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Isomorphism of Hotel Management Contract and Capital Expenditure

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ABSTRACT

Purpose -The purpose of this study is to explore the power relationship between the hotel owner and operator in the hotel management contract and capital expenditure (FFE) and the contract has not fully fulfilled the management contract standards and the suitability of the objectives in improving the overall performance and value of the property.
Methodology/approach-This research is qualtitative, where informan from discusses the cooperation contract for the management of a local hotel chain between PT TBA.
Findings-The results show that hotel management contracts and capital expenditure in hotels, i.e. the power relationship between owners and operators, are influenced by the three types of isomorphism. Coercive isomorphism creates pressure to comply with regulations, mimetic isomorphism encourages owners to imitate successful practices, and normative isomorphism gives legitimacy to operators who have norms or standards in the hotel business. Capital expenditure and Return on Investment (ROI) analyzes are influenced by these three isomorphisms. Coercive isomorphism indicates pressure to fulfill regulations, mimetic isomorphism encourages owners to mimic successful investments from other Santika Hotels, and normative isomorphism gives legitimacy to capital expenditure that is in line with Santika Group Hotel standards.
Novelty/value-The isomorphism of hotel management contracts and capital expenditure can be seen from how hotels adapt and develop new practices in the face of pressures from both external and internal environments.

INTRODUCTION

The hospitality industry is one of the fastest growing industries in the world and has an important role in driving economic growth.(Wang, 2023),According to the 2023 hotel industry analysis of the global market model, the hotel sector worldwide is expected to grow by $4,367.2 billion in 2022, accounting for 4.4% of the global Gross Domestic Product (GDP). Individually, the industry is valued at $558.5, which has an impact on the economy worldwide. Hotel chains in various countries continue to expand through the construction of new hotels using management contracts. As an operator who manages the property and is bound by a management contract, providing direction, supervision and expertise through established methods and procedures.(Bader & Lababedi, 2007).

The first international hotel chains appeared in developing countries in the Middle East in the 1970s and 1980s.(Goddard & Standish-Wilkinson, 2002)The operator and owner contract establishes policies, procedures and management expertise as well as marketing networks in increasing revenue. Asia has the largest hotel chains starting from Jin Jiang International with its famous hotel brands JinJiang Hotels, Raddison Hotels, Park Plaza and others.In the United States, there is Wyndham Hotels

& Resorts, Inc. with the famous hotel brands Wyndham Grand, Days Inn and Dazzler Hotel. In Europe, there is Marriot International with the famous hotel brands Edition Hotel (14 hotels in 6 countries), JW Marriot and Bulgari Hotel and Resorts(Papadopoulos, 2023) *Marriott International/The American Giant*is the world's largest hotel group that owns many famous hotel brands throughout the world.

Local hotel chains according to(Sumariadhi et al., 2023)is a hotel owned, operated, or managed by a local company in a particular region or country. According to (Rahadiansyah, 2023) Archipelago International, Santika Indonesia Hotels & Resorts and Artotel Group are local hotel groups with the most properties. The local hotel chain Archipelago International, is the largest hotel group in Southeast Asia, the Caribbean, and the Middle East, operating nearly 200 hotels throughout Southeast Asia, and 150 of these hotels in Indonesia have various hotel brands (Archipelago International Website, 2023), ranging from three stars to five stars with the Fave Hotel and Grand Aston brands.HSPB is a four-star local hotel chain located in South Tangerang.

Bader & Lababedi, 2007, defines management agreement contracts in increasing the knowledge and understanding of owners and operators in the competitive hotel market that allows owners to be in a favorable negotiating position. Therefore, pressure is put on operators to change the terms of agreements that have historically favored owners. Operators can divest their physical assets to concentrate on operations and reduce risk. In hotel chain management contracts in the United States(Eyster 1997)has general terms and conditions, namely (1) jtime period; (term); (2) operating fees; (3) replacement reserves; (4) capital expenditures Furniture, Fixture and Equipment (FFE); (5) termination rights; (6) operator performance test; (7) insurance (8) dispute resolution; (9) budget and reporting; (10) area restrictions; (11) employment; (12) considerations for the owner. In the management contract between the operator and the hotel owner in North America, there are 6 important provisions, namely; (1) term; (2) operating fees/fees structures; (3) operator performance test; (4) approval rights; and (5) non-interference agreement. So the pattern used by American hotels in Indonesia is based on the American hotel management contract(Beals, 2012).

All hotel chains in America, Europe and Asia implement at least 6-7 aspects in the management contract. In the management contract the owner views a minimum percentage of revenues set aside in a reserve account for certain capital improvements such as major expenditures in the form of property repairs and renovations. In the study(Gannon et al., 2010), hotel owners in the Middle East, will continue to increase their control in hotel operations to align the interests of both parties to be more efficient so that operator performance has the opportunity to gain profit. But the reality is that hotels in the Middle East contract that focuses on incentives, capital expenditure investment (FFE) in supporting operational performance.

