

Corporate Culture Analysis of Local Water Company of Bandung Regency

Herwan Abdul Muhyi*

Business Administration Department, Faculty of Social and Political Sciences, Universitas Padjadjaran

Sam'un Jaja Raharja

Business Administration Department, Faculty of Social and Political Sciences, Universitas Padjadjaran

— *Review of* —
**Integrative
Business &
Economics**
— *Research* —

ABSTRACT

Local Water Company (PDAM) of Bandung Regency is a local company which produces and distributes water for citizens in Bandung Regency area. The most challenging factor of this company is to gain raw material and service. Human resources are one of determinant factor in gaining raw material effectively and in creating excellent service. This research focused on corporate culture and used mixed method. Mixed method approach is pragmatic knowledge claims, collection of both quantitative and qualitative data sequentially (Creswell, 2003). This research took place in Local Water Company of Bandung Regency, West Java Indonesia. There are seven characteristics of organizational culture (Robbins: 2010) used to describe and analyze the condition of the Local Water Company's culture: Innovation and risk taking, attention to detail, result orientation, people orientation, team orientation, initiative and stability. The research result shows that corporate culture of Local Water Company of Bandung Regency is 72.12 %. Three dimensions of culture which have scored less than 70% are people orientation, initiative and stability. The lack of enforcement of company's regulations causes unstable organization atmosphere. The lack of appreciation of employees' initiative from leaders and the lack of orientation on people are special challenges in managing human resources in this company. This situation cannot result in new methods or ways to do jobs better.

Keywords: Corporate Culture, Local Water Company

1. INTRODUCTION

Local Water Company (PDAM) Tirta Raharja of Bandung Regency is a local government owned company that serves citizens in producing and distributing drinking water in Bandung Regency. As a local drinking water company, PDAM Tirta Raharja has function in public utility, public service and profit motive.

Therefore, as a company PDAM Tirta Raharja does not only emphasize the aspect of profitability, but also has to prioritize public services citizens. **Figure 1.1** presents the number of citizens served by PDAM Tirta Raharja.

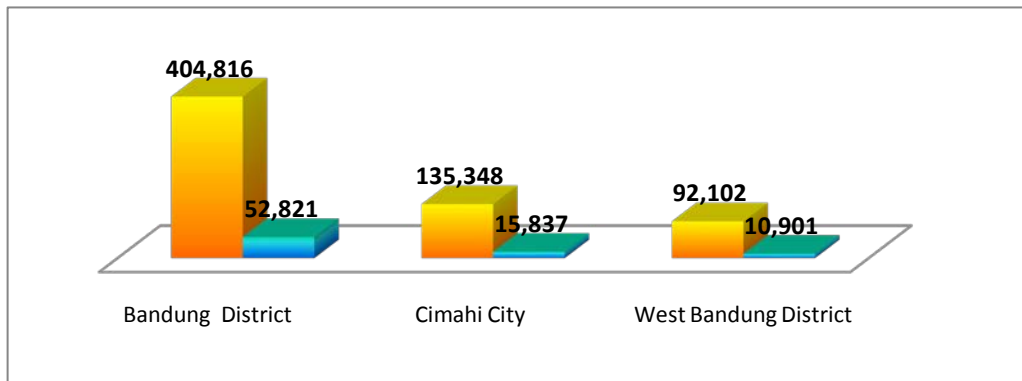


Figure 1.1
Number of Citizens Served by PDAM Tirta Raharja of Bandung Regency

PDAM Tirta Raharja of Bandung Regency does not only serve the region of Bandung Regency but also serves Cimahi City and Bandung Barat Regency. Based on information the Research and Development Head of PDAM Tirta Raharja, this company serves these regions because of the proximity of the area and the history of area development.

The number of citizens served by PDAM Tirta Raharja up to August 2015 is 632,266 people or equal to 11.40 % of citizens whose number is 5,544,260 people. Meanwhile, the service covers 30.73% of the area, which is inhabited by 2,570,198 people. The diagram below describes the percentage of service.

