



## The Merger Turmoil of PT. Pesona Traditional and PT. Tech-stay: Cultural Integration Toward Smart Hospitality

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### ABSTRACT

The hospitality industry is facing increasing pressure from digital transformation, shifting customer expectations, and growing demands for operational efficiency. In this context, smart hospitality has emerged as a strategy that integrates digital technologies with high-value service experiences. However, digital transformation within merger contexts often generates significant challenges related to organizational culture and human resources. This study aims to analyze the post-merger crisis between PT. Pesona Tradisional and PT. Tech-Stay, which formed PT. Hospitality Global Indonesia (HGI), particularly focused on cultural integration toward smart hospitality.

The study concludes that the success of smart-hospitality mergers depends on human-centered, organizational development-based change management. It recommends participative change strategies, strengthened stakeholder management, and the gradual integration of high-touch and high-tech values to support sustainable merger outcomes in service industries within developing countries.

### 1. Introduction

The global hospitality industry is currently experiencing multidimensional pressures driven by the rapid pace of digital transformation, shifts in customer behavior and expectations, and increasing demands for operational efficiency. Contemporary hospitality consumers no longer seek merely physical comfort, but also fast, personalized, and digitally integrated service experiences. In this context, the concept of smart hospitality has emerged as a strategic response that integrates service automation, artificial intelligence, application-based systems, and data analytics while maintaining high-value customer experiences. Smart hospitality should not be viewed solely as technological adoption, but rather as a comprehensive organizational transformation encompassing changes in work systems, service interaction patterns, and human resource behavior. Numerous studies indicate that technology adoption in the hospitality sector frequently encounters significant barriers, including employee resistance, insufficient organizational cultural readiness, and weak change management, which can ultimately undermine the expected outcomes of digital transformation (Somera & Petrova, 2024).

This perspective aligns with the concept of Organizational Development (OD), defined as a planned, organization-wide change effort managed from top leadership to enhance organizational effectiveness and health through deliberate interventions (French & Bell, 1999, as cited in Jaya, Session 1). Accordingly, the transition toward smart hospitality should be understood as a systemic organizational change process rather than a standalone technology project.

Nevertheless, empirical evidence and managerial practices reveal that digital transformation within service industries—particularly hospitality—often faces substantial obstacles. Transformation failures are not necessarily rooted in technological limitations, but rather in weak cultural readiness, employee resistance, and non-inclusive change management practices. This is consistent with the core principles of organizational development, which emphasize that effective change must focus on human behavior and organizational culture, rather than merely on formal structures and systems (Jaya, Session 1). Technology-driven changes implemented through top-down approaches without transparent communication and employee involvement tend to generate covert resistance, such as declining productivity, information withholding, and procedural sabotage, which can be more detrimental in the long term than overt resistance (Jaya, Session 3).

These challenges become increasingly complex when digital transformation occurs within the context of mergers and acquisitions involving organizations with fundamentally different cultural backgrounds. A merger essentially represents the integration of two social systems, each characterized by deeply embedded values, basic assumptions, power structures, and ways of working. Schein (2010) defines organizational culture as a pattern of shared basic assumptions learned by a group through processes of external adaptation and internal integration. Recent research demonstrates that organizational cultural distance is among the most critical determinants of merger success, often outweighing financial and technological factors (Brede et al., 2025). Differences in hierarchical orientation, work values, reward systems, and decision-making mechanisms have been shown to intensify post-merger friction, hinder strategic synergy realization, and trigger latent conflicts among employee groups. Consequently, unmanaged cultural divergence in mergers is likely to produce persistent latent conflict.

Contemporary studies further suggest that organizational cultural distance frequently plays a more decisive role in merger outcomes than financial or technological considerations. Variations in hierarchical orientation, leadership styles, and reward systems can foster group inertia, defined as the tendency of groups to preserve established norms despite the strategic rationality of change (Jaya, Session 3). From an organizational development perspective, this condition reflects structural inertia, whereby legacy organizational structures and formalized rules inherently resist change in order to preserve perceived stability.

These dynamics were clearly evident in the merger between PT. Pesona Tradisional and PT. Tech-Stay, which formed PT. Hospitality Global Indonesia (HGI) in early 2025. PT. Pesona Tradisional, a long-established organization with more than five decades of operation, embodies a hierarchical and formal culture oriented toward high-touch service, characterized by rigid standard operating procedures and strong respect for seniority. In contrast, PT. Tech-Stay promotes a flat, agile, and data-driven work culture that relies heavily on automation and rapid decision-making. This contrast reflects a clash between stability-oriented and innovation-oriented cultures, which, according to the McKinsey 7S framework, requires alignment not only across hard elements such as strategy, structure, and systems, but also across soft elements, including shared values, leadership style, competencies, and human resource characteristics.