Capital expenditures (FFE) refer to investments required to repair, refurbish or enhance a hotel's physical assets such as buildings, equipment and facilities and generally provide an incentive for hotel operators to maximize revenues and profits and maintain the hotel's quality and competitiveness in the hospitality industry, but do not always take into account the optimal rate of return on investment desired by the owner.(Turner & Guilding, 2010)If the hotel management contract does not meet the objectives of the owner and operator, several negative impacts will arise, including: (1) performance imbalance; (2) investment uncertainty; (3) relationship instability; (4) reputation damage; and (5) loss of trust.

A number of studies related to hotel management contracts have been conducted, including:(Eyster, 1997);(Panvisavas & Taylor, 2006);(Deroos, 2010); (Baumann, 2010);Turner and Gulding (2010, 2013); (Turner & Hesford, 2019). Research(Eyster, 1997)This study was conducted in the hotel industry in the United States, focusing on the analysis of management fee structures and incentives that can affect the relationship between owners and operators and hotel performance.(Bader & Lababedi, 2007)in Europe focused on management contracts regarding dispute resolution, contract termination, sales trends and hotel asset management, using the Balance of Power Theory(Zinnes, 1967), the theory of separation of assets and operations, and the theory of contract negotiation. In the research conducted(Deroos, 2010)in New York, United States focuses on past and current management contracts containing legal frameworks, rights regarding validity, extension, termination of contracts, costs and reimbursement systems, territorial protection, financial reporting, budget processes, and controls.

The relationship between owner and operator in hotel management contracts in research(Bader & Lababedi, 2007);(Panvisavas & Taylor, 2006)regarding Balance of Power Theory(Zinnes, 1967)that power in organizational relationships to reach mutually beneficial agreements. There are still a number of aspects of capital expenditure and methodology that need to be explored in depth, which were previously from the study(Turner & Guilding, 2013)In the Five Bases of Social Power Theory (French and Raven, 1959), the importance of the underlying power relationship between the two parties in influencing capital expenditure practices is still lacking in the decision-making process. The New Institutional Theory (Di Maggio and Powell (1983), with the concept of coercive, mimetic, and normative isomorphism, can help institutions explain how an institution adjusts their behavior, where this theory contains social rules and ongoing shared understanding.(Martínez-Ferrero & Garcia-Sánchez, 2017). The concept of isomorphism, refers to the process of adapting structures and practices to other organizations in the same environment. Coercive, mimetic, and normative isomorphism can influence organizations in responding to external pressures and norms that exist in their environment.(Cai et al., 2014). In this case, coercive isomorphism is the pressure/compulsion/obligation imposed by external parties, mimetic isomorphism is related to the pressure to imitate or adapt to better practices and normative isomorphism is related to the pressure to follow recognized norms or standards.

HSPB is a local hotel chain management cooperation contract between PT TBA as the owner and PT GWS as the operator by following the Asian pattern management contract. The capital expenditure aspect (FFE and Capital Expenditure) has not fully met the standards of the management contract and the suitability of the objectives in improving the performance and value of the property as a whole. If there is no suitability of the objectives, then the operator is considered to have failed in running the operation(Guilding et al., 2005). The institutional approach can encourage owners to respond to pressure from the external environment, such as clauses in hotel management contracts. Thus, institutions can be a factor in maintaining the legitimacy of one of the parties.(Martínez-Ferrero & Garcia-Sánchez, 2017).

LITERATURE REVIEW

Hotel Management Contracts and Capital Expenditures

Hotel management contract between hotel owner and hotel management operator(RH Wilson, 2013),is an agreement of rights and obligations that contains operational and management aspects of the hotel, time period, management costs, operator costs, capital expenditures, financial reporting, management rights, and other aspects.(Eyster, 1988).

In the study (Turner & Hesford, 2019) capital expenditure (FFE) in acquiring long-term assets that are expected to provide benefits in the future. This capital expenditure is used for investment in physical assets such as buildings, equipment, and other facilities and can also include the cost of renovation, expansion, or maintenance and repair of existing assets for long-term operations. In (Kim & Jang, 2018) capital expenditure affects the market value of the hotel and also the duration of institutional ownership of the company's shares. In (Das & Bodenmann, 2017), (Mingers & Parker, 2010) the allocation of funds for capital expenditures such as financing project work on a specific account.

Coercive, Mimetic, and Normative New Institutional Theory

According to(Zucker, 1987)Institutional theory is one of the approaches often used in organizational studies to understand how structures, rules, and social norms affect organizational behavior, that organizations are formed from technical and economic factors, but also from social and cultural factors in their environment such as; government regulations, norms, community views shape and limit organizational actions. According to Dimaggio and Powel (1991) institutional theory an organization tends to adopt practices that are widely accepted in their environment as a way to gain legitimacy and stability.

