The 2nd International Conference on Business Management Proceedings

Published by:
School of Business Management
Universiti Utara Malaysia
06010 UUM Sintok
Kedah Darul Aman
Tel: 04-9287401 / Faks 04-9287422

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Editor : Dr. Abdul Halim Abdul Majid
: Dr. Ashfaq Ahmad
Layout : Sobia Nasir
Cover Design : Mathivannan and Azlina Musa

Library of Catalaouging in Publication Data:
The 2nd International Conference on Business Management Proceedings
Published by School of Business Management, College of Business, Universiti Utara Malaysia, includes bibliographic references.

Distributed by:
School of Business Management
Universiti Utara Malaysia
06010 UUM Sintok
Kedah Darul Aman
Tel: 04-9287401
Faks 04-9287422
http://sbm.uum.edu.my/

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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
Assalamualaikumwr.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. FaujiSanusi, Drs, MM
Dean
Faculty of Business and Economics
Sultan Ageng Tirtayasa University
The 2nd International Conference on Business Management (2nd 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 2nd ICBM. Few sponsoring journals also sent their representatives to oversee and select papers of high quality for their respective upcoming publications. The 2nd ICBM was really and truly a gateway for the academic and research collaboration, innovation, and publication platform.

The 2nd 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
2nd ICBM – Conference Director
School of Business Management
College of Business
Universiti Utara Malaysia
The 2\textsuperscript{nd} International Conference on Business Management (ICBM 2016)  
Hotel Millennium Jakarta, Indonesia, 19-21 August, 2016

“ASEAN Economic community: Sustaining Business Competitiveness through Strategic Collaboration and Innovation”

CONFERECE BRIEF

FRIDAY, AUGUST 19 (DAY 1)

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<td>OPENING Ceremony</td>
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<td>KEYNOTE SPEECH</td>
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<td>TEA BREAK AND NETWORKING</td>
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<tr>
<td>10:45 – 11:45</td>
<td>Parallel Session 1</td>
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<tr>
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<td>Parallel Session 1.01: Entrepreneurship and SMEs</td>
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<td>Parallel Session 1.03: Halal Business and Industry</td>
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<td>Parallel Session 1.04: Issues in Management</td>
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<td>13:30 – 15:30</td>
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<td></td>
<td>Parallel Session 2.02: Entrepreneurship and SMEs</td>
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<td>Parallel Session 2.03: Accounting and Finance</td>
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<td>Parallel Session 2.04: Issues in Management</td>
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<td>TEA BREAK AND NETWORKING</td>
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<td>16:00 – 18:00</td>
<td>Parallel Session 3</td>
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<td>18:00 – 19:00</td>
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<tr>
<td>19:00 – 21:30</td>
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<td>07:30 – 09:00</td>
<td>Saturday, 20 August - DAY 02</td>
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<td>09:00 – 11:00</td>
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<td>11:00 – 11:30</td>
<td>TEA BREAK AND NETWORKING</td>
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<td>Free Activities</td>
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<tr>
<td>07:00 – 18:00</td>
<td>Sunday, 21 August - DAY 03</td>
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</tbody>
</table>
Paper Reviewers / Secretariat

Associate Prof Dr Abdul Halim Abdul Majid (SBM COB)
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Dr. Ashfaq Ahmad (SBM COB)
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INTENTION TO LEAVE AMONG EMPLOYEES IN AN AUTOMOTIVE COMPANY IN MALAYSIA

Abdul Halim Abdul Majid, Mohd Asymawi Mohd Rosli & Noor Asma Jamaluddin
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ABSTRACT

This paper presents and highlights empirical analysis of turnover opportunities, career advancement and leadership styles, and reasons influencing the intention to leave among employees in an automotive company in Malaysia. Data were collected from 247 respondents comprising assistant managers, senior executives, executives, and clerical staff of the company. SmartPLS was used in order to determine whether the hypotheses were supported or otherwise. Results support two of the hypotheses whereby the variable of leadership styles and turnover opportunities have shown significant (positive) effect on the intention to leave. The results also concluded that the prospect of career advancement does not support or influence the employees’ intention to leave the company. It is hoped that the outcome of this study can be used as a guide for the company in retaining its employees.

