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The 2nd International Conference on Business Management

"ASEAN Economic Community: Sustaining Business Competitiveness Through Strategic Collaboration and Innovation"
The 2nd International Conference on Business Management

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School of Business Management, College of Business (COB), Universiti Utara Malaysia
Foreword

Assalamualaikum w.b.t and warm greetings,

On behalf of the School of Business Management (SBM), College of Business (COB), Universiti Utara Malaysia (UUM), it is my great pleasure to welcome you to the 2nd International Conference on Business Management (ICBM) 2016.

In line with the conference theme; “ASEAN Economic community: Sustaining Business Competitiveness through Strategic Collaboration and Innovation”, this conference will serve as an ideal platform to the academicians, researchers, practitioners and students from all over the world. It is an opportunity for them to share knowledge and exchange ideas in fostering collaboration among practitioners and academicians in the areas of management, human resource, organizational behavior, marketing, entrepreneurship, economics, finance, accounting, legal and international business. It is also a gateway to venture into new potential researches and innovations.

In doing so, we hope this conference will ignite interest among researchers to accomplish and further advance in the research development, application and practices of business management.

I am very grateful to our conference patrons, keynote speakers, paper presenters, dedicated organizing committee members, sponsors and participants as well as to those who have contributed directly or indirectly to the success of ICBM2016.

Thank you.

PROF. DR RUSHAMI ZIEN YUSOFF
Dean
School of Business Management
College of Business
Universiti Utara Malaysia
Assalamualaikum wr. Wb and good day,

To all of participants at “The 2nd International Conference on Business Management (ICBM 2016)”, it is my honor to welcome you all to this meaningful moment, on behalf of Faculty of Business and Economic, Sultan Ageng Tirtayasa University.

As one of the prestigious international conferences in Business field, we strongly believe that this conference will provide academicians, practitioners, and also post graduate students an essential platform to improve and share their knowledge as well as to build and develop some brilliant ideas in order to collaborate between what practitioners need and what academia have. This conference also play important role in motivating some potential researchers to improve themselves through generating idea which they may obtain through papers that will be presented in this conference in various areas such as management, accounting, finance, marketing, organizational behavior, as well as international business.

Finally, I would like to say my deepest thank you to all conference committees, keynote speakers, paper presenters, participants, sponsors and all parties who have contributed to ICBM 2016, so that this wonderful international conference can be a great success.

Thank you

Dr. H. Fauji Sanusi, Drs, MM
Dean
Faculty of Business and Economics
Sultan Ageng Tirtayasa University
**Message (Conference Director)**

The 2\textsuperscript{nd} International Conference on Business Management (2\textsuperscript{nd} ICBM) has been successfully held at the Millennium Hotel, Jakarta Indonesia. ‘ASEAN Economic Community (AEC): Sustaining Business Competitiveness Through Strategic Collaboration and Innovation” was the chosen theme. Thus keynote speech as well as paper presenters were set to network and discuss current issues related to business management, human resources, economics, organizational behavior, marketing, entrepreneurship, finance, accounting, international business and social sciences within the context of AEC.

The main aim was to offer the conference as a hub of academic and research collaboration among top ranked universities and research institutes in ASEAN. Besides that, it was also aimed to discuss various approaches and methods to contribute to global knowledge exploration that may benefit universities, businesses and societies at large.

The School of Business Management (SBM), UUM COB, Universiti Utara Malaysia, Faculty of Economics and Business, Universitas Sultan Ageng Tirtayasa, Sekolah Tinggi Ilmu Ekonomi, Banten Indonesia and the Center for Sustainability Research and Consultancy have jointly organized the 2\textsuperscript{nd} ICBM. Few sponsoring journals also sent their representatives to oversee and select papers of high quality for their respective upcoming publications. The 2\textsuperscript{nd} ICBM was really and truly a gateway for the academic and research collaboration, innovation, and publication platform.

The 2\textsuperscript{nd} ICBM organizing committee members would like to thank the keynote speaker, paper presenters and participants for their interest, dedication, commitment and participations. A special acknowledgement and thanks shall also go to all members of the scientific committees and all members of the organizing committees for their untiring efforts. Also presence during the opening ceremony were Professor Dr. Rushami Zien Yusoff, Assistant Vice Chancellor, College of Business and Dean, School of Business Management, Universiti Utara Malaysia; Dr. Hj Fauji Sanusi, Dean, Faculty of Business and Economics, Sultan Ageng Tirtayasa University; Dr. Mohamad Amsal Sahban, the representative from CSRC; and Dr. Hj Ed Rahmat Taufik, Conference Co-Chair.

Thank you.

**ASSOC. PROF. DR. ABDUL HALIM ABDUL MAJID**  
2\textsuperscript{nd} ICBM – Conference Director  
School of Business Management  
College of Business  
Universiti Utara Malaysia
**CONFERENCE BRIEF**

**FRIDAY, AUGUST 19 (DAY 1)**

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Paper Reviewers / Secretariat

Associate Prof Dr Abdul Halim Abdul Majid (SBM COB)
Associate Prof Dr Kamal Ab Hamid (SBM COB)
Associate Prof Dr Ali Yusob Mohd Zain (SBM COB)
Dr. Noor Azmi Hashim (SBM COB)
Dr. Hazlinda Hassan (SBM COB)
Dr. Donny Abdul Latief Poespowidjojo (SBM COB)
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Dr. Tri Lestari, Ph.D.,CA (FEB UNTIRTA)
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Prof. Dr. Mohd Noor Mohd Shariff (CSRC)
Dr. Arfan Shahzad (CSRC)
Mr. Sulaman Hafeez Siddiqui (CSRC)
Dr. Johanim Johari (SBM COB)
Dr. Mohd. Amsal Sahban (CSRC)
Dr. Ashfaq Ahmad (SBM COB)
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THE ECONOMIC POLICY IN THE TERMS OF UPRISING CAPACITY AND COMPETITIVENESS OF TEXTILE AND CLOTHING INDUSTRIES IN CENTRAL JAVA

Adang Syamsuddin
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ABSTRACT

Textiles and textile products hereinafter in this case called the industry (TPT), is one of the pillars of labor-intensive industries in Indonesia. Not only the problem of improving export performance, but also the problem of improving competitiveness, especially in the face of the Asean Economic Community, and in improving the competitiveness problem should the problem of increasing productivity, especially in increasing worker productivity and well-being of workers in the textile industry. The purpose of this research is to examine the impact of macroeconomic policies on the performance of the industry in increasing capacity and competitiveness as well as other value-added, so its presence can be relied upon to stimulate and accelerate triple-track strategy targets the development of Indonesia's pro-growth, pro-jobs and pro-poor. Based on the analysis of RCA, acquired RCA > 1, it can be stated Java textile industry has strong competitiveness. However, when viewed from the RCA index value, the competitiveness of the textile industry in Central Java often experience a decline in competitiveness, especially in the last three years since 2010 to 2013 there was a trend that continues to decline (competitiveness weakened). It is recommended a policy that is effective, efficient, equitable, and able to enhance the protection and competitiveness on a competitive basis, and can add value

Keywords: Competitiveness Economic Policy, Textiles and textile products Industry, Asean Economic Community

INTRODUCTION

The final goal of each economic policy is to increase welfare of the people which can be done through increased revenue. Unfortunately, the impact of macro-economic policy in Indonesia, such as salary increases or wage policies are not always able to improve people's welfare. Classic Theory states that flexible wages (wage easily up and down) is difficult to occur in Indonesia. If according to Keynesian theory, wages are not always flexible too (just an easy to rise and not easily to decrease) in reality are not always easily occurs in Indonesia, particularly in industries are labor intensive as the textile industry and textile products (TPT). Therefore, the issue of the welfare of workers and competitiveness problems of the textile industry in Indonesia and competitiveness, especially to face the Asean Economic community in 2015
Textiles and textile products hereinafter in this case called the industry (TPT), is one of the pillars of labor-intensive industries in Indonesia. Therefore, the development of the textile industry is a strategic move to increase the competitiveness of the textile industry itself in particular and the nation's competitiveness in general. Various government policy program has done much to help this industry including the textile industry. Suppose Award revitalization program of technical service unit (UPT) through procurement of textile machinery, provision of textile machinery and equipment, as well as technical training for human resources (HR) industry. With the hope to improve the competitiveness of the textile industry. Therefore, according to Minister of Industry RI (MS Hidayat), the textile industry should be encouraged to be able to grow by 6.52% in 2014 and is able to absorb the labor force 216 thousand people per year from 2013 to 2014. As in previous years, before the crisis hit globally, the industry is able to collect 1.5 million workers. Unfortunately, at this time (2014), the issue of export performance of textile industry has actually declined and the textile industry is also facing the issue of wages which is quite complicated.

The government policy in improving the welfare of the people through a policy to increase the salary / wage is appropriate. However, on the other hand, wage increases have not always had a positive impact. If the export performance continues to decline (sluggish), then the policy to increase the wages of workers in 2013, it has had an impact will exacerbate this situation and new investments too difficult to enter. However, this wage policy should be done for the welfare of workers should also be improved.

The problem of improving export performance, of course, the problem of improving competitiveness, and problems in improving the competitiveness of the problem should increase productivity, particularly in increasing worker productivity and well-being of workers in the textile industry. If the export performance and industrial competitiveness is high, it will push the pace of investment in the industry. Conversely, if the level is low industrial productivity, the competitiveness and export performance would be low, and can further result in low investment and growth in the industry. If the problem of low levels of productivity, competitiveness and investment is protracted, it could adversely affects the welfare of the people (workers).

Productivity is very important role in improving the welfare of the national welfare. National productivity levels showed benefits in helping to evaluate; planning, incomes policy, wage and price levels through identified factors that influence it. Increased productivity will be able to produce an immediate improvement in the standard of human life under conditions of equal distribution of productivity gains that correspond to labor input is used. That is, the individual productivity will reflect the productivity of industrial enterprises in question where the worker is located, which further increase industrial productivity reflects the productivity of the area where the industry is, and ultimately the level of productivity of all areas with national productivity reflects the country concerned. Industri, et.,al (Desember, 2005) states that "the rating of investment attractiveness in the district / city in Indonesia, said that the low productivity of workers is one of the main causes. Results The study found that of the 156 District; only 13 districts that labor
productivity is very high. Furthermore, there are three district high labor productivity, and 24 district labor productivity being as well as the remaining 116 district labor productivity of its low and very low. In addition, from 44 cities; only seven cities that labor productivity is very high, five city high labor productivity, labor productivity 14 cities were, and the remaining 18 city labor productivity is low and very low.

Employment policy issues at the national textile industry since the decentralization January 1, 2001, often cause a lot of new problems, since there are often contradictory and counterproductive between macro policies, policies macro and micro policies are often incompatible. The successfull of Policy program of textile industry restructurization, so that derivatives industry TPT is going to be a locomotive capable of supporting the growth of the creative industries as a model clothes (fashion; such as clothing products distribution and models of creative fashion Muslim) which is now being started growing rapidly in Indonesia. However, because the textile industry is one kind of labor-intensive industries, the national policy on the increase in the wages of workers it can cause contradictory that can be positive and negative impacts.

In general, efforts to increase competitiveness of national industrial development will not run without a strong synergy and cooperation of all stakeholders (stakeholders), including government, business, banking, and the community itself. With existing synergies, expected industry is able to increase the competitiveness of the sector as well as being a major producer and the country's foreign exchange had a role in creating jobs.

The purpose of this research is to examine the impact of macroeconomic policies on the performance of the industry in increasing capacity and competitiveness as well as other value-added, so its presence can be relied upon to stimulate and accelerate triple-track strategy targets the development of Indonesia's pro-growth, pro-jobs and pro poor.

In connection with the research objectives mentioned above, that the keywords in enhancing the competitiveness of the industry is productivity. Meanwhile, to increase productivity requires the ability of capacity and investment capacity of other resources. Investment is one important component in the functioning of national income and economic growth. Because, the investment is a function of national income, while the good economic growth is a reflection of the level of national income and the ability of industry sectors. If the capacity of good industrial investment, is expected to increase the national income and economic growth, and vice versa. Therefore, we need an economic policy that is efficient and effective able to increase the positive impact of industrial added value and competitiveness and not the negative impacts they cause.

Since the decentralization policy until now has not reached a consensus on a model for the implementation of regional autonomy that is efficient and targeted both by Law No. 22 of 1999 and Law No. 32 in 2004. Ideally, every process of
development, including the textile industry, in the area based on the ability (self-reliant development) to optimize all the potential of its human resources. Objective conditions indicates that the typical areas experience difficulties in economic development because of limited human resources, technological backwardness and lack of capital. Of the three issues that often gets more attention is the problem of lack of capital, especially human capital, (Jhingan, 2000: 67). However, the problem of human models in the textile industry is not exactly a shortage of labor issues, but rather on the lack of quality or capacity of human capital endowments (HR) and productivity is still low. Departing from the significance of this phenomenon the importance of this research to be done.

In this context a new government looked at the need to take a policy that gives more opportunity for the private sector, both domestic and foreign, to participate in national development. The form of this participation is the investment or investments. Capital investment is the first step of development activities, so that investment is merely the beginning of economic development activities. This investment can provide technology transfer, so that the industries in areas such as the textile industry, it can absorb a lot of labor and applying technological advances and increased efficiency. In addition, these investments can create new jobs, so that it can decrease unemployment and poverty as triple strategy in the national development strategy.

Another subject matter is very essential how is the efforts of central and local government policy in Indonesia in encouraging investment climate for the progress of the region. One study found that implementation of regional autonomy since 2001 has worsened the investment climate in Indonesia (Semuru, 2001). Based on data from BPS Central Java (2011), it is known that the reality of investment (domestic and foreign) in Central Java since 2004-2009 experienced a declining trend. The realization of these investments decreased feared would further increase the unequal distribution of income communities and lead to increased number of people unemployed in Central Java due to the lack of new jobs created investor. The impact of investments that are not well turned out has impacted the phenomenon of de-industrialization during the period 2002 - 2009 (Prasad, 2011).

LITERATURE REVIEW

Basic Concepts Theory of Industrial Competitiveness

The theory of competitiveness was born in industrialized societies. The trail seemed to start from the approach of industrial organization (OI-Porteian Model), which later evolved into the approach of competitive dynamics (Smith and Ferreira), dynamic governance (Neo & Lee), to a regional approach cluster (Krugman and Porter) as well as other approaches known in theory -teori resource based industry (Penrose, Barney, Hamel and Prahalad)
Comparative Advantage and Competitive Advantage

The basic concept of Comparative Advantage theory states that the value of an asset is determined by the amount of labor used to produce goods. Meanwhile, the basic concepts of the theory of Competitive Advantage.

Theory of Competitiveness and Efficiency

Economic activities of ASEAN (MEA 2015) requires every State should prepare themselves to be able to compete well. The impact of globalization brings a logical consequence every country in the world faced with a situation of intense competition. Competitiveness index is always measured a number of international agencies annually. Ranked the implications coming or departure of a large investor in a State. The theory of competitiveness was born in industrialized societies. The trail seemed to start from the approach of industrial organization (IO-Porterian Model), which later evolved into the approach of competitive dynamics (Smith and Ferreira), dynamic governance (Neo & Lee), to a regional approach cluster (Krugman and Porter) as well as other approaches known in theory -teori resource based (Penrose, Basney, Hamel and Prahalad), as well as market-based view.

In Indonesia, the Ministry of Industry has developed a model KIID (Regional Core Competence Industry) which was originally introduced with the name modelisasi "Saka Way", a district of the original core competence by Professor Martini Huseini. In the model, each region is required to have a core competency in the development of the competitiveness of upstream to downstream (downstream) with attention to aspects of local wisdom (local wisdom and local genius) region as a feature of differentiation that is unique, hard to replicate and valued as a regional competitiveness forces lasting (sustainable).

The notion of competitiveness is the ability of companies, industries, regions, countries, or among regions generate revenue factors and factors of relatively high employment and sustainable for the face of international competition. therefore, in the context of the district / city as an organization, competitiveness is defined as the ability of districts / cities to develop socio-economic capabilities territory in order to improve the welfare of people in the region.

In strategic management theory, at least there are two views that can be used to underpin the election industry. The first view is a view that is known as a market-based view (market based view). An organization should select industries whose products are already clearly accepted by the market. Furthermore, the selection of an industry should be oriented to the effort to fulfill the market demand. Market-based view will direct districts / cities only produce products that the market is already there and thus minimize the risk of unsold products. The second view is a resource-based view (resource-based view). This view holds that should the district / city choose industries according to the resources available. Hamel and Prahalad in his book
Competing for the Future has asserted that it is actually the forerunner resource-based view is Resource -based view.

Prof Martani Huseini introduce Rossabeth mosskanter about how to win the world-class competition or "word class". To be a world class it must have 3C, namely: a) Concept: must have a clear concept; b) Competence: and c) Connection or the connection to the market. Prof Martini adding 1 advice, namely: d) Commitment: commitment of time, cost, and so forth. Then C else according to the researchers, charater.

Implementation of the concept of OVOP is expected to avoid unhealthy competition among neighboring villages for each village can develop superior products that differ from each other. They can fill the same market without having to compete directly. Thus, market saturation due to a flood of the same product can be prevented. However, there is a possibility that a village become too "busy" with its superior product that they forget the possibility or chance of their other potential products might be developed. There is concern that a village become too oriented to the product of the present and ignore opportunities to develop future products that may not currently or has not received the adequate financial benefits. Though there is a possibility in the future of these products can actually be the backbone of the economy of the villagers.

**Productivity and Competitiveness**

According to Michael Porter (1990) competitiveness is defined as the ability of productivity is defined as output produced by labor. According to the World Economic Forum, national competitiveness is a national economy ability to achieve high economic growth and sustainable development. According to Lall (1998), there are five determinants as the cause of the low development of science and technology, national, namely (1) the incentive system, (2) quality of personnel, (3) information technology and support services, (4) fund, and (5) science and technology policy itself. In terms of the incentive system, for example, national macroeconomic policies is less conducive to encourage the development of self-reliance in science and technology. Similarly, the capacity and quality of human resources, and the limitations and management.

In this case the concept of competitiveness is referred to in this research is related to competitiveness in the industry, khususnya textile industry in Central Java. Therefore, an industrial competitiveness (competitive advantage), if the industry has Toral factor productivity (total factor productivity) at least equal to or higher with industry competitors (foreign competitors). Moreover, the industry can otherwise be competitive if it has the unit production cost average the same or lower cost than industry competitors. Therefore, the competitiveness of the question in this case at least involve a problem of efficiency and productivity.

Therefore, the competitiveness of the industry in question in this case is the cover of efficiency (achieving the goals and objectives with the average cost as low as
possible) and the industry is able to face all the challenges and arising from competitors. Furthermore, the ability of the industry (industrial competitiveness) in the region will be able to support regional productivity and competitiveness of the region which will further improve productivity and national competitiveness. Furthermore, the analysis of competitiveness in the industry will be more focused on the analysis of productivity and efficiency that are microeconomic. Some methods such as RCA (Revealed Comparative Advantage) is also often used to compile the index of specialization, the Trade Performance Index, The Trade Performance Index (TPI) developed by ITC (International Trade Centre) is a macro-economic analysis.

In the industrial economic theory, the comparative cost of production will determine the relative competitiveness at the industry level. In the theory of business competition, that the ability of the industry is the ability to achieve profitability (profitability). It can simply be interpreted as if the company is not able to obtain profitability industry, then the industry is not competitive (non-competitive). In an industry with homogeneous products, the company is not possible due to due to the average cost is higher than the average cost of its competitors. In this case, the productivity may be lower, or have to pay for the factors of production is more expensive than its competitors, or both. Lower productivity may be due to technical efficiency (technical efficiency), efficiency, or both (which generates economic efficiency / economic efficiency).

**RESEARCH METHODOLOGY**

**Methods of Analysis Research**

This research data analysis methods focused to study the problem of competitiveness and the impact of government economic policy on the textile industry in Central Java. The level of competitiveness in this study is defined as the ability of producers (TPT) in producing a commodity with good quality and considerable cost and could resume their production activities or business.

**Export competitiveness of textile industry in Central Java**

The competitiveness of the textile industry meant here seen from the competitiveness of the textile industry in the region of Central Java province can be measured by the following formula:

\[
DS = \frac{EUi/TEUi}{EUj/TEUj}
\]

- DS: Competitiveness
- EUI: Value Main Export Textile Industry in the Region Level 2 (Regency / City)
- TEUi: Total Main Export Textile Industry in the Region Level 2 (Regency / City)
- EUj: Export Value major textile industry in the Regional Level 1 (Central Java Province)
- TEUj: Total Main Export Textile Industry in the Regional Level 1 (Central Java Province)
a. ** Revealed Comparative Advantage (RCA)**

RCA method is a method to determine what commodities have the advantage or that has as export achievement in a region. RCA This shows the level of competitiveness of a region of the world. In this study, RCA is used to measure the level of export competitiveness of textile industry in Central Java as compared to the export competitiveness of the national textile industry in Indonesia. RCA calculation formula can be calculated as follows: (Tambunan 2004: 110).

\[
RCA = \frac{X_{ij}}{X_{it}} \times \frac{W_{j}}{W_{t}}
\]

whereas :
- CA: RCA Value (competitiveness of the textile industry in Central Java)
- \(X_{ij}\): the main commodity export value in Central Java
- \(X_{IT}\): The export value of Indonesia's main commodities
- \(W_{j}\): Total value of primary commodities in Central Java
- \(W_{t}\): Total value of export commodities in Indonesia

**The competitiveness effect (CMS or RCTI)**

The competitiveness effect or better known as the Constant Market Share (CMS) or often referred to as trade Revealed Comparative Advantage (RCTA) is basically a comparison or indices of export and import. If the index can export competitiveness in view of the value Revealed Export Competitiveness (RXA or RCA), and import penetration index can be seen from the Revealed Import Penetration (RMP). Hence the value of CMS or RCTA is the excess of the value of RXA-RMP or can also be calculated from the RCA-RPM. RCTA value may be greater or less than zero. If the value is positive RCTA, which is regions / States concerned have high competitiveness (advantage), the reverse is also RCTA negative value means there is no competitiveness (disadvantage).

**Trade specialization index (ISP)**

Level of competitiveness of a commodity product (TPT) in an area region or country can be measured by the trade specialization index (ISP). Based on the index value ISP, a local region or country can be seen likely to become an exporter or importer. In other words, implicitly index value of these ISPs may consider the demand side (imports) and supply side (export) domestic.
Indek IIT (Intra-Industry Trade)

To describe a country other than trade linkages through the index RCTA and ISP, is also can be seen from IIT index (Intra-Industry Trade). IIT index illustrates the level of trade integration of a product in a regional area or region or a particular country. IIT high index value indicates an association that is bi-directional (two-way trade). Suppose Central Java, Indonesia to export and import of textile products. IIT Values are low and likely to decline indicates that trade linkages tend to be one-way (weakened or declining). Suppose Central Java tends to be an exporter or importer only. IIT formula commonly used method Grubel-Lloyd Index (Andrian Lopez, 2013), namely:

\[
IIT = \frac{\Sigma(X-M)}{\Sigma(X+M)} \times 100 \quad \text{or} \quad IIT = 1 - \frac{\Sigma(X-M)}{\Sigma(X+M)} \times 100
\]

Where as : IIT is the index value in the trade industry as well as X is exports and M is the value of imports r.

RESULTS AND DISCUSSION

Problems and Strategies Industrial Development Policy Direction

The Indonesian government has been constantly trying to industries including textiles and textile products (TPT) in Indonesia continues to grow and develop advanced, efficient and competitive. Various Efforts have been made by the government including making the rule of law and legislation to encourage the growth and blossoms industrial sector in Indonesia. With the promulgation of Law No. 25 of 2007 on Investment and Presidential Regulation No. 28 Year 2008 on National Industrial Policy is expected to provide direction for the development of the textile industry and textile products in the country. However, to produce a highly competitive industry that is still required technological capabilities effectively and efficiently, and the current technology used in the industry in the country is still not able to produce the optimum output. Therefore, substantial investments are required, including the presence of foreign investment that brings technology, capital and marketing network is still very relevant to be one factor in the development of the textile industry and textile products in the country, so it can be used as a generator of competitiveness investment in Indonesia. To support the government's priority should be prepared a study of the textile industry and textile products in the future.

Another strategy is pursued through regional economic potential development in the regions, especially in areas that have high natural resources, but the low value of GDP per capita. Efforts strategic industrial development in the regions, both small, medium and large will be implemented through; (1) The establishment of industrial estate; (2) Increased investment; (3) development of supporting infrastructure of the industry; and (4) Preparation of good human resources and has a capacity and productivity.

The purpose of the development strategy aligned to the textile industry in Central Java can grow and develop competitiveness. However, it is unfortunately on research found that the competitiveness of the textile industry in Central Java and the
Indonesian National is currently declining and there is a tendency leads to a position as an importer and not to the exporters. This is in line with our national competitiveness index in 2013 decreased from rank 46 in 2011 to number 50 in 2012 and in 2013 to 52. The Indicator of low competitiveness index especially can be seen from the condition; growing flood of imported products, and is still a lack of creativity and innovation.

In addition, there are Several factors causing low competitiveness index is decreasing them; (A) national innovation capacity is still low; (B) research funding from industry is still low; (C) collaboration between (ABG) universities, R & D institutions and industry that still needs to be built; (D) government support in the form of the purchase of advanced technology R & D results in the country is still low; (E) the use of patents as an inventor of copyright protection and at the same time a tool for the dissemination of technology needs to be built better; (F) the bureaucratic problems that are not profitable for the business sector; (G) the amount of crime and violence are still common; (H) Creativity, innovation and technology are low.

Competitiveness and Position of the Textile Industry in Central Java

Indonesia's competitiveness among 10 countries of Asean is located at position 8. The ability of the nation's competitiveness is reflected in regional competitiveness and industry in it. Therefore, if associated with the presence of the textile industry in Indonesia and especially in Central Java will be more apparent also that the textile industry in particular still has a low international competitiveness. The results of this study indicate that the competitiveness of the textile industry is low and increasingly showing a tendency as a country commodity importer for products of the textile industry.

PAM models based on research results, showed an average PCR value before and after the simulations have simulated still high and above the 0.5556 and continued to show a tendency textile industry can be expressed into the area and experienced deindustrialization importer. Feature deindustrialization tendency can be seen in the increasing amount of value added textile industry resulting from this are not worth the additional units of the textile industry there. The real condition of the textile industry in Central Java during the period 2000-2013, showed that the level of productivity of the textile industry in Central Java remains low, particularly during the period of 2000-2008, only after years of 2009-2013 there was an upward trend. The output value and value added has increased even though the total capacity is still low. When compared with the number of the industry and the number of workers in each year during the study period.

Based on the analysis of input-output, the textile industry in Central Java in particular there is a tendency to have greater relevance to the rear. This shows that the textile industry in Central Java is very much dependent on the factors of production and raw materials in particular.

Meanwhile, the relationship is not directly on the textile industry in Central Java is greater than the direct linkages both backward linkages and forward it,
describe that the presence of the textile industry is more dependent than other industries that are not the product of or derived from the textile industry is concerned. This condition also gives kindness and a weakness. Kindness sustainability of this industry is quite good, but very vulnerable to the survival of other industries. If other industries, both the textile industry also benefited and vice versa. Most of the nation market of textile industry as well as 96% more of the products of the textile industry in Central Java, only to meet the needs of the domestic market. Although the results showed the competitiveness of the textile industry in Central Java is still low, but based on the 4.3 image can also describe the benefits that the better produced by the textile industry in Central Java.

Textile Industry Efficiency Analysis

The results showed that based on the level of efficiency is technically seen from the level of efficiency of allocation, price efficiency and economical efficiency, the textile industry in Central Java can be expressed efficiently, because the average efficiency values obtained from each group of the textile industry as measured value is above 88%.

Based on the analysis of efficiency model Dong Sun Cho, the results obtained GI value each for the textile industry amounted to 13.51% of the textile industry alone amounted to 12.52% and the garment or apparel industry amounted to 17.89%. Based on the GI values can be stated that the industry is not efficient, and on that score, the textile industry shows that the value is less efficient than the garment industry. The GI value indicates the value of the inefficiency of the textile industry to the export market. However, if seen from the market share of the domestic demand, the textile industry in Central Java and has a national high level of efficiency in meeting domestic demand, which averaged over 97% since Fdij value of 97.98% for the national textile industry and 99, 96% for Central Java textile industry, as well as for the garment and textile industry in Central Java partially almost entirely only to meet the needs of the domestic market only, because the value Fdij above 99.99%.

Analysis of Competitiveness of Textile Industry

Based on the analysis model of competitiveness, the textile industry in Central Java, it can be stated yet have competitiveness on new competitive and comparative. Based on the analysis of RCA, acquired RCA > 1, it can be stated Java textile industry has strong competitiveness. However, when it is viewed from the RCA index value, the competitiveness of the textile industry in Central Java often experience a decline in competitiveness, especially in the last three years since 2010 to 2013 there was a trend that continues to decline (competitiveness weakened).

In addition to the RCA index, the competitiveness of the textile industry in this research also measured on the index trade specialists (ISP). Level of competitiveness of a commodity product (TPT) in an area region or country can be measured by the trade specialization index (ISP).
Based on the index value ISP, can be seen in Central Java's textile industry has a tendency to import or export. The research results are known values that ISP <0.5 it can be stated Java and national levels have the same tendency as the importer on the commodity products of the textile industry. Especially for Java that almost all commodities are as importer, with the case of the weakening competitiveness and tendencies as importers in textile products that had been regarded as the mainstay, the phenomenon is increasingly indicating that the economy of the province of Central Java, macroeconomic increasingly competitiveness.

Furthermore, to see how the competitiveness in the textile industry alone can also be seen from the IIT index (Intra-Industry Trade) and analysis of the Concertacion Ratio (CR). To describe a country other than trade linkages can be known through the index and index RCTA ISP, can also be seen from IIT index (Intro-Industry Trade). IIT index to describe the level of trade integration of a product in a regional area or territory or State tertentu. Berdasarkan IIT low value where IIT Central Java at 0.4586 and national IIT only amounted to 0.4546, suggesting there is a downward trend and the direction that is; both National Central Java and there is a tendency leads as regional and country importers on the textile industry this product. Thus, based on the analysis of competitiveness with the approach, index RCA, ISP and IIT can be expressed linkages international trade declined and headed towards a local importer, hereinafter based on the value of CR4 and CR8, industry TPT is likely to form the oligopoly strong enough, because CR4 value of 65.27% and amounted to 91.96% CR8. Based on the value of CR IIT and this means competition between TPT industry in Central Java is tight.

**CONCLUSIONS AND SUGGESTIONS**

The textile industry in Central Java has not had a new competitiveness, competitive advantages and a low degree of protection, so it is still vulnerable to competitors and interference both from within and from outside. In addition, Central Java and nationally there is a tendency to be local and State importer for the textile industry products. The efficiency rate is still low market share and the market share of the new textile industry to meet the demand of domestic market share. The economic policy of the government to raise the level of labor costs and the increase in electricity and fuel price increases, although the impact on reducing the level of profit industry manufacturers, but still has not been accompanied by rising production costs increased. On the other hand, the policy of intensive machine tools have an impact capable of enhancing the competitiveness of industry is getting better. Based on the three alternative sensitivity analysis is obtained as the best policy.

It is recommended a policy that is effective, efficient, equitable, and able to enhance the protection and competitiveness on a competitive basis, and increase value added. The intended policy in the form of rising labor costs amounting to a maximum of 20% of it as a motivator to improve productivity and competitiveness, and efficiency of the policy of giving aid workers and machine tools in the textile industry...
to increase the capacity of industry and self-protection. Arguments raising their labor costs up to 25% due to rise 25% above that instance would likely reduce the impact on competitiveness of industry production costs increased.

REFERENCE
INTERNAL AND EXTERNAL MECHANISM OF CORPORATE GOVERNANCE IN MITIGATING FINANCIAL DISTRESS ON INDONESIAN TRANSPORTATION INDUSTRY

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ABSTRACT

We examine whether internal and external mechanism of corporate governance (CG) have potential role in mitigating financial distress in Indonesian transportation industry. Particularly, we want to investigate whether the independent commissioner and the audit committee characteristics as internal mechanism, and audit quality as external mechanism have negative relationship with financial distress. We obtain samples from 30 transportation companies with purposive sampling as sampling method, and gathered 150 firm-years observation from 2009 to 2013 as our sample. The data were collected from companies’s annual report published by Indonesia Stock Exchange from 2009 until 2013 and also from each company’s website. By using logistic regression analysis, this research shows that internal and external CG mechanism, which represented by independent commissioner, audit committee characteristics and audit quality, have negative influence on financial distress. By this we mean that CG mechanism have important role in mitigating financial distress in Indonesian transportation industry.

Keywords: independent commissioner, audit committee characteristics, audits quality, financial distress.

INTRODUCTION

The impact of the global financial crisis seems to continue until present and do not fully disappear, even in Indonesia. Until today, there are many companies that
experience financial distress or even enter bankrupt condition. Based on the information that we got from financial statement which published by public company listed on Indonesian stock exchange (hereafter refer to BEI), from one year after the financial crisis 2008 to 2013, there are more than 20 companies that experienced delisting in BEI and the largest percentage of company experienced delisting was because of bankruptcy (can be seen at figure 1.1). This reality is in-line with Pranowo’s statement (2010) which stated that the delisting of some public company in BEI was caused by financial difficulties or having financial distress.

Figure 1.1

Causes that reveal why some companies having delisting problem in BEI (in percentage)

(Source: www.idx.co.id that is processed by the researchers)

Financial distress often occurs before the bankruptcy (Almilia and Kristijadi; 2003). Systematically, bankrupt companies initially suffered from financial distress at the first. Platt and Platt (2002) strengthen this matter by defines financial distress as the decline phase of the financial condition before the bankruptcy or liquidation processes. Financial distress is a condition that should be avoided so that the company does not enter into the stage of bankruptcy. Therefore it is essential for the company to consider some factors that can mitigate financial distress.

Accordingly, this research aim is to examine some factors, which has potential role in mitigating financial distress. We focus on the mechanisms of corporate governance as potential factor to mitigate financial distress. Since CG consist of internal and external mechanisms (Gilan, 2006; Rezaee, 2007; Berhanrt and Rosestein, 1998), more detail, present study want to examine whether the internal mechanisms of corporate governance, namely the board of commissioners and the audit committee, and external mechanism, namely the quality of the audit, are able to mitigate financial distress in Indonesian transportation industry.

We argue that CG mechanism has potential role to prevent financial distress since corporate governance implementation has power to monitor company and the monitor role is expected to be able to reduce possibility that financial distress condition was
entered into company’s record. Our argument is similar with Organization for Economic Co-operation and Development (OECD) statement, which stated that corporate governance is a structure to specify the purpose of the company, the means to achieve goal and to determine the supervision for the performance of the company. It is expected that by having good corporate governance, company can monitor its performance and as a result, the potential condition for experiencing financial distress will be avoided.

We use audit quality as external mechanism in present study as this mechanism is not subject to previous study by Li et al., (2007). In addition, we choose Indonesian transportation industry as our focus since our data shows that there are many companies in this industry suffer from financial distress and particularly in Indonesia, focus on transportation industry never been considered on previous research. Our research aim also want to fill these gaps by considering potential role of audit quality, as external mechanism of CG, as a factor that is expected to be able to mitigate the financial distress. As one of the external CG mechanism, we believe that audit quality as external mechanism of CG can mitigate financial distress. Effective monitoring mechanism because of having good quality of external auditor will prevent the company from experiencing highly loss financial condition. In other word, effective monitoring mechanism provided by good quality audit will help company to avoid financial distress.

In addition, we focus on independent commissioners and audit committee as internal mechanism of corporate governance. These two internal CG mechanisms was chosen because Independent Commissioner, as member of the board of commissioners which deal with the organization directly, responsible for monitoring the company’s policy and for giving advice to board of director members. With these responsibilities, which are held and effectively run by internal mechanism of company’s CG, the committee or the Commissioner will notice whether there are some unusual mistakes or irregularities on the company and they will take some action to prevent the mistakes. In addition, these council can provide feedback to the board of directors and give some advice to overcome the mistakes as these efforts will lead to condition that are save from financial distress.

Based on the Law of the Republic of Indonesia No. 40 The year 2007 about Public Company, it is explain that in running the task supervision, board of commissioners can be formed Audit Committee that consist of one or more member of the board of commissioners. Thus, it can be concluded that the audit committee is the one part of the internal corporate governance mechanism under the auspices of the board of commissioners. Through the characteristics of a good audit committee, it is expected to have a negative relationship with financial distress. Present study, we only consider educational background of Audit Committee as one of the characteristics of the audit committee that is expected to be able to mitigate the financial distress, because based on some previous research, education background of audit committee have significant negative influence on financial distress.
Li, Wang, and Deng (2007) test the influence of the internal mechanisms of corporate governance on financial distress, and their finding showed that Independent Commissioners as one of the internal mechanisms of corporate governance had been able to mitigate the financial distress. But Li et al (2007) did not test whether external mechanism of corporate governance has negative impact on financial distress. We believe our research will provide broader scope in determining which CG mechanisms that has potential role in mitigating financial distress.

We narrow our sample in the transportation industry since we rely on our pre-investigation which showing that in indonesian stock exchange, transportation industry companies experienced most of financial distress phenomena. Therefore, we strongly argue that this research will provide more contribution for the industry. Elloumi and Gueyie (2001) categorized the company with financial distress when experiencing EPS (earning per share) negative. In Indonesia, the companies in the transportation sector still often experience negative EPS. In other words, the companies are experiencing financial distress when it has negative EPS.

LITERATURE REVIEW AND HYPOTHESES DEVELOPMENT

Independent Commissioner and Financial Distress

The agency theory explains that the agency relationship appears when one or more principal employ others (agent) to provide services and then delegate decision making authority to the agent. The implementation of the task by the agent is expected to run according to what principal want but the implementation of the task by the agent also requires supervision so that the agent always faithful and obedient to the command lines issued by the principal.

Based on Agency Theory, agents has probability to increase their tendency of having moral hazard once the monitor role from principal weaken and the independency of the board of commissioners also tend to be soft. Therefore, it is company obligation to have independent commissioner who will oversee how the agent of the company running the business as well as the implementation of good corporate governance. Independent Board of commissioners will monitor performance of the board of directors and act independently without any influence from any party in the company (Fitdini, 2009). Logically more number of independent boards of commissioners in the company will cause the level of supervision tighter since the commissioners are fair in supervising management’s work. As a result, company’s financial condition will be saved from financial distress.

Our argument seems to be in line with Elloumi and Gueyie (2001) who showed that independent commissioners are negatively correlate with the status of financial distress in Canadian companies. In addition, Nur (2007) also states that there is a significant negative influence between the Independent Commissioner and financial distress conditions. Another same result also showed by Emrinaldi (2007), which indicate that, a greater number of independent commissioners in the company
will cause management to be monitored efficiently by independent commisionair. Finally, Li et al (2008) also proved that the proportion of independent commissioner also has a negative relationship with financial distress. In summary, we argue that more number of independent commissioners in the company will cause less potential for the company deal with financial distress because of supervision for management implementation of the of the company received supervision from independent parties. Therefore, we pospose our fist hypothesis as follow:

**H1:** Independent Commissioners have a negative effect on financial distress.

**The Audit Committee education background and Financial Distress**

Education background becomes one of the characteristics, which are important to ensure that the audit committee carries out their tasks effectively. Knowledge of accounting and finance provides a good basis for members of the audit committee to examine and analyze the financial information (Grace et al., 2009). The Audit Committee which consist of members with educational background of accounting or finance will have a high standard in carrying out their tasks and producing good performance and image for the company (Grace et al., 2009). FCGI (2002) stated that the audit committee must have at least one of the members who have sufficient knowledge about financial and accounting. The audit committee members who expert in financial field are be more professional adapt quickly to changes and innovation (Hambrick and Mason, 1984 in Mercy et al., 2008).

The Audit Committee members with educational background in accounting and finance are expected to become more effective. This is in accordance with Mercy et al. (2008) which proved that the audit committee with good educational background in accounting and finance will have good performance so that the company does not experience financial distress compared to companies which audit committee members are low in educational background in accounting and finance. Pembayun and Januarti (2012) and Nuresa and Hadiprajitni (2013) together shows that audit committee which hold knowledge of finance has a negative effect on financial distress because Audit Committee members whom educational background is more suitable to be a real, are able to control the condition of the financial operations of the company since early so that the company can avoid financial distress.

One of the obligations that an audit committee has is that they have to monitor the management’s work related to the financial policy. Regarding to this issue, the existence of an audit committee is expected to minimize agent’s efforts to manipulate data related to finance and accounting procedures and to optimize the performance of the agent. This effort is potentially prevent the agency conflict on a company that can cause financial distress conditions. In this case, sufficient knowledge from audit commeeetee members which is measured educational background - is required. The more members of the audit committee that has the educational background of accounting or finance will be more effective in mitigating the company from financial distress. At least the number of members of the audit committee that
has the educational background of accounting or finance will make the company experienced decreased performance and cause the company experienced financial distress. The lack of audit committee members with accounting education background or make financial audit audit committee is not able to control effectively so that the cause of the performance of the company. Based on the explanation above, we propose this following hypothesis:

H2: Education Background of Audit Committee has negative effect on Financial Distress.

Audit quality and Financial Distress

Previous research by Li et al, (2007) did not test whether audit quality has an impact on financial distress. In contrast, they showed that audit opinion influence financial distress. It is because audit opinion can be useful to provide information about the good and the bad of managerial and financial quality of a company. Thus the audit opinion can be used as one of the indicators to show whether company experience financial distress or face a health financial condition. For example, Altman and McGough (1974) and Menon and Schwartz (1986) found that approximately fifty percent of the sample of those who receive the opinion of going concern, eventually experiencing financial distress. Flagg et al., (1993) find a positive relationship between the opinion of going concern and financial distress conditions. Similarly Wu and Wu (2005) shows that the company with negative audit standards will increase the possibility enter the situation of a significant financial degeneration. All those studies empirically showed that audit opinion has a power to explain why companies experience financial distress.

While audit opinion has been investigating mostly by previous research and prove to give significant influence in preventing financial distress, this variable is beyond our study because our study focus in CG mechanism. We believe external mechanisms contribute an equal important role in mitigating financial distress as internal mechanism does, which neglected in many previous researches. We hope that audit quality, as external mechanism of CG, gives potential role in mitigating financial distress. De Angelo (1981) defines audit quality as the possibility that the auditor will find and report the violation in the accounting system with the knowledge and expertise of the auditor. By having good audit quality, the auditor will be able to better detect and find error or misstatement or even irregularities in the presentation of the financial report. In addition, it is the auditor responsibility to provide accurate and reliable information of accounting information. Therefore, audit quality considered as being one of the effective means to obtain high quality of accounting information. This information will be used to reduce asymmetry information or will be used to lower false information. High audit quality also create atmosphere to have an effective monitoring activity, which result in condition that management of the company will act on behalf of company’s side and will reduce opportunistic behavior of management. This effective monitoring mechanism because of having good quality of external auditor will prevent the company from experiencing highly loss financial
condition. In other word, effective monitoring mechanism provided by good audit quality will help company to avoid financial distress.

On the other hand, companies that hire low-audit quality will suffer from high information asymmetry, as the information quality produced by its external auditor seems to be un-realible and low of accurate. Futhermore, un-effective monitoring mechanism result from low audit quality will motivate management to conduct activities on behalf of their own advantage or in order to gain self-oriented reputation. As a result, company will be suffferd from insufficient cash flow and finally will enter financial distress condition. Accordingly, we propose this following hypoyhesis H3: Quality Audit have negative effect on Financial Distress.

RESEARCH METHODOLOGY

Sample Design
We focus in Indonesian transportation industry as our sample, which listed in BEI from 2009 to 2013. As purposive sampling was applied in our study, we use some criterias for our sample. First, companies including transportation Services Company recorded in BEI during the period of research. Second, company annual financial report Data Available for reporting year 2009, 2010, 2011, 2012 and 2013 stated in Rupiah. As a result, we gathered 150 firm-years observation.

Variables

1. Financial distress
   Financial variable distress symbolised by FD. Dependent variables in this research are presented in the form of dummy variables. We give score (1) when the company have negative earning per share (EPS) and zero (0) when the company have positive earning per share (Bodroastuti, 2009)

2. Independent Commissioner
   We measured based on the percentage of independent commissioners in the structure of the board of commissioners of the company (Princess and Merkusiwi, 2002)

3. The Audit Committee Education Background
   The Audit Committee education background in this research is the dummy variable. We give score (1) if at least one of the members of the audit committee is a person who has the educational background in finance in finance and 0 (zero) if there is not a single member of the audit committee that has the educational background in financial (Pembayun and Januarti, 2012).

4. Audit Quality.
   The quality of the audit in this research was measured by using public accountant size. This variable is measured using dummy variables where score 1 was given if the auditor to audit the company is the auditor from the big four hood and zero (0) if companies audited by non- big four auditor (Lin, 2006). Big-four auditor used in this research is: (1) Price Water House Coopers (PWC), with its partner in Indonesia Drs Hadi Sutanto and colleagues. (2) Deloitte Touche Tohmatsu, with its partner in Indonesia Hans, Tuanakotta and Mustofa. (3) Klynveld
5. The Total Debt to Equity Ratio

In this research, the debt equity ratio is used as a variable control. This ratio can be calculated with the formula (Almilia and Kristijadi, 2003):

\[
\text{Total debt to equity ratio} = \frac{\text{total utang}}{\text{ekuitas pemegang saham}} \times 100\%
\]

\[
\text{Total debt to equity ratio} = \frac{\text{total debt}}{\text{equity}} \times 100\%
\]

**DATA ANALYSIS**

Descriptive Statistics

Information related to descriptive statistics of Indonesian transportation industry between 2009 and 2013 was provided by table 1.1. As we can see from the table, it is clear that financial distress has a mean value of 0.33, which means that from the total of 125 companies, there are 33% of the companies suffered financial distress conditions. Mean value of Independent Commissioner is 0.36896. From the figure we can see that the average number of Independent Commissioner members in the company is 36.89%. This shows us that it is become reasonable when 33 percent of samples are still experiencing financial distress conditions. It might be occurred because average number of independent commissioner who owned companies are still relatively small, only 36.89%. For education background variables of Audit Committee and the audit quality shows the numbers mean are 0.94 and 0.51. It means that in average, companies have an audit committee, which members are 94 percent come from accountancy and financial education background. In contrast, mean value for audit quality is 0.51 which shows that 51% sample companies audited by the Big 4 auditors.

