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Corporate tax reformsand share price effect on China

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Abstract

This paper is about share price responses to China'scorporate taxannouncement. The changes increased/decreased corporate tax rates differently for (i) A-shares of local, and (ii) B-shares of foreign firms. Price reactions are significantly positive/negative to tax decreases/increases. The correlations between price changes and three firm factors (risk; firm size; debt-equityratio) of A- and B-shares are statistically significant as per theory. These findings are new tests of tax reform effect also serving as tests of asset pricing theories. This paper addsto the growing literature to understand China's capital market behavior.

Keywords: Miller-Modigliani propositions, tax policy, event study, China, tax reforms in China, corporate tax

JEL Codes: G12

I. INTRODUCTION AND TAX POLICY CHANGES

A. Introduction

This paper reports the impact on listed companies share prices of China's corporate tax policy reform announcementin2007. This tax change wasa major corporate event in an increasingly important economy, and was launched as China's *Li gaishui*(tax for profit) reform packages after careful studies to sell these "tax for profits" reforms for acceptance by the masses and for compliance by foreign corporations.

A brief review of literature leads us to an observation, there is a current trend in many countries around the world to reduce corporate tax rates imposed on firms on the reasoning that it will attract more funds to be deployed to spur economic growth in developed countries. Developing countries too are reducing corporate tax rates to attract foreign investment flows to address the shortage of capital required for faster growth in such countries. Study of tax policy is thus always propping up for attention. While that is true of middle and high income countries, there are also attempts to re-introduce or to increase existing corporate tax rates in countries – as is China's *Li gaishui* reforms - where traditionally there was no or little interest in corporate tax. This is also observed in the Middle Eastern countries - Kuwait, Oman, Qatar, and Saudi Arabia – some of which introduced corporate taxes.

Our analyses of price impact of three corporate tax policy announcements are on share prices in China. We investigate three main events which are: (i) implementation of corporate income tax in the year 1991 on foreign investment enterprises (FIEs) and foreign enterprises (FEs); (ii) implementation of income tax for China's local enterprise in year 1994; and (iii)

introduction of a uniform corporate income tax at 25 per cent effective from year 2008 announced in 2007. The last event suggests tax neutrality across firms irrespective of ownership of the firm, which led strangely to different price effects depending on ownership and pre-existing tax.

B. The change of Corporate Tax in Modern China

In this sub-section, we describe the evolution of the three major changes on corporate tax. In a sense, these three tax law changes are major reforms of a major economy as at 2012: (Louwe and Shaughnessy, 1999; Nakazato, 2011). Understanding the background to the tax for profits reforms of China as a major fiscal policy exercise puts this research in focus to understand its influence on the value of firms, when suddenly corporate taxes are introduced. This enables one to predict and test the tax imposition effect on share values.

As one of the oldest world civilizations, China has recorded a long history of taxation. It is also recorded that more significant revisions were done to the tax system during the economic reforms in the 1970s, just before the end of Mao Zhedong era, as the government started to secure revenues prior to opening the door for foreign investments. The taxation system has gone through numerous reformations since then as market economy reforms, and fiscal governance took roots, and is still continually to face likely changes in future.

In the early 1980s, the government focused on how to obtain revenue from income, which is the start of the '*Li gaishui*' or tax for profits reforms. Income tax for joint Chinese and foreign investment firm was imposed at a general tax rate of 30 per cent, on top of the local provincial tax rate of 10 per cent.[1] Another tax law for wholly foreign enterprises was amended in 1982, which specified tax rate ranging from 20 to 40 per cent.[2] Nevertheless the government offered some incentives to foreign firms, which included exemption of tax during the first year and reduction to 50 per cent tax in the second and third year of their operation if the firm intends to continue operation for 10 years. Another reduction of 15 to 30 per cent applied over the next ten years, if the Ministry of Finance consents to such rates. Starting in year 1983, state-owned enterprises were also taxed at a fixed rate of 55 per cent, a very high rate, but it hides the dividend element to state owners in that tax. Relative to the rates then prevalent in the developed and developing countries prior to scaling down the tax rates starting in year 1980, China's corporate tax rates up to year 1983 were on the high side for only the local state-owned firms. Compared to the tax rates prevalent in the 1980s, these tax rates right up to 1991 were also on the high side. These could not be tested as there was no organised stock exchange during these periods of introducing corporate taxes.

Nevertheless, these early reforms had not been very successful. In their paper, Tsang and Cheng (1994) describe the problems that begged for attention as far back as 1986. The administration of tax was inefficient, given the practice that the actual amount of tax had always been subject to negotiations with authorities, especially for both state and foreign firms. Moreover, the state-owned enterprises, which previously enjoyed monopoly of state industries, were facing hard competition from newcomers. As a consequence, these state enterprises' income plummeted, undercutting the actual tax received after negotiations from this source as the main government income. These situations were made more complex by practice of local tax authorities, who were still giving preferential tax rate for firms operating within their jurisdictions to encourage local economic activities, on which provincial leaders were judged

[1]Details can be referred to in Income Tax Law of the People's Republic of China concerning Joint Ventures using Chinese and Foreign Investment, adopted at the Third Session of the FifthNational People's Congress and promulgated on 10 September 1980

[2]The Income Tax Law of the People's Republic of China concerning Foreign Enterprise, which is adopted by the Fourth Session of the Fifth National People's Congress and Promulgated on December 13, 1981.

for rewards. As a result, the total tax revenue plummeted, fiscal budget turned negative and GDP went into drastic decline.

The government started to pay attention and spent more efforts to adopt new ways to fix the taxation system. A newer version of income tax for foreign firms was adopted in 1991 (first of the three tax covered in this paper): that was the Enterprise Income Tax Law for *foreign* investment enterprise and foreign enterprise.[3] Despite a general tax rate of 33 per cent (both central and local tax), reduction rate were widely available in many ways, as before. A reduction rate of 24 per cent was usually granted if the firm establishes operations in Special Economic Zone. A more reduced rate of 15 per cent was granted if the business were in some specific industry such as manufacturing or high technology. It took couple of years to realise the shortcoming of this system. It is possible to explore in this paper whether these tax changes starting in 1991 (stock trading started in this year) had what effects on share prices of these firms provided these companies are listed and data are available.

Later in 1994, the government finally thought it could further improve the tax system. Tax policies were taken more seriously, specifying strict roles for local and central authorities. The government passed another law, specified for the local Chinese firms (which are the A-shares), requiring them to pay tax of 30 per cent with another 3 per cent of local tax: that is a 33 against the then current 55 per cent rate.[4] Obviously, one could expect share prices to react positively to this reduced taxation. This law would cover state-owned, non-state-owned, collective and private Chinese firms but the foreign firms were under the 1991 law *and*the negotiated structures.

As the economy was already in steady state of prosperity by the year 2001 with the market economy model and the low currency rate sustaining double-digit economic growth, the government took another bold step in 2007 to neutralize the tax rate differences between firms, where one future corporate tax law could apply irrespective of ownership types.[5] All corporate income is to be subject to a flat tax rate of 25 per cent for local *and* foreign firms. Nevertheless there are specific industries, such as the high technology with 20 per cent corporate tax. Also, the 4 million or so small businesses would be granted a lower tax rate of 15 per cent. Due to this change that became effective in 2008, the foreign firms that had been previously charged lower actual tax rate - recall the negotiated scheme in practice - were subjected to a gradual tax increase over the ensuing five years, as they adjust to the new tax.

The stock exchange in 1991 was a very small with few listed firms, so that would limit our analysis. However, by 2007, the listed firms were plentiful to enable a researcher to observe the price effect much more while also taking advantage of the way market efficiency had improved over the years with more timely and accurate disclosures since the establishment of the capitalist stock exchanges in August, 1991.

The rest of the paper is organised as follows. The relevant but widely known literature on corporate taxation is briefly stated in section II. The hypotheses for testing and the methodology are explained in the section following the next section III. The reader will find specification of well-established methodology and note that we intend to conduct panel regression in order to use the latest and more accurate methodology. The results are presented in section IV along with interpretation to understand the theory-suggested behavior of the share

[3]The Income Tax Law of the People's Republic of China for Enterprises with Foreign Investment and Foreign Enterprises , adopted by the Fourth Session of the Fifth National People's Congress and Promulgated by Order No. 45 of the President of the People's Republic of China on April 9, 1991.

[4]Provisional Regulations of the People's Republic of China on Enterprises Income Tax, adopted at the 12th General Meeting of the State Council held on 26th November, 1993.

[5]The Corporate Income Tax Law of the People's Republic of China, adopted at the 5th Session of the 10th National People's Congress of the People's Republic of China on March 16 2007.

prices to these three reform laws if these had significant effects on share values. The paper ends with a conclusion in section V.

Information efficiency tests reveal significant share price changes at the time of announcing the tax change laws. Finally, we also show the association of share price changes with three firm-specific variables of risk, firm size and debt-equity ratio (capital structure).

II. LITERATURE ON TAXATION EFFECTS

There is a lot of research in the field of taxation. Two of the earlier classical works are Modigliani and Miller (1958; 1963), where they stated that, in a perfect market where tax does not exist, any level of debt would not have any impact on the value of a firm. Later they develop another sound theory on how corporate tax would increase the value of a firm, which is the value of tax shield of interest, $\tau_c D$through tax deduction of interest costs by the firm. Due to this reasoning, therefore, the value of levered firm would not be the same as the value of the unlevered firm:

(1) $V_L = V_U + \tau_c D$

This theory implies that the firm reaches its maximum value when the firm obtains a 100 percent debt! Therefore, later research emerged about how corporations would maximize the firm value through different capital structure policies. One of the famous theories is the traditional trade off theory (the actual behaviour of the manager would be to raise the cheaper finance by issuing debt, then opt for more expensive funding) which suggests the optimal point is between balancing the firm's distress level (bankruptcy costs) and the benefit of the tax shield (Kraus and Litzenberger, 1973). The argument of debt to equity level has also been brought by Donaldson (1961), who initially suggested the scenario of pecking order.[6] He theorises that it is common for the firms to choose the financing terms based on priority order. That is, the firms would first seek internal financing before resorting for external financing methods such as debt first and then equity.

III. DATA AND METHODOLOGY

A. Data

In this section, we attempt to explain how the disclosure dates of tax reforms are identified before explaining the data sources and describing the test models. The news about the tax reform events is collected from a number of sources. There is a vast body of web-based and official publication sources for the many dates over which the reform details are discussed, and released to the market place. Because of the paucity of news coverage in English in printed publication in some periods, especially during the early 1990s, we find the dates from journal articles, and also some other sources such as Factiva database. These dates are then confirmed from the government law database website to validate the information.

In order to make sense of slow releases of announcements as to which dates are more important than other dates, we resorted to first documenting all announcements and then exploring how the stock market index reacted to these announcements at each of these potential event dates. The aim was to identify if some news disclosures created more of a certainty to the reform package being finalised. We found at most few dates on which news disclosures led to some degree of certainty of the laws being finalised. We identify these events as the dates around which abnormal returns are to be computed and tests are to be conducted for share price reactions using individual stock abnormal returns, a measure widely accepted in accounting and finance. After that, by cumulative the price effects around a short window of

[6]This theory has been slightly modified by Myers and Majluf (1984).

time around the selected event dates, we test if the cumulative abnormal returns are significant in the directions predicted by good and bad news for which firm types. Good news is assumed if the tax reform led to reduction in tax rate: bad news otherwise. Data on ex dividend dates were also collected to test if the share price to dividend drop ratio behaves as per the Elton and Gruber hypothesis.

The data on share prices and ex days are collected from DataStream. We obtain the Shanghai adjusted market index prices and the firms' capitalisation adjusted share prices. The firms are classified as A-Share for the local firms, B-Share and as H-Share if the firms are Hong Kong firms: the last two are foreign owned firms. Both market and individual firm's share returns are calculated using the natural log of return, $ln(P_t/P_{t-1})$ as is well-established: these are then converted to percentages. Also, from the same database, we collect information about firms: standard deviation of stock returns over a 30-week daily data as a measure of stock risk, annual market capitalization for size variable and annual debt to equity ratio as average debt-equity over the year.

The ex-dividend day price data are also collected for shares as these shareholders do not pay tax on dividend incomes and there is no capital gains tax. We extended this to cover H-Share, which refers to Hong Kong Stock Exchange firms listed and traded in China. The H-shares are not taxed on dividend income and there is no capital gains tax for trades in shares in China. Selection of sample in each period is based on availability of data. Basic market data for firms are available in DataStream from year 1991, the start of stock exchange with just few firms. Over time, the number of firms increases.

B. Methodology

We apply the widely used event study methodology for short-dated events less than 6 months as in MacKinlay et al. (1997). The abnormal returns around the event daily dates are calculated as:

(4) $A_{it} = R_{it} - E(R_{it})$

whereA_{it} are the expected abnormal returns of firm i and the $E(R_{it})$ are estimated using the market model, which is found to be a better model as it accounts for the individual's firms risk. This can be expressed as:

(5) $R_{it} = \alpha_{it} + \beta_i R_{mt} + e_{it}$

The abnormal returns are computed using the well-established statistical procedures in event study method. The average of the abnormal returns across all firms experiencing the event is then computed as the average abnormal returns, AAR_t, which is an accurate method of measuring the event impact around the time of announcements. We tried various windows around event dates, and selected much shorter windows over which the results are significant. The average is calculated across all firms in a cross section of time from i = 1, N firms.

(6) $AAR_t = \frac{1}{N}\sum_{i=1}^{N} A_{it}$

The cumulative abnormal return, $CAAR_{(K,L)}$are also calculated across the test window from –K to +L window markers:

(7) $CAAR_{(K,L)} = \sum_{t=K}^{L} \mathrm{AAR}_t$

IV. FINDINGS AND INTERPRETATIONS

A. Tax Effect on A-Share and B-Share in China

We obtained data on sample of firms from DataStream, numbering 1,368 observations and we split the data set according to their types, A- and B-share. We computed the daily abnormal returns for each of the two types across all three tax change events. Apparently, less number of observations is obtained for the earlier event dates of 1991 and 1994. Share 'A' is the listed

local investment firms, which refer to issued shares to the domestic investors: these firms dominate the market. Whereas, Share B is China listed foreign investment firms as foreign investor-owned B-shares. Share 'B' data are very limited, and unfortunately not available during the introduction of tax in 1991 for the FEs and FIEs. Therefore the result for 1991 tax event on Table 1 represents local Chinese enterprise result only.

Table 1: Share 'A' Portfolio CAARs around 1991 Tax Event Dates(in percentage)

		-1 to 0	0 to +1	-1 to +1	Others	
9/4/1991	Share A	-0.289	-0.283	-0.259	3.682	-3 to +1
Law passed		(-0.859)	(-0.824)	(-0.762)	(0.755)	
1/7/1991	Share A	-0.213	0.181	-0.375	2.004	-1 to +3
Law issuance		(-0.236)	(0.358)	(-0.479)	(0.612)	

The CAARs are calculated only for Share A firms due to unavailability of Share B data at the implementation of tax on foreign investment enterprise and foreign enterprise event dates. Three dates below are referred to as the passing of the law (9th April, 1991), law issuance and the effective date (30th June and 1st July 1991). Date of 30th June is a non-trading day therefore CAAR is not calculated based on that day. Sample size for Share A is 7, and significance of T-statistic is denoted under each calculated CAARs. Rank and sign significant tests (Corrado and Zivney, 1997) provide non-significant indications.Note: P-value is noted as * (0.1), ** (0.05), and *** (0.01).

Table 1 is a summary of Share 'A' performance during the implementation of tax law on FIEs and FIs. It is found that there is no significant price impact at both the passing of the bill and the issuance of the law on 9 April 1991 and 1 July 1991, respectively, which is expected since these firms are not directly related to the enforcement of the law. Nevertheless, it is observed that there is highly positive CAAR around the event dates. Probable reason would be a spillover of good news due to competitor's corporate tax enforcement.

As for the 1994 implementation of income tax for local firms, we find Share 'A' portfolio shows a mild but significantly negative CAAR of 0.4 per cent over2 days following the passing of the law on 26 November 1993 (Table 2). B-Share portfolio also shows significantly negative CAARs around the event date, nevertheless the reaction reverts to positive CAARs when the law was issued in 13 December 1993. The different CAAR movement can be seen from Figure 1 and Table 2, where Share A firms' CAAR is moving in mildly negative direction, whereas, the Share B firms is moving into positive direction.

Table 2: Share 'A' and 'B' Portfolio CAARs around 1994 Tax Event Dates(in percentage)

		-1 to 0	0 to +1	-1 to +1
26/11/1993	A Share	-0.283	0.407	-0.185
Law passed		(-0.314)	(1.932)**	(-0.226)
	B Share	-6.903	-2.916	-9.144
		(-1.243)	(-1.862)*	(-1.843)*
13/12/1993	A Share	-0.427	-0.391	0.195
Law issued		(-0.266)	(-0.239)	(0.120)
	B Share	0.669	2.751	3.396
		(1.079)	(1.018)	(1.385)

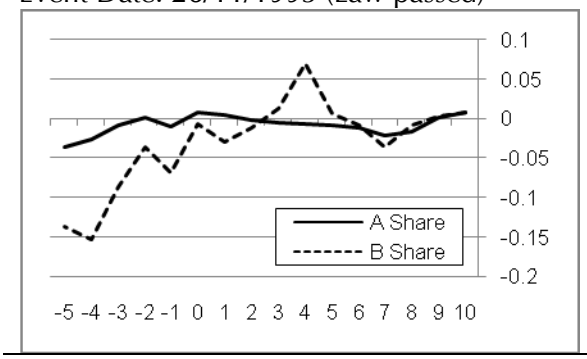
The CAARs are calculated for Share A and Share B portfolio at the implementation of tax on local Chinese enterprise event dates. Three dates below are referred to as the passing of the law (26th November, 1993), law issuance (13th December 1993), and the effective date (1st January, 1994). Sample size for Share A is between 110 and 178, and for Share B is only 1, and significance of T-statistic is denoted under each calculated CAARs. Rank and sign significant tests of -1, 0 and +1 (Corrado and Zivney, 1997) provide mixed and insignificant indications for both portfolios.

Note: P-value is noted as * (0.1), ** (0.05), and *** (0.01).

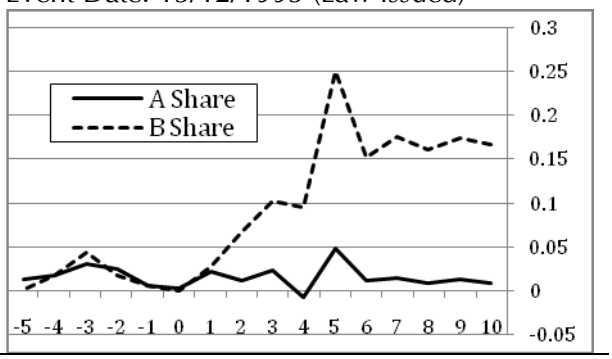
B-Share firms had tax reduction and greater degree of certainty that they did not have to negotiate what tax to pay, which cost time and money. For comparison, available Share 'B' firms are observed. Nevertheless, Share 'B' portfolio shows a mixed but mild reaction during the passing (slightly negative) and issuance (mildly positive) of the law. Nevertheless, when the law took into effect on 1 January 1994, this portfolio shows a highly positive price reaction.

Figure 1: Portfolio CAARs around Tax Announcement on Enterprise Income 1994

Event Date: 26/11/1993 (Law passed)



Event Date: 13/12/1993 (Law issued)

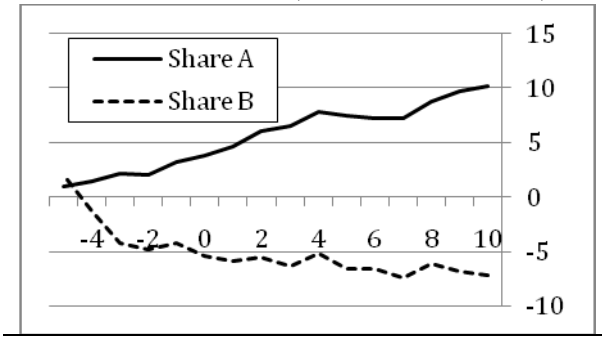


As for the unification of corporate tax to be enforced in 2008 and announced in 2007, we find that across all dates for the Share 'A' portfolio, the CAARs shows highly significant positive signs. The CAAR was as high as 2.5 percent (day -1 to +1) when the tax law was announced and recorded at 2.1 percent (day 0 to +1) when the law was issued. This reflects a positive reaction towards the corporate income tax reduction, from the previous 33 per cent to 25 per cent. Also, as expected, the Share B firms show a negative reaction on all event dates (and mildly significant on 16 March 2007 when the law was passed and took into effect, respectively). The mild reaction from the Share B portfolio is partly due to the permission that the new tax would only come into force for foreign firms with gradual increase promised by the government over 5 years from 2008. The movement of the CAARs can be seen from Figure 2 and the test results are in Table 3.

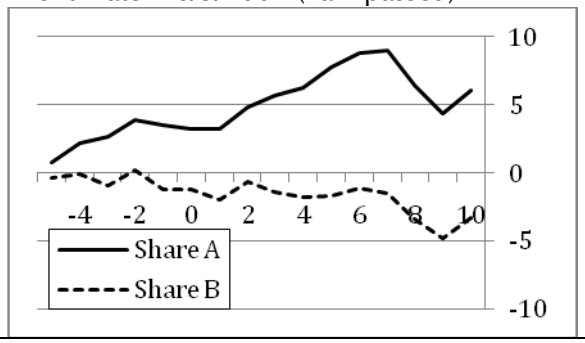
From the figure it could be seen that across all important event dates, the CAARs of Share A firms are moving into an upward trend, indicating the positive reaction towards the corporate income tax reduction. Nevertheless, the CAARs of Share B firms are moving into a mildly negative trend during the implementation of the law and this further declined after the effective date of the law on 1 January 2008.

Figure 2: Portfolio CAARs around Tax Announcement on Enterprise Income 2007

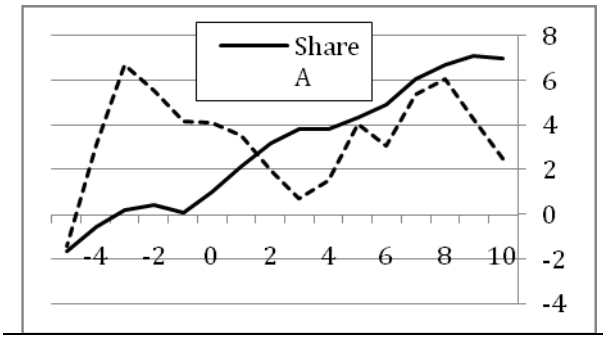
Event Date: 8/3/2007 (Tax announcement)



Event Date: 16/3/2007 (Law passed)



Event Date: 6/12/2008 (Law issued)



This indicates the negative reaction towards the decision of increasing the tax rate, despite the gradual increase that would be phased out in 5 year period. The rules about negotiated tax at local and central levels were tightened. Thus, these price reactions are consistent with the positive and negative effects of tax laws respectively on local and foreign firms. Because foreign firms' increased tax rates would only take effect on a phased 5-period period, the negative reaction is much muted as measured around event dates in 2007 and 2008 The effects to news disclosures are statistically significant in this capital market. A tax-reform-induced change is statistically significant for the 2007 reform.

Table 3: Share 'A' and 'B' Portfolio CAARs around 2008 Tax Event Dates (in percentage)

		-1 to 0	0 to +1	-1 to +1	Others	
8/3/2007	A Share	1.762	1.474	2.569	4.453	-1 to +3
		(4.118)***	(10.546)***	(6.798)***	(5.395)***	
	B Share	-0.571	-1.601	-0.973	-1.495	
		(-0.312)	(-2.007)**	(-0.612)	(-0.861)	
16/3/2007	A Share	-0.650	-0.300	-0.619	3.894	-1 to +5
		(-0.506)	(-0.559)	(-1.742)*	(1.799)*	
	B Share	-1.384	-0.821	-2.192	1.872	
		(-1.018)	(-1.031)	(-1.854)*	(-0.811)	
6/12/2007	A Share	0.555	2.113	1.745	3.338	-1 to +3
		(0.430)	(7.913)***	(1.209)	(2.443)***	
	B Share	-1.406	-0.581	-1.972	-4.849	
		(-1.022)	(1.056)	(-1.645)	(-3.295)***	

The CAARs are calculated for Share A and Share B portfolio at the implementation of tax on local Chinese enterprise event dates. Three event dates below are referred to as the formal government announcement (8th March, 2007), passing of the law (16th March, 2007), and law issuance (6th December 2007). Sample size for Share A firms is between 1329 to 1427, and for Share B firms is 19, and significance of T-statistic is denoted under each calculated CAARs. Rank test done on Share B portfolio shows at least 60 percent negatives following 10 days of each event dates. Note: P-value is noted as * (0.1), ** (0.05), and *** (0.01).

B. Robustness Test

The next set of results refers to whether the share price reactions as CAARs are correlated with firm-specific factors. Three factors were chosen because of their popularity and importance: risk as standard deviation of stock returns measured over 30-day period before the event dates; capitalisation as Size of the firm; and Debt/Equity, capital structure of the firm over the tested period. These tests were done only for the last tax reforms in 2007.

For each firm, we regressed the cumulative abnormal returns (CAARs) over three days over event date and selected variables: (1) standard deviation over 30 days of the abnormal returns, which is the proxy for total risk, (2) firm's annual market capitalization in million dollars, measured in log of 10, and (3) firm's annual debt to equity ratio, which is measured in percentage. This is to further validate the cross-sectional result in the previous section. The data for variables are not available during the earlier period of 1991 and 1994; therefore we could only verify the results after unification of tax in year 2008.

We find that the signs on coefficients are in accordance with the expected theoretical relations mostly found in the literature for risk, size and debt-to-equity ratio: see Table 5.

Table 5: Regression Analysis on CAARs of China Tax Law Event, 2008(in percentage)

Date	Portfolio	C	SD	SIZE	D/E	Adj R	F-Stat
8/3/2007	A Share	3.502	124.117	-0.758	-0.0003	0.195	(119.74)***
		(2.65)***	(9.32)***	(-3.90)***	(-4.06)***		
	B Share	16.539	35.715	-2.786	-0.0022	0.052	(1.332)
		(1.876)*	(1.045)	(-2.19)**	(-1.265)		
16/3/2007	A Share	-5.505	61.574	0.306	-0.0002	0.051	(27.229)***
		(-3.76)***	(6.17)***	(1.467)	(-5.17)***		
	B Share	-5.470	98.177	0.127	0.0036	0.164	(2.178)**
		(-1.118)	(1.84)*	(0.179)	(3.29)***		
6/12/2007	A Share	-5.674	93.558	0.652	-0.0001	0.161	(95.343)***
		(-5.35)***	(11.93)***	(4.096)***	(-1.693)*		
	B Share	-11.562	-64.795	1.650	-0.0006	0.044	(1.277)
		(-1.491)	(-0.684)	(1.376)	(-0.749)		

For robustness test, some independent variables are regressed against cumulative average abnormal returns (CAAR) as the dependent variable. Variables included in this regression are the standard deviation of abnormal returns (risk), market capitalization (size), and debt-to-equity ratio for each firm. This regression is conducted using the Newey-West heteroskedasticity corrected regression as in Eviews.

Note: P-value for significance are indicated by * (0.1), ** (0.05) and *** (0.01).

Risk being a measure of required return, it has a positive effect on CAARs. Size of firm is considered a proxy for risk, with larger firms indicating a lower beta risk. Hence, this factor is negatively correlated with CAARs. Finally, increasing capital structure is a sign of greater risk, hence the observed negative correlation with CAARs is consistent with theory prediction.

Across all dates pertaining to the unification reform on corporate tax, debt to equity ratiosof specially the dominant A-shares have a significant negative coefficient. Positive signs are reported on the risk coefficient across all events, with statistically high significance on all four dates of the 2007 reform. The sign on the capital structure coefficientsare as per theory prediction, but it is only in our test on event date 16/3/2007 the t-value of 3.29 is statistically significant. On the other three dates, the coefficients, though with correct sings, are not acceptable at reasonable probability levels.

V. CONCLUSION

This paper, which is a study of a major tax reform of this century in China, provides evidence on how corporate income tax changes directly affect the share prices in a very important emerging share market. The findings are consistent with the classic Modigliani and Miller

(1963) theory on relevance of tax for firm value, and how the tax newsarediscounted in the share value. A reduction in corporate tax leads to increase in share value, whereas and an increase in tax leads to decrease of this value. Nevertheless, our paper does not capture or test the influence of tax shield in the result.This may also indicate that the gain from direct tax cut is more significant than the tax shield.

While the effect on 1991 tax event on foreign firms are not clear due to lack of sufficient sample of firms in the early days of China's market development, we find that the 1994 tax event had significantly affected the local Chinese firms when tax rates were reduced for local firm to 33 per cent. Nevertheless the unification of the corporate tax rate in 2008 at a lower tax rate for local firms and at a higher tax rate for foreign firms had different effects. It has positively affected the local Chinese firms because of reduced tax rate,which increaseslocal firm's cash flows. Also, we find that it has mildly (negatively) affected the foreign firms due to increase in tax rate that would be phased out in the following five years.

These results are very new for this, and are in support of tax effect theories. Given the size of the economy, and the impact tax laws would have had in this large economy, these findings are worthy of contributing to the growing literature as studies of tax reforms, of corporate finance, and asset pricing theories as revealed in tests of this marketbehavior.

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A qualitative study on community motivation in the solid waste management program through garbage bank Malang (BSM)

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Abstract

Saat ini, perhatian terhadap isu-isu lingkungan semakin meningkat, sehingga masalah lingkungan menjadi fokus studi bagi banyak ilmu termasuk pemasaran. Salah satu perilaku konsumen yang sangat menarikuntukditeliti adalah tentangperilaku membuangsampah (disposal). Perilaku ini merupakan perilaku paska konsumsi, yang sayangnya belum banyak diteliti. Masalah sampah juga menjadi perhatian besar di Malang. Bank Sampah Malang (BSM) dibangun untuk mengatasi masalah sampah dan mencoba untuk mengubah perilaku membuang sampah. Penelitan kualitatif-naratif ini bertujuan untuk mengeksplorasi motivasi masyarakat dalam pengelolaan sampah. Dengan menggunakan model perilaku konsumen sebagai teori dasar, dari hasil analisis data ditemukan bahwa rangsangan pemasaran muncul dalam bentuk komunikasi dari mulut ke mulut. Dari aspek psikologis ditemukan komponen harga diri dan aktualisasi diri. Kelompok referensi dan dukungan keluarga terbukti menjadi komponen yang sangat penting dalam aspek lingkungan. Secara keseluruhan dapat disimpulkan bahwa partisipan merasa puas dengan keterlibatan mereka dalam program Bank Sampah Malang. Hasil penelitian ini diharapkan mampu mengisi kesenjangan dalam ilmu pemasaran dan praktek pengelolaan sampah. Studi kuantitatif lanjutan perlu dilakukan untuk menggal inilai-nilai yang berkaitan dengan perilaku disposal.

Kata kuci: waste management,Malang Garbage Bank (BSM), environment

INTRODUCTION

Marketing is a science that is broad in scope and dynamic following the development of the era (Palic, 2011). One example is the development of environmental issues. In the past, environmental problems that arise only concern environmental experts only. Now, the issue of environmental degradation also contributed to research in the fields of marketing and consumer behavior (Wells, Ponting & Peattie, 2011). It refers to changes that occur in the views as well as consumer behavior. Consumers are now starting to direct their focus on product consumption "green" (Kline-Lyman, 2009; Mithel, 2013). In addition, the disposal stage performed consumers are also very important to note in the field of marketing. Thus the party marketers easier and targeted in promoting the concepts of environmentally friendly (Olney & Bryce, 1991).

Associated with the development of marketing, comes the specific branch of marketing that studies the relationship between environmental issues and marketing practices that run. A branch of science is called green marketing (sustainability marketing). The presence of green marketing aimed at reducing the negative impact of a product or production system on the environment, and can help promote products or services that minimize negative impacts on the environment (Heath &Chatzidakis Pereira, 2011).

Environmental problems can be many different forms. One of them is happening in the city of Malang is the amount of landfill waste. It is a common phenomenon for people in the city of Malang. Every day the garbage is expected to rise 10 per cent of the total waste volume reaches 400 tons per day (Suwarno, 2011; Oktavia, 2013). Production of waste is increasing for several reasons. First, the number of residents and travelers in Malang the growing because of Malang becomes a city of education and tourism. In addition, the increasing purchasing power of people who have an impact on the level of consumption and waste that comes from the consumption of (volunteer, 2012). Due to the increase in population, the area should be covered by a yellow forces are also increasingly congested.

In Malang, Malang Garbage Bank (BSM) into an alternative solution to solve the garbage problem. Garbage Bank Malang is an agency that field works like a conventional bank, but the means of the transaction in the form of garbage (Zainuddin, 2013). Thus, the activities carried out to serve the customer BSM also revolves around the process of saving and taking savings (Femina, 2012). BSM also conducted several training programs such as training composting, methane, worm farming, crafts and recycling (Malang Post, 2013). Such programs also relieve dependents and Sanitation Department (DKP) Malang related to waste management and reduction of landfill waste at the final disposal (landfill).

BSM attainment itself has been recognized nationally. In 2013, BSM deliver Malang won AdipuraKencana of a number of waste management programs (Edunews, 2013; volunteer, 2013). BSM also took the title as the best Garbage Bank Se-Indonesia (Ronce, 2013). Various cities in Indonesia such as the District Government Poliwalimandar (Info Public, 2011), Deiyai in Papua (Nugroho, 2012), Gunungsitoli in Nias (volunteer, 2013), the Local Government Jogjakarta (Malang Post, 2013), PKK Sukoharjo (Malang Post , 2013), the Government of Jembrana (Bali Post, 2013) Centre of Data Processing and Information Secretariat General of the Council of Representatives of the Republic of Indonesia (Ciputranews, 2013) has come to BSM in order to study waste management to be applied.

BSM also has programs aimed at attracting public awareness co-manage waste. The program named "buy groceries paid for trash". In addition, BSM has also been collaborating with PLN East Java with a program called "pay electricity disposable garbage" (Ainun, 2012; Bank Garbage Malang, 2013). The program allows the customer to pay the electric bill to deposit the garbage.

In general, 80% of customers BSM is a group of people on middle and lower economic status, while the rest are customers of the upper middle class (Hidayat, 2012). The proportion suggests that the participation rate of the lower middle class customers is greater than the upper middle class customers. However, that is interesting to study than the proportion that is what is sought by twenty per cent of members of the BSM.

Based on a marketing perspective, the attention of consumers, in this case the upper middle class customers, deserves to be explored and studied (Grazin& Olsen, 1991). Hopes the findings about the behavior of environmental care can be a reference BSM and the government encourage wider community participation.

LITERATURE REVIEW

Consumer Behavior Model

The theoretical basis of this research, namely Consumer Behavior Model made by Assael (1993) can be seen in Figure 1. The model form of a process and lead to a decision to perform an action. The first factor that appears is marketing stimuli. Marketing stimuli is the message being communicated with the purpose of attracting and influencing consumers to perform an action. Forms of marketing stimuli are as varied as the products displayed features, price, promotion, personal selling, word-of-mouth, and so on.

In the consumer's own self, there are several factors that drive the decisions that consumers 'psychological sets, consumers' characteristics and consumers environment. Consumers' psychological set with regard to the general assessment of an individual against an object. More abstract components such as the needs, perceptions and attitudes that determine consumer reaction appear, for example, positive or negative.

The second factor in the consumers themselves are consumers' characteristics, including demographics, lifestyle and personality of consumers. Furthermore, consumers' environment that also includes consumer environment such wide influence of culture, social class, reference groups and families. At the final stage, the consumer will bring up the response to marketing stimuli, and factors in the consumer himself. When the evaluation of a product or program is positive, meaning that consumers are satisfied. This has impacted on the consumer in order to reach the stage of loyalty.

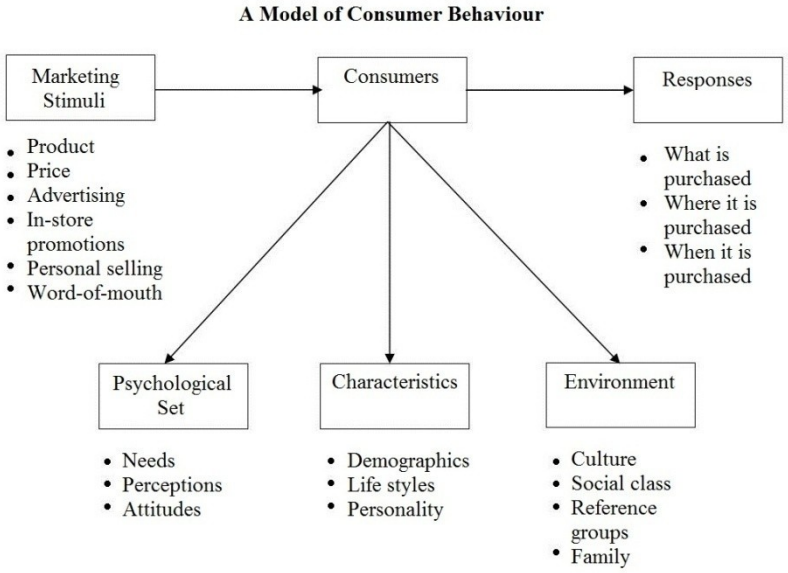

Figure 1. A Model of Consumer Behavior
(Assael, 1993)

METHOD

Data collection

The design of this study is a qualitative research with a narrative approach to explore the experience of the upper middle class customers for participating in BSM. Primary data in this study were collected by the technique of in-depth interviews. Interviews were conducted in 3 participants. Selection of participants is based on criteria of a BSM customer target groups and come from middle to upper class. Provisions on target customers according to BSM is formed committee guided group consisting of Chairperson, Secretary, Treasurer and a membership of at least 20 people (Hidayat, 2012). The upper middle class in Indonesia is based on the income of Rp 4 million to Rp6 million per month (Kasali, 1998). Researchers have Indonesian language interview guide and use them in the interview process.

Participants profile

Participants involved in this study were 3 people who are customers of BSM Forward Together is H, EDS and ES (name suppressed). Table 1 presents a summary of the profile of participants in this study.

Table 1. Profile of Participants

	H	EDS	ES
Age	38 years old	42 years old	40 years old
Religion	Islam	Islam	Islam
Sex	Female	Female	Female
Occupation	Business Owner (cookies)	Business Owner (apparel and hijab)	Business Owner (food court)
Joined to BSM	2 years	2 years	2 years
Position in BSM	Chairman	Advisor	Vice Chairman

Source: primary data(2015)

Data analysis

The data obtained from the interview process is first transcribed. The data is then reduced in order to understand the meaning of the participants' answers. The analysis was performed by aligning driving force participation found in the answers of participants with Consumer Behavior Model as the theoretical basis.

FINDINGS

Based on a transcript of the interview, some of the drivers of participation were identified from the experience of participants is as follows:

Table 2. Summary of the Drivers Based on Participants' experiences

H	**EDS**	**ES**
1. The recommendations fromfriends on BSM	1. The information from friend of concept and how to establish BSM	1. The information from H and EDS
2. The enthusiastic of the community to establish BSM	2. Housewives in RT 5 were interested to establish BSM BSM	2. Concern of the dirty neighborhood
3. Concern on the dirty neighborhood	3. Having a friend who competent in leading the BSM	3. Family support which is disagree before
4. Intention to suggest residents to care about garbage problem. H used saving book to prove that BSM could work and benefit	4. Intention to learn on household garbage management	4. Enhance the knowledge (recycle, handy craft made from garbage materials)
5. BSM gives an opportunity to learn in organization	5. Learning how to run an organization and for socialize with people	5. The children willingness to collect garbage to save in BSM
6. Gaining knwoledge on garbage separation which is useful for daily life	6. Having a saving book which can be used to ask others to join the BSM	6. Having a saving book to show people about the benefit of BSM to encourage other for joining BSM
	7. Gaining an opportunity to share knowledge to other members	
	8. Family support in collecting garbage	

These factors are then aligned with Consumer Behavior Model proposed by Assael (1993) andfinally the drivers could be categorized into themes as follows:

Table 3. Themes Identified from Interview

No	Tema	H	EDS	ES
1	Marketing stimuli	√	√	√
2	Consumers			
	Psychological Set	√	√	√
	Characteristics	X	X	X
	Environment	√	√	√
3	Responses	√	√	√

Source: Primary Data (2015)

DISCUSSION

Marketing stimuli

Marketing stimuli is the message being communicated with the purpose of attracting and influencing the consumer to perform an action (the action expected of this study is participating in BSM). Marketing stimuli given at an early stage in the form of information and ease of joining BSM, as well as the benefits gained as a client of BSM. Marketing stimuli delivered by way of a message by word of mouth, either experienced by H, EDS and ES. Marketing stimuli is a starting gate to introduce BSM organization and its programs to prospective customers. In this case, marketing stimuli plays critical role to bring awareness to H, EDS and ES about "what is BSM" and "how BSM works". The message delivered by a close friend of the EDS and the person who has joined the organization. Therefore, confidence about the credibility of the messenger is not doubted by EDS. Another aspect that helped open up the awareness of participants is word-of-mouth delivered in the form of positive and specific message.Application of word-of-mouth also became stronger encourage participation to participate because of the tendency of long duration can be used when telling stories, even in everyday situations are relatively relaxed.

It can be concluded that the factor of marketing stimuli in the form of word-of-mouth is the first factor and it is important to push the upper middle class customers to participate in the BSM program. That is because word-of-mouth has several advantages for reaching the upper middle class customers such credibility in the information, the intensity is relatively consistent delivery of messages and in situations that are relatively relaxed.

Consumers' Psychological Set

Consumers' psychological set is a general assessment of an individual against an object (Assael, 1993). Consumers' psychological set consists of various components such as motivation, perception and attitude. Motivation is driving a consumer to achieve a goal. H participants most often revealed the motivation behind his participation in the BSM program is economic benefit. EDS and ES Participants also agreed with the economic benefits so that they are motivated. However, the economic benefits are not motivated to meet the physical requirements for the three participants are customers of the upper middle class and affluent in their physical needs. Motivation is because the participants want to invite those who have not joined the co-care waste problem. However, participants were aware that it would be very difficult if the invitation is not accompanied by incentives for others. Therefore, additional income during the celebration of "IdulFitri' recorded in the passbook is used by participants to invite others also keep BSM program. The third participant will feel satisfied when people were interested to join because of the encouragement of nominal savings they showed. It means that BSM savings associated with self-esteem for all three participants.

Other motivation of the involvement of the three participants in the BSM program are their excitement to have the opportunity to gain knowledge related to waste management. For

participants H, EDS and ES, it is an interesting and useful activities. That experience encourage them to preserve the environment.

Participants see that the conditions in the neighborhood at first dirty and barren, coupled with residents of homes that used to litter. This raises the concern of the third participants to change these conditions. Therefore, they are willing to build a new culture in the environment that is "the love of cleanliness".

Moreover, the attitude of the participants also serve to encourage the upper middle class customers participating in the BSM program. For example, participants EDS and ES looked at participation in the BSM as an opportunity to develop themselves and socialize with friends. Nevertheless, the three participants also have a negative perception of some things for a customer of BSM. The cause is due to be struggling with the garbage, lack of attention to the provision of medical equipment BSM safety of customers and label given by citizens who oppose their participation.

Along their participation, there is a condition known as Cognitive Dissonance, which is the conflicts within the consumer because of the differences between the views and behavior. For example, participants were of the view that "participation in the BSM very pleasant and benefits so that they actively participate", but it appears a mismatch because others tend to "pout and underestimate their participation in BSM", especially because they come from the upper middle class. Therefore, participants make adjustments to try to eliminate the lack of conformity by eliminating one statement with an action.

Thus, it can be concluded that the factor of consumers' psychological set that drive customers to participate include: the motivation to meet the need for recognition and actualization (self-esteem and self-actualization), concerns the conditions of the neighborhood, so bring a desire to build a culture The new, as well as the balance of participants successfully apply theory to strengthen participation.

Consumers' Environment

Factors of the consumers were also found to be a driving force participation upper-middle customers are consumers' environment. This factor is related to the external environment affecting consumer consumer considerations such as culture, reference groups and families.

Based on the participants' stories are very apparent that the role of the reference group and the support of families that give confidence to the third participants to join in the BSM. For example experienced by participants ES. ES husband feel uncomfortable in the beginning of the participation of ES in the BSM program. However, ES is able to convince him that his participation had a positive influence so that her husband changed his mind.

For EDS, environmental factors that also convinced him to participate in the BSM because EDS believes that the community has the competence to establish and develop a consistent basis the BSM management. Similarly, the H felt the enthusiasm of friends at RT 5 so that more motivated to establish and run the BSM.

All participants are now also able to influence and attract families to participate, although not directly into BSM customers. In addition they make people closest changed his mind about the existence of garbage and BSM. Approval of the family also becomes a form of support. Support from family is the driving factor because they feel calm when his family share the same views with them that helped keep clean. Even children ES also shows the liveliness collect waste as a form of support. The following statement of EDS and ES as examples in support of his family.

The conclusion is that the factor of consumers' environment is one of the factors driving the participation of the upper middle class customers in the BSM program. These factors manifested in the form of support from family and reference groups.

Responses

The latest stage in Model of Consumer Behavior generates consumer response to marketing stimuli, and factors inside consumers. At this stage the consumer has finished evaluating the experience for participating and emerging decision. If consumers are satisfied with the BSM program, they will tend to remain active in the program. It is evident that the participants H, EDS and ES decided to utilize BSM program for managing household waste produced and the garbage business.

Three participants are still actively participating in the BSM program has reached the stage of loyalty so that they agreed that the direct approach and demonstrates the passbook to people who have not joined is the right strategy attract the participation of citizens with a wider scope.

Based on the interpretation of these cases it is known that responses is the last stage of Consumer Behavior Model, so that participants finally joined to participate in the BSM program. That is, participants' responses obtained after an evaluation of the "BSM as a company" and "waste management programs as a product offered by BSM". Participants were satisfied that reflects a positive evaluation.

CONCLUSION

Based on the results of this study, it can be concluded that the factors driving the participation in the BSM program is marketing stimuli, consumers 'psychological sets, consumers' environment and responses. The first factor is marketing stimuli in the form of word-of-mouth has several advantages including the message positive and specific, credible information sources, the intensity of the delivery of long messages and situations conducive to the absorption of the message.

Consumers' psychological set with regard to motivation, perceptions and attitudes of participants. Based on the experience of participants, factors consumers' psychological set that affect participation is motivated to get self-esteem and actualization (self-esteem and self-actualization), the desire to build a new culture because of concerns of participants to the surrounding environment, as well as the participants successfully apply the balance theory to eliminate the negative comments of citizens , Consumers' environment is shown through the role of the reference group and family support. Responses include evaluation of all participation so that participants still choose to actively participate in the BSM program.

Implications can be given that BSM may use another media campaign will complement the information submitted BSM customers through word-of-mouth. In addition BSM should encourage the creation of a new culture which is expected by the upper middle class customers. Thus the occurrence of cognitive dissonance on BSM customers and prospective customers of the upper middle class can be minimized. The government can also facilitate infrastructure garbage collection in accordance with the standards so that more residents will be more motivated to be active in the BSM program.

The research itself is not free from limitations. This study has managed to find positive things expressed by participants about their participation. However, it cannot be explored in detail about the terminal value of the participation in the BSM program. Therefore, further research suggested using quantitative research methods to determine the terminal value of the participation in the BSM program.

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Assessing the factors influencing service innovation capabilities and performance

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Abstract

Innovation has been recognized as a central source of business growth and a key determinant of competitive advantage for many organizations. It is also one of the most pressing challenges facing organizations today because it requires the coordinated efforts of many different players and the integration of activities across various functions, knowledge domains and contexts. This paper seeks to address two main objectives. The aim of this study is to examine the direct effect of organizational (shared vision, top management support, centralization and formalization, transformational leadership, organizational learning) and individual (customer oriented) factors on innovation. Second, investigated the interaction effect of innovation and organizational performance.Findings show that customer orientation, shared vision and organizational learning were shown to be among the most significant drivers of innovation. The results further suggest that innovation has significant impact on organizational performance.

Keywords: Organizational Culture; Structure; Transformational Leadership; Customer and Learning Orientation; Innovation; Performance

INTRODUCTION

Studies on current business landscape indicate that services are becoming a major emphasis. Most of the developing countries that historically concentrated on manufacturing are now experiencing fast service growth (Boswijk et al, 2007). In the discussion of Malaysia-OECD Roundtable Discussion on Technology, Innovation and Industry 2013 which was held on 25

May 2013 at Kuala Lumpur, innovation is acknowledged as important driver of value creation, economic growth and social welfare (Hutschenreiter, 2013). The service sector has been playing an important role in economic growth in Asia in recent years and has been identified as the engine to trigger an economic rebound (Mukherjee, 2013).

Based on empirical study,(Prahalad&Ramaswamy, (2004)have suggested that competitive advantage can be enhanced through services. Indeed, several researchers introduced the term 'experience economy' which emphasize on services that must 'orchestrate memorable events for their customers, which in turn will create value to firm's(Pine& Gilmore, 1999).As service economy is growing and customers are demanding better value proposals and improved service, the innovation process is becoming essential to providing a timely response to the market with new or improved service solutions (Hidalgo&D'Alvano, 2014). Several issues related to service management such as service innovation still need to be further addressed due to the complexity and intangible nature of services (Lusch&Nambisan, 2015; Robert & Graham, 2008).

Service organizations are required to innovate in order to experience sustained growth, raise the quality and productivity levels of services, respond to changing customer needs and expectations, or stand up to superior competitive service offerings (Magnusson et al, 2003). Although, the role of innovation is vital for organizations as a key strategy for growth and sustainability in the service sectors, several researchers have emphasized on the intangible aspects, resulting from the interactive nature of service that makes the peculiar way in which service innovates (Miles, 2000).

According to Gallouj (2002), service innovation requires greater consideration of the organizational aspects, beyond the traditional product and process innovation method through the diffusion of knowledge and skills rather than through the purchase of machinery or technology. The innovative capability varies from by firms and it is determined by a vast and complex number of aspects, both internal and external to the firm(Silva, 2007).Considering organizational and individual factors as the two main factors for service innovation capabilities, this study examine the influence of organization culture (vision, top management support), organization structure (centralization and formalization), learning capabilities, transformational leadership and customer centered on service innovation capabilities. This work aims to close the literature gap on the effects of organizational and individual factors on service innovation and its impact of organizational performance.

Consequently, the aim of this study is to holistically integrate organizational and individual factors in explaining innovation capabilities and business performance of the service sector in Malaysia. It is expected that the study will assist the academic community, administrators, and government policy makers to gain a better understanding of the influences of the organisational and individual factors on innovation capabilities and performance of firms particulalrly involving service's sector. Innovation capabilities involving service sectors is new; therefore, it is expected that this research will stimulate further research and collaborations as well as add to the extent body of knowledge in the sustainability of service sectors.

LITERATURE REVIEW

Organizational Culture

Hall (1960) defines culture as the way of life of a people: the sum of their learned behavior patterns, attitudes and materials things. It is further explained as "the deep structure of organizations, which is rooted in the values, beliefs and assumptions held by organizational members" (Denison, 1996, p.654) which cover the actions, procedures, and protocols of organizational commerce and discourse. Most societies internalize the cultural components of that society and act within the limits as set out by what is 'culturally acceptable' (Hall, 1983).

Norburn et al. (1989) found that national culture shaped individual behavior regarding marketing effectiveness, closeness to customers, market orientation, and corporate values through variations in managerial attitudes, beliefs, and values. Shared vision represents the orientation of management and employees toward building a knowledge-sharing environment at the firm and the alliance levels (Chen, 2015). A supportive culture helps to motivate and sustain the complex, interactive process of social exchange necessary for successful innovation. Several organizational learning literatures highlights that shared vision, i.e. an organizational culture that focus on goal-oriented behavior, promotes learning organization (Sinkula et al. 1997). As innovation requires specific conditions (innovative milieu), and culture is considered to be an important determinant of innovation (for example, Ulijn&Weggeman, 2001; Westwood & Low, 2003). People's beliefs and behavior can contribute or block the process of developing and implementing new ideas (Kaasa&Vadi, 2008) because it shapes the patterns dealing with novelty, individual initiatives and collective actions, and understandings and behaviors in regard to risks as well as opportunities. Hence, firms lacking an appropriate corporate culture which encourages new ideas, learning and supports risk taking are likely to suffer difficulty generating and implementing innovative ideas. In line with previous research, this study tests the following:

H1a: There is a positive relationship between shared vision and service innovation capabilities.

H1b: There is a positive relationship between top management support and service innovation capabilities.

Organization Structure

Innovation is an important source of growth and a key determinant of competitive advantage for many organizations. Previous researchers have suggested that, one of the most important factors facilitating and reinforcing the innovation ability in an organization is a convenient structure and a suitable formation designed to fulfill the ultimate goal (Carmona-Lavado, 2010). Wan et al. (2005) indicated a positive and significant relationship between innovation level and structural decentralization, and the tendency to take risks and to change ideas. Research in marketing and sales management has mainly focused on two structural variables: formalization and centralization (Matsuno et al, 2002). Kirca et al. (2005) assert that formalization and centralization are organizational systems (structures) that influence market orientation. Formalization can be viewed as a way to direct, influence and shape employees' behavior so that there is little variability in the job activities performed by different individuals.

Formalization also has been defined as "the degree to which rules define roles, authority relations, communications, norms, sanctions, and procedures" (Jaworski&Kohli, 1993,p.54). Centralization refers to the "inverse of the amount of delegation of decision-making authority throughout an organization and the extent of participation by organizational members in decision-making" (Jaworski&Kohli, 1993). Centralization can be beneficial in predictable, less turbulent environments where market demand is stable and simple (Ruekert et al, 1985). Accordingly, this study hypothesis:

H2a: There is a relationship between centralization and service innovation capabilities.

H2b: There is a relationship between formalization and service innovation capabilities.

Organization Learning

Learning capability is considered as one of the essential as well as facilitating elements for the organization that can be conductive to the growth and innovation. Organizational learning can be regarded as a dynamic process including the knowledge creation, acquisition, and collection with aim to the development of resources, and capacity that leads to the better performance of organization (Perez et al, 2005).

Therefore, the spread of learning culture among an organization's member's leads to the production and innovation of knowledge systems and new creative ideas in the organization that finally generates the innovation (Samadsaki et al, 2013). Several researchers have identified that the market oriented learning and self-learning (OL) are among the important factors that influence organizational innovation (Hung, et al, 2010; Jiménez & Valle, 2011). Thus, it is proposed:

H3: There is a positive relationship between organizational learning and service innovation capabilities.

Transformational Leadership

Leadership is an influencing factor in how innovation occurs in organizations both in terms of ideas and motivation to overcome obstacles. Among the traditional leadership styles, transformational leadership has long been suggested as the most promising way of leading innovation effectively (Rosing et al, 2011). Several researchers have found the significant and positive relationship between leadership style and innovation (Garsia Morales, 2012; Norouzy et al, 2013). Transformational leaders facilitate innovative activities at organizational levels using the employee's mental encourage and their motivation stimulation (Koene et al, 2012; Vaccaro et al, 2012). In view of this, the following hypothesis is suggested:

H4: There is a positive relationship between transformational learning and service innovation capabilities.

Customer Orientation

Customer orientation can be defined as the degree to which the business unit obtains and uses information from customers, develops a strategy which will meet customer needs, and implements that strategy by being responsive to customers' needs and wants (Ruekert, 1992). According to Korunka et al. (2007), customer orientation is part of corporate culture and characterizes not only the company's opinions but also its employees' behavior in dealing with customers. Desire to continually adapt to customer needs and wants more than the competitors often produce organization that have strong customer-focused and need to innovate (Vijande& Gonzales, 2007). Several past studies confirmed customer orientation has a positive effect on innovation at product, process and organizational level (Fortuin et al, 2010; Zarco et al, 2011). In view of the preceding discussion, the following hypotheses is proposed:

H5: There is a positive relationship between customer centered and service innovation capabilities.

Innovation Capability and Performance

Several researchers suggested that innovation capability as the skills/knowledge and abilities that enable the application of resources, to effectively and continuously transform knowledge and ideas into new ones for benefit of the firm and its stakeholders (Kindström et al, 2013). Literature on innovation suggested that innovation is positively related to organization's performance (Calantone et al, 2002; Gunday et al, 2011). Damanpour et al. (1989) attempted to investigate the relationship between administrative and technical innovations and organizational performance. They posited that organizations that have a high rate of adoption of both administrative and technical innovations would have higher performance level than those that have a low rate of adoption of both innovations. Therefore, we hypothesize the following:

H6: There is a positive relationship between service innovation capabilities and organization performance.

CONCEPTUAL MODEL

A comprehensive literature review showed a lack of empirical studies that examined the impact of organizational culture, structure, leadership styles, learning, and customer centered on

innovation and the effect of innovation on performance in the context of service. In order to explore the role of organization and individual on influencing service innovation capabilities and performance in the context of service, a conceptual model was proposed as shown in Figure I. In this model, organizational culture was conceptualized as having two dimensions: vision and top management support. Organizational structure was operationalized with two dimensions: formalization and centralization. All the five factors (organizational culture, structure, learning, leadership style, and customer orientation) are related to service innovation capabilities (H1a-H5) which then impact organization performance (H6).

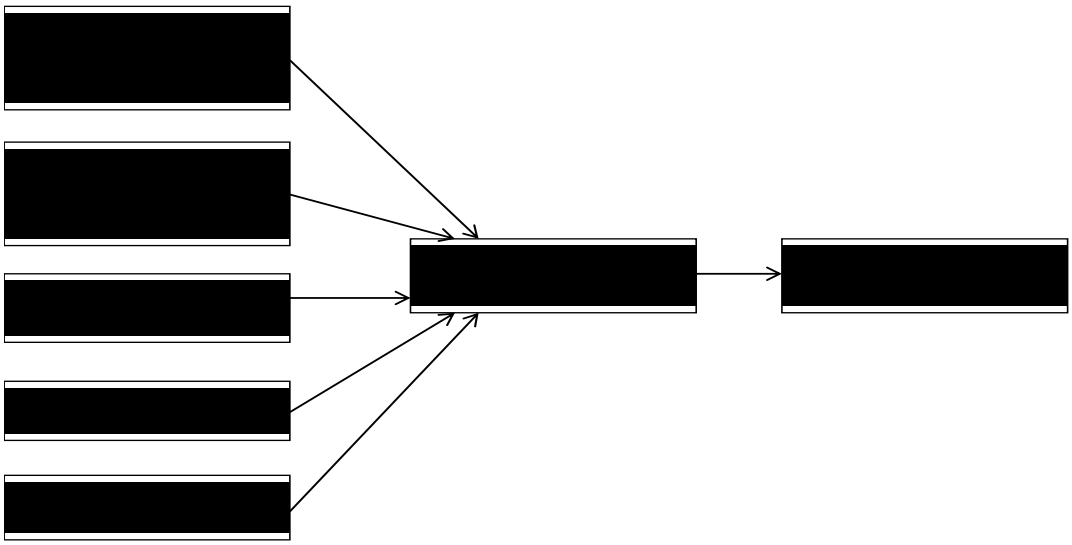

Figure 1: Conceptual Framework

RESEARCH METHODOLOGY

Sampling Design, Subjects and Procedures

In order to understand the nature of innovation service, the data of this study was collected in five (5) Malaysian service organizations located within Klang Valley, Malaysia. Klang Valley is where the capital of Malaysia is situated. It was reported that most of the modern establishments in Malaysia are located in the Klang Valley (Euromonitor, 2001). To uphold confidentiality, the name of this organization is kept anonymous.This study used purposive sampling and the data were collected by using self-administered questionnaires distributed via the drop and collect technique. Drop and collect technique involves researchers and/or trained field assistants deliver the questionnaire directly to the target respondents or through gatekeepers and collect back the completed questionnaire (Ibeh et al, 2004). To ensure that the respondents were staff that holds position as executive or above with more than five years working experience and well versed on the nature of service work practice in their organizations, the questionnaires were handed over to the representatives who were also employees of the company for data collection. Some completed questionnaires were delivered by post while some were collected by the researcher. The survey questionnaires method was used to further comprehend the staff characteristics, and the nature of work, as well as the working environment in the service organizations. The gathered information is then used for the actual research.Of the 250 questionnaires that were distributed, 209 participants completed the questionnaires, representing a response rate of 84 per cent. The survey questionnaire were answered by participants by consent and a voluntarily basis.

Measures

Multiples item scales were used to measure each construct in this study. The questions in the questionnaire are designed based on a review of the literatures. All the five factors namely organizational culture, structure, transformational leadership, customer orientation and learning capabilities were adopted from Hoonsopon&Ruenrom (2012), Sivadas& Dwyer (2000); Olson et al. (2005); Podsakoff et al. (1996); Nasution et al. (2011) and Jerez-Gómez et al. (2005). While innovation capabilities and organizational performance were measured using a multi-item scale developed by Hogan et al. (2011), De Luca &Atuahene-Gima (2007) respectively. All items in this study were measured on a five-point Likert-type scale ranging from "strongly disagree" (1) to "strongly agree" (5).

DATA ANALYSIS, RESULTS AND DISCUSSION

Sample Characteristics

Among the samples collected, the majority was female respondents (53 per cent). In terms of income, 36 per cent of the respondents had an income of between MYR6,000 to MYR7,999. The highest age group distribution of the respondents falls in the 36 to 45 years old age group (40 per cent), followed by 33 per cent in the 26-35 years old age group. Regarding ethnicity, 44 per cent of the respondents are Malay, 24 per cent are Chinese and 18 per cent are Indian. The majorities (65 per cent) of the respondents are married with children, while 25 per cent are single. A total of 81 respondents (39 per cent) are degree holders, 39 respondents (19 per cent) are post graduate holders, and 41 respondents (20 per cent) are diploma holders. In terms of the size of company, 54 per cent of the respondents were from organization with more than 300 employees; 16 per cent from 201-200 employees; and 13 per cent from 61-100 employees.

Reliability

The internal reliability of the items was verified by computing the Cronbach's alpha (see Table I). The Cronbach's alpha for relative advantage was 0.93, cost was 0.90, ease of use was 0.92, awareness was 0.90 and perceived behavioural control was 0.91. Reliability statistics for all the factors passed the excellent benchmark suggested by Nunnally (1978).

Multicollinearity

The impact of multicollinearity is a concern for interpreting the regression variant (Hair et al, 1998). Highly collinear variables can distort the results substantially and thus not generalizable. According to Bryman& Cramer (2001), the Pearson's r between each pair of independent variables should not exceed 0.80, otherwise the independent variables that show a relationship at or in excess of 0.80 may be suspected of exhibiting multicollinearity. The output in Table III showed that none of the correlations between all independent variables exceed 0.80, which indicate that multicollinearity is not a problem in this study. Another two common measures for assessing the multicollinearity are the tolerance and variance inflation factor (VIF) values. A common cut-off threshold is a tolerance value of 0.10, which corresponds to a VIF value above 10 (Hair et al, 1998). In the current study, the tolerance values of all variables are above 0.10. Likewise the VIF value is less than 10, thus further confirming that multicollinearity problem is not a concern.

Table 1: Reliability Analysis

Construct	Cronbach Alpha	No. of Items
Organizational Culture		
a) Shared Vision	0.884	4
b)Top Management	0.864	3
Organizational Structure		
a) Centralization	0.858	3
b) Formalization	0.854	3
Organizational Learning	0.897	7
Transformational Leadership	0.902	5
Customer / Market Centered	0.916	5
Service Innovation Capabilities	0.951	12
Organizational Performance	0.951	10

Multiple regression analysis

- ***Organizational culture, structure, learning, leadership, customer orientation and service innovation capabilities.***

Table II presents results of a multiple regression analysis used to evaluate the strength of the proposed relationship. Six hypotheses were formulated and all the variables retain after testing the reliability and validity. Multiple regression prediction model is following the guidelines by Hair et al. (2003) to test the impact of organizational and individual factors (shared vision, top management support, formalization, centralization, transformational leadership, customer orientation and learning capabilities) with service innovation capabilities as the dependent variable. The generic model, without controlling for organizational and individual factors, is significant at 1% level (F value = 55.26). Table II shows the multiple regression results obtained revealed that out of seven hypotheses (H1a-H5), four hypotheses were found to be significant in the prediction model. The results provide support the hypotheses that is, the relationship between shared vision (β= .196; $p<0.05$), organizational learning (β= .212; $p<0.05$), transformational leadership (β= .206; $p<0.05$), and customer orientation (β= .437; $p<0.05$).

Table 2: Multiple Regression Analysis

Factors/determinants	Standardized Beta Coefficients	t	Sig.
(Constant)		2.025	.044
Shared Vision	.196	2.941	.004
Top Management Support	.119	1.543	.100
Centralization	.045	0.838	.403
Formalization	.052	0.863	.389
Organizational Learning	.212	2.691	.008
Transformational Leadership	.206	2.455	.015
Customer Orientation	.437	6.062	.000
$F_{(7,200)}=55.26$, $R^2 = 0.656$, Adj. $R^2=0.644$			
Dependent Variable: Service Innovation Capabilities			

- ***Service innovation capabilities and organizational performance***

Table III presents results of a multiple regression analysis used to evaluate the strength of the relationship between service innovation capabilities and organizational performance. Based on Table III, the multiple regression results showed that service innovation capabilities (H6) was found to be positively related to organizational performance in the prediction model(β= .804; $p < 0.05$).

Table 3: Multiple Regression Analysis

Factors/determinants	Standardized Beta Coefficients	t	Sig.
(Constant)		5.013	.000
Service innovation capabilities	.804	19.45	.000
$F_{(1,207)} = 378.40$, $R^2 = 0.646$ Adj. $R^2 = 0.645$			
Dependent Variable: Organizational Performance			

CONCLUSIONS

This study aims to investigate the direct effects of organizational and individual factors on service innovation capabilties and organizational performance. The findings of the study reveals that shared vision, organizational learning, transformational leadership, and customer orientation are positively related to service innovation capabilities, but not for top management support, centralization and formalization. Customer orientation was shown to be the most significant drivers of service innovation followed with shared vision and organizational learning.

These findings are in line with past studies (Bass et al, 2003; Ambroz and Praprotnik, 2008; Jansen et al, 2006; Kenny & Reedy, 2007; Ma'atoofi&Tajeddini, 2010). In accordance with past studies, the results also revealed that service innovation capabilities are positively related to organizational performance (Cho &Pucik, 2005; Read, 2000).

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The effect of store atmosphere on purchase interest in gramedia bookstore in Yoyakarta

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Abstract

The fun and comfortable store atmosphere of purchase becomes one of the reasons for customers to choose a store for shopping. This is because shopping in a store in an experience. This research aims to test the effects of the elements of exterior store atmosphere, general interior, store layout and display interior on the purchase interest in Gramedia Bookstore, Yogyakarta. The customers of Gramedia bookstore became the sample used in this research. Further, non-probability sampling method with the incidentalsampling technique or convenience sampling was used. 96 respondents were taken from questionnaires. To test the hypothesis, descriptive analysis and doubled regression analysis were used. From the result of the doubled regression analysis, it is found that the elements of exterior store atmosphere exterior had a significant positive influence by 0,120, general interior with a significant positive influence of 0,229, store layout with significant positive influence by 0,125, and display interior with significant positive influence by 0,168 on the purchase interest in Gramedia bookstore, Yogyakarta.

Keywords: Store atmosphere, general interior,store layout,display interior, purchase interest

INTRODUCTION

The competition in retail business is being faced with a great challenge with a rapid and unpredictable change in terms of demographic, economic and sociocultural factors. Such great challenge indirectly requires every company to develop *retailing mix* that, as stated by Levy &Weitz (2001:22) consists of *merchandise assortment, pricing, location, atmosphere, advertising, promotion and personal selling*. This is done as an innovative marketing effort that can attract the interest and give satisfaction for consumers. Retailing mix is an important factor to market the product purposely to introduce the products to the customers with various ways to make the product easy to be remembered and accepted by customers.

The customers that have known the company products are expected to have purchase interest for the products. The *store atmosphere*refers to a part of *retailing mix* importantly to influence the consumer in the process of purchase decision. One of the marketing strategies in retail store is by designing the *store atmosphere*. Such design is done to attract the customers and stimulate the customers buying. Peter and Olson (2000) stated that there are three main decisions in designing the physical environment of a business including location, layout, and stimuli or atmosphere created. As said by Levy &Weitz (2001:556) "The attitude of purchase by customers is also influenced by *store atmosphere*".

As stated by Nugraha (2013) a secure and comfortable atmosphere for a customer comes to be a particular consideration prior to decide to visit a certain store. Chen and Hsieh (2010) stated that the identity of a store can be communicated to the customers through the store decoration or, more broadly, from its atmosphere.

The process of creating *store atmosphere* refers to an activity to design the purchase atmosphere in a store by determining the characteristics of the store through the arrangement

and selection of physical store facilities and stock-in-trade activities. The purchase environment created through visual, lighting, color, music and perfumery communication is designed to result in emotional effect or response and specific perception of customers later on willing to buy and even to increase their purchase frequency. The creation of fun and attractive *atmosphere* that can make the customers comfortable in the store is one of the ways to attract the consumers to make a purchase (Levy &Weitz, 2001).

Store atmosphere, as stated by Berman and Evan(2010), is a characteristic of store that can show an image of store and attract the consumers. They (2010:604) also added that store atmosphere consists of four elements: *exterior, general interior, store layout,*and*interior display*.The characteristic of *exterior* (2010:462) has a strong influence to the store; therefore, it must be well planned. The combination of this exterior can make the exterior of the store unique, prominent and attractive for people to come to the store. The element of *general interior*arrangement, meanwhile, is important since this position commonly is a decision making to buying; thus, it can influence the number of buying. A good arrangement is something that can attract the attention of the visitors and help them to observe, check and select and finally the products. When the customers come to the store, there are many things that can influence their perception about the store. *Store layout* is one of important elements present in the factor of store atmosphere as, by doing *Store Layout* correctly, it can attract the consumer's attention. The store layout will invite the customers to enter the store when they see the inner part of the store through the window or the access door. A good store arrangement is able to attract the customers to enduringly walk around and spend money more. The last element, *Interior (Point of Purchase) Display,*is where each type of point of purchase display provides the customers information, adds the store atmosphere and serves the promotion. Its main purpose is to increase the sale and the profit of the store.

The perception of a customer does not mean encouraging him/her to buy. The perception must be able to be stimulated to emerge a pressure to soon realize it in the form of purchase action. There are some pressures that can be stimuli including *store atmosphere*. The management of store can design the store atmosphere in such way to create a comfortable and secure condition for customers that can create an interest to buy (Kotlerin Susanto, 2001). In other words, the *store atmosphere* is able to influence the sense or mood of customers visiting the store; then, it can influence the interest to buy.

Nugraha (2013) stated that the purchase interest is obtained from learning and thinking process that shapes a perception. The emerged interest in doing a purchase can create a motivation that is continuously recorded in mind and becomes a very strong activity that finally, when a customer must fulfil his or her needs, will actualize whatever is his or her mind. A number of factors influencing the purchase interest of customers might include commercial products, attractive price and the way of company in promoting the products to the customers.

Gramedia Bookstore in Yogyakarta is one of distribution channels distributing books and stationaries from some printing companies and stationaries company to the customers in retail. This store is also one of big stores that have so long established its branch store in Yogyakarta. There are some other big bookstores in Yogyakarta such as Toga Mas and Social Agency. Of other bookstores in Yogyakarta Gramedia Bookstore becomes one of bookstores that are able to survive in the tight competition. This bookstore has opened its retail store in or outside some big malls.

Every retailer in Gramedia Bookstore in Yogyakarta has an interesting arrangement of *store atmosphere*. It is then not wondering why if Gramedia has many customers. Moreover, this is also supported by the strategic place, sufficient parking area, and noticeable nameplate, good arrangement in store for easiness in finding the products, friendly staffs, fresh air

conditioner, and sufficient lighting. Such *store atmosphere*created by Gramedia Yogyakarta is purposely to attract the purchase interest from customers.

Based on the explanation above in terms of how importance the *store atmosphere* is for a retail store in which this can influence the purchase interest of customers, the writer would like to propose a thesis entitled **"The Effect of Store Atmosphere Perception on the Purchase Interest in Gramedia Bookstore Yogyakarta"**

LITERATURE REVIEW

This part will explain about the variables used and the correlation among variables to a research frame.

Store Atmosphere

As stated by Junaed&Karmela(2009) *Store Atmosphere*is all aesthetic and emotional effects created through the physical characteristics of store in which all of them are correlated to the five senses of customers. Other opinion said that *StoreAtmospheric* refers to all emotional effects created by the physical attribute of store (Simamora, 2003: 169) in Cahyo(2013). Meanwhile, Turley &Milliamin De Farias et al. (2014) said that the atmosphere is a stimulus that can cause the evaluation of consumers in relation to the environment and a number of attitude response. Other opinion according to Levy and Weitz (2001:579) stated that "*Store Atmosphere refers to the design of an environment via visual communication,lighting,colors, music and scent to stimulate costumers,perceptual,and emotional responses and ultimately to affect their purchase behavior*".The opinion is supported by the research result by Ali & Hussain (2015) conducted in the outlet of international retailing outlet Karachi, Pakistan showing that the variables of *store atmosphere*such as cleanness, aroma, lighting and layout have a positive effect on the purchase willingness among customers.

A number of former studies used the elements of store atmosphere exterior, general interior,store layout, and interior display, as stated by Berman and Evan (2001). For example, the research by Cahyo (2013) proved that s*tore atmosphere*through the elements of *exterior, general interior, store layout,* and *interior display*have an effect on the *peer pressure*and purchase interest in Comedy Kopi Sutos Surabaya. Another study conducted by Meldaand Lisa(2010) showed that store atmosphere has a significant impact on the purchase interest in Resort Café Atmosphere Bandung in which the in-store atmosphere such as temperature, aroma, interior design, and sound became the specific attractive things for the customers. Further, the research by Juliatyet al., (2014) showed that the *atmosphere* consisting of *exterior, general interior,store layout* and *interior display* had a significant impact of the purchase interest of customers in Department Store Nusa Permaiin Nusa Penida District in 2014 with the highest assessment given by the respondents to *generalinterior*and *interior display*at 0,465 (46.5%)and 0,451 (45.1%), respectively. Other study by Andrian (2013) showed that store atmosphere consisting of *general interior,store layout* and *interior display*had a positive impact on the purchase interest in Hypermarket Malang with the correlation coefficient values (r) at 0.597.

Exterior

As stated by Berman and Evan (2001) in Julianti, et al., (2014), the exterior characteristic is the front part of store that has a strong influence on the image of the store and later attracts the customers to come. They also added in Julianti, et al. (2014) that the combination of this exterior can make the outside of the store unique, prominent and inviting people to come to the store, all of *physical exterior* of a store and other contras material. The style of exterior arrangement is the most vital element in the factor of store atmosphere as this element is the first impression that can be seen and felt by customers (Ma'ruf, 2005:195) in Julianti, et al. (2014).

An attractive exterior is able to emerge the joyfulness and makes the customers comfortable through their first sight in the store that will be seen. The comfort impression is able to emerge the interest of consumers to come to the store and possibly to do a purchase (Julianti, et al., 2014). The elements of exterior store atmosphere as stated by Berman and Evan(2001) consist of *store front, marquee, entrances, display window, height and size of building, visibility, uniqueness, surrounding area,*and *parking area*.
H1: there is a positive impact of store atmosphere, *Exterior* (Exterior Store) on the purchase interest.

General Interior
General Interior as stated by Berman& Evan(2001) in Julianti, et al. (2014) is an inner part of a store commonly consisting of *flooring, colors and lighting, scent and sound, fixtures, wall texture, temperature, vertical transportation, personnel, merchandise,price label, cash register, technology,*and *cleanliness*. Julianti, et al. (2014) explained that general interior is functioned to give secure and comfort when shopping. As stated by Lamb,Hair and Daniel(2001), one of types of comfort comes from the personnel or the store staff by showing the tidiness in uniform, friendly attitude, and giving clear information to the customers. When the failure in service occurs, the employees wearing uniform unprofessionally have been proven to influence the attribution of customers and satisfaction (Bitner, 1990). The number and the hospitality of employees have a positive impact on the level of joyfulness and enthusiasm that later will bring an impact on the willingness to purchase (Baker, Levy & Grewal 1992).
H2: there is a positive impact of store atmosphere, *General Interior* (inner part of store) on the purchase interest.

Store Layout
In Julianti, et al, (2014), Berman & Evan (2001) stated that*Store layout* is a layout of product, casher and traffic of customers in the store. A good s*tore Layout* will help the retailer to display the products well, facilitate the customers in purchasing and enhance the work efficiency of the staff, attract the purchase interest and increase the profit for the store owner (Setiadi, 2010:280 in Julianti, at al., 2014). Julianti, et al. (2014) stated that a good store layout enables to attract the consumers to stay longer and purchase more. In addition, the store layout also acts as a facility for the customer in shopping.
H3: There is a positive impact of store atmosphere and store layout on the purchase interest.

Interiordisplay (Pop)
Berman and Evan (2001) in Julianti(2014) stated that Interior Display refers to a number of arrangements through *there setting, rack & cases, cut cases and dump bins, posters, sign, and cards*. Julianti, et al. (2014) mentioned that*Interior point of interest display* has two purposes: providing information to customers and adding the store atmosphere. This can increase the sale and profit of the store. The main purpose is to increase the increase the sale and profit of the store. The interior display includes poster, direction for the location, *display*of products in special days such as IdulFitri and New Year.
H4: there is a positive impact of store atmosphere, *Display (POP)*on purchase interest

Purchase Interest
Mowen (1995) stated that the purchase interest is a tendency of consumers to buy a brand or take an action related to the purchase measured with the probability level of consumers in doing a purchase. Meanwhile, as stated by Peter and Olson (1999) the purchase interest is

defined as a tendency of customers to buy a product/service or take an action related to the purchase measured with the probability level of customers to do a purchase.

Research Frame

Based on the result of the discussion above and hypothesis given, then the research frame can be made as shown in Figure 1 below.

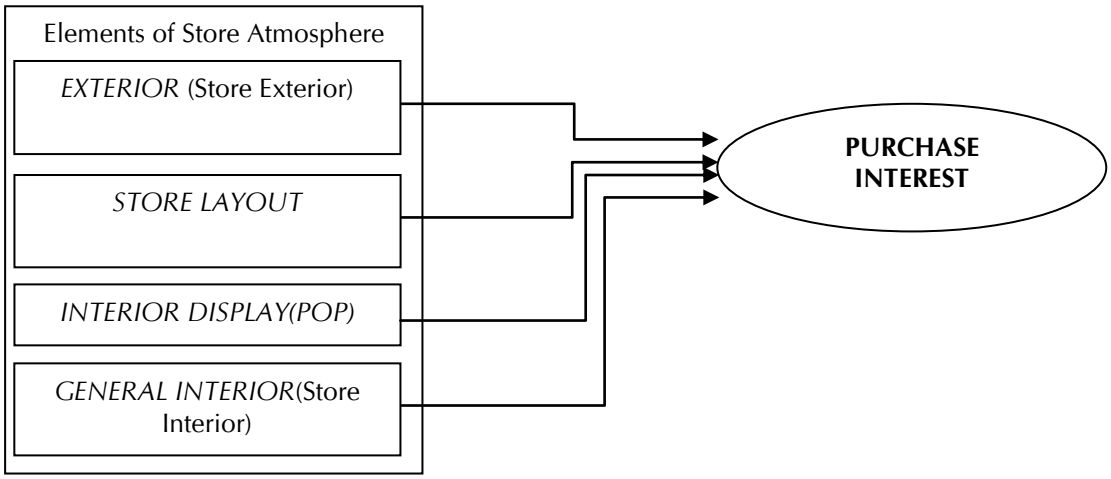

Figure 1: Research Frame (Berman Evan,2010:509) & (Julianti, et al.,2014)

RESEARCH METHOD

The population in this research was those that would purchase in Gramedia Bookstore Yogyakarta. Sampling method used here was *non-probability sampling* using incidental sample taking technique or *convenience sampling*enabling the researcher to select the respondents based on the ones easiest to be met or found through the samples of 96 respondents. The data sources used in this research was the primary data directly obtained from the respondents. The method of collecting the data was conducted using questionnaires.

Prior to conduct a calculation and analysis, the validity and reliability of obtained data was firstly tested. The indicators and the variables meeting the standard of quality test subsequently were able to be used for the calculation with the regression analysis. This analysis could be used as verification towards the hypotheses that have been previously revealed. In taking decision, it was done through the procedure of F-test, t-test, multi-collinearity test, heteroscedasticity test, and linearity test. The calculation and analysis were done with a support of SPSS 17.0 Program.

RESEARCH RESULT

To meet the criteria of the qualified data as a base of further analysis, validity and reliability test towards the elements of variable indicators studied. The validity test was conducted with the approach of *product moment correlation* (r) with the support of SPSS 17.0program. As stated by Ghozali (2005) an indicator will be called valid if count-r obtained is higher and positive that table-r. The reliability test, meanwhile, was conducted using *Cronbach Alpha*method. Ghozali (2005) stated that an indicator is declared reliable if it has *Cronbach Alpha's Coefficient* above 0.60. The results of the calculation of validity and reliability of the data obtained are shown in Table 2.

Table 2: Result of the Calculation of the Validity and Reliability of Data

Variable	Item	Validity	Realibility	Mean
Exterior	Item 1	0,853	0,790	3.58
	Item 2	0,849		3.67
	Item 3	0,821		3.71
General Interior	Item 4	0,702	0,857	3.70
General Interior	Item 5	0,781		3.64
	Item 6	0,854		3.83
	Item 7	0,840		3.73
	Item 8	0,807		3.84
Store Layout	Item 9	0,892	0,838	3.73
	Item 10	0,872		3.61
	Item 11	0,844		3.84
Display Interior	Item 12	0,700	0,663	3.99
	Item 13	0,832		3.86
	Item 14	0,786		3.93
Purchase Interest	Item 15	0,718	0,703	3.85
	Item 16	0,653		4.05
	Item 17	0,708		3.93
	Item 18	0,612		3.90
	Item 19	0,636		3.93

From Table 2, it is found that the value of count-r in all points of research variables has resulted a value higher than 0.168. Then, it can be stated that all points of questions have met the criteria of validity. The equal result was shown in the calculation of reliability showing the result of *Cronbach's Coefficient Alpha*above 0.60. Thus, the variables in this research met the reliability criteria.

Based on the result from Table 2, it shows that the average of the assessment of the respondents towards the elements of *store atmosphere exterior*was at 3.393 (element of*store atmosphere exterior*was high). In the elements of *store atmosphere general interior* the average value was at 3.75 (high *general interior)*. The highest assessment was given the average of respondents in the division of space in the Gramedia Bookstore in Yogyakarta that has been well arranged with the value of 3.84 (high store layout). In the element of *store atmosphere interior display*was at 3.93 (high *interior display*). The interesting highest assessment for the racks of display in Gramedia Bookstore Yogyakarta was with the value of 3.99 (*high interior display*). For the average of purchase interest, it was with the value of 3.93 (*high purchase interest*).

The phase in the further analysis was regression analysis used to test the hypotheses that would be proven in this research. The procedure of the testing used 6 approaches; those are t-test, F-test, classical test (multi-collinearity, heteroscedasticity, linearity).

Table 3: The result of the Doubled Linear Regression of Purchase Interest

Independent Variables	Beta	Sig-t	Partial-r	r^2
Exterior	0,120	0,000	0,321	0,103
General Interior	0,229	0,002	0,552	0,273
Store Layout	0,125	0,001	0,331	0,110
Interior Display	0,168	0,000	0,370	0,137
	R^2 = 0.549		Sig-F = 0,00	

This test was to show whether all independent variables entered into the model altogether had an impact on the dependent variables. Based on Table 4.8, it is found that sig F was 0.00 < 0.05, then Ho was refuted and Ha was accepted. Thus, it can be concluded that the variables of *exterior, general interior, store layout* and *interior display* all together had a positive impact on the purchase interest in Gramedia Bookstore Yogyakarta.

As seen from Table 4.8, it is found that the exterior had the value of t-sig at 0.000 < 0.05, then, Ho was refuted and Ha was accepted. It means that there is a positive impact of financial risk on the purchase interest in Gramedia Bookstore Yogyakarta. *General interior*had t-sig at 0.002< 0.05, then Ho was refuted and Ha was accepted. It means that there is a positive impact of *general interior*on the purchase interest in Gramedia Bookstore Yogyakarta. Furthermore, the *interior display*had the value of t-sig at 0.000 < 0.05, thus, Ho was refuted and Ha was accepted indicating a positive impact of *interior display*on purchase interest in Gramedia Bookstore, Yogyakarta.

From the result of the calculation of Multi-collinearity test, the values of VIF or Variance Inflation Factor of *exterior*was at 1.031, general interior was at 1.281, *store layout*was at 1.241, and *interior display*was 1.044. Those values were less than 10. In contrast, the value of *tolerance variableexterior*was at 0.970, *general interior*was at 0.821, *store layout*was at 0.806, and *interior display*was at 0,958 higher than 10%. It then can be concluded that there was no any multi-collinearity and it can be used in this research.

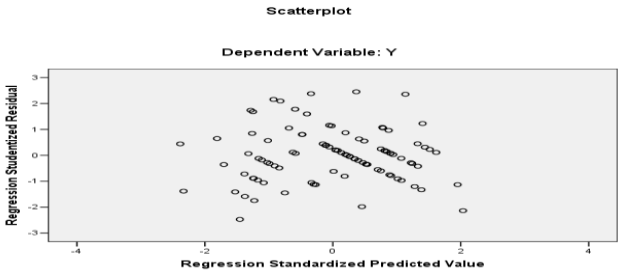

Figure 2.Heteroscedasticity Test

Based on Figure 4.1, it can be seen that the residual data in the regression model spread above and below 0 point and did not shape any certain pattern. Thus, the regression model proposed in this research did not emerge any sign of heteroscedasticity.