Keywords: turnover opportunities, career advancement, leadership styles, intention to leave

Introduction

For most organizations, losing employees, especially those who are talented and competent, is painful. It negatively effects financial implication as well as interruption in quality, productivity, and adversely effects on the organizational performance (Galletta, Portoghese & Battistelli, 2011; Miller, 2010). Thus, it is crucial for an organisation to prevent or minimise their employees from leaving. This requires that the organization to identify reasons for such leaving, as well as identify the ‘intention to leave’. Improving knowledge concerning both factors helps employers to retain their employees, which in turn, enable them to avoid potential problems related to turnover.

Reviews on the antecedents of turnover intention emphasise the intent to leave rather than actual turnover as the outcome variable. Cheng and Liou (2010) define intention to leave as individuals’ plans to leaving the organisation rather than their actual leaving behaviour. Sager and Johnston (1989) conducted a study on the intention to leave among salespeople in the workplace; they found a difference between the intention to resign among employees who leave the organization and those who do not leave the organization. Intention to leave and actual turnover are frequently correlated, and researchers often use intent to leave as a proxy for turnover (Liew & Kaur, 2008). There is a relationship between intention to leave and
actual resigning (Emberland & Rundmo, 2010). In practice, intention to leave and turnover intention have similar meaning, and are used interchangeably.

In fact, intention is a predictor of action. Moreover, associates decide whether to leave the organization in advance of their eventual exit (Uncho, 2012). This is consistent with attitude-behaviour theory, which posits that one’s intention to engage in a specific behaviour is a close predictor of that behaviour (Fishbein & Ajzen, 1975). Thus, it is more helpful to be aware of the predictor early rather than to only find out after the employees have actually left the organisation. Once the employees have resigned from the organization, it is more challenging to identify causes that made them leave (Muhammad & Jamilha, 2010). Moreover, intention to leave provides a better description of turnover, because it covers individual perception and decision (Mobley et al., 1979).

Since many researchers agree that intention to leave is the strongest predictor of employee turnover, and since employee turnover is unavoidable (Weisberg, 1994), it is worthwhile for researchers to explore the factors behind employees’ intention to leave, so that research is able to provide recommendations to employers to mitigate turnover problems.

The impact of turnover intention on organizational effectiveness and associates’ attitude has remained the focus of organizational researchers in recent days (Chen et al., 2011; Kacmar et al., 2006; Pitts, 2011; Samad, 2006). Based on the expected undesirable effect of turnover intention on organization, managers pursue methods to better manage their employees to retain talent and sustain high business performance. Hence, it is advantageous for human resource managers, behavioural scientists, sociologists, and employers alike to apprehend the possible roots of turnover intention to increase organizational productivity and to decrease the monetary and non-monetary costs of turnover (Bibby, 2008).

Given the above brief, it is vital to study the intention to leave among the manufacturing industry’s workforce in Malaysia, since research on this remains limited in the Malaysian context – especially in the automotive field. Therefore, the purpose of the present paper is share empirical findings that tabulate relationship between career advancement, turnover opportunity, leadership styles, and intention to leave among employees in an automotive company in Malaysia. It is hoped that these findings will minimise the gap in existing research literature, as well as develop a better understanding of the issue of turnover intention at least within its context.

**Company’s Background, Problem Statement and Objectives**

Ninety percent (90%) or 2,816 of the selected automotive company’s total manpower is based in the assembly plant at Malacca. The remaining 10% (305) office employees are based in the after-sales office in Petaling Jaya. Female employees represent 14% of its workforce, while 86% are male (451 female; 2670 male). 93.14% of the workforce is Malay, 3.08% are
Chinese, and Indians represent 2.27%, followed by 0.26% others, while Japanese expatriates represent 1.25% of the total workforce.

