

## Non-Star Hotel Performance Management: Performance Improvement and Optimization Strategies in the Dynamic Era of the Hospitality Industry

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### Abstraction

This article discusses the development of performance management as a challenge as well as a strategic opportunity for non-star hotels in the face of increasingly competitive competition in the hospitality industry. The purpose of this study is to explore the integration between inspirational leadership, the fulfillment of psychological contracts, increased organizational commitment, and the creation of a conducive work environment to improve employee performance and provide added value for owners and investors. The method used involves a quantitative approach with a survey of non-star hotel employees, as well as regression analysis to test the relationship between these variables. The results of the study show that effective leadership and motivation have a significant positive influence on employee performance. In addition, organizational culture and career development have also been proven to have a positive impact on employee performance. The discussion emphasized the importance of innovation in performance management as the key to transformation and sustainable growth in today's digital and global era. Thus, adaptation to new trends and technologies becomes essential for the survival and success of non-star hotels in the hospitality industry.

**Keywords:** *Performance Management Development, Leadership Integration and Psychological Contracts, Employee Performance, Performance Innovation, Performance Transformation*

### Foreword

The hotel industry in Indonesia has shown very complex dynamics, not only due to the difference in hotel classifications based on stars but also due to the pressures of market competition, changes in consumer behavior, and the impact of global crises such as the Covid-19 pandemic.

Non-star hotels, which generally carry the concept of lodging with simpler services but have great potential in certain market segments, especially in industrial areas such as Riau province. Performance management management in non-star hotels faces its own challenges in improving operational performance and service quality. Industrial areas such as Riau province which are business destinations where visitors use lodging facilities only as a place to rest without recreational facilities.

This article presents an in-depth review of performance management in non-star hotels, with an emphasis on aspects of performance measurement, leadership roles,

psychological contracts, organizational commitment, and job satisfaction. All of them are designed to provide a strategic overview to achieve optimal performance improvements.

Non-star hotels are often considered to have simpler service standards than star hotels. However, the reality on the ground shows that non-star hotels have a great opportunity to improve performance through effective and innovative management. In the midst of competition challenges and changing market dynamics, non-star hotels must be able to optimize human resources (HR) and implement appropriate performance management policies to achieve the set targets.

In recent years, especially in the midst of the Covid-19 pandemic, the performance of non-star hotels has experienced significant fluctuations. Data on occupancy rates and room sales showed a drastic decline in the 2020-2022 period, as also happened to non-star hotels in Riau province which was the reference for previous research. This decline was not only caused by external factors such as social restrictions and lockdowns, but also by internal factors such as the lack of optimal implementation of HR policies and the lack of meeting expected performance standards.

Along with the times, non-star hotels need to adopt a more comprehensive performance management model. The model includes the implementation of spiritual leadership strategies, the management of psychological contracts between management and employees, increased organizational commitment, and the creation of a work environment that supports job satisfaction. Thus, performance improvements not only have an impact on increased sales and room occupancy rates, but also create added value for stakeholders, from hotel owners to staying guests.

## 1. Job Satisfaction Theory

Job satisfaction theory emphasizes the emotional and motivational aspects of employees. Locke (1976) described job satisfaction as *"a pleasurable or positive emotional state as a result of one's job assessment or work experience"*.<sup>[1]</sup> In other words, employees are satisfied if they feel a match between their expectations and work experience. Herzberg (1966) emphasized that *"job satisfaction and job dissatisfaction are not the obverse of each other"* (the factors that are satisfactory and those that cause dissatisfaction are different).<sup>[2]</sup> This means that non-star hotels should actively create satisfaction triggers (such as training, recognition, a conducive work atmosphere) rather than simply eliminating dissatisfaction. Kreitner and Kinicki (2005) also stated that job satisfaction is *"an emotional response to various aspects of work"*.<sup>[3]</sup> These quotes support the development of performance management by asserting that a focus on satisfaction (through employee engagement, improved working conditions, fair compensation) will improve employee motivation and productivity in non-star hotels. When staff are satisfied, they are more committed to carrying out operational procedures and serving guests well, so the hotel's performance improves.

### a. Basic Definition and Concept of Spiritual Leadership

Spiritual leadership is a leadership approach that integrates spiritual values, such as honesty, integrity, empathy, and courage, into decision-making processes and interactions with employees. The concept focuses on creating an inspiring vision, building an emotional connection between leaders and employees, and encouraging employees to find meaning in their work.

According to Fry (2003), spiritual leadership involves three main components, namely:<sup>[4]</sup>

- Vision: Able to set clear and inspiring goals for all members of the organization.
- Altruistic Love: Showing genuine care and affection for others.
- Hope/Faith: Building a sense of optimism and trust that every challenge can be overcome together.

