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*by* Golan Hasan

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## QUALITY OF SERVICE AS STRATEGIC ISSUES WITH LOCAL WISDOM AS MODERATING VARIABLES IN BATAM-PROVINCE OF RIAU ISLANDS

**Golan Hasan**

Universitas International Batam

**Farida Jasfar**

Universitas Trisakti Jakarta

**Robert Kristaung**

Universitas Trisakti Jakarta

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### Abstract

Research objective is to analyze whether local wisdom can moderate service quality with several variables involved, including developing strategy, firm service quality, government service quality, dimensions involved in this research are identifying the customer needs improvement strategy, and how the role of the government in supporting service quality by looking at the dimensions of interaction, environment, information, system, network and outcomes obtained. Local wisdom is a part of moderation in this research to be able to see the extent of the role of government and star hotels to respond wisely that has been passed down by its predecessors. Research method used in this study is the quantitative method and survey techniques. Number of samples needed in this study were 62 respondents given in the form of direct questionnaires and also through electronic media. Respondent was the head of the Provincial and City Culture and Tourism Office in Riau Islands. Processing was performed using Smart PLS. Results of this study are getting better if firm service quality is significantly positive with local wisdom and able to improve development of strategies to better support the tourism industry. Managerial implications in this study are to provide better information for relevant agencies in order to be able to maintain as a friendly national identity and also cultural and ancestral heritage by being positive in supporting the tourism industry.

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**Keywords:** Develop Strategy, Ethical Climate, Firm Service Quality, Local Wisdom, Government Service Quality

## Introduction

Batam is one of many islands in Indonesia which is located in the western part of Indonesia in the Riau Islands Province and has a very strategic location because it is close to some neighboring countries such as Malaysia, Singapore, Vietnam, so that the Riau Islands, especially Batam became one of the entrances of foreign tourists in Indonesia. The number of foreign tourists visiting the Riau Islands at the end of November 2018 was 220,868 tourists, an increase of 7.31 percent in the previous month where tourists visiting October 2018 were 205,819 tourists, meaning an increase from visits in November 2018 amounting to 27.55 Number of tourists who come to the Riau Islands, especially Batam, also does not rule out the arrival of tourists to other islands around the Riau Islands such as Bintan Island, Karimun Island, Natuna Island, Bawah island which is very famous for its beaches and beauty of the sea. This tourist visit provokes a lot of demand for production products or lodging in the form of inns, cottages or hotels that are growing fast in the Riau Islands so as to provoke enthusiasm and growth in each sector to increase deregulation, especially in the economic sector that is getting better, as well as absorbing the number of workers in the Islands Riau, especially local workers who are native to the Malay Archipelago of Riau Islands. Cumulatively from January to November 2018 foreign tourist arrivals in the Riau Islands Province reached 2,316.13 tourists, where the dominance of many visits occurred in Batam Island which reached more than 1,300,000 tourist visits and the rest are scattered on other islands. (Tourism & Riau Islands Province, 2018)

**Number of tourists visiting Riau Islands By Most Nationalities 2017 – 2018**

Country	2017	2018	Total %
Singapura	1.061.469	1.121.923	48.44
Malaysia	252.058	273.373	11.80
Tiongkok	162.250	236.866	10.23
India	89.578	97.304	4.20
Korea	61.729	67.075	2.90
Filipina	54.906	52.279	2.26
Jepang	39.467	37.245	1.16
Inggris	32.987	31.370	1.35
Australia	27.881	27.924	1.21
Amerika	21.317	21.113	0.91
etc	270.892	349.671	15.10
<b>Total</b>	<b>2.074.534</b>	<b>2.316.143</b>	<b>100.00</b>