Even though the company’s turnover ratio decreased from 10.44% in 2012 to 10.42% in 2013 and 10.6% in 2014, it is believed that the decline was due to the implementation of the Minimum Wages Order in early 2013. The impact of turnover is still damaging in terms of cost, time, and effort. Based on statistics extracted from the Turnover Report at the end of December 2014, the total number of employees who resigned during the year 2011 was 176; during 2012 it was 198; during 2013 it was 234; and during 2014 it was 251. The Expenses Report on Recruitment and Training for New Employee reveals that the cost of recruitment, hiring, and training was approximately MYR1,300 per one new employee.

The cost also included overtime that had to be paid to accommodate for temporary labour shortages. Overtime work is very costly due to requirements of the Employment Act 1955. According to the Act, the company is required to pay one-and-a-half times the normal wage for overtime done on weekdays, double for rest days, and triple for employers’ holidays. In addition, since the tight labour market spread to the manufacturing sector, this problem became even more injurious to the company. The labour market is said to be tight when there are more jobs available than people. This means that employers must compete to get employees, while employees can be more choosy, and only accept better paying jobs, causing employers to consider increasing wages/benefits to attract them. Hence, the cost of doing business increases.

To address shortage of manpower, the company also resorted to outsourcing activities for some production processes to avoid any cancellation of orders. If the cancellation of orders continued, it would cause the company to lose its market share in the future. However, outsourcing some part of the production process also leads to decrease in organizational profits.

As reported in the Statutory Financial Statement for the financial year ending 31 March 2014, total labour cost increased from MYR31.18 million in 2012 to MYR35.73 million in 2013, while the total quantity of goods produced in the two years was almost the same. The increase of 14% in labour costs was mainly due to the implementation of the Minimum Wage Order, overtime work, and outsourcing.

In fact, throughout the year the company faced manpower shortage due to high turnover. To rectify the shortage of labour, the company had to travel throughout the country to fill production operator vacancies, adhering to the organization’s policy of ensuring that local employees contribute to the betterment. Therefore, it is important for the company to aggressively hire local employees and aims for zero dependence on foreigners. In the situation of a tight labour market, it is a challenging task to attract local people to work and to retain them – a situation exacerbated if the company does not know the factors that lead to intention to leave among its local employees. If the company fails to identify those factors, it will continue to face the problem of excessive turnover, and the need to retain current manpower.
Intention reveals a lot about an individual’s perception, judgement, and behaviour. Studies show that turnover intentions precede the actual turnover behaviour of employees (Khatijah, Abdul Halim & Husna, 2012; Khatijah et al., 2012; Khatijah et al., 2014). Therefore, if the company wants to reduce turnover, it is imperative for them to understand the factors which trigger turnover intentions or resigning intentions among its present employees.

Even though the company has implemented minimum wages in April 2012, almost 9 months ahead of the Act’s effective date, and the starting salary is higher than any other player, the company still faces high turnover. There must then be factors other than pay satisfaction triggering the intention to leave, resulting in actual turnover. Therefore, this paper aims to highlights factors which trigger employees’ turnover intention in the company, so that appropriate measures can be taken to mitigate the problem. However, given the limited space, this paper will only highlight the empirical findings based on one research pertaining to factors of career advancement, leadership, and turnover opportunities, and their effect on intention to leave.

In other words, the objectives will only cover the findings from researchers’ investigation on whether (i) career advancement; (ii) turnover opportunities; and (iii) leadership have any significant relationship with intention to leave among employees at the company.