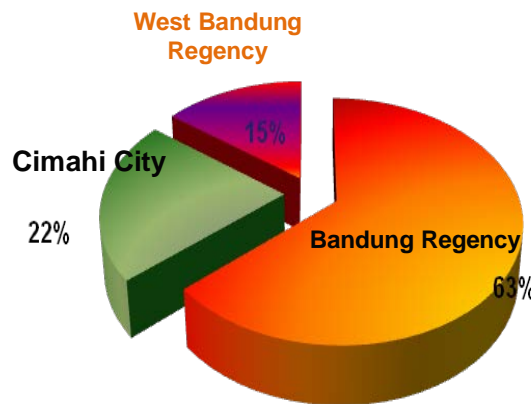


Figure 1.2
The range of serviced area PDAM Tirta Raharja of Bandung Regency

This condition showed large potential demand. The company has been expected to be one of the Human Development Index Parameter in health and welfare in drinking water service.

To enhance the quality and quantity of service, the company should create the corporate culture which develops its service performance. PDAM Tirta Raharja has various problems in managing its company culture. The first problem is innovation which has not developed well and its employees have been in routine condition with

less innovation. The second one is that the work orientation is not in optimum level. The third one is that the loss level of water is in a significant number.

The company culture is an important variable to enhance its service performance. We were motivated to conduct this research to analyze, describe and discuss corporate culture of PDAM as the local drinking water company in Bandung Regency. The culture was analyzed by culture characteristics proposed by Robbins (2010) which include innovation and risk taking, attention to detail, result orientation, people orientation, team orientation, aggressiveness and stability.

II. THEORETICAL BACKGROUND

Researchers and academicians pointed out that culture is one of the important variables in managing organization. The different concept and dimension do not lie in the importance of culture but only in redaction, number of dimension and context.

Martin (2002) in Andreas. B (2003: 52) said that there are many definitions of organizational culture, but basically these definitions refer to three approaches, integration, differentiation and fragmentation.

Other concept is stated by Schein (2002): *A pattern of shared basic assumptions that the group learned as it solved its problems of external adaptation and internal integration, that has worked well enough to be considered valid and, therefore, to be taught to new members as the correct way to perceive, think and feel in relation to those problems.*

Robbins (2010) defined: “Organizational culture refers to a system of shared meaning held by members that distinguishes the organization from other organizations.”

From some of these definitions, it can be concluded that organizational culture is something that is not visible and cannot be perceived directly. To understand an organization's culture takes time. This was disclosed by Hoecklin (1995): *“Culture is not a thing which can be experienced directly tangible or visible.”*

Based on the latest research, Robbins (2010) suggested that organizational culture has 7 (seven) primary characteristics that capture the essence of organizational culture as follows:

1. Innovation and risk taking is the extent to which employees are encouraged to innovative and take risks.
2. Attention to detail is the extent to which employees are expected to show a precision (austerity), analysis and attention to details.
3. Outcome orientation is the extent to which the management focus on results, rather than on the techniques and processes used to achieve that result.
4. People orientation is the extent to which management decisions take into account the effect of the results on the people within the organization.
5. Team orientation is the extent to which work activities are organized around teams, rather than individuals.
6. Aggressiveness is the extent to which people are aggressive and competitive rather than take it easy.
7. Stability is the extent to which the organization's activities emphasize the maintenance of stability in their activities.

Research on the corporate culture at PDAM has a high urgency for this research is rarely conducted. For example, Marsela (2013) had a research on the service aspects of company performance, water quality and flow quality. Later, Yang and Lin (2009:1)

researched into the intellectual capital aspects. It means that this study only focuses on the person aspects. This research is a holistic research on various dimensions of corporate culture, not only performance aspects (results orientation) but also team and people aspects.

Based on the theoretical background, we formulate a hypothesis that corporate culture has a form of cultural characteristics of innovation and risk taking, attention to details, results orientation, people orientation, team orientation, aggressiveness and stability.

III. RESEARCH METHOD

The object of this research is corporate culture. We elaborate on corporate culture that consists of seven characteristics proposed by Robbins (2010). We surveyed employees at PDAM Tirta Raharja by a simple random sampling technique. The population of this research is all employees of PDAM Tirta Raharja, comprising 335 people (up to August 2015). Meanwhile, the sample in this study is 78 people (an approach of Slovin sample size).

This research used mixed method approach: pragmatic knowledge claims, collection of both quantitative and qualitative data sequentially (Creswell, 2003). This research took place in Local Water Company of Bandung Regency, West Java Indonesia. The data were collected through questionnaire to the respondents. We conducted observation, interview, and literature study as well. Furthermore, the data were processed, analyzed and presented by describing the data processing (descriptively) to be discussed and concluded.

