setting?” Although several researchers (Callan and Hoyes, 2000; Leask and Hood, 2001) have recently investigated the characteristics and the nature of novel meeting destination offerings, they did not explicitly explain the underlying behavioral reasons behind such decisions. Ariffin (2006) argued that the decision on corporate meeting destination is partly influenced by the organizational factor particularly the structure of the organization.

### III. Organizational Structure and Novelty Preference for Corporate Meeting Destination

It is posited in this study that the novelty preference for meeting destination choice is influenced by the structural pattern of the corporate organization in which the meeting planner works. Organization structure defines how tasks are to be allocated, who reports to whom and the formal coordinating mechanisms and interaction patterns that will be followed (Robbins, 1990).

The three structural dimensions incorporated in this study were formalization,

centralization and complexity. The three dimensions were recognized as the major components of an organizational structure in most of the organizational behavior studies (Hall, 1977; Robbins, 1990). Formalization refers to the degree to which tasks within the organization are prescribed by standardized procedures, rules and regulations. This dimension of organizational structure attempts to measure the flexibility that a manager enjoys when handling a particular task (Deshpande, 1982). The second dimension, centralization refers to the degree to which the formal authority to make discretionary choices is concentrated in an individual, unit or level (usually high in the organization), thus permitting employees (usually low in the organization) minimum input into their work. This construct is concerned only with formal structure, formal authority and looks at decision discretion.

Finally, complexity looks at the amount of differentiation that exists within different elements constituting the organization (Dooley, 2002; Robbins, 1990). This present study incorporated the three major components of complexity as suggested by Robbins (1992) and Hall

(1977) - horizontal and vertical differentiation, and spatial differentiation. Horizontal differentiation considers the degree of horizontal separation between units based on the orientation of members, the nature of the tasks, and their training. Vertical differentiation refers to the depth of the organizational hierarchy. Spatial differentiation encompasses the degree to which the location of an organization's facilities and personnel are dispersed geographically. An increase in any one of these three sources will increase an organization's complexity (Robbins, 1990).

#### IV. Framework, Questions and Hypotheses

The Figure 1 shows that this study posited that novelty preference for corporate meetings are influenced by formalization, centralization and complexity.

**Formalization.** Formalization has significant consequences for organizational members because it specifies how tasks are to be performed and a high level of formalization limits members' decision-making discretion (Frederickson, 1986).

According to Robbins (1990), the greater the number of rules and procedures, the greater the rigidity and inflexibility within the organization. Pierce and Delbecq (1977) argued that high formalization discourages new ways of doing things while lower degree of formalization would permit openness, which encourages new ideas and behaviors. Lenz and Lyles (1983) also agreed that formal systems can become so ritualistic that they drive out all creative behavior in the organization. Based on the above, it is logical to anticipate that:

Hypothesis 1: Formalization contributes negatively to the prediction of novelty preference for meeting destination choice.

**Centralization.** Review of literature indicated that organizations with flexible structure tend to be better at innovating than those with rigidly structures as centralized organization (Hage and Aiken, 1970; Pierce and Delbecq, 1977; Pondy, 1970; Utterback and Abernathy, 1975; Zaltman *et. al*, 1973). According to Damanpour (1991), centralization was negatively related to innovation where participatory work environments facilitate innovation by increasing organizational

members' awareness, commitment and involvement. A decentralized, participatory structure help open up channels of communication and facilitate awareness of potential innovations (Hage and Aiken, 1970). Hage and Aiken (1970) also found centralization to be inversely related to propensity to change. Therefore, it is hypothesized in this study that:

Hypothesis 2: Centralization contributes negatively to the prediction of novelty preference for meeting destination choice.

**Complexity.** Organizational complexity such as division of labor and differentiation are likely to have positive effects on human resource innovation because diversity in organizations results in diverse of ideas and broader knowledge based (Beyer and Trice, 1978; Kimberly and Evanisko, 1981; Marshall and Vredenburg, 1992; Pierce and Delbecq, 1977). Greater complexity also may result in a higher cognitive diversity, which refers to the differences in beliefs about cause-effect relationships (Navarro and Martin, 2003) which leads to greater adaptiveness (Ruekert *et. al*, 1985). Fay and Frese (2001) also suggested that complexity of work as one of the main

factor that influence employee's proactive adaptive performance. Based on the above, it is clear that the higher the degree of structural openness, which is negatively related to formalization and centralization, but positively related to complexity, the more likely a novel setting will be selected.