Although the merger was driven by a strategic vision to position HGI as a leader in smart hospitality in Indonesia, post-merger realities revealed opposing dynamics. Within three months of integration, HGI experienced a significant internal crisis marked by widespread employee resistance. This resistance was predominantly covert, manifesting in the rejection of new digital systems, declining performance, and increased turnover of key talent. From the perspective of resistance-to-change theory, these phenomena are closely associated with economic insecurity, fear of the unknown, and perceived

threats to the power and status previously held by senior managers from the former PT. Pesona Tradisional.

This situation was exacerbated by ineffective change communication. Organizational Development literature emphasizes that change communication aims to create awareness, build understanding, and secure employee commitment. One-way communication, limited dialogue, and failure to address the fundamental question of “What’s in it for me?” are widely recognized as primary causes of organizational change failure. Such conditions were evident at HGI, where strategic changes were announced without meaningful employee involvement, leading to psychological insecurity and a diminished sense of ownership within the newly formed organization.

Furthermore, these failures highlight the absence of transformational leadership. Burns (1978) and Bass (1985) argue that transformational leadership plays a crucial role in articulating a shared vision, inspiring change, and motivating employees to transcend self-interest for organizational goals. Without leaders who model change, provide inspiration, and demonstrate individualized consideration, cultural change in mergers risks becoming a purely structural formality (Jaya, Session 2).

Consistent with the findings of Foelyati and Dudija (2024), merger failures are more frequently attributed to human and cultural factors than to deficiencies in financial planning or technological infrastructure. Accordingly, the post-merger crisis experienced by HGI should not be interpreted merely as a technical failure in implementing smart hospitality, but rather as a failure of change management within an organizational development framework. Without comprehensive organizational diagnostics addressing culture, structure, processes, and leadership, and without participatory and sustainable change interventions, HGI’s cultural integration risks failure, thereby threatening the long-term viability of its strategic vision.

Based on these conditions, this study becomes particularly important in examining how organizational development-based change management strategies can be utilized to manage stakeholders, enhance employee engagement, and mitigate resistance to change in order to rescue the HGI merger and realize sustainable smart hospitality in Indonesia.

## 2. Literature Review

### Digital Transformation and the Smart Hospitality Concept

Digital transformation in the hospitality industry should not be understood merely as the adoption of new technologies, but as a comprehensive shift in business processes, service models, and interaction patterns among organizations, employees, and customers. Somera and Petrova (2024) argue that technology adoption in hospitality constitutes an organizational change process involving structural, cultural, and human dimensions, rather than a purely technical information systems issue. In this regard, failures in digital adoption frequently occur when organizations prioritize digital tools without adequately addressing their implications for employees, job roles, and professional identity.

The concept of smart hospitality has emerged as an integrative approach that combines automation, artificial intelligence, mobile applications, and data analytics with service experiences that remain human-centered and high-touch. However, Somera and Petrova (2024) highlight that technologies such as self-service check-in, AI-based services, and staffless systems may generate psychological disruption among traditional hospitality employees, particularly in relation to job security, role transformation, and the perceived loss of work meaning. This phenomenon is highly relevant to the HGI case, where radical digitalization was introduced simultaneously with workforce restructuring following the merger.

## Digital Organizational Culture and Digital Cultural Transformation

Organizational culture represents a system of shared values, norms, and underlying assumptions that shape how organizational members think, behave, and make decisions. Schein (2010) emphasizes that culture operates at three levels—artifacts, espoused values, and basic underlying assumptions—implying that cultural change cannot be achieved instantaneously through formal policies alone.

Research by Aisha, Mahilan, and Saefullah (2025) demonstrates that traditional organizational cultures characterized by hierarchy, bureaucracy, and rigidity often constitute major barriers to digital transformation. Conversely, digital-oriented cultures that emphasize flexibility, cross-functional collaboration, and continuous innovation have been shown to enhance decision-making speed and organizational competitiveness. These findings reflect the cultural tension evident in the HGI merger, where the hierarchical culture of PT. Pesona Tradisional directly confronted the agile and flat culture of PT. Tech-Stay.