IV. RESULT AND DISCUSSION

Local Water Company (PDAM) Tirta Raharja of Bandung Regency is one of the local companies which attempt to realize the people's satisfaction for services and business growth to be the direction of the company's activities. This research discusses the process of organizational management in relation to the cultural aspects of the organization.

The condition of corporate culture in PDAM Tirta Raharja was analyzed and discussed referring to the opinion of Robbins (2010) who argued that the culture as a mirror or a picture of human resources activities. This has inspired us to start to probe the condition of the existing company (PDAM) concerning its cultural aspects that is described by exposing the real condition related to innovation and risk taking, attention to detail, outcome orientation, people orientation, team orientation, aggressiveness and stability. The cultural condition of a company determines other important aspects of the company, specifically the employees' performance and satisfaction (Robbins, 2010).

The data and information were obtained and processed through quantitative and qualitative approaches. The quantitative approach was carried out by measuring the organizational culture to use the calculation results of questionnaires which were tabulated and presented in the analysis and discussion. The qualitative approach was carried out through observation and in-depth interviews with key informants, particularly the leaders in PDAM Tirta Raharja of Bandung Regency.

4.1. Innovation and Risk Taking

Without measurable innovation and risk-taking, it is difficult for a company to develop its business. Innovation leads to new discoveries that are useful for the

development of business processes. Meanwhile, risk-taking is a courage which is based on objectivity and rationality done to make important decisions in developing the business. The measurement result of aspects of innovation and risk taking in PDAM Tirta Raharja of Bandung Regency is as follows.

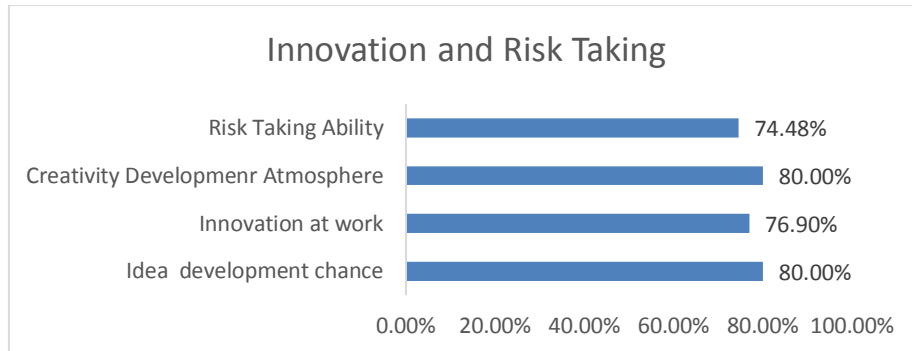


Figure 4.1

Condition of Innovation and Risk Taking of PDAM Tirta Raharja of Bandung Regency

Based on the figure above, the condition of innovation and risk taking in PDAM Bandung is quite good with an average percentage of 77.84%. The highest aspect in innovation and risk-taking is an opportunity to express opinions and to develop creative impulse that is equal to 80%. It means that every employee in PDAM of Bandung Regency has a great opportunity to express their opinions, ideas, and good concepts to their fellow employees as well as to the leaders. In addition, employees also got a big boost from the company to use creativity in their work. The courage in taking risks on PDAM Bandung is amounted to 74.48%. This shows that the employees' courage in taking risks is quite good.

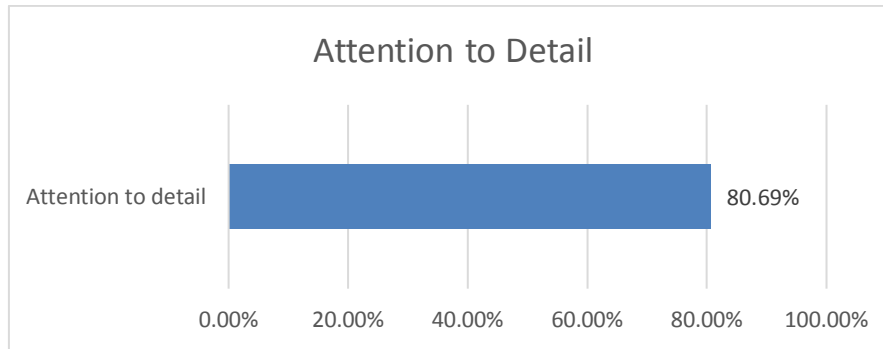
Based on interviews in which the information was obtained, there are some employees who have not been able to develop innovations because the bustle of routine work. This is due to a fear of not achieving performance targets which are already routinely provided by the company.