The application of spiritual leadership in non-star hotels is expected to not only improve individual performance, but also strengthen the emotional bond and loyalty of employees to the organization.

#### b. Implementation of Spiritual Leadership in Non-Star Hotels

In its implementation, non-star hotel leaders can integrate spiritual values through several strategies, such as:

- Formulation of Inspirational Vision and Mission: Develop a vision that not only focuses on financial benefit aspects, but also on improving the quality of employee life and guest satisfaction.
- Development of a Value-Based Work Culture: Encourage the formation of a work culture that upholds integrity, honesty, and empathy.
- Leadership Training and Development: Conducting training to improve the leadership skills of managers and supervisors, so that they are able to apply spiritual leadership principles in daily operational activities.

#### c. Psychological Contracts and Their Relationship to Performance

A psychological contract is a concept that describes an unwritten agreement between an employee and an organization. This concept includes expectations, promises, and obligations that both parties believe in in the employment relationship.

### 2. Performance Management Theory

Experts emphasize that **performance management** is a continuous and integrated process to improve organizational performance through individual performance management. For example, Armstrong and Baron (1998) define that *"performance management is a strategic and integrated approach to delivering sustainable success to an organization by improving employee performance and developing the capabilities of individual teams and contributors."*<sup>[5]</sup> This statement shows that

systematically managing employee performance (through planning, monitoring, and feedback) is essential for organizational progress. Bacal (2012) adds that performance management should be *"an ongoing communication process, carried out in partnership between workers and their direct superiors, which concerns creating clear expectations and mutual understanding of the work to be done."*<sup>[6]</sup> In other words, achieving optimal performance requires two-way communication and clear goal setting – this is especially relevant for non-star hotels that generally have simple organizational structures; Bacal's approach encourages managers and small staff to collaborate on setting working standards to improve operational effectiveness.

### 1.1. Definition of Psychological Contract

According to Rousseau (2004), psychological contracts are an individual's perception of promises and obligations that exist between him and the company.<sup>[7]</sup> This contract is not formally written, but it affects the attitude and behavior of employees in carrying out their duties. When the psychological contract is fulfilled, employees will feel valued and motivated to work more optimally. Conversely, breach of psychological contract can lead to disappointment, decreased loyalty, and decreased performance.

### 1.2. The Impact of Psychological Contracts on Performance

In the context of non-star hotels, the fulfillment of psychological contracts has an important role in improving employee performance. Employees who feel the company's promises are being fulfilled tend to:

- More Motivated: Have an intrinsic motivation to provide the best service to guests.
- Increase Loyalty: Establish a strong emotional connection with the company, thereby reducing turnover and absenteeism rates.
- Initiative: Willing to perform tasks outside of formal obligations for mutual success.

The management of psychological contracts should be done transparently and consistently, with open communication between management and employees to ensure that the expectations of both parties are met.

### 1.3. Organizational Commitment as a Foundation for Performance

Organizational commitment refers to the level of loyalty and loyalty of employees to the company. High commitment is usually reflected in the desire to stay in the organization and contribute to the maximum.

#### a. Aspects and Dimensions of Organizational Commitment

Organizational commitment can be categorized into several dimensions, including:

- Affective Commitment: A sense of emotional attachment of employees to the organization.
- Continuous Commitment: Employee awareness of the costs or losses of leaving the organization.

- Normative Commitment: A sense of moral obligation to stay with the organization.

These three dimensions play an important role in shaping employee behavior, especially in terms of discipline, loyalty, and work morale. Non-star hotels that are able to create a work environment that supports organizational commitment tend to have higher levels of performance.

#### b. Strategy to Increase Organizational Commitment

Some strategies to increase organizational commitment include:

- Awards and Recognition: Provide fair and timely rewards to employees who demonstrate high performance.
- Career Development Opportunities: Provides training and development programs that allow employees to grow professionally.
- Open Communication Policy: Build a culture of transparent communication between management and employees to increase a sense of belonging and trust.

#### 1.4 Job Satisfaction and Its Implications for Performance

Job satisfaction is a positive emotional condition that arises from a person's assessment of their work. In the hospitality industry, especially non-star hotels, job satisfaction greatly determines the quality of service provided to guests.

##### a. Factors Affecting Job Satisfaction

Some of the main factors that affect job satisfaction include:

- Work Environment: Conducive physical and psychological conditions of the workplace.
- Award Policy: Adequate incentive and reward system.
- Interpersonal Relationships: The quality of relationships between colleagues and superiors.
- Self-Development: Opportunities to learn and develop professionally.
- Work-Life Balance: Employees' ability to balance the demands of work with personal life.