For control variables, Debt equity ratio shows the value of 0.98722 or in other words the level of debt equity ratio of the company samples of 98.72%. Debt equity ratio is part of financial leverage. Financial leverage is one of indicator of the business activities efficiency and the division of business risks efficiency between the owner of the company and the lenders or creditors. This ratio also plays a role as an indicator how high the level of security from the lender. It will be obvious that there is 33% of samples experienced financial distress, if we connected to this debt to equity ratio, which reach almost 99%. The possible explanation is that because our samples experience high debt equity ratio, many companies in our sample face financial difficulties or in a stage of high financial risk. This condition becomes a trigger for those company to enter the financial condition level.
Table 1.1

Descriptive Statistics

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</tbody>
</table>

Valid N (listwise) 125

LOGISTIC REGRESSION ANALYSIS

This test aims to see the influence of the Independent Commissioner, educational background of Audit Committee and the quality of audits on financial distress. We use the enter method with the level of the significance of 5%. The results of the tests can be seen in the table 1.2.

Table 1.2

Variables in the equation

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<td>KA</td>
<td>.895</td>
<td>.450</td>
<td>3.957</td>
<td>1</td>
<td>.047</td>
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<td></td>
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<td>.385</td>
<td>.158</td>
<td>5.928</td>
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<td>.015</td>
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<td></td>
<td>Constant</td>
<td>-.031</td>
<td>.938</td>
<td>.001</td>
<td>1</td>
<td>.974</td>
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</tbody>
</table>

A. Variable(s) entered on step 1: KI, LB, KA, DER.

The table 1.2 shows the p value of Independent Commissioner of 0.047 (less than level of the significance of 5%), which means that independent commissioners affect financial distress significant statistically. For educational background of Audit Committee, it has p value of of 0.002, which means the audit committee education background affect financial distress significant statistically. Finally, the p value of audit quality is 0.047. It is means that audit quality affect financial distress
significant statistically. Elloumi and Gueyie (2001) said that when members of the Independent Commissioner have a negative relationship to the financial distress, it can be explained because more number of independent commissioners in the company will be less potential for company experiencing financial distress because company will obtain more supervision s from an independent party.

For educational background of Audit Committee variable, the statistic number show that this variable has significant effect on financial distress wich means that the audit committee education background iplay a role in reducing financial distress that might face by transportation companies in Indonesia. Our result suggests that education background is one of the indicators to ensure that members of the audit committee can perform its role in the company effectively. It is explainable since the knowledge in accounting and finance that owned by audit committee, can give them a good base to examine and analyze financial information to minimize the financial distress.

Finally our last variable, audit quality has a essential role in mitigating financial distress in transportation companies. Our study suggest that the quality of a good audit will find error or misstatement or even irregularities in the presentation of the financial reporting will be reduced by having good audit quality. As the obligation of eksternal auditor to ensure information are of accurate and reliable, this kind of information will create atmosphere that can reduce asymmetry information so that with this reliable information will help to take an effective monitoring. As a result, opportunistic behavior of management will be reduced and highly loss financial condition will be prevented. In the and, financial distress will be mitigated with good audit quality

CONCLUSION AND LIMITATION

This research aims was to search for the factors that are able to mitigate the financial distress on the company. While the aim of the research is based on the identification of the problem is to prove empirically: (1) the influence of the Independent Commissioner on financial distress, (2) the influence of the educational background of audit committee on financial distress, (3) the influence of audit quality on financial distress.

Using the sample 150 firm-years observation from 30 companies on transportation sector that are registered in the BEI, research results support the proposed hypothesis and consistent with previous research. Using the alpha of 5%, we concluded that Independent Commissioners have a negative effect on financial distress. Thus the first hypothesis is statistically supported. Independent Commissioner is the party that can act as a supervisor of management in implementing the corporate governance system. By having broader commissioner independent member, monitoring proceess will be implemented in maximum effort and the company will be free from of financial distress. Research Results Emrinaldi (2007) stated that there is a significant and negative relationship between the variables independent commissioner with a variable financial distress because the more the number of independent
commissioners in the company will further minimize potential companies experiencing financial distress.

Educational background of audit committee are statistically has negative effect on financial distress. Thus second hypothesis is supported. There is the influence of the educational background of Audit Committee of financial distress in transportation companies, it means that the audit committee education background give an effect in reducing the financial distress conditions. Education background is the indicator to ensure that members of the audit committee can perform its role in the company effectively. This can happen with the knowledge in accounting and finance who owned the audit committee can give them a good base to examine and analyze financial information and minimize the financial distress.

Audit quality has a negative effect on financial distress which support the third hypothesis, which mean that audit quality influence financial distress negatively in transportation companies. Audit quality, measured by big four and non-big four, has role in reducing company in facing the financial distress conditions in transportation companies. This is due to the quality of a good audit will ensure information are of accurate and reliable, and this kind of information will create effective monitoring. As a result, opportunistic behavior of management will be reduced and highly loss financial condition will be prevented. In the and, financial distress will be mitigated with good audit quality.

There may be limitation regarding or research that need to be improved for next study. First, It is expected that the next research consider another industry, which suffer a lot from financial distress. Second, adding and investigating another internal and external mechanism as mention in Gilan (2006), Rezaee (2007), and Berhanrt and Rosenstein (1998) in order to obtain broader understanding about the role of internal and external mechanism of CG.

REFERENCES


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Wardhani. R 2006. GCG mechanism in the company is experiencing financial problems (Financially Distressed Firms). National symposium on Accounting IX. The Field

Wolfhenson, Jamess D, "Good Corporate Governance, understanding and Basic Concept of", the President of The World Bank, 1999.

Attachments

Table 1.3

<table>
<thead>
<tr>
<th>Step</th>
<th>Chi-square</th>
<th>df</th>
<th>Sig.</th>
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<tbody>
<tr>
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</table>

Tabel 1.4

<table>
<thead>
<tr>
<th>Iteration History&lt;sup&gt;a,b,c&lt;/sup&gt;</th>
<th>Coefficients</th>
</tr>
</thead>
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<tr>
<td>Iteration</td>
<td>-2 Log likelihood</td>
</tr>
<tr>
<td>Step 0 1</td>
<td>158.212</td>
</tr>
<tr>
<td>2</td>
<td>158.188</td>
</tr>
<tr>
<td>3</td>
<td>158.188</td>
</tr>
</tbody>
</table>

<sup>a</sup>. Constant is included in the model.

<sup>b</sup>. Initial -2 Log Likelihood: 158.188

<sup>c</sup>. Estimation terminated at iteration number 3 because parameter estimates changed by less than .001.

Model Summary

<table>
<thead>
<tr>
<th>Step</th>
<th>-2 Log likelihood</th>
<th>Cox &amp; Snell R Square</th>
<th>Nagelkerke R Square</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>134.109&lt;sup&gt;a&lt;/sup&gt;</td>
<td>.175</td>
<td>.244</td>
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</table>
Model Summary

<table>
<thead>
<tr>
<th>Step</th>
<th>-2 Log likelihood</th>
<th>Cox &amp; Snell R Square</th>
<th>Nagelkerke R Square</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>134.109&lt;sup&gt;a&lt;/sup&gt;</td>
<td>.175</td>
<td>.244</td>
</tr>
</tbody>
</table>

<sup>a</sup> Estimation terminated at iteration number 4 because parameter estimates changed by less than .001.

Table 1.5

Correlation Matrix

<table>
<thead>
<tr>
<th></th>
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<th>KI</th>
<th>LB</th>
<th>KA</th>
<th>DER</th>
</tr>
</thead>
<tbody>
<tr>
<td>Step 1</td>
<td>Constant</td>
<td>1.000</td>
<td>-0.454</td>
<td>-0.735</td>
<td>-0.036</td>
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<td>0.067</td>
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<tr>
<td></td>
<td>LB</td>
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<td>1.000</td>
<td>-0.309</td>
</tr>
<tr>
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<td>0.067</td>
<td>-0.309</td>
<td>1.000</td>
</tr>
<tr>
<td></td>
<td>DER</td>
<td>-0.051</td>
<td>-0.094</td>
<td>-0.101</td>
<td>0.053</td>
</tr>
</tbody>
</table>

Tabel 1.6

Classification Table<sup>a</sup>

<table>
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<th>Predicted</th>
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<tbody>
<tr>
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<td>FD</td>
</tr>
<tr>
<td>Observed</td>
<td>EPS</td>
</tr>
<tr>
<td>Step 1</td>
<td>FD</td>
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<tr>
<td></td>
<td>EPS Negatif</td>
</tr>
<tr>
<td>Overall Percentage</td>
<td></td>
</tr>
</tbody>
</table>

<sup>a</sup> The cut value is .500

Sumber: Output SPSS, 2014
THE EFFECT OF THE IMPLEMENTATION OF ENVIRONMENTAL MANAGEMENT ON ENVIRONMENTAL PERFORMANCE AND ITS IMPACT ON FINANCIAL PERFORMANCE

Vinky Liestoya Putri
Fakultas Ekonomi dan Bisnis, Universitas Sultan Ageng Tirtayasa
Email: vinkyliestoya.putri@gmail.com

ABSTRACT

The purpose of this study was to determine the effect environmental management on environmental performance, and environmental performance on financial performance in companies listed on the Indonesian Stock Exchange (BEI). Sample were taken by using purposive sampling then selected with predetermined criteria and obtained a sample of 96 of a total 24 companies listed on the Stock Exchange during the period 2011-2014. Data analysis techniques used in this research is ordinal logistic regression analysis and simple regression analysis by OLS method. The results showed that the variable environmental management has a positive significant effect on the environmental performance, and the variable environmental performance has a positive significant effect on financial performance.

Keywords: Environmental Management, Environmental Performance, and Financial Performance

INTRODUCTION

Nowadays, the competition between companies is becoming increasingly stringent, increasing the level of competition caused by the increasing number of companies and consumers become more selective in choosing products produced by the company. The level of competition the business affect the performance of the company. The company's performance can be measured on the company's financial performance. (Pujiasih, 2013). The financial performance is the determination of certain sizes that can measure the success of a company to generate earnings (Astuti et al., 2014; Sucipto, 2003). One measure of financial performance is Return on Assets (ROA). Based on information from ROA effectiveness of the company using its assets in operation and generate profits can be assessed. Yendrawati and Tarusnawati (2013); Fitrianni (2013) describes the revenues and profits have increased every year is a good indicator of financial performance. However, a good performance in the absence of social responsibility towards the environment and society will not make the company will grow sustainably.
Increased stakeholder awareness on environmental issues, indicated by the public demands that the company provide better information transparency of financial information as well as information on social impacts and the environment as a result of the company's activities, as well as the company's efforts to overcome them (Restuningdiah, 2007). While the government's concern for the environment is shown through the Ministry of Environment (MOE) by forming PROPER (Program Assessment Rating Company Work in Environmental Management) to enhance the company's role in environmental conservation program. Based PROPER, the company's environmental performance is measured using color-coded ratings ranging from the best gold, green, blue, red, black to worst for assessing environmental management.

Environmental management of the company to minimize the environmental impact caused by the company's business environment concern to the public and the government (Phan and Baird, 2015; Tinsley and Pillai, 2006; Deegan, 2003; Sullivan and Wyndham, 2001). Environmental performance will be achieved at a high level if the company proactively perform various management measures in a controlled environment (Jafar and Arifah, 2009). International environmental management standard ISO 14001 is used as a tool for the company to focus on the control of environmental aspects (Solikhatun, 2011). Melnyk et al (2003) evaluated the assumption that environmental management systems, such as ISO 14001 is important for companies to reduce waste and pollution that simultaneously improve the environmental management system that is formal in improving overall performance. With the ISO 14001 certification of the company will build public confidence in the assessment of the performance of the company.

Some companies are fully aware that environmental and social issues are also an important part of the company. Empirical studies related to environmental management, environmental performance, and financial performance has been done before Phan and Baird (2015) find the influence of institutional pressure on environmental management systems, as well as the influence of environmental management systems against environmental performance. Muhammad et al (2015) The results show that the improved environmental performance of companies affecting financial performance during the growth. Al -Tuwairjri, et al (2004) found that good environmental performance has a significant relationship with the good economic performance. A similar study by Suratno et al (2006) resulted in a similar conclusion stating that there is a positive and significant relationship between environmental performance and economic performance. However, these findings are not consistent with the findings Rakhiemah (2009) did not find a positive and significant relationship between environmental performance and financial performance.

Research conducted on a manufacturing company for manufacturing production process and to produce goods or products. In the production process enabling it may cause some environmental problems, therefore, more manufacturing
companies often get the spotlight and pressure from the public that the company observes the social impacts of environmental and operating activities.

**LITERATUR REVIEW**

**Stakeholder Theory**

Stakeholder theory states that all stakeholders have the right to obtain information about the activities of companies that can influence their decision making. The stakeholders may choose not to use such information and can not even play a direct role in a company (Tristianasari, 2014; Deegan, 2004). The reason that pushed the company needs to consider the interests of stakeholders, namely: (1) Environmental issues involving the interests of various groups in society that could interfere with their quality of life, (2) In the era of globalization has encouraged the products traded must be friendly to the environment, (3) the investor in making an investment tend to choose the company that owns and develops environmental policies and programs, (4) NGOs and environmentalists are increasingly vocal in criticizing companies are less concerned about the environment (Nuraeni, 2010).

Stakeholder theory underlying the association between environmental management system with the practice of environmental performance. The environmental performance refers to the impact of the organization's activities on the environment, including natural systems, such as land, air, water and living organisms (Phan and Baird, 2015; Langfield-Smith et al., 2009, p. 859). Improved environmental performance can reduce the risk of the company's operations are derived from environmental pollution and boycott the stakeholders (Godfrey et al., 2009). Proactive environmental practices can also reduce environmental compliance costs and improve employee morale and productivity (Q. G. Yi et al., 2014; Mazzanti dan Zoboli, 2009; Pil dan Rothenberg, 2003; Shrivastava, 1995).

**Environmental Management**

Environmental management are aspects of the overall management function (including planning) that determine and carry on the implementation of environmental policy (BBS 7750, the ISO 14001 by Sturm, 1998). Environmental management during this time before their ISO 14001 in a state of fragmented and do not have certain standards from one region to another, and different application internationally between countries with one another. Environmental management practices are carried out in a systematic, procedural, and can be repeated so-called environmental management system (EMS) (Purwanto, 2003).

According to ISO 14001, Environmental Management System (EMS) is part of the overall management system that functions to maintain and achieve environmental policy objectives. So that SML has key elements that environmental policy statement and is part of the company's management system more widely. Based on the Phan and Baird (2015); British Standards Institute (1992) EMS is defined as "the organizational structure, responsibilities, practices, procedures and resources for determining and implementing environmental policy. Meanwhile, according to Steger (2000, p. 24); Phan and Baird (2015) EMS is a transparent and systematic process with the purpose of reference and implement environmental objectives, policies and responsibilities, as
well as regular audit of its elements. Phan and Baird (2015); Tinsley and Pillai, (2006); Sullivan and Wyndham (2001); Steger (2000) revealed that using EMS provides a variety of benefits. Among them, reduced environmental risks facing the company, management becomes better adhere to regulations, improve resource utilization and employees, improve and enhance the public reputation. The effective implementation of the environmental management system can be achieved if there is an absolute commitment from top management. That commitment includes the allocation of management time and funding for the implementation phase. During the implementation phase costs to be incurred should be budgeted. in the early stages of implementation of the environmental management are preparing (Whitelaw, 2004)

Environmental Performance

Environmental performance in Indonesia measured from the achievements of the company following the Corporate Performance Rating Program in Environmental Management (PROPER). The program is conducted by the Ministry of Environment to encourage companies in environmental conservation and environmental management. The legal basis for the implementation of the PROPER is the Decree of the Minister of the Environment No. 127 of 2002 on Corporate Performance Rating Program in Environmental Management (PROPER). PROPER routine is announced to the public, so companies are rated will receive incentives or disincentives reputation, depending on the level of obedience (Rakhiemah and Agustia, 2009).

PROPER targets for action include: creating a good environment; realizing sustainable development; creating resilience of natural resources to realize the business climate that is conducive and friendly environment, which emphasizes the principles of cleaner production or eco-efficiency (Indriana, 2009). The evaluation criteria PROPER consists of two categories, namely the assessment criteria of obedience and assessment criteria more than required under rules (beyond compliance). PROPER use of assessment criteria obedience based on aspects of pollution control of water, air, waste management B3 (Hazardous and Toxic), and the application of the EIA (Environmental Impact Assessment) testing BOD and COD wastewater, water pollution control sea, and the potential for damage to land ( www.proper.menlh.go.id ).

Financial Performance

Measurement of financial performance based accounting is more popular and more widely used than the measurement of financial performance based on the market. Assessing the performance of companies based accounting can be done by using financial ratios. Financial ratios are financial analysis tools are most commonly used. Financial ratios connect to various estimates contained in the financial statements so that the financial condition and results of operations of an enterprise can be interpreted (Pujiasih, 2013; Sucipto, 2003).

Among other measurements of financial performance, profitability ratios most commonly used ROA is the most popular (Qi. G.Y. et al., 2014; King and Lenox, 2001; Goll and Rasheed, 1997 ). ROA is the result of total assets or total
return on investment. ROA shows the performance of management in the use of corporate assets to generate earnings. The Company expects the results of return comparable to funds used.

**CONCEPTUAL FRAMEWORK**

*Figure 1: Proposed Conceptual Framework*

![Diagram showing the relationship between Environmental Management, Environmental Performance, and Financial Performance.](image)

**Effect Environmental Management to Environmental Performance**

Environmental management is part of the management aspects for implementing environmental policy. Environmental management is strengthened by the international standards ISO 14001, known as the environmental management system. In the environmental management system refers to the improvement of the organization’s performance in managing its environment. Good environmental performance is the implementation of a management system of good environmental management. Therefore to get a good environmental performance of companies can apply the standard ISO 14001. With provide guidelines to implement environmental management.

Research Melnyk et al (2003) concluded that the environmental management system, such as ISO 14001 is important for a company's ability to reduce waste and pollution that simultaneously improve the *environmental management system* that is formal in improving overall performance. In line with Phan and Baird (2015); Melnyk et al (2003). Sroufe (2003) states that the EMS could reduce the likelihood of unwanted non-compliance with environmental regulations. In addition, a comprehensive EMS can assist managers in identifying how economically meet environmental goals, which can lead to increased performance (Johnstone and Labonne, 2009). Based on the above description, the first hypothesis can be stated as follows:

**H1: Environmental Management Affects Environmental Performance**

**Effect Environmental Performance to Financial Performance**

Environmental performance is part of the company's performance to create a good environment. When a company to pay for the benefit of the environment and environmental management well, it will improve the environmental performance of the company. Measurement of environmental performance in Indonesia one of which may be through Program Performance Rating in Environmental Management (PROPER). With the PROPER assessment will provide benefits for the company and its stakeholders, including: PROPER assessment will improve the image and confidence in the eyes of stakeholders, as well as a promotional tool for the
company's environmentally friendly, especially to improve the competitiveness of companies in the trade.

Improved environmental performance can reduce the risk of the company's operations are derived from environmental pollution (Godfrey et al., 2009). Lowering the risk of making the company's cash flow projections in the future is more certain and reliable and enhance corporate value and shareholder value (Qi. GY et al, 2014; Orlitzky and Benjamin, 2001). Many authors found a positive relationship between the performance of the company and its financial performance, Al-Tuwaijri et al (2004) found a positive relationship significantly between economic performance with environmental performance. On research Mohammed et al. (2014) environmental performance positive effect on financial performance as well as a similar study by Suratno et al (2006) found a positive and significant relationship between environmental performance and economic performance. With the good environmental performance, the resulting product will also be good as well as the increase in the value of the company because the company's concern for environmental sustainability. Because of product and corporate image either directly or indirectly increase the sales so that profitability increases, the financial performance would be good. Based on the above description, the first hypothesis can be stated as follows:

H2: Environmental Performance affects Financial Performance

RESEARCH METHODOLOGY

SAMPLING DESIGN

The population in this research is manufacturing companies listed in Indonesia Stock Exchange (IDX) in 2011-2014. Sampling with purposive sampling technique where the method of taking the subject is not based on strata, random, or region but based on their specific criteria (Sugiyono, 2014: 117). Criteria samples used in this study are: 1. The company is listed on the Indonesia Stock Exchange and publish, or publish annual financial statements in a row from 2011-2014; 2. The company manufactures PROPER program in a row in 2011-2014 samples are manufacturing companies listed in Indonesia Stock Exchange. Samples were obtained as many as 24 manufacturing companies listed on the Stock Exchange with the observation period of four years during the period 2011 through 2014 by using purposive sampling.

RESEARCH PROCEDURE

Research Variable

Environmental Management

Environmental management are aspects of the overall management function (including planning) that determine and carry on the implementation of
environmental policy (Purwanto, 2003; BBS 7750, the ISO 14001 by Sturm, 1998). Environmental management practices of systematic, organized, and procedural called the environmental management system (Environmental management system). The environmental management system is well marked with the certification of ISO 14001. ISO 14001 is an international standard issued by the International Organization for Standardisation (ISO). Implementation of ISO 14001 provides many benefits for the company. This study uses a scale Dummy with a weight of 1 to companies that have ISO 14001 certification, and a weighting of 0 for companies that do not have a certificate of ISO 14001.

Environmental Performance

Environmental Performance Environmental performance is the performance of a company that cares about the environment (Rakhmawati, 2012). Environmental performance is the performance of the company in creating a good environment (green) (Suratno et al, 2006) In Indonesia, the company's environmental performance is measured through the company's participation in the PROPER program. The program is conducted by the Ministry of Environment to encourage the structuring of environmental management for the company. PROPER performance rating system includes a rating company in 5 colors:

<table>
<thead>
<tr>
<th>Color</th>
<th>Ranked</th>
<th>Score</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gold</td>
<td>Very very good</td>
<td>5</td>
</tr>
<tr>
<td>Green</td>
<td>Very good</td>
<td>4</td>
</tr>
<tr>
<td>Blue</td>
<td>Good</td>
<td>3</td>
</tr>
<tr>
<td>Red</td>
<td>Bad</td>
<td>2</td>
</tr>
<tr>
<td>Black</td>
<td>Very bad</td>
<td>1</td>
</tr>
</tbody>
</table>

Financial Performance

Financial performance is one way to measure the performance of companies. The financial performance of a company's performance - the company is relatively the same in an industry that is characterized by an annual return of the concerned industry. (Raikhemah and Agustia, 2009). In this study, financial performance calculated using the formula ROA namely:

\[
\text{The Formula} : \quad \text{ROA} = \frac{\text{Net Income}}{\text{Total Assets}} \times 100\%
\]

Data analysis method

In this study, the test is done by logistic regression analysis is ordinal logistic regression analysis or often called PLUM and simple linear regression with OLS (Ordinary Least Square). Analysis of Logistics Ordinal used as the dependent variable in the form of ordinal (ranking) on testing hypothesis 1, and OLS is used to investigate the effect of smoking on the dependent variable variabael on hypothesis
testing 2. Data tersebut be run using SPSS software version 20.0 (Statistical Product and Service Solution).

DATA ANALYSIS

Testing Hypothesis 1

Ordinal Logistic Regression Analysis

There are several tests used to determine the relationship between variables in ordinal logistic regression analysis test. The tests include the Model Fitting Information, Test Goodness of Fit Test, Pseudo R-Square, and test Parallel Lines, while to test the hypothesis in the analysis of ordinal regression using test parameter Estimate. Based on the results of tests that have been done shows values as follows:

<table>
<thead>
<tr>
<th>Tabel 1.3</th>
<th>Ordinal Logistic Regression Parameter Estimates</th>
</tr>
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<tbody>
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<td>Estimate</td>
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<tr>
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</tr>
<tr>
<td>[KL = 3]</td>
<td>.637</td>
</tr>
<tr>
<td>[KL = 4]</td>
<td>1.902</td>
</tr>
<tr>
<td>Location</td>
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</tr>
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<td>[ML=0]</td>
<td>-1.309</td>
</tr>
<tr>
<td>[ML=1]</td>
<td>0(^a)</td>
</tr>
</tbody>
</table>

Link function: Logit.
\(a\). This parameter is set to zero because it is redundant.

Source: Secondary data were processed (2016)

Based on the test results estimate the parameters in Table 1.3 shows the significant value of 0.013 < 0.05. This indicates that the variable Environmental Management significant positive effect on performance variables and the environment can be said that H1 is accepted. Based on table 1.3, the regression equation formed in regression test are:

\[
\text{logit (EP2)} = -2.932-1.309 \text{EM} \\
\text{logit (EP2+EP3)} = 0.637-1.309 \text{EM} \\
\text{logit (EP2+EP3+EP4)} = 1.902-1.309 \text{EM}
\]

The model can be interpreted as follows:

1. Based on the probability of each category (calculated using the software microsoft excel 2010)

\[
\text{EP2} = \frac{\text{Exp} (-2.932-1.309)}{1 + \text{Exp} (-2.932-1.309)} = 0.01
\]
1. \(1 + \exp(-2.932 - 1.309)\)

\[
\text{EP2} + \text{EP3} = \frac{\exp(0.637 - 1.309)}{1 + \exp(0.637 - 1.309)} = 0.33
\]

\[
\text{Jadi EP 3} = 0.33 - 0.01 = 0.32
\]

\[
\text{EP2} + \text{EP3} + \text{EP4} = \frac{\exp(1.902 - 1.309)}{1 + \exp(1.902 - 1.309)} = 0.73
\]

\[
\text{Jadi EP 4} = 0.73 - 0.33 = 0.40
\]

2. Odds Ratio Based on the Environmental Performance category (calculated using the software Microsoft Excel 2010)

\(\text{(Exp} - 1.309\) = 0.27

Based on the above ordinal regression equation in each category may mean that companies that do not apply or do not have the environmental management certificate ISO 14001 would risk lowering the environmental performance of 0.01 in category 2 (Red), 0.32 in category 3 (Blue), 0.40 in category 4 (Green), and possibly also in the category 5 (Gold) compared with the ISO 14001 Certificate is ownership.

Value Odds Ratio of 0.27 means that companies that do not apply or do not have the environmental management certificate ISO 14001 would risk lowering the odds ratio of 0.27 times in the category of environmental performance compared with companies that are certified ISO 14001. From a probability value in each category environmental performance and value odds ratio test results can be concluded that companies that do not implement environmental management or do not have the certificate of ISO 14001 will lead to a reduction in its environmental performance assessment. Conversely, if the higher the percentage of ownership certificate of ISO 14001 will affect the increase in environmental performance ranking of the company. This is shown from the direction of positive values in the above table Wald indicating ownership of environmental management certificate ISO 14001 will make the company's environmental performance is getting better.

Testing Hypothesis 2

The regression analysis estimation method Ordinary Least Squares (OLS) which both have a requirement for data to be processed should be Best Linear Unbiased Estimator (BLUES). Therefore, to meet the requirements necessary to advance BLUES performed classical assumption. Classic assumption test used in this study consisted of a test for normality, autocorrelation, and heteroskedastiditas. To test the hypothesis using Individual Parameter Significance Test (T-Test Statistic). T-Test Statistik used to determine how much influence the explanatory variables / individually independent and dependent variable.
Based on the test results in Table 1.4, it can be seen that the Environmental Performance variables have a positive direction with a coefficient of 0.061 with a significance value <0.05 (0.002 <0.05) and t-count of 2.533, because t-count > t-table to df (96) (3.195 > 1.9850) it can be concluded that the Environmental performance (EP) positive and significant impact on financial performance (FP). Thus it can be said that the H2 is received. Based on test results in Table 1.4, it can be seen the constant value of 0.111 and the value of the variable coefficient of 0.061 KL. Based on the table, it can be arranged regression equation as follows:

$$KK\ KL = 0.111 + 0.061 + e$$

The model can be interpreted as follows:

The constant of 0.111 states that if the independent variables are considered constant, then the Financial Performance (FP) of 0111%. Environmental Performance variable regression coefficients (FP) obtained positive coefficient of 0.061 with the direction that every 1% increase in the Environmental Performance ratings will improve the Financial Performance of 0.061%.

**CONCLUSION AND DISCUSSION**

**Hypothesis 1: Effect of Environmental Management to Environmental Performance**

Based on the results of statistical tests that can be seen from Table 1.3, it is known that the influence of environmental variables on the performance management environment is a significant positive. Thus it can be said that H1 is accepted. These results indicate that the higher the implementation of the environmental management of the company is characterized by the ownership certificate of ISO 14001 will encourage companies to have a higher environmental performance. Implementation of ISO 14001 is the commitment of a company in the management and control of environmental good. Environmental management practices in the development of many inspired by the evaluation of the implementation of ISO 14001. The purpose of the implementation of environmental management ISO 14001 is to support environmental protection and management that could bolster the company's
environmental performance in the future. ISO 14001 consists of some of the principles and key elements as a driving force in the effort to implement an environmental management system.

The results are consistent with research conducted by Phan and Baird (2015), Jafar and Arifah (2006), and Melynk et al (2003). ISO 14001 certification plays an important role in the company's efforts to improve environmental performance. The goal of the environmental management system is to float, implement, manage, coordinate, and monitor the company's activities to improve environmental performance and enhance compliance (Melynk et al., 2003; Sayre, 1996). Phan and Baird (2015); Sroufe (2003) states that the environmental management system can reduce the likelihood of unwanted of compliance with environmental regulations.

Hypothesis 2: Effect of Environmental Performance to Financial Performance

Based on the results of statistical tests that can be seen from Table 1.4 in mind that the effect of variable environmental performance to financial performance is significantly positive. Thus it can be said that the H2 is accepted. These results indicate that the environmental performance of the company as assessed by PROPER acquired company's influence and impact on the company's financial performance as measured by ROA or the company's ability to profit by using its assets.

Environmental preservation efforts by the company to bring a number of advantages, including the interests of shareholders (investors) and stakeholders on corporate profits as a result of responsible environmental management in society (Wicaksono, 2012; Pfleiger et al., 2005). The appetite for the company will make investors invest their funds in the company. Accretion of funds that occurred in the company can provide an opportunity for companies to expand and take the business policy insightful limkgungan such as the use of technology that is economical to reduce the operating costs of the company. The company is creating a good work environment, clean, safe, and comfortable and maintain good health Occupational safety and employees will continue to boost employee morale that will improve the quality of the resulting product. In addition, if the employee is healthy, then the company will not spend much money on health insurance. This will impact on the improvement of corporate profits. Her other things in terms of corporate compliance. with the activities of companies that care about the environment, can avoid the claims of society and government as well as improve the quality of the products that will ultimately be able to increase the economic benefits (Wicaksono, 2012; Pfleiger et al., 2005).

The results are consistent with research conducted by Mohammed et al (2015), Suratno et al (2006), and Al-Tuwajiri et al (2004). Improved environmental performance can reduce the risk of the company's operations are derived from environmental pollution (Godfrey et al., 2009). Lowering the risk of making the company's cash flow projections in the future is more certain and reliable and to increase the value of the company (Qi.GY et al., 2014; Orlitzky and Benjamin, 2001).
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MODEL DEVELOPMENT OF SMALL ECONOMY IN INDONESIA
THE COORDINATION OF REALIZATION KELOMPOK USAHA BERSAMA (KUBE) PROGRAM IN CENTRAL TAPANULI REGENCY OF NORTH SUMATRA PROVINCE (CASE STUDY IN PANDAN SUB-DISTRICT)

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ABSTRACT

The research is titled The Coordination Of realization Kelompok Usaha Bersama (KUBE) Program in CENTRAL TAPANULI REGENCY of NORTH SUMATRA PROVINCE (case study In Pandan Sub-District). Objective to know the Implementation Coordination Group joint venture (KUBE) in Central Tapanuli Regency of North Sumatra Province, to find out the factors supporting and Coordinating the implementation of a barrier in the event, as well as to know the efforts in tackling the factors restricting the case. The research method used is descriptive qualitative approach method. Data collected through observation, interviews, and documentation. As for analyzing the data already obtained, using techniques of data analysis, presentation of data, and the withdrawal of the conclusion. Based on the results of research, shows coordination of implementation of Joint business group (KUBE) in Central Tapanuli Regency has been going well, although there are some constraints in its commissioning, but various attempts have been made to overcome. Based on the results of the study, the authors suggest to upgrading the coordination of the implementation of the Program KUBE in Pandan by creating a local regulations that govern the coordination agency of about so that problems can be resolved specifically KUBE, maintain existing constituents as well as anticipate and reduce factor inhibitor, as well as implementing on continuously each effort at coordination.

Key words: coordination, organization, execution of KUBE

INTRODUCTION

Poverty is a problem that has existed for centuries humanity alive. Even before the existence of civilization progress, Poverty has been already there. Problems of current poverty afflicts almost all countries, even the developed countries has the problem of poverty. World Bank in Purwanto (2007:300) defines poverty by
using the measure of ability / purchasing power namely $1 or $2 per capita per day. BPS in Purwanto (2007:301) defines poverty is based on a poverty line. The value of the poverty line used to determine poverty refers to the minimum requirements needed by someone that is 2100 calories per capita per day, plus a minimum of non-packed which someone needs that include: Boards, clothing, schools, transportation, as well as household needs and the underlying individual.

Poverty can be seen from the various dimensions. Poverty caused regards to development can also be differentiated in sub-systems poverty (poverty resulting from lack of development), rural poverty (poverty as a result of rural marginalization in the process of development), urban poverty (the poverty caused by essence and urban growth spurt), social poverty (the poverty experienced by the women, children, and minorities, as well as consequential damages, namely poverty happens from other events or external factors, such as conflict and natural disasters. Sharp in Eco Joon and Siti Maisaroh (2009:105) States that:

The three main causes of poverty which was seen from the economic side, first, micro, poverty occurs due to a dissimilarity of the pattern ownership of resources that cause distribution of lame. Second, poverty occurs as a result of the difference of the quality of human resources (HR). The low quality of human resources means low productivity. This is because the low level of education also. Third, poverty occurs as a result of differences in access to capital ownership.

The total of Indonesia's poor population based on data from the Central Bureau of statistics in September 2014 reaches 27.72 million or 10.96 percent of the population of Indonesia (BPS). While the number of poor population of Central Tapanuli Regency by 2014 reach 52,000 soul or 15.41 percent from the total population of 324,006.

<table>
<thead>
<tr>
<th>Years</th>
<th>Number of poor</th>
</tr>
</thead>
<tbody>
<tr>
<td>2011</td>
<td>52.200</td>
</tr>
<tr>
<td>2012</td>
<td>50.200</td>
</tr>
<tr>
<td>2013</td>
<td>49.600</td>
</tr>
<tr>
<td>2014</td>
<td>52.000</td>
</tr>
</tbody>
</table>

Source: BPS Tapanuli Tengah, 2015

According to the legislation of Republic of Indonesia number 13 in 2011 about the handling of the poor States that in accordance with the provisions of the Constitution in 1945, the State is responsible for keeping the poor in order to meet the decent basic needs of humanity. And to carry out the responsibilities of countries needed national development policy in favor of the poor by well-planned, purposeful, and ongoing. Basically poverty reduction programs should begin with the empowering communities in advance in order to be more independent and manage his own business and not depend upon the Government. In empowering the community needed social empowerment measures capable of being a medium for making citizens
who have social problems in order to have power, so it is able to meet the needs of the essence, as Act No. 11 of 2009 About Social Welfare mentioned in the preamble, "that to realize a decent and dignified life, as well as to meet the basic needs of the rights of citizens in order to achieve the social welfare, the State organizes the social welfare and development services programmatically, directionally and sustainable ".

Next in chapter 5 verse (1) of LAW number 11 in 2009 mentioned that the Organization of social welfare is addressed to individuals, families, groups and communities.

Social empowerment according to LAW number 11 in 2009 about the social welfare as stated in chapter 12 verse (1) is intended to:

a. Empowering a person, family, group and community that is experiencing the problem of social welfare in order to be able to meet their needs independently.
b. Increasing the role of institutions and/or individuals as potential and resources in implementing social welfare.

Next on article 12 verse (2) of the Social Empowerment can be done through:

a. Increasing willingness and capability;
b. Excavation potential and resources;
c. Basic values Excavation
d. Granting access; and/or
e. Granting the aid effort.

Based on the description of the law above then it can be described that Social Empowerment is intended as one way to manifest a decent life for the community. According to Lowe (1995:26) in Nyoman (2005:99):

Empowerment is The process as a result of which individual employees have the autonomy, motivation, and skills necessary to perform their jobs in a way which provides them with a sense of ownership and fulfillment while achieving shared organizational goals or the process as a result of which the individual has autonomy, motivation, and skills needed to carry out their work in a way that gives them a sense of ownership and fullness when achieving the shared goals of the organization.

In the empowerment there is also a target to be achieved as an effort in letting go of the shackles of poverty, underdevelopment and giving them a Sense of Ownership and Fulfillment. Chabib (2014:105) stated that there are at least two goals of empowerment can be achieved: first, being released them from the shackles of poverty and underdevelopment. This goal associated with food problem, clothing, Board/housing and health care, while the second target is the increasingly strong position both in the economic and social structure of power.
To achieve these two objectives, the community should be given a role as the subject/actor in the process of empowerment. In this case every proposal and the idea of community is an important input in terms of development or as a starting point the taking and formulation of development programs. In an effort to make the community empowered to be subject/actors in the development process, constitution number 11 of 2009 about social welfare and law numb 13 in 2011 about the handling of the poor, the social Ministry Directorate General of Social Empowerment and poverty reduction set a number of national policy that is based on the strengthening of Micro-scale Economies. In general this Empowerment Programmed aims to create social benefits, through labor-intensive projects to meet the needs of life and benefit from the results of the business community. One of the activities performed is the development of Sustainable Livelihoods (P2B) for very poor Families (SHGS) through a joint venture Group (KUBE). Joint business group is one of the approaches in order to tackle poverty community empowerment which is done by the social Ministry. This empowerment activities include the granting of aid of stimulant to economic productive business activities (UEP), mentoring in the pioneering and developing business as well as the enhancement of the technical skills of members.

The target of the program KUBE is very poor Family (KSM) which is built by aid recipient from the social Ministry programs such as Hope family Program (PKH) and Remote Indigenous Communities Empowerment Programme (KAT) or very poor Households (RTSM) others that haven't gotten assistance program. Besides to accelerate the product to deliver the target out of poverty, it is possible to program a synergy with KUBE other social Ministries although not yet. According to Kemensos (2015:2) KUBE is rated as one of the economic populist efforts that contains three aspects/dimensions of the Foundation they are:

1. Institutional
   The institutional value of the KUBE is the occurrence of "Self-Learning Process" among members to manage business by optimizing institutional system structured with good, albeit in a simple pattern, including the learning organization. Thus, the KUBE at once can be viewed as "Learning Building Organization" for its members.

2. Social values
   Social values contained inside the KUBE is the value of honesty, commitment and integrity, social responsibility, participation, social solidarity and mutual.

3. The economy
   Economic value contained in the KUBE is the realization of a number of economic indicators micro especially linked with the "employment-generating income-growth", which resulted in an increase in the economic life of the family. With KUBE, then people who don't have a livelihood may be at work or from a freelancer be fixed, workers earn on a permanent basis, some of them even increased its revenues have increased savings and also having venture capital because of its ability to access financial institutions according to needs of business.
The third dimension gives conceptualization KUBE ranging from the philosophy behind its founding, stages of its implementation, and its contribution to the improvement of social welfare for the poor, among others in the form of the creation of new sources of jobs, increasing family income, capital and savings, as well as being able to balance between consumption and productivity, and in turn is able to manifest the solidarity in the family environment and the social environment. The presence of a KUBE is a medium to increase the motivation of poor citizens to more advance economically and socially, increasing interaction and cooperation within the group, exploring the potential and resources of local socio-economic, strengthened the culture of entrepreneurship, expanding market access and socioeconomic partnership with various related parties. Through the group, each poor family can share experiences, communicate with each other, know each other, and to resolve the various problems and perceived needs. System with KUBE business activities previously carried out singly can be developed into a business group or get mentoring groups, so each Member can increase their knowledge and skills in productive economic activities, social welfare efforts as well as the ability of the freedom of Association.

KUBE was formed and philosophical values enshrined "from", "by" and "for" society. This means that the existence of a group of KUBE anywhere (town or village) derives from and is in the midst of the community. The formation of the group comes from the idea of the local community, which is expected to help the growth of local economic potential. This enterprise development should consider the value of local cultural norms and the existence of sources and potential that is available in the environment, and the capacity of human resources (a member of KUBE). Source of funding comes from the STATE BUDGET funds KUBE (Budget revenues and state spending) through the budget of the Ministry of the social Republic of Indonesia are transferred directly to the KUBE after getting approval from the Social Service district/city. The KUBE program implemented by Central Tapanuli Regency Government intends to reduce the poverty that exists in the environment of Central Tapanuli Regency. By empowering the people who want to try and work to get out of the poverty line and prosper his life. The help of the Program given by viewing the KUBE capabilities and the potential that exists in society and on the willingness of the community itself. In practice in Central Tapanuli Regency, in Central Tapanuli Regency by 2015 to the new 30 KUBE divided on several sub districts namely as follows:

<table>
<thead>
<tr>
<th>No</th>
<th>Districts</th>
<th>The number of group</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Pandan</td>
<td>15 groups</td>
</tr>
<tr>
<td>2</td>
<td>Sarudik</td>
<td>15 groups</td>
</tr>
</tbody>
</table>

Table: The list of KUBE division per districts in 2014

Source: Dinas Sosial Tenaga Kerja Transmigrasi Tapanuli Tengah (2015)
Still in the implementation of the program that there is still a lot of KUBE, problems that have yet to be resolved. Based on observations in the field, the obstacles faced was the lack of activity reporting the activity of Social Service to KUBE, manpower and transmigration Central Tapanuli Regency as the commissioning activities and in charge of the district/city level. Based on direct observation by Researchers implementing KUBE in Central Tapanuli Regency tend to be slow, this is due to the SOUL of ENTREPRENEURSHIP society is lacking, the management of the organization is not good, and poor cooperation and coordination against internal and external groups or the executor and the person in charge. In addition to weak administrative capabilities of any group of KUBE resulting in difficulty obtaining valid data from every Development Group joint venture that ultimately resulted in the development of social welfare is not arising through Program KUBE. In terms of socialization to KUBE, according to the head of social Department, labor and Transmigration is interviewed by the Investigators via Mobile stated dana socialization KUBE already accommodated in BUDGETS since the year 2013 to 2015 this, this shows that at least the Central Tapanuli Regency Government has taken part in the process of poverty reduction.

In terms of supervision of Social Agency, manpower and transmigration against companion and KUBE is less effective, since no sanctions came on Escort and group joint venture (KUBE), whereas this has a vital role in the development of Joint business group (KUBE) in Sub district of Pandan. RRI.co.id publishes news with the headline "Funds Bansos PKH Tapteng" mocked "containing the following: "A number of groups of social assistance recipients (Bansos) Program (PKH Family hope in Central Tapanuli, Tapanuli Regency dinsosnakertrans party pointing fingers middle" play "the bansos Fund as experienced one of the Group's joint venture in Central Tapanuli. Than 20 million received, quantity of funds coming into the account of this group, and in less then 1 hour of the money requested by the members of the Fund on the grounds that RM will be managed together for purposes of livestock chickens raised, but his results did not match expectations " (RRI.co.id" Dana Bansos PKH Tapteng "mocked" retrieved on November 9, 2015).