However, the environmental factor is also one of the effects of the innovation process in an organization. Joe Tidd (2001) identified uncertainty and complexity as the key environmental contingencies that influence organizational structure and management processes for innovation.

Based on information from the top level of the company, the government as one of the organizational environments of PDAM Tirta Raharja affects the process of innovation undertaken. For example, in terms of pricing policy, restructuring is still influenced by local government policy.

4.2. Attention to Detail

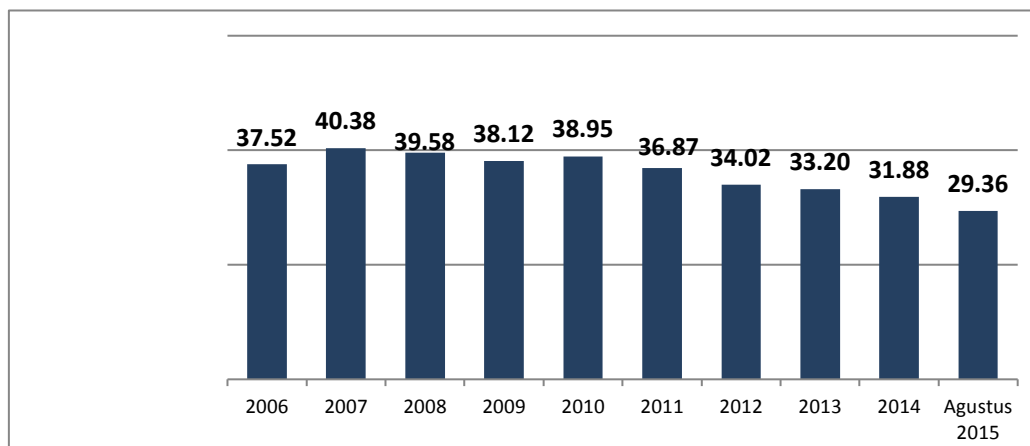
Attention to detail is the extent to which employees are expected to show a precision (austerity), analysis and attention to details. Accuracy reflects the seriousness and impact on the efficiency and effectiveness of the employment. The following illustrates the level of accuracy of employees of PDAM of Bandung.

**Figure 4.2**

Condition of Attention to Detail of PDAM Tirta Raharja of Bandung Regency

The figure above shows that the attention to detail of the employees at PDAM Bandung is quite good with a percentage of 80.69%. It shows that employees at PDAM Bandung are meticulous in performing any work they carry out. Attention to detail will help employees to minimize errors in every job.

This chart below presents the level of water loss experienced by PDAM Tirta Raharja of Bandung Regency up to August 2015. We also get data on water loss due to leaks and other causes. It can be seen in the following figure:

**Figure 4.3**

Average of Loss Water at PDAM Tirta Raharja of Bandung Regency

The average rate of loss of water up to August 2015 was as much as 29.36%, or by 101.77% compared with the KPI target of 29.88%. It shows that the rate of water loss still reaches the stipulated Key Performance Index. However, the loss rate is still very significant. It shows that the level of prudence and details of the employees of PDAM Tirta Raharja has not been optimum.

4.3. Outcome Orientation

Outcome orientation means that all members of the organization emphasize the importance of achieving the outcomes. It is due to the employees' performance that reflects the overall company's performance. What happens in PDAM Tirta Raharja of Bandung Regency? This is the result of the field survey.

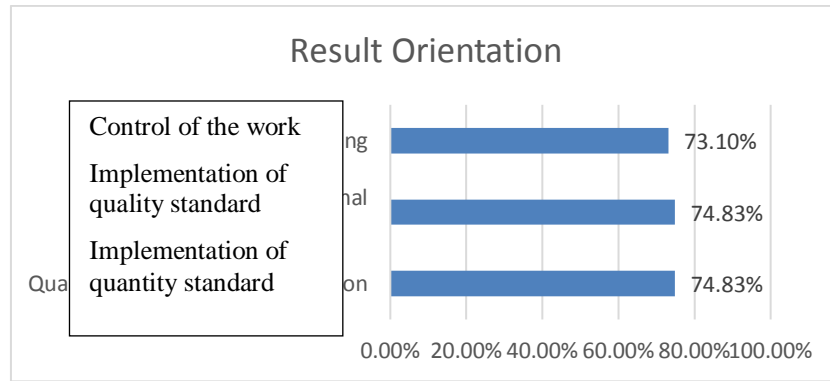


Figure 4.4
Condition of Outcome Orientation of PDAM Tirta Raharja of Bandung Regency