Therefore, it is hypothesized in this study that:

Hypothesis 3: Complexity contributes positively to the prediction of novelty preference for meeting destination choice.

## V. Methodology

### 1. Overview

**Sampling.** The population of this study is defined as internal corporate meeting planners employed by services corporations listed on the main board of Bursa Malaysia. Public listed corporations are chosen because of their relatively higher number of professional expertise, larger material and human resources and good financial standing compared to smaller corporations (McAdam, 2000; Thong and Yap, 1995), which enable them to

undertake innovative programs (Gray et al., 2003) including human resource practices.

Due to the difficulty in obtaining good responses from the organizational or managerial level respondents, only a total of 100 corporate meeting planners (from 20 corporations) or 62.5 percent of the total population were targeted for this study. The size of the sample was relatively higher than those of past research on corporate meeting planners in the similar field. Concentrating on a small and more specific population such as the large service corporations would increase the managerial value of a research for targeted marketing decisions rather than a wide population but with a very low anticipated response rate. When the population is large, the sampling error is a function of sample size (Finn et al., 2000).

The sampling process in this study consists of two stages. The first stage was pertaining to the selection of the 20 participating corporations followed by the identification of the five meeting planners from each corporation in the second stage. A simple random probability sampling using SPSS procedure was employed to

select the 20 corporations from the sampling frame of 32 corporations listed under the services/trading counter in the Bursa Malaysia. Then, the five meeting planners representing each corporation were selected based on their substantial involvement in the decision-making process of meeting destinations within the year of 2002 and 2003.

**Data Collection Method.** The data of this study was actually derived from a larger study focusing on the various determinants of novelty preference for meeting destination choice. Apart from consumption value, other independent variables incorporated in the original study were personality, organizational structure as well as perceived risk and budget. The data for this study was collected using mail questionnaires that were distributed to a cross section of organizations. In order to obtain the required sample size of 100 corporate meeting planners from 20 corporations, a larger amount of questionnaires were distributed. A total of 125 questionnaires were distributed to 25 randomly selected corporations from the sampling frame. The completed questionnaires were then collected and returned to the

researcher by the appointed liaison officer at each corporation.

**Data Analysis.** A multiple regressions analysis was performed to gauge the independent relations of the three dimensions of organizational structure to novelty preference. The independent variables in the regression model were; (1) formalization, (2) centralization, and (3) complexity while the dependent variable was destination choice (novelty preference). To examine the independent effect of each independent variable on dependent variable, the statistical significance of the beta coefficients (from zero) were determined using a t-test. The null hypothesis was rejected if the significance level of the t value was less than 0.05. The sign of the beta coefficients indicate the direction of the relationships. Positive (negative) sign shows that there is a positive (negative) relationship between the independent and dependent variables. The value of the standardized regression coefficient shows the strength of the influence of each independent variable where the highest value indicates the most important independent variable.

## 2. Measurements

**Novelty Preference.** An initial pool of items for the measurement of novelty preference was generated from available measures, extensive literature search, construct domains, and the context in which the measures were to be used. In addition, protocol analysis was employed to generate items that are more specific to the context of corporate meeting market. The protocol analysis technique involves placing a person in a decision-making situation and asking the person to verbalize everything he or she considers when making a decision. The technique is also a practical method considering the hectic schedule of corporate meeting planners to be pooled together such as in a focus group session.

A total of 25 items were generated after taking into account identical or equivalent items. The initial items were refined and edited for content validity by a group of three expert judges who are academicians with research interest in services and tourism. Under this procedure, three of these items were discarded from further analysis. The scale contains a series of bipolar items for the

various properties of the construct. In this study, an even-numbered six-point scale was used in order to avoid the clustering of responses at the neutral point, which will turn out to make the result unreliable (Ling, 1998). Decades of psychological research also have shown that a six-point scale with three levels of agreement and three levels of disagreement works best for the assessment of psychological attributes. The construct of destination choice (novelty preference) was measured by calculating the mean responses to all the items along a six-point scale, where 6 depicted a very strong novelty preference for meeting destination while 1 depicted a very weak novelty preference. The scale recorded an excellent Cronbach's reliability coefficients of 0.91.