The other thing that resulted in the latest developments in Central Tapanuli Regency KUBE is a kind of relief in the form of grants resulted in the existence of the sense of arbitrariness in managing KUBE, so if an escort is not accomplished, it will be difficult to keep an eye on the development of Joint business group (KUBE). The next problem is responsible for coordination and implementers is very less in running the program KUBE, through interviews with Researchers do initial Head Of Section child welfare, the Elderly and Help Poor Central Tapanuli Dinsosnakertrans about the use of funds KUBE, stating that "the public confusion in using the grant to open the effort because of less ability and still use the ways and traditional management, so often threatened KUBE failed , this is because of the lack of training on skill trying which is non-auth Social Department of manpower and transmigration ". Alleviation in the problems encountered by the Group joint venture (KUBE), Social Service,
manpower and transmigration definitely require coordination with other agencies, but with the absence of a legal basis in the coordination arrangements concerning the alleviation of the problem of Social Service, resulting in the KUBE manpower and transmigration Central Tapanuli Regency are unable to resolve the problem with the maximum. Pandan is one sub-district in Central Tapanuli Regency who received help through the Program (Joint Ventures) KUBE 15 groups with various kinds of businesses, but in the kind of community-run business recipient KUBE still tend to use the relief fund in the field of fisheries and Poultry, whereas in the field of the sustainability of its efforts to better level, there are only 3 groups in the fields of Needlework and doorsmer, as for the group along with the type of business that is run by (the Group joint venture) the KUBE can be seen in the following table:

Tabel
The kinds of co-work of Pandan district in 2014

<table>
<thead>
<tr>
<th>No</th>
<th>Name Of KUBE</th>
<th>Types of business</th>
<th>Address of kelurahan</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Ros</td>
<td>Poultry</td>
<td>Muara Nibung</td>
</tr>
<tr>
<td>2</td>
<td>Melati</td>
<td>Washing Motorcycle</td>
<td>Muara Nibung</td>
</tr>
<tr>
<td>3</td>
<td>Bulan</td>
<td>Poultry</td>
<td>Muara Nibung</td>
</tr>
<tr>
<td>4</td>
<td>Dahlia</td>
<td>Fish Farm</td>
<td>Muara Nibung</td>
</tr>
<tr>
<td>5</td>
<td>Sehati</td>
<td>Sewing</td>
<td>Muara Nibung</td>
</tr>
<tr>
<td>6</td>
<td>Matahari</td>
<td>Poultry</td>
<td>Muara Nibung</td>
</tr>
<tr>
<td>7</td>
<td>Bintang</td>
<td>Poultry</td>
<td>Muara Nibung</td>
</tr>
<tr>
<td>8</td>
<td>Teratai</td>
<td>Party Tent</td>
<td>Muara Nibung</td>
</tr>
<tr>
<td>9</td>
<td>Mandiri</td>
<td>Poultry</td>
<td>Muara Nibung</td>
</tr>
<tr>
<td>10</td>
<td>Maju</td>
<td>Chips and Cookies Home Industry</td>
<td>Muara Nibung</td>
</tr>
<tr>
<td>11</td>
<td>Makmur</td>
<td>Tofu and Tempe Home Industry</td>
<td>Muara Nibung</td>
</tr>
<tr>
<td>12</td>
<td>Kesturi</td>
<td>Poultry</td>
<td>Muara Nibung</td>
</tr>
<tr>
<td>13</td>
<td>Mawar</td>
<td>Fish Farm</td>
<td>Muara Nibung</td>
</tr>
<tr>
<td>14</td>
<td>Bhakti</td>
<td>Poultry</td>
<td>Aek Sitio-tio</td>
</tr>
<tr>
<td>15</td>
<td>Maju Bersama</td>
<td>Poultry</td>
<td>Aek Sitio-tio</td>
</tr>
</tbody>
</table>

*Source: Dinas Sosial, Transmigrasi, Tenaga Kerja, 2014*

From the table, it can be known there are currently 15 joint venture Group (KUBE) in Sub district Pandan. Each group has 10 members comprising the Chairman, the Secretary and members. Based on the above background, the Researchers see the importance of good Coordination in an attempt to realize the prosperity of communities in Central Tapanuli especially between Central Government being the provision of funds and also the Central Tapanuli Regency who became a Builder directly and dealing directly with the public, particularly
community groups that exist in Pandan through joint venture then the Researchers
interested in taking Research entitled "COORDINATION of the IMPLEMENTATION of the PROGRAM GROUP JOINT VENTURE (KUBE) in CENTRAL TAPANULI REGENCY of NORTH SUMATRA PROVINCE (case study In Pandan).

LITERATURE REVIEW

In this study, researchers used the theory/concept of Coordination, according
to Handayaningrat in Moekijat (1994:42-43) that mentions the characteristics of coordination consists of:

Responsibility for Coordination lies in the leadership.

According to Moekijat (1994:1) that Coordination is important in complex organizations, because there are many different activities undertaken by many people in many parts. The need for coordination arising at any time if one person or group is responsible for the perfection of a task. Dale Yoder in Moekijat (1994:9) States that the coordination is maintaining effective relations between the contributions of the participants according to the timing and balance in its operations as a whole.

Leadership is needed in terms of responsibility in coordination, Moekijat (1994:35) States that small organizations may not require specialization. But if that organization grew to be large and contained many different activities, it is necessary to divide the tasks that are important within the responsibility of the parts need to be coordinated, part within a work unit. Follett in Moekijat (1994:40) stated that coordination can be achieved through a younger individual relation directly between the people responsible in it. Through the direct personal relationships, ideas, ideals, goals, views can be discussed and misunderstanding, if any, can be explained far better than any other method.

The success of coordination affects productivity at the level of leadership and supervises. Moekijat (1994:91) stated that the leadership of the effective coordination of the activities of those, both at the level of planning as well as on the level of implementation. Effective leaders create beliefs against those subordinates and also maintaining their working spirit.

Coordination is an attempt of cooperation

According to Moekijat (1994:42) Coordination is a cooperative effort. This is because a partnership is an absolute requirement in this coordination with their best. According to Nitisemito in Moekijat (1994:7) Coordination is the Act of a Manager to initiate the onset of alignment, between tasks work performed by someone part one part of the other person. Cooperation in coordination as Ateng in Moekijat (1994) stated that Coordination here is a process to contact activities; aims to fit each of the
steps and activities within the Organization in order reach fast motion to achieve the goals and objectives that have been set.

**Coordination is a continuous process (Continues Process)**

According to Moekijat (1994:40) Coordination is a continuous process and must take place on all the time starting from the planning stages. Coordination is therefore a basic organizational structure, then the coordination should last as long as the company carry out its functions. According to Pamudji in Moekijat (1994:38) States that the four key principles of coordination are:

1. Coordination should start from the beginning;
2. Coordination is a continuous phase;
3. All the possibilities of coordination should be a joint meetings;
4. The differences in the views must be expressed publicly and investigated in relationship situations entirely.

The importance of setting in a continuous process that is present on the Moekijat statement (1994:38) which States that the existence of obedience or loyalty of any of the parties to each task section and the schedule has been set and the mutual exchange of information from all parties cooperated on the activities and results at a given moment, including problems faced by each. Henry and Carroll in Moekijat (1994:4) stated that Coordination is the development and maintenance of the proper integrative relationships between activities in an organization (coordination is the development and maintenance of relationships – relationships are integrated between the activities within an organization). Subsequently Henry and Carroll in Moekijat (1994:5) States Coordination is the process of developing and maintaining good relationships between activities, whether activities that Bodily or spiritual activities.

**The existence of a group setting on a regular basis**

Moekijat (1994:2) stated that Coordination is the adaption on a regular basis or reshaping activities are interdependent from individuals to achieve a common goal. Handayaningrat in Moekijat (1994:43) stated that coordination is a concept that is applied within the group, not against individual effort but a number of individuals who worked together in a group to achieve a common goal. James Mooney in Moekijat (1994:4) formulated coordination as "the orderly arrangement of group effort, to provide unity of action in the pursuit of a common purpose (business groups in setting up neatly to provide unity of action in order to achieve a common goal.

Colquitt, LePine, and Wesson in Moekijat (1994:49) suggest that the performance is the value of a series of behaviors of workers who contribute either positively or negatively, on the completion of the objectives of the organization. In the settings there is also business efficiency as Pitfield in Moekijat (1994:5) States as a Coordination. This refers to efficient organization of work within a team as a contribution to the total efficiency of coordination. This shows the settings of the job in an efficient team as a relief to the overall efficiency).
The concept of unity of Action

Handayaningrat in Moekijat (1994:6) stated that Coordination is the adjustment of the different parts. In order for an activity rather than the parts were finished in time, so that each can contribute maximum efforts, so that the obtained results overall. In the concept of unity of Action necessarily has to be arranged with the planning, Moekijat (1994:40) stated that. Coordination can be achieved more easily in the early levels of the planning and making of wisdom. E.g. sambal prepared the plan itself should there be consultation. In this way the task of unification in the process of adjustment and implementation the plan becomes easier. Besides Hicks and Gullet in Moekijat (1994:42) stated that the work of organizations that are effectively achieved when all people and resources are aligned, balanced, and briefed. With regard to the statement in terms of the resources then the funding became part of the resources to achieve effective organizational work.

Coordination Purposes is a common goal (Common Purpose)

Koontz in Moekijat (1994) stated that Coordination is achieving harmony of individual and group efforts toward the accomplishment category of group’s purposes and objectives. In harmony with the opinions above, Hampton in Moekijat (1994:5) States that in order for the execution of the work to be successful then the organization require solid contribution of the unit-specific unit. For our purposes, this is what is meant by coordination. Anthony in Moekijat (1994) stated that Coordination is the activity of bringing people, materials, thoughts, techniques and goals into a harmonious and productive relationships in achieving an objective, therefore, to maximize the use of accuracy is required. Accuracy of use is one of the things to look for in carrying out the purpose of the results obtained in order to be useful and effective.

In realizing the common goal then the need for targeted, as Stoner and Wankel in Moekijat (1994:4) stated that Coordination is the joint activities of the organizations parts separately to achieve the goals of the organization. Departing from the theory/concept above, it is arranged House theme in this research is as follows:

<table>
<thead>
<tr>
<th>Title</th>
<th>Theme</th>
<th>Sub Theme</th>
<th>Sub-Sub Theme</th>
<th>Question Item</th>
<th>Informer</th>
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</thead>
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<tr>
<td>THE COORDINATION OF REALIZATION KELOMPOK</td>
<td>1. The Coordination Of Realization</td>
<td>1.1. Responsibility for Coordination lies in the leadership.</td>
<td>1.1.1 Leadership</td>
<td>1</td>
<td>1,4</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>1.1.2 Productivity</td>
<td>2</td>
<td>1,4</td>
</tr>
<tr>
<td></td>
<td></td>
<td>1.2 Coordination is an attempt of cooperation</td>
<td>1.2.2 Business</td>
<td>3</td>
<td>4,6,9,10</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>1.2.2 Cooperation</td>
<td>4</td>
<td>4,9,10</td>
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</tbody>
</table>
**RESEARCH METHODOLOGY**

Research methods used by researchers to analyze data is inductive approach-exploratory qualitative data collection on qualitative research carried out in natural conditions. The primary data sources data collection techniques and more on interviews, observation and documentation. Therefore, the researchers decided to use
these three techniques. In this study, Researchers use interview techniques by positioning the researcher as interviewers (research instrument) as well as activities related to the research focus of the dialog some people who act as resource person and hereinafter referred to as the informants consisting of:

1. The Secretary of the Region of the central Tapanuli regency as a first informer.
2. The head of commission B in field of LEGISLATIVE Central Tapanuli regency as the Informant 2.
3. The head of the regional development and Planning Board (BAPPEDA) Central Tapanuli regency as the Informant 3.
4. The head of social Department , labor and Transmigration of central Tapanuli regency as the Informant 4.
5. The head of the field of social assistance and Welfare society in Social Service, manpower and transmigration Central Tapanuli regency as the Informant 5.
6. The social assistance Section and disaster relief On Social, labor Service and Transmigration as Informer 6.
7. Head of Sub-district at Pandan as Informants 7.
8. Head on the of Muara Nibung vilage as Informant 8.
10. The Chairman of each of the KUBE (3 Groups ) in district of Pandan as the Informant

In order to produce a credible conclusion then the data obtained should be consistent, complete and definitive. To get a credible data is needed the credibility of the data. Techniques of examination of the validity of the data used in the verification data relating to this research uses techniques of triangulation IE check, check and cross-check.

DATA ANALYSIS

Based on the process of the research conducted in the field then the results can be explained as follows:
1. Coordination of the implementation of the KUBE in case studies in Pandan theories used, already well underway although there are a few disadvantages that occur in practice, such as the absence of any local regulations that govern cross-agency coordination so that any problems can be resolved by not KUBE satisfactory results.

2. As for the Supporting and Obstacles Factors to Implementation in coordination the coordination of the implementation of the KUBE in Central Tapanuli Regency of North Sumatra Province (case study in Pandan), namely:
   a. Supporting Factor.
   The desire of the community members who would like to own KUBE teamed up to revamp the economic life as well as getting steady income
because of the lack of jobs and the development of market demand for some types of goods spur coordination of the implementation of the KUBE in Pandan. In addition to the social agency of responding with either any input that comes from executing KUBE, so that it structures the coordination of the implementation of the Kelompok Usaha Bersama.

b. Obstacle Factors
Knowledge about the business that KUBE members they manage very less that they far from maximal in management, in addition there is a member of multiple groups that didn't want to come to work after the effort began, the other thing that is initiated there is a fictional activity KUBE, the difficulty in holding the seeds and raw materials to start a business, a disease that threatens the efforts of KUBE especially in farm animals, and the uncertain nature in Central Tapanuli Regency especially Sub-district of Pandan. In addition to the absence cross-Department coordination is in addressing problems in Central Tapanuli Regency KUBE.

3. The efforts made to overcome the obstacles that occur in the coordination of the implementation of the KUBE in Central Tapanuli Regency of North Sumatra Province (case study in Pandan), namely:
   a. Receiving any feedback and complaints about the problems of the past will be resolved the KUBE solution and aiming at the formation of a local regulations of govern about Coordination problems so any KUBE can be coordinated with smoothly service-related.
   b. Paying attention to inputs and reports from external parties and KUBE Stakeholders, such as NGO and other community organizations held further checking on the field.
   c. Preparing measures of anticipation for the problems that can come at any time.
   d. Doing coach intensively and continuously.

**Suggestion**

Covering from the results above, researchers gave some advices that can be done to further the activities of the joint venture group (KUBE):

1. Improving the coordination of the implementation of the back Program KUBE in Pandan by making a local regulations that govern the Coordination of cross-Agency, so that the issue can be settled by the KUBE-service related specifically to Social Service not only labor and Transmigration only.
2. Maintaining and retaining constituents that exists, then the existing barrier factors in anticipation and reduced.
3. Doing continuously every efforts to address problems in the coordination of the implementation of KUBE in Central Tapanuli Regency, especially Sub –district Pandan.

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THE DETERMINANTS OF INTERNAL CUSTOMER SATISFACTION AMONG POLICE OFFICER IN MALAYSIA

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ABSTRACTS

The overall performance of the company is depending significantly on the employees’ performance. Moreover, companies will not be able to achieve customer satisfaction if they did not achieve internal customer satisfaction (job satisfaction). This case has become more critical when we talk about service sector. Therefore, the present paper is dealing with internal customer satisfaction and its determinants, more precisely this study is highlighting this issue among police officers in Malaysia context. Throughout the paper literature has been reviewed to display the viewpoints of the scholars, and consequently some propositions have been introduced.

KEYWORDS: environmental factors, organizational culture, internal customer satisfaction, police officers in Malaysia

1. INTRODUCTION:

Internal customer satisfaction is one of vital topics that gained the attention, especially in the public sector (Ercikti et al., 2011). The poor level of service introduced by the public sector compared to the private sector is the reason behind this interest in the 21st century. As defined by Greenberg (2011), internal customer satisfaction as a “positive or negative attitudes held by individuals toward their job”. Internal customer satisfaction has been proven it’s positive impact on productivity in many aspects of the organization. For instance, positive working environment, supervision, and the work itself can enhance the productivity and the quality of services in firms (Argyle, 1972).

On the opposite way, dissatisfaction of internal customers can lead to poor performance in general and poor employee morale (More et al., 2006). Even though the concept of internal customer satisfaction has been widely examined in other disciplines, there is a lack of in the empirical studies on internal customer satisfaction among police (Buzawa et al., 1994), and especially in Malaysia country. To date, no published articles about internal customer satisfaction among Royal Malaysia Police (RMP) officers have been found and no study has been carried out to measure the level of internal customer satisfaction among police officers in Malaysia. In Malaysia the crime rate has been increasing rapidly in the last few years. Based on the Government Transformation Programme (GTP) Annual Report (2010) the total index of crimes for 2006, 2007, 2008 &2009 was 196,780 cases, 209,582 cases, 211,645
cases and 209,817 respectively. This statistic shows that index crimes increased from 2006 to 2007 is 12,802 or 6.5% of cases, while it increased crime index for the years 2007 to 2008 was 2,063 cases, or 1%. The overall Index Crime rate increased from 746 reported crimes per 100,000 population in 2006 to 767 in 2007 and 2008 – a rise of nearly 3%. The 3% increase in index crimes dramatically certainly is “Indicator” that shows the level of police performance is low, not satisfied by the public and poor government delivery of services. Figure 1.1 describes the index crime in Malaysia from 2006 to 2009.

**Figure 1: Crime Rates Statistic (2006, 2007, 2008 and 2009)**

To enhance the efficiency of public services, to improve the quality, and to make government more transparent, on 3 April 2009, the Prime Minister launched the Government Transformation Programme (GTP). The main objective is to improve the government delivery of services to the people and move Malaysia forward to achieve the aspirations of Vision 2020. Under GTP roadmap, there are several National Key Result Areas (NKRA) based on the rakyat’s most pressing concerns (Mohd Najib, 2009). One of these NKRA is Reducing Crime Rates were led by the RMP. Therefore, five National Key Performance Indicators (NKPIs) were set by the government for RMP to achieve these NKRA. There are (1) reducing in reported index crime by 5% by the end of 2010, (2) reducing in reported street crime by 20% by the end of 2010, (3) reduce fear of becoming victims of crime by 58.5% by the end of 2010, (4) additional violent crime offenders to trial by 200 cases by the end of 2010, and (5) improved public perception on police performance by 35.8% by the end of 2010. In the first horizon (2010 – 2012), 50 crime hotspots in four states include Kuala Lumpur, Selangor, Pulau Pinang and Johor were identified (GTP Annual Report, 2010). These programs involve additional budget for RMP include financial
budget, manpower, logistic facilities, etc. According to Datuk Wira Abu Seman (2010), a total of RM249.85 million additional budgets were given to the RMP for implementation of NKRAs programs.

According to George (2012), he says “some Malaysian feel unsafe, even though the crime index down”. However, according to Tan Sri Robert Phang (2012), the most of Malaysians is still not convinced that the country is safe, in spite of the GTP Annual Report (2011) that indicates that the crime index is down. According to Datuk Seri Mohd Bakri (2010), he admitted there was the perception of insecurity among the people, although the crime rate can be reduced during 2010. Besides that, there are a few indicators to support why public feel unsatisfactory with the police performance.

Reviewing literature reveals that there are several predictors that result of low performance of police work. According to Garcia et al., (2005), firms will not be able attain desired levels of competitive ability in terms of customer service quality if their internal customer does not feel satisfied. In other words, for a firm to have and maintain their customers’ satisfaction, it must first achieve the desired level of satisfied employees. Internal satisfaction is critical to the prosperity of any organization. A high level of employee satisfaction directly influences the turnover rate. Therefore, maintaining the internal satisfaction should be one of major issues top management. While the mentioned statement is known in management practices, economic downturns like the current one seems to cause employers to ignore it. Therefore, this research aims to contribute to the existing body of knowledge by examining internal customer satisfaction to validate the real practices of internal customer satisfaction in the Malaysian police department.

The success of internal customer satisfaction depends on several factors, among other factors, environmental factors (Zeffane, 1994; Reiner & Zhao, 1999; Ellickson & Logsdon, 2001), and organization culture (Chan & Doran, 2009, Dantzker, 1994; Buzawa, 1984). However, there is a lack of studies that investigate these factors in a comprehensive framework that can explain their effect on employees’ job satisfaction. Furthermore, Carlan, (2007), Abdulla et al. (2011), and Sharma & Bajpai (2011) suggested that the inclusion of the environmental factors and organization culture factors is needed to be examined to determine which factor has more effect on employees’ job satisfaction. Moreover, there is a lack of empirical research to explain how the environmental and organizational culture factors will affect police department satisfaction. Although different factors are investigated in relation to internal customer satisfaction of the employees’ implementation worldwide, there is little attention to the environmental and organizational culture factors in most organizational studies (Zeffane, 1994; Reiner & Zhao, 1999; Ellickson & Logsdon, 2001; Chan & Doran, 2009).

According to the issue highlighted and the literature gap, this study is an attempt to explore the influence of environmental factors and organization cultural factors in the Malaysian police department. To do so, this study will investigate whether the factors of environmental factors (i.e., salary and incentives, supervision, public perception, promotion opportunity and organizational policy and strategy) and organization
culture factors (i.e., job challenges, loyalty, social cohesion and citizen cooperation) affect internal customer satisfaction in a comprehensive framework applied in the Malaysian police department.

LITERATURE

INTERNAL CUSTOMER SATISFACTION

In literature, researchers have not reached a consensus to date of a single definition that describes the totality of what internal customer satisfaction really is. However, several attempts have been carried out to define the concept; for instance, Spector (1997) defined internal customer satisfaction as the level to which people like their jobs while Greenberg (1997) defined it as a positive or negative attitudes harboured by individuals towards their jobs. Cranny et al. (1992) also defined internal customer satisfaction and stated that it is a contribution of cognitive and affective responses to the differing perceptions of employee’s inclination to receive in comparison to what he/she actually receives. Added to this, the concept has been utilized to reflect a mixture of employee feelings towards the varying aspects of internal customer satisfaction like the work nature, level of pay, opportunities for promotion and satisfaction with co-workers (Schermerhorn, et al., 2005).

The significance of examining internal customer satisfaction as a concept comes from two streams of findings; first, internal customer satisfaction is related to maximized output and organizational commitment, minimized absenteeism and turnover, and eventually, optimum effectiveness (Ellickson & Logsdon, 2001). In relation to this, Wright & Davis (2003) stated that the benefits obtained by employees from their firms’ impact them in terms of their effort, skill, and creativity and output that they are inclined to reciprocate. The focus on internal customer satisfaction is also urged by humanitarian reasons – the premise that employees deserve respectable treatment and they deserve to have their well-being taken into consideration (both psychological and physical) (Spector, 1997; Ellickson & Logsdon, 2001). Another significant result is that decreasing the level of satisfaction of internal customer has adverse outcomes, including withdrawal behaviour, increased costs, decreased profits and consequently, customer dissatisfaction (Zeffane et al., 2008). In this regard, dissatisfied employees may display improper performances that negatively affect upon their productivity, performance and those around them (Spector, 1997). Dissatisfaction or low internal customer satisfaction may be indicators of counterproductive employee behaviour and can lead to absenteeism (Spector, 1985), and intentions of turnover (Spector, 1985; Dupre & Day, 2007).

There are quite many reasons behind the importance of internal customer satisfaction in the context of police institutions. First, adverse attitudes towards work can hurt job performance in terms of quantity and quality of services offered. In other words, low performance can affect police-community relationships by negatively affecting public perceptions of the police force (Buzawa et al., 1994). Additionally, Hoath et al. (1998) stated that internal customer satisfaction presents a moral responsibility to show the importance of facilitating positive work-related attitudes – it lessens stress.
levels and eventually, workers show less stress symptoms like absenteeism, burnout and alcoholism.

Moreover, police officers can display greater levels of employee turnover owing to low internal customer satisfaction (Zhao et al., 1999). Similarly, in Loo’s (2004) study, he revealed that a significant proportion of respondents meet the high burnout profile of police managers that required organizational intervention. As a consequence of high employee turnover, heightened recruitment and training expenses for the new police applicants may harm the limited appropriated budget for law enforcement agencies and hence putting the public safety at stake. As a result, internal customer satisfaction among police officers may explain how police service quality can be enhanced.

In this regard, Herzberg (1959) demonstrated that various factors combine to develop internal customer satisfaction and dissatisfaction among employees and identified them into two categories namely motivators or hygiene factors. The former promotes internal customer satisfaction and covers achievement, responsibility, the work itself, recognition, and promotions or advancement. Such hygiene factors do not directly result to internal customer satisfaction of employees, but the absence of such factors may result in job dissatisfaction in terms of organizational policies, supervision and leadership, pay or salary, working ambiance, communication with supervisors/colleagues. According to Herzberg, employees need to achieve an acceptable degree of hygiene factors in order to perceive neutrality in their jobs. Hence, they look for ways to eliminate dissatisfaction felt as a result of their absence and they concentrate on enhancing the work environment motivators to heighten job satisfaction. Meanwhile, Zhao et al. (1999) claimed that Herzberg’s (1959) proposed two-factor theory of internal customer satisfaction offers an invaluable theoretical framework for the empirical assessment of the police officer’s job satisfaction. They also added that an extensive investigation of internal customer satisfaction should include organizational variables along with job characteristics and demographic characteristics of employees. Furthermore, the next section will discuss the determinate of job satisfaction.

DETERMINANTS OF INTERNAL CUSTOMER SATISFACTION

For many years, several studies have tried to categorize and identify factors that impact job satisfaction. For instance, literature dedicated to internal customer satisfaction determinants can be categorized into two types – the content perspective that considers internal customer satisfaction from the needs fulfillment perspective, and the process perspective that stresses on the cognitive process resulting in internal customer satisfaction (Foster, 2000; Spector, 1997). The former posits that all individuals have the same group of nodes and hence recommends the characteristics that must exist in jobs. Several theories in this caliber include Maslow’s (1954) hierarchy theory and Herzberg et al.’s (1959) motivator-hygiene theory.

On the other hand, scholars that proposed the process theories stressed on the role of needs and instead focused on the processes that lead to job satisfaction/dissatisfaction.
These include Vroom’s (1964) expectancy theory, and Adams’ (1963) equity theory. In the current literature, Rollinson (2008) contended that the above two views of points complement rather than go against each other and that scholars need to include both in their study of internal customer satisfaction determinants.

ENVIRONMENTAL FACTORS

Prior studies (e.g. Zeffane, 1994; Reiner & Zhao, 1999; Ellickson & Logsdon, 2001) stated that environmental factors refer to factors related to the work or with the environment like salary, promotion and supervision. In addition, Herzberg (1968) and Spector (2008) claimed that work environment significantly affects the level of employee satisfaction and dissatisfaction. In the context of police officers, Abdulla et al. (2011) revealed that environmental factors significantly and positively relate to internal customer satisfaction and they determined several significant environmental factors that constitute the highest impact on internal customer satisfaction, including salary and incentives, a positive work perception, public perception, organizational policy and strategy, supervision, satisfaction with colleagues and opportunities for promotion.

Moreover, studies dedicated to both perspectives have revealed a range of factors when it comes to internal customer satisfaction and such factors can be categorized into two, namely demographic factors (individual attributes and characteristics such as gender, age and job level) and environmental factors (factors related to work or environment such as salary, promotion and supervision) (Zeffane, 1994; Reiner & Zhao, 1999; Ellickson & Logsdon, 2001). Studies dedicated on environment factors are based on the notion that internal customer satisfaction positively relates to the level to which individual’s work satisfy his/her needs (Ellickson & Logsdon, 2001). In this regard, Zhao et al. (1999) stated that only limited research has been conducted in the work environment-internal customer satisfaction relationship in the context of police force.

Considering the fact that current studies revealed that the work environment better predicts internal customer satisfaction (e.g. Abdulla et al., 2011; Reiner & Zhao, 1999; Carlan, 2007; Ellickson & Logsdon, 2001) the following proposition is formulated

P1: There is a relationship between environmental factors and internal customer satisfaction of the Malaysian police department.

ORGANIZATIONAL CULTURE

One of the most important factors to influence internal customer satisfaction is organizational culture. Organizational culture educates the members to feel, learn and set the principles, expectation, patterns, behaviours and norms that promote high levels of achievements by facilitating the acceptable solution in knowing the problems (Schein, 1992; Armstrong, 2004).
According to Herzberg (1968), there are several factors contributing to internal customer satisfaction and besides the importance of the work itself, such as the responsibility attached to the job and the recognition provided as an outcome of performance considerably impacts job satisfaction. In light of this perspective, researchers created a more extensive way to comprehend work environments via the study of organizational culture and its effect on human relations and conditions at the workplace. Organizational culture refers to a socially constructed phenomenon comprising of a set of values, beliefs and patterns of behaviour (Denison, 1983) that establishes the members’ identity (Willmott, 1993) and shared with them (Weick, 1979), and affects their commitment to the organization (Willmott, 1993). Organizational culture comprises of information rules (Deal & Kennedy, 1982), along with a group of symbols, ceremonies and myths communicating the pervading values and beliefs of the organization to the workers (Ouchi, 1981; Murphy & Cleveland, 2008).

It is important to understand the culture in order to shed a light on both formal and informal behaviours of employees. Moreover, organizational culture impacts employees in a direct and indirect manner. According to research dedicated to business organizations, organizational climate impacts performance, productivity and performance (e.g. Denison, 1990; Denison & Mishra, 1995; O’Reilly, 1989), internal customer satisfaction (e.g. Jackofsky & Slocum, 1987), innovativeness (Lorsch, 1985), and leadership and decision-making (Sapienza, 1985). Larger organization’s sub-cultures are formed via conditions like the differential interaction on the basis of structure, size, location and division of work, and shared experiences that lead to similar personal characteristics and social belongings (Louis, 1985; Trice & Beyer, 1993; Nwagwu, 2008).

The above discussion leads to the following proposition:

P2: There is a relationship between organizational culture factors and internal customer satisfaction of the Malaysian police department.

Figure 1: The Conceptual Framework
DATA ANALYSIS AND RESULTS

The result of the present study is based on the analysis of collecting data using the SPSS version 17. This section explains the data from the main questionnaire survey and the findings of the hypothesis testing. The data were collected through 350 questionnaires distributed to the police stations. Out of this number, 70 were undelivered and 15 questionnaires were incomplete. Thus, a total of 265 responses were usable for succeeding analysis. Having a response rate of 76% the sample size appeared to be sufficient and the response rate gained was acceptable. Table 1 below provides demographic information of the respondents.

Table 1 Demographic Variables

<table>
<thead>
<tr>
<th>Variable</th>
<th>Coding</th>
<th>Frequency</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gender</td>
<td>Male</td>
<td>172</td>
<td>65%</td>
</tr>
<tr>
<td></td>
<td>Female</td>
<td>93</td>
<td>35%</td>
</tr>
<tr>
<td></td>
<td>Total</td>
<td>265</td>
<td>100%</td>
</tr>
<tr>
<td>Experience</td>
<td>Less than 5</td>
<td>61</td>
<td>23%</td>
</tr>
<tr>
<td></td>
<td>6-10</td>
<td>63</td>
<td>23.8%</td>
</tr>
<tr>
<td></td>
<td>11-15</td>
<td>84</td>
<td>31.7%</td>
</tr>
<tr>
<td></td>
<td>More than 15</td>
<td>57</td>
<td>21.5%</td>
</tr>
<tr>
<td></td>
<td>Total</td>
<td>265</td>
<td>100%</td>
</tr>
<tr>
<td>Age</td>
<td>Less 25 years</td>
<td>10</td>
<td>3.8%</td>
</tr>
<tr>
<td></td>
<td>25-30</td>
<td>91</td>
<td>34.4%</td>
</tr>
<tr>
<td></td>
<td>31-35</td>
<td>113</td>
<td>42.6%</td>
</tr>
<tr>
<td></td>
<td>More than 35</td>
<td>51</td>
<td>19.2%</td>
</tr>
<tr>
<td></td>
<td>Total</td>
<td>265</td>
<td>100%</td>
</tr>
<tr>
<td>Education</td>
<td>Primary/secondary</td>
<td>57</td>
<td>21.5%</td>
</tr>
<tr>
<td>level</td>
<td>Professional</td>
<td>88</td>
<td>33.2%</td>
</tr>
<tr>
<td></td>
<td>University degree</td>
<td>114</td>
<td>43%</td>
</tr>
<tr>
<td></td>
<td>Postgraduate</td>
<td>6</td>
<td>2.3%</td>
</tr>
<tr>
<td></td>
<td>Total</td>
<td>265</td>
<td>100%</td>
</tr>
</tbody>
</table>

Table 1 above exhibits that around 31.7% of the respondents have experience between 11-15 years, and around 23.8% have experience between 6 and 10 years. The result also shows that only 21.5% of the respondents have experience of more than 15 years. Moreover, 43% of the respondents were university level, which indicates the respondents’ relevance and ability to provide the appropriate answer.

The Pearson correlation coefficients were calculated to check the correlations and directions among the examined variables. Moreover, this analysis was also performed in order to ascertain the interdependency of the investigated variables. In verifying the intensity of the relationship between the independent and the dependent variable, according to Green et al., (1997), the correlation coefficients of 0.10, 0.30, 0.50, irrespective of the symbol, are normally decoded as small, medium and large coefficients, respectively, especially for the behavioral sciences.
Hair et al. (2010) argued that a correlation coefficient of 0 shows that there is no relationship and a correlation of ±1.0 specifies the existence of absolute relationship. In addition, Hair et al. (1998) pointed out that high correlation coefficients of 0.90 imply the existence of multicollinearity. Cohen (1988) stated that if the correlation is between ±0.1 and ±0.29, the relationship is considered to be small, when the correlation is between ±0.30 and ±0.49, the relationship is considered as medium and if the correlation is above 0.50, the relationship is said to be strong. Table 2 below shows the interrelations among the variables in the current study.

**Table 2 Correlations among the variables**

<table>
<thead>
<tr>
<th>Cultural Factors</th>
<th>Pearson Correlation</th>
<th>Sig. (2-tailed)</th>
<th>N</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td>265</td>
</tr>
<tr>
<td>Environmental factors</td>
<td>Pearson Correlation</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>.521**</td>
<td>.000</td>
<td>265</td>
</tr>
<tr>
<td></td>
<td>Sig. (2-tailed)</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>.000</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>N</td>
<td></td>
<td>265</td>
</tr>
<tr>
<td>Internal customer satisfaction</td>
<td>Pearson Correlation</td>
<td>.542**</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Sig. (2-tailed)</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>.000</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>N</td>
<td>.395**</td>
<td>265</td>
</tr>
<tr>
<td></td>
<td></td>
<td>.000</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>265</td>
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<td></td>
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<td>265</td>
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</tbody>
</table>

** Correlation is significant at the 0.01 level (2-tailed).

As indicated in Table 2 above, all the three Pearson correlation coefficients were found to be statistically significant at the 0.01 levels of significance. In other words, the data of this study supported the existence of significant relationships between culture factors, environmental factors aspects and internal customer satisfaction within police stations in Malaysia, ranging from \( r = 0.521 \) (\( p < 0.01 \)) to \( r = 0.542 \) (\( p < 0.01 \)). Similarly, the findings also supported the existence of significant relationships between culture factors, environment factors and job satisfaction within police stations in Malaysia.

In general, the findings of the Pearson correlation analysis recommended that if employees have higher positive perceptions of implemented culture factors by their police station, they tend to have higher job satisfaction level. Accordingly, the findings also showed that a higher environment factors and culture factors, would normally contribute to the high level of job satisfaction.

**DISCUSSION AND LIMITATIONS**

Internal customer satisfaction is one of the organization’s aspects that need to be given more concerns to improve it. This result drawn from the fact that satisfied employees can reduce the turnover of employees, which in turn reflect positively on their overall performance. Among several factors that have been investigated to
examine their influence on internal customer satisfaction, environmental factors and organizational culture; however, studies that investigate internal customer satisfaction in the police department is rare. Thus, this paper conducts empirical study to respond to this issue. The output of this study confirms the proposed hypotheses. Therefore, this study, many insights regarding the issues related to job satisfaction within police stations have risen. To date, this study is one of the very few empirical studies conducted in the Malaysian police stations to investigate the effect of the different aspects of organizational culture factors and environmental factors on job satisfaction. Therefore, the current study integrates the effect of the different aspects of organizational culture factors and environmental factors on job satisfaction.

The current study proves the relationship between the different aspects of organizational culture factors (job challenges, loyalty, social cohesion and citizen cooperation) and environment factors (salary and incentives, supervision, public perception, promotion opportunity and organization policy and strategy) on job satisfaction. The obtained results, further, provide some lights to the practitioners to improve and enhance the overall performance through improving the level of satisfaction of the employees. Therefore, this study could increase the understanding of the supervisors/managers of the police station concerning the significance of implementing organization culture factors and environment factors in the police stations in order to enhance job satisfaction Therefore, the supervisors/managers of the police stations should pursue effective plans to develop all the different aspects of organization culture factors and environment factors by increasing their awareness about the salary, promotion, loyalty, and citizen cooperation and increasing their response to salary and incentives, supervision, by providing adequate in-service training. Moreover, the supervisors/managers of the police stations should recognize that the different aspects of organizations culture factors and environment factors have significant direct and indirect effects on job satisfaction. In other words, the findings indicate that to have committed employees to satisfy them based on the organization culture factors and the environment factors within the police station in Malaysia.

REFERENCES


INTERNAL FACTORS AND THEIR INFLUENCE ON THE ADOPTION OF GREEN PRACTICES AMONG SMALL AND MEDIUM Sized HOTELS IN THAILAND

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Abstract
Green practices have become an increasingly important element of corporate and competitive strategy. Many studies have addressed that the degree of economic and social pressure for environmental improvements that the company faces will shape its decision to adopt green practices. Nevertheless, these external factors explain only a part of decision making, since facilities often behave differently in different situations based on similar external factors. To understand the complex decision, we would expect that a company is stimulated by internal factors, such as owner-manager attitudes, environmental awareness, perceived benefits and concern for employees to the adoption of green practices among small and medium sized hotels (SMHs) in Thailand. The study adopts a quantitative analysis method. The study reveals that attitudes, environmental awareness, concern for employees, and hotel size have a significant positive effect on the green practices adoption decision. In addition, the relationship between environmental awareness toward green practices adoption is found to be moderated by funds availability. The results of this study have implications for environmental education of SME owner-managers and employees to promote more green practices.

Keywords: Internal factors, Green practices, Small and medium sized hotels, Thailand

Introduction
This is according to the World Travel and Tourism Council (2013), which reported that tourism is large and has begun to develop strongly (2012: 9% GDP, 3.2% growth rate, 101 million jobs). SMEs generally play an important role in developing countries, like Thailand. Tourism SMEs, thus is significant for the Thai economy. SMEs create about 11.78 million jobs, representing 80.4 percent of total employment in the country. Based on the Government Public Relations Department (2013), the contribution of SMEs to Thai GDP is around 40 percent. In 2013, Thailand was chosen as the 10th "top tourist destination" in the world tourism rankings with 26.5 million international arrivals (UNWTO, 2014). This created the country’s revenues. Yet while tourism can bring many economic and social benefits to destinations, mass
tourism is also associated with negative effects (Lund-Durlacher, 2013). One way in which hotels are dealing with green issues today is “going green”. Companies should also consider the important drivers and antecedents of the adoption of green practices, including government regulations (Khanna et al., 2007), customer demand (Kasim, 2009), business owners’ preferences (Huang et al., 2009), suppliers (Gadenne et al., 2009), competitors (Khanna & Speir, 2007) and so on.

Although the external factors influencing the adoption of green practice exist, in particular, internal factors in the literature on green practices behavior remain understudied. Previous study suggests that it is important to capture the internal factors driving green practices. Environmental attitudes (Murphy et al., 1996), managers’ commitment, perceptions, and leadership (Andersson & Bateman, 2000; Egri & Herman, 2000; Sharma, 2000; Bansal, 2003, cited in Coglianese et al., 2008), organizational culture and subcultures (Forbes & Jermier, 2002; Howard-Grenville, 2006, cited in Coglianese et al., 2008), and different organizational structures (Delmas & Toffel, 2005, cited in Coglianese et al., 2008) have all been found to be the influence within firms that have adopted green practices.

This research provides insights into the concepts of internal factors on the adoption of green practices among SMEs/SMHs. The motivation to green practices adoption stems from the inner person (push factors) and/or external influences or pull factors that pull owner-managers towards a certain decision. Most of the earlier green practices studies did not consider internal factors. Green practices adoption often draws on external factors in more developed countries. In the SMEs sector, it may be that internal factors are critical driving forces of increased green activities. Therefore, this study investigates the linkages between internal factors and green practices adoption in SMHs. We also examine the potential moderating effect of funds availability on the relationship between internal drivers towards the adoption of green practice.

**Literature Review**

**Green Practices for Hotel Industry**

Individually, hotels do not have a significant negative impact on the environment. Collectively, however, they create huge amounts of wastes and consume huge amount of resources (Kirk, 1996). Their aggregate impact is quite large. It has been calculated that 75 percent of environmental impacts made by hotels may be associated with the over consumption of nondurable goods, energy, water and all waste emissions released into the air, water and soil (Bohdanowicz, 2006; Cobanoglu, 2010; Robinot & Giannelloni, 2010; Ruiz-Molina et al., 2010). This is wasteful in terms of resources and it creates unnecessary operational costs. McKercher et al. (2010), Scott and Becken (2010) and Tang et al. (2011) also highlight that tourism has become a significant contributor to the rising greenhouse gas (GHG) emissions and
subsequently a “non-negligible contributor to climate change” (Yang, 2010: 213). Because of this, hotels seek economic opportunities by adopting environmental practices in three areas: energy saving, water conservation, and recycling and waste management (Kirk, 1995; Stipanuk, 1996).

Much of the research attributes the rise of the environmental concern in the hospitality industry to the international declaration for self-regulated sustainable development in the late 1980s and early 1990s. One of the most fundamental principles of environmental management relates to the establishment of sustainable development. Although the hotel industry has been pursuing green practices since the 1990s due to fluctuating economic levels and a strong focus on customer service (Claver-Cortes et al., 2007), the industry has been slow to respond (Kirk, 1998).

Institutional pressures to adopt green practices are recently increasing within the hospitality industry, however, some SMEs don’t feel affected by such pressure and that some response to such pressure to revolve around green practices by taking advantage of opportunities to gain a sustainable competitive advantage. However, over time, green practices will become a baseline requirement for doing business in the hospitality industry, particularly as the cost of non-renewable energy continues to increase. Different authors have given different definitions for green practices. Manaktola and Jauhari (2007) define green practices as the company is committed to supporting environmental practices that purport to limit or ameliorate the company’s harmful effects on the environment, while conserving energy, saving water and diminishing solid waste. Mohindra further (2008) views green practices as the embracing of the three Rs of the environmentalism: reduce, reuse and recycle. The current study views green practices as practices or initiatives that can be adopted by a company strived for minimizing the environmental footprint of its operations. According to Álvarez Gil et al. (2001) and El Dief and Font (2012), green practices consist of technical practices and system. Literature argues that proactive environmental strategies can indeed pay off (Graci & Dodds, 2008).

**Internal Factors**

There are a wide variety of drivers that influence the adoption of green practices. This study focuses on key internal factors in the literature affecting the level of SMHs going green include environmental attitudes (Bohdanowicz, 2005), environmental awareness (Horobin & Long, 1996; Roberts & Tribe, 2008), perceived benefits (Nicholls & Kang, 2012), concern of employees (Quazi, 2001), and control variable (hotel size).
Owner-Manager Attitudes

According to Fuller (2003: 320), small businesses are personal and reflect the personal values and commitment of the owners and company managements of SMEs may consist of a single manager (Ottesen et al., 2004). Attitudes frequently were used to predict green behavior (Laroche et al., 2001). Environmental concern as well as the willingness to act on this concern is strongly dependent on hoteliers’ attitudes toward change and the environment, knowledge regarding the benefits of green practices, perception of and relationship with the external environment, and organizational variables such as size, company location and financial situation (Bohdanowicz, 2005; Dewhurst & Thomas, 2003; Le et al., 2006). Prior studies have shown differences in attitudes towards the implementation of green practices among small business owners and managers (e.g. Battisti & Perry, 2011; Tilley, 1999). On the bright side, SME owner/managers are worried regarding their impact on the environment (e.g. Roberts et al., 2006; Tilley, 1999). Tsai et al. (2014) found that hoteliers have significantly high attitudes on an eco-friendly hotel. Also, Park and Kim (2014) showed that more positive attitudes from hotel executives toward green practices adoption bring greater involvement in environmental management in their organization. There is a gap. Owners/managers who possessed a positive attitude towards the environment do not appear to introduce environmental practices in their actual business. For example, they are simply unwilling to view or adjust to changes in their business operations (Shi et al., 2008). Other studies reported no relationship between environmental attitudes and behavior (e.g. Gamba & Oskamp, 1994; Lansana, 1992). Merritt (1998) has called this paradox “… the so-called SME problem in environmental management.” Hence, this research tests the following hypothesis:

H1. Owner-manager attitudes have a positive impact on the adoption of green practices.

Environmental Awareness

Environmental awareness is defined by Kollmuss and Agyeman (2002: 253) as “knowing of the impact of human behavior on the environment.” Environmental awareness can be viewed as an individual’s attention and sensitivity to environmental problems (McHenry, 1992: 1150; Soukhanov, 1992: 2140). Prior studies have revealed a positive relationship between environmental awareness and environmental practices for SME owner/managers (Peters & Turner, 2002; Williamson & Lynch-Wood, 2001, cited in Gadenne et al., 2009). The differences in awareness of environmental issues and adoption of initiatives between types of hotels (chain and independent hotels) were examined by Bohdanowicz (2006). The managers of chain property were more disposed to take an interest in and proactively manage in environmental matters and worked to build up and sustain a positive brand image. In contrast, a survey by Erdogan (2007) revealed that there was no concern to implement sustainable development and resource preservation in daily business
practices of such facilities. This may indicate that they do not recognize that sustainable behavior can make good business sense. Hence, we hypothesize that:

H2. Environmental awareness has a positive impact on the adoption of green practices.

Perceived Benefits

The pressure for environmental improvement in hotels can be perceived which is driven by a need to protect the local environment. The companies will have the opportunity to minimize operating costs (Bowe, 2005; Nidumolu et al., 2009), sustain competitive advantage (Adlwarth 2010; Chan et al., 2011; Griskevicius et al., 2010), comply with legislation, sustain growing demand by customers for environmentally friendly programs (Bohdanowicz, 2005; Chan & Hawkins, 2010; Garay & Font, 2012; Le et al., 2006), utilize operational efficiency, retain staff, improve brand image, and wider public and media relations that these are some of the perceived benefits of pursuing sustainability that can drive towards a low carbon future (Corporate Watch 2007). It is thus proposed that:

H3. Perceived benefits have a positive impact on the adoption of green practices.