DISCUSSION

This research has successfully revealed the hypothesis about the positive impact of *exterior, general interior, store layout,* and *interior display*on the purchase interest in Gramedia Bookstore Yogyakarta.Based on the results of the doubled linear regression test, it showed that the variables of the element of *store atmosphere exterior*had a positive impact on purchase interest at 0,120. In the previous research conducted by Julianti, et al. (2014), exterior in Department Store of Nusa Permaiin Nusa PenidaDistrict had a positive impact at 0.260 indicating that Gramedia Bookstore has an interesting element of *store atmosphere exterior*that later can stimulate the joyfulness and make the customers comfortable from the first sight to the store. The impression of being comfortable can attract the interest of customers to come to the store and might make them to purchase (Julianti, et al., 2014).

The variable of *store atmospheregeneral interior*element had a positive impact at 0. 229. Similarly, a previous research conducted by Julianti, at al. (2014) in Department Store Nusa

Permaiin Nusa Penida District also showed a positive impact of general interior variable at 0.210 indicating that the arrangement in Gramedia Bookstore Yogyakarta has been good that can attract the attention from the visitors and help them easy to observe, check and select the products and later purchase the products when coming to the store (Julianti, et al., 2014).

The variable of *store atmosphere store layout*element based upon the calculation of doubled regression analysis had a positive impact at 0.125. This result was supported by the result of the previous research by Julianti, et al. (2014) in Department Store of Nusa Permaiin Nusa Penidasubdistrict with a positive impact at 0,202. The result of the positive impact on the regression analysis to the *store layout*showed that Gramedia Bookstore Yogyakarta has a good store layout that can help the retailers to display their products well, facilitate the consumers to buy and enhance the efficiency of staffs' work performance, attract the purchase interest and increase the profit of the owner (Setiadi, 2010:280) in Julianti, et al. (2014).

The variable of store atmosphere interior display element in this research showed the result of the regression analysis at 0.168 proving the positive impact of interior display on the purchase interest. The positive impact of interior display was also shown in a research conducted by Julianti, et al. (2014)in Department Store of Nusa Permaiin Nusa Perida Subdistrict at 0.284. It is proven that Gramedia Bookstore Yogyakarta has a good interior display that can reach two purposes as stated by Julianti, et al. (2014) that*Interior point of interest display* has two purposes: providing information to customers and to add *store atmosphere*.

Based on the result of the research above, it showed that the most significant impact was in the element of *store atmosphere* general interior showing the positive impact at 0.229. Thus, Gramedia Bookstore, Yogyakarta needs to maintain its element of *store atmosphere general interior*by maintaining the cleanness, maintenance of the air cooler to make the air temperature in the room kept well, giving music that can make the customers relax and comfortable in finding the books or other products. It also can be done by maintaining the room aroma kept well. Thus, it will not disturb the smell sense. Hospitality of the staffs, tidiness in uniform and appearance of the employees, always providing the staff to serve the customers in Gramedia Bookstore well are also needed.

Based on the result of the research, there are other three variables showing the results under the results of the regression of *general interior*; those are exterior (0,120), store layout (0,125) and interior display at 0,168. This then showed that in the exterior, Gramedia bookstore needs to improve the comfort for parking area, making the more attractive *windows display*, making the name board of the store and making them more attractive. Meanwhile, for store layout, Gramedia Bookstore Yogyakarta needs to improve the arrangement of rack layout, the corridor for the traffic of customers to make the customers find the books or products easily. The third one is in terms of *interior display*in which Gramedia needs to install the posters or something more interesting to the racks to make the customers more interested and later stimulate the purchase interest. Improving the store atmosphere is something that is very important considering that the high technology can make the customers easier to access the books online. Thus, a good, attractive and comfortable store atmosphere can make the customers more interested to visit longer in the store and later they will have an interest to buy.

CLOSING

This research has successfully proven the research hypotheses proposed. However, it still has some weaknesses. First, the subject of the research is so wide still; while the samples used were limited. Secondly, this research still used SPSS program. However, it is better if the further research can use other programs such as SEM, LISREL, AMOS and its equivalent. Third, it can be added with other variable that can more support the further research for example by adding

the moderate variables such as the emotion of customers during the purchase time in store to observe the impact of customers' emotion directly on the purchase interest.

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The betashares of Indonesia's banking in financial variables perspectif

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Abstract

There are two types of risk are known as systematic risk and unsystematic risk. Systematic risk is also called as beta since it is the measurement of systematic risk. Based on previous researches, it was obtained that financial variables including financial leverage, liquidity, asset growth, profitability and dividend payout ratio had inconsistent results as beta stock predictor.Technique of data analysis in this research are of test of classic assumptions and test of hyphotesis that used multiple regression analysis. The research result: 1) financial leverage cannot affectbeta stock because. 2) Liquidity has negative significant effect to beta stock. 3) Asset growth cannot affect beta stock. 4) Profitability has positive significant effect to beta stock. 5) Dividend payout ratio cannot affect to beta stock.

Keywords: beta stock, financial leverage, likuiditas, asset growth, profitabilitas, dividend payout ratio

RESEARCH BACKGROUND

Investments related to various kinds of activities, for example the number of funds investing in fixed assets (land, gold, machinery or buildings), as well as financial assets (deposits, stocks or bonds) is a common investment activity. One of the purposes of acquiring the investment is the return of the investment itself. When investing to something investor would consider the level of benefits and risks of investments chosen. In general, the risk of investing in the stock market can be divided into two: systematic risk and unsystematic risk. Systematic risk is also referred as beta, because beta is a measurement of systematic risk. Beta of a securities can be calculated by estimation technique that uses historical data, accounting data and fundamental data. (Jogiyanto, 2010: 375-376). This study used financial variables that obtained from outsideof company's profit data/outside the income statement, for example statement of cash flows. Beta calculations in this study were estimated by collecting historical values of the securities during a certain period. Capital Asset Pricing Model (CAPM) is used to estimate this. This model is used because there are some assumptions that were applied, so as to make the model easier to understand and more easily tested (Jogiyanto, 2010: 487-488).

Beaver et al. (1970) found variable asset growth has a positive effect on beta stock, while Ferris et al. (1989) and Capstaff (1991) found a negative effect between asset growthandbeta stock. According toGudono and Ninik(2001) asset growth significantly affect beta stock. This is also supported by Utami (2000), Parmono (2001) and Rachmania (2009). However, according to Bowman (1979) and Farrely et al. (1985) asset growth did not affect the size of risk. This statement supported by Suseno (2009) which states that the asset growth did not affect beta stock.

Beaver et al. (1970) and Chun andMeharani (1989) found that liquidity negatively affect beta stock, while Tandelilin (1997) and Belkaoui (1978) found a positive effect between the liquidity and the beta stock. According Suseno (2009) liquidity affects beta stock. However, according to Parmono (2001) did not affect the liquidity of the beta stock.

Tandelilin (1997) who uses a net profit margin found that there is a positive effect between profitability andbeta stock, while the gross profit margin obtained negative results.

However, according to Belkaoui (1978), Chun and Meharani (1989) and Wiedyantari (2007) there is a negative effect between profitability and systematic risk. According toKustini and Selvi (2010) there is no significant effect between profitability andSyariahbeta stock.

Bowman (1979) and Tandelilin (1997) found that financial leverage hasa positive effect on beta stock. Fidiana research results (2009) states that there is a positive leverage effect between Syariahbeta stock, and this is supported by Beaver et al. (1970) and Jarvel et al. (2009). Chun and Meharani (1989) found a negative influence on the leverage ratio tobeta stock, that supported by Nishat (2000). According Utami (2000) and Setiawan (2003) leverage has a significant effect on the size of risk, supported by Parmono (2001) which states that financial leverage affects beta stock. However, according to Farrely et al. (1985) leverage did not affect beta stock, supported by Auliyah and Ardi (2006). According to Beaver et al. (1970) and Jarvela et al. (2009) dividend payout ratio has a negative influence on the beta stock,and also supported by Kustini and Selvi (2010). Research results Farrely et al. (1985) found that the dividend payout ratio have a significant effect on beta stock supported by Utami (2000) and Mutia and Arfan (2010),while Bowman (1979) found that the dividend payout ratio has no effect on beta stock, supported by Ferris et al. (1990) and Rachmania (2009).

Based on the results of previous studies,proven to be that the financial variables, consist of financial leverage, liquidity, asset growth, profitability and dividend payout ratio had inconsistent results. Therefore, researchers are motivated to analyze the financial variables as predictors of beta stock. The problem of this research is based on background whether financial variables that include financial leverage, liquidity, asset growth, profitability and dividend payout ratio affectsbeta stock in the banking industry in Indonesia Stock Exchange, period of 2006-2012. This means the smaller beta smaller of systematic risk from banking industries so that fraud is happening more rare.

LITERATURE REVIEW AND RESEARCH HYPOTHESIS

Signaling theory emphasizes the importance of information released by the company on investment decision outside the company. One type of information released by the company that can be a signal to parties outside the company, especially for investors, is the annual report. By knowing the beta shares of a company an investor can determine systematic risk. If the beta is negative that means the stock is risky, and that would be a bad signal (bad news) for investors who intend to buy the shares.

The higher the leverage of a company, the higherthe beta(measurement of systematic risk) (Jogiyanto, 2010; 281). The results of the Bowman (1979), Ferris et al. (1989) and Tandelilin (1997) found that financial leverage has a positive effect onbeta stock, supported by Fidiana (2009) who states that there is a positive leverage effect on Syariahbeta stock, and Puspitaningtyas (2010) who found that there is a positive effect of financial leverage on systematic risk. Therefore H1: financial leverage positively affect beta stock

The more liquid the company, the smaller the risk (Jogiyanto, 2010; 282). This is supported by Beaver et al. (1970) and Chun and Meharani (1989) who found that liquidity (with current ratio as proxy) has a negative effect on systematic risk. If the growth of the assets of a company increases, the company's performance will be improved as well so that the risk to be liquidated will be lower, or it can be said that the higher the growth of the assets of a company, the lower the beta of the company's shares. This is supported by Ferris et al. (1989) and Capstaff (1991). Therefore H2: liquidity negatively affect beta stock.

The higher the asset growth of companies, the higher company performance will be so the risk of being liquidated will be low. Ferris et al research result (1989) find that here is a negative effect between asset growth to beta stock. This research is also supported by Capstaff (1991). Therefore H3: Asset growth negatively affect on beta stock.

The higher the profitability that acquiredby a company, the smaller the systematic risk will be. Belkaoui research results (1978) find that there is a negative effect between profitability and systematic risk, supported by research Tandelilin (1997). Therefore H4: Profitability negatively affect beta stock.

Companies that have a high risk tend to be paying a smaller dividend, with the intention that they would not have to pay any lesser dividend when the profits drop. It can be concluded that there is a negative relationship between risk and dividend payout ratio, which is high risk low dividend payout (Lintner, 1965). This is supported by Beaver et al. (1970), Jarvela et al. (2009), Puspitaningtyas (2010) and Kustini and Selvi (2010). Therefore H5: Dividend payout ratio negatively affect beta stock.

RESEARCH METHODS

Data used in this study is a quantitative data, in form of secondary data, obtained from ICMD and access to the www.idx.go.id. The population in this study is the banking industry that listed in Indonesia Stock Exchange (2006-2012 period) with samples obtained from that population,which is 9 banks. Purposive sampling used as a sampling method.

The variables used in this study are:

1) The independent variable in this research is financial variables that consist of financial leverage, liquidity, asset growth, profitability and dividend payout ratio.
2) The dependent variable in this study isbeta stock.

Data analysis techniques in this study is the classical assumption that include multicollinearity test, autocorrelation test, heteroscedasticity test and test for normality, whereas hypothesis tested using multiple linear regression analysis.

RESULTS AND DISCUSSION

Based on purposive sampling method gathered as much as 9 banking companies that generates 63 observations (7 years of observation). The data in this study are spread normally, and there are nomulticollinearity, autocorrelation and heteroscedasticity.

Table The Result of Multiple Regression Analysis

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	1,340	2,021		0,663	0,510
	Financial Leverage	-0,443	2,281	-0,023	-0,194	0,847
	Likuiditas	-0,493	0,214	-0,272	-2,302	0,025
	Asset Growth	-0,62	1,106	-0,099	-0,779	0,439
	Profitabilitas	3,521	1,339	0,362	2,630	0,011
	Deviden payout ratio	-0,065	0,399	-0,021	-0,164	0,871
	F value	3,140				
	F sig	0,014				
	Adjusted R^2	0,147				
	R^2	0,216				

The first hypothesis testing shows no significant results because the p-value of financial leverage is 0,847 > αvalue (0.05) that means it does not support the first hypothesis (H1). This suggests that the increased/decreased financial leverage does not affect the beta stock/beta stock remain constant. Based on Bank Indonesia Regulation No. 14/18/PBI/2012 set that minimum capital of commercial banks amounted to 8%. This means that commercial banks are expected to have a minimum capital ratio of 8% so they can accommodate the risk of each loan/assets of the bank itself. This means that the higher or lowerfinancial leverage in the banking stocks did not affect beta, because there is a guaranteefromthe capital ratio to address the systematic risk that might be occur. In addition, the government through LPS (LembagaPenjaminSimpanan/Deposit Insurance Agency) provides security against the systematic risk that covers funds deposited by customers, so that the financial leverage of the banks do not affect the systematic risk. Results of this study are consistent with the results of Farrely et al. (1985) and Auliyah and Ardi (2006).

The second hypothesis test shows a significant negative effect between the liquidity andbeta stock as liquidity p-value is 0,025 < αvalue (0.05), with a value of t is -0.194 thus supports the second hypothesis (H2). This means banks to provide credit to its customers adhere to the principle of prudence to avoid bad credit. Based on Bank Indonesia Regulation No. 12/119/PBI/2010 stated that standard LDR ratio for banks is between 78% -100%. In this study, the average LDR of 2006-2012 period is less than 78%. This means that the ratio of lending to customers are still low. Low level of LDR means that beta stock/systematic risk increases. This LDR level shows thatthe banks financial stateare too liquid with excess capacity that is ready to be loan (Latumaerissa, 1999; 23). It supports the results of the Beaver (1970) and Chun and Meharani (1989).

The third hypothesis testing is not significant as the p-value of asset growth is 0.439 > α value (0.05), so it does not support the third hypothesis (H3). This suggests that the increasing/decreasingof asset growth did not affect the beta stock/beta stock remain constant. Faster asset growth indicates that the company is holding expansion. Failure of the expansion will increase the burden on companies, because they have to cover the cost of the expansion. The greater the risk of failure of the company, the less prospective the company will be. The company's prospects will affect the expectations or interests of investors. Investors will tend to sell their shares. The more shares are sold, the lower the price will be. Changes in stock prices means changes in gains. The greater the change in profit shares, the greater the beta. This means the systematic risk of banks that experienced asset growth tends to be constant because they are in a period of expansion (Suseno, 2009). This supports the results of Bowman (1979), Farrely et al. (1985) and Daughter (2013) which states that the asset growth does not affect the size of the risk.

The fourth hypothesis testing shows that the profitability has a positive and significant effect on beta stock. This resultproven from a significant value 0,011 <αvalue (0.05), but the t value is positive(2,630)which meansthere is a significant positive effect, and this result does not support a fourth hypothesis (H4). This result shows that the increasing profitability of the company will increase its beta stock. With increasing of profitability meansinterest income from loans increased due to a growing number of loans extended to the community. However, with the increase of the loans, the systematic risk will also increasing as a result of bad loans, so that banks should be more cautious whenlending credits to customers. These results support the research ofTandelilin (1997).

The fifth hypothesis testing shows that the dividend payout ratio has no effect on beta stock, that means the fifth hypothesis is rejected (H5). This result proven from a significant value 0.871 > 5% of significance level. This result shows that the higher or lower dividend payout ratio, the beta of banking shares are unchanged or constant. This is because during the

study period of 2006-2012 there are only 9 banks thatmaking the payment of dividends, so it is not influencing the beta. Some of the reasons the bank did not distribute dividends, among others, are the need to pay increasing debt and low growth rate. The study results support the research Ferris et al. (1990), Auliyah and Ardi (2006) and Rachmania (2009).

CONCLUSIONS AND RECOMMENDATIONS

Conclusion

Based on the analysis and discussion of this study, it can be concluded that the financial leverage has no effect on beta stock. This means that the high financial leverage ratio are not necessarily mean that the systematic risk/beta is higher as well. This is because there is a guarantee from LPS (Deposit Insurance Agency). Liquidity negatively affect beta stock. This means that the higher the loan-to-deposit ratio, the beta stock/systematic risk of the bank will be even lower. Conversely, if the loan to deposit ratio are low, the beta stock/systematic risk of the bank will be higher. Asset growth has no effect on beta stock. This suggests that the high/low of banking asset growth had no effect on beta stock. Profitability significantly and positively affect beta stock. This means that the higher the profitability of banks, the greater the systematic risk/beta stockwill be. Dividend payout ratio has no effect on beta stock. This is caused by the small sample in this study that reported the distribution of dividends consistently over the period of 2006-2012.

Suggestion

Further research can examine the independent variables other than financial variables as predictors of beta stock considering the adjusted R2 is only 0.147, eg macroeconomic variables such as inflation and exchange rate. Bank is expected to extend credit to customers more carefully to avoid bad credit because based on the results of this study which states that liquidity (proxied by loan-to-deposit ratio) negatively affect beta stock. This means that if the credit channeled are higher then systematic risk/beta stock will be lower.

Investors are expected to consider the financial variables that can be use as an accurate predictor of beta banking stocks given that bank is different from other industries. For example, more and more loans means lower systematic risk, so the level of public confidence on the bank are higher.

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The influence of brand awareness on brand trust through brand image

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The purpose of this study was to determine 1). relationship influences brand awareness on .brand trust, 2.) relationship influences brand awareness on brand image, 3). influence of brand image on brand trust. The study was conducted on islamic product brands in City of Malang, East Java. Used accidental sampling, total sample of 100 respondent. SEM analysis technique using PLS. The results showed that brand awareness brand effect on trust, brand awareness effect on brand image, and brand image affect to brand trust.

Keywords: awareness, image, trust

INTRODUCTION

The brand used by companies to differentiate their products with competitors' products, so that consumers know and recognize products by brand name. In the competitive market, Consumer trust in the brand is an important factor in consumer purchasing decisions. The higher consumer trust in the brand, the higher the consumer's commitment to the high level of involvement will improve customer satisfaction. (Morgan & Hunt 1994), (Moorman et al. 1992) Consumer trust in the product is also a dominant factor that affecting purchase intention, (Rishi 2013) consumer loyalty to the brand. (Chaudhuri & Hoibrook 2001)

LITERATURE REVIEW AND HYPOTHESIS DEVELOPMENT

Brand Trust

Trust in business play an important role. The sustainability of the brand is difficult to grow if consumers do not have trust with the brand. (Ha 2004) defined as the average consumer's willingness to entrust the brand's ability to demonstrate its function. For consumer, trust in the brand gives confidence to take the risk of errors in the purchase decision. For marketers, maintaining good relationships with customers can be measured the degree to which consumer trust in company's product brand.

(Delgado-Ballester 2003) explains that brand trust is composed of viability dimension and the dimension of intentionality. Dimension of viability is the degree to which the brand of products can satisfy the needs, while the dimensions of intentionality is the feeling of safety of an individual to a brand.

Brand Image

Brand image is an association that arise in the minds of consumers when considering a particular brand. the brand association is a reference point information in memory that contains the meaning for consumers, (Keller 1993). Further explained that the form of association may be conceptualized by type, support, strength and uniqueness that plays an important role in the level of consumer response on the brand.

A product can retain its image in order to be better than competitors. The more consumers have the brand associations about the product, the product image is increasing. Positive brands image helps consumers improve consumer trust to the brand of the product. Therefore, brand image effect on consumer trust, making brands became very strong. Based on the above explanation, it can be concluded that brand image has an influence on brand trust. (Ulusu 2011), (Fianto et al. 2014)

Brand Awareness

The importance of brand awareness for consumers related to the degree to which consumers familiar with the brands product. Products that have a brands which is familiar to consumers have more chance to be selected by consumers than the brand products that are not familiar, and vice versa, (Panchal et al. 2012). Familiar person more considering brands of products his known, namely when evaluating several alternative brands products which his already known. According to (Shimp 2007) brand awareness is the ability of the brand appears in the minds of consumers when they are thinking about a particular product category. (Keller 1993) defining the brand awareness as consumers' ability to remember and recognize product brands in consumer memory.

Brand awareness for the company may be intervened through marketing communications to consumers so that consumers can continue to recognize the company's product brands. The company creates exposure to consumers so that consumers can see, hear and think about certain brands, that ultimately the consumer is able to perform the retrieval in the memory if requires information products. Brand awareness for consumers also serves to reduce the risk of error in purchasing products, because the brand guarantees product quality. In this context, consumers use brands as a marker of the quality of certain products. Consumers do not need to consider too deep or too long to find information about the quality / attributes of a product if consumers already trust the brand. From the above explanation can be concluded that brand awareness effect on brand trust. (Mourad et al. 2011), (Ha 2004).

Consumer familiarity is an important aspect of brand awareness, which can be stimulated by various corporate communication strategy, the more consumers to hear, observe and think about certain brands, the more easy for consumers to have associations in consumer memory, so in this case will increase consumer brand image. so it can be concluded that brand awareness effect on brand image. Studies conducted by (Villarejo-Ramos et al. 2000) said that brand awareness effect on brand image.

According to the theoretical basis of brand awareness, brand image and brand trust, it can be compiled the conceptual framework as follows :

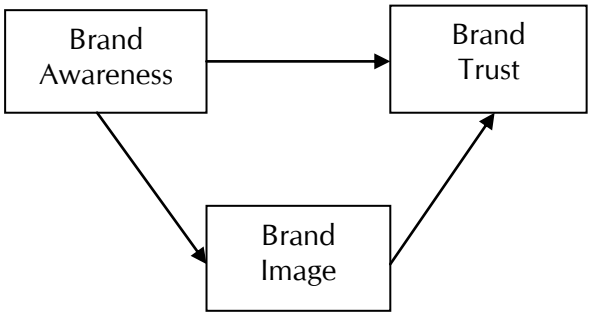

Figure 1. Conceptual framework

Based on the literature review above, then the hypothesis in this study are as follows:

1. Brand awareness has positive and significant influence on brand trust.
2. Brand awareness has positive and significant influence on brand image
3. Brand image has positive and significant influence on brand trust

RESEARCH METHOD

The population in this study are the consumers who make purchases in bakery store in the City / Regency of Malang. This research is exciting the sample using the method or technique of accidental sampling, with a total sample of 100 respondents. Methods of data collection using questionnaires, with the research variable of three variablesl ; 1 independent variables namely brand awareness, 1 the dependent variable that is brand trust and 1 intervening variables that is brand image.

Analysis techniques in this study using SEM PLS; is an analytical tool to determine the relationship between construct variables with the another construct or constructs with the manifest variable.

RESULT AND DISCUSSION

This research was conducted in the City/Regency of Malang in bread products under the Islamic brand. The following is respondent description of study result.

Table 1. Respondents Age

Respondents Age			
No.	**Information**	**Frequency**	**%**
1.	< 20 Year	27	27
2.	20 - 25 Year	55	55
3.	26 - 30 Year	11	11
4.	30 - 35 Year	7	7
5.	> 35 Year	0	0
Total		100	100

Source: Processed Primary data

Table 2. Weekly Purchasing Frequency

Frequency			
No.	**Information**	**Frequency**	**%**
1.	< 1 time	41	20
2.	1 time	39	39
3.	> 2 time	20	41
Total		100	100

Source: Processed Primary data

In accordance with the the problem formulation and research objectives, by using analytical techniques of SEM PLS, latent variables and manifest variables, consisting of exogenous variables of brand awareness, endogenous variables of brand image and brand trust the following are latent variables and indicators:

Table.3 Variabel Latent dan Indikator

No.	Variabel Latent	Indikator
1.	Brand Awareness	Brand is memorable
		Brand easily comparable
		The brand is easily recognizable
2.	Brand Image	Good quality
		The meaning of brands is good
		Brand is credible
		Make a sense of excitement
		Favourable
3	Brand Trust	Never disappoints
		Quality assurance
		Become the primary choice
		In accordance with the promised
		Able to give a sense of security

To determine the effect of variables between latent variables used statistical analysis techniques of Structural Equation Modelling based on variance with the method of Partial Least Square (PLS). As for the construction modeling results as follows :

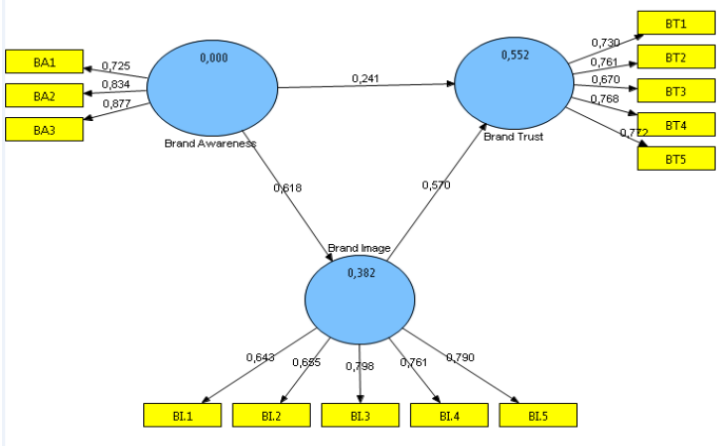

Figure 2. Model Construction Result

a.Evaluation of Outer Model (Measurement Model)

Test of Validity

An indicator is said to be valid if has a loading factor above 0.5 to construct intended. Output of SmartPLS for loading factor gives the following results:

Table 4. Loading Factor

No.	Indicator	Brand Awareness	Brand Image	Brand Trust
1.	BA.1	0,724845		
2.	BA.2	0,833671		
3.	BA.3	0,876570		
4.	BI.1		0,643105	
5.	BI.2		0,654531	
6.	BI.3		0,797928	
7.	BI.4		0,761158	
8.	BI.5		0,790397	
9.	BT.1			0,729935
10	BT.2			0,761134

11.	BT.3			0,670476
12.	BT.4			0,768221
13.	BT.5			0,772064

Source: Processed Primary data, 2015

Table.5: Cross Loading

No.	Indicator	Brand Awareness	Brand Image	Brand Trust
1.	BA1	0,724845	0,388109	0,432516
2.	BA2	0,833671	0,458195	0,420274
3.	BA3	0,876570	0,624007	0,571387
4.	BI.1	0,416447	0,643105	0,570818
5.	BI.2	0,405232	0,654531	0,453607
6.	BI.3	0,528467	0,797928	0,545020
7.	BI.4	0,435979	0,761158	0,470277
8.	BI.5	0,462170	0,790397	0,572540
9.	BT1	0,364227	0,477577	0,729935
10	BT2	0,394513	0,546425	0,761134
11.	BT3	0,481433	0,537692	0,670476
12.	BT4	0,514172	0,594889	0,768221
13.	BT5	0,416521	0,483284	0,772064

Source: Processed Primary data, 2015

From the analysis of convergent validity through the loading factor value known that all indicators are valid. As for the validity discriminant analysis through cross loading value known that all the indicators have high discriminant validity, (> 0,5)

Reliability Test

Reliability test performed by seeing the value of composite reliability from the block indicator which measuring the construct and Cronbach alpha. The result of composite reliability will be showed a satisfactory value if above 0.7, As for the suggested value for Cronbach alpha was above 0.6 The following is the value of Cronbach alpha and composite reliability on output :

Table 6. Cronbach Alpha & Composite Reliability

No.	Variable	Cronbach Alpha	Composite Reliability
1.	Brand Awareness	0,746523	0,854310
2.	Brand Image	0,780595	0,851638
3.	Brand Trust	0,794587	0,858853

In the above table, it can be seen that the value of the composite reliability of all variables > 0,7 and Cronbach alpha value of all variables > 0,6 so that all variables are reliable.

b.Evaluation of Inner Model (Structural Model)

After the estimated model meet with the criteria of Outer Model, next conducted the Inner Model test. Assessing the inner model is looking at the relationship between latent constructs by looking at the path parameter coefficient estimates and the level of significance. The following is the value of R'square.

Table. 7 R Square

Variabel	R Square
Brand Awareness	
Brand Image	0,381545
Brand Trust	0,551678

Source: Processed Primary data**,** 2015

In the above table can be seen that value of R2 on brand image was 0,381545 meaning that brand image variation can be explained by the brand awareness of 38% while the remaining 62% was explained by other variables that was not included in this research model. As for value of R2 on brand trust was 0,551678, meaning that brand trust variation can be explained by brand image and brand awareness of 55%, while the remaining explained by other variables that was not included in this research model.

Table. 8: **Path Coefficient**

	Original Sample	Sample Mean	Standard Deviation	Standard Error	T Statistics
Brand Awareness -> Brand Image	0,617693	0,633833	0,056668	0,056668	10,900247
Brand Awareness -> Brand Trust	0,240653	0,244080	0,091712	0,091712	2,624024
Brand Image -> Brand Trust	0,569584	0,572762	0,070832	0,070832	8,041304

Source: Processed Primary data

The above table shows that the relationship between brand awareness with the brand image is significant with the value of t'statistic 10,900247 (t calculate over 1,96). The value of original sample estimate is positive 0,617693 which indicates that the direction of the relationship between brand awareness with brand image. Then it can be concluded that brand awareness had positive effect on the brand image of the islamic product brand at the City / Regency of Malang with the coefficient of 0,617693. This means that the more customer is easy to remember and recognize products with the islamic brand then the brand image is increased.

The relationship between brand awareness with brand trust is significant with a value of t'statistic 2,624024 (t calculate over 1,96). The value of original sample estimate is positive 0,240653 which indicates that the direction of the relationship between brand awareness with brand trust. Then it can be concluded that brand awareness had positive effect on the brand image of the islamic product brand at the City / Regency of Malang with the coefficient of 0,240653. This means that the more customer is easy to remember and recognize products with the islamic brand then consumer trust on the product will increased.

Similarly, the relationship between the brand image with the brand trust, shows significant with the value of t statistic 8,041304. The value of original sample estimate is positive 0,617693 which indicates that the direction of the relationship between brand image with brand trust. Then it can be concluded that brand image had positive influence on trust of the islamic product brand at the City / Regency of Malang with the coefficient of 0,617693. This means that the enhancement of customer trust can be increased through the brand image of the product.

CONCLUSION

Based on the above results, it can be concluded that:

1. Exogenous variables of brand awareness had influence on brand trust, it mean an increase in exposure of consumers about the information brands then the level of consumer trust in the brand of Islamic products increased.
2. Variable of brand awareness had influence on brand image, it mean an increase in exposure of consumers about the brands information, then it will increase brand image. The improvement of brand image make consumers have associations about the brand of Islamic products in his memory.
3. Variable of brand image had influence on brand trust, it mean an increase in brand image will improve the level of consumer trust in an islamic product brand.

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The effect of brand image on the willingness of customers to pay the premium price in the fast food restaurant KFC in Yogyakarta

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Abstract

This research is entitled "The Effect of Brand Image on the Willingness of Customers to Pay the Premium Price in the Fast Food Restaurant KFC in Yogyakarta". The aim of this research is to understand the willingness of the customers to pay the premium price and the brand image that can be used to reach the premium price. The primary data was obtained through the distribution of questionnaires to 200 respondents.The questionnaires were directly distributed to the respondents visiting KFC and sent through email and processed and analysed using Doubled Linear Regression.

The result of the regression analysis showed that the brand awareness, perceived quality, CSR, original country, social image and uniqueness had a significant impact on the willingness to pay the premium price.

The implication of this research is that the companies should more improve the variation of more interesting products, maintain their product quality to be consistent from time to time, maintain the originality of its processing to prevent any imitation made by other competitors. In addition, they should maintain the secure of their products and responsible for the waste produced. By the so doing, the customers are willing to pay the higher price for the KFC products compared to the products of other competitors since the brand consumers are able to add the values. The customers will not mind to pay much to have the product with certain brand in view of the perception and trust for the product that finally will make the customers associated and buy it. The customers are willing to pay higher for the product as they have a perspective that brand is a guarantee of quality consistency and has certain value. Without a brand, it can make the customers feeling insecure for any negative possibilities beyond expectation.

Keywords:Brand Image, Premium Price

INTRODUCTION

*Image brand*comes to be a choice when a competition has reached a level at which the customers have faced many choices and the available product quality that is hard to be differentiated. Brand is not simply a name, symbol, picture or sign meaningless but an identity of a product that can be used as a parameter if it is good and qualified. The customers can see a brand as one of the most important parts in a product and as an added value of the product (Kotler, 2003). Hence, the brand is an important asset in a business. For customers, brand is able to add a value. The customers are willing to pay higher to have a product with certain brand due to the perception and trust for the product that finally make the customers eagerly to be associated and buy the products. The customers are agreeable to pay more for a product considering a brand embedded as a guarantee for the quality consistency and certain value inside. Without brand, it can make the customers insecure from any negative impact beyond expectation. As revealed by (Knapp, 2001 in Maarifat, 2010), the main aim of a real brand is to add *prestige*.

LITERATURE REVIEW

In a previous research conducted by Anselmsson J, Bondesson N V, and Johansson U (2014) entitled "*Brand Image and Customers' Willingness to Pay a Price Premium for Food Brands"*, it is shown that all independent variables had a positive correlation with the premium price.

Based on the study, company manager is suggested to improve a better understanding about what can stimulate the premium price. This research aims to understand the willingness of the customers, or unwillingness to pay the premium price in market for the packaged food customers and the type of the *brand imag*ethat can be used to reach the premium price.

Premium Price

The *Willingness to Pay a Price Premium* (Netemeyer et al., 2004 in Budiman, 2008) defines the willingness to pay the premium price as the amount the customers are willing to pay for a brand that they like compared to the similar/under-level brand. Srinivasan and Chan Su Park (in Simamora, 2003) defined that "premium price is a difference of maximum price between more preferred brand and the most disliked one that can be accepted by customers."

Brand Image

Kotler and Keller (2009) defined the brand image as a series of trust, idea and impression of an individual towards a brand. A brand image is built by creating image of a product. The customers are willing to pay higher and view the image different as the brand is viewed to reflect certain association and image.

Six Dimensions of Brand Image as the Determining Variables of Premium Price

In (Anselmsson et al, 2014) the brand image for the customers for packaged food has been conceptualized in six dimensions of image; those are brand awareness, perceived quality, Cooperate Social Responsibility (CSR), country of origin, social image and uniqueness, all of which are hypothesized to influence the strength of the image in term of the willingness to pay the premium price. The brand image for the customers of packaged food is conceptualized into six brand dimensions, all of which are hypothesized to influence the strength the brand in term of the willingness to pay premium price. They include:

1. ***Brand Awareness***

Aaker (in Rangkuti, 2004) stated that *brand awareness* refers to capability of the candidate of buyer to recognize or remember that a brand is a part of certain product category. Brand awareness also influences the perception and behaviour. The brand awareness is a *key of brand asset*or the key to come to other elements. Thus, when the awareness is very low, then it is almost believed that the equity of its brand is low as well.In some researches, the brand awareness has been found to impact the response of the customers on the positive brand. As a consequence, the researcher assumed that brand awareness is highly important for the willingness of the customers to pay the premium price for the food brand (Anselmsson, et al., 2007 in Anselmsson, 2014). From the explanation above, the hypothesis can be formulated as follows:

H1:Brand awareness has a positive impact on the willingness of the customers to pay the premium price

2. ***Perceived Quality***

Perceived quality is defined as the perception of the customers towards the entire of the quality or excellence of a product/service related to what is expected (Aaker in Rangkuti, 2004). It is information in the form of customer perception towards the product/service quality and affected by the product/service quality provided. The product quality can be seen from the

uniqueness, endurance, performance, reliability and capability of product in providing the service and physically qualified appearance.

*Service quality*can be seen from the service given to the customers in the real forms those are the appearance and capability of facilities and infrastructure that must be relied upon. Service given can be reliable, responsive to the customers, and empathic (individually paying attention to the customers and attempting to understand the customers' desire) and capable to give a promised service accurately and reliably (Cronin, 1992 in Maarifat, 2010).

Durianto et al. (2001) added that one of the important characteristics of product brand is the product position in the quality dimension perceived by the customers. Thus, the company is able to determine the premium price that in turn can give a direct impact on company profit. As compensation from the determination of premium price, then the company must be able to create the values from its product. From this explanation, the next hypothesis can be formulated as follows:

H2: The perceived quality has a positive impact on the willingness of the customers to pay premium price.

3. *Corporate Social Responsibility*

As stated by Wibisono, (2007) *Corporate Social Responsibility* (CSR) is defined as a business transparently and openly conducted based upon the moral values and high respects to the employees, community and environment.

CSR as stated by Kotler & Nance (2005) is as a corporation commitment to enhance the prosperity of the community nearby through the policy of business practice and provision of the corporate resource contribution.

They also stated that CSR has a capability to improve the corporates' image in that if the corporates runs their business management well and follows the rules that have been regulated by government; thus, the government and society will give privacy for the company to operate in their area. The positive image will be a very valuable asset for the company in maintaining the sustainability when facing a crisis.

Wibisono (2007) found how important the implementation of *Corporate Social Responsibility*is in assisting the company to create its positive image. Hence, the company should see CSR not merely as a cost centre but also as a profit centre in future. When consumer feels that a company of a food brand is concerned with society, environment or employee, the willingness to pay the premium for the brand is high (Anselmsson, 2007 in Anselmsson 2014). From the explanation, the hypothesis can be formulated as follows:

H3: CSR has a positive impact on the willingness of customers to pay premium price.

4. *Country of Origin/COO*

Frequently, the customers associate certain company or brand that is an effect from the reputation of country of origin. The attitude of customers towards certain brand produced in a state can be positive, negative or neutral dependent upon the perception and the experience of the customers. Therefore, the perception of customers related to the product quality can be determined by the location or the country where a product is made in.

A country can be a strong symbol as long as it has a tight relation with the product, materials, and capability (Durianto, et al., 2004). The factor of country of origin/COO comes to be an essential factor for the customers in making decision to buy a brand though a product is made in a variety of components coming from a different country.

There are studies about the perception of customers towards country of origin of a brand and product. In common, the assumption as a base of this field is that the customers will respond the more profitable product or brand if the image of state is profitable as well. The

research showed that this assumption can also be applied for food brand. This writing is focused on the aspect of country of original that has been proposed to be a determiner of the willingness of customers to pay in the explorative-qualitative study. From the explanation, the hypothesis can be formulated as follows:

H4:the country of origin has a positive impact on the willingness of customers to pay the premium price

5. *Social Image*

Lassar et al., (1995) defines the social image as an added value as it is related to have or use a brand.

For the brand designer exploiting the emotional and *symbolic appeal*, a customer is declared to be willing to pay more for such added value as he or she indeed needs the materials (*material possessions*) to show who he or she is. "*You are what you consume*" is the key sentence from the proposition of Belk about the symbolic consumption and *extended self*.Thus, the possession of a product is the extension of personal conception that symbolically is communicated to other people. In other word, a brand is no longer valued for its utilitarian function but due to the symbolic meaning it has (Dewi Ike Janita, 2009). Social image has also been proven to be a booster of premium price for food brand in line with the work exploration (Anselmsson, 2007 in Anselmsson 2014). Based on the explanation above, the hypothesis can be formulated as follows:

H5:Social Image felt has a positive impact on the willingness of the customers to pay the premium price

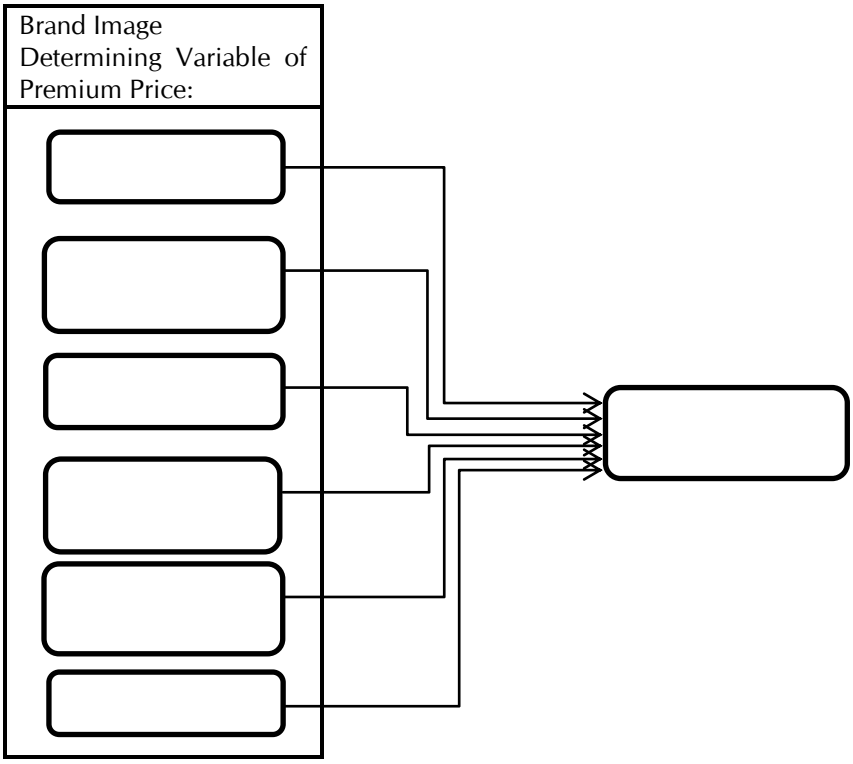
6. *Uniqueness*

Brand Uniqueness is to create a unique impression and a difference that means different from other brands and to make the customers have no reason to not selecting the brand (Keller, 2003). The association of brand uniqueness is created from the association of strength and likeness that make a brand different from other. Given the uniqueness association of a brand, there will be a creation of competitive profit and reasons why the customers should buy the brand. The unique association is designed to make the customers "to have no reason to not" selecting the brand.

The significant difference in a product can stimulate the memory as the difference will be appreciated in the memory of customer. A brand without any uniqueness will be a *mediocre brand*(usual). The creation of a strong brand is started from the determination of unique and relevant brand positioning. In the previous empirical study, a correlation between uniqueness and premium price has been confirmed statistically though it was not focused on the customer of packaged food (Kalra and Goodstein, 1998; Netemeyer et al., 2004 in Anselmsson 2014). From the explanation above, the hypothesis can be formulated as follows:

H6:The uniqueness felt will have a positive impact on the willingness of customers to pay the premium price.

RESEARCH FRAMEWORK



Source: Anselmsson et al. (2014)

From the research framework above, it can be seen that six variables of brand image: Brand Awareness (X1), Perceived Quality (X2), CSR (X3), Country of Origin (X4), Social Image (X5), and Uniqueness (X6) represent the perception of customers about a brand that can influence the willingness of customers to pay the premium price.

RESEARCH METHOD

Type of Data and Technique in Data Collection

The type of the data in this research is the primary data that have been obtained directly from the first party using questionnaires. The questionnaires were directly distributed to the customers of KFC in Yogyakarta. The questionnaires consistently contained some systematic and written formal questions addressed to obtain the information from the respondents.

Population and Sample

The population in this research was the customers of KFC in Yogyakarta. The representative of the population by sample in a research is an important requirement to conduct generalization. Ferdinand (2002)in Ramadhan (2013) stated that if the sample size is over, then the model is very sensitive and it can make it difficult to obtain a good *goodness of fit*. For this reason, it is suggested that the sample size is 5 to 10 times more than the number of the manifest variable (indicator) from the total of latent variable (Ghozali and Fuad, 2005 in Ramadhan, 2013). Based on the definition of the operational of the variable, there were 20 indicators (question item) of this research. Then the total of the sample used was 20 x 10 = 200.

So, the minimum sample used in the model of this research was by involving 200 samples.

DATA ANALYSIS AND DISCUSSION

In this research, the distribution of questionnaires was addressed to 200 respondents as the customers of KFC in Yogyakarta. Of 200 questionnaires, 8 questionnaires were not returned or physically defect and 192 questionnaires were returned. The characteristic based upon the sex of the customers of KFC was dominated by female (102 respondents) and based upon age, the respondents were mainly in the group of aged 20 -25 years old (129 respondents). In accordance to the educational level, 84 respondents are the undergraduate program graduates. Meanwhile, from the income, it was found that most of the respondents had an income less than Rp.1000.000 (94 respondents) and based on the frequency of visiting the KFC restaurant in a month, most of them visited KFC less than 3 times in a month (131 respondents).

Descriptive Analysis The result of the calculation of the average value on the variable of Brand Awareness is shown in Table 1 below.

Table 1: Assessment of the Brand Awareness Variable

Item	Indicator	Mean	Category
1	When talking about the Fast Food Restaurant, I remember the brand of KFC	3,33	Neutral
2	I can directly know the brand of KFC easily	3,42	High
3	I know what KFC stands for	3,38	Neutral
Mean total		3,38	Neutral

Source: Processed primary data

Data in Table 1 shows that the mean of the assessment of the respondents towards the brand awareness was at 3.38 included in neutral criteria as it is in the interval of 2.61 – 3.40. Neutral means that respondents answered between agree and disagree or not taking side.

The highest assessment was found in the item of "I *can directly know the brand of KFC easily"* at 3.42 categorized high. In contrast, the lowest assessment occurred in the item "*When talking about the Fast Food Restaurant, I remember the brand of KFC"*at 3.33 included the category of neutral.

The result of the calculation of the mean values in the variable of Perceived Quality is shown in Table 2.

Table 2: The Assessment of the Variable of Perceived Quality

Item	Indicator	Mean	Category
1	I think that the food and drink in KFC are delicious	3,63	High
2	The product quality of KFC is made well with high standard	3,42	High
3	The standard of product quality in KFC is consistent	3,60	High
Mean Total		3,55	High

Source: Processed primary data

The mean of the respondents' assessment towards the perceived quality was at 3.55 included in high criteria as it was at the interval of 3.41 – 4.20. The highest assessment occurred in the item *"I think that the food and drink in KFC are delicious"*at 3.63 included in high category. In contrast, the lowest assessment was found in the item of *the product quality of KFC is made well with high standard*at 3.42 included in high category.

The result of the calculation of the mean alue in the variable of CSR (Corporate Social Responsibility) is shown in Table 3. The table data shows the result of the mean of respondent assessment towards the Corporate Social Responsibility" at 3.38 included into the high criteria as it was in the interval of 3.41 – 4.20. The highest assessment occurred in the item of "KFC is produced in a good work condition" at 3.51 included in high category and the lowest assessment occurred in the item of KFC is responsible for the waste produced and friendly environment at 3.29 in the neutral category. Neutral means that the respondents answer between agree and disagree or not taking side.

Table3: The Assessment of Variable CSR (Corporate Social Responsibility)

Item	Indicator	Mean	Category
1	KFC is responsible for the waste produced and friendly environment	3,29	Neutral
2	KFC maintains the secure of its product thus not endangering the customers' health	3,34	Neutral
3	KFC is produced in a good work condition	3,51	High
Mean Total		3,38	High

Source:Processed Primary Data

The result of the calculation of the meanvalues in the variable of Country of Origin (COO) is shown in Table 4. The mean of the respondent assessment towards the country of origin is at 3. 40 included in the neutral category as it is in the interval of 2.61 – 3.40. The highest assessment occurred in the item of "KFC is a product that is from America" at 3.78 included in high category and the lowest assessment occurred in the item of KFC product is made of the typical processing from America at 3.03 included in neutral category. Neutral means that the respondents answer between agree and disagree or not taking side.

Table 4: The Assessment of Variable of Country of Origin

Item	Indicator	Mean	Category
1	I know that KFC is a product coming from America	3,78	High
2	I think that the product from America is a high-class product	3,38	Neutral
3	KFC product is made of typical processing coming from America	3,03	Neutral
Mean Total		3,40	Neutral

Source: Processed primary data

The result of the calculation of the average value in the variable of Social Image is shown in Table 5. The mean of the respondent assessment towards the social image was at 3.08 included in neutral criteria as it is in the interval of 2.61 – 3.40. The highest assessment occurred in the item "by buying product of KFC, the level of prestige of customers was higher"at 3.18 in the category of neutral. In contrast, the lowest assessment occurred in the item "Buying the KFC product helps me to be accepted by community" at 2.95 in the neutral category. Neutral means that the respondents answer between agree and disagree or not taking side.

Table5: The Assessment of Social Image Variable

Item	Indicator	Mean	Category
1	By buying KFC products, it can help me to be	2,95	Neutral

	accepted by community		
2	Buying the KFC product makes my prestige level higher	3,18	Neutral
3	Buying the product of KFC makes a good impression of other to me	3,11	Neutral
Mean Total		3,08	Neutral

Source: Processed primary data

The result of the calculation of mean value in the variable of Uniqueness is shown in Table 6.

Table6: The Assessment of Uniqueness Variable

Item	Indicator	Mean	Category
1	I can have the different new taste in KFC products compared to other products	3,31	Neutral
2	The variety of KFC products is more unique compared to other products	3,36	Neutral
3	The image in the logo of KFC is easy to remember and different from the logos of other brands (image of colonel)	3,76	High
Mean Total		3,48	Neutral

Source: Processed primary data

The mean of assessment of the respondents to the uniqueness was at 3.48 in the category of neutral criteria since it is in the interval of 2.61 – 3.40. The highest assessment occurred in the item "the image in the logo of KFC is easy to be remembered and different from other brand logo (image of colonel) at 3.76 in the high category. In contrast, the lowest assessment occurred in the item "can have the different new taste in KFC products compared to other products" at 3.31 in the neutral category. Neutral here means that the respondents answer between agree and disagree or not taking side. The result of the calculation in the mean value in the variable of Willingness to Pay the Premium Price is shown in Table 7.

Table7: The Assessment of Variable of Willingness to Pay the Premium Price

Item	Indicator	Mean	Category
1	I am willing to pay the higher price for the KFC products compared to other products	3,45	Neutral
2	I am willing to buy KFC products more compared to other products	3,32	Neutral
Mean Total		3,39	Neutral

Source: Processed primary data

The mean of the respondent assessment towards the Willingness to Pay Premium Price is at 3.39 included in the neutral category as it is in the interval of 2.61 – 3.40. The highest assessment occurred in the item of "willingness to pay the higher price for the KFC products compared to other products" at 3.45 in the neutral category. In contrast, the lowest assessment occurred in the item of "willingness to buy the KFC products more compared to other products at 3.32 in the neutral category. Neutral means that the respondents answer between agree and disagree or not taking side.

Doubled Linear Regression

The model of linear regression means to observe the impact of brand image on the willingness of customers to pay the premium price. The test result of the doubled linear regression that is the impact of the brand image on willingness of customers to pay premium price is shown in Table 8.

Table 8: Result of the Doubled Linear Regression

Model	Unstandardized coefficients		Standardized coefficients	t	Sig.
	B	Std. Error	Beta		
1(constant)	.037	.289		.126	.899
X1(Brand Awareness)	.107	.051	.123	2.111	.036
X2 (Perceived Quality)	.149	.066	.140	2.249	.026
X3 (CSR)	.156	.068	.155	2.311	.022
X4 (Country of Origin)	.186	.080	.163	1.331	.021
X5 (Social Image)	.198	.056	.228	3.513	.001
X6 (Uniqueness)	.198	.068	.184	2.906	.004
F sig	0,000				

Source: Processed primary data, 2015

Based on Table 8, it is found the test of F sig statistic at 0.00 < 0.05. Thus, Ho was rejected meaning that there was an impact of all variables of brand awareness, perceived quality, CSR, Country of Origin, Social Image, and Uniqueness on the willingness of customers to pay premium price in the Fast Food Restaurant KFC in Yogyakarta. Thus, the result of t test showed that all significance values for all free variables were < 0. 05; then, Ho was rejected meaning that there was a partial impact of all free variable on the willingness to pay the premium price. This indicates that the higher the variables of brand awareness, quality perception, CSR, country of origin, social image, and uniqueness of brand awareness on the KFC products, the more increasing the willingness to pay the premium price. Thus, all hypotheses were proven.

MARKETING IMPLICATION

The Impact of Brand Awareness on the Willingness to Pay Premium Price

Brand awareness has a positive significant impact on the willingness to pay the premium price among the customers of KFC in Yogyakarta. This then indicates that the higher the brand awareness, the more increasing the willingness to pay the premium price.

As stated by Aaker (in Rangkuti, 2004) *brand awareness* refers to the ability of a buyer candidate to recognize or remember that a brand is a part of certain product category. The brand awareness becomes a determiner in some categories and commonly has a key role in brand equity. In some researches, brand awareness has been found to influence the response of customers towards the positive brand. As a result, the researcher assumed that the brand awareness is highly essential for the willingness of customers to pay the premium price for food brand (Anselmsson et al., 2007 in Anselmsson, 2014).

This result should be a reference or input for the KFC Company to more improve the variable of brand awareness. The KFC should more remind the brand of KFC to the customers to make them directly knowing the KFC brand easily and know what KFC stands for. The company should more concern with the customers by adding the promotion more, and remind the customers more about the brand of KFC. The company manager must more manage their relationship better to make the customers not going to other brands.

The Impact of Perceived Quality on the Willingness to Pay the Premium Price

Perceived quality has a significantly positive impact on the willingness to pay the premium price to the KFC products. The better the perceived quality is; the more increasing the willingness to pay the premium price will be. *Perceived quality*is a perception of customers to all qualities and excellences of a product or service related to the target expected (Aaker in Rangkuti, 2004). Perceived quality is the information in the form of customer perception towards the quality of products and service. It is determined by the quality in both product and service given. The product quality can be seen in the typical characteristic of product, product durability, product performance, product reliability, ability of product in providing service and physically product looks qualified.

The result of regression showed that perceived quality influenced the willingness to pay the premium price; therefore, the marketing implication conducted by KFC company was by providing a tasteful food and beverage, maintained product quality and always being consistent from time to time. Company must remember that to manage and maintain the existing customers is easier than to seek the new ones that might not be feeling suitable. For this reason, KFC must be able to maintain its customers.

The Impact of CSR (Corporate Social Responsibility) on the Willingness to Pay the Premium Price

CSR has a significantly positive impact on willingness to pay the premium price from the customers of KFC in Yogyakarta. This indicates that the higher CSR, the more increasing the willingness to pay the premium price.

CSR according to Kotler & Nance(2005) refers to the commitment of corporate to improve the prosperity of community nearby through the policy of business practice and provision of contribution of corporate resources. They also stated that CSR has a capability to enhance the image of company in that if the company runs the business management well and follows the regulation applied by government, then the government and community will provide privacy for the company to operate in their region. This positive image will become a very valuable asset for the company in maintaining its sustainability when facing a crisis.

The implication of the marketing in CSR is that the KFC should increase the variable of CSR. The company should be more concerned with the waste for a preventive action towards the emergence of environmental impact and keep on maintaining the secure of its products by using the healthy materials and more aware with the environment surrounding such as providing donation, free health care, or scholarship.

The Impact of Country of Origin on the Willingness to Pay the Premium Price

The country of origin has a significantly positive impact on the willingness to pay the premium price from the customers of KFC in Yogyakarta.This then indicates that the higher the variable of the country of the origin is, the more increasing the willingness to pay the premium price will be.

A country can become a strong symbol as long as it has a tight relationship with products, material and competence (Durianto et al., 2004). Schooler (1965) in NN (2012) published a first research about how important the role of COOP (*country-of-origin reputation*. Many studies have come out then but in general concluded that the impact of COOP can play an important role in the choice of customers towards a brand of products. Based on the study by Liefeld (2002)in NN (2012), based on what has been stated by the respondents about trust, perception and attitude about the quality or values of a product about customers from many different countries, COOP is always be included as one of the important variables chosen by the customers. As a consequence, it must be a consideration for the marketer. The factor of

Country of Origin/COO becomes an important factor for the customers in making decision to buy a brand though a product is made from any components taken from some different countries.

The marketing implication in the variable of country of origin is that the KFC products are made of the typical processing from America to make the originality of the product is not able to be imitated by other competitors and becomes the typical characteristics of KFC. Thus, the consumers are able to recognize that KFC is a product coming from America.

The Impact of Social Image on the Willingness to Pay the Premium Price

Social image has a significantly positive impact on the willingness to pay the premium price for the customers of KFC in Yogyakarta. This indicates that the higher the variable of social image is, the more increasing the willingness to pay the premium price will be.

Lassar et al. (1995) defined the social image as an added value as it is related to have or use a brand. For the brand designers exploiting the emotional and symbolic appeal, the customers are viewed willing to pay more for such added value as the customers in fact needs the materials (*material possessions*) to show who they are. "*You are what you consume*" is the key phrase from the proposition of Belk about the symbolic and extended self-consumption.

The marketing implication to the variable of social image is that KFC should more improve the level of prestige for the customers; thus by buying the KFC products, it can create a good impression from other people to the customers.

The Impact of Uniqueness on the Willingness to Pay the Premium Price

Uniqueness has a significantly positive impact on the willingness to pay the premium price from the customers of KFC in Yogyakarta. This indicates that the higher the variable of uniqueness is, then the more increasing the willingness to pay the premium price.

Brand Uniqueness can make the unique impression and difference that means between other brands and make customers not to have a reason to not choosing the brand (Keller, 2003). The association of the uniqueness of the brand is created from the association of the strength and preference that make a brand different. With the association of the uniqueness of a brand, it can emerge a competitive profit and reasons why customers should buy the brand. The unique association is designed to make the customers have no reason to not choose the brand.

The implication of the marketing in the variable of uniqueness is that KFC must more develop the variety of its products such as adding the beverages and snacks; create a new taste different from other products; and beautify the serving in consideration that today food and beverage with good serving will be favourable to be taken as a photograph.

CLOSING

Conclusion

There was a positive and significant impact of brand image consisting of six dimensions: brand awareness, perceived quality, CSR (Corporate Social Responsibility), Country of Origin, social image, and uniqueness towards the willingness of customers to pay the premium price. However, the most influential variable on the willingness to customer to pay premium price is the variable of quality perception.

Suggestion

Based upon the findings and research conclusion, it is suggested for the management of KFC restaurant to improve the lowest indicators in all research variables including: first, in term of the item of *brand awareness* about the memory of fast food restaurant, the management of KFC should more frequently make an advertisement to make the customers always remember with

KFC.Second, in term of the item of variable of quality perception that the quality of KFC product is made well and highly standardized, the management of KFC should select the fresh and qualified materials and ingredients. Third, in term of the item of CSR, it is suggested that KFC should more concern with its waste removal to prevent the disturbance for the ecosystem of living environment and community nearby. Fourthly, in term of the item of using the processing from America, it is suggested to maintain the originality of its products and maintain the prestige from products and place.

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The influence of fundamental factors toward the stock price volatility in the company listed in Jakarta Islamic Index

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Abstract

The aim of this study was to analyze the influence of Earning per Share (EPS), Return on Investment (ROI), Return on Equity (ROE), Debt to Equity Ratio (DER), and Price to Book Value (PBV) to stock price volatility in the companies listed in the Jakarta Islamic Index (JII) period 2009-2013. Indonesia recently gained attention as a suitable and profitable market for domestic and for the world as well. This phenomenon attracted researchers to write, analyze, measure and observe about the stock market and stock return as the main attraction to the investors. This research was conducted using secondary data, the financial report included the data during 2009-2013. Data was obtained from Indonesian Capital Market Directory (ICMD) 2009-2013 in Indonesia Stock Exchange (IDX) Corner. The population is all the shares listed in the Jakarta Islamic Index (JII) during the period of 2009 to 2013. While, the sample of this research were all companies listed in the Jakarta Islamic Index (JII) consistently over the period of 2009-2013. The sample of this research consisted of 54 companies with 270 share observations. But after reduced outliers, the sample of 234 researches became share observations. Purposive sampling method was used as samples determining method. The hypothesis testing method used multiple regression analysis. The result showed only Return on Equity (ROE) and Debt to Equity Ratio (DER) roommates variables had positive effect on stock price. While Earnings Per Share (EPS) and Return on Investment (ROI) did not affect the stock price while Price to Book Value (PBV) significantly gave negative effect to the stock price.

Keywords: *Stock Return, Earning Per Share (EPS), Return on Investment (ROI), Return on Equity (ROE), Debt to Equity Ratio (DER), Price Book Value (PBV).*

BACKGROUND

The rapid development of stock market in Indonesia becomes the indicator for the alternative fund sources besides bank. Thus, this market may help the company which is doing project in a long term who needs big capital. Investment is actually aiming to get a better life in the future, reducing inflationary pressure and save tax (Tandelilin: 2001). Doing investment in market stock basically is putting the fund currently hoped to get a profit in the future.

With the growth of the stock market, it makes some people who are concerned of syaria think about making stock market in a company that follows syaria rules. With this concern, Bursa Efek Jakarta with Dana Reksa Investment Management publish Jakarta Islamic Index in July 2000. After the raising of Jakarta Islamic Index, it makes the investor interested to increase the investment of money in stock. But then, the problems appear when the investor wants to know about the stock price movement to prevent loss.

Basically, doing investment in stock market is high risk – high return, If the investment

opportunity has higher level of risk, the investors will receive the higher level of profit as well. In other words, the higher the risk in an investment opportunity, the higher as well the level of profit (return) received by the investors (Hartono, 2003:130).

Doing analysis of financial report by using financial ratio can also become a material to decide the stock price. Moreover, various research studies over a period of time revealed that corporate fundamental factors are the most important determinants of share price and stock return for a particular period (Banz, 1981; Moldovosky, 1995; and Griffin, 2002). A contributing factor that caused the development of Islamic Micro Finance is currently perceived and affects the investors to publish their stock on Islamic stock index. Moreover, there is high public attention with an interest in the company in terms of Halal operational and product.

There are few studies that discuss the influence of the factors that affect stock prices. Dechow (1999) took the title of the short-sellers research, fundamental analysis and stock returns. Fundamental factors are used in the form of cash flow price, PER, EPS and PBV. The four variables indicate that these factors can be used to predict future stock returns.

Fairfield (2000) did a research entitled Using Fundamental Analysis to Asses Earnings Quality: Evidence from the Center for Financial Research and Analysis. The research tested whether there was an evidence to support the claim that fundamental analysis could predict the company's performance that will worsen. Therefore, investors could anticipate the situation. The results showed that the deteriorating financial performance could be identified through fundamental analysis such as EPS, ROA and profit margins.

However, the existence of previous studies stated that the fundamental variables has an impact on stock prices, researchers interested in analyzing changes in stock prices. These variables were represented by *Earning per Share* (EPS), *Return on Investment* (ROI), *Return on Equity* (ROE), *Debt to Equity Ratio* (DER) and *Price to Book Value* (PBV) in companies listed in JII in the period of 2009-2013.

LITERATURE REVIEW AND HYPOTHESIS

Stock Price

According to Siegel Shim (1999 : 441) in book entitled "Accounting Dictionary", stock price is the equilibrium stock price levels where there is an agreement between the buyer and seller in the capital markets on the Stock Exchange. Beside that, according to Martono (2007:13), the stock price is a reflection of the investment decisions, financing (including dividend policy) and asset management.

Earning Per Share (EPS)

According to Darmadji and Fakhruddin (2001), EPS is a ratio that shows how much profit a company distributed for each share issued. *Signaling* theory explains that information about the company's financial statements as a signal will be used by the company in the future. Signal changes of *Earning Per Share (EPS)* can be seen from the reaction of the share price. Stock price reaction can be measured by using stock returns as the value of the price change. Increased *Earnings Per Share* (EPS) will make the market react positively (supporting signaling theory) when the market tends to interpret that the increase of *Earnings Per Share* (EPS) is considered as a signal about the bright prospects in the future. From the above description, the hypothesis can be concluded as follows:

H_1: There is a positive influence of Earning Per Share (EPS) toward the stock price in the company listed in Jakarta Islamic Index (JII)

Return On Investment (ROI)

Return on Assets (ROA) is used to measure the effectiveness of the company in generating profits (return) for the company to utilize its assets (Ang, 1997). The better performance of the company and the increasing the value of the company would give high expectations on the company's stock price (Widodo, 2007). In a study conducted by Iqbal, Khattak and Khattak (2013) stated that Coefficient of return on assets (ROA) and market to book ratio showed positive but insignificant relation with stock returns. From the above description, the hypothesis can be concluded as follows:

H_2**:** There is a positive influence of Return on Investment (***ROI)*** toward ***the stock*** price in the company listed in Jakarta Islamic Index (***JII).***

Return On Equity (ROE)

Return on Equity (ROE) was used to measure the level of return of the company or the effectiveness of the company in generating profits by exploiting equity (shareholders' equity) owned by the company (Brigham, 2001). Signaling theory explains information about the company's financial statements which is used by investors as a signal of the company in the future. Signal changes on Return on Equity (ROE) can be seen from the reaction of the stock price. Stock price reaction can be measured by using stock returns as the value of the price change. Increased Return on Equity (ROE) will make the market react positively (supporting signaling theory). The study conducted by Widodo (2007) and Hutauruk, Mintarti, and Paminto (2014), both these studies conclude that ROE partially had significant positive effect on stock returns. From the above description, the hypothesis can be concluded as follows:

H_3**:** There is a positive influence ***of*** Return on Equity (***ROE)*** toward the stock price in the company ***listed*** in Jakarta Islamic Index (***JII).***

Debt to Equity

This ratio shows the composition or structure of the total loan capital (debt) and total debt (short-term and long-term) which is greater than the total capital itself, thus impacting the greater burden for the company outsiders or the creditor (Ang, 1997). Increased Debt to Equity Ratio (DER) will make the market react positively (supporting signaling theory). The market tends to interpret that the increase of Debt to Equity Ratio (DER) is considered as a signal about the bright prospects in the future. From the above description, the hypothesis can be concluded as follows:

H_4**:** There is a positive effect of Debt to Equity Ratio (***DER)*** toward the stock price in the company ***listed*** in Jakarta Islamic Index (***JII).***

Price to Book Value

The greater the value of Price to Book Value (PBV), the higher the value of the company in the eyes of investors compared to the values that have been instilled in the company (Ang, 1997). The high value of Price to Book Value (PBV) indicates that the market price is also high. If the market price increase the capital gains (the actual return), these share will also increase (Ratnasari, 2003). From the above description, the hypothesis can be concluded as follows:

H_5: There is a positive influence ***of*** Price to Book Value (***PBV)*** toward the stock price in the company listed in Jakarta Islamic Index (***JII).***

RESEARCH METHOD

Population and Sample

The population used in this study was the company registered or listed on the Jakarta Islamic Index (JII) for the period of 2009-2013 and was never suspended during this period. The

samples of the research were 54 shares selected by using purposive sampling techniques and referring to a few criteria. The data analysis used multiple linear regression to identify independent variables that influence the dependent variable.

Variables

Return

Return has a role as the profit that comes from the challenge of brave investor to face the risk caused by investment that investor did. The resources of return are yield and capital gain.

Earning Per Share (EPS)

Earnings per Share (EPS) are the comparison between net profits after one year and the amount of stock that has been published (Ang, 1997). Earnings Per Share (EPS) is easy to connect with stock price in stock which is produced by Price Earnings Ratio (PER).

Return On Investment (ROI)

Return On Investment (ROI**)** measures the effectiveness of the company in generating profits (return) for the company to utilize its assets (Ang, 1997). ROI (Return on Investment) is one form of a profitability ratio that is intended to measure the overall ability of the company.

Return On Equity (ROE)

Return On Equity (ROE) ratio is used to measure the effectiveness of the company in generating profits by exploiting owned equity (shareholders' equity). Return on Equity (ROE) is the ratio of profit after tax over total capital (Ang, 1997:18).

Debt to Equity Ratio (DER)

Debt to Equity Ratio (DER) is the level of the use of debt to total shareholders' equity of the company (Ang, 1997:18). Debt to Equity Ratio describes the ability of the company when fulfilling the obligation.

Price to Book Value (PBV)

The Price to Book Value (PBV) ratio measures a company's market price in relation to its book value. The book-to-market ratio attempts to identify undervalued or overvalued securities by taking the book value and dividing it by market value. In basic terms, if the ratio is above 1, the stock is undervalued. If it is less than 1, the stock is overvalued.

RESULTS AND DISCUSSION

This chapter will describe the results of the observational research on the object of the research, which consist of 54 shares that listed in JII from 2009-2013. The purpose of this research is to analyze the influence of Earning Per Share (EPS), Return On Investment (ROI), Return On Equity (ROE), Debt to Equity Ratio (DER) and Price to Book Value (PBV) toward the volatility of stock price.

Descriptive Statistic

Data descriptive of the value of the research variables, which consists of a *return* as dependent variable and independent variables like ROI, ROE, EPS, DER and PBV as follows:

Table 1.: Statistics Descriptive of Research Variable

	N	Minimum	Maximum	Mean	Std. Deviation
EPS	234	-292,00	985,00	157,2975	228,68795
ROI	234	-36,32	50,95	9,6554	10,00810
ROE	234	-200,71	121,94	15,7574	23,31831
DER	234	0,07	8,20	1,0225	0,91522
PBV	234	0,16	40,09	3,1307	4,47069
RETURN	234	-3,15	3,09	0,2668	0,61976

The descriptive analysis explains the characteristics of research variable. It contains information such as sum of data, mean, standard deviation, variance, minimum and maximum value of data. The result of the samples used from table 1 showed that minimum ratio of EPS was -292.00 and the maximum ratio of EPS was 985.00. The average value of EPS was 157.2975 while a standard deviation value was 228.68795. ROI minimum ratio was -36.32 and the maximum ratio was 50.95. The average value of ROI was 9.6554 and the standard deviation was 10.00810. The maximum ratio of ROE was 121.94 while the minimum ratio was -200.71. The average value of ROE was 15.7574 and the standard deviation was 23.31831. From the table above it can be concluded that the minimum value of DER was 0.07 and the maximum value of DER was 8.20. The average value of DER was equal to 1.0225 with a standard deviation of 0.91522. The minimum value of PBV was 0.16 and the maximum value of PBV was 40.09. The average value of PBV was 3.1307 with a standard deviation value of 4.47069. The minimum value of RETURN was -3.15 and the maximum value of RETURN was 3.09. The average value of RETURN was 0.2668 with a standard deviation value of 0.61976.

Statistic Analysis of Multiple Regressions

This research used multiple regression analysis. Multiple regression is used to determine whether the research hypothesis has been proven to be significant or insignificant.

Table 2.: Coefficient Regression Value, t-Test and Significance Value

Model	Unstandardized Coefficients		Standardized Coefficient	T	Sig.	Collinearity Statistics	
	B	Std.Error	Beta			Tolerance	VIF
(Constant)	,057	,079		,716	,475		
EPS	,000	,000	-,053	-,738	,461	,736	1,360
ROI	-,006	,008	-,104	-,794	,428	,220	4,544
ROE	,010	,003	,381	3,144	,002	,255	3,919
DER	,204	,044	,301	4,613	,000	,883	1,133
PBV	-,023	,010	-,169	-2,407	,017	,765	1,307

Dependent Variable: RETURN

The result of multiple linear regression analysis from table 2 showed the results of multiple regression analysis as follows:

$$\mathbf{Y = 0{,}057 + 0{,}000X_1 - 0{,}006X_2 + 0{,}010X_3 + 0{,}024X_4 - 0{,}023X_5}$$

From the result of multiple regression formulation above, we concluded that:

a. Constant value of 0.057, which means if there is no independent variables consisted of EPS, ROI, ROE, DER, and PBV that affect stock returns, then the amount of stock returns will be at 5.7%.

b. b_1 Have a positive influence on Return of shares, with a regression coefficient of 0.000, which means when the EPS (b_1) increased by 1 unit, then Return stocks remain, with the assumption that the value of the variable ROI, ROE, DER, and PBV in constant conditions.
c. b_2 Have a negative influence on stock return, with a regression coefficient of -0.006, which means when the ROI (b_2) increased by 1 unit, resulting in a decrease of -0.6% Return stocks, assuming that the value of the variable EPS, ROE, DER, and PBV in constant conditions. With the negative effects of this, means the ROI has opposite relationship with the stock return. If the ROI increase will result decline in stock return, as well as the ROI (b_2) decreasing lead to higher stock return.
d. b_3 Have a positive effect on stock return, with a regression coefficient of 0.010, which means when the ROE (b_3) increased by 1 unit, then lead to an increase in stock return of 1.0% on the assumption that the value of the variable EPS, ROI, DER, and PBV in constant conditions. With the positive influence this, it means that the ROE (b_3) and stocks return showed a direct relationship. ROE (b_3) increase result in increased stocks return, in the other hand if the ROE (b_3) diminishing the resulting decline in stocks return.
e. b_4 have a positive influence on stock return, with a regression coefficient of 0.204, which means when the DER (b_4) increased by 1 unit, then lead to an increase in stock return of 20.4% on the assumption that the value of the variable EPS, ROI, ROE, and PBV in constant conditions. With the positive influence, it means that the DER (b_4) and stocks return showed a direct relationship. DER (b_4) increase result in increased stocks return, in the other hand if the DER (b_4) decrease which resulted in declining stocks return.
f. b_5 have a negative influence on stock return, with a regression coefficient of -0.023, which means when the PBV (b_5) increased by 1 unit, then the resulting stock Return declined by -2.3% on the assumption that the value of the variable EPS, ROI , ROE, and DER in constant conditions. With the negative effects, it means that between PBV (b_5) and stocks return showed the opposite relationship. If PBV(b_5) Increasing cause a decrease in stock return, and the other side if PBV (b_5) decreased resulting in an increase in stock return.

Determination Coefficient, F-Test and t- Test

This test is conducted to know the ability of model in explaining the variation of variables. The coefficient of determination is between 0 and 1 ($0 < R2 < 1$). The higher the R2 value of a regression or closer to 1, the better the regression results. Based on the analysis, the determination coefficient was 0.126 or 12,6%. It could be concluded that the ability of the model could explain 12,6% of variance in independent variable while the other 87,4% was explained by the other variables or models.

The result of F-test shows that significant value was 0.000. It can be seen that p-value was less than 0.05 ($0.000 < 0.05$). Therefore, it could be concluded that the correlation coefficients were statistically significant and fit the regression model simultaneously. It means that Earning Per Share (EPS), Return On Investment (ROI), Return On Equity (ROE), Debt to Equity Ratio (DER) and Price to Book Value (PBV) had significant influence on stock price movement.

The results of t- test shows each independent was explain as follows:

a. Testing *Earning Per Share* (EPS) Against Shares Return
The t-test results for the hypothesis 1 (H_1) which states EPS has a positive influence on stock return of sharia in Jakarta Islamic Index (JII) was rejected. Changes in the value of Earning Per Share (EPS) do not contribute significantly to changes in stock return of sharia. The possible results indicate that investors are no longer use Earning Per Share (EPS) as a ratio used to determine for purchasing stock, but the investors more consider with another ratio. This study consistent with research conducted by Rohmah (2012) but not consistent with

studies conducted by Patriawan (2011) which concluded that the EPS has a positive effect on stock prices.

b. Tests *Return On Investment* (ROI) Against Shares Return
Pointed the-t test results of the hypothesis 2 (H_2) which states ROI have a positive effect on stock return of sharia in Jakarta Islamic Index (JII) was rejected. Changes in the value of Return On Investment (ROI) give insignificant effect on the change in stock return of sharia. This is possible that during research period the company unefficient utilize its assets in operational activities. This study are not consistent with research conducted Iqbal Khattak and Khattak (2013, p.188) states that the coefficient of return on assets (ROA) and market to book ratio shows positive but insignificant relation with stock returns.

c. Tests *Return On Equity* (ROE) Against Shares Return
The results of t-test of the hypothesis 3 (H_3) which states ROE has a positive influence on stock return of sharia in Jakarta Islamic Index (JII) is acceptable. Results of this analysis showed that changes in the value of Return On Equity (ROE) will contribute positively and significantly to changes in stock return of sharia.. The results support previous research conducted by Widodo (2007), Hutauruk, Mintarti, and Paminto (2014).

d. Testing *Debt to Equity Ratio* (DER) Against Shares Return
The t-test results of the hypothesis 4 (H_4) which states DER have a positive effect and significant effect on stock return of sharia in Jakarta Islamic Index (JII) is acceptable. This is in line with the statement that an increasingly large DER will reflect a relatively high risk company because it shows that the company still needs capital loans to finance its operations. This is in line with research conducted by Wijaya (2012) that the results showed that in partial Debt to Equity Ratio (DER) significantly affect stock returns.

e. Tests *Price Book Value* (PBV) Against Shares Return
Negative sign to the value of t-test and regression coefficient values for the independent variables PBV showed that the direction of the influence of the independent variables on the dependent variable is negative. So the hypothesis 5 (H_5) which states PBV have a positive effect on stock return of sharia in Jakarta Islamic Index (JII) based on the statistical t-test was rejected. Results of this study about the negative effects of PBV to stock return of sharia indicate an anomaly in Islamic stock trading in particular stocks. Genesis anomaly indicates the inefficiency of the market in relation to Islamic stock trading in the Jakarta Islamic Index (JII). The results support previous research conducted by Widodo (2007).

SUMMARY

Based on the result of data analysis, it can be seen that there is a positive and significant influence of Return On Equity (ROE) and Debt to Equity Ratio (DER). In the contrary, there is negative and significant influence of Price to Book Value (PBV). There is also a insignificant influence of Earning Per Share (EPS) and Return On Investment (ROI) to stock price movement.

This study is limited in determining variable as the ratio of the market, profitability and financial leverage ratios. In this study, only taken each one to two ratios to predict the return of sharia stock whereas, in each ratio has more than two ratios. Besides, another limitation of this study is about the object of study a group of Islamic stocks in Jakarta Islamic Index (JII). In one time period there were only 30 companies listed in the JII, but every 2 months, a new company registered in JII, it makes difficult for researchers to determine the stock population as research material. In connection with this, the results of this study have not been able to provide information that is closer to the reality of Islamic stock performance.

The recommendation of this research are:

For investors who will invest their shares in the group of Islamic stocks in Jakarta Islamic

Index (JII) should have to be really careful in analyzing stocks that benefit as expected. This can be done by using several analytical tools that can be used such as using factors that proved to significantly affect stock return in this study such as ROE and DER.

For the advanced research. The role of market ratios, profitability ratios and financial leverage in predicting stock returns sharia amounted to only 12.6%, indicating these factors remain included as a predictor for predicting the stock return of sharia. For future research needs to be done it as follows:

1) Conduct more research on the Earning Per Share (EPS), Return On Investments (ROI), and Price Book Value (PBV) as a predictor of stock returns sharia, because those three variables influence contrary to the hypothesis.
2) To provide better results, other ratios in the activity ratio like the market ratio, profitability and financial leverage ratio in addition to the existing ratios in this research study included predictors, so the analysis of stock returns sharia became widespread and can provide better information to policy makers in stock sector, investment in general and Islamic stocks in particular.

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Small medium entreprises (smes) growth model (marketing entrepreneurial approach)

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Abstract

Research on entrepreneurship has focused on a personal approach where business success is determined by the characteristics and competencies of the owners / managers of small businesses. Managerial approach also has significance as a factor determining the success of SMEs. Managerial approach emphasizes entrepreneurial behavior in running a business, including in this approach is the strategy, innovation, and marketing. Determinant of the success of small businesses is not only determined by the owner / manager, but is also determined by how the owner/manager to run the business, environmental influences including competition, economic conditions, and resources. Theoretical studies required the development of an integrative model among individuals, organizations, and the environment that contribute to business growth. Several studies have been conducted on internal factors include individuals and organizations, how the relationship between the individual factors in developing further analyzes effective organization of environmental factors, how environmental factors in this case acts as an inhibiting factor or a growth driver. Finally, it is also important application of the marketing concept of entrepreneurship as an integrative model, in terms of resource constraints and problems that exist in small businesses.

Keyword: *integratif model of entrepreneurial, personal approach, managerial approach, entrepreneurial marketing appro*

INTRODUCTION

SMEs proved able to survive the uncertain economic conditions, even able to absorb the labor force is large enough, but the problem is the success rate is still low (Sarwoko, 2013). Research on the factors that influence the success of SMEs so far can be classified into 3 groups: individual factors, organizational factors, and environmental factors (Baum et al., 2001; Papadaki dan Chami, 2002; Zhou and Wit, 2009). Two main factors have often been the focus of entrepreneurial research are individual factors and organizational factors. Individual factors include the characteristics of the owner/manager, owner/manager competences in the entrepreneurial process (Booheme, 2008; Nimalathasam, 2008; Li, 2009; Sarwoko, 2013) demographic factors, entrepreneurial competence (Lee dan Tsang, 2001; Kiggundu, 2002; Man et *al.*, 2002; Blackman, 2003; Zoya dan Herath, 2007; Kotey dan Meredith, 2007; Man & Wafa, 2008; Ahmad *et al,* 2010, Sarwoko, 2014). Individual factors that affect the SMEs performance can be divided into 4 groups: 1) personal characteristics; 2) psychological characteristics; 3) human capital; 4) behavioral (Li, 2009).

Research on organizational factors include characteristics of the company, the organization's resources, the company's competency, organizational culture, structure, strategy (Covin & Slevin, 1991; Sarwoko, 2014; Street & Cameron, 2007). Included in the organizational factor is the emphasis on the behavior of the owner/manager in the operations to succeed. Owner/manager will determine the strategy by considering environmental factors, meaning that

the behavior will affect managerial decisions that result in business performance (Covin and Slevin, 1991; Hasim, 2000; Gibcus dan Kemp, 2003; Li *et al.,* 2005, Sarwoko, 2013).

SME is a unique business, has characteristics that are not the same as large companies, including in applying marketing. The concept of marketing has been growing (traditional marketing) originally developed for large companies, can not be directly applied to small businesses without adjustments, then comes entreprenurial approach marketing as kotingensi approach is more appropriate, in terms of resource constraints and problems that exist in SMEs (Stokes, 2000). Entrepreneurial marketing has attracted researchers not only from a marketing and entrepreneurship, but also of economics, psychology and sociology. Initially entrepreneurial marketing is the marketing activities undertaken in the new venture (Ionita, 2012). Entrepreneurial Marketing is an organizational function and the processes for creating, communicating and delivering value to customers and for managing customer relationships in ways that benefit the organization and stakeholders, and is characterized by innovation, risk-taking, pro-active, and may be done with limited resources power (Kraus, Harms et al., 2010). This article discusses the importance of entrepreneurial marketing approach that is integrated with a personal approach (individual factors), the organization, as well as the environment as a determinant of successful models of small and medium enterprises.

Literatur Review

Personal Approach

Research on personal factors that affect the performance of the business can be divided into 4 groups (Li, 2009), namely:

1. Entrepreneur characteristics, traits and motives which distinguishes an entrepreneur instead.
2. Psychological characteristics: the need for achievement, internal locus of control, risk-taking, creativity, and innovation.
3. Human capital: education, work experience, experience, skill and technical knowledge.
4. Behavioral: entrepreneurial competence to identify and define the characteristics of a successful manager.

Special behavioral group developed the concept of entrepreneurial competency shows the relationship between the owner attribute behavior that will affect the success or performance of the business. Attributes are characteristics of entrepreneurship that include demographic characteristics, attitudes, knowledge, skills, abilities, skills and behavioral tendencies are needed to achieve business success (Kiggundu, 2002; Ahmad; 2010, Sarwoko, 2013).

Research with managerial approach found that the effective use of resources and efficient ultimately determine the performance/success of the business. In this way the performance of the organization depends on how strategies and implement practices to handle effectively and efficiently organization. Li et al. (2005) states that the performance of business related to entrepreneurial strategies. Entrepreneurial strategy is positively related to business performance because it can help companies to take advantage of the start of the activity in advance and take advantage of existing opportunities (Zahra & Covin, 1995).

Organizational Approach

The company's growth is the increase certain attributes such as sales, production, and profitability of a company between two points within a certain time (Hakkert & Kemp, 2006). The company's growth is determined by the effectiveness and capabilities of the company's resources such as labor, capital and knowledge acquired, organized and transformed into products and services through the activities of the organization, practices and structures (Nickell, Nicolitsas & Dryden, 1997).

Organizational approach in entrepreneurial emphasis on 1) the attributes of the company; 2) strategy; 3) resource companies; 4) the organizational structure; and 5) the ability to dynamically (Zhou and Wit, 2009). So the research on organizational factors emphasis on entrepreneurial behavior in conducting their business in order to succeed, including in this approach is the strategy and innovation.

The general finding in the literature is that most small companies, developing start small and grow, but it is easy to fall due to competition. One major reason is that most of them start businesses that are imitative in mature industries that serve local markets (Baldwin and Gellatly, 2003). Samundsson and Dahlstrand (2005) studied 262 young technology-based Swedish company and found that companies that want to take advantage of new market opportunities based knowledge tends to achieve substantial growth than companies who want to exploit market opportunities based on existing knowledge. Environmental factors in this competition is a factor causing small businesses to grow.

Entrepreneurial Marketing Approach

The concept of entrepreneurial marketing is focused on innovation and development of ideas in line with an intuitive understanding of market needs. In the traditional marketing assumes that a thorough assessment of the needs of customers ahead of the development of a product or service development (Stokes, 2000). Entrepreneurial marketing is a concept that developed between the marketing and entrepreneurship. Entrepreneurial marketing construct not only the relationship between marketing and the entrepreneurial process which has existed as a conceptualization of conventional, but fully cover all aspects of marketing and entrepreneurship (Morrish, Miles et al., 2010), thus becoming strategic orientation even exceed the marketing function (Schindehutte dan Morris, 2010).

The fundamental difference between traditional marketing with an entrepreneurial marketing according to Stokes (2000) are presented in the following table:

Table 1. Differences in Entrepreneurial Marketing Traditional Marketing

Marketing Principles	Traditional	Entrepreneurial
Orientations	Customer orientation	Inovation
Strategy	Top down approach	Bottom up approach
Methods	4/7 P's Marketing mix	Word of mouth, direct selling, referrals methods
Market intelligence	Formalized and intelligence system	Informal networing and information gathering

Source: Stokes, D (2000), "Putting Entrepreneurship into Marketing: The Process of Entrepreneurial Marketing", *Journal of Research in Marketing & Entrepreneurship,* 2(1), p. 13.