Foreign tourists visiting Riau Islands Province during November 2018 recorded 220,868 visits or experienced an increase of 7.31 percent compared to tourist arrivals during October 2018 which reached 205,819 visits. Compared to November 2017, number of foreign tourists visiting the Riau Islands also increased by 27.55 percent. Increase in number of foreign tourists visiting during November 2018 was due to an increase in the number of foreign tourists visiting from 4 entrances in Riau Islands Province, Batam City, up 9.87 percent; Bintan Regency up 0.04 percent; Tanjung pinang up 2.92 percent; and Karimun up 12.84 percent. Cumulatively from January to November 2018, the number of foreign tourists visiting the Riau Islands Province reached 2,316,143 visits, up 23.63 percent compared to number of visits in same period the previous year. Singaporeans are still most tourists visiting Riau Islands Province in January-November 2018 with almost half (48.44 percent) of total foreign tourists visiting the Riau Islands Province. During January-November 2018, Singaporean tourists were recorded as many as 1,121,923 visits. Second highest number of visits is Malaysian tourists. Number of foreign

tourists visiting Malaysia was 273,373 visits or 11.80 percent of the total visits to the Riau Islands during January-November 2018. In a row, ten highest number of visits other than tourists from Singapore and Malaysia were foreign tourists from China, India, South Korea, Filipino, Japanese, English, Australian and American. The contribution of the 10 most foreign tourists visiting the Riau Islands was 84.90 percent of the total foreign tourist visits in January-November 2018. Analyze the effect of develop strategy on firm service quality. Analyze the effect of develop strategies on government service quality. Analyze the effect of ethical climate on firm service quality. Analyze the effect of ethical climate on government service quality. Analyze the effect of firm service quality on government service quality. Analyze the influence of local wisdom moderating the develop strategy on firm service quality. Research can contribute to the development of theories related to influencing development strategies, namely the development of improvement and quality of services, especially star hotels and the role of government services in increasing tourism resources. This study uses the development and quality of service as a mediating variable where it is still rare that research develops local policy as a moderating variable on the influence of company quality and government service quality. This research can improve the ability of the industry and tourism actors in the development and improvement of services, especially star hotels, the government in this case the heads of offices and heads of the fields of culture and tourism so as to maintain local policy can also increase the country's foreign exchange in economic development sourced from the sector tourism.

## Literature References

Develop Strategy is how the strategy of service development and improving what is given to the needs of individuals. Davidoff, (2015); Cheng.(2018) in his article "Service quality, Attractive quality, and Competitive quality" states that every organization creates limitations in developing strategy development, because many things happen are caused by developments that are only done by leaders or managers, because all decisions can only be made by top leaders without regard to subordinates or the surrounding environment. What should be good is the development of a better strategy that is to establish references from as well as a lot of literature so that service and quality can be better (Cheng, 2018). How a company is able to survive by innovating to face competition. Development in strategy is an economics that places how to make a good change to produce business formulas for the progress of an organization that can support the wants and needs of members so that organizational goals are achieved. Previous researchers also explained that strategic development is closely related to firm performance (Rahman et al.2018) so that it is an indicator of the success of a company or organization, especially in a local government that has a strong culture to be implemented. (Pauluzzo,et.all.2018). Ethical climate depicts a small regional population making organizational ethical climate based on tasks related to norms, laws, rules and policies characterize underdeveloped regions.(Stamenkovic, et.all,2018). In the public sector something that stands out from individual perceptions about climate ethics is related to regulations and codes of ethics in every organization. Together these organizations can go hand in hand. "Business environment, Organizational justice, Business ethics, Ethical climate, Ethical behavior, Intra-cultural analysis, Working organizations Paper". (Stamenkovic et all. 2018) Quality of service (Ward,et.all,2015) is a measurement and quality improvement to improve service quality that is even better for consumers. Service quality is also a measure of how good the level of service delivered is in accordance with the expectations desired by the customer (Joudeh & Dandis, 2018). Service quality is an expectation of the company to fulfill desires and expectations (Danish, et.all, 2018).The quality of government services in this case the regional offices of culture and tourism, has a role to provide the best quality of service for tourists visiting an area, especially in the Riau Islands, especially Batam as one of tourist destinations in Indonesia. Government Service Quality describes how the quality of service by looking at various angles including interaction, environment, information, system, network



and outcomes. (Wiseman & Anderson, 2013; Al-Hubaishi, et al., 2017; Sanchez, et al., 2017). Theory of how the role of government in doing the best service for the community so as to be able to maintain all policies well so that it can be sustainable "We first define the concepts of services, sustainability competence, and sustainability performance."

Based on a philosophical approach from previous theories, local wisdom can be interpreted about a thought about life that is based on clear reason, good reason and contains positive things and can be translated as works of reason, deep feelings, character, temperament and advice for human glory (Wagiran, 2012). Local wisdom plays a role and has clear customary law to be passed down from generation to generation to maintain a good culture (Primyastanto, et al., 2013). Another understanding of local wisdom consists of two local words (local) and wisdom (wisdom). Local wisdom is often referred to as "local wisdom" (Keraf, 2016) in the opinion of some previous researchers that local wisdom is all forms of knowledge, beliefs, understandings, or insights and customs or ethics that demand human behavior in life in ecological communities (Suryadi & Kusnendi, 2016). The local wisdom of each region is different but has the same goal which is to maintain ethics, beliefs, customs even though there are actually various variations in the local wisdom (Rasna & Tantra, 2017). Previous theories, as well as opinions about local wisdom or local wisdom are local (local) ideas or ideas that contain wise, creative, wholesome, internalized values (traditions). These values are believed to contain the truth so that they are followed by members of the community. This local wisdom is called the noble values (Adiluhung) which serves as a foundation of good philosophy toward harmonization (O'Donnell, 2011; Wagiran, 2012). (Pesumay, 2018) in his book "local wisdom new paradigm" Applying System Theory to the Study of Local Culture in Indonesia. Emphasizing that theories of local wisdom in each country still need to be developed so that people are more wise to behave. The value of local wisdom will have meaning if it remains a reference in overcoming every dynamic of social life. The existence of local wisdom values will actually be tested from dynamic social life. The Acehnese people who uphold the culture of their ancestors in maintaining local wisdom with a good and polite dress. Empirically the value of local wisdom that grows and develops in Balinese society has proven its efficacy, at least during the reform period, multi-party elections and social conflicts that are nuanced between youth, economic and political problems can be muted (Wisnu Murti 2015). Local wisdom can be interpreted as good and right values where the hereditary activities are carried out by the community concerned as a result of interactions between humans and their environment ((Vitasurya, 2016; Lu, et al., 2017; Pauluzzo et al., 2018) According to John M and Hassan Syadilli (2018) local means local while wisdom is wisdom. In general, local wisdom can be understood as local ideas that can be understood to be wise, full of wisdom, of good value, embedded and followed by members of the community.

## Methodology

Research, survey techniques will be used, deductive and quantitative approaches. (Rahi, 2017) The deductive approach aims to test the theory through collecting data from respondents then applying and observing with statistical tests. The quantitative method focuses on collecting data according to the problem and the number of population and analyzing the data. This study (Wang, Tang, & Cheng, 2018) is a testing hypothesis that aims to explain the nature of the relationship between two or more variables (Cooper & Schindler, 2014). In this study also tested the hypothesis of the influence of Develop Strategy (DS), Ethical Climate (EC) on Government Service Quality (G13Q) mediated by Firm Service Quality and moderated by local wisdom. In this study is a survey research, (Saad Laraqui, Ph.D. Dermot Wood, Ph.D. Murray R. Millson, nd), where by gathering information from or about individuals who will be described, compared, or explained about knowledge of attitudes and behavior. Respondents in this study are tourism practitioners who are directly involved in maintaining local wisdom as hospitality management, including: Director, Deputy Director, General Manager

starred in Batam and Riau Islands. The number of Batam-Kepri-starred hotels is 118 starred hotels (BPS Kepri, 2019.). Researchers used census or saturated sampling methods. This method is used by researchers to take all populations to be sampled. Some of the hypotheses that are in:

***H1 = Develop Strategy has a positive effect on Firm Service Quality***

The path analysis test for the develop strategy variable to firm service quality has a P-Value of 0.00 smaller than 0.05 so that the develop strategy variable understands the desire of every community to convince every service office and hotel to be able to maintain the best possible service quality how to conduct services with the best possible partners, the addition of service quality is not only in the office or hotel, but also involves the community and the fostered partners so as to be able to provide positive innovation, investment in services is very influential on the quality of service so as to provide flexibility for tourists coming to the destination - new tourist destinations that can provide curiosity and a sense of satisfaction with the good environment.

***H2 = Develop Strategy has a positive effect on Government Service***

Where the development improvement strategy has a positive effect, meaning that the development strategy has an effect on the quality of government services in this case the department of culture and tourism related to what which became a government program in Batam-Riau Islands in welcoming the "visit Batam 2020" (BPS Batam, 2019). Improving the quality of service will have a good impact on the progress of an area, development will make the area has a distinctive feature and provide opportunities for tourists to visit to the area so that it can increase the economy, especially in the field of tourism.

***H3 = Ethical Climate has a positive effect on Firm Service Quality***

Ethical climate of each individual seen from the attitude and personal can bring a relationship to a service. (Nedkovski et al., 2017), as well as the role of the private sector to develop quality services to increase economic growth by keeping the tourism sector as good as possible an important part of the Riau Islands, especially Batam.

***H4 = Ethical Climate has a positive effect on Government Service Quality***

It means that the ethical climate influences the quality of government services provided. The quality of government services can also be done with a number of contributions developed by taking into account opportunities for the utilization of other resources (Mulki & Lassk, 2019). The development of the tourism industry with the surrounding support are interrelated to the ethical climate and the government will bring a positive impact on the influence of tourist arrivals.

***H5 = Local Wisdom influences Develop Strategy on Firm Service Quality.***

Local wisdom variable strengthens the influence on develop strategy and firm service quality, this is the step of improvement to maintain the existence of local wisdom in the community. The influence of extraordinary foreign culture can cause local wisdom to slowly disappear. Local wisdom is how people provide good policies and culture for future generations.



## Result and Discussion

Test results for descriptive statistics for each indicator were also carried out. Variables are measured from the develop strategy, the dimension is identify customer's need, improvement, Variables are measured from Ethical Climate, the dimension is egoism. Benevelonce, principle, Variables measured by firm service quality, the dimensions are tangibility, reliability, responsiveness, as-surance, empathy. Dimensions measured from local wisdom are mutual cooperation, linguistic anthropology, and variables measured from government service quality interaction, environment, information, system, network, outcomes.

*Result effect size  $f^2$  Moderation effect*

Variable	Effect Size	Result
Local Wisdom	0.363	Moderate

## Summary

The results of this study conclude that in general service quality is a variable that is very influential on the environment where the participation of local wisdom also gives a good influence on the develop strategy, although actually local wisdom moderates there are also variables that are negative in subsequent developments, while conclusions in this study are as follows:

Develop Strategy, significant and positive effect on firm service quality, the purpose of this positive effect is the role of improvement and development of strategies carried out on service quality is good and needs to be further developed into a special standardization (Davidoff et al., 2015) Developing Strategy, significant and positive towards government service quality, this illustrates that there is an effort from every service institution and also the hotel to continue to improve and develop a strategy towards good service quality in the community, so that many tourist destinations can be sold well.(Lin, 2011).Ethical Climate has a positive effect on firm service quality, illustrating that the ethical climate greatly influences the conditions of service quality, behavior, attitudes will affect all aspects of service performed by each related agency so that it is able to provide maximum service in welcoming tourists, especially in maintaining wisdom local hotels. Ethical Climate has a positive effect on government service quality, Firm service quality has a significant positive effect on government service quality, this illustrates that the role of the government to support every hotel and private sector to provide good service quality by maintaining service quality supports the government to increase the economy, especially from the tourism sector. (Kusumadmo, 2015). Local Wisdom significantly positively moderates the develop improvement strategy towards government service quality, this shows that there is a special connection from the government especially to preserve and preserve local wisdom and efforts to maintain local wisdom (Mungmachon, 2012).

This research is expected to be able to provide input to the government and also star hotels in Batam-Riau Islands to add quality services and apply local wisdom as local wisdom that should be maintained. Quality of service will be good if local wisdom is also applied which brings the quality into a part that has specificity or characterizes so that it can provide opportunities for businesses to market local products with culture and characteristics to support the economy, especially in the field of tourism. This research also has limitations, including:

Research on local wisdom is still small and not too much literature review developed, this is an obstacle in this research. Books that write about local wisdom are also still few and the linkages with various elements are still lacking. This research was only conducted in the Batam-Riau Islands region and was very limited with a minimal population and local policies.

Based on the limitations, the suggestions that can be given for further research are:

Further research in more depth discusses the service not only the relationship with local wisdom but can discuss the relationship with risk management, competitive advantage, strategic planning, strategic agility, business strategy. Research can also be carried out in other regions such as outside Sumatra or many places that have local wisdom.

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