Concern for Employees

According to Michelin, “Few stakeholders are as vital in a business as its workers. It has been proved that adopting green practices benefits firms or organizations in various aspects including human capital. A worldwide company has to invest a great deal to respect all staff interests. Staff have a big interest in the success of the company” (The Times 100, 2006: 1). The efforts of operational changes will be associated with employees who are a functional hub and implementation team of the organizations to undertake green initiatives (Chan & Hawkins, 2010). A survey made by McKinsey (1991, cited in Fischer & Schot, 1993) found that “organizations with a poor environmental record will find it increasingly difficult to recruit and retain high caliber employees.” Several authors argue that people want to work for ethical and responsible businesses that conform to their image (Akerlof & Kranton, 2005; Frank, 2003).

Similarly, Kim (2009) found that hotel employees, as a key stakeholder, have a significant and positive effect on green practices. The most important thing is that employees recognize the companies’ quality performance related to the development of green activities. It has been agreed that industry-wide performance improvements become essential, whilst it is difficult to keep the best staff who are unable to take
pride in the actions of their employer (Green Hotelier, 2003; Kim, 2009). It is thus proposed that:

H4. Concern for employees has a positive impact on the adoption of green practices.

Hotel Size

Larger firms may have more resources and capacity to adopt green innovation and practices (Huang et al., 2009; Mauforth & Munt, 1998; Ziegler & Seijas Nogareda, 2009) and have a more formal approach to environmental management (Merritt, 1998); therefore, we measured hotel size as average room rates that have an impact on hotels’ green practices adoption. The adoption of green practices by hotels is anticipated to vary based on their size. Firms that were larger in size associated with an increased likelihood that firms adopt proactive green practices. Therefore, we hypothesize that:

H5. Hotel size has a positive impact on the adoption of green practices.

Funds Availability

In spite of the adoption of environmental practices to make cost reduction initiatives, many actual or perceived internal financial situation may be a barrier to companies’ behavior change (see Fischer & Schot, 1993). A number of studies have found that financial worry about the elevated cost is one of the major perceived obstacles for SMEs in green practices implementation. The studies so far point that tourism businesses may not be willing to expend enough time, money and effort into transforming businesses towards implementing sustainable practices due to resource constraints (Frey & George, 2010).

On the other hand, the research done by Biondi et al., (2000) showed that direct financial cost is not a major barrier of implementing an EMS. The indirect costs are the amount of time management spent (labor time) and limited human and technical resources to do with environmental problems so as to make more serious obstacles. According to Rivaud-Danset (2002), among continental European companies, the innovative activity is not mostly hampered by their lack of financial resources. It is thus proposed that:

H6. Funds availability has a negative impact on the adoption of green practices.

H7a. Funds availability moderates the relationship between attitudes and the adoption of green practices.
H7b. Funds availability moderates the relationship between environmental awareness and the adoption of green practices.

H7c. Funds availability moderates the relationship between perceived benefits and the adoption of green practices.

H7d. Funds availability moderates the relationship between concern for employees and the adoption of green practices.

Research Framework

In this study, a green practices model was developed that includes seven primary constructs: attitudes, environmental awareness, perceived benefits, concern for employees, hotel size, funds availability and green practices adoption. We intended to identify green practices and investigate the effects of internal factors on the adoption of green practices. Figure 1 shows the proposed framework in this study.

Figure 1: Research Framework

Research Methodology

This study used questionnaires as the data collection method in order to achieve the objectives of the study. This data was gathered among SMHs in Phuket and Krabi. 236 questionnaires were self-administered to the respondents and resulted in 145 usable responses. The list of the participated hotels in Phuket and Krabi was obtained from tourismthai-land.org/marketing database. Hotels involved in this study range from the medium to smaller hotels. In this study, the size of hotels is measured by average room rates. With regard to prices, hotels below 500 Baht will be classified budget hotels, 500-999 Baht hotels are classified as above budget hotels, and 1,000-1,499 Baht hotels are classified as midscale hotels. Six variables were measured by a five-point Likert scale ranging from 1 (strongly disagree) to 5 (strongly agree).

The instruments were submitted to a panel of experts in the field of study. The Tourism Authority of Thailand (TAT) and three academic experts were consulted to help determine content validity. Therefore, the comments received from these experts would use to modify and improve the quality of the questionnaire. The format was further modified and questions reworded. Then, pilot study was performed on a small
sample of thirty hotel owner-managers during September, 2015 to ensure the reliability of the scales. Also, the reliability of the study was tested using Cronbach's coefficient alphas for internal consistency (Sekaran, 2003).

Findings

Factor Analysis and Reliability Analysis

Before assessing the measurement model, we conducted the exploratory factor analysis for the constructs of the seven factors: attitudes, environmental awareness, perceived benefits, concern for employees, hotel size, funds availability and green practices. The items on the questionnaire revealed factor loading ≥ 0.5. Only green practices (2 items) have factor loadings/communities of less than 0.5. These items were deleted from the measures of green practices adoption. The final questionnaire consists of 46 items and indicated that it is valid and reliable.

The analysis of the reliability of the factors in this study was computed. Selvanathan et al. (2004) stated that questions with Cronbach’s alpha value above 0.5 can be used and considered acceptable. The result of the Cronbach’s alpha ranged between 0.50 to 0.63 and thus reliable. Multiple regression was employed to analyze the collected data. This was achieved by using Statistical Package for the Social Sciences (SPSS) Version 20.

Demographics of Participants in This Study

Non-response bias was tested by comparing the early respondents with late respondents. The comparison of means using an independent t-test showed there was no significant difference between the means of owner-managers who responded early (n = 126) and those who responded late (n = 19) in regard to green practices (p = 0.247).

The unit of analysis was the organization. The findings suggested that more than half (76.6%) of the sample were managers and 23.4% were owners. 41.4% of them were male, while 58.6% were female. The most frequent age group comprised 30 to 39 years old (47.6%), followed by 40 to 49 years old (26.2%) and 50 to 59 years old (11%). The group under 29 years old (9.7%) and over 60 years old (5.5%) had low number. The majority of respondents (72.4%) held bachelor's degrees, while 16.6% possessed master degrees. Less than one year service had 11.7%, 2-5 year service had 43.4%, 6-10 year service had 26.2%, 11-15 year service had 7.6% and more than 16 year service had 11.0%. In terms of charge per room, 6.9 percent were less than 500 Baht, 38.6% were 500-999 Baht and 54.5% were more than 1,000 Baht. Regarding to the location, the largest number of respondents were located in Krabi city (37.9%).
followed by Phuket city (30.3%), Kathu (22.8%), Koh Lanta (7.6%) and Thalang (1.4%) respectively.

Descriptive Statistics and Correlation Analysis

Table I shows descriptive statistics for the seven variables examined in this study. The mean and SD scores of variables (highest rank to lowest rank) are as follows: attitudes ($M = 4.60$, $SD = .664$), environmental awareness ($M = 4.08$, $SD = .670$), perceived benefits ($M = 4.08$, $SD = .621$), green practices ($M = 3.41$, $SD = .855$), concern for employees ($M = 3.35$, $SD = .841$), funds availability ($M = 2.77$, $SD = 0.758$), and hotel size ($M = 2.48$, $SD = 0.625$). This study used the Pearson product moment correlation method. The results of the correlation among all variables ranged from -0.043 to 0.701 are shown in Table I. It is apparent that many of the variables comprising a construct show low positive association with each other and none of the items are too high (above 0.8). Hence, multicollinearity does not appear to represent a serious problem in this study. The correlation matrix gives initial evidence of the hypotheses: attitudes, environmental awareness, perceived benefits, concern for employees, and hotel size are associated with the adoption of green practices.

<table>
<thead>
<tr>
<th>Variable</th>
<th>Mean</th>
<th>SD</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
<th>6</th>
<th>7</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. ATT</td>
<td>4.60</td>
<td>0.664</td>
<td>1</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2. AWA</td>
<td>4.08</td>
<td>0.670</td>
<td>0.132</td>
<td>1</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>3. BF</td>
<td>4.08</td>
<td>0.621</td>
<td>0.155</td>
<td>0.701**</td>
<td>1</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>4. EMP</td>
<td>3.35</td>
<td>0.841</td>
<td>-0.043</td>
<td>0.280**</td>
<td>0.213*</td>
<td>1</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>5. SIZE</td>
<td>2.48</td>
<td>0.625</td>
<td>0.112</td>
<td>0.036</td>
<td>0.105</td>
<td>0.100</td>
<td>1</td>
<td></td>
<td></td>
</tr>
<tr>
<td>6. FA</td>
<td>2.77</td>
<td>0.758</td>
<td>0.121</td>
<td>-0.201*</td>
<td>-0.056</td>
<td>0.087</td>
<td>0.304**</td>
<td>1</td>
<td></td>
</tr>
<tr>
<td>7. GP</td>
<td>3.41</td>
<td>0.855</td>
<td>0.230**</td>
<td>0.351**</td>
<td>0.226**</td>
<td>0.422**</td>
<td>0.303**</td>
<td>-0.33</td>
<td>1</td>
</tr>
</tbody>
</table>

Notes: * Correlation is significant at the 0.05 level (2-tailed).
** Correlation is significant at the 0.01 level (2-tailed).

ATT= Attitudes; AWA= Awareness; BF= Perceived Benefits; EMP= Concern for Employees; SIZE= Hotel Size; FA= Funds Availability; GP= Green Practices.

Regression Analysis

Regression analysis is conducted to test the hypotheses presented in this study. Multiple regression analyses are utilized to examine the effects of attitudes, environmental awareness, perceived benefits, concern for employees, hotel size, and funds availability on the adoption of green practices. Table II reveals the results of the multiple regression analysis conducted to test the five driving factors as independent variables and funds availability as a moderator that explain the adoption of green practices. The overall regression model is significant ($R^2 = 0.36$, $F = 12.913$, $p < 0.01$). The regression analysis identifies that the overall model significantly explains about 36% of the variance in green practices adoption. The results indicate that attitudes ($\beta = 0.272$, $p < 0.01$), environmental awareness ($\beta = 0.325$, $p < 0.05$), concern for employees ($\beta = 0.370$, $p < 0.01$), and hotel size ($\beta = 0.388$, $p < 0.01$) have
significant impacts of green practices adoption. Thus, H1, H2, H4 and H5 are supported.

Table II: Regression analysis

<table>
<thead>
<tr>
<th>Predictor</th>
<th>( \beta )</th>
<th>( t )-value</th>
<th>( p )-value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Attitudes</td>
<td>0.272</td>
<td>3.007</td>
<td></td>
</tr>
<tr>
<td>Environmental awareness</td>
<td>0.325</td>
<td>2.524</td>
<td>0.003**</td>
</tr>
<tr>
<td>Perceived benefits</td>
<td>-0.138</td>
<td>-1.031</td>
<td>0.013*</td>
</tr>
<tr>
<td>Concern for employees</td>
<td>0.370</td>
<td>5.035</td>
<td>0.304</td>
</tr>
<tr>
<td>Hotel size</td>
<td>0.388</td>
<td>3.921</td>
<td></td>
</tr>
<tr>
<td>Funds availability</td>
<td>-0.148</td>
<td>-1.749</td>
<td>0.000**</td>
</tr>
</tbody>
</table>

Notes: \( R = 0.600; R^2 = 0.360; Adjusted \ R^2 = 0.332 \)

Significant levels at *\( p < 0.05 \) and **\( p < 0.01 \)

Moderated Regression Analysis

Moderated regression analysis is conducted to assess the effects of a moderating variable. Table III shows the results of moderator analysis conducted to test moderator effects. The results indicate that funds availability negatively moderates the relationship between environmental awareness and the adoption of green practices \((b = -0.54, p < 0.01)\), supporting H7b. This means environmental awareness decreased the adoption of green practices if constraint funds increased.

Table III: Results of moderated regression analysis

<table>
<thead>
<tr>
<th>Variable</th>
<th>Beta</th>
<th>( t )-value</th>
<th>( p )-value</th>
<th>( R^2 )</th>
</tr>
</thead>
<tbody>
<tr>
<td>Funds availability</td>
<td>-0.0715</td>
<td>-0.5699</td>
<td>0.5697</td>
<td>0.0571</td>
</tr>
<tr>
<td>Attitudes</td>
<td>0.3099</td>
<td>4.0219</td>
<td>0.0001</td>
<td></td>
</tr>
<tr>
<td>Interaction</td>
<td>0.0438</td>
<td>0.2006</td>
<td>0.8413</td>
<td></td>
</tr>
<tr>
<td>Funds availability</td>
<td>0.1175</td>
<td>1.2071</td>
<td>0.2294</td>
<td>0.2220</td>
</tr>
<tr>
<td>Environmental awareness</td>
<td>0.5747</td>
<td>5.8510</td>
<td>0.0000</td>
<td></td>
</tr>
<tr>
<td>Interaction</td>
<td>-0.5419</td>
<td>-3.4582</td>
<td>0.0007**</td>
<td></td>
</tr>
<tr>
<td>Funds availability</td>
<td>-0.0421</td>
<td>-0.3201</td>
<td>0.7493</td>
<td>0.0553</td>
</tr>
<tr>
<td>Perceived benefits</td>
<td>0.3064</td>
<td>2.4886</td>
<td>0.0140</td>
<td></td>
</tr>
<tr>
<td>Interaction</td>
<td>0.1208</td>
<td>0.4559</td>
<td>0.6491</td>
<td></td>
</tr>
<tr>
<td>Funds availability</td>
<td>-0.1829</td>
<td>-1.6052</td>
<td>0.1107</td>
<td>0.2091</td>
</tr>
<tr>
<td>Concern for employees</td>
<td>0.3997</td>
<td>4.3577</td>
<td>0.0000</td>
<td></td>
</tr>
<tr>
<td>Interaction</td>
<td>-0.1731</td>
<td>-1.7803</td>
<td>0.0772</td>
<td></td>
</tr>
</tbody>
</table>

Notes: Significant levels at *\( p < 0.05 \) and **\( p < 0.01 \)
Discussion

Our results show a significant and positive relationship exists between attitudes, environmental awareness, concern for employees, and hotel size on the adoption of green practices. This reveals the influence of attitudes on the adoption of green practices thereby supporting the findings of Park and Kim (2014) which found that top managers’ personal environmental concern is a significant predictor of managerial attitudes towards green practices adoption. The focus and support on environmental management depends on top management with personal goals. Environmental awareness significantly influences the adoption of green practices. Such awareness includes only an awareness to recognize the costs and benefits associated environmental issues. This result supports the findings of Gadenne et al. (2009) which found a significant relationship between cost benefit environmental awareness and environmental conservative practices for SME owner/managers. Concern for employees also affects the decision to adopt green practices. This, thus, supports the findings of Weng et al. (2015).

In this study, we adopted one control variable: hotel size. Hotel size showed significant and positive impacts on the adoption of green practices. Hotel size has the most impact on green practices adoption. This indicates that larger firms are more likely to adopt green practices. This is consistent with previous literature revealing that larger firms have more resources and capabilities to enable them to adopt innovations and act on environmental policies (Huang et al., 2009), and to attempt costly and/or risky environmental investments (Bowen, 2002). Similarly, small companies are less prone to proactively adopt green practices than medium sized companies (Brammer et al., 2012). Furthermore, a moderated regression analysis revealed a negative moderating effect of funds availability on the relationship between environmental awareness and green practices adoption. This finding shows that resource limitations of SMEs are an obstacle in achieving green practices. Some hotels will not have the financial resources to fully adopt and embrace all aspects of a comprehensive environmental program.

Conclusions and Implications

This study acknowledges that internal factors influence green practices decisions among SMHs. In historical research, external factors cannot tell a whole story. Understanding the internal pressures of adopting green practices and performance implications are crucial for hotel owner-managers to strategically manage their business and achieve high performance in environmental health. Our analysis has several implications. First, government and other environmental organizations should improve their efforts in providing hotels with practical information and knowledge by promoting awareness campaigns, and emphasizing environmental education and training programs focused on green concepts for management and employees. Second, government should play a supporting role by boosting the hotel and tourism sector to undertake green initiatives and in achieving various green certification standards. Government involvement would be wanted, because market forces have
not yet produced the need for these standards, and the hotel industry does not have the expertise to develop them. The Thai government may attempt to provide them with sufficient technical, financial, and educational resources. Technical and managerial training and financial aid can be powerful incentives to encourage commercial enterprises to be more active and become certified. Third, government should provide a comprehensive set of incentives or awards specifically to good performers or early adopters. Finally, the promotion of best practices should take place and there is an expectation that governments will take a more active role. Finally, we make suggestions for future research by using qualitative research to provide further understanding of internal organizational characteristics that influence green practices decisions, including participation in voluntary environmental programs.

References


EFFECT ON THE VALUE OF ITS ENVIRONMENTAL PERFORMANCE AND FINANCIAL PERFORMANCE

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ABSTRACT

The objective of this study is to examine the influence of environmental performance to firm value with financial performance as an intervening variable. This study takes samples from 31 companies in the Indonesian Stock Exchange, which were published in Indonesian Stock Exchange. The method of analysis of this research used multiple regression and path analysis. The results of this study show that (1) environmental performance had significant influence to financial performance, (2) environmental performance had not significant influence to firm value, (3) financial performance had significant influence to firm value, (4) environmental performance had significant influence on the financial performance of the firm's value throughs. Financial performance is an intervening variable in the relationship between environmental performance and the audit committee of the firm's value.

KEYWORDS: environmental performance, financial performance, firm's value

Introduction

As stated in the Act No. 32 of 2009 on the Protection and Management of the Environment in Article 67, "Everyone has a responsibility to preserve the function of the environment and control pollution and / or damage to the environment". Article 68, "everyone is doing business and / or activity must: (a) provide information related non- protection and environmental management, accurate, transparent and timely manner, (b) maintaining the sustainability of environmental functions, and (c) comply with the provisions on environmental quality standards and / or environmental damage criteria ". In the law it can be concluded that the company in carrying out its activities required to keep and maintain environmental sustainability.

Environmental performance management aims to meet all regulatory and environmental requirements are complete and thorough. Of these activities are expected to reduce the quality of the environmental impact until it reaches below the standards required by the relevant regulations. Environmental performance management is also the management's efforts to prevent pollution of the environment managed by implementing "Green Industry". The goal is the impact of the environmental aspects aimed at "Zero Impact" (minimal impact). By doing the management of environmental performance, the company is expected to maintain the environmental balance in every business process in the activities, products and services is to achieve superior performance.
There are at least three important reasons why the business world need to respond and develop the issue of social responsibility in line with its business operations. First, the company is a part of society and therefore natural that companies consider the interests of society. Second, the business community and the public should have a relationship that is symbiotic mutualism. Third, the social responsibility activities is one way to dampen or even avoid social conflict (Kartini, 2009).

**LITERATURE REVIEW**

**Environmental management**

Environment according to the general definition that everything around subjects related to human activities. Environmental elements are matters related to: land, air, water, natural resources, flora, fauna, humans, and the relationship between these factors. The central point is the human environmental issues. So environmental management can be defined set of activities to plan, organize, and mobilize human resources and other resources to achieve environmental policy objectives that have been set (Purwanto, 2007).

The environmental management system is part of the organization's management system used to develop and implement policies regarding the environment and also as a guide for organizations to manage their environmental aspects (ISO 14001, 2004). The environmental management system provides mechanisms to achieve and demonstrate good environmental performasi through efforts to control the environmental impact of products and services. The system can also be used to anticipate the demands of development and improvement of the environment performasi of consumers as well as to meet the requirements of government environmental regulations (Muti Sophira Hilman and Ellia Kristiningrum, 2008).

**Environmental performance**

According Suratno et al. (2006), the company's environmental performance (*environmental performance*) is the company's performance in creating a good environment (*green*). Assessment of environmental performance is measured with PROPER assessment conducted by the Ministry of Environment. The purpose of the assessment is to improve the performance of companies in the field of environmental conservation.

In its annual report, the Ministry of Environment explained that the assessment of the performance of the company's compliance in PROPER carried out based on the company's performance in meeting the various requirements set out in the legislation in force and the company's performance in the implementation of
various activities related to environmental management activities is not a requirement of compliance (beyond compliance).

In his research Al Tuwarij et al (2004) found a significant positive relationship between environmental performance and financial performance. The results of this study are consistent with research conducted by Suratno et al (2007) who did research there are companies listed on the Stock Exchange during the period 2001-2005.

Concerned companies in the field of environmental management can provide added value to the company. Pfleiger et al (2005) explains that the company's activities in the field of environmental protection will bring a number of advantages, including the interest of shareholders and stakeholders on corporate profits as a result of responsible environmental management. Mark (2000), Figge and Hahn (2004), and Al-Najjar (2012) also describes the relationship between environmental policy on firm value.

**Company Financial Performance**

The financial statements are the source of information used to measure the extent of the performance of the company. The information can be quantitative or qualitative.

Ratings by using ratios can be done to assess the financial performance of companies such as debt-equity ratio (DER), current assets (CA), quick acid ratio, price-book value (PBV), return on investment (ROI), return on equity (ROE), return on assets (ROA), net profit margin (NPM) and others. Ratios are calculated based on quantitative information derived from the financial statements that are historical. Therefore, the results of these calculations only describe the company's performance in the past until the time the report was made. Should the company's performance can both be assessed using a tool to describe the condition of the company today and in the future.

In the development of emerging various ideas in the field of management, it creates an approach or a new method for measuring the operating performance of a company that takes into account the interests and expectations of providers of funds (creditors and shareholders), the so-called measurement techniques Market Value Added (MVA). Market Value Added (MVA) was introduced by Stern Stewart & Co., a financial services company in America. Stewart & Co., that the Market Value Added (MVA) is the key to value creation (Winarto, 2010).

Measurement of MVA is to assess the impact of the actions of managers on the prosperity of its shareholders since the company's stand (Brigham & Gapenski, 1999). MVA is the market value (total market value) of all shares and corporate debt, which means how the amount earned by investors if all investments in stocks and bonds were sold to financial markets reduced the total capital invested (in the form of equity, retained earnings, debt via the capital market and debt to the bank). If the
positive MVA means managers succeeded in creating added value for the company otherwise if MVA negative then the manager failed to create added value for the company (Winarto, 2010).

In the study Wirakusuma (2009) proved that a significant difference between the financial performance of the company's value. These results are also supported by Carningsih (2009) which mentions the existence of significant influence of the company's performance to company value.

The Firm’s Value

Determining the firm’s value can be done using a variety of measures different and each step of the (possibility) will give values that differ from the obtainable size another. It is the duty of scientists to combine steps the most in accordance with the requirements certain.

The firm’s value is very important because of the high firm’s value which will be followed by a high prosperity shareholders (Bringham Gapensi, 1996). The higher the stock price the higher the firm’s value. High corporate value to be the desire of the owners of the company, because with a high value indicates prosperity shareholders also high. Shareholder and the company presented by the market price of the shares is a reflection of the investment decision, financing (financing), and asset management.

According to Fama (1978), the enterprise value would be reflected in its share price. The market price of the shares of the company formed between buyers and sellers when transactions occur is called the market firm’s value, because the price of the stock market is considered a reflection of the true firm’s value's assets. The firm’s value formed by indicators of stock market value is influenced by investment opportunities. The existence of investment opportunities can provide a positive signal about the company's growth in the future, which will increase the stock price, the stock price increases, the company's value will increase.

The firm’s value is the market value of debt and equity securities outstanding companies. The firm’s value is the perception of the owners of capital to the level of success of the company that many associate it with the stock price. The market may believe that the high firm’s value is not merely firm's current performance, but also on the company's prospects in the future (Keown, 2004).

The company's value in this study was defined as the market value. Because the firm’s value can deliver maximum shareholder wealth when the company's stock price to rise. The higher the stock price, the higher the wealth of shareholders. To achieve the company's value generally investors hand over its management to the professionals. The professionals are positioned as the manager or the commissioners.
Generally, the firm’s value is measured by using a stock price or earnings given to shareholders (Carningsih, 2009).

Conceptual Framework

Based on the theory that supports and results of previous research and previously disclosed, the framework in this study are presented in the following figure:

Based on previous research and framework in this study, the hypothesis is as follows:

H1a: The environmental performance positive effect significantly on financial performance
H2a: A positive effect on environmental performance significantly to the firm’s value
H3a: Financial performance has positive effect significantly to the firm’s value
H4a: Environmental performance through performance positive financial impact significantly to the firm’s value

RESEARCH METHODOLOGY

Sampling Design

In obtaining the data in this study, researchers used a research library. The data used is the data relating to the issues being researched through a web directory IDX, the company's official web-related and ranking results were published by the Ministry of Environment of the Republic of Indonesia. The sample used is a listed company's annual financial statements published by the Indonesia Stock Exchange. The information used in this study is secondary data, in the form of annual financial statements published by the company and published in the Indonesia Stock Exchange. The population in this study is a company registered in the Indonesia Stock Exchange.

The method used in the selection of research sample is the selection of the sample aiming (purposive sampling), with techniques based on the consideration (judgment sampling) which is a type of sample selection is not random that the information obtained by using certain considerations (generally adapted to the purpose or issue research) (Indriantoro, 2002) with the following criteria:
1. Samples are companies listed on the Stock Exchange and publish the financial statements.
2. The company has followed the PROPER.

**Research Procedure**

**Environmental performance**

Environmental performance is an independent variable that will be proxied by the rating PROPER organized by the Ministry of Environment. Referring to Rakhiemah and Agustia (2009), the ranking system performance PROPER include the rating company in five colors namely:

<table>
<thead>
<tr>
<th>No.</th>
<th>Color</th>
<th>Information</th>
<th>Score</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Gold</td>
<td>Very very good</td>
<td>5</td>
</tr>
<tr>
<td>2</td>
<td>Green</td>
<td>Very good</td>
<td>4</td>
</tr>
<tr>
<td>3</td>
<td>Blue</td>
<td>Good</td>
<td>3</td>
</tr>
<tr>
<td>4</td>
<td>Red</td>
<td>Bad</td>
<td>2</td>
</tr>
<tr>
<td>5</td>
<td>Black</td>
<td>Very bad</td>
<td>1</td>
</tr>
</tbody>
</table>

**Market Value Added (MVA)**

The company's performance is the dependent variable in this study were measured by using the Market Value Added (MVA). In Brigham & Gapenski (1999) MVA is calculated as follows:

\[ MVA = (\text{Market value} - \text{Book value}) \times \text{shares outstanding} \]

**The firm’s value**

Wirakusuma (2009) measures the firm’s value is proxied by using Tobin's Q.

**DATA ANALYSIS**

**An Overview of Research Object**

Unit research used in this study are all companies listed on the Stock Exchange. In this period there were 444 companies, but after the purposive sampling, the samples are fit for use (meet the criteria) in this study there were 56 companies listed in BEI. There are 388 samples omitted because the data does not meet the criteria established and because of the incompleteness of the data. The criteria are set are companies listed on the Indonesia Stock Exchange and submit financial statements as well as follow PROPER.

The companies are eliminated in this study is a company that had no activity in the field of environment, banking, investment, trade, transportation and telecommunications.

<table>
<thead>
<tr>
<th>No.</th>
<th>Directions Relations</th>
<th>Adjusted R²</th>
<th>test F</th>
<th>t test</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Environmental Performance → Financial Performance</td>
<td>.227</td>
<td>6.983</td>
<td>1,294</td>
</tr>
<tr>
<td>2</td>
<td>Environmental Performance → Company Value</td>
<td>.468</td>
<td>14.394</td>
<td>0.061</td>
</tr>
<tr>
<td>3</td>
<td>Financial Performance → Company Value</td>
<td>.468</td>
<td>14.394</td>
<td>0.290</td>
</tr>
</tbody>
</table>
Results Path Analysis

Path analysis is a technique for analyzing the causal relationships that occur in multiple regression. If the independent variables affect the dependent variable not only directly, but also indirectly. The model is described in the form of arrows single relationship between each variable are shown as the cause. Standardized regression coefficients or the so-called "beta (β)" which shows the direct influence of an independent variable on the dependent variable in a model specific paths. Coefficients used in this study is the result of the partial regression coefficients. (Sarwono (2007) explains that the value of a joint path is the result of the coefficient track.

From the regression test results above, it can do good path analysis that directly (Direct Effect or DE), indirectly (Indirect Effect or IE) and the total effect (total effect) can be explained as follows:

<table>
<thead>
<tr>
<th>No.</th>
<th>directions Relations</th>
<th>Direct Effect</th>
<th>Indirect Effect</th>
<th>Total Effect</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Enviromental Performance → Financial Performance</td>
<td>0.425</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>2</td>
<td>Enviromental Performance → Firm's Value</td>
<td>0.048</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>3</td>
<td>Financial Performance → Firm's Value</td>
<td>0.702</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>4</td>
<td>Enviromental Performance → Financial Performance → Firm's Value</td>
<td>-</td>
<td>0.2984</td>
<td>0.3464</td>
</tr>
</tbody>
</table>

Hypothesis testing

Summary of the research hypothesis testing can be seen in table test results H1a known that environmental performance affect the financial performance of the Ha1a acceptable because significant value shows 0.00 <0.05. The value of regression coefficient of 0.425 shows the influence of environmental performance to financial performance is positive. This means that if the environmental performance rose by 1%, the financial performance will be increased by 0.425.

The test results H2a known that environmental performance does not affect the firm’s value, Ha2 be rejected. This is due to the significance value shows 0.650> 0.05.

The test results H3a known that the effect on the financial performance of the company's value. Ha3 acceptable means for showing the significance value 0.000 <0.05. The value of regression coefficient of 0.702 shows the influence of environmental performance to financial performance is positive.

The test results H4a known that environmental performance through the effect on the financial performance of the company's value. Ha4a acceptable means for showing the significance value of p <0.05. The value of regression coefficient of
0.2984 shows the influence of environmental performance to financial performance is positive.

<table>
<thead>
<tr>
<th>No.</th>
<th>Hypothesis</th>
<th>Variables</th>
<th>Coefficient (sig)</th>
<th>Conclusion</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>H1a</td>
<td>Environmental Performance → Financial Performance</td>
<td>0.425 (0000)</td>
<td>Positive, significant</td>
</tr>
<tr>
<td>2</td>
<td>H2a</td>
<td>Environmental Performance → Firm's Value</td>
<td>0.048 (0650)</td>
<td>No effect</td>
</tr>
<tr>
<td>3</td>
<td>H3a</td>
<td>Financial Performance → Firm's Value</td>
<td>0.072 (0000)</td>
<td>Significant positive</td>
</tr>
<tr>
<td>4</td>
<td>H4a</td>
<td>Environmental Performance → Financial Performance → Firm’s Value</td>
<td>0.2984</td>
<td>Positive, significant</td>
</tr>
</tbody>
</table>

**CONCLUSION AND DISCUSSION**

In this study were observed variables are financial performance as the dependent variable that is directly affected by the environmental performance variables, the size of the independent directors and audit committee. Furthermore, it also proves the hypothesis that the effect indicated by the variable environmental performance through financial performance or a direct influence on the firm’s value.

On direct examination of environmental performance variables significantly influence the financial performance demonstrated the significant value of 0.000 with a regression coefficient 0.425 or 42.5%. Proxy for environmental performance of the overall PROPER included in the study sample shows the value of ranking well. This study also proved that the rating PROPER, provided by the government, it is quite reliable as a measure of the company's environmental performance.

Variable environmental performance is one of the variables that can affect financial performance, especially stock prices. Environmental performance is also an indicator of companies' compliance with the existing regulations in Indonesia especially in the environmental field.

The results of this study are consistent with Suratno et al (2007) and Al-Tuwarij et al (2004) which found positive relationship between environmental performance and financial performance. However, this result is also not consistent with Sarumpaet (2005) and Rakhiemah (2009) who found a relationship that does not comply with many companies in Indonesia.

Variable value directly affects the company's financial performance variables with significant value 0.000 and the regression coefficient of 0.702 or 70.2%. In the research, it is known that the financial performance of the company's value has a direct relationship. Means the better the company's financial performance will be followed by the rise in the firm’s value. MVA measurement to assess the
impact the actions of managers on the prosperity of its shareholders since the company's stand (Brigham & Gapenski, 1999 in Winarto 2007).

The financial statements are the source of information used to measure the extent of the performance of the company. The information can be quantitative or qualitative. Ratings by using ratios can be done to assess the financial performance of companies such as\textit{debt-equity ratio} (DER),\textit{current assets} (CA),\textit{quick acid ratio},\textit{price-book value} (PBV),\textit{return on investment} (ROI),\textit{return on equity} (ROE),\textit{return on assets} (ROA),\textit{net profit margin} (NPM) and others. From measurements using these ratios are expected to increase the firm’s value to investors.

The creation of a value for the shareholders in accordance with the concept of MVA is to maximize shareholder wealth is done by maximizing the difference between the\textit{market value of equity} by the number of investors who invested into the company. If MVA is positive means that the manager managed to create added value for the company. But on the contrary if MVA negative then the manager failed to create added value for the company (Winarto, 2007).

These results are consistent with Ulupui (2007) and Wirakusumah (2009) who found the positive influence the company's performance in relation to the firm’s value.

Concerned companies in the field of environmental management can provide added value to the company. Pfleiger\textit{et al} (2005) explains that the company's activities in the field of environmental protection will bring a number of advantages, including the interest of shareholders and\textit{stakeholders} on corporate profits as a result of responsible environmental management. Mark (2000), Figge and Hahn (2004), and Al-Najjar (2012) also describes the relationship between environmental policy on firm value. These results are consistent with research Ulupui (2007), Wirakusuma (2009) and Carningsih (2009) who found a significant relationship between the environmental performance of the company's value.

Environmental performance variable indirect effect on the firm’s value through financial performance shows the coefficient value of 0.2984. This suggests that any increase in environmental performance and financial performance of the unit, then the firm’s value will increase by 0.29 or 29%. This shows that the environmental performance that affect financial performance will affect the changes in the firm’s value. In relation indirectly financial performance may be an intervening variable between the environmental performance of the company's value.

Based on the formulation of the problem posed in the discussion and explanation of it can be concluded that:
1. Environmental performance has a significant impact on the financial performance of 42.5%. This is because to prove that the rating PROPER, provided by the government, it is quite reliable as a measure of the company's environmental performance. Awareness company in the field of environmental management can improve the results of financial performance. The results of this study are consistent with Suratno et al (2007) and Al-Tuwarij et al (2004).

2. Environmental performance has no direct influence on the firm’s value, because the company's value is influenced by many other factors. These results are not consistent with Mark (2000), Figge and Hahn (2004), and Al-Najjar (2012).

3. Financial performance has a significant effect on the firm’s value by 70%. This is due to improved results by the company's performance will be followed by the creation of value for the company. These results are consistent with Ulupui (2007) and Wirakusumah (2009).

4. Environmental performance has indirectly influence on corporate value through financial performance by 29.8%. In an indirect relationship between the environmental performance of the firm’s value's financial performance can be used as an intervening variable.

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SIMULATION OF CONSUMPTION PATTERN FOR MALAYSIAN CONSUMERS

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ABSTRACT

The imbalance growth between GDP per capita and consumer price index or inflation rate has changed the consumption pattern of Malaysian consumers. For instance, the growth of GDP per capital has changed since 2006 (USD5756) to USD 7304 in 2015, an increase of almost 51 per cent. However, the rise of consumer price index (CPI) is 40% during the same period and 40% increase of inflation rate in the last 10 years. This implies that the consumer has to pay a higher price for purchase of consumer products as compared to their salaries and job vacancies. Ironically, the imposition of Government Service Tax (GST) in April 2016 has contributed for more hike in consumer prices. This has increased the burden on consumers and has been a source of dissatisfaction among consumers. Hence, the objective of this research is to investigate the factors that may influence consumption patterns for Malaysian customers amidst the pursuance of a new developed nation. This study developed a new consumption pattern model consisting of several four exogenous variables and 5 endogenous variables measured using 7-point Likert scale consisting of Consumer lifestyle, Consumer preference. During the pilot study the cronbach alpha results of all latent variables indicate values between 0.744 to (Consumer lifestyle) 0.883 (Consumer preference). The results are discussed from the perspective of Malaysian National Agenda, societal integrity, social cohesion, achieved the vision of 2020, developed country per capita income, “1 Malaysia, People First, Performance Now”.

Keywords: Consumption pattern, consumer price index, good and services tax, and Malaysian consumers.

I. INTRODUCTION

The consumption pattern of Malaysian consumers has changed markedly since 2006 as shown by several indicators such as GDP per capita, consumer price index (CPI) and inflation rates. The GDP per capita in Malaysia has risen at alarming pace recently. It was USD5756 in 2006 and at the end of 2015 it has amplified to USD10,288, a rise of almost 80 per cent (www.focus–economics.com). Therefore, Malaysia is nearing the 2020 target of USD15,000 per capita income. However, as compared to per capita income of the consumers, the rise in consumer prices was incomparable. The consumer price index (CPI) increased from 83.1% in 2006 to 114.5% in February 2016. This implies that the consumer has to pay a higher price for purchase of...
consumer products nowadays. This situation is also evidenced by the inflation rate, which has risen from 3 percent in 2006 to 4.2 percent in February 2016 (www.tradingeconomics.com). Ironically, the imposition of Government Service Tax (GST) in April 2016 has contributed to the hike in consumer prices. This has increased the burden on consumers and has been a source of dissatisfaction among consumers. Hence, the objective of this research is to investigate the real factors that impact consumption pattern for Malaysian customers.

This paper is structured as follows. First, we review the literature of consumption pattern.

2. LITERATURE REVIEW

2.1 Consumption Pattern
Consumption pattern is defined as an aspect of a lifestyle (or livelihood) that relates to the nature and amount of the different goods and service that the households consider as adequate to fulfill their needs. The exploration of the extant empirical literature indicates that the antecedents of consumption pattern are consumer lifestyle (Hawkins, Roupe & Coney, 1981; Veenma, Kistemaker, Lowik & Hulshof, 1995). Alayew (2009) define consumption patterns as an estimate of consumption of household within a one week period. Presumably, consumers are individuals who buy products or services for personal use and not for manufacture or resale. A consumer is someone who can make the decision whether or not to purchase an item at the store, and someone who can be influenced by marketing and advertisements.

2.2 Consumer Lifestyle
The consumer may be defined as the actor of the verb 'to consume'. From the 14th century to the late 19th century, the verb 'to consume' in English has carried a negative connotation meaning 'to destroy, to use up, to waste, to exhaust', whereas the word 'customer' has generally been received in a more positive light the entity that purchases and uses products and services for the purpose of individual or household consumption. Lifestyle is a way of living that influences and is reflected by one’s consumption behavior. Consumer lifestyle is defined as an entity that purchases and uses products and services for the purpose of individual or household consumption. In other words, consumer lifestyle refers to a way of living that influences and is reflected by one’s consumption behavior (Bin & Dowlatabadi, 2005).

2.3 Consumer Value
Consumer value is defined as a low price, whatever he or she wants in a product, the quality he or she gets for the price they pay, and what he or she gets for what they give (Zeithaml, 1988). Kahle (1996) recommends that consumer value refers to peoples’ experiences and learning process. Therefore, consumer value is the results or benefits (of goods or services) consumers receive in relation to the total costs (such as price paid, plus other costs related to the benefits) In simple terms, consumer value is
value assessment associated with the consumer evaluation of the benefits derived from owning the goods or services and compared to the amount of money paid.

2.4 Consumer Motive
Consumer motive is defined as internal impulses which simulated initiate some type of responses. In other words, consumer motive contributes to the drivers of behavior that bring consumers to the retail store (Duncan, 2005). A motive can be defined as a drive or an urge for which an individual seeks satisfaction. A motive is a need that is sufficiently pressing to drive the person to act. (Kotler, 2003). In addition, Duncan (2005) stated that consumer motives are those influences or considerations which provide the impulse to buy, induce action or determine choice in the purchase of goods or services.

2.5 Consumer Preference
Consumer preference is defined as improved information flows enable organizations to respond more efficiently to shift in consumer preferences, and to customize their products and services to their needs (dictionary.cambridge.org/dictionary/business-english, retrieved on March 12, 2014).

2.6 Marketing Mix
Kotler and Armstrong (2006) defined marketing mix as 4P’s namely the price, product, place, promotion (advertising). Marketing mix is designed to influence consumer decision-making and lead to profitable exchanges (Peter & Donnelly, 2007). In other words, the marketing mix is the set of marketing tools which used by organizations to pursue their marketing objectives in the target market (Munusamy & Hoo, 2008).

2.6.1 Price
According to Campbell (2009), the definition of price can be divided into two: from the marketing manager’s perspective and from the consumer’s perspective. From the marketing manager’s perspective, the price is what the consumer is willing to pay for the value of the bundle of attributes offered and is what produces the resources that cover all of the other activities of the firm. In contrast, from the consumer’s perspective, the price represents what the consumer must sacrifice to gain the value of the bundle of attributes in the product offering. In other words, price can mean more to consumers than just a monetary exchange of value.

2.6.2 Product
Kotler and Armstrong (2006) define a product as anything that can be offered to a market for attention, acquisition, use, or consumption that might satisfy a want or need. Ferrell (2005) defined the product as the core of the marketing mix strategy in which retailers can offer consumers symbolic and experiential attributes to differentiate products from the competitors. In addition, Borden (1984) identified product as a thing about quality, design, features, brand name and sizes.
2.6.3 Place
The place can be defined as a set of interdependent organizations involved in the process of making a product available for use or consumption by consumers (Kotler & Armstrong, 2006). Furthermore, Berman (1996) identified place strategy as an effective distribution of products, among the marketing channels such as the wholesalers or retailers. Kotler (2003) stated that place strategy in retail stores includes more than the question of how consumers access the stores, it also includes the availability of products in such stores.

2.6.4 Promotion
Promotion is defined as sales promotion, advertising, personal selling, public relations and direct marketing (Borden, 1984). Meanwhile, Duncan (2005) defined promotion as the key to the market exchange process that communicates with present and potential stakeholders, and the general public. Hakansson (2005) stated that promotion appears as an issue of how to create an optimal mix of marketing communication tools in order to get a product’s message and brand from the producer to the consumer.

Table 1 summarizes the operational definition of the nine constructs utilized in this study.

Table 1: Operational Definition of Latent Construct

<table>
<thead>
<tr>
<th>Variables</th>
<th>Definition</th>
</tr>
</thead>
<tbody>
<tr>
<td>Consumption Pattern</td>
<td>Is an aspect of a lifestyle that relates to the nature and amount of the different goods and service that the households consider as adequate for fulfilling their needs.</td>
</tr>
<tr>
<td>Consumer Lifestyle</td>
<td>Is a way of living that influences and is reflected by one’s consumption behavior.</td>
</tr>
<tr>
<td>Consumer Value</td>
<td>Is a value assessment associated with the consumer evaluation of</td>
</tr>
<tr>
<td>Consumer Motive</td>
<td>Is a benefit derived from owning the goods or services and compared to the amount of money paid.</td>
</tr>
<tr>
<td>Consumer Preference</td>
<td>Is an improved information flows enable organizations to respond more efficiently to shift in consumer preferences, and to customize their products and services to their needs.</td>
</tr>
<tr>
<td>Price</td>
<td>Is a sacrifice is consistent with conceptualizations by other pricing researchers.</td>
</tr>
<tr>
<td>Product</td>
<td>Generally brought to life through decisions about the physical form and appearance of the product.</td>
</tr>
<tr>
<td>Place</td>
<td>This refers to where the product or service will be made available to the customer.</td>
</tr>
<tr>
<td>Promotion</td>
<td>A part of communication of value includes consumer sales promotions, trade promotions and promotions to the sales force.</td>
</tr>
</tbody>
</table>
3. METHODOLOGY

This study engages in a quantitative research design via a 10-page questionnaire survey. The questionnaire consists of 12 demographic variables and 95 intervals scaled items measuring the nine latent constructs. The instrument for the latent variables is adopted from past studies and measured using 7-point Likert-scale: consumption pattern (11 items) adapted from Richins and Dawson, (1992); consumer lifestyle (9 items) adopted from Wells and Tigert (1971); consumer value (10 items) adopted from Dabholkar, Thorpe and Rentz, (1996); consumer motive (8 items) adopted from Ying and Keen, (1992), consumer preference (13 items) adopted from Shimp and Sharma, (1987); product (10 items) adopted from Sproles and Kendall, (1986); pricing (13 items) adopted from Sproles and Kendall, (1986); promotion (11 items) adapted from Hair, Bush & Ortinau, (2009) and place (10 items) adopted from Ying and Keen, (1992).

The unit analysis of this study is the actual consumers who have purchasing power in their hands to purchase consumer products. For the pilot study, 200 questionnaires are distributed to the respondents in Selangor and Kuala Lumpur. 150 questionnaires were returned, representing 75 percent of response rate. However, only 100 questionnaires are usable. The data were input and analyzed using SPSS. The analysis used was descriptive statistics and reliability tests (Cronbach’s alpha). The research framework is presented in Figure 1.

![Research Framework](image_url)
4. FINDINGS

4.1 Demographic Profile of Respondents

The profile of the respondents showed that they are mainly females (53%) and majority are married (87%). The majority of the respondents are from Malay ethnic (70%) while 56 percent are the Chinese and 4 % are the Indians. This percentage is proportionate to the population of Malaysia. 34.7% of the respondents are SPM holders with 29% are from private sectors and 20% of the from public sectors. Majority of them (84.2%) are the owners of the houses and 31% of them get the salaries RM2000-RM4000 per month. The details shown in Table 1 below.