DISCUSSION

1. Personal Approach (Owner/Manager and SMEs Performance)

An entrepreneur has different characteristics and practices vary, it is important to understand the relationship between the characteristics of the owner / manager with the performance. Previous research shows small-businesss performance is determined by personal values of the owner / manager (Zoysa and Herath, 2007; Lee and Tsang, 2001; Street, 2007; Blackman, 2003; Nimalathasan 2008). Performance/business sucess is determined by: individual characteristics, organizational characteristic (Street, 2007; Nimalathasan, 2008, Sarwoko, 2013).

In general, the characteristics of the owner/manager leads to competence, consisting of motive someone, nature, aspects of the role of a person's self-image or social, skills, and knowledge are used (Boytazis, 1982). So the role attribute the behavior of entrepreneurs will be

determined by their competence, competence will play a mediating relationship attributes with the behavior of entrepreneurs. the experience of entrepreneurs, training, education, family background and demographic variables are being considered as factors affecting the entrepreneurial competence (Herron and Robinson, 1993). This suggests a relationship between the characteristics of entrepreneurs with competence (Sarwoko, 2013).

Kesuksesan atau kegagalan usaha akan dipengaruhi oleh keterampilan dan kemampuan (kompetensi) dari pemilik/manajer. Peran entrepreneur mencerminkan kompetensi apa yang dibutuhkan oleh pengusaha untuk menjamin kelangsungan hidup bisnis serta kesuksesan usaha. Peran owner/manager adalah memfokuskan diri pada pengembangan kompetensi entrepreneurial (Akhmad, 2010; Kiggundu, 2002). So the stronger the knowledge, skills and abilities of the manager / owner will cause the higher the ability to face changes in the external environment, so as to define a strategy to address these environmental changes (Sarwoko, 2013).

Entrepreneurial competence significantly influence the success of a businessman et al. (2005), research Ahmad et al. (2010) on small businesses in Malaysia found that entrepreneurial competence as a predictor of business success of SMEs in Malaysia. Ability and personality characteristics of those who manage the company is universally regarded as one of the most powerful factors have a positive or negative impact on the performance (Zoysa and Herath, 2007).

2. Organizational Approach

Li et al. (2005) suggested a relationship between entrepreneurial strategies and performance with environmental factors and the company's competency as a moderate variable. Special entrepreneurial strategy has a positive relationship with performance when the environment is highly uncertain and when the company has a strong marketing competence. Entrepreneurial strategy is positively related to business performance because it can help companies to take advantage of the start of the activity in advance and take advantage of existing opportunities (Covin & Slevin, 1991; Zahra & Covin, 1995).

Business performance depends on how the preparation of the strategy in the management of the organization and to apply business practices effectively and efficiently. These practices are determined by the characteristics of entrepreneurship (Nimalathasan, 2008). According Kotey and Meredith (1997) empirically owner/manager of personal values, business strategy relationship to enterprise performance. Differences in personal characteristics will determine the difference in the strategy, and will affect the performance (Boohene, 2008). Rue and Ibrahim (1998) found a positive relationship between strategy and performance of the company, as well as presenting various types of strategies and their impact on performance.

A key factor in the creation and implementation of the strategy in small business is the influence of the value of the owners / managers (Olson and Currie, 1992). Owners/managers values determine business objectives and influence their management style, problem- solving and decision-making as well as business structure and strategies used (Verheul et al., 2002). SMEs are usually formulated strategy on non-formal (McCarthy, 2003), because small companies typically do not write the formulation of strategies, they develop strategies and inferred from the pattern of behavior of the owner-manager and the allocation of resources (Schindehutte and Morris, 2001). So the business strategy will be determined by how the ability of owner / managers in the face of environmental situation changing, meaning that the success of the strategy on the achievement of personal performance is determined by the value that has the entrepreneurial competence.

3. Entrepreneurial Marketing Approach

The application of entrepreneurial marketing depends on two things: 1) the ability of owner / managers to predict changes in the business environment, 2) long-term corporate objectives, namely growth (Westerlund and Leminen, 2012). Entrepreneurial Marketing concept developed is actually a long time, but started the receipt of marketing concepts in entrepreneurship, started in 1982, and the results of the first empirical studies of entrepreneurial marketing started in 1985, this period is the first milestone in the development of entrepreneurial marketing. Ten years later, namely in 1996 began the second milestone in which the research results see the similarities between marketing and entrepreneurship. In the end, after 20 years, conducted a symposium to encourage quality scientific thinking and research on Entreprenurial marketing in 2006, and developing ideas and thoughts about marketing entrepreneurian (Ionita, 2012).

Entrepreneurial marketing will bring new elements and strengthen the existing elements, such as a focus on change, innovative attitude and alertness to opportunities. Entrepreneurial marketing will integrate entrepreneurs or entrepreneurs in the marketing process (Hultman, 1999).

There is a difference between entrepreneurial marketing with traditional marketing. If traditional marketing simply related to marketing activities undertaken, entrepreneurial marketing is a concept that is not necessarily related to company size, age or resources. An owner/manager of a small business can not directly apply the concept of conventional marketing, due to the small business has unique characteristics that differentiate with other business organizations, so as to be oriented innovation, approach from the bottom up, the target is based on a customer, the method of interaction marketing, mout of mouth, direct selling, as well as the network is done on an informal basis for the purpose of small business can succeed.

4. Future Research

Discussion about the success and growth of small businesses would have known about the factors that influence. Although it proved to be a small business to survive in the face of the economic crisis, but many have not managed to grow and develop into a business that has long-term prospects. This is due to start from the characteristics of the owner/manager, the behavior of the owners/managers in running their business more oriented to short-term gain, low competitiveness, and ability to apply the concept of marketing is low. Various studies entrepreneurship successfully test and prove the determinants of the success of small businesses, but with a research perspective different, because based on discussions on the approach to the individual, the organization's approach, and the approach of entrepreneurial marketing is necessary to do research to develop an integrative model of the performance of SMEs, as in figure 1.

Entrepreneurial research starts from the attention on aspects of entrepreneurs (owner/ manager), how the characteristics of an entrepreneur, competency owner/manager in the entrepreneurial process, demographic background, psychological characteristics, human capital (Booheme, 2008; Nimalathasam, 2008; Li, 2009; Sarwoko, 2013), kompetensi wirausaha (Lee dan Tsang, 2001; Kiggundu, 2002; Man et *al.*, 2002; Blackman, 2003; O'Regan *et al*. 2005; Zoya dan Herath, 2007; Kotey dan Meredith, 2007; Man & Wafa, 2008; Ahmad *et al,* 2010).

Individual characteristics are not sufficiently considered as a determinant of success, because basically the individual characteristics will determine the competence of an entrepreneur. Owner/manager is the person running the business, the management of a business is determined how the behavior of the owner/manager in the operations to succeed, establish appropriate strategies to read the market opportunities and meet market demand, using the organization's resources effectively and efficiently, as well as building a culture. So the organization as well as the factors determining the success of a small business, which includes characteristics of the enterprise, the organization's resources, the company's competency,

organizational culture, structure, strategy (Covin & Slevin, 1991; Sarwoko, 2014; Street & Cameron, 2007). Owner/manager will determine the strategy by considering environmental factors, meaning that the behavior will affect managerial decisions that result in business performance (Covin and Slevin, 1991; Hasim, 2000; Gibcus dan Kemp, 2003; Li *et al.,* 2005, Sarwoko, 2013).

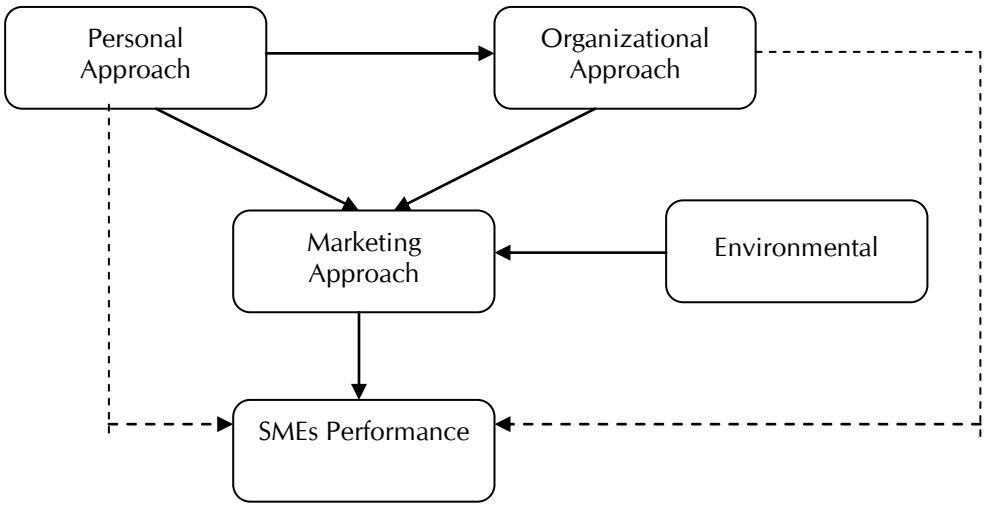

Figure 1. SMEs Growth Model (Entrepreneurial Marketing Approach)

Strong individual characteristics which will be able to run the organization effectively and efficiently, two aspects of this individual and organizational factors that will determine the success of small businesses. One more aspect that is equally important is how small businesses are able to apply entrepreneurial marketing as the final part of a business activity. Business environment increasingly strong competition, on the other hand a small business has unique characteristics, so as to be able to implement a marketing strategy that fits entreprenurial according to the characteristics of the organization and characteristics of the owner/managers.

Entrepreneurial marketing as a marketing approach in entrepreneurship need to be tested empirically, because small businesses have different characteristics from conventional business in general, due to be oriented innovation, using an approach from the bottom up, the target is based on a customer, the method of interaction marketing, mout of mouth , direct selling, as well as the network is done on an informal basis for the purpose of small business to be successful, so expect the above research model can be tested by the researchers in the field of entrepreneurship.

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Internal control, motivation ,locus of control of ethics behavior pangkalan pertamina: scarcity lpg 3 kg evidence from indonesia

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Abstract

This study aims to determine how the effect of internal control, motivation and locus of control on ethical behavior pangkalan pertamina in the Firms " Hero Gas Jaya " Region VII in Ponorogo when the scarcity of LPG 3kg. Using secondary data and primary data. Sampling method used is purposive sampling, and data that meet the criteria as much as 86 samples. Data were collected using a questionnaire. Multiple linear regression analysis is a technique of data analysis used in this study. Results of this study indicate internal control variables, motivation, and locus of control significantly influence the ethical behavior of pangkalan as Agent pertamina in the Firms " Hero Gas jaya " region VII in Ponorogo
Keywords : internal control , motivation , locus of control , ethical behavior

INTRODUCTION

The dynamics of growth in the industrial sector that is strategically very interesting to learn where the competition is very tight and global as well, the company is required to provide more innovative products and superior to its rivals in the form of goods and services through a way of introducing their products both goods and services known to the public in order to increase sales

Business Firms success is determined by how the Firms is using and integrating the existing capabilities within the company, among others such as existing resources and systems. The same Agent pertamina in the Firms " Hero Gas jaya " region VII in Ponorogo has had the system as well as adequate resources as the distribution channel LPG 3 kg PSO (subsidized) and LPG Non PSO (non-subsidized) 12 kg, 50 kg, bulk which has approximately 86 pangkalan Pertamina

One way of achieving the firms goal is to use a good strategy, a firms should also behave ethically although ethical behavior into one of the challenges is quite difficult. Ethics and ethical behavior is a very high priority for companies today (Lere, 2007). Ethical behavior is something that is morally acceptable as 'good' and 'right' as opposed to 'bad' or 'wrong' in the regulations in particular (Chen and Ni, 2010).

Ethical behavior within the firms can be made with the internal control that management has an important role in the organization to minimize the occurrence of fraud and internal controls will effectively close the possibility of unethical behavior (Fauwzi, 2011).Unethical behavior can occur at various levels of the company due to the motivation of the self and also because of the opportunity to act in unethical behavior, but the internal control Agent pertamina in the Firms " Hero Gas jaya " region VII in Ponorogo good, will create the ethical behavior of pangkalan pertamina

Another factor that can influence ethical behavior is the motivation. Need the support of the agent management Pertamina. “Hero Gas Jaya” Firms in Ponorogo region VII the pangkalan to motivate them feel cared for and cared about as part of the firms , and so pangkalan can behave ethically in carrying out its sales. Very good motivation helps bases are comfortable in

conducting sales of industrial distribution .Where Liquid Petroleum Gas (LPG), which is currently a lot of attention, especially after such a conversion program from kerosene to LPG in 2007.

Locus of control (LoC) is a concept that was first proposed by Rotter (1966) .Locus of control a person's perspective on an event, where a person is unable or unwilling to control the events that happened to him (Rotter, 1966). Jones and Kavanagh (1996) describes the locus of control is a concept that describes the person's perception of who decides the fate of the locus of control reflects a person's belief about the relationship between behavior and consequences of such behavior (McCuddy & Peery, 1996 in Ustadi & Utami, 2005) ,

Currently, KPPU has identified a number of important issues in the distribution of commodities LPG, LPG 3 kg scarcity, where the use of LPG 3 kg subsidy were specifically earmarked the lower class can be used by employers middle to top, especially restaurants and hotels, as well as the LPG 3kg indication abused, such as LPG is mixed into 12 kg

Although the distribution channels in this regard PT.Pertamina been doing covertly for the distribution of LPG 3 kg in order to target and quota distribution is maintained , in fact the field is still prevalent obstacles where there have been a game between the base price and the employees of the Agency pertamina, so prices up to LPG 3kg consumers in particular remains high. This is an interesting phenomenon to study whether internal control, motivation and locus of control effect on ethical behavior pangkalan Pertamina (Case Study Pertamina Agent "Hero Gas Jaya" firms in Ponorogo region VII when there is a scarcity of LPG 3 kg). Based on the background mentioned above, the formulation in this study are as follows: Is internal control, motivational and locus of control affect the ethical behavior Pangkalan Pertamina,

The purpose of this study. To analyze the effect of internal control ,motivation and locus of control of ethical behavior pangkalan.Pertamina.

RESEARCH FRAMEWORK AND HYPOTHESIS DEVELOPM

Internal control was measured by using a COSO (2013; 4) that includes elements, control invironment, Risk Assessment, control activities, information and communication, monitoring activities. Attribution theory explains that one's actions performed due to attribute the cause (Green and Mitchell, in Waworuntu, 2003). The actions of a leader and the person who is authorized influenced by attribute the cause. Unethical and fraudulent activity can be affected by the system of internal control and monitoring by superiors, to get good results of monitoring, the necessary internal controls are effective. The effectiveness of internal control is also a factor that affects the tendency of accounting fraud and unethical behavior. Conseptual framework the present model ,displayed in figure 1

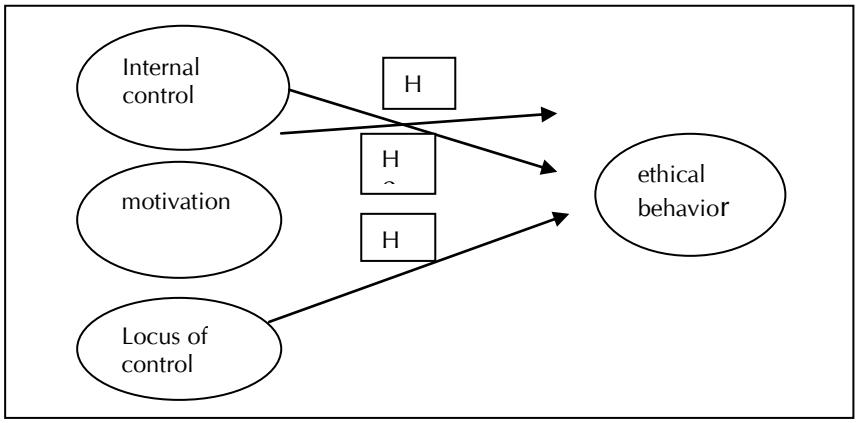

Figure 1: Conseptual Model

Internal controls play an important role in the organization to minimize the occurrence of fraud. Effective internal controls will close opportunities for unethical behavior and a tendency to cheat in accounting, Internal control is a representation of the overall activities within the organization that must be implemented, where the process is run by a board of directors that aims to provide confidence in the achievement of three main objectives, namely the reliability of financial statements, operational controls are effective and efficient, as well as compliance with applicable regulations (Hermiyetti, 2010). Arifiyani research results (2012) mentions variable internal control and significant positive effect on the ethical behavior of employees, Based on the above explanation can be developed following research hypothesis:
H1: Internal Control effect on ethical behavior pangkalan Pertamina

Motivation theory developed by Abraham H.Maslow namely the assessment of motivation variables such as physiological need (hunger, thirst, etc.), the need for a sense of security (to feel safe and protected, away from the dangers), need for love and belonging (affiliated with the others, received, have), need for appreciation (achievement, competence, and get support and recognition), need for self-actualization, Hermansyah (2012) stated motivation is the attitudes or actions and lead to the achievement of objectives, The higher the motivation given by the firms to its employees, the lower the action or unethical behavior. Harsono (2011) mention work motivation has a significant influence on the intention to behave ethically in junior auditor at KAP Surabaya. Based on theory and the results of previous research, so the research hypothesis is:
H2: Motivation effect on ethical behavior pangkalan Pertamina

The concept of locus of control is that the individual is dominated by the tendency to attribute the cause of their actions and the events of life either for themselves or for external reality (Adams et al., 2008; Forte, 2005; Özen Kutanis, Mesci, and Övdür, 2011) .Individu with an internal locus of control tend to have attribute causality to themselves, they are more confident and they have the ability to affect the environment (Miller, Kets De Vries, and Toulouse, 1982). Individuals with locus control external tend to believe that the results are determined by outside forces such as luck or force others (Hyatt and Prawitt, 2001, p. 266; Rotter, 1975; 1990), Rais and Partners (1998) on the effects of differences in factors individually the ability to receive ethical and unethical behavior proves that individuals with an internal locus of control are more likely to have ethical behavior, otherwise individuals with external locus of control tend to have more unethical behavior. Based on these explanations, can be developed following research hypothesis:
H3: Locus of Control effect on ethical behavior pangkalan Pertamina

RESEARCH METHODS

The study was conducted at Pertamina Agent "Hero Gas Jaya"firms, with its location on Tanjung Siman Ponorogo. Objek research on the effect of internal control, motivation and locus of control on ethical behavior pangkalan Pertamina.
The dependent variable of this research is ethical behavior with indicators of organizational culture. global economic and political conditions and independent variables include internal control, motivation and Locus of control.

Internal control was measured by using a COSO (2013; 4) that includes elements, control invironment, Risk Assessment, control activities, information and communication, monitoring activities. Motivation according to Abraham H.Maslow assessment indicator variables in the form of motivation Needs physiological (hunger, thirst, etc.), the need for a sense of security (to feel safe and protected, away from the dangers), need for love and

belonging (affiliated with others, received, have), need for appreciation (achievement, competence, and get support and recognition), need for self-actualization.Locus of control is a concept that describes a person's perception of the factors that will determine his fate. using the Locus of control internal and external locus of control as an indicator.

This study uses quantitative data that answers the statement of respondents in the questionnaire, while the qualitative data in the form of a general overview and secondary perusahaan.Data organizational structure used in the form of data on the firms, while the primary data that is used in the form of a questionnaire. The entire pangkalan Pertamina "Hero Gas Jaya" in Ponorogo Region VII is the population in this study. Methods of sampling using purposive sampling with criteria: 1) pangkalan Pertamina, "Hero Gas Jaya"firms in Ponorogo Region VII registered and active counted until March 2014, and 2) pangkalan Pertamina,"Hero Gas Jaya"firms in Ponorogo Region VII registered and active and which already passed the sales turnover above 100 LPG 3 kg cylinder a day starting up in March 2014. Based on these criteria and data from PT Hero Gas Jaya sector Ponorogo Region VII counted until March 2014, the number of samples that meet the criteria is 86 pangkalan Pertamina. Thus, this study using 86 samples.

Collecting data using questionnaires and interviews, with the questionnaire contains statements that are answered directly by the respondents, while the interviews were conducted by interviewing leaders of the "Hero Gas Jaya" firms in Ponorogo Region VII-related data needed by researchers.

Validity and reliability tests used for this study using a questionnaire. Classic assumption test including normality test, multicollinearity, and heteroscedasticity done to determine all variables used to qualify to proceed to a multiple linear regression analysis.

RESULT

Table 1 describes all the instruments used is valid or worthy of use. The validity of the test results can be seen in Table 1 as follows:

Table 1. Validity of Test Results

No.	Variable	Item Statement	Correlation coefficient (r)
1.	Ethical behavior (Y)	Y1	0,911*
		Y2	0,865*
		Y3	0,955*
		Y4	0,819*
		Y5	0,786*
		Y6	0,853*
2.	Internal control (X1)	X1.1	0,787*
		X1.2	0,832*
		X1.3	0,840*
		X1.4	0,823*
		X1.5	0,733*
		X1.6	0,800*
		X1.7	0,820*
		X1.8	0,700*
		X1.9	0,772*
		X1.10	0,739*
		X1.11	0,710*
3.	Motivation (X2)	X2.1	0,880*
		X2.2	0,944*

No.	Variable	Item Statement	Correlation coefficient (r)
		X2.3	0,684*
		X2.4	0,955*
		X2.5	0,837*
		X2.6	0,812*
4.	*Locus Of Control* (X3)	X3.1	0,735*
		X3.2	0,911*
		X3.3	0,879*
		X3.4	0,911*
		X3.5	0,855*

Table 2 shows the reliability test results of all variables used in this study meet the requirements of reliability, such as the following

Table 2. Reliability Test Results

No.	Variable	Cronbach's Alpha
1.	Ethical behavior (Y)	0,933*
2.	Internal control (X1)	0,935*
3.	Motivation (X2)	0,927*
4.	*Locus Of Control* (X3)	0,912*

CLASSIC ASSUMPTION TEST

Test for normality using the Kolmogorov-Smirnov test, which shows the results of 0.889, Asymp.Sig at 0.408. Asymp value. Sig> 0.05, so the data in this study nomal distribution. Results of multicollinearity tests are presented in Table 3 as follows:

Table 3. Multicollinearity Test result

No.	Variabel	Tolerance	VIF
1.	Internal control (X1)	0,475	2,105
2.	Motivation (X2)	0,500	1,998
3.	*Locus Of Control* (X3)	0,424	2,359

Table 3 shows the value of tolerance of all independent variables is> 0.1 and VIF three independent variables <10. Thus, it can be stated data in this study there is no multicollinearity. Table 4 below shows, the level of significance of the three independent variables is greater than 0.05. So, do not occur heteroskedastisity in this regression model.

Table.4. Heteroskedastisity test result

No.	Variabel	T	Sig.
1.	Internal control (X1)	0,712	0,478
2.	Motivation (X2)	-0,886	0,378
3.	*Locus Of Control*(X3)	-0,533	0,595

Source: Data Processed, 2015

Table. 5: Results of Multiple Linear Regression Analysis, F-test and t-test

Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.
		B	Beta	Beta		
1	Constant)	1,504	1,412		1,065	0,29
	Internal control	0,282	0,056	0,461	5,002	0
	Motivation	0,246	0,093	0,239	2,656	0,009
	Locus Of Control	0,268	0,118	0,222	2,273	0,026

R = 0.818
R Square Ad = 0,669
justed R Square = 0,657
Fhitung = 55,213
F_{tabel} = 0,000
t_{tabel} (0,025) = 2,000
Source: Data Processed, 2015

Based on Table 5, it can be seen that the F count of 55.213 has a significance level of 0.000. If α of 5%, then great df = (k-1) :(nk) = (4-1) :(86-4) = (3.82), so the value Ftabel is 2.72. Fhitung value > F table (55.213 > 2.72), then H0 is rejected and H1 accepted. F test significance value is 0.000 < α is equal to 0.05. Then H0 rejected and H1 accepted .The result of Table 1 shows that the internal control, motivation and significant effect simultaneously on ethical behavior. Based on Table 5, the t test results can be described as follows: Obtained t count equal to 5.002. If α 0.025 and df = n - k = 86-4 = 82, then obtained t-table (0,025,82) was 2,000. T-count > t table (5.002 > 2.000), then H0 rejected and H1 accepted. Then there is a significant effect individually (partial) internal control variables on ethical behavior pangkalan .Then there is a significant effect individually (partial) internal control variables on ethical behavior pangkalan Pertamina. " Hero Gas Jaya"in Ponorogo Region VII with regression coefficient 0.282, which means that effective internal control can create ethical behavior pangkalan Pertamina. Agent Pertamina " Hero Gas Jaya" in Ponorogo Region VII with regression coefficient 0.282, which means that effective internal control can create ethical behavior pangkalan Pertamina.

Table 5 shows the t count equal to 2.656. If α 0.025 and df = n - k = 86-4 = 82, then obtained t-tabel (0,025,82) was 2,000. T-count > t table (2,656 > 2,000), then H0 rejected and H1 accepted. Thus, there is significant influence between motivation on ethical behavior pangkalan Pertamina " Hero Gas Jaya "in Ponorogo Region VII individual (partial) with a regression coefficient of 0.246 which indicates that a good motivation able to create ethical behavior Pertamina base.Hasil uji t berdasarkan Tabel 5 adalah sebesar 2,273.

If α 0.025 and df = n - k = 86-4 = 82, then obtained ttabel (0,025,82) was 2,000. Tcount > t table (2.273 > 2.000), then H0 rejected and H1 accepted. The regression coefficients for the variables Locus Of Control is equal to 0.268. It was concluded that Locus Of Control significant effect partially on ethical behavior pangkalan Pertamina " Hero Gas Jaya"firms in Ponorogo Region VII. Internal control in this study are denoted by H1 internal control effect on ethical behavior pangkalan Pertamina " Hero Gas Jaya"firms in Ponorogo Region VII.

Results of the testing that has been made known that the internal control significant effect on ethical behavior pangkalan Pertamina. This is in line with that described Arifiyani (2012) which states the internal control significant and positive impact on ethical behavior pangkalan Pertamina. Effective internal control of the company's management can reduce fraud and creating ethical behavior . This is in line with that expressed Fauwzi (2011) to minimize

fraud and closing opportunities unethical behavior within an organization , can be done by way of effective internal control . Monitoring , information and communication , control activities , risk assessment and control environment is an integral part of internal control . The more effective internal control in a company , it can create or enhance ethical behavior Base Pertamina .

In this research, it is known that a significant effect on the motivation of ethical behavior consultant . This is consistent with that expressed by Harsono (2011) that the intention to behave ethically in Surabaya junior auditor in KAP is significantly influenced by the motivation to work . Motivation given by the management company with the right portion will make the base feel cared for and comfortable in the work , and can work according to operational standards that apply to the company . The higher the motivation of a person as well as the motivation given by the company management to the base , the lower the unethical behavior or in other words can create good or ethical behavior . Motivation from within oneself and motivation from outside oneself good and powerful can create ethical behavior so that it can support the performance of someone who also had an impact on increasing the company's turnover .

Based on the testing that was done, Locus of Control have a significant effect on ethical behavior Base Pertamina. This research was supported by research conducted by (Adams et al., 2008; Forte, 2005; Özen Kutanis, Mesci, and Övdür, 2011) that the concept of locus of control is that the individual is dominated by the tendency to attribute the cause of their actions and the events of life is good for oneself or for reality eksternal.Individu with internal locus of control tend to have attribute causality to themselves, they are more confident and they have the ability to influence lingkungannnya (Miller, Kets De Vries, and Toulouse, 1982) .Individu with locus control external tend to believe that the results are determined by outside forces such as luck or force others (Hyatt and Prawitt, 2001, p. 266; Rotter, 1975; 1990), Rais and Partners (1998) on the effects of differences in factors individually in the ability to accept ethical and unethical behavior proves that individuals with an internal locus of control are more likely to have ethical behavior, otherwise individuals with external locus of control tend to have more unethical behavior. Character traits internal locus of control is that they believe will in any event always be in control and will always take on the role and responsibility in determining whether or not the actions taken.

Conclusions and recommendations

Internal control, motivation and locus of control simultaneously a positive effect on ethical behavior pangkalan Pertamina ″Hero Gas Jaya″ in Ponorogo Region VII. Internal controls partially positive effect on ethical behavior pangkalan Pertamina PT Hero Gas Jaya in Ponorogo Region VII. It shows effective internal control in a company can create Pertamina Base ethical behavior, motivation and positive partial effect on ethical behavior pangkalan Pertamina ″Hero Gas Jaya″ in Ponorogo Region VII. This means that good motivation can influence ethical behavior Base Pertamina. Locus Of Control partial positive effect on ethical behavior pangkalan Pertamina " Hero Gas Jaya″ in Ponorogo Region VII. This indicates that Locus Of Control with the higher level of the locus of control possessed a base Pertamina will improve ethical behavior in selling LPG 3kg.

Suggestions of this study is necessary to evaluate the internal control has been carried out by the company in order to carry out internal control in accordance with the standard sales distribution are set and two-way communication between the Agent and pangkalan to avoid cheating and raise prices without Agents comment so that they can create behavioral pangkalan Pertamina good or ethical as desired by the firms. Management needs to continue to pay attention and increase motivation or encouragement given to the base in order to feel

comfortable and cared for as well as the actions can achieve the desired objectives both for himself and for companies that create ethical behavior.

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Organizational justice and Organizational citizenship behavior: The mediating effect of Leader member exchange

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Abstract

The purpose of this study was to examine the influence of organizational justice on organizational citizenship behavior (OCB). Leader Member Exchange (LMX) was also examined as a mediator variable. Design of this study used survey method with data collection using the questionnaire. The sampling using stratified random sampling proportional to the number of respondents is 180 Government Employee, Southeast Sulawesi Provincial Offices. Method of Data analysis used in testing the hypothesis was Part Least Square (PLS). The result of this study showed that organizational justice has significant influence on organizational citizenship behavior mediating by leader member exchange.

Keywords: leader member exchange, organizational justice, organizational citizenship behavior

INTRODUCTION

Organizational behavior studies is currently growing, because the issues are so complex organization due to the problems of man himself continues to be a challenge that must be faced by the principal and manager in the organization today. Organizational behavior (Organizational Behavior) according Luthans (1981: 6) that organizational behavior is a way of thinking, a way to understand the issues and explain the real results of the following research-solving actions. Organizational behavior is applied behavioral science that was built with support from a number of disciplines. Areas that stand out are psychology, sociology, social psychology, anthropology and political science (Robin, 2006: 13). The experts who contributed to the fields of organizational behavior in the form of concepts, propositions and assumptions about the art that is currently known as the Organizational Citizenship Behavior (OCB) Chester Bernard (1938), Katz and Kahn (1964), Blau (1964).

Nowadays, in the competitive world, organizations need employees whom performance goes beyond their traditional job descriptions or formal duties as a vital source of organizational effectiveness. On the other hand, employees exhibit higher levels of performance and act more than their job descriptions when they believe they are treated fairly at workplace. In other words, employee's job performance may increase or decrease in relation to perceptions of inequitable outcomes. Fair treatment promotes the work motives and enhances performance at workplace. Based on this, two important organizational concepts will be recognized which hereafter are called as organizational citizenship behavior and organizational justice. The term of Organizational Citizenship Behavior (OCB) was introduced to the scope of organizational science by Smith et al. (1983) defining it as discretionary behaviors that goes beyond ones formal role and is intended to help other people in organization.

From decades, organizational justice (fairness) got paramount attentions from the research scholars and become most researched topic in industrial-organizational psychology,

HRM and organizational behavior (Moorman, 1991; Trevino & Weaver, 2001; Blakely, Andrews & Moorman, 2005). The reason behind this attention is both deontological and teleological. As per deontological perceptions, justice related to ethical and moral standards (Folger, 1998) and employees prefer those organizations who act ethically and morally. From teleological perspective, organizational justice is responsible for producing practical benefits. Greenberg (1990a) reviewed the literature on organizational justice and noted that "social scientists have long recognized.

Organizational justice which primarily focuses on the fairness at workplace put stronger impact on different attitudes of the employees like turnover intentions, role breadth, job satisfaction, job performance, leader-member exchange (LMX), trust, leadership, organizational commitment and extra role performance (organizational citizenship behavior – OCB) (Cohen Charash & Spector, 2001; Boer et al., 2002; Judge & Colquitt, 2004; Greenberg, 2004; Colquitt et al., 2001; Wat and Shaffer, 2005; Byrne, 2005; Hubbel & Chory-Assad, 2005; Lambert, Hogan, & Griffin,2007; Bakhshi & Kumar, 2009). Despite of numerous studies, limited literature was found on the relationship of organizational justice with OCB via mediating role of LMX especially in Government Employee, Southeast Sulawesi Provincial Offices. The importance of the ideals of justice as a basic requirement for the effective functioning of organizations and the personal satisfaction of the individuals they employ." Additionally, this research incorporates the affect of social exchange construct (e.g., LMX) which was overlooked previously that may influence the connection of organizational justice with important outcome variables.

Literature review

Relationship between Organizational Justice and Organizational Citizenship Behavior

Organizational justice theory is concerned with employees' perceptions of justice in work-related matters. Greenberg (1990) has defined organizational justice as a concept that indicate employees' perceptions about the extent to which they are treated fairly in organization and how these perceptions affect organizational outcomes such as commitment and satisfaction (Yilmaz & Tasdan, 2009). In other words, organizational justice is concerned with the rules developed to distribute or to take decisions on distribution of acquisitions such as tasks, goods, services, rewards, punishments, wages, organizational positions, opportunities and roles among employees and societal norms that constitute the basis for these rules. In the literature there are various typologies of justice. In the present study, organizational justice is examined under the following headings: distributive justice, procedural justice and interactional justice.

There are some researches that have examined the relationship between OCB and organizational justice Results of empirical studies conducted by researchers, found differences in the findings and measurements as well as the unit of analysis and research object between Organizational Justice on OCB. Research provides support positive influence on Justice Organization to OCB. Niehoff and Moorman., 1993; Chen et al., 2008; Ali et al. 2010), that procedural fairness and distributive significant effect on OCB. 2. Moorman, Niehoff and Organ (1993), that there is a significant positive relationship between procedural justice with OCB and the findings of research conducted Pare and Tremblay (2007), that procedural fairness positive relationship with OCB. Erturk (2007), that there is significant influence between Organizational Justice on OCB. Hassan and Noor (2008), that extra role behavior significantly associated with distributive justice, procedural fairness and justice information.. In summary, several studies showed that organizational justice positively influences OCB. Thus the first hypothesis of the study is:

Hypothesis 1. Organizational justice positively influences OCB.

Relationship between Organizational Justice and Leader member exchange

Justice is one of the quality to build strong LMX, previous research has been stated that when employees or individual perceives that their work contribution are evaluated and given reward fairly, they advocated to build strong relation with their supervisor and by this act they can be counted or considered in ingroup members (Manogran et al, 1994; Tekleab et al, 2005; Cropanzano et al, 2002; Erdogan et al, 2004; Scandura et al, 1999). The continuity of in group members it examined that in group members work harder in a firm that others and they are more delegates and contribution to organization and they also receives very positive results. (Scandura, 1999) thus this contribution of employees leads to sense of equity what they perceive from the organization, and then they compare their evaluation or situational, whether they receive full justice or not or evaluate whether situation is fair or not (Adam, 1995). Distributive justice directly relates to fair contribution and reward of employees in an organization, is a good sign of LMX quality. (Bhal & Ansari, 2006).

Hypothesis 2 : Organizational Justice has Significant Influence on LMX

Relationship between Leader member exchange and Organizational Citizenship Behavior

A review of the research reveals that relative to perceived organizational support, LMX is a better predictor of OCB (Setton, Bennett, & Liden, 1996). LMX describes how leaders develop different exchange relationships over time with their various subordinates as they influence each other (Farouk, 2002). LMX research shows that subordinates reporting high-quality LMX not only assume greater job responsibilities but also express contributing to other units (Liden & Graen, 1980). Hence, the quality of the LMX influences levels of delegation, responsibility, and autonomy and in turn, employees perceive greater latitude, decision influence, and feelings of contribution (Gomez & Rosen, 2001). These feelings of contribution may be those that are beyond the job prescribed in their job descriptions and are referred to as OCB. Liden and Maslyn (1998) found a four-dimensional LMX model comprising of contribution, loyalty, affect, and professional respect. We expect the higher the LMX on each of these dimensions, the higher the subordinates will be in performing OCB.

Hypothesis 3: Leader member exchange has significant influence on Organizational Citizenship Behavior

Relationship between Organizational Justice, Organizational Citizenship Behavior and Leader member exchange

Based on the empirical study conducted, it was found differences in the findings and measurements as well as the unit of analysis and research object between Organizational Justice on Organizational Citizenship Behavior (OCB) mediated Leader Member Exchange (LMX).

Mian Sajid et al, 2011; found that Leader Member Exchange (LMX) partially mediates the relationship between distributive justice with OCB. The research findings Yu Ghee Wee and Kamarul Zaman 2008 LMX mediate the full impact of organizational justice consisting of Justice Procedural and Justice Distributive on OCB, which partially procedural justice has a significant influence on the five dimensions of OCB (Altruism, Courtesy, Sportsmanship, Conscientiousness and Civic virtue). Distributive justice has only significant effect on Altruism, Courtesy, and Civic Virtue). Then the distributive and procedural justice has significantly influence LMX and Trust. LMX and trust only affect the dimensions of OCB is Altruism, Courtesy, Sportsmanship, and Civic Virtue but not against Conscientiousness.

Hypothesis 4. Organization Justice has significantly influence on OCB mediated by LMX

CONCEPTUAL FRAMEWORK

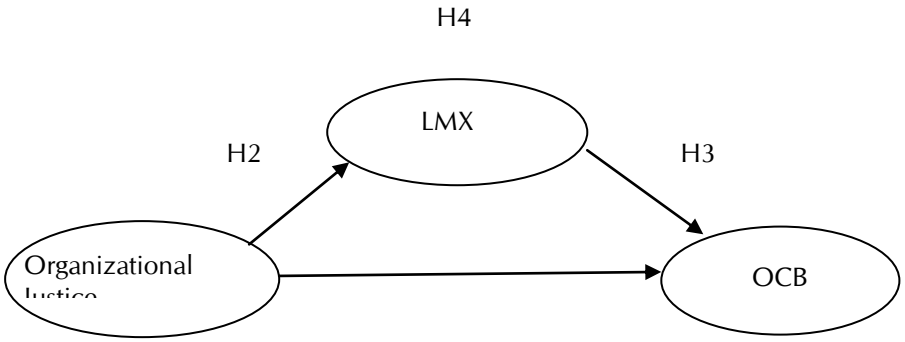

Figure 1. Conceptual Framework

RESEARCH METHOD

This research used the positivist paradigm with an explanatory research design typology. Data was collected by a cross-section through questionnaire survey methods. Explanatory research was intended to provide an explanation the causal relationships between variables through hypothesis testing or it aims was to acquire the rights Conclusions of causality between variables, and then choose the action alternatives (Cooper & Schindler, 2003). The study used an explanatory research as it aims to examine and explain the influence of organizational justice on organizational commitment both from the perspective of universal and contingency perspectives on regional work units (on education) Southeast Sulawesi Province. Based on the description, this study includes a survey of research categories for data collection using questionnaire instrument.

Design of this study used survey method with data collection using the questionnaire. The sampling using stratified random sampling proportional to the number of respondents is 180 Government Employee, Southeast Sulawesi Provincial Offices. Method of Data analysis used in testing the hypothesis was Part Least Square (PLS).

RESULT

Hypothesis testing and the path coefficient between the variables of the Organization Justice, Leader Member Exchange and Organization citizenship Behavior. The test results can be seen from the path coefficients, the critical point (t-statistic) and p-value presented in the path diagram Figure 2. and Table 1.

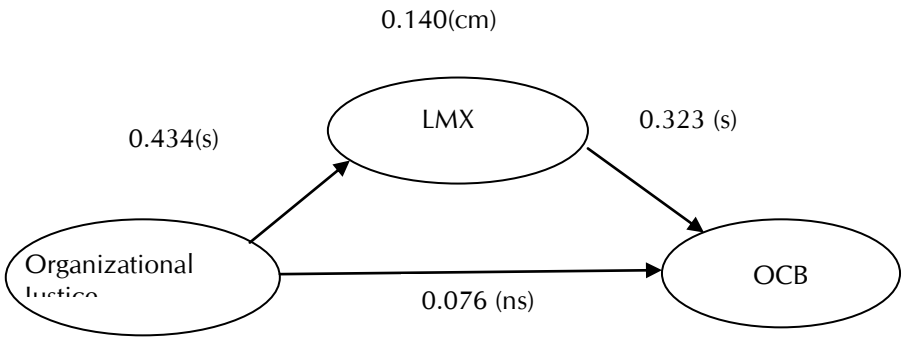

Figure 2. Path coefficient diagram and Hypothesis Testing

Description: ns = not significant; cm = complete mediation; s = significant (p-value) at α = 0.05; Q2 = 0,812.
Source: Processed PLS, 2014

Table .1. Path coefficients and Hypothesis Testing

Hypothesis		Relationship Between Variables	Path coefficient	t-statistik	p-*value*	Result	
	H1	**Organizational Justice --> OCB**	**0.076**	**1.465**	**0.145**	**Not Significant**	**rejected**
	H2	Organizational Justice --> Leader member exchange	0.434	7.081	0.000	Significant	Accepted
	H3	Leader Member Exchange --> OCB	0.323	4.776	0.000	Significant	Accepted
Indirect effect							
exogenous		Mediation	Endogenous	Path coefficient	the nature of mediation	Result	
	H4	Org. Justice → LMX	→OCB	0,140	*Complete*	Significant	ccepted
Note: OCB = *Organization Citizenship Behavior*							

Source: Processed PLS, 2014

According to Path coefficients and Hypothesis Testing in Table 1 showed that :

Justice Organization has significant effect on OCB

Based on the results of data analysis showed that the estimated value of the path coefficient direct influence of Organization Justice on the organization citizenship Behavior at 0.076 to the value of the critical points at 1,465 and the probability value (p-value) of 0.145 means not significant (p> α = 0.05). The results show there is no empirical evidence to accept the hypothesis (H4) who stated that Justice Organization significant effect on organization citizenship Behavior (rejected). Because the value of path coefficient is positive that means the relationship between the organizational Justice and Organization citizenship Behavior unidirectional. These results indicate that the better implementation of the Justice Organization, the higher the employee organization Behavior citizenship, but the unidirectional relationship proved insignificant / real.

Organization Justice has significant effect on the Leader member exchange (LMX)

Based on the results of data analysis showed that the path coefficient direct effect on relations Organization Justice on LMX obtained a value of 0.434 with a t-statistic values for 7,081dan probability value (p-value) of 0.000 means that a significant (p <α = 0.05). These results indicate that there is enough empirical evidence to accept the hypothesis (H2) that Organizational Justice has positive effect on LMX. Lanes marked positive coefficient means that the relationship between the Organization Justice and LMX are unidirectional. It means that the better implementation of the Organization of Justice increased Relations Tops Bottoms at SKPD in Southeast Sulawesi province, so the hypothesis that the way down is acceptable.

Leader member exchange has significantly influence on OCB

The test results of the organization Relations Tops Bottoms Behavior citizenship can be proven to estimate the value of path coefficient of 0.323 with a positive direction. Path coefficient is positive meaningful relationship between Tops Bottoms relationship with the organization citizenship Behavior is unidirectional. These results can also be evidenced by the value of t-statistic of 4.776 with a probability value (p-value) of 0.000 $< \alpha = 0.05$. Results of testing the hypothesis LMX proves positive and significant impact on the organization citizenship Behavior. That is the better implementation LMX, the better the organization citizenship Behavior. Tops Bottoms implementation of a good relationship in the same direction and have real impact on the increase in citizenship Behavior employee organization, so the hypothesis that the way down can be received / supported by empirical facts.

LMX is expected to mediate the relationship between Organizational Justice and organizational citizenship behavior.

Testing the effect of variable Organizational Justice on Organizational Behavior citizenship in the initial model involving mediating variables Leader Member Exchange, it can be observed that directly Organization Justice does not significantly influence on OCB but Organizational Behavior citizenship directly affect the relationship significantly LMX. Then the LMX has significant effect on organization citizenship Behavior. Results of the examination to determine the nature / type of mediating variables Relations Tops Bottoms on the model of this study, presented at the path diagram Figure 1 that the coefficient on variable Organizational Justice to organization Citizenship Behavior (a) is not significant, then the variable Organizational Justice to LMX (b) and significant effect of LMX to organization citizenship Behavior (c) significant. Thus the LMX variables in the research model can be regarded as perfect mediating variables (complete mediation).

Results of the examination are sufficient empirical evidence that the directly relationship between Organizational Justice did not significantly affect organizational citizenship Behavior, but through the mediation significantly LMX able to influence the organization citizenship Behavior. That is LMX has significantly affected by the Organizational Justice and LMX significantly affect the organizational citizenship Behavior. Organizational Justice can be concluded that good organization significant effect in improving LMX and LMX significant effect on Organizational citizenship Behavior, but directly Organizational Justice did not significantly affect the increase in organizational citizenship Behavior. Thus there is enough empirical evidence to accept (H4) stated that the LMX role as mediating in supporting the relationship between the Organizational Justice on organizational citizenship Behavior (the hypothesis is accepted).

DISCUSSION

Fair treatment and honorable and equal treatment is received between one and the other employees at SKPD Southeast Sulawesi provincial is a form of organizational justice expected of employees. Employee's response to organizational justice is reflected in the fair and unfair treatment they received in the organization (Folger and Konovsky., 1989).

The test results found that the influence of the Organization of Justice against Tops Bottoms relationship showed positive and significant impact. Thus the results of this study can prove that the better implementation of the Justice Organization, the higher the relationship Tops Bottoms. The findings of this study reflect that the implementation of a good organization Justice at SKPD employees able to support changes to the improvement of relations variations Tops Bottoms. Referring to the findings of the study that the implementation of the Justice Good organization is able to improve the relationship Tops Bottoms prove the truth of the theory of

justice (Equity Theory) based on the theory of social exchange in which individuals expect that they will get an exchange effort and reward in a fair of organizations (Tyler, 1994) , Further validating the theory of relations Tops Bottoms by Liden and Maslyn (1998); Organ (1998); Robbins (2007); Truckenbrodt (2000) and Welliam (2003), that the relationship Tops Bottoms put the concept of relationships as a basis for the assessment Relations Tops Bottoms.

Organizational Justice Variable more reflected by indicator informational justice. While the LMX more reflected by indicators of professional respect. The findings of this research can be interpreted that the indicator informational justice associated with the various explanations that provide the information needed to evaluate existing processes, can be reflected by the ability of employers to provide accurate information to all employees, explaining details about existing information, and information delivered superiors accountable which is a reflection of the implementation of the Organization of Justice will determine an increase in professional respect or reverence profession described through a reciprocal relationship has had and build a reputation within or outside the organization. This fact is evidenced by the awe with superior knowledge, impressed with their expertise in terms of employment, to feel proud of the boss who is always sharing knowledge to employees which is a reflection of the relationship variable LMX.

The findings of this study significantly affected the organization Justice on LMX. Results of the study provide recommendations to supervisors and management that the relevant provincial government to improve organizational justice and trust employees through; (1) a good treatment by superiors to subordinates; (2) treatment with honor superiors to subordinates; (3) The superior sensitivity to the personal needs of subordinates; (4) The decision by the employer carried out correctly; (5) The employer concern for the rights of employees; (6) an explanation superiors to the effects of the decision; (7) Giving a solution by the supervisor against the decision; (8) give a logical explanation in the decision; (9) a detailed explanation of any decision; (10) which is fair to employees.

This study supports the theory Relationship Tops Bottoms proposed by Dansereau and Graen (1975), that the relationship Tops Bottoms is a relationship between two people who are at a level or different levels within an organization, (superiors and subordinates / vertical Dyad), resulting in employees prepared a lot of time and energy on a given task, to be innovative in completing the task, and to accept responsibility other than those specified in their contracts. This study also supports the theory proposed organizational justice Adams., 1963; (in Gibson et al., 1991) that people feel justice when sacrifices / efforts they spend and the results they receive comparable to other individuals in the same conditions. This study reinforces the revelation (Greenberg, 1987 and Demir, 2011) that the control exercised by the employees of the management decision can be made through the supervision of distributive and procedural justice and interactional justice.

Results of tests and examinations can be concluded that the LMX variables in the research model can be regarded as perfect mediating variables (complete mediation). Thus the good that Justice Organization significant effect in improving relations LMX and LMX has significant effect on Organizational citizenship behavior, but directly Organizational Justice did not significantly affect the increase in Organizational citizenship behavior. Thus there is empirical evidence that LMX role as mediating in supporting the relationship between the Organization justice on Organizational citizenship behavior. This study supports the statement Gouldner., 1960; Blau., 1964; (in Rezaiean et al., 2010) that the mediating role LMX based on social exchange theory, it happens because of the social interaction between organizational justice earned by the employees with organizational trust and organizational trust with OCB.

Results of this study are known variables Organizational Justice more reflected by the indicator informational justice, while LMX is an indicator of professional respect or reverence

profession described through a reciprocal relationship has had and build a reputation within or outside the organization. Organizational citizenship behavior more reflected by conscientiousness indicator. The findings of this research can be interpreted that the good justice informational very decisive and make a real contribution in improving the professional respect or respect for the profession. Furthermore, professional respect or reverence good profession very decisive and make a real contribution to the improvement of conscientiousness which is a reflection of the OCB, but directly informational justice cannot make a real contribution to the attitude of conscientiousness employees.

The results support previous studies that analyze the effect on behavior OCB Justice Organization through trust in superiors, Erturk (2007) that the relationship between organizational justice with OCB-O in mediation confidence in Supervisor; Watt and Margaret., 2005; Wong et al., 2004; Ahmadi, 2011, that organizational justice has no direct influence on OCB.

The study recommends to government employees and the management of Southeast Sulawesi Provincial Offices, that in order to increase the high OCB employee, can be done by increasing the organization through enhanced Justice and high LMX, among other things through; (1) treatment with dignity boss to the employee (interactional justice); (2) The employer fair treatment to employees (employee trust in the supervisor); (3) The employee is expected to continue to foster a harmonious relationship between the fellow colleagues (OCB behaviors). The results support the findings of the study Mian Sajid et al 2011 that the relationship Tops Bottoms partially mediates the relationship between distributive justices with OCB. Further research findings Yu Ghee Wee and Kamarul Zaman 2008 that the LMX role as mediating a perfect relationship between organizational justice consisting of procedural justice and distributive justice on OCB, which partially procedural justice has a significant influence on the five dimensions of OCB (altruism, courtesy , Sportsmanship, conscientiousness and civic virtue).

CONCLUSION

Organizational Justice has influence on organizational citizenship behavior showed a positive effect, but not significant. Results of this study cannot prove that the implementation of the Organization of Justice can make a real contribution to the organizational citizenship behavior employee. But the positive coefficient value means the better implementation of the Justice Organizations can improve employee behavior citizenship organization.

The leader member exchange has positive and significant effect on organizational citizenship behavior. This fact can be proved that the better implementation of the LMX higher employee organizational citizenship behavior

Organizational Justice has significant influence on OCB through mediation LMX. Test of the examination results and there is ample empirical evidence that the relationship between the Organizational Justice directly did not significantly affect on organizational citizenship behavior, but through the mediation LMX has significantly able to influence the organization citizenship behavior.

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The influence of attitudes, subjective norms and perceived behavioral control to the company's intention to employ people with disabilities (survey on large companies in yogyakarta province)

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Abstract

This study using the Theory of Planned Behavior (TPB) (Ajzen, 1991) to explain company's intentionto employ people with disabilities by using sample 149 large companies in Yogyakarta Province. Large company category is companies that employ more than 100 workers. This research uses Structural Equation Modeling (SEM) with SPSS 17.0 software and AMOS 22.0. Results of the study concluded, first, attitude significantly positiveinfluences the company's intention to employ people with disabilities. Second, subjective normssignificantly positive influences the company's intention to employ people with disabilities. Third, perceived behavior control (PBC) significantly positive influences the company's intention to employ people with disabilities. The comparison between the results ofvariables factor loading descriptive of each indicator against variable, finding: first, the biggest contribution to the company's attitude towards the people with disabilities is belief that people with disabilities have an equal opportunity as employees in general. Second, the biggestcontribution in subjective normsis presumption that service users / consumer of the companies will give positive response if the company employs people with disabilities. Third, the PBC thatmost considerable influences the company's intention to employ people with disabilities is belief that to employ people with disabilities, company must provide accessibility, more cost, more time and more energy to employ people with disabilities.
Keyword : Theory of planned behavior, attitude, subjective norm, perceived behavioral control, intention, employee with disability.

INTRODUCTION

Disability oftenly associated with the issue of limitations, inability, helplessness, illness, and other assumptions that make the person likely to get a negative perception and lead to discrimination in many aspects of life, including in terms of job opportunities. International Labour Organization (ILO) through 159 convention agreed that people with disabilities have difficulty in improving conditions for their physical and mental limitations.They also much more difficult to get a job than the peopleof productive age without disabilities. In Indonesia, since year 2006 the number of people with disabilities experienced significant increase. Based on data from the Ministry of Social in year 2010, the number of people with disabilities in Indonesia reached 11,580,117 people. Data from the Ministry ofLabour, the number of workers with disabilities in year 2010 reached 7,126,409 people, consisting of blind 2,137,923 people, 1,852,866 physical disabled people, deaf 1.567.810 people, 712 641 mentally handicapped people and chronic disability 855.169 people.

Actually, the Indonesian government has been pursuing several policies to overcome the issues of people with disabilities employment. Act 1945 section 27 subsection (1) states that "Every citizen has the right to work and a decent living for humanity". This means that every citizen of Indonesia, has the equal right to obtain decent work. In Article 14 of Law Number 4

of 1997 concerning Disabled People, government obliges every government and private companies to give opportunities and equal treatment for people with disabilities, to employ people with disabilities in accordance with the degree and type of their disability, as well as the education and capabilities. In the explanation mentioned that the state company include the State Owned Enterprises (BUMN) and the Regional Owned Enterprises (BUMD) and private companies including cooperatives, must employ at least one person with disabilities who meet the requirements and job qualifications related, for every 100 employees, and companies that use high technology must employ at least one person with disabilities who meet the requirements and qualifications of work, although the number of employees is less than 100 people. It is also supported by the Regional Regulation on Disability which is owned by the provinces in Indonesia, one in Yogyakarta, namely the Provincial Regulation Yogyakarta Special Region Number 4 of 2012, concerning the RightsProtection and Fulfillmentof People with Disabilities. It's regulating the rights of people with disabilities, which include the right in education, employment, health, social, arts, culture, sports, politics, law, disaster relief, shelter, and accessibility. In Article 16 of this law, states that all people with disabilities have equal rights and opportunities to get a job and / or do a decent job. And in Article 30 states that in any acceptance of Civil Servants (PNS) and regional companies and / or private companies using the labor of at least 100 people obliged to meet quota at least 1% of people with disabilities.

The rules are reinforced by the existence of criminal sanctions and administrative sanctions in the form of written warning and / or revocation of licenses, but for now, these sanctions have not really applied, it is still at the level of socialization, because to enforce these sanctions need a process. The total number of companies in Yogyakarta Province according the data in 2014is 3,464 companies. The companies that imposed quota for employing people with disabilities as many as 384 companies, as the companies employworkers more than 100 people (large companies). Although there are regulations and sanction to those who violate it, as the company remains reluctant to employ people with disabilities. This is shown by the monitoring conducted by researcher in 2013 to 75 companies in Yogyakarta Province. Among 75 companies there are only 8 companies or 11% were already employing people with disabilities. At 8 the company there are 60 people with disabilities, or about 19% of 312 people should have been at minimum. In the year 2014, researchers conducted the same monitoring to 77 different companies, and obtained 16 companies or 21% already employ 68 people with disabilities, or about 31% of 219 people should have been at minimum.

Many studies on employment of people with disabilities has been done, but as the researcher's knowledge, the researches much more reviewing the legal aspects. One is the research that has been done by Sholikhah (2006) with the title Efforts in Labor Distribution and Empowermentof People with Physical Disabilities in Surabaya. It's a normative juridical research to find out the effort of Surabaya City Government in terms of distribution and empowermentpeople with physical disabilities in the City of Surabaya. Secondary data were obtained through library research supported by primary data from the field are analyzed qualitatively. The results showed that workers with disabilities are entitled to equal opportunities in the field of employmentand to be able to compete in getting job. Disabled workers are also entitled to rehabilitation aimed at refunction parts of their impaired bodies (Sholikhah, 2006).

Researcher used the TPB model to examine the company's intention to employpeoplewith disabilities. TPB is a further development of TRA, is a conceptual framework that is most popular at the moment to explain the determinants of certain behaviors. TPB has been used in various studies to provide a better understanding of the diverse behaviors, not only in the field of social psychology, but hasexpanded also in other fields. TPB assumes that attitudes do not determine behavior directly, but through a combination with subjective norms

and perceived behavioral control, attitudes will influence behavior intention. According to TPB, the intention is the main trigger of behavior, which is determined by a combination of three components, are (1) the attitude , which stated level positive or negative evaluation of an individual to perform a specific behavior, (2) subjective norms, which is an individual's perception of what other people or referent (others that are importantly considered to the people) think about what behaviors should be done by the individual, and (3) the perception of behavior control (perceived behavioral control) which is the perception of an individual's belief associated with how able to perform a specific behavior (Ajzen, 2006a; Tjahjono & Ardi, 2008; Tjahjono et al., 2015;).

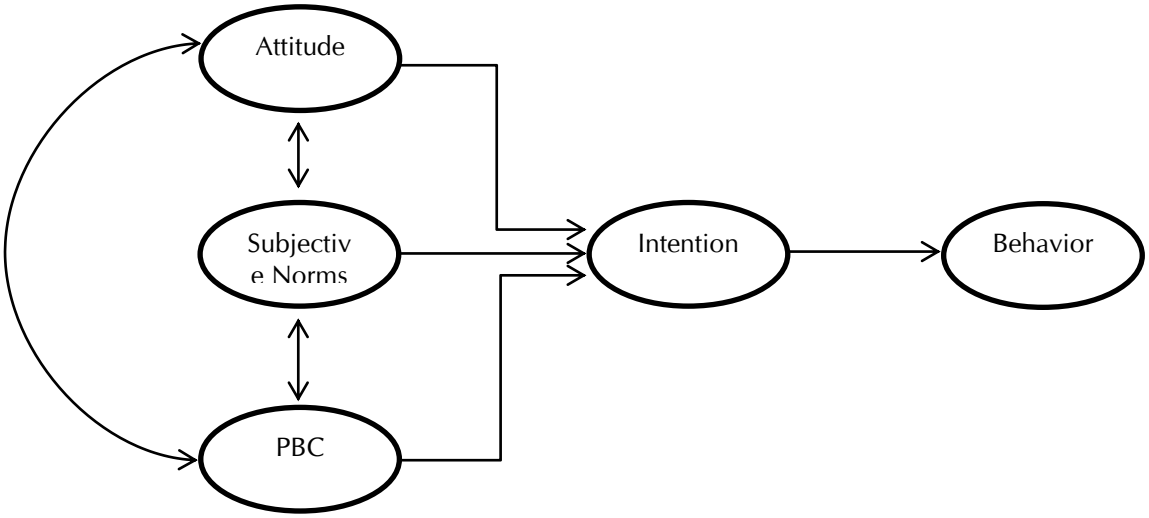
Ajzen and Daigle (2001), predicted the behavior of interest in hunting, an outdoor recreation hobby. The study involved 395 respondents and using regression analysis, found that interest in hunting is influenced by attitudes, subjective norms, and perceived behavioral control. These three variables are also shown closely correlated with the behavior interest. Other studies using TPB applied on consumer of railway transport services by Dharmm and Umi K (1999).This research is devoted to the executive class consumer of railway transport Argolawu Solo-Jakarta, involving 100 respondents. By using multiple regression analysis and found that partially, attitude, subjective norms, and perceived behavioral control influences the interest of consumers choosing railway transport service Argolawu. Simultaneous test results is concluded that the three variables: attitude toward the behavior, subjective norms, and perceived behavioral control jointly influence the interest of consumers choosing Argolawurailway transport service.

Based on the above, the problem revealed in this study is whether the intention of the company to employ people with disabilities can be explained through the TPB. The aim of this study was to test, analyze and prove the influence of attitudes, subjective norms, and perceived behavioral control to company's intention to employ people with disabilities. The benefits of this research are divided into three: first, the theory benefit, provide an additional contribution of information to research in the field of human resources, especially related to employment opportunities for people with disabilities and Theory Of Planned Behavior. Second, the benefit of socialization and motivation, socialize to the company regarding government regulations that regulate company's obligation to employ people with disabilities and to motivate companies to give employment opportunities for people with disabilities. Third, policy benefits, can be used as a basis for planning the placement and expansion program of employment opportunities for people with disabilities.

Research methods

Population of this study is all large companies in YogyakartaProvincethatemploymore than 100 people,which are already employing or not employing people with disabilities.InYogyakarta Province, there are 384 large companies. This study using 149 samples , with respondents of the Top Management , CEOs, Directors , Head of Office / Branch Manager , HR Manager and Operations Manager.

Figure 1 Theory of Planned Behavior



Source :Ajzen (1991)

Disability

According to Indonesian Dictionary, is defined by those persons who bear (suffer) of something. Disability is an Indonesian word taken from English, disability (disabilities) meaning a defect or disability.

According to Law Number 4 of 1997 concerning Disabled People, Chapter I General Provisions Article 1 defines disability is person who has a physical disorder and /or mental , which may interfere with or constitute obstacles and barriers for him/her to do it properly , consist of :

a. People with physical disabilities ;
b. People with mental disabilities ;
c. People with physical and mental disabilities .

According to the WHO definition of disabled people divide into three :

a. Impairment : is defined as either a loss or abnormality of psychological , physiological or anatomical structure or function abnormalities .
b .Disability : an inability to perform an activity / certain activities as a normal person impairment caused by conditions related to age and society in which a person resides.
c .Handicap : difficulty in personal life , family and society , both in socio-economic and psychological suffered by a person caused by abnormal psychological , physiological and body and inability to carry out normal activities of life .

Many people have been campaigning for the anti-discrimination against people with disabilities , but in fact, we still meet a lot of discrimination against people with disabilities. One of them is the existence of public facilities , such as public transport , offices, banks , hospitals , shopping centers , and schools built without considering the existence of people with disabilities.The other discrimination against people with disabilities in the field of employment can also be seen through the number of companies in Indonesia that employ people with disabilities is still at least , this is due to the assumption that people with disabilities are not able to perform activities as people in general and to employ people with disabilities required a high cost due they must provide the accessibilities for people with disabilities in their daily activities

Other forms of discrimination in the field of employment are still many jobs vacancies that require applicants must be physically and mentally healthy. Healthy physical, it can be interpreted that the applicants do not have physical flaws, and free from all kinds of diseases.

While spiritually healthy can be interpreted not only psychically healthy, but also morally healthy, but most physically and mentally healthy term refers to the condition of people with disabilities. At this time the government still continues to socialize and to convince the company to give space and opportunities for people with disabilities, even to encourage an increase the number of workers with disabilities in the companies, the Ministry of Labouralso regularly gives awards to companies that care and decently employed people with disabilities, as an appreciation of government in increasing the motivation and awareness in order to improve social welfare of the people with disabilities.

Attitude

Attitude comes from the Latin ,Aptus which mean fit and ready to act or do something (Ismail and Zain, 2008). According to Ajzen (2005),attitude is individual's positively or negatively evaluation on objects, people , institutions , events , behaviors or specific interest . According to Gagne and Briggs (inAjzen , 2002) ,the attitude is an internal state that influence the choice of individual actions against the object , person or particular events. Attitude is the tendency of cognitive , affective, and behavioral learned to respond positively or negatively to the object , situation, institutions, concepts or someone. Attitudes are personal factors that contain a positive evaluation or in behavior to avoid,resist,or hinders the object (Eagly&Chaiken, 1993, Palupi, 2013) .

Based on this theory , attitude of individuals acquired of belief in the consequences caused by such behavior , termed behavioral beliefs. Belief inbehavior islinking behavior with a particular outcome , or some other attributes such as costs or losses that occur when performing a behavior. In other words, someone who believes that a behavior can produce a positive outcome , then that individual will have a positive attitude , and vice versa .

Based on TPB , someone who believes that performs certain behavior will lead to a positive result will have afavorableattitude to perform of behavior , whereas those who believe that perform a particular behavior will lead to negative results ,then they will have an unfavorable attitude.

In this study, the attitude of the company's leaders on employment of people with disabilities obtained convictions against people with disabilities and behavioralto employ people with disabilities. Belief in the behavior to employ employ with disabilities connectthe behavior to a particular outcome, or some other attributes such as cost, effort or losses that occur when employing persons with disabilities. In other words, a company's leader in this case represents the company's believes that people with disabilities are able to work well and employ people with disabilities can produce positive outcomes, then the company's leader will have a positive attitude and intention, and vice versa.

Based on the above ideas and concepts, the researchers construct a hypothesis as follows:

H1: Attitude influencethe company's intention to employ people with disabilities.

Subjective Norms

Subjective Norm is individual's outside factors that contains perception of whether the other person would agree or disagree of a performed behavior. Subjective norms also determined by the normative beliefs and the desire to follow (motivation to comply) (Ajzen, 2005). Normative beliefs pertained to expectations derived from the referent or influential people and groups for individuals (significant others) as parent, spouse, close friends, co-workers or others, depending on the behavior involved. Subjective norms defined as the individual's perception of social pressure to perform or not a behavior. Individuals have the belief that certain individuals or groups will accept or not accept their actions. If individuals believe the norms of the group, then the individual will obey and form behavior according to the group.

Subjective norms are not only determined by the referent , but is also determined by the motivation to comply . In general , individuals who believe that most referent would agree, they would show certain behaviors , and motivation to follow certain behaviors , will feel the social pressure to do so.Conversely , individuals who believe that most referents would not approve them to perform certain behaviors , and lack of motivation to follow a certain behavior , then this will cause them to have subjective norms that put pressure on them to avoid doing the behavior (Ajzen , 2005) .

In the TPB, subjective norms also identicaled by two, belief of a person on the reaction or the opinions of others or other groups about whether the individual need, should,or should not perform a behavior, and motivate individuals to follow the opinion of the other person (Michener ,Delamater, & Myers, 2004).

Company's leader who have the belief that an individual or a particular group, in this case the government, NGOs, community, consumers, and business partners will accept and give a positive response if the company employpeople with disabilities, then the company's leader will obey and form the expected behavior by referent, ie government, NGOs, community, consumers, and business partners, in this case employing people with disabilities.

Based on the above ideas and concepts, the researchers construct a hypothesis as follows:

H2: Subjective norms influencethecompany's intention to employ people with disabilities.

Perceived Behavioral Control (PBC)

PBC describes the feelings of self-efficacy, or the ability of the individual in performinga behavior . The same thing was also stated by Ismail and Zain (2008), PBC is an individual's perception of control of individual in related with certain behavior. PBC is a belief about the presence or absence of factors that facilitate and hinder an individual to perform a behavior .Percevied Behavioral Control is determined by past experiences of individuals and individual estimates of how difficult or easy it is to perform a behavior.Past experience of the individual against a behavior can be influenced by information obtained from another person, for example from the experience of those who are known as families , couples and friends .

Ajzen(in Ismail and Zain , 2008) explains that a person's behavior is not only controlled by himself , but also requires control , for example in the form of availability of resources and opportunities even specific skills . PBC represents aperson's belief about how easy individuals perform a behavior. When an individual believes that he lack the resources or do not have a chance to perform a behavior (lowbehavioral control) individuals will not have a strong intention to perform such behavior (Engel,Blackwell,and Miniard,1995) .

In some situations , one or two factors can be used to explain the intention , and most of these three factors, each has a role in explaining the intention . In addition , each individual has different weight of three factors which most influence the individual in behavior (Ajzen , 2005) . So the conclusion, someone will perform a specific behavior if the he evaluate the behavior in a positive way , plus the individual gained from social pressure to perform the behavior, as well as the individual can believe and have the opportunity to perform the behavior (Ajzen , 2005) .

PBC can be measured using two scales :

a. The scale measures the belief control subjects (Indirect Perceived Behavioral Control) is about an individual's ability to control the behavior to the individual's external factors that inhibit or support individuals to perform behavior that comes from outside the individual .

b. The scale measures the perceived power (Direct Perceived Behavioral Control) is about an individual's ability to control the behavior to the factors of the individual that inhibit or support individuals to perform behavior that comes from within the individual .

In this case when the company's leader believe that the company lacked the resources , capability , facility or do not have the opportunity to employpeople with disabilities (low behavioral control) ,company's leader will not have a strong intention to employ people with disabilities. Conversely,if the company's leader believe that the company has sufficient resources, capacity, facilities and the opportunity to employ people with disabilities,the company's leader will have a strong intention to employ persons with disabilities .
Based on the above ideas and concepts , the researchers construct a hypothesis as follows :
H3 : Perceived Behavioral Control influences company to employ people with disabilities .

Intention

Intention according to Fishbein and Ajzen (1975), is a component within the individual that refers to the desire to perform a particular behavior. Intention is defined as an individual's subjective probability dimension in relation between his self and behavior. Bandura (1986) , states that the intention is a determination to perform a certain activity or generate a specific situation in the future. Intention says is a vital part of the self-regulation of individuals that backgroundedby one's motivation to act. Summarizing the above opinion,can be assumed that the intentions are things that assumed to be able to explain the factors of motivation and a strong impact on behavior . This indicates how hard a person tries , and how much effort is done so that the desired behavior can be performed .

According to TPB , a person can act on intention only if he has control of his behavior (Ajzen , 2002) . This theory not only emphasizes the rationality of human behavior , but also on belief that the behavior's target is under the control of the individual consciousness. A behavior not only depends on individual's intentions , but also on other factors which do not exist under the control of individuals , such as the availability of resources and opportunities to perform such behavior (Ajzen , 2005) .

Intention is a term related to the action and an important element in a number of actions , which shows the state of mind of someone who is directed to carry out an action , which in fact can or can not be performed and directed to both, this moment or future action. Intention plays a typically role in directing the action , which connects the deliberations that are believed and desired by someone with specific actions . Based on the above it can be concluded that the intention is sooth individual's intention to commit acts or bring a certain behavior.
Based on TPB , the intention is formed of attitude toward behavior , subjective norms , and perceived behavioral control of the individual against a behavior.

Result of analysis

Researchersspead 155 questionnaires and 149 questionnaires used for analysis.
In demograsi , the respondents of this study consisted of males 39.6 % and females 60.4 % . In terms of age , 20-30 years 40.3 % , 30-40 years 30.2 % , 40-50 years 20.1 % , above 50 years of 9.4 % . Based on educational level , high school / vocational 12.8 % , Diploma 9.4 % , Bachelor 69.8 %, Postgraduate 8.1 % . By type of business , hotels 5.4 % , education 11.4 % , hospitals 4.0 % , processing industry 16.1 % , banks 6.7 % , retail 4.7 % , trade 6.0 % , restaurants 4.0 % , publisher / printing 4.7 % , others 36.9 % , Based capital , Foreign Investment24.2 % Domestic 53.0 % , Foundation 16.1% , state / local enterprises 6.7 %, Based on employment of people with disability 23.5% companies already employ people with disabilities, 76.5% not .

Confirmatory Factor Analysis : Loading Factor

The comparison result of loading factor of indicators forming attitudes with a mean value of each indicator shows that the X11 is a major driver of respondents attitudes towards people with disabilities (belief that people with disabilities have the chance in employment as the workers in general). The comparison between the loading factor for each variable subjective norms with a mean value of each indicator shows that the estimated loading factor of the greatest subjective norm is given to the indicator X22 (service user / consumer companies gave a positive response if the company employs persons with disabilities).The comparison between the loading factor of each indicator variable PBC showed that the estimation of the variable loading factor given by the largest PBC indicator X26 is the belief that employing people with disabilities requiresaccessibility,cost,time,effort,and accessibility.

SEM Testing Results

Model Fit Summary

Table 1 CMIN

Model	NPAR	CMIN	DF	P	CMIN/DF
Default model	99	765.711	428	.000	1.789
Saturated model	527	.000	0		
Independence model	62	3173.334	465	.000	6.824

Source : Data processed in 2015

Table 2 Baseline Comparisons

Model	NFI Delta1	RFI rho1	IFI Delta2	TLI rho2	CFI
Default model	.759	.738	.877	.865	.875
Saturated model	1.000		1.000		1.000
Independence model	.000	.000	.000	.000	.000

Source : Data processed in 2015

Table 3 RMSEA

Model	RMSEA	LO 90	HI 90	PCLOSE
Default model	.073	.065	.081	.000
Independence model	.198	.192	.205	.000

Source : Data processed in 2015

SEM test results show that the size of the fit is CMIN / DF for the 1.789 and 0.069 amounted RMSEA showed the model can be said to be good . TLI value (0.865) and CFI (0.875) can be said that the model of marginal acceptable (Ferdinand , 2006).

Table 4 Hypothesis Test Results

			Estimate	S.E.	C.R.	P	Label
Intention	<---	SN	.494	.229	2.162	.031	par_1
Intention	<---	Attitude	.544	.245	2.223	.026	par_29
Intention	<---	PBC	.360	.114	3.159	.002	par_30

Source : Data processed in 2015

The first hypothesis that the attitudesinfluence the company's intention to employpeoplewith disabilitiesisacceptable.Influence of attitude to the company's intention to

employ people with disabilities is a significantly positive. This can be seen from the p-value 0.026 and CR 2223. These results indicate that whencompany's attitude to people with disabilities getting higher, the intention of the company to employ people with disabilities is also increasingly rising.

The second hypothesis that subjective normsinfluence the company's intention to employ people with disabilitiesisacceptable. Subjective norms positive and significantly influence the company's intention to employ people with disabilities. This can be seen from the p-value 0.031 and CR amounted to 2,162. These results show whensocial pressure / subjective norms of the surrounding environment to employ people with disabilities is getting higher, company's intention to employpeoplewith disabilities is increasingly rising.

The third hypothesis is that the PBC influences the company's intention to employ people with disabilities is acceptable. PBC significantly positive influencesthe company 's intention to employ people with disabilities. This can be seen from the p-value 0.002 and CR 3,159. This shows when the perceive of behavior control owned by the company is getting higher, the company's intention to employpeople with disabilities is also increasingly rising.

CONCLUSION

Judging from the results of the hypothesis 1 to 3 above , it can be deduced that company’s intention to employ people with disabilities based on the company's attitude to people with disabilities . If the company has a positive attitude towards people with disabilities , such as the belief that employ with disabilities is a form of corporate social responsibility with regard to the values of humanity , the belief that people with disabilities have the same opportunities as employment in general , and the belief that people with disabilities have the ability as worker in general , so the company's intention to employ people with disabilities will be higher .

The influence of social pressures also affect the company's intention to employpeoplewith disabilities. Social pressure, such as the government regulation of the rights of people with disabilities, the sanctions for companies that do not comply with these regulations, the encouragement of certain parties (NGO, government), the assessment of the public, service users / consumers and business partners. If the social pressures faced by companies to employ people with disabilities is higher, company's intention to employ persons with disabilities also getting higher.

Another factor that is important is the level of PBC company to employ people with disabilities, which consists of the level of capability (self-efficacy) and the level of control of the intention to employ people with disabilities. Self-efficacy related to the company's ability to employ people with disabilities, such as the ability to provide accessibility for people with disabilities and the ease of hiring people with disabilities. Control level related to internal reasons of the company to be able or disable to employ people with disabilities.

The role of social pressure (subjective norms) are influential in increasing the company's intention to employ people with disabilities can be optimized , such as byemphasingon socialization and campaign to employ people with disabilities , involving the relevant agencies , NGOs and companies that already employ people with disabilities , are expected can motivate companies to employpeople with disabilities . Furthermore it is necessary to give training and equipping to people with disabilities in order to be ready to enter the working world Future studies need to be conducted on companies that already employ people with disabilities , to provide an overview of the capabilities of people with disabilities to perform the work, including the benefits and difficulties of the company when employing persons with disabilities .

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Regulation

Peraturan Daerah Provinsi Daerah Istimewa Yogyakarta Nomor 4 Tahun 2012 tentang Perlindungan dan emenuhan Hak-Hak Penyandang Disabilitas Undang-Undang Republik Indonesia Nomor 4 tahun 1997 Tentang Penyandang Cacat, Jakarta, Sekretariat Negara .

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The Impact of Corporate Diversification on Earnings Management with Managerial Ownership as Moderator Variable

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Abstract

This empirical study aims at disclosing the impact of corporate diversification on earnings management, the impact of corporate diversification on earnings management moderated by managerial ownership, in addition to the impact of leverage, firm size, and growth rate as control variables on earnings management.

From the data analysis, it is discovered that corporate diversification variable has no impact on Earnings Management in manufacturing companies listed on the Indonesian Stock Exchange.No impact of corporate diversification-moderating managerial ownership found on earnings management in manufacturing companies listed on the Indonesian Stock Exchange. Similarly, no impact of leverage, firm size, and growth rate as control variables found on manufacturing companies listed on the Indonesian Stock Exchange.

Keywords: Corporate Diversification, Managerial Ownership, and Earnings Management

INTRODUCTION

Corporates run their operational activities by periodically preparing financial statements for stakeholders. Financial statements are summary of financial transactions occurred in relevant fiscal year (Kasmir, 2012). The Statements of Financial Accounting Concept (SFAC) No.1, states that earnings information commonly becomes the primary attention of financial statements to determine management's performance. Earnings information as a part of financial statements often targeted by fabrication conducted by the management's opportunistic actions. The management probably carries out such measure by the desire to meet their own interest and/or to utilize such intensive related to the utilization of accrual basis in the preparation of financial statements (Chin, et al., 2009). Such management's behavior in managing earnings in accordance with their desire is known as earnings management.

Earnings management emerges as an impact of the disharmony of interest between owner and management due to division. Such division occurs when owner provides authority to the management to operate the company in good faith such as managing funds and making other corporate decisions on be half of the owner. Holding such authority, there is a high possibility that the management does not act their best for mutual interest due to conflict of interest (Arifin, 2007). Company's management as the agent requires third party service to obtain high trust from external parties (one of which is the principal) towards its accountability; on the contrary, external parties require third-party service to convince themselves that the report presented by company's management is reliable as a basis for decision-making.

A research conducted by Lim, et al. (2007) concludes that discretionary accruals which is one of the means used to measure earnings management tends to be higher in diversified company compared to those who are not. Research on the relationship between diversification and earnings management was also conducted by Mehdi and Seboui (2011). The research resulted in a conclusion which is consistent with the research conclusion of Lim et al. (2007) where on average, diversified companies aremore likely to conduct earnings management

compared tocompanies in similar size which are focused on one of business field. This is possibleas the higher level of company diversification tends to decrease the level of transparency. The translation of accounts and consolidations is one of several factors that may decrease a company's transparency to external parties.Such decreased transparency results in the practice of earnings management in a company. Yet, Jiraporn, et al. (2005) research shows that industrial diversification will reduce the tendency of earnings management.

To prevent excessive earnings management, the implementation of a good corporate governance is required (Tiswiyanti, et al., 2012). Corporate governance is a control mechanism in regulating and managing a business in order to improve corporate prosperity and accountability whose ultimate objective is to create shareholder value. Corporate governance issues arise due to the division between company ownership and management (Scott, 2009). The concept of Good Corporate Governance (GCG) is increasingly put forward by business practitioners as one of the means to prevent financial cases.

Managerial ownership serves as one of the mechanisms in Good Corporate Governance (GCG). Managerial ownership helps controlling agency conflict arising from the division of company ownership and management. According to Cruithley and Hansen (1989), managerial ownership aims to provide opportunity to managers to get involved in shareholding; therefore, with such involvement, managers may hold equal position with company owners. Arifin (2007) argues that managerial ownership is a shareholding by company management which is measured by the percentage of the number of shares held by the management. When the expected managerial ownership is high, the management will conduct their best effort for the owners or shareholders' interest. To support this research, the author uses three (3) control variables, namely leverage,firm size, and growth rate. These three control variables are used in this research based on the basis that previous researches and supporting theories used as references to this study also apply such control variables. The relationship between corporate diversification and earnings management becomes equally important to understand as it can be used as a consideration for companies in determining their development strategy and for potential investors in making investment decisions.

From the abovementioned descriptions, the researcher intends to conduct a research to understand the impact of corporate diversification on earnings management; the impact of business diversification on earnings management moderated by managerial ownership; and the impact of leverage, company size, and growth rate as the control variables on earnings management.

LITERATURE REVIEW

Agency Theory

The emergence of earnings management practices can be described with this theory. The concept of agency theory is the relationship between principal and agent. Principal employs agent to carry out task for the interest of principal, including the delegation of decision-making authority from the principal to the agent (Anthony and Govindarajan, 2005). When agent fails to conduct according to the principal's interests, an agency conflict will occur. One of the arising obstacles that arise is information asymmetry – a situation where manager has more access to company information not owned by external parties (Mehdi and Seboui, 2011).

As the agent, the manager is morally responsible to optimize the owners' profit and in return the agent in question will obtain compensations as stated by the contract. Thus there are two different interests in the company where each party seeks to achieve or maintain a desired level of prosperity (Pamudji and Trihartati, 2010). Agency theory describes the relationship between the owner and management of the company. Jensen and Meckling (1976) state that an agency relationship is a contract between principal and agent. In this agency relationship, there

is a division between ownership (principal/company owner) and management (agent/manager). Company owner delegates the authority to manager to manage the company, with the expectation that the owner will gain profitalong with increasing wealth and welfare. Nevertheless, existing division may lead to conflict due to differing interests between the owner and the manager which is also known as agency conflict. Company owners expect maximum earnings or dividends on capital invested within the company, while managers expect to increase their welfare by maximizing their compensation although their actions may not correspond to owner's interests. Such issue may lead to agency costs.

Eisenhardt (1989) states that agency theory relies on three assumptions of basic human nature, which are: (1) self-interest, (2) bounded rationality, and (3) risk averse. From the assumptions of basic human nature, a manager as human being is more likely to actbyhis/her opportunistic nature, hence prioritizing his/her personal interest. Compared to owners, manager as the company's agent is a person with more knowledge on the internal information and future prospect of a company. As a result, the management has the obligation to send a signal concerning the condition of a company to its owners. Such signal may be the disclosure of accounting information such as financial statements. Such imbalance in the possession of information will trigger a condition known as information asymmetry. Information asymmetry between the management and owners presents an opportunity for the managers to implement earnings management which will mislead the shareholders regarding the company's performance.

The Impact of Corporate Diversification on Earnings Management

According to Harto (2005), diversification is a form of business development by expanding the number of segment bothin business and geographical termin addition to expanding existing market share or developing various products. David (2002) divides diversification into three strategies, namely concentric, horizontal, and conglomerate diversifications. Concentric diversification occurs when a company adds new products or services, which are broadly related. Horizontal diversification occurs when a company adds irrelevant new products or services to existing customers. Whereas conglomerate diversification occurs when a company adds new products or services which are unrelated to any other products or services. A diversified company will experience greater information asymmetry compared to a focused company. This is due to the fact that a diversified company is less transparent than focused company (Perez and Hemmen, 2010). Thomas (2002) states a so-called transparency hypothesis which relates diversification and earnings management. According to Thomas (2002), a diversified company has higher level of information asymmetry and less transparent compared to undiversified companies, since the former has more complex structure. This is line with results from Mehdi and Seboui (2011) research stating that diversification may fortify information asymmetry, leading to cultural diversity and encouraging misallocation of investment.This allows manager to exploit information asymmetry by carrying out earnings management. The complexity of a diversified company intensifies the opportunity to implement earnings management in the company in question. This happens as shareholders may lack of sufficient incentives, resources, and access to information to monitor manager's actions (Warfield, et al., 1995). Undoubtedly, more resources and expertise are required to audit revenues derived from a number of business divisions. Result of Herrmann's (2009) research discovers that corporate diversification intensifies earnings management. This is also supported by Chen, et al. (2009) research which shows that diversification is directly related to the level of earnings management. A research by Lim, et al. (2007) concludes that discretionary accruals, one of the means used to measure earnings management, tend to be higher in diversified companies compared to undiversified companies. Based on this explanation,hence the

hypothesis formulated in this research is:

H_1 : Corporate diversification has positive impact on Earnings Management

The Impact of Corporate Diversification on Earnings Management moderated by Managerial Ownership

Managerial ownership serves as one of the mechanisms in Good Corporate Governance (GCG) which assists incontrolling agency conflict. Such conflict occurs due to differing interests between company owner and manager. Managerial ownership may influence the course of the company and ultimately affect company performance in achieving its goals. Managerial ownership is a shareholding by company management which is measured by the percentage of the number of shares held by the management. The size of managerial ownership ofa company will indicate the magnitude of common interest between the management and shareholders or owners.

The relationship between diversification and earnings management of the company will be strengthened by managerial ownership as larger managerial ownership proportion in a company tends to encourage the manager to be more active for the interests of shareholders or owners of the company, i.e. the manager him/herself (Gray, et al., 1998). As a result, the manager who also acts as shareholder will be motivated to improve company performance by decreasing earnings management to improve his/her welfare. Therefore,the implementation of managerial ownership policy within a diversified company is expected to decrease earnings management there of. This is in accordance with Sudjoko and Soebiantoro's (2007) notion which states that larger management ownership in a company will tend to encourage the management to improve its performance for the interest of shareholders as well as for their personal interest.