Definitions of Key Terms and Methodology
Basically there are four terms that need to be clarified within the context of this present paper which are: (i) intention to leave; (ii) career advancement; (iii) turnover opportunities; and (iv) leadership. Firstly, literature by Shore (1989) states that turnover intention is an appropriate dependent variable because it is linked to actual turnover. Intention to leave is the strongest predictor of associate turnover (Weisberg, 1994). Employees’ perception or opinion of the possibility of voluntarily terminating his/her present job (Hinshaw & Atwood, 1984) and/or one’s propensity to leave (Lyons, Lapin & Young, 2003) are also seen as relevant in defining intention to leave. Combining all these definitions, the present paper has made used of the perception of an employee to leave the organization as measured by Anticipated Turnover Scale (ATS) adapted from Hinshaw and Atwood (1984) as its measurement.

Meanwhile, career advancement refers to a positive feeling about the job, coming to fruition on account of an evaluation of its qualities (Robbins & Judge, 2013). Career advancement is one of the most important elements of employee satisfaction and retention at a company. According to Victor Lipman of Forbes, clear opportunities for career advancement are an “especially powerful” employee motivator. At times when career paths are clear, individuals tend to be more motivated with tangible goals to work towards. At times when career paths are dim or non-existent, individuals tend to be less motivated, less focused, and more uncertain.

Another essential term within the context of this paper is turnover opportunities. This refers to the relatively ease or difficulty of finding another job (McCarthy et al., 2007). The score of 6 items
adapted from Mowday, Koberg and McArthur (1984), Billings and Wemmerus (1983), Arnold and Feldman (1982), and Michaels and Spector (1982) were used to measure turnover opportunities.

The fourth important term is leadership in which has been referred as the leader’s style of providing direction, implementing plans, and motivating people. There are many different leadership styles that can be exhibited by leaders in the political, business or other fields. In the present context, this refers to democratic and autocratic leadership styles adopted by the leaders in the company. The leader in this paper is referred to superior who supports by lending advice and assistance to his/her subordinates; and also includes the manner of the supervisor towards the employees while overseeing them. Montgomery (2002) for instant found that social help from the leader decreased employees’ plan to leave through decreased levels of burnout.

Population and Sampling Procedure

In the present research, the population comprises all employees (2,558) at the company ranging from assistant manager to non-executive positions. This number forms about 97% of the total permanent work force, while the balance 3% is comprised of manager and CEO of the company as of May 2015. Out of the total population (N=2558), a sample of 335 (n=335) was selected (Sekaran & Bougie, 2013). Researchers have randomly selected the respondents from the full list of the employees provided by the company, itself (see Table 1.1).

Table 1.1
Positions, Number of Employees and Samples

<table>
<thead>
<tr>
<th>No</th>
<th>Position</th>
<th>Headcount (N)</th>
<th>Sample (n)</th>
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<tbody>
<tr>
<td>1</td>
<td>Assistant Managers</td>
<td>44</td>
<td></td>
</tr>
<tr>
<td>2</td>
<td>Senior Executives</td>
<td>112</td>
<td></td>
</tr>
<tr>
<td>3</td>
<td>Executives</td>
<td>400</td>
<td></td>
</tr>
<tr>
<td>4</td>
<td>Chief Clerks</td>
<td>137</td>
<td></td>
</tr>
<tr>
<td>5</td>
<td>Clerks</td>
<td>455</td>
<td></td>
</tr>
<tr>
<td>6</td>
<td>Operators</td>
<td>1410</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Total</td>
<td>2558</td>
<td>335</td>
</tr>
</tbody>
</table>

Research Instrument and Data Analysis

The questionnaire was divided into three major sections. The first section sought to access demographic information of the respondents. The second section asked questions on intention to leave. The third section asked questions regarding the remaining three factors that are
career advancement, leadership style, and turnover opportunities. Respondents were asked to respond by indicating their degree of agreement or disagreement using five Likert scales from (1) strongly disagree to (5) strongly agree.

Analysis of demographic data was done using the Statistical Package for Social Sciences (SPSS, version 22). All three sections of the questionnaire were coded for easy reference using Microsoft Excel, from which data were then transferred to SPSS for further analysis requirement. Tests were carried out to describe respondent profiles. Researchers further used SmartPLS, which is a notable programme for fractional minimum squares structural comparison demonstration (PLS-SEM) (Hair et al., 2014; Henseler, Hubona & Ray, 2016). This approach was used to assess the relationship among the factors understudied.