Based on the figure above, we can see the condition of outcome orientation of PDAM of Bandung Regency. The average outcome orientation of PDAM of Bandung Regency is amounted to 74.25% and it means that the outcome orientation of PDAM of Bandung Regency is quite good. The implementation of standard quality and quantity of jobs in PDAM of Bandung Regency is amounted to 74.83%. It means that PDAM of Bandung Regency is classified as in good condition in setting standards of quality and quantity of work. Meanwhile, the lowest aspect of outcome orientation in PDAM of Bandung Regency is the control of the work with a percentage of 73.10%. It means that the work control of PDAM Bandung Regency is in good condition.

For comparison, the result of the audit assessment of the BPK which associated with the performance of PDAM Tirta Raharja is presented in **Figure 4.5**.

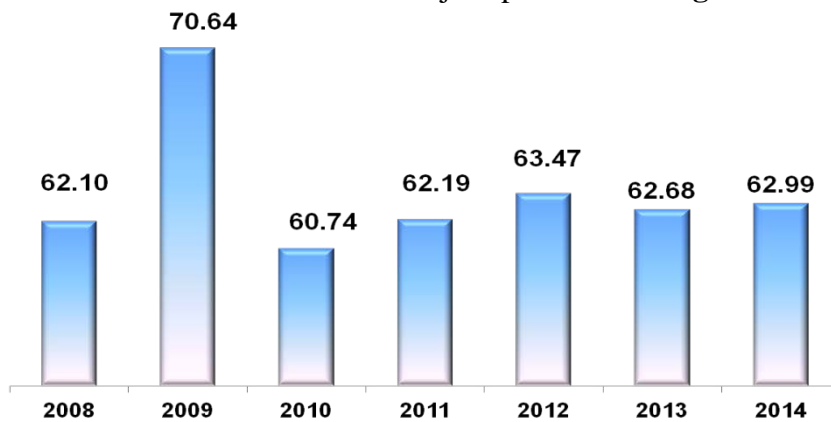


Figure 4.5
Performance of PDAM Tirta Raharja of Bandung Regency, BPK Version
Based on Decree of Minister of Home Affairs No. 47 Year 1999 (Indonesian Regulation)

Based on the criteria of the BPK, the performance of companies was categorized as good with the opinion of unqualified (WTP). The exception is the audit of 2008, in which it was categorized as good with the opinion of qualified (WDP).

However, if we see a fluctuating trend of 60%, it indicates that the achievement of performance still can be improved to reach a more optimal figure.

4.4. People Orientation

In addition to a goal of the company, employees also have a goal in working in the company. Therefore, companies need to balance the initiation to the task and the

initiation to the person (people). People or employees are the driver of corporate management.

The number of employees up to August 2015 is 335 people. The employee ratio is measured by the proportion of employees to 1,000 customers. Within a period of 7 years, PDAM has been trying to maintain a ratio of employees of less than 7. By August 2015 the ratio of the employees of PDAM Tirta Raharja was 4.21.

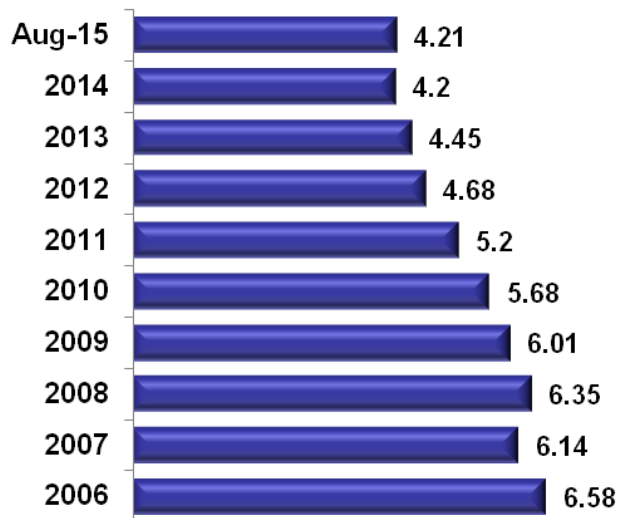


Figure 4.6
Ratio of Employees of PDAM Tirta Raharja of Bandung Regency and Citizens

How do companies create a working climate that is oriented to the employees? The following figure presents the result of a survey of respondents conducted by researchers.