##### b. The Impact of Job Satisfaction on Performance

Employees who feel satisfied with their job tend to:

- More Productive: Shows higher performance in completing tasks.
- Innovative: Dare to take the initiative and put forward new ideas for operational improvement.
- Contribute More: Shows higher loyalty, thereby reducing turnover and absenteeism.



Job satisfaction management should involve regular feedback and policy adjustments that are responsive to employee needs, so as to improve the overall performance of non-star hotels.

## 2. Theoretical Foundations

In this section, the basic concepts that are the theoretical basis for managing the performance of non-star hotels will be discussed. These theories include performance management, spiritual leadership, psychological contracts, organizational commitment, and job satisfaction.

### 2.1 Performance Management in the Hospitality Industry

Performance management is a systematic process that aims to measure, evaluate, and improve employee performance in achieving organizational targets. In the context of non-star hotels, performance management is not only limited to measuring work output such as room sales or occupancy rates, but also includes service quality, speed of response to guest needs, operational efficiency, and innovation in service.

From the economic side, the literature refers to the hospitality sector as a **monopolistic competition** market. For example, Shetty (2008) states that *"the market structure of the lodging industry is 'monopolistic competition' – [a market] where many companies sell differentiated products, with few barriers to entry"*.<sup>[8]</sup> This means that many hotels (including non-stars) are competing for a market with similar but different services (location, simple amenities, low prices). These characters spark intense fights, often through price. Matovic (2002) found that *"competition has a strong negative relationship with the financial performance of hotel brands"*.<sup>[9]</sup> This suggests that stiff competition (which is common in the low-cost hotel segment) tends to lower profitability; non-star hotels must be smart in managing costs and implementing differentiation strategies (e.g. hospitality) to remain competitive.

In addition, **demand theory** explains that budget hotel consumers are very price-sensitive. For example, a revenue management study states that *"budget hotels typically attract price-sensitive travelers, leading to more elastic demand."* In the context of behavioral economics, this means that a reduction in rates will significantly increase occupancy for non-star hotels, while a slight increase in prices can turn guests away. This quote supports operational performance management by emphasizing the need for cost efficiency: non-star hotel managers must reduce production costs (e.g. resource use efficiency) and dynamically set prices to attract guests.

**Implications for the non-star sector:** The above combination of theories suggests an integrated approach. Managerially, non-star hotels need to implement a formal performance management system (goal planning, periodic appraisals, feedback) in order to improve work efficiency (Armstrong & Baron, Bacal). In terms of HR, extra attention to job satisfaction (non-financial motivation, clear roles) helps to keep staff performing well in the midst of compensation limitations (Locke, Herzberg).

Economically, an understanding of market structure and demand elasticity (Shetty, Matovic, ProsperHotels) underscores the importance of careful pricing strategies and product differentiation to face competitive challenges. With the foundation of these quotes, the development of performance management in non-star hotels can be focused on improving employee performance in line with the market needs and economic conditions of the company.

#### a. Performance Measurement

Performance measurement is usually carried out using several main indicators, including:

- Quality Output: Assess the quality of services provided to guests, such as cleanliness, comfort, and hospitality.
- Quantity Output: Measures the number of rooms sold or guests staying.
- Timeliness: Assess the timeliness in completing tasks and services.
- Cost-effectiveness: Efficiency in the use of operational costs.
- Need for Supervision: The level of independence of employees in carrying out tasks.

These indicators are the basis for decision-making in improving the operational performance of non-star hotels. Historical data obtained from performance measurement tables, such as room occupancy rates and sales targets, provide a clear picture of performance achievements and areas in need of improvement.

#### b. The Role of Technology in Performance Measurement

Advances in information technology also play an important role in performance management. The integrated management information system (SIM) allows hotel managers to monitor performance in real-time, identify trends and patterns that occur, and provide quick feedback to employees. The implementation of this digital system can also help reduce manual errors and improve data accuracy, so that performance improvement strategies can be prepared more on target.

### 2.2 Spiritual Leadership in Performance Management

The concept of spiritual leadership emphasizes values, attitudes, and behaviors that are able to motivate employees intrinsically. In the hospitality industry, especially in non-star hotels, the application of spiritual leadership can be a key factor in creating a harmonious and productive work environment.

## Research Methods

### Data Collection and Historical Analysis :

This paper emphasizes the importance of collecting historical performance data from various indicators such as occupancy rates, room sales, employee attendance, and guest feedback. The collection of this data is essential to evaluate the current performance status of non-star hotels.