**Organizational Structure.** Because the decision unit involved was not expected to be highly structured due to its small size (Crouch and Ritchie, 1998), describing the structure at the overall organizational level was much more relevant than describing it at a decision unit level. In this study, a survey approach which is based on perceptual measure was employed to measure



organizational structure. This approach follows other behavioral science research suggesting that perceptual measure can adequately and accurately reflect the degree of structure experienced by a particular individual (Duncan, 1972) and influence pattern within a group (March, 1955).

Based on Robbins (1990), this study viewed organizational structure as having three major dimensions namely formalization, centralization and complexity. A group of three expert judges consists of academicians in the area of organizational behavior were asked to refine the initial measurement items for formalization, centralization and complexity constructs. As anticipated, no single comment was raised by the judges with regards to the well-established measurements. The construct of formalization was measured by using five items fully adopted from the highly referred measurement ( $\alpha = 0.74$ ) developed by Hage and Aiken (1969). The measurement for centralization was also adopted from the scale ( $\alpha = 0.79$ ) developed by Hage and Aiken (1969). Three-item measurement was employed to measure complexity in this study. With a Cronbach's alpha of 0.84,

the first two items were modified from John and Martin (1984) while the final item was adapted from the vertical differentiation scale developed by Aiken *et. al* (1980).

### 3. Validity Tests

Several validity checks were performed in this study to measure the extent to which an instrument measures what it is supposed to measure. Face validity was assessed for the measurement instruments by allowing a panel of three expert judges well-versed in tourism and organizational behavior studies to examine it and provide feedbacks for revisions. Pretest of the instrument also useful in establishing validity to check for the readability of the questions and estimated time to complete the survey questionnaire.

In order to ascertain whether the measurements of organizational structure used in this study have construct validity, that is, measure what they are supposed to measure, factor analysis was performed on the constructs. The factor analysis performed on the 13 items of organizational structure did not produce a clean factor

structure in the first run. Two items recorded factor loadings of less than 0.40 which were not acceptable according to Lee and Crompton (1992). Furthermore, corrected item-to-total correlations for the two items were below 0.25 and therefore, were eliminated from further analysis. The two items deleted under the organizational structure scale were:

- i. Employees of this organization tend to be widely dispersed geographically.
- ii. People in this organization are allowed to do almost as they please.

It could be explained that the geographical dispersion of the organization's employees might not be significantly important in the corporate meeting destination decision because it only involved domestic traveling. Furthermore, the size of the country is relatively not large enough to affect the destination decision significantly. The second item depicted that the organization has no rules at all being enforced on its employees. The deletion of these two items had reduced the measurement items for the organizational structure from 13 to 11 items and subsequently increased the Cronbach's alpha for the scale from 0.62 to 0.72.

As anticipated, factor analysis performed on the 11 items of the organizational structure construct produced a clean factor structure with three factors emerged following seven iterations. The Kaiser-Meyer-Olkin (KMO) measure of sampling adequacy is 0.65 and the Bartlett's test of sphericity is significant which indicate that the items for organizational structure are appropriate for factor analysis. The three factors explained 58% of the total variance. The factor loadings for these items are between 0.52 and 0.82. The three factors are labeled as formalization (31% of the total variance), centralization (16.11% of the total variance) and complexity (10.79% of the total variance). The Figure II shows the three factors extracted and their factor loadings.

#### 4. Findings

A total of 76 meeting planners from 17 corporations returned the surveys, representing a response rate of 60.8. One of the returned questionnaires was eliminated as the respondent had systematically marked the scale's extreme points of the novelty preference. After eliminating the unusable response, 75

responses were coded and used for data analysis. Missing data were reduced as much as possible by checking all the questionnaires at time of collection. When any questions were found unanswered, it was immediately brought to the attention of the related respondents.

**Profile of the Respondents.** The respondent's profiles are summarized in Figure III. The sample shows a balance combination between the males and females. The female respondents represented a slightly higher percentage of the whole sample (53.3%) compared to the male respondents (46.7%). The majority of the respondents were middle-aged (i.e., 31-45 years) followed by those in the age group of 46 and above (30.7%). Approximately half the respondents (50.7%) were Malay followed by Chinese and Indian with 37.3 percent and 12 percent respectively.

