

## CHAPTER I

### INTRODUCTION

#### **1.1. Research Background**

Bali, the Island of Gods, is a famous island which is located in Indonesia, specifically on the southern part between the busy island of Java and Lombok. It holds a great geographical landscapes which consist mostly of beach and a few highlands complete with its mountains. This differences gave birth to a small exotic paradise which name rose among islands even in international scale. Combined with one of the most unique Hinduism tradition as a part of assimilation between Hindi's and local resident's culture and beliefs, All of this pushes Bali as an island which is very famous for its tourism industry. Great is the opportunity given by the condition of Bali that many of its population works in the related sector. Government statistical bureau (2016) stated that 17,6% of its workforce or around 728.760 human resource in Bali works in the restaurants, hotels and trades in Bali. Tourism industry, specifically hospitality has provide for many lives on the island indeed.

While known as a paradise for so many tourist which in it includes European, Australian and many Asian based tourist such as Japanese and Chinese, it does not mean that Bali is 100% safe. Without a doubt many events happened during the first days of modern Bali until present days. While of course vary in scales, many of this events left a deep scars for the local and even the society of international scale. 12<sup>th</sup> of October 2012, a great tragedy struck Bali as a few people

which many label as fanatics decided to Bomb Bali in one of the most crowded district, which is Legian. BBC news (2012), stated that approximately more than 200 lives from 21 countries were taken that night prior of the bombing. 3 years after the incident, 3 more bombs were set loose on 1<sup>st</sup> of October 2015. This time 23 people were taken from their families and friends (Liputan6.com, 2015). This of course leads towards the plummeting of the numbers of visitors, and of course damaged the tourism industry in Bali.

Moving to a much more recent event, from late 2017 until the day this research were made, Bali face one of the worst crisis which mainly hits the tourism industry hard, On 21<sup>st</sup> of November 2017, Bali's greatest mountain which ironically is also one of the tourism attraction for hikers from many parts of the world, Mount Agung erupted. According to Indonesian statistical bureau (2017), on reports about flights statistic following the event, stated that both international and domestic flights went down by 14.78% for international and 13.08% for domestic flights, which effects spreads across many business in related sector. Occupancy rate for hospitality businesses were said to be around 20% and bellow. Employees which worked in the sector were in the verge of dismissal. Revenue plummeted along with the visitors statistic counts. The tourism industry suffered a great damage indeed. While the area surrounding Mt. Agung is a good portion of tourism in Bali, The most crowded area lies in the Southern part of Bali which is roughly 3 hours from the location of the catastrophe, yet combined with the fear and the closing of the airport, then theirs would logically follows the streams of plummeting customers.

In relation towards the phenomenon of Mount Agung, the government had made a few movements which significantly helped the condition in Bali. For example as stated by Tribun News Bali (2017), Friday, 22<sup>nd</sup> of December 2017, after his work visit to Papua, the President of the Republic of Indonesia, Joko Widodo held a closed meetings in the Island of Bali as a gesture that Bali is still a safe place. One of the results of the meeting is in the form of changing of Mount Agung Status which used to be on Level 4 (alert), to level 3 (caution), leaving only around the radius of 6 km from the mountain as a level 4 area. Another gesture was made by Ignasius Jonan, the minister of energy and mineral resources, in his interview with Liputan 6 news (2017) says that he will spend the New Year holiday on 1<sup>st</sup> of January 2018 in Bali. In relation towards the economy and as a sign of good will, Arief Yahya, Indonesia's minister of tourism urge hotels and flight companies, to give special rate towards stranded travelers which couldn't finish their holidays with the eruption held responsible for it.

Tourism business, especially hospitality sector depends on the comings of both domestic and international visitors, which drastically reduced by the event of eruption. Many problems were faced by owners of hospitality business. Low rate of sales of service and occupancy rate for their businesses leads to the loss of incomes which logically leads towards the cutting of expenses. Often this businesses, for example a three to five stars hotels, provide many jobs for many human resources, and of course many people were at the verge of losing the jobs which maybe feeds themselves nor their family. The damage is indeed great, yet is

this crisis and its impact were something which is inevitable? Is there any way to avoid such crisis?

The events of Mt. Agung Eruption, can be classified as a form of high impact, yet low probability events. It is the kind of event which often were outside of prediction yet devastating if it ever occurs (which in this case ironically, it did). Talking about competition, or financial issue, is often what management do while taking pre-cautions, yet the event in this case were usually not a part of discussion. This does gave birth to the questions of how prepared are businesses in Bali to face a disaster or its impact? Or more importantly, do they ever prepare themselves for such event?

Wilks and Moore (2006), and Shaluf (2008, Cited by Sawalha et al, 2013) both classifies the happening of a crisis as a 3 stages process. While both had different terms and slight differences, all indeed suggest that crisis happened in the order of before the crisis happened, while the crisis happened, and after the crisis happened. Even if it does on a slight sense seems different among the other business, hospitality business held in essence the same functions of management on the run and each functions has its own place in the 3 stages of crisis. In relation towards the readiness of an organization upon facing a crisis, which of course implies to a pre-crisis measures, Planning might be a crucial factor. It is a logical assumption that a good preparation will most likely strengthen the chance of success upon the activities which were prepared earlier, and this case might work the same. What if hospitality business in Southern Bali had created a plan to face such low probability yet high impact events? Will the damage still be as devastating as it is?