Scott (1987) explains the institutional theory of the importance of organizational conformity to institutional rules and norms in gaining legitimacy and survival.(Tsamenyi et al, 2006),where certain practices and norms become widely accepted and involve actors in the organization.(Zucker, 1987). The scope of this theory is; 1) trying to comply with norms to gain legitimacy; 2) isomorphism is the process of adopting similar practices to other organizations in their environment, from external and internal pressures; 3) institutional change is a change in regulations or social norms that influence organizations and managerial practices; 4) maintaining legitimacy in the eyes of society and stakeholders by complying with recognized norms, practices; 5) formal and informal organizational structures in organizations are reflected in the institutions and norms that exist in the organizational environment.

The concept of isomorphism in institutional theory according to DiMaggio and Powell (1983) is an idea that organizations adopt new structures and practices to create uniformity between organizations in a particular environment, although this is not always effective.(DiMaggio & Powell, 2010). But organizations can adapt to the norms and practices around them to gain social legitimacy. This concept of isomorphism occurs in three forms; 1) coercive isomorphism (pressure from outside parties); 2) mimetic isomorphism (imitation); and 3) normative isomorphism (professional standards).

METHOD

The paradigm used in this study is the interpretivist paradigm. The interpretivist paradigm is guided by the orientation of social construction of reality, where knowledge and understanding of the social world are formed by individual subjective interpretations and social interactions.(Gemma, 2018). Constructivists studyvarious realities that are constructed by theories by individuals viewing the world are valid and there needs to be a sense of respect for these views.(Umanailo, 2019).researcherexplore in-depth understanding of informant experiences(Gemma, 2018) from the problem of hotel management contracts and capital expenditures assisted by the perspective of NIT Isomorphism Coercive, Mimetic and Normative, where researchers focus more on paying attention to the process of interpretation, reflection and theory construction involving interactions between researchers and research subjects.(Umanailo, 2019). The research method used in this study is a qualitative research method. Creswell (2010) explains that qualitative research is a method used to explore or understand and interpret the meaning that a number of individuals or groups of people consider to come from social or humanitarian problems (Crawford, 2019). The approach used in this study is the Interpretative Phenomenological Analysis (IPA) method, namely Interpretative developed by Smith, JA, Flowers, P., & Larkin, M, 2009).

The object of this research is the hotel cooperation contract between PT TBA as the hotel owner and PT GWS as the operator management, and in this research it was carried out through several stages of data collection process through informant interviews and documentation. Furthermore, it was analyzed using data analysis techniques with the Interpretative Phenomenological Analysis (IPA) method which is presented in a descriptive narrative form. Next, the discussion analysis was carried out and conclusions were drawn. The list of informants is shown in Table 1.

Table 1. List of Informants

Informant	Position	Position
Informant 1	Manager - Planning & Control	PT TBA
Informant 2	GM - Finance & Accounting	PT TBA
Informant 3	General Manager HSPB	PT GWS
Informant 4	Manager – Fianance	PT TBA
Informant 5	Senior Manager – HR & Legal	PT TBA
Informant 6	Manager - Finance Controller HSPB	PT GWS
Informant 7	Manager - Building & Facility Management	PT TBA

RESULT AND DISCUSSION

PT TBA is a capital owner or investor who intends to establish a hotel complete with all its equipment and facilities to be operated according to the existing Santika hotel standards in Indonesia, while PT GWS is a business entity that has experience and expertise in the field of hotel management. The contract made by PT TBA and PT GWS, where PT TBA will provide all costs and permits required for the establishment and operation of the hotel, while PT GWS will provide hotel management services. In the cooperation contract, PT GWS is obliged to provide assistance services for the management or operation of the hotel according to PT GWS operational standards by considering local culture and traditions. Based on this, PT GWS appoints an operator who is responsible for operational activities, namely Hotel SPB. Hotel SPB is owned by PT TBA. Santika Group is a hotel operator or management service by PT GWS, a business unit of Kompas Gramedia Group. HSPB is the seventh hotel from the Santika Premiere group and the sixty-first hotel from the Santika Indonesia Hotel & Resorts group and officially started operating in 2014. HSPB stands on 3,000 m2 of land, consisting of 11 floors with 172 rooms with deluxe king, premiere king/twin, executive king/suite, and junior suite types.

The management contract agreed by the owner and operator management contains 26 articles that regulate all cooperation agreements. Of the 26 articles, they can be divided into seven classifications, namely: (1) general provisions of the contract, articles 1, 2, 3, and 4; (2) rights and obligations include articles 5, 19, and 20; (3) service fees and profit sharing include articles 6 and 12; (4) bookkeeping and reporting include articles 7, 8, 9, 10 and 11; (5) contract term includes articles 15 and 16; (6) default includes articles 17, 18 and 24; (7) other articles include articles 13, 14, 21, 22, 23, 25, and 26.

Coercive in Hotel Management Contracts

a. General requirements

Table 2 explains how coercion contributes to the classification of general contract provisions.