This is due to the fact that managerial ownership is also considered to be capable of lowering manager's opportunistic behavior. The size of managerial ownership of a company may indicate the magnitude of common interest between the management and shareholders (Sounder, et al., 1990). Larger managerial ownership proportion in a company tends to encourage the management to improve its performance for the interests of shareholders as well as for their personal interest. Chin, et al., (2009) discover a negative relationship between international diversification and earnings management in a company with greater controlling share ownership structure. This means that largerownership of controlling share may be able to control better company performance by mitigating the practice of earnings management. Consequently, even though a company has more business diversification, the relation between business diversification and earnings management will remain low, provided that the company places greater controlling share ownership. Conversely, the relationship between business diversification and earnings management will strengthen for smaller controlling share ownership. Based on such explanation,thus the hypothesis formulated in this research is:

H_2 : Managerial ownership moderates impacts between corporate diversification on earnings management.

RESEARCH METHODS

Research Objects

The populations used in this study are all companies listed on the Indonesia Stock Exchange (BEI) in 2011-2013. The research uses purposive sampling technique with the following criteria:

1. Manufacturing companies listed on the Indonesia Stock Exchange (IDX) in 2011-2013
2. Companies conducting Diversification in 2011-2013
3. Companies with Managerial Ownership in 2011-2013
4. Companies with complete research data

Operating Definition of Research Variables

1. Independent Variable

Independent Variable used in this research is Corporate Diversification. Method used to measure the diversification is Herfindahl Index, which is calculated by the formula:

$HERFit = Ssale^2 / \sum Ssale^2$

Whereas HERFit is revenue-based Herfindahl Index for (i) company in (t) period; Ssale is sales from each company segment; and $\sum$Ssale is total sales of all segments of (i) company in (t) period.

2. Dependent Variable

Earnings management is calculated using Modified Jones Model since it is considered as the best formula in measuring earnings management among other models.

$TAC = Nit - CFOit$ ..... (1)

Total Accruals (TA) value which is estimated by OLS regression equation as follows:

$TAit/Ait\text{-}1 = \beta 1(1/Ait\text{-}1) + \beta 2(\Delta Revt/Ait\text{-}1) + \beta 3(PPEt/Ait\text{-}1) + e$..... (2)

Using the regression coefficient above the non-discretionary accruals (NDA), can be calculated using the formulation:

$NDAit = \beta 1(1/Ait\text{-}1) + \beta 2(\Delta Revt/Ait\text{-}1 - \Delta Rect/Ait\text{-}1) + \beta 3(PPEt/Ait\text{-}1)$..... (3)

Further, discretionary accruals (DA) can be calculated as follows:

$DAit = TAit/Ait\text{-}1 - NDAit$ ..... (4)

Description:

Dait	= Discretionary Accruals of i company in t period
NDAit	= Non-Discretionary Accruals of i company in t period
Tait	= Total accrual of i company in t period
Nit	= Net profit of i company in t period
CFOit	= Cash flow from operating activity of i company in t period
Ait-1	= Total assets of i company in t-1 period
ΔRevt	= Change in revenue of i company in t period
PPEt	= Fixed assets ofi company in t period
ΔRect	= Change in receivables of i company in t period
e	= Error

3. Moderator Variable

Managerial ownership is the moderator variable of this research, which is measured by seeing management's share holding proportion. Managerial ownership (MO) is calculated by:

$$MO = \frac{Number\ of\ shares\ held\ by\ manager}{Total\ common\ stock}$$

4. Control Variables

This research uses three control variables, i.e. leverage, company size, and company growth.

a. Leverage is total debt to total equity ratio used to view the composition of both factors as the company's source of funding. The formulation is:

$$Leverage = \frac{Total\ debt}{Total\ equity}$$

b. Size is calculated using total asset logarithm.

Size = Log (Total Asset)

c. Growth calculates the percentage of sales growth in t year compared to sales in t-1 year.

$$\text{Growth} = \frac{(Sales_{t} - Sales_{t-1})}{Sales_{t-1}} \times 100\%$$

Data Analysis Techniques

To discover whether multiple independent variables have significant impact on the dependent variable,the multiple linear regression model is used and formulated as follows:

$$EM = \alpha + \beta_1 DIV + \beta_2 MO + \beta_3 DIV*MO + \beta_4 LEV + \beta_5 SIZE + \beta_6 GROWTH$$

Description:

α	= Constant	MO	= Managerial Ownership
β1-β6	= Regression Coefficients	LEV	= Leverage
EM	= Earnings Management	Size	= Firm Size
DIV	= Corporate Diversification	Growth	= Company Growth

RESULTS OF ANALYSIS AND DISCUSSION

a. Hypotheses Testing

To discover whether multiple independent variables have significant impact on the dependent variable,the multiple linear regression model is used.The result of this multiple linear regression model calculation is presented in the following table:

Table of Hypotheses Testing

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	-.539	.261		-2.067	.042
	Diversifikasi_Perusahaan	.149	.169	.106	.879	.382
	KepemilikanManagerial	.505	1.209	.291	.418	.677
	Moderator	-.687	2.270	-.211	-.302	.763
	Leverage	.032	.077	.000	.005	.996
	Size	.058	.037	.164	1.564	.121
	Growth	-.018	.071	-.027	-.256	.798

a. Dependent Variable: ManajemenLaba

Significant at α5%

b. Coefficient of Determination (R^2) Testing

The coefficient of determination is useful to determine how independent variables (corporate diversification, managerial ownership, and managerial ownership-moderated company diversification) and control variables (leverage, firm size, and growth rate) affect dependent variable (earnings management) in manufacturing companies listed on the Indonesia Stock Exchange during the period of 2011-2013. The result of the coefficient of multiple determination can be shown in the following table:

Table of Coefficient of Determination

Model Summary[b]

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.187[a]	.035	.028	.2835284	2.084

a. Predictors: (Constant), Growth, Moderator, Diversification, Leverage, Size, Managerial Ownership

b. Dependent Variable: Earnings Management

From the table above, it is known that the coefficient of multiple determination (Adjusted R^2) is 0.028.In other words, 2.8% of Earnings Management in manufacturing companies listed on the Indonesia Stock Exchange during the period of 2011-2013 are influenced by independent variables (corporate diversification, managerial ownership, and managerial ownership-moderated company diversification)and control variables (leverage, firm size, and growth rate). Whereas the remaining 97.2% are influenced by other variables not included in this research model.

From the table, it can be explained that the impacts of each variable on earnings management in manufacturing companies listed on the Indonesia Stock Exchange throughout 2011-2013 are as follows:

1. Impact of Corporate Diversification on Earnings Management

The results of this research show no found impact of corporate diversification on earnings management. According to Mehdi and Seboui (2011), a diversified company is a company with more than one business segment. Harto (2005) explains that diversification is a business development strategy which expands business segments both operationally and geographically, by opening new business line, expanding existing product line, expanding product marketing area, opening branches, conducting mergers and acquisitions, and other strategies. Business diversification in a company not only brings positive impact, but also in cursvarious costs for its implementation. According to Meyer (1992), in adiversified company,non-profitable business lines may result in greater losses compared to companies engaging in merely one line of business. Additionally, the implementation of diversification at a company will complexify its organizational structure,lower the level of transparency, increase information complexity for investors, and boost financial analysis (Mehdi and Sebuoi, 2011). Based on agency theory, corporate diversification becomes less optimal as diversifying managers tend to lead the diversification toward their own interests (Harto, 2005). A research by Chin, et al. (2009) shows that larger corporate diversification has positive relation with greater earnings management. The result of the study also finds a negative relation between international diversification and earnings management in companies with greater controlling share ownership structure, where investors are better in countries with strong legal protection and higher disclosure of information.The results are in line with the results of Aryanti and Walansendow (2013) and Lupitasari (2012) studies which found that corporate diversification has no impact on earnings management. Aryati and Walansendouw (2013) argue that global economic crisis which was originated from the United States in 2007 and expanded to Indonesia in 2008 has considerable impact to Indonesian economy, including Indonesian stock market. The impact from the 2008 crisis remains visible, and this forces Indonesian economy to revive and improve its performance after being shaken by such crisis. This causes that most of companies in Indonesia, especially those listed in the Indonesia Stock Exchange, evenly has a tendency to implement

earnings management with relatively equal level no matter how many of business segments are. In contrast to when the state of the overall economy is not in crisis, the companies listed on the stock market will not evenly have the same tendency to implement earnings management.

2. **Impact of Corporate Diversification on Earnings Management Moderated by Managerial Ownership**

   The results of this study reveals no impact of company diversification on managerial ownership-moderated earnings management. Managerial ownership serves as one of the mechanisms in Good Corporate Governance (GCG) which assists in controlling agency conflict. The relationship between diversification and earnings management of the company will be strengthened by managerial ownership as larger managerial ownership proportion in a company tends to encourage the manager to be more active for the interests of shareholders or owners of the company, i.e. the manager him/herself (Gray, et al., 1998). As a result, the manager who also acts as shareholder will be motivated to improve company performance by decreasing earnings management to improve his/her welfare. Therefore,the implementation of managerial ownership policy within a diversified company is expected to decrease earnings management there of. This shows a tendency of extremely low level of managerial ownership in manufacturing companies in Indonesia. Small level of shares held by the management renders them to have no sense of belonging toward the company as not all benefits may be enjoyed by the management. As a result, the management is motivated to maximize their utility which consequently detrimental to company owners or shareholders. In addition,the companies as the samples of this study have low managerial ownership and insufficient implementation of GCG. GCG system is regarded as one of the best means to minimize the earnings management practices that may harm others.

CONCLUSION

The result of this study reveals no impact of company diversification on earnings management in manufacturing companies listed on the Indonesia Stock Exchange during 2011-2013. Regression testing resulted in no impact of moderating managerial ownership between corporate diversification on earnings management in manufacturing companies listed on the Indonesia Stock Exchange during 2011-2013. Meanwhile,the control variables of leverage, firm size, and growth rate have no impact on earnings management in manufacturing companies listed on the Indonesia Stock Exchange during 2011-2013. The result of this study reveals that growth rate has no impact on earnings management;thus, higher or lower growth rate does not affect earnings management. Firm size has positive impact on earnings management; therefore, larger firm size will create higher implementation of earnings management at a company.Leverage has no impact on earnings management; consequently higher or lower leverage will bring no impact on the level of earnings management implementation.

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The accuracy of financial distress prediction models: comparison between altman, springate, ohlson, zmijewski and grover model

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Abstract

Financial distress prediction model as an early warning system is required to determine the company's financial condition in the future, thus helping the stakeholders in decision making. The objective of this study is to determine the best financial distress prediction models for manufacturing companies in Indonesia. The study compared five financial distress prediction model: Altman, Springate, Ohlson, Zmijewski and Grover Model. Comparisons were made by analyzing the levels of accuracy and error type of each model. The samples of this research are 81 manufacturing companies, consisting of 27 companies experiencing financial distress and 54 companies that are not experiencing financial distress. The results showed that the most accurate model is the Grover model (the accuracy rate of 85.19% and has a type I error amounted to 14.20%, and type II error of 0.62%) followed by the Springate model with 82.72% accuracy rate, Ohlson model with accuracy rate of 78.40%, Zmijewski model with the level of accuracy of 77.78% and the lowest level of accuracy is Altman model of with 30.86% accuracy rate

Keywords: Financial Distress, Accuracy Model Financial Distress, Model Grover, Ohlson Model, Model Altman, Model Springate, Model Zmijewski

INTRODUCTION

The main purpose of a corporation is to maximize the value of the company (Brigham, 2005: 7). The value of a company can be seen from the level of corporate profits, stock prices, and other factors such as employee welfare and consumer satisfaction. In conducting its business, the company uses the assumption of "going concern" which the company considered to be able to maintain its business in the long term and will not be liquidated in the short term (Hadi, 2008). However, it is not always achievable. A company may experience financial distress that could lead to bankruptcy.

Zu'amah (2005) said economic conditions in Indonesia unstable resulting in a high risk for a company experiencing financial difficulties or even bankruptcy. Data from the Indonesia Stock Exchange shows that there are 26 companies delisting during the year 2009 until early 2015. PT Davomas Abadi (DAVO) is one company that delisting its shares from the Indonesia Stock Exchange. Didi, et al (2012) states DAVO sales value decreased by 39%. This resulted in a decrease in gross profit from Rp.229,75 billion to Rp.126,60 billion and operating expenses have increased 7.7%, resulting in an operating loss of 56.41 billion. Then on January 21 2015, PT Davomas Abadi delisting because of not having business continuity.

Financial distress is a stage of decline in a company's financial condition before the bankruptcy (Platt, 2002). As was the case in the PT Davomas Abadi, the bankruptcy of the company occurred after a period of financial distress. The stakeholders need to know the initial conditions of companies experiencing financial distress, so as not to make mistakes in predicting the survival of the company's operations in the future. Prediction error could result in losses for the stakeholders, one of which is losing investment. Early information on the

company's financial distress provides an opportunity for stakeholders to make efforts that can reduce or even avoid losses. The management and owners can make an effort to prevent a more severe condition, and investors can take a decision to continue to invest or have to sell to stock. Model of financial distress is an early warning system to recognize the early symptoms of financial distress companies. Some researchers have developed a prediction model to assist the stakeholders in order to not get caught up in the problems of financial distress. These models include advanced by Altman (1968), Springate (1978), Ohlson (1980), Zmijewski (1984), and Grover (2001).

Altman conducted research in 1968 using Multivariate Discriminant Analysis (MDA) to find a predictive model of financial distress. The analysis resulted in a model with five financial ratios as a measure of the level of health of the company called Altman Z-score. Springate doing research in 1978 by taking samples in Canada and using statistical methods and sampling techniques similar to Altman. In 1980, Ohlson proposed a different techniques, namely the selection of samples with random sampling and using multinomial logit, so the sample size companies distress and non-distress company should not be the same. Subsequently in 1983, Zmijewski using ratio analysis that measures performance, leverage, and liquidity of the company. In 2001, Jeffrey S. Grover create predictive models by designing and reassessment of the model of the Altman Z-Score. Grover using a sample in accordance with the model of the Altman Z-score in 1968, adding thirteen new financial ratios.

Research on financial distress prediction models have been carried out in Indonesia, where Altman model is a model prediction of the most widely used. While the study of comparative financial distress prediction models are still limited. Among, Hadi & Anggraeni (2008) comparing the model Zmijewski, Altman, and Springate in predicting the company delisted in the Indonesia Stock Exchange. The result is the Altman model is the best. Furthermore Prihanthini & Sari (2013) compare models Grover, Altman , Springate and Zmijewski in predicting financial distress in the Food and Beverage companies listed in the Indonesia Stock Exchange. The results showed the Grover mpdel is the best fits for Food and Beverage companies. Christianti (2013) comparing models to predict financial distress at the company's manufacturing and the results show that the model Ohlson better predict corporate financial distress. Husein & Pambekti (2014) analyzed the accuracy of the model Altman, Springate, Zmijewski, and Grover and found results Zmijewski models as best predictors of financial difficulties. Then Anga (2014) compare models Altman, Springate and Ohlson in predicting the company's delisting. The results showed that the Springate model can predict better than Altman model and Ohlson.

Model of financial distress need to be developed as an early warning system, so that companies can anticipate the conditions that lead to bankruptcy. Literature that describes the prediction model of financial distress company has many, but few studies discussing the financial distress prediction model that is appropriate to be applied to a company. In addition, studies have shown different results regarding the predictive models are most appropriate for use. This research will seek the most appropriate model for use in predicting financial distress prediction by comparing five models, namely Model Altman, Springate, Ohlson, Zmijewski, and Grover.

THEORITICAL REVIEW

Financial Distress

Financial distress could be interpreted as a severe liquidity problem that can not be overcome without major changes in the operation or structure of the company (Foster, 1986: 535). Financial distress is also defined as the phase of decline financial condition of a company, which occurred prior to the bankruptcy or liquidation (Platt, 2002: 1). This condition generally characterized among other things by the delay in delivery, product quality decreases, and delay

payment of bills. According to Hofer (1980) financial distress is a condition where the company experienced negative net operating income for several years. While Whitaker (1999) reported financial distress is a condition in which the cash flow that is smaller than short-term debt. A common mistake that financial distress is often equated with bankruptcy, though both are different things. Financial distress is one cause of bankruptcy in a company. But by no means all companies experiencing financial distress will become insolvent.

Prediction of the company's financial distress could be an early warning system for the parties concerned. Platt (2002) states that the financial distress prediction has several benefits, namely: (1) To identify the problems in the company so that these problems can be corrected before the company was in crisis. (2). To accelerate decision making, such as mergers or were taken over by the company with better management. (3) Prediction of financial distress give early warning of the possibility of a future bankruptcy.

MODELS OF FINANCIAL DISTRESS

Model Altman (1968)

Altman (1968) using Multivariate Discriminant Analysis (MDA) in his research. Altman used data from Moody's Industrial Manual in the period 1946-1965. The samples included 66 companies that divided into two groups, namely 33 bankrupt companies and 33 other companies that are not bankrupt. The resulting Altman formula is as follows:

$Z = 0{,}012X1 + 0{,}014X2 + 0{,}033X3 + 0{,}006X4 + 0.999\ X5$

Where :

X1 (WCTA) = Working capital / Total assets

X2 (RETA) = Retained earnings / total assets

X3 (EBITTA) = Earnings before interest and taxes / total assets

X4 (MVEBVD) = Market value of equity / Book value of total debt

X5 (SATA) = Sales / Total assets

Altman model categorizes companies into insolvency with a score of less than 1.81 ($Z < 1.81$). While the value for the companies that are categorized in no bankruptcy is more than 2.99 ($Z > 2.99$). Companies with a Z-score between 1.81 to 2.99 in the category of gray area.

Model Springate (1978)

Model Springate developed by Gordon L.V. Springate also using multiple discriminant model. Of the 19 financial ratios, Springate choose the four best ratio in differentiating companies experiencing distress and companies who do not experience distress. (Sand, 2013). Springate the resulting model is:

$S = 1{,}03A + 3{,}07B + 0{,}66C + 0{,}4D$

Where:

A (WCTA) = Working capital / total assets

B (EBITTA) = Earnings before interest and taxes / total assets

C (EBTCL) = Earnings before taxes / current liabilities

D (SATA) = Sales / total assets

According to Husein & Pambekti (2014), Model Springate using a sample of 40 companies located in Canada. Springate proposed cut-off values applicable to this model is 0,862. Companies with a smaller value than 0,862 is predicted to experience financial distress. While companies with a value greater than 0,862 is predicted not experience financial distress.

Model Ohlson (1980)

Ohlson (1980) made some modifications using a statistical method called conditional logit. He used data from the years 1970 to 1976 and a sample of 105 companies that went

bankrupt and 2,058 companies that are not bankrupt. Ohlson found this method can cover the deficiencies contained in the MDA method used Altman and Springate. Ohlson model has nine variables consist of several financial ratios:

O = -1.32 - 0,407X1 + 6,03X2 - 1,43X3 + 0,0757X4 - 2,37X5 - 1,83X6 + 0,285X7 - 1,72X8 - 0,521X9

Where:

X1 (SIZE) = Log (total assets / GNP-level price index)
X2 (TLTA) = Total liabilities / total assets
X3 (WCTA) = Working capital / total assets
X4 (CLCA) = Current liabilities / current assets
X5 (NITA) = Net income / total assets
X6 (FUTL) = Cash flow from operations / total liabilities
X7 (INTWO) = 1 if net negative income; 0 otherwise
X8 (OENEG) = 1 if the total liabilities > total assets; 0 otherwise
X9 (CHIN) = (NIT - NIT-1) / (| Nit | + | nit-1 |)

Ohlson (1980) states that this model has the optimal cut-off point at a value of 0.038. Ohlson choose a cut-off because of these values, the number of errors can be minimized. Companies that have a value above 0.038 predicted distress, if the value under 0.038, the company predicted not distress.

Model Zmijewski (1984)

Zmijewski (1984) use 840 companies as the samples, comprising 40 companies experiencing financial distress and 800 that did not experience financial distress. Data obtained from Compustat Annual Industrial Files from the years 1972-1978. Zmijewski (1984) used the logit regression. By using this method, Zmijewski (1984) resulted the following models:

X = -4.3 - 4,5X1 + 5,7X2 - 0,004X3

Where:

X1 (NITA) = Net income / total assets
X2 (TLTA) = Total liabilities / total assets
X3 (CaCl) = Current assets / current liabilities

Cut-off values in this model is 0.5. If the value X is larger than or equal to 0.5 then the company predicted to experience financial distress. Conversely, a company that has a value of X is smaller than the predicted 0.5 will not experience distress.

Model Grover (2001)

According to Prihanthini & Sari (2013), Model Grover is a model created by designing and reassessment of the Altman Model. The samples are 70 companies with 35 companies that went bankrupt and 35 companies that are not bankrupt in 1982 until 1996. Jeffrey S. Grover generating function as follows:

G = 1,650X1 + 3,404X2 - 0,016X3 + 0.057

Where :

X1 (WCTA) = Working capital / Total assets
X2 (EBITTA) = Earnings before interest and taxes / total assets
X3 (NITA) = Net income / Total Asset

Model Grover categorize the company is bankrupt if the score is less than or equal to -0.02. While the companies categorized not bankruptcy if the score is greater than or equal to 0.01 ($G \geq 0.01$).

RESEARCH METHODS

The population in this study is a manufacturing industry that is listed in the Indonesia Stock Exchange. Samples are manufacturing companies in the period 2009-2014. Samples were divided into two categories: companies experiencing financial distress and are not experiencing financial distress. In this study, each of the company's financial distress accompany with two companies non-financial distress.

The following are the criteria for financial distress: (1). The company has negative equity. Negative equity means total debt exceeds the company's total assets. This is consistent with the criteria used by Christianti (2003); or (2). The company has a negative net operating income for 2 years in a row. This is consistent with the criteria used Platt (2002). As for non financial distress company, the criteria, namely: (1). Not having negative equity, or does not have a negative net operating income for 2 years in a row. (2). Coming from the same year with a sample of category 1. (3). Derived from the same sector with samples of category 1.

Data from financial statements for 2011 - 2014 are used as guidelines for determining whether a company is experiencing financial distress or not (period T). Predictive models performed 1 year (T-1) and 2 years (T-2) before the financial distress and non-financial distress companies. The data for the prediction model is data from the financial statements for 2009-2012 (period T-1 and T-2).

The next step is to analyze the accuracy of prediction of the five models by making a comparison between the results predicted by the model and the actual condition of the company. The real condition of the company sample consists of two categories: financial distress (FD) and non-financial distress (NFD). As for the results of prediction consists of three categories: financial distress (FD), non-financial distress (NFD) and the gray area (GA). Prediction is correct if the predicted outcome is equal to the actual conditions, while the error occur when the prediction results are not in accordance with the real conditions of the company.

RESEARCH FINDING

The sample in this study are 81 companies listed in the Indonesia Stock Exchange, consists of two categories, namely 27 companies experiencing financial distress (FD) and 54 companies that did not experience financial distress (NFD) in the period 2011-2014. This is the descriptive statistic of the samples.

Table 1:The Descriptive Statistic of Financial Distress Firm (FD)

	Mean	Median	Std. Dev	Range	Minimum	Maximum	Sum	Count
WCTA	-0.26646	-0.09766	0.669797	3.17447	-2.31009	0.864375	-14.3891	54
RETA	-0.65052	-0.39666	1.309742	7.805829	-5.10314	2.702694	-35.1283	54
EBITTA	-0.04215	-0.02133	0.117464	0.593264	-0.41204	0.181226	-2.27608	54
MVEBVD	1.175102	0.478526	1.673688	7.985065	0.018025	8.00309	63.45551	54
SATA	0.927701	0.837843	0.759718	3.683202	0	3.683202	50.09584	54
EBTCL	-0.42	-0.04334	2.223363	17.85306	-15.6833	2.169724	-22.6799	54
SIZE	9.615516	9.706201	0.733003	3.229549	7.848392	11.07794	519.2379	54
TLTA	0.9295	0.594847	0.86057	3.168649	0.04135	3.209999	50.19298	54
CLCA	2.624486	1.344095	4.080944	28.75403	0.011708	28.76574	141.7223	54
OENEG	0.185185	0	0.392095	1	0	1	10	54
NITA	-0.03869	-0.01694	0.145355	0.965967	-0.61852	0.347449	-2.08905	54
FUTL	0.100507	0.014901	0.300143	1.82183	-0.3128	1.509025	5.427362	54

INTWO	0.277778	0	0.452109	1	0	1	15	54
CHIN	-0.18891	-0.27672	0.752071	2	-1	1	-10.2012	54
CACL	2.880099	0.744009	11.96701	85.37449	0.034764	85.40926	155.5253	54

Table 2. The Descriptive Statistic of Non-Financial Distress Firm (NFD)

	Mean	Median	Std. Dev	Range	Minimum	Maximum	Sum	Count
WCTA	0,231277	0,188932	0,206079	0,95062	-0,15254	0,798076	24,97796	108
RETA	0,219277	0,165802	0,465435	5,071978	-1,59255	3,479425	23,68192	108
EBITTA	0,115703	0,091875	0,092993	0,558075	-0,00075	0,557326	12,4959	108
MVEBVD	3,09389	1,106494	5,9204	40,73651	0,032537	40,76905	334,1401	108
SATA	1,303897	1,109847	0,780609	5,342233	0,305049	5,647281	140,8209	108
EBTCL	0,424096	0,282505	0,42414	1,872797	-0,12322	1,749581	45,80235	108
SIZE	9,879041	9,799378	0,701789	3,159321	8,647694	11,80702	1066,936	108
TLTA	0,470053	0,470382	0,186727	0,793826	0,041243	0,835069	50,76571	108
CLCA	0,641656	0,648763	0,30313	1,474971	0,073236	1,548207	69,29881	108
OENEG	0	0	0	0	0	0	0	108
NITA	0,077469	0,064756	0,075517	0,443469	-0,02727	0,4162	8,366632	108
FUTL	0,271396	0,169329	0,369796	2,13787	-0,33485	1,803019	29,31082	108
INTWO	0	0	0	0	0	0	0	108
CHIN	0,094964	0,081405	0,447982	2	-1	1	10,2561	108
CACL	2,187226	1,541599	1,852912	13,0086	0,645908	13,65451	236,2204	108

Table 1 and 2 show that the average of all financial ratios of non-financial distress are positive, while some of financial ratios on financial distress firms shows a negative value. In addition, in financial distress firm, there are 10 companies that have negative ratio of debt to total assets (OENEG) negative, and 15 companies that have negative net income during two consecutive year (INTWO). In the category of non-financial distress firms, there is no company has a total debt is greater than the total assets and companies with negative net income during two consecutive year.

The Accuracy of Prediction Model

Altman Model

Table 3: Summary of Accuracy Level and Error type of Altman Model

Real Condition	**Prediction at T-1**				**Prediction at T-2**				**Total Prediction**			
	FD	GA	NFD	∑	FD	GA	NFD	∑	FD	GA	NFD	∑
FD	24	2	1	27	24	3	0	27	48	5	1	54
NFD	43	10	1	54	47	6	1	54	90	16	2	108
TOTAL	67	12	2	81	71	9	1	81	138	21	3	162

	T-1	**T-2**	**TOTAL**
Accuracy Level	30.86%	30.86%	30.86%
Error Type I	1.23%	0.00%	0.62%
Error Type II	53.09%	58.02%	55.56%
Error Type III	12.35%	7.41%	9.88%
Error Type IV	2.47%	3.70%	3.09%

From Table 3 shows that Altman model has accuracy level, both in the period T-1, T-2 as well as a whole amounted to 30.86%. Error type I is 0.62%, while error type II error is 55.56%. Cut-off models Altman has a wide range in the category of gray area, so it is likely the error type III and error type IV error. Error type III is 9.88% and an error type IV is 3.09%.

Model Springate

Table 4: Summary of Accuracy Level and Error type of Springate Model

Real Condition	**Prediction at T-1**				**Prediction at T-2**				**Total Prediction**			
	FD	GA	NFD	∑	FD	GA	NFD	∑	FD	GA	NFD	∑
FD	15	0	12	27	13	0	14	27	28	0	26	54
NFD	1	0	53	54	1	0	53	54	2	0	106	108
TOTAL	16	0	65	81	14	0	67	81	30	0	132	162

	T-1	**T-2**	**TOTAL**
Accuracy Level	83.95%	81.48%	82.72%
Error Type I	14.81%	17.28%	16.05%
Error Type II	1.23%	1.23%	1.23%
Error Type III	0.00%	0.00%	0.00%
Error Type IV	0.00%	0.00%	0.00%

From Table 4 it can be seen that Springate model accuracy level in the period T-1 is 83.95% higher than the period T-2 accuracy, which has a 81.48% accuracy rate. Overall, the Springate model has an accuracy rate of 82.72%. The error types I of this model is 16.05%, while error type II error is only 1.23%. There is no gray area in this model so that the model does not have the type of error III and error type IV. Based on these results, it appears that the level of accuracy of Springate model is good enough. But keep in mind that the error type I of Springate model is still high at 16.05%.

Ohlson Model

Table 5. Summary of Accuracy Level and Error type of Ohlson Model

Real Condition	**Prediction at T-1**				**Prediction at T-2**				**Total Prediction**			
	FD	GA	NFD	∑	FD	GA	NFD	∑	FD	GA	NFD	∑
FD	11	0	16	27	9	0	18	27	20	0	34	54
NFD	1	0	53	54	0	0	54	54	1	0	107	108
TOTAL	12	0	69	81	9	0	72	81	21	0	141	162

	T-1	**T-2**	**TOTAL**
Accuracy Level	79.01%	77.78%	78.40%
Error Type I	19.75%	22.22%	20.99%
Error Type II	1.23%	0.00%	0.62%
Error Type III	0.00%	0.00%	0.00%
Error Type IV	0.00%	0.00%	0.00%

From Table 5 it can be seen that the Ohlson model accuracy level in the period T-1 is 79.01%, higher than the period T-2, which has a 77.78% accuracy rate. Overall, the Ohlson

model has an accuracy rate of 78.40%. The errors type I ofthis model is 20.99%, while error type II is 0.62%. There is no gray area category, so that the Ohlson Model does not have an error of type III and type IV error. Type I error of this model is arguably high at 20.99%. It can be dangerous for investors because the type I error reflect the error to predicts companies experiencing financial distress as the company will not experience distress.

Zmijewski Model

Table 6. Summary of Accuracy Level and Error type of Zmijewski Model

Real Condition	**Prediction at T-1**				**Prediction at T-2**				**Total Prediction**			
	FD	GA	NFD	∑	FD	GA	NFD	∑	FD	GA	NFD	∑
FD	10	0	17	27	8	0	19	27	18	0	36	54
NFD	0	0	54	54	0	0	54	54	0	0	108	108
TOTAL	10	0	71	81	8	0	73	81	18	0	144	162

	T-1	**T-2**	**TOTAL**
Accuracy Level	79.01%	76.54%	77.78%
Error Type I	20.99%	23.46%	22.22%
Error Type II	0.00%	0.00%	0.00%
Error Type III	0.00%	0.00%	0.00%
Error Type IV	0.00%	0.00%	0.00%

From Table 6 it can be seen that the Zmijewski model accuracy level in the period T-1 is 79.01% higher than the period T-2, which has a 76.54% accuracy rate. Overall, the model Zmijewski has an accuracy rate of 77.78%. The error types of this model is 22.22%, while this model does not have a type II error because there is no type II error. There is also no gray area in category so that the model Zmijewski does not have an error of type III and type IV error.

Model Grover

Table 7. Summary of Accuracy Level and Error type of Grover Model

Real Condition	**Prediction at T-1**				**Prediction at T-2**				**Total Prediction**			
	FD	GA	NFD	∑	FD	GA	NFD	∑	FD	GA	NFD	∑
FD	17	0	10	27	14	0	13	27	31	0	23	54
NFD	1	0	53	54	0	0	54	54	1	0	107	108
TOTAL	18	0	63	81	14	0	67	81	32	0	130	162

	T-1	**T-2**	**TOTAL**
Accuracy Level	86,42%	83,95%	85,19%
Error Type I	12,35%	16,05%	14,20%
Error Type II	1,23%	0,00%	0,62%
Error Type III	0,00%	0,00%	0,00%
Error Type IV	0,00%	0,00%	0,00%

From the table it can be seen that the Grover model accuracy level in the period T-1 is 86.42%, higher than the period T-2 prediction, which has a 83.95% accuracy rate. Overall, the

Grover model has an accuracy rate of 85.19%. The error types I of this model is 14.20%, while type II error of his lower at 0.62%. No company in the category of gray area so the model does not have an error of type III and type IV error. Based on these results, the overall model of Grover has a good degree of accuracy, the highest among other predictive models.

Comparison of Accuracy Level and Error Rate of The Models

Based on calculations above, the level of accuracy and error type of each models as follows:

Table 8: Summary of Accuracy Level and Error type of the 5 Models

	ALTMAN	SPRINGATE	OHLSON	ZMIJEWSKI	GROVER
Accuracy Level t-1	30.86%	83.95%	79.01%	79.01%	86.42%
Accuracy Level t-2	30.86%	81.48%	77.78%	76.54%	83.95%
Total of Accuracy Level	30.86%	82.72%	78.40%	77.78%	85.19%
Error Type I	0.62%	16.05%	20.99%	22.22%	14.20%
Error Type II	55.56%	1.23%	0.62%	0.00%	0.62%
Error Type III	9.88%	0.00%	0.00%	0.00%	0.00%
Error Type IV	3.09%	0.00%	0.00%	0.00%	0.00%

From the table above it can be seen that the models have different level of accuracy in predicting the condition of the company. Accuracy rate at period T-1 on all models is higher than the accuracy level at the period T-2. This shows that the predictive models have a higher degree of accuracy in a shorter period of financial distress. Type I error of Altman model is lower than the type II error, in contrast to the four other models that have a type I error is higher than type II error. The difference of error type I and type II error at Altman model is very high, this means Altman model has a "pessimistic" type in assessing the company. While the other models tend to have "optimistic" type in assessing companies.

Models with high type I error may lead to the opportunity cost to investors, because it loses the opportunity to benefit from investing in a company that actually has a healthy condition, but is predicted to experience financial distress by the model. While the models with high type II error rate may be misleading investors in making investment decisions, as investors invest in companies experiencing financial distress but not predicted by the model, so there is a possibility that investors will suffer losses. Of the five models, only Altman model which has error type III and type IV error. This is because the range of gray area in Altman model is quite wide. Grover model has medium gray area and the three other models do not have the gray area category

The results showed that the highest level of accuracy obtained by the model Grover, so that the Grover model is most appropriate predictive models in predicting financial distress in manufacturing companies in Indonesia. This is consistent with Prihanthini & Sari (2013) result which states that Grover model as the most appropriate prediction model.

The 5 models in this study has different in the number of variables in predicting financial distrees. Altman model uses five variables, the Springate using four variables, the Ohlson uses nine variables, the Zmijewski and Grover using 3 variables. This research shows that the number of variables used in the models do not affect the accuracy of a model. As stated by Bellovary (2007) that the model with a higher degree of accuracy is not caused by the use of a lot of variables.

CONCLUSION

This research indicate that the Grover model is the most appropriate predictive models in predicting financial distress in manufacturing companies in Indonesia. The Gover model has the

highest level of accuracy among the five models and has a low error rate. Model Grover has a 85.19% accuracy rate with the error rate of 14.20% for type I error and 0.62% for type II error. The second best model is the Springate model with 82.72% accuracy rate, and followed by Ohlson models with a level of accuracy of 78.40%, Zmijewski model with the level of accuracy of 77.78% and the lowest level of accuracy is owned by Altman model of 30.86%.

Model Grover although is most accurate but this model is actually very simple. This model uses only three financial ratios to predict financial distress. The three ratio are Working capital to Total assets, earnings before interest and taxes to total assets, and Net income to Total Asset. This research shows that the number of variables used in the models do not affect the accuracy of a model.

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The Influence of Hedonic Lifestyle, Shopping Addiction, Fashion Involvement On Global Brand Impulse Buying

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Abstract

The purpose of this study was to determine and analyze the influence of hedonist lifestyle, shopping addiction, global brand fashion involvement on impulse buying. This study includes a quantitative study, the type of study design is causal survey, technique sampling using purposive sampling with particular judgment.The samples of this study are respondents who are categorized on hedonic lifestyle, shopping addiction, fashion involvement in the region of Yogyakarta and Central Java. The number of samples was 115 respondents. The data collection method in this research used is questionnaires. The validity test of the instrument used product moment correlation and the test of reliability using Alpha Cronbanch. Data analysis techniques are performed by multiple regression analysis. The results showed that: there is positive and significant influence of hedonic lifestyle on impulse buying, it is shown by the significant value of 0.000 (sig <0.05) and the regression coefficient has a positive value that is equal to 0.391. Shopping addiction also has positive and significant influence on impulse buying, it is shown by the significant value of 0.000 (sig <0.05) and the regression coefficient has a positive value that is equal to 0.309. Fashion involvement has positive and significant influence on impulse buying, it is shown by the significance value of 0.009 (sig <0.05) and the regression coefficient has a positive value that is equal to 0.19.

Keywords: Hedonist Lifestyle, Shopping Addiction,Fashion Involvement, Impulse Buying

INTRODUCTION

Based on our observations, nowadays the needs of the consumers greatly vary. The variation needs of the consumers influence the changes in lifestyle patterns or lifestyle. Along with the changes of lifestyle, consumers will always strive to meet their needs. Consumer behavior to meet their needs will be related to the consumer shopping behavior. Consumer shopping behavior will arise due to lack of planning or no planning in advance.

From our observations of the preliminary study, we can conclude that a sedentary lifestyle is affecting a person's thinking pattern of need fulfillment. Someone with a hedonic lifestyle would tend to be happy with everything that is luxurious without thinking about the price and budget, including in this case the purchase of fashion products. People who have been carried away by the hedonic lifestyle, will tend to be difficult to control its finances, especially when you are in the store or outlet fashion products. From researcsher's observations, it is shown that people are very easy to spend money to buy, usually she will often make purchases beyond what the person previously planned.

Besides the hedonic lifestyle, from our observations and interviews on the preliminary study, we could see that shopping addiction are also very influential in the buying patterns of a person. People who have experienced addiction usually like shopping spree with his money

and will buy fashion products she wants. She will shop the fashion product regularly, because they think the product fashion shopping make them fun and relieve stress.

From interviews, we can conclude that people who are addicted to shopping usually easily persuaded by the staff of a fashion store to buy a certain fashion products outside what had been planned. Consumers who are addicted to fashion shop, have a strong desire to always fulfill his desire to be a certain fashion product.

Consumers who have already experienced a shopping addiction, it would be difficult to control his desire to keep buying clothes that sshe saw and sshe wants. They no longer think about the budget, the most important thing for them is the satisfaction of desires can be fulfilled.

Someone who is addicted shopping for clothes, are often not aware of the seduction, compliments and offers from the shop staff. She will buy fashion products offered by the store staff.

From our observation, people who tend to have shopping addiction, usually easily attracted to clothes that are displayed in manequine. They are interested in fashion products that look good when it is worn by manequine and try the clothes and then buy it.

Fashion Involvement also affects the impulse buying. From the whilst observation, the researcher noticed that people who have the involvement of high fashion will do more to get a fashion product she wants. From observations and interviews with 10 respondents, we observe that people who have fashion involvement, after looking a nice outfit and it is suitable to their taste will make people buy a certain fashion product, even without prior plan.

Because the impulse buyings greatly give benefit for retailers, this study try to analyze the factors which influence the consumer includes hedonic lifestyle, shopping addiction and fashion involvement on the impulse buyings.

The impulse buyings

Purchasing is a function of two determinants, namely the purchase intention and the effect of situation or situational factors (Engel, Blackwell, and Miniard, 1995). Situational factors are momentarily condition that appears at a certain time and place. The process raises separately from the product and consumer (Assael, 2001).

Impulse buyings is a tendency to buy based on the actions of a very strong and stern encouragement (Assael, 2001). Impulse buyings usually occurs wshen a consumer feel a strong motivation that turns into a desire to buy goods directly.

Impulse buyings behavior occurs when consumers experienced a sudden insistence, which is usually strong enough to buy something immediately (Engel, Blackwell & Miniard, 1995). According to Sterns (1962) Impulsive buying is a purchase that was made by consumers without being in-tentionally planned.

Factors Affecting Impulse buyings

Impulse buyings have a positive impact for marketers, retailers and profits for the store. Therefore, it is important for retailers to know the information about the competition strategy related to impulse buyings. Impulse buyings can occur due to external and internal factors. The external factors such as prices, display and promotion. While the internal factors of the consumer, such as the shedonic lifestyle, shopping addiction, fashion involvement, and so on.

From the kind of internal factors of consumers above, it shows the relationship between internal factors of consumers and their shopping habits. The existence of hedonic lifestyle, shopping addiction and involvement present their fashion impulse buying. The exixtence of impulse buyings for the retailers influence on determining the marketing strategy, so in this study, researcher tryt to analyze the factors coming from internal customers include hedonic

lifestyle, shopping addiction, fashion involvement on impulse buying with the research setting on global fashion product buying.

From the preliminary study, it can be seen that the behavior of consumers to meet their needs will be related to the consumer shopping behavior. Consumer shopping behavior will arise due to the lack of planning or no planning in advance.

Hedonic Lifestyle

According to Assael (2001) Lifestyle is the lifestyle of the world expressed by the activities, interests and person's opinions. The hedonist more often use emotional criteria rather than logic in evaluating brand choice in satisfying his needs (Assael, 2001). The type of people's consumption with hedonic lifestyle involving the use of products to meet fantasy and satisfy emotion (Assael, 2001). According to Assael (2001), for the hedonist, shopping is an adventure to get a certain appreciation of a particular social group.

Shopping addiction

According to Faber and O'Guinn (1993) definition of a shopping addiction is a chronic shopping behavior, which has become a recurrent major response in a situation or feeling negative. People who experience shopping addiction is a person who can not resist his desire to shop and spend so much time and money to shop even though the goods were bought not always required (Griffish, 2005).

People who experience shopping addiction is prone to or cannot control her desire to shop that will do anything repeatedly and continuously so that desires can be fulfilled (Griffish, 2005).

People who experience fashion shop addiction will assume that shopping is the most important activity and dominate his mind. The behavior of people who are addicted to shopping tend to think that shopping for clothes will bring pleasure, satisfaction and relieve stress (Griffish, 2005). Shopping addiction caused due to a person's desire to always look good in front of friends and social environment (Assael, 2001).

Fashion involvement

Fashion involvement refers to the involvement of a person to fashion product that is driven by the needs and interests of a person to the fashion product. Fashion involvement according to Kinnear (1984), is the perceived level of personal interest or generated by a stimulus on clothing or fashion products. According to Assael (2001), fashion involvement is categorized as high if a state motivational or interest generated by a particular stimulus or situation, and displayed through an appearance because of a certain emotional appeal.

According Assael (2001), the fashion involvement of consumer is divided into two kinds, ie the involvement of situational or temporary (situational involvement) and the involvement of long-lasting (enduring involvement). Consumer involvement in a particular fashion purchases are influenced by the perceived personal interest because of the stimulus.

The Influence of Hedonic Lifestyle on Impulse Buying

Lifestyle is one thing that can not be separated from the view of the marketers in determining sales strategy. That's because a person's lifestyle greatly influence the purchasing decision. Today we can find much hedonic lifestyle in our society. The hedonist usually placed the material and wealth in the first priority. From the hedonist raises the impulse buying.. This situation can be used by marketers to market their products, by studying the characteristics of prospective buyers and promotions.

According to Emine Koca (2013), mentions that hedonic lifestyle reflect fashion buying behavior. The research done by Manilall Dhurup (2014), mention the hedonic lifestyle and fashion involvement influence the impulse buying.

Based on the above ideas and concepts, we proposed a hypothesis as follows:

H_1: There is a positive influence of the hedonic lifestyle on the impulse buyings

The Influence of Shopping Addiction on Impulse Buyings

In the marketing world, people who are addicted to shopping would be very easy interested in the campaign and other influences, which will have an impact on impulse buyings. People who experience addiction to shopping is usually easily persuaded by the staff of a fashion store to buy a certain fashion products outside that she had planned from the beginning. Consumers who are addicted to fashion shop, have a strong desire to always fulfill his desire to be a certain fashion product.

According to research done by Khairudi Murad and Shannon Mohd Salleh (2014), shopping addiction has an influence on the purchasing behavior of online consumers.

Based on the above ideas and concepts, we proposed a hypothesis as follows:

H_2: There is a positive influence of the shopping addiction on impulse buyings

The Influence of Fashion Involvement on Impulse Buyings

People who have fashion involvement, when there is a fashion product that she wants, will make her buying the product, even without prior planning. O'Cass (2004) found that involvement on the fashion mode (such as clothing) is very closely related to personal characteristics (ie women and youth) and knowledge of fashion, which in turn will affect consumer confidence in making purchasing decisions.

The fashion involvement of a consumer influence the purchase decision making patterns (Assael, 2001). A consumer with the high fashion involvement will tend to be attracted by the stimulus and then make an impulse buying. The research done by Manilall Dhurup (2014) mentioned that the fashion involvement influence impulse buying. Based on the above ideas and concepts, the researcher formulate a hypothesis as follows:

H_3: There is a positive influence of the fashion involvement on impulse buyings.

Research Model

In this study, we analyzed the influence of hedonic lifestyle, shopping addiction, fashion involvement on purchase based on stimulation or impulse buyings. To explain the rationale of this study, it is illustrated in Figure 2.1 models the following research:

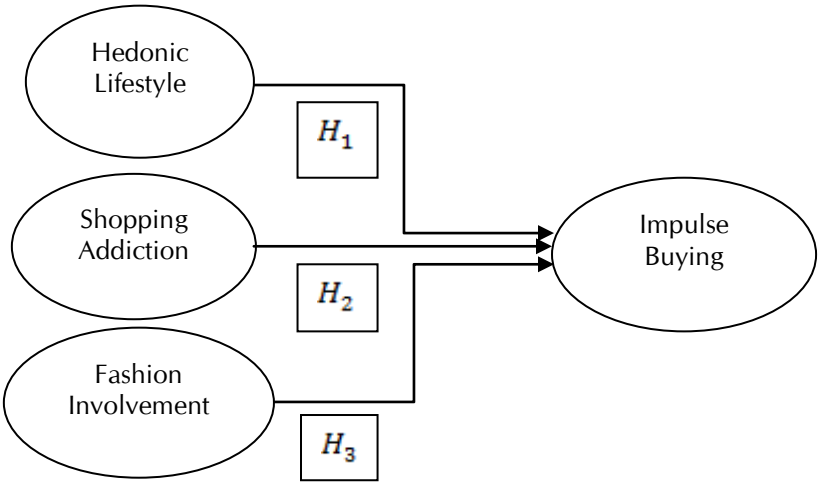

Figure 2.1 Model Research

From Research Model Figure 2.1, it shows that there is influence of consumers' internal factors on impulse buyings. From this Figure it can be seen that the hedonic lifestyle, shopping addiction, fashion involvement influence on global brand impulse buyings.

Research Methods

This study is quantitative research, with the design of this study is causal survey design. The population of the study are all consumers who are directly involved and make an impulse buying on global fashion products. In taking the sample, the researcher used several criteria for respondents who represent the population as follows:

1. The sample is male and female respondents in the regions of Yogyakarta and Central Java which includes the productive age that is in the age of 15-64 years.
2. The Samples are the respondents belonging to the middle class and upper classes of Indonesia. Indonesian Middle class who has incomes 2.6 million up to Rp 6 million, and for the Indonesian upper classes namely those who have income of over 6 million.
3. Samples were taken based on self-perception of the respondents (respondents admitted that she included in the category of hedonic lifestyle, shopping addiction and fashion involvement).

Data collection techniques used in this research is the survey method to study setting on the purchase of global fashion product. The instrument used in this study is questionnaire.

Before the questionnaire was tested, first, the researcher test the validity and reliability. To calculate the validity the researcher used the Product Moment correlation with raw numbers. The criteria of being valid for questionnaire item is when the significance is less than 0.05 (Sekaran, 2006).

The formula used to measure the reliability of questionnaire items in this study was Cronbach alpha formula. The reliability test criteria are determined from the comparison of calculation results of the analysis with a standard value of coefficient alpha (Tjahjono, 2015). According to Sekaran (2006), the coefficient of reliability which was less than 0,60 was considered as bad and the coefficient of reliability in the range of 0,70 means that the questionnaire items are reliable and acceptable, while the coefficient of reliability which is higher than 0,80 is considered good.

The questionnaire assessed using Likert Scale, which point 1 indicates strongly disagree and point 5 indicates strongly agree. Significant levels defined in this study is 5% or 0,05. The data analysis technique used in this research is Multiple Regression with SPSS.

Research Finding

In this study, researcher gave questionnaires to 115 respondents 115 and those 115 questionnaires were all returned. It shows that the percentage of response of the respondents is 100%.

Test of Validity

Below are the result of the test of validity from each questionnaire items of each variable.

a. Questionnaire items of Hedonic Lifestyle

There are 8 questionnaire Item about hedonic lifestyle in this research. From the calculation and calculation table below it can be seen that the significant value of all items is equal to 0,000 which is smaller than 0,05. It shows that all the items on the questionnaire is valid, so it can be tested questionnaire items to the samples.

Table 4.1. The Analysis of Results of Validity Test on Hedonic Lifestyle

Item Number	Significance Calculation	Remarks
1	0.000	Valid
2	0.000	Valid
3	0.000	Valid
4	0.000	Valid
5	0.000	Valid
6	0.000	Valid
7	0.000	Valid
8	0.000	Valid

b. Questionnaire Item of Shopping Addiction

There are 6 items of shopping addiction. From the calculation and calculation table below it can be seen that the significant value of all items is equal to 0,000 which is smaller than 0,05. It shows that all the items on the questionnaire is valid, so it can be tested to sample.

Table 4.2. The Analysis of Results of Validity Shopping Addiction

Item Number	Significance Calculation	Remarks
1	0.000	Valid
2	0.000	Valid
3	0.000	Valid
4	0.000	Valid
5	0.000	Valid
6	0.000	Valid

c. Questionnaire items of Fashion involvement

There are 4 Questionnaire items of fashion involvement in this research. From the calculation and calculation table below, it can be seen that the significant value of all items is equal to 0,000 which is smaller than 0,05. It shows that all the items on the questionnaire is valid, so it can be tested to the sample.

Table 4.3. The Analysis of Results of Validity on Fashion Involvement

Item Number	Significance Calculation	Remarks
1	0.000	Valid
2	*0.000*	*Valid*
3	0.000	Valid
4	0.000	Valid

d. Questionnaire Items of Impulse Buying

There are 5 items of impulse buying in this research. From the calculation and calculation table below, it can be seen that the significant value of all items is equal to 0,000 which is smaller than 0,05. It shows that all the items on the questionnaire is valid, so it can be tested to the sample.

Table 4.4: The Analysis of Results of Validity on Impulse Buying

Item Number	Significance Calculation	Remarks
1	0.000	Valid
2	0.000	Valid
3	0.000	Valid
4	0.000	Valid
5	0.000	Valid

Test of Reliability

The following table of reliability test results of each questionnaire item of each variable.

Table 4.5: Analysis of Reliability Test Results

NO	Variable	Calculation of Reliability value	Remarks
1	Hedonic lifestyle	0.872	Reliable
2	Shopping Addiction	0.778	Reliable
3	Fashion Involvement	0.745	Reliable
4	Impulse Buying	0.809	Reliable

From table 4.5 above it can be seen the details of the value of the reliability of each questionnaire item from each variable, they are as follows:

a). Questionnaire items of hedonic Lifestyle

The results of calculation on reliability with Cronbach alpha for the instrument or item of hedonic lifestyle that can be found in appendix shows that the reliability of the item is equal to 0,872. It shows that the value of r is higher than 0,70 so that the questionnaire items are stated as reliable and acceptable.

b). Questionnaire items of Shopping Addiction

The results of calculation on reliability with Cronbach alpha for the instrument or item of shopping addiction that can be found in appendix shows that the reliability of the item is equal to 0,778. It shows that the value of r is higher than 0,70 so that the questionnaire items declared as reliable and acceptable.

c).Questionnaire items of Fashion Involvement

The results of calculation on reliability with Cronbach alpha for the instrument or item of fashion involvement can be seen in appendix shows that the reliability of the item is equal to 0.745. It shows that the value of r is higher than 0,70 so that the questionnaire items declared as reliable and acceptable.

d). Questionnaire Items of Impulse Buying

The results of calculation on reliability with Cronbach alpha for the instrument or item on impulse buyings that can be seen in appendix 4 shows that the reliability of the item is equal to 0.809. It shows that the value of r higher than 0.70 questionnaire items declared as reliable and acceptable.

Data Analysis

Data analysis was conducted to test the results of this research using multiple regression analysis. The analysis results of multiple regression were calculated using SPSS computer program which can be seen in Table 4.9 below:

Table 4.9: Results of Multiple Regression Analysis

Independent variable	Standardized coefficient	Sig.	Remarks
Hedonic lifestyle	0.391	0.000	Significant
Shopping Addiction	0.309	0.000	Significant
Fashion Involvement	0.193	0.000	Significant
R^2 = 0.427			
F calculated = 29.314			
Sig = 0.000			

From the calculation in table 4.9 above, it is known that multiple regression equation as follows:

Y = Y = 0,391 x_1 + 0,309 x_2 + 0,193 x_3

In the next stage to determine whether the hypothesis that the researcher formulated acceptable or not, it can be seen from the calculation of the value of the significance of each hypothesis is as follows:

a). First Hypothesis

The results show the significant value of the relationship between hedonic lifestyle and impulse buying is 0,000. It shows that sig <0.05 and a coefficient of x_1 is 0.391. From the results of these calculations it can be concluded that the first hypothesis "There is positive and significant influence of hedonic lifestyle on impulse buyings" is accepted.

b). Second hypotheses

The results show the significant value of the relationship between shopping addiction and impulse buying is 0.000. It shows that sig <0.05 and a coefficient of x_2 is 0.309. From the results of these calculations it can be concluded that the second hypothesis "There is positive and significant influence of shopping addiction on impulse buyings" is accepted.

c). Third Hypothesis

The results show the significant value of the relationship between fashion involvement and impulse buying is 0,000. It shows that sig <0,05 and a coefficient of x_3 is 0.193. From the results of these calculations it can be concluded that the third hypothesis There is positive and significant influence of fashion involvement on impulse buyings" is accepted.

CONCLUSION

Based on the results of research and discussion that has been discussed in previous chapters, the researcher can take several conclusions, namely, hedonic lifestyle has positive and significant influence on impulse buying, addicted to shopping has positive and significant influence on impulse buying and fashion involvement has positive and significant influence on global brand impulse buying.

Research Limitations

1. In this study, researcher took samples of respondents only in the area of Yogyakarta and Central Java. For further research is expected to take samples with a wider area coverage.
2. The number of the sample is small, so the results of the research are less accurate.
3. The instrument which has been arranged by the researcher in this study is also limited, it is expected to the next researcher to be able to obtain another dimension of each variable so that the number of instruments will be rich.

Research Recomendation

From the results it is showed that the hedonic lifestyle, shopping addiction and fashion involvement influence on impulse buyings, it can be used by marketers and retailers to understand the strategy that should be used to face the customers with the category. Marketers must be able to see the opportunities of customers with category type so the profit can be improved and the fashion business is increased.

For further research, it is expected to use larger sample and to reach larger area. It is also suggested to use many instruments, so the result will be more accurate and able to explain or predict the influence of hedonic lifestyle, shopping addiction, fashion involvement on impulse buyings.

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The effect of work discipline and communication climate towards the performance of the employees of the department of transportation of yogyakarta, with working motivation as an intervening variable

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Abstract

Good management of human resource will be able to improve the performance of employees based on the expectation of the organization. This study was aimed to determine the effect of working discipline and communication climate towards the employees' performance of the Department of Transportation of Yogyakarta (DPKY), with workingmotivation as an intervening variable. The research population was all employees of the Transportation Department of Yogyakarta, with the total number of 216 people. The number of samples was 68 people and taken by using a technique of stratified random sampling. The hypothesis testing was using *t*-test, F, Independent Sample *t*-test and path analysis. The results showed that: (1) There is a significant influence between working discipline and communication climate towards the working motivation of the employees of DPKY either partially or simultaneously, (2) There is a significant influence between working discipline and communication climate to employee performance DPKY, either partially or simultaneously, (3) There is a significant influence between working motivation towards the employee performance of DPKY, (4) There are differences in performance but it is not significant between employees with civil servant status and non-civil servant status; and (5) The direct effect (working discipline and communication climate towards the performance) is greater than indirect effect (work discipline and communication climate towards the performance through working motivation).

Keywords: Working Discipline, CommunicationClimate, Working Motivation, Performance

INTRODUCTION

Background

In theglobal era, human resources have a big hand in determining the progress of an organization. Personnel management becomes very important for the organization in order to manage, organize and utilize employees, so that they can function productively for the achievement of organizational goals (Mangkunagara, 2013). This is true for both private and governmental organizations. For governmental organizations, effective and efficient personnel management is expected to create a service to the society accurately, quickly, and professionally.

The improvement of performance of employees in an agency is not easy. Employee performance shows how much employees contribute to the organization, which of them is the quality of output, quantity of output, attendance at work and cooperative attitude (Jackson and Mathis, 2002). The condition of performance of staff at the Department of Transportation in

Yogyakarta showed low performance such as late arriving, ineffective utilization of working hours, not timely completion of tasks and work precedes the working hours. This is thought to be caused by a lack of labor discipline and the creation of a climate of good communication in the internal environment of the organization. Yet on the other hand, the more discipline an employee is, the higher the performance achieved. Without the discipline of good work, it is difficult for the organization to achieve optimal results. Good discipline reflects the magnitude of a sense of responsibility towards the tasks assigned to him (Hasibuan, 2014).

Objectives of the Research

The objectives of this study were: (1) to determine the influence of working discipline and communication climate towards working motivation of employees, either partially or simultaneously, (2) to determine the influence of workingdiscipline and communication climate towards employee performance, either partially or simultaneously, (3) to determine the effect of working motivation towards employee performance, (4) to determine whether there is a difference in performance between an employee who is a civil servant (PNS) anda non-civil servant and (5) to determine whether the direct effect (work discipline and communication climate to performance) is greater or smaller than the indirect effect (work discipline and communication climate on performance through work motivation), and (6) to determine whether there is a difference between the performance of employees between the status of civil servants (PNS) and non-civil servants.

LITERATURE REVIEW AND THEORETICAL FRAMEWORK

Literature Review

Work Discipline.

Based on the Government Regulation of the Republic of Indonesia Number 53 Year 2010 Concerning on Civil Servant Discipline, working discipline is the ability of civil servants to comply their obligations and avoid the prohibitions specified in laws or regulations and official laws in which if it is violated they will be sentenced of discipline. Discipline will not only improve the behavior of employees but it will also minimize discipline problems in the future through a positive employer-employee relationship (Engelbrecht et. al., 2008).

Working motivation.

Working motivation is a stimulant of desire and a motion of willingness creating the excitement for someone to achieve a desired goal. High motivation of employees will increase the productivity of the company, so it will ease the achievement of corporate objectives that have been set (Hartatik, 2014). Motivation is important because by having the motivation, every employee is expected to work hard and enthusiastically to achieve high working productivity (Hasibuan, 2011).

Climate Communications.

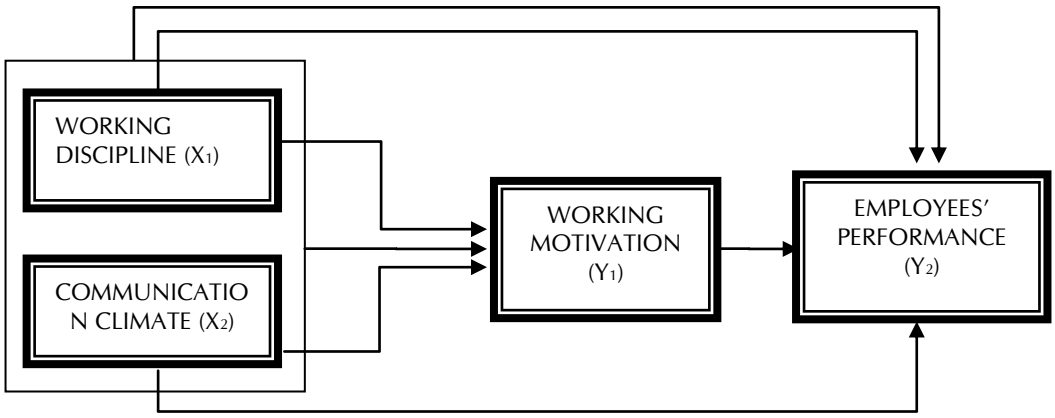
Organizational communication climate illustrates how people react to organizational aspects. Climate communication includes perceptions of message and events related to messages that occur in the organization (Faules and Pace, 2013). Fraternal communication climate encourages organizations'members to communicate in a way of tranparent, relaxed, friendly with other members (Muhammad, 2014).

Employee Performance.

Performance is the working result of the quality and quantity achieved by an employee in performing his duties based on the responsibilities given to him (Mangkunagara, 2013).

Some research studies related to the study variables were: (1) the discipline of work significantly and positivelyinfluenced towards working motivation (Binarsih et.al., 2013), (2) work discipline variable is the independent variable influenceddominantly to the related variable namely employees' performance (Harlie, 2010) (3) motivation positively and significantly influenced towards employees' performance (Baskoro, 2014), (4) organizational communication climate positively affects to working motivation. (Philemon, 2013), (5) communication climate has a positive and significant impact towards working motivation (Meilita, 2014), (6) organizational communication climate significantly influence to employees' productivity (Pangumpia, 2013).

Theoretical Framework



RESEARCH METHODS

This study was conducted in DPKY, Imogiri Street No. 1 Yogyakarta. The independent variables wereworking discipline and communication climate. The dependent variables were the performance of employees while the intervening variable was employees' motivation.

Operational Definition of Research Variables. Employee Performance: working results of an employee in performing his duties, based on the responsibilities given from the employer to the employee, the indicators were: (1) Job Performance, (2) Cooperation, and (3) Obedience. **Work Motivation:** passion to deal with the job in order to achieve a certain goal. The indicators were: (1) High working moral, (2) high job satisfaction of employees, (3) high working productivity, (4) a good relationship among employees, (5) havinghigh employees' loyalty, (6) high employees' creativity, (7) high employees' participation, (8) a high level of employee benefits, (9) high responsibilities of employees towards their duties (10) being efficient in the use of tools and raw materials. **Work discipline:** the ability of employees to comply with obligations and avoid prohibitions. Indicators: (1) Present every day on the servicehour, (2) Always fill the attendance list wheneverarrive atwork and leave from work, (3) write a permission letter if leaving the office, (4) ask for a permission to the employerwhenever leaving the office on the working hour, (5) comply with the regulations of institutions, (6) work on time, (7) work seriously, 8) Never procrastinate the work, (9) Be able to be assertive, (10) Try to never commit disciplinary offenses. **ClimateCommunication**: the process of mutual interaction to exchange information involving elements of communication, so communication can proceed smoothly and lead to anemployees'perception of the quality of the relationship in an organization. Indicators: (1) trust, (2) joint decision-making, (3) honesty, (4) transparency in downwardcommunication, (5) listening in upward communication, (6) pay attention to the goals of high performance.

The type of data that is needed is the primary and secondarydata. The data were collected using a questionnaire adapting the Likert scale, 1-4. The instrument of this study was tested in the form of its validity and reliability before used. The result of validity test:a variable of working discipline (11 items), communication climate (14 items), working motivation (10 items) and employees' performance (3 items), have a significant value sig. > 0.235, or in other words it is*valid*.

Table 1. Result of Reliability Test

Variable	***Cronbach Alpha***	**Critical Value**	**Note**
Working Discipline	0,922	0,60	Reliable
Communication Climate	0,938	0,60	Reliable
Working Motivation	0,938	0,60	Reliable
Employees' Performance	0,952	0,60	Reliable

Source : Primary Data Processed, 2015.

The population in this study were employees in the lineof DPKY which were 216 people. The samples were taken based on the Arikunto's opinions (2013), i.e. 30% of the total population was 216 employees, i.e. 68 persons (integration). The sampling technique was stratified random sampling.

Table 2. Distribution of the Sample

No	Explanation	Number	Percentage (30 %)	Integration of the Sampel
1	Head of the Department	1	0.30	0
2	Secretariat	24	7.20	8
3	Field of the Traffic and Transport	17	5.10	6
4	Field of the Operational Control and Safety Guidance	23	6.90	7
5	Field of Parking Management	15	4.50	5
6	Management Unit of Bus Station	122	36.60	37
7	Vehicle Testing Unit	14	4.20	5
	Total	216	64.8	68

Source : Data of Driving License of Employees of Transportation Department ,Yogyakarta (Januari 2015)

The analytical methods used were*t*-test, F test, independent sample t test and analysis of the path (Path Analysis)

RESULTS AND DISCUSSION

Descriptive Analysis

In this study, 68 questionnaires were distributed to 68 respondents. The questionnaires returned were 68 copies (response rate of 100%). Complete and worth-analyzed questionnaireswere 68 questionnaires.

Table 3. Data of Respondents' Characteristics

No	**Age**	**Total**	**Percentage**
1	25-30 years	7	10,3%
2	31-35 years	19	27,9%
3	36-40 years	10	14,7%
4	41-45 years	11	16,2%
5	> 45 years	21	30,9%
No	**Educational Level**	**Total**	**Percentage**
1	Elementary School	4	5,9%
2	Junior High School	2	2,9%
3	Senior/Vocational High School	28	41,2%
4	Diploma	10	14,7%
5	S1/S2	24	35,3%
No	**Marital Status**	**Total**	**Percentage**
1	Single	4	5,9%
2	Married	63	92,6%
3	Widower	1	1,5%
No	**Working Period**	**Total**	**Percentage**
1	1-5 years	6	8,8%
2	6-10 years	35	51,5%
3	> 10 years	27	39,7%

Source : Primary Data, Processed, 2015.

The role of human resources in the present is to be decisive for the success of an activity carried out in an organization, either private or corporate organizations, or either state enterprises or government agencies, (Arikunto, 1996 in Supriyanto, et. al., 2013). Table 3 shows that:

1) Based on the characteristics of age, 51% of DPKY employees is late adulthood. As the age has increased, the level of maturity and strength of a person will be more mature in thinking and working. Moreover, the level of maturity and strength of a person which will be more mature in thinking and working can affect on their performance (Hurlock, 1999).

2) Based on the characteristics of the educational level, 81.2% of DPKY employees was at least have secondary education (high/ vocational school). The higher the level of education a person, the more things he can do, such as working, so the impact will be on the performance (Notoatmodjo, 2012).

3) Based on the characteristics of marital status, 94.1% of DPKY employees was married. The marital status influences the person's behavior in the organizational life both positively and negatively (Siagian, 1995)

4) Based on the characteristics of the working period, 91.2% of DPKY employees has worked at least 5 years. The longer a person working in an organization, the higher the motivation that affects performance (Siagian, 1995).

Table 4.Summary of Respondents' Perception towards Research Variables

Variables	Mean	Categories
Working Discipline	3,25	Very High
Communication Climate	3,12	Condusive
Working Motivation	3,13	High
Employees' Performance	3,70	Very High

Source : Primary DataProcessed, 2015.

a) Working Discipline had a mean of3.25 (very high).
This shows that the DPKY employees have a very high working discipline, arrive and leave on time, ask for a permission if they were absent, adhere to the existing rules, responsible for the execution of tasks and do not procrastinate the jobs. Good discipline reflects the magnitude of a sense of someone's responsibility towards the tasks assigned (Hasibuan, 2014).

b) Communication Climate had a mean of 3.12 (Condusive).
This shows that the communication climate is conducive in DPKY, shown by the high mutual trust between employees with leadership and vice versa. Communication is an essential element in the life of the organization, both in terms of administration and management processes as well as the involvement of all stakeholders in an organization (Siagian, 1993 in Chairunnisah, 2012).

c)Working Motivation has a mean of 3.13 (High).
This suggests that employees have a high morale, satisfaction, high working productivity and always maintain stability in the work environment. The basic principle states that the management of human resources performance is a combination of motivation that exists in oneself and his ability to carry out a job (Feldman, 1998 in Widodo, 2009).

d)Employees' Performance has a mean of 3.70 (Very High)
This shows that working performance, cooperation, and compliance of DPKY employees are very high. Classical assumption test results showed that: **(1)Normality Test**. Based on the test results with the Kolmogorov-Smirnov normality test, it showed that the probability value = 0.063 and 0.273 > 0.05, then the regression model met the assumptions of normality, **(2) Test Multicollinearity.** Based on the test results of multikolinearitas VIFmethod, VIF value of <10 means that all independent variables did not experience multikolinearity, so it did not refract the interpretation of the results of the regression analysis and **(3) Test Heteroskidastity.** Based on the results of heteroskedastisitas test using Glejser, it showed the probability value of > 0.05. This means that the estimated models are free from heteroscedasticity.

Table 5. Result of Hypotesis Test

No	Hypotesis	Note
1	Working discipline and communication climate have an influence on the working motivation of employees of Transportation Agency of Yogyakarta, either partially or simultaneously.	Proven
2	Working discipline and communication climate have an influence on employees' performance of Transportation Agency of Yogyakarta, either partially or simultaneously.	Proven
3	Motivation has an influence on employees' performance of Transportation Agency of Yogyakarta.	Proven
4	There are differences in performance between civil servant employees and non-civil servant employees.	Proven

Source : Primary Data Processed (2015)

The effect of working discipline towards working motivation.

The result of regression analysis showed that the variables of work discipline have a significant influence on employees' motivation of DPKY employees (*t*-test probability value (0.000) < Level of Significant (0.05)). Results of this study supported the study of Binarsih, Istiatin and Wahyuningsih (2013) which indicates that the working discipline positively and significantly towards the employee motivation.

Communication Climate influences on work motivation.

The result of regression analysis showed that the communication climate variables have a significant influence on employees' motivation of DPKY employee (*t*-test probability value (0,002) < Level of Significant (0.05)). Results of this study are supported by (1) Philemon's study (2013) which shows that organizational communication climate positively affects motivation and (2) Meilita's study, (2014) which indicates that the communication climate has a positive and significant effect on work motivation.

The effect of Working Discipline and Communication Climate towards Working Motivation.

Regression analysis showed that the probability values obtained F-count (0,000) < Level of Significant (0,05). The results also support the results of this study are supported by research Binarsih, Istiatin and Wahyuningsih (2013) which shows that the discipline of work and affect communication simultaneously towards employee motivation.

Work Discipline influence on Employees' Performance.

The regression analysis showed that the variables of work discipline has a significant influence on DPKY employees' performance (*t*-test probability value (0.001) < Level of Significant (0.05)). Results of this study are supported by: (1) Baskoro's study (2014) which indicates that the working discipline positively and significantly effect on the performance of employees, (2) Harlie's study (2010), which suggests that the working discipline havinghighest partial correlation influence to the related variables, namelyemployees' performance, (3) Wajdi and Narmodo's study (2004) which shows that the working discipline has a dominant positive influence on employees' performance and (4) Chirasha's study (2013) which shows that the working discipline has a very important influence on employees' performance.

Communication Climate influences on Employees' Performance.

The regression analysis showed that the communication climate variables have a significant influence on DPKY employees' performance (*t*-test probability value (0.039) < Level of Significant (0.05)). The results of this study were supported by research Pangumpia (2013) which shows that organizational communication climate significantly influence to employee productivity

Effect of Working Discipline and Communication Climate on Employees' Performance.

The results of regression analysis showed the F-test probability value (0,000) < Level of Significant (0.05).It was concluded that the discipline of working and simultaneous communication climate influence to theDPKY employees' performance. The results of this study are supported: (1) Narmodo and Wajdi's study (2004) which indicates that the working discipline and communication climate have an influence simultaneously on employees' performance, (2) Hasana's study (2011), which indicates that there is a relationship between the discipline of working and communication climate simultaneously with the performance of employees.

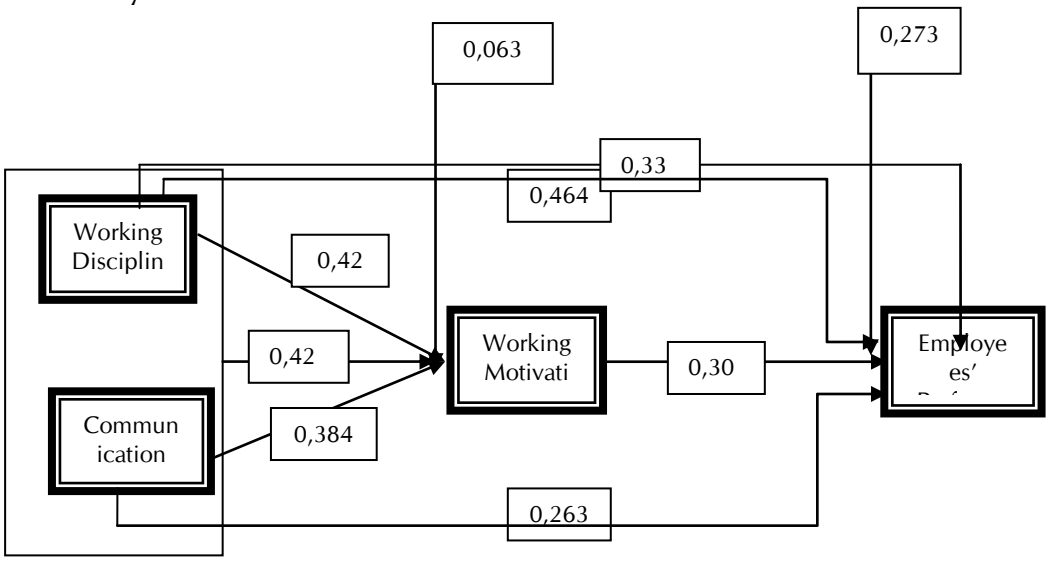
Working Motivation influences on Employees' Performance.

The regression analysis showed that the variables of working motivation have a significant influence on DPKY employees' performance (*t*-test probability value (0,027) < Level of Significant (0.05)). The results of this study are supported by: (1) research Baskoro (2014) which showed that the motivation positively and significantly impact on the performance of employees, (2) Harlie's study (2010) which showed that motivation has a partial correlation affecting to the related variable, which is the performance of employees, (3) Wajdi and Narmodo's study (2004) showed that motivation has a positive influence on employee performance.

The Differences of Performance between Civil Servant Employees and non-Civil Servant Employees.

The test results showed that the difference in the value of the variable *t*-test probability of employee performance was 0.078 > Level of Significant = 0.05.It is concluded that there is a difference, but it is not significant between the performance of employees with civil servant status and employees with non-civil servant status. This is caused by: (1) The salary received by civil servants are governed by their class and working period, while the salary received by non civil servants are accounted for by the Minimum Wages City and (2) the status of their employment is the civil servant status of permanent employees, while non-civil servant status was the employee with the Employment Agreement, which is done in one year extension of the Employment Agreement implemented.

Path Analysis



The direct effect (Working Discipline and Communication Climate on employee performance) is greater than the indirect effect (Working Discipline and CommunicationClimate on employees' performance through motivation to work).

CONCLUSION

a. There is a significant influence between the working discipline and communication climate on the working motivation of DPKY employees, either partially or simultaneously.
b. There is a significant influence between the working discipline and communication climate to DPKY employees' performance, either partially or simultaneously.

c. There is a significant influence between working motivation towards theDPKY employees' performance.
d. There is a difference, but it is not significant between the performance of the civil servant employees and non civil servant employees.
e. The direct effect (workingdiscipline and communication climate towards the performance) is greater than the influence of indirect (working discipline and communication climate on performance through the working motivation).

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The effect of management policies on financing decisions and performances Empirical Review on Islamic Banks in Indonesia

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Abstract

This study *was* aimed to examine the effect of management policies and financing decisions on the performances of Islamic banks. Islamic bank performance was measured by ROE, ROA and NPM*;* financing decisions was measured by murabaha*,* mudaraba, and musharaka financing*,* while management policy was measured by using the Financing to Deposit Ratio (*FDR),* *Operating Efficiency (OEOI)*, Capital Adequacy Ratio (*CAR)* and liquidity (*reserve requirement)*. The tool *of analysis of this study* was Structural Equation Model (*SEM)* supported by AMOS 19.0 program. Based on the analysis, it is known *that the* factors becoming significant indicators of financing *were* murabaha and musharaka financing*,* while FDR was not a significant indicator as an indicator of management policies. The results showed a significant effect on the management policy of financing policy*, but it* had no effect on financial performance. *Last, financing decisions* have a significant effect on financial performance.

Key words: management policy, financing decisions, murabaha*,* musharaka*,* mudharaba

BACKGROUND

Basically, the function of Islamic banks is not much different to the conventional ones, which is as a financial mediator between the society having excessive fund (surplus unit) and the society experiencing a lack of fund (deficit unit). The difference lying on the instrument used by conventional banks is the interest in giving compensation to society both saving their money and receving credits. Meanwhile, Islamic banks freely operate from interest instrument; but using other instruments, such as using instrument of profit sharing and profit margin is not allowed by Islamic banks. Likewise the risk confronted by Islamic banks is also not much different to conventional banks. Each bank will encounter bank risks such as capital, financing risk, liquidity risk, and operating risk (Muhammad, 2011). Masruki, et. al., (2010) encountered that the risk confronted by Islamic banks is higher than conventional banks. For Islamic banks, they also provide financing with profit sharing concept in which the profit depends on the profit rate of customer's business fund. Therefore, the Head of Islamic Bank is demanded to be able to manage Islamic bank professionally, so that it can control the risk being confronted.

Islamic Banks as a financial mediator agency obtains the biggest profit from the fund distribution to the society or financing (at conventional bank it is known as credit). Financing in Islamic banks employs several concepts: (1) based on the trade, (2) based on the profit sharing concept, and (3) based on the leasing concept. Based on the trade concept, Islamic banks issue financing product of *murabaha* which is financing for customers in regard to financing object procurement where the bank will add specific profit percentage to cost and the customers pay in credit (Antonio, 2001). Based on the profit sharing concept, the bank issues products of (a) *mudharaba* financing, that is financing for customers whom the bank provides all financing needs whereas the customers prepare their project and management, and (b) *musharaka* financing is a bank financing by inclusion of capital to a project run by customers. The profit

obtained from this profit sharing-based financing is profit sharing ratio agreed between the bank and the customer. Therefore, this financing should strongly influence Islamic bank finance.

Islamic bank performance is influenced by the number of financing given and financing composition. Haron (1996) revealed the positive influence between profit sharing-based financing and profit margin-based financing in Islamic bank performance. Bukhari and Qudus (2012) and Izhar and Asutay (2007) also figured out significant influence between the financing and performance of Islamic banks. Islamic banking is a company which the operation is strongly managed by *Bank Indonesia (BI)* (a very regulated company). Thus, starting from capital, financing, and liquidity are all regulated by BI. Hence, Islamic bank management should be able to manage Islamic bank well. Haron (1996) found a significant influence between management policies and bank performances. Haron (1996) employed fourteen variables as the indicators of management policies. There are several indicators which actually do not belong to management policies but they include to management policies such as bank profit, total of expenses, expenses for staffs, provision expenses, and other expenses. In this study, management policies are measured by the indicators of liquidity policies, capital policies, financing decisions, and operating efficiency.

Bank performance is frequently measured by profit rate obtained by the bank. Haron (1996) measured it with total income to total assets, income for bank to total assets, and net profit before tax to total assets. Akhtar and Sadaqat (2011), Zeitun (2012), and Moin (2008) employed return on assets and return on equity to measure the performance of bank finance. Acaravci et al., (2013), Ani et al., (2012) and Gul et al., (2011) measured bank performance using return on equity, return on assets, and net interest margin. In this study, the author employed three indicators as the measurement of Islamic banking financial performance that is Return on Asset (ROA), Return on Equity (ROE), and Net Profit Margin (NPM). For the explanation, the author was interested in analyzing the influence of management and financing decisions on Islamic bank performance in Indonesia.

PREVIOUS STUDIES

In Indonesia, only few studies are conducted regarding management and financing decisions on Islamic bank performance. Pratin and Akhyar (2005) tested some factors influencing financing. The result was that only the fund of the third party influenced in financing, whereas the magnitude of capital and percentage of profit margin did not give any influence. Rahman and Rochmanika (2012) found that trade-based financing and profit sharing-based financing significantly influenced Islamic banking performance measured with Return on Assets (ROA). Satrio and Subegti (2010) figured out that capital and profitability factors influenced financing. Izhar and Asutay (2007) who studied Islamic banks in Indonesia with a case study conducted in Bank Muamalat Indonesia (BMI) found a significant relationship between financing and Islamic bank performance.

Haron (1996) who conducted a study in several Arabic countries employed Total Income to Total Asset (TITA) to measure Islamic bank performance. Akhter and Sadaqad (2011), Zeitun (2012), Kuppunsany and Samudram (2010), Gul et al., (2011) and Moin (2008) employed Return on Assets (ROA) and Return on Equity (ROE) to measure Islamic bank performance. Meanwhile, Srairi (2009) who conducted a study of Islamic banks in Gulf Countries (GCC) measured the performance by using Return on Assets (ROA) proxy. In addition to Srairi (2009), the researchers employed ROA as a performance proxy were Izhar and Asutay (2007), Rahman and Rochmanika (2012), Al-Qomar and Al-Mutairi (2008) and Syafri (2012).

Haron (1996) conducted a study on 13 Islamic banks in several Arabic countries to identify the factors influencing profitability, using 15 variables which were expected to influence profitability. One of his findings was mark-up–based financing and profit sharing-

based financing had significant influences on profitability. Zeitun (2012) who tested factors influencing the performance of Islamic banks and conventional banks also found that there was a significant relationship between loan (financing) and profitability. Bukhari and Kudus (2012) investigated the relationship between internal and external factors influencing Islamic banks in Pakistan. One of the results also found a significant relationship between loan (financing) and profitability.

HYPOTHESIS DEVELOPMENT

1. Management Policies and Financing Decisions

Bank is a business of trust, as it manages the majority of fund derived from the society storing in the bank. The expectation given by society upon the fund stored is to make it safe and developed, if it is needed at any time it can be taken in addition to providing profits for the customers. Therefore, the bank must maintain the trust even the bank operation is regulated and monitored carefully by *Bank Indonesia*. In managing the bank, the management should use the precautionary principle (prudential banking), so that the bank operation should be managed well to maximize profits and keep it safe.

Bank management policies are closely related to the regulation issued by *Bank Indonesia*, for example bank liquidity level may not be less than 5%, capital adequacy ratio should be 8% at minimum, financing ratio with society fund of 110% at maximum, and problematic financing level or non performing financing may not be more than 5%.

Satrio dan Subegti (2010) who used capital ratio and non performing load as management policy proxy found a positive and significant influence on credit distribution. Meanwhile, Arianti and Muharam (2012) figured out a non-significant influence between management policies and Islamic bank financing. Moreover, Pratin and Akhyar (2005) employed management policy variables in form of non performing financing, but they did not find any significant influence on financing. Based on the theoretical review and authors' finding, it can be hypothesized as follows:

H_1 : Management policies positively influence financing decisions.

2. Management Policies and Islamic Banks Performance

Management policies are expected to be able to improve the performance of bank finance. The braver the risk taken, the bigger the possibility obtains profits. As explained above, there is a one-way relationship between the risk and profit, the bigger the risk taken the higher the profit expected. In the banking, the management is demanded to manage carefully for the majority of banking fund is society's. Therefore, there is trade-off between safety and profit. Careful management policies usually will result in non-profitable banking, whereas aggressive policies are expected to be able to produce high profit. One of indicators of management policies is *Financing to Deposit Ratio* (FDR). If the lowering FDR will decline the profit, the high liquidity will reduce the profit. Likewise a high capital ratio also causes a lot of funds absorbed into capital so that it reduces the opportunity to distribute, so that it makes the profit decline.

Haron (1995) found that the efficiency level and capital ratio have positive and significant influences on profitability. Likewise, Akhtar and Sadaqat (2011) also found that capital ratio of non-performing loan and efficiency level have positive and significant influences on profitability. Zeitun (2012) and Srairi (2009) also found capital ratio influences Islamic bank performance. Bukhari and Qudus (2012), Moin (2008) and Idris et. al., (2011) employed liquidity as a variable influencing bank performance.

H_2 : Management policies positively influence Islamic banks performance.

3. Islamic Bank Financing and Performance

The primary income of banking including Islamic banking is derived from financing. The higher the financing given, the higher the profit rate of the company received. The increase of financing will increase the profitability if it is not followed by the higher problematic financing. Therefore, financing decisions are not only in the quantitative form merely pursuing the number distributed but it is also in the form of qualitative that is financing in a project or good customers. Thus, the possibility of payment failure is small.

Haron (1995) found that the financing given in the form of profit sharing financing, profit margin-based financing and investment-based financing are positively and significantly influencing the Islamic bank performance. Bukhari and Qudus (2012) and Zeitun (2012) also employed credit (loan) distribution as the variable influencing bank performance. Bukhari and Qudus (2012) found significant influences between loan and profitability. Al-Qomar and A-Mutairi (2008) also used loan as a variable influencing bank performance, but the findings in Kuwait bank were not significant. The similar results were also discovered by Gul e.t al., (2011) who investigated banking in Pakistan, whereas Acaravci et.al (2013) found the opposite results, loan was not significantly influencing profitability.