### Performance Measurement System :

It discusses the need to modernize performance measurement systems, moving away from conventional and unintegrated approaches. This paper shows that integrated systems can provide a more comprehensive view of hotel performance.

### Real-Time Data Analysis:

The application of data analysis tools is highlighted as a method to analyze trends and patterns in real-time. This includes monitoring occupancy, sales, and guest feedback, which can help make informed decisions quickly.

### Strategic Communication:

This paper identifies the need for effective communication between management and employees. This suggests that improving this communication can fulfill psychological contracts and increase employee engagement, which is critical for improved performance.

### Investment in Technology:

A significant method proposed is an investment in an integrated digital system that can monitor and measure performance in real-time. This technology investment is seen as important to optimize hotel operations and improve overall performance.

In summary, the methods used in this paper focus on data-driven analysis, modern performance measurement systems, effective communication, and technology investments to improve the performance management of non-star hotels. This method aims to create a more competitive and efficient operational framework in the hospitality industry.

## 1. Model Conceptual Framework

The proposed performance management model consists of four main components:

- a. **Spiritual Leadership:** Encourage the formation of an inspiring vision and leadership based on spiritual values to create work spirit and loyalty.
- b. **Psychological Contract:** Ensuring harmony between employee expectations and company promises, so as to form a harmonious and productive working relationship.
- c. **Organizational Commitment:** Increase employee loyalty and dedication through a structured reward system and career development.
- d. **Job Satisfaction:** Creating a conducive work environment by supporting employee well-being, both emotionally and professionally.

## 2. Implementation Mechanism

The implementation of the performance management model can be done through the following stages:



## 2.1 Situation Analysis and Target Setting

- a. Evaluation of Current Conditions: Collect historical performance data from various indicators (occupancy rate, room sales, attendance, and guest feedback).
- b. Setting Performance Targets: Setting realistic targets that are in line with the potential and conditions of the non-star hotel market.

## 2.2 Development of an Integrated Management System

- a. Application of Information Systems: Integrating property management systems (PMS) and data analysis applications to monitor performance in real-time.
- b. Creation of Performance Dashboard: Compile a dashboard that displays key indicators, so that management can immediately take corrective actions if necessary.

## 2.3 Leadership Competency and Training

- a. Spiritual Leadership Training Program: Hold workshops and training on the application of spiritual leadership.
- b. Human Resources Development Program: Organizing technical and soft skills training for all employees.

## 2.4 Ongoing Evaluation and Feedback

- a. Periodic Monitoring: Conducting periodic performance evaluations and comparing actual achievements with the set targets.
- b. Feedback System: Implement a two-way feedback mechanism between management and employees to ensure that any issues can be resolved immediately.

## 3. Model Implementation Study on Non-Star Hotels

As an illustration, here is a case study of the implementation of a performance management model in one of the non-star hotels in urban areas:

### 3.1 Preliminary Analysis

Hotel X, as one of the non-star hotels, has experienced a decline in occupancy rates and room sales targets that have not been achieved over the past two years. Preliminary analysis shows that:

- a. Employee motivation is low due to a lack of rewards and career development opportunities.
- b. The performance measurement system used is still conventional and not integrated.
- c. There is no effective communication between management and employees, so the psychological contract is not fulfilled.

### 3.2 Model Implementation

With reference to the proposed model, Hotel X carried out several initiatives :

- a. Implement a modern PMS system that is integrated with a performance dashboard.
- b. Conduct spiritual leadership training for managers and supervisors.
- c. Restructure incentive policies and reward programs to increase employee loyalty.
- d. Opening internal communication forums regularly to get feedback from employees.

### 3.3 Implementation Results

After six months of model implementation, Hotel X showed significant improvements in several indicators:

- a. An increase in room occupancy rate of up to 20% compared to the previous period.
- b. Increased employee job satisfaction as reflected in internal surveys.
- c. Decrease in employee attendance and turnover rates.
- d. Increase room sales consistently every month.

### 4. Model Evaluation and Adjustment

The performance management model that has been implemented must continue to be evaluated and adjusted based on feedback and changes in market conditions. Periodic evaluations are important to ensure that the model remains relevant and effective in the face of the ever-changing dynamics of the hospitality industry.

### 5. Policy Recommendations and Implementation Strategies

Based on the analysis and case studies that have been presented, here are policy recommendations that can be adopted by non-star hotels to improve their performance:

#### 5.1 Recommendations for Hotel Managers

##### a. Adoption of Integrated Technology Systems:

Managers must invest in a management information system that is able to integrate operational data in real-time so that they can monitor performance comprehensively.