Table 2. Coercive in General Provisions

Chapter	Secondary Data	Primary Data
article 1 Location, Permits, Plans, Construction, Furnishings and Hotel Equipment	The first party must complete all the unlimited permits required for the operation of the hotel. (Pressure to complete all permits)	The owner must complete all permits required for hotel operations, including police permits, Department of Manpower permits, restaurant permits, local government permits, and hotel construction permits. (Informant 6)
Article 2 Pre-Opening and Opening Fees	The first party is obliged to provide a number of necessary costs and the second party is obliged to make a cost budget and is obliged to pay the costs incurred by the operator. (The pressure of providing & paying expenses as an owner and budgeting expenses as an operator)	The owner must provide a number of costs for pre-opening and opening and costs including; employee training, providing office space, basic food and beverage ingredients and utilities. Operators are required to create a pre-opening budget for the hotel. (Informant 1)
Article 3 Official Opening of the Hotel	1. The first party fulfills its obligations in correcting deficiencies. 2. The second party is obliged to check all aspects of the hotel construction during the six-month warranty period. (Pressure in repair and inspection from owners and operators)	Determination of the official opening date of the hotel by both parties, if the overall construction of the hotel is complete and permits and working capital are obtained. If there are still deficiencies, the owner is obliged to make repairs to the hotel's facilities and infrastructure within a six-month warranty period. (Informant 2)
Article 4 Hotel Network Services & Joint Promotions	Hotel units are required to provide inter-hotel chain booking services for Santika, publicity and promotion to Santika Group. (Pressure in providing ordering services)	Operators must provide booking services between Santika Group hotel chains, for example business services, sales promotion services, publicity and advertising. (Informant 6)

Source: Management contract and informant interview results

b. Rights and obligations

Hotel Santika has local Indonesian culture and traditions. For example, Hotel Santika in Palu with Santika Jakarta has different regional traditions. Furthermore, the operator has the broadest rights in hotel management including renting rooms, spaces and determining rates, choosing entertainment, food and drinks and determining prices, hiring and dismissing employees including GM, can utilize reserve funds, and conduct publicity activities for promotion. In Table 3. how coercive influences contribute rights and obligations.

Table 3. Coercive in Rights and Obligations

Chapter	Secondary Data	Primary Data
Article 5 Hotel Operations	The second party is obliged to provide hotel management assistance services according to Santika Group operational standards with local culture and traditions. (Pressure to run operations as an operator)	The operational management of the hotel is entirely the responsibility of the operator. One of the characteristics of Hotel Santika is its local Indonesian culture and traditions. (Informant 3)
Article 19 Exclusivity	The hotel unit uses the Hotel Santika name and logo during the contract period. (Emphasis in using the Hotel Santika brand and logo)	During the contract period, the owner may not use logos and names other than Santika (Information 3)
Article 20 First Party Guarantee	The first party is obliged to provide a guarantee that the land on which the hotel is built is not disputed. (Pressure in guaranteeing non-disputed land)	The owner is obliged to provide a guarantee for the agreed contract from interference from any party that will hinder the implementation of the contract. (Informant 3)

Source: Management contract and informant interview results

Based on Table 3, the classification gives rise to operational obligations that must be carried out by the operator, while the owner is obliged to provide a sense of security in carrying out these operational activities. It can also be seenin research(Hua, DeFranco, et al., 2020)In a management contract, the owner chooses a brand operator that can provide a competitive advantage and has a good reputation.

c. Service Rewards and Profit Sharing

Article 6 regulates the technicalities of how operators must carry out management services that must be received in hotel operational activities. Informant 5 explained that one form of management service made by the operator is related to job training for employees with Santika Group standards. One of the main objectives of a cooperation contract is to maximize mutual benefits. Each party is entitled to the benefits obtained from the business being run, Article 12 regulates the rights that will be received by the operator as compensation that must be paid by the owner. In Table 4 coercive influences in contributing compensation for services and profit sharing.

Table 4. Coerciveness in Rewards and Profit Sharing

Chapter	Secondary Data	Primary Data
Article 6 Management Services	The second party is obliged to carry out hotel management services (Pressure to perform management services)	Operators must carry out management services such as; (1) carrying out billing, (2) arranging cooperation with other parties (3) receiving salary payments, (4) providing advertising and promotional services, (5) implementing employee training programs. (Informant 5)
Article 12 Reward Distribution	1. Based on this management, every month, the second party will receive compensation from the first party in the form of a	1. The operator management, namely PT GWS, receives several fees every month. such as a basic fee of 2%, and incentive fees in several categories, namely 5% to 6% and there is a [special other] fee, namely a trademark fee of 0.5%

	basic fee, incentive fee and trademark fee. 2. The first party will bear all VAT except PPh 23. (Pressure in fee and taxation reward sharing)	of room revenue. The fee will be paid by the owner according to the bill from the management. (Informant 6) 2. During the contract period, the operator's right to fee payments is in accordance with the mutual agreement. (Informant 1)