<table>
<thead>
<tr>
<th>Table 1: Demographic Profile of Respondent</th>
</tr>
</thead>
<tbody>
<tr>
<td>FREQUENCY</td>
</tr>
<tr>
<td>GENDER: VALID</td>
</tr>
<tr>
<td>MALE</td>
</tr>
<tr>
<td>FEMALE</td>
</tr>
<tr>
<td>TOTAL</td>
</tr>
<tr>
<td>MARITAL STATUS: VALID</td>
</tr>
<tr>
<td>SINGLE</td>
</tr>
<tr>
<td>MARRIED</td>
</tr>
<tr>
<td>TOTAL</td>
</tr>
<tr>
<td>ETHNICITY: VALID</td>
</tr>
<tr>
<td>MALAY</td>
</tr>
<tr>
<td>CHINESE</td>
</tr>
<tr>
<td>INDIAN</td>
</tr>
<tr>
<td>OTHERS</td>
</tr>
<tr>
<td>TOTAL</td>
</tr>
<tr>
<td>LEVEL OF EDUCATION: VALID</td>
</tr>
<tr>
<td>SPM</td>
</tr>
<tr>
<td>STPM</td>
</tr>
<tr>
<td>DEGREE</td>
</tr>
<tr>
<td>MASTER</td>
</tr>
<tr>
<td>PHD</td>
</tr>
<tr>
<td>OTHERS</td>
</tr>
<tr>
<td>TOTAL</td>
</tr>
<tr>
<td>OCCUPATION:</td>
</tr>
<tr>
<td>SELF-EMPLOYED/BUSINESS</td>
</tr>
<tr>
<td>PRIVATE SECTOR EMPLOYEE</td>
</tr>
<tr>
<td>GOVERNMENT EMPLOYEE</td>
</tr>
<tr>
<td>STUDENT</td>
</tr>
<tr>
<td>HOUSEWIFE</td>
</tr>
<tr>
<td>UNEMPLOYED</td>
</tr>
<tr>
<td>TOTAL</td>
</tr>
<tr>
<td>ACCOMMODATION: VALID</td>
</tr>
<tr>
<td>RENT</td>
</tr>
<tr>
<td>OWNER</td>
</tr>
<tr>
<td>TOTAL</td>
</tr>
<tr>
<td>MONTHLY GROSS INCOME: VALID</td>
</tr>
<tr>
<td>&lt;RM2000</td>
</tr>
<tr>
<td>RM2000-RM4000</td>
</tr>
<tr>
<td>RM2001-RM4000</td>
</tr>
<tr>
<td>RM4001-RM6000</td>
</tr>
<tr>
<td>RM6001-RM8000</td>
</tr>
<tr>
<td>&gt;RM8000</td>
</tr>
<tr>
<td>TOTAL</td>
</tr>
</tbody>
</table>
4.2 Descriptive Statistics of Construct and Reliability

Table 2 illustrates the descriptive statistics of all latent constructs. It shows that all variables have means between 4.561 and 5.212 with standard deviation below one. Cronbach alpha coefficient reliability also shows values between 0.744 and 0.883, which are within the specified threshold set by Nunnally, (1970). It also indicates that all measures have adequate measurement validity.

<table>
<thead>
<tr>
<th>Variable Name</th>
<th>No. of Items</th>
<th>Mean (Std. Dev)</th>
<th>Cronbach Alpha</th>
</tr>
</thead>
<tbody>
<tr>
<td>Consumption Pattern</td>
<td>11</td>
<td>4.561 (.762)</td>
<td>0.786</td>
</tr>
<tr>
<td>Consumer Lifestyle</td>
<td>9</td>
<td>4.525 (0.737)</td>
<td>0.744</td>
</tr>
<tr>
<td>Consumer Value</td>
<td>10</td>
<td>4.784 (0.807)</td>
<td>0.873</td>
</tr>
<tr>
<td>Consumer Motive</td>
<td>8</td>
<td>5.054 (0.905)</td>
<td>0.867</td>
</tr>
<tr>
<td>Consumer Preference</td>
<td>13</td>
<td>4.751 (0.836)</td>
<td>0.883</td>
</tr>
<tr>
<td>Product</td>
<td>10</td>
<td>4.660 (0.663)</td>
<td>0.770</td>
</tr>
<tr>
<td>Pricing</td>
<td>13</td>
<td>4.725 (0.704)</td>
<td>0.814</td>
</tr>
<tr>
<td>Promotion</td>
<td>11</td>
<td>4.607 (0.829)</td>
<td>0.865</td>
</tr>
<tr>
<td>Place</td>
<td>10</td>
<td>5.212 (0.743)</td>
<td>0.847</td>
</tr>
<tr>
<td>Total Items</td>
<td>95</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

5. CONCLUSION

Consumption pattern is a very important issue for consumers due to a growing concern among the Malaysian consumers regarding the changing consumption pattern in Malaysia. Besides, it benefits National Agenda in caring for public consumer needs. The output of this study could assist policy makers to formulate new consumption pattern model to enhance consumption pattern among the consumers from rural areas and urban areas in Malaysia.

REFERENCES


THE EFFECT OF ENTERPRISE RESOURCE PLANNING SYSTEMS (ERPS) ON THE MANAGEMENT CONTROL SYSTEMS (MCS), QUALITY OF ACCOUNTING INFORMATION AND PERFORMANCE

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ABSTRACT

This study aimed to examine the effect of enterprise resource planning systems on the management control systems, the quality of accounting information, financial performance and non-financial performance. In addition, this study also examines the effect of enterprise resource planning system on the performance of financial and non-financial performance with management control system as an intervening variable. The data were collected by distributing questionnaires by purposive sampling to the respondents. While respondents are middle managers, with a total of 54 respondents. Data were analyzed using SEM to help SmartPLS version 1.0. The results of this study revealed that the enterprise resource planning system effect on management control system, the quality of accounting information, performance of financial and non-financial performance. Be expected this research may help other researchers who use the same topic in completing these findings in the field of accounting for the progress and research in the future as reference material and material consideration or comparison in doing research. For further research is expected to lead to the improvement of adding a variable external factors such as accounting information systems, management information systems, etc., which of these variables can affect the performance.

Keywords: enterprise resource planning systems, management control system, the quality of accounting information, financial performance and non-financial performance.

INTRODUCTION

The era of the global economy is very competitive and rapidly changing that requires companies to use information technology to support business processes. Management of information technology requires a strategic vision that unites between information technology and business processes. Information technology strategy
refers to the specific investment in the form of different types of systems, such as enterprise resource planning system (ERP) (Velcu, 2005). In the last ten years, the implementation of the enterprise resource planning system (ERP) to the control system and corporate performance management has become popular in enterprise companies around the world. Every function in an organization has its own information systems that operate separately from other organizational information system functions (Rom and Rohde, 2007).

Systems enterprise resource planning (ERP) is an integrated information system that can be used to manage and coordinate all the resources, information, and business functions of the data that has been stored (ERP) intended to integrate all corporate information into one central database, which allows all information to be retrieved from the various positions of different organizations and to make objects visible organization (Dechow and Mouritsen, 2005). ERP makes all the company's financial information visible and accessible not only to accountants, this poses challenges for reporting and managerial control. ERP change management accounting role by providing the necessary operational data with quick and easy access and is relevant and real-time decision-making and management control.

The main aim of the management control system (MCS) is to monitor the decisions throughout the organization and to guide employee behavior in the desired way to increase the likelihood that the objectives of the organization, including organizational performance, will be achieved (Bhimani et al., 2008). Management control system (MCS) can be defined as tools designed to assist decision-making by managers consisting of both formal and informal forms of control (Chenhall, 2003). Formal control consists of contractual obligations and formal organizational mechanisms and can be subdivided into the results and behavior control mechanisms; informal social control or, on the other hand, with regard to culture and systems that affect members of informal and essentially based on the mechanism of self-regulation induces (Ouchi, 1979).

With Enterprise Resource Planning (ERP) which is applied to a company, then it will indirectly affect the quality of information produced by these companies, one of which improve the quality of accounting information in this case about the quality of the financial statements produced by the company (Dwinita: 2009). Accounting information in a company is on the presentation of financial statements prepared by the accounting department who has the task of presenting the financial statements of good and quality. Quality information that will be useful as a tool for decision-making right as well as a benchmark for corporate managers to measure the financial performance of companies by looking at the resulting financial statements (Dwinita: 2009).

In the last ten years, the system has become popular ERPs in large companies in the world, including in Indonesia. In addition to large enterprises, medium and small companies also began to adopt the system ERPs. Implementation of ERPs at manufacturing and service companies in Indonesia have hope to speed up business
processes, improve efficiency, and reap greater revenues. Respondents of the study conducted by the Economic News are the companies that have implemented a variety of applications / e-business solutions including enterprise resources planning, supply chain management and customer relationship management. The results of the research shows manufacturing industry recorded the most widely used applications / e-business solutions which amounted to 41.9% (the Economic News in Tarin, 2009). Among the manufacturing industry one of which is a food company that benefited from the implementation of ERPs systems. Advantages include information data into a more complete, detailed and fast; ease of directors make the analysis and decision-making; business process more simple; saving the cost of production; and the latter company's cash flow is more controlled.

Furthermore, the Economic News reported by Herdiawan by an interview of one of the practitioners in Indonesia with the vice president to reveal the value-added ERPs after being applied to the company namely: to facilitate analysis and decision making; business processes and information systems into an integrated; increase control and simplify the planning process; 40% reduction in inventory; as well as improved service to customers (in Herawan Economic News, 2008). Thus the development of the ERP system in Indonesia should be improved so that these benefits can be achieved.

However, at the time of implementation of many factors that could derail the implementation and the problems encountered include, first, the management did not provide the project team the best in the implementation project concerning the competence of the team, credibility and creativity of the project team, effective team leadership, team commitment, responsibility responsible team, an adequate number of teams, the responsibilities that overlap on the team, work approach is less clear, the purpose of which is not understood by the project team. Second, the software application is applied not in accordance with the type of business, this is due to lack of consultation with ERP consulting regarding the selection of ERP software will be implemented in the company, given the ERP software implemented in each company is different because it is not necessarily the ERP software is implemented in companies that one would fit well in the company of others. The third is no less important is the factor of Human Resources who do not understand the use of ERP systems, this is due to lack of education and learning about the operation of the system, causing the ERP implementation becomes less than the maximum.

Previous research shows that ERP resulted in changes in MCS because of increased centralization and homogenization system coordination control practices (Granlund and Malmi, 2002). Chapman and Kihn (2009) showed that the MCS, especially budgeting, mediates the effect of enterprise resource planning (ERP) on the performance. Granlund (2007) showed that information technology (IT) may have important effects on the management control practices. These studies showed only the effect of ERP on management accounting practices. However, several studies show that the ERP pushing the changing role of accountants (Granlund and Malmi, 2002; Scapens and Jazayeris, 2003). ERP is an information system organization, they need
the support of management and employees. When ERP is used together with an efficient portfolio, they may achieve the goals of the organization and lead to improvements in performance.

LITERATURE REVIEW

Enterprise Resource Planning System (ERPS)

ERP is an information system that is comprehensive and integrated organization that can be used to manage and coordinate all the resources, information, and business functions that are stored in the shared data. ERP is intended to integrate all corporate information into one central database (Dechow and Mouritsen, 2005). ERP system is a system that can process transactions and can integrate information across departments. ERP system is a set of applications or modules integrated business, which can contain business functions, such as accounting ledger, debts, raw material planning, order management, inventory control, and human resource management (Chapman and Kihn, 2009).

The determinants of the success of an ERP system is something that should be done by the organization in order to achieve success in the implementation of the ERP system. In regard to information systems projects, factors penentukeberhasilan is what should be done by a system to meet what has been designed (Winahyu, 2005). Winahyu (2005) said that in the literature there are several considerations that need to be noticed in connection with the emergence of problems in the implementation of ERP systems, namely:

1. The need for changes in business processes within the ERP system implementation (Motwani, Mirchandani, Madan and Gunasekaran, 2002; A-Mashari, Zairi, 2000)

2. The lack of top management support, user involvement / consumer and data accuracy is the cause of failure in the implementation of the system implementation (Sum, Ang and Yeo, 1997)

3. Many reported that education and training are often underestimated and do not receive special attention because of the pressure of a tight time schedule of implementation and the lack of understanding on cross-functional business processes (markus, Axline, Petrie and Tanis, 2000)

4. Wilson et al (1994) claimed that the ERP package implementation, lack of support from top management, personnel changes, lack of discipline, resistance and absence of a broad commitment of the company is an important factor that can hinder the implementation process.
Management Control Systems (MCS)

The definition of management control system (MCS) has been developed over the years from focusing on the provision of a more formal, the information only in the form of financial data to assist managers in making decisions to focus on the scope of the broader information, including external information such as market information, customers, competitors, information relating to the production process and social control. Conventionally, MCS perceived as a passive tool that provides information to help managers. Even so, according to an approach based on social logic see MCS as an active tool for equip individuals with the power to achieve the ultimate goal (Chenhall, 2003).

Anthony and Govindarajan (2005: 5) defines MCS as a process for managers influence other members of the organization to implement the organization's strategy, related to management control activities. Anthony and Govindarajan (2005: 8) also describes the activities of management control, namely:

1. plan what should be done by the organization,
2. coordinate the activities of several organizations,
3. communicating information,
4. evaluate information,
5. decide what action should be taken,
6. influence people to change their behavior.

Management control system can influence human behavior. Good management control systems influence human behavior such that it has a purpose that is consistent; meaning that individual actions undertaken to achieve personal goals will also help the organization's goals. With a system of adequate controls at least will not encourage individuals to act against the interests of the organization. According to Kirsch (1997), which is seen in terms of controlling the behavior of trying to ensure that individuals working in organizations act accordingly approved the strategy for achieving the desired objectives.

MCS Formal

Formal MCS include clear arrangements and procedures based on custom designs that match the organizational structure, routine tasks and operational activities (Maciarello and Kirby, 1994 in Lu et al, 2010). According to Govindarajan (2002: 114) formal MCS is classified into two types (1) the management control system itself, and (2) the rules which consist of physical control, manual, system security and system control tasks. The rules are defined as a set that contains all kinds of writing instruction and control, including the instructions of office, division of labor, standard operating procedures, guidelines and ethical demands (Govindarajan, 2002: 115).
Financial Performance

Financial performance is a performance that has been achieved by the company in a given period is measured based on the performance value of the material (money) and contained in the financial statements of the company (Lttner and Larcker, 2003). Financial performance in this study was measured through indicators such as; profit, Return On Investment (ROI), Return on Assets (ROA), Sales Growth Rate (Growth Sales), and Operating Return On Asset (ORA). Financial perspective set a goal of short-term financial performance and long-term. Keuanganmengacu perspective on global financial consequences from any other perspective. Thus, the purpose and size of other perspectives should be linked to financial objectives (Kallunki et al, 2010).

Financial perspective set financial performance goals both short term and long term. According to Hansen and Mowen (2006: 512) financial perspective has three strategic themes, namely:

1. Some of the company's objectives will be related to the growth of such opinion, the increase in the number of new products, the manufacture of new applications of existing products, the development of new customers and markets, and the adoption of a new pricing strategy. Once operational objectives in mind, a measure of performance can be designed. For example, the size of which may be to the destination list above (in the order given) is the percentage of revenue from new products, pedapatan percentage of new applications, the percentage of revenue from new customers and market segments, as well as the profitability of products or customers.

2. Decrease Costs
   A decrease in the cost per unit of product, per customer or per distribution channel is an example of cost reduction purposes. The right size is already clear: the cost-per-object special charges. The trends in this measure will declare whether or not charges have been reduced. For this purpose, the accuracy of the charges play an important role. Counting biayaberdasarkan activity can play an important measurement, particularly for the cost of sales and administrative costs that are usually not charged to cost objects such as customers or distribution channels.

3. Use of Assets
   Asset utilization is a primary goal of the company. Size using the financial return on investment and value-added economy.

Non-Financial Performance

Definition of Non-Financial performance is a performance that has been achieved by the company in a given period is measured based on performance in
addition to the value of the material (money) and should relate to the three-dimensional performance of the activity that is the efficiency, quality and time (Ittner and Larcker, 2003). The measurement using self-rating instrument was built to evaluate the effectiveness of the business unit strategies that have been used (Govindarajan, 1988, Chong and Chong, 1997, Chenhall & Langfield Smith, 1988 in kalunki et al 2010).

**Quality of Accounting Information**

Accounting presents the data collection techniques as well as the language of communication for individuals and institutions economy. Investors in a company need information on the financial status and prospects of the company, in the future (Dwinita: 2009). Companies and suppliers need to assess a company's financial health and estimate the size of the risk, before they make loans or extend credit items. Government agencies concerned with the financial activities of an entity for tax purposes and other controls. Employees and unions are very interested in the stability and profitability of the company where they work (Dwinita: 2009).

The individuals who are highly dependent and engaged with the end result of accounting is that they are given responsibility for managing the company's operations. Overall they called "management". Many types of data required by management, for example: in the daily management, management accounting to provide data requires debts to creditors and the amount of the bill of each customer and when pembayaranya. Managers rely on accounting information to assist them in evaluating ongoing operations and plan future operations. For example, by comparing the results of past activities with a predetermined plan, to be determined how to spur towards beneficial and abolish the harmful things (Dwinita: 2009).

**CONCEPTUAL FRAMEWORK**

Gambar 1: Model Penelitian

![](image)

Hypothesis:

H1. ERP positive influence on non-financial performance.
H2. ERPs positive effect on financial performance.
H3. ERPs positive effect on formal MCS
H4. MCS formal positive influence on non-financial performance
H5. MCS formal positive effect on financial performance
H6. ERPs positive effect on the quality of accounting information
H7. Accounting information quality positive influence on non-financial performance
H8. The quality of accounting information positive effect on financial performance
H9. The use of formal MCS ERPs system mediates positive effects on the performance of non-financial corporations.
H10. The use of formal MCS ERPs system mediates positive effects on the financial performance of the company.

RESEARCH METHODOLOGY

The population in this study are all manufacturing company manager in the province of Banten. Total population is not known, the minimum number of samples used in this study of 40 people with the assumption that the data obtained is sufficient to be considered a large sample size (Fred NK, 1990) in (Suprantiningrum, 2002).

The sample in this study is the middle managers of companies in the province of Banten, because managers as respondent is believed to provide good information about the company widely and affect the performance of the system under study.

Criteria for selection of the sample in this study is the manager of the company that is in the province of Banten. Thus, the criteria of population and samples submitted as follows: (1) Companies that implement ERPs, (2) Managers who work in companies located in the province of Banten, (3) the company managers in charge of planning, monitoring and decision makers, (4) the company manager with a minimum term of two years. The determination of these criteria on the basis that all the managers, is expected to respond to the study.

Research Procedure

Data for this study are primary data in the form of respondents' perception through questionnaires delivered directly to the respondent. Sources of primary data in this study were obtained directly from the respondents are managers of companies in the province of Banten. To estimate the path between the
construction shown in the model study, researchers used the PLS 1.0, the software to analyze data and perform statistical calculations both parametric and non-parametric with base windows.

DATA ANALYSIS

Testing the validity of the data in this research is to use software PLS model Convergent validity Outer seen that the value of the square root of the average variance extracted (AVE) where each construct value must be greater than 0.5. Similarly, the reliability test, this research using PLS with Composite Software Reliability. Value construct Composite Reliability should be more than 0.7 (Ghozali, 2008).

Table 1. Average Variance Extracted (AVE), Composite Reliability and R-square

<table>
<thead>
<tr>
<th>Variable</th>
<th>AVE</th>
<th>composite Reliability</th>
<th>R-square</th>
</tr>
</thead>
<tbody>
<tr>
<td>ERPs</td>
<td>0.738</td>
<td>0.952</td>
<td></td>
</tr>
<tr>
<td>MCS</td>
<td>0.739</td>
<td>0.943</td>
<td>0.788</td>
</tr>
<tr>
<td>KIA</td>
<td>0.611</td>
<td>0.859</td>
<td>0.799</td>
</tr>
<tr>
<td>KNK</td>
<td>0.746</td>
<td>0.936</td>
<td>0.985</td>
</tr>
<tr>
<td>KK</td>
<td>0.573</td>
<td>0.901</td>
<td>0.984</td>
</tr>
</tbody>
</table>

Table 1. Explaining the value AVE Enterprise Resource Planning Systems (ERPs), Management Control System (MCS), Quality of accounting information (KIA), Non-Financial Performance (KNK) and Financial Performance (KK). It can be seen that each constructs (variables) have values above 0.5 AVE. can be seen every constructs or latent variables that have a composite value reliability above 0.7 indicating that the internal consistency of the independent variable ERPs, MCS and the quality of accounting information and the dependent variable performance of non-financial and financial performance has a good reliability.

Limits to reject and accept the hypothesis is ± 1.96, which if the value of t-statistic greater than t-table (1.96) then the hypothesis is accepted, whereas if the value of t-statistic is less than t-table (1.96) then the hypothesis is rejected. Table 2 provides an estimate of output for testing the structural model.

Table 2. The result for inner weight

<table>
<thead>
<tr>
<th>Original Sample Estimate</th>
<th>Mean of Subsamples</th>
<th>Standard Deviation</th>
<th>T-Statistic</th>
<th>Result</th>
</tr>
</thead>
<tbody>
<tr>
<td>ERPs -&gt; KNK</td>
<td>0.792</td>
<td>0.0786</td>
<td>0.0045</td>
<td>17.765</td>
</tr>
<tr>
<td>ERPs -&gt; KK</td>
<td>0.0128</td>
<td>0.0131</td>
<td>0.0051</td>
<td>2.480</td>
</tr>
<tr>
<td>ERPs -&gt; MCS</td>
<td>0.0888</td>
<td>0.0888</td>
<td>0.0029</td>
<td>30.319</td>
</tr>
<tr>
<td>MCS -&gt; KNK</td>
<td>0.0101</td>
<td>0.0077</td>
<td>0.0046</td>
<td>21.91</td>
</tr>
</tbody>
</table>
Hypothesis 1 found results that there is a significant positive effect between ERPs on non-financial performance shown by the value of the original sample estimate for 0.792 and the value of 17.765 t-statistic is greater than 1.96 which means that the hypothesis 1 is accepted. Based on the results of data processing showed that ERPs positive effect on financial performance shown by the value of the original sample estimate for 0.128 and 2.480 the value of t-statistic is greater than t-table is 1.96. Thus Hypothesis 2 received.

Based on the results of data processing showed that ERPs positive effect on MCS are displayed with the original value of the sample estimate for 0.888 and the value of 30.319 t-statistic is greater than t-table is 1.96. Thus Hypothesis 3 is accepted. Based on the results of data processing show that MCS positive effect on non-financial performance shown by the value of the original sample estimate for 0.101 and 2.191 the value of t-statistic is greater than t-table is 1.96. Thus Hypothesis 4 is received. The results show that the data processing MCS positive effect on financial performance shown by the value of the original sample estimate for 0.176 and 2.814 the value of t-statistic is greater than t-table is 1.96. Thus Hypothesis 5 is received.

Based on the results of data processing showed that ERPs positive effect on KIA displayed with the original value of the sample estimate for 0.894 and the value of 45,611 t-statistic is greater than t-table is 1.96. Thus Hypothesis 6 received. Based on the results of data processing indicates that MCH positive effect on non-financial performance shown by the value of the original sample estimate for 0.119 and 2.312 the value of t-statistic is greater than t-table is 1.96. Thus Hypothesis 7 is received. The results show that the data processing KIA positive effect on financial performance shown by the value of the original sample estimate for 0.0714 and the value of 14.675 t-statistic is greater than t-table is 1.96. Thus Hypothesis 8 is received.
The value of t-statistics obtained amounted to 2.225 greater than 1.96, which means that the mediation significant parameter. It is thus a model indirect influence of variables on the performance of non-financial ERPs through MCS influence positively and significantly. Thus the hypothesis is accepted. The value of t-statistics obtained for 2.785 is greater than 1.96, which means that the mediation significant parameter. It is thus the model the indirect effect of ERPs variables on financial performance through MCS influence positively and significantly. Thus the hypothesis is accepted.

**CONCLUSION AND DISCUSSION**

This study discusses a model that examines the effect ERPs, MCS, the quality of accounting information on the performance of non-financial and financial performance. Based on testing and discussion, summarized as follows:

Based on the research that ERPs can be expected to have an immediate effect on non-financial performance of a company. Empirical studies show that some of the benefits of operational efficiency can be achieved when implementing ERP. Based on the research results ERPs are likely directly improve the company's financial performance due to lower infrastructure costs (Shang and Seddon, 2002). However, evidence of a direct effect of this is generally mixed and indirect effects through non-financial performance. In the field study that ERP has many direct effects not only on non-financial performance but also on financial performance. According to the research organization process consists of three levels, namely strategic planning, management control and operational control. Although many ERPs success has facilitated the operational coordination across functional departments, the successful implementation of ERPs should also benefit strategic planning and management control. MCS is a system that collects and uses the information to evaluate the performance of different organizational resources of every human, physical, financial, and also of the overall organization. The main purpose of MCS is to provide useful information for decision-making, planning and evaluation, so as to control the entire organization's decisions and guide behavior in the desired way to help the organization reach the goal.

Resource Enterprise Planning Systems (ERPs) is a system that is applied to the company to help integrate all functions of the company. Implementation of ERPs in a company must also be supported by the availability of an application or integrated technology to support business processes in the company. The provision of extensive information by Accounting Information System encourages leaders operate under conditions of intense competition for requesting this information and use it to further improve the chances of success of their organizations. Financial accounting information quality must meet the standards of good to make a good decision. Formal MCS can Mediating Effect ERPs System Against Non-Financial Performance and Financial Performance.
REFERENCES


ASEAN ECONOMIC COMMUNITY: ENHANCING PALM SUGAR COMPETITIVENESS THROUGH TECHNOLOGY MODERNIZATION AND IMPLEMENTATION OF RIVER OSMOSIS AND VACUM EVAPARATOR.

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ABSTRACT

Lebak is known as one of the largest palm sugar producing regions in Indonesia. Lebak Government establish palm sugar industry as a core competency Industry Lebak. However, in the development of granulated palm sugar production is still face some obstacles including; production and technological is still modest, so the quality of the products produced of granulated palm sugar is still less, as well as product packaging are still modest, the condition which causes obstacles in the ASEAN Economic Community. Study Objectives of this study intends to obtain a clear picture of an effective strategy for strengthening the SMEs of palm sugar in the face of AEC 2015 by utilizing technology riverse Osmosis & Vacuum Evaporator in the activities of design and development of machine Low Themperatur process for the production of granulated palm sugar with a water content of 2.5% s / d 3%, Layout design factory for production of granulated palm sugar, training and support production of processing of palm sugar ants in the factory according to the standard production processes, Development of packaging design palm sugar ants (packaging industrial and packaging for consumption), Regional development Network Marketing of granulated palm sugar through the utilization of internet technologies (e-Commerce), the training of financial and economic business development palm sugar ants, as well as trademark registration, health product license.

Keywords : Small and Medium Enterprises, Reverse Osmosis technology, Vacuum Evaporator, Asean Economic Community

INTRODUCTION

AEC (Asean Economic Community) that has been applied since 2015, gives SMEs the opportunity to enter new markets, and provide a challenge for products of SMEs in the country to improve the quality of product in order to compete in the
world market. However the problems is still faced by SMEs is low productivity (Sri Susilo, 2005; Anonymous, 2004). This is related to: (i) the low quality of human resources (ii) lack of entrepreneurial competencies. In addition, SMEs also face a constraint in improving the competitiveness and performance. The factors are referred (Sri Susilo, 2007b): (i) lack of access to capital 2, (ii) lack of access to markets, and (iii) limited access to information on resources and technology.

Many of the studies suggests that the performance of SMEs in Indonesia is still relatively low compared not only with larger firms, but also compared to SMEs in developed countries. Even recently, there is a debate, especially among academic and policy makers whether Indonesian SMEs can compete in export markets or at least can not survive in the domestic market against increasingly fierce competition from imported goods (Tambunan, 2012).

This competition also encourages SMEs of palm sugar which is the main commodity of Lebak district, Banten province, Indonesia. Lebak is known as one of the largest palm sugar producing regions in Indonesia. Palm sugar industry in the district absorb 5,406 workers through 2,982 micro and small business unit, not including labor in the distribution channel. The production capacity reached 2249.4 tons per year spread over 44 production centers.

This business is classified as the type of home industry because the process individually on each home craftsmen. Tapping is usually done by men, then the cooking process to be cube palm sugar (arenga sugar) is done by women at home. The process of granulated palm sugar production at the farm level is done with very simple equipment, using pots, mixers and wood-burning stoves. Coved palm sugar of the craftsmen (farmers) are usually sold directly to the market or collectors who come on certain days. In addition to the short durability. Semifinished palm sugar has one drawback: the price level is very volatile.

The business of granulated palm sugar in Indonesia, especially in the district of Lebak has promising prospects. It can be seen from the high demand both domestically and export, in particular to the type of granulated palm sugar, which are often difficult to meet. Based on the survey, a small industry in a month can obtain the order of 15-25 tons. The order hasn’t fulfilled yet due to the limited supply and lack of capital. Related to domestic demand, the needs of the largest granulated palm sugars come from the food industry and medicine scattered around Tangerang. As for the export demand, many come from Germany, Switzerland and Japan, and Singapore. Marketing channels palm granulated palm sugars long enough it causes the bargaining position of craftsmen is still low enough.

To supply granulated palm sugar industry, usually craftsmen only produce semi-finished materials, namely granulated palm sugar with water levels are still above 5%. The material is then collected into a production center by the collectors. Furthermore, palm sugar intermediate smoothed and dried until the water level is below 3%. The drying process is done in two ways: with the hot sun and use the oven.
Palm sugar businesses in the location of the research concentrated on the production centers. Products are then sold to markets and wholesalers in major cities like Tangerang and Jakarta. Meanwhile, profits distributed among members (craftsmen and collectors) with a predetermined proportion.

The technology used for grinding and smoothing of granulated palm sugar is still only modest mechanical grinding machine further sieved several steps to get the palm sugar that is finer. Constraints on the machine drying oven, drying oven is needed especially during the rainy season when production is high but no solar heat as dryers.

Lack of market information access especially about the price, so the craftsmen is highly depend on the price given by the collector (bargaining craftsmen is low). People are still less familiar with the products of granulated palm sugar as a substitute for sugar cane. This led granulated palm sugar better known for industry rather than for consumption. In fact, market opportunities to meet the needs of sweeteners on the consumption market is quite high. Packaging of high volume is only utilize sack, and for a small volume utilize clear plastic with an adhesive that is easily torn.

This study intends to obtain a clear picture of an effective strategy for strengthening the SMEs of palm sugar to face AEC 2015 using reverse Osmosis Technology & Vacuum Evaporator.

**LITERATURE REVIEW**

**Appropriate Technology (AT)**

Appropriate Technology (AT) is a technology appropriate to the needs of society and can be used during a certain time span. Usually used as a term for the technologies associated with the local culture and is used as one of the critical path to achieve the basic objective, namely to improve the welfare of society. (Syafrazal, 2013)

**Reverse Osmosis**

The system of reverse osmosis (RO) commercial was initially intended to meet the needs of clean water in a ship that was sailing in the long term. The system uses high-pressure pumps to push the water passes through the membrane and separated from the unsuitable components. When first launched, the RO system uses a membrane that is thick and required a large area for installation equipment [Fisher, 2007). However, over the membrane is rapidly increasing, especially on the elements and system configuration used, the RO system can now be applied on a domestic scale. In addition, the use of a very thin membrane and installation of equipment that no longer require a comprehensive, contribute to the RO system into a system that is commonly used for the purification of household water (Singh, 2006)
Evaporation

The aim of evaporation is concentrating the solution containing substances that are difficult to evaporate (non-volatile solute) and volatile solvents (volatile solvent) by evaporating some of the solvent. Solvents were encountered in most of the solvent system is water. Generally, in evaporation, a concentrated solution of the desired product, while the steam is condensed and discharged (Cengel, 2006)

Packaging

Packaging Institute International defines packaging as: The enclosure of products, items or packages in a wrapped pouch, bag, box, cup, tray, can, tube, bottle or other container form to perform one or more of the following functions: containment; protection and/or preservation; communications; and utility or performance. If the device or container performs one or more of these functions it is considered a package (Lockhart, 1995).

Packaging is often referred to as "the silent sales-man / girl" because they represent the absence of waiters in demonstrating the quality of the product. Marketing experts call the packaging design as the charm of the product (the product charm), because the packaging was located at the end of a process of production flow not only to attract the eyes (eye-cathing) but also to lure the user (usage attractiveness).

RESULT AND DISCUSSION

Industrial Supplies Granulated Palm Sugar in Lebak

Based on the description of the profile and the constraints above, some of the needs experienced by industrial palm granulated sugars in Lebak is as follows: It takes a tool that can be used to process sap into granulated palm sugars that produce sugar in the form of a fine powder of dried ready containers with water content of 2.5\% -3\%, so its doesn't require heating process. It is important a sifting process and specific techniques and tools that can extend the life of the product, so that by the time of high-yield production of granulated palm sugars may be stored in a long time with no damage to the quality of the product.

It takes a plant (factory) that serves as the center, where the plant is placed machines granulated palm sugar production with new technology that can produce granulated palm sugar powder with a water content of 2.5\% -3\% in a hygienic according to Standard Sanitation Operating Procedures (SSOP) and Good Manufacturing Practices. The source of raw materials remains obtained from the pengarajin granulated palm sugars. The location of the plant is expected close to the market, it is intended that the market can easily reach the location of the plant and also the industry can easily access the market so that it can memprpendek marketing chain.
It takes a certain packaging for packing production of palm granulated palm sugars, hygienic packaging, can protect the product, describes the content of the product, attractive and easy to distribute. Packaging is divided into two parts, the first packaging for granulated palm sugars product delivery to industries, the second is the packaging for shipping products for direct consumption as a substitute for sugar cane, usually berbantuk sachet packaging.

The profile of The need of Granulated Palm Sugar of Lebak Local Government

Palm sugar industry is a primary commodity in Lebak. Potential raw material for palm sugar in Lebak available in sufficient quantities and consisting of SMEs and cottage industry that is expected to be a catalyst for industrial development in Lebak. Potential raw material palm sugar in Lebak are presented in the following table.

<table>
<thead>
<tr>
<th>Material Type</th>
<th>Land Area (Ha)</th>
<th>Generating Plant Size (Ha)</th>
<th>Location</th>
<th>Production /Year</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sap of palm sugar</td>
<td>306.3</td>
<td>295</td>
<td>Sobang, Malingping, Cihara, Leuwidamar, Gunung Kencana, dan Cipanas, Lebak gedong, Sajira Cigemblong, Cijaku, Cibeber, Cilograng, Muncang, Citrenten, Wanasalam, Panggarangan</td>
<td>1,282.5 ton</td>
</tr>
</tbody>
</table>

Source: Plantation and Forestry Department, 2010

The other thing that became indicator as a potential core area is already available in Lebak markets accommodate the palm sugar as the center of the market town of Rangkasbitung as the center of the palm sugar product sales so as to local marketing area can be focused on the sales market. Palm sugar as a superior product Lebak will increasingly advanced sales market centers that will make the new tourist attractions to attract visitors to visit the various peculiarities of Lebak with palm sugar. Palm sugar production centers scattered in several area districts. The number of business units and centers in every district palm sugar is presented the following table.

<table>
<thead>
<tr>
<th>NO</th>
<th>DISTRICTS</th>
<th>TOTAL CENTER</th>
<th>BUSINESS UNIT</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>Sobang</td>
<td>9</td>
<td>1430</td>
</tr>
<tr>
<td>2.</td>
<td>Lebakgedong</td>
<td>4</td>
<td>333</td>
</tr>
<tr>
<td>3.</td>
<td>Sajira</td>
<td>1</td>
<td>36</td>
</tr>
<tr>
<td>4.</td>
<td>Gunungkencana</td>
<td>4</td>
<td>165</td>
</tr>
<tr>
<td>5.</td>
<td>Cigemblong</td>
<td>7</td>
<td>751</td>
</tr>
<tr>
<td>6.</td>
<td>Cijaku</td>
<td>4</td>
<td>376</td>
</tr>
<tr>
<td>7.</td>
<td>Cibeber</td>
<td>7</td>
<td>897</td>
</tr>
<tr>
<td>8.</td>
<td>Cilograng</td>
<td>2</td>
<td>239</td>
</tr>
<tr>
<td>9.</td>
<td>Cihara</td>
<td>2</td>
<td>205</td>
</tr>
<tr>
<td>10.</td>
<td>Muncang</td>
<td>2</td>
<td>256</td>
</tr>
<tr>
<td>11.</td>
<td>Citrenten</td>
<td>5</td>
<td>505</td>
</tr>
</tbody>
</table>
One of palm sugar industry product diversification is palm granulated sugars. The government of Lebak is very concerned about the development of granulated palm sugar industry which has the potential to export. One of the strategies in order to realize the objectives of the government, the local government district of Lebak interested in cooperation with universities and industry for the processing of palm granulated palm sugars in terms of: improved Institutional Strengthening Human Resources Network Raw Material and Product Marketing Product Innovation Strengthening of technology, facilities and infrastructure.

To produce granulated palm sugars which hygienic standards compliant products and attract consumers, require a package to protect the product and to maintain the quality of the product. Packaging that is required is the packaging for sugar powder / powder and liquid sugar packaging. Packaging for sugar powder form Stand-up Pouch packaging combinations, while for kemasan yadibuat liquid sugar in a glass bottle. As for the packaging tools that have been provided, among others: Sealer Machine Stand-Up Pouch Packaging Combination Glass Bottle.

After assistance of Palm Sugar SMEs there is a Skill Improvement of production for craftsmen and employees, especially in terms of the process of making palm granulated palm sugars by using machine Vacuum evaporator and mesi Spinner. Skill Enhancement for employees in terms of the operation of the machine. Two kinds of products resulting from the production process is the training that is the product of palm granulated palm sugars crystal and liquid sugar, liquid sugar can be developed farther / further product diversification, among others, can be the raw material sugar syrop and ginger, etc. Here is a comparison of outcomes that can be seen from the implementation of appropriate technologies to SMEs Palm sugar in Lebak.
### Table 1.3

Efficiency and Performance Improvement in the industry after Implementation of Reverse Osmosis Technology & Vacuum Evaporator

<table>
<thead>
<tr>
<th>No</th>
<th>Item</th>
<th>Before</th>
<th>After</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>Point</td>
<td>Note</td>
</tr>
<tr>
<td>1</td>
<td>Average percentage of waste each production</td>
<td>40%</td>
<td>Granulated palm sugars from farmers directly sifted manually</td>
</tr>
<tr>
<td>2</td>
<td>Speed and Capacity Time</td>
<td>3 - 5 day/200 kg</td>
<td>Drying itself (using sunlight)</td>
</tr>
<tr>
<td></td>
<td>Drying Process</td>
<td>5 - 7 days/appointment</td>
<td>Through sub contract a 3rd party (generally outside the province)</td>
</tr>
<tr>
<td>3</td>
<td>Capacity and Speed Time</td>
<td>100 Kg/hour</td>
<td>Sifting process is done manually</td>
</tr>
<tr>
<td></td>
<td>sifting process</td>
<td></td>
<td></td>
</tr>
<tr>
<td>4</td>
<td>The number and type of Sugar Products</td>
<td>1 type</td>
<td>Granulated palm sugars Bulk / 20 kg</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
### Table 1.4
Comparison of the efficiency of the Application of Technology Reverse Osmosis & Vacuum Evaporator

<table>
<thead>
<tr>
<th>Item</th>
<th>Before</th>
<th>After</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Point</td>
<td>Note</td>
</tr>
<tr>
<td><strong>Pure Sugar Product Number</strong></td>
<td>2</td>
<td>1. Cube Palm Sugar</td>
</tr>
<tr>
<td></td>
<td></td>
<td>2. Granulated Palm Sugar</td>
</tr>
<tr>
<td></td>
<td></td>
<td>3. Liquid Palm Sugar</td>
</tr>
<tr>
<td><strong>The capacity of cooking sap of the Palmyra palm</strong></td>
<td></td>
<td>the furnace has a capacity of 10 liters / 8 hours. Availability of the furnace by the two</td>
</tr>
<tr>
<td><strong>Energy For Cooking Process of sap of the Palmyra palm (100 liters)</strong></td>
<td>100 Kg Firewood</td>
<td>4.5 kWh/kg</td>
</tr>
<tr>
<td></td>
<td>450 kWh</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Rp 374.850</td>
<td></td>
</tr>
<tr>
<td><strong>The level of contamination when cooking</strong></td>
<td>High</td>
<td>Ash firewood and smoke easily mixed with the product</td>
</tr>
<tr>
<td><strong>The homogeneity of the color of granulated palm sugars</strong></td>
<td>Many differences</td>
<td>1) The mixture of contaminants</td>
</tr>
<tr>
<td></td>
<td></td>
<td>2) Inconsistent temperature when cooking</td>
</tr>
<tr>
<td></td>
<td></td>
<td>3) Rotational speed during the formation of granulated palm sugars inconsistent (manual)</td>
</tr>
</tbody>
</table>

### CONCLUSIONS AND SUGGESTIONS

MEA should be positioned as the acceleration forces for SMEs to carry out continuous improvement, SME ASEAN should strengthen mutually lucrative teknologi framework. AEC can be a new step for berkembanganya ASEAN SMEs in the face of the global market. The use of appropriate technology in this case the use
of technology reverse Osmosis & Vacuum Evaporator and improve packaging can produce several advantages in adding value sugar products Aren pond which is the main commodity sectors Lebak district of Banten province in memenamkan competition in the face of the Asean Economic Community. The added value of such diversification into granulated palm sugars palm sugar, and molasses. And to add kualita packaging using Sealer machine Stand-Up Pouch Packaging Combination Glass Bottle. The synergies between SMEs, government, private sector and academia is also a key to success to win competition

REFERENCES

ANALYSIS OF EMPLOYEE ENGAGEMENT AND ITS EFFECT ON PERFORMANCE OF EMPLOYEES (A Case Study at Soreang Branch of Bank Jabar Banten, West Java - Indonesia)

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ABSTRACT

Employee engagement basically refers to enthusiastic working spirits dedicated to help an organization succeed. Research on employee engagement has been so popular recently, but not many conducted in banks. The objectives of this research were of two folds, i.e. to measure the degree of employee engagement, and secondly, to examine the influence of employee engagement on employee performance at Soreang Branch of Bank Jabar Banten, West Java - Indonesia. The primary data were collected through 1-4-scale questionnaire distributed to all employees at Soreang Branch of Bank Jabar Banten, West Java - Indonesia. After several reminders, all of the 75 employees as the population and sample of this research returned the questionnaire and valid for further analysis. The statistical technique of path analysis was used to test the hypotheses of this research. Descriptively, research result indicates high employee engagement level at Soreang Branch of Bank Jabar Banten, West Java - Indonesia. Of the three aspects of employee engagement used as independent variables in this research, only advocacy has a very high percentage as perceived by the employees. The other two are perceived as high, with employee satisfaction is perceived as the lowest. The results of testing the hypotheses indicate that simultaneously, all the three aspects of employee engagement have a positively significant influence on employee performance at Soreang Branch of Bank Jabar Banten, West Java - Indonesia. Partial test indicates that each of the independent variables (satisfaction, commitment, and advocacy) also has positively significant influence on the performance of employee at Soreang Branch of Bank Jabar Banten, West Java - Indonesia.

Keywords: employee engagement, satisfaction, commitment, advocacy, performance.

1. Introduction

Background
In the era of globalization, where the development of technology, particularly information technology, is increasingly rapid, every organization or company is demanded to have consistently great capability, otherwise the organization or company will be left behind. With the rapid change of environment, the competition
is getting tougher and tougher, and those who resist to change, or slow to adapt and improve their capabilities, they will certainly be losing the hearts of customers.

Bank Jabar Banten in West Java, Indonesia (BJB) is a financial institution with a core business of collecting funds, and then rendering them to community. The competition in the business of finance is increasingly high, getting more and more fierceful. To survive and to accomplish its goals, BJB has to develop on-target strategies and tactics. The company pays high attention not only to external factors but also to its internal factors. The success of a company in reaching its goals is very much supported by the capability of its human resources who play a super crucial role in operating its business in order to meet the needs of the company and achieving its goals (Moehleriono, 2009: 216).

As a regional bank, BJB keeps expanding steadily its business areas throughout Indonesia. BJB realizes that it needs to manage its human resources properly in order to be capable of working and contributing optimally in achieving its goals. BJB tries its best to maintain and enhance a positively conducive relationship between the company and its employees. It is believed that such a positive relationship will lead to better performance and profitability (Choo et al., 2013:4). This is in agreement with Schiemann (2011:30) who suggests that employee engagement is one of the factors of human resource or human capital that may lead to a success if it is managed properly and consistently.

According to Schiemann (2011:30), an engagement is employees' energy or motivation to help their organization in achieving its goals. Marciano (in Akbar, 2013) states that employee engagement is related to greater business consequences, e.g., more resilient in working, prompt performance, high quality, and decreased turnover. Schiemann (2011:221) suggests that, broadly, there are three major components of an engagement, namely: satisfaction, commitment, and advocacy. When employees feel engaged to their commitment they will be satisfied and commit to the company and then take extra efforts in favor of the company or even recommend (promote) their company.

Employee engagement impacts directly the individuals in an organization. Engagement has some positive impact on the total outcome the company, such as employee retention, quality, satisfaction and loyalty, and financial performance (Schiemann, 2011: 206). High engagement level will contribute to better performance.

Based on interview with one of the staffs at human resource unit of BJB Bandung, BJB Soreang branch was identified as a branch office with high revenue as a result of its good cooperation with local government. From the results of direct observation and interview, several factors underwent an increase every year: employee absenteeism, lateness, and turnover. This might indicate that employee discipline, commitment, and satisfaction were low. Conversely, low absenteeism might indicate high discipline and satisfaction. According to Mathis and Jackson (2001: 100),
anyone unsatisfied with his or her job or lacks commitment to his or her organization will automatically withdraws from the organization either by absenteeism or turnover.