H_3 : Financing decisions positively influence Islamic bank performance

RESEARCH METHOD

1. Population and Sample

Population of this study is all general Islamic banks operating in Indonesia. Up to now, Islamic banks operating in Indonesia are 11 general Islamic banks. The samples were taken from 8 Islamic banks with the criteria of initial establishment. Regarding to the data sufficiency, the data were taken quarterly, since 2008 up to the middle of 2013 for banks established in 2008, whereas the data of Islamic banks established after 2008 were taken since the bank was established and submitted the quarter financial statement to *Bank Indonesia*. The data obtained were as follows:

Samples and Amount of Data

No	Bank Names	Period	Amount of Data
1	Bank Muamalat Indonesia	Qt 1 2008-Qt 2 2013	22
2	Bank Syariah Mandiri	Qt 1 2008-Qt 2 2013	22
3	Bank Mega Syariah	Qt 1 2008-Qt 2 2013	22
4	Bank BRI Syariah	Qt 1 2009-Qt 2 2013	18
5	Bank Syariah Bukopin	Qt 3 2009-Qt 2 2013	16
6	Bank Panin Syariah	Qt 4 2009-Qt 2 2013	15
7	Bank BCA Syariah	Qt 3 2010-Qt 2 2013	12
8	Bank BNI Syariah	Qt 2 2010-Qt 2 2013	13
Jumlah Data (Qtartalan)			140

2. Research Variables

Based on the research variables stated above, it is necessary to define it clearly in order to conduct the research implementation in the field without any doubt. Operational definitions of each variable in the study are as follows:

a. Islamic Bank Performance
   Profitability is a company ability to obtain profit equity deposited both by the owner from total assets used to operate and from the income received by bank. There are three indicators forming profitability which are Return on Equity (ROE), Return on Assets (ROA),

and net profit margin.

b. Size
The size of the bank significantly influences the profitability (Syafri, 2012). Acaravci (2013), Ani et al., (2012), and Gul et al (2011) also found that company size influenced profitability. In this study, the variable of size used as a control variable for the big size of Islamic banks in Indonesia is highly heterogeneous, so the control variable is very necessary for the company size. The company sizes were with the magnitude of total assets, and for the very big number of asset data whereas other variables are small, then the company size is proxied with logarithm of total assets.

c. Management Policies
Banking industry is a very regulated company. It is the company in which the operation is highly regulated by the government through *Bank Indonesia*. This is caused by the biggest asset of banking is derived from the society savings. Thus, if the banking is bankrupt, it will give a big impact to the society welfare. Therefore, the management's role in controlling banking is necessary. Management's role in taking policies is in order to control banking risks in the forms of financing risk, capital risk, liquidity risk, and operating risk. Financing risk is proxied with Non Performing Financing (NPF), capital risk is proxied with Capital Adequacy Ratio (CAR), liquidity risk is proxied with Minimum Statutory Reserves (RR), while operating risk is proxied with Operating Cost Ratio to Operating Income (OEOI).

d. Financing decisions
Financing decisions are decisions taken by financing officers to determine the number and composition of financing given to customers. Karim (2010) and Muhammad (2005) divided fund into several principles: profit-sharing principles, trade principles, lease principles, and social principles. Profit-sharing principles mostly used are *mudharaba* and *musharaka* financing, trade principle-based financing is in the form of *murabah* financing, financing with lease principle is such as *ijara*, whereas social principle is *qordul hasan*. In the study conducted by Haron (1996), it is divided into profit sharing-based financing (fund in profit sharing principles) and mark up-based financing (fund in mark-up principles). Meanwhile, Pratin and Akhyar (2005) and Arianti and Muharam (2012) used financing as a dependent variable influenced by the fund of third party, capital, Non Performance Financing (NPF). Izhar and Asutay (2007), Bukhari and Qudus (2012) and Zeitun (2012) employed total financing as a factor influencing profitability. Meanwhile, Gul et al., (2011), Satrio and Bagus (2010), Acaravci et.al(2013) and Ani et al., (2012) who conducted a study on conventional banking used total loan as a variable influencing profitability. In conventional banking, credit given is not separated from all credits which use interest instrument. The indicators of financing decisions in this study were *murabaha* financing, *mudharaba* financing, and *musharaka* financing.
Below is the measurement of the variables and indicators of the research.

Table 2: Variable Measurement

No	Variabel dan Indikator	Notation	Measurement
A	Financial Performance		
1	Return on Equity	ROE	Earning After Tax/Equity
2	Return on Assets	ROA	Earning Before Tax/Total Asset
3	Net Profit Margin	NPM	Net Profit/Total Financing
B	Management Policy		
4	Financing to Deposit Ratio	FDR	Total Financing/The Thid Party Fund
5	Capital Adequacy Ratio	CAR	Equity/Weighted risk Assets

6	Reserve Requirement	RR	Saving Total/Compulsory payment
7	Operating risk	OEOI	Operating expenses/Operating income
C	Financing policy		
8	*Murabaha* Financing	MUR	*Murabaha* Financing Total/Activa Total
9	*Mudharaba* Financing	MUD	*Mudharaba* Financing Total /Activa Total
10	*Musharaka* Financing	MUS	*Musharaka* Financing Total /Activa Total
D	Firm Size	SIZE	Log Natural Total Asset

3. Instrument of Analysis

To answer the hypotheses proposed in this study, it is necessary to use an accurate analysis instrument. This study employed structural equation model or SEM by using a program package of AMOS 19.0 and SPSS 17.0 program to support. Structural Equation Model (SEM) is statistical techniques allowing the test of a set of relatively complicated relationship simultaneously (Ferdinand, 2002).

RESEARCH RESULTS

1. Model Testing

Based on data processing by using AMOS 19.0 program supported by SPSS 17.0 program, a path diagram was obtained as follows:

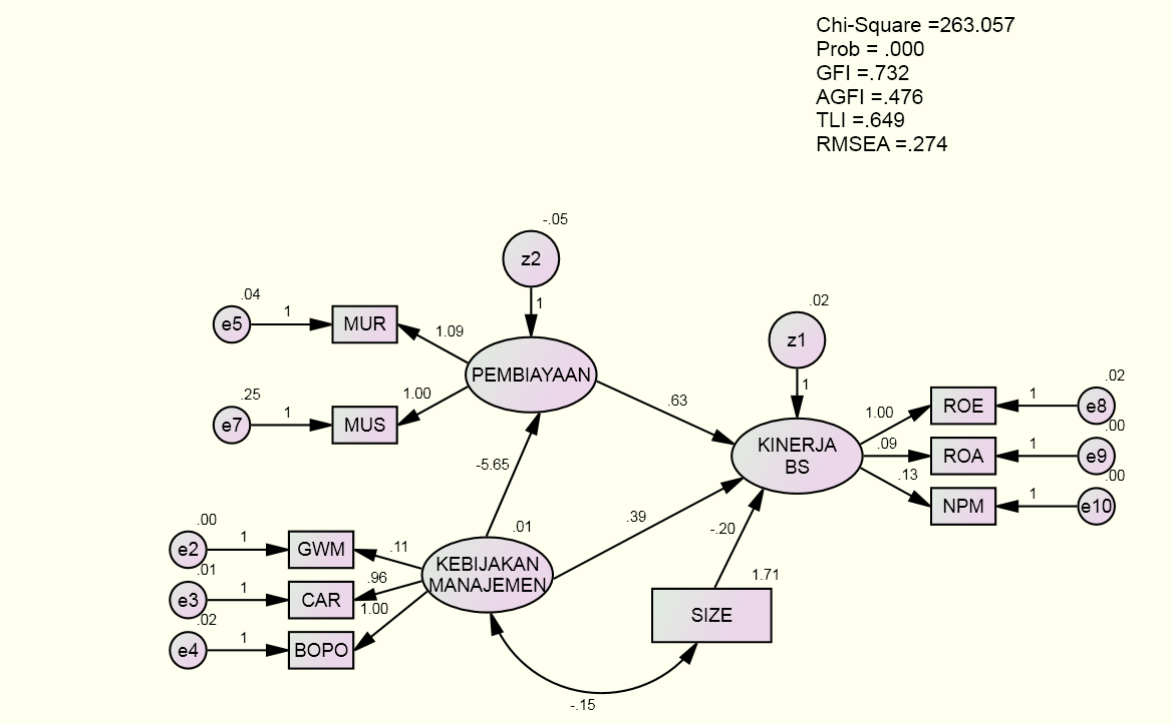

Figure 1: Model testing

Based on the feasibility of the model, it shows Chi-Square of 263,057 is quite big, whereas according to the rule of thumb, it is supposed to be small. Meanwhile, the size of model feasibility with probability expected to be bigger than 0, in fact it is smaller, likewise the other feasibility size such as RMSEA, Goodness Fit Index (GFI) and AGFI and TLI also do not show a good model (See Table 4). However, since the research objective is finding out the influence among variables. Then, in this study, the model feasibility is not prioritized.

Table 4: Result of Goodness of fit

Goodness of Fit Index	Cut-off Value	Result	Description
Chi-Square	Expected to be small	263.057	Not fit
Probablility	≥ 0.05	0.000	Not fit
RMSEA	≤ 0.08	0.732	Not fit
GFI	≥ 0.90	0.476	Not fit
AGFI	≥ 0.90	0.649	Not fit
TLI	≥ 0.95	0.274	Not fit

2. Indicator Testing

Latent variable is formed by several indicators; therefore, it needs indicator testing to determine whether those indicators are valid as the developer of latent variable. Here are the results of indicator testing.

Table 5: Result of Indicator Test

			Estimate	S.E.	C.R.	P	Label
MUS	←	ManPol	1.000				
MUR	←	ManPol	1.087	.076	14.227	***	par_1
ROE	←	FinPerf	1.000				
ROA	←	FinPerf	.090	.012	7.515	***	par_2
NPM	←	FinPerf	.131	.025	5.285	***	par_3
OEOI	←	ManPol	1.000				
CAR	←	ManPol	.955	.123	7.769	***	par_4
RR	←	ManPol	.111	.021	5.283	***	par_5

The table above is the indicator testing results measuring whether those indicators are valid as the developer of latent variable. ROE, ROA and NPM as the developer of financial performance variable are valid as the variable developer for the *p*-value of 0.01 is smaller than the significance level required of 0.05. Meanwhile, related to the indicators forming financing policy variable, there are only two (MUR and MUS) which are valid as variable developers; regarding to the management policy indicators, there are only three of them (CAR, RR, and OEOI) which are significant as the variable developers; and while FDR is not significant as the developer of financing policy variable.

3. Hypothesis Testing

Tabel 6: Results of Hypothesis Test

			Estimate	S.E.	C.R.	P	Label
FinDec	←	ManPol	-5.647	.684	-8.258	***	par_6
FinPerf	←	ManPol	.393	.538	.730	.465	par_7
FinPerf	←	FinDec	.632	.175	3.616	***	par_8
FinPerf	←	SIZE	-.203	.070	-2.910	.004	par_9

Based on the table above, it shows that the management policy significantly and negatively influences to the financing decisions at significance level of 0.01 which is smaller than significance level required of 0.05. Meanwhile, management policies do not influence

Islamic bank performance for the *p*-value of 0.465 which is bigger than significance level required of 0.05.

Financing decisions turn out to have a significant influence on Islamic bank financial performance shown by *p*-value of 0.01 that is smaller than significance level of 0.05.

DISCUSSION

a. The influence of management policies on financing decisions

The findings showed a negative and significant influence between management policies and financing decisions. This shows that the higher the management policies taken, the lower the financing given. This is normal for the valid indicators forming management policy variable which are Capital Adequacy Ratio (CAR), Minimum Statutory Reserves (RR), and Operating Expense Ratio to Operating Income (OEOI). The higher the CAR was, the bigger the equity owned by bank. It shows that equity utilization is not really efficient. Likewise, RR shows the fund provided for customers if they need at any time. The higher the RR is, the better the bank liquidity is. However, if unused fund is increasing, it implies that it reduces opportunity to distribute the fund in financing. This result is supported by Siregar (2005) who also found negative and significant influences between management policies and financing. Pratin and Akhyar (2005) found an influence which is not significant between management policies and financing. Likewise, Rachmadita (2013) also found non-significant influence between management policies and financing. Sri et al., (2013) also figured out non-significant influence between management policies measured by CAR and financing. In contrast, Satrio and Subegti (2010) who conducted a study in conventional banks found positive and significant influences between management policies measured with CAR and credit given.

b. The influence of management policies on financial performance

Based on the result of data processing, it was found that the management does not influence Islamic bank financial performance. This result is possibly caused by indicators of management policy developer which pass the indicator testing which are CAR, RR, and OEOI. From the descriptive-statistic data, it is identified that the variation of RR is not really big which is the average of 6.93% of *Bank Indonesia* provision of 5% at minimum, so that Islamic banks always maintain RR at the nearest of minimum. This result also shows that Islamic banks in Indonesia do not really like taking risks. It is proven by the management policies measured with capital risk, liquidity risk and efficiency risk which do not influence Islamic bank financial performance. The data shows that Islamic banks provide more financing rest on *murabaha* financing. *Murabaha* financing is a financing with lower level of risk, for it is included in an agreement giving fixed income or natural certainty contract (NCC).

The results of this study support the findings of Bukhari and Qudus (2012) who conducted a study in Islamic banking in Pakistan, Izhar and Asutay (2007) and Idris et.al. (2012). Likewise with the findings of Al-Qomar and Al-Mutairi (2008), Acaravci et.al. (2012) and Syafri (2012) also found non-significant influence between management policies and Islamic bank performance. These findings opposed Haron (1996) who discovered that management policies influence banking performance. Also, Gul et.al. (2011) conducted a study on Islamic banks in Pakistan and Ani et.al. (2012) who investigated Islamic banks in Nigeria also revealed positive influence between management policies and Islamic bank performance.

c. The influence of financing decisions on financial performance

The result of hypothesis testing showed that financing decisions influence positively and significantly on financial performance. This result matches the hypothesis that financing decisions positively influence Islamic bank performance. It means that the higher financing

given by Islamic bank, the more improved the Islamic bank performance will be. These research results are consistent with Haron (1996), who found an evidence that profit margin-based and profit sharing-based financing have significant influences on Islamic bank performance. Bukhari and Qudus (2012), Vong and Chan (2009), Rahman and Rochmanika (2012) and Gul et al (2011) also found positive and significant influences between financing and Islamic bank performance.

In this study, it is initially proposed three types of financing that are profit margin-based *murabaha* funding, profit sharing-based *muyarakah* and *mudharaba* financing. From those three types of financing, the most significant types which influence Islamic bank performance are only *murabaha* and *musharaka* financing. *Murabaha* financing has a quite big portion for the average of this financing which is over 69%. This financing includes the financing with a contract giving certain benefits. It means that the Islamic bank management still relies on safe financing, in other words, it is not really brave to take risks.

CLOSING

Based on the research results, it can be concluded that the management policies significantly influenced to the financing decisions. It means that financing decisions conducted by Islamic bank comply with the plan made by the management. In contrast, it was found that the management policies do not influence to the Islamic bank financial performance. This shows that the policies taken by the management have not been able to improve profits. There are financing decisions having positive and significant influences on the financial performance. It means that the higher financing given by Islamic banks, the more profits they will receive.

Financing decisions indeed have positive influence on financial performance, but the dominant type of financing is profit margin-based financing. Profit margin-based financing is the financing with a very low risk, and the financing product is actually urgent (Sudarsono, 2003). Therefore, Islamic bank management should not rely on profit margin-based financing, and immediately improves to make profit sharing-based financing portion bigger and has more value of justice.

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The Role of Service Innovation and Positional Advantage on Marketing Performance

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Abstract

Firm's customer orientation is predicted could be affect the marketing performance improvement. For testing this argument, researcher created a conceptual model with four variables, where two of them placed as mediating variable, i.e : service innovation and positional advantage. The model was then tested with 188 research data using AMOS program. Simulation output shows that 5 of 6 hypothesis proved to be significantly positive, while one other hypothesis is that the relationship between customer orientation with marketing performance is not proven. This means that customer orientation has no direct impact on performance marketing. Nevertheless, there is an indirect effect between customer orientation with marketing performance through mediation of service innovation and positional advantage.

Keywords : Service Innovation, Customer Orientation, Positional Advantage and Marketing Performance.

1. INTRODUCTION

The marketing concept is a fundamental element of a company and become the philosophical foundation for a wide range of business activities. Companies that have a good marketing capabilities and strives to use the marketing concept consistently, can be regarded as a market-oriented company (Kohli dan Jaworski, 1990). The situation could occur if the company's business culture continues to collect, consolidate and utilize all the information related to customers, competitors, suppliers, regulators and other factors that affect the process of creating a sustainable superior value to customers (Slater dan Narver, 1994).

To maximize long-term profits, a company takes over the overall coordination and integration of existing internal resources and make use of any existing external opportunities (Kohli dan Jaworski, 1990). As a guide for the company towards profitability optimal, Kohli dan Jaworski (1990) then formulate a marketing orientation indicator with three components: (1) intelligence generation, (2) intelligence dessemination and (3) responsiveness. Although using different terms, but Slater dan Narver (1990) similar to Kohli and Jaworski in terms of predictors of marketing orientation, both of them formulated the elements like (1) customer orientation, (2) competitor orientation, and (3) interfunctional coordination.

Actively to identify and meet the needs and desires of consumers is the main focus and tasks of customer-oriented company. All units, personnel and parties related there should always strive to create superior products and competitive position. Networking elements of the company value chain and every point of contact with customers should be increased the benefits received by the end consumer, so the total value of the product is always more superior to its competitors (Slater dan Narver, 1994).

2. LITERATURE REVIEW

The relationship between customer orientation and the performance in a number of studies still show different results. One parties says that the relation of performance to the customer orientation have a significant positive impact (Ledwith dan O'Dwyer, 2008); (Smirnova *et al.*, 2011a); (Liu *et al.*, 2013) and (Balas *et al.*, 2014), but others declared customer orientation does not affect the marketing performance (Matanda dan Ndubisi, 2009); (Smirnova *et al.*, 2011b); (Beitelspacher *et al.*, 2012) and (Huhtala *et al.*, 2014). This empirical gap certainly a fact that is interesting in practical and academic context, because it gives an opportunity for other scholars to re examine the relationship between the two variables.

On the basis of differences in research output above, the authors designed a study to create a conceptual model consisting of four variables, i.e : customer orientation, marketing performance, service innovation and positional advantage. The last two variables are placed as a mediator between customer orientation and marketing performance. Of the four variables, three of them obtained from Grawe *et al.* (2009); Beitelspacher *et al.* (2012) and Cheng dan Krumwiede (2012), i.e : customer orientation, service innovation and marketing performance, while the positional advantages variable derived from (Hult dan Ketchen, 2001; Carbonell dan Rodriguez, 2006).

The main purpose of customer orientation is to create superior value for the consumer. To realize that, company can begin with the process of hiring employees, implementing training, increased motivation to providing award system. At the same time, involving consumers in product design activities and forums sharing session will increase the chances of the emergence of innovations and can generate customer loyalty (Slater dan Narver, 1994). Integration between the power of employee and customer support will strengthen the company's core competencies of both internal and external (Brännback, 1999). A close relationship with customers allows the company to receive feedback quickly and respond to changing needs and wishes them effectively and efficiently. Then, the occasion can also be used to make collaboration and co-creation to develop of the existing and the new products (Hillebrand *et al.*, 2011).

The ability to explore and exploit the resources and take advantage of opportunities that will enhance the company's competitive advantage. The indicators can be observed from the advantages of factors of differentiation and cost advantages. Both of the last element is the component of the positional advantage variable (Vytlacil, 2010). Strengthening the positional advantage and product performance can be reached by increasing the capacity and speed of innovation (Carbonell dan Rodriguez, 2006). The relationship between customer orientation with positional advantages found in the study conducted by Hult dan Ketchen (2001); Langerak (2003) and Vytlacil (2010).

Innovation is closely related to the company's ability to survive and grow and be a vital component in the process of organizational change (Bessant *et al.*, 2005). In pursuance of Rowley *et al.* (2011), innovation can be grouped into four sections, namely (1) the product innovation, (2) process innovation, (3) position innovation and (4) the innovation paradigm. Whereas Jon-Arild (2013) just divide it into 2 categories, that is: innovation and innovation institutions based on economic factors. While Windahl (2015) review it in the perspective of innovation of products and divide it into modular, architecture, incremental and radical. Service innovation related to incremental and radical aspects. Incremental refers to the real needs of consumers, while providing a radical fundamental newness and concrete benefits (Cheng dan Krumwiede, 2012). The relation between customer orientation and innovation of services provided by the study Grawe *et al.* (2009) and Cheng dan Krumwiede (2012). The same study also discusses the relationship between innovation services with marketing performance.

Other variables like the relationship with the customer orientation of marketing performance shown in studies (Ledwith dan O'Dwyer, 2008; Smirnova *et al.*, 2011a; Liu *et al.*,

2013; Balas *et al.*, 2014). Then the positional relationship between the performance advantages can found in result of research Hult dan Ketchen (2001); Langerak (2003) and Vytlacil (2010). Referring the above discussions, it can be formulated research hypothesis as follows :

Tabel 1 : The research hypothesis

H1 :	Customer orientation of a company have a relationship and a positive effect on its positional advantage.
H2 :	Customer orientation of a company have a relationship and a positive effect on the degree of services innovation.
H3 :	Customer orientation of a company have a relationship and a positive effect on marketing performance.
H4 :	Services innovation of a company have a relationship and a positive effect on its positional advantage.
H5 :	Positional advantages of a company have a relationship and a positive effect on marketing performance.
H6 :	A company service innovation has an effect and a positive relationship with marketing performance.

3. RESEARCH METHODOLOGY

This study took place in June-July 2015 in PT Telkom Indonesia, Tbk. with the object of study is IPTV triple play products with brand called IndiHome. Questionnaires distributed in 2 ways: offline and online. Offline survey conducted in Telkom Regional Office IV Semarang, while the online questionnaire utilizing Google application form that is sent via e-mail, BBM, What's App, Line and telegram to the selected respondents.

Respondents of the survey determined by use of judgment sampling method, choosing employees with certain job positions such as supervisor, assistant manager, manager and general manager until vice president or equivalent. Respondents with composition level like that has the competence to provide the required information. Question or statement of questionnaire prepared using a Likert scale type with the lowest score 1, where point out strongly disagree (STS), score 5 which indicated to neutral (N) and score 10 for answering strongly agree (SS) .

Each construct in the conceptual model of research represented respectively by 4 indicators, so total indicators are 16. The manifest customer orientation variable elaborated from study of Cheng dan Krumwiede (2012) which are consist of identification of customer needs or desires (CO1), a response to customer complaints (CO2), a customer satisfaction survey (CO3) and follow up the results of the measurement of customer satisfaction (CO4). Positional advantages indicators adopting from Carbonell dan Rodriguez (2006) research with measurement scale like the technological superiority (PA1), the total benefits of the product (PA2), the diversity of services (PA3) and the uniqueness that is hard to duplicate (PA4). Then the service innovation and marketing performance refers to the article of Grawe *et al*. (2009). Service innovation is reflected by a commitment to innovation services (SI1), the involvement of external parties in the process of repair services (SI2), service modification capabilities (SI3) and always faster than competitors in offering the latest services (SI4). Furthermore, marketing performance measured by sales volume (MP1), market share (MP2), a growing number of subscribers (MP3) and distribution coverage service (MP4). Testing research instruments with software SPSS and Amos shows that both aspects of the construct validity and reliability have met the specified criteria. All indicators exceed the loading factor of 0.5 (except MP4 thus

forced to drop), then a score of CR (construct realibity) and AVE (average variance extracted) also exceeds the benchmark standard of 0.7 and 0.5 (Ghozali, 2013), except SI's AVE has value are relatively marginal, that is 0.466.

4. RESULT AND ANALYSIS

With a total of 300 questionnaires were distributed offline and online, returned as many as 228 or 75.3%. Once validated and issued outlier data, there are 188 data is fit to be tested with Amos. To evaluate the feasibility of the data and the model, Amos simulation output then compared with the standard value of goodness of fit, that is: Probability (p) $\geq$ 0.05; GFI $\geq$ 0.90; AGFI $\geq$ 0.90; TLI $\geq$ 0.95; CMIN / DF $\leq$ 2 and RMSEA $\leq$ 0.08 (Ferdinand, 2014).

Based on the above simulation and model re-specification, the results obtained with p 0.053; chi-square 68.315; chi-square / DF 1.34; GFI 0.945; AGFI 0.902; TLI 0.981 and RMSEA 0.043. All parameters were observed on SEM showed good performance and meet the applicable criteria, so that it can be used to confirm the hypothesis.

Referring to the above findings, there is one hypothesis that is not significant, which H3, while the other 5 proven and significant at the level of $p < 0.001$ (0.1%) for the H1, H2 and H6, while H4 and H5 at the probability $p \leq 0.05$ (5%). Table 2 below summarizes the status of the model and its hypothetical parameters.

Tabel 2 : SEM parameters and hypothesis status

Hypothesis	Path Coefficient	CR	p Value	Status
H1 : CO ---> PA	0,651	4,604	0,000**	Support
H2 : CO ---> SI	0,702	5,974	0,000**	Support
H3 : CO ---> MP	-0,004	-0,023	0,981	Not Support
H4 : SI ---> PA	0,251	2,094	0,036*	Support
H5 : SI ---> MP	0,212	1,958	0,050*	Support
H6 : PA ---> MP	0,628	2,216	0,000**	Support

Catatan : CO = customer orientation, SI = service innovation, PA = positonal advantage, MP = marketing performance

* menunjukkan signifikan pada p < 0.05 dan ** signifikan pada p < 0,001

Source: Primary data (processed)

5. CONCLUSION AND DISCUSSION

In this study, there are three indicators that forced discarded (CO3, PA1 and MP4), in addition to loading problems as well as factors affecting the achievement of full model fit (Ghozali, 2013). Then figure construct validity and reliability of service innovation is relatively lower than other constructs. Such conditions would affect the overall performance of the model. In addition, support the theory constructs relatively limited positional advantage and requires enrichment reference material which is more detailed and comprehensive. Given some constraints as already mentioned, the research is expected to further improve it in terms of justification theory, construction models and the accuracy of the data.

In the academic perspective, this study adds to and strengthens previous research related to relationships between constructs as defined in the hypothesis H1, H2, H4, H5 and H6. While the hypothesis H3 supports previous findings stating that customer orientation does not affect the performance of marketing. Although customer orientation has no direct effect on the performance of marketing, but its contribution is obtained from the mediating effect either through service innovation and positional advantage. So, in a practical context, companies are

expected to improve performance marketing with optimally manage the factors related to service innovation and positional advantage.

From six hypothesis formulated in this study, five hypothesis has been demonstrated and one rest is not supported by research data. Based on these facts, we can conclude that there is no direct impact on customer orientation to marketing performance (Matanda dan Ndubisi, 2009); (Smirnova *et al.*, 2011b); (Beitelspacher *et al.*, 2012) and (Huhtala *et al.*, 2014), but there is an indirect effect through mediation of service innovation and positional advantage. Both of the moderating variable function properly, with note that the effect mediation of positional advantage is more powerful than the effect of mediation through service innovation.

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The dimensions of product quality on customer satisfaction

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Abstract

This study aims to determine and analyze the effect of Dimensions Product Quality on Customer Satisfaction At PT. Hasjrat Abadi Kendari. The sample in this study as many as 40 respondents who are customers using Yamaha Mio Sporty 115. The Method of data analysis used multiple linear regression analysis and using data from respondents and documentation PT. Hasjrat Abadi Kendari. The result of this study showed that the dimensions of products Quality that consist of performance, reliability, durability, serviceability, aesthetics, brand awareness, and features simultaneous significant effect on customer satisfaction in PT. Hasjrat Abadi Kendari. Partially Performance, Durability, Serviceability, and Brand Awareness have significant effect on customer satisfaction in PT. Hasjrat Abadi Kendari. Whereas Reliability and Features partially not significant effect on customer satisfaction in PT. Hasjrat Abadi Kendari.

Keywords: Product Quality, Customer Satisfaction.

INTRODUCTION

Customer satisfaction is one's feelings after comparing the level of performance or results that he felt with his expectations / comparison process in the minds of customers resulting from the gap between the perceptions of customers on product performance with customer expectations when consuming these products (Kotler, 2004).

Customer perceptions on the quality of the products with customer expectations when consuming products intended, the customer feel satisfaction when the quality of service given to customers. Between qualities products with customer satisfaction can be measured by customer satisfaction and substantial overall be positive when customers feel product quality is high, which is felt equally or better than expected. Affect product quality to customer satisfaction using the product again. Presenting a best product to customers in principle is a study concerning the quality of products to create customer satisfaction. That quality is something to be achieved by a product or service. It means that the quality of the whole, the traits and characteristics of a product or service that is able to meet the specific needs of customers (Kotler and Keller, 2007).

Quality has a close relationship with customer satisfaction. Quality gives an impetus to the customer to establish strong ties with the company that in this case there is customer satisfaction. In the long term bond like this allow companies to understand thoroughly their customers' expectations and needs. Thus, companies can increase customer satisfaction where the firm maximizes pleasant customer experience and minimize the less pleasant customer experience (Tjiptono, 2006).

In creating customer satisfaction, the company must be able to improve the quality of its products, giving rise to the customer's satisfaction. Customer satisfaction can be created through the quality of the products supplied by the company to its customers. The high quality of the

products is also not free from the company's internal support, especially the support of human resources (Chen, 2007).

Satisfaction as well as customer dissatisfaction becomes a hot topic discussed at the international / global, national, industry and company. Customer satisfaction is determined by the quality of services / products desired customer, so that the quality assurance a top priority for any company, which is the current benchmark for corporate competitive advantage.

PT. Hasjrat Abadi Kendari is one trading company that main business activity is engaged in the sale of Yamaha brand motorcycles with various types of instance types Soul Mio 125, Mio GT, and Mio motorcycle J. In addition to sales, PT. Hasjrat Abadi Kendari also provide service and sale of spare parts (spare parts) original motorcycle Yamaha brand.

In order to formulate plans, strategies and programs are right marketing, the company must properly use the opportunities that exist, so as to outperform competitors. One method used is to determine the quality of the products that customers want in this case is Customer Yamaha brand motorcycles. Customer satisfaction is meant here is the behavior described in the search for the purchase, use, assess the products and ideas that are expected to or be able to satisfy their needs.

In practice the company has always tried to serve and meet the needs of its customers well, such as providing all kinds of Yamaha that can be considered a customer. And promote the Yamaha motorcycle with characteristics that are not owned another motor, and deliver information to customers the privilege of Yamaha.

PT. Hasjrat Abadi Kendari have a competitor in the management and service of products and services, other competing companies also have in common with PT. Hasjrat Abadi Kendari namely the provision of services and the management of spare parts and repairs, because that PT. Hasjrat Abadi Kendari trying to retain customers by giving satisfaction to customers who in turn will be a source of dynamism improvement of product quality and performance of the company's services.

During this time the company did not know, the level of customer satisfaction with the services provided by PT. Hasjrat Abadi Kendari. Because the enterprise is only likely to attempt to obtain the maximum benefit or profit, but sometimes do not pay attention to customer satisfaction itself, where the level of customer satisfaction in the use of services will result in customer behavior that satisfies customers.

Among the variables that can affect customer satisfaction one of which is a quality product that is a reflection of all the dimensions of product offerings that generate benefits (benefits) for customers. Therefore, the company is very necessary to pay attention to it, because if the quality offered by a product more attractive for customers compared to the quality of the products offered by competing products, it is possible that the product will be able to grab market share, and vice versa if the quality offered by a product less attractive than that offered by a competing product, the greater the likelihood that the product will not compete, or in other words, would not be able to capture market share.

LITERATURE RIVIEW

Product Quality

Quality has been an elusive concept in automotive industry. It is the totality of features and characteristics of a product or service that bears on its ability to satisfy given needs (Winder, 1996 and Chavan, 2003). If a product fulfils the customer’s expectations, the customer will be pleased and consider that the product is of acceptable or even high quality. While studies on the way in which quality affects customer satisfaction have been going for more than two decades, most of the research on how quality affect satisfaction and loyalty in the past has focused largely in pure product (e.g. Garvin 1988, Gronroos 1983, Steenkamp 1990) or pure

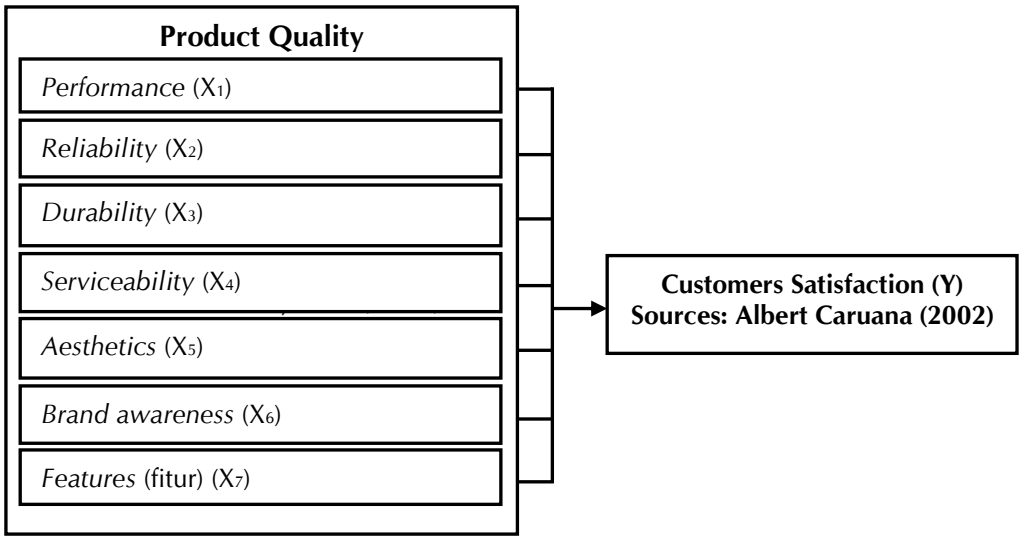
service settings (e.g. Brady and Cronin 2001, Oliver 1997, Parasuraman et al. 1985). Some of Product quality Criteria in automotive industry includes:
Safety , Comfortable and air pollution
- Ergonomics Requirements (Working distance, Clearance ,Weight)
- Product design
- Functional qualities, such as output or kilometer per liter (VVC, 2007; UNIDO, 2006; Wilhelm, 1993
- and Falck et al, 2010)

Customer Satisfaction
Customer satisfaction has been defined in various ways, but the conceptualization, which appears to have achieved the widest acceptance, is that satisfaction is a post-choice evaluative judgment of a specific transaction (Bastos and Gallego, 2008). Customer satisfaction is the result of a customer"s perception of the value received in a transaction or relationship – where value equals perceived service quality relative to price and customer acquisition costs (Hallowell, 1996; Heskett et al., 1990; Blanchard and Galloway, 1994).

While the literature contains significant differences in the definition of satisfaction, all the definitions share some common elements (Giese and Cote, 2002). When examined as a whole, three general components can be identified: 1. Consumer satisfaction is a response (emotional or cognitive); 2. The response pertains to a particular focus (expectations, product, consumption experience, etc.); 3. The response occurs at a particular time (after consumption, after choice, based on accumulated experience, etc)

The effect product quality on customer satisfaction
Proponents of this theory include researchers such as Yi, (1990); Bloemer, et al (1998); Bastos and Gallego (2008); Chai et al, (2009). Thus far, the few studies discuss about the effect of customer service and product qualities on customer satisfaction have been on car owners. Using the critical incident technique, Archer and Wesolowsky (1996) look at how satisfaction with product and service quality simultaneously affects the intention of owners in automobile industry (Chai et al, 2009).

CONCEPTUAL FRAMEWORK



HIPOTHESIS

H 1: Performance has significantly influence customer satisfaction
H2 : Reliability has significant effect on customer satisfaction
H3 : Durability has significant effect on customer satisfaction
H4 : Serviceability has significant effect on customer satisfaction
H5 : Aesthetics has significant effect on customer satisfaction
H6 : brand Awareness has significantly influence customer satisfaction
H7 : Features has significant effect on customer satisfaction
H8 : Performance, Reliability, Durability, Serviceability, Aesthetics, brand Awareness and Features has significant influence on customer satisfaction

METHOD

Population is a combination of all the elements in the form of events, things or people who have similar characteristics that became the center of attention of the researchers (Ferdinand, 2006). This draft, the population is all the customers who use Yamaha PT. Hasjrat Abadi Kendari. According Sugiyono (2003) sampling performed by the sampling method is sampling accidental manner encountered anyone given the same opportunities to be used as a sample of 40 respondents with criteria namely; using Yamaha purchased the PT. Hasjrat Abadi Kendari.

Through theoretical approaches mentioned above, the sample in this study were 40 (forty) respondents. It is already considered representative can represent the population because the population is homogeneous, ie customers who buy a Yamaha PT. Hasjrat Abadi Kendari. Measurement of variables using a Likert scale, the scale can show the respondents to the weight of one to five.

The Method of data analysis used multiple linear regression and using data from respondents and documentation PT. Hasjrat Abadi Kendari.

RESULT AND DISCUSSION

Independent Variable	Regression coefficient (b)	t Sig	Decision to Hypothesis
Performance (X_1)	0,320	0,000	Accepted
Reliability (X_2)	0,228	0,349	Rejected
Durability (X_3)	0,263	0,038	Accepted
Serviceability (X_4)	0,284	0,017	Accepted
Estetika (X_5)	0,021	0,001	Accepted
Brand Awareness X_6)	0,339	0,000	Accepted
Features (X_7)	0,044	0,705	Rejected
Constanta (a)	= 1,147 (Sign = 0,376)		
R	= 0,928		
R Square (R^2)	= 0,862		
SEE	= 0,60045		

Table 1.: Recapitulation Regression Analysis Results Effects of Dimensions of Product Quality on Customer satisfaction

Based on the test results of the regression model, the regression model that states influence the dimensions of product quality to customer satisfaction can be expressed as follows:

Y = 0,320X1 + 0,228X2 + 0,263X3 + 0,284X4 + 0,021X5 + 0,339X6 + 0,044X7

Where:

Y = Customer Satisfaction
X1 = Quality 0.320
X2 = Reliability 0.228
X3 = Durability 0.263
X4 = Serviceability 0.284
X5 = Aesthetics 0.021
X6 = Brand Awareness 0,339
X7 = Features 0.044

The regression coefficient (b) beta (X1) Quality of 0.320, is positive, it means the better the quality of the vehicle, the higher the customer satisfaction.
Regression coefficient (b) beta (X2) Reliability of 0.228, is positive, meaning that the better the reliability of the vehicle, the higher the customer satisfaction.
Regression coefficient (b) beta (X3) Durability of 0.263, is positive, meaning that the better the durability of vehicles, the higher the customer satisfaction.
Regression coefficient (b) beta (X4) Serviceability of 0.284, is positive, meaning that the better serviceability of the vehicle, the higher the customer satisfaction.
Regression coefficient (b) beta (X5) Aesthetics of 0,021, is positive, meaning that the better the aesthetics of the vehicle, the higher the customer satisfaction.
Regression coefficient (b) beta (X6) Awareness of the brand amounted to 0,339, is positive, meaning that the better awareness of vehicle brand, the higher the customer satisfaction.
Regression coefficient (b) beta (X7) Features of 0,044, is positive, meaning that the better the vehicle features the higher customer satisfaction.
Based on the above regression model can be put forward some of the following:

Correlation coefficient
Based on calculations, the correlation coefficient obtained at 0.928. This shows that the closeness of a direct relationship between the variables of product quality to customer satisfaction is equal to 0.928.

Coefficient of Determination
Based on the results of coefficient determination obtained at 0,862. This shows that the dimensions of the quality of products made by customer users Yamaha Mio Sporty 115 is influenced by variables by 86.2% customer satisfaction. The rest is 13.8% explained by other factors not included in this research model.

F test (testing hypotheses simultaneously)
Simultaneously testing (F test) was conducted to prove the first hypothesis which states "the quality of products simultaneously have a significant impact on customer satisfaction in PT. Hasjrat Abadi Kendari "whether accepted or rejected.
Results of testing the hypothesis that the quality of products significantly influence customer satisfaction on PT. Hasjrat Abadi Kendari can be evidenced by the significant value of F (Fsig) of = 0.000 which is smaller than $\alpha = 0.05$ (Fsig $0.000 < 0.05$).
It can be interpreted that the variable quality of products consisting of performance (X1), reliability (X2), Durability (X3), Serviceability (X4), Aesthetics (X5), Awareness Brand (X6) and Features (X7) effect simultaneously to variable customer satisfaction (Y) on PT. Hasjrat Abadi Kendari. Thus first proposed hypothesis is accepted.

T-test (testing the hypothesis partially)
Partial test (t test) was done by comparing the significant value t (t sign) with a value of alpha ($\alpha = 0.05$) at 95% confidence level.

Hypothesis testing results show that:
1. Performance has significantly affects customer satisfaction indicated significant value 0.000 <0.05, so the hypothesis can be accepted. On the basis of this same performance variable can be included as one of the variables that significantly influence on customer satisfaction on PT. Hasjrat Abadi Kendari.
2. Reliability has not significant effect on customer satisfaction indicated significant value $0.349 > 0.05$, so the hypothesis can be accepted. On the basis of this same variable reliability cannot be included as one of the variables a significant influence on customer satisfaction on PT. Hasjrat Abaadi Kendari.
3. Durability significantly affects customer satisfaction indicated significant value $0.038 < 0.05$, so the hypothesis can be accepted. On the basis of this same durability variable can be included as one of the variables that significantly influence on customer satisfaction on PT. Hasjrat Abadi Kendari.
4. Serviceability significantly affects customer satisfaction indicated significant value 0.017 <0.05, so the hypothesis can be accepted. On the basis of this same serviceability variable can be included as one of the variables that significantly influence on customer satisfaction on PT. Hasjrat Abadi Kendari.
5. Aesthetics significantly affects customer satisfaction indicated significant value $0.001 < 0.05$, so the hypothesis can be rejected. On the basis of this same aesthetic variable may be included as one of the variables that significantly influence on customer satisfaction on PT. Hasjrat Abadi Kendari.
6. Awareness of the brand significantly affects customer satisfaction indicated significant value $0.000 < 0.05$, so the hypothesis can be accepted. On the basis of this same variable brand awareness can be included as one of the variables that significantly influence on customer satisfaction on PT. Hasjrat Abadi Kendari.
7. Features have not significant effect on customer satisfaction indicated significant value $0.705 > 0.05$, so the hypothesis can be accepted. On this basis also features variable cannot be included as one of the variables that significantly influence on customer satisfaction on PT. Hasjrat Abadi Kendari.

The effect product quality on customer satisfaction
According to the result of this study that the variable product quality consist of performance, reliability, Durability, Serviceability, Aesthetics, Awareness Brand and Features simultaneously has significant effect to customer satisfaction on PT. Hasjrat Abadi Kendari. It means that the good quality of the product can improve the customer satisfaction.

Based on partially test showed that Performance, Durability, Serviceability, Aesthetics, brand Awareness has significantly influence on customer satisfaction. But Reliability and Features have not significant effect on customer satisfaction. It means that according to customers' perception that Yamaha MIO sporty possibilities little will be damaged or failing to wear. The results of this study are consistent with research conducted by Bloemer, et al (1998); Bastos and Gallego (2008); Chai et al, (2009).

CONCLUSION
Performance has significant effect on customer satisfaction. Reliability has not significant effect on customer satisfaction. Durability has significant effect on customer satisfaction. Serviceability

has significant effect on customer satisfaction. Aesthetics has significant effect on customer satisfaction. rand Brand Awareness has significant effect on customer satisfaction. Features have not significant effect on customer satisfaction. The dimensions of quality products consist of performance, reliability, durability, serviceability, aesthetics, brand awareness, and features simultaneous has significant effect on customer satisfaction in PT. Hasjrat Abadi Kendari.

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The impact of supply chain operational capability on business performance of small and medium enterprises in Yogyakarta

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Abstract

This study aimed to analyze the effect of supply chain capability to the business performance of SMEs in Yogyakarta. Supply chain capability is the ability to coordinate activities related to the flow of materials and products, both of which are within the organization and between organizations. Supply chain operational capability is measured using 3 capabilities, namely the structural capability, logistics capability and the technological capability. The sampling method in this study used simple random sampling method which is taking randomly samples from the members of the population without regard to strata existed in the population. A total of 193,391 SMEs were used as a population in this study and resulting 100 SMEs that were used as the needed samples. Moreover, this study used multiple regression analysis to examine the effect of supply chain capability towards the business performance of SMEs in Yogyakarta. The results showed that simultaneously and partially operational capability of supply chain consisting of the structural capability, logistics capability and the technological capability could affect the business performance of SMEs in Yogyakarta.

Keywords: *SME, Supply Chain Operational Capability, Business Performance*

INTRODUCTION

The rapid development of information, communications, technology and manufacturing process resulted in the short-life cycle of the products. Therefore, every company will do everything possible to improve their productivity, efficiency, and services to be faster, easier, and also continue to create new innovations to keep being superior and prefential and to survive in the market. In addition to productivity and efficiency which needs to be improved, the company must also understand and know what is needed by the consumer. Due to the intense competition and the change occurred on the business environment these days, the market demands a new model in the management of the flow of products / information particularly on marketing the product, which is a modification of a previous method (logistics management), the Supply Chain Management (SCM).

According to Levi, et.al (2000) SCM is an approach used to achieve a more efficient integration of suppliers, manufacturers, distributors, retailers and customers. It means that the goods are produced in the right quantity, at the right time and at the right place with the aim of achieving the cost of the overall minimum system and also achieve the desired service level. SCM is able to cope with the supply problems in a state that the product is available and suitable for consumption.

One industry group that requires the implementation of Supply Chain Management is the Small and Medium Enterprises (SMEs). The types of small and medium enterprises (SMEs) in

developing countries have reached 30% -60% of the total types of businesses. In Indonesia alone, the total types of the small and medium enterprises are about 37%-43% in Java and 40%-50% in the outer (Sriyana, 2010). Meanwhile, the main problem of SMEs is that there is still existence of unstable financial and the difficulty of finding a loan. The procurement of raw materials also becomes a problem due to the high price of raw materials. The high cost of raw materials ranked the largest in the burden of the costs of SMEs in the amount of 32%, while labor and fuel of each only need 23% and 21% (Sriyana, 2010).

SMEs must be managed properly and neatly, thus that kind of problem does not arise again. SMEs are also expected to be able to get better counseling or business services, so that it can access financing, marketing, and raw materials with ease. On the other hand, SMEs need a serious integration of the planning process of ordering and sales. In the world of competition, the implementation of Supply Chain Management (SCM) can reduce the cost effects of the competition in the market.

The principles of Supply Chain Management (SCM) is essentially the synchronization and the coordination of activities related to the flow of materials and products, both of which are within the organization and between the organizations. The flow of materials / products in one organization, for example the manufacturing industry, is complex. It requires the intervention of all parties, not just those who are directly traversed by the flow of materials / products physically, but also other parts such as product design, marketing, accounting, and many others.

The approach of Supply Chain Management are well aware that the vast majority of an industrial business should be done on the basis of cooperation with external parties. The raw materials oftenly become a major component of production cost which was obtained from the suppliers (outsiders). Meanwhile, the payments of business transactions require the services of a third party, namely banking intermediation. The delivery of raw materials from suppliers as well as the finished products to the distributors often use the services of the third party. The technology and information systems may also be provided and maintained by the third parties. Consequently, only companies that are able to establish and maintain the relationships with the outside parties that can survive strongly in the market competition. Based on these problems, this study was conducted to determine the influence of supply chain operational capability of the business performance of SMEs in Yogyakarta.

LITERATURE REVIEW

Small and Medium Enterprises

The Central Bureau of Statistics, in Sriyana (2010), defines Micro Bussiness as a business which has a workforce of more than 4 people. Whereas, the Small Business based on Act No. 9 of 1995 is the small-scale productive business which meet the criteria of net worth at most IDR 200,000,000 (two hundred million rupiahs) not including the land and buildings of business place, or which have sales revenue at most IDR 1,000,000,000 (one billion rupiahs) per year and can receive credit from the bank maximumly above IDR 50,000,000 (fifty million rupiahs) up to IDR 500,000,000 (five hundred million rupiahs).

The World Bank, in Sriyana (2010), defines a Small Business or Small Enterprise, with the following criteria: the number of employees is less than 30 people; the year incomes do not exceed US$ 3 million; and the total assets do not exceed US$ 3 million. However, the current understanding of the Small Business, based on the Act No. 20 of 2008, it was the productive economic activities that stand alone, carried out by an individual or business entity which is not a subsidiary or not the branches of companies owned, controlled or be a part, either directly or indirectly from the medium or large businesses that have a net worth of more than IDR 50,000,000 (fifty million rupiahs) up to at most IDR 500,000,000 (five hundred million rupiahs)

not including land and buildings of the business place; or have the annual sales of more than IDR 300,000,000 (three hundred million rupiah) up to at most IDR 2,500,000,000 (two and a half billion rupiahs).

Supply Chain Management

According Heizer and Render (2005), the Supply Chain Management is covering the entire interaction between suppliers, manufacturers, distributors, and consumers. This interaction is also associated with the transport, scheduling information, credit and cash transfers, as well as the transfer of raw materials between the parties involved.

The Supply Chain Management (SCM) is a strategic consideration in order to obtain a competitive advantage. The supply chain management policy will significantly affect the company's operations as well as other operating strategies. Indrajit and Djokopranoto (2002) elaborated the activities that can be done in support of Supply Chain Management, which are, to develop the relationship of partnership with he organizations upstream and downstream, to seek the information flow both upstream and downstream accurately and on time, while in the logistics field, it can be done through giving the supply of goods whenever necessary, a quick delivery in accordance with orders, the raw material procurement functions in accordance with the demand for the products, and the distribution strategy which should be done effectively and efficiently.

Traditionally, the marketing, distribution, planning, manufacturing processes, and the purchasing function along the supply chain is operated separately. Each piece has a specific target so that it tends to generate the conflicts among every sections. Meanwhile, the target marketing of the high service given to the consumers and the maximization of the sales often collide with the importance of manufacturing fields and distribution purposes. Many manufacturing operations are designed to maximize the output and to low the cost with a little consideration of the impact on the level of inventory or distribution capabilities.

Moreover, the purchase contracts are often negotiated with the information about the limited historical purchasing patterns. Therefore, we need a plan which is integrated into a single purpose and unity, i.e customer satisfaction. The Supply Chain Management is a strategy to achieve the integration of this kind, so that the coordination among every sections in a chain can be the key to effective management of SCM.

The Indicators of Supply Chain Operational Capability

The indicators of supply chain operational capability in the small and medium enterprises consist of three things: structural capability, logistics capability, and technological capability (Zulkifli, 2010). An explanation of each indicator is as follows:

Structural Capability

The structural capability is one of the indicators used to assess the supply chain operational capability. The structural capability is often called as the Human Resources capital or human capital. Zairi (1998) in Zulkifli (2010) emphasized that people are the most important assets in an organization, and the success of an organization depends more on the people that are inside the organization itself as compared to the products they produce.

The success of a company depends on the internal and external structure. According to Bowersox and Daugherty (1995), the internal structure is defined as "the allocation or assignment of roles and relationships within the company". This structure controls several functional tasks such as sales / marketing, accounting, manufacturing / operations and logistics; This task is derived from the ability of the company and its core competencies and is the backbone of its ability to develop a good performance.

Whereas, the external structure aims to maintain a good relationship between trading partners or suppliers with the company (Bowersox and Daugherty, 1995). Therefore, the managers of the company are encouraged to have a good knowledge of how the company collaborated with others (related parties) both inside and outside their organization. Similarly, companies also need to train their managers to direct the energy of their employees towards the desired goal and good performance (Zulkifli, 2010).

Logistics Capability

Ellinger et al. (2000) in Zulkifli (2010) stated that there is a relationship between logistics capability and integrated performance with the other functional areas within the company, such as marketing, finance and operations. Several studies had shown that the performance and capabilities of logistics related to each other in order to develop the company's market share (Zulkifli, 2010). Meanwhile, Cho et. al (2008) found the logistics company's ability to improve performance should be supported by a third party in this case is a logistics provider, or more commonly known as a 3PL.

According to Sohail and Sohal (2003) in Zulkifli (2010), most companies are satisfied with the services provided by 3PL because it encourages a positive development in the organization. Most of those who use 3PL to enter the international market is because they provide benefits in terms of cost and delivery time. Therefore, companies should pay attention to the good logistics activities to develop a good distribution channels to prepare a coherent distribution planning and creating a smooth delivery process (Kallio, 2000 in Zulkifli, 2010). Several studies had shown the ability of logistics as a key factor in the operation of supply chain activities to gain and maintain a competitive advantage (Yong et al., 2007).

Technological Capability

The implementation of the technology aspect is very important for every company. Thus, another focus of this paper is on the development of technological capability as a part of the supply chain operations of SMEs in Indonesia. Technological capability focuses on the productive enterprises abilities to face the technological development of industrial and technological change (Lall, 1993 in Zulkifli, 2010). Meanwhile, Zulkifli (2010) mentioned some of the factors that hinder the company related with the implementation of information and technology, which are::

1. the view of information and technology as a very cumbersome and too complex;
2. the requirement of information and technology in a substantial investment;
3. the incapacity companies in developing information and technology strategies.

In support of the previous statements, Sayuti (2007) in Zulkifli (2010) said that SMEs should focus on the development of organizational learning to continue to adopt the technology in their operating systems to be more competitive in today's global marketplace. Failure to identify the technological capability will contribute to the difficulties in developing new products or production techniques.

Business Performance

Generally, business performance can be described as the operational capability to satisfy the company's main stakeholders (Smith and Reece, 1999, in Zulkifli, 2010). Business performance should be assessed to achieve the organizational goals by the way of measuring the success or the failure and the business performance which can be defined in several ways. For example, the measurement of performance may be based on the profits, return on investment and revenues or the number of customers (Wood, 2006).

Business performance is also related with the marketing and finance field, for example, profitability, market share and sales growth (Feng et.al, 2008). Business performance can also be measured using two quality variables: the design quality and the product improvement (Laura, 1996 in Zulkifli et.al, 2010). However, there is a debate regarding the use of the return on investment (ROI) and the return to measure the financial performance. If there is a change in operations, ROI measurement will be affected and resulted in a poor performance. In the same way, the advantage is also not a good indicator to measure the performance of SMEs, which will follow the remuneration policies that reduce the income tax liability (Simpson et al., 2006 in Zulkifli, 2010).

In this study, the business performance of SMEs were assessed by the indicators developed by Mann and Kehoe (1994) which was also used by Zulkifli et.al (2010). According to Mann and Kehoe (1994) in Zulkiflie et.al (2010), business performance is categorized into two broad areas: the business strategic performance and the operational business performance. The business strategic is related with the evaluation of organizational performance in terms of the major corporate objectives, while the operational business performance is related with the daily organizational actions.

Research Framework and Hypotheses

A study that examine the effect of operational capability in supply chain of the business performance of UKM in Malaysia is conducted by Zulkifli (2010). The operational capabilities of the supply chain consist of three things: structural capabilities, logistics capabilities, and logistical capabilities. This study uses 1402 companies including UKM in Malaysia. By using multiple regression, the results of this study are the operational capabilities of the supply chain consist of three things: structural capabilities, logistics capabilities, and technological capabilities which have a significant effect on business performance.

The framework is described as follows**:**

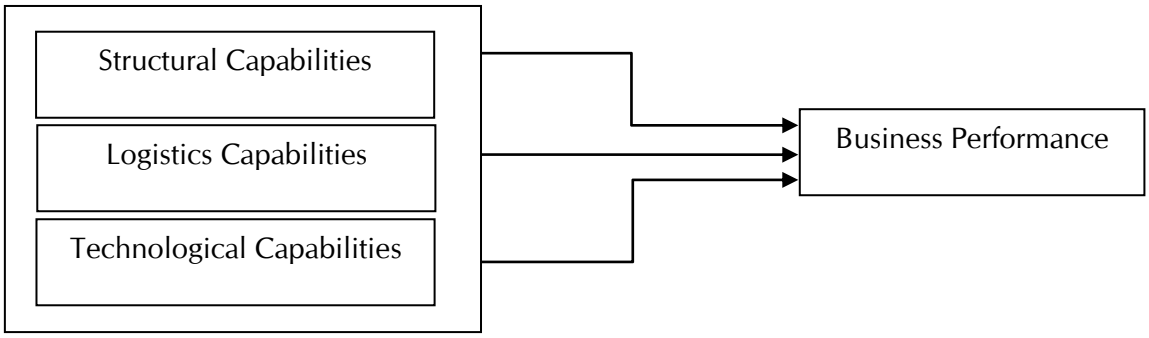


Figure 1. Framework

Based on the framework above, the hypothesis in this study are as follows:

H1: Operational performance *supply chain* which consist of structural capabilites, logistics capabilities, and technological capabilities partially affect on the business performance of UKM in Yogyakarta

H2: Operational performance *supply chain* which consist of structural capabilites, logistics capabilities, and technological capabilities together influence business performance of UKM in Yogyakarta

RESEARCH METHOD

Population and Sample

Population is a generalization region that consist of: objects or subjects that have certain qualities and characteristics defined by the researcher to be studied and then drawn the conclusion (Sugiyono, 2010). In this study, the population is the entire UKM in Yogyakarta, which is registered in the Office of P samples which are used 100 UKM in Yogyakarta. The sampling technique used was simple random sampling that is taking members of the sample of the population that is done randomly without regard to strata that exist in the population (Sugiyono, 2010).

Variables

In this study the independent variable is the Supply Chain Operational Capability (X) consisting of structural capabilities (X1), logistics capabilities (X2), and the technological capabilities (X3). The dependent variable is the performance of business or business performance of UKM (Y).

Structural capabilities often called human resourcesl. Zairi (1998) in Zulkifli (2010) emphasizes that people are the most important assets in an organization, and the success of an organization depends more on the people that are inside as compared to the products they produce. Indicators of structural capability are the organizational structure, extensive training, supervision of employees, ability of interaction, human resources and empowerment.

Logistics capability is the logistics activities that are good for developing a good distribution channel set up a distribution planning coherent and creating a delivery process that is smooth (Kallio 2000 in Zulkifli, 2010). Indicators of logistics capability are infrastructure logistics, location of suppliers, fast delivery, reliable delivery, cost of poor distribution, warehouse distribution and scope of distribution capability of technology is the ability of productive enterprises to face the technological development of industrial and technological change (Lall, 1993 in Zulkifli 2010). Indicators of technological capabilities are as follows: information system, network information, the cost efficiency of information systems, sharing of information, the low rate of defective products, production capacity and just-in-time strategy

Business performance of the company is something that is produced by a company in a given period with reference to establish standards. The company's performance should be an outcome that can be measured and described the empirical conditions a company of any size agreed. Business performance refers to how well a company oriented to the market as well as the destination of the financial (Rahmasari, 2011). Indicators of business performance according to (Zulkifli, 2010) are as follows: The growth of the market share, development of revenue, Suppliers product quality, communication with suppliers, delivery performance, inventory levels of raw materials, lead time raw materials, product quality, level of assessment performance, employee skills, the department promotion, customer complaints, customer loyalty, or Awards achievements and Handling of customer orders.

Data analysis technique

Prior to the data analysis, it is earlier tested the validity and reliability. The validity of the test results showed that all the questions can be declared valid, and the reliability of the results of all the variables can be declared reliable. Furthermore, the data are tested which consist of classical assumption of multicollinearity, heteroscedasticity, normality and linearity.

To test the hypothesis of the study, the researcher uses simple linear regression analysis and multiple regression analysis. By using the t test and F test with a significance level of 5%, and the coefficient of determination (R2), the study is tested.

RESULTS AND DISCUSSION

Characteristics of Respondents

The primary data that have been collected by the researchers then analyzed. Analysis of the characteristics of respondents include the type of business which shows the type of the respondent's business namely services, manufacturing, furniture, culinary and convection respectively by 20 respondents or 20%.

Table 1: Characteristics of Respondents Based on The type of the Respondent's Business

The type of Business	Total	Percentage
Services	20	20%
Manufacturing	20	20%
Furniture	20	20%
Culinary	20	20%
Convection	20	20%
Total	100	100%

Source : Primary Data, 2014

Descriptive Analysis of the Research Variables

The following are the results of the descriptive analysis of the answers given by respondents to the variables of this study. This analysis was conducted to obtain an image of the respondents' assessment of all the variables comprising structural capabilities, logistics capabilities, technology Capabilities and business performance. Descriptive results or assessment of respondents on the variables shown in the following table:

Table 2: Descriptive Statistics of Research Variable

NO	Variables	Mean	Categories
1	Structural capabilities	3,26	Average
2	Logistics capabilities	2,99	Average
3	Technological capabilities	3,99	Good
4	Business performance	3,75	Good

Based on the descriptive results of the assessment of respondents in the research variables showed that most respondents have given a fairly good assessment on the structural capabilities variables (3.26) and logistics capabilities (2.99), as well as good judgment on the technological capabilities of variables (3.99) and business performance (3.75).

Validity and Reliability Test Results

This analysis is used to measure how closely a test can perform the function of size. The higher validity of a device, the more precise the measuring device on target, and conversely the lower a measuring device, the more remote gauges in the target market. The technique used is Pearson Correlation.

Reliability testing was intended to determine the level of consistency of responses to questionnaires, so as to demonstrate the reliability of a measuring instrument. In this test, it used Cronbach's Alpha test. Cronbach's Alpha values > 0.6, the instrument can be expressed reliably. Validity and reliability of test results are shown in Table 2 below:

The validity of test results using the following criteria: = 95 percent confidence level (α = 5 per cent), the degree of freedom (df) = n - 2 = 100-2 = 98, obtained r table = 0,197. If $r_{counted}$ is greater than r_{table} and the value of r is positive, then the evidence is said to be a valid statement. Table 3 shows that all the indicators used to measure the variables used in this study

had a greater correlation coefficient of r table = 0,197 (r value table for n = 100), so that all the indicators are valid.

Table 3 : Results of Validity Test of Questionnaires

Statement	$R_{counted}$	r_{table}	Description	Alpha Crobach	Description
Structural Capabilities				**0,612**	**Reliable**
X1.1	0,512	0,197	Valid		
X1.2	0,546	0,197	Valid		
X1.3	0,432	0,197	Valid		
X1.4	0,605	0,197	Valid		
X1.5	0,710	0,197	Valid		
X1.6	0.704	0,197	Valid		
Logistic Capabilities				**0,603**	**Reliable**
X2.1	0,587	0,197	Valid		
X2.2	0,736	0,197	Valid		
X2.3	0,265	0,197	Valid		
X2.4	0,772	0,197	Valid		
X2.5	0,316	0,197	Valid		
X2.6	0,579	0,197	Valid		
X2.7	0,531	0,197	Valid		
Technologic Capabilities				**0.910**	**Reliable**
X3.1	0,847	0,197	Valid		
X3.2	0,849	0,197	Valid		
X3.3	0,868	0,197	Valid		
X3.4	0,719	0,197	Valid		
X3.5	0,834	0,197	Valid		
X3.6	0,799	0,197	Valid		
Business Performance				**0,692**	**Reliable**
Y1	0,441	0,197	Valid		
Y2	0,351	0,197	Valid		
Y3	0,414	0,197	Valid		
Y4	0,467	0,197	Valid		
Y5	0,452	0,197	Valid		
Y6	0,499	0,197	Valid		
Y7	0,602	0,197	Valid		
Y8	0,486	0,197	Valid		
Y9	0,467	0,197	Valid		
Y10	0,380	0,197	Valid		
Y11	0,546	0,197	Valid		
Y12	0,428	0,197	Valid		
Y13	0,382	0,197	Valid		
Y14	0,354	0,197	Valid		
Y15	0,410	0,197	Valid		

Source: Primary Data, 2014

From the reliability test results, it is obtained reliability coefficients for all variables used in this study is greater than the critical value is 0.6 so that it can be concluded that all the questions contained in the questionnaire of this study can be declared reliable. It means that this questionnaire had consistent results if done in time measurement and model or a different design.

Classical Assumption Test Results

Normality test is done by using a normal curve aims to test whether the regression model, or residual confounding variables have a normal distribution, as is well known that the t test and the F test assumes residual values follow a normal distribution. Normality test results can be shown in Figure 2,

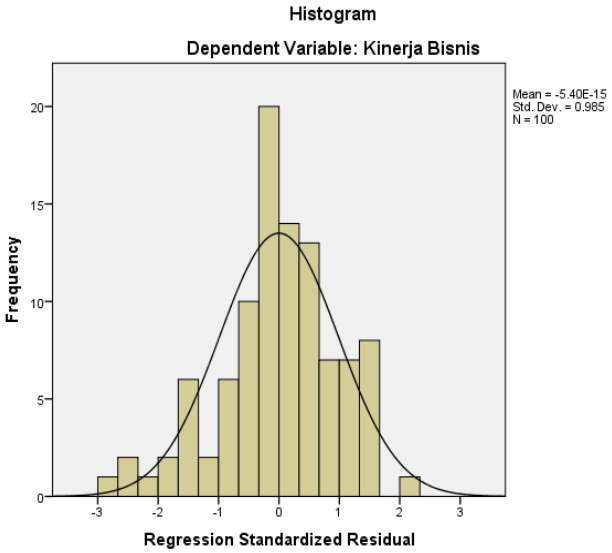
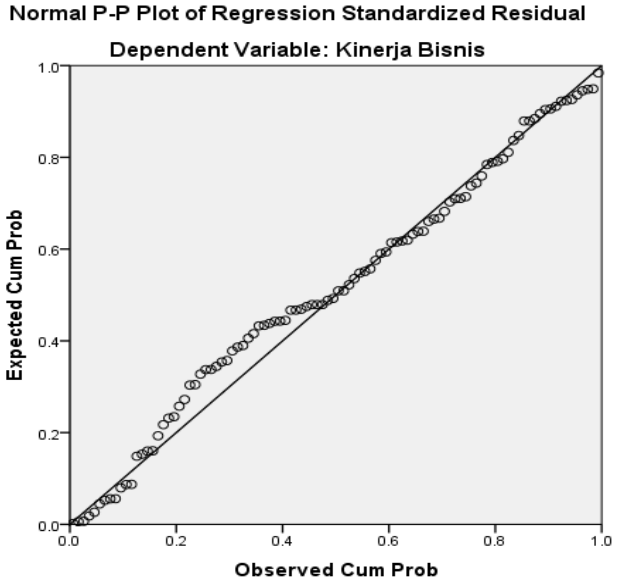


Figure 2: Results of Testing Normality

From Figure 2, it can be seen that the distribution of the data that is spread evenly tend to follow the normal curve. It can be concluded that the linear regression model was used normal distribution of data. Likewise, the output Normal PP Plot follows:



Multicolinearity classical assumption test is known from VIF value for each indicator. Requirements to be considered free from multikolinier is that if VIF is less than 10 and a tolerance value of more than 0.10, so it was concluded that the model is not affected by multikoliniearitas symptoms. Multikoliniearitas test results are shown in the following table:

Table 4 : Multicolinearity classical assumption

Coefficients[a]

Model	Collinearity Statistics	
	Tolerance	VIF
Structural Capabilities (X1)	.635	1.576
Logistic Capabilities (X2)	.812	1.231
Technologic Capabilities (X3)	.537	1.862

a. Dependent Variable: Business Performance

Hypothesis test result

The test result on the multiple regression model that testing the *supply chain* operational capability influence, using the structural capability dimension, logistic capability and technological capability on the performance of SME businesses in Yogyakarta can be seen in the following table 5:

Table 5 : Regression Result

Independent Variable	Regression coefficient	Sig-t (p-value)	Partial correlation (r)	Partial correlation coefficient (r^2)
Constant	1,075			
Structural Capability (X_1)	0.450	0.000	0.539	0.291
Logistic Capability (X_2)	0.163	0.018	0.240	0.058
Technological Capability (X_3)	0.181	0.004	0.285	0.081
F calculation	45,890			
Sig-F	0.000			
Adjusted R^2	0,576			

In this research used multiple linear regression equation model as follow:

$$Y = b_0 + b_1X_1 + b_2X_2 + b_3X_3 + e$$

By paying attention of regression model and the result of the multiple linear regression, the equation of *supply chain* operational capability influence on SME business in Yogyakarta is created as follow:

$$Y = 1,075 + 0,450X_1 + 0,163X_2 + 0,181X_3 + e$$

Partial test to prove the influence of independent variable on dependent variable use t-test. By comparing the p-value (sig-t) with the tolerable significance level (5 percent), can be used to conclude the rejection or acceptance of the hypothesis. The structural capability variable has the p-value (0,000). Therefore, the value of sig t (0,000) $<$0,05, so it can be concluded that Ho is rejected, which means that there is a positive significant influence of the structural capability in SME business performance in Yogyakarta. Likewise the logistic capability variable has p-value (0,018). Therefore, the value of sig t (0,018) $<$0,05, therefore it can be concluded that Ho is rejected, which means there is a positive significant influence of logistic capability in the SME business performance in Yogyakarta. The influence of technological capability has p-value (0,004). Therefore, the value of sig t (0,004) $<$0,05, therefore it can be concluded that H is rejected which means there is a positive significant influence of the technological capability on the SME business performance in Yogyakarta.

From the result of the hypothesis testing above, it can be concluded that the *supply chain* operational capability that consists of structural capability, logistic capability and technological capability partially influence the performance of SME business in Yogyakarta so that the first hypothesis in this research is supported.

The result of F test is used to know the simultaneous influence of the *supply chain* operational capability on the performance of the SME business in Yogyakarta. The testing is performed by comparing the value of sig $F_{calculation}$ with the significance level of 5%. The significance level used is 5 percent so that the value f sig-F is 0.000.

Based on the regression result table, it is known that the value of F calculation is 45,890 with the p-value of 0,000. In the significance level of 5%, this result is significant because the p-value (0,000) < 0,05. It shws that the *supply chain* operational capability that consists f structural capability, logistic capability and technological capability has simultaneous influence on the SME business performance in Yogyakarta therefore the second hypothesis in this research is supported.

Determination coefficient

In the regression analysis, there is a multiple determination coefficient can be used as a measure to state the compatibility of the regression line gained, the bigger the value of R^2 (R Square), the stronger the capability of regression model gained to explain the real condition. If R^2 equal to 1, the regression function 100% explains the variation of Y value, and conversely if the value is 0, the model used is completely not close to Y value. The compatibility of the model is good if the value of R^2 close to 1

The result of determination coefficient (Adjusted R^2) is 0,576, therefore it an be said that 57,6 percent of the SME business performance is influenced by *supply chain* operational capability that consists of structural capability, logistic capability, and technological capability. While the remaining 42.4 percent is influenced by other variables not included into the research model.

Partial determination coefficient correlation analysis

To know the *supply chain* operational capability factor consists of structural capability, logistic capability and technological capability, we use the influence weight which is shown by the partial determination coefficient. The biggest result of the partial determination coefficient testing (r^2) is shw by the structural capability variable (X_1) which is 0,291 or 29,1 percent. Therefore, structural capability variable (X_4) has the biggest influence on the SME business performance in Yogyakarta.

DISCUSSION

Based on the t-test it can be concluded that the structural capability has positive influence on the SME business performance. It shows that the bigger the company's structural capability, that consists of organizational structure, extensive training, employee monitoring, interaction capability, human resources, and empowerment will improve the company's business performance. The human resources capability can be seen from the responsibility level given t them, in which the responsibilities are explained in the *job description*. With a clear *job description,* it can help one to perform their duty well. In performing the function of each employee must have the skills to improve the performance of the company.

Logistic capability has a positive influence on the SME business performance. IT shows that the bigger the logistic capability of a company, that consists of logistic infrastructure, supplier location, fast delivery, reliable delivery, low distribution cost, distribution warehouse, and distribution scope will improve the company's business performance. More innovated company in managing their logistic capability can improve a more responsive organization operational, which in the end will improve the company's service and decrease the logistic problems. Cho et al. (2008) stated that the logistic capability of the company in improving performance must be supported by the third party in this term is the logistic supplier or

commonly known as 3PL.

Technological capability has positive influence on the SME business performance. IT shows that if the company improves the company's capability that consists of information system, information network, information system cost efficiency, information sharing, the low level of defective products, production capacity, and just-in-time strategy will improve the SME business performance value. Based n t-test, it can be concluded that technological capability has a positive influence on SME business performance. IT shows that if the company improve the company's capability that consists of information system, information network, information system cost efficiency, information sharing, the low level of defective products, production capacity, and just-in-time strategy will improve the value of SME business performance.

In this term, technological capability is the most important aspect of the information technology will help the improvement of information quality. One of the examples of information technology is computer that can help accelerate the work being done, by using computer, the work will be more accurate and consistent in calculation compared to manual system so that the company's performance will be improved.

There is a simultaneous influence of the *supply chain* operational capability that consists of structural capability, logistic capability and technological capability on the SME business performance in Yogyakarta therefore the second hypothesis in this research is supported. It shows that higher the *supply chain* operational capability, the higher the SME business performance in Yogyakarta. The value of F calculation is 45,890 with the p-value 0,000. In te significance level 5%, this result is significant because the p-value (0,000) < 0,05. It shows that the *supply chain* operational capability that consists of structural capability, logistic capability and technological capability simultaneously influence the SME business performance in yang terdiri kapabilitas struktural, kapabilitas logistik dan kapabilitas teknologi berpengaruh secara simultan terhadap kinerja bisnis UKM di Yogyakarta.

These results are in compliance with the result of the research by Zulkifli (2010) that shows that the structural capability, logistic capability and technological capability on the SME business performance.

CONCLUSION

Based on the result of the research that has been explained in the previous chapter, it can be concluded that:

1. There is a simultaneous influence of the *supply chain* operational capability that consists of structural capability, logistic capability and technological capability on the SME business performance in Yogyakarta therefore the first hypothesis in this research is supported. It shows that the higher *supply chain* operational capability will improve the SME business performance in Yogyakarta.
2. There is partial influence of the *supply chain* operational capability that consists of structural capability, logistic capability and technological capability on the SME business performance in Yogyakarta therefore the second hypothesis in this research is supported. It means that the higher the *supply chain* operational capability that consists of structural capability, logistic capability and technological capability will improve SME business performance in Yogyakarta therefore the second hypothesis of this research is supported.

MANAGERIAL IMPLICATION

Based on the conclusion above, the company can manage their supply chain operational capability as follows:

1. With the *supply chain* operational capability consists of structural capability, logistic capability and technological capability simultaneously and partially influence the SME

business performance, the SME must consider those factors in the effort of improving business performance through empowerment of organization culture, employee training, and information system development.

2. From the descriptive analysis, it can be concluded that structural capability is the variable which is valued the lowest by the respondents. Based on this, the company must improve their capability in organizational structure, extensive training, employee monitoring, interaction capability, human resources and empowerment.

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Understanding the factors influencing undergraduate students intention to adopt marketing majoring

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Abstract

This study aimed to examine the relationship among intrinsic motivation, variety of career, introductory unit of marketing course and intention to adopt marketing majoring among first year undergraduate business students in Malaysia. A total 184 questionnaires were collected via convenience sampling from undergraduate students from public and private universities located in Klang valley and Selangor in Malaysia. Regression analysis using SPSS was used to access the relationship between the proposed variables. The findings revealed that all three factors namely, intrinsic motivation, variety of career and introductory unit of marketing course were found to have a statistically significant influence on intention to adopt marketing majoring.

Keywords:Intrinsic motivation; variety of career; introductory unit of marketing course; intention to adopt; marketing majoring; undergraduate students

INTRODUCTION

Business schools are facing an increasingly challenging marketing atmosphere. Internal departments within business schools were competing for the same student pool (Hugstad, 1997). It is found that, marketing departments within many undergraduate business schools are experiencing a decline in the market share of business majors (Hugstad, 1997). At the same time, there has been a decline in the quality and quantity of students attracted to a major in marketing (Hugstad, 1997; Newell, Titus & West, 1996). Past study found that, students might be selecting marketing as a second choice or fall back major when they are not successful in gaining entry to more preferred disciplines such as accounting or finance (LaBarbera&Simonoff, 1999). Thus, the quality of students opting for marketing major may be declining with many of the top-skilled students in the pool of business majors "tapped off" by other business disciplines (Hugstad, 1997).

Several researchers exhort marketing educators to identify the requirements of their student customers (Floyd & Gordon1998), to develop a customer orientation (Stafford 1994), and to adopt effective marketing strategies (Hugstad 1997) in view of the high competition in the marketplace. Schmidt, Debevec, and Comm (1987) argued that "suppliers of educational services need to know what criteria will influence their buyers' choices". Stafford (1994) reasoned that "educators should be more concerned with factors affecting choice of and satisfaction with services offered in marketing education". Furthermore, understanding the reasons behind students' choice of marketing major becomes important because "a student's major often becomes an important part of his or her self-definition or role identity (Kleine, 2002).

Hence, understanding the reasons why students choose to major in marketing can be a first step for educators in under-standing their expectations of the marketing schools and subsequently work toward enhancing their identity. Earlier Research Earlier research has

examined issues such as how to market a marketing major (Hugstad 1997), reasons behind students' choice of marketing electives (Stafford, 1994), why students change their major (Kohli 1995), the criteria marketing majors consider when selecting a college (Schmidt, Debevec, &Comm, 1987), and the reasons why business students enrol in an introductory marketing course (Juric, Todd, & Henry 1997). With respect to student decisions to pursue a marketing major, O'Brien and Deans (1995) found that advice of a student adviser, flexibility offered by marketing major, good career prospects, and prior knowledge of the subject were the main reasons that influenced the U.K. 1st-year marketing students' choice of marketing major. Tom, O'Grady, and Swanson (1995) found that employment potential and public perception of the program were some of the criteria students use when deciding to adopt marketing major. LaBarbera and Simonoff (1999) investigated the reasons behind marketing students' selection of marketing major and found that, career prospects and course work were largely involved.

To the best of the authors knowledge there have no studies been carried out in Malaysian students contexts to find out the factors influencing intention to adopt marketing as major. There are few studies on factor influencing Malaysia students' intention to study at Higher education institute. Most of the studies investigating students' choice of marketing major have been conducted in North America (e.g., LaBarbera and Simonoff 1999) and Europe (e.g., O 'Brien and Deans 1995). There are research, on key factor influencing students choice of business major and found that those with better quantitative skills tended to major in accounting and finance and those with weaker quantitative skills tended to major in marketing or management (Pritchard, Potter &Saccussi, 2003). Due to limited studies, the extant literature does not explain whether the same set of reasons holds for students in Asian countries. It is also not clear from the literature whether the reasons influencing students 'choice of major will be parallel for students in all regions. Based on the gap mentioned above, this study aims to investigate the factors that influence year one business students intention in adopting marketing as major and to identify the most influential factor.

LITERATURE REVIEW

Variety of Career Prospect

Many studies indicated that students' choice of business major is influenced by higher earnings, prestige and career advancement (Kim &Markham, 2002). Montmarquette (2002) examined the previous studies on the determinants of the major choice, which linked it to the expected earnings. Lowe (1994) discovered that compensation, career opportunities and prestige are significant factors that influence students' choice of accounting as their major, whereasstudents who choose business major are more influenced by personal and normativefactors. There should be a general awareness among students on the career opportunities available in Malaysia and overseas. With the amount of news publicity given to a particular profession, it would be interesting to find out if these job-related factors are the key factors influencing students' choice of accountancy as a major.

Besides, Galotti and Kozberg (1987) investigated five factors that may influence the choice of major among the students, i.e., qualification policies to enter the major field of study, employment opportunities, university or college reputation, past academic experiences, and the characteristics of the courses. They found that the job prospect or job opportunity is the most significant factor influencing the choice of major. The students were aware of the growing salaries and potential in the related field, which led them to enrol in the related field, i.e., finance. Furthermore, the studies by Francisco et al. (2003) and Simons et al. (2003) also concluded that factors such as future job opportunity, income potential, type of profession, earning perks, bonuses and so on, play the most important role in determining the major of the students. Tanand Laswad (2006) also inferred that the choice of students' major is significantly

influenced by income prospects, prestige and job advancements due to earning potential and market ability or scope of opportunities.

Intrinsic Motivation

Intrinsic motivation refers to motivation that comes from inside an individual rather than from any external or outside rewards, such as money or grades. The motivation comes from the pleasure one gets from the task itself or from the sense of satisfaction in completing or even working on a task. Many studies showed that student's interest in the subject is one of the significant factors that influence their choice of major. Dynan and Rouse (1997) and Lewis and Norris (1997) identified the importance of interest and perceptions of the profession as the factor determining the choice of economics major, while Easterlin (1995) identified preferences as the key factor in the generational switch to business studies. Fortin and Amernic (1994) conclude that "…interest and aptitude for the subject matter appear to be the driving forces behind the students' choice of accounting as a major… intrinsic values such as independence in action and solving challenging problems (intellectual stimulation) are also the key factors motivating students' choice of concentration." Other studies confirmed that personality plays a key role in the choice of a major. Lawrence and Taylor (2000) found that students with sensing, thinking and judging personality types were more likely to select accounting as major.

Introductory To Marketing Subject

Introductory unitsextended the work of earlier researchers (e.g., Keillor, Bush, and Bush 1995; LaBarbera and Simonoff 1999; Newell, Titus, and West 1996) and showed that such units in the curriculum played a role in influencing students' decision to choose marketing as a major (Pappu, 2004).

With this background, we posit that variety of career prospect, intrinsic motivation and introductory to marketing subject are related to intention to adopt marketing major. Therefore, the following hypotheses are proposed:

H1: There is a highly positive relationship between variety of career prospect and intention to adopt marketing major.
H2: There is a positive relationship between intrinsic motivation and intention to adopt marketing major
H3: There is a positive relationship between introductory to marketing subject and intention to adopt marketing major

RESEARCH METHODOLOGY

Sampling Design, Subjects and Procedures

This study focuses upon the first year undergraduate students who have not decided their majoring located within Klang Valley, Malaysia. Klang Valley is where the capital of Malaysia is situated. Most of the modern establishments in Malaysia are located in the Klang Valley (Euromonitor, 2001). A convenience sampling method was used in this study. According to Mohr (1990), convenience sampling is one of the most common forms of sampling design in social science research. Hence, students who agreed to participate in this study were given a survey to complete. As an incentive, each respondent received a small token. The data for this study was collected by using self-administered questionnaires distributed. Of the 250 questionnaires that were distributed, 184 participants completed the questionnaires, representing a response rate of 74 per cent.

Measures

All of the constructs used in the proposed model were measured using multi-item scales, adapted from previous studies that reported high statistical reliability and validity. All the items for the variety of career prospect, intrinsic motivation and introductory to marketing subject were measured using scales developed from Pappu (2004). While intention to adopt marketing majoring was adapted from the research by Hong and Cho (2011) and Wu et al. (2011). All items in this study were measured on a five-point Likert-type scale ranging from "strongly disagree" (1) to "strongly agree" (5). Demographic information of the respondents is demonstrated in Table 1.

DATA ANALYSIS, RESULTS AND DISCUSSION

Sample Characteristics

Among the samples collected, female respondents (61 per cent) were the majority. In terms of ethnicity, 59 per cent of the respondents are Malay, 34 per cent are Chinese and 5 per cent are Indian. A total 100 respondents (54%) were from public universities, while 84 respondents (46%) from private universities. Several university students were involved in this study. They are students from The National University of Malaysia (UKM), University Putra Malaysia (UPM), University Tun Abdul Razak (UNITAR) and HELP University.

TABLE 1. Respondents' profile

Demographic variables		**Research samples (n=184)**	
		Frequency	**Percentage (%)**
Gender	Male	72	39
	Female	112	61
Ethnicity	Malay	108	59
	Indian	10	5
	Chinese	62	34
	Others	4	2
University	Public	100	54
	Private	84	46

Reliability

The internal reliability of the items was verified by computing the Cronbach's alpha (see Table 2. The Cronbach's alpha for intrinsic motivation was 0.775, variety of career was 0.740, introductory unit of marketing course was 0.722 and intention to adopt marketing majoring depression was 0.917. Reliability statistics for all the factors passed the excellent benchmark suggested by Nunnally (1978).

TABLE 2. Construct reliability

Variables	Cronbach's Alpha Value	Number of Items	Source
Variety of career prospect (VC) - Good chance getting good paid job - Get jobs in wide range of industries - Get interesting jobs - Eligible for a variety of jobs	0.740	4	Pappu (2004)

Introductory to marketing units (IU) -impressed by the introductory course -impressed by the lecturing style in the introductory marketing course -the introductory marketing course generated interest in me	0.722	3	Pappu (2004)
Intrinsic Motivation (IM) - like the subject are of marketing - my favourite subject -interesting area	0.775	3	Pappu (2004)
Intention to adopt marketing majoring - Intend to adopt - Expect to adopt - Willing to take - Would consider	0.917	4	Hong and Cho (2011), Wu et al. (2011)

Multiple Regression Analysis

- ***Variety of career prospect (VC), Introductory to marketing units (IU), Intrinsic Motivation (IM) and Intention to adopt marketing majoring***

Table 3 presents results of a multiple regression analysis used to evaluate the strength of the proposed relationship. Three hypotheses were formulated and all the variables were retained after testing their reliability and validity. Multiple regression analysis is following the guidelines by Hair et al. (2009) to test the impact of variety of career prospect, introductory to marketing units, intrinsic motivation on intention to adopt marketing majoring.

TABLE 3.Multiple Regression Analysis

Factors/determinants	Standardized Beta Coefficients	t	Sig.
(Constant)		1.993	.043
VC	.288	2.938	.004
IU	.307	3.023	.003
IM	.362	3.611	.000
$F_{(3,180)} = 32.595$, $R^2 = 0.425$, Adj. $R^2 = 0.409$			
Dependent Variable: Intention to adopt marketing majoring			

Table 3 shows the multiple regression results obtained revealed that all the three hypotheses (H1-H3), were found to be significant. The results shows the supported hypotheses are the relationship between variety of career prospect($\beta = .288$; $p < 0.05$), introductory to marketing units($\beta = .307$; $p < 0.05$) and intrinsic motivation ($\beta = .362$; $p < 0.05$).

Discussion and Conclusions

According to the results, intrinsic motivation has the strong and significant positive relationship with intention to adopt marketing majoring. As most students are given the option to choose only one majoring from the available disciples, the selection of majoring is a critical decision that students need to make. In line with past studies the selection of the major is a dynamic process (Astin and Panos, 1969; Levine, 1976) thus, deciding on which majoring to concentrate among university students is an important part of a student's self-definition or role identity

(Kleine, 2002) and personal interest (Juric, Todd and Henry 1997). Students choosing to be major in marketing evolve an identity around being marketing major and are more committed to enact behaviors as a marketing student (Kleine, 2002).