##### b. Employee Competency Improvement:

Organizing periodic training programs that include technical aspects, soft skills, and leadership based on spiritual values.

##### c. Implementation of Fair Award Policy:

Develop a reward and incentive system that not only recognizes the achievement of sales targets, but also rewards innovation efforts and contributions in improving service quality.

##### d. Communication and Information Disclosure:

Build an open communication culture at all levels of the organization so that every employee feels involved in decision-making and the development of operational strategies.

## 5.2 Recommendations for HR Policy

### a. Drafting a Clear Psychological Contract

Clarify the expectations and obligations of both parties through intensive communication, so that the psychological contract can be fulfilled and support work motivation.

### b. Career Development Program

Develop a structured career development plan, including promotional and training opportunities that can help employees develop their competencies according to industry demands.

### c. Flexibility in Work Arrangements

Implement flexible work policies to help employees balance work and personal life demands, thereby increasing job satisfaction and loyalty.

## 5.3 Integrated Marketing and Promotion Strategy

### a. Digital Marketing Optimization

Increase marketing efforts through digital platforms to attract a wider market segment, especially during the pandemic and post-pandemic.

### b. Collaboration with External Parties

Establish strategic partnerships with local travel agencies and online reservation platforms to increase visibility and occupancy rates.

### c. Adjustment of Services Based on Consumer Trends

Conducting regular surveys and analysis of consumer trends to adjust the services and facilities offered according to market needs.

## 6. Managerial Discussions and Implications

### 6.1 Discussion of Internal Factors Affecting Performance

Based on the studies that have been presented, there are four main factors that have a significant effect on the performance of non-star hotels, namely spiritual leadership, psychological contracts, organizational commitment, and job satisfaction. An in-depth discussion of each factor shows that:

#### a. Spiritual Leadership

The application of spiritual values in leadership creates a more harmonious work environment and encourages employees to work with dedication. This has been shown to increase loyalty and lower attendance rates.

#### b. Psychological Contract

The fulfillment of the psychological contract between employees and the organization is key to maintaining work motivation. When employees feel the company's promises are being met, they are more likely to put in extra effort to achieve performance targets.

#### c. Organizational Commitment

Employees who have a high commitment to the organization will be more loyal and tend to innovate in completing tasks. This commitment also contributes to the creation of a positive work culture.

#### d. Job Satisfaction

A high level of job satisfaction is directly proportional to increased productivity and service quality. Job satisfaction can be achieved through the management of a conducive work environment, fair rewards, and self-development opportunities.

### 6.2 Managerial Implications

Based on the findings of the case study and data analysis, the managerial implications that can be taken by non-star hotel managers include:

#### a. Regular Performance Monitoring

The use of integrated information systems to monitor operational performance in real-time is crucial.

#### b. Improvement of Internal Communication

Building an effective communication and feedback forum can help management identify problems early.

#### c. Investment in Human Resources Development

An ongoing training program is a long-term investment to improve employee performance and loyalty.

### 6.3 Implementation Challenges and Contingency Plans

Although the proposed performance management model has been designed to address a variety of challenges, its implementation certainly faces certain obstacles, such as funding constraints, resistance to change, and technological adaptation. Therefore, non-star hotel managers must have a contingency plan that includes:

#### a. Periodic Evaluation:

Conduct periodic evaluations to measure the effectiveness of the policies implemented and adjust them to changing conditions.

#### b. Phased Approach:

The implementation of new systems and policies can be carried out gradually to reduce resistance from employees.

c. Additional Training:

Provide additional training for employees who have difficulty adapting to new technologies and systems.

## 7. Literature Study and Comparison with Previous Research

### 7.1 Review of Related Literature

Various previous studies have discussed the influence of spiritual leadership, psychological contracts, organizational commitment, and job satisfaction on employee performance in various sectors, including hospitality. These studies provide an overview that:

- a. Spiritual Leadership has a positive impact on employee performance through increased intrinsic motivation and loyalty.
- b. Fulfilled Psychological Contracts can improve performance by reducing the sense of disappointment and increasing work initiative.
- c. Organizational Commitment is an important predictor of high performance, where loyalty and a sense of belonging contribute to operational efficiency.
- d. High job satisfaction correlates with better productivity and optimal service levels.

### 7.2 Comparison with Previous Research

Through an analysis of previous studies, it can be concluded that although there are differences in context between star hotels, sharia hotels, and non-star hotels, the basic principles of performance improvement through human resource management have similarities. Some of the notable differences include:

- a. Non-star hotels tend to have limited resources that demand a more flexible management strategy.
- b. The application of spiritual leadership in non-star hotels must be adapted to a simpler and more economical work culture.
- c. Performance measurement systems in non-star hotels need to be integrated with technology to optimize the monitoring and evaluation process.