Turnover rate is one of the yardsticks indicating employee engagement. Employee turnover is also an indication of the low occupational satisfaction of employees. High turnover is not good for the development of a company. The table below is the data of employee turnover rates at BJB Soreang branch.

Table 1. Employee Turnover during the Period of 2010-2014

<table>
<thead>
<tr>
<th>Year</th>
<th>Total Turnover</th>
</tr>
</thead>
<tbody>
<tr>
<td>2010 - 2011</td>
<td>2</td>
</tr>
<tr>
<td>2011 - 2012</td>
<td>3</td>
</tr>
<tr>
<td>2012 - 2013</td>
<td>5</td>
</tr>
<tr>
<td>2013 - 2014</td>
<td>7</td>
</tr>
<tr>
<td>Total</td>
<td>17</td>
</tr>
</tbody>
</table>

Source: Bandung BJB Head Office (2015)

The table above shows that turnover increased every year at BJB Soreang branch. During those years, particularly in the years of 2013 and 2014, BJB Soreang underwent some breakdown due to the great numbers of employee resigned from the company. This situation forced BJB Soreang to implement special hiring system and training program for new employees to keep the target achieved.

According to Moeheriono (2009:61), performance is a picture of the level of achievement an employee can accomplish in his or her organization or company in line with the goals, vision, and missions of a company. Meanwhile, Suwatno and Priansa (2011:196) suggest that performance can be defined as a working achievement or an outcome of working. The success level of an employee in completing his or her duties is called level of performance. If an employee has a high level of performance, then his or her productivity would equally be high.

Performance at BJB Soreang is measured quarterly. Employee performance is evaluated directly by each supervisor. The result of performance evaluation affects the cumulative performance index and bonus for each employee. Therefore, the bonus that BJB’s employees receive may vary quarterly, depending on the performance of each employee, and the performance of the branch.

BJB annual report states that the performance of BJB Soreang in 2014 was below target. Of the six components used to measure the performance, three components were below targets. Net income was below target by 18.62%, net interest income was also below target by 6.70%, and CAR was below target by 0.12%. The other three components were slightly above targets, but overall performance was below targets.

**Research Problem**

As stated in the background of research, the performance of BJB Soreang in 2015 was below target. The revenue was high, but three of the six components were not
successfully achieved. The employee turnover increased every year, and particularly in 2014, BJB Soreang had to implement special hiring system and training program due to high employee turnover. Research results and analyses demonstrate that high employee turnover is an indicator of low employee satisfaction and employee commitment. Since employee satisfaction and employee commitment are parts of employee engagement, this means that high employee turnover is an indicator of low employee engagement.

Based on the problem described above, the research questions are formulated as follows:

a. What is the level of employee engagement at Soreang branch office of Bank Jabar Banten, West Java-Indonesia?

b. Does employee engagement affect the performance of employees at Soreang branch office of Bank Jabar Banten, West Java-Indonesia?

3 Theoretical Framework

Performance

According to Mathis and Jackson (2006:65), performance is basically what employees do or not do. Performance management is the whole activities carried out to improve the performance of a company or an organization, including the performance of each individual and working group in the company. Moreover, Rivai and Sagala (2009: 548) define performance as a function of motivation and capacity.

To accomplish a duty, one should have a certain degree of readiness and level of competence. Readiness and skill are not sufficiently effective to accomplish something without a clear understanding on what is done and how to do it. Performance is also said as a real behavior everyone demonstrates as a realization of his or her performance.

Robbins and Judge (2011:599) say that most organizations nowadays are assessed based on service orientation. In this regard, they identify three major types of behavior constitute performance at work, i.e: task performance (performing the tasks as stated in the job description), citizenship (practicing positive thinking, like treating others with respect), and counter productivity (avoiding the actions which damage the organization, like stealing or damaging the company property).

According to Gomes (2003: 142), in conducting a research on performance based on a specific behavior, there are eight indicators to be considered in evaluating a performance. Below are the eight indictors as identified by Gomes (2003).

4 Quantity of Work: the completion of work on time and on target.

5 Job knowledge: the level of knowledge on the job performed and skill needed to accomplish the job.
6 Creativeness: job-related ideas held and creative actions in solving occupational problems.

7 Cooperative: competence to work together with colleagues in performing the tasks that should be accomplished together, and readiness to receive inputs or opinions from colleagues.

8 Initiative: employee initiative in performing tasks, and spirit of accomplishing new duties.

9 Dependability: awareness for high attendance, and capacity to explain the duties to be performed.

10 Personal quality: level of honesty of employees and their good appearance at office.

11 Initiative: spirit of performing new duties and of increasing responsibility.

Employee engagement

Recently, studies on employee engagement has been so popular, and many writings and research reports can be bound in the literature. Management consultants (like Gallup, Mercer, and Sirota) have issued several studies and publications about employee engagement. Each of them has different formulations about the factors measuring employee engagement, and each of them has its own definition about employee engagement. All of the formulations and definitions are based on their studies in various companies. In the literature, many researchers have used the factors of employee engagement formulated by these consultants.

This research uses the definition and measuring factors formulated by Schiemann (2011). Schiemann (2011:211) defines employee engagement as a form of willingness to carry out an advocacy on behalf of company, including the willingness to promote the company as a working place, to buy its products, and even to invest in the company. Meanwhile, according to Hewit in Scheimann (2011:208), employee engagement is a statement of emotional and intellectual commitment to a company or group that generates behaviors useful in fulfilling the company’s promises to its customers. A research in Metrus Institute reveals that most concepts described as employee engagement (satisfaction, commitment, proud, advocacy of policy measures) are interrelated and to be one of the factors of wider motivations.

Concerning the factors measuring employee engagement, Scheimann (2011:211) states that: “we particularly operate an employee engagement index as a combination of satisfaction, commitment, and advocacy because the three elements are a continuum”.
Satisfaction. Studies about job satisfaction has been done for a very long time, and therefore there are so many definitions in the literature. One of the most widely used is the one defined by Spector (1996: 214), who says that: job satisfaction is an attitudinal variable that reflects how people feel about their jobs overall as well as various aspects of them. As stated in the definition, there are two approaches to measure job satisfaction, i.e.: overall or global approach, and various aspects or facet approach. Both approaches have certain strengths and weaknesses, but facet approach is more widely used.

According to Rivai & Sagala (2009: 100), satisfaction is an evaluation that describes someone on his or her attitude, happy or unhappy, satisfied or unsatisfied in working. Meanwhile, job satisfaction, according to Robbins and Judge (2011:111), is a positive feeling about one’s job resulting from an evaluation of its characteristics.

Schiemann (2011:212) proposes that the examples of satisfaction elements include organizational satisfaction, occupational satisfaction, fair treatment, and stress. In short, it can be defined that job satisfaction is one’s feelings about his or her job.

Commitment. Organizational commitment refers to attachment of employees to the organization or company. According to Robbins & Judge (2011:111), organizational commitment is the degree to which an employee identifies with a particular organization and its goals and wishes to maintain membership in the organization. Schiemann (2011:212) says that the examples of commitment element includes commitment to the company mission, identification with the company, and proud to be a part of the company.

One commonly used and commonly quoted definition of organizational commitment is the one formulated by Meyer & Allen (1997). According to Meyer & Allen (1997:67), organizational commitment is a psychological state that characterizes the employee’s relationship with the organization and has implications for the decision to continue membership in the organization. Meyer & Allen (1997) identified three factors to measure organizational commitment: affective commitment (emotional attachment to an organization because of belief in its values), continuance commitment (emotional attachment to an organization because of economic value), and normative commitment (emotional attachment to an organization because of moral and ethical reasons).

Advocacy. Advocacy is a characteristic which makes engagement different. It refers to something beyond satisfaction and commitment. Schiemann (2011:212) states that
advocacy refers to extraeffort, and willingness to recommend others to join the company where he or she is working. Advocacy is also about the extraeffort of recommending others to use the product of the company.

Various research results and analyses have proved that satisfaction and commitment are closely related, and are crucial factors for high performance. Schiemann (2011:340) clearly states that satisfaction and commitment are important, but not enough. Satisfaction, commitment, and advocacy should be treated as a group to form employee engagement.

**Theoretical Framework**

From the review of the literature about employee performance and employee engagement, it is clear that theoretically, employee engagement can affect employee performance. There are several formulations about the factors measuring employee performance. This research uses the factors formulated by Gomes (2003). While for employee engagement, the formulation used is the one designed by Schiemann (2011). So, the framework of this research is as follows.

![Research Framework](image)

In this research, all the three factors of employee engagement are used as independent variables. This means that there are three independent variables, i.e.: satisfaction, commitment, and advocacy. Employee performance functions as the dependent variable.

**3. Research Method**

A Likert-type questionnaire with 1-to-4 scale was distributed to each of the 75 employees at Soreang branch of BJB. After three reminders, all of them returned the completed questionnaire and valid for analysis. Validity and reliability tests were conducted by using Cronbach’s alpha. The reliability test showed that the questionnaire was reliable with the scores ranging from 0.783 to 0.865. Based on validity test, all the 43 items were valid with r-count scores ranging from the lowest 0.401 to the highest 0.832.

To answer the first research question stated earlier in the introduction, the statistical technique used is percentage by calculating the total score for each item, divided by the ideal score, and multiplied by 100 percent. To get the percentage for each variable, the total of percentages of all items is divided by the number of items.
measuring the variable. Below is the category of percentage based on 1-to-4 scale questionnaire, which means that the range of percentage is 18.75.

Table 2. Category of percentage

<table>
<thead>
<tr>
<th>No.</th>
<th>Range of percentage</th>
<th>Category</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>25.00 – 43.75</td>
<td>Very Low</td>
</tr>
<tr>
<td>2</td>
<td>&gt;43.75 – 62.50</td>
<td>Low</td>
</tr>
<tr>
<td>3</td>
<td>&gt;62.50 – 81.25</td>
<td>High</td>
</tr>
<tr>
<td>4</td>
<td>&gt;81.25 – 100.00</td>
<td>Very High</td>
</tr>
</tbody>
</table>

To answer the second research question stated earlier in the introduction, the statistical technique is path analysis. In this research, all the three factors measuring employee engagement as formulated by Schiemann(2011) function as independent variables. So, the model of this research is as follows.

Figure 3. Research Model

Satisfaction

Commitment

Advocacy

Employee Performance

Based on the model as visualized in Figure 3, the hypotheses of this research are as follows.

a. Satisfaction will have a significant effect on employee performance.

b. Commitment will have a significant effect on employee performance.

c. Advocacy will have a significant effect on employee performance.

4. Results

**Percentage.** The calculation shows that the average score of employee engagement as perceived by the employees is in the category of high percentage. This means that the employees at Soreang branch of BJB feel highly engaged with the company. Of the three factors measuring employee engagement, satisfaction has the lowest score, but it is still in the category of high percentage. This indicates that the employees are satisfied working at the company. Advocacy is perceived as the highest and it is in the range of very high category. This means that the employees feel proud of working in the company, and are very willing to promote the company.
Table 3. Percentage of Employee Engagement

<table>
<thead>
<tr>
<th>No.</th>
<th>Variable</th>
<th>Percent</th>
<th>Category</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Satisfaction</td>
<td>79.58</td>
<td>High</td>
</tr>
<tr>
<td>2</td>
<td>Commitment</td>
<td>81.11</td>
<td>High</td>
</tr>
<tr>
<td>3</td>
<td>Advocacy</td>
<td>82.56</td>
<td>Very High</td>
</tr>
<tr>
<td></td>
<td>Average</td>
<td>81.08</td>
<td>High</td>
</tr>
</tbody>
</table>

Path Analysis.
Before testing the hypotheses, the data were first transformed into interval data. The correlation test was performed, of which the result is as follows.

Table 4. Result of Correlation Test

<table>
<thead>
<tr>
<th>Variable</th>
<th>Satisfaction (X1)</th>
<th>Commitment (X2)</th>
<th>Advocacy (X3)</th>
<th>Performance (Y)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Pearson Correlation</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>N</td>
<td>75</td>
<td>75</td>
<td>75</td>
<td>75</td>
</tr>
<tr>
<td>Sig. (2-tailed)</td>
<td>.000</td>
<td>.000</td>
<td>.000</td>
<td>.000</td>
</tr>
<tr>
<td>Correlation</td>
<td>.736</td>
<td>.712</td>
<td></td>
<td>.847</td>
</tr>
<tr>
<td>X1</td>
<td>1</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>X2</td>
<td>.784</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>X3</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Performance_Y</td>
<td></td>
<td></td>
<td></td>
<td>1</td>
</tr>
</tbody>
</table>

As shown in Table 4 above, all variables are significantly correlated each other, with correlation scores ranging from .712 to .889.

F-Test. The result of F-test indicates $F_{\text{count}} = 272.014$, greater than $F_{\text{table}} = 2.73$. This means that employee engagement as a whole has a positively significant influence on employee performance. The $R^2$ equals to .920, and the adjusted $R^2$ is .917, with standard error of the estimate equals to .15384. The software output for F-test is presented in Table 5 on the following page.

Table 5. Result of F-Test

<table>
<thead>
<tr>
<th>Model</th>
<th>Sum of Squares</th>
<th>df</th>
<th>Mean square</th>
<th>F</th>
<th>Sig.</th>
</tr>
</thead>
</table>

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The result of t-test indicates that all three independent variables have t-count values greater than t-table value. This means that each of the independent variables (Satisfaction, commitment, and advocacy) has a significantly positive effect on employee performance. Below is the result of t-test.

### Table 5. Result of F-Test

<table>
<thead>
<tr>
<th>Model</th>
<th>Unstandardized Coefficient</th>
<th>Standardized Coefficient</th>
<th>t</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>(Constant)</td>
<td>.155</td>
<td>.121</td>
<td>1.277</td>
<td>.206</td>
</tr>
<tr>
<td>1Kepuasan_X1</td>
<td>.342</td>
<td>.055</td>
<td>.369</td>
<td>6.236</td>
</tr>
<tr>
<td>Commitment_X2</td>
<td>.316</td>
<td>.054</td>
<td>.308</td>
<td>5.885</td>
</tr>
<tr>
<td>Advocacy_X3</td>
<td>.338</td>
<td>.052</td>
<td>.374</td>
<td>6.553</td>
</tr>
</tbody>
</table>

As presented in Table 5 above, all three independent variables have positively significant influences on employee performance. The t-count values are not much different. The results of the tests are presented in the regression diagram below.
Result of Hypothesis Test. To view all statistical values for the rejection and acceptance of the hypotheses, see Table 6 below.

Table 6. Summary of Hypothesis Test

<table>
<thead>
<tr>
<th>No</th>
<th>Hypothesis</th>
<th>Value</th>
<th>Conclusion</th>
<th>Meaning</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Satisfaction, commitment, and advocacy variables simultaneously influence the performance of employees at Soreang Branch BJB</td>
<td>F&lt;sub&gt;count&lt;/sub&gt; (272.014) &gt; F&lt;sub&gt;table&lt;/sub&gt; (2.73)</td>
<td>Ho: rejected H1: accepted</td>
<td>The higher the employee occupational satisfaction, commitment, and advocacy, the higher the performance of employees at Soreang Branch BJB</td>
</tr>
<tr>
<td>2</td>
<td>Satisfaction variable partially influences the performance of employees at Soreang Branch BJB</td>
<td>F&lt;sub&gt;count&lt;/sub&gt; (6.236) &gt; F&lt;sub&gt;table&lt;/sub&gt; (1.66), with significance of 0.000 &lt; α (0.05)</td>
<td>Ho: rejected H1: accepted</td>
<td>The higher the employee occupational satisfaction, the higher the performance of employees at Soreang Branch BJB</td>
</tr>
<tr>
<td>3</td>
<td>Commitment variable partially influences the performance of employees at Soreang Branch BJB</td>
<td>F&lt;sub&gt;count&lt;/sub&gt; (5.885) &gt; F&lt;sub&gt;table&lt;/sub&gt; (1.66), with significance of 0.000 &lt; α (0.05)</td>
<td>Ho: rejected H1: accepted</td>
<td>The higher the employee occupational commitment, the higher the performance of employees at Soreang Branch BJB</td>
</tr>
<tr>
<td>4</td>
<td>Advocacy variable partially influences the performance of employees at Soreang Branch BJB</td>
<td>F&lt;sub&gt;count&lt;/sub&gt; (6.553) &gt; F&lt;sub&gt;table&lt;/sub&gt; (1.66), with significance of 0.000 &lt; α (0.05)</td>
<td>Ho: rejected H1: accepted</td>
<td>The higher the employee occupational advocacy, the higher the performance of employees at Soreang Branch BJB</td>
</tr>
</tbody>
</table>

Coefficient. The total coefficients are presented in Table 7 below. The total coefficients consist of direct and indirect influences of each independent variables on the dependent variable.

Table 7. Direct and Indirect Influences of Employee Engagement (Satisfaction, Commitment, and Advocacy) on Employee Performance

<table>
<thead>
<tr>
<th>Explanation</th>
<th>Direct influence to Y</th>
<th>Indirect Influence through X&lt;sub&gt;1&lt;/sub&gt;</th>
<th>Indirect Influence through X&lt;sub&gt;2&lt;/sub&gt;</th>
<th>Indirect Influence through X&lt;sub&gt;3&lt;/sub&gt;</th>
<th>Total influence</th>
</tr>
</thead>
<tbody>
<tr>
<td>Satisfaction (X&lt;sub&gt;1&lt;/sub&gt;)</td>
<td>13.62%</td>
<td>-</td>
<td>8.36%</td>
<td>10.82%</td>
<td>32.80%</td>
</tr>
<tr>
<td>Commitment (X&lt;sub&gt;2&lt;/sub&gt;)</td>
<td>9.50%</td>
<td>8.36%</td>
<td>-</td>
<td>8.20%</td>
<td>26.06%</td>
</tr>
<tr>
<td>Advocacy (X&lt;sub&gt;3&lt;/sub&gt;)</td>
<td>14.00%</td>
<td>10.82%</td>
<td>8.20%</td>
<td>-</td>
<td>33.02%</td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>92%</td>
</tr>
<tr>
<td>Influence of other variables to Y</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>8%</td>
</tr>
</tbody>
</table>
5. Discussion and Conclusion

Based on the result of descriptive data processing, the employees perceived that the level of engagement was high. One of the three factors of engagement (i.e., advocacy) was perceived as very highly engaged. This means that generally the employees had high occupational satisfaction, high commitment, and very high advocacy. This indicates that employees admitted to have high willingness to stay with the company, they expressed themselves physically, cognitively, and emotionally during their role performances. The employees were willingly used their extra efforts to recommend others to join the company, and promote the products of the company.

Based on the result of hypothesis test, simultaneously, it could be concluded that there was a significant influence of the employee engagement consisting of satisfaction, commitment, and advocacy on the performance of employees, where $F_{\text{count}}$ value is greater than $F_{\text{table}}$ value. Meaning, in general satisfaction, commitment, and advocacy had a significant influence on the performance of employees at BJB Soreang branch.

Partial hypothesis test or t-test indicated that each of the independent variables had positively significant influence on the performance of employees. The total of coefficients of satisfaction on the performance of employees was 32.80%, the total influence of commitment on the performance of employees was 26.06%, and the total influence of advocacy on the performance of employees was 33.06%. It means that satisfaction, commitment, and advocacy variables were proportionally influencing the performance of employees. The influence of satisfaction, commitment, and advocacy on the performance of employees at BJB Soreang branch was 92.00%, the remaining 8% being influenced by other factors beyond the present research.

Of the three engagement factors affecting the performance of employees, advocacy had the highest $t_{\text{count}}$ value and the highest coefficient. This means that the employees were willing to use their extra effort for the success of the company. Satisfaction was high, and the second suggestion influence on performance, but descriptively, it had the lowest percentage. Referring to the turnover rate as presented in the introduction, this might be one of the causes of turnover. Commitment had a strong influence on performance, but it was the weakest of the three.

To increase the performance of employees, based on the data of this research, it is suggested that the company pay more attention on the elements which were perceived not satisfactory, particularly on the elements measuring satisfaction and commitment. The elements perceived as not highly satisfactory were promotional policy, relationship among fellow workers, fairness in the workplace, and remuneration policy. Other elements which needed to be improved were the competency development program, provision of health and safety facilities, and improvement in the roles of supervisors. Soreang branch is one many BJB branches, and similar research needs to be conducted in other branches before formulating strategic policies for BJB as a whole.
REFERENCES


THE EFFECT OF SERVICE QUALITY TO INCREASE CUSTOMER SATISFACTION AND BRAND IMAGE OF ISLAMIC BANKING (SHARIA BANKING) IN INDONESIA

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ABSTRACT

The government’s active role in developing the Islamic banking industry making the industry growing well. But the penetration and brand image of the Islamic banking industry compare with the conventional bank is still low. The Islamic banking must be able to seek a newly strategic approach to enlarge and increase its market share. The purpose of this paper is to give another perspective strategy for the Islamic Bank in Indonesia to compete with the existing conventional Bank in terms of attracting the customers. Service quality is the main factors to be emphasize in winning the competition. Therefore, this research will analyze the each indicator of Parasuraman’s service quality into customer satisfaction especially during the service chain. The excellent service quality will strengthen the Islamic Bank image into the customers’ minds.

Keywords: Tangible, Reliability, Responsiveness, Assurance, Empathy, Customer Satisfaction, Brand Image, Islamic Banking, Indonesia

INTRODUCTION

The development of a banking system based on political Islam in Indonesia was finally recognized as part of efforts to achieve national development goals which is to achieve the creation of a just and prosperous society based on economic democracy (Anshori, 2009). The government's active role in developing the Islamic banking industry is expected to be the first step for the development of the economic system that is based on values of justice, solidarity, equity and expediency (Andriansyah, 2009).

Deregulation of banking in Indonesia has started since 1983, where Bank Indonesia (BI) is assigned to provide flexibility to the banks to set interest rates. The government hopes that with the deregulation of banking, it will create the conditions banking more efficient and powerful in supporting the economy. In 1983 the Indonesian government had planned to implement a “system for results” in credit which is the concept of Islamic banking. In 1988, the government issued a policy package of banking deregulation in 1988 (Pakto 88) and opening opportunities to the widest banking business to support development (liberalization
of the banking system). During this time, the banking business based on sharia system began to appear. Indonesian Islamic bank establishments initiative started in 1980 through discussions themed Islamic bank as the economic pillar of Islam. As a test, the idea of Islamic banking is practiced in a relatively limited scale in Bandung, called by Bait At-Tamwil Salman ITB and in Jakarta, called by Cooperative Ridho Gusti. (the Financial Services Authority - FSA, 2015).

At the end of 2013 all the banking regulatory and supervisory functions include Islamic Banking move from Bank Indonesia to the Financial Services Authority (FSA). FSA as the authority's financial services sector continued to improve the vision and strategy of Islamic financial sector development policy that has been stipulated in the Indonesian Islamic banking roadmap 2015-2019, which was launched in 2014.

As of June 2015, the Islamic banking industry is composed of 12 Common Sharia Banks, 6 Unit Business Sharia owned by Conventional Commercial Bank and also 10 Unit Business Sharia owned by the Province Development Bank with total assets of Rp. 273,494 trillion with a market share of 4.61% from the total banking industry in Indonesia. Specifically in Jakarta province itself, the Total Gross Assets, Finance, and Third Party Fund respectively achieved at Rp. 201,397 trillion; Rp. 85,410 trillion and Rp. 110,509 trillion (the Financial Services Authority - FSA, 2015).

The following table shows the list name of Islamic Banking in Indonesia as per June, 2015:

Table 1. Common Sharia Bank in Indonesia

<table>
<thead>
<tr>
<th>Common Sharia Bank</th>
<th>Bank’s Name</th>
</tr>
</thead>
</table>
| a. National and Private Bank (Foreign Exchange Reserves) | 1. Bank BNI Syariah  
|                    | 2. Bank Mega Syariah  
|                    | 3. Bank Muamalat Indonesia  
|                    | 4. Bank Syariah Mandiri       |
| b. National and Private Bank (Non-Foreign Exchange Reserves) | 1. BCA Syariah  
|                    | 2. Bank BJB Syariah  
|                    | 3. Bank BRI Syariah  
|                    | 4. Panin Bank Syariah  
|                    | 5. Bank Syariah Bukopin  
|                    | 6. Bank Victoria Syariah  
|                    | 7. BTPN Syariah              |
| c. Mixed Bank      | 1. Bank Maybank Syariah Indonesia |

Source: FSA, 2015.

Table 2. Sharia Unit Businesses (Common Conventional Bank) in Indonesia

<table>
<thead>
<tr>
<th>Sharia Unit Businesses</th>
<th>Bank’s Name</th>
</tr>
</thead>
</table>
The success growth of sharia banking industry can’t be separated from the marketing activities undertaken by the sharia banking throughout the service chain, which are include to create, communicate and deliver more value to customers. This comprehensive marketing activities are classified into four marketing mix introduce by Phillip Kotler, namely product (all products and services offered to customers), price (how much the customers are willing to pay), promotion (all promotion tools include the digital marketing to create and strengthen the bank image) and finally the place (which include all the accessible location of the bank). (Kotler, 2008).

Until today, the Islamic banking in Indonesia has been experienced a lot of achievement of progress, both on the institutional aspects and supporting infrastructure, the regulatory and supervisory systems, as well as literacy and public awareness of the Islamic financial services. In February 2016, the government decided to announce the new economic package Phase V which content is related with the all activities done by sharia banking industry in launching its new financial product. The objective of the new regulation is to simplify the
permission and report of sharia financial products by implementation of new coding system and simplify regulation in opening new branches across Indonesia.

Even the sharia banking is growing tremendously throughout the years, the penetration and the market share is still low. Market share of the sharia industry compare is just 4% of the total market share of the banking industry with the total number of customer is less than 10 million persons. It means that conventional banks are still customer’s choice in doing their banking transaction. There’s still a big opportunity for the sharia industry considering the populous number of Indonesia increase yearly with the majority of Moslem. The Finance Ministry of Indonesia also mentions that 80% of Indonesian is in productive age. It means that they have enough income to support the country’s economic development.

One way to enlarge the sharia banking industry market share is to maintain the loyal customers and in the same time to attract more new customers to use all sharia banking products. The sharia banking must initiate a new strategy to create more customers satisfaction. Customer satisfaction will not be separated from service quality (quality of service). Service quality can be determined by comparing the perceptions (perceived service) customers on the service, which obviously they have received or obtained with the actual services they expect (expected service). If the services received or perceived as expected, then the perceived service quality is good quality. If the services received exceed the expectations of customers, the quality of service perceived as an ideal quality. Conversely, if the service received is lower than expected, then the perceived poor quality of service (Meiyanto, 2012). Results of research Purnomo (2009) concluded that service quality affects customer satisfaction and customer satisfaction effect on consumer loyalty and finally with the brand image. Lewis and Sourelli (2006), in his research concluded that loyalty is the result of a cognitive process rather than affective. The main things that influence the occurrence of loyalty is value, service quality, service attributes, satisfaction, corporate image, and trust.

For decades, there have been limited researches studies on the issues of sharia banking industry in Indonesia. Therefore, this study is trying to analyze the effect of service quality using Parasuraman’s model into customer satisfaction and brand image in sharia banking industry in Indonesia. The present research is undertaken to get another perspectives which dimension gives the greatest effect by interconnecting the all dimension of service quality and their effects into the customer satisfaction and finally into sharia banking brand image.

Based on the explanation of the background, the research questions area formulated as follows: Are there any effects between each dimension of service quality (ServQual) into customer satisfaction which is the dimension that give the most significantly effect to customer satisfaction? And also is there any effect of customer satisfaction into sharia banking brand image?

The proposed research of this quantitative research study was to answer the research questions mentioned previously: to analyze the effect between the service quality of sharia banking into customer satisfaction and finally into its image in Indonesia.
The aims of this current study were as follows: (1) For the development of management strategy in the field of using the concept of service quality in increasing customer satisfaction and image especially in the sharia banking industries, (2) For further research to focus more creating a better customer relationship to gain more strong image.

THEORETICAL FRAMEWORK AND HYPOTHESES DEVELOPMENT

Broadly speaking there are some differences between Islamic banks with conventional banks as follows: (Antonio, 2001).

Table 3. Paradigms Comparison of Sharia Banks and Conventional Banks

<table>
<thead>
<tr>
<th>No</th>
<th>Differences</th>
<th>Conventional Bank</th>
<th>Sharia Bank</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Relationship with Customers</td>
<td>Investor with investor</td>
<td>Creditor and Debtor</td>
</tr>
<tr>
<td>2</td>
<td>Revenue System</td>
<td>Interest, Fee</td>
<td>Sharing, Margin and Fee</td>
</tr>
<tr>
<td>3</td>
<td>Organization</td>
<td>No sharia controlling system</td>
<td>There’s Sharia Controlling Institution</td>
</tr>
<tr>
<td>4</td>
<td>Distribution of Fund</td>
<td>Liberal for profit oriented</td>
<td>Limited considering environment and moral aspects</td>
</tr>
<tr>
<td>5</td>
<td>Level of Risk</td>
<td>Medium-High Risk (speculation is allowed)</td>
<td>Medium-Low Risk (speculation is forbidden)</td>
</tr>
<tr>
<td>6</td>
<td>Risk Responsibility Investment</td>
<td>Only in one side: bank</td>
<td>Both sides: customers and bank</td>
</tr>
</tbody>
</table>

In addition to differences in paradigms, there are also some differences in the basic operations of conventional banks and Islamic banks:

Table 4. Basic Financial Activities Comparison of Sharia Banks and Conventional Banks

<table>
<thead>
<tr>
<th>No</th>
<th>Basic Financial Activities</th>
<th>Conventional Banks</th>
<th>Sharia Banks</th>
<th>Note</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Credit (interest)</td>
<td>√</td>
<td></td>
<td>Credit distribution and other income</td>
</tr>
<tr>
<td>2</td>
<td>Funding (profit sharing)</td>
<td>√</td>
<td></td>
<td>Mudharabah and musyarakah system</td>
</tr>
<tr>
<td>3</td>
<td>Buying-Selling system</td>
<td>√</td>
<td></td>
<td>Bai principle</td>
</tr>
<tr>
<td>4</td>
<td>Buying- Rental system</td>
<td>√</td>
<td></td>
<td>Ijarah principle</td>
</tr>
<tr>
<td>5</td>
<td>Saving (interest)</td>
<td>√</td>
<td></td>
<td>Saving, deposit or giro</td>
</tr>
<tr>
<td>6</td>
<td>Investment (profit sharing)</td>
<td>√</td>
<td></td>
<td>Unlimited investment:</td>
</tr>
</tbody>
</table>
Service Quality

Service quality is regarded as the result of the comparison made by customers about what they feel service organizations should offer, and perceptions of the performance of organizations providing the services (Caruna, 2002; Arasli H, et.al, 2005). A customer’s expectation serves as a foundation for evaluating service quality because, quality is high when performance exceeds expectation and quality is low when performance does not meet their expectation (Athanasopoulous, 2003; Sureshchandar, 2001). Empirical studies show that the quality of service offered is related to overall satisfaction of the customer. Service quality is considered an important tool for an organisation’s struggle to differentiate itself from its competitors.

It is also an important tool to measure customer satisfaction (Hazlina & Nasim, 2011). According to several researchers such as Newam, K (2001) and others, service quality is a function of the customer’s expectations (what they expect the organisation should offer them) and what they really get and how they feel about it. In order to measure the customer’s perceptions of the service received Parasuraman, et.al (1985) developed the SERVQUAL instrument which compares the customer’s initial expectations and his/her perceptions of the service received.

Parasuraman stated that service quality or SERVQUAL is a comparison of the two main factors, namely the expected services (expected service) and the services that the perception (perceived service). If the services received or perceived by consumers as expected, then the perception of service quality is good and satisfactory. From the above statement we can conclude that the quality of services is how far the difference between expectations and reality for services received by consumers (Parasuraman, et al. 1998). According to Lovelock (1992), quality of service is defined as the level of good quality as expected of consumers. Quality control is implemented to achieve good quality in accordance with the wishes of consumers. Furthermore, Lewis said in his theory that the definition of customer satisfaction relating to a particular transaction (the difference between the services and the service perceived) is different from the attitude of a more lasting and less situational oriented (Lewis, 1993).

Service quality is a focused evaluation that reflects the customer’s perception of reliability, assurance, responsiveness, empathy and tangibility, while satisfaction is more inclusive and it is influenced by perceptions of service quality, product price and quality as well as situational factors and personal factors (Zeithaml, et.al. 2006). These five dimensions of perceived quality are also the basis upon which expected quality is built. Parasuraman has
conducted various studies on the types of services, and managed to identify five dimensions characteristics used by customers in evaluating the quality of service, namely:

1) Tangible
Tangible can be defined as the appearance of physical facilities, equipment, people, and materials or documents both printed and visual. Lupiyoadi (2006) also stated the aspect of tangible also cover the ability of a company to demonstrate the existence to external parties. In addition, Tjiptono (2006) relate the tangible aspect with all the physical evidence of the service which it can be physical, equipment used, the physical representation of the services (for example, a plastic credit card). Kotler (1997) also revealed that the tangible characteristics also include the the appearance of professional employees. Tangibility is a concept that measures how dependable a customer views a service provider to be based upon the quality of its most visible attributes (Zeithaml, et.al., 2006).

2) Reliability
Reliability is the ability to provide services with accurate which as promised, accurate and reliable (Lupioady, 2006). Tjiptono (2006) also defines reliability with all aspects covering: consistency (performance), the ability to be trusted (dependability) and the ability to provide the promised service with immediate, accurate and satisfactory. Reliability is the ability of the service provider to perform the promised service dependably and accurately (Zeithaml, et.al., 2006, Cui & Lewis, 2003).

3) Responsiveness
Responsiveness is defined as responsiveness and sincerity in helping to provide fast service to customers. It is also employee activities related with the willingness to help, delivery clear information in the right ways (Lupioady and Tjiptono, 2006). Responsiveness reflects of the willingness to help customers and provide prompt service (Buttle, 2006; Zeithaml, et.al., 2006) and is seen in the timely reaction towards the customers' needs or willingness to provide timely services to customers. In context of the Bank, this refers to the changes that have been observed in financial service like introduction of electronic banking, mobile banking, and ATM services in order to respond to the needs of customers.

4) Assurance
Assurance is the knowledge, skills and attitudes possessed and needed to provide effective services in order to gain confidence from the customers (Lupiyoadi, 2006). Assurance is the knowledge and courtesy of employees and the ability to gain trust and confidence (Kotler, 2007). Assurance quality is a knowledge and courtesy of employees and their ability to inspire trust and convey confidence among customers (Zeithaml, et.al., 2006).

5) Empathy
Empathy is the feeling of understanding of what customer’s needs, desires and also what customer expected from the quality of services. According to Lupiyoadi (2006), empathy is the ability of organization to provide a genuine concern and a private individual service as expected. Therefore, empathy characteristics are shown in the form of better relationship, good communication, personal attention and understand the needs of customers. Empathy is a quality which is the last dimension on SERVQUAL model. It is the ability to be
approachable, and giving individual attention to the customers (Arasli, et.al., 2005, Zeithaml, et.al., 2006).

In the banking sector, service quality has become more and more significant aspect for achievement and endurance (Ladhari, 2009). The stipulation of high quality service helps in achieving numerous requirements like customer satisfaction and its outcome loyalty, profitability, market share, brand image and financial performance. Once the customer has chosen a sharia bank, they have developed expectations of what constitutes service, an ideal service level (Zeithaml, et.al., 2006). This is then used in the evaluation of the actual service, resulting in a confirmation/disconfirmation of the service.

Customer Satisfaction

Customer satisfaction is a psychological concept arising from an individual’s comparison of perceived product performance with expectations for this performance (Barskky, 1992; Hill, 1986). The previous research stated that higher levels of customer retention rates can be achieved thorough higher levels of customer satisfaction rates, which in turn leads to increased corporate economic performance in a number of firms in different industries. In today’s world intense competition, the key to sustainable competitive advantage lies in delivering high quality service that will in turn result in satisfied customers (Shemwell, et al, 1998). Customer satisfaction is considered a prerequisite for loyalty, helps in realizing economic goals like profitability, market share, return on investment, etc. (Scheuing, 1995; Reichheld, 1996; Hackl and Weslund, 2000). Sureshchandar, et. al (2003) identified one of factor of service quality as critical from the customers point of view is human element of service delivery. The higher customer satisfaction leads to higher levels of repurchase intent, customer advocacy, and customer retention (Anderson and Sullivan, 1993; Bolton and Drew, 1991; Lam et.al, 2004).

In turn, higher customer satisfaction and loyalty leads to improve revenue, profitability, and cash flows (Heskeet, et. al, 1994). Increased cash flows could come from the acquisition of additional customers. The interest in measuring customer satisfaction is reflected in its ability to help build up customer loyalty (Cronin and Taylor, 1992); enhance favorable word of mouth (Halstead and Page, 1992), lead to repeat purchases (Fornell, 1992) and improve the company’s market share and profitability (Oh and Parks, 1997). A key motivation for the growing emphasis on customer satisfaction is that higher customer satisfaction can lead to a stronger competitive position resulting in higher market share and profit (Fornell, 1992); reduce price elasticity, lower business cost, reduce failure cost and reduce the cost of attracting new customers. Customer satisfaction is also generally assumed to be a significant determinant of repeat sales, positive word of mouth and customer loyalty. Satisfied customers return and buy more and they tell other people about their experiences and also strengthening the company brand image (Fornell, 1992).

Brand Image

According to the theory of marketing (Kotler, 2009), brand is a name, term, sign, symbol, or design, which are intended to identify the goods or services or group of sellers and to
differentiate from the goods or services of a competitor. Thus, a brand is a product or service added dimensions in a certain way to distinguish it from other products or services that are designed to satisfy the same need. The role of identifying the source or manufacturer's brand product and allows consumers to either individuals or organizations to establish liability on the manufacturer or distributor particular. The image of the brand associated with the beliefs and attitudes towards a brand preference. Consumers, who have a positive image of a brand, would be more likely to make a purchase.

Tjiptono (2011) also said that brand image is a description about the association and the confidence of consumers towards a particular brand. Brand image itself means the set of beliefs consumers hold about a particular brand (Kotler, 2009), which means: a belief held by consumers with regard to the brand. Each customer has a certain impression to a brand. The impression could arise after potential customers see, hear, read or feel about the brand, whether through TV, radio, and print media. Brand image is the customer perception of a brand is portrayed through brand association is in customer retention, as said Keller (1993), "the brand image is perceptions about a brand as reflected by the brand association consumer held in memory." Furthermore, Keller stated that the more customer satisfied with the product or service, the better the brand image of the product and services (Keller, 1993).

Rangkuti (2008) explained that brand image is "A set of brand associations are formed and embedded in the minds of consumers." Based on the understanding of brand image above, it can be concluded that the brand image is formed from the perception that has long been available in the minds of consumers. After going through a phase that occurs in the process of perception, then continued at the stage of consumer involvement in a purchase. This level of involvement besides affecting perception may also affect memory function. Based on the above opinion can be drawn some conclusions about the brand image as follows:

1. Brand image affects the mindset and views of consumers about the brand overall.
2. Brand image is not only a good naming but rather how to introduce products to consumers and to become a memory for consumers in the form of a perception of a product.
3. Brand image holding trust, understanding, and consumer perceptions of a brand.
4. Brand image is an association that arises in the minds of consumers in the form of thought or a certain image to a brand.
5. Brand image which can increase manufacturers' sales and marketing activities hamper competition.
6. Brand image is an important factor in consumer purchasing decisions until consumers become loyal to a particular brand.

Establishment of brand image in the minds of consumers does not happen quickly but requires a process of many years (Sandy, 2010; Kerby, 2004). Establishment of brand image is influenced by several factors:

1. The quality of the resulting product: The better the quality of products sold to consumers, the greater the consumer interest to buy back so that it can increase sales of these products.
2. The services provided: Customer satisfaction depends on the service provided by the manufacturer to the consumer.

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3. The company's policy: will create value for the company and the perception in the minds of consumers that have an impact on the company's image.
4. The company's reputation: Companies that already have a good reputation should be able to defend it in all fields. The better the reputation of the company then the company's image is also getting better and stronger.

In addition, Sandy (2010) also mentioned there are some factors which are influencing the brand image, include:

1. Endurance (Tenacity), which related to the quality and brand image of the product itself. It covers the high quality product sold to the customers and also the high quality materials used to produce the products.
2. Suitability (Congruence), which include the activities related with the advertisement and the suitability usage of logo.
3. Precision: is the extent to which brand image accurately and consistently want to display, in which the taste of a product must be consistent and accurate and the affordable pricing strategy.
4. Connotation: is the opinion of the personality of product which differs from other brands.

Conceptual Framework
Relating with the previous discussion of the literature review, the conceptual framework proposed in this present study is as follow:

**Picture 1: Conceptual Framework**
Research Hypotheses
1st Hypothesis: There is a significant effect tangible aspect of service quality into customer satisfaction of sharia banks.
2nd Hypothesis: There is a positive effect between the reliability dimensions of service quality and sharia banks customer satisfaction.
3rd Hypothesis: There are significant effects between responsiveness aspects of service quality towards customer satisfaction.
4th Hypothesis: There’s a significant effect of assurance activities of service quality into customer satisfaction.
5th Hypothesis: There is an effect between the empathy dimensions of service quality into customer satisfaction.
6th Hypothesis: There are strong effects of overall dimensions of service quality customer satisfaction.
7th Hypothesis: There are significant effect between customer satisfaction and brand image of sharia banks in Indonesia.

METHODOLOGY

Measurement and Operational Variable

Service Quality. The service quality will be measured using 5 dimensions of service quality (ServQual) from Parasuraman that consist some aspects of service quality: tangible, reliability, responsiveness, assurance and empathy. The tangible, reliability, responsiveness and assurance aspects each have 3 indicators (Cronin and Taylor, 1992, 1994). Meanwhile the empathy aspects have only 2 indicators.

Customer Satisfaction. This variable will be measured using 4 dimensions of customer satisfaction develop by Taylor & Baker (1994) and Chenhall & Langfield-Smith (2007), which include: understand the specific needs of customer; meet customer expectation; on-time delivery and positive word of mouth.

Brand Image. The dimension of brand image will be measured using dimension proposed by Sandy (2010), and having some indicators, namely: tenacity, congruence, precision and connotation.

The research questionnaires in this study consisted two parts. The first part was drawn for collecting demographic information profile of the respondents regarding their age, gender, education, occupation, level of income, the frequency visit the bank branch and the familiarity of sharia bank product offering. The second part of questionnaire represented the main research questions is taken from the previous study done by some researcher but some questions are adjusted with the current respondent and consists of 32 questions. Each question will be measured base on Likert 5th option spectrum coded from: Scale 1 = Very Disagree, Scale 2 = Disagree, Scale 3 = Doubtful, Scale 4 = Agree and Scale 5 = Very Agree.
Research Design
The research design in this study is hypotheses testing using cross-sectional time dimension; field study research, causality with individual as unit analysis. This research will discuss the sampling technique, instrumentation and the data screening before proceeding to the Structural Equation Models (SEM) technique in testing the hypothesized model and invariance analysis.

Samples and Data Collection
Statistical sample of this research has been selected from all the people who are visiting sharia banks branches or using ATM various sharia banks locate in Jakarta and its surrounding areas. All primary data will be analyzed using the statistical package SPSS for Windows. The factor analysis was performed separately for the set of variables that have measured for creating service quality dimensions, customer satisfaction and brand image. The study will use a structural equation method to identify the strength, direction and impact of each indicator.

Based on SEM rule of thumb, it’s enough using comparison 5:1. This research has 32 parameters, so the minimum number of sample needs is = 160 respondents. As a backup for un-valid questionnaire, the researcher decided to distribute 200 questionnaires. In fact in pre-test, all questionnaires were valid. Therefore, this study will analyze the data using 200 samples of respondent.

Validity Testing
Validity construct is used to determine the validity by correlating among scores for each item in form of questions or total score using Pearson correlation. Based on validity testing in the questionnaire for each variable for 40 respondents (pre-test) with critical $t > 0.799$ showing that all items have greater correlation value and VALID.

Reliability Testing
The elements the reliability of the questionnaire evaluated by Cronbach’s alpha coefficient and admissible is all values yielded alpha coefficient exceeded the values of 0.50 suggested by Nunnaly (1978). The pre-test showed that the alpha reliability value is greater than 0.893 and VALID.

Data Analysis Method
Structural Equation Models (SEM) is taken to analyze the data using the Lisrel Program. Tangible aspects are measured by three dimensions (X1, X2, X3); reliability aspects are measured by three dimensions (X4, X5, X6); responsiveness aspects are measured by three indicators (X7, X8, X9); assurance aspects are also measured by three indicators (X10, X11, X12); empathy aspects are measured only by two indicators (X13, X14); customer satisfaction is measured by four dimensions (Y1, Y2, Y3 and Y4) and the brand image is measured by four dimensions (Y5, Y6, Y7, and Y8).
Test of Model Fit Measurement
Hair et.al (2010) said that if the overall model has been fit, measurement of every construct can be done for un-dimensional and reliability. In this study, Confirmatory Factor Analysis (CFA) is used because the research model and latent variables have been determined before.

Structural Model Fit Test
Evaluation on analysis of structural model includes examination of correlation of latent variables in this research. If significance degree reaches alpha = 0.05 and t-value >= 1.96, then significance of every coefficient that represents causal relation that is hypothesized can be tested systematically.

Value of Latent Variables
Value of latent variable with measurement variable that consists of one component can be calculated. Value of the latent variable is used as measurement variable of its latent variables. While for latent variable that has two or more components for its measurement variables, Second Order Confirmatory Factor Analysis (CFA) is used.