This study also showed introductory to marketing units and variety of career prospects as the second and third important factor respectively in influencing undergraduate intention to adopt marketing majoring.Our results suggest that introductory marketing units are a potent factor influencing marketing students' decision to major in marketing. At many Malaysia institutions, introductory marketing is a core subject that all business majors have to complete as part of their undergraduate degree. This provides an opportunity for marketing educators to influence non- marketing students through introductory marketing units. Academic staff involved in teaching and designing introductory marketing units may need to make the units more attractive and interesting to students, perhaps embedding information relative to some of the factors identified in this study. Marketing educators could also highlight to students that marketing concepts are practical and applicable in specific functional job roles as well as in management positions.

Furthermore, the factor variety of career prospects was also consistent with the findings of previous researchers (Keillor, Bush, and Bush 1995; Newell, Titus, and West 1996). Tom, O'Grady, and Swanson (1995) also found that employment potential was a reason behind marketing students' decision to major in marketing.Since Career Prospects are relevant factors in choice of major, it would be useful to provide information to students, preferably in the introductory marketing units, on the wide range of careers available in the marketing discipline and to carefully consider the breadth of the portfolio of marketing units offered in their school.Many studies suggested that lack of understanding of what marketing profession entails is also another hurdle that prevent students from taking marketing majoring (Ferrell and Gonzalez, 2004; Van Doren and Corringan, 2008). Thus, it is importance for students to see and understand marketing in the real world before they can make an informed decision when selecting a career path (Tomkovick,2004).

Limitations and Future Directions

The sample was only derived from the urbanized Kuala Lumpur and Selangor;may limit the generalizability of the results as it might not give a thorough picture of view reflecting the whole Malaysia business school students' population.Future research needs to focus on a larger and more diversified random sample to verify the findings of the study. To further clarity of the factors influence on intention to adopt marketing majoring, other factors such as family, academic reputation and mode of teaching could also be investigated.

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Woman who pioneers integrated islamic education: dedication, achievement, and devotion (a biographical study of ms. Lilik indriati's leadership in *Sekolah Islam Berwawasan Internasional* BIAS Yogyakarta)

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Abstract

This research is entitled Woman Who Pioneers Integrated Islamic Education: Dedication, Achievement, and Devotion (A Biographical Study of Ms. Lilik Indriati's Leadership in Sekolah Islam Berwawasan Internasional BIAS Yogyakarta). The analysis of this research tries to emphasize on how a woman leads an educational institution she established, her leadership process, its organizational developmet, as well as those barriers and challenges faced by the female leader. The goals of this research are to describe: 1) the process of Ms Ir Lilik Indriati (MLI) of becoming a leader; 2) the leadership of MLI as the director of BIAS Yogyakarta; 3) the organizational development of BIAS Yogyakarta; 4) the barriers and challenges faced by MLI. The main objects of this research are MLI and four of her colleagues. This research is done using qualitative method with biographical approach which relies on BIAS documents, indepth interviews, and both participative and non-participative observation. To validate the data, triangulation test, transferability test, and member-check are done.

This research found that Ms. Lilik leadership is influenced by social and individual factors. The characteristics of MLI leadership shows that she uses transformational approach in which values, relation, and reward contingent, are dominating. From organizational development aspect, MLI always updates the organizational need and formulate foothold used as BIAS guidance, in which now in the process of formulating its' SOP. Gender discrimination is found in a minor form because it did not target MLI directly but the female teacher instead. MLI herself never experienced any gender injustice, stereotyping, and marginalization but she encountered double burden. The barriers faced by MLI came from internal organization and external parties such as society and government.

Keywords: *Female leadership, leadership process, organizational development, gender injustice*

INTRODUCTION

Women nowadays play an important role in developing public sectors. It is very much different with the condition of women before the era of first wave feminism women did not have opportunities to attain education. Despite all of those changes happening in status quo, the fact is that gender quality still becomes a major topic in debate. Beside that, discrimination targeting women still exists. Previous research conducted by Nugroho and Setiawati (2012) on three different women holding position as leaders in Yogyakarta shows that gender injustice is still

experienced by female leaders. All of the three interviewees experienced stereotyping, psychological coercion, and double burden during their serving time as leaders.

Women often face obstacles in leading and developing their career. Previous study conducted by Elmuti, Jia, and Davis (2009) shows that 45 percent of women who became the main subjects of the research feel that there were obstacles preventing women to enter the management position that caused the low rate of women success. Those obstacles are discrimination, family demand, prejudice, and stereotype. This research states that those obstacles has significant implication towards women accomplishment in top level management.

In education sector in which woman leaders play a significant role, problems about gender also arise. Crosby-Hillier (2012) found inequality between men and women representation in the school board. It shows that women are still facing obstacles in exceling their career. But despite those findings, it cannot be denied that the more our societies are progressing, the more women are participating in many sectors as leaders. Some great names of female leaders acknowledged by internatonal society can be mentioned such as Indira Gandhi, Margaret Thatcher, Benazir Bhutto, and some names coming from Indonesia such as Sri Mulyani Indrawati, Susi Pudjiastuti, and many more. In regional level, some notable names such as Elies Dyah Dharmawati, the owner of Gudeg Bu Lies, Sri Hartati, the owner of Toko Roti and Snacks Bu Tatik, as well as Ir. Hj. Lilik Indriati, the leader of *Sekolah Islam Berwawasan Internasional* (SIBI) BIAS who becomes the main subject of this research. The objectives of this research are to describe: 1) the process of MLI (MLI) becoming a leader; 2) the leadership of MLI as the director of BIAS Yogyakarta; 3) the organizational development of BIAS Yogyakarta; 4) the barriers and challenges faced by MLI.

LITERATURE REVIEW

Previous Research

A study entitled *Challenges Women Face in Leadership Positions and Organizational Effectiveness: An Investigation* that is previously done by Elmuti, Jia, dan Davis (2009) examines the challenges and obstacles faced by woman leader and its impact towards organizational effectiveness. The study shows that women are precieved as more sensitive and more encouraging compare to men but yet women do not have the same opportunities in their professional development and upward mobility within the organization.

Another reaserch about female leadership was also conducted by Setiawati and Wardati (2014) entitled *Innovative Female Entrepreneur: Intellectual Capital Based Family Business in the Digital Era* (*Journal Human Resources*). This biographical study was conducted in order to describe the female leadership style in leading the family business. The study result shows that the main interviewee has the mother and iron maiden leadership characteristics. The business developments were done using business strategies such as business communication strategy, site selection strategy, marketing strategy and financial strategy. The obstacles faced by woman leader during their leadership are managerial problems and double burden as business leader and housewife.

A study that specifically discuss woman leadership in education was conducted by Crosby-Hillier entitled *Women and Educational Leadership: Exploring the Experiences of Current and Aspiring Female Educational Administrators*. There are four key factors that are discussed: 1) work and family conflict; 2) mentorship; 3) work relation; 4) gender stereotype. The study shows that the female administrators and teacher interviewed, using semi-structured interview, express that gender does not have a direct impact towards their success attaining the leader title. Regardless of that, they admit that there is inequality of representation between men and women in the school board. In the mentorship aspect, every interviewee agree that they

have the opportunities to work with mentor. While from the aspect of gender stereotype, every interviewee admit that that they have experienced it.

THEORETICAL BACKGROUND

Human Resource Management. A comprehensive definition was offered by Watson in Mathis and Jackson (2010). Watson stated that HRM is the managerial utilisation of the efforts, knowledge, capabilities and committed behaviours which people contribute to an authoritatively co-ordinated human enterprise as part of an employment exchange (or more temporary contractual arrangement) to carry out work tasks in a way which enables the enterprise to continue into the future. Storey distinguished between the 'hard' and 'soft' versions of HRM. He wrote that: 'the hard one emphasises the quantitative, calculative and business-strategic aspects of managing human resources in as "rational" a way as for any other economic factor. By contrast, the soft version traces its roots to the human-relations school; it emphasizes communication, motivation and leadership (Mathis and Jackson, 2010).

Female Leadership. Eagly et al. (2003) in *Transformational, Transactional, and Laissez-Faire Leadership Styles: A Meta-Analysis Comparing Women and Men*, state that woman leaders are more transformational compared to men and they are also involved in reward contingent activity which is the component of transactional leadership. It is more possible for men to actualize the aspects of transactional leadership (active and passive management by exception) and laissez-faire leadership. The effectivity of woman leadership is attained when woman leaders use leadership style that is most likely transformational. Bass (1985) states that transformational leaders motivate subordinates to work beyond what the leaders expect through: 1) increasing the awareness of how important the values within organizational goal are; 2) making subordinates push their individual interest aside for the sake of organizational's interest; 3) pushing subordinates to increase their need level to create change. Avolio and Bass (1988) state that transformational leaders are strong role model for their followers. They have moral values that develop their identity.

Organizational Development. Beer in Armstrong (2013) states that organizational development is a sistematic approach to increase organization's ability related on how things are done. Organizational development opretaes as process of wide data gathering system, diagnosis, action planning, intervention, and evaluation.

Gender Injustice. Lindsey (2011) explains that sex is what differentiate men and women while gender is what differentiate masculine and feminine. Lathi (2013) stated that one of the factor that prevents women exceling to top level management position is workplace is glass-ceilling. Fakih (2008) describe several manifestations of gender injutsice: 1) Marginalization of women; 2) Subordination; 3) Stereotype; 4) Physical and psychological coercion; 5) Double burden.

RESEARCH METHOD

Research Approach. The approach used in this research is qualitative one. Creswell (2007) defines qualitative approach as a study of research problems inquiring into the meaning individuals or groups ascribe to a soial or human problem that begin with assumption, a worldview, and the possible use of theoretical lens. And to study this problem, qualitative researchers use an emerging qualitative approach to inquiry, the collection of data in a natural setting sensitive to the people and places under study and data analysis that is inductive and establishes patterns or themes. Emzir (2010) states that there are several types of biographical

writing in this qualitative research. A biographical study is a form of narrative study in which the researchers write and record the experiences of another person's life (Creswell, 2007).

Research Focus. The focus of this research are the process of MLI becoming a leader, the leadership of MLI as the director of BIAS Yogyakarta, the organizational development of BIAS Yogyakarta, the barriers and challenges faced by MLI.

Research Site. This research was conducted in *Yayasan Bina Anak Sholeh* Yogyakarta located in Jl. Wirosaban Barat 6 Yogyakarta, phone number: (0274) 410350. *Bina Anak Sholeh* (BIAS) is an Islamic educational institution based in Yogyakarta that provides educational services from pre-school to higher education. BIAS networks also spread in many regions in Yogyakarta and Central Java Province such as Temanggung, Pati, Solo, Cilacap, Semarang, Magelang, Gombong, Tegal, Purwokerto, Klaten, Pedan, Muntilan, Sampang, Juwana dan Kudus. Until now, BIAS has a total of 829 students in Yogyakarta and 2,418 students di Central Java. BIAS now has IDR 26,465,358,400 total asset.

Biography of Main Informan. MLI was born in November 18th 1960. She was raised in a families who are activist in organizations. She was married to Budi Dewantoro at Juni 26th 1988 and given three children from the marriage, Musa Al Azhar, Tazkia Fatimah, and Yusuf Al Azhar. She started a group of Koran recitation 1987 when she was a lecturer at Magelang Muhammadiyah University. The recitaion group expanded to a school when Ms. Lilik established a supportive education for her children in 1992, involving her students in the recitation group to be the teaher in the school. The school then knows as BIAS, developed as more students joined the school and until now, BIAS has developed into a more structural educational organization.

Data Collection Techniques. Techniques of data gathering used in this research are:
Interview. Denzin and Lincoln (2009) state that interview is a form of discussion, an art of questioning and listening. Interview is an instrument producing situated understanding sourced from interaction. This method is affected by personal characters of the researcher. Sugiyono (2009) divided three types of interview, they are structured interview, semi-structured interview, and unstructured interview. The interview conducted in this research was the semi-structured interview. In semi-structured interview, researcher uses lists of questions as interview gudidance but the discussion expand with impromptu questions.

Participative Observation. Observation is a series of steps to select site to be observed, identify what to observe, determine the role as observer, design an observational protocol as a method for recording notes in the field, record aspects or documenting particular subjects or activities, and blend in the situation (Creswell, 2007). This research uses participative observation. In participative observation, researcher acts as one member of the environment in which the research is being conducted (Denzin and Lincoln, 2009). This type of observation is done in order for the researcher to be able to blend in the groups without manipulating the interaction pattern. In this study, the researcher pasticipated as an interactive conversation and communication with fellow teachers, students, and participated in annual organizational events of the BIAS.

Documentation. Documentation in qualitative research is a record of events that have already passed, usually in the form of documentation about the history of aperson's life (life story), image of the photos while doing the research in the field (Sugiyono, 2012)

Triangulation. Triangulation was done in order to check the data attained from the field by involving different interviewees, techniques, and time. This research uses member check and

technique triangulation. Member check is a process of checking data credibility in order to make sure that the research findings are agreed by all interviewees while technique triangulation is a process that involves different ways of colleting data from a single interviewee (Sugiyono, 2009).

Methods of Data Analysis. This research uses Calandin and Connelly's three-dimensional space approach. This involves analyzing the data covering three elements: interaction (personal and social), continuity (past, present, future), and situation (physical places or the storyteller's place) which involve collecting stories of personal experiences from the field text such as interviews and conversations; retelling the stories based on main interviewee's interation, continuity, and situation; and rewriting the stories into chronological sequences as well as incorporating the setting or place of the participant's experiences (Creswell, 2007).

FINDINGS AND DISCUSSION

Leadership Process. Based on the datas collected during this research, it was found that MLI leadership was influenced by environment in which most of her families during her chidhood were all involved in organizations and some of them were leaders. Her grandfather, Kyai Haji Kholil, was the one who established the city of Pati branch of Muhammadiyah, a social Islamic organization. Her uncle, Kyai Haji Asmuni Kholil was one of the leader in Muhammadiyah; her parents, Mr. Khusnin Basri and Mrs. Siti Aisyah were activists in Masyumi, an Islamic Political Party, and her siblings were all involved in PII (*Pelajar Islam Indonesia*, an Islamic student union). The organizational activism was really dominating her childhood.

This finding is relevant with what Northouse (2013) has pointed out before that leadership is influenced by environmental background. The environmental influence that specifically matches the finding is the social aspect. Aside from having surroundings which are dominant in organizational activities, Ms. Lilik leadership was also influenced by his observation regarding how Islam was back in the day. Many muslims fall into the false understanding of Islam. Seeing this social condition, MLI were pushed to develop a *dakwah* (the spreading of Islamic teachings) mechanism with the objective of internalizing the true value of Islam.

The establishment of BIAS becomes the solution from the social problems that she thought significant in the middle of the society, as the output of her leadership effectiveness. Her capacity in actualizing a mechanism in order to solve the social problem she identified is relevant with the statement of Zaccaro et al. that problem solving is one of the leader's competences which produces effective solution (Northouse, 2013). The development of BIAS becomes the evidence of how well is the *dakwah* mechanism formulated by MLI to answer the social problem.

In addition, previous study conducted by Lahti (2013), entitled *Women and Leadership: Factors that influence women's career success, female leaders' reflections on their career development and leadership*, is basically aimed to analyze the factors influencing women's leadership. Results of the study found that there are two factors affecting women's leadership: social factors and factors individual. Social factors in this case is different from that discussed earlier, in which social factor in this case is the traditional gender roles, namely the social conditions that pre-determined the roles that must be carried out by each gender, both male and female. This sometimes led to stereotypes which make the motivation of women to become leaders declined. While individual factors are expectations and values held by the relevant leaders as aspirations and possibilities for them to be leaders. The findings in this research is relevant with Lahti's study in the aspect of individual factor. Social factor doesn't have significant impact on MLI motivation to be a leader. In the aspect of individual factor, MLI

had an expectation for the existence of structured and scalable *dakwa* mechanism with strong Islamic values that she possessed.

Female Leadership. MLI is a leader who holds strong personal Islamic values which actualized in the institution she leads. The existence of these set of values are really important to maintain the instituion's identity as an Islamic institution. This finding is relevant with Bass (1985) statement that leaders who use transformational approach motivate subordinates through: *First*, Increasing subordinate's awareness about the importance of values contained in the organizational goal. The finding shows that MLI always manage the Islamic values within the organization and make sure that those values are implemented by organization member; *Second*, Making subordinates to set aside their personal interest for the sake of organizational and group interest. This research found that MLI tries to shift the focus of conflicting subordinates from focusing on the personal problem to focusing more on the job target. The way she did that was by adding more jobs for the conflicting subordinates so they would feel the urgency to finish the job as soon as possible and slowly forget their personal problems; *Third*, Pushing subordinates to increase their level of need and increase their professionalism. This research found that MLI always set targets, motivate and monitor the subordinates to achieve those targets. These findsings show that MLI leadership uses transformational approach. There are three types of transformational leadership approach: transformational, transactional, and laissez-faire. This study found charisma, inspirational motivation, and individual consideration in MLI leadership as components of transformational leadership. Beside that, this study also found reward contingent activity in MLI's leadership as a component of transactional leadership.

Transformational Factors. Kungert pointed out that leaders with transformational factors usually have strong set of values as internal ideology, effective to motivate subordinates to have certain behavior which supports the actualization of having subordinates that set aside their personal interest in order to prioritize orgsanizational interest (Northouse, 2013). Components that are included in transformational leadership based on Kungert's perspective are:
Charisma: depicting leader who acts as a strong role model for their followers. At this point, follower assess and really want to immitate their leader. Leader with charismatic character usually has a high standard of moral and ethics. In comparison with this theory, this study found that MLI is percieved as the most suitable leader to lead BIAS based on her values, capacity, experiences, and knowledge. One viewpoint supporting this finding is given by the Vice Director of BIAS as follows:

> " Despite the fact that she's a female, but when it comes to general knowledge and religious knowledge, she's better than me. Because she's more capable to lead than me, that's why I support her to be a leader and follow her right step." (Mr. Arif 20/10/15 14.24).

As the Vice Director os BIAS, Mr. Arif based his viewpoint on years of experience working with MLI. It is not surprising because MLI has a long record of success in establishing and developing BIAS. As a Vice Director of BIAS, M. Arif has to make organizational policies together with MLI, therofore he knows very well the capacity of MLI. Ms. Pudji, the head of the Islamic Boarding School in the BIAS gave following reason why MLI is successful as a leader:

> "Because she can put herself as a leader. If she was to be replaced we don't even have candidates to replace her who have the same capability like her." (Ms. Pudji 22/10/15 15.53).

Based on Ms. Pudji's opinion, it is obvious that au until now, there is no one comparable to MLI in terms of managerial quality to handle the BIAS as a whole. Thus, up until now MLI's managerial capability is still unreplacable.

Inspirational motivation: depicting a leader who communicates a high hope for the followers, inspires them through motivation to increase subordinate's commitment to achieve organizational goal. This research shows that MLI always motivates her subordinates through religious teachings. The supporting interviewees agree that MLI is an inspirational leader. It can be seen from the following statements:

> "She's so inspiring. When I was still a student at IKIP, I thought that being MLI's helper must've became an advantage because then I can get close to her and learn many things." (Ms. Pudji 22/10/15 12.47).

This viewpoint by Ms. Pudji shows that MLI is not only a strong leader but also an inspirational leader. This is undeniable because Ms. Pudji's own experience was as her helper during her time at IKIP (a higher educational institute). Consequently, the students of BIAS also knows about the capacity of MLI because Ms. Pudji and all the teachers at BIAS let them know it.

> "I'm inspired abou the way she fight for Islam with all that she have and really serious in bring islam up. She doesn't want Islam being undermined." (Ms. Yami 19/10/15 12.10).

Because the Bias is based on Islamic teachings, MLI's commitment to them is undeniable. The statement provided by Ms. Yami above cannot be underestimated because she is currently the head of Human Resource Divison at the BIAS who has a long experience working with MLI. As a matter of fact, since the establisment of BIAS, MLI was concerned to include Islamic teachings in the curricula used at BIAS schools.

Individual consideration: this factor represents a leaders that can establish a supportive atmosphere towardd their subordinates in which they really listen and observe the needs of their subordinates. In comparison with this factor, this study found that MLI is always open regarding the problems faced by her subordinates whether it is work problems or personal problems. She believes that both work and personal problems always affect job performance so it is important to solve the problems as soon as possible.

> "She's so open. So when there are problems she said do not hesitate to consult to prevent the problems to grow bigger." (Ms. Pudji 22/10/15 15.41).

This aditional remarks by Ms. Pudji shows that while MLI is a tough leader sticking to Islamic teachings, she is also an open person that is willing to listen from her subordinates and use suggestions provided by their subordinates when they are useful for the further development of BIAS.

> "She always asked whether there is a problem or not." (Ms. Yami 19/10/15 12.17).

As Ms. Yami has said, it is very interesting that MLI keep asking to her and to other subordinates whether thereis a problem or not. It means that MLI does not want to leave any problem unsolved.

Reward Contingent. In giving reward to her subordinates, MLI always uses work performance and time duration contributed employees in the organization as parameter to determine how much reward she will give to them. The longer someone affiliate and contribute in the organization, the larger amount of the reward will be. This finding is relevant with the study conducted by Eagly, Johannesen-Schmidt dan Van Engen (2003) entitled *Transformational, Transactional, and Laissez-Faire Leadership Styles: A Meta-AnalysisComparing Women and Men*. The study found that women leadership style tends to show a transformational manner

rather than men leadership style and woman leaders often show reward contingent behavior. The study concluded that woman leadership effectiveness is schieved when woman uses transformational leadership style. It is relevant with this research finding which can be concluded from MLI statement:

> "We appreciate employees's work by giving them bonus each year. It's given to all employees but with different amount of bonus for each employee depending on their performance. We also consider the length of involvement in BIAS." (Ms. Lilik 12/10/2015 15.35).

It is interesting to emphasize here that MLI give bonus to all her employees. Consequently, those who performs not very well will get less amount of bonus from MLI. This fact is endorsed by Mr. Arif statement as follows:

> "She considers to provide welfare towards her employees, making assessment based on their performance and their tenure." (Mr. Arif 20/10/15 14.40).

As found in this study result, almost all BIAS employees so seriously attempting to follow the rules established in BIAS. The employees tend to obey rules not only because of MLI personality but also because they try to obey Islamic teachings.

Kungert (Northouse, 2013: 191). stated that leader who performs transformational approach manner has set of values and strong internal ideology, which effective to motivate the subordinate to have certain behavior, supporting the subordinates to set aside their personal interest for a greater good of many people This research found that in order to make subordinates prioritize organizational interest, MLI formulate BIAS's three major values as a guidance and vision, and they are: 1) Professional foothold; 2) Islamic Struggle foothold; 3) Social foothold. These footholds were considered as values because MLI always try to internalize these values in any occasion and opprotunities. Professional foothold focuses on how BIAS is a corporation that provide educational services for society. It means that BIAS has to implement standard of professionalism within the organization such as formulating operational procedure standard, curriculum, using Indonesian Accountancy Standard, and many more. To be professional means to achieve more. Always setting higher targets and push her subordinates to obtain achievements, is one major leadership focus of MLI. Islamic struggle foothold focuses on how as BIAS's members, people have to increase their Islamic spirituality. By teaching Koran recitation, MLI not only tries to increase their spirituality, but also their motivation to work, pray, and spread Islamic teaching. This is relevant wit Kungert's statement in which values possessed by leader can affect their subordinates to have certain behavior that the leader desire. The dedication of MLI in spreading Islamic teaching and values as well as her struggle to defend Islam, could move her subordinates to be devoted in defendind Islam and her devotion inspires her followers. The third foothold is social. In this point, MLI tries to emphasize that being a professional struggling to defend Islam, BIAS's members must have a good social relation with other not only among BIAS's members but also with external actors. BIAS is an Islamic movement which emerged as an answer of a social problem. MLI's effort to solve social problem that she encountered, show a real devotion toward society. As a pioneer who established BIAS as integrated Islamic education, BIAS develops till now, using three basic value of BIAS as a foothold, proving the effectiveness of MLI leadership which shows dedication, achievement, and devotion.

Organizational Development. The findings related to organizational development is relevant with what Cummings and Worley (2008) explained about organizational development in which activities that are related to its implementation are: 1) motivate the change: consists of activities to prepare the organization and overcoming resistance towards change. This research found that MLI always emphasize three major values in BIAS and one of them is professionalism. Change

that BIAS did is in the aspect of management. It is related to the professionalism aspect in which management is really important for the development of BIAS so if you're a professional employee then you must've been supportive and involved in the process of management development; 2) Create vision: this involves activity of ideology description and constructing the desired future of the organization. In this point, the three basic values of BIAS are being implemented in every aspect of BIAS. It acts not only as guidance but also the objective of BIAS. The three major values are: professional, struggle (for Islam), and social; 3) Develop political support: this activity involves assessment process to determine which actors are influential towards change, identify key stakeholder, and influencing sakeholder. In this point, MLI seek support from Ministry of Education which manages all educational matter and LP2KS (*Lembaga Pengembangan dan Pemberdayaan Kepala Sekolah*–Headmaster Development and Empowerment Institution). It's done in order to solve problems that usually arise whenever the local ministry of education assess BIAS as a school and sometimes giving bureaucratic obstacles; 4) Managing transition: consist of activity planning, commitment planning, and management structure. The study found that every year MLI always introduce new concept each year and currently BIAS is focusing on SOP formulation; 5) Sustainable momentum: consist of activities needed to support the change implementation, establishes support, and develop new skills and competences. Related to this point, MLIalways conduct mentoring for teachers, parents, and employees witn various activities such as Koran recital, training, curriculum formation, and conductiong family activity to increase the relatedness and trust from parents and external actors.

Challenge and Obstacles. One of the major obstacles that woman leaders face during their leadership is gender injustice. Gender injustice wan not found in this research regarding MLI position as woman leader in an Islamic institution. This finding was supported by supporting interviewees who stated that MLI is considered to be the most ideal leader for BIAS and on how she became the one who established BIAS from the very first beginning. From this finding, it can be concluded that gender injustice does not influence MLI's leadership.

This finding is relevant with previous study done by Crosby-Hillier (2012) entitled *Women and Educational Leadership: Exploring the Experiences of Current and Aspiring Female Educational Administrators* which found that gender does not have influence towards how female administrators fulfilling their role as leader.

One out of five gender injustice manifestation described by Fakih (2008) was found in this research which is double burden. It's found that MLI encountered a burden of bearing both responsibilities as BIAS's director and housewife, as well as a mother. She admitted that this double responsibilites was really burdening herself on how she had to think about her children while she also had to think about BIAS development. Despite the fact that double burden exists, MLI admit that she can bear with the burden as she can asses her own capabilities in handling those burden.

CONCLUSION

***First*,** MLI leadership was inflluenced by external environment. Social problems existed right in front of her eyes, moved her to do something to solve those problems. Muslims back in her day precieved Islam incorrectly that it moved MLI to establish an institution that teaches and spread the true value of Islam. MLI's leadership is also influenced by individual factor, based on her individual expectation that there's a need of an Islamic institution that spread the real teachings of Islam and to package it in the form of education for the sosciety, as well as for her children. **Second,** If seen from the perspective of leadership theory, MLI's leadership shows a tranformational manner in which the tranformational components found are charisma,

inspirational motivation, and individualized consideration. Transactional component is also found in this research in wich MLI shows a reward contingent behavior. **Third**, If seen from the perspective of organizational development theory, BIAS implements series of development activities related to change and development which are motivated to change by emphasizing the need of management change and professioal demand, vision formulation by creating three basic footing of BIAS as guidance, developing political support through cooperation with government officials, managing transition by formulating standard and implementation of policies, and sustainable momentum by conducting mentoring and social events. **Fourth**, Gender injustice is not found in this research because MLI is considered as the most ideal leader for BIAS in the perspective of her subordinates. The fact that MLI was the one who established BIAS, strengthen the narrative that she has contributed so much in BIAS that her subordinates do not. Double burden was found, obviously. But it doesn't affect MLI's leadership as she can assess her own capacity in dealing with the double responsibilities as mother-housewife and BIAS's director.

Limitation. The researcher of this study awares that there are still flaws in the process of conducting and presenting this research. For the future studies, there are many aspects that can be added in order to extend the study of woman leadership. This research focused mainly in the organization's internal environment. For a holistic analysis, future study about woman leadership can examines more on the woman leader's influence not only in the internal area of the organization but also external ares involving societies, parents, even government, in order to see how significant the role of a women leader is, actualizing their leadership objective. This research hopefully can be used as reference material for future studies about woman leadership.

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The effects of role ambiguity, role conflict, role overload, work-family conflict, and emotional satisfaction on service quality: the moderating role of gender

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Abstract

The objective of this research is to find out the effect of role ambiguity, role conflict, role overload, and work-family conflict on emotional satisfaction, the effect of emotional satisfaction on service quality, and gender moderation on the effect of emotional satisfaction on service quality. This research was conducted in Dr. Moewardi General Hospital. The research design used in was survey research. The population of this research was all nurses of Dr. Moewardi General Hospital. The sample consisted of 106 nurses taken using purposive sampling technique. The independent variables were role ambiguity, role conflict, role overload, work-family conflict, and emotional satisfaction. The dependent variables were service quality and emotional satisfaction, while gender was a moderating variable. Methods of analyzing data used in this research were multiple regression, simple regression, and subgroup analysis before which the instrument tests were conducted including validity and reliability tests. A multiple regression examined the effect of role ambiguity, role conflict, role overload, and work-family conflict on emotional satisfaction. Simple regression examined the effect of emotional satisfaction on service quality and subgroup analysis examined the moderation of gender on the effect of emotional satisfaction on the service quality. The result of this research showed that : (1) Role ambiguity, role overload, and work-family conflict affected the emotional satisfaction significantly and negatively while the role conflict did not affect significantly the emotional satisfaction, (2) The emotional satisfaction affected positively the service quality, (3) Gender did not moderate significantly the effect of emotional satisfaction on service quality.

Keywords: role stressors, emotional satisfaction, service quality, gender

INTRODUCTION

In the real world, not least the employees are in a position considered to be comfortable with the responsibility lightly, but the behavior that is displayed and the services provided do not match the position. Once examined, it turns out there is one of the factors that influence behavior and determine the direction of the quality of service of employees, namely emotion. If the company less sensitive to identify the influence of emotion on the behavior of their employees, these circumstances will worsen the company's performance, especially bad image caused, because the employee is a representation of the company concerned.

Employee emotions is an essential element in the management of service quality. The role of emotions in the form of emotional satisfaction plays an important aspect of management that ultimately has implications for the quality of service expected. The relationship of emotional satisfaction and quality of service is then used as capital essential to the existence of an organization. Although the emotional satisfaction plays an important role in the quality of services, but an empirical study on the matter is still relatively small. Bagozzi, Gopinath, and Nyer (1999) suggested that more research is needed on emotions and their effect on employee behavior.

Based on the research of satisfaction, emotional satisfaction leads to the concept of a set of emotional responses obtained specifically through the experience commonly experienced (Westbrook & Oliver, 1991). Typology generally accepted in the classification of emotions are emotions division into two parts, positive and negative emotions. Positive emotions include feelings of joy, pleasure and contentment. Negative emotions include feelings of anxiety, annoyance, anger, fear, depression, and disappointment (Bagozzi et al., 1999).

Over the last ten years, the study to the attention of the researchers, more interested in the field of quality of service (Nadiri & Gunay, 2013). Today, the quality of service is regarded as a success factor affecting the competitiveness of an organization. Furthermore, the quality of service is also regarded as a decisive factor in order to make chance for the organization to differentiate itself from competitors and gain a sustainable competitive advantage (Gounaris, Stathakopoulos, & Athanassopoulos, 2003).

According to Lu, Shih, and Chen (2013), it is generally accepted in many industries is customer satisfaction depends on customer perceptions of the quality of service of employees. Therefore, we could conclude that a high quality of service which is the essence of the success of an organization. In addition, the business prospects of a company depends also on the company's ability to organize its internal activities such as increase employee satisfaction and generate high value-added services (Slatten, 2008).

Many studies in different industrial sectors, shows that service quality is an antecedent to behavioral intentions (Parasuraman, Zeithaml, & Berry, 1985). Schneider and Bowen (1993) concluded that employee satisfaction is a significant predictor for quality of service. Schneider and Bowen (1993) have confirmed aphorisms that made founder Marriot hotel that "you can not make customers happy with employees who are not happy". Lee, Lee and Lum (2008) concluded that the quality of service of employees positively influence on the level of organizational commitment of employees and negatively on the intention to quit. Research on the emotional satisfaction stating that the emotional satisfaction (positive and negative) have a significant effect on the quality of service of employees (Slatten, 2009). Slatten, Svensson, and Svaeri (2011) stated the quality of service of employees negatively influences intention to quit.

Slatten (2008) considered that the emotional satisfaction of an employee which is not met on the job can be caused by several things, namely role ambiguity (lack of clarity of direction and the absence of guidance), role conflict (conflict with co-workers, supervisors, and workgroups), role overload (the workload exceeds the capabilities), and work-family conflict (conflict between work and family responsibilities). Based on the theory of role, the demands of the role, and expectations regarding the performance termed the role stressors (Kahn, Wolfe, Quinn, Snoek, & Rosenthal, 1964).

Rizzo, House, and Lirtzman (1970) stated, role ambiguity is described as a state of individuals who do not have clear guidelines on expectations for its role in the work or organization. Role conflict is seen as a mismatch in expectations pertaining to the role of perceived performance. Individuals who are at high levels of role ambiguity and role conflict, as the source of stress, will feel less satisfied with the job so as to lower the emotional satisfaction of employees (Yousef, 2002).

Next, the cause of employees do not feel emotional satisfaction in his work is the role overload. Role overload can occur if: supervisors demanding more work than an employee than it should be (an employee can complete a good job at the time given), also when employees feel the demands of the job too much. In line with the implications of role ambiguity and role conflict, perceived workload exceeds the capacity of the individual causes of employees are dissatisfied with their work and ultimately lower the emotional satisfaction of employees.

The work-family conflict, Kahn et al. (1964) defines work-family conflict as a form of inter-role conflict, namely the pressure of work and family become incompatible with each

other in some circumstances. Conflict of work appears to be a predictor of work-family conflict are more powerful than family conflicts, because most people have control work life less than control of his or her family life.

Based on the recommendation of Slatten (2008) regarding the focus on gender differences, the researcher add the variable of gender. In addition, Lutz (2007) has revealed that there are significant gender differences in job satisfaction variables. The focus on gender differences is undertaken with the hope to deepen the understanding of gender difference through its own investigation of gender-related differences in the effect of emotional satisfaction on the quality of service of employees (Slatten, 2008).

LITERATURE REVIEW AND HYPOTHESES DEVELOPMENT

Emotional Satisfaction Effect on Service Quality

Employees who are satisfied will do continuous quality improvement. Thus, the employee will act to provide a quality service. Several studies have shown that employees who are satisfied is the highest motivation to have a good moral at work and display performance more effective and efficient (Yoon and Suh, 2003).

On the other hand, Slatten (2008) stated that although the service of employees is recognized as an essential resource in the provision of a service, but few empirical studies that explicitly focus on the role of employee satisfaction on the quality of service. Cronin (2003) recommends to conduct empirical studies of the effect of emotional dimension of satisfaction on the quality of service. Research on the emotional satisfaction stating that the emotional satisfaction (positive and negative) has significant effect on the quality of service of employees (Slatten, 2009).

H1: emotional satisfaction has positive effect on the quality of service of employees.

The Effects of Role Ambiguity, Role Conflict, and Role Overload on Emotional Satisfaction

Based on Singh, Verbeke, and Rhoads (1996), the three major stressors role that includes role ambiguity, role conflict, and role overload proven negative effect on the emotional satisfaction. Yousef (2002) has also been found that individuals who are at a high level of role ambiguity and role conflict, as the source of stress, will feel less satisfied with the work thus lowering the emotional satisfaction of employees.

In particular, for the role overload, Gibson (1992) has stated that excessive workloads can result in low self-esteem, decreased work motivation, and increased absenteeism. Furthermore, Slatten (2008) suggests that although there are no studies explicitly assess the effect of role overload on emotional satisfaction, but based on the definition and consequences of role overload, also on the Gibson's (1992) statement on implications of excessive workloads, it can be used to attract the hypothesis that role overload has negative effect on the emotional satisfaction.

H2: role ambiguity has negative effect on the emotional satisfaction.
H3: role conflict has negative effect on the emotional satisfaction.
H4: role overload has negative effect on the emotional satisfaction.

Work-Family Conflict Effect on Emotional Satisfaction

The changing nature of work motivation and the general public has led both to the increasing number of single-parent households are larger and increasing the number of households that spousal career ambition is to pursue each other's work. These changes have increased the potential for conflict between the responsibilities of work and family responsibilities in all work environments (Slatten, 2008). Work and family life have mutual influence. Barling and MacEwen (1992) mentions the reciprocal influence as a spillover effect (unbalanced effect) from

one field to another. However, labor relations consequences of work-family conflict can not be clearly defined.

Based on the type of work-family conflict, namely strain-based conflict, there are indicators that show the work-family conflict negatively affected satisfaction because strain-based conflict occurs when the pressure of one's role affect the performance of other roles. For example, very difficult for a person able to work wholeheartedly when the pressing family problems him or herself (Elloy & Smith, 2003).

H5: work-family conflict negatively affect the emotional satisfaction.

The Moderating Role of Gender in the Relationship between Emotional Satisfaction and Service Quality

There are differences in job satisfaction between men and women in the work environment, so that the motivation and specific programs for workers required in this case (Olorunsola, 2010). Several empirical studies have found gender differences in the effects of job satisfaction (Lutz, 2007). Based on the investigation of the influence of gender differences in satisfaction construct, Slatten (2008) suggest focusing on gender differences in the effects of emotional satisfaction on the quality of service that aims to deepen the understanding of gender differences in the context of emotional satisfaction in the quality of service.

H6: gender moderates the effect of emotional satisfaction on the quality of service.

RESEARCH METHODS

Sample and Procedure

In this study, information was collected from respondents through questionnaire conducted on nurses of Hospital of Dr. Moewardi. The sampling technique used is purposive criteria of nurses who are married and have minimum working term of one year.

Measurements

Role ambiguity is the condition of the nurses who feel the work does not have clear guidelines and objectives and measured by 6 item questionnaire developed by Rizzo et al. (1970).

Role conflict is a condition of nurses who experience conflict at work, either with colleagues, supervisors, or in workgroups and measured with 8 item questionnaire developed by Rizzo et al. (1970).

Role overload is that the working conditions of nurses required to do work beyond its ability and measured with 9 item questionnaire developed by Caplan (1971).

Work-family conflict is a condition of nurses who experienced the conflict between the demands of work and family responsibilities and measured by 5 item questionnaire developed by Netemeyer, Boles, and McMurrian (1996).

Emotional satisfaction is the emotional state of the nurses who showed a sense of like or dislike towards cognitive assessment of the work environment and measured with 4 item questionnaire proposed by Reynolds and Beatty (1999).

Service quality is how well nurses provide a service to be able to meet or even exceed the expectations of service users (patients) and measured with 4 item questionnaire developed by Dabholkar, Shepherd, and Thorpe (2000).

The moderating gender is the term for the biological condition of a person, male and female. Gender is a variable dischotomous coded. Variables with code 0 for men and 1 for women.

Analysis

Testing instrument is done with validity and reliability test. Validity test using CFA (Confirmatory Factor Analysis) technique with the help of the software SPSS 16.0 for Windows. Tolerance limits loading factor was 0.4 with the provisions of qualifying criteria KMO (Kaiser-Meyer-Olkin) and Barlett's Test over 0.5 and significant at 0.05. Then, coefficient Anti Image Matrices which indicates the adequacy of the sample size that can be obtained for further analysis is at least 0.5. Reliability test using Cronbach's Alpha technique with minimum acceptance value is 0.6.

In this study, to test the effect of independent variables on the dependent variables used multiple regression analysis and simple regression. Then, the moderating effects of gender performed by sub-group regression analysis. Testing of this regression analysis using the software SPSS 16.0 for Windows.

RESULTS

Testing Validity

Table 1: Validity Output

Variable	Items	Factors					
		1	2	3	4	5	6
Role Ambiguity	RA1				.402		
	RA2				.685		
	RA3				.785		
	RA4				.804		
	RA5				.752		
	RA6				.818		
Role Conflict	RC3	.679					
	RC4	.806					
	RC5	.681					
	RC6	.510					
	RC7	.771					
	RC8	.665					
Role Overload	RO1						.486
	RO3						.547
	RO5						.617
	RO6						.453
	RO7						.438
	RO8						.522
	RO9						.716
Work-Family Conflict	WFC1			.781			
	WFC2			.765			
	WFC3			.823			
	WFC4			.675			
Emotional Satisfaction	KE1					.826	
	KE2					.774	
	KE3					.622	
	KE4					.735	
Service Quality	KP1		.789				
	KP2		.847				
	KP3		.811				
	KP4		.872				

Source: primary data which are processed

The table is the end result after the previous CFA testing, there are several items that are not valid statements that should be reduced/removed. Table 1 shows the results extracted perfectly and has a loading factor ≥ 0.40 so that all items used to express each variable is declared valid.

Testing Reliability

Table 2: Reliability Output

Variable	Cronbach's Alpha	Information
Role Ambiguity	0,853	Good
Role Conflict	0,836	Good
Role Overload	0,727	Accepted
Work-Family Conflict	0,865	Good
Emotional Satisfaction	0,898	Good
Service Quality	0,895	Good

Source: primary data which are processes

Reliability testing results in Table 2 that each of the variables studied had Cronbach's alpha values >0.60, which means all of the instruments in this study has been reliable.

Results of Hypotheses Testing

Role Stressors Effect on Emotional Satisfaction

Table 3: Result of Multiple Regression Analysis

Variable	Standardized β	t	Sig.
Konstanta		16.058	.000
RA	-.284	-3.461	.001
RC	.138	1.487	.140
RO	-.180	-2.060	.042
WFC	-.476	-5.328	.000

Source: primary data which are processes

Table 3 shows that all variables of role stressors supported except on the variable role conflict because the p-value > 0.5. R^2 value of role stressors effect on the emotional satisfaction showed an adjusted R^2 of 0.373. This means that 37.3% of dependent variable (emotional satisfaction) that can be explained by the independent variable (role ambiguity, role conflict, role overload, and work-family conflict), while the remaining (1-R^2), ie 62.7% explained by other causes outside the model.

Emotional Satisfaction Effect on Service Quality

Table 4: Result of Simple Regression Analysis

Variable	Standardized β	t	Sig.
Konstanta		9.214	.000
KE	.404	4.503	.000

Source: primary data which are processed

Table 4 shows that the emotional satisfaction has significant positive effect on the quality of service of p-value <0.5. R^2 the emotional satisfaction on the quality of services showed an adjusted R^2 of 0.155. This means that 15.5% of dependent variable (quality of service) which

can be explained by the independent variable (emotional satisfaction), while the remaining (1-R^2), ie 84.5% explained by other causes beyond the model.

The Moderating Role of Gender in the Relationship between Emotional Satisfaction and Service Quality

Table 5: Result of Subgroup Analysis

Model	Standardized β	t	Sig.
1. Konstanta		7.706	.000
KEpa/KE0	.120	.661	.514
2. Konstanta		9.990	.000
KEpi/KE1	.063	.536	.593

Source: primary data which are processed

Table 5 shows that KEpa t value of 0.661 with probability of 0.514 at significant level α = 5%, so it can be said that emotional satisfaction respondents men had no significant effect on the quality of service. Likewise, KEpi t value of 0.536 with probability of 0.593 at significant level α = 5%, so the emotional satisfaction of respondent women also had no significant effect on the quality of service.

Based on the analysis, testing two models was insignificant all of them, so both β do not need to be tested and it can be concluded that gender did not moderate the influence of emotional satisfaction on the quality of service.

DISCUSSION

Emotional Satisfaction Effect on Service Quality

The analysis showed that the emotional satisfaction has positive significant effect on the quality of service. The higher positive influence of emotional satisfaction, service quality is also increasing, conversely the lower the emotional satisfaction the quality of service will also be decreased. According to the respondents, it appears that nurses have high emotional satisfaction and service quality in their work.

These results support Slatten (2008) which states that employees who feel satisfied emotionally will display a higher quality of service than employees who are not satisfied.

Role Ambiguity Effect on Emotional Satisfaction

Results showed that role ambiguity has significant negative effect on the emotional satisfaction. The higher negative influence of role ambiguity, emotional satisfaction even more decreased, whereas the lower the role ambiguity, the emotional satisfaction will increase. This negative effect also appears on the responses regarding role ambiguity and emotional satisfaction that nurses experiencing role ambiguity are low, while high emotional satisfaction.

These results are at odds with Slatten (2008) found that role ambiguity does not significantly affect the emotional satisfaction. Differences in the results of this analysis is made possible by several things, namely the length of working life and job descriptions of each object in the research.

Role Conflict Effect on Emotional Satisfaction

Based on the analysis in Table 3, the value of β of 0,138 did not significantly affect the emotional satisfaction because $p > 0.05$, it can be concluded H3 is not supported. This could be because the respondents did not feel significant conflict in his or her role as a nurse. Response regarding the role conflict, it appears that the nurses feel low role conflict in their

work place. Response about emotional satisfaction, it appears that the nurses feel emotional satisfaction are relatively high.

Role Overload Effect on Emotional Satisfaction

Results indicate that role overload has significant negative effect on the emotional satisfaction. The higher negative influence of role overload, emotional satisfaction even more decreased, whereas the lower the role overload the emotional satisfaction will increase. This negative effect also appears on the responses regarding role overload and emotional satisfaction that nurses have low role overload while high emotional satisfaction.

Work-Family Conflict Effect on Emotional Satisfaction

The analysis showed that work-family conflict has significant negative effect on emotional satisfaction. The higher negative influence of work-family conflict, emotional satisfaction even more decreased, whereas the lower work-family conflict, the emotional satisfaction will increase. This negative effect also appears on respondents experience about the work-family conflict and emotional satisfaction that nurses have low work-family conflict while high emotional satisfaction.

The Moderating Role of Gender in the Relationship between Emotional Satisfaction and Service Quality

The influence of emotional satisfaction in the service quality are not severely affected by gender. This means emotional satisfaction among respondents of men and women there is no higher or lower in the display service quality or it can be said that the emotional satisfaction respondents men and women alike in realizing service quality. This statement is in accordance with the first hypothesis stating supports positive significant effect emotional satisfaction on service quality.

CONCLUSIONS

Based on the results of hypothesis testing performed by multiple regression, simple regression, and subgroup analyzes showed that the service quality is significantly affected by the emotional satisfaction while the emotional satisfaction is influenced significantly by role ambiguity, role overload and work-family conflict. Meanwhile, role conflict does not significantly affect the perceived emotional satisfaction of nurses and gender did not significantly moderate the influence of emotional satisfaction on service quality.

However, this study is not without faults: (1) The study was conducted at Hospital Dr. Moewardi and just take nurses as respondent, so the generalizability of this study is limited to nurses Hospital Dr. Moewardi, (2) This study focuses on the general effects of emotional satisfaction on service quality and does not specify the dimensions of the construct of emotional satisfaction, (3) This study only focused on the antecedents and influences emotional satisfaction from the perspective of employees, so it is not identified sources of emotional satisfaction and service quality as a whole as well as the perspectives of others.

As the improvement of quality in order to develop the topics of research in the same field, the researchers can consider the following: (1) Further research is expected to be replicated and expanded generalization of the findings to date by using samples from various sectors, such as public services other than hospital, industry, and other government and private sector, (2) Future studies can determine the more exact dimensions of emotional satisfaction specific that is the best predictor for service quality, (3) Future studies are expected to focus on other perspectives besides employees in identify the sources of emotional satisfaction and service quality. Kennedy-McDoll and Anderson (2002) stated that there has been no research to

develop model of leadership style and emotion as a mediator for the performance. An exploratory study on the influence of leadership style on emotional satisfaction and service quality will be research that is useful and necessary in the future (Slatten, 2008).

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The role of customer-based brand equity In forming purchase intention

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Abstract

Brand equity, for companies, becomes an inseparable part of marketing strategy to obtain a number of benefits, such as increased customers' purchase intention. This study measures brand equity from the customers perspective as mediator variable of the impact of brand association and loyalty on purchase intention. The research involves the public of Yogyakarta City and Sleman Regency as well as convenience sampling technique. Using SEM as analytical approach and 166 customers of tablet computers as respondents, the result of the study reveals that brand association may have positive impact on brand loyalty and equity. On the other hand, brand equity is proven to be able to serve as a mediator variable of brand association and loyalty on purchase intention.

Keywords: association, loyalty, brand equity, purchase intention

INTRODUCTION

Building a strong brand in the market becomes a purpose for many organizations, for its numerous corporate benefits, which include reduced vulnerability against marketing actions from competitors, higher margin, larger cooperation with mediators, and support to and opportunities for brand extension (Ballester and Alleman, 2005). Toward customers, a brand is capable of building a differentiating perception between competitor's offers, and may hold a key role in directing customers' preference and choice (French and Smith, 2010).

The power of a brand lies in what have been learned, felt, seen, and heard by customers about the brand as the result of their experience from time to time (Atilgan, et al., 2005). When customers are able to see the benefit of a certain brand, then the company may have a competitive advantage. Therefore, in order to trace the power of a brand, manager should be able to measure brand equity.

Brand equity is a set of assets associated with the name and symbol of a brand, which increases (or decreases) the value given by a product or service to a company and/or the customers thereof (Tong and Hawley, 2009; Gill and Dawra, 2010). Developing further insight into the measurement of customer-based brand equity is necessary in facing branding advantages (Pappu, et al., 2005) as well as toward marketing practices and marketing theory for the last few years (Wilcox, et al., 2008).

The focus of customer-based brand equity measurement is, among others, based on brand association and loyalty (Atilgan, et al., 2005; Pappu, et al., 2005; Tong and Hawley, 2009; French and Smith, 2010). According to Gil, et al. (2007), the dimensions of such brand equity are closely related. Nevertheless, loyalty has been considered as a construct, which is preceded by other dimensions, such as brand association.

As stated by Tong and Hawley (2009), the implication of a customer-based research shows that customers' perception toward a brand is an accurate reflection of brand performance at the market. It is widely acknowledged that brand is capable of providing value and power at

the market. As they suggest, a comprehensive understanding on brand equity from the perspective of customers is considered highly crucial for a successful brand management.

Further, brand management is considered advantageous as an effort in forming assets for an organization. It is also capable of producing value added from the investment made by the brand (Pappu, et al., 2005). In their opinion, high cost is related to the launching of new brand, high failure rate of new products, and increased advertisement and distribution cost are some of the reason behind increasing interest on brand management.

Brand equity, which measures customers' subjective assessment, is also used to further understand the factors affecting purchase intention (Holehonnur, et al., 2009). Results from Senthilnathan and Tharmi's research (2012) discover that brand equity has positive relation with purchase intention. Meanwhile, according to Myers (2003), purchase behavior can be affected by brand equity.

LITERATURE REVIEW

Purchase Intention

Purchase intention can be defined as one's plan to purchase a specific brand after evaluating and selecting among various existing brand offers (Khan, et al., 2012). For them, purchase intention toward particular brand requires assessment to all brands available in the market, and that the approach towards a particular brand affects significantly on purchase intention. On a different note, Senthilnathan and Tharmi (2012) states that purchase intention is a subjective tendency of a customer to certain goods or services and may exist as a noteworthy element in predicting customer behavior. As a significant concept in marketing literature, results of studies on purchase intention are often used to analyze and understand customer behavior in marketing studies.

Furthermore, Tuu and Olsen (2012) notes that marketing managers are fascinated by customers' purchase intention in order to predict the sales of goods and services as well as to assist marketing decision related to demands for new or existing product, market segmentation, and promotion strategy.

Brand Association

Brand association is relevant to one's memory of particular brands that generate his/her confidence of how important brands are for their customers (Gil, et al., 2007; Tong and Hawley, 2009). Tong and Hawley (2009) found that brand association creates value for the company and customers by helping to process or retrieve information, differentiating among brands, creating positive attitude or feeling, providing reason to purchase, and offering a basis for extension.

Association is the basis for the establishment of brand loyalty (Atilgan, et al., 2005). The relationship between brand association and customer loyalty has been empirically proposed and tested in business literature. Results of the study confirm that brand association has a strong impact on customer loyalty (Alexandris, et al., 2008). According to Pappu, et al. (2005), the higher customers' association to a brand, the higher their loyalty would be. Based on the discussion, the proposed research hypothesis is:

H1: Brand association has positive impact on brand loyalty

Meanwhile, Atilgan, et al. (2005) argue that brand association is a key element in the assessment of brand equity. Gill, et al. (2007) found that an association should be unique, strong, and beneficial for customers in order to have a positive effect on brand equity. A strong brand with a high level of brand equity usually has a strong association (French and Smith, 2010). Specifically, Tong and Hawley (2009) has proven that customer association of a brand

has positive impact on brand equity. Based on the existing explanation, the following hypothesis is formulated:

H2: Band association has positive impact on brand equity

Brand Loyalty

Brand loyalty is defined as the tendency to be loyal to the focused-upon brand as indicated by the intention to purchase such brand as the primary option (Tong and Hawley, 2009). On the other hand, Pappu, et al. (2005) and Gill, et al. (2007) define brand loyalty as a firmly-held commitment to consistently purchase in the future, despite situational influences and marketing efforts by competitors which may potentially cause a switch behavior. Brand loyalty endows substantial added value to the brand and/or company as it may generate long term customer habits (Tong and Hawley, 2009; Gil, et al., 2007).

Brand loyalty serves as the main cause of the emergence of brand equity and is recognized as the path leading to certain benefits and results of marketing efforts, such as reduced marketing costs, premium price, and market share (Ballester and Aleman, 2005). Additionally, studies from Tong and Hawley (2009) and Atilgan, et al. (2005) have proven empirically that customer loyalty on a brand has positive impact on brand equity. Based on the above discussion, the following hypothesis is formulated into:

H3: Loyalty has positive impact on brand equity

Apart from having impact on brand equity, brand loyalty may also have impact on customers' purchase intention. In their researches, Souiden and Pons (2009) and Khan, et al. (2015) were able to prove that loyalty has positive impact on customers' purchase intention.

H4: Brand loyalty has positive impact on customers' purchase intention

Brand Equity

Brand equity is a set of assets associated with the name and symbol of a brand, which increases (or decreases) the value given by a product or service to a company and/or the customers thereof (Tong and Hawley, 2009; Gill and Dawra, 2010). According to Holehonnur, et al. (2009), brand equity is defined as subjective and intangible evaluation by customers of a brand and company, which exceeds the perceived objective value. Meanwhile, customer-based brand equity is defined from the perspective of customer and among others is based on customer association on a brand (Tong and Hawley, 2009).

One of the most common classifications in brand equity is divided into five categories, namely awareness, association, perceived quality, brand loyalty, and other assets associated with brand. In practice, merely the first four dimensions are analyzed in studies on customer-based brand equity, as the fifth dimension has closer reference to patents, company's distribution channels, and other aspects indirectly related to customers (Gil, et al., 2007). From customers' perspective, brand awareness, association, perceived quality, and brand loyalty are four of the most crucial dimensions in measuring brand equity (Pappu, et al., 2005; French and Smith, 2010)

Brand equity is often associated with customers' likelihood to preferably choose a product and their willingness to pay a premium price for a product. Thus, brand equity can be used to predict future assessment of relationship value between the company and its customers (Wilcox et al., 2008). Further, Senthilnathan and Tharmi (2012) argue that customers' positive feeling towards brand equity of a product may generate customers' purchase intention. In addition, Holehonnur, et al., (2009) note that evaluation of purchase intention may be based on brand equity. Based on the results of the discussion thus proposed the hypothesis of the study as follows:

H5: Brand equity has positive impact on customers' purchase intention.

Research Framework

The relationship among the variables described above (association = A; loyalty = L; equity = E; and purchase intention = NP) can be illustrated in a research framework as shown in Figure 1.

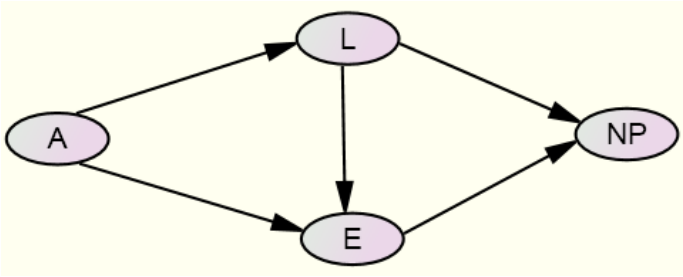

Figure 1. Research Framework

RESEARCH METHODS

The population used in this study is the public of Yogyakarta City and Sleman Regency who recognize particular brand of tablet computers. 166 people are used as samples. Such number is obtained by applying the approach of 1% significance level with 10% error tolerance level in sampling. The number of samples has met the appropriate interval of number of data pairs under the data analysis techniques of structural equation modeling (SEM) and AMOS Data Processing Program, which require 100-200 pairs of data (Ghozali, 2013). Apart from that, the samples were taken using convenience sampling approach, that is during respondents' leisure time at particular areas in Yogyakarta City and Sleman Regency.

This research uses non-probability sampling method with convenience sample, where researchers select respondents by convenience or chance when meeting respondents who recognize tablet products of Samsung brand. The variables used in the study are measured using Likert scale from strongly disagree (1) to strongly agree (5), which generates interval data.

The obtained data are then analyzed with structural equation modeling (SEM) approach using the AMOS 18.0 Data Processing Program.

RESULTS OF ANALYSIS

The data obtained are further tested using the Goodness of fit structural model calculation, as well as variable indicator testing using validity and reliability tests. The testing requires the fulfilment of several goodness of fit index measurement, such as expressed by Ghozali (2013). The Goodness of fit calculation results are presented in Table 1.

Table 1. Goodness of Fit Calculation and Variable Model Testing Result

No	Goodness of Fit	Minimum Requirements	Brand Association	Brand Loyalty	Brand Equity	Purchase Intention
1	CMIN/DF	< 2	1.254	6.503	4.694	-
2	RMSEA	0.050 – 0.080	0.039	0.183	0.150	0.453
3	TLI	≥ 0.90	0.987	0.854	0.926	-
4	IFI	≥ 0.90	0.996	0.952	0.976	1.000
5	CFI	≥ 0.95	0.996	0.951	0.975	1.000

Table 1 shows that each variable has met several requirements of Goodness of fit value. For instance, brand association meets CMIN/DF, TLI, IFI, and CFI requirements; brand loyalty meets IFI and CFI requirements; brand equity meets TLI, IFI, and CFI requirements, and purchase intention meets IFI and CFI requirements. Hence, overall, the variable model is considered as forming a good model as it is capable of meeting several Goodness of fit criteria. Consequently, the analysis can be proceeded to test the variable indicators using indicator validity and reliability test to each research variable.

An indicator is deemed valid when its estimate value on standardized regression weight ≥ 0.5 (Ghozali, 2013), while constructs is deemed reliable when its variable reliability composite index is at least 0.60 (Ghozali, 2013). The recapitulation of the calculation is shown in Table 2.

Table 2. Recapitulation of the Calculation of Average, Validity, and Reliability of Indicators

Description	Code	Valid	Reliable	Mean
Brand Association	**A**		**0.716**	**3.575**
Several brand characteristics come to mind quickly	AM1	0.555		3.451
Capable of quickly memorizing this brand's symbol or logo	AM2	0.821		3.650
This brand has strong personality	AM3	0.506		3.777
This brand differs from competitor's brand	AM4	0.588		3.421
Brand Loyalty	**L**		**0.819**	**2.803**
Consider themselves loyal to this brand	LM1	0.776		2.789
Always purchase this brand	LM2	0.765		2.608
When asked for recommendation, will suggest to purchase this brand	LM3	0.695		3.054
Suggest this brand anytime possible	LM4	0.677		2.759
Brand Equity	**E**		**0.862**	**3.086**
Prefer to purchase this brand instead of the other brand(s), even if both have same quality and price	EM1	0.828		3.054
Even if other brand(s) has similar features with this brand, they prefer to purchase this brand instead	EM2	0.766		3.301
When another brand as good as this brand exists, they opt to purchase this brand	EM3	0.730		2.945
If the other brand is no different from this brand by any means, they still prefer to purchase this brand instead	EM4	0.799		3.042
Purchase Intention	**NP**		**0.608**	**3.199**
Tendency to purchase product	NP1	0.646		3.156
Consider to purchase product	NP2	0.676		3.241

From Table 2 above we can identify that the standardized loading factor of all indicators of each variable generates a value greater than 0.5. Therefore, the items in the brand association, brand loyalty, brand equity, and purchase intention variables are deemed valid. Whereas the reliability testing process using composite reliability approach leads to the conclusion that all the variables are reliable, as the composite reliability indexes generated are greater than the minimum requirement of 0.60.

Still in Table 2, we may also find that generally, the measurement of variables and indicators of the research model shows that respondent assessment stands in moderate category, i.e. at the interval between 2.610 and 3.400, except for customer association of the tablet computer brand variable, where customer association assessment can be categorized as high (3.41 to 4.20). The average of customer association calculation is also the highest, both in variable and indicator, when compared to the other three variables (loyalty, equity, and purchase intention).

It may also be seen that customers' assessment regarding their loyalty to a particular tablet computer brand has the lowest average, either based on the variable mean or each indicator of variable measurement. Furthermore, better/higher assessment is respectively found in the measurement of the variables and indicators of equity and purchase intention.

Furthermore, analysis and calculation of the research model is shown as seen in Figure 2

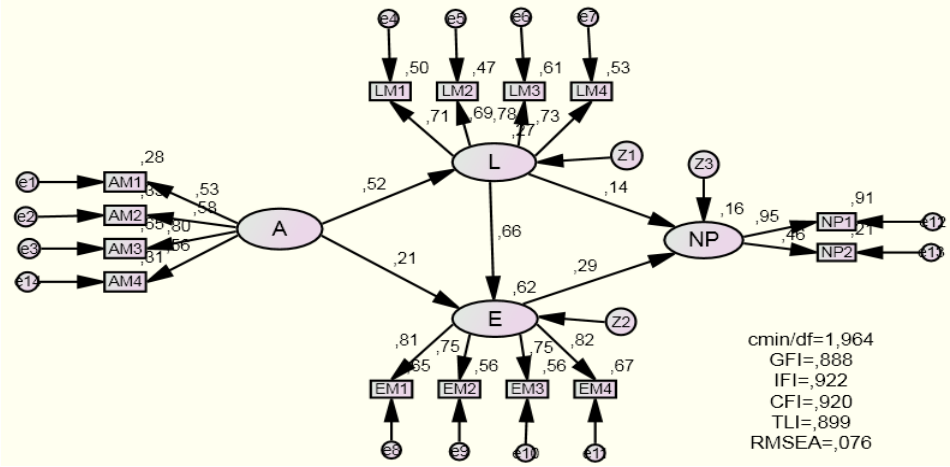

Figure 2. Model of Fit of the Research Results

From the structural model analysis in Figure 2, the measurement of the goodness of fit can be explained as presented in Table 3.

Table 3. Goodness of fit of Structural Model

Criteria	Result	Minimum Requirement	Description
CMIN/DF	1.558	< 2	Good
GFI	0.888	≥ 0.90	Marginal
IFI	0.922	≥ 0.90	Good
CFI	0.920	≥ 0.90	Good
TLI	0.899	≥ 0.90	Good
RMSEA	0.076	0.050 – 0.080	Good

As seen from Table 3, the overall value of the Goodness of fit is considered as Good, since most of the indicators have met the required index. While the CFI index is below the minimum requirement, it remains considered as good as it reaches the minimum requirement of 0.9.

To establish the obtained model of fit, T test is further conducted. T test (Cr) is used to prove the impact of brand association on brand loyalty and brand equity; the impact of brand loyalty on brand equity and purchase intention; and the impact of brand equity on purchase intention. The recapitulation of T test calculation is presented in Table 4.

Table 4. Recapitulation of Research Model Significance Calculation

	Hypothesis	Standardized Estimate	P	Conclusion
H1	A → L	.515	.000	Proven
H2	A → E	.215	.010	Proven
H3	L → E	.656	.000	Proven
H4	L → NP	.143	.182	Not Proven
H5	E → NP	.285	.033	Proven

Based on Table 4, it is known that out of five (5) tested hypotheses, one hypothesis (H4) is not significantly proven, while the four remaining hypotheses (H1, H2, H3, and H5) are significantly proven.

The significantly proven hypotheses have the probability value of less than 5%, or 0.05. Thus it may be considered as significantly proven that customer association to tablet computer brand has positive impact on brand loyalty (H1) and brand equity (H2); brand loyalty has positive impact on brand equity (H3); and brand equity has positive impact on purchase intention (H5). The significantly unproven hypothesis, on the other hand, has the probability value of which is greater than 5%. From the assessment result it can be concluded that we cannot significantly prove whether brand loyalty has any positive impact on brand loyalty (H4).

Emerging from the results above, further calculation can be conducted on the level of the impact of exogenous variables on endogenous variables, which include total impact, direct impact, and indirect impact. Table 5 below recapitulates the calculation of the impact of exogenous variables on endogenous variables.

Table 5: Recapitulation of the Calculation of the Impact of Exogenous Variables on Endogenous Variables

Var.	Total Impact			Direct Impact			Indirect Impact		
	A	L	E	A	L	E	A	L	E
L	.514	.000	.000	.514	.000	.000	.000	.000	.000
E	.555	.660	.000	.215	.660	.000	.339	.000	.000
NP	.219	.260	.394	.000	.000	.394	.219	.260	.000

Table 5 showing the index of the total impact of customer association (A) on a brand may describe that customer loyalty (L) to a brand is 0.514. The total impact is the same as the index of the direct impact of association on brand loyalty. This may signify that out of a number of factors affecting brand loyalty, 51.4% of it is positively affected by customer association on such brand.

Meanwhile, the total impact of brand association variable on brand equity (E) is 0.555. The total impact index is equivalent to the direct impact of brand association on brand equity plus indirect impact of brand association on brand equity through the mediation of loyalty variable. The indirect impact is obtained from the multiplication of the direct impact of brand association on brand loyalty (0.514) and the direct impact of brand loyalty on brand equity (0.660). Therefore, this signifies that out of a number of factors affecting brand equity, 55.5% of it is positively affected by customers' brand association and brand loyalty.

In the meantime, the total impact of brand association on purchase intention (NP) at 0.219 is entirely obtained from the indirect impact of brand association on purchase intention, using brand loyalty and brand equity variables. The explanation on the level of the indirect impact is similar to the previous description.

DISCUSSION

From the SEM testing it is discovered that brand association has positive impact on brand loyalty. This result describes that brand association may become the basis for a person to be loyal to a brand. Such result is consistent with the results of researches conducted by Atilgan, et al. (2005), Pappu, et al. (2005), and Alexandris, et al. (2008), all stating that brand association has positive impact on brand loyalty. Similarly, this also applies to the relationship between brand association and brand equity.

It is also known that overall, brand association has positive impact on brand equity. This result explains that association may be a key element in forming brand equity. The result is

consistent with the results of researches conducted by Gil, et al. (2007), Tong and Hawley (2009), and French and Smith (2010), all stating that brand association has no positive impact on brand equity in general.

Further, this study also proves that brand loyalty has positive impact on brand equity. This means that the higher the brand loyalty, the higher the brand equity in general. This result is at the same time confirms the results from previous researches conducted by Ballester and Aleman (2005), Atilgan, et al. (2005), and Tong and Hawley (2009).

Nevertheless, the success in proving the hypotheses relevant to loyalty variable is not followed by the subsequent hypothesis, which states that brand loyalty has positive impact on purchase intention. In other words, this research fails to support the results from previous researches conducted by Souiden and Pons (2009) and Khan, et al. (2015). Such failure in proving the hypothesis is possibly caused by low average index in customer assessment of their loyalty to a particular brand of tablet computer, compared to the other three (3) variables.

In contrast to what happens on brand loyalty variable, when related to customers' purchase intention, brand equity variable positioned as exogenous variable does in fact generate positive and significant impact on purchase intention. In other words, when the level of brand equity perceived by the customers is higher, customers' purchase intention will also increase. This result is consistent with the opinions of Wilcox, et al. (2008), Holehonnur, et al. (2009) and the results of previous researches conducted by Senthilnathan and Tharmi (2012), which prove brand equity has positive impact on purchase intention.

From the above explanation, hence this research proves that brand association is capable of serving as the antecedent variable to establish customers' purchase intention, although in forming the purchase intention one has to go through mediator variables such as customer loyalty and brand equity. In other words, brand loyalty and particularly brand equity hold significant role as the mediators in forming the positive impact of customer association of a brand on customers' purchase intention, particularly for tablet computer products. The pattern of inter-variable impact is positive, which means that the higher customers' assessment of brand association, loyalty, and equity, the greater their intention to purchase the brand in question. This statement is supported by the result of the analysis which generate 21.9% for the total impact of brand association, loyalty, and equity on respondents' purchase intention. In the scope of social research, such index is considered as relatively high.

By studying customer-based brand equity, this research offers the management a framework, which can be used during the decision-making of marketing, particularly those based on inter-variable relationship used in this research.

CONCLUSION

This study has managed to prove existing hypotheses, except on the impact of brand loyalty on purchase intention. Nevertheless, further research is necessary in the future, to search for the relations between other variables, which may affect brand equity apart from brand association and loyalty, to strengthen the formation of customers' purchase intention. Additionally, this research involved merely the public of Yogyakarta City and Sleman Regency; therefore, future research needs to be expanded to people in other areas, to obtain more supportive and reliable results for similar research models.

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The innovation capability of small and medium-sized enterprises (smes) in term of geographical on marketing performance

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Abstract

Even though Indonesia has a lot of provinces, Indonesia can be categorized as the serious one to develop the enterprises. The aim of this paper is to lift up the strategy of enterprise's work geographically. It was in Indonesia. The ability of company in doing innovation by the optimized resource about the market information which will bring the company goes into the market with the unique company in the business competition which may not be avoided to win the competition. Due to that reason, the company need to commit themselves to improve the innovation continuously by producing the work which can raise up and maintain the aim of the product's benefit such as the market satisfaction and consumers so the Small Medium Enterprises which exist in a small island hopefully can give contribution to the nation's economic growth as so as to get the high position in front of the customers.
Key Words: The ability of Innovation, Small Medium Enterprises, Geographically, Marketing Performance.

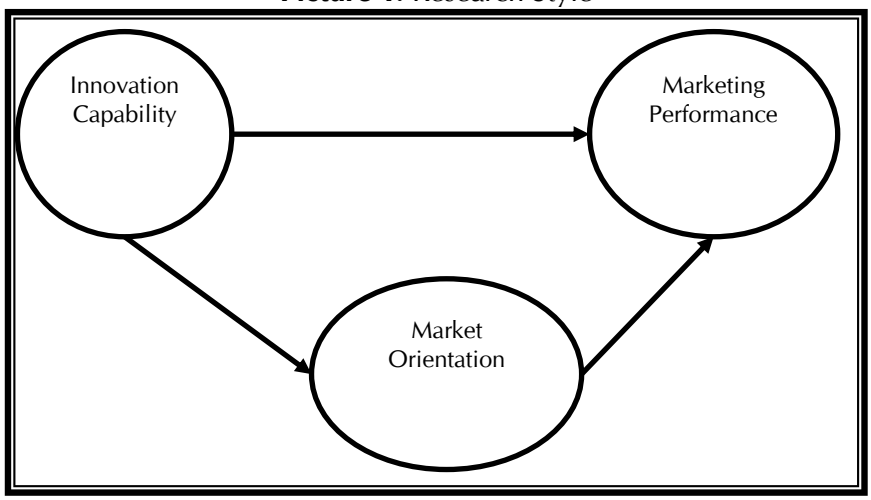
INTRODUCTION

Indonesia is really serious in applying the industrial trustworthy by improving the world of entrepreneur based on the president's instruction number 4 in the year 1995, civilize spirit, attitude, behavior and ability of entrepreneurship in society. Formally, the government of Indonesia had been defining Geographic symptoms based on the natural factor, human factors and combination of the two of them as the characterized features and the quality of that thing.

The social prescription of the entrepreneurship is considered as the important one for the competitiveness and the rich of the nation Smelser and Swedberg (2010)because inside of them, happens the chain of the score reproduction including the process of receiving the financial risk, psychology and social (Dees 1998). Likewise with Njoroge and Gatungu (2013) the entrepreneur could organize the risk in his jam business has ability to manage information to adjust the business environment. (Douglas and Shepherd 2002; McCaffrey and Salerno 2011)

The empirical research had happened ambiguously between the company's ability of innovation with the marketing performance. That research is proposed by Leticia Santos-Vijande et al. (2013) who found that there is the significant relation between the innovation ability and the marketing performance, but 3 years later, that research was denied by (Löfsten 2014)who said that the was no significant relation between the innovation ability which was done by the company to pop up the marketing performance. The customers tend to choose the consumer's service program which is getting higher, so for that reason, the product or the service must be built by the manager to get the high position in front of the customers.

Picture 1. Research Style



The picture above is proposed as the middle man to overcome that controversy. Montanari and Bracker (1986)expressed their opinion that an entrepreneur needs support of social assets like for example social networking. That kind of social support is intense to innovative performance. Zhu et al. (2012)need to be understood that innovation is building new competition so it is not always the new product but the innovation can be seen from the internal and external resource to improve the operational (Kogut and Zander 1992) innovation is really need the new knowledge to produce new idea which can be received by the market. (Berry et al. 2014). The other opinion offered that the geographical position as the strong aspect from the industry to facilitate the adaptation as the place of the elements. (Akgün et al. 2014; Nguyen 2011)

DISCUSSION

In the journey, there was no entrepreneur without any obstacles(Eniola and Entebang 2015), just say Geography and money problems. These was maybe triggered by the level of trust which is implicit unilateral assuming that marketing is not producing score in semantic meaning it was further more mathematically that the marketing activity is still classified so little. (Edy Halim 2010)

As far as the role of the government is important for the entrepreneur's need to get benefit and develop more than clustering and networking in this garden is good to be consumed so to make sure the dynamic growth of economy continuously. Huge amount of knowledge from the data had been prepared the subs are *research and development*. It is an asset of ability to anticipate the market flaming(Bower and Seeger. 2014)

It is need to be owned because the high level of competition describe lots of company in a small amount of scale growing in every industry producing their product with efficient plan(Hunt and Morgan 1995)

An effort is also needed from the government to recover problems and challenges and the entrepreneur itself in upgrading technology and products for being the competent one in the regional and global market. (Dawood et al. 2014)

Innovation Ability

The academic capacity in doing the development to increase the entrepreneur's performance ability seems to be helpful enough. Lots of people describe that there are many precious advice of being entrepreneur is assets such as tools and money yet there are another thing which

actually also effect even though without seeing the form such as knowledge, motivation, and support by the culture Davila et al. (2006) the contribution for the understanding facing the aspect of the innovation ability can be supported by the measuring performance, because that performance itself is the impact from the ability of doing innovation (Saunila and Ukko 2013).

From the point of view facing the market, big company is more sensitive and will directly do the expansion to enlarge the market, so if it is compared in doing the innovation of the product with the help of new technology, the company will relatively choose the basic enlargement comparing to the adaption of technology in a radical way(Forés and Camisón 2015) innovation which can be done by the entrepreneurs is making something unique, knowledge as so as the study of literature to make something to be unique so that the product is declared as the eligible one. (van Werven et al. 2015).

Innovation is the first step when someone began to see and observe new innovation from every source. Even some kinds of innovation must be shared through interpersonal communication and physical proximity. The swift of the competition in being an entrepreneur demanding the entrepreneurs to be more creative in developing product or service which they owned by themselves in order to align the consumer's needs which is getting more diverse without any limits. (Scott 1999)

Market Orientation

There are many other resources which maybe beyond the prediction of entrepreneur. For these condition, the company must focused to live in the market because the competition will be more complicated due to every company will be definitely be the winner by defeating the business rivals.Huhtala et al. (2014)measurement is not the key in explaining the entrepreneur's contribution for the performance and innovation from the Small Medium Enterprises.(Oly Ndubisi and Iftikhar 2012)

The ability to collect and use the information needed is to commercialize thepatented innovationsofthe market (Lin and Wang 2015).The motivation to do certain activity is to reach the contrast of strategy using network for the development of applying (Insinga and Werle 2000). Motivation according to company is very important for the improvement of the company (Hackman and Oldham 1976). The other role is that the company motivation can be develop successfully by taking advantages from the opportunities so that an entrepreneur will have a good personality with its ability management to run businesses (Argote and Ingram 2000)talking about motivation is not only relates with the soul of entrepreneur but it is also relates with the competitiveness. Stalk (1988) explained, the management production is relative small in total but it is a routine in producing something, company is good in competing if the effort is increase.

Business environment can be seen in 2 sectors, internal and external ones. External means an environment which changed extremely and does not obey the needs from the other company. The political condition, political trustworthy and law, the company's activity is in one scheme of law. While the internal means it has a relation with the management and stuffs as so as the social organization too.(Kean et al. 1998).

Management need to concentrate to the norm of business and social responsibility. These are important to be the focus the entrepreneurs beside the environment which can give benefits but the others likely to social responsible and norms in running business so they can catch up with the market opportunities for the certain ones and can fulfill the consequences in society around the place where you worked in.

Marketing Performance

The performance of the Small Medium Enterprises can be seen from two dimensions, the market performance and the financial performance. (Maurya et al. 2015). Hollis and Yakhou (2008) In deciding the business location by considering the maximum benefit based on company growth, so they can make any decisions to determine business location. A dynamic of changes of environment can be a profitable for such new chances which obviously bring some advantages for those who can take the opportunity (Meyer 1982).

The same idea toBaron and Markman (2000) described that Entrepreneur is one thing that cannot be separated only by getting large benefit but still have to give more attention to the society and its surrounding.

People behavior will be based on persuasive of economy. By getting more economic performance, people can be able to support and maintain their business where ever theyare effort to develop their business because of this Entrepreneurship by exploiting the chance and individual Entrepreneurship behavior subject to the seriously enterprising in running business (Venkataraman 1997).

The relationship between Innovation, Market Orientation and Market Performance

Market Orientation has its character as a pioneer in establishing a competitive supremacy to avoid the company losses, for this reason Market Orientation has its relationship to the financial case. One thing that might be happened to the company profit is that when a company does not make any consideration that costumer has changed into a higher level of services, but the company still uses an old fashion system and never change. (Kumar et al. 2011). Moreover, Market Orientation has its influences to the company performance Murray (Murray et al. 2011)subject to a company innovation capability that has an integration such as innovative ability of the product, innovative in processing the product, managerial innovation and market innovation (Lee and Hsieh 2010)

CONCLUSION

Business of company strategy can be reviewed from two ways or in other words from external side and internal side, in external side position of the company strategy will have its connection to the market resources similarly to the internal company strategy will have its tight connection to company resources, so at a certain condition company has to anticipate every movement, artificiality or position role-play to get a competitive condition (Enrico and Alessandro 2015; Gabrielsson et al. 2012) In accordance to the RBV theory Andersen (2010) presented that market strategy depending on the ability of RBV theory because the *contingency-driven theory* will be the main reference or as a conceptual basic central performance for studying strategy of management discussion concerning entrepreneurship theory based on individual motivation in company establishment. However the most important thing is government statement as a very expectably support in getting such legality for entrepreneurship activities, as an expert may say that entrepreneurship is the *backbone support* of the nation economy which has more reasonable attention.

Small, Medium Enterprises (SMEs) geographically located in an island can make application of a positive marketing that described as an activity of marketing activities in which should focus in the value of invention on three (3) important elements and for mutual influences such as company, customers and societies who has their emphasis on that innovation as a basic in building a competitive superiority (Gopaldas 2015).

Strategy integration is assumed as an appropriate movement comprehensively for the company, with the result that the company can make market filtrating appropriately to be a market share Wooliscroft and Shaw (2012), furthermore to attract consumer's consideration for a long-term ahead the company has to use a communication's medium where as to decide

where the products will be launched (Çinar 2014). In the market relationship's context when market changes happened radically, the role's application of organization or the company, which has the ability to learn and ability to change will be the most important things for the company ((Teece et al. 1997) For a sampling model of the survey is such as marketing survey organized byAstuti et al. (2015) that the company should adjust strategy by focusing in *marketing mix* where the price of this survey result makes the price's changes will be susceptible perceived to the consumers.

Market needs innovation, the ability of company produces more innovated products concerning to avoid a serious competition by producing a homogeny-innovation products, a new product holds a positive effect significantly to the new selling products (Isogawa et al. 2012).

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The role of word of mouth communication to influence Indonesian behavior to conduct medical tourism in Malaysian health industry

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Abstract

Malaysia, as one of Asia's most recognised developing countries, has immense potential in an increasingly important sector - medical tourism. In Asia Pacific particularly, The Malaysia has been became one of the favorite country to do medical tourism The phenomenon of WOM communication has influenced in health issue. Many peoples have share their experiences regarding medical treatment to others either directly, via internet, or through the trusted individual source. The aim of this study is to examine conceptually the relationship betweeen word of mouth communication and Indonesian behavior to conduct medical tourism in Malaysian health industry. The findings of this study also expands the body of knowledge in medical tourism as well as serve as a platform for further qualitative and quantitative research on health travellers' experiences.

Keywords : word of mouth communication, consumer behavior, medical tourism, Malaysia health industry

INTRODUCTION

Malaysia, as one of Asia's most recognised developing countries, has immense potential in an increasingly important sector - medical tourism. Healthcare in Malaysia under the responsibility of the government's Ministry of Health has an efficient and widespread system of health care, operating a two-tier health care system consisting of both a government-run universal healthcare system and a co-existing private healthcare system (businessnewsasia, 2015).

More and more of the private hospitals offer expertise in medical fields such as but not limited to cardiology, oncology, aesthetic surgery, robotic surgery, fertility treatment, bariatric surgery, orthopaedics, dental implants, ophthalmology, neurology and aesthetics procedures

that includes minimally invasive surgeries. Apart from being regulated by the Ministry of Health, in most cases these hospitals have internationally recognised accreditations, for instance, from the Joint Commission International, which accredits healthcare organisations and programmes in the United States. As such, with top-notch medical services providing reliable, safe and effective treatments in comfortable surroundings with ease of access and affordable prices, Malaysia has certainly become a leading choice for foreign patients seeking healthcare treatment abroad. The healthcare industry has certainly taken a leap forward (www.mhtc.org.my).

In Asia Pacific particularly, The Malaysia has been became one of the favorite country to do medical tourism. Data from the Malaysian Health Tourism Council in 2011, Malaysian has subsequently received 583,296 foreign patients from over 20 countries in the world with Indonesia contributes the highest percentage of 69% with 335,150 patients receiving medical treatments for the total medical tourists. Indonesia has same characteristics with Malaysia, besides the geographical location is very close to Malaysia. In additional, culture, behavior, economic capability are also some things that the similarity between both of country. Many previous studies that describe the factors of the international people go to a country to seek treatment. Quality of health services is a great thing to be considered any patient who will conduct treatment, moreover will be performed outside the country (Keith, 2008; Maurya, 2010).

Many factors that influences to triggering many international peoples to conduct medical tourism. The preview research regarding medical tourism influence by service quality (Eman, 2013 ; MHTC, 2015; Yeoh et al., 2013; Ruamsak, 2010; TRAM, 2006), price factor (Heung, 2010; Ian Youngman, 2008; J. Sanchez, 2006; and promotion (Maria, 2013; Puczkó, L. (Ed), 2010; Connel, 2005). But source information as one of factor to influence medical tourism still rarely done. In term medical tourism, information source that will be share information regarding medical tourism is one of the imporant factor due to will be give information that consumer need. Information sources thought to be utilized by those investigating medical tourism are the internet web searches (including commercial websites, foreign provider and government websites, medical tourism agency websites, blogs, discussion forums, advertisements, etc.), primary care providers, foreign healthcare providers, insurance companies and employers, medical tourism agents/facilitators, travel agencies, previous medical tourists, family, and friends (Boultbee, 2012; Gan, 2011; Synder et al., 2011; Alsharif, 2010), In term consumer behavior, information source usually in order to applying word of mouth (WOM) communication concept.

Practicely, activities of WOM is implemented manually or traditionally and using a number of facility and information technology. Traditional word of mouth has been shown to play a major role for customers' buying decisions. People place significant value on positive word of mouth, which is traditionally achieved by creating products, services and customer experiences that generate conversation-worthy "buzz" naturally for others (Silverman G, 2001). WOM also has been supported by a number of facility and technology which made the delivery of message became faster and widely (Cengiz & Yayla, 2007). Furthermore, use of the internet, social media and others (electronic tools) enabling people to communicate quickly with relative ease, has established the contemporary version of this phenomenon, known as "internet WOM" or word of mouse, as important marketing communication channel. In what is sometimes labeled as "viral marketing" or online word of mouth (Oberndorf, 2000; Hennig-Thurau & Kevin, 2004).

This paper aims to identify the relationship between word of mouth communication and Indonesian consumer behavior to doing medical tourism in Malaysia health industry. This study

adds to present literature by explaining conceptually on the linkages between word of mouth when making health tourism decisions in Malaysia health industry.

LITERATURE REVIEW

Medical Tourism

Health tourism as the services that leads to improve health and enhance the morale of the individual (using mineral water, weather, or medical interventions) and is in the place of residence which takes more than 24 hours and less than a year (Hoobin.Ye.ben, 2010, pg.1). Medical tourism as a very popular issue lately, particularly in the health world so that raises a lot of the same term. Travel health, global health care, health tourism is among the common terminology used in medical tourism (Horowitz, 2007; Gahlinger, 2008; Chen, 2011).