Source: Management contract and informant interview results

Coercive in articles 6 and 12 is pressure that must be applied by the owner to pay.service fees and profit sharing for hotel management and the owner is also required to pay taxes arising from these activities except income tax.

d. Bookkeeping and Reporting

In organizing hotel bookkeeping and finances, both parties agree to open two accounts at a bank as explained in Article 7 which states:

> "Active account opened in the name of the first party, by giving power of attorney to three people from the second party, as authorized signatories and for the name of the first party. Passive account opened in the name of the first party, by giving power of attorney to two people from the first party, and two people from the second party as authorized signatories, every expenditure from this passive account must be signed by one person from the first party and the second party".

In Table 5. this coercive influence contributes to bookkeeping and reporting.

Table 5. Coercive in Bookkeeping and Reporting

Chapter	Secondary Data	Primary Data
Article 7 Bookkeeping and Finance	1. The second party is obliged to prepare a budget for the financial year and submit it to the owner. 2. The second party is obliged to carry out financial administration. 3. The first party is obliged to pay management fees. 4. The second party is required to pay for the operational needs of the hotel. (Obligations to carry out bookkeeping and reporting)	The organization of bookkeeping and finance is carried out by the operator and is obliged to carry out all financial administration as well as possible, which describes the operational results of the hotel in the form of monthly reports and annual financial reports. (Informant 1)
Article 8 Reserved fund	-	-
Article 9 Fiscal year	-	-
Article 10 Gross Operating Profit	The first party is obliged to pay the burdens related to the assets, in addition to the management fees that have been set. (Obligation to pay expenses related to fixed assets)	1. All income and revenue obtained from hotel operational activities including service fees that are distributed and not distributed to employees are determined by the operator. (Informant 5) 2. Costs incurred in operating a hotel to keep the hotel in good condition and operational activities running smoothly so as to optimize hotel income. (Informant 1)
Article 11 Regular Meeting	The first party and the second party shall meet at least once every six months. (Press regular meetings between both parties)	1. Regular meetings have been held every six months (Informant 1) 2. Financial reporting during the cooperation contract that has occurred, the operator has prepared financial reports in accordance with applicable regulations. (Informant 6)

Source: Management contract and informant interview results

Coerciveness in bookkeeping and reporting reviewed from the existing theories in research(Meyer & Hollerer, 2014)that these articles are in accordance with the concept of helping both contracting parties understand the process of organizational adaptation to existing organizational pressures. Meanwhile, in articles 8 and 9, nothing was found in writing stating pressure/demands on both parties.

e. Contract Term

In general, hotel chain contracts are long-term contracts of more than 10 years. In HSPB, the ongoing contract has expired for one contract period, namely for 10 years from 2014 to 2023. This is regulated in article 15, that every 10 years the contract will be renewed according to applicable regulations. In 2024, the contract has been renewed again for the next 10 years which will end in 2034. According to informant 2, he stated:

> "The HSPB contract period is valid for 10 years, this cooperation contract began in 2014 until it was extended again in 2023. The contract that [applies to HSPB] is adjusted to the rules that apply to both local and international hotel chains, the minimum contract period is 10 years."

In Table 6. this coercive affects the classification of the contract term.

Table 6. Coercive in Contract Term

Chapter	Secondary Data	Primary Data
Article 15 Duration of the agreement	-	-
Article 16 Termination of the Agreement Term	If the first party decides to terminate the contract period, the first party is obliged to pay 2 times the hotel management fee for the ending year to the second party. (Obligation to pay management fees)	1. If there is a termination of the contract period in the middle by the owner, then there are consequences that must be borne by the owner to the operator to pay the hotel management fee 2 times the last year. This fee must be paid before the contract period ends in full (Informant 1) 2. The operator can also decide to terminate the cooperation contract, if the owner cannot complete within six months for the hotel operational licensing matters and if within 24 months the owner cannot complete the construction of the hotel, then the impact is that everything related to the hotel name and logo will be revoked within the next three months, and if the owner does not follow the written and unwritten rules in hotel operations, for example Hotel Santika in another area in city C, has terminated the cooperation contract because it did not follow the agreed rules. (Informant 3)

Source: Management contract and informant interview results

f. Default (broken promise)

In article 17 which regulates default under duress, one party is required to provide notification of termination of contract related to default. According to informant 1, default is in the form of: (1) if the operator does not show the expected performance within 60 working days, then the owner has the right to terminate the contract, (2) if the owner cannot take care of all hotel operational permits, (3) or bankruptcy occurs. While in article 18 and article 24 of Table 7, coercion does not contribute to this article.