Test of Structural Model Fitness
The Goodness-of Fit (GOF) indicates how well the specified model reproduces the observed variance matrix among the indicator items. The following table shows that the model fit compares the theory to reality by assessing the similarity of the estimated covariance matrix (theory) to the reality (the observed covariance matrix). Only AGFI indicator model that shows Marginal Fit with the testing result value is < 0.90. Since the observed and estimated covariance matrices would be the same, it can be stated that this research theory were perfect. Meanwhile, the result for goodness for fit testing in this research is as follows:

<table>
<thead>
<tr>
<th>GOF Indicator</th>
<th>Estimated Value</th>
<th>Testing Result</th>
<th>Conclusion</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Absolute Fit Value</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>GFI</td>
<td>GFI ≥ 0.90</td>
<td>0.98</td>
<td>Good Fit</td>
</tr>
<tr>
<td>RMSEA</td>
<td>RMSEA &lt; 0.08</td>
<td>0.058</td>
<td>Good Fit</td>
</tr>
<tr>
<td><strong>Incremental Fit Value</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>NNFI</td>
<td>NNFI &gt; 0.90</td>
<td>0.92</td>
<td>Good Fit</td>
</tr>
<tr>
<td>NFI</td>
<td>NFI &gt; 0.90</td>
<td>0.95</td>
<td>Good Fit</td>
</tr>
<tr>
<td>AGFI</td>
<td>AGFI &gt; 0.90</td>
<td>0.88</td>
<td>Marginal Fit</td>
</tr>
<tr>
<td>RFI</td>
<td>RFI &gt; 0.90</td>
<td>0.91</td>
<td>Good Fit</td>
</tr>
<tr>
<td>IFI</td>
<td>IFI &gt; 0.90</td>
<td>0.93</td>
<td>Good Fit</td>
</tr>
<tr>
<td>CFI</td>
<td>CFI &gt; 0.90</td>
<td>0.98</td>
<td>Good Fit</td>
</tr>
</tbody>
</table>

Table 5
Design Summary for Goodness for Fit Testing Model
Source: Data Analysis using LISREL 8.70
RESULTS and DISCUSSIONS

Result of Hypothetical Test

Following are the hypotheses testing the effect of service quality, customer satisfaction into brand image using path diagram.

**Picture 2. Structural Diagram (Standardized)**

The Effect of Service Quality and Customer Satisfaction into Brand Image
Picture 3. Structural Diagram (t-Value)

The Effect of Service Quality and Customer Satisfaction into Brand Image
The results of Hypotheses Testing are shown in the following table:

### Table 6

**Summary of Result of Hypotheses Testing**

<table>
<thead>
<tr>
<th>Hypothesis</th>
<th>VARIABLES</th>
<th>Coefficient Standard</th>
<th>t-Value</th>
<th>Statistical Conclusion</th>
</tr>
</thead>
<tbody>
<tr>
<td>H1</td>
<td>Tangible (Tang) (\rightarrow) Customer Satisfaction (CS)</td>
<td>0.19</td>
<td>6.83</td>
<td>Data Supported</td>
</tr>
<tr>
<td>H2</td>
<td>Reliability (Rel) (\rightarrow) Customer Satisfaction (CS)</td>
<td>0.48</td>
<td>8.74</td>
<td>Data Supported</td>
</tr>
<tr>
<td>H3</td>
<td>Responsiveness (Res) (\rightarrow) Customer Satisfaction (CS)</td>
<td>0.39</td>
<td>7.98</td>
<td>Data Supported</td>
</tr>
<tr>
<td>H4</td>
<td>Assurance (Ass) (\rightarrow) Customer Satisfaction (CS)</td>
<td>0.34</td>
<td>7.65</td>
<td>Data Supported</td>
</tr>
<tr>
<td>H5</td>
<td>Empathy (Emp) (\rightarrow) Customer Satisfaction (CS)</td>
<td>0.27</td>
<td>6.98</td>
<td>Data Supported</td>
</tr>
<tr>
<td>H6</td>
<td>Service Quality (SQ) (\rightarrow) Customer Satisfaction (CS)</td>
<td>0.43</td>
<td>9.18</td>
<td>Data Supported</td>
</tr>
<tr>
<td>H7</td>
<td>Customer Satisfaction (CS) (\rightarrow) Brand Image (BI)</td>
<td>0.88</td>
<td>9.95</td>
<td>Data Supported</td>
</tr>
</tbody>
</table>

From data analysis, the study able to create a Structural Equation Model for Worker’s Job Satisfaction and Organization Performance as follows:

\[
CS = 0.19 \times \text{Tang} + 0.48 \times \text{Rel} + 0.39 \times \text{Res} + 0.34 \times \text{Ass} + 0.27 \times \text{Emp}.
\]

Errorvar. = 0.59 , \(R^2 = 0.41\)

\[
\begin{array}{cccccc}
6.83 & 8.74 & 7.98 & 7.65 & 6.98 \\
(0.045) & (0.067) & (0.058) & (0.053) & (0.047)
\end{array}
\]

\[
BI = 0.88 \times CS + 0.19 \times \text{Tang} + 0.48 \times \text{Rel} + 0.39 \times \text{Res} + 0.34 \times \text{Ass} + 0.27 \times \text{Emp}.
\]

Errorvar. = 0.63 , \(R^2 = 0.57\)

\[
\begin{array}{cccccc}
9.95 & 6.83 & 8.74 & 7.98 & 7.65 & 6.98 \\
(0.074) & (0.046) & (0.068) & (0.063) & (0.056) & (0.052)
\end{array}
\]

(Source: LISREL OUTPUT 8.70)

The result of all hypothetical tests indicates that all hypotheses tested on all respondents are supported by data.

**Hypothesis 1:** There is a low effect between tangible aspects and customer satisfaction. Tangible aspect has a positive effect into the worker job satisfaction, even it is the lowest aspect of service quality, with the t-value > 2 (6.83 > 2), with the rate of effect 0.19. This data is supported the research of Bowen and Schnedider (1985) who stated that there are other aspects that influence the customer satisfaction, namely: intangible aspects. The customer needs the most important driver of the new product offering. The combination of
high quality tangible and intangible assets will lead into the great customer satisfaction. As going back to the definition of Tangible; “physical facilities, equipments and staff appearance” (Parasuraman et al. 1988, p. 23). The appearance of sharia bank branches and ATM which are neat, clean and equipped with modern technology are the most tangible variables customer look in visiting the banks.

**Hypothesis 2:** There is a positive effect between the reliability aspects and customer satisfaction. Reliability aspects has the greatest effect into the customer satisfaction, because t-value > 2 (8.74 > 2), with the rate of effect 0.48. Going back to the definition of reliability i.e. “the ability to perform the promised service dependably and accurately”, (Parasuraman et al., 1988. p.23), then to the attributes that were substituted for reliability in the sharia banks included the accurate administration, delivering service as promise and service offering to the customer. This data support the research done by Agbor (2011) who stated that the reliability aspects are essential attribute to make customers doing financial transaction at sharia banks.

**Hypothesis 3:** There are significant effects between responsibility aspects into customer satisfaction. These aspects are the second highest influence within service quality because t-value > 2 (7.98 > 2), with the contribution rate 39%. Responsiveness was also an attribute that was applicable to the sharia banks for this study. When referred to the definition of responsiveness i.e. “willingness to help customers and provide prompt service” (Parasuraman, et. al., 1988) then to the various attributes that were substituted for responsibility from the sharia banks include the willingness of employee to assist customers and handling their complaints. Customers are prefer to choose the sharia banks with the helpful employees and able to give solution for the problems (Agbor, 2011).

**Hypothesis 4:** There’s a significant effect between assurance aspects into customer satisfaction. Assurance aspects have influence the customer satisfaction, because t-value ≥ 2 (7.65 ≥ 2), with the rate of effect 0.34. Assurance was a dimension that was applied just on Umeå University for this study. Referring to the definition of assurance, “knowledge and courtesy of employees and their ability to inspire trust and confidence” (Parasuraman et al. 1988). The attribute that was substituted for assurance was “Qualified staff: competent, welcoming and friendly staff”. If the customers are not well treated, or if the customers have any negative feelings about the staff of sharia banks, there is a possibility that they will not come there next time to do their financial transaction. If the staffs are not knowledgeable and considerable especially with the product and service offering, they would not be able to transfer knowledge to the sharia bank customers.

**Hypothesis 5:** There is an effect between empathy aspects in service quality into customer satisfaction. Empathy aspects have the second lowest effect into customer satisfaction, because t-value > 2 (6.98 > 2), with the rate of effect 0.27. Empathy also, was an attribute that was applied to the sharia banks for this study, even the relationship is not significant. Recalling back to the definition of empathy i.e. “caring, individual attention, the firm provides to its customers” (Parasuraman et al., 1988, p. 23), then to the common attributes that were substituted to empathy “personal attention and easy accessible”.

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Hypothesis 6: There are significant effects between all dimensions of service quality (tangible, reliability, responsiveness, assurance and empathy) into customer satisfaction. All dimensions of service quality together have effect into organization performance, because $t$-value $> 2$ (9.018 $> 2$), with the contribution rate 43%. The study also proved, each service quality dimension can’t stand alone influence the customer satisfaction. Together all the dimensions will influence the customer satisfaction.

Hypothesis 7: There are strong effects of customer satisfaction into the brand image. Customer satisfaction has the highest effect into the brand image, because $t$-value $> 2$ (9.95 $> 2$), with the rate of effect 0.88. Heskett, et al. (1994) said that the higher customer satisfaction will ultimately affect customer loyalty and profitability and also company brand image.

Theoretical Implication
The first hypothesis data that are collected to obtain answers if there is positive effect of variable tangible aspects of service quality into customer job satisfaction. The results of the data analysis showed that there’s a positive relationship (even at the lowest rate) between tangible aspects and customer satisfaction. Customers of sharia banks mostly like with the modern, neat and clean facilities or ambiences when they are doing their financial transaction in bank’s branches.

This study proved the second hypothesis which stated that reliability has a greatest effect into customer satisfaction. The sharia bank must be able to deliver the services as promised by providing accurate administration works and innovative product offering. The research results also showed that the ability of the sharia bank employees to be more responsive of customer needs will give positive influence into customer satisfaction. The sharia banks must empower the employees, especially the frontlines to handle customer complaints in more speedy ways of action. This research showed the urgency to pay more attention to employees, since the employees play important role in delivering the high quality services to customers.

The next hypothesis also proven that assurance aspects of service quality had high effect into customer satisfaction. The competency, knowledgeable and charming of the employees will increase the sharia bank reputation.

One of the result of the study also showed that empathy aspects had positive effect into customer satisfaction. More sharia banks accessible supported with the personalized services will increase customer satisfaction.

All five dimensions of service quality together had the high effect into customer satisfaction. Customer will be more satisfied if the sharia banks offering the more innovative or modern technology, accurate and personalized financial services, accessible branches with all supported by competent and friendly employees.

If the customers are satisfied, it will influence the good sharia bank image. This study showed that higher customer satisfaction will lead into higher positive brand image. Customers who are satisfied with the high service quality delivery which higher than
expectation will regularly tell what they’re experiencing to others. Finally, there will be a creation of positive word of mouth which automatically will strengthen the sharia bank image in customer’s mind. This research shows that customer satisfaction plays an important role in increasing the organization performance, especially the brand image. Satisfied customer will return to purchase company’s product and in the same time will act as an indirect agent to promote the company’s product. In the long-run, these purchase patronage will increase that company sales and profit. Furthermore, this research found that brand image is highly influenced by the customer satisfaction. This customer satisfaction is achieved because the sharia banks are able to understand the specific needs of their customers, deliver the products/services on-time and meet their expectation. Furthermore, the customers regularly tell the company about the highly performance of the workers.

Managerial Implication

The results of this study also have original implications for sharia banks that the customer satisfaction has the most significant effect in creating the brand image. Sharia banks as services organization which are highly dependent on their frontline staffs in selling their products must regularly give appropriate training and establish a corporate value that are put the customers as the top priority. All sharia banks must treat all the employees especially their frontline workers as an asset and make them happy and satisfied with the work. Happy workers will make them satisfied and more loyal to the company and able to serve customers better. Satisfied employees tend to exhibit more positive behavior, which is expressed in kindness, politeness, sensitivity and an understanding of customer needs, improving employee performance and leading to marketing needs satisfaction.

In order to maximize its brand image, the sharia banks must increase and improve some dimensions, include: offering the innovative products and services supported with the high-technology programs. And with the customers, the sharia banks must also develop and maintain long-lasting relationship.

There’s also urgency in asking for government support especially in giving more understanding, perspectives and education about the economic and financial sharia for banking industry, financial industry, business man and all the Indonesian people. The sharia banks can also start to make cooperation with Islamic institution or foundation to increase the brand image of sharia banks. The sharia banks industry can also asking the government to simplify the regulation and give the authority for the conventional bank to support the expansion of the branch utilizing the existing assets.

Sharia banks should also keep update information to all people in Indonesia especially about the product offering and the advantages of sharia banking in terms of fund collection and also fund distribution. And, if possible enlarge the market share by encouraging the small medium enterprise to take the advantage of sharia scheme.
Suggested Further Research

First, it is very important for further studies to consider other variables that can affect the sharia banks brand image, such as: customer relationship management; information technology and any other factors that might have dominant effect to increase the sharia banks brand image. Second, the further researches can also enrich their studies by linking the demographic data of the respondents directly to customer satisfaction and sharia banks brand image. Third, the futures studies are being required to further to develop, refine and validate future versions of the usage of SEM analyze methods with more diversified respondents from different organizations and from all the sharia banks across Indonesian to get more generalized data analysis.

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THE EFFECT OF TRANSFORMATIONAL LEADERSHIP, COACHING, AND JOB SATISFACTION ON EMPLOYEE JOB PERFORMANCE

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ABSTRACT

The background of this research is not maximal performance of employee. So that the company intend to improve employee performance. There are some factors suspected to affect employee performance such as transformational leadership, coaching and job satisfaction. The objective of this causal study is to find out the effect of transformational leadership, coaching, and job satisfaction on employee job performance. The research was carried out with 80 employees as the sample of a company in Merak which is selected by proportional random sampling. The method applied is survey with path analysis causal approach. The result of the analysis is: there is a positively direct effect of transformational leadership on the job performance, coaching on the job performance, job satisfaction on the job performance, transformational leadership on the job satisfaction, coaching on the job satisfaction, transformational leadership on the coaching. Based on those findings, it can be concluded that the employee job performance had been affected directly by transformational leadership, coaching, and job satisfaction. Therefore transformational leadership, coaching, and job satisfaction have to be an important priority. The result of this research can contribute as the reference in decision making at human resources department who has a strategic role in improving employee job performance at the company in Merak.

Keywords: transformational leadership, coaching, job satisfaction, job performance.

INTRODUCTION

The superior human resources has a superior ability to work being able to work effectively and efficiently so as to generate output and outcome in accordance with vision, mission, goals and target to be achieved by the company. Human resources in a company who has a superior performance is allegedly influenced by some factors such as transformational leadership, coaching, and job satisfaction. Every company who has mission and vision will strive to achieve the vision and mission through some strategies such as building the organisational strength and capability by way of talent development program and succession planning. It will be achieved by working hard and smart, solid team work, implementing program and action effectively and efficiently. Employee job performance must be improved in order to achieve maximum effectivity and efficiency. Through a satisfaction job performance, the company mission and vision will be realized. So that the company will get profitability that will be shared with the employee to increased their welfare and company sustainability.
The company want to increase its human resources capability to its maximum level by increasing employee job performance. Therefore it needs employee who is intelligent, well trained, competent, hard working, able to work in team an independently. There are several factors that have been identified influenced employee job performance as follows: Employee motivation is not in maximum level to deliver the best job performance for the company. Transformational leadership style adopted by the leader is not optimized. Employee coaching is not optimized to increase the job performance. Uneffective training program Company does not provide the expected feedback. The state of working environment is not fully support the working implementation. Skill influence worker job performance. Problem solving intelligence should be improved. Responsibility of leader over his leadership gives impact to job performance. Unfulfilled job satisfaction influence employee job performance.

This research is motivated by the desire to improve employee performance at the company. And it is expected that the result of this research can be used for reference in company policy making in dealing with employee performance problem. Problems that have been identified can directly or indirectly affect the job performance of employees at a company in Merak. However, given the limited time and the authors’ knowledge, the scope of the problem is also in line with the rules of science will be limited. The study only focused on the key things that are predominantly thought to have a direct impact on employee performance, namely Transformational Leadership, Coaching, and Job Satisfaction. With restrictions on the issue, it can be formulated what variables that influence the job performance of employees.

LITERATURE REVIEW

Surya Dharma (2010) said that an organization has a common vision of the goals and mission statement, which is communicated to all employees; organization set the targets of employee performance management related to the organizational unit goals, and overall organizational goals. Leaders carry out periodic evaluation of progress towards these targets, the evaluation process used to identify the needs of the development, training, and compensation. With the overall effectiveness of the process and its contribution to the overall performance will be obtained about change and improvement of the targets to be achieved (p. 55).

Paul Stephen Turnel, in Journal Mentoring & Coaching (2012) writing down about coaching as follows; Coaching, in the modern sense of the word, is often perceived to occupy a position within the participative area of the leadership behavior spectrum. The development of coaching coincided with one view that organizations benefit from a parallel leadership strategy, comprising of transactional behavior to structure and control, which is often seen as managing; and transformational behavior to motivate and influence, which is often discussed in terms of leading (p. 9).

Transformational leadership style according to Hughes Ginnett Curphi cited by Putri Iva Izzati (2011) can be delivered as follows. In transformational leadership is believed to be a more successful leader encourages organizational change because awake the emotions of followers and their willingness to work to realize the vision of the leader. Meanwhile,
transactional leadership does not have the properties of these leaders, as well as be able to develop a strong emotional bond with his or inspire followers to do more than they thought. Transactional leaders are believed to motivate the followers with setting goals and promises rewards for good performance. Transactional leadership only perpetuates the status quo; the use of rewards by the leader does not produce long-term changes such as the transactional leadership (p.533).

Darsono (2011) reported job satisfaction is defined as a set of employees a pleasant feeling or unpleasant based material rewards and psychological rewards. In addition to this, job satisfaction has many dimensions, among others: (1) job satisfaction may represent the position as a whole or refers to the part of the job, for example, the work content and the context of employment, (2) job satisfaction is a set of feelings, (3) job satisfaction is dynamic, it can go up and down quickly so the feeling of working on the organization need to be considered on an ongoing basis (p. 214).

Based on the above, the research conducted with the main objective to get, knowing and analyzing the data, facts and valid and reliable information about whether there is influence between coaching, transformational leadership, job satisfaction on the job performance of employees at companies in the Merak, Banten. By conducting this research can be known whether or not: the direct influence of transformational leadership on employee job performance, the direct effect of coaching on job performance, the direct effect of job satisfaction on the job performance, the direct influence of transformational leadership on job satisfaction, the direct effect of coaching on job satisfaction, the direct influence of transformational leadership on coaching.

Some experts suggest various definitions of performance, transformational leadership, coaching, and job satisfaction will be explained as follows;

1. Performance

Colquit, Lepine, Wesson (2009), give their concepts as follows; “Job performance is formally defined as the value of the set of employee behaviors that contribute, either positively or negatively, to organizational goal accomplishment”(p.35). Meanwhile, Robin Stuard (2006) said that the performance is the activity of employee doing the right things in the right times (p.65). M Robert L. Maltis (2011) explained that the performance is influenced by some factors such as the individual ability to perform the job, the level of effort devoted, and organisational support. From various concepts concluded that the performance is the work result according to organisational expectation for a certain period, it can be seen from the quantity and quality were achieved based on predetermined targets. Performance demonstrated interpersonal skills, discipline, motivation, effort, and a sense of responsibility for the tasks assigned according to their respective capabilities (p. 113).

2. Transformational Leadership

Robert Veccio (2005) stated as follows; Transformational leaderships, a boarder concept that charisma and plies reshaping entire strategies of organization (although the terms charisma and transformational leadership overlap to a great extent in highlighting the
influence of a leader’s personal attributes and the trust of followers). Transformational leadership elevated the goals of subordinates and enhances their self-confidence to strive for higher goals. Transformational leadership is potentially strongest at the highest levels of management. This view underscores the importance of vision, intellectual stimulation, and individualized consideration in leadership, and the major role that leadership can have during times of change or crisis (p. 156).

Bernard Bass in Jennifer (2012) explained the transformational leadership as follows; Transformational leadership occurs when a leader transforms, or changes, his or her followers in three important ways that together result in followers trusting the leader, performing behaviors that contribute to the achievement of organizational goals, and being motivated to perform at high levels: (1) Transformational leaders increase subordinates awareness of the importance of their tasks and the importance of performing them well. (2) Transformational leaders make subordinates aware of their needs for personal growth, development, and accomplishment. (3) Transformational leaders motivate their subordinates to work for the good of the organizational rather exclusively for their personal gain or benefit (p. 356).

It concluded that the transformational leadership is a way or attitudes of individuals in demonstrating the concern that brought the leader of transformation so as to bring about change, to motivate, to be an example for employees.

3. Coaching

Michael Armstrong (1999) stated in his handbook regarding the performance management that coaching is described as follows; Coaching is a fundamental performance management activity that takes the opportunities presented by the work itself and use them to develop the knowledge, skills, competencies, and therefore the performance people. Coaching as part of the normal process of management consists of: making people aware of how well they are performing by, controlled delegation, using whatever situations may arise as opportunities to promote learning, encouraging people to look at higher-level problems and how they would tackle them (p. 166-168).

Laurie J. Mullin (2005) stated as follows; Coaching: use deductive techniques, the coach does not have to be an expert in subject. A little knowledge can often help but it can sometimes be a hindrance, the prime beneficiary is the individual but the organization also benefit, a coaching session is measured in minutes, can be an off-the-cut session, usually informal, but can be formal, respects for the coach is usual, rapport between coach and coachee helps (p. 418).

From some concepts it can be concluded that coaching is a development technique conducted by coaches during performance improvement process of coachees. Coaching is conducted individually. Coaching is done by using structured deductive technique, emphasis on motivate ourself, using foresight, establish goals, create a plan of development, motivated to work hard, superior performance, prepare the human resources needed in the future.
4. Job Satisfaction

According to Grenberg dan Baron cited by Wibowo (2012), “Job satisfaction is a general attitude toward some one work, showing the differences between total rewards received by the worker and amount that they believe should be accepted (p. 501).” Another opinion by Laurie J. Mullin (2005) on the job satisfaction as follows; Job satisfaction is a complex and multifaceted concept, which can mean different things to different people. Job satisfaction is usually linked with motivation, but the nature of this relationship is not clear. Satisfaction is not the same as motivation. Job satisfaction is more of an attitude, an internal state. It could, for example. Be associated with personal feeling of achievement, either quantitative or qualitative (p.700).

Based on some existing concepts it can be concluded that the job satisfaction is the feeling of pleasure or displeasure demonstrated or perceived by a person caused by various factors, including justice, working conditions, compatibility between input and reward, achievement, fulfillment, environment, recognition and achievement expectations.

RESEARCH METHODOLOGY

The method used is survey with a causal approach, and will be analyzed using path analysis. Variables that will be studied are four, namely transformational leadership (X1), coaching (X2), job satisfaction (X3), and performance (Y). Performance is an endogenous variable, while the transformational leadership, coaching, and job satisfaction is an exogenous variable.

Transformational leadership is the way or the attitude of a leader in demonstrating the concern that brought the leader to transform so as to bring about a change, provide an explanation of the organization's vision, motivating, to be an example for employees, with indicators relating to the explanation of the vision, examples and ensuring, acting upbeat, the authority to accomplish the mission, and the importance of value.

Coaching is an activity undertaken by the coaches to improve employee performance, by the emphasis on personal motivator, gives an insight into the future, establish goals, create a plan of development, as well as introducing the achievements that are owned by employees. Coaching is done to individual persons or groups according to their respective purposes. This can be done informally or formally, performed directly in the workplace or at a particular time, with indicators related to personal motivator, insight into the future, goals, development plans and achievements.

Job satisfaction is happy and not happy feeling shown or felt by someone who is caused by various factors, including the ability to meet the needs, compatibility between expectation and reality, the fulfillment of the value of work, justice and the state of the working environment within a certain time, with indicators related to fulfill the needs, expectations and reality, the fulfillment of the value of work, a sense of justice, and the state of the work environment.
Performance is the result of work according to the expectations of the organization for a certain period, it can be seen from the quantity and quality were achieved based on predetermined targets. Performance demonstrated interpersonal skills that can be seen from productivity, responsibility, cooperation, working knowledge, skills, and complaints and customer satisfaction, with indicators related to productivity, responsibility, cooperation, working knowledge, skills, and customer satisfaction.

Measurement of all variables addressed to employees and measured with Likert scale. To determine whether the instrument points are valid, it is known by looking at the amount of $r_{xy}$ obtained compared with the critical value of $r$ (product moment) based on the number of respondents were taken.

The equation models to be tested are: (1) $Y = \beta_{y1} X_1 + \beta_{y2} X_2 + \beta_{y3} X_3 + e_1$, (2) $X_3 = \beta_{31} X_1 + \beta_{32} X_2 + e_2$, (3) $X_2 = \beta_{21} X_1 + e_3$. The third structural equation model on the next to be tested on data processing.

The study population was employees of a company in Banten Merak, which amounted to 95 employees drawn from the number of permanent employees at the company who have worked at least one year. By using the Slovin formulas then obtained 80 employees will be sampled in the study. The analytical method used to test the hypothesis in this study is the path analysis techniques.

The path coefficients calculations performed by LISREL.8 SPSS.21 program. In addition to calculate the coefficient of each path on the model of structural relationships between variables illustrated in the figure below is calculated and tested by $t$-test. The path coefficients have 6 paths coefficient is $\beta_{y1}, \beta_{y2}, \beta_{y3}, \beta_{31}, \beta_{32}, \beta_{21}$.

Table 1: Path coefficient of the study;

<table>
<thead>
<tr>
<th>No.</th>
<th>Path</th>
<th>Path Coefficient</th>
<th>$T$ calculated</th>
<th>$T$ table</th>
<th>Remarks</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>0.005</td>
<td>0.01</td>
</tr>
<tr>
<td>1.</td>
<td>$\beta_{y1}$</td>
<td>0.759</td>
<td>9.024</td>
<td>1.96</td>
<td>2.57</td>
</tr>
<tr>
<td>2.</td>
<td>$\beta_{y2}$</td>
<td>0.765</td>
<td>7.274</td>
<td>1.96</td>
<td>2.57</td>
</tr>
<tr>
<td>3.</td>
<td>$\beta_{y3}$</td>
<td>0.702</td>
<td>10.055</td>
<td>1.96</td>
<td>2.57</td>
</tr>
<tr>
<td>4.</td>
<td>$\beta_{31}$</td>
<td>0.927</td>
<td>12.406</td>
<td>1.96</td>
<td>2.57</td>
</tr>
<tr>
<td>5.</td>
<td>$\beta_{32}$</td>
<td>0.816</td>
<td>7.229</td>
<td>1.96</td>
<td>2.57</td>
</tr>
<tr>
<td>6.</td>
<td>$\beta_{21}$</td>
<td>0.453</td>
<td>5.287</td>
<td>1.96</td>
<td>2.57</td>
</tr>
</tbody>
</table>
Analysis of the results of the study is based on a constellation in the form of path structure as follows:

From the figure above can be explained that based on the count of using SPSS obtained results for paths: 1) $\beta y_1$, path coefficient = 0.307, T count = 2.582, T table = 1.96, 2) $\beta y_2$, path coefficient = 0.268, T count = 3.010, T table = 1.96, 3) $\beta y_3$, path coefficient = 0.331, T count = 2.515, T table = 1.96, 4) $\beta 31$, path coefficient = 0.665, T count = 9.568, T table = 1.96, 5) $\beta 32$, path coefficient = 0.292, T count = 4.203, T table = 1.96, 6) $\beta 21$, path coefficient = 0.514, T count = 5.287, T table = 1.96. Based on these results it can be concluded that all paths give direct affect that is significantly positive.

**DATA ANALYSIS**

Data technical analysis used is descriptive statistical data analysis and statistical data analysis inverentia. The analysis was obtained by describing the data in list form distribution and histogram, mean, the value of the spread, regression, simple linear, multiple regression analysis, normality and error test analysis, significance and linearity.

Data analysis method used to test the hypothesis in this study is the technique of path analysis. Calculations were performed using a computer tool that is a data processing program Microsoft Excel and SPSS.
After testing the linearity and significance of regression, the estimated error normality which is then used as the basis for a hypothesis test. Model testing based on established structural equation is conducting prior to hypothetical test. Meanwhile, the structural equation is as follows. 1) structural equation one: \( Y = \beta_{y1} X_1 + \beta_{y2} X_2 + \beta_{y3} X_3 + e_1 \), 2) structural equation one: \( Y = \beta_{31} X_1 + \beta_{32} X_2 + e_2 \), 3) structural equation one: \( Y = \beta_{21} X_1 + e_1 \).

Table 2. Summary of results of hypothesis

<table>
<thead>
<tr>
<th>No.</th>
<th>Hypothesis</th>
<th>Statistic Test</th>
<th>Decision</th>
<th>Conclusion</th>
</tr>
</thead>
</table>
| 1.  | There is a direct positive influence transformational leadership on performance | \( H_0: \beta_{y1} \leq 0 \)  
    \( H_1: \beta_{y1} > 0 \) | \( H_0 \) rejected | There is a direct positive influence             |
| 2.  | There is a direct positive influence coaching on performance               | \( H_0: \beta_{y2} \leq 0 \)  
    \( H_1: \beta_{y2} > 0 \) | \( H_0 \) rejected | There is a direct positive influence             |
| 3.  | There is a direct positive influence job satisfaction on performance       | \( H_0: \beta_{y3} \leq 0 \)  
    \( H_1: \beta_{y3} > 0 \) | \( H_0 \) rejected | There is a direct positive influence             |
| 4.  | There is a direct positive influence transformational leadership on job satisfaction | \( H_0: \beta_{31} \leq 0 \)  
    \( H_1: \beta_{31} > 0 \) | \( H_0 \) rejected | There is a direct positive influence             |
| 5.  | There is a direct positive influence coaching on job satisfaction         | \( H_0: \beta_{32} \leq 0 \)  
    \( H_1: \beta_{32} > 0 \) | \( H_0 \) rejected | There is a direct positive influence             |
| 6.  | There is a direct positive influence transformational leadership on coaching | \( H_0: \beta_{21} \leq 0 \)  
    \( H_1: \beta_{21} > 0 \) | \( H_0 \) rejected | There is a direct positive influence             |

According to the table above it can be concluded that there is a direct positive influence between variables: transformational leadership on performance, coaching on performance, job satisfaction on performance, transformational leadership on job satisfaction, coaching on job satisfaction, and transformational leadership on coaching.

**CONCLUSION AND DISCUSSION**

Based on the results of hypothesis testing which has been summarized above showed a compatibility with the existing theory, and supports the research that has been done before with implications as follows. Increasing of employee performance can be achieved by the improving quality of transformational leadership. With transformational leadership it will provide encouragement for employees to achieve the company vision and mission. Increasing of employee performance can be achieved by increasing the frequency of coaching. The increasing frequency of coaching will give employees an opportunity to express and find a way out of their problems that exist in companies associated with the quantity and quality of
work of employees. Improving performance can be achieved with the existence of employee satisfaction. With the job satisfaction of employees will be more motivated to give their best performance through receiving awards and the employment situation is safe and comfortable in the company. Increasing of job satisfaction can be achieved in the presence of transformational leadership. With transformational leadership, the employee will feel confidence in the leader that provides a sense of justice, comfort, and confidence in a better future. Increasing of employee satisfaction can be achieved by increasing coaching. With the increased frequency of coaching, the employee will have many opportunities to communicate with the leaders in the effort to improve the ability to work and find solutions to problems that occur so as to give a performance as expected. Improving of coaching can be achieved by increasing transformational leadership quality. With the improvement of the quality of transformational leadership, then showed the presence of high concern from the leaders to improve employee performance through coaching.

Based on the research results can be summarized as follows; There is a direct positive effect of transformational leadership on employee performance. The meaning is: Changes improvement in the quality of transformational leadership will result in an increase in employee performance. There is a direct positive influence of coaching on employee performance. The meaning is: Changes improvement in the quality of coaching will lead to an increase in employee performance. There is a direct positive effect of job satisfaction on employee performance. The meaning is: Changes improvement in the quality of job satisfaction will result in an increase in employee performance. There is a direct positive influence of transformational leadership on job satisfaction. The meaning is: Changes improvement in the quality of transformational leadership will result in an increase in job satisfaction. There is a direct positive influence of coaching on job satisfaction. The meaning is: Changes improvement in the quality of coaching will lead to increased job satisfaction. There is a direct positive influence of transformational leadership on coaching. The meaning is: Changes improvement in the quality of transformational leadership will result in an increase in coaching.

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Abstrak

Keusahawanan sosial merupakan bidang yang masih baru di Malaysia. Pembangunan usahawan graduan di institusi pengajian tinggi (IPT) merupakan salah satu usaha untuk meningkatkan keusahawanan sosial di negara ini. Kecenderungan keusahawanan sosial merupakan elemen utama yang diperlukan untuk melahirkan usahawan sosial dalam kalangan graduan. Justeru itu, kecenderungan ke atas keusahawanan sosial ini perlu dipupuk seawal pengajian pelajar di universiti. Kajian ini hanya memfokuskan kepada kecenderungan keusahawanan sosial dalam kalangan pelajar Universiti Utara Malaysia (UUM). Objektif kepada kajian ini ialah untuk mengenal pasti sama ada sikap, pengaruh norma dan persepsi kawalan terhadap keusahawanan sosial berpengaruh secara signifikan kepada kecenderungan keusahawanan sosial dalam kalangan pelajar UUM. Sampel kajian terdiri daripada 385 pelajar sepenuh masa ijazah sarjana muda UUM. Kajian ini mendapati bahawa sikap, pengaruh norma dan persepsi kawalan terhadap keusahawanan sosial memberikan pengaruh secara signifikan kepada kecenderungan keusahawanan sosial dalam kalangan pelajar UUM. Implikasi daripada kajian ini menunjukkan IPT mampu melahirkan pelajar yang mempunyai kecenderungan terhadap keusahawanan sosial. Selain itu, kajian ini memberi implikasi kepada pendidik untuk meningkatkan pemahaman mengenai sikap, pengaruh norma dan persepsi kawalan terhadap gelagat. Pemahaman ini seterusnya dapat membantu pihak universiti dalam menyediakan latihan yang sesuai ke arah membudaya dan meningkatkan kecenderungan keusahawanan sosial dalam kalangan pelajar IPT, khasnya UUM. Di samping itu, usaha pembangunan keusahawanan sosial perlu dilaksanakan secara lebih menyeluruh supaya semua pelajar sedar akan kepentingan bidang keusahawanan dalam pembangunan masyarakat.

Kata Kunci: Keusahawanan sosial, kecenderungan keusahawanan sosial, sikap, pengaruh norma, persepsi kawalan terhadap keusahawanan sosial.

PENGENALAN

Keusahawanan sosial merupakan revolusi daripada bidang keusahawanan yang memberikan kesan positif kepada perubahan sosial, pertumbuhan modal insan dan peningkatan ekonomi serta menyumbang pelbagai peranan penting kepada sesuatu...

Usaha untuk pembangunan keusahawanan sosial di Malaysia harus dipertingkatkan supaya dapat menambah lagi pelaksanaan aktiviti dalam bidang ini dan melahirkan lebih ramai usahawan sosial. Salah satu usaha untuk meningkatkan pelaksanaan keusahawanan sosial di Malaysia adalah dengan melibatkan elemen pendidikan bagi meningkatkan kesedaran masyarakat dan melengkapi mereka dengan pengetahuan dan kemahiran untuk membina perusahaan sosial. Justeru itu, sistem pendidikan yang efektif diperlukan untuk pembangunan keusahawanan sosial yang professional dengan mendidik masyarakat mengenai kelebihan dan atribut bidang keusahawanan sosial (Mohammad Reza et al., 2009). Ini adalah kerana seseorang usahawan atau usahawan sosial dibentuk tidak terhad daripada perniagaan yang diwarisi sahaja, namun boleh dibentuk melalui sistem pendidikan secara formal yang terancang (Armanurah, Abd. Razak & Sarimah, 2009; Armanurah 2014).

Memandangkan pembelajaran dan latihan secara formal juga merupakan faktor yang mempengaruhi pembentukan usahawan dan usahawan sosial, pembudayaan keusahawanan sosial perlu dibentuk melalui platform pendidikan dan keusahawanan dalam kalangan pelajar universiti (Mohamed Khaled 2009; Saifuddin 2012). Justeru itu, kajian ini akan meninjau kecenderungan keusahawanan sosial dalam kalangan pelajar Universiti Utara Malaysia (UUM) dan memfokuskan kepada dua objektif. Pertama ialah untuk mengenal pasti tahap kecenderungan keusahawanan sosial dalam kalangan pelajar UUM. Kedua ialah untuk mengenal pasti tahap kecenderungan keusahawanan sosial dalam kalangan pelajar UUM. Kedua ialah untuk mengenal pasti tahap kecenderungan keusahawanan sosial dalam kalangan pelajar UUM.

ULASAN KARYA

KECENDERUNGAN KEUSAHAWANAN SOSIAL


Teori Tingkah Laku Terancang merupakan salah satu teori yang digunakan bagi mengkaji kecenderungan keusahawanan (Liñán, Rodríguez-Cohard & Rueda-Cantuche, 2010; dan Nishimura & Tristán, 2011). Dalam Teori Tingkah Laku Terancang terdapat

**METODOLOGI KAJIAN**

**Kerangka Kajian**

Berdasarkan kajian lepas (Ajzen, 1991), kerangka teori seperti Rajah 1 telah dibentuk. Pemboleh ubah bersandar bagi kajian ini ialah kecenderungan keusahawanan sosial. Dalam kerangka kajian tersebut, pemboleh ubah tidak bersandar ialah (1) sikap terhadap keusahawanan sosial; (2) pengaruh norma, dan (3) persepsi kawalan terhadap keusahawanan sosial. Semua pemboleh ubah tidak bersandar ini akan diuji dan di analisis untuk memastikan sama ada semuanya mempunyai hubungan dengan pemboleh ubah bersandar atau tidak.

Rajah 1: Kerangka Kajian

![Rajah 1: Kerangka Kajian](image)

Sumber: Diadaptasi daripada Ajzen (1991), ms. 89

**Sampel Kajian**

Keseluruhan jumlah bagi pelajar sarjana muda UUM ialah 17,398 orang dari pelbagai bidang dan negara yang berbeza (Unit Perancangan Korporat, 2013). Walau bagaimanapun, populasi kajian ini terhad kepada 16,715 orang pelajar sarjana muda tempatan kerana kajian ini memfokuskan kepada skop pelajar Malaysia sahaja. Kajian ini juga menggunakan pelajar sepenuh masa kerana kebanyakannya pelajar UUM diperingkat sarjana muda adalah pelajar sepenuh masa.
Analisis Kajian

Kaedah persampelan rawak mudah dipilih untuk mengumpul data bagi kajian ini, di mana borang soal selidik telah digunakan untuk mengumpul data. ‘One-shot study’ atau ‘cross-sectional study’ digunakan untuk mendapatkan data kajian. Kaedah ini adalah kajian yang dijalankan sekali sahaja kepada setiap orang bagi mendapatkan maklum balas daripada soalan kaji selidik yang diedarkan.


Semua soalan di bahagian A mempunyai 5 pilihan jawapan dengan memberikan nilai sewajarnya berdasarkan Skala Likert. Skala Likert banyak digunakan dalam kajian kajian-kajian kerana memiliki kebolehpercayaan yang tinggi (Zikmund, 1997). Untuk soalan 1 hingga 26, kedudukan skala adalah dari "sangat tidak setuju" dengan nilai 1 untuk "sangat setuju" dengan nilai 5. Jika responden memilih nilai 1 menunjukkan, mereka sangat tidak bersetuju dan merespon dengan tahap yang amat rendah kepada sikap, pengaruh norma dan persepsi kawalan terhadap keusahawanan sosial.


DAPATAN

Bahagian ini membincangkan hasil analisis data kajian mengenai pengaruh sikap, pengaruh norma dan persepsi kawalan terhadap keusahawanan sosial kepada kecenderungan keusahawanan sosial.

Faktor yang Mempengaruhi Kecenderungan Keusahawanan Sosial.

Analisis regresi digunakan untuk mengenal pasti pengaruh sikap, pengaruh norma dan persepsi kawalan terhadap keusahawanan sosial kepada kecenderungan keusahawanan sosial. Berdasarkan dapatan analisis regresi, Jadual 3 menunjukkan sikap, pengaruh norma dan persepsi kawalan terhadap keusahawanan sosial dapat menjelaskan 58.8 peratus variasi dalam Y, iaitu kecenderungan keusahawanan sosial. Pallant (2011) menyatakan bahwa R kuasa dua terlaras adalah untuk memberikan anggaran berdasarkan nilai sebenar populasi. Ini menunjukkan bahawa sikap, pengaruh norma dan persepsi kawalan terhadap keusahawanan sosial mempunyai korelasi dan mempunyai pengaruh yang signifikan (p<0.05) terhadap kecenderungan keusahawanan sosial.

Analisis regresi berganda (stepwise) pada Jadual 3 menunjukkan sikap memberikan sumbangan atau merupakan peramal yang lebih besar (42.1 %) terhadap kecenderungan keusahawanan sosial berbanding pengaruh norma (12.4%) dan persepsi kawalan terhadap keusahawanan sosial (4.3%).

Jadual 3 Dapatan regresi berganda stepwise

<table>
<thead>
<tr>
<th>Pemboleh ubah</th>
<th>B</th>
<th>Beta</th>
<th>t</th>
<th>Sig.</th>
<th>R2</th>
<th>R2 Terlaras</th>
<th>Sumbangan (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sikap</td>
<td>0.483</td>
<td>0.382</td>
<td>9.698</td>
<td>0.000</td>
<td>0.423</td>
<td>0.421</td>
<td>42.1</td>
</tr>
<tr>
<td>Pengaruh norma</td>
<td>0.335</td>
<td>0.277</td>
<td>6.397</td>
<td>0.000</td>
<td>0.547</td>
<td>0.545</td>
<td>12.4</td>
</tr>
<tr>
<td>Persepsi kawalan terhadap keusahawanan sosial</td>
<td>0.306</td>
<td>0.275</td>
<td>6.668</td>
<td>0.000</td>
<td>0.591</td>
<td>0.588</td>
<td>4.3</td>
</tr>
<tr>
<td>Pemalar</td>
<td>-0.541</td>
<td>-2.908</td>
<td>0.004</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Peramal yang mempunyai nilai beta tertinggi adalah sikap iaitu 0.382 dengan t = 9.698 dan p = 0.000. Ini bermakna sikap memberikan sumbangan yang unik dan terbesar (Pallant, 2011). Selain itu, ini juga menunjukkan bahawa apabila sikap bertambah sebanyak satu unit, kecenderungan keusahawanan bertambah sebanyak 0.382 (Armanurah, 2014).
Bagi peramal yang lain, pengaruh norma mempunyai nilai beta ke dua tertinggi iaitu 0.277 dengan t = 6.397 dan p = 0.000. Ini bermakna apabila pengaruh norma bertambah satu unit, kecenderungan keusahawanan bertambah sebanyak 0.277 unit. Peramal ketiga yang turut menyumbang adalah persepsi kawalan terhadap keusahawanan sosial (Beta = 0.275, t = 6.668 dan p=0.000). Ini menunjukkan apabila persepsi kawalan terhadap keusahawanan sosial bertambah sebanyak satu unit, kecenderungan keusahawanan sosial bertambah sebanyak 0.275. Nilai B, iaitu nilai koefisien tidak terpiawai (unstandardized coefficient) digunakan dalam pembinaan persamaan regresi bagi kajian ini (Armanurah, 2014). Persamaan regresi yang terbentuk hasil sumbangan tiga pemboleh ubah tidak bersandar yang signifikan terhadap kecenderungan keusahawanan sosial adalah seperti berikut (Armanurah, 2014):

\[ Y = -0.541 + 0.483 X_1 + 0.335 X_2 + 0.306 X_3 + 0.052 \]

Di mana:

- \( Y \): Kecenderungan keusahawanan sosial
- \( X_1 \): Sikap
- \( X_2 \): Pengaruh norma
- \( X_3 \): Persepsi kawalan terhadap keusahawanan sosial
- Pemalar (Constant) = -0.541
- Ralat Piawai (Standard Error) = 0.052

Berdasarkan persamaan regresi tersebut menunjukkan sikap, pengaruh norma dan persepsi kawalan terhadap keusahawanan sosial mempengaruhi kecenderungan keusahawanan sosial.

PERBINCANGAN DAN RUMUSAN


Daripada kajian-kajian tersebut didapati bahawa keusahawanan sosial merupakan sesuatu bidang yang masih baru dan belum mendapat perhatian banyak pihak, terutamanya pelajar di peringkat pengajian tinggi. Walau bagaimanapun, di Malaysiausaha-usaha untuk meningkatkan kesedaran terhadap kelebihan usahawan sosial didapati
berbuahkan hasil, memandangkan kajian ini menunjukkan tahap kecenderungan keusahawanan sosial adalah di tahap sederhana tinggi.

Dapatan kajian juga menunjukkan sikap, persepsi kawalan terhadap keusahawanan sosial dan pengaruh norma mempunyai hubungan dan mempengaruhi kecenderungan keusahawanan sosial dalam kalangan pelajar UUM. Dapatan kajian ini menyokong dapatan kajian oleh Ernst (2011) yang menyatakan bahawa sikap, pengaruh norma dan persepsi kawalan terhadap keusahawanan sosial mempengaruhi kecenderungan keusahawanan sosial dalam kalangan pelajar universiti di German.