In other term medical tourism also called international travel where defined as crossing country borders. Health tourism, is a form of tourism to preserve, enhance and retrieve physical and mental health of individuals that takes over 24 hours and less than a year (Health Tourism in Taleghani, 2011). For the purpose of this study, medical tourists will have travelled specifically for the purpose of health care and may or may not have included recreation into their travel plans (Lee Ann Eissler, 2011, pg. 3).

Carrera (2006) defines medical tourism as "organized travel outside of some one's health care jurisdiction to enhance or restore health" (pg. 1453). Described by Woodman (2007) a medical tourist is defined as a person who has travelled for the purpose of improving or maintaining health. While Ehrbeck, Guevara, and Mango (2008) define medical travellers as "people whose primary and explicit purpose in travelling is medical treatment in a foreign country" (pg. 2).

The Phenomenon of Malaysian Medical Healthcare

Asia was the main location of choice for most foreign capital investment, particularly in South East Asia. The tremendous economic growth in these countries was also well received and highly praised by the International Monetary Fund (IMF) and World Bank (Bello,1997; UNUWorld Industry for Development Economies Research, 1999; Woo, 2000). The annual growth in GDP for most of these Asian countries before 1997 was hovering around 5-12 per cent (UNU World Industry for Development Economies Research, 1999). At the end of 1997 the GDP of South East Asia recorded a 4 per cent growth. By 1998 the economy in South East Asia contracted by 6.9 per cent and about US$30 billion of capital from Indonesia, Malaysia, the Philippines and Thailand was sacrificed to the financial crisis (Kumar,1999). The non-performing loans (NPL) in Asia have risen to US$2 trillion in November 2000, which is equivalent to 30 per cent of the region's GDP. By 2001 the NPL was estimated at around 17 percent of the combined GDP e Malaysia's NPL stood at US$43 billion which was about 35 per cent of the GDP and Thailand's NPL value was US$50 billion representing 41 per cent of the GDP (UNDP, 2002).

Like any other industries the healthcare sector was not spared from the 1997 Asian Financial Crisis. Many private-paying patients had to switch back to the public healthcare system as many businesses were closed down or downsized or experienced drastic cutbacks on healthcare benefits. The public hospitals in Malaysia saw an increase in patients, at least between 10 and 18 per cent, and the private healthcare facilities, both hospitals and general practitioner clinics, on the other hand saw a dramatic decrease of between 10% and 30% (UNFPA, 1998).

The 1997 Financial Crisis triggered many Malaysian private hospitals to target foreign patients aggressively in order to make up for the decline. Since then, the number of medical tourists has increased drastically as shown in Table 1. This increasing due to many people came to Malaysia hospital to seek treatment. Data from the Malaysian Health Tourism Council in

2011, Malaysian has subsequently received 583,296 foreign patients from over 20 countries in the world with Indonesia contributes the highest percentage of 69% with 335,150 patients receiving medical treatments for the total medical tourists.

Table 1. Medical Tourists from Top 20 Country of Origin for 2011

No.	Country of Origin	Total Patients
1	Indonesia	335,150
2	India	18,604
3	Japan	16,111
4	United Kingdom	12,704
5	China	11,029
6	United States	10,584
7	Australia	9,678
8	Iran	8,836
9	Libya Arab Jamahiria	7,225
10	Nepal	6,727
11	Saudi Arabia	6,580
12	Myanmar	5,885
13	Singapore	5,879
14	Philippines	5,602
15	Virgin Island, British	5,479
16	Others	5,367
17	Bangladesh	5,071
18	Germany	3,991
19	Korea, Republic Of	3,521
20	France	3,394

Source : MHTC (2012)

Malaysian healthcare is therefore becoming more corporate in nature, on the whole; and it is the corporatisation of healthcare that provides the context and the conditions for the increasing commodification of healthcare. Under the 10th Malaysia Plan (2011–2015), the government has identified healthcare services as one of the 12 National Key Economic Areas (NKEA) to generate revenue for the country. Malaysia now has 8 Joint Commission International (JCI) and 24 Malaysia Society for Quality in Health (MSQH) accredited hospitals, with another 31 hospitals and ambulatory care facilities in the process of becoming accredited.

The healthcare system in Malaysia is a mixed public-private one. In terms of the number of doctors, the ratio is fairly balanced. In 2002, for example, 54 per cent of the doctors were in the public sector, and 46 per cent private (MOH, 2002). Most of the private sector doctors, however, are general practitioners, who provide much of the primary care in the urban areas. A market in healthcare has long existed inasmuch as private practitioners have been operating since colonial times up till now.

Nevertheless, the healthcare system as a whole was dominated by a public service ethos at the time the country gained Independence from the British (in 1957) and thereafter. The rural health system was rapidly built up in the 1960s and 1970s, and is now constituted by an extensive network of clinics, which form the first point of contact in a referral system that goes through the district hospitals, and end at the various state and tertiary hospitals.

Behavior of Indonesian Consumer in Medical Industry

Understanding consumer behavior has become an important thing for businessman especially to create the product or services. The study of consumer behavior focuses on the behavior that

consumers display in searching for, purchasing, using, evaluating, and disposing of products and services that they expect will satisfy their needs (Schiffman and Kanuk, 2010).

Indonesia is the only member of OPEC in Southeastern Asia. A spike in crude oil prices in the 1970s contributed to its sustained high economic growth rates. However, an economic crisis in 1997, and subsequent political crises over the next several years adversely impacted the local economy. In 2000, an estimated 27.1% of the population lived below the poverty line, and 55.3% of the population subsisted on less than US $2 daily. However, political stability has revived the Indonesia economy (Lu & Lu, 2010).

Generally, percentage of the population who lived below the poverty line does not affect the behavior of Indonesian society in consuming the product. Even the Indonesian peoples tends to be regarded as consumptive society (Hotniar, 2013; Lita and Cho, 2012; Datamonitor, 2009a). But for health, a half of Indonesian people recognized be a less aware of and understand about healthy lifestyles, for examples, smooking is very common among males in Indonesia, as is the case in other developing countries (Collishaw and Lopez, 1995).

Awareness of major health issues in Indonesia remains relatively low amongst the majority of the population. With more pressing financial concerns, the majority of Indonesians do not view health as a priority in their daily purchasing decisions. While Indonesia's public health system is relatively adequate, the country still faces some major health challenges (WHO, 2010a). Issues of the health sector Indonesia include quality of hospital services was poor, the lack of medical worker per population, the less sophisticated of medical equipment etc.(Grace, et al., 2009). Quality of medical care has been recognized to have a significant influence on demand for health care in the developing countries. Imbalance total healthcare human resources in urban and rural areas is seen with severe shortage for healthcare manpower for rural areas (Victoria Report, 2010).

Health has always been a main topic in Indonesia's national policy, as is shown during the first 25-year development plan (National Institute of Health Research and Development (1993). Programs are directed towards public health services, referential health efforts, disease pervention and eradication, public health counselling, education and training, controlling of drugs substances in food hazardous for health, nutrition improvement, clean water supply and improvement of environmental health public health services, focus on women, children and infants (i.e pregnancy, child nutriton, immunization and family planning (Bart et al., 1999)

In other case, Indonesia government officially has been give the sanction for private practice as an incentives to retain their services (including Egypt, Jamaica, Malawi, Sri Lanka, and Thailand), while others prohibit such practices for fear of abuse or neglect of their government services (e.g., India, Malaysia, Philippines, Nepal and Pakistan). However these regulations are usually ineffective at stopping government doctors from engaging in private practice. The dual employment by the public doctors and other health workers introduces a new level of complication in the expected behavioral response to price changes in the government service sector (Akiko, 1999). This phenomenas lead to many rural people whose has weak economy lack to getting health care even like a malnourished, and otherwise whose rich will seeking treatment to city and oversea. CBS (Central Bireau Statistic) of Indonesia (2005) explains that in 2003 number of Indonesian who visited to Lam Wah Ee Hospital in Penang 12,000 peoples, or about 32 patients per day, while at the Adventist Hospital in Penang, Malaysia around 14,000 peoples or 38 patients per days. This number was increase in June 2004 to 10,000 people or 55 patients per day (it means in Lam Wah Ee Hospital increase to 22,000 peoples and in Adventist Hospital increase to 24,000 peoples). Further estimated that an average of 1,000 people went to Penang from Medan airport per month. Youngman (2008) described when asked why they seek medical treatment abroad, many Indonesians said the

health care sector in Indonesia is poor and the price of medical help abroad is acceptable considering its quality. The Indonesian government appears oblivious to all this.

Word of Mouth (WOM) Communication

Word of Mouth (WOM) communication refers to the exchange of information between traditional offline interpersonal information sources such as friends, family and acquaintances about products, services and companies. It can be transmitted by a variety of electronic means such as forums, emails, e-newsletters, instant messaging, chat-rooms, online communities, discussion boards, websites, weblogs, reviews and ratings (Hennig-Thurau, Gwinner, Walsh & Gremler, 2004).

Greg (2011) argue that WOM communication or simply "buzz" is a term used in word-of-mouth marketing—the interaction of consumers and users of a product or service serve to amplify the original marketing message. According to Hakanson and Snehota (2008) Word of mouth traditional might be look at person's body language, gestures and the way he/she actually expresses themselves. Kotler & Keller (2007) suggests that word of mouth communication or by word of mouth communication is a communication process for the provision of advice either individually or in groups for a product or service that aims to provide personal information. Meanwhile Hughes (2005) can be interpreted that communication is word of mouth (WOM) is an interpersonal communication between or among individuals about a product or service, with status as a party that has no ties with the companies that produce goods or services. In other words, act as consumers or customers of a particular company or product. Acoording to Kotler & Keller (2007) communication by word of mouth is one of the channels of communication that is often used by companies that produce both goods and services for communications and word of mouth (word of mouth) is considered very effective in expediting the process of marketing and be able to provide benefits to the company.

Word of Mouth Role in Medical Tourism

The phenomenon of WOM communication has influenced in health issue. Many peoples have share their experiences regarding medical treatment to others either directly, via internet, or through the trusted individual source. These parties could do a communication interactively regarding their health. Friends, family or people who have experience as the informant party, could give a feedback to those who had problem. This condition would arise collateral phenomenom namely the development of community with a unique health, which have similar character and interest. Therefore, so many hospital improve their service in order to communicate to others about positive evidence of their hospital. Moreover hospitals that want to be a destination for medical tourism, this should be done.

Many people tend to do medical tourism due to the influence of WOM communication. Study by Lee, et al (2012) conclueded that amongst Japanese medical tourists, found that WOM was important to ensure the survival of the South Korean healthcare providers as this helps providers to create better marketing strategy. Ko and Kim (2011) also concurred with the fact that providers should take all measures to ensure that negative WOM be minimized to ensure repatronage in the hospitals. On the other hand, Srivasta and Mahajan (2011), concluded that WOM marketing may be considered as the best advertising tool that dental set up could take advantage. However, in term of medical tourism, the ability of the hospital to create a website on the internet can increase the number of patients due to ease of access to health information via the internet (Ramya, 2010,p. 63; Tompkins, 2010, p. 40).

Nowadays there has been an increase online searching for health information, which indicates that people are taking an active role in making decisions on health issues. The decision-making process itself makes them engage more with their medical diagnosis, by

identifying suitable options and evaluating them, in order to reduce uncertainty and doubt over whether they made the best choice (Budden, Pierce, Hayes & Buettner, 2003; Huber & Cruz, 2000).

Health consumers are turning to peer-to-peer communication by building virtual communities, participating in online support groups, discussing health issues they have encountered and even seeking social and emotional support from others who are in a similar situation (Coulson, 2005; Powell, Darvell & Gray, 2003). From a healthcare perspective, virtual communities provided consumers with the proper instruments for searching online for information, self-diagnosis and WOM communication which can lead to efficient health knowledge improvements (Misra, Mukherjee & Peterson, 2008). A tool in facilitating the creation of virtual communities is the online forum. The online forum is organized around a main topic composed of several subtopics, and members can read, write, create messages or reply to other members engaged in conversational threads. Based above argument, it is proposed that:

P1: There is a positive relationship between traditional word of mouth communication and Indonesian behavior to conduct medical tourism in Malaysian health industry

Traditional word of mouth communication is a communication process for the provision of advice either individually or in groups for a product or service that aims to provide personal information (Kotler & Keller, 2007). Consumer behavior is the sum total of a consumer's attitudes, preferences, intentions and decisions regarding the consumer's behavior in the marketplace when purchasing a product or service (Kotler, 2011). While medical tourism is a popular cultural phenomenon whereby people travel long distances to obtain medical, dental, and surgical services while vacationing (Connel, 2006). Through WOM communication, has also made people, either doctor or patient, have increased their awareness on different health conditions that could provide benefits to others. The people shared their medical treatment experience in a hospital to others. They have distributed the information of medical service quality in a country compared to other country. They have shared and compared the weakness and drawback of having a medical treatment by a doctor. Therefore, the people would feel confident in deciding whether they would have a medical treatment in domestic or foreign hospitals (Hall, 2011).

Study by Lee, et al (2012) conclueded that amongst Japanese medical tourists, found that WOM was important to ensure the survival of the South Korean healthcare providers as this helps providers to create better marketing strategy. Ko and Kim (2011) also concurred with the fact that providers should take all measures to ensure that negative WOM be minimized to ensure repatronage in the hospitals.

Meanwhile other study described that source of traditional WOM communication can be from personal sources (including friends, family, or co-workers) and expert sources (people who expert in the field), especially for the purchase of the services industry that require high involvement. Consumers will have more confidence to person who has information (expert) than personal resources (Kurtz & Clow, 1998; Keith, 2006).

P2: There is a positive relationship between electronic word of mouth communication and Indonesian behavior to conduct medical tourism in Malaysian health industry

Electronic word of mouth communication is any positive or negative statement made by potential, actual, or former customers about a product or company, which is made available to a multitude of people and institutions by electronic or technology information tools (Balter, 2004). Consumer behavior is the sum total of a consumer's attitudes, preferences, intentions and decisions regarding the consumer's behavior in the marketplace when purchasing a product

or service (Kotler, 2011). Medical tourism is a popular cultural phenomenon whereby people travel long distances to obtain medical, dental, and surgical services while vacationing (Connel, 2006). Thus, Electronic word of mouth communication in medical tourism meaning is process receiving information regarding treatment in Malaysia's hospital from someone e.g. friend, hospital, agent through electronic media such as internet, handphone, social media etc.

Study by Srivasta and Mahajan (2011), concluded that WOM marketing may be considered as the best advertising tool that dental set up could take advantage. However, in term of medical tourism, the ability of the hospital to create a website on the internet can increase the number of patients due to ease of access to health information via the internet (Ramya, 2010,p. 63 ; Tompkins, 2010, p. 40). Study Irbid (2013) who explain electronic promotion (e promotion) to attract many people in Jordan medical healthcare. In addition study Gheorghe and Liao (2012) that describe effect negative online WOM in Romanian medical tourism.

P3: There is a positive relationship between traditional word of mouth communication, electronic word of mouth communication and Indonesian behavior to conduct medical tourism in Malaysian Health Industry

Base on the description regarding meaning of the variables that explained above, so this study could making propose the research paradigm, where any relationship between word of mouth communication whether traditional and Indonesian behavior to conduct medical tourism in Malaysian health industry. The preview study that support this study is Yeoh et al (2012) that explain that Malaysia is predominantly exporting the medical services to Indonesians and Singaporeans, who collectively make up 95% of the patient pool. On top of that, the patients were influenced by one (67.5%) or two (24.1%) sources. The survey using direct communication or traditional communication and also using online communication or using electronic tools such as internet, social media, tv, radio etc.

To address the above issues, the conceptual framework that will be used in this study is illustrated in Figure 1. word of mouth communication role to influence behavior to conduct medical tourism in Malaysian health industry.

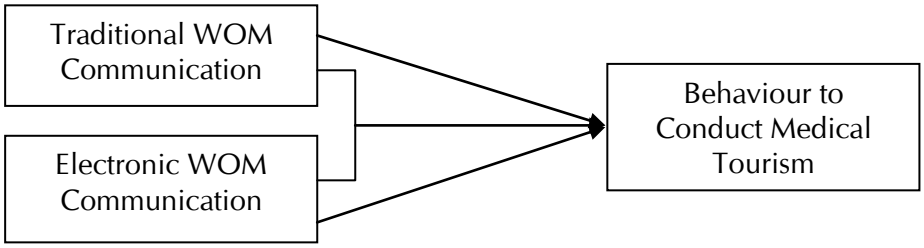

Figure 1. The conseptual framework word of mouth communicatioan role to influence behaviour to conduct medical tourism

The study doing empirical research, using quantitative in nature approach and data will be collected by means of self-administered questionnaires which will be distributed to Indonesian people who has been patient in Malaysia's hospital and also conduct travelling in Malaysia country. This study is a cross-sectional type of enquiry in which data will be collected at one point of time in an uncontrolled setting. The measuring instrument is a structured questionnaire. Questionnaires will be designed in languages Indonesian. Prior to conducting a pilot study and a quantitative data collection, preliminary interviews will be carried out among 45 respondents to know validity and reliability of data about medical tourism.

Discussion

The aim of this study is to examine conceptually the relationship betweeen word of mouth communication and Indonesian behavior to conduct medical tourism in Malaysian health industry. Methode of the word of mouth communication could be directly between individual to others (traditional word of mouth communication). Meanwhile the other methode is communication between people to others through social media, technology information tools, internet, mobile packages and others electronic tools such as television, radio etc. (electronic word of mouth communiation. Many Indonesian conducted medical treatment because many reasons such as quality services, the completely of medical equipment, the expectise medical staff and others reason. However, the source information who spread infromation about product and service that provide of Malaysian hospital could be the dominant factor to influence behavior Indonesian peoples to conduct medical treatment in Malaysia hospitals. The findings of this study also expands the body of knowledge in medical tourism as well as serve as a platform for further qualitative and quantitative research on health travellers' experiences. The future research could be design word of mouth communication including the dimension of word of communication such as frequency of social contact, type of social relation, source expertise, word of mouth intensity, word of mouth valence and word of mouth content. In fact, the research on word of mouth communication with the dimensions that applying in medical tourism is almost next to none.

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The acceptance of integrated performance based budgeting system

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Abstract

Planning and control are two activities that should not be separated. Universitas Sebelas Maret (UNS) adopt performance based budgeting system in its budgeting process. UNS began to implement integrated performance based budgeting. This research analyzes the intention of user to use the system. Technology acceptance model (TAM) framework is used to evaluate user acceptance in implementing the system.

Sample in this study are department heads in all faculty at UNS. Path analysis is used to test the hypothesis. The result of the test show that perceived ease of use has positive and significant relationship to perceived usefulness. Attitude also significantly mediate the indirect relationship between perceived ease of use and perceived usefulness to intention to use.

Keywords: system design, technology acceptance model, performance based budgeting

INTRODUCTION

As one of governmental institutions playing role in the field of education, Universitas Sebelas Maret (Sebelas Maret University – UNS), would always be bound by the country's financial regulations. As a public sector organization, the university should maintain the transparency and accountability of their performance by using budget and budgeting system. Then, to enhance public transparency and accountability, the budgeting system used is performance based budgeting system.

Based on previous research conducted by Hananto et al.(2013), planning, budgeting, reporting, and accountability system existing in UNS still cannot be considered as fully integrated. The operational performance report and financial report do not come from one integrated system to be relied on. Whereas, the integrated system will create such an easiness in the process of preparation, reporting, and allocation of resources. As the continuation of those research, at the year of 2014, a prototype has been formed. This is the prototype of integrated performance based budgeting system.

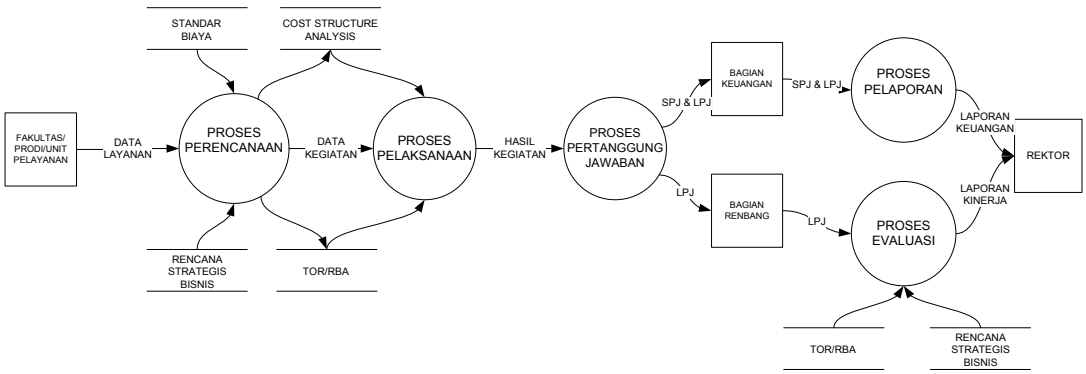

Figure 1. Integrated Performance Based Budgeting System Data Flow Diagram Proposal (Hananto, *et al.*, 2014)

To evaluate the reliability and validity of the system output designed above, the researcher must initiate a trial act. Introduction and trial of the system would be very necessary to be conducted. With the trial, the weaknesses of the system will be identified and then the solution of every problem will be found to complement the system as a whole. Output produced from the system also have to be evaluated to seek its validity. So then, by using the introduction and trial, the weaknesses of the system would be overcome.

The next step is, the pilot project participant would be inquired about their perception about the system. Then, the survey result would be analyzed. The analysis of the participants' perception is very important to support the implementation of the prototype, and the expectation about whole performance quality increase. This research is conducted based on Technology Acceptance Model (TAM) theoretical framework, founded by Davis (1989). According to TAM, there are two determinants of information technology usage which are perceived usefulness and perceived ease of use. Perceived usefulness is affected by perceived ease of use.

In measuring the determinants of technology usage, TAM perceived to be more excellent (Igbaria *et al.,* 1997). TAM is much simpler, but on the other hand, is more powerful as a model predicting the use of technology. The focus of the TAM is the determinants of the use of technology, not the external factors affecting the determinants.

Problems Statement

Based on the explanation above about matters underlying this research, the real problem arising in UNS is about the integrated performance accountability of governmental institutions (Sistem Akuntabilitas Kinerja Instansi Pemerintah – SAKIP) which is not yet provided and not yet implemented. The goal of this research is creating the application budgeting system based on performance. If only UNS implemented the application of performance based budgeting system, so then the performance accountability of governmental institutions report (Laporan Akuntabilitas Kinerja Instansi Pemerintah – LAKIP) will be produced automatically from the system.

The creation of system application of performance based budgeting has already been conducted manually at 2013, producing the prototype at 2014. This year, next research is focused on the trial of the implementation by using the analysis of Technology Acceptance Model (TAM).

Hypothesis Development

Success model of an information system stated that the use of an information system, as well as the success of an information system, can be classified into information quality, system quality, and service quality. Information quality relates to quality of system output or content produced by the technology. System quality is a characteristic expected from an information system, including ease of use, system flexibility, system reliability, ease of learn, respond duration, and also a system feature which is intuitive, flexible, and sophisticated. Meanwhile, service quality reflects a support quality from system user, who is Department of Information System and Information Technology.

A manager should be able to utilize the information technology, including the internet so the work could be much more effective. One of the highlighted thing is the eagerness of the user in accepting and using the new technology. TAM is the right model to be implemented at this situation. TAM Model is derived from Theory of Reasoned Action, founded by Fishbein and Ajzen (1975) and has already gotten a lot of support from researchers (i.e., Jackson, Chow, 1997). Several researchers tested the usage of internet under the framework of TAM (Venkatesh, *et al.*, 2003), and some recent studies use the TAM framework to obtain more understanding about individual attitudes about the technology when performing a global scale e-commerce transaction. From the perception of a human being, a thing that could be identified is user

perception of the usefulness of technology, which are ease of use perception and usefulness perception (Davis *et al.,* 1989).

Several researches examined framework identifying the technology acceptance determinant. TAM seems to possess theoretical base and empirical support in predicting the technology acceptance among the potential user and decision maker (Wu and Lu, 2013). TAM theorized that there are two main keys about the acceptance of a new technology, which are PU and PEOU. Those keys would determine the intention of a human being when adopting a technology (Davis, 1989). From the research conducted by Davis (1989), individual perception of technology depends on the function of the technology (PU) and easiness or complication when functioning the technology. The predicting ability of the TAM motivates the researchers to implement the TAM framework to various analysis of a new technology usage.

Various researches under the theme of TAM show that PU and PEOU are strong determinants for acceptance, adoption, and usage behavior (Davis, 1989; Taylor and Todd, 1995). A lot of researcher concludes PU as an important antecedent for technology adoption by an individual in the context of word-processing software (Davis, *et al.*, 1989), social network website (Sledgianowski and Kulviwat, 2009), and combination of various different technology (Calantone, *et al.*, 2006). Furthermore, researcher have proved that PEOU is a predictor for e-commerce acceptance (Pavlou, 2003) and the use of social network website (Sledgianowski and Kulviwat, 2009). O'Cass and Fenech (2003) used TAM framework as a theoretical foundation to examine the impact of customer's characteristics toward internet adoption for retail industry. Result shows that PU and PEOU mediates the relation between all of the customer's characteristics and customer's decision to use the internet in purchase transaction. Generally, PU and PEOU tend to have strong impact on user's intention to adopt a new technology.

Based on TAM (Davis, 1989), the willingness to use will trigger the actual usage. There is difference between those two constructs. Construct of technology usage is built by using objective measurement, meanwhile attitude acts as a mediator between other determinants and actual usage. Based on this explanation, hypothesis built are as follows:

H1a : Perceived ease of use relates to perceived usefulness
H1b : Perceived usefulness relates to system user's attitude
H1c : Perceived ease of use relates to system user's attitude
H1d : Attitude relates to intention of system user

Those hypothesis will be drawn in a diagram below:

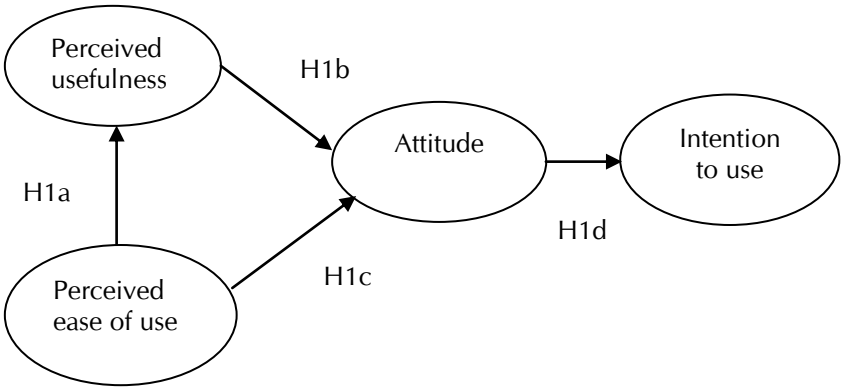

Figure 2. Model and Hypothesis to be Examined

Research Method

Data analysis is conducted by Structural Equation Model (SEM), using the Lisrel 8.8 program. The use of SEM could give a clearer relationship between perceived usefulness, perceived ease of use, and integrated performance based budgeting system usage. This research uses two step analysis, which are measurement model and estimation structural model after measurement model had been assigned.

Path Analysis Test

Sample sufficiency of SEM is required. The ideal amount of sample used in this research is minimum 100 respondents. If the actual sample is below the minimum amount, then another testing option will be used, which is path analysis.

Path analysis is used to estimate the causal relationship among variables (model causal) determined before, based on the theory to evaluate the impact between exogenous variable and endogenous variable. Path analysis enable the testing option to use intervening variable, unlike the other regression analysis (Ghozali and Fuad, 2005). Path analysis is the expansion of multiple linear regression analysis, or on the other words, path analysis is the usage of regression analysis to estimate the causal relation whether there is direct or indirect relationship assigned previously based on the theory. Path analysis is standardized regression coefficient. Path analysis model in this research is as follow:

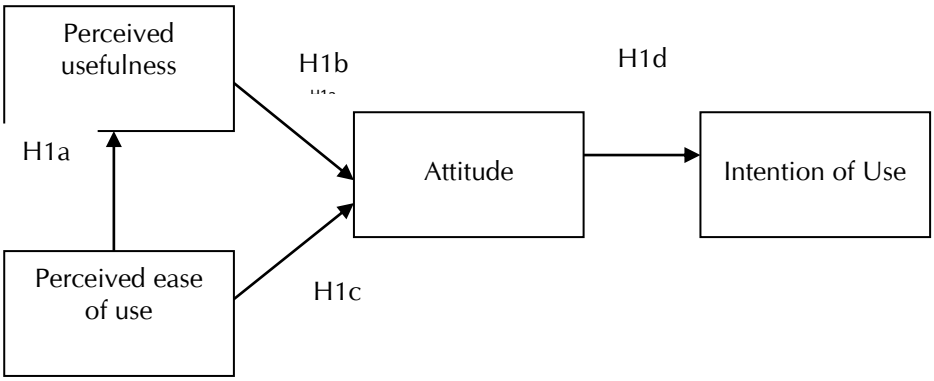

Figure 3. Path Analysis of Hypothesis Tested

Hypothesis Testing

Path coefficient of the research model is measured by creating three structural equations from the hypothesized regression.

The three regression equations are:

1. Hypothesis testing 1a
   H1a testing uses simple linear regression to test the relation between perceived ease of use and perceived usefulness, with following formula:
   $PU = \alpha + \beta 1 PEOU + \varepsilon$
2. Hypothesis testing 1b and 1c
   H1b and H1c testing use multiple linear regression to test the relation between perceived usefulness, perceived ease of use and attitude, with following formula:
   $Attitude = \alpha + \beta 2 PU + \beta 3 PEOU + \varepsilon$
3. Hypothesis testing 1d
   H1a testing uses simple linear regression to test the relation between attitudes and intention to use, with following formula:
   $Intention = \alpha + \beta 4 Attitude + \varepsilon$

Results

Descriptive Analysis

For the data collection, researchers shared questionnaire to all of the head of faculty in Universitas Sebelas Maret. There are 125 questionnaires given, and there are only 32 given back to the researchers. Because the sample amount was not sufficient, so PLS testing was conducted using SPSS software instead of SEM.

Majority of respondent is male, 19 persons or 59.4%, meanwhile female respondent is 6 persons or 18.7%. The rest of the respondent did not disclose their gender. Characteristic of the respondents viewed from gender aspect is explained in table 1 as follows:

Table 1: Respondent's Gender

Gender	Frequency	Percentage
Male	19	59,4%
Female	6	18,7%
Undisclosed	7	21,9%
Total	32	100%

Source: primary data processed, 2015

Based on age factor, as explained in table 2, there are 4 respondents with age of 31-40 years old or 12.5% in percentage. There are 16 persons or 50% respondents with age of 41-50 years old. There are 5 persons or 6.2% respondents with age of 51-60 years old, and 7 persons was not willing to disclose their age.

Table 2: Age of the Respondents

Age (years old)	Frequency	Percentage
31-40	4	12,5%
41-50	16	50%
51-60	5	6,2%
Undisclosed	7	21,9
Total	32	100%

Source: primary data processed, 2015

Reviewed from the education level shown on table 3, respondents existed in this research varies from master and doctoral background. The majority of respondents have finished their doctoral degree (18 persons or 56.2%). Respondents who have already finished their master degree is 10 persons or 31.3%, meanwhile the remaining 4 was not disclosed their education level.

Table 3: Education Level of the Respondents

Education Level	Frequency	Percentage
Master Degree	10	56,2%
Doctoral Degree	18	31,3%
Undisclosed	4	12,5%
Total	32	100%

Source: primary data processed, 2015

Reviewed from their work experience, all of the respondents have more than five years work experience. The amount of respondents who have 0-10 years work experience is 5 persons or 15.6%. There are 11 respondents (34.4%) with 11-20 years work experience, and there are 10 respondents (31.2%) respondents with 21-30 years work experience. The

remaining 6 was not disclosed their work experience. The characteristic of respondents based on their work experience are explained in table 4 as follows:

Table 4: Work Experience of the Respondents

Work Experience (years old)	Frequency	Percentage
0-10	5	15,6%
11-20	11	34,4%
21-30	10	31,2%
Undisclosed	6	18,8%
Total	32	100%

Source: primary data processed, 2015

Research Instruments Tests

Validity Test

Validity test is performed to ensure the ability of a scale in measuring the concept examined (Sekaran, 2006:42). Validity test in this research examines the bivariate correlation between each indicator score and the average score of query item from the related variable. The result of questionnaire's validity test from 32 respondents is shown on table 5:

Tabel 5: Validity Test of Questionnaires

Variables	Query Item	Sig.	Conclusion
Perceived Usefulness	PU1	0,000	Valid
	PU2	0,000	Valid
	PU3	0,000	Valid
	PU4	0,000	Valid
	PU5	0,000	Valid
	PU6	0,000	Valid
Perceived Ease Of Use	PEOU1	0,000	Valid
	PEOU2	0,000	Valid
	PEOU3	0,000	Valid
	PEOU4	0,000	Valid
	PEOU5	0,000	Valid
	PEOU6	0,000	Valid
Attitude	Attitude1	0,000	Valid
	Attitude2	0,000	Valid
	Attitude3	0,000	Valid
Intention to Use	Intention1	0,000	Valid
	Intention2	0,000	Valid
	Intention3	0,000	Valid

Source: primary data processed, 2015

Reliability Test

To evaluate the consistency of measurement, it would be necessary to perform the reliability testing of the research instruments. Reliability test conducted in this study was Cronbach's Alpha measurement, as shown at table 6:

Table 6: Reliability Test Result

Variables	Cronbanch's Alpha	Conclussion
Perceived Usefulness	0,963	Very High
Perceived ease of use	0,920	Very High
Attitude	0,848	Very High
Intention	0,923	Very High

Source: primary data processed, 2015

All variables tend to have a high score of reliability.

a. Hypothesis Test Result

The determination coefficient shows how all of independent variable as a whole explains the dependent variable on the regression equation. Based on table 7, Adjusted R^2 value for H1a is 0.192, means perceived ease of use 19.2% relates to perceived usefulness, meanwhile perceived ease of use and perceived usefulness 58.3% relates to variable attitude. Attitude relates 65.1% to intention to use.

Table 7: Determination Coefficient Test

Model	R	*R Square*	*Adjusted R Square*	*Std. Error of the Estimate*
H1a	0,467[a]	0,218	0,192	0,66648
H1b,c	0,781[a]	0,610	0,583	0,55147
H1d	0,814[a]	0,662	0,651	0,42100

Source: primary data processed, 2015

Simultaneous Significance Test (F Statistics Test) was performed to examine the impact of independent variables simultaneously toward the dependent variable. It is shown on table 8:

Table 8: F Test

Model	F	Sig.
H1a	8,379	0,007[a]
H1b dan H1c	22,715	0,000[a]
H1d	58,842	0,000[a]

Source: primary data processed, 2015

Based on F Test Result table above, the value of F is 8.379 with significance level <0.05. Those result indicates that the regression model is fit to predict exogenous variable.

To test the hypothesis, a test of individual parameter significance or t test was performed. This test meant to examine the impact of each independent variable to the dependent variable as stated in the research hypothesis. Table 9 below contains results of t statistic test or individual parameter significance test.

Tabel 9: T Test

Variable	Unstandardized coefficients	Standardized coefficients	T	Sig.
Konstanta	2,095		3,246	0,003
PEOU	0,517	0,814	2,895	0,007

Source: primary data processed, 2015

Output shows; perceived ease of use coefficient has 0.814 value with 0.007 significance. So, perceived ease of use variable positively and significantly affect perceived usefulness.

Table 10: T Test

Variable	Unstandardized coefficients	Standardized coefficients	T	Sig.
Konstanta	-0,217		-0,350	0,729
PU	0,714	0,620	4,726	0,000
PEOU	0,341	0,268	2,041	0,050

Source: primary data processed, 2015

As shown on the table above, perceived ease of use coefficient is positive 0.268 with significance level of 0.050. Perceived usefulness coefficient is positive 0.620 with significance level of 0.000. So, it could be concluded that perceived ease of use and perceived usefulness positively relate to attitude variable.
Result of H1d testing shows that attitude positively and significantly affect intention to use.

Table 11: T Test

Variable	Unstandardized coefficients	Standardized coefficients	T	Sig.
Constant	1,284		3,726	0,001
Attitude	0,679	0,814	7,671	0,000

Source: primary data processed, 2015

From the result of SPSS's equation 1, the standardized beta of perceived ease of use is 0.467 which reflects the value of path p1. The value of direct relationship between perceived ease of use and perceived usefulness is 46.7%. Meanwhile, on regression equation 2, the standardized beta of perceived ease of use is 0.268. That number also reflects value of path p3. The value of direct relationship between perceived ease of use and attitude is 26.8%.
The standardized beta of perceived usefulness is 0.628, which is also value of path p2. So, the direct relationship value between perceived usefulness and attitude is 62.8%. On the third regression equation, attitude has a direct relationship with intention to use in the amount of 0.814, which also be the amount of path p4. Direct relationship between attitude and intention to use is 81.4%.

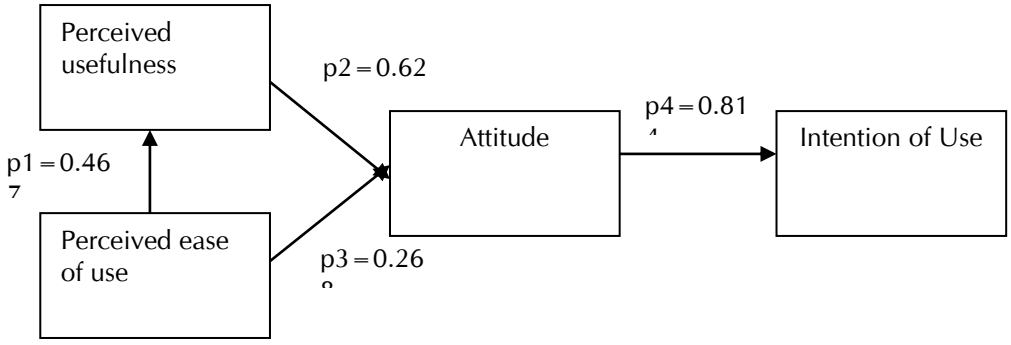

Figure 4. Coefficient Value of Path Analysis

From the figure 4 above, we can conclude that perceived ease of use has a direct and indirect relationship with attitude. The indirect relationship between perceived ease of use and attitude mediates by perceived usefulness. The value of each relationship is as follows:

- Direct relationship between perceived ease of use and attitude = p3 = 0.268
- Indirect relationship between perceived ease of use and perceived usefulness and then to the attitude = p x p2 = 0.467 x 0.620 = 0.289
- Total value of the relationship = p3 + (p1 x p2) = 0.268 + 0.289 = 0.557

Total value of perceived ease of use and attitude is 0.557. On the other hand, the indirect relationship perceived ease of use with intention to use and indirect relationship of perceived usefulness with intention to use, mediated by attitude could be counted as follows:

- Indirect relationship between perceived ease of use and attitude then to the intention = p3 x p4 = 0.268 x 0.814 = 0.218
- Indirect relationship between perceived usefulness and attitude and then to the intention = p2 x p3 = 0.620 x 0.814 = 0.505

So the total value of the indirect relationship between perceived ease of use and intention to use is 0.218 and the total value of indirect relationship between perceived usefulness and intetntion is 0.505.

DISCUSSION

Result of first hypothesis testing, point a, shows that perceived ease of use has a positive and significant relationship with perceived usefulness. It means that, the easier the integrated performance based budgeting system for users to use and understand, then its usefulness would be easier to acquire by the user. This matter indicates the causal antecedent of perceived ease of use to perceived usefulness (Davis, 1989). Previous research conducted by Igbaria *et al.,*(1997) and Riemenchsneider and Hardgrave (2001) also found that perceived ease of use has positive and significant relationship with perceived usefulness. Sledgianowski and Kulviwat (2009), Calantone *et al.,* (2006) also concluded the same thing; perceived ease of use encourage the system user to feel and get an expedience from a system.

Performance based budgeting system designed simply enough to ease the users to understand and implicate it. The easiness in using the system would trigger an expedience. Integrated performance based budgeting system can also control planning and implementation process. Include in this integrated budgeting system is the output in the form of performance report which compares planning and implementation. This feature is very useful for control activities.

The hypothesis testing result point H1b, which is relationship between perceived usefulness with attitude turns to be positive and significant, as well as the relationship between perceived ease of use and attitude, which was tested on hypothesis H1c. Hypothesis H1d which is relationship between attitude and intention to use was also found positive and significant. Therefore, system characteristic of perceived ease of use and perceived usefulness relates to intention to use with the attitude as a mediator.

Based on TAM (Davis, 1989), an individual attitude of a person would trigger the desire to use a system. Zhu, *et al.*, (2012) conducted a research about a game. From their research, it could be concluded that the easiness when using the application and the benefits felt while playing the games would raise a deep involvement and would lead to the more intense usage in the future. Wentzel *et al.,* (2013), Choi and Chung (2013), and Ashraf *et al.,* (2014) also found that attitude mediates the relationship between system character perceived ease of use and perceived usefulness with intention to use.

CONCLUSION AND LIMITATION

Based on the result we can conclude that this research also support the TAM literature proposed by Davis in 1989. The implementation of integrated performance based budgeting system can

be successful if user feel the system is easy to use and useful. Meanwhile, perceived usefulness also depends on perceived ease of use. The relation between perceived ease of use to perceived usefulness, and the relation of perceived ease of use and perceived usefulness to attitude are positive and significant. Perceived ease of use and perceived usefulness trigger the intention to use toward attitude. The relation between attitude and intention to use is found positive and significant.

This research also has limitation. The sample is too small. From the 125 questionnaires given to respondent, only 32 can be collected.

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Entrepreneurial orientation of large scale family business in mature industry: a multiple-case study on Indonesian rice milling industry

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Abstract

Rice milling industry resides in the middle within the supply chain of rice production industry in the upstream sector and the rice industry as the consumer market in the downstream sector. In the mean time, this industry that most of its inhabitants are family firms has entered into maturity stage and tends to stagnate. In such situation, the question is that whether these firms are willing and able to survive or even thrive so that they can be successfully transfered to the next generation. In this study, this question was answered by exploring the entrepreneurial orientation of family firm representaed by large-scale family firms. To do so, a qualitative multi-case study was carried out. The data were collected by means of indepth interview and focus group discussion involving six large-scale rice milling (LRM) family firms located in two districts, namely Klaten of Central Java and Metro Lampung of Lampung Province.
The result shows that the entrepreneurial orientation (EO) of firms being studied measured by its dimensions (innovativeness, risk taking, proactiveness, competitive agresiveness and autonomy) indicates that the EO dimensions in general are high although the environment of the industry has been stagnant. This finding can be interpreted that the owners of these firms see the future of rice milling industry with optimism as indicated by their proactiveness, their willingness to innovate externally and compete aggressively although they have to assume performance hazard risk. One factor that may explain this conclusion is that internally they are automous, do not depend on others to allocate their resources for the future. Overall this paper concludes that EO as a quasi-psychological concept can be used to understand the attitude of family firm towards industry environment and predict the future of the firm particularly family firm

Keyword: *Family Firm, Rice Mill Industry, Entrepreneurial Orientation*

Introduction

The concept of Entrepreneurial Orientation (EO) which was established in early nineteen eighties (Miller, 1983) gets a lot of attention among scholars on entreprenurship studies. The pros and cons toward this concept do not prevent other scholars to develop it so that this concept can be used to explain different phenomena. The original concept proposed by Miller (1983) consists of three dimensions which are regarded as the prime wheel mover for the progress and future of a company, namely; innovativeness, proactiveness and risk taking. Miller's findings are supported and used by many researchers including Covin & Slevin (1989) who examines EO at the corporate level. These dimensions were then developed further by Lumpkin and Dess (1996) by adding another two dimension. Those are autonomy and competitive agresiveness, which are considered to be able to read the attitudes and conditions as well as the future of the company. Up to now, the concept of EO are continuously studied and developed.

The newest theory related to this study is the EO of the family firm, which gets quite a lot of attention and has been investigated by some scholars of family firm studies. They agree that the EO in family firm differs from the EO in non-family firm due to the uniqueness of the family firm. Most researchers assume that the EO in family firm tends to be lower than in non-family firm mainly due to the nature of family firm itself. For example, the family firm tends to implement closed system organization, and to avoid long-term risks for the welfare of the family.

Rice milling industry is one of the oldest industries in Indonesia that has existed since the days of the Dutch East Indies Government. It is characterized as a major connecting link between the agricultural industry as a supplier of paddy in the upstream sector, and the rice industry as the consumer market in the downstream sector. Both sectors face a variety of fairly complex problems that may concequently disrupt the stability of the rice milling industry (Sobirin & Rosid, 2015). Based on their study, rice milling industry has now reached maturity stage and tends to stagnate. Some of the indications, among other, are that market segments and products have been fulfilled; the technology of industry has been obsolote; the margin decreases; and the number of raw materials declines due to the conversion of agricultural land to other use. This condition causes the level of competition in this industry becomes tougher, and unhealthier.

In such condition, conceptually the EO of family firms in this industry tends to be low (e.g. innovativeness, proactiveness, competitive agresiveness and risk taking). Therefore it is not uncommon that strategists usually do not recommend the family firms to implement growth strategy. They rather give advice to choose a survival or even divestiture strategy. For this reason, this study tries to explore the EO of family firms in rice milling industry representated by large-scale rice milling (LRM) family firms to find out whether they are able to survive, or willing or able to grow so that the firms ultimately can be continued by the next generation. LRM is selected as the research subject due to the fact that non-family company begins to influx in this industry and it is generally a modern, very large-scale and integrated rice mill. So, it increases the level of competition among rice millers.

Literature Review

Entrepreneurial Orientations (EO)

In general, the focus of entrepreneurship is the exploration and exploitation of business opportunities. This is, for example, shown by some of the following definitions. Bygrave and Hofer (1991) define the entrepreneurial process as "a whole functions, activities and actions to find or explore the business opportunities and to establish an organization that aims to exploit these opportunities." Shane and Ventakram (2000) states that entrepreneurship is related to the

attempts to find, evaluate and exploit the opportunities in order to create goods and services in the future. Both definitions lead to the conclusion that the pursuit of opportunity is the most important component of entrepreneurship (Shane and Venkataraman, 2000). Moreover, the classic definition given by Schumpeter (1934) says that entrepreneurship should be done by combining resources in new ways, so it is able to change the market balance in the economic system. This can be said that doing a new combination (innovations) of the resources is another important component of enterpreneurship. From the description above, it can be concluded that entrepreneurship is characterized by two essential characteristics, namely resources and business opportunities.

The construct of entrepreneurial orientation (EO) is built on the view that entrepreneurship is a phenomenon that occurs at the level of organization, which is the elements of the corporate strategy analyzed through the process, the attitudes and behavior of organization. In a shorter definition, Naldi et al (2007) states that EO is a construct that discusses the "mindset" of the company related to "pursuing" the creation of businesses, and provides a useful framework to be implemented in entrepreneurial activity. Miller (1983) describes entrepreneurship as a multidimensional phenomenon that consists of three kinds of entrepreneurial behavior. The three behaviours are: (1) innovativeness - the tendency to create something new; (2) risk taking - a tendency to take risky actions such as: entering new markets, taking large loans, or having risked considerable resources in the midst of market uncertainty; (3) proactiveness - pursuing opportunities, becoming a pioneer in a way ahead of market movements and anticipating market demands in the future.

Based on the three behavioral characteristics of EO, Lumpkin and Dess (1996), then, updated the Miller's frameworks by adding two dimensions, namely (4) competitive agresiveness – the intensity to always outperform the rivals and the more offensive attitudes when faced with the competition threat, and (5) autonomy - the wisdom to always pursue opportunities without regarding the constraints of the organization. The five dimensions of EO as proposed by Lumpkin and Dess (1996) can be seen in Figure 1 below.

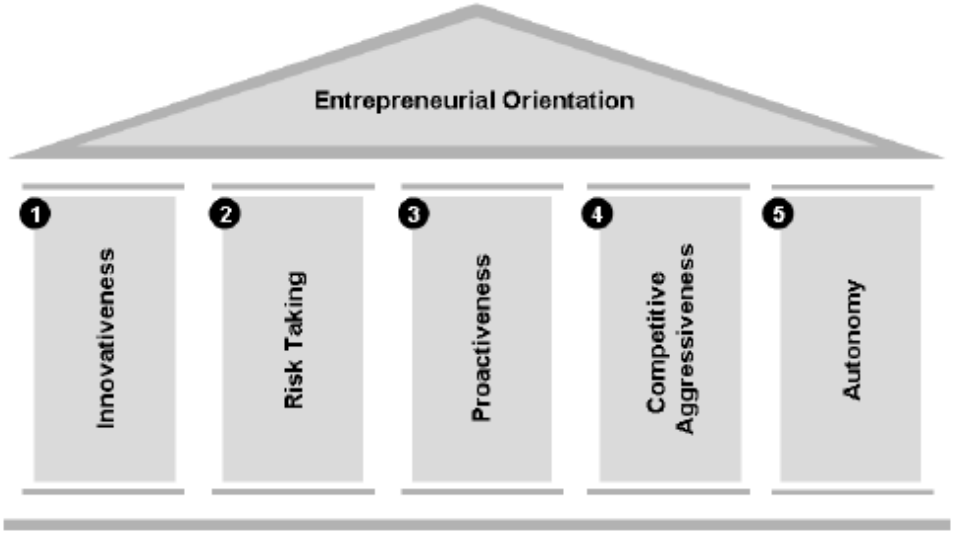

Figure 1: Five Dimensions of EO Construct
Source: Lumpkin & Dess (1996)

The five dimensions of EO as shown in Figure 1 show that each dimension has different size form one to another. It means that the degree of entrepreneurial orientation of the family firm will be assessed based on the sum of scores for each dimension. For instance, two family firms

may have the same score, but the score is derived from the different values of each dimension. One firm may have a very high value on the dimensions of innovative, risk-taking and autonomy but may get low value in the other two dimensions. Meanwhile, another firm may have very high value on proactive, aggressive and risk-taking dimension, but gets lower value in the other two dimensions.

Slightly different from the concept offered by Miller, Covin & Slevin (1989) say that the higher the score of the three main dimensions, the greater the degree of entrepreneurial orientation of company. The concept offered by Lumpkin & Dess is more dynamic, depending on the internal factors of the company as well as the external conditions in which the company plays.

Entrepreneurial Orientation in Family Business

In the view of resource-based view (Barney & Hansen, 1994), a family who runs the business has the unique resources and configuration of capabilities (Dyer, 2006; Sirmon & Hitt, 2003) which can encourage and or otherwise impede the entrepreneurial activities. The combination between resources and capability is usually called as "familiness" of the company (Cabrera, De Saa, & García, 2001; Chrisman, Chua, & Steier, 2003; Habbershon & Williams, 1999) or "family-orientation" (Lumpkin, Martin, & Vaughn 2008). Family firm which is able to utilize and manage the peculiarities of their familiness resources well will have a greater tendency to retain the entrepreneurial orientation and to involve in entrepreneurial activity. It is considered to lead to a better performance in the family firm.

However, experts still do not agree on the extent to which the family firm is an organizational context that supports or obstructs entrepreneurial orientation (Habbershon & Pistrui, 2002; Zahra, 2005). Because family firm has been seen as an example of entrepreneurial firm (Litz, 1995) or a family firm, especially in developing countries, it should become an institution that is able to carry out entrepreneurial activity in a long time due to its strong culture (Pistrui et al, 1997). On the other side, the family firm is likely considered to have a strategic indolence and to avoid risks (Meyer & Zucker, 1989), and a very high concentration of the ownership can lead to avoid the risk of strategy options (Chandler, 1990). Even though a family firm is typically founded by an entrepreneur, the question can be, is each family firm always entrepreneurially oriented?

According Nordqvist et al. (2008), as it is contradictory, a family firm has to deal with the three forms of dualism namely: (1) between preserving the history of the firm and building a new history; (2) rely on self-reliance in the firm or on another party, and (3) running the firm's activities informally or formally. The impact of this dualism is the emergence of two opposing trends associated with the relationship between the family firm and entrepreneurship. The first states that the family firm is a business organization which is proactive and entrepreneurially oriented. The second trend says that family firm is conservative, traditional, and risky. Looking at those trends, it can simply be concluded that not all family firm is entrepreneurially oriented – most of them are family oriented (pro-family) and some other are business oriented (pro-business). Some family firms are more pro-family so that it could be said their entrepreneurial level is relatively low. A family firm is said to have a high level of enterprenuership if it is more pro-business, and it depends on the availability of resources and the firm's ability to run the business (Covin and Slevin 1991).

In the results of initial studies conducted to explore and or to compare EO in family firms, the majority opinion found that there was a lack of EO in family firm compared to non-family firm. Family firm is often characterized as follows; inaction strategy and avoiding the risk (Meyer & Zucker, 1989); has a very high concentration of the ownership which can lead to the risk and avoid the strategy options (Chandler, 1990); is conservative (Aronoff & Ward, 1997;

Kets de Vries, 1993; Sharma, Chrisman, & Chua, 1997); is resistant to the change and tends to implement closed system organization (Hall, Melin, and Nordqvist, 2001), in which it is considered to be contrary to what is called as entrepreneurship. The risk of losing the family wealth made over a long period (Sharma et al., 1997) may also inhibit the family firm to conduct the entrepreneurial activities.

However, recent empirical research shows that entrepreneurial activity is a common characteristic of many family firms and is able to sustain them for the long term (see eg; Hall et al, 2001; Steier, 2003; Zahra, 2005;. Zahra et al, 2004). Zahra (2005) found some support that ownership and family involvement could encourage risk-taking in general, while the long tenure of the CEO-founder leads to the opposite side.

Indeed, in today's rapidly changing and uncertain market, entrepreneurial firms must be willing to take the risk because "without taking the risks, however, the prospects of the business growth will reduce" (Ward, 1997). The theory of agency proposes that taking the risk of a company is influenced by the ownership and governance structure (Fama, 1980; Fama & Jensen, 1983; Jensen & Meckling, 1976). The family firm is also very closely related to the succession and the next generation. When the company begins to shift to the next generation, with a high dependence of the family firm on the owner, the quality of succession becomes a big bet in the EO of a family firm. On this basis, many assumption appears and believes that the avoidance of risk in family firms is stronger than in non-family firms, and of course the risk taking is directly proportional to the performance and profits earned in the future (Naldi et. Al., 2009).

EO Measurement in Family Business – New Concept

Regardless the pros and cons of the results of EO study in family firms above, Zellweger & Sieger (2010) introduce a new concept by using of Lumpkin and Dess's conception (1996 & 2001) in measuring the EO on the long-lived family firms. Some of the five main dimensions of EO are divided into several sub categories of measurement so that it can be known which part is more powerful in an EO dimensions of family firms. This concept also supports that not all five dimensions of the family firm which lives long should necessarily have high scores. Otherwise, the scores of EO dimensions depends on the condition of the company, the market and the industry it is in.

Table 1: The Development of Concept of EO

Miller (1983)	Lumpkin & Dess (1996)	Zellweger & Sieger (2010)
1. Innovativeness	1. Innovativeness	1. External Innovativeness
		2. Internal Innovativeness
2. Proactiveness	2. Proactiveness	3. Proactiveness
3. Risk taking	3. Risk taking	4. Ownership Risk
		5. Control Risk
		6. Performance Hazard Risk
	4. Competitive Agresiveness	7. Competitive Agresiveness
	5. Autonomy	8. Internal Autonomy
		9. Eksternal Autonomy

Some dimensions divided by Zellweger & Sieger (2010) include: Autonomy which consists of exsternal autonomy (autonomy of stakeholders such as banks, suppliers, customers, and financial markets) and internal autonomy (autonomy in empowering individuals and teams within an organization) (Nordqvist, et.al, 2008); Innovativeness is splited into internal innovativeness which is created by attributes such as: managerial processes, structure, and a

new management system, and external innovativeness with its attributes (product, market, and new technological processes) ; and the last dimension, Risk Taking is broken down into (1) control of risk – in which family can have the risk of losing control in the company, such as capital assistance which is obtained mostly not from cashflow or family/ personal sources but from other parties who want to control the company (Mishra and Mc.Conaughy 1999); (2) performance hazard risk – which is defined as the risk of organizational failure caused by the business decisions, such as the decision to enter new markets (3) The ownership risk - where a family can lose the ownership of the family firm because the outsiders are incorporated as the capital supporters and also own the company. The new dovelopment of the concept of EO

In this study the concept of EO proposed by Zellweger & Sieger (2010) will be used to measure the EO of LRM family firms in rice milling industry considering that this latest concept is more dynamics. It is believed that this dynamic concept is an appropriate tool as the market and industry environment tend to be uncertain. The life cycle and the complexity of firm are also important consideration in using Zellweger & Sieger's concept to measure the EO of family firms being studied.

Large Scale Rice Milling (LRM) Firms

For this study, the definition of rice miller proposed by PERPADI (2011) is used. It divides the large rice miller into two groups based on its facilities and capabilities of the rice miller:

1. Large Scale of Rice Milling (LRM): LRM has a unit of technical equipment which is a combination of multiple machines into a single unit which its capacity is between three to ten tons of dry paddy per hour, or equivalent to 20 to 60 tons of rice per day. The system of LRM processing must go minimally through four main processes, namely the process of cleaning the paddy grain, breaking the bran of whole grain, separating the paddy grain and the brown rice, and whitening the brown rice which is repeated two to four times.
2. Integrated Rice Milling (IRT): IRT is a combination of several machines into a whole unit which functions as the processor of paddy to rice, with a greater capacity than LRM and integrated to dryer machine and silos storage through elevator and conveyor.

Research Method

This research is basically a qualitative multiple-case study. The use of this method is expected to be able to explore the more dynamics phenomenon being studied and get a broader description to find out similarities or differences among the cases, so that general conclusions can be drawn. In addition, through this method, it is possibly found a special case which one or two cases are very different compared to most of the cases examined. In this study, the special case cannot be included in the general conclusions but is still outlined in the description of the research findings as additional knowledge.

Result

LRM family firms can be said to be the market leader in rice milling industry, with all the advantages in terms of capacity, quality, technology, and of course the support network of raw material suppliers and market. With a large capacity machine, the supply of raw material required is automatically greater. In literature of rice milling industry, rice miller is said as large rice miller when it, at least, has a capacity of over 3 tons of rice/hour and through, at least, four process of milling. In addition, there are integrated rice millers which generally has had assistive technologies such as an oven for drying grain, silo storage of grain, sieving machine for trash, rocks, and rice (grader), layered of advanced polishing machine to produce premium rice and packing machine. All of them are generally run by electricity, no longer uses the fuel.

Nowadays, as the excellence technology is increasingly sophisticated, some LRMs dare to buy the raw material of grain from farmers and paddy colletors at a higher price than the market price. In the previous study, Sobirin and Rosid (2015) stated that the raw material of grain is one of the important factors in this industry, followed by technology and rice market. In addition to a very strong financial support, with the technologies owned, LRM has been able to build premium rice market so that the margin obtained is larger than manufacturing and selling medium rice.

Although LRM appears superior in term of internal resources, some of them declare bankruptcy because of the increasing competition. Generally, LRM which is bankrupt is unable to compete for getting raw materials of grain, so that the capacity of installed machine becomes idle or not efficient anymore. When the firm does not have the superiority in the first and most important factor, then it will be difficult to compete in the rice milling industry. Furthermore, LRM generally has a very strong financial support. But, once again, the network of raw materials in the rice milling industry is not always for the sake of getting money. Many grain brokers or agents are loyal to one or several rice millings because the relationship and the trust they have built for decades become the power of the rice milling firm.

In general, with all superiority it has, LRM tends to be expansive though the industry has been in a stagnant condition. It is quite reasonable when fewer raw materials still leave the potential to be fully controlled by LRM with the financial support it has. Similarly, farmers and brokers who currently tend to be oriented in a higher selling price would prefer to sell the paddy grain to LRM than to MRM (Medium-scale Rice Mill) or SRM (Small-scale Rice Mill). Therefore, LRM is considered as a leader of rice milling industry in Indonesia, and the industrialization is more visible in this industry. Here are the results of EO study on LRM:

a. *External Autonomy* (EA)

EA means independence or free of dependence on external parties, such as suppliers, banks or lending institutions outside the family, as well as freedom of the market in determining the business direction. Even though LRM has many advantages compared to the lower scale industries, some of them still have big dependence on external parties. In appendix 1, there is one family firm of LRM (special case) with a low-level of EA, two of them with a medium degree of EA, and three of them with a high degree of EA. So, generally it can be categorized that EA on LRM tends to be medium-high.

One special case of LRM with a low degree of EA is found on UD Bu Slamet which is located in Central Java. Although the company has been built for a long time, including the oldest and largest firm in the area of Prambanan- Yogyakarta, this firm is not superior in all external sectors. Based on the interview, it was found that the firm was in a position to collapse because of having much debt and failing in business diversification. In fact, this firm became very dependent on suppliers who trusted and had already been coworkers since a long time ago. This firm found it difficult to obtain new suppliers due to unsufficient financial support. According to the third party, in addition to its dependence on the bank, the firm also had debts to suppliers and even to the customers. This causes the bargaining power of suppliers and customers to be very strong at this LRM. Therefore, the EA at UD Bu Slamet is very low.

Two companies with a medium degree of EA have another different case. PP Barokah Jaya (Lampung) has a medium degree of EA due to its relatively high dependence on the Bank loan. The reason is that PP Barokah Jaya has only operated for less than 5 years so that the capital owned still comes from the Bank. The capital was used to build large-scale factory and also to support the operating costs and the purchase of raw materials. Meanwhile, from the view of the suppliers and customers sector, this firm has a sufficient network because the beginning of this company business comes from the agents of paddy grain and rice sellers.

Differently, PP Lanang Prayogi (Lampung) has a dependency on the market sector – Bulog. At first, this LRM sold the rice to wholesalers and retailers as other common rice milling companies. Yet, the company was then unable to compete (in terms of technology, capital and market network) in the industry compared to other LRMs. As a result, the company found it difficult to sell rice and to earn high margins. Therefore, PP Lanang Prayogi decided to change its strategy and survived in the industry by focusing into Bulog supplier. In other words, all the rice produced was deposited to Bulog. With a vast network of suppliers of paddy grain and mutual trust, the company was finally able to survive in the industry, but its dependence was very high only on one market. The price of rice was determined entirely by Bulog without any negotiation or bargaining process. Thus, these companies can be said to be very dependent on one external parties, namely Market (Bulog), and the degree of EO on this company turns into medium.

It is different from the three LRMs with a high degree of EA, i.e. PP Pujodadi Jaya, UD Rukun and UD Gilang Harjo. The three LRMs are aged over 20 years. Two of them has been run by the second generation, while UD Rukun is currently managed by the third generation. Most of them generally have had strong and broad relationships with suppliers and customers, and sufficient support of internal capital as the accumulation of profit. The three companies also have large-scale technology which is qualified and capable of producing premium quality rice, so they get higher margins than the other MRMs and LRMs. Beside producing a high quality of rice, the technology owned is also more efficient as it is large-scale and uses electric power as the driving engine.

b. *Internal Autonomy* (IA)

LRM generally has systems and structures which are quite good or quite professional, including the manpower issue. Although currently it is quite difficult to get employee in the agricultural sector, the large capacity of LRM is able to maintain, organize and empower their labors freely, particularly with respect to work discipline. It, of course, differs from the case in SRMs and some of MRMs that face some troubles to keep their labors due to the traditional style which is still so entrenched in this industry.

Generally, LRM has at least five employees as the operators of milling machine, and dozens of porters to dry and transport the rice. In LRM, the staffing system implemented includes attendance, reward and punishment, as well as insurance and safety assurance as the government has already required for LRM. So, it is not like the SRM and MRM in general which are still having problems with the labor discipline.

Among these six companies, only one of them employs professional managers who are given full authority to run the company, namely UD Rukun. Based on interviews, it was also found that the owner was used to came, supervised and controled the company, but not empowered individuals and teams within the company. Operational and employment matters have been implemented entirely by the manager. However, in making decision of a big business matter such as contractual agreements with large customers, the manager should think about the consideration of the owner of the family firm. It makes UD Rukun as a special case because it has a medium degree of IA.

c. *External Innovativeness* (EI)

In general, LRM has a large machine capacity (> 3 tons/ hour) and the latest supporting technology to produce the best quality rice (premium). However, based on the theory of the provisions, LRM is a rice mill with a capacity above 3 tons of rice per hour, so that not all MRM has complete or modern supporting technology. Some technologies which are generally owned by LRM at this time include: oven for paddy grain; sieving machine for waste, rocks and iron;

rice grader; sophisticated rice polisher which is usually up to 3 times polishing; automatic weight scales; and interesting packaging.

LRMs which were studied has milling machines with the technology mentioned above, even three of them have a capacity of > 10 tons of rice per hour, using electricity as the prime driving machine. In addition, the latest technology found is a machine especially for processing rice with a capacity of 3tons/hour. This machine does not process the paddy grain into rice, but specifically process the raw materials such as medium rice to be super quality rice (premium). LRMs which already have the criteria as mentioned above are: UD Bu Slamet, UD Rukun, UD Gilang Harjo, and PP Pujodadijaya. Those four LRMs are then categorized as family firms with a high degree of EI.

Meanwhile, the medium degree of EI is found in LRM namely PP Barokah Jaya. The reason is that this LRM has only a standard capacity of 3 tons/hour, but has had an oven and polishing machine which can produce premium quality of rice. However, if compared to the previous four-LRM with a high degree of EI, this LRM is still far from equal in terms of both technology and capacity. This LRM also has not had a rice processing machine as has been owned by the previous four companies. This machine is considered important as an indicator on the measurement of EI because LRM with a large capacity does not always get the raw materials of paddy grain. So, the raw material of rice is an indicator of innovation and the growth of the company.

In this study, there is a special case found in the family firm, namely PP Lanang Prayogi. It has only a rice milling machine with the rice capacity of 3tons/hour, but does not have the supporting technology as mentioned previously. Based on the interview, this LRM at first had several supporting technologies such as oven, various graders and polishing machine, and marketed the rice to wholesalers and retailers. However, because of the increasingly fierce competition in the rice market, this company eventually sold the equipments, decided to avoid the competition and focused to serve Bulog market. Since the required specification of rice for Bulog was merely arbitrary and medium, this LRM relied only on a machine with a simple configuration for breaking the bran and polishing the rice which had capacity of 3 tons/hour. Therefore, PP Lanang Prayogi is considered to have a low degree of EI.

d. *Internal Innovativeness* (II)

Not all of large companies automatically has the professional structures, systems, and managerial, especially family firms which tend to prioritize the emotional and kinship systems. Moreover, rice milling industry can still be said to be traditional, whereas in many cases, the information flow and business decisions move from up to down. And as the previous SRM and the MRM, the business decisions tend to be made by one person (one-man show), which is the owner of the family firm. In many cases, the management of financial and human resources is still very traditional. For instance, the money for the company and family has not been separated yet.

In this study, it was found that there are family firms which belong to LRM. Three of them which have a high degree of II are PP Pujodadi Jaya, UD Rukun and UD Gilang Harjo; and another three-company with a low degree of II are PP Barokah Jaya, PP Lanang Prayogi, and UD Slamet. Three LRMs with a low degree of II can be characterized by the lack of innovation systems, structures and governance at the company. Generally, in such family firms, the business decisions are still controlled by one person (the owner). In addition, there is no delegation of crucial authority, and even it is still managed traditionally. Although most of LRMs studied have splitted the money for the company and family, still the financial report is accounted by a very simple method. Simply, there is no professional management of human resources and financial (accounting) and it is not computerized.

Three companies with a high degree of II have differences on internal innovations conducted. In PP Pujodadi, for example, it now has begun the transition to the second generation in which the founder delegates his authority to his two sons in law because the founder does not have any son. From the interview, the information obtained says that the salary system applied to the two managers can be said to be profesional. In the hands of the second generation, this family firm is growing rapidly by adding many supporting technologies as well as the changes of system and managerial structures. Moreover, one of the third generation has started to get involved in the company's management by applying financial management professionally and computerized.

At UD Rukun which now has reached the third generation, professional management has been carried out since the second generation, by employing professional managers outside the family (out siders). From the interview, it is known that this manager has helped the company since it was led by the second generation. Then, he has been the manager until the current third-generation led the company. Every form of management and operation is arranged professionally by the manager, particularly the financial and human resources management.

Currently, UD Gilangharjo as the biggest LRM in the area of Yogyakarta is undergoing a period of transition from the predecessor to the second generation. Based on the interview and data obtained from the third party, it is found that the management in this LRM is more professional than previously, particularly which is related to the computerized management of financial and human resources. The high standard of management was applied by the second generation, but the kinship is still strongly felt by its workers, suppliers and customers.

e. *Proactiveness*

In the middle cycles of rice milling industry which is increasingly mature, LRM with various advantages is still done some proactive measurements to keep the opportunities survive, grow and generate greater profits. One of the measurements is producing rice which begins to bloom in recent years, and it is produced in this LRM with the support of the technology owned. Generally, the market covered by this LRM is no longer local markets but those in several provinces, particularly wholesale markets in Jakarta and surroundings.

To overcome the scarcity of raw materials of grain in the area around its market, LRM which has strong supporting capital is able to attract more and more suppliers, even when the price is higher, especially for the best quality grain. Commonly, it is probably detrimental to LRM. However, by means of the technology owned, the rice can be processed into premium rice and certainly can generates a higher margin than the medium rice. In addition, associated with raw materials, LRM with high financial support is capable of storing raw material of grain with higher numbers in its warehouse. This measurement is usually performed during the harvest season where there is abundant grain stock and its price tends to be inexpensive.

Thus, the proactive measurement undertaken by LRM includes the action to produce new product in downstream sector or rice market, while the measurement in internal sectors includes creating innovation using new process and technology. Moreover, the proactive measurement in the upstream sector is offering higher prices to suppliers, either agents or farmers. Therefore, this LRM generally has a high degree of proactiveness, and the proactive measurement in this study is undertaken by four LRMs including PP Pujodadi Jaya, PP Barokah Jaya, UD Gilang Harjo and UD Bu Slamet.

The special case is found in two companies with a medium and low degree of proactiveness. Both of them have the same case which can be said to be defeated in the competition and take the strategy to focus on only few markets. The difference is that UD Rukun which has a medium degree of proactiveness still has a technology which is generally owned by LRM, so it currently looks only for suppliers and serves the local market in Yogyakata

and Central Java. Meanwhile, UD Lanang Prayogi was used to have the same technology, but because of the competition from other LRM, it decided to focus on serving only Bulog market, which demand is about the medium rice. Therefore, UD Lanang Prayogi is considered to have a low degree of proactiveness.

f. *Competitive Aggresiveness* (CA)

Similarly, the dimensions of CA has the same degree pattern with the dimensions of proactiveness. There are four companies which have high degree of CA. One company with medium degree of CA and one more with a low degree of CA (see Appendix 1). The high degree of CA is obtained by infiltrating and expanding the market and product segment like the qualities of rice and brands owned. In the raw materials sector, LRMs are able to influence the grain market by offering higher prices, especially when it is not harvest time and the raw material is not widely available. By doing such measurements, four LRMs are considered to able to survive, even get rid of its equivalent and smaller opponents.

An example of company which is defeated in this competition is PP Lanang Prayogi. Previously, it has been mentioned that this family firm tends to divert its market which is initially vast to focus more only on one market namely Bulog. Therefore, the competitive aggresiveness or CA on this company tends to be low. Likewise, UD Rukun also has similar case to PP Lanang Prayogi. Initially, the market of this company is very broad, but at this time the company focuses more on serving markets only in Central Java and surrounding. The difference between UD Rukun and PP Lanang Prayogi is that UD Rukun still serves and produces premium quality rice, while PP Lanang Prayogi only produces the medium rice.

g. *Ownership Risk* (OR)

In order to build an LRM firm, it is required substantial capital - around two billion as the least number. Some companies may grow from internal sources of capital (family) and accumulation of profits earned, but most of them still agree that they still needs the Bank's intervention for their capital. Although their capital requires an injection of funds from external parties, the informants from those LRM agree that there should be no external intervention participating in the ownership of their companies. It can be justificated that the family firms of rice milling industry tend to be close. They do not want any outside parties to participate in the ownership of the family. Hence, the degree of OR on those LRM is similarly low.

h. *Performance Hazard Risk* (PHR)

PHR or performance hazard risk which is related to the decisions made by the leaders of the company can be seen from some of the previous dimensions, namely EI, proactiveness, and CA. If the dimensions of EI - proactiveness - and CA are high, it can be said that the company has a high degree of PHR. In table 4.5, the data shows that four LRMs have high PHR and two others have medium degree of PHR. The higher the innovative, proactive and competitive measurements undertaken by the company in an industry, the higher the performance hazard risk.

Based on the description of the above multiple dimensions, four LRMs have a high degree on the dimension of EI, proactiveness and CA. The measurements they carried out are various but overall it can be said that they are still trying to find and exploit the opportunities in order to continue to grow larger and remain to be competitive. Some of the measurements are: utilizing new (advanced) technologies, undertaking new processes, producing new products or entering new markets. All they do are very risky, at least require a large amount of investment. Thus, if there is a failure in the process of growth, the risk suffered by the family firm will also

be quite big. Moreover, the rice milling industry is currently has reached the maturity cycle and the measurements of growth (3 dimensions) are not recommended in this strategic studies.

Although the rice milling industry has reached maturity and tends to decrease, for some people especially the LRM owners, few opportunities are still available for them to grow. And, it immediately gets rid of its equivalent and smaller opponents directly or indirectly. The key to successful or the most important factors in this industry is the raw material, technology, and market. As described previously, LRMs which have a lot of superiorities can reap more raw material at a higher price. Yet, they are still capable to sell higher quality of rice with high margin or medium quality of rice at the same or even cheaper price, with the superriority of efficiency in its technology. Four LRM with a high degree of PHR are PP Pujodadi Jaya, PP Barokah Jaya, UD Gilang Harjo, & UD Slamet.

Another LRM which has a medium degree of PHR is UD Rukun. Even though UD Rukun has high degree of EI and has a new technology to produce premium rice, but this family firm tends to be less proactive and competitive. In fact, it tends to step aside from the competition by serving only the local market in Central Java and Yogyakarta, while initially it served the market from various regions in Java. On the other hand, a special case of LRM with low degree of PHR is PP Lanang Prayogi, which does not have any advanced supporting technology to produce premium rice and choses to focus on serving only the market of medium rice. There is no sales to the merchant or retailer since it only serves Bulog market. Thus, this company can be said to play safe. The degree of PHR is getting low as the company which initially serves the sales to the level of traders and retailers prefers to sell to Bulog with lower risk due to a greater risk.

i. *Control Risk* (CR)

Establishing and running LRM indeed require considerable capital, and therefore many family firms belong to LRM take a loan for the capital from external parties outside the the family. CR can be interpreted as the condition in which the family can have the risk of losing control in the company as a result of, for example, a large capital fund. In other words, the greater the amount of loan, the greater or the higher CR will be accepted. The amount of capital loan is indeed relative for each company or the owners of the family firm. The capital loan will be considered quite large if the amount at least half of the total assets owned or it will simply threaten the assets owned by the family firm.

Based on the information obtained from the owner of this LRM, most owners stated that the amount of debt was small because the companies grew from the profit earned and their personal or family money taken into the company's cash flow. In PP Pujodadi, for instance, only a few of the payment which was from the loan of other parties even though they had just bought a new series of equipment. All equipments were purchased using the company and family internal cash. UD Gilang Harjo itself is an LRM firm which is regarded as the largest and most modern of all, and it has succeded to the second generation. This family firm is able to grow rapidly with the accumulated earnings, and the amount of debt is not half of its assets.

Other forms of debt occurs in PP Lanang Prayogi, which focuses on Bulog market. Bulog requires its partner to meet the quota of rice for one year according to the contract, for example 1000 tons/ year. To overcome the financial constraints in purchasing the raw materials, PP Lanang Prayogi used other ways to continue producing rice and to fulfill the Bulog quota. The way it used was owing the raw material from their suppliers (grain agents) which have been trusted since a long time. The amount of grain debt might be more than its total assets, but generally the debt were paid in a very short time, like 20-30 days. This was because every partner of Bulog which deposited rice to Bulog got the payment within a period of 2x24 hour.

So, the cash flow would be very heavy if it was able to get trusted suppliers and was able to manage it properly.

UD Rukun which has reached the third generation is one of the most secure company of CR because it has been managed well and is able to run the buseines normally without funding assistance from outsiders. In addition, the owner background of UD Rukun is fairly wealthy businessman, so internal capital resources from the family is still considered to be sufficient to carry on the company or as a backup fund.

One of companies which has a medium degree of CR is PP Barokah Jaya. This LRM family firm has the medium CR as it has just been established for five years and thus requires an injection of funds from external parties at the beginning of its establishment. However, based on interviews, the amount of the debt can be immediately repaid if it is urgent because the family assets is sufficient. Furthermore, the accumulated earnings and cash flow of this family firm are fairly smooth as it is well managed by separating the money for company and family strictly.

In this study, a special case of LRM family firm with a high degree of CR is found in UD Slamet. Based on the interview with the owner and third parties, the amount of debt held by this family firm is too large, even exceeds the assets owned. It is because the owner used to make new business outside the rice mill several times, which led to the failure or bankruptcy. Meanwhile, the money used to create a new business was from the company and family. After some businesses were bankrupt, the owner tried to focus back to rice milling business, and built a warehouse with a capacity of thousands ton. To build such warehouse, this family company took the loan from the parties outside the family so that the amount of debt the company is now increasingly bloated.

On the other hand, the LRM family firms, the network of suppliers and a broad market tend to attact massively and efficiently to grow the company along with all the strengths and advantages such as financial support, the latest technology which is more efficient. Indirectly, some aggressive measurements undertaken by LRMs can get rid of other players in this industry, especially SRM and MRM. The measurements may include purchasing raw material of grain at a higher price in order to attract suppliers (farmers and agents) to choose LRM as partners. This measurement will indirectly make it difficult for most SRM and MRM in the process of surviving or growing the rice milling industry.

The sustainability of LRM Family Firm

Related to the sustainability, based on interviews, three family firms of LRM have just carried out a transition and regeneration process and one LRM will soon carry out the transition process. Two other LRMs have not planned the seccussion yet because they are still managed by the founders and the next generations are very young. However, the interview stated that there is a strong desire for those companies to carry out the succession to the next generations when the predecessor is old enough. With all the power they have, it makes sense if those six family firms of LRM will continue to strive for growth and keep the sustainability from one generation to generation. Besides, as an attempt to preserve the family business, it is also associated with the investment which has been disbursed very large so that it is highly expectated to be continued by his successors.

CONCLUSION

LRM does have many advantages when it is compared to SRM and MRM. Yet, not all companies are able to survive in the competitive arena of rice milling industry. The increasingly mature rice milling industry limits the space for businesses person in this industry. For some owners of family firms, LRM is eager, innovative and superior in terms of financial though there are still many loopholes opportunity obtained or even created.

As discussed earlier, the raw materials of grain and technology become the most important factor as the attractiveness of the rice milling industry. When the raw material is getting less and the industry are quite dense, some LRMs create new opportunities with financial advantage they have by offering a higher price of grain. So, farmers and grain agents will deposit the grain to LRM. In relation to the support of technology, large and efficient capacity of the machines, and the ability to produce qualified products, these LRMs are able to process the available raw material to be premium rice with higher margins, or medium-quality rice at the same price even cheaper than in other SRMs and MRMs. It dues to the excellence technology and capacity in terms of efficiency.

In this study, it is found that the three-dimensional growth; innovativeness, proactiveness and competitive aggressiveness are closely related to the risk taking, or more specifically related to performance hazard risk in family firms in which the measurements of dimensions previously have been the assessment of high risk as the result of the business decisions they made. This result is in line with those found by Naldi, et al (2009) which states that innovation and proactive closely related to risk taking.

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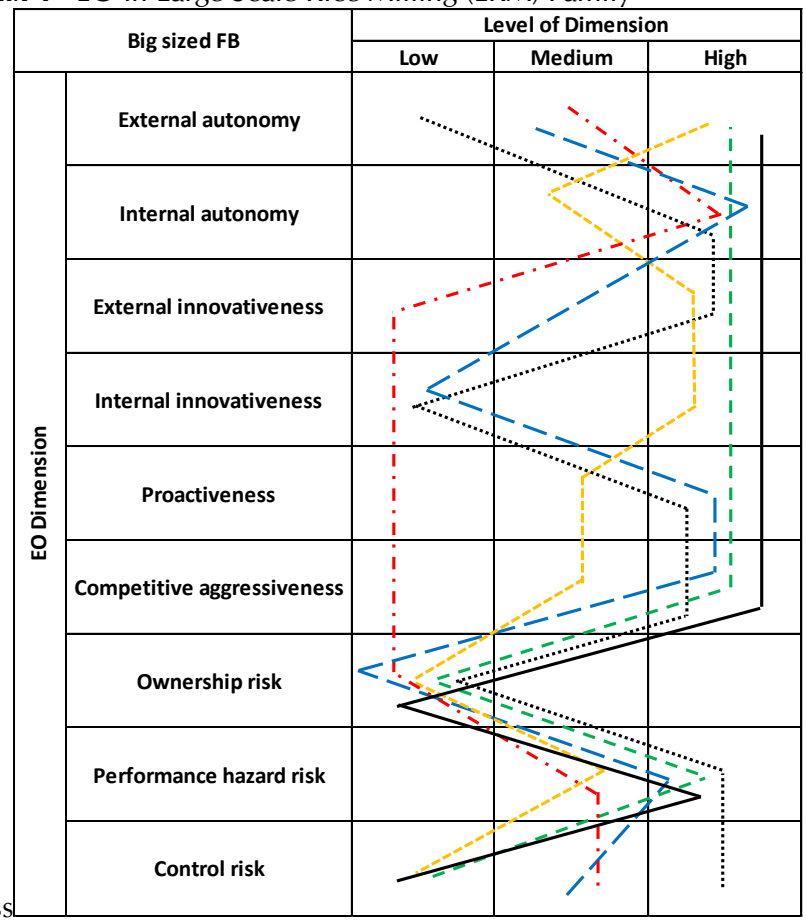
Appendix 1 - EO in Large Scale Rice Milling (LRM) Family



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Firm, family firm and the development of the study of family firms in Indonesia: A historical perspective

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Abstract

This paper tries to trace and uncover the history of firm and family firm in particular. This study is considered important for scholars to pay attention on the study of family firm in order to understand the origin of the field and its trajectory through time as well as its development in Indonesian. Based on several sources, it is found that the word "firm" was found in 6th century during the Roman Empire although its meaning is not the same as its current understanding. Seven centuries later, some merchants from Piacenza - Siena and Lucca (Italy) established what the so called "family firm" as a way to agglomerate capital. Later, this practice was adopted by industrialists/capitalists during the first phase of industrial revolution era in England. Entering the 20th century, however, the popularity of family firm reduced gradually not because of the bunkrupcy of the family capitalist but because their businesses become larger and larger so that they could not finance and manage by their own. Consequently, other families and hired managers were involved. This practice is known as managerial capitalism era where hired and professional managers play an important role in making business decision and policy while the owners just act as residual claimants. It can be said that this practice has suvived until recently. However, in the mid of managerial capitalism era, it turns out that the family firm did not disappear altogether. Evenmore, the number of family firm and its contribution to the national economy is not small. This is the reason why academic societies and consultants have paid more attention to the family firm phenomenon since the 1970s. Since then, the study of the family firm has continued until finally the family firm is recognized as a distinct field of study with its own body of knowledge separate from other areas of study. Unfortunately, the attention of Indonesian scholars on this phenomenon was non-existence, although nearly 96% of all businesses in Indonesia are family businesses.

Key word: Firm, Family firm, industrial revolution, managerial capitalism era.

INTRODUCTION

Since the mid-18th century, the various aspects of community life have experienced massive change which occured within a relatively short time - about 70 years (Mokyr, 1999) and it was characterized by a change in the production from cottage industry to factory system (Mokyr, 2001). Historians call it the industrial revolution (Toffler, 1980). However, some others consider it just as a chronicle of events in a certain period of time that accelerate the change (Mokyr, 1999; Redford, 1948) and not as a revolution especially when compared to the French or American revolutions. Regardless of which opinion is right, it should be understood that it is a revolution when the process of change to industrial society occurs structurally, persistently and sustainably.

Craig (2006) states that the industrial revolution has a close relationship with the family firm in which it is often regarded as a "midwife" who gave birth to the industrial revolution. These events, especially the beginning of the birth of firm and the family firm as well as the emerging and sinking of the family firm into a field of study with a body of knwledge separated from other areas of study, will be the main concern of this paper. By tracing and uncovering the history of family firm, it is expected that researchers will give the same attention to family firms in Indonesia since the number of family firms is large but only few of them was taken as a major field of study. So, the theories of a typical family firm in Indonesia have not emerged yet.

The Shifting of Human Civilization and the Industrial Revolution

Alvin Toffler (1980) states that human civilization experienced shift from the era of agriculture to the era of industry and information. This shift has always been characterized by a structural change or precisely the big jump which causes the characteristic at a different era from one to another so that it often causes a cultural shock for people who are not ready for it (Mokyr, 1992). This jump is always preceded by an invention and innovation (Mokyr, 2001; Boerner & Ritschl, 2008) which is carried out by a small number of societies (Lenski and Lenski, 1987) and continued rolling until it becomes a new civilization. In the context of industrial revolution, Nuvolari (2004) referred this massive invention as collective invention.This results is the emergence of entrepreneurial spirit and a money economy. Besides, the reform in the field of religion - especially Protestant (Weber, 1998; Gerth & Mills, 1958) has an impact on a wide range of advanced revolution: economic, social and ideology. As a result, the era of agricultural gradually shifts to industrial era.

