CHAPTER I

INTRODUCTION

1.1   Background of the Study

The tourism industry, especially in Bali is highly developed. Bali is one of the famous tourist destination in the world. Bali has also become the center of tourism industry development in Indonesia. It is visited by both domestic and foreign tourists. In December 2011, 248,3 thousand foreign tourists visited Bali through Ngurah Rai airport, an increase of 11,61 percent compared to December 2010 (Tempo.co, 2012). According to *Badan Pusat Statistik,* in January 2012, 253,286 foreign tourists visited Bali. This is a 21.14% increase compared to January 2011. The high number of tourists contributes to various industries related to the tourism industry such as hospitality industry, transportation, restaurant, souvenirs, among others.

Bali has become a market for the hospitality industry. However, the competition within the industry becomes tighter. Bali has 45,408 rooms for the tourists (Balipost.co.id, 2011). In 2011, there are 198 hotels in Bali (Bali Central Statistic) and this number is growing. There are 51 units of 5-Stars hotel, 53 units of 4-Stars hotel, 52 units of 3-Stars hotel, 23 units of 2-Stars hotel, 19 units of 1-Stars hotel. The recent news PHRI (Perhimpunan Hotel dan Restoran Indonesia) estimated that the total accomodation in late 2012, showed that the accomodation capacity in Bali from hotel, villa, cottage and inn reached 90,000 rooms (Beritabali.com). The details number of classified hotel in Bali by regency is presented in Table 1.

Therefore, to increase their competitiveness to survive in such environment, the hospitality industry in Bali especially budget rates hotels need to maximize the contribution of their employees. It is not ideal for them to invest in facility in order increase the competitiveness. It is because budget rates hotels need to minimize their cost by maintaining their operation as efficient as possible.

The performance of the employees is related with the efficiency and effectivity of company operation (Arif, 2010). The employees' experience, reliability, expertise, relationship affect the job they do, and whether the company succeeds or not. The organization needs to manage its human resources to get the maximum contribution of the employees (Tessema & Soeters 2006). The role of human resources plays a large part of an organization's success (Mathis & Jackson, 2011). The success rate of a company can be achieved by having a good human resource and this can only happen if the performance of the employee is high. Maintaining high employee performance improves the company performance.

Table 1

Number of Classified Hotel in Bali by Regency/City and Hotel Class, 2011

Regency	Hotel Class					Total
	5 Star	4 Star	3 Star	2 Star	1 Star	
Jembrana	0	0	1	0	1	2
Tabanan	2	0	1	0	0	3
Badung	38	38	28	13	11	128
Gianyar	6	6	1	0	0	13
Klungkung	0	0	2	0	1	3
Bangli	0	0	0	0	0	0
Karangasem	1	3	3	1	0	8
Buleleng	1	2	6	3	2	14
Denpasar	3	4	10	6	4	27
Total	51	53	52	23	19	198
2011	51	53	52	23	19	198
2010	37	48	35	26	9	155
2009	37	41	35	27	9	149
2008	37	28	39	35	11	150
2007	36	28	38	34	9	145

Note. From BPS – Statistic of Bali Province (2012)

One factor that affects the performance of the employee is the working environment of the employee itself which is the organizational culture where the employee works. As a social being, the employee is inseparable with the values and

norm that adopted by the company. Krefting and Frost (1985) suggested that the way in which organizational culture may create competitive advantage is by defining the boundaries of the organization in a manner which facilitates individual interaction and/or by limiting the scope of information processiong to appropriate levels (Ogbonna, 2000). Organizational culture can influence employee behavior, how they see their task, how they work with their colleagues, and how their vision to see the future with open mind. The study found that encouragement of innovational services and activites, and emphasis on the cohesiveness and consolidation of the employees can improve organizational performance and efficiency (Tang, 2006).

A strong organizational culture can strongly influence individual performance. Kotter and Hesket (1992) in Rose et al (2008) said that an organizational culture which is easy to adapt with the times is able to improve the performance of the employee. They found that companies with "adaptive values" are strongly related with superior performance over a long period of time as compared to just short-term performance. Moreover, in a competitive environment, the influence of organization culture is bigger than other factors such as organizational structure, financial analysis tools and leadership, among others (Arif. 2010).

Organization will always need a leader for the success of the organization or company. Leadership is defined as the process of influencing people and providing a work environment so that they can accomplish their group or organizational objectives (Phatak et al. 2005). Leading is management function that involves working with and through people to accomplish organizational goals (Robbins & Coulter. 2007). Effective leaders create appropriate conditions to help groups of people define their goals and find appropriate to achieve them. Even the most sophisticated management system will not work if there is no one who dare to take action and lead the management process. Therefore, the function of management also needs the function of leadership, and vice versa.