The completed sample was composed of well-educated individuals. Large majority (72%) of them are holding a bachelor's degree while the other 20 percent had completed postgraduate studies. For the position in the corporations, the largest percentage (46.7%) was those in the top level of management as the respondents were those who have the final authority

to make the decision on the meeting destinations. 38.7 percent or 29 of the respondents were in the middle management while only 14.6 percent or eleven respondents were in the lower management level.

**Profile of the Corporations.** The corporation's profiles are summarized in Figure IV. The corporations selected represent various industries including banking, publication, tourism and hospitality, education, finance, telecommunication, transportation, healthcare and media. 11 or 65 percent of the corporations have number of employees between 400 to 1,000 while the balance (35 percent) were between 1,000 to 1,600. Only two of the corporations was established in 1971 while five corporations between the year 1981 to 1990, and 10 corporations (59 percent) between 1991 to 2000.

**Results of Hypothesis Testing: Hypotheses 1 through 3.** As summarized in Figure V, the regression equation was significant at 0.01 level ( $F = 13.97$ ,  $p = 0.000$ ,  $R^2 = 0.37$ ). The resulting multicollinearity diagnostics also revealed that the VIF scores were all below 10, indicating that multicollinearity was also not a problem in this regression model. Out of the three

structural dimensions, only complexity was found to contribute significantly to the prediction of novelty preference. With  $\beta = 0.37$  and  $p = 0.000$ , complexity was strongly and positively related to novelty preference for meeting destination choice, supporting the above research hypothesis.

## VI. Discussions and Implications

A regression equation predicting novelty preference from the three structural dimensions is computed to gauge the independent relations of the three dimensions to novelty preference. However, the result shows that only complexity ( $\beta=0.37$ ,  $p=0.000$ ) contributes significantly to the prediction of novelty preference. Thus, it is clear that the result of multiple regressions supports the research hypothesis that complexity is the most influential structural dimension in explaining novelty preference for meeting destination choice. Organizational complexity refers to the amount of differentiation that exists within different elements constituting the organization (Dooley, 2002; Robbins, 1990) and this diversity would result in

diverse ideas and perspectives. This result seems to be in supports of Fay and Frese (2001) that suggests complexity as one of the factors that influence employee's proactive adaptive performance. Complexity is also cited as one of the sources of innovation and creativity in organization setting (Kimberly and Evanisko, 1981; Watson *et. al.*, 1993).

Corporate meeting planners working in organizations with high degree of structural complexity are exposed to a lot of information, suggestions and perspectives on how to conduct successful meetings. This situation may result in a higher cognitive diversity, which in turn leads to greater adaptiveness among the meeting planners. Bantel and Jackson (1989) contended that cognitive heterogeneity drives to a deeper design of alternatives and analyzing a bigger number of possible courses of action. Based on the above, it is explainable why complexity exerts a significant effect on novelty preference for meeting destination choice. Spatial differentiation is one of the sources of structural complexity which encompasses the degree to which the location of an organization's facilities and when personnel are dispersed geographically.

Meetings that would involve employees from multiple locations are expected to be conducted at different location at different time.

On the other hand, the nonsignificant effects of formalization and centralization on novelty preference for destination choice suggest that formal rules and procedures as well as formal authority are not important in the decision making process of a corporate meeting destination setting. This is perhaps because there are almost no formal guidelines developed with regards to the selection procedures for corporate meeting destination in most of the organizations.

## VII. Limitations of the Study and Suggestions for Future Research

The findings of this preliminary study must be interpreted in the light of several limitations. An inherent limitation of this study pertains to its sampling procedure. The sample of this study consists of more than one respondent from each participating organization and therefore did not purely represent organization characteristics as a whole. Thus, it is suggested that the

future studies should involve significantly higher number of organizations and only a single respondent should be selected from each participating organization.

In this present study, the respondents were drawn only from those organizations located in the Klang Valley area. It would also be fascinating to conduct a nationwide survey on meeting destination choice to understand the meeting industry in great details. A comparative study between internal and independent corporate meeting planners or between services and manufacturing organizations could also be another interesting study to be carried out in the future. This kind of study could also be extended by including respondents taken from the meeting participants group themselves. These are the people who actually attended the meeting at the selected destination. This study will help to answer the question of whether there are any differences between the preferences of the meeting planners and the participants.