The industrial revolution, as mentioned above, began in England in 1760 until 1830, which was then known as Industrial Revolution in England. This was so called because the major innovations bringing UK entered the industrial era which did not happen in other European nations began to occur in this period. Incidentally, the political event - the ascention of the throne of George III also happened in 1760 (Redford, 1948: 4). In general, the arguments related to the cause of the revolution are grouped into four schools namely: the social change school; the industrial organization school; the macroeconomic school; and the technological school (Mokyr, 1999). Last school was widely embraced by the historians.

Meanwhile, Lenski and Lenski (1987) divided the industrial revolution into four phases. The first was started in the mid-18th century and ended around 100 years later. The second phase began in the mid-19th century until the early 20th century.The third phase was from the early 20th century until the end of World War II. The industrial era itself is believed to end around the 1980s. In the first phase, the innovation started from the textile industry with its invention of textile machines which could improve the efficiency of human resources and utilized new sources of energy. By using this new technology, the textile production which was originally at homes of the workers was then concentrated in the factories (Bythell, 1983). In this phase, another important advance was the increase in the steel industry and coal mines. The most phenomenal finding was the invention of the steam engine by James Watt in 1765 even though he was not the first inventor (Wren, 1994: 37).

The second phase of the industrial era began in the mid-19th century (Mokyr, 1998) which was marked by a massive expansion on the textile, steel and coal industry so that the industrial revolution began to spread to other European countries and the United States. In this phase, the steam engine was used for steam train which was connecting the UK. Another important thing is the high degree of dependence on science and technology. The innovation process, then, performed in laboratories formally and institutionally. For example, the laboratory built by Thomas Edison became a trend which was adopted by other countries such

as Germany and the United States. This is where the role of the university is very important to build further innovation.

The third phase of the industrial era began in the early 20th century and ended in World War II. This phase was characterized by advances in technology of energy. In the early 20th century, it began to invent a machine which could create energy from the combustion (internal combustion engine) and machines which could transmit electricity and could be produced in large quantities at a cheaper price so that it was commercially profitable. Along with it, the automobile industry, electrical industry and the telephony industry began to increase.

The fourth phase or the final phase of the industrial era occurred at around the Second World War (World War II). It can be said that World War II was the only war that relied heavily on industrial activities, in this case the aviation industry, and of course the aluminum industry as the base material for aeroplane. Other prominent innovations in this phase were the industry of plastic, nuclear power, electronics and a revolution in the field of computers. After the invention of computers, there was a remarkable change in people's lives that the computer was considered as a quantum leap to enter the information age.

The Company or Firm

The description of the industrial revolution indirectly states that the organization's role in running people's lives is away more prominent than the role of a person individually. The organizations running the production activity is referred to as a firm. However, not all experts view the firm as an organization. In general, experts in economics - except Ronald Coase (1937) considered a firm as a function of production and costs. According to Hodgson (2002), the word "firm" comes from the Latin *firmus* - an adjective which means strong, powerful, durable and lasting. Firm can also be described as a "signature" which is bound by the rule of law. Furthermore, Hodgson says that the firm has been known historically since the era of empire Roma. Based on the current law at that time, a merchant or manufacturer may be possible to have goods capital, hire employees, buy slaves, and do trading. This institution is generally called the firm. Meanwhile, Concise Oxford English Dictionary defines a firm with a more loose definition that is a partnership to run a business or a group of people working together. This loose definition which allows a person who employs others to engage in the production or trafficking can be called as a firm.

During its development, the term "firm" is often used interchangeably with the term "company" or "corporation" even though the emergence of these terms do not occur simultaneously. The term "company" have begun to be known since the Middle Ages in Italy when some individuals (generally still within the family) attempted to raise the capitals by establishing a permanent cooperation. Each individual involved in this cooperation had the same and unlimited responsibility – unlimited and joint liability (Greif, 1996). Since it involved only the family members, this cooperation could be referred to as a famiy firm. This cooperation was, then, extended by involving non-family members (namely compagnia). By the end of the Roman Empire, it did not mean that the cooperation ended. Even so, this kind of partnership was still found in Genoa in the 12th century which involved a group of merchants (Hodgson, 2002).

On the other hand, the term "corporation" was also appeared in the British during the Middle Ages. Corporation was an organization that received the privilege (charter) from the empire. Such organizations include: town boroughs, guilds, churches, universities and charity. These organizations were generally not business institutions and did not evolve into a modern business organization. Yet, the term "corporation" legally originated from this period since it obtained the rights from the state as a relatively otonom organization. The elements of this legal framework, then, applied for a modern business organization.

If traced back, the beginning of the modern business corporation was a joint stock company which was often found in England in the 16th century (Hodgson, 2002). Under the control of the directors, joint stock companies were able to raise capital and sell the shares of the company. However, until 1688 - commonly called as "Glorius Revolution" (Vallance, 2011) they still had to ask permission from the empire to run the business due to the limited freedom to trade and travel. The legal limits, which was applicable at that time, began to decrease after the mechanism of cooperation rules (legal partnership) determined by the parliament was applied. This situation continued until the industrial revolution in which the corporation was able to collect and invest large amounts of capital as the legal constraints started to be eliminated.

In 1844, the company law was set to distinguish between partnerships and joint stock company (Bordman-Weston, 2012). Partner was mutual agent whom each partner was possible to sign contract with the third party and bound to each other. Meanwhile, the stockholder was not the joint agency so that they could not act on behalf of the company, and company shares could be traded. In 1855, the provisions of limited liability applied to the legal corporation applicable (Boardman-Weston, 2012).

In 1873, the state of Connecticut established a regulation concerning a simple registration procedure to set up a coporation. The regulation was then imitated by other states. However, the regulation gained much protest as it was considered too loose, so the country was viewed as if releasing its responsibility to protect the public from the misapplication of company authorization. As a result, the law on company continuously had undergone changes during the 20th century until now.

From the description above, it seems that a good company which is run individually or in groups; either in the form parnership, joint stock, company or corporation is always determined by legislation. Therefore, it is simply the company often referred to as a legal entity - legal entity (Chandler, 1992). Therefore, a company is simply called as a legal entity (Chandler, 1992). As a legal entity, the company has four atributs. First, as a legal entity, the company can sign a contract with the suppliers, distributors, employees and consumers. Second, as an administrative entity, the company can do the division of labor to maintain the efficiency of the organization, do various activities simultaneously, form a team of managers to coordinate and monitor the various activities. Third, as an organization, the company became a gathering place of skilled manpower, physical facilities and capital flows. Fourth, for profit-oriented organization, the company is an instrument for the industrialists to produce and distribute goods and services, and to set plan and allocation of resources for production and distribution in the future.

Meanwhile, Hodgson (2002) states that a firm is a "legal fiction" in which its existence is determined by the regulation. Legal fiction can be described as an organization namely the company, in the legislation, would be treated the same as someone who has the right and obligation. If one could legally sign the contract, the same applies for the company. Likewise, if a person could be punished, the company has the same thing. It means that although it is called as "fiction", it does not mean the company does not exist. On the contrary, the regulation treats the company as well as the man who could do contract and be punished precisely in order to protect the parties who sign cotract with the company. In other words, the companies are always bound by the law, and even today this condition has not changed. In fact, in order to protect the society, the law of company is increasingly growing day by day because the company's activities become more complex.

The description above is reaffirmed that the firm or company, as a "legal fiction" which its existence is assigned by the legislation to be a "legal entity", is a good organization run by an individual with the involvement of others, and is a parnership, joint stock, company or

corporation. Such organizations are legally able to conduct transactions with other parties and sign a legal contract for the benefit of the organization. Although the connotation of a firm is generally linked with getting profit, but if we refer to the explanation of Chandler (1992), firm is not always aimed for such purpose. Likewise, the corporation in recent context has experienced a metamorphosis into a very complex business organization which distingushes the owners and the companies, but it does not mean that the family firm - as the embryo of corporation is no longer found in the field of business activities. Therefore, the following description will explain the family firm in a historical perspective.

The Family Firm

The Industrial Revolution is a sign of a shift in the orientation of community life from agriculture to industry. Along with this shift, the industrial revolution becomes the early of the emergence of capitalists who dare to take the risk to set up new factories as a vehicle to produce a variety of products (Redford, 1948). These factories are called as a manufacturing company and are generally owned by a person or family so it is referred to as a family firm. Hence, it is not excessive if Craig (2006) says that the family firm plays an important role and is an integral part of the industrial revolution. Since then, it can be said that the business activities in European and Western countries in general have continued to grow. Moreover, the western countries which are the adherents of capitalism are far more advanced though they are no longer dominant lately.

As family firms are often regarded as the "midwife" for the birth of the industrial revolution, they actually was born long before the industrial revolution at the beginning of the 13th century in Piacenza, Siena and Lucca (Greif, 1996; 2012) as a organizational innovation conducted by Italian merchants. The family firm, then, widely spread to other cities in Italy and, in fact, was also practiced by the capitalists in England during the industrial revolution. The difference was that a family firm in Italy was generally a trading company, while in UK it was a manufacturing company.

In a historical perspective, the companies in UK had been generally managed directly by involving family members since the industrial revolution until the 1940s (Wilson & Thomson, 2006). Colli (2003) and Ginalski (2010) called this era as personal/ family capitalism era. The reason was that, at the moment, all companies were owned by certain family and managed directly by the owners and their family members so that it could be called as a family firm though this term was unfamiliar at that time. During the development, the family firm employed the external parties other than family members as the lower and middle managers. The reason was that the family firm started growing, so it was unable to handle all the affairs of this business. This era had been the embryo of the emergence of managerial capitalism era which started to bloom since the early 19th century until World War II – or comony known as a second wave of industrial revolution.

In United State, this era was marked by the rise of industry in the end of the 19th century where major companies such as railroad, chemical, textile, steel and so on began to emerge. Those industries grew bigger, wider and more complex. The logical consequence was that the owner had more limited capacity to manage the firm directly or to finance company independently. The advanced impact was that the owner started to recruit managers who were capable to manage the company although the owner initially still played an important role in making the decision. On the other hand, the companies also had to involve other parties out of the family in the financial management. As a result, the role of the manager began to shift. Previously, the highest position of managers was at intermediate level (commonly referred to as hired managers), but lately they started to occupy the top level as professional manager. As the top leaders, professional managers were used to take business decisions without the presence of

the owner. At this time, the separation between the owner and the manager in which business decisions were in the hands of managers began to occur and the role of the owner was as the residual claimant. Thus, the managers should be accountable for its activities to various owners not only to a person or a particular family. More importantly, the role of managers in managing the company was greater and had greater autonomy than the previous era.

After the separation between the owner and the company, and the greater reign of professional managers in controlling the company, it was not excessive to say that this era was a managerial capitalism era. Without setting aside the contribution of other experts, the book written by Berle and Means (1932) entitled "The Modern Corporation and Private Property" can be called as the first book and primary reference which confirms the separation between owners and the company. Management theories which were established afterward, particularly financial theories including the theory of agency proposed by Jensen and Meckling (1976), was based on this assumption. Here, the concept of corporate governance began to emerge. Likewise, the business education (MBA) that developed in the United States also aimed to equip students with the ability to manage large companies. Students were educated to become salaried managers or professional manager.

Entering the 1970s, as a reaction toward the magnitude of the managers' authorization in managing the company in which the shareholders were simply placed as a residual claimant, the shareholders began to raise an investment fund as an effort to build a new power to counterbalance the power of the managers. The presence of investment fund was expected to reduce and control the power of the managers in order to improve the welfare of shareholders. This era was called the financial capitalism era (Colli, 2003; Ginalski 2010, Wilson & Thomson, 2006). In this era, the pattern of corporate management was still the same as the patterns in the era of managerial capitalism, i.e. the separation between the owner and the managers. However, in this era, the surveillance conducted by the owner through investment fund to the managers was more stringent than the surveillance in the managerial capitalism era.

In spite of a shift in corporate management of personal/ family capitalism to managerial capitalism to financial capitalism, it did not mean that the domination of the family as well as the company which goes public fades away. The family firm still existed in the midst of the rampant of managerial capitalism and financial capitalism Era in the developed countries (Colli, 2003). In other words, a family-owned firm or a family-controlled firm still exists even though the management of large companies today tends to use governance that separates the owner and the managers. For instance, La Porta et al. (1999) puts it forward in an article entitled "Corporate Ownership around the World".

La Porta et al. (1999) dismisses the narrow view of a family firm that is conventionally interpreted as a medium and small firm, which grows slowly, has a flat organizational structure, conducts internal succession patterns, avoids the capital market and relies more on internal financing patterns, as well as relies on old technology. Family firm is also regarded as an ineffecient company compared to the company run by managers. Surely, this narrow view has to be revised because the results of empirical studies show otherwise. Many family firms are very dynamic, innovative and highly profitable.

Other facts show that the existence of a family firm in developed countries is also very dominant. As an illustration, assuming that the family-owned company is a company that is 20% of the voting rights were in the hands of a person or family, La Porta et al. (1999) shows that large companies in developed countries are generally controlled by the family or the government. This is in contrast to the opinion of Berle and Means (1932) which say that the large companies are usually owned by many owners. This conclusion is the result of a research conducted by La Porta et al. in 27 developed countries in which the research object are the

companies going public. Once again, the result confirms the existence of a family firm in the midst of managerial capitaism era and the era of financial capitalism.

The study on Family Firm

Redford (1948), Greif (1996) and Craig (2006) said that the family business has a very important role with regard to the birth of the industrial revolution. However, after World War II, corporate governance underwent a change along with changes in the business environment. The family capitalism era turned into managerial capitalism era. As a result, the role of the family in the business decision making was getting smaller since its role was taken over by the professional managers. This shift is based on the assumption that a company will be more efficient and profitable if there is a separation between owners and managers (Berle and Means, 1932; Chndler, Jr. 1992). The adherents of this understanding consider the professional managers as a symbol of the modernization of companies (see Craig, 2006), while the family firm is as past history (anachronism). The existence of family firm is considered as an attempt to revive the feudal of barones (Craig, 2006). In fact, Chandler, Jr. (1992) believes that family firms may not be able to accommodate the company's development which is increasingly large, complex, requires a lot of capital and is international scale.

Although the practice of the management of the post World War II was dominated by the managerial capitalism era and even theories of management that were built after World War II in general were based on this assumption, the backflow has occurred since the 1980s and 1990s. Driven by an awareness of the importance and the dominance of family firms in most countries, academics, bureaucrats, and even politicians were starting to realize the weakness of the modern management system and turn to the family firm as an important part of the national economics of a country. Some of the reasons that support the necessity of giving attention to the family firm are as follows (Craig, 2006):

1. The phenomenon of the Asian Tiger. At a time when companies in Western countries generally implemented a modern management system were having troubles and struggling to survive because of the world economic crisis, new economic countries emerged in Asia called the “four Asian Tigers”–Hong Kong, Taiwan, Singapore and South Korea. Firms in these four countries could not only survive but more than that. They were more efficient and profitable. Behind it, the management pattern applied in these companies was the pattern of conventional management (management of family firm) based, mostly, confusion values: make use the network, based on personal relationships, ownership and pattern of a strict observation and really appreciate the “personal trust”. In addition, these companies were also capable of integrating professionals into the management structure of the family firm without losing control of the company.
2. The economic problems faced by Western countries in the 1980s and 1990s. It must be recognized that the family firm never disappeared from the Western countries even though the professional manager was so popular. It was these companies that were more independent, and able to take advantage when an economic crisis happened and when determining the market.
3. The awareness that the family firm does not mean not modern. Academics were starting to realize that the family firm and the small firm were not identical. Not a few firms that were included in Fortune 500 are family firms.
4. The magnitude of the proportion of a family firm and its contribution to the economy of a country caused concerns of cross field academics on the issue of the family business that was getting increasingly bigger. Such as stated by La Porta et al. (1999) as well as other academics, who contributed to the economy of the country both to the developed

and developing countries was actually a family firm, not a multinational firm which number was relatively small. Likewise, the family firm created the largest labor market.

Recognition from these many quarters was the momentum of the revival of family firm as a new field of study (see for example, Hoy and Verser, 1994; Wortman, 1994) with a body of knowledge which was separated from any other field of study. This momentum occurred in the 1980s which was characterized by the establishment of study centers of family firm at some leading universities both in America and in Europe; the emergence of the independent consultant institution which provide specific services about a family firm; and the start of the publication of scientific journals which discussed the issue of a family firm of which Family Business Review, Journal of Business Venturing, Entrepreneurship Theory and Practice, etc. In addition, the not less important was the establishment of international institutions such as the Family Firm Institute, Inc. (FFI), the International Family Enterprise Research Academy (IFERA), Family Business Network (FBN). These institutions did regularly organizing international conferences and seminars to discuss the development of the study of a family firm. Beyond the three of these institutions there was certainly still a lot of similar institutions which gave the same attention.

Though the 1980s often used as revival landmark of the study of family firm as reflected in the review of the article recently (Sharma, 2004; Chrisman et al, 2005), the embryo of a study of a family firm actually has been started about 25 years earlier. Starting from a doctoral dissertation written by Grant H. Calder (1953) in the school of business, Indiana University, "Some management problems of the small family controlled manufacturing business". A year later, Indiana University Press published a book of cases of a family firm "Cases in the Management of Small, Family-Controlled Manufacturing Businesses". Writings about family firm remained emerge. Likewise, many institutions that concern on the family firm were founded. The chronology of the development of the study of the family firm until the year of 2005 can be seen in appendix 1.

It could be said that Indiana University and Harvard University have a major contribution towards the emergence of the study of the family firm. Prior to the 1980s for example Harvard University published a number of books about the family firm and Harvard Business Review published articles related to the family business. Meanwhile, Léon Danco aside from being the first who organized a multidiscipline seminar about a family firm also published a guidebook for business owners. What has been done by Danco who affiliated with University of Pennsylvania give a clue that there were latent/hidden requests in the business community for the education, training and development for the organizational issues specifically faced by firms owned or controlled by the family. For academics these demand of course brought them to do scientific studies more as a basis to provide the scientific justification of the family firm so that this knowledge was disseminated in lectures and became the new science.

The following is the chronology of the study of a family firm that is divided into 4 phases namely phase I (1950s-1960s) phase II (1970s), phase III (1980s) and phase IV (1990s onward).

The Embryo Study of the Family Firm (1950s and 1960s).

The decade of 1950s and 1960s can be referred to as the initial period (embryo) of the development of studies on the family firm. During this period, studies of the family firm were still sporadic and done in unserious way considering the dominant business practices at that time was the separation between the owner and the firm, where business decisions were in the hands of professional managers. Practitioners in the business community as well as business

consultants at that time considered family firms i.e. firms that were managed directly by the owners as "the other world" – not from their part and therefore it did not need to be paid attention. Family firms were considered to be smaller firms that were inefficient and unprofitable which later would certainly need capital market and professional managers (Chandler, 1992). Likewise, academics in the College environment were not much interested in doing a study on a family firm. Academics were more interested in developing mainstream business theories which the source data were obtained from large firms that were managed by professional managers.

The result was the family firms at that time tended to get a negative connotation and no wonder if then they were neglected. For this reason it was also common that the practitioner of the family firm was reluctant to recognize that the firm being managed was the family firm despite both from the management and the firm name clearly showed that the firm was the family firm. Likewise in the organizational structure of the firm, it appeared that the officials who had key positions had the same family name. It gave the sign that the officials were still in the same family. The aversion of being stated as a family firm might because of the fear to be considered unprofessional, loaded of nepotism, and other assumptions which were not favorable to the company, or because the owners of the firm did not understand what actually the family firm was.

Regardless of the negative connotations, Indiana University and Harvard University gave opportunities for the professor and his student to do an unpopular study at the time. Indeed over the past two decades there were few writings about a family firm but the involvement of the two major universities was enough to say that the 1950s was the embryo of the development of the study of a family firm that continued to expand in the next period. Harvard University School of Business for example still continued to contribute to the development of the study of the family firm in the following period.

The Involvement of Consultants-Practitioners (1970s)

After two decades passed, towards and during the 1970s it was the turn of consultants-practitioners taking part in enlivening the development of the study of the family firm. Their involvement was not in developing the theory of the family firm of course in the training programs and the development of the family firm for the practitioner or the doer of the family firm. As a consultant in general, the consultant of the family firm offered training programs which were practical which aimed at improving the owners' ability or the next generation (prospective owner) in managing the family firm. Programs they offered had ample coverage including: areas of management, law, accountancy, psychology, financial planning and other relevant areas.

Such involvement of the consultants was an indication of the existence of the void of education regarding the management of the family firm and on the other hand the need among many practitioners of family firms the knowledge about the business they managed. Among many consultants involved in training programs, seminars and interdisciplinary workshop on family firm was Leon Danco who could be called as the first person offering this program. Their market was the owner of the family firm and the succession of the owners beside business associations which among its members were independent business practitioners. In addition to giving seminars and workshops, Danco later wrote the book "Beyond survival: A business owner's guide for success" (1975). Considering the title of this book, Danco would like to invite owners and practitioners of family firms not only to survive but they can also be successful in the sense that the business could also survive and thrive through to subsequent generations. It seems that during the 1970s, indeed a succession problem became a major issue that was widely studied by academics at the time. Harvard Business Review for example, extensively

covered the issue. In addition to what was written by Danco, during the 1970s other books about the family firm also sprung up. For most consultants, the books were the elements of a marketing strategy to promote themselves as an expert who was able to give the consultation or as a professional speaker in the field of the family firm.

The Establishment of the Family Firm Institution (1980s)

The impact was starting to be felt in the 1980s that seminars, workshops and training given by the consultants during the decade of 1970s, there was an increased awareness among practitioners to acquire more comprehensive knowledge about the family firm. On the other hand, the need to educate practitioners in order that they did not only become the owner/founder of the firm also increased. In addition, popular books about a family firm published in the previous period made the practitioners realize that managing the family firm was not just merely managing the business but also involving the family aspect i.e. the presence of inevitable interaction between the family life and the firm they own and/or managed by the family (Ward, 1986).

Further development was that some of the academics who saw the family firm as a new object of a study in the future began to invite the consultants-practitioners to join helping owner/manager of the family firm to develop their business. Starting from here, the academics begin to incorporate research, business consultation and instruction in developing the study of the family firm. This collaboration yields initial researches about the family firm even though such researches in general are still relatively simple by using a case study approach, participation observation or by using the sample which is easy to understand. Likewise books published by academics were generally intended for practitioners rather than to the academic community. On the other hand, seeing the demand of knowledge about the family firm continues to increase, some American universities began to offer courses that specifically discuss the ownership and management of the family enterprise.

One thing that distinguishes the 1980s compared to previous decades was the establishment of institutions, both established in college and independent agencies, which specifically addressing the issue of the family firm. For example, in 1982, the University of Pennsylvania launched "The Wharton Family Business Program" – could be called as a program on a family firm that was first launched in the colleges in America. Oregon State University launched a similar program in 1985 and followed by Kennesaw a year later. Up to 1988 not less than 20 universities in the United States, through business schools, had some forms of family firm programs. Nowadays the number of universities in America which have programs of family firm is not less than 200 (see for instance Sharma et al., 2006). While in Europe the place of the family firm first founded, the number of the universities which have the same is not small either. Unfortunately in developing countries of which economy system are generally upheld by the family firm, the number of the institutions that give attention to the family firm is precisely not large.

For most universities, the establishment of study centers or offer of programs and courses on a family firm in general because of the insistence of the external. Universities are required to offer education programs which are not standard – not only educational programs for big firms but also which are family firm oriented. This insistence is caused due to many employers and individuals involved in the family firms facing various problems faced by the non-family firm. In other words, they truly need advice and help from academics to resolve the typical problems faced by the family firm. By those reasons when Carl R. Zwerner was awarded the post of professor of family business at his alma mater, Georgia State University, in his speech suggested the family business issues to be included in the curriculum so that prospective employers will not face the same barriers as experienced by previous predecessors.

Despite that studies, seminars, workshops and training on the family firm has spread to all regions of America and even to other countries, initially educational programs on the family firm remain targeted for the same market segment as what has been done by the previous consultant i.e. business owners and their family members. This target is considered to be reasonable because they are a group that desperately needs an education of the family firm. Every day they face a wide range of family issues which may facilitate or hinder the business. Nevertheless, the increase of the teaching staff who have experience in providing consultation or have the background of the family business were able to drive a lot of new programs and many of them lead seminars and workshops or work directly on the family firm which need help, some universities began to target the internal target market which has not been done i.e. undergraduate students and graduate students whose families have a business or who hopes later after graduation work in the firm. This means that business schools began to experiment with introducing the program of a family firm. Other market targets include student who intends to run his own business with the support of the family firm; students wishing to earn professional degrees such as accountant and hope their client later is the family-owned firm; and students who hope to be professional managers who work in the family-owned firm.

Another important event occurred in the 1980s was the establishment of an independent agency which gave full attention to the problem of the family firm namely Family Firm Institute Inc. (FFI) – established in 1986. The membership of FFI was various including consultants, lawyers, accountants, therapists, financial advisors, academics and others whose client was a family-owned firm. In 1988, FFI launched Family Business Review (FBR), the only scientific journal dedicated to the family business. Through the FBR, researchers had a vehicle for disseminating their research results on the family firm.

The Growth Period (1990s)

Since the 1990s the interest in the study of family business/firm has been increasing. The United States Association of Small Business Enterprise (USASBE) for example that used to only focus on small firms, started forming a separate division to handle specifically studies on the family firm. Efforts to consolidate knowledge and its development in the future started to be done. The efforts for example, were done by arranging the bibliography (Sharma et al., 1996) and forming a Body of Knowledge of the family firm (FFI). Likewise, studies on the family firm began to emphasize on the doctoral education both in Europe and North America to obtain empirical evidence on the phenomenon of the family business (Handler, 1989; Sharma, et al. 1997).

On the other hand, the new institutions established e.g.: International Family Enterprise Research Academy (IFERA), Theories of Family Enterprise (ToFE) and Family Enterprise Research Conference (FERC). The purpose was that academics from many disciplines who began to focus their research on family firms could share experiences related to their research results (Miller and Le Breton-Miller, 2005). In addition, some journals which have closeness with family issues (e.g., Entrepreneurship Theory and Practice, and the Journal of Business Venturing) published a special edition of the family firm– ET&P 27(4), 28(4), 29(3), and JBV 18(4), 18(5). All of these developments give an overview since the 1990s the family firm was no longer considered to be poor. As well as the field of study has had a body of knowledge that was separated from other fields of study. Specific theories related to the family firm has been established and started to be a reference for subsequent researchers. In general as said by Sharma et al (1996) the issues discussed within the scope of the family firm are: succession, performance, governance, conflict resolution, entrepreneurship, culture, strategy, internationalization and professionalization

Implications for the Future Study on the Family Firm

It cannot be denied that the study of the family firm experienced rapid development especially after the independent institutions or centers of study which affiliated with the colleges were springing up. It is these institutions that became the vehicle of academics and consultants to develop knowledge of the family firm. Of these institutions, practitioners – owners, prospective owners or professionals were learning a lot about the family firm through articles, books that were both popular and academic even though the academics themselves also learn a lot from real practitioners of family firm. In other words the future and sustainability of the studies on the family firm indeed is not apart and largely determined by the intensity of the interaction of the two parties. And luckily, the intensity of the interaction is still very high, a situation that is rarely found on the development of other fields of study. It must be admitted that these many interactions are caused by the both parties need knowledge about the family firm.

In order to maintain the sustainability of the family firm studies and develop a body of knowledge of the family firm, the Family Firm Institute (FFI) e.g. in 1995 formed a task unit to identify the required knowledge and competencies required for anyone who will be in the family firm. For business schools, the body of knowledge is expected to be able to be reference when drafting the curriculum of educational programs of the family firm both at the undergraduate or graduate level. Meanwhile, for consultants, advisors or practitioners, this body of knowledge is expected to make the family firm as a professional firm without having to lose its self identity as a family firm. In the early stages, FFI managed to identify four major fields that must exist when developing the knowledge of the family firm, namely: the Field of Behavioral Science; the Field Of Finance; the Legal Field, and the Field of Management Science.

In addition to formulating a body of knowledge, FFI also helps identifying market segments for the education of a family firm. From the previous discussion, it is known that the main audience of the education of the family firm is the owner of the family firm and other family members in the firm, especially the succession. In addition, undergraduate and graduate students especially whose families have a family firm and hope to be the successor of the firm also become the target market. Nevertheless, it does not mean that the other student groups need to be neglected because they may later want to work at the family firm or work as a professional whose client is a family firm. In addition, employees working at the family business also need to get the same knowledge. From all of these market targets, FFI suggest that the curriculum of the family firm is designed so that it could include a varied target markets (see appendix 2).

What about Indonesia? As we know that Indonesia is a developing country which its economy system relies heavily on the contributions of small medium enterprises called *UMKM* in the sphere of family-run or commonly known as the family business. The 2010 statistical data shows the number of *UMKM* in Indonesia ranged 53.8 million and its contribution to the GDP of 57, 1%. In addition, *UMKM* also contributes for 15.8% of Indonesia's total exports and employs approximately 99.4 million labors (Center BPS, 2010). Meanwhile Kompas (11-07-2002) stated that the majority or 90 percent Indonesian entrepreneurs are the executives who run the family firm. While according to Susanto (2005) 88 percent of the national private enterprises are the management of the family. Of course, this firm may not necessarily be identical with the small firm. Swa magazine No. 05/XXVII/2010 displays 100 family firms that grow large and powerful and able to compete with multinational competitor brands. The more fantastic is that as reported by Swa magazine No. 05/XIX/2013, most of the firms are much more developed after being handled by the second generation. This indicates that in the future in the context of Indonesia the family firm is getting more dominant. It is at once gave the signal that the study of the family firm in Indonesia have a future.

Seeing the development of the family firm in Indonesia, on one and on the other hand the development of the study of the family firm in developed countries, the question is how

about the same study in Indonesia? It should have been growing, but in fact it is has not; the study of the family firm is still neglected. The cause is that academics of Indonesia still consider theories built in America use the base of large firms which are suitable to be applied in Indonesia. Whereas long before, Hofstede (1980) reminded that not all American theories could be applied in other countries.

CLOSING NOTES

The paper discusses the history of the firm and especially the family firm in the scope of the study of management science is somewhat strange and perhaps it could be categorized as "the other world" because we used to discuss mainstream theory. In spite of them, the author ventured the unpopular idea as a form of self-reflection in order not to get stuck continuously on studies of capitalism managerial-based management. Capitalism managerial might not be expired but we need to learn from the past for example Japan's economic progress. It is said there that one of the factors being the cause of Japan's economic progress is the success they incorporate local culture into modern management concepts (Pascale & Athos, 1981). With the same hope, this paper considers this is the time we integrate specific local into modern management both in the research order as well as the teaching in the classroom in order that in the future the next generations are able to contribute more towards the progress of the nations through management, especially management of Indonesia which based on the family firm.

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	CRONOLOGY
1953	Grant H. Calder completes the first doctoral dissertation on family business studies in North America entitled 'Some management problems of the small family controlled manufacturing business', School of Business, Indiana University Christensen's book, *Management Succession in Small and Growing Enterprises* published by Harvard University Press
1954	*Cases in the Management of Small, Family-Controlled Manufacturing Businesses* published at the Indiana University Press (first family business-specific case book)
1958	English's book, *Financial Problems of the Family Company* published by Sweet and Maxwell, London.
1961	Trow's article 'Executive succession in small companies', published in *Administrative Sciences Quarterly*, **6**
1964	Donnelley's article entitled 'The family business', published in *Harvard Business Review*, **42**(3)
1968	Churchman publishes *The Systems Approach*, Dell Publishers, New York Alfred Lief's *Family Business: A Century in the Life and Times of Strawbridge & Clothier* published by McGraw-Hill Book Company Léon Danco holds first interdisciplinary seminar on family business
1971	Levinson's article entitled 'Conflicts that plague family business', published in *Harvard Business Review*, **49**(2)
1972	Ianni and Ianni's *book* entitled *A Family Business* published by Russell Sage Foundation, New York
1974	Levinson's article entitled 'Don't choose your own successor', published in *Harvard Business Review*, **52**(6)
1975	Léon Danco's *Beyond Survival: A Business Owner's Guide for Success* published by Reston Publishing Simon A. Hershon completes his dissertation entitled 'The problem of management succession in family businesses', Harvard University
1976	Barnes and Hershon's article entitled 'Transferring power in the family business', published in *Harvard Business Review*, **53**(4)
1978	Streich Chair in Family Business established at Baylor University (Chair holder: Nancy Upton) Becker and Tillman's book entitled *The Family-Owned Business* published by the Commerce Clearing House, Chicago Longnecker and Schoen's article entitled 'Management succession in the family business', published in *Journal of Small Business Management*, **16**(3)
1981	Chair of Private Enterprise established at Kennesaw State College (first Chair holder: Craig Aronoff appointed in 1983) Elaine Kepner presents a workshop on 'Family dynamics and family owned organizations', at the Gestalt Institute of Cleveland conference
1982	Wharton Family Business Program launched at the Wharton Applied Research Center (Founding Director: Peter Davis) John A. Davis completes his dissertation entitled 'The influence of life stage on father–son work relationship in family companies', Harvard University John Davis and Renato Tagiuri develop the first compendium of literature on family-owned business entitled 'Bibliography on family business', unpublished document, Harvard Business School
1983	*Organizational Dynamics* publishes a special issue on family business studies (Co-editors: Richard Beckhard and Warner Burke) Karen L. Vinton completes her dissertation entitled 'The small, family-owned business: a unique organizational culture', unpublished document, University of Utah
1984	Gibb W. Dyer Jr completes his dissertation entitled 'Cultural evolution in organizations: the case of a family owned firm', Sloan School of Management, Massachusetts Institute of Technology Yale establishes program for the Study of Family Firms (Founding members: Joe Astrachan, Ivan Lansberg, Sharon Rogolsky)
1985	The College of Business, Oregon State University starts the second Family Business Program in the US (Founding Director: Patricia A. Frishkoff)

	First 'for credit' family business course offered Rosenblatt and deMik publish *The Family in Business*, Jossey-Bass First Family Business Research Conference, University of Southern California (Chair: John Davis)
1986	Founding of the Family Firm Institute Inc. (FFI) (Founding President: Barbara Hollander) John Ward's book *Keeping the Family Business Healthy* published as part of the Jossey-Bass series on Management of Family Owned Businesses (Consulting Editors: Richard Beckhard, Peter Davis, Barbara Hollander) Kennesaw State College establishes the Family Business Center and runs the First Family Business Forum (Founding Director: Craig Aronoff) Andrew Errington edits, *The Farm As a Family Business: An Annotated Bibliography*, Agricultural Manpower Society, University of Reading Farm Management Unit
1987	First Family Business Chair launched in Europe at IESE Business School, University of Navarra, Barcelona (Chair holder: Miguel Ángel Gallo) Institute for Family Enterprise established at Baylor University (Founding Director: Nancy Upton)
1988	*Family Business Review* began publication (Editor-in-Chief Ivan Lansberg). A Jossey-Bass publication First FFI research conference hosted by Boston University School of Management, chaired by Marion McCollom Hampton (20 attendees) Carl R. Zwerner endowed professorship in Family Business established at Georgia State University in the US (Chair holder: Frank Hoy)
1989	Baylor University establishes Institute for Family Business conducts first conference (Chair: Nancy Upton) 'The outstanding outsider and the fumbling family', by Thomas A. Teal and Geraldine E. Willigan, first family business case published in *Harvard Business Review* FFI established the Best Doctoral Dissertation Award (first award recipient: Colette Dumas) and the Best Unpublished Research Paper Award (first award recipient: Stewart Malone) Wendy Handler completes her dissertation entitled 'Managing the family firm succession process: the next generation family member's experience', Boston University
1990	Founding of the Family Business Network (FBN)
1992	First FFI Educators Conference hosted by Northeastern University Center for Family Business, Boston
1993	First Mass Mutual Annual Gallup survey of family businesses (the first large sample study of FBs in the United States)
1994	Family Business Division established at the United States Association of Small Business Enterprise (USASBE) *Entrepreneurship Theory and Practice* publishes a special issue on family business studies (Co-editors: Gibb W. Dyer Jr and Wendy Handler) FFIs Case Series Project launched (Editor: Jane Hilburt-Davis) FAMLYBIZ listserv established by Scott Kunkel, University of San Diego Max Wortman publishes first major review article of family business studies in *Family Business Review*
1995	The first annual Psychodynamics of Family Businesses (PDFB) conference hosted by the Northwestern University (Chair: Ken Kaye) FFIs Body of Knowledge (BOK) task force created
1996	*A Review and Annotated Bibliography of Family Business Studies* by Sharma, Chrisman and Chua published by Kluwer Academic (first major bibliography of family business studies) First Family Business major offered at the Texas Tech University
1997	First National Family Business survey (first large study using household sample). Findings reported in *Family Business Review* special issue **7**(3) Gersick, Davis, Hampton and Lansberg's book entitled *Generation to Generation* published by Harvard Business School Press
1998	Sharma's dissertation receives the NFIB Best Dissertation award (first family business dissertation

	recognized by the Entrepreneurship division of the Academy of Management)
1999	First Family Business professorship established in Northern Europe at the University of Jyväskylä, Finland (Chair: Matti Koiranen)
2000	Doctoral program for family business studies established at the University of Jyväskylä, Finland
2001	International Family Enterprise Research Academy (IFERA) founded (Founding President: Albert Jan Thomassen). First IFERA conference hosted by INSEAD Fountainbleau (co-organizers: Christine Blondel and Nicholas Rowell; 35 attendees) First Theories of Family Enterprise (ToFE) conference co-hosted by the universities of Alberta (UoA) and Calgary (UoC) at the School of Business, UoA, Edmonton (co-organizers: Jim Chrisman, Jess Chua and Lloyd Steier)
2003	*Journal of Business Venturing* publishes two special issues on family business studies (Co-editors for **18**(4) issue: Jim Chrisman, Jess Chua and Lloyd Steier, and for **18**(5) issue: Ed Rogoff and Ramona Heck)
2005	International Masters Programme for Family Business established at the University of Jyväskylä, Finland (lectured in English and Finnish) FITS-project established, a strategic alliance between Finnish (Jyväskylä), Italian (Bocconi), and Swiss (Lugano) universities to offer Doctoral and Post-Doctorals in Family Business. First Family Enterprise Research Conference (FERC) hosted by the Austin Family Business Program, Portland (co-organizers: Mark Green and Pramodita Sharma; 55 attendees) Miller and Le Breton-Miller's book entitled *Managing for the Long Run* published by Harvard Business School Press *Family Business Review* is listed in Social Science Citation Index (SSCI) and Current Contents/Social and Behavioral Sciences (CCBS) (Editor: Joe Astrachan)
2006	First cross disciplinary undergraduate major in family business studies launched by University of Alberta's School of Business. Kennesaw's State University's Cox Family Enterprise Center launches the Best Family Business Paper award at the Entrepreneurship Division of the Academy of Management. (First award recipients: Reddi Kotha and Gerard George).
2007	Special issue of *Journal of Business Research on Family Business Studies* linked to FERC 06 conference (Co-editors: Jim Chrisman, Pramodita Sharma, Simon Taggar).

Appendix-1: Chronology of family business education studies and events

Appendix 2: Topics and targets of famil business education

CORE KNOWLEDGE	Under graduate	Graduate	Owners	Successors	Non-family employment	Professionals	Consultants
BEHAVIORAL SCIENCE							
Individual and family development	X	X	x	X	X	X	X
Life cycle issues	X	X	x	X	X	X	X
Family system theories		X				X	X
Conflict management	X	X	x	X	X	X	X
Gender issues	X	X	x	X	X		X
Birth order issues	X	X	x	x			X
Ethics of consulting			x			X	
FINANCIAL							
Roles of financial advisors			x	x	X	X	
Reading financial statements	X	X	X	X		X	
Business valuation		X	X	X		X	
Accessing liquidity	X	X	X	X		X	
Employee stock ownership		X	X	X	X	X	
Insurance	X	X	X	X		X	
Wealth management	X	X	X	X		X	X
LAW							
Choosing a lawyer	X	X	X	X		X	
Lawyer's mission and role	X	X	X	X	X	X	X
Forms of business organization	X	X		X	X		X
Estate planning	X	X	X	X		X	X
Role of trustees		X	X	X		X	X
Contract dispute and resolution	X	X	X	X	X	X	X
Ownership agreements	X	X	X	X		X	X
MANAGEMENT SCIENCE							
Role of management consultants		X	X	X	X	X	X
Strategic planning	X	X	X	X	X	X	X
Basic management theories	X	X		X	X		
Human resource management	X	X		X	X		
Boards of directors	X	X	X	X		X	X
Leadership	X	X	x	X	X		X

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Decision-making under uncertainty in remanufacturing processes: an exploratory study

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Abstract

Most decisions in remanufacturing focus on a specific sub-system within the production process and neglect how the decision interacts with other decisions. This study aims to investigate decision-making within remanufacturing. The research identifies specific decisions found in remanufacturing processes and analyses their interplays with other decisions. Quite often, one decision will affect other decisions and the result is that the remanufacturing process becomes more complicated. This is not only because there are many uncertainties in remanufacturing, but also because of the effects of interactions. In particular, this research examines how a company deals with uncertainties in decision-making during the remanufacturing processes. A GRAI grid is used to map the positions of various decisions made throughout the remanufacturing process. This is used as it displays the overall remanufacturing process in a graph, so that interplays between decisions can be seen more clearly. The methods utilised by remanufacturing companies to overcome the complexities of decision-making are also discussed. Lastly, directions for future research are presented.

Keywords: decision-making, remanufacturing, GRAI grid, case study research, sustainability

INTRODUCTION

The origin of product recovery can be traced back to 1984, when Lund (1984) investigated the practice of remanufacturing in the US and several developing countries. Since its initial emergence in 1984 until the present time, an abundant number of studies have been carried out to investigate related practices.

It was not until the early 1990s that the number of publications grew rapidly, but academics began to step back by questioning whether remanufacturing was a profitable business (Guide & Van Wassenhove 2009). Unlike the earliest adopters of recovery activities, which were purely profit seeking, the motives of manufacturers that adopt product recovery activities in the early 1990s were far more complicated to identify. This is because other triggers appeared, such as governmental pressure, customer preferences and competitor pressures. In fact, during that time, many companies did not pay attention to pressures from both government and competitors only a small number of companies paid attention to these issues.

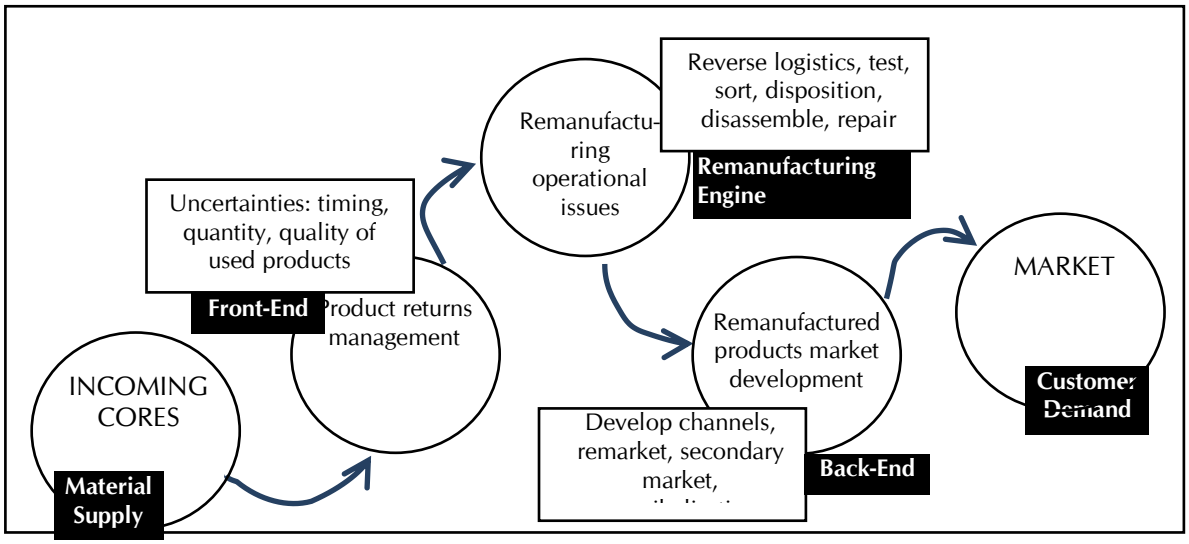
The pattern of adoption of product recovery activities has been different for American and European companies. European companies adopted the practice due to regulatory pressure. The introduction of Waste Electrical and Electronic Equipment (WEEE) directives not only triggered companies in the region to adopt relevant practices, but also prompted academics interested in the topic to develop research groups. Thus, it is not surprising to find research groups such as RevLog, or whole departments, devoted to examining product recovery, such as one at Erasmus University, in Amsterdam. On the other hand, American companies adopt these practices in response to market pressures. Companies adopting environmentally-friendly practices have provoked their counterparts to implement similar activities (Luyima et al. 2012).

A rough examination of the location of recent and current research studies indicates that the number of studies conducted in African, Asian and Middle-Eastern regions are scarce in comparison to the US and Europe. However, this does not mean that those regions are late adopters of product recovery initiatives. Indeed, Nigeria, Bolivia, Chile, India and Pakistan are among early pioneers of such activity, where labour availability, local talent and relatively low labour costs strongly support product recovery projects (Lund 1984).

In the early introduction of product recovery, remanufacturing was the most commonly used methodology, with discussion focused on technical and operational problems. Just a few years after Lund's early study, research mostly discussed how to overcome technical problems during the recovery process. Remanufacturing is defined as the process of returning a used product to at least its original equipment performance specification, from a customer's perspective, and providing a warranty for the resultant product that is equal to that of its newly manufactured equivalent (Ijomah & Chiodo 2010). The generic process of remanufacturing is presented in Figure 2. As can be seen in Figure 1, some of the processes are iterative in nature. For example, assembled products can be disassembled again, and the components are retested to ensure the final products meet the required specifications.

Adapted from Ijomah et al. (2007)
Figure 1. Process of remanufacturing

The topics of research into remanufacturing have shifted over the three decades that the area has been the subject of academic attention. How these topics have evolved is presented in Figure 2. As displayed on left-hand side of Figure 1 – pertaining to the Front-End – the main problem throughout the remanufacturing processes is uncertainty in terms of time, quantity and quality of the cores that arrive with remanufacturers. Remanufacturers do not have access to information regarding *when* the cores will arrive (time), in *what condition* they will be in (quality) and *how many* (quantity) they will receive. Once the cores have arrived at the remanufacturing sites, uncertainties related to *when* and *how many* will be overcome.



Source: adapted from Guide et al. (2009).
Figure 2. Evolution of research into product recovery

Nevertheless, uncertainties are still present, as the quality of components that make up the products has not yet been determined. Poor management of these uncertainties will have a negative effect on the effectiveness of operational practices and consequently reduce the value delivered to customers. In Figure 2, these activities are categorised as 'Front-End' elements of the remanufacturing processes. Activities conducted to investigate these uncertainties include sorting and assessing cores (Zikopoulos & Tagaras 2008; Galbreth & Blackburn 2006), lot sizing (Konstantaras et al. 2010; Schulz & Ferretti 2011), and supplier selection (Ferrer 2003). This area is relatively new to scholars, as it only began to gain greater attention in early 2010.

Compared to Front-End processes, the Remanufacturing Engine – in the middle of Figure 2 – has received a considerable amount of scholarly attention. These works mostly address technical and operational issues with remanufacturing, using a quantitative method and operations research. These studies, according to Guide and Van Wassenhove (2009), are located in the 'safety area', where authors utilise mathematical modelling without the support of empirical data. Further, Guide and Van Wassenhove (2009) label the period spanning from the 1990s to the early 2000s as the 'golden age". In this period, studies focused on shop-floor activities with a view to minimising cost by improving profitability or reducing the cost of operations. Some examples of these activities include inventory management (Guide Jr. & Srivastava 1998; Piplani & Fu 2005), inventory control (Hsueh 2011; van der Laan et al. 1999; Nenes et al. 2010), lot sizing (Konstantaras et al. 2010; Ahn et al. 2011; Li et al. 2013), material planning (Ferrer & Whybark 2001; Johnson & Wang 1995), and product acquisition (Galbreth & Blackburn 2006). An excellent discussion of the methods used to analyse these technical and operational activities can be found in Rubio (2008). In Figure 1, these activities are categorised as relating to the Remanufacturing Engine.

After the remanufacturing processes are complete, the next stage is the Back-End processes. In this phase, similar problems occur from the demand side regarding *when* the customers will request remanufactured products, and in *what* quantity. The degree of acceptance of remanufactured products remains unclear, as early studies have presented conflicting empirical findings (Guide & Li 2010; Atasu et al. 2010) , highlighted by studies in recent years. There are many research gaps in this area, particularly regarding marketing issues and customer acceptance of remanufactured products.

In addition to the literature gaps discussed in the previous paragraph, existing studies tend to utilise a single discipline - particularly production and manufacturing - and lack a commercial perspective. As business organisations, remanufacturers should also take into account other business processes, such as finance, marketing, purchasing and distribution. This idea has been discussed by Guide and Van Wassenhove (2009), who point out that there is a need to examine product recovery processes using various perspectives to ensure a more comprehensive understanding. In other words, research is required that connects related functions within a company who make decisions in the three areas presented in Figure 2 above – Front-End, Remanufacturing Engine and Back-End – as a comprehensive business model (Guide & Van Wassenhove 2009). All these decisions have to be made in relation to the remanufacturing processes as an integrated system. Additionally, each process must be interconnected, because addressing each uncertainty as an independent subject ignores the fact that there are complex interactions between components within the remanufacturing systems.

Research Questions

Each phase in the remanufacturing process is related to the others, and a decision made in that phase affects other decisions. In order for the remanufacturing process to be efficient and effective, these decisions must be synchronised throughout the entire system (Guide Jr. et al. 1999). This condition makes the decision-making process complicated, as there are more

uncertainties involved in the remanufacturing process than in conventional manufacturing. Some differences between remanufacturing and conventional manufacturing have been identified in previous studies (Guide Jr et al. 2000; Guide Jr. et al. 1999).

Several attempts have been made to synchronise the sorting and disassembly processes. Zikopoulos and Tagaras (2008) analyse the value of sorting in the disassembly process, while Johnson and Wang (1998) advocate integrating the disassembly process with economic valuation. However, these studies primarily focus on the effect of one decision on another without any attempt to integrate other decisions from relevant sub-systems in the remanufacturing processes. For example, a study of the effect that disassembly decisions have on other decisions, such as material requirement planning, insertion of new cores and reassembly decisions has never been conducted, yet interactions among these decisions make the remanufacturing process more complicated.

In addition to the research gaps highlighted above, the decision-making actor is also missing from existing investigations, though decisions can affect different parties within the company. For instance, the decision to disassemble not only affects material requirement planning, but also purchasing, disassembly process and final product cost. Consequently, the disassembly process has an indirect effect not only on material planning but also on the pricing strategy for the remanufactured products.

In summary, the major research gaps and areas requiring academic attention include the following:

- *Lack of integration between different functions within the company*. Decisions have to be made by people from within different functions of a company. For example, the decision to disassemble has to consider both technical aspects - which is a concern of shop floor workers - and economics aspects. Hence, a decision of this type must be made collaboratively, involving people from different functions.
- *Need for a system-based approach, as opposed to sub-system based*. An argument for this is put forth by Guide *et al*. (1997), who explain that remanufacturing constitutes of sub-systems that are interconnected each other. Accordingly, investigating the system as a whole is more relevant than investigating each sub-system as an independent entity. Examining uncertainties with an integrated view of the system as a whole will provide significant value to both academics and practitioners.
- *Decision-makers in remanufacturing processes have been neglected by existing investigations*. Decision-making within remanufacturing systems is not directly comparable to that within manufacturing systems (Guide Jr. et al. 1999), as remanufacturing is characterised by greater uncertainty, which makes the decision-making process more complex. Who makes the decisions and how conflicting interests of different parties are managed within these companies also has not yet been investigated.

The above research gaps imply particular research questions, which are explained below:

1. There are many decisions that need to be made in remanufacturing operations that are not found in manufacturing systems. These are a source of uncertainty that potentially create bottlenecks. Hence, risk in remanufacturing systems is higher compared with conventional manufacturing. To overcome these uncertainties, identification and mapping of current decisions is necessary. To this end, a suitable research question is: *What unique decisions are found in the remanufacturing process and how do these decisions interplay with others?*
2. The remanufacturing process is a complex system, where one decision affects the others. For example, the disassembly decision affects MRP and re-assembly decisions. As each decision may involve particular uncertainties, these will influence the uncertainties of other decisions. Also, from the decision-makers' point of view, there is a

chance that a decision might conflict with another decision. Thus, a possible line of enquiry identified here is*: How do decision-makers make these decisions?*

Research Design

The purpose of designing research is to ensure that the data collected is pertinent to the research questions stated at the outset (Yin 2009). Due to the relatively new and complex characteristics of the research questions, this study utilises a case study method. The case study method is appropriate for an exploratory study, as it enables researchers to identify not only causal relationships, but also answer *what*, *why* and *how* (Yin 2009; Eisenhardt 1989).

The case company

To investigate the proposed research questions, a case study of a multinational heavy equipment remanufacturing company located in Borneo is used. The company is a joint venture between Indonesian and Japanese companies. As of 2013, it has successfully remanufactured 8,419 products for roughly 20 companies. Although the company's main business is as an OEM remanufacturer, it also acts as a third party remanufacturing provider for other OEMs.

A single case study design was chosen for several reasons. This design is preferable when multiple cases cannot achieve the purpose of the study properly. This happens in studies investigating rare phenomena, unique cases and revelatory cases where the use of multiple cases is almost impossible (Yin 2009).

Case study design

This study uses a single company as the subject for a number of reasons. As pointed out by Wilson and Vlosky (1997), the selection of a subject as a sample is determined based on its potential contribution to theoretical and knowledge development. Random sampling methods that theoretically generate higher generalisations are not relevant for this research, due to the uniqueness of the research questions being investigated. In addition to these rationales, the case in this study was not selected on criteria such as those used for hypothesis testing, but rather for the theoretical insight that the particular company can offer (Eisenhardt & Graebner 2007).

Unit of analysis

Yin (2009) defines the unit of analysis as the main entity that constitutes the focus of investigation. In this study, the unit of analysis is a decision. Decision in this study refers to a specific type of decision found in the remanufacturing context only. Decisions that are similar to those made in conventional manufacturing systems are excluded from analysis.

Data collection techniques

Data was collected using interviews, observation and company visits. The data was gathered from four different sources: employees, supervisors, shop floor managers and production managers, as they are responsible for managing production planning, forecasting and controlling remanufacturing operations. For this reason, they are the best source of data pertaining to the research questions addressed in this study. Follow up communication via e-mail and telephone was used in the case of data that required further clarification. Triangulation was performed by comparing the different informants – i.e. employees, managers and supervisors – and different types of data - e.g. paper documents, electronic documents, interview transcripts and direct observations.

Findings and Analysis

The analysis of the empirical findings of this study will be organised into two sections, based on the research questions proposed at the outset. The first research question deals with the identification of and interplays between unique decisions in remanufacturing, whereas the second relates to decision-making method in a remanufacturing context.

RQ1. Unique decisions in the remanufacturing process and the interplays between different decisions

To address the first research question, a literature review in the area of manufacturing strategy, production planning and control and supply chain management was conducted, to identify specific decisions also found in a remanufacturing context. Data collected in interviews with managers in case companies will be used to inform an understanding of how these decisions are made. Studies by Ijomah (2009), Guide Jr et al. (2000) and Guide Jr. (2000) are used initially to identify specific decisions found in remanufacturing processes. Iterative processes between data analysis and data collection are continuously conducted to identify unique decisions in remanufacturing.

According to the results of the literature review and data analysis, a number of unique decisions found in remanufacturing are presented in a 'Graphs with Results and Actions Inter-related Grid' (GRAI Grid), which can be seen in Figure 3. The decisions are mapped in the grid and the data collected from companies is presented in the figure. The figure also shows how the decisions interact – i.e. how one decision affects the others. All of the decisions are unique and found in remanufacturing process only.

The GRAI Grid was selected as it has been popular in manufacturing research for integrating business (Wen et al. 2007). With the assistance of visual representation from the GRAI grid, interactions between decisions can be analysed. Furthermore, the grid also assists with identifying which decisions are most influential over others. The importance of the decisions is indicated by the number of arrows coming into and out of the decisions. A higher number of arrows coming into a decision indicates that it is affected by many other decisions; the higher the number of arrows coming out a decision, the more it affects other decisions. The details of the decisions and how they affect others are listed in Table 1 below, where the numbers in parentheses indicates the code for decisions shown in Figure 3.

Table 1. List of unique decisions in remanufacturing and their interplay with others

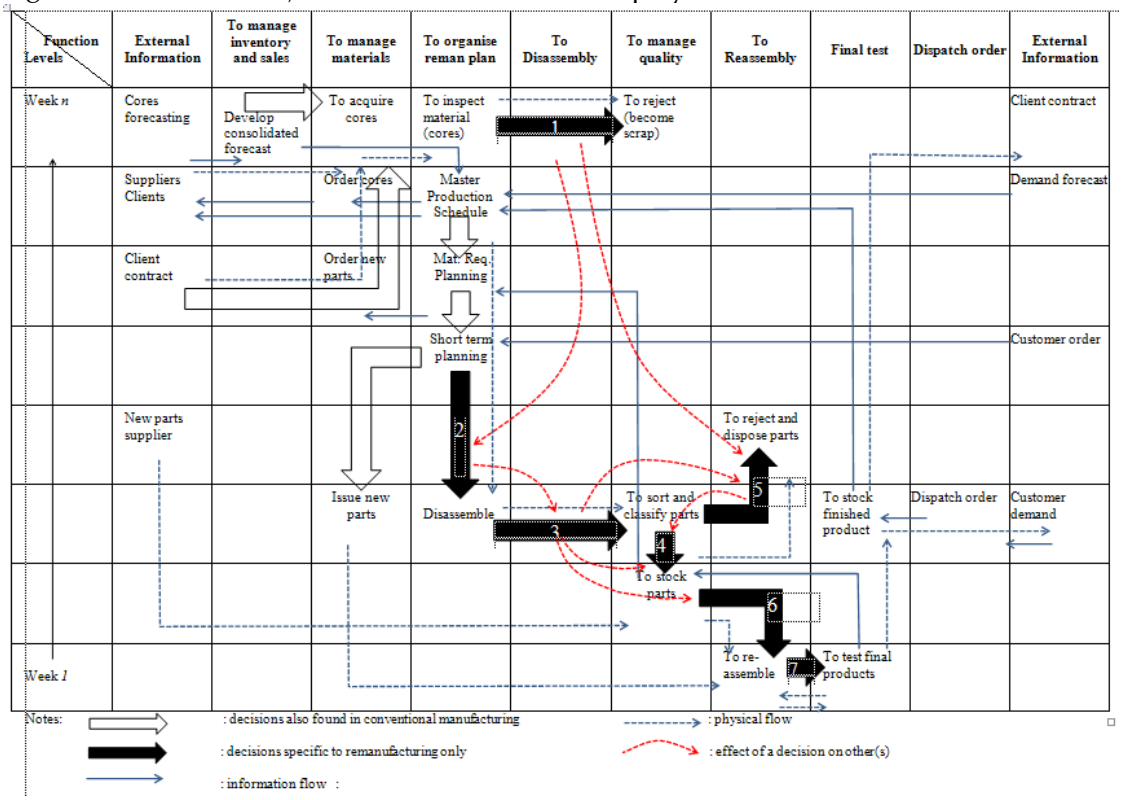
No.	Decisions	Affected decisions	Rationales
1.	(1) To accept or reject cores	(2) To disassemble	The number of accepted and rejected cores determines how many cores will be disassembled and, accordingly, this affects the number of available disassembled components
		(5) To reject or dispose parts	The tighter the criteria for accepting cores, the higher the number of low quality cores that are rejected. Low quality cores tend to have a higher number of rejected components once they have been disassembled. Thus, the decision to accept or reject cores affects the number of disposed components.
2.	(2) To disassemble	(3) To sort and classify parts	Decisions to disassemble affect the number of parts requiring sorting and classifying, and therefore these decisions affect capacity planning for the sorting workstation. The number of people and resources in the station should be adjusted according to the number of cores that are disassembled at the disassembly workstation.
3.	(3) To sort and	(4) To stock	The sorting and classification process identifies which

	classify parts	parts	components are eligible for further processing, and which are not. The eligible components are assembled as required, while the rest are stored in warehouses as stock.
		(6) To assemble	The higher the number of disassembled components that are available in the warehouse, the better chance the company has to be successful in the assembly process. Quite often, the case company cannot assemble components due to a limited number of components available in the warehouse.
		(5) To reject and dispose of parts	Part sorting and classification determines how many parts will be disposed. If employees responsible for sorting apply tight criteria for sorting, this will reduce the number of disposed parts.
4.	(5) To reject and dispose of parts	(4) To stock parts	Decisions to reject and dispose of parts influence the number of stock parts. When the case company attempts to increase the standard for rejecting parts, the number of accepted cores will decrease, which will eventually increase the amount of stock in the warehouse.

RQ 2. Strategy for dealing with the unique decision in remanufacturing

To answer the second research question, the unique decisions identified in response to the first research question and presented in the GRAI Grid were scrutinised. Each decision was analysed with the purpose of identifying certain patterns across different decisions. The analysis shows that every decision in the remanufacturing process interacts with decisions in other processes. Quite often, a decision creates uncertainties in other stages of remanufacturing, and sometimes a decision cannot be made before a decision regarding a preceding process has been made.

Figure 3. Material flow, information flow and interplays between decisions in remanufacturing



From the case company, this study identified two main sources of uncertainties in decision-making: internal and external. Uncertainties arising externally include variations emerging from outside the organisations, including the timing, quantity and quality of the returned products. On the other hand, internal uncertainties include variations in remanufacturing processes, such as the quality of the products, the remanufacturing lead time, the yield rate of the process and the probability of the station experiencing failure. The result of these uncertainties can be either oversupply or undersupply of cores as the raw material for remanufacturing, obsolescence in inventory and inefficient remanufacturing operations. This finding confirms the work of Aksoy and Gupta (2005).

To cope with uncertain decisions in remanufacturing, the case company employs several methods, which can be broadly categorised into three groups. First, the case company uses information and communication technologies to support collaboration with customers, suppliers and third party service providers – for example, vendors that provide services for cleaning components. It also uses technology to conduct joint forecasting and to communicate regarding the product delivery schedule and product history during its use. Through this use of technology, many activities can be carried out more efficiently, because the condition of cores can be determined in advance before they arrive at the company's facility.

The findings of this study corroborate existing studies regarding the use of information technologies to assist with product recovery activities. Early studies questioned the role of information and communication technologies, as it was claimed that paper-based manual operations for product recovery activities are more efficient (Rogers & Tibben-Lembke, 2001). However, later investigation have found clearer evidence for the benefit of these technologies, primarily in reducing cost (Jayaraman et al. 2008) and increasing both economic and service quality-related performance (Daugherty et al. 2005). Numerous studies of the use of Radio Frequency Identification (RFID) have found that the technology improves collaboration and reduces distribution costs (Jayaraman et al. 2008), leads to better decision-making (Visich et al. 2007), increase recovered value (Condea et al. 2010) and reduces the number of customer claims (Langer et al. 2007).

Second, the managers of the case company engage in cross-functional collaborations. These collaborations are much needed due to the fact that almost all decisions in remanufacturing processes affect at least one other decision. Additionally, every stage of the remanufacturing process influences other stages. In some cases, the process is iterative in nature; for example, components that have been reassembled into a product that does not meet the required standards should be disassembled again.

Typically, a decision cannot be made by staff within one function without support from other functions. For example, the decision to buy new components cannot be made by procurement staff alone; they must communicate with staff on the disassembly and inspection workstations, as they have a better understanding of how many components can be recovered. Using information provided by the disassembly and inspection workstations, procurement staff can make projections regarding how many new parts should be ordered.

This finding to some extent supports the findings of existing studies. Many people believe that that return management process mainly deals with physical product flow only. In fact, equally important is the management of financial resources, the administrative process and information flows (Mollenkopf et al. 2011). For this reason, communications between different functions is necessary. Unfortunately, the kind of cross-functional work responsible for product returns is hard to find at top management level. As noted by Mollenkopf et al. (2011), middle level managers within logistics and marketing are responsible for returns management; however, again, this group of managers lacks understanding of cross-functional work, defining inter-functional collaboration as just 'talking to each other'.

Third, the managers of the case company use historical data as the basis for their decision-making. In many cases, managers lack enough information to make sound decisions. To overcome this issue, managers rely on historical data and experiences to make decisions; for example, decisions regarding new components order releases and Material Recovery Rate (MRR). It is extremely difficult to make an accurate calculation of what the MRR of cores is. As MRR is related to new part orders release, the quality of information concerning MRR determines how accurate the orders are. Due to this uncertainty regarding the MRR, the company has to delay the release of lots until a minimum size batch has been accumulated from disassembly. To avoid delay, managers rely on their own experience to justify how many components should be ordered where information about the MRR has not been obtained.

CONCLUSION

This study proposed two research questions, which shed light on how decisions within remanufacturing processes are made. There are four decisions that unique to remanufacturing processes, and their interaction with other decisions is also discussed. Due to the uniqueness of these decisions, the methods of decision-making that are commonly used in conventional manufacturing are less relevant in this context. For this reason, a number of methods for making decisions are also identified in this study.

There are several research avenues that can be investigated in further research. This study finds that cross-functional collaboration is one of the methods used to overcome problems in decision-making under uncertainty in remanufacturing. However, how these collaborations work requires further analysis. Potential enquiries, such as identifying the enablers and inhibitors of collaborations, and analysing how the collaborations differ from those in conventional manufacturing are some examples of future investigation pathways.

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The influence of service quality and corporate social responsibility toward customer satisfaction and loyalty

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Abstract

This study aims to explain the influence of service quality and corporate social responsibility towards customer satisfaction and loyalty. Primary data were collected using purposive non probability sampling of 300 respondents covering three area of Sleman, Bantul and Yogyakarta city. Research finding shows that service quality has positive and significant influence on customer satisfaction, service quality has positive and significant influence on loyalty, corporate social responsibility has positive and significant influence on customer satisfaction, corporate social responsibility has positive and significant influence on customer loyalty and customer satisfaction has positive and significant influence on customer loyalty. Some theoretical and practical implication as well as research limitation also presented at the end part of this paper.

Key words: service quality, corporate social responsibility, customer satisfaction, customer loyalty

RESEARCH BACKGROUND

For more than ten years, Islamic bank experiencing rapid growth in term of increasing the number of Islamic bank as well as the number branches spread out the country. Statistics data from Bank Indonesia showed that in 2014 a very rapid growth of Islamic banking has been characterized by the presence of 11 BUS, 23 UUS, 163 SRB, with its number of offices as much as in 2997 with growth reaching 16.7% as well as a fast-growing asset as much as 38.40% with total assets of US $ 244.197 billion and 95.5% for the financing. This condition stipulate higher competition among Islamic banks as well as toward the existing conventional banks.

In order to keep survive and even to growth, then islamic bank need a strategy i.e. optimizing their operating costs, creating a synergy in achieving revenue and trying to get customers as many as possible by providing the best possible service to attract customers while keeping existing customers. Therefore, to be a company having a competitive advantage than competitors, service companies such as banks need to emphasize better service quality, because the quality of service can be used as an indicator of the overall assessment with regard to the advantage of the organization or company (Fogli in Siddiqi, 2011). Therefore, to be a more competitive company, a bank must provide the best possible services, because better service quality today doesn't mean guarantee a good service for tomorrow.

Along with the changes of industry competition, customers also changes. Customer began to assess the company not only from an economic standpoint but also from a social side. With this regard, company should begin to aligned the strategy to think about the operations and commitment of concern are embodied in social action known as corporate social responsibility (CSR), if the company wants to be accepted by customers.

Sen in Luo and Bhattcharya (2006) mentions, CSR implementation enables companies to understand better to their general customers i.e. society, so the company will be able to improve their customer knowledge. With those knowledge, company could planned nesessary CSR program that will provide a beneficial impact on society and the environment, and, from

the consumers side, customer could choose company that implemented CSR activities that are useful and socially beneficial or not. According Pomerin & Johnson in Abbasi (2012), if companies carry out social responsibility, it will be able to reduce the doubts of customers and consumers and improve their certainty. This means that CSR will enhance the company's image which then it will bring confidence in the minds of consumers. It is also found from Brown et al.. research (McDonald and Rundle, 2008) that CSR can improve profits, customer loyalty, trust, positive brand attitudes and combating negative publicity.

From the above reasons, the authors are interested to study whether the service quality and CSR can influence customer satisfaction and loyalty, considering that the practice of CSR in Indonesia is still relatively new, and research on this area is also relatively few.

THEORETICAL FRAMEWORK

Service Quality

Lewis in Tjiptono (2011) says that service quality is a measure of how good the level of service provided by the company is able to or in accordance with customer expectations. This statement in line with Grönroos in Lovelock (2013) which says that the quality of service is the result of an evaluation process in which customers compare their perceptions of the service received with what they expect. To measure the quality of service, we can use Servqual or Bankqual, but because the object of this research is the Islamic bank, then the measurement of service quality refers to the measurement model CARTER according to Othman and Owen (2001).

Parasuraman et al. and Naeem et al. in Siddiqi (2011) in his study found an association between consumer satisfactions with service quality, where customer satisfaction is the result of the service quality. This finding is reinforced by Yee et al. in Siddiqi (2011) that service quality has a positive effect on customer satisfaction. This finding also aligned with Beerli et al. in Siddiqi (2001) that there is a positive relationship between quality of service and customer satisfaction though both constructs are conceptualized as different construct, but closely related.

Service quality plays an important role in service industries like banking because it is proven to maintain customer loyalty (Avkiran et al. in Siddiqi, 2011). Similar findings also found from empirical research conducted by Caruana in Siddiqi (2011) in a study of banking sector in Bangladesh which discovered the existence of a positive relationship between the service qualities of to custoemer loyalty. Therefore, the hypothesis in this study are:

H1: there is influence of service quality to customer satisfaction.

H2: there is influence of service quality to customer loyalty.

Corporate Social Responsibility (CSR)

Corporate social responsibility (CSR) is defined as an activity or action taken as a form of corporate responsibility towards society and the environment (Sen and Bhattacharya, 2001). Implementation of CSR according to Brown et al. in McDonald and Rundle (2008) can bring benefits to companies, including to increase profits, customer loyalty, trust, positive brand attitudes and combating negative publicity. Therefore, not surprising that more and more companies are using CSR as a strategy to achieve company objectives, aside from another reasons. These conditions correspond to what proposed by Yeomans in McDonald and Rundle (2008) which says that CSR as a strategy in the banking world has been carried by thirty major private banks internationally, including Citigroup, JPMorgan Chase, Bank of America, ABN Amro, Barclays, HSBC and ING.

Another benefit of CSR expressed in Luo and Bhattcharya Sen (2006) which states that the implementation of CSR allows companies to be able to understand people better. With CSR program, company can increase consumer knowledge about how the CSR program will provide

a good impact. Similarly, consumers can find out whether the company they choose has implemented CSR activities that are useful socially. Jayachandran et al. in Luo and Bhattcharya (2006) says that by increasing the knowledge of the customer is another way to increase customer satisfaction. There are some research findings on the effects of CSR to customer loyalty has been conduct in western countries. Mandhachitara and Poolthong (2011) concluded that the implementation of social responsibility in a company can affect customer loyalty. McDonald and Rundle (2008) also says that CSR has been done at the bank, greatly affect the vision of customers and when they compare the behavior of the bank's services to other banks. Furthermore, Green & Peloza in (Abbasi, 2012) says that strengthening moral values and motivation, CSR could strengthen customer loyalty and satisfaction. In the study Pomerin & Johnson in Abbasi (2012) concluded that companies that perform social responsibility will be able to reduce the doubts of customers and consumers and improve their certainty. This means that CSR will enhance the company's image which then will bring confidence in the minds of consumers. Based on the above, the hypothesis in this study are:

H3: There is influence CSR program on customer satisfaction.

H4: There is influence CSR program on consumer loyalty.

Customer Satisfaction

Anderson, et al. in Luo Bhattacharya (2006) defines customer satisfaction as an overall evaluation on the basis of a customer's total purchase and consumption experience with a goods or service over time. The finding of Fornel et al. in Luo & Bhattacharya (2006) reveals that customer satisfaction is an important part of corporate strategy to gain long-term benefits and increase the market value (Gruca and Rego in Luo and Bhattacharya, 2006). In his research, Bolton in Luo and Bhattcharya (2006) found that a company with satisfied customers tend to enjoy greater customer loyalty, positive word of mouth and customer willingness to pay more, all of which can increase the market value of the company. In another words, loyal customers tend to be more often buy or buy more and/ or buy another company product. Based on the above, the hypothesis in this study are:

H5: There is the influence of customer satisfaction on customer loyalty.

Customer Loyalty

Loyalty is defined as a deep commitment to repeat purchases of a certain product or service consistently in the future (Tjiptono, 2011). Chaudhuri and Holbrook in Mandhachitara and Poolthong (2011) said that customer loyalty has been recognized for several decades for his role in the creation of a successful business. According to Kotler and Armstrong in Mandhachitara and Poolthong (2011) customer loyalty is considered as an important objective for the survival and growth of a company, not only to build a loyal customer base as a primary goal of marketing, but also an important basis for developing a sustainable competitive advantage (Dick and Basu in Mandhachitara and Poolthong, 2011). Jacoby and Chestnut in Mandhachitara and Poolthong (2011) argues that the success of a brand in the long term is not based on the number of consumers who buy once, but the number of consumers who become regular buyers of the brand. Chiou and Droge in Mandhachitara and Poolthong (2011) also said marketing costs decreased because of the cost of attracting new customers has proved higher than retaining existing ones.

Based on the study, objectives and strengthened by the results of previous studies and theoretical basis is chosen, then research model is as follows:

Berdasarkan kajian, tujuan dan diperkuat dengan hasil penelitian terdahulu serta landasan teori yang terpilih, maka dikemukan model penelitian sbb:

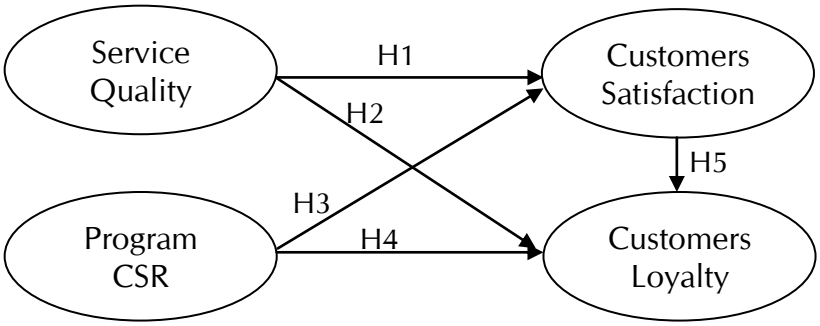

Figure 1. Research model

Research Method

Subject used in this research are BNI Syari'ah customers in the 3 branch regions of Yogyakarta, Sleman and Bantul. Sample were taken used purposive non probability sampling with sample size of 100 respondents in each branch region. By this sampling method, researcher certain objective were achieved (Wibisono, 2007), i.e. easier to meet the customers either depositors or borrowers (Cooper, 1997), or, sample were selected due to certain consideration on the right time and place (Siagian, 2000). Primary data gathered directly from respondents using questionnaire and variable measurement technique use modified Likert scale, i.e. four scale with the purpose of avoiding answers leading to neutral scale. Questionnaire testing done by employing reliability and validity test, and subsequently if the test met the requirements then would be use to analyzed further by using Structural Equating Model (SEM) of AMOS 21 program.

Research Finding and Discussion

A brief demographic description from 300 respondent's reveals that, most of the respondents were male as many as 163 people (54%) of which are in the productive age range with the highest proportion age range in age above 26 years as many as 91%. Most of them have minimum education diploma to bachelor as many as 87% with the largest employment field as self-employed as many as 107, or 36%, 22% students, 17% of private employees and as civil servants 14%. Among them, they have income above 4 million rupiah as many as 42%, between 3-4 million rupiah as many as 31%, between 2-3 million rupiah as many as 16%, and only 11% of their income just under 2 million. Of the 300 respondents, most of them became customers more than 1 year were 86%, comprising most became customers of more than 4 years as much as 39%, between 1-2 years 24%, and between 3-4 years 23%, as well as only 14% of those who become customers of less than 1 year. Their status are, 48% as a depositors, borrowers as many as 24% and both as many as 28%. The main reason they became customers because of bank operating sharia-based as many as 82%, the rest is because of the bank technology (7%), bank networking (6%), and location reason (5%).

Descriptive analysis from overall variables under studied presented in the table follow.

Table 1. Descriptive analysis

Variable/ Dimension	Item evaluation		Average	
	Low	High	Value	Category
SQ: *Compliance*	3,19 (Good) - Fair profit loss sharing	3.35 (Very Good) - Syari'ah board controlled - Syari'ah board worked well - Clarity in right & obligation	3.28	Very good

SQ: *Assurance*	3.11 (Good) - Financial advice	3.29 (Very Good) - Asset & capital adequacy	3.21	Good
SQ: *Reliability*	3.15(Good) - Product variety - Additional office hour - Office hour clarity	3.23 (Good) - Transaction security	3.17	Good
SQ: *Tangible*	3.06 (Good) - Islamic dressed	3.22 (Good) - Cleanliness - Convenient layout	3.13	Good
SQ: *Empathy*	3.15 (Good) - Fin plan explanation	3.25 (Good) - Personal data security	3.20	Good
SQ: *Responsiveness*	3.16 (Good) - Good and right service	3.24 (Good) - Prompt and fast service	3.20	Good
SQ	3.06 (Good) Tangible (Islamic dressed)	3.35 (Very good) Compliance (syari'ah board)	3,20	Good
CSR	3.02 (Good) - Respond to neighborhood	3.22 (Good) - Disaster charity activity	3.12	Good
Customer Satisfaction	3.08 (Good) - Tangible	3.36 (Very Good) - Empathy	3.18	Good
Customer Loyalty	3.05 (Good) - Good WOM	3.23 (Good) - Defend from bad news	3.13	Good

From the table above we can see that the respondent provide an assessment on all study variables, quality of service (3.20), CSR (3.12), customer satisfaction (3.18) and customer loyalty (3.13) with a good value because the value is in the range 2.51 to 3.25. Respondent give best valuation to variable service quality (3.20), customer satisfaction (3.18), customer loyalty (3.18), and lowest in CSR variable (3.12).

Respondents gave a good rating (3.20) to variable service quality, where the highest ratings given to the dimensions of compliance with a value of 3.35, which means very good that comes from scoring three items of questions (the respondent believes that bank being controlled by Sharia Board, Sharia board perform well their duties, and bank officer gave explanation customer rights and obligations). While the lowest score of 3.06 (good) given to tangible dimension that came from question asking the way of bank employee dressed in accordance with Islamic law and value.

Customer satisfaction variable good rated by respondent with a value of 3.18, in which the respondent stated that the highest satisfaction obtained from the empathy by 3.36 or excellent, and the lowest score given to tangible dimension of 3.08 (good).

A good rated (3.13) given by respondent to customer loyalty variable, where the highest ratings given to the customer 's willingness to defend in the case there is somebody who denigrate the bank, and the lowest score given to the customer 's willingness to a good wrd of mouth (WOM).

Although CSR variable rated 3.12 (good) by the respondent, but this variable is in the lowest rank position. Waste tratment, humanitarian and natural disasters activities are considered the best activities by respondents compared to other CSR activities conduct by company. Lowest position of CSR activities evaluated by respondent is the bank respond to customer complaints and surrounding communities.

Before applying SEM analysis to proof the hypothesis test, authors conduct a test using some goodness of fit indices for measuring whether or not or the "truth" model proposed. Based on calculations by the AMOS program for this SEM models, produced indices Goodness of Fit as follows:

Table 2. Goodness of Fit Index

Goodness of Fit	Value	Cut-off Value	Meaning
Chi-Square (χ^2)	303.338 (0,027)	Expected to be small	Good
CMN/DF	1.176	≤ 2.00	Good
RMSEA	0.024	≥ 0.08	Good
GFI	0.931	≤ 0.90	Good
AGFI	0.906	≥ 0.90	Good
TLI	0.981	≥ 0,90	Good
CFI	0.985	≥ 0,90	Good

From the measurement results Goodness of Fit Index above , we can conclude most of the parameters have met the requirements to be expected, and only from Chi - square were not eligible so that overall it has met the requirements of Goodness of Fit. This is in accordance with the opinion of Ghozali (2005) which states that if there are some parameters Goodness of Fit ineligible, can be seen from the other parameters, and if there are some parameters that have met the requirements, it can be stated that the model has to meet the assumptions Goodness of Fit.

The next step is hypothesis test using SEM analysis to determine the relationship between variables proposed in the hypothesis. Results of the analysis is obtained as in the table below:

Table 3. Estimated SEM Outcome

Hypothesis	Variable relationship	Estimate	S.E	C.R	p	Label
H1	SQ → CS	0.955	0.333	2.863	0.004	Supported
H2	CSR → CS	0.261	0.112	2.321	0.020	Supported
H3	SQ → CL	1.135	0.246	4.615	****	Supported
H4	CSR → CL	0.244	0.075	3.342	0.001	Supported
H5	CS → CL	0.116	0.048	2.426	0.015	Supported

Based on the results of data analysis can be concluded that service quality affecting customers satisfaction. This means that the respondents considered that the quality of service of Islamic banks comprising dimensional compliance, assurance, reliability, tangibles, empathy, responsiveness given the bank can satisfy them. Customer satisfaction in the long term are expected to increase brand loyalty. For management management, satisfying customers will enhance positive image in the eyes of the people who ultimately also increase revenue to be received by the bank. These results consistent with research findings of Parasuraman et al. and Naeem and Saif in Siddiqi (2011) stated that they found an association between consumer satisfaction and service quality: customer satisfaction is the result of the quality of service. Similarly, Yee et al. in Siddiqi (2011) in their research finding also found that service quality has a positive effect on customer satisfaction.

Based on the results of data analysis, it can be concluded that the CSR program affect to customer satisfaction. According to them, company's CSR program can increase consumer knowledge about how the CSR program will give a good effect, the consumer can also know that the company they choose has implemented CSR activities that are useful and socially beneficial. These results are consistent with research Luo and Bhattacharya (2006) at a Fortune 500 company identified there is a direct positive influence between CSR and customer satisfaction that is how the program CSR in companies would make satisfaction in the minds of consumers.

Based on the results of data analysis, it can be concluded that service quality affect to

customer loyalty. This means, the respondents considered that service quality consisting of dimensions of compliance, physical evidence, reliability, responsiveness, assurance, and empathy can affect customer loyalty for service at BNI bank Shariah. Customer loyalty is always preceded by the customer feeling after use/ have experience with the products concerned, which in this case is the satisfaction/ dissatisfaction of customers. Basically the customers' satisfaction and dissatisfaction on the product will affect the subsequent behavior patterns, it indicated consumers after the purchase (ostpurchase action). If the customer is satisfied, he will show the magnitude of the possibilities for re-buy/ use the same product. Satisfied customers also tend to provide a good reference for the product to others. When customers feel comfortable with what the value and service they got, they will more likely be a loyal customer. This loyalty leads to repeat purchases, recommend to others and may result in up-selling and cross selling. These results are consistent with research Othman and Owen (2001) which states that there is a positive influence between service quality and customer loyalty in the banking services of Shari'ah.

Based on the results of data analysis, it can be concluded that the CSR program affect to customer loyalty. CSR implemented will have an impact on the company's positive image in the eyes of its customers. Then customer feel confidence to continue to use the bank's services in their banking activities. These results can be interpreted that the higher the CSR it will increase customer loyalty. Mandhachitara and Poolthong (2011) concluded that the implementation of social responsibility in a company can affect customer loyalty. McDonald and Rundle (2008) also says that CSR has been done at the bank, greatly affect the vision of customers and when they compare the behavior of the bank's services to other banks. Furthermore, Green & Peloza in Abbasi (2012) says that by increasing the moral values and motivation, CSR can strengthen customer loyalty and satisfaction. In their study on the effect of social responsibility, Pomerin & Johnson in Abbasi (2012) concluded that if companies carry out social responsibility, it will be able to reduce the doubts of customers and improve their certainty. This means that CSR will enhance the company's image which then will bring confidence in the minds of consumers.
Based on the results of data analysis, it can be concluded that customer satisfaction affects customer loyalty. Customer loyalty recently became an increasing important issue because maintaining existing customers enables generating higher profits as a result of cost savings because the cost of maintaining existing customers is cheaper than attracting new customers. As a result, creating customer loyalty has become a major goal of many businesses, particularly for those who are in the service industry. These results are consistent with research finding by Othman and Owen (2001) which states that there is a positive influence between satisfaction and loyalty of customers or clients in the banking services of Shari'ah.

From the analysis and discussion above, we can draw theoretical implications that the influence of the variables of service quality to customer satisfaction and loyalty is greater than the variable effects of CSR. There are several possibilities why this conditions happened. First, it could be Indonesian people as well as customers as respondents in this reseach belong to midle to lower segment, so perhaps they are more concerned with direct benefits than indirect benefits as well as benefits from CSR. Second, policies that determine the CSR program were made at the headquarters or corporate level and branch offices just as an operator to execute the program, so that the benefits of CSR is not too much perceived as less suited to the needs of the surrounding community. Third, lack of communication and involvement of customers and the surrounding community can influence the impact from programs being implemented resulting to lessen positive response from customers and community.

From this empirical researh finding it could be a basis for management as a foundation of practical strategies consideration for the company in practicing CSR program in order to increase benefit for customer with the expectation could increase or improve the image and

customer satisfaction and loyalty.

Although statistically it can be seen that the independent variable of service quality and CSR could affect customer satisfaction and loyalty, but further research still needed to include other variables that have not been included in this study. Likewise for further confirmatory studies, this study need to be expand in term of geographic area, the number of samples, as well as some of the things that is deemed necessary.

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