**Findings and Discussion**

Data collection was carried out through the questionnaire of which 247 were collected and used for further analysis out of 335. Thus, the total response rate recorded was 73.73%, which is acceptable and sufficient (Hair et al., 2014). The demographic information of the 247 participating respondents is summarised in Table 1.2, below.

**Table 1.2**

<table>
<thead>
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<table>
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<th>Demographic Variables</th>
<th>Category</th>
<th>(n=247) Frequency</th>
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<tr>
<td>Gender</td>
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<td>137</td>
<td>55.5</td>
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<tr>
<td></td>
<td>Female</td>
<td>110</td>
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<td>41 and above</td>
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<td>Marital Status</td>
<td>Single</td>
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<td>53.4</td>
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<td></td>
<td>Married</td>
<td>115</td>
<td>46.6</td>
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<td>Race</td>
<td>Malay</td>
<td>175</td>
<td>70.9</td>
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<td></td>
<td>Chinese</td>
<td>32</td>
<td>13.0</td>
</tr>
<tr>
<td></td>
<td>Indian</td>
<td>33</td>
<td>13.4</td>
</tr>
</tbody>
</table>
### Current Position

<table>
<thead>
<tr>
<th>Position</th>
<th>Count</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Other/Indigenous</td>
<td>7</td>
<td>2.8</td>
</tr>
<tr>
<td>Clerk and associate</td>
<td>27</td>
<td>10.9</td>
</tr>
<tr>
<td>Chief Clerk</td>
<td>19</td>
<td>7.7</td>
</tr>
<tr>
<td>Executive</td>
<td>137</td>
<td>55.5</td>
</tr>
<tr>
<td>Senior Executive</td>
<td>56</td>
<td>22.7</td>
</tr>
<tr>
<td>Assistant Manager</td>
<td>8</td>
<td>3.2</td>
</tr>
</tbody>
</table>

### Total years in service

<table>
<thead>
<tr>
<th>Years in Service</th>
<th>Count</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Less than 1 year</td>
<td>78</td>
<td>31.6</td>
</tr>
<tr>
<td>1-3 years</td>
<td>108</td>
<td>43.7</td>
</tr>
<tr>
<td>4-6 years</td>
<td>23</td>
<td>9.3</td>
</tr>
<tr>
<td>7-10 years</td>
<td>29</td>
<td>11.7</td>
</tr>
<tr>
<td>11-13 years</td>
<td>9</td>
<td>3.6</td>
</tr>
</tbody>
</table>

### Entry Academic Qualification

<table>
<thead>
<tr>
<th>Qualification</th>
<th>Count</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>SPM/STPM</td>
<td>33</td>
<td>13.4</td>
</tr>
<tr>
<td>Diploma</td>
<td>60</td>
<td>24.3</td>
</tr>
<tr>
<td>Undergraduate Degree</td>
<td>146</td>
<td>59.1</td>
</tr>
<tr>
<td>Master’s and Above</td>
<td>8</td>
<td>3.2</td>
</tr>
</tbody>
</table>

### Current Academic Qualification

<table>
<thead>
<tr>
<th>Qualification</th>
<th>Count</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>SPM/STPM</td>
<td>13</td>
<td>5.3</td>
</tr>
<tr>
<td>Diploma</td>
<td>45</td>
<td>18.2</td>
</tr>
<tr>
<td>Undergraduate Degree</td>
<td>168</td>
<td>68.0</td>
</tr>
<tr>
<td>Master’s and Above</td>
<td>21</td>
<td>8.5</td>
</tr>
</tbody>
</table>