Secara umumnya hasil daripada dapatan kajian ini menyokong, Teori Tingkah Laku Terancang Ajzen (1991) dalam mengenali pasti kecenderungan keusahawanan sosial dalam kalangan pelajar. Dapatan kajian ini menunjukkan 3 elemen dalam Teori Tingkah Laku Terancang Ajzen (1991) iaitu sikap, pengaruh norma dan persepsi kawalan terhadap gelagat dapat menentukan kecenderungan keusahawanan sosial dalam kalangan pelajar UUM.

Dari sudut praktikal kajian ini memberi implikasi kepada pendidik untuk meningkatkan pemahaman mengenai sikap, pengaruh norma dan persepsi kawalan terhadap gelagat, seterusnya dapat menyediakan latihan yang sesuai ke arah membudaya dan meningkatkan kecenderungan keusahawanan sosial dalam kalangan pelajar IPT, khasnya UUM. Memandangkan dapatan kajian ini menunjukkan kecenderungan keusahawanan sosial dalam kalangan pelajar masih pada tahap sederhana, maka galakan bagi menarik minat pelajar terhadap keusahawanan sosial perlu ditanam sejak awal. Selain itu, pihak universiti juga perlu meningkatkan peranan danusaha dalam pembangunan pelajar untuk mereka terlibat dalam aktiviti bercorak keusahawanan sosial. Penglibatan pelajar dalam aktiviti keusahawanan sosial dapat membina pengetahuan, menjana idea dan ilmu praktikal secara langsung untuk menjadi usahawan sosial.

RUJUKAN


WORKING CAPITAL MANAGEMENT COMPANY BASED GROWTH MEDIATING RELATION BETWEEN BSIZE AND FIRM PERFORMANCE: EMPIRICAL STUDY ON COMPANIES LISTING ON INDONESIA STOCK EXCHANGE

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ABSTRACT

The purpose of this study is to develop new theoretical approaches in an attempt to overcome the existing gap, both conceptually and empirically about the influence of corporate governance mechanisms on firm performance. The population in this study includes companies listed in Indonesia Stock Exchange period 2007 to 2011, which presents a complete set of financial statements of 307 companies. Total sample set of 154 companies were determined bunch systematic sampling technique. Analysis techniques used to examine all hypotheses was path analysis with AMOS software. Research generates empirical evidence that working capital management based growth companies (WCMCBG) capable of addressing the gaps (gap) conceptual and empirical about the influence of corporate governance mechanisms on firm performance. Findings of the research indicated that: (1) the board of commissioners size (Bsize) does not directly affect the company's performance; and (2) the board of commissioner size indirect (Working Capital Management Company Based Growth) has positive effect on firm performance.

Keywords: The Board of Commissioners Size, Working Capital Management Company Based Growth, Firm Performance.

INTRODUCTION

The success of a company can be seen from its financial performance. Assessing the performance of the company can be seen from the financial ratio which translates as index linking two accounting numbers and is obtained by dividing one number by another (Van Horne and Wachowicz. Jr.: 1997). The phenomenon of business relating to the performance of the companies listed in Indonesia Stock Exchange (BEI) for the year 2007-2011 is explained by the return on Assets. As an initial overview of some of the companies mentioned performance during the period of 2007-2011, the movement may be driving the company's overall performance in the Indonesia Stock Exchange, due to the characteristics of liquidity and market capitalization.

Financial data has given the impression that there is indicated weakening return on assets during the period of 2007-2011. The average years of ROA in the first 3 years (2007-2009) showed a decline. In the year 207 the ratio is 15.27%, fell to 12.01% in 2008.
Furthermore, falling back to 10.18% in 2009, although in 2010 there were 12.07% performance improvement become, but in 2011 dropped to 11.79%. Many factors can affect the performance of the company, among other corporate governance by Tricker (1994), interpreted as a large umbrella that includes specific issues of interaction between senior management, shareholders, board of directors and other company stakeholders.

Research on the effect of corporate governance on corporate performance has been carried out by previous investigators, but still finds different results. Research by Shukeri (2012) who studied the effect of board of commissioners on the performance of the company found that board of commissioner significant positive effect on firm performance (FP). These results are relevant to research Benedsan, et.al (2008), Coleman (2007), Jackling (2009), Belkhir (2009), Arslan (2010), and Hyun Kim, et.all (2012). The different results presented by Uwuigbe and Fakile (2012), who found that board of commissioners negatively affect the performance of the company. These results are relevant to the research findings Frick and Bermig (2009), Guest (2009), Arosa, et.al (2011), Valenti (2011), Vintila, et.all (2012).

While Topak (2011), has given different results. In his research found that board of commissioners does not affect the performance of the company. The results of these studies are presented in accordance with Sakawa, et al (2009). Consider the phenomenon of the research gap and gap as already presented, it can be raised a problem, namely: "there is inconsistency of views on the effect of board of commissioners on firm performance". Furthermore, based on the results of previous studies on the effect of board of commissioners on profitability presenting controversial relationships and generate problems as presented above, the proposed research question is: "How to build a model of the effect of board of commissioners on the performance of the company?".

Considers the previous research, corporate governance is associated with working capital management is described in the research (Kusnadi, 2003 (Ditmar and Smith 2005), (Lee and Lee 2008), (Bokpin, Isshaq et al. 2011 (Yarram 2012), (Gill and Shah 2012), proving that the board of commissioners significant positive effect on working capital management. Then the results of his research (Ramaswamy, Ueng et al. 2008), and (Fadun 2013), has proving that the corporate governance positive effect on the growth of the company. Furthermore, this study proposes the concept new derived from the synthesis of working capital management and growth of the company. The concept proposed is based working capital management company growth, which acts as a mediating the relationship between corporate governance and firm performance. Based on the formulation of research problems, three research questions will be tested empirically in this study, that are:

1) Is there any effect of board of commissioners on firm performance?
2) Does the board of commissioner effect on working capital based company's growth?
3) Is the growth of the company's working capital based board of commissioners mediating effect on firm performance?

This research linkage with research dissertation is overall research dissertation develops a research model mediation management of working capital growth based on the influence of corporate governance and capital structure on firm performance in enterprise companies
listed in Indonesia Stock Exchange from 2007 until 2011. While this research to build capital mediation research-based working capital management board growth in the influence of size on the performance of the company on the companies listed in Indonesia Stock Exchange from 2007 to 2011.

LITERATURE REVIEW

Theory Agency (Agency Theory)
In the control condition the company is not done again by the owner, but delivered to the other party, then there is an agency relationship. According to Jensen and Meckling (1976), an agency relationship as a contract in which one or more (principals) hire another person (the agent) to perform some service on their behalf, by delegating some decision-making authority to the agent. Jensen and Meckling (1976), explains that the agency problem would occur if the proportion of top managers of the company's stock ownership is less than 100%, so that managers tend to act for the benefit of it and not based on maximizing the value of the company in decision-making in funding. Jensen and Meckling (1976), states that to resolve this agency problem and to reduce agency costs that arise, we need a mechanism of control and align the interests of managers, stockholders and stakeholders.

Corporate Governance
Governance as a basic concept and got a comprehensive response economists and lawyers. According to Cadbury Committee (1992), corporate governance (corporate governance) is a system that directs and controls the corporation in order to achieve a balance between the forces of authority required the company to guarantee the existence and their accountability to stakeholders, with the arrangement of shareholders, directors, managers, creditors, government, employees, and the other stakeholders. While the OECD (Organization for Economic Cooperation and Development) in the publication of the principles of corporate governance (June 1999, revised April 2004) explains that the corporate governance system and its functions include a series of relationships between the company's management, board, shareholders and other stakeholders.

Working Capital Management
Working capital management, according to Weston and Brigham (1990), interpreted as the administration of current assets and current liabilities based on the policies that have been outlined. A similar opinion was expressed by Van Horne and Wachowicz, Jr. (1997), which translates administrative management of working capital as current assets of companies and funding needed to support current assets. Some of the reasons for the importance of working capital management proposed by Weston and Brigham (1990), namely; 1) The survey showed that almost all financial managers to devote most of his time to the daily internal operations, 2) current assets is a substantial part of the total assets, generally around 40 percent, 3) management of working capital, particularly important for small companies, and 4) sales growth of close relations and direct investment in current assets.

Company Performance
Evaluate the company's financial performance, financial analysis should be done on the health of the company. The tools used in this investigation are financial ratios. According to
Weston and Brigham (1990), consisting of: liquidity ratio, asset management, debt management ratios, profitability ratios, and the ratio of market value. Researches in today’s financial management of the company’s performance generally use profitability ratios and the ratio of market to measure company performance. As the research of Abujayed, (2012), Bhutto, et al (2011), Kaddumi and Ramdan (2011) profitability ratios, according to Weston and Brigham (1990), interprated as a group ratio shows the combined effects of liquidity, asset management, and debt management on the results of operating results. While the ratio of the market value (market value ratio) is a series of ratios that relate the company's share price by its earnings and book value per share.


Effect of Size on Performance Board Company

Abor and Biekpe (2007) have examined how the implementation of the corporate governance structure affects the performance of SMEs (small and medium enterprises) in Ghana. The results prove that the relatively larger board to perform better than the council very small because the larger boards have a wide range of expertise to help make better decisions. (Isshaq, Bokpin et al. 2009), examine the interaction between corporate governance, ownership structure, cash holdings, and the value of companies in Ghana Stock Exchange. The results prove that corporations with larger board of commissioners bring better management, weaken the rule by one person and provide diversification benefits from the expertise and experience that had a positive impact on stock prices. Some relevant research results are presented by (Abidin, Kamal et al. 2009), (Uadiale 2010), (Ammann, Oesch et al. 2010), (Adams and Mehran, 2011), (Ahmed and Wang 2012), and (Kim, Cha et al. 2011). Based on the explanation, the research can be formulated hypothesis 1, namely:

Hypothesis 1 : The positive effect of Bsize on firm performance.

The Effect of Bsize on Working Capital Management Based Company Growth (WCMBCG)

Kusnadi (2003) examines the relationship between the holding company cash, board structure, and ownership concentration. The using sample of publicly has listed companies in Singapore. The results found that the positive relationship between board of commissioners with cash holdings. Some subsequent researches that are relevant also has expressed by Bokpin, Isshaq et al. (2011), Yarram (2012), and Gill and Shah (2012). While the governance relationship with the growth of the company presented in the research (Ramaswamy, Ueng et al. 2008), which examines the influence of the characteristics of corporate governance in the company's growth. The results prove that the system of corporate governance is well developed is needed for growth synergies. Relevant results are also expressed by Fadun (2013) the results show that good corporate governance to encourage growth and public
confidence in the sense of security. Based on the explanation, the research above, formulated hypothesis 2, namely:

Hypothesis 2 : Board of commissioners’ positive effect on working capital management company growth based on company performance.

The Bsizel Mediated Adjacent to Corporate Performance-Based Working Capital Management Company Growth

Effect of board of commissioners to working capital, described in research Kusnadi (2003), which examines the relationship between the holding company cash, board structure, ownership concentration, empirical evidence public company listed in Singapore. The results show the relationship between board of commissioners and ownership of cash is positive and significant. The subsequent researches, which has relevant by Lee and Lee, 2008, Bokpin, Isshaq et al. (2011), and Gill & Shah (2012).

Effect of board of commissioners on the growth of the company are described in the research Ramaswamy, Ueng et al. (2008) which examines the influence of the characteristics of corporate governance in the company's growth. The results prove that the system of corporate governance is well developed is needed for growth synergies. The results are relevant also pointed Fadun (2013).

Working capital management relationship with the company's performance is presented by Bhutto, Abbas et al. (2011) which analyzes the comparative performance of different industry groups at a single time scale from various perspectives. The findings show that the period of the CCC has a positive relationship with return on assets (ROA). The results of relevant research are also expressed by Kaddumi and Ramadan (2012), and Abuzayed (2012).

The relationship sales have growth to profitability described in research and Benefield House (1995) which examines the impact of sales and revenue growth to profitability and market value on the actual and simulated industry. The result in sales growth and positively affect the market value of assets. While Amouzesh, Moeinifar et al. (2011), examines the relationship between the rate of sustainable growth, liquidity and performance of the company for a sample of 54 companies listed in the financial markets of Iran during 2006-2009. The results showed that the deviation of actual growth rate of sustainable growth rate has a relationship with ROA and P/B ratios. Based on research in the above explanation, then hypothesis 3 states:


Empirical Research Models

A model study submitted in accordance with the purpose of research that is part of the dissertation is as follows:
The empirical model is to explain the relationship of direct and indirect (mediated by WCMCBG) board size on firm performance.

**RESEARCH METHODS**

**Data Collection**

The study uses secondary data types of financial statements of the year 2007 to 2011. A native of 154 sample companies listed in Indonesia Stock Exchange in the period 2007 to 2011. The data used is a combination of cross section data (inter-company), the time series (between times), and better known as panel data.

**Operational Variables**

Studies using exogenous variables, namely the board size as a proxy of corporate governance mechanism. Using two endogenous variables is the performance of the company, and Working Capital Management Company Based Growth which acts also as an exogenous variable.

Bsize in this study was measured as the number of commissioners, referring of research (Khan, Nemati et al. 2011), (Yasser, Enteban et al. 2011), and (Manaseer, Al-Hindawi et al. 2012). The companies activity in this study were measured by return on assets. In this study, return on assets (ROA) is measured by comparing the after-tax profit to total assets. This measurement refers to the research, (Bhutto, Abbas et al. 2011), (Kaddumi and Ramadan 2012), (Abuzayed 2012). Working Capital Management Company Based Growth referred to in this research is the synthesis of working capital turnover and sales growth that demonstrates the ability of current assets in year t0 (previous year) resulted in net sales in year t (in particular).

**Data Analysis Techniques**

Data analysis tool used in this study using the analysis of Structural Equation Modeling (SEM), a set of statistical techniques that allow the testing of a set of relationships that are relatively "complex" and simultaneously (Augusty Ferdinand, 2005). Johnson & Wichern (2002: 524) says that the overall structural equation model is a linear equation used to determine the phenomenon in terms of variables expected they happen cause-and-effect. Pictures of the authors propose a model study in accordance with the purpose of research.
DATA AND ANALYSIS

Testing Research Model with Path Analysis

The data used for hypothesis testing in the form of panel data, amounting to 770. The data were derived from the 154 companies listed in Indonesia Stock Exchange during the period of 2007-2011 was sampled in the study. Testing hypotheses against empirical model proposed is done using path analysis.

Outlier Tests

Tests performed multivariate outliers using Mahalanobis distance calculations (the Mahalanobis Distance) for each variable. The Mahalanobis Distance indicates a variable distance from the average of all the variables in a multidimensional space (Norusis, 1994, Tabacnick and Fidell, 1996, in (Ferdinand 2005). Mahalanobis distance was based on the value of $P^2 > 0.000$. Thus, the data with the value of $P^2 = 0.000$ is considered to have a multivariate outliers. The results, using the data as much as 770 produce some data that has a multivariate outliers (attachment 3) In the data necessary to issue some data that has a value of $P = 0.000$ of the model.

After many tests, the data generated as many as 304 which do not have the Mahalanobis distance is equal to 0.000). Thus, the data of this study has not detected the presence of multivariate outliers (Attachment 5).

Normality Testing Data

Normality of data was tested by using criteria critical value of $0.01 \pm 2.58$ for alpha. While alpha has $0.05 \pm 1.96$ critical valued (Ghozali 2007). When the critical value of the test results is greater than $\pm 2.58$ it can be presumed that the data distribution is not normal. Conversely, if the critical value is smaller than these values, the data were normally distributed. Test results using the data as much as 304 who had managed to escape the outlier test (appendix 6.1). Furthermore, the transformation of the data to WCMCBG and BSIZE using log 10 to meet the requirements of normality. As against FP is not performed univariate data transformation because the data is normal (appendix 6.2). Normality test results are presented in Table assessment of normality following:
Table 4.1
Assessment of normality (Group number)

<table>
<thead>
<tr>
<th>Variable</th>
<th>min</th>
<th>max</th>
<th>skew</th>
<th>c.r.</th>
<th>kurtosis</th>
<th>c.r.</th>
</tr>
</thead>
<tbody>
<tr>
<td>BSIZE</td>
<td>.301</td>
<td>.778</td>
<td>-.204</td>
<td>-1.453</td>
<td>-.847</td>
<td>-3.015</td>
</tr>
<tr>
<td>MKBP</td>
<td>-.967</td>
<td>.539</td>
<td>-1.127</td>
<td>-8.026</td>
<td>.863</td>
<td>3.072</td>
</tr>
<tr>
<td>KP</td>
<td>-.054</td>
<td>.135</td>
<td>.066</td>
<td>.473</td>
<td>-.522</td>
<td>-1.859</td>
</tr>
<tr>
<td>Multivariate</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>-.623</td>
<td>-.992</td>
</tr>
</tbody>
</table>

Source: Data processing by AMOS 18

In univariate all variables showed a normal distribution because it has the critical ratio (c.r.) below ± 2.58, except for the variable WCMCBG. While the basis of multivariate normality test generate value c.r. - 0.992 is below ± 2.58 so that multivariate normal distribution. Based on these test results indicate that the data were normally distributed. With these results we can conclude that this research model qualifies used to test the entire research hypothesis.

Testing the Empirical Research Models
Path Analysis Testing
Path analysis is intended to examine the proposed regression equation and measure the relationship, either directly or indirectly between the variables in the model. The full test path diagram is presented in the following path:

Figure 4.1
Empirical Research Model Testing Results

The result of each lane explain that to test each path generally all variables showed a significant relationship, although the relationship BSIZE → FP, which is not significant.
Testing the hypothesis

Hypothesis test results can be seen based on the value of the critical ratio (cr), probability (p), and standardizes the regression weight. Value CR> ± 2.576 generate significant value estimated at the level of the significant level (α) 1%, and CR> ± 1.960 significant at the level of the significant level (α) of 5%. While CR> ± 1.645 has significant level to the level (α) of 10%. Hypothesis test results are presented in the following table:

<table>
<thead>
<tr>
<th></th>
<th>Estimate</th>
<th>S.E.</th>
<th>C.R.</th>
<th>Standardized Weight</th>
<th>P</th>
</tr>
</thead>
<tbody>
<tr>
<td>MKBP &lt;--- BSIZE</td>
<td>.321</td>
<td>.135</td>
<td>2.372</td>
<td>1.135</td>
<td>.018</td>
</tr>
<tr>
<td>KP &lt;--- BSIZE</td>
<td>.017</td>
<td>.015</td>
<td>1.119</td>
<td>0.064</td>
<td>.263</td>
</tr>
<tr>
<td>KP &lt;--- MKBP</td>
<td>.011</td>
<td>.006</td>
<td>1.716</td>
<td>.099</td>
<td>.086</td>
</tr>
</tbody>
</table>

Source: Results AMOS 16

Hypothesis 1: Relationship between Bsize and FP

First hypothesis states that the Bsize positive effect on FP. AMOS output results 16 test results CR value 1.119 and the regression coefficient of 0.064 (Table 4.3). While cut-off value CR> ± 1.645 has significant level to the level (α) of 10%. The results of the test gives the value of CR <from its cut-off value that gives the conclusion that the Bsize no significant positive effect on FP.

Hypothesis 2: Relationship between Bsize and WCMCBG.

The second hypothesis states that the Bsize has positive effect on WCMCBG. AMOS output 16 presents the test results WCMCBG CR value of 2.372 with a regression coefficient of 0.135 (Table 4.4). Value higher than its cut-off value that CR> ± 1.960 at a significance level (α) of 5%. It can be concluded that the Bsize significant positive effect on WCMCBG.

Hypothesis 3: Relationship between Size and FP Mediated BoC WCMCBG

The third hypothesis states that mediates the effect of central bank WCMCBG Size to FP. AMOS Output Size 16 to influence central bank to present the test results WCMCBG CR value of 2.372 with a regression coefficient of 0.135 (Table 4.4), the value is higher than its cut-off value is ± 1.960 at a significance level (α) of 5%. While the influence of the FP WCMCBG produce CR value of 1.716 with a regression coefficient of 0.099 is above its cut-
off value which is significant at the level of 1.645 ± significant level (α) of 10%. Based on these results it can be concluded that positively WCMCBG significantly mediate the effect of board size to FP.

**Path Analysis**

Path analysis attempts to analyze the relationship between the path variable board size and firm performance. In this study the relationship path is:

\[ \text{Bsize} \rightarrow \text{WCMCBG} \rightarrow \text{FP} = 0.135 \times 0.099 = 0.013365. \]

Based on the calculations above lanes relationship, it can be seen that the path of \( \text{Bsize} \rightarrow \text{WCMCBG} \rightarrow \text{FP} \) generating pathways value of 0.013365. Path \( \text{WCMCBG} \rightarrow \text{Bsize} \rightarrow \text{FP} \) is the path that describes the influence of Bsize of the FP in mediation of WCMCBG.

Influence Analysis of Direct, Indirect and Total Results test the direct effect, indirect and total effect of all the variables studied, are presented in Table 4.3 below:

<table>
<thead>
<tr>
<th>Variable</th>
<th>Bsize</th>
<th>WCMCBG</th>
<th>FP</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bsize</td>
<td>Total</td>
<td>0.135</td>
<td>0.068</td>
</tr>
<tr>
<td></td>
<td>Direct</td>
<td>0.135</td>
<td>0.064</td>
</tr>
<tr>
<td></td>
<td>Indirect</td>
<td>-</td>
<td>0.004</td>
</tr>
<tr>
<td>WCMCBG</td>
<td>Total</td>
<td>-</td>
<td>0.099</td>
</tr>
<tr>
<td></td>
<td>Direct</td>
<td>-</td>
<td>0.099</td>
</tr>
<tr>
<td></td>
<td>Indirect</td>
<td>-</td>
<td>-</td>
</tr>
</tbody>
</table>

Source: Output AMOS 16

The table above illustrates that the BSIZE has a direct and indirect effect on FP. The direct effect of the FP SIZE BOC has a coefficient (standardized regression weight) of 0.099. While the indirect affect coefficient is 0.004. While the total affect coefficient is 0.103. Furthermore, comparison of the effects presented direct, indirect and total as presented in Table 4.4 below.
Intervening variables (mediation) is MKBP able to mediate the effect BSIZE of the FP of 0.013. The total effect of the BSIZE to FP is 0.077. This value is greater than the value of its direct effect regression is equal to 0.064. Thus a positive and significant MKBP able to mediated the effect of Bsize to FP.

The Effect of Size of the FP

The results of this research have indicated that the board sizes no positive effect on FP measured by return on assets (ROA). The results indicate that the board size less significant impact on enhancing company performance. The empirical results are not relevant to the resource dependence theory (Pfeffer and Salancik, 1978, in Gudono (2012)), which states that the ability to control the allocation of resources is a source of strength. Then Hillman and Dalziel, 2003 in Gudono (2012) emphasizes that the council assets consist of human capital and relational capital. Indicate that the ability of human capital and relational capital owned by the commissioners in the company can be used to control the resources, including the control of directors in order to demonstrate the performance in accordance with the wishes of shareholders, the wider is the stakeholders.

The results are also not relevant to the agency theory Jensen and Meckling (1976), which explains that in order to address the agency problem and to reduce agency costs that arise, we need a mechanism of control and align the interests of managers, stockholders and stakeholders. In the corporate governance mechanisms, these functions attached to the commissioners who represent the shareholders, especially the controlling shareholder.

The Effect of Bsize to MKBP.

The results show the success of the board of commissioners with its role to control and provide advice to the board of directors; the company is able to improve the performance of directors in the management of working capital based on the growth of the company. The results show the relevance of resource dependence theory (Pfeffer and Salancik, 1978, in Gudono (2012), which says that those who master these vital resources or can reduce the uncertainty in conjunction with other organizations will have the strength (power) are greatest. The ability to control the allocation of resources is a source of strength.
Furthermore, Hillman and Dalziel, 2003, in Gudono (2012) explained that the council assets consist of human capital and relational capital. Human capital is very useful when the strategy is formulated and evaluated. While the relationship of capital has refers to the network of connections and relationships with other organizations and external contingencies. The results also relevant to the agency theory Jensen and Meckling (1976), states that to resolve this agency problem and to reduce agency costs that arise, we need a mechanism of control and align the interests of managers, stockholders and stakeholders.

Mediation MKBP on Bsize effect on the Commission

Results indicate the success of the board of directors of the company komisars control for human capital and relational capital so as to strengthen its MKBP. The results are relevant to resource dependence theory (Pfeffer and Salancik, 1978, in Gudono (2012)), which states the danger of the ability to control the allocation of resources is a source of strength. Then Hillman and Dalziel, 2003 in Gudono (2012) explain that the council assets consist of human capital and relational capital. Human capital is very useful when the strategy is formulated and evaluated. While the relationship of capital has refers to the network of connections and relationships with other organizations and external contingencies.

The results are also relevant to the agency theory Jensen and Meckling (1976), states that to resolve this agency problem and to reduce agency costs that arise, we need a mechanism of control and align the interests of managers, stockholders and stakeholders. The result of the influence of growth-based working capital management companies (MKBP) on firm performance (FP), indicating that the management of working capital based on good growth increases the profitability of the company. Relevant research results Horn and Wachowicz (1997), which explains that reducing the level of investment in current assets, but still able to support the sale of the company will increase the return on total assets. It can be concluded that the increase in the size of the number of commissioners to encourage the management company which further strengthens the position MKBP contribute to the improvement of the company's performance.

CONCLUSION AND DISCUSSION

Testing the hypothesis generated able to fill the existing gap of influence corporate governance mechanisms on firm performance, namely corporate governance mechanism proxies by Bsize indirectly or through the mediation of Working Capital Management Company Based Growth can increase FP. Results supported by empirical evidence. The results in this accordance with the resource dependency of theory, agency theory, capital theory and the theory of the growth of the company. Bsize as an element in corporate governance mechanism has been optimized to implement control functions and align the interests of managers, stockholders and stakeholders. Management has done good corporate governance in accordance with the wishes and desires of shareholders (shareholders) and stakeholders, being able to strengthen MKBP thus lead to an increase in the company's performance.
Agenda for Future Research

Future research should further explore the relationship of corporate governance and corporate performance is more universal, by developing advanced research include:

1) Synthesizing net working capital turnover and asset growth for mediation variable working capital Management Company based growth
2) Exploring other corporate governance proxy as exogenous variables, namely, managerial ownership, and ownership government.
3) Using a proxy performance of other companies as an endogenous variable, for example, return on equity and price to book value.

REFERENCES
Coleman (2007), Corporate Governance and Firm Performance in Africa: A Dynamic Panel Data Analysis. Organized by the Global Corporate Governance Forum (GCGF) and Asian Institute of Corporate.


FACTORS AFFECTING CAREER CHOICE AMONG UNDERGRADUATE STUDENTS IN UNIVERSITAS INDONESIA

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Abstract

One of the critical aspects of an individual’s life is career choice as a career chosen will determine the role pattern need to be played by the individual in the society in the future and the career choice is one of the important processes in life. This paper investigates factors that influence the career choices among students in Universitas Indonesia. University’s students were chosen because right upon graduation, they were the one who will be dealing with the decision on career choice. A total of 300 undergraduate students responded to the questionnaire. Statistical Package software for Social Science (SPSS) Version 22.0 was used to analyze the collected data. Reliability analysis and multiple regressions were applied to test the hypotheses. Regression analysis showed that the self-efficacy, family, personal interests, and economic considerations have positive relationships to career choices. These indicated that the family factor, self-efficacy, personal interest and economic considerations exerted great influence on the choice of a career. Recommendations for further studies are also discussed toward the end of this paper.

Keywords: Career Choice, Economic Considerations, Family, Personal Interest, Self-Efficacy
RESISTANCE FACTOR TO COMMUNITY PARTICIPATION IN SUSTAINABLE TOURISM DEVELOPMENT OF NORTHERN SUMATRA

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Abstract

The aim of this study is to examine the conceptual and operational on the perception of local community consisting of residents and small and medium entrepreneurs in the field of tourism in Northern Sumatera. In general, this study will review, assess, and identify the obstacles that are detrimental to a successful tourism development in a given destination and community participation is no exception. Community development is part of tourism development of any destination. It has become a priority from the relevant authority to achieve a sustainable development. This review will discuss how community development can promote the development of tourism, and their limitations that hinder a successful development of a destination. Discussions focused on the inhibition factors such as the opportunities and rooms for cooperation with successful entrepreneurs who have developed; opportunities and job opportunities, entrepreneurship and involvement in promoting of local products. This study was investigated with the cooperation of local residents as the sampling unit. SPSS software was used to analyze data by regression tests, ANOVA, correlation / e determination and significance. The results show that the collaboration of the population; and product promotion as yet to provide maximum support to the development of tourism and recommended that a comprehensive study should be carried out in greater depth.

Keywords: participation, community, tourism, resistance.
THE THEORETICAL FRAMEWORK IN EXAMINING THE ENTREPRENEURIAL NETWORK AND SMALL FIRM PERFORMANCE WITH THE CONSIDERATION OF THE EFFECT OF DYNAMIC CAPABILITIES

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Abstract
This conceptual paper reveals the hypothesized link between entrepreneurial network and small firm performance and the mediating effect of dynamic capabilities on the mentioned relationship. It is built based on the literature and the theoretical foundations of the entrepreneurial network, dynamic capabilities and small firm performance. Underpinning by the Resource Based View (RBV). This paper proposes a conceptual framework to examine the dynamic capabilities linkage with entrepreneurial network and small firm’s performance. The proposed framework is based on the economic environment in different countries where in spite of the strong economic contribution to the country’s economy, the small firms are said to be facing a low growth trap. Entrepreneurial networks and dynamic capabilities are viewed as the potential solutions specifically for the small firms to perform better. Moreover, the economic shocks with the turbulent and unpredictable markets, the dynamic capabilities viewed as an important element for the small firms to influence performance. This paper proposes a theoretical framework in examining the small firm’s performance affected by the entrepreneurial network and mediated by the dynamic capabilities.

Keywords: Entrepreneurial Network, Dynamic Capabilities, Small Firm Performance
MEDIATING ROLE OF WORK ENGAGEMENT BETWEEN LEADERSHIP STYLES AND JOB PERFORMANCE

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Abstract

Job performance of managers is affected by so many factors in business organizations. Job performance stands on different factors; few of them are personal or individual traits and opportunities or system factors. This all is related to the work, which have significant relationship on employee’s task and contextual performance. Good leadership acts as a very vital part and leading towards better performance and accomplishment of organizational goals. On the other hand, a large number of performance measures were infertile as a result of factors such as unsuccessful leadership styles of the leaders. This paper proposes that transactional leadership and transformational leadership styles have direct relationship on the job performance of managers and work engagement mediates the relationship between these variables. The paper incorporates the work engagement as mediator between leadership styles and job performance of managers. It is mainly targeted to improve the strength of leaders. Consequently they take up on those leadership styles which refine abilities of the leaders and assist them to obtain job performance.

Keywords: Transformational Leadership, Transactional Leadership, Work Engagement, Job Performance.

INTRODUCTION

The job performance is considered as one of the key indicator to measure the performance of organization as seen in many studies (Wall, Michie, Patterson, Wood, Sheehan, Clegg, & West, 2004). The performance is gauged usually in financial terms but sometimes other factors are also taken into consideration like task related aspects and expected behaviors, which affect performance (Motowidlo, 2003). The performance of the organization is based on absolute or relative judgement, which is considered as the true refector of overall performance (Gomez-Mejia, Balkin, & Cardy, 2007; Wall et al. 2004). In addition to that job analysis can also be used in setting the standards for performance for each employee (Heneman & Judge, 2005). In order to improve employee job performance there is need to identify whether current organizational
structure is supportive or not and also refine job characteristics so that the employees can be encouraged to perform at their highest possible outcome. (Johari & Yahya, 2009).

Transformational leadership is a motivational technique through which a leader inspires followers and practices thinking of motivation (Bass et al., 2003; Dvir et al., 2002). The inspirational motivation and idealized influence are the key constituents of transformational leadership that works as charismatic paradigm and also shows an image of future that is collective. Personalized consideration comprises the leader taking into consideration individual variances. Scholarly motivation outlined as the leaders awareness of ideas and thoughts (Bass & Avolio, 1995). Whereas, the transactional behavior is different with transformational behavior, where cooperation is achieved through rewards (Burns, 1978). Transactional leaders consider conditional return as main part of their leadership style against the services performances given by the employees. There are two types of management active and passive; active focuses on corrective measures to be taken as the problem is determined whereas, passive management suggests management by exemption, this works to take remedial measures on the determining the issue.

An extensive research is conducted on transactional leadership and transformational leadership highlighting the ways managers and employees can achieve targeted performance. Further the empirical research on the leadership styles would develop the understanding regarding the job performance issue. Looking at the past studies it was found that leadership has significant influence on organizational output which is linked with individual and combined team performance in human resource management (Luthans, Avolio, Walumbwa, & Li, 2005; Peterson & Luthans, 2003). Likewise, some other researcher (i.e., Howell & Avolio, 1993) determined that leaders role is very important in increasing the performance of individuals at work place. Keeping in view the significance of leadership role in the organizations it will help to enhance the performance of managers and individuals incorporating work engagement as mediating variable.

Work engagement (WE) is known as affective motivational and work related condition to fulfill in the employees which is described as vigor, dedication and absorption together (Schaufeli et al., 2006). The employees who are highly engaged are with high energy, high level of enthusiastic in work and found engrossed fully towards the job and feel the time is flying all the way (Macey & Schneider, 2008; May et al., 2004). Feedback and social support are known common antecedents for the work engagement as the characters for job, leadership induce positive affects and consciousness as dispositional characters (Christian et al., 2011).
LITERATURE REVIEW

1. Literature Review

1.1 Job Performance

Job performance is required to meet the targeted outcomes of the organization. Therefore the leader’s performance is an important element in order to measure the organizational performance, especially when this performance is referred into leaders’ attribution terms (Wall et al., 2004). Mostly the performance is seen through numerical figures but it can also be checked through task related factors and expected behaviors (Motowidlo, 2003). There are so many other matters which may be looked in under the umbrella towards individual performance in various organizations. In addition, there are two basic concepts which are consequent for the performance a) efficiency and b) effectiveness; which are based on input output philosophy and on the goal achievement and outcome respectively.

The role of the leader is to take all the key decisions that could help directly in the accomplishment of tasks and attainment of set goals and along with this the leader also knows the effects of his decisions of the departments as a whole (Wolverton, 1990). Actually the concepts of accomplishment and achievement and task completion and execution, all are originated from the word “performance”. Thus, the performance of the leader can be evaluated on the basis of efficiency in his/her functional performance and effectiveness in his/her goals achievement, task completion and also how he/she is proficient in resource allocation in practice. And how the managers and subordinates depicts reassurance in one an other's competencies and integrity; up to what extent conflict happens among employees and in what ways they try to reach mutual objectives and goals; what is the level of discussion that is held in the process of decision making; in what pattern communication is carried out at all levels in the organization; managers right mind friendliness level is at what level in the organization (Seldin, 1988).

1.2 Leadership Style

According to Barrow (1976) leadership behaviors and flexibility seem causal determinants of job performance. Everett (1987) and Fowler (1991) indicated that managers’ behavior as being constantly associated with job performance and their leadership styles as being the power predictors for organizational effectiveness. Howell and Avolio (1991) indicated that leadership styles are main predictors in organizational effectiveness and performance of the business. Bowman and Kogut (1995) stated that organizational structure had a major impact on human resources performance. Hersey and Blanchard (1982) emphasized the leadership style and the work settings in which the leadership occurs to produce a measure of effectiveness. Hersey, Blanchard and Johnson (1996) identified that the key component is to identify leadership effectiveness as one of the component of maturity. They have referred that the maturity is a capacity to set very high and attainable goals, capabilities, willingness, experience and taking responsibility for both individual and group.

According to Du Brin (2001) leader is one who is characterized as leader with a consistent patterns of behavior. Though, lot of research has been done in the domain of leadership
and job performance and was found significant but still leadership styles with systematic foundation is unclear and dotted. There are evidences from the last decade research by any scholars who investigated different leadership power and mostly the scholars come across to highlight that transformational and transactional are the leadership styles which are more noticeable and important among other leadership styles (Dvir et al., 2002; Wheststone, 2002; Avolio & Bass, 2004).

Further, Gradner and Stough (2002) have come up with comparison of transactional with transformational leadership and stated that transformational leadership is seems more successful as compare to transactional leadership. The support in favor of this assumption of transformational leadership is more effective in comparison to transactional leadership is also found with strong evidences in many studies (e.g., Divir et al., 202; Bass et al., 2003). But, according to Low et al., (1996) transactional leadership and transformational leadership cannot be considered as opposite to each other. The characteristics of both leadership styles can be used by a single leader at different times or at the same time.

In addition to, some other researchers (Glynn, 1996; Argyris & Schon, 1996; Hurly & Hult, 1998) found that leaders with transformational leadership individuals are motivated in order to bring innovation in the process, take up changes positively, and create such a dynamic environment for learning which improves the individual and organizational performance at large. Transactional leadership on the other hand plays an important part in controlling areas of management where decisions are taken, where this leadership style rely on punishment and contingent reward but transformational leadership does not work so at controlling part (Waldman, Bass & Yammarino, 1990). Additionally, the leadership which adopts changes and is based on change management, set up consistent understanding to bring success in business and has a high impact on the behaviors and attitudes of followers in the human resource area. Thus it can be said that transformational leadership can be useful to redirect attention of intellectuals towards the new emerging problems in the real scenario in the organizations.

Although both the leadership styles have concentration on their group of people who are perusing the organizational desired objectives but transactional leadership style is related towards giving the feedback related to their performance and transformational leadership drives the followers to achieve the set objectives (Kelman 1958). This is only the concentration of the leader that makes distinctions between transactional leadership style and transformational leadership style. Besides this transformational leaders support the followers with the recognition and internalizing the process where as transactional leaders use obliging agreement. It is well clear that the transformational behaviors try to get better the effectiveness of the leader in addition one can achieve throughout transactional leadership style. Almost all the studies conducted on transactional leadership styles have found not much about leader behaviors in so far as different in performance and other parameters of standards. Thus mainly the transactional leaders keep providing the performance feedback, while extraordinary leaders play the active part towards transformational leadership conduct as well.

1.3 Leadership Style, Work Engagement and job performance

The literature review has shown that there was a correlation between the three styles of leadership of the full range model transformational, transactional, and laissez-faire and the
constructs of job satisfaction and organizational commitment. Additionally, the literature review has shown a correlation relationship between work engagement and its components, and the constructs of job satisfaction and organizational commitment. The two constructs of job satisfaction and organizational commitment serve as mediating constructs between the leadership style and work engagement constructs. An examination of the literature was made to determine if there was evidence of a direct correlation between the three leadership styles and work engagement. Zhu, Avolio, and Walumbwa (2009) conducted a study of supervisors and employees in a wide range of industries in South Africa, regarding transformational leadership and follower work engagement. The results of the study indicated a correlation of .58 (p<.01) between transformational style of supervisors and follower work engagement. Babcock-Roberson and Strickland (2010) conducted a study in a large Western university regarding the mediating effect of work engagement between charismatic leadership and organizational citizenship behaviors. The result of the study indicated a correlation of .40 (p<.01) between charismatic leadership and work engagement.

The effective leadership styles contribute towards better performance in the times when new challenges are faced (McGrath & MacMillan, 2000). In addition, the effects of leadership on performance are considered more important in view of researchers as they think that leaders play an important role in motivating their subordinates in order of increase job performance. Competition in performance lowers returns and results performance competition reduces returns, which ultimately cause creative destruction of current capability (Santora et al., 1999). Therefore it is empirically tested that transformational leadership shows positive relationship with the job performance, perception and attitude of leader (Zhu et al., 2005). According to (Mahdinezhad, Suandi., Silong, Daud, & Omar, 2013) leadership style increases the overall efficiency of higher education institutions; as a result, they take up leadership style which refine skills and abilities of the academic leaders and assist them to attain the job performance, and it is also asserted that the styles of leadership can support in the improvement of leadership competence of both leaders and develop their performance and commitment.

Transformational leaders do create clear picture for future and do affect their followers to implement and form a very clear picture of future and affecting others to put into action and share this picture in spite of restrictive and resistance conditions. Bass (1985) has mentioned that transformational style of leadership is linked with assumed effectiveness of a unit and is surely influencing other related outcomes of institution. There are four transformational leadership constituents; (i) Customized consideration, is one who takes into account the needs of every individual for development and success acting as coach. (ii) Intellectual stimulation is the one who motivates the subordinates to find out the new ways to meet the challenges and come up with the solutions of new problems. (iii) Inspirational motivation is the one who stimulates the tasks of their subordinates to persuade and encourage them. (iv) Idealized influence is one who considers trust, admire and respect. The leaders are role models and are followed by the subordinates to correspond expressed ethics, principles and values. Thus, transformational leadership seems positively associated towards leader’s performance.

On the other hand transactional style of leadership recognizes some expectations of the leader and provides returns in compensation of their job performance well done. Bass
(1985) identified two factors for transactional leadership constituent; (i) Management by Exception, and (ii) Contingent reward. The transactional leaders pay rewards in the form of praise, merit increases, promotions, bonuses and honors (Bass, 1985). The contingent rewards ultimately enhance the job performance of the subordinates. The performance of the leader is found with the evaluation of leader’s behavior and the output contribution towards the stated objectives of the organization, achievements related to the goals identified by the organization and suitable to the followers interpersonal behaviors which are linked with organizational norms.

A basic principle of “full range” leadership model is that style of transformational and style of transactional leaderships are not regarded as continuums of opposite split ends (Avolio & Bass, 1991). A leader can show all the behaviors of full range. Howell and Avolio (1993) discovered links between performance and transformational leadership style. Furthermore, the study suggested that the implications of trainings would also result in growing skills of both the leadership styles; transactional and transformational that ultimately improves the job performance of the leader as well as organizational outcomes and performance.

Work engagement is proposed as mediator in the paper which is defined by (Schafeli et al., 2002; Bakker & Demerouti, 2008) as a positive, fulfilling, work related state of mind that is characterized by vigor, dedication, and absorption”. Vigor is explained as “high level of energy and mental resilience while working, the willingness to invest efforts in one’s work, and persistence even in the face of difficulties” while dedication refers to “a sense of significance, enthusiasm, inspiration, pride, and change”. Absorption another dimension of work engagement refers to concentrate fully and in depth engaged to one’s work where the time flies so quick and it becomes difficult for the worker to detach from the work. The employees who are engaged have high level of liveliness at the work place and they are highly dedicated to their work. Moreover, such employees are very much engrossed in the work. It is seen at the availability of job resources such as coworker support, and supervisor support which enhance work engagement. This ultimately turns it into good results and employee outcomes positively Bakker & Demerouti, 2008; Bakker et al., 2004)

2. Conceptual Framework

According to Bass (1985) transformational style of leadership is linked with assumed effectiveness of a unit and is surely influencing other related outcomes of the organization. This is based on four transformational leadership constituents; (i) Customized consideration, signified by the leader who takes into account the needs of every individual for development and success acting as coach. (ii) Intellectual stimulation, offered to the leaders who motivates the subordinates to find out the new ways to meet the challenges and come up with the solutions of new problems. (iii) Inspirational motivation, signified by the leaders who stimulate the tasks of their subordinates to persuade and encourage them. (iv) Idealized influence, considered by the leaders who consider trust, admire and respect. As the leaders are role models and are followed by the subordinates to correspond expressed ethics, principles and values. Thus, transformational leadership seems positively associated towards leader’s performance. Bass (1985) identified two factors for transactional leadership constituent; (i) Management by Exception, and (ii) Contingent reward. The transactional leaders pay rewards in the form praise, merit increases, promotions, bonuses
and honor. The contingent rewards ultimately enhance the job performance of the subordinates. The performance of the leader is found with the evaluation of leader’s behavior and the output contribution towards the stated objectives of the organization, achievements related to the goals identified by the organization and suitable to the followers interpersonal behaviors which are linked with organizational norms. Work engagement is used in the context of employees those who exert greater effort to their work and are emotionally connected, fully involved, and enthusiastic about their jobs and their organizations (Bakker & Schaufeli, 2008). Work Engagement is defined according to Schaufeli and Baker (2004) which refers to “a positive, fulfilling, work related state of mind that is characterized by vigor, dedication, and absorption. Therefore based on literature reviewed, conceptual framework is proposed in Figure 1.

THEORETICAL FRAMEWORK

![Leadership styles, work engagement and job performance (Figure 1)](image)

Concluding Remarks

The leader’s job performance is the key indicator which improves the overall performance and enhances the competitive advantage of the organization. However performing on above average what is prescribed in leadership styles is; Customized consideration, Intellectual stimulation, Inspirational motivation, Idealized influence, contingent rewards and management by exception. This paper examines the linkages in between leadership styles and job performance with mediating role of work engagement. The leadership styles can support in developing leadership capabilities of the leaders and increase the commitment and their performance. In addition to this the earlier researchers has focused on partially on transactional and transformational styles. Though Bass (1985) argued that transformational and visionary leadership seems quite more effective as compare to transactional leadership at most of times, other than that some other scholars claimed only one single leadership style is not effective (Lim & Ployhart, 2004). In addition to that work engagement as mediating variable may be tested in between leadership styles and job performance. Therefore it is proposed that most important for a leader to be more effective is to fit in the style which best suits in prevailing situation, institutional setting and interaction. It also provides adequate prospect leaders to improve their ways goal settings, goals accomplishment, resource allocation and on job self performance to achieve greater success for their organizations.
REFERENCES