Furthermore, the study underscores that employee resistance should not be interpreted as irrational opposition, but rather as a response to perceived threats to long-established work identities and competencies. In the HGI context, resistance to digital systems and performance-based work practices can be understood as a form of psychological defense against the loss of status, seniority, and control embedded in the former organizational structure.

## Organizational Cultural Distance in Mergers and Acquisitions

Mergers and acquisitions fundamentally involve the integration of two distinct cultural systems. Brede et al. (2025) introduce the concept of organizational cultural distance, referring to differences in values, work orientations, hierarchical structures, and decision-making styles between merging organizations. Their findings indicate that cultural distance has a significant negative impact on post-merger synergy realization, long-term innovation, and overall organizational performance.

Drawing on the Competing Values Framework (CVF), Brede et al. (2025) reveal that post-merger conflicts are often driven by discrepancies between hierarchical and adhocracy-oriented cultures. This perspective is particularly applicable to the HGI case, where PT. Pesona Tradisional embodies a culture of hierarchy and stability, while PT. Tech-Stay represents an adhocracy culture emphasizing innovation, experimentation, and speed. Such misalignment helps explain the emergence of covert resistance, system sabotage, and increased turnover of key talents following the merger.

## Change Management and Employee Resistance

Change management refers to a systematic approach designed to help organizations and individuals transition from existing conditions to desired future states. Muhtar et al. (2023) assert that organizational change failures are commonly rooted in ineffective communication, low employee involvement, and the absence of empathetic leadership. Employee resistance should therefore be viewed not as an obstacle, but as an indicator of underlying structural and psychological unpreparedness.

Wardhani et al. (2024) further observe that in digital transformation contexts, employee resistance frequently manifests as covert resistance, including silent performance decline, disengagement, and dysfunctional behaviors. Such resistance typically arises when employees are excluded from the change process and lack clarity regarding the organizational strategic direction. This phenomenon closely mirrors the situation at HGI, where strategic changes were communicated unilaterally through digital channels without meaningful dialogue or participation.

## Organizational Development as an Integrative Framework

Organizational Development (OD) emphasizes planned change initiatives that focus on people, processes, and organizational culture. Kurt Lewin's classical model of unfreezing, changing, and refreezing remains highly relevant in contemporary merger contexts, particularly in facilitating the abandonment of old patterns and the internalization of new cultural norms (Aisha et al., 2025).

In the case of the HGI merger, an OD approach is critical due to the simultaneous nature of change across technology, structure, culture, and work identity. Without an adequate unfreezing phase, former employees of PT. Pesona Tradisional lacked the psychological space necessary to understand and accept change. This reinforces the argument that rescuing the HGI merger requires a participative, learning-oriented OD approach focused on reconstructing the meaning of work within the smart hospitality paradigm.

Organizational development is widely recognized as a systematic approach to enhancing organizational effectiveness through planned interventions centered on human and cultural dimensions (Azmy, 2023). Analytical frameworks such as the Burke–Litwin Model and the McKinsey 7S Framework are commonly employed to examine the interrelationships among strategy, structure, culture, and performance.

## Human Resource Management in Mergers and Acquisitions

Tukuboya et al. (2024) emphasize that the primary challenges in mergers and acquisitions lie in cultural integration, talent retention, and the harmonization of human resource policies. Transparent leadership, two-way communication, and inclusive HR technology practices have been shown to enhance trust and organizational stability in post-merger environments.

In the HGI case, inadequate management of human resource issues significantly intensified the post-merger crisis. Fear of layoffs, loss of managerial authority, and ambiguity surrounding new roles indicate the absence of a systematic internal stakeholder management strategy. This underscores the conclusion that the success of smart hospitality initiatives is determined not solely by technological sophistication but by the organization's capacity to effectively manage people throughout the change process.

### 3. Research Methods

This study employs a qualitative approach using a library research method enriched by an in-depth case study analysis of the merger between PT. Pesona Tradisional and PT. Tech-Stay, which resulted in the formation of PT. Hospitality Global Indonesia (HGI). This approach was selected to achieve a comprehensive understanding of organizational change dynamics, cultural conflicts, and employee resistance arising during the merger process and digital transformation toward smart hospitality. The choice of a descriptive qualitative design aligns with Prima Jaya (2025), who argues that qualitative case studies are particularly effective for uncovering patterns of organizational resistance, power dynamics, and the behavior of internal actors in complex organizational change contexts. Research data were derived from national and international academic journals published between 2023 and 2025, organizational development textbooks, and relevant literature on mergers, organizational culture, and change management.