Table 7. Coercive in Default

Chapter	Secondary Data	Primary Data
Article 17 Broken promise	In the event of a breach of promise, the parties are required to notify of their intention to terminate the agreement within 30 days. (Obligation to notify the termination of the agreement)	If the operator does not show the expected performance within sixty working days, the owner has the right to terminate the contract, (2) if the owner cannot take care of all the hotel's operational permits, (3) or if bankruptcy occurs. (Informant 1)
Article 18 Redirection	-	-

Article 24 Dispute resolution	-	

Source: Management contract and informant interview results

g. Etc

Some articles that cannot be classified above are categorized into others, namely hotel personnel (article 13), insurance (article 14), transfer (article 18), correspondence (article 22), applicable law (article 23), changes (article 25), and others (article 26). Regarding article 13, namely hotel personnel, all hotel employees are employees of the owner, while the General Manager (GM) is appointed by the operator. However, if the owner objects, he may submit a replacement GM for certain reasons. For the evaluation of hotel employee performance, it is delegated to the GM's duties and responsibilities. In Table 8, coercion for default is pressure and demands on both parties to notify the termination of the contract. This is also reinforced by research(Eyster, 1997)And(Bader & Lababedi, 2007).

Table 8. Coercive in Others

Chapter	Secondary Data	Primary Data
Article 13 Hotel Personnel		
Article 14 Insurance	1. The first party is obliged to provide insurance for the building and the equipment contained therein. 2. The first party is required to provide a copy of the insurance. (Obligation to provide insurance)	Hotel operations include building insurance and other equipment to guarantee against unwanted risks and the owner provides all insurance related to hotel operations. (Informant 4)
Article 21 Force Majeure	-	-
Article 22 Correspondence	-	-
Article 23 Applicable law	-	-
Article 25 Changes - changes	-	-
Article 26 Etc	-	-

Source: Management contract and informant interview results

In Table 8, coerciveness over others is only found in Article 14 concerning insurance. The owner is required to provide guarantees for short-term and long-term risks in the form of insurance. This is also reinforced by research(Eyster, 1997)And(Bader & Lababedi, 2007). While articles 21, 22, 23, 25 and 26 in Table 6, coercive do not contribute to the classification of this article.

Hotel Management Contract Addendum

The hotel management contract between PT TBA and PT GWS continues for the next period (2024 -2034). In terms of business, the cooperation that has been carried out is very beneficial for both parties. The targets expected by the owner have been achieved well. According to informant 1:

"… as PT TBA highly appreciates the performance shown by the operator, where all targets given have been achieved and provide benefits for business sustainability from all categories of income received (rooms, restaurants, meeting rooms, etc.). In the contract period that has passed, the operator has achieved a return on investment in the eighth year".

This addendum refers to the previous management contract which has undergone changes and additions, namely articles 4, 7, 8, 12, and 18, coercive and normative contribute to this addendum, in the articles on hotel network services and benefits & joint promotions, bookkeeping and finance, reserve funds, distribution of rewards, and termination of the agreement period.

Mimetics in Hotel Management Contracts

Viewed from mimetic isomorphism related to imitating or adapting to better practices (DiMaggio and Powell, 1983). Adjustments made by organizations by imitating other organizations (looking for the best model examples of successful organizations) or resembling an organization that has been good in terms of strategy, technology, culture and behavior. Mimetic can be seen contributing to Table 9 as follows:

Table 9. Mimetics in Hotel Management Contracts

Chapter	Secondary Data	Primary Data
article 1 Location, Permits, Plans, Construction, Furnishings and Hotel Equipment	The first party will establish a hotel according to the proposal of the second party with the agreed hotel standards. (Imitate the policy to establish a hotel according to Santika standards)	In the construction of HSPB, refer to the design, furniture, equipment and tools according to the proposals of the operators involved. (Informant 2)
Article 5 Hotel Operations	Hotel management follows Santika Group operational standards with local culture and traditions. (Imitate/adjust to Santika Group standards)	Providing hotel management services according to hotel operator standards while taking into account local culture and traditions. For example, Santika Palu has a different culture from Santika Jakarta. (Informant 3)
Article 8 Reserved fund	The income obtained from hotel operations must first be taken at 5% (five percent) of the total income to be included as a reserve fund for replacement, additional furniture, and all equipment that can no longer be used in hotel operations. (Imitate the % amount of reserve funds applicable in Santika Group)	Each year HSPB sets aside a 5% reserve fund managed in a joint account [of owners and operators], which is used for additions, replacement of equipment, and repairs to property that require significant costs so that funds are available when needed. (Informant 1)
Article 10 Gross Operating Profit	-	In general, the calculation of gross operational profit at HSPB imitates the provisions that already apply to other Santika Group hotels. (Informant 5)
Article 15 Duration of the agreement	This agreement is valid since it is signed by both parties and will last for 10 years since the handover to the second party.	The term of the HSPB management contract is 10 years from 2014 and is now entering the second agreement. This is in accordance with the term of the contract of other local and international Santika hotel chains. (Informant 2)
Article 21 Force Majeure	The parties to this agreement are not responsible for any delay in the implementation of the agreement caused by causes beyond the control of the parties.	Both parties are not responsible for force majeure such as major floods, hurricanes, earthquakes, employee strikes, and war. (Informant 3)
Article 22 Correspondence	All correspondence or other correspondence between the parties will be sent to the address stated at the beginning of the agreement.	-