### Division

<table>
<thead>
<tr>
<th>Division</th>
<th>Count</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sales</td>
<td>33</td>
<td>13.4</td>
</tr>
<tr>
<td>Marketing</td>
<td>32</td>
<td>13.0</td>
</tr>
<tr>
<td>Service Operations</td>
<td>49</td>
<td>19.8</td>
</tr>
<tr>
<td>IT, Admin, Procurement, HR</td>
<td>24</td>
<td>9.7</td>
</tr>
<tr>
<td>Dealer Development</td>
<td>30</td>
<td>12.1</td>
</tr>
<tr>
<td>Spare Parts</td>
<td>38</td>
<td>15.4</td>
</tr>
<tr>
<td>Customer Relations</td>
<td>41</td>
<td>16.6</td>
</tr>
</tbody>
</table>

### Total

<table>
<thead>
<tr>
<th></th>
<th>Count</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total</td>
<td>247</td>
<td>100%</td>
</tr>
</tbody>
</table>

Data were also screened for errors in coding. Results indicated no error in data entry. There was no extreme minimum or maximum value exceeding the range, and the mean was also
within the specified range. Thus, the data were confirmed to be cleaned. When testing for missing values, it was found that there was one missing value (i.e., for age). The missing value was replaced by the mean value, which was the best guess (Tabachnick & Fidell, 2007).

Test of Non-Response Bias

Moreover, test of differences was conducted by splitting the respondents into two groups in order to determine differences between early and late respondents. It is necessary to test for non-response bias, since data collection took relatively a long period of time. Early respondents numbered 150, while there were 97 late respondents. First, a t-test was run for all factors understudied. Results of the independent samples t-test show no difference in the mean score between early and late response groups. Thus, data from each group of respondents were free of bias.

Subsequently, Levene’s test for equality of variance also shows no difference between early and late response on all variables. Therefore, there is no serious non-response bias and thus results indicated that differences within the sample are not a major concern. See Table 1.3 (with p-value at the 0.01 significance level).

<table>
<thead>
<tr>
<th>Constructs</th>
<th>Early/Late Response</th>
<th>Leven’s Test of Equality of Variances</th>
<th>Test of Equality of the Means</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>F Value</td>
<td>Sig</td>
</tr>
<tr>
<td>Intention to Leave</td>
<td>Early Responses</td>
<td>2.634</td>
<td>0.106</td>
</tr>
<tr>
<td></td>
<td>Late Responses</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Career Advancement</td>
<td>Early Responses</td>
<td>1.594</td>
<td>0.208</td>
</tr>
<tr>
<td></td>
<td>Late Responses</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Leadership</td>
<td>Early Responses</td>
<td>0.285</td>
<td>0.594</td>
</tr>
<tr>
<td></td>
<td>Late Responses</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Turnover Opportunities</td>
<td>Early Responses</td>
<td>1.133</td>
<td>0.288</td>
</tr>
<tr>
<td></td>
<td>Late Responses</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

The Measurement Model
The first step in analysing the research model was to assess the measurement model or outer model through PLS-SEM. To do so, researchers followed the two-step approach of convergent validity and discriminant validity (Hair et al., 2014).

Construct validity can be established through content validity, convergent validity, and discriminant validity (Hair et al., 2014). Content validity refers to the suitability of the questions for the concepts under study. It ensures that measures are adequate and represent the concept to be tested (Sekaran & Bougie, 2013). From factor analysis, it was found that items were correctly assigned to their constructs and items show higher loadings on their corresponding constructs as compared to other constructs. In addition, item loadings confirmed the content validity of the measures used in this study.

Meanwhile, convergent validity is the degree to which multiple items measure the same concepts in agreement. Factor loadings, composite reliability (CR), and average variance extracted (AVE) are used simultaneously to assess convergent validity, as proposed by Hair et al. (2014). Composite reliability provides a more appropriate measure of internal consistency reliability. Using composite reliability, PLS-SEM is able to accommodate different indicator reliabilities (Hair et al., 2014). Finally, item loadings were examined, and all items had loadings of more than 0.5, which is the acceptable level as suggested in literature on multivariate analysis (Hair et al., 2014).