Data analysis was conducted using a multi-theoretical approach. The Burke–Litwin Model of Organizational Change served as the primary diagnostic framework to analyze cause-and-effect relationships between external environmental pressures and internal organizational changes, particularly in leadership, culture, and work systems. Subsequently, the McKinsey 7S framework was applied to assess the alignment between the smart-hospitality strategy and post-merger organizational structure, systems, shared values, and human resource competencies. This diagnostic approach is consistent with Jaya (2025), who emphasizes the importance of examining the interrelationships between transformation strategies and organizational culture to identify sources of change resistance.

To further examine power relations and stakeholder interests within the change process, this study applies stakeholder analysis using the Power–Interest Matrix to map key actors and sources of resistance. This approach draws on the framework proposed by Jaya (2025), which highlights that organizational resistance often originates from groups with high power and high interest who perceive structural change and digitalization as threats. Based on these diagnostic findings, change management strategies were formulated with reference to Kotter's Eight-Step Change Model, which serves as the conceptual foundation for developing recommendations to rescue the HGI merger. The validity of the analysis was strengthened through triangulation of theories and data sources, ensuring comprehensive and practically relevant conclusions for organizational development practices in the hospitality industry.

#### 4. Results And Discussion

##### Results

The results of the analysis indicate that the post-merger crisis at PT. Hospitality Global Indonesia (HGI) was caused by an imbalance between the speed of technological change and the organization's cultural readiness. The aggressive implementation of digital transformation following the merger was not accompanied by adequate cultural and psychological adaptation processes. These findings reinforce the study by Somera and Petrova (2024), who emphasize that digital transformation in the hospitality industry is a complex organizational change process, in which failure often stems from neglecting human and cultural dimensions. In the context of HGI, the dominance of the former PT. Tech-Stay management in strategic decision-making created perceptions of exclusion among former PT. Pesona Tradisional employees, who felt that their values, experience, and historical contributions were marginalized within the new organization. This condition weakened employees' sense of belonging and widened organizational cultural distance.

Resistance to change emerged in various forms and across multiple organizational levels. At the group level, collective inertia occurred as senior employees from the former PT. Pesona Tradisional actively resisted the use of digital systems, which they perceived as eroding the essence of high-touch service that constituted their professional identity. This pattern aligns with the findings of Aisha et al. (2025), who demonstrate that hierarchical and seniority-based cultures tend to experience conflict when confronted with agile, data-driven digital cultures. At the behavioral level, resistance took covert forms, including procedural sabotage, declining data quality, and increased turnover of key talent. Additionally, fears of job loss due to automation further reduced affective commitment and employee engagement, as also identified by Wardhani et al. (2024), Foelyati and Dudija (2024), and Somera and Petrova (2024).

Stakeholder analysis reveals that senior managers from the former PT. Pesona Tradisional occupied a high power–high interest position but exhibited negative attitudes toward change. This group emerged as a major source of resistance due to its strong structural and symbolic influence, perceiving digital systems and transparency-oriented cultures as threats to their authority, status, and established power structures. These findings reinforce the concept of organizational cultural distance proposed by Brede

et al. (2025), which identifies differences in hierarchical and adhocracy orientations as primary triggers of post-merger conflict and failures in synergy realization.

Based on this diagnosis, the findings indicate that efforts to rescue the HGI merger must be implemented gradually and grounded in an organizational development approach. The unfreezing stage should prioritize empathetic communication, two-way dialogue, and acknowledgment of employees' anxieties. During the changing stage, management needs to enhance employee involvement through training programs, reskilling initiatives, and the appointment of change champions from among senior employees to bridge legacy and emerging cultures. The refreezing stage involves embedding new cultural values that integrate high-touch and high-tech strengths into work systems, performance evaluation mechanisms, and leadership practices within HGI.

The application of Kotter's 8-Step Change Model highlights that the initial failure of the HGI merger was driven by the absence of a cross-cultural guiding coalition and the lack of short-term wins capable of strengthening employee confidence in the change process. These findings are consistent with the studies of Sharma et al. (2024) and Tukuboya et al. (2024), which emphasize that successful organizational change is largely determined by the involvement of key internal actors and the organization's ability to institutionalize new cultural values as an integral part of everyday work systems and routines.

The novelty of this study lies in its integrative analysis of post-merger crises by combining digital transformation, organizational cultural distance, and change management within the context of smart hospitality. Unlike previous studies that tend to examine digital transformation or mergers in isolation, this research demonstrates that the imbalance between the speed of technological adoption and organizational cultural readiness constitutes the primary determinant of early merger failure, rather than technological resistance or inadequate strategic planning alone.