Source: Management contract and informant interview results

Normative in Hotel Management Contracts

Normative isomorphism is related to the pressure to follow recognized norms or standards (DiMaggio and Powell, 1983). While Scott (1987) the importance of institutions in the organization's conformity to institutional rules and norms in gaining legitimacy. The existence of professional demands, industrial ethics, or general trust that occurs when the organization is considered a norm or standard that influences organizational behavior and the adaptation process.(Meyer & Hollerer, 2014). It is seen that normative contributes to Table 10.

Table 10. Norms in Hotel Management Contracts

Chapter	Secondary Data	Primary Data

article 1 Location, Permits, Plans, Construction, Furnishings and Hotel Equipment	The first party completes all the unlimited permits required for the operation of the hotel. (Following the rules in force in the territory of Indonesia)	The owner prepares all permits related to hotel operational activities by following applicable provisions. (Informant 6)
Article 4 Hotel Network Services & Joint Promotions	Hotel units are charged a marketing fee of 1% of room revenue and a room booking fee of IDR 15,000 per reservation through the Hotel Santika head office. (Following the specified fee provisions)	Marketing costs incurred are 1% of room revenue each month, while costs outside of marketing are borne by the hotel itself. For each room reservation through the Hotel Santika Head Office, the hotel unit is charged a room reservation fee per reservation. (Informant 6)
Article 5 Hotel Operations	The second party has the widest rights in managing the hotel. (Following applicable standards according to PT GWS provisions)	In determining room rates, choosing entertainment, food and drinks, assessing employee performance is a policy determined by Santika management. (Informant 3)
Article 8 Reserved fund	The parties agree to review the percentage of reserve funds annually. (Provisions for the formation of reserve funds)	This reserve fund is used for replacement, addition of furniture and all worn out equipment. The reserve fund will be reviewed annually by both parties according to the operator's policy. (Informant 1)
Article 9 Fiscal year	This financial year is the applicable calendar year (Following the applicable calendar year standards)	The operator provides reporting of all its obligations including presenting financial reports in accordance with the rules contained in the contract. (Informant 2)
Article 10 Gross Operating Profit	In calculating the management service fee, gross operational profit will be defined as total income after deducting all hotel operating costs. (Following the provisions of gross operating profit)	Gross operational profit is one of the rules of the game in business that must exist and follow generally applicable provisions. (Informant 5)
Article 11 Regular Meeting	The first party and the second party will hold regular meetings at least once every 6 (six) months for evaluation. (Following generally applicable policies)	The management contract applicable to periodic meetings follows the general policy. (Informant 6)
Article 23 Applicable law	The parties to this agreement agree to enforce and interpret the contents of the agreement according to the laws applicable within the territory of the Republic of Indonesia. (Following applicable laws)	The owner and operator agree to make a contract that complies with the laws in force in Indonesia. (Informant 6)
Article 24 Dispute resolution	Both parties agree to resolve the dispute through deliberation. If it cannot be resolved, then the parties may choose the district court.	If there is a dispute in the future, the owner and operator agree to resolve it through deliberation, and if there is no solution, they can choose legal action. (Informant 2)

Source: Management contract and informant interview results

Coercive in Capital Expenditure and Return on Investment (ROI) Analysis

Reserve funds are funds set aside for capital expenditures aimed at repairing, replacing, adding furniture and equipment. According to informant 1, HSPB's reserve funds obtained from total income from 2021 - 2023 with a % of 5% as follows; in 2021 it was IDR 2,299,177,901, in 2022 it was IDR 2,862,715,049, and in 2023 it was IDR 3,043,986,320. These reserve funds are stored in a joint account and monitored by PT TBA, HSPB and PT GWS. The realization of investment projects for the use of reserve funds at HSPB is shown in Table 11.

Table 11. Investment Project Realization

Year	Project	Investment Value	Information
2021	Suite Room Renovation	Rp. 621,775,492	Improvement and increase in income
	Corridor Renovation	Rp. 1,202,902,550	Corridor improvements and aesthetics

	Islamic Prayer Room	Rp. 129,905,160	Maintenance
2022	Renovation of non-Suite Room on 6th floor	Rp. 3,041,317,323	Improvement and increase in income
	Restaurant and Kitchen Renovation	Rp. 972,170,894	Improvements and aesthetics
	Pool Canopy Renovation	Rp. 462,736,250	Maintenance
2023	Renovation of non-Suite Rooms on floors 7 & 8	Rp. 6,795,678,828	Improvement and increase in income
	Refurbishing Facade	Rp. 597,147,033	Improvements and aesthetics
	Renovation of Mezzanine Area	Rp. 249,438,240	Maintenance

Source: PT TBA Finance Data

Based on Table 11. in 2021, suite room renovation with an investment value of Rp 621,775,492 and ROI 122%. In 2022, non-suite room renovation on the 6th floor with an investment value of Rp 3,041,317,323 and ROI 45.4%. In 2023, non-suite room renovation on the 7th and 8th floors with an investment value of Rp 3,041,317,323 and ROI 67.4%, meaning that the rate of return on investment on the project until the current year has increased the ROI percentage. The investment value of projects other than suite rooms and non-suite rooms cannot be calculated ROI, because the project is for maintenance, repair, and aesthetics.