### 7.3 Research Implications for Theory Development

The findings obtained from case studies and literature analysis contribute to the development of performance management theories in the hospitality industry, particularly for the non-star hotel segment. This research shows that the integration of spiritual, psychological, and organizational aspects is key to achieving sustainable performance improvement.

## 8. Implementation of Performance Management Model for Non-Star Hotels



### 8.1 Human Resource Development (HR)

One of the main keys in improving the performance of non-star hotels is human resource development. Competent and motivated human resources will have a direct impact on improving service quality and operational efficiency.

#### a. Employee Training and Development

- Technical Training: Training on operational standards, the use of information technology, and effective guest service procedures.
- Soft Skills Training: Development of communication skills, excellent service, and conflict resolution to improve interaction with guests.
- Leadership Workshop: A program to develop leadership skills, especially the application of spiritual leadership that prioritizes the values of integrity, empathy, and inspirational vision.

#### b. Career Development and Incentives

Structured career management and a fair incentive system can increase employee loyalty and commitment. Some of the initiatives that can be done are:

- Awards Program: A reward and recognition system for the best performing employees.
- Promotion Opportunities: Provides a clear and transparent career path, so employees feel valued and have future development prospects.
- Work-Life Balance: Develop policies that support work-life balance, to increase job satisfaction and reduce stress.

### 8.2 Application of Technology in Performance Management

Information technology makes a significant contribution in managing and monitoring the performance of non-star hotels. Some of the technology applications that can be implemented include:

- Property Management System (PMS): To integrate operational data, starting from reservations, check-in, check-out, to financial management.
- Data Analytics Application: To analyze trends and patterns in occupancy rates, room sales, and guest feedback in real-time.
- Employee Feedback Platform: A digital application that allows employees to provide regular feedback to management, so that issues that occur can be followed up immediately.

### 8.3 Strengthening Organizational Culture

A strong organizational culture is the foundation for long-term performance improvement. Non-star hotels need to create a work environment that supports collaboration, innovation, and openness.

#### a. Building a Positive Work Culture

- Core Values: Establish core values that guide behavior and interaction in the work environment, such as honesty, cooperation, and responsibility.
- Open Communication: Encourage open dialogue between management and employees to build trust and reduce misunderstandings.
- Social Initiatives: Hold social and team building activities regularly to strengthen relationships between employees and increase loyalty to the organization.

#### b. Application of Spiritual Leadership in Organizational Culture

Leaders in non-star hotels must be able to inspire employees by applying spiritual leadership principles. This can be achieved through:

- Clear Vision Delivery: Leaders must be able to convey the organization's vision and mission in an inspiring manner so that employees feel they have a common goal.
- Concern for Employees: Showing empathy and concern for employee welfare, both professionally and personally.
- Performance Award: Giving appreciation not only based on the results of work, but also for the efforts and dedication of employees.

### 8.4 Marketing and Promotion Strategies

In the face of external challenges, especially the decline in occupancy rates due to the pandemic, non-star hotels need to implement creative and effective marketing strategies.

#### a. Digital Marketing and Social Media

- Website Optimization and SEO: Increase online visibility by building a responsive website and optimizing search through search engines.
- Social Media: Utilize platforms such as Instagram, Facebook, and Twitter for promotion and interaction with potential guests.
- Collaboration with Influencers: Collaborate with local influencers to increase awareness and attract a wider market segment.

#### b. Promotion to the Domestic Market

Given the decline in international tourists during the pandemic, focusing on promotion to the domestic market is an effective strategy. Non-star hotels can:

- Hold Promotional Packages: Offer affordable accommodation packages and additional service bonuses.
- Cooperation with Local Travel Agents: Establish cooperation with travel agents to maximize distribution and special offers.
- Local Events and Activities: Hold community events that can attract the attention of the local community and strengthen the positive image of the hotel.

### 8.5 Challenges and Solutions in Improving the Performance of Non-Star Hotels

In this chapter, we will identify the various challenges faced by non-star hotels as well as strategic solutions to overcome them.

#### a. Internal Challenges

Some of the internal challenges that non-star hotels often face include:

- Limited Resources: Often non-star hotels have limitations in terms of human resources, technology, and operational funds.
- Low Employee Motivation: Lack of rewards and career development opportunities can lead to decreased employee motivation.
- Limitations of Performance Measurement Systems: Without an integrated performance measurement system, it is difficult for management to identify areas that need improvement.