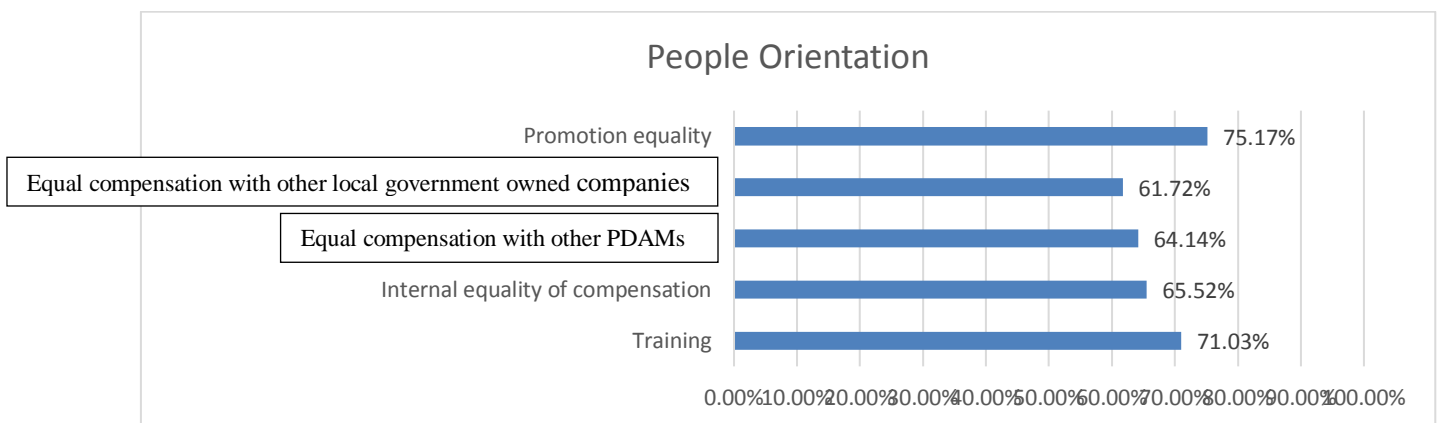


Figure 4.7
Condition of People Orientation of PDAM Tirta Raharja of Bandung Regency

Based on the figure above, it can be seen that the condition of work culture based on the aspect of people orientation in PDAM of Bandung Regency is classified as moderate with an average percentage of 67.52%. The highest aspect in employee orientation is in terms of equal opportunities in promotion in the amount of 75.17% which can be considered a good level. It means that each employee has an equal

opportunity to get a promotion in the company. A chance to get promoted can be one of the motivations for employees to improve their performance. Meanwhile, the lowest aspect is amounted to 61.72%, namely in terms of the balance of compensation with other local government owned companies (BUMD) besides PDAM. It means that the compensation provided by PDAM Bandung has not been balanced with the compensation provided by other BUMDs besides PDAM.

4.5. Team Orientation

Working in the framework of the organization cannot separate one person from another person and one part from another part. It occurs because the organization is a system in which each element relates to other elements. Therefore, this condition has a logical consequence for the working method of the employees. Therefore, working as a team in an organization becomes a necessity.

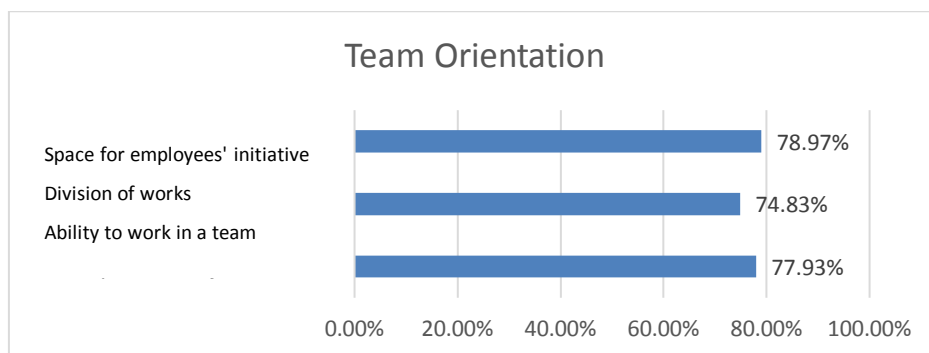


Figure 4.8

Condition of Team Orientation of PDAM Tirta Raharja of Bandung Regency

Based on the figure above, it can be seen that the condition of working culture based on the team orientation at PDAM of Bandung Regency is quite good with an average percentage of 77.24%. The highest aspect of the team orientation is the company's encouragement for teamwork that is amounted to 78.97% which can be considered good. It means every employee in working as a team gets a boost from the company well. Meanwhile, the lowest aspect in terms of team orientation is at 74.83% which defines roles in the team. It means the division of work in PDAM of Bandung Regency is still less not better than other aspects of team orientation. Clarity in the division of tasks within the team can help every employee to be able to work effectively and efficiently.