Using the ROI method, planning is required in managing wisely to ensure the availability of funds when needed.(Turner & Guilding, 2012). Judging from the coerciveness in the capital expenditure process from Table 12, both parties have carried out their obligations in the budget so that the realization of the allocation of funds is appropriate.

Table 12. Coercive inCapital Expenditure and ROI Analysis

Information	Primary Data
Capital expenditure decision process	Reserve funds are used for capital expenditure. At the end of each year, HSPB must provide a Work Planning List (DIPK) and from PT TBA (project team and owner) must provide project initiatives along with budget costs to be implemented in the following year. (Informant 5) PT GWS is required to provide recommendations and approval for DIPK from hotel units and project initiatives from PT TBA. (Informant 3)
Realization of reserve fund management	The realization of project implementation using reserve funds must be coordinated and obtain recommendations from PT GWS as a reference in determining project specifications. (Informant 3)
ROI analysis on capital expenditure	This ROI analysis must be provided by PT TBA to measure the level of return on investments that have been implemented as a basis for making subsequent investment decisions. (Informant 1)

Source: results of informant interviews

Based on Table 12. the current practice in HSPB is implementing a harmonious relationship between the two parties, although in making capital expenditure decisions, the dominant coercion is from the second party. ROI analysis is used to influence capital budgeting decisions and evaluate the effectiveness of investment in development projects or facility improvements in research.(Turner & Guilding, 2013). From the capital expenditure decision process, realization of fund management, and ROI analysis in capital expenditure. Seen in the emphasis of the power relationship between hotel owners and operators in capital expenditure influencing investment decisions (Turner & Guilding, 2010).

Normative in Capital Expenditure and Return on Investment (ROI)

PT GWS provides clear provisions in classifying costs that can be used from reserve funds and must be followed by PT TBA and HSPB at the stages of the capital expenditure decision process.Through this policy, hotel owners can choose investments that can increase ROI, thereby achieving the same goal between owners and operators.(Turner, 2013)and consider the capital used and assist owners and operators in evaluating project performance.(Turner et al, 2017), and assist in decision making and provide in-depth insight into financial performance from an investment perspective depending on the financial analysis to be achieved.(Turner & Hesford, 2019). This is also the same from the study(Xiao et al, 2008)in Chinafinancial analysis tools used, such as ROI (Return on Investment) help in making investment decisions. Normative contributes to capital expenditure and ROI analysis in Table 13.

Table 13. Normative inCapital Expenditure and ROI Analysis

Information	Primary Data
Capital expenditure decision process	Regarding the provisions of capital expenditure, PT GWS provides rules or references for the classification of costs that can use reserve funds. The classification of these costs is a category of fixed assets except for maintenance costs borne by HSPB and licensing costs borne by PT TBA (Informant 1)
Realization of reserve fund management	-
ROI analysis on capital expenditure	The results of measuring a good ROI standard, if generally seen, are generally in profits of 6% - 12% per year. (Informant 2)

Source: results of informant interviews

CONCLUSION

In the HSPB management contract, the power relationship between the owner and operator is influenced by these three types of isomorphism. Coercive isomorphism creates pressure to comply with regulations, mimetic isomorphism encourages owners to imitate successful practices, and normative isomorphism provides legitimacy to operators who have norms or standards in the hotel business. These three concepts contribute to the power dynamics in the relationship between hotel owners and operators in influencing the decisions and strategies taken by both parties.

In hotel management, owners and operators are required to make capital expenditures taken from reserve funds to meet hotel standards and increase revenue. For example, investment in infrastructure improvements, additions, and facility upgrades. Hotel operators who have experience and knowledge of Santika standards can influence capital expenditure decisions by providing recommendations based on best practices and emphasizing the importance of investment to achieve the hotel standards and assessing the level of return on investment (ROI). Capital expenditure and ROI analysis are influenced by these three isomorphisms. Coercive isomorphism indicates pressure to comply with regulations, mimetic isomorphism encourages owners to imitate successful investments from other Santika Hotels and normative isomorphism provides legitimacy to capital expenditures that are in accordance with the standards of the Santika Hotel Group. These three concepts contribute to investment and capital expenditure decisions of owners and operators, and affect the overall operational success of the hotel.

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