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The Effectiveness of Strategic Management and Leadership Style on Performance of Local Hotel Operators in Managing Hotel Unit Businesses in Ubud Bali, Indonesia

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Abstract

The tourism development is headed toward sustainable tourism which stands to local people, poverty alleviation, environment conservation and the increase of jobs opportunity. This concept is in line with the concept of fair economic growth which packed up in triple track strategy consists of pro-growth, pro-poor and pro-job to decrease the unemployment. The role of local human resource in managing accommodation in Bali can be seen in the top level as General Manager in star or non star hotel in Bali. The increase of local's role in managing hotel or accommodation business is crucial in reducing economic leakage of the tourism sector. This study aims to find out the effectiveness of the strategic management and leadership style on performance of local hotel operator in managing hotel unit business in Ubud, Bali Indonesia. This was a qualitative research. This approach was applied to gain a more depth data through indepth interview, library research, and observation. The data was presented in the form of performance table which describe the leadership effectivity and strategy. The results showed that strategic management and leadership style were very effective on performance of local hotel operator in managing hotel unit businesses by local in ubud Bali

Keywords: Strategic Management, Leadership Style, Performance, Local Hotel Operator

1. Introduction

The tourism development has been directed into sustainable tourism which stands for local people, poverty alleviation, environment conservation and the increase of jobs opportunity. This concept is in line with the concept of fair economic growth which was packed in triple track strategy consists of pro-growth, pro-poor, and

pro-job the decrease of the unemployment (Wijayanti, 2019). The community based tourism (CBT) prioritizes the local community to be the main player, as responsible and sustainable owner or the management of tourism business. The development of CBT has increased more within the past decade. The management of CBT which applied bottom up approach has brought astounding results from the net profit of 5 to 41,4 billions in 20015 (Darmaputra). This showed that local people of Bali has able to show themselves as succesfull tourist management in each area.

The existence of local hotel operator in Bali has started to develop in the past ten years. Ubud is one of major tourism destination in Bali was chosed to be the location for this research for some reasons. The first reason was, Ubud has grown as tourism destination since the Dutch colonization when Walter Spies was invited by the King of Ubud in 1927 to witness Ubud culture (Pringle, 2004:133). The second, this area has many hotels and inn which was managed by local people and also local hotel operator. The third reason was, the uniqueness of Ubud has brought consequences toward the hotel management characteristic in this area.

This research becomes important because the success performance model which was presented in BSC form can measure strategic management applied, leadership style implemented which were used and the level of success of both variable toward the performance of local hotel operator in Ubud, Bali. This BSC model was made based on the best practices of strategic management and leadership style which give positive contribution toward the sustainable success performance of local hotel operator in Ubud, Bali.

Based on the above background, the formulation of the problem from this study is how effective the strategy and leadership style of local hotel operator performance that is sustainable in managing hotel unit businesses in Ubud, Bali? The research was conducted at Ubud, Bali, Indonesia. The local operators chosen as the research objects are Pramana Experience, Adi Wana and Puri Villas Indonesia. Those local hotel operators have been established for more than three years and had a great development either for hotel unit numbers and businesses performance. This study aims to analyze the effectiveness of strategic management and leadership style on performance of operator hotel local in managing hotel unit businesses in Ubud, Bali, Indonesia.

2. Litterature Review

Meaning of The Local Hotel Operator

Hotel operator is the entity who enter into agreement to carry out day to day operational including employee recruitment, procurement and promotion (Outlaw, 2011). Moser (2016) stated that to be able to get clients, hotel operator should be able to show hotel performance which have been managed and able to show type of services provided. Besides that, hotel operator is also can show the ability in managing the previous hotel through the success story in solving problems.

There is no research about local hotel operator yet. The existing research is research about the impact of tourism in Ubud where the society agree that tourism has positive impact to the society economically, culturally and environmentally (Ernawati et.all, 2018). Other research which was conducted by Pitanatri and Pitana (2009) about position of homestay in the accommodation business competition in Ubud. Therefore, the previous research focused on the tourism impact and the ability to compete in accommodation business in Ubud. The role of local operator who managed some unit businesses of the existing accommodation facilities has not been available, hence this research become interesting and previously it has not been done.