Referring to the opinion of Robbins (2001), team orientation is the extent to which work activities are organized around teams, rather than individuals. It means that the basis of work is teamwork not partially individual work. It is recognized by the Head of Human Resources of PDAM Tirta Raharja that no jobs which are not related to one another. All work is part of the company's overall work. However, he thought that it needs to be increased again to a higher level to build team cohesiveness at work.

4.6. Aggressiveness/Initiative

Aggressiveness is the extent to which people are aggressive and competitive rather than take it easy. It meant the members of the organization are accustomed to a

high standard to achieve the desired and planned result. Here is the presentation of a level of aggressiveness of employees.

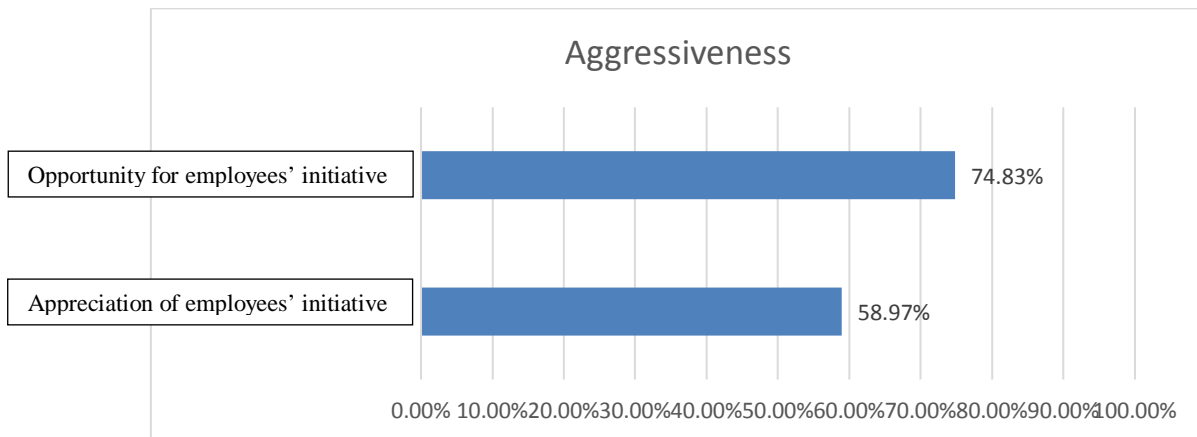


Figure 4.9
Aggressiveness Atmosphere of PDAM Tirta Raharja of Bandung Regency

Based on the figure above, it can be seen that the condition of work culture based on the aggressiveness at PDAM Bandung is categorized as moderate with an average percentage of 66.90%. The highest aspect of the aggressiveness is amounted to 74.83% wherein the company provides the flexibility for employees to aggressively work. Employees are free to pull out the aggressiveness in working to improve the performance of the company. Meanwhile the lowest aspect of initiative is 58.97%, which means the company appreciates the aggressiveness of employees that can be categorized as moderate. It means the company quite appreciates the initiative of employees which can make employees feel comfortable at work.

4.7. Stability

Stability is the extent to which the organization's activities emphasize the maintenance of stability in their activities. The following is the condition of the stability of the organization of PDAM Tirta Raharja of Bandung Regency.