Now plans or no plans, a business will have to face the crisis regardless both their abilities and their intentions to respond. In the case of big scale natural disaster, its mainly assaults “only” 1 business or leads to the closing of 1 channels of entering the island (namely the airport, or harbor), yet it spreads towards so many aspect of tourism industry, causing the business to respond inevitably. Yet taking the right steps will of course leads toward the right conclusion for the survival of the business itself regardless the existence of plan. The right measures will almost ensures the successfulness of one’s intention to survive.

Talking about both readiness and responsiveness of a hospitality business, there are so many micro details which can be dragged in the specific subjects. Now does this hospitality based business in Southern part of Bali, as the central of tourism in the island ready both in strategies and in their ability to respond to crisis? As this research were made, the events of Mount Agung still happened, which is safe to assume that many business we’re “arming” themselves in the face of a Disaster. In relation towards that, the author of this journal were much interested upon exploring the readiness and the responsiveness of this hospitality business in Bali.

## **1.2 Research Problem**

Tourism business in Southern Bali faces the threats of low probability, yet high impact events which could be fatal for the survival of the business. In late 2017, this threat came in the form of Mt. Agung’s eruption. The element of surprise

were in the side of the catastrophe itself, and it is logical to assume that many of the businesses whatever the form were left astonished by the sudden shift of situation., just as what the introduction had introduce previously. While there are yet a report on physical damage taken, as stated before in the previous sub-chapter that the airport closes for a few days, meaning one of the biggest channel to enter Bali specifically talking for foreigners and international world were closed, and such channel didn't only provide for the people in Eastern Bali, around the perimeter of the disaster, but also for all regions in the island. This is a threat whether towards one's revenue, or even for a business life.

While of course remaining a potential danger, the level of the threat depends on a business itself. As an example, what if a business prepare for a catastrophe in this level? What if they already own a plan? Another thoughts which occurs is what if the business didn't plan, yet were able to respond well towards the threat. Will this threat remains a significant threat or does it another phenomenon which occurs in the run of the company? An interesting phenomenon it this due to its rarity and such is the time to see this issue as a source of study.

### **1.3 Research Questions**

This Research aims to explore the specific questions which is related with the respected events mentioned before. These 2 questions were:

1. How ready are the hospitality based Businesses in Southern part of Bali in facing the disastrous events of Mt. Agung's Eruption and the events following it?
2. How do hospitality based businesses in Southern part of Bali respond high impact with low disastrous events of Mt. Agung's Eruption and the events following it?

#### **1.4 Scope of study**

This study will focus on the hospitality businesses in Southern Bali, specifically in the region of Badung, repeating what had been written in the introduction that the most crowded area of tourism economy exist in the Southern Bali especially in the region itself, therefore the study will emphasize on the said location.

This study also specifically gave boundaries that the businesses focused on will be hospitality businesses. Many other business which is not hospitality business might obtain a certain threats towards their continuity prior to the phenomenon of Mt. Agung's eruption, yet logically speaking the major highlight of the event is that the airport is closed, and the island itself is the most famous for its tourism business. This study would like to see the specific impact towards said business.

Hospitality business itself which will be explored further in the coming chapter, consist of many variations of business. This businesses while all being hospitality industry, owns a different characteristics. For example a restaurant

would sell an arguably short timed service while a hotel would give a longer terms of services compare to the former. Then among this different timed services there are business like travel agents which connect many hospitality business regardless their nature. As a mean to involve a complete representation of the hospitality industry in Southern Bali, Various scales of Hotels, restaurants, and travel agents, were selected as the participants of the research itself, which will be explored further in the research methodology.

### **1.5 Significance of study**

This study about the phenomenon of the impact of Mt. Agung's eruption towards hospitality business in Southern Bali is a significant and relevant topic to be brought forward in the world of research.

1. Theoretical significance: This study might fill a gap from other studies in relation with hospitality and also disaster phenomenon, since this study brought topics which is quite impactful, and happening in the location where hospitality is one of the main sources of income for the society itself. This research might be a reference upon conducting similar studies or as a based to conduct a more advanced, yet related topic.
2. Practical significance: This study might be used as a tool to help many to see the pictures of what's happening inside hospitality businesses in Southern Bali. The image given by the study might provide insight about the situations which can later be used as a source of consideration upon doing activities or businesses related towards the topic itself. In short, it can

be used as a source of information regarding the impacts of a disaster, and how one's preparation and capabilities of responding towards the said disaster. Another practical usage is to discover a new phenomenon inside this current event, which might not be visible unless the study were conducted. Such discoveries might be used later depends on the nature of the findings itself.

### **1.6 Organization of research**

Chapter two reviews the literature in relation towards the topic of readiness and responsiveness of hospitality based business in Southern part of Bali post eruption of Mt. Agung. It discussed the management functions with heavy emphasize on planning as the main focus of the study. The term disaster management were discussed, along with the escalation of events and the stages of disaster. Hospitality as a part of tourism sector were also discussed with the last of the chapter being a proposed management strategy in the face of disaster for business in Southern Bali.

Chapter three will present the methodological approach that this study used upon conducting this research. It will discuss about the aim of this study, the methods of data collection. It will also discuss the sample selection and the consideration that came from it, along with the whole research ethical considerations and the limitations which this study posed.

Chapter four will present the findings which was obtained from data collection and analysis. Different themes appeared from the data analysis will be presented along with related citations obtained from the participant's answer, along with the interpretation of the findings obtained through data collection and data analysis from the previous chapter.

Chapter five will conclude the whole process of the research itself. The relevance of the finding towards the research will also be presented in this very part of study, along with researcher's suggestion for both practical and theoretical purposes.