This study also offers conceptual novelty by positioning employee resistance as a systemic phenomenon rooted in threats to work identity, status, and power structures, particularly among senior managers occupying high power-high interest positions. Furthermore, it introduces a phased organizational development approach (unfreezing-changing-refreezing), enriched by Kotter's 8-Step Model, as a strategy for rescuing smart-hospitality mergers, emphasizing the integration of high-touch and high-tech values. Consequently, this research extends the change management literature by presenting a human-centered, contextual, and applicable merger recovery model for technology-driven organizations, particularly within service industries in developing countries.

## Discussion

The findings of this study affirm that the post-merger crisis at PT. Hospitality Global Indonesia (HGI) cannot be understood merely as a failure of technological implementation, but rather as a failure of comprehensive organizational change management. The aggressive execution of digital transformation without adequate cultural and psychological adaptation reinforces the argument of Somera and Petrova (2024) that technology-driven change in the hospitality industry is a complex process that heavily depends on human readiness and organizational culture.

The emergence of resistance in the form of group inertia, rejection of digital systems, and covert resistance reflects a fundamental conflict between hierarchical, seniority-based cultures and agile, data-driven digital cultures. These findings support Aisha et al. (2025), who argue that traditional organizational cultures often experience identity disruption when confronted with digital work logics. In the HGI context, resistance to digital systems does not represent opposition to innovation per se, but

rather a defensive response to the perceived loss of work meaning, professional status, and historical value embedded in high-touch service practices.

Furthermore, the prevalence of covert resistance behaviors—such as procedural sabotage, declining work quality, and increased turnover of key talent—strengthens the arguments of Wardhani et al. (2024) as well as Foelyati and Dudija (2024), who suggest that employee resistance often remains latent when organizations fail to create spaces for dialogue and participation. Fear of job loss due to automation exacerbated employees' psychological distress and reduced affective commitment to the new organization, thereby undermining post-merger synergy realization.

From a stakeholder management perspective, the position of senior managers from the former PT. Pesona Tradisional, as a high power-high interest group with negative attitudes toward change, represents a critical factor explaining the escalation of post-merger conflict. This finding confirms the organizational cultural distance framework proposed by Brede et al. (2025), which identifies differences in hierarchical and adhocracy orientations as key drivers of conflict and cultural integration failure in mergers.

This discussion also underscores the importance of an organizational development approach in rescuing the HGI merger. The unfreezing stage, which emphasizes empathetic communication and two-way dialogue, is essential for reducing anxiety and rebuilding trust. During the changing stage, enhanced employee involvement through training, reskilling, and the appointment of senior employee change champions plays a vital role in bridging legacy and emerging cultures. The refreezing stage then ensures that newly integrated cultural values, combining high-touch and high-tech elements, are embedded within work systems and leadership practices.

Finally, the application of Kotter's 8-Step Change Model highlights that the absence of a cross-cultural guiding coalition and the failure to generate short-term wins were the primary reasons for low employee confidence in the change agenda. This finding aligns with Sharma et al. (2024) and Tukuboya et al. (2024), who emphasize that the success of organizational change is largely determined by the engagement of key internal actors and the organization's capacity to institutionalize new cultural values on a sustained basis.

## 5. Conclusion And Suggestion

This study concludes that the post-merger crisis at PT. Hospitality Global Indonesia (HGI) stems from a misalignment between the pace of digital transformation and the organization's cultural readiness. The aggressive implementation of digital initiatives without sufficient cultural and psychological adjustment weakened employees' sense of belonging and intensified organizational cultural distance. The dominance of technology-oriented management in strategic decision-making further reinforced perceptions of exclusion among employees from the traditional hospitality organization, thereby triggering resistance to change. Such resistance manifested in collective inertia, covert opposition, and increased employee turnover, rooted in perceived threats to professional identity, status, and job security. These findings highlight that the success of smart-hospitality mergers is highly contingent upon effective organizational change management that prioritizes human and cultural dimensions through an integrated organizational development approach.

Accordingly, it is recommended that HGI adopt a human-centered and participative change management strategy by fostering continuous two-way communication, implementing gradual cultural transformation that integrates high-touch and high-tech values, and developing structured reskilling and upskilling programs. The appointment of senior employees as change champions is essential to bridge legacy and emerging cultures. Future research is encouraged to employ empirical methods and

longitudinal studies to deepen understanding of digital transformation dynamics and post-merger cultural integration.

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