#### b. External Challenges

Externally, the challenges that arise include:

- Market Dynamics and Competition: Fierce competition with star hotels and alternative lodging makes non-star hotels more innovative.
- Impact of Global Crisis: The Covid-19 pandemic and global economic fluctuations affect occupancy rates and consumer behavior.
- Changing Consumer Trends: Changing consumer preferences that increasingly prioritize digital experiences and personalized services require hotels to adapt quickly.

#### c. Strategic Solutions

To overcome these challenges, several strategic solutions can be implemented:

- Investment in Technology: Development and implementation of integrated digital systems to monitor and measure performance in real-time.
- Human Resource Competency Enhancement: Organizing ongoing training and career development programs to increase employee motivation and loyalty.
- Innovative Culture Development: Encourage employees to actively put forward ideas and solutions in operational improvement through internal forums and innovation programs.
- Operational Flexibility: Adapting operational and service policies to market dynamics, including adjusting service standards during times of crisis.
- Strategic Collaboration: Build partnerships with travel agents, local communities, and digital platforms to increase market reach.

### **Grand Theory**

The main theory underlying this research is **Total Quality Management (TQM)**, which emphasizes the importance of continuous improvement, customer focus, and employee engagement in improving service quality. The implementation of TQM in non-star hotels has been proven to be effective in improving the quality of management, as shown by a study in Kota karta which recorded the implementation of TQM at 82.28%.<sup>[10]</sup>

### Research Gap

Although there is research on the application of quality management in non-star hotels, such as the study in Yogyakarta City, there are still shortcomings in research that integrates aspects of spiritual leadership, psychological contracts, organizational commitment, and job satisfaction holistically in the context of non-star hotels in industrial areas such as Riau Province. Previous research has focused more on individual aspects, so a more comprehensive approach is needed to understand how these factors interact with each other and affect employee performance and the success of non-star hotel businesses.

### Phenomenon

The hospitality industry in Indonesia is experiencing complex dynamics, especially in the non-star hotel segment. These hotels, which generally offer simple services, face challenges in improving operational performance and service quality. In industrial areas such as Riau Province, non-star hotels play an important role as accommodation for business people, but are often only considered as resting places without recreational facilities. The Covid-19 pandemic exacerbated this condition, with a drastic decrease in the occupancy rate and room sales in the 2020–2022 period, caused by external factors such as social restrictions and internal factors such as the suboptimal implementation of HR policies.

### Equation

Occupancy Rate Calculation:

Occupancy rate is an important performance metric for hotels. It can be calculated using the formula: 
$$\text{Occupancy Rate} = \left( \frac{\text{Number of Rooms Sold}}{\text{Total Number of Rooms}} \right) \times 100$$

This equation helps in assessing how well a hotel makes use of the available rooms.

Employee Productivity Index:

To measure employee productivity, a common formula might be: 
$$\text{Productivity} = \frac{\text{Total Revenue}}{\text{Number of Employees}}$$

This equation can provide insight into how effectively employees contribute to hotel revenue.

Customer Satisfaction Score:

Although not explicitly stated, a customer satisfaction score can be obtained from survey results, often calculated as: 
$$\left[ \frac{\text{Number of Satisfied Customers}}{\text{Total Number of Respondents}} \right] \times 100$$

This score is essential for understanding the guest experience and improving the quality of service.

Return on Investment (ROI):

To evaluate the financial performance of an investment in technology or training, ROI can be calculated as: 
$$\left[ \frac{\text{Net Profit}}{\text{Investment Cost}} \right] \times 100$$

This equation helps in assessing the effectiveness of investments made in improving hotel performance.

Although these equations are not directly quoted from the paper, they are aligned with the performance measurement themes discussed, such as the need for effective data analysis and performance evaluation methods. This paper emphasizes the importance of integrating these metrics into a comprehensive performance management system to improve competitiveness in the hospitality industry.

#### 1. Number of Non-Star Hotel Accommodations 2020 - 2022

Regency/City	Number of Non-Star Hotel Accommodations		
	2020	2021	2022
Kuantan Singingi	719	672	682
Indragiri Hulu	1.223	1.068	1.039
Indragiri Hilir	1.661	1.611	1.552
Pelalawan	583	565	619
Siak	924	869	923
Kampar	483	441	640
Rokan Hulu	1.090	907	813
Bengkalis	1.465	1.382	1.383
Rokan Hilir	1.807	1.607	1.657
Meranti Islands	398	400	390
Pekanbaru	3.675	3.455	2.959
Dumai	1.131	1.079	1.128
RIAU	15.159	14.056	13.785

Source : Central Statistics Agency of Riau Province (updated : 2023)

Based on the table taken from the Central Statistics Agency of Riau Province, the following is the analysis in the context of the content of the article:

#### Data Analysis Table of Number of Non-Star Hotel Accommodations

##### 1. General Trends (2020–2022)



The total number of non-star hotels in Riau Province decreased from 15,159 units (2020) to 13,785 units (2022).