Strategic Management

Strategic management is an approach system to identify, create and to measure signifiant changes of the organization's performance which refer to vision (Wells, 2018:3; Antara, et. Al, 2020). Meanwhile, Ritson (2011:17) defines that strategic management as the organization of all resources to achieve goals. Okumus (2010:5) stated that the strategic management is the process to formulate vision, mission, and objective and implemented in every level of organization to create the competitive excellence.

To be able to survive, every hotel unit business is required to make precise strategy so it will keep the level room occupancy and the average room rate or Average Daily Rate (ADR) and revenue per available room (RevPar). Strategy is the long term goal setting which equipped with series of actions and the allocation of resources which support achievement of the goals (Evans, Campbell, dan Stonehouse, 2009:11). Enz (2005:17) defines strategy into two, strategy as the continues decision making pattern, and strategy as the action plan to achieve short term goal and main goal of the organization. So strategy is an action plan which is equipped with allocation of resource to achieve goals.

Leadership Style

According to Igbaekemen dan Odivwri (2015:2) leadership is the leader responsibility to direct the attitude and behavior of the employees to reach the department's and organization's objective with characteristic a high sense of belonging. (Rihal, 2017); and the desire to lead, committed toward the vision and mission achievement and also has high integrity. Clark (2001:6) stated that leadership is the ability to realize the vision by inspiring the followers to create changes. So the leadership is commitment in doing something right to achieve vision through high integrity based on the sustainability innovation.

Leadership is leader responsibility to direct all the human resources to achieve the goal of an organization. (Igbaekemen, 2015:2) with ability and willingness to own the organization based on internal motivation to always give the best contribution (2017). Two types of leadership were chosen because according to previous research (Kara et.al., 2013:9; Hurduzeu, 2015:290; and Junga, 2003:525) transformational leadership is more effective in achieving the goal of organization compare to transactional leadership. So the leadership concept analyzed in this research include scanning, focusing, aligning/mobilizing and inspiring which studied from various sources, such as Howkins (2016); DDI World (2016); Odumeru & Ogbonna (2013); Hurduzeu (2015); and Lemay (2016).

Balanced Scorecard (BSC)

A business is getting failure not because it has not own a strategy, but more into the inability in executing the strategy (Nair, 2004:3). BSC presents in the capacity to overcome the weakness. Therefore, BSC is a method in finalizing challenges in the balance of strategy and execution (Nair, 2004:13). This is justified by Wright (2018) that the strategy framework of BSC is the strategy execution model which are frequently applied.

This strategy is in demand, because to keep the balance of the internal and external factors. The balance of internal and external; indicator of leading and lagging; financial and non financial measurement, strategy in each level of organization; and the measurement of financial with operational priority. This balance should be maintained so there will be no imbalance in the internal and achievement process. For example, the customer satisfaction should be balanced with expenses so the customer satisfaction does not sacrifice the ability to gain profit or in the contrary.

3. Research Methods

This research is qualitative research. This approach was applied to obtain deeper data. The first stage was done by indepth interview and documentation study by applying list questions instruments and check list documents which concern with leadership, strategic management, and strategy effectiveness and leadership toward the corporate performance and unit business operator of local hotel in Ubud. Further, the data will be presented in performance table form which describe the effectivity of leadership and strategy.

Type of data in this research is qualitative data which was supported with quantitative data. The data source were primary and secondary data. The primary data was the leadership and strategic management and also the effectivity data of strategic management and leadership toward the performance of local hotel operator in the corporate level or in the unit business level. Meanwhile, the secondary data was the thing that have been owned

by local hotel operator such as management system, leadership, strategy, survey result toward the consumer satisfaction and employee also the performance within the last three years.

4. Results and Discussion

The effectiveness of local hotel operator in Ubud was seen from the four BSC perspectives, they are learning and growth, internal process, consumer and financial. Each perspective describes the parameters including the target and achievement. Target and achievement compared to see the percentage of every parameter achievement from each BSC perspective. From the description it can be concluded that the management effectiveness of local hotel operator in Ubud.

So the strategy and leadership of hotel operator management has been very effective which can be seen from the target achievement that reached 111,55%. This achievement was 11,55% higher from the established target. This was remarkable achievement. Detail achievement was compared to average industry explained as the following.