Supporting data are provided for convergent validity when each item has outer loadings above 0.5 and each construct’s average variance extracted (AVE) is 0.5 or higher (Hair et al., 2014; Khozaei et al., 2012). The composite reliability values range from 0.811 to 0.932, which exceeds the recommended minimum value of 0.7 (Hair et al., 2014; Khozaei et al., 2012). This confirms the convergent validity of the measurement model.

AVE were examined to reflect the overall amount of variance in the indicators accounted for by the latent construct. These values were found to be in the range of 0.563 and 0.753, which exceed the recommended minimum value of 0.5 (Hair et al., 2014). Therefore, the measures have sufficient convergent validity.

Besides that, discriminant validity measures the degree to which there is a mismatch between variables, where they measure different ideas. Discriminant validity was tested by comparing the correlations between the constructs and the square root of the AVE for a given construct (Hair et al., 2014). This means that squared AVE is higher than off-diagonal elements in the
corresponding row and column, providing evidence of discriminant validity (see Table 1.4). The measurement model in this study demonstrates adequate convergent and discriminant validity.

Table 1.4

Discriminant Validity Analysis

<table>
<thead>
<tr>
<th>Constructs</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
</tr>
</thead>
<tbody>
<tr>
<td>1) Career Advancement</td>
<td>0.868</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2) Intention to Leave</td>
<td>-0.115</td>
<td>0.826</td>
<td></td>
<td></td>
</tr>
<tr>
<td>3) Leadership</td>
<td>0.263</td>
<td>-0.255</td>
<td>0.751</td>
<td></td>
</tr>
<tr>
<td>4) Turnover Opportunities</td>
<td>-0.195</td>
<td>0.550</td>
<td>-0.191</td>
<td>0.784</td>
</tr>
</tbody>
</table>

Testing Predictive Relevance (Q2) in SmartPLS

Since the dependability and legitimacy of the external model is established, testing predictive relevance (Q²) is a method to assess the model’s predictive importance. The capacity of the suggested model to foresee endogenous constructs is dependent on appraisals of the coefficient of determination (R²), cross-approved excess (Q²), and way coefficients. In view of this, predictive significance is known as blindfolding methodology, which utilises an example re-use procedure (Hair et al., 2014). The Q² system evaluates the model’s predictive legitimacy towards cross-validated excess measures. Therefore, Hair et al. (2014) argue that the Q² procedure fits PLS-SEM provisions.

The programming ascertains two values: cross-approved excess (cv-red) and cross-approved communality (cv-comm). The cv-red is made to record the reason for acceptance. The cross-validated excess (cv-red) value is above zero (Q²=0.222), demonstrating predictive importance. A value below zero demonstrates an absence of predictive pertinence.

The R² value represents the predictive force of the model. It surveys the combined impact of exogenous variables on the endogenous variable. In light of Cohen’s (1988) approach, a value of 0.26 is recognised as substantial, 0.13 is considered moderate, and 0.02 is considered powerless. On this study, we obtained an R² value of 0.32, which is substantial. This means that a total 32% of variance is explained by each of the three constructs (career advancement, leadership, and turnover opportunity). This demonstrates that the model has predictive importance.
The Structural Model

In the second phase of analysis, assessment on the structural model was made. The importance of each pointer is tested against the hypotheses under consideration. Bootstrapping is a resampling strategy that draws an extensive number from claiming subsamples, starting with unique information and estimating models for every subsample (Hair et al., 2014). The hypotheses of the structural model are tested using PLS. This is achieved by running the PLS-SEM algorithm; way coefficients represent the guessed relationship around constructs. The researcher needs to figure out whether the coefficients are statistically significant. Otherwise, bootstrapping can refer to any test or metric that relies on random sampling with replacement.

Bootstrapping allows assigning measures of accuracy (defined in terms of bias, variance, confidence intervals, prediction error or some other such measure) to sample estimates. This technique allows estimation of the sampling distribution of almost any statistic using random sampling methods. After bootstrapping, it was found that find the institutionalised way coefficient ($\beta$), standard error, t-values, p-values, and choice made.