Finally, the destination preference for incentive travel, a unique subset of corporate group business, is another interesting topic to be explored in the future. Since incentive travel is actually a

reward participants receive for achieving or exceeding a goal, the selection criteria for the destination is expected to differ substantially with those of the general corporate meeting destination.

This study seeks to contribute to the body of knowledge in the tourism and hospitality marketing area in both theory development and management strategies. In terms of theoretical significance, this study intends to make significant contribution to the corporate meeting destination choice literature by proposing a framework for the novelty preference for destination choice, which suggests its determinants that encompasses the consumption, organizational as well as individual decision maker factors. From the meeting services management perspective, the findings should provide managers and administrators with information such as what contributes to novelty preference of corporate meeting destination choice.

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## Appendix

Figure I Research Framework

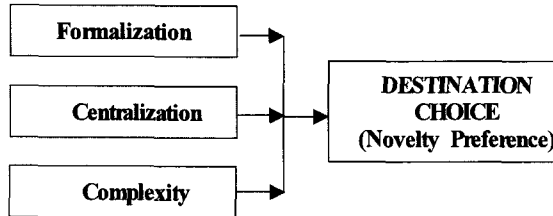


Figure II Result of Factor Analysis on Organizational Structure

Factor/Items	Factor Loading
<p>Factor 1: "Formalization"</p> <ul style="list-style-type: none"> <li>• Employees in this organization have to follow strict operating procedures at all times. .754</li> <li>• Going through the proper channels is constantly stressed in this organization. .731</li> <li>• There are complete written job descriptions for most jobs in this organization. .624</li> <li>• People in this organization feel as if they were being watched constantly to see they obey all the rules. .619</li> </ul>	
<p>Factor 2: "Centralization"</p> <ul style="list-style-type: none"> <li>• Any decision employees make in this organization must have their supervisors' approval. .770</li> <li>• Employees in this organization have to ask their supervisors before they can do almost anything. .766</li> <li>• Even small matters have to be referred to someone higher up for a final answer in this organization. .567</li> <li>• A person who wants to make his own decision would be quickly discouraged in this organization. .529</li> <li>• There can be little action in this organization until a supervisor approves a decision. .52</li> </ul>	
<p>Factor 3: "Complexity"</p> <ul style="list-style-type: none"> <li>• This organization is highly departmentalized. .817</li> <li>• This organization is highly hierarchical as depicted in its organization chart. .815</li> </ul>	

Figure III Profiles of the Respondents

Demographic Information		N	Percent
Gender	Male	35	46.7
	Female	40	53.3
Age	30 and less	15	20.0
	31 - 45	37	49.3
	46 and above	23	30.7
Ethnic	Malay	38	50.7
	Chinese	28	37.3
	Indian	09	12.0
Educational Level	Diploma	06	08.0
	Bachelor	54	72.0
	Postgraduate	15	20.0
Position	Top Management	35	46.7
	Middle Management	29	38.7
	Lower Management	11	14.6

Figure IV Profiles of the Corporations

	Type of Main Industry	Number of employees	Year of establishment	Paid up capital (RM)
Company 1	Banking	1,326	1997	872,965,200
Company 2	Publication	482	1971	216,045,504
Company 3	Education	575	2000	475,567,320
Company 4	Insurance	823	1997	642,990,874
Company 5	Hotel	774	1992	1,110,287,345
Company 6	Direct Selling	642	1995	345,675,210
Company 7	Energy	1,278	1990	4,210,345,210
Company 8	Telecommunication	1,499	1994	845,575,216
Company 9	Healthcare	657	1992	598,312,734
Company 10	Tourism	410	1989	333,548,420
Company 11	Media	610	1988	756,490,222
Company 12	Finance	1,381	1979	934,346,889
Company 13	Property	972	1981	650,647,000
Company 14	Transportation	605	1984	1,216,439,112
Company 15	Telecommunication	1,444	1999	903,820,236
Company 16	Hospitality	886	1993	666,391,129
Company 17	Travel and Tourism	1,622	1995	1,076,234,112

**Figure V Result of Multiple Regression**

Independent Variables	Beta Coeff.	t	Sig.	VIF
Formalization		-3.133		
Centralization	-.328	-1.709	.103	1.244
Complexity	-.182	3.890	.624	1.286
R:	.609		.000	1.046
R Square:	.371			

*Dependent Variable: Novelty Preference.*

*\* Significant at 0.01 level*