The ability to return the average capital is 6,5 years very or similar to 15,38% ROI. Even in some cases, such as The Kayon Resort, was able to achieved 40 % ROI. This achievement was higher from the average Hyatt Corporation achievement which was only 10% (Macrotrend, 2019). Meanwhile, according to Shankar (2014) by *rule of thumb* annual hotel ROI in India was 10-12%. According to Basari Bachri and Arta, middle class hotel, two and three stars' hotel, ROI were able to turn over capital in seven or 10 years (Kompas, 2013). So the performance of local hotel operator in Ubud can be seen from the ability to return the capital was very effective because they were able to return the capital on the above industry average.

Meanwhile, if it is reviewed that the ability to gain revenue per occupied room for Rp 2.000.000, it was also above the industry average. According to Horwath HTL report (2019) *Revenue/occupied room* was Rp 1.580.596. Therefore, the operator local hotel achievement in Ubud 27% higher from the industry average. From *Revenue Growth* aspect, the industry average from 2017 to 2018 the growth decreased 13%. Meanwhile, the revenue growth average on local hotel operator in Ubud reached 12%.

These achievements can be achieved because of the hotel popularity increased so the selling price was also increased. This thing happened because the product offered was unique and high valuable because the ability to give excellent prime service (some observed hotels can reach 10 out of 10 for consumer satisfaction toward the staff service).

Other achievement was GOP and the profit growth. The average GOP achievement was 50% or 15 % higher from the industry average of 35% (Horwath HTL, 2019). This excellence can be achieved because the ability to control price was very good however not lessen the satisfactory level of employee and consumer. The cost percentage of human resource was only 18-20% of the total revenue. Meanwhile the standard of human resource percentage industry reached (Horwath HTL, 2019). The set percentage by local hotel operator in Ubud has been set off with the achievement of employee satisfaction that reached 92% and consumer satisfaction reached 94%. The benefit growth reached 10% because the ability to control cost and the ability to increase revenue. All cost tightly controlled such as human resource cost and other costs. Revenue can be increased by increasing room selling price and level of room occupancy as well as the new property growth which reached 125% per year. Room price can be increased because the level of guests satisfactory increased and encouraged the demand which eventually can also increase the selling price and sales.

The consumer satisfaction of local hotel operator in Ubud can be seen from the review of guests' experience in OTA. Score review of the consumer toward the managed hotel by local hotel operator reached 9,2 out of the highest score, 10. Compare to Adiwana and Puri Villas Indonesia, Pramana achieved the highest score, one of the managed resort reached 9,7. In the other hand, Adiwana and Puri was 9,0 and 9,4. Compare to international chain hotel such as Fourseasons and Alila Ubud with each score 9,1 and 8,9. PE can still outperform both, meanwhile Adiwana can only outperform Fourseasons. The excellence of local operator lies on staff services, which reached 10 like what has been achieved by The Kayon Jungle. The hotel prime excellence which managed

by local hotel operator are staff service, room cleanliness, and diversity of breakfast. All of this can be achieved because of the high employee satisfaction and the presentation of beverages products which prioritize on quality and ability to present Balinese culture into the presented product.

The customer loyalty has reached 6% of 5,4% target. The average repeater percentage was still relative low because majority of the managed hotels has been running less than two years. However, for luxurious resort, the repeater percentage has reached above 15%. According to Yu and Timmerman (2014) different segment has different rebuying attitude. For luxurious hotel types, the loyalty percentage reached 33%. Luxurious hotel guests have a stronger engagement compare to budget hotel guests. For budget hotel guests, the repeater rate reached 12%. So the repeater percentage was still low compare to industry benchmark because the hotel was relative new and the consumer behavior tends to try new products, therefore on three or four of their first visit they will choose different hotels.

5. Conclusion

Strategic management and leadership style are very effective on performance of local hotel operator in managing hotel unit's businesses at Ubud Bali because the performance based on four perspectives BSC was above than established target. Tourism human resources in Bali are not only capable as worker but also as a successful local hotel operator. The existence of the local hotel operators has stimulated the tourism development in Ubud in particular, and Bali in general. Local hotel operator became new choice for the local investors and new hope for local community to have the benefit of tourism economic

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