This decline reflects the impact of the COVID-19 pandemic, especially in 2021, where most districts/cities experienced a significant decline.

2022 showed little recovery, although the numbers have not returned to pre-pandemic levels.

## 2. Regions with the Highest Declines

Pekanbaru experienced the most striking decline: from 3,675 (2020) to 2,959 (2022), a decrease of about 19.5%. As the provincial capital, this can be caused by a sharp decline in business and tourism mobility.

Rokan Hulu also showed a sharp decline: from 1,090 (2020) to 813 (2022), around 25.4%.

## 3. Areas Experiencing Recovery/Growth

Kampar showed a significant recovery in 2022: from 441 (2021) to 640 (2022), an increase of about 45%. This can be linked to management strategies or increasing local investment post-pandemic.

Pelalawan also experienced an increase from 565 to 619.

## 4. Interpretation Based on the Article

The article emphasizes the importance of a modern and integrated performance management system. Data on the decline in the number of accommodations shows that non-star hotels that do not have adaptive and resilient management systems are most likely to be unable to survive.

The implementation of spiritual leadership, the fulfillment of psychological contracts, and effective human resource management as in the case study of Hotel X can be a recovery solution and an increase in the number of operating accommodations.

## Results and Discussion

### Performance Evaluation Metrics:

Hotel performance evaluations are primarily based on key performance indicators (KPIs) such as room sales and occupancy rates. This metric is critical to assessing the operational success of non-star hotels.

### Cost-effectiveness:

This paper highlights the importance of cost-effectiveness in operational efficiency. It emphasizes that effective management of operational costs can significantly improve overall performance. This shows that hotels that optimize their cost structure tend to achieve better financial results.

#### Implementation Mechanism:

The results show that the implementation of a performance management model involves several stages. These stages are crucial to ensure that the strategy is effectively integrated into the hotel's operations. A structured approach to implementation is essential to achieve the desired performance improvements.

#### Psychological Contracts and Employee Performance:

The fulfillment of psychological contracts between management and employees has been proven to have a positive impact on performance. When employees feel their expectations are met, it reduces disappointment and improves their work initiative, leading to improved overall performance.

#### Strategic Advantages:

The successful implementation of the proposed performance management model not only improves employee performance but also provides strategic advantages for hotel owners and investors. This shows that a well-implemented performance management system can lead to continued growth and competitiveness in the hospitality market.

#### Integration of Leadership and Work Environment:

The paper concludes that integrating inspirational leadership, fulfilling psychological contracts, and creating a conducive work environment is essential for non-star hotels to compete effectively in a dynamic market. This holistic approach is essential for growing a motivated workforce and improving service quality.

In summary, the results of this paper underscore the importance of a comprehensive performance management strategy that combines a variety of metrics, employee engagement, and effective implementation mechanisms to drive success in non-star hotels.

## Conclusion

### 1. Conclusion

Based on theoretical reviews, case studies, and data analysis, it can be concluded that:

- a. The application of a performance management model that integrates spiritual leadership, psychological contracts, organizational commitment, and job satisfaction is very effective in improving the performance of non-star hotels.
- b. Information technology plays a crucial role in monitoring and measuring performance in real-time, enabling fast and precise decision-making.
- c. Human resource development through training, awards, and career development is the main foundation in creating a productive work culture.

d. Open and transparent communication between management and employees is key to fulfilling psychological contracts, which has a direct impact on employee motivation and loyalty.

e. Marketing strategies that are integrated with a digital approach have a positive impact on increasing occupancy rates and room sales.

## 2. Suggestions

Based on the above conclusions, here are strategic recommendations for non-star hotel managers:

### a. Technology Implementation

Adopt an integrated information system to monitor performance and optimize operational processes.

### b. Leadership Development

Conduct spiritual value-based leadership training for managers and supervisors.

### c. Human resource development

Develop a comprehensive training and career development program to improve employee competence and motivation.

### d. Improvement of Internal Communication

Establish an effective communication and feedback forum between management and employees.

### e. Digital Marketing Strategy

Increase promotion through digital media and collaboration with travel agents to expand market reach.

### f. Periodic Evaluation

Conduct regular performance evaluations and adjust policies according to market conditions and employee feedback.

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