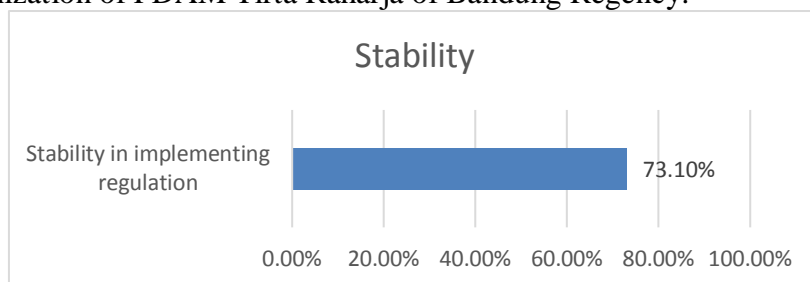


Figure 4.10
Condition of Stability of PDAM Tirta Raharja of Bandung Regency

Based on the figure above, it can be seen that the condition of work culture based on the stability at PDAM of Bandung Regency is categorized as moderate with a percentage of 60.60%. It can be interpreted that the stability of the company is moderate enough. It shows that the stability of the organization must still be improved.

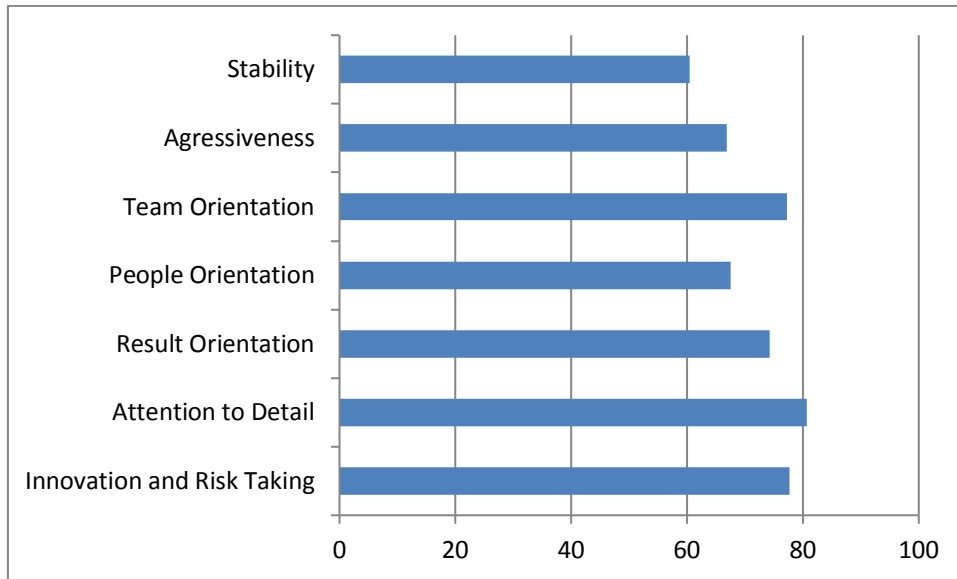


Figure 4.11

Condition of Corporate Culture of PDAM Tirta Raharja of Bandung Regency

V. CONCLUSION

The research result shows that corporate culture of Local Water Company of Bandung Regency is 72.12 %. Three dimensions of culture which have the rate less than 70% are people orientation, initiative and stability. The lack of enforcement of company's regulations causes unstable organization atmosphere. The lack of appreciation of employees' initiative from leaders and the lack of orientation on people are special challenges in managing human resources in this company. This situation cannot create new methods or ways to do jobs better.

ACKNOWLEDGEMENT

This research is dedicated for developing organizational culture study and practical business process. Thank you for everybody who has been supported us in writing this paper.

REFERENCES

- [1] Budihardjo. (2003). "Peranan Budaya Perusahaan: Suatu Pendekatan Sistematis Andreas dalam Mengelola Perusahaan", *Prasetya Mulya Management Journal*, 14: 51– 66.
- [2] Creswell, John W. (2003). *Research Design: Qualitative, Quantitative, and Mixed Method Approaches*. Thousand Oaks, California: Sage Publications.
- [3] Hoecklin, Lisa. (1995). *Managing Cultural Differences*. New York: FT Prentice Hall.
- [4] Marsela. (2013). "Publika", *Jurnal Administrasi Negara*, 2: 2.
- [5] Robbins, Stephen P, (2010), "Organizational Behavior", Prentice Hall Upper Saddle River: New Jersey.
- [6] Schein, E. H. (2002). *Organizational Culture and Leadership*. Second Edition. New York: Jossey – Bass, A Wiley Company.
- [7] Yang and Lin. (2009). "Does Intellectual Capital Mediate the Relationship between HRM and Organizational Performance? Perspective of a Healthcare Industry in

Taiwan”, *The International Journal of Human Resource Management*, Volume 20, Issue 9.

Other References

Report of Performance Audit of PDAM 2009-2012.