According to Kinicki and Kreitner (2008), organizational culture is embedded to the employee through the leader. Subordinate will be led by the leader

and the norms/value that is adopted by the leader and the behavior of both parties should become increasingly in line. When strong unified behavior values and beliefs have been developed, a strong organizational culture emerges (Tsai, 2011). Leaders have to appreciate their function in maintaining an organizational culture. This would in return ensure consistent behavior between members of the organization, reducing conflicts and creating a healthy working environment for employees. (Kane-Urabazzo, 2006).

Grandmas Hotel Bali is one of budget rates hotels which operate in Bali. Today Grandmas Hotel Bali has three operating branches which are Grandmas Hotel Seminyak, Grandmas Hotel Legian and Grandmas Hotel Kuta. The fourth of Grandmas Hotel in Tuban is scheduled to be opened in mid 2013. By 2015, Grandmas Hotel Bali plans to open 10 units of hotel. The philosophy behind the name of "Grandmas" are 'Grand' which is interpreted as great importance, and 'Mas' which is associated with Gold ('Mas' is Emas, Indonesian word for Gold) that has a high value (small, smart, precious). The tagline of Grandmas Hotel Bali is "First Class With Budget Rates". This tagline means that Grandmas is offering a budget rates and First Class Quality service for its customers. It shows Grandmas Hotel committment to give a first class quality service with affordable price. The concept of Grandmas Hotel is budget rates, all-in-one rates, trendy design with attention to comfort, strategic location, and easy booking.

As budget rates hotel, Grandmas Hotel Bali need to maintain their cost as low as possible. Therefore it is not ideal for them to increase the performance of their employee by giving higher compensation. They need to utilize non-financial factors in order to improve the employee performance. From the previous research, it indicated that organizational culture and leadership are able to influence the performance of employee (Robbins & Coulter, 2007; Kotter and Heskett, 1992; Ismail, 2006; Arif 2010). It means that organizational culture and leadership can be used as tools in order to maintain the employee performance. Given the importance of the issue, the research study is conducted at Grandmas hotel to examine the relationship between organizational culture, leadership and employee performance.

Hence this study is "The Influence of Organizational Culture on Leadership and Employee Performance at Grandmas Hotel Bali". This study wants to find out the relationship between organizational culture, leadership and employee performance in Grandmas Hotel Bali. This study also can be used by the hospitality industry in order to understand how to maintain the employee performance through organizational culture and leadership

1.2   Research Problems

The research problems are as follows:

1. Does organizational culture influence leadership at Grandmas Hotel Bali?
2. Does organizational culture influence employee performance at Grandmas Hotel Bali?
3. Does leadership influence employee performance at Grandmas Hotel Bali?

1.3   Research Objectives

The objectives of this research are as follows:

1. To analyze the influence of organizational culture to leadership at Grandmas Hotel Bali;
2. To analyze the influence of organizational culture to employee performance at Grandmas Hotel Bali; and
3. To analyze the influence of leadership to employee performance at Grandmas Hotel Bali.

1.4   Research Contributions

The research is expected to provide benefits to the following:

1.4.1 For Company

From this research, the manager can understand the relationship of leadership and organizational culture to employee performance. It can be used as inputs for the company to use leadership and organizational culture as tools to maintain the employee performance.

1.4.2   For Researcher

This study increases the researcher's knowledge, in theory and practice, specifically on human resource management. It completes researcher's knowledge on organizational culture, leadership, and employee performance, as well as the individual and simultaneous effects of these variables. The researcher also has the opportunity to apply the given theories learned in class.

1.5   Research Limitations

The research problem is limited to the analysis of leadership, organization culture and employee performance at GrandMas hotel. The object of the study were limited to GrandMas contractual employees and excluded the outsourced staff such as housekeeping and security.

1.6   Research Outline

The outline of this research is as follows:

CHAPTER I   INTRODUCTION

This chapter sets up the research problem for the reader. It also provides the background information defining the issue and important term. It specifies the research objective explored in greater detail to contribute to understanding the research problem

CHAPTER II   REVIEW OF RELATED LITERATURE

This chapter summarizes the major studies and findings that have been published on the research topic and how this study contributes or adds to what has already been studied. This chapter, also states a clear description of leadership, organizational culture, and employee performance theory that is going to apply to the research problem, an explanation of why it is relevant, and how the modeling efforts address the hypothesis to be tested

CHAPTER III RESEARCH METHODOLOGY

This chapter explains the detailed technical and scientific activities which incluede the research design, sampling plan, instrumentation, statistical tools, and treatment of data.

CHAPTER IV RESULTS AND DISCUSSION

This chapter organizes a logical presentation of the findings that address the research questions, and focus on how these key findings relate back to the theory and prior researches presented at the beginning of the study

CHAPTER V SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

This chapter outlines the implications, conclusions, and recommendations supposed to advance the study of the research topic by its theoretical, methodological, or substantive contributions.