Table 1.5
Hypothesis Testing
<table>
<thead>
<tr>
<th>Hypothesis</th>
<th>Relationship</th>
<th>Std. Beta</th>
<th>Std. Error</th>
<th>T-Value</th>
<th>p-Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>H1</td>
<td>CA → IL</td>
<td>0.031</td>
<td>0.063</td>
<td>0.483</td>
<td>0.31</td>
</tr>
<tr>
<td>H2</td>
<td>LSH → IL</td>
<td>-0.162</td>
<td>0.049</td>
<td>3.273</td>
<td>0.00**</td>
</tr>
<tr>
<td>H3</td>
<td>TO → IL</td>
<td>0.525</td>
<td>0.052</td>
<td>9.964</td>
<td>0.00**</td>
</tr>
</tbody>
</table>

Note: **p<0.01, *p<0.05

Results show that the relationship between career advancement and intention to leave is not supported at the 0.05 level of significance (β=0.031, t=0.483, p=0.31). The relationship between leadership and intention to leave is supported at the 0.01 level of significance (β=-0.162, t=3.273, p=0.00). The results also show that the relationship between turnover opportunities and intention to leave is strongly supported at the 0.01 level of significance (β=0.525, t=9.964, p=0.00).

Figure 1.2 and Figure 1.3 below show additional details.

**Figure 1.2**
**PLS Algorithm Graph for Career Advancement, Leadership, Turnover Opportunities, and Intention to Leave**
Discussion

This study introduces a model for studying the intention to leave among employees at an automotive company in Malaysia by testing the role of career advancement, leadership, and turnover opportunities in the intention to leave.

Hypothesis H1 states that career advancement has a significant relationship with intention to leave among employees. Contrary to the expectation, the findings demonstrate that the
relationship between career advancement and intention to leave is not significant, and the hypothesis is not supported. This result is different from results of previous studies, which found that career advancement directly relates to employees’ intention to resign from their jobs, which, in turn, positively relates to actual turnover (Samad, 2004; Price, 2001; Chen, Polyhart, Thomas, Anderson, & Bliese, 2011). This finding may be interpreted as the respondents not valuing career advancement to the degree that it becomes the main determinant of their intention to resign from a job. According to Chang (1999), individuals who seek career growth have higher expectations for career growth opportunities within their organizations. To the degree that individuals can meet their career growth needs within an organization, they are more likely to remain with that organization. Failure to meet these expectations would lead these individuals to seek employment opportunities elsewhere. Career growth opportunities can also be viewed as inducements within the framework of the psychological contract. To the degree these inducements are offered by the organization, the employee responds by contributing more to the organization's goals.

This implies that there is recent apprehension regarding innovative advancements. In the Malaysian automotive company, these issues are pertinent, considering that an expert, technology-oriented workforce encourages the tendency to search for more directly technological professions rather than those indirectly based on technology (Omar & Noordin, 2013).

Meanwhile, Hypothesis H2 states that turnover opportunities have a significant relationship with intention to leave among the employees. The empirical findings for this hypothesis achieved the highest score (β=0.525, t=9.964, p=0.00), supporting the hypothesis. This is consistent with results from studies by McCarthy et al. (2007), Mano-Negrin and Tzafrir (2004), Chou, Chi, Chieh and Ching (2005), Murray (1983), Gardner and Latham (2007), Dockery (2004), and Zeytinoglu et al. (2007). This finding also confirms statistics from the Malaysian Employment Report (2013), that industries that used advanced technology had the highest turnover rate between 2011 and 2012. The highest turnover rate in the technology-based sector is 75.72% and the second highest rate is 43.32% (Omar & Noordin, 2013). This is not a surprising, since many manufacturing employees report feeling a strong attachment to their profession but not to their organisation. On the same note, the newer generation seems relatively uninterested in taking up careