

# CHAPTER I

## INTRODUCTION

### 1.1 Research Background

Before the 1980s, in the study of organizational behavior, culture was considered as the most important factor in organizations (Shahzad, 2014). An old organization may have a strong “culture” because of the age of the company and the phenomenon happened in the past. However, this cannot be called organizational culture if a group does not learn and solve its problems over a period of time to survive (Schein, 1984). As mentioned by Tohidi and Jabbari (2012), the main components of an effective organizational culture are the organization's vision and mission, work environment, management style, organizational practices and policies, recruitment and career development, and benefits and rights. This is why organizational culture is one of the famous studies in organizational theory even though there are many ways to diagnose organizational culture by experts according to their research and knowledge.

Competing Values Framework (CVF) is an extremely useful framework in organizing and interpreting a wide variety of organizational phenomena (Cameron & Quinn, 2006). In CVF, there are four dominant culture types that emerge from the framework: Clan, Adhocracy, Hierarchy, and Market. Moreover, Cameron and Quinn (2006) stated that Clan culture shares values and goals, cohesion, participation, individuality, and a sense of “we-ness”. Teamwork, employee involvement programs, and corporate commitment to employees are typical of this type. Adhocracy culture is the most responsive to the hyper-turbulent and ever-accelerating conditions. Adaptation and innovativeness lead Adhocracy culture company to new resources and

profitability. Hierarchy culture is a formalized and structured place to work. Leaders are good coordinators and organizers in order to maintain the smooth running of the organization. Market culture focused on transactions with mainly external parties such as suppliers, customers, contractors, licensees, unions, and regulators. This operates primarily through economic market mechanisms, mainly monetary exchange.

These types of organizational culture are dynamic in an organization (Cameron & Quinn, 2006). In other words, one organization can change over time depending on the needs of the organization. For example, the life cycle of Apple Computer Company had been changing. Apple Computer Company started with a tendency to Adhocracy culture at its first stage (Cameron & Quinn, 2006) and later in 2017, they end up to Market and Hierarchy culture (Arocha, 2017).

Every organization, including Small Medium Enterprises (SMEs), has its own culture. According to Lembaga Pengembangan Perbankan Indonesia and Bank of Indonesia (2015), SMEs have several criteria based on the characteristic, asset, and turnover. The challenging thing in diagnosing SMEs' culture is that the most influence on the organizational values and beliefs in SMEs is the owner (Tidor, Gelmereanu, Baru, & Morar, 2012). We cannot deny the significance of organizational culture including in SMEs even though it is not specifically mentioned. Managing culture in SMEs is easier because SMEs have more organic culture than big organizations and the small number of people involved in the business (Tidor, Gelmereanu, Baru, & Morar, 2012). Hence, SMEs must know what kind or type of culture they need to implement in their organization based on their orientation. By default, it is compulsory for the owner of SMEs to have knowledge of the

organizational culture. This is why the researcher chose to do the research in SMEs, specifically in local coffee shops in Yogyakarta.

The increasing number of coffee consumption in Indonesia has been rapidly increasing. According to the International Coffee Organization (2016), total consumption of coffee in Indonesia reached 276.000 tons in 2016, twice from 2000 with only 108.000 tons. This is aligned with the number of coffee shops in Indonesia. Normala (2018) said that local coffee shops started to bloom since 2013 and currently there are more than 4000 local coffee shops. Those data only showed the famous local coffee shops because according to DH (2016), based on an interview with Ponco in Tirto, there are more than 800 coffee shops in Yogyakarta that are registered in the community of coffee shop businesses in Yogyakarta. It is believed that the number of unregistered local coffee shops in Yogyakarta alone can be doubled from those numbers. This type of SMEs is a big industry in the city because it has economic potential up to Rp350,4 billion in a year (DH, 2016). From the explanation above, it can be seen that the coffee shop industry is emerging rapidly in Indonesia.

This research discovered the type of culture used by coffee shops in Yogyakarta, according to the CVF. There were four types of culture based on Cameron and Quinn (2006). They were Clan, Adhocracy, Hierarchy, and Market culture. To identify the CVF, Cameron and Quinn (2006) suggested using Organizational Culture Assessment Instrument (OCAI). The instruments in OCAI included *Dominant Characteristic*, *Organizational Leadership*, *Management of Employees*, *Organization Glue*, *Strategic Emphases*, and *Criteria of Success*.

## 1.2 Research Problem

Based on the research background above, the researcher decided that the problem was the type of culture used by coffee shops in Yogyakarta.

In addition, the researcher prepared the following questions to strengthen the discovery:

1. What are the *Dominant Characteristics* in the organization?
2. How is *Organizational Leadership* in the organization?
3. How is the *Management of Employees* in the organization?
4. What is the *Organization Glue* in the organization?
5. What is your *Strategic Emphases* in the organization?
6. What is the *Criteria of Success* in the organization?

Besides that, the researcher assumed some of the alternative questions related to the research:

1. What is the vision of this coffee shop?
2. How many employees are there?

## 1.3 Research Objectives

The research described a qualitative study of the organizational culture used by coffee shops in Yogyakarta. This research's overall aim was to explore the type of culture used by the coffee shops in Yogyakarta.

## **1.4 Research Contributions**

### **1.4.1 Theoretical Benefit**

This research helps future researchers in providing additional literature on organizational culture. Specifically, it will give broaden understanding on the type of culture used by the coffee shop industry, even though on a minor scale.

### **1.4.2 Practical Benefit**

The findings of this research are as follow:

1. To know the most used type of culture used by coffee shops industry
2. To discover what change of culture should be taken in the future due to macro and microenvironment
3. As a reference for the related industries
4. Comparison between coffee shop industry culture and other industries' culture

## **1.5 Systematics of Writing**

This thesis consists of five chapters. The detail explanation of the systematics of writing in this research is described below:

### **Chapter I: INTRODUCTION**

This chapter exhibits the background of this research, the formulation of the problems of this research, the limitations of this research, the objectives of this research, the benefits of research both theoretical and practical, and the systematics of the research.

## Chapter II: LITERATURE REVIEW

This chapter explains the theoretical basis of the grounded theory used in this research, which is the organizational culture based on the CVF consisted of the Clan, Adhocracy, Hierarchy, and Market culture.

## Chapter III: RESEARCH METHODOLOGY

This chapter explains the methods used in this research which also contains information in terms of research approach, research site, population and sample, data collection, and data analysis.

## Chapter IV: RESULT AND DISCUSSION

This chapter shows the discussion of the results based on a semi-structured interview. This chapter also shows the transcript and interpretation of the research.

## Chapter V: CONCLUSIONS AND RECOMMENDATIONS

This chapter contains conclusions about the results of the analysis of the research that has been done. In addition, this chapter also shows the limitations of the research conducted which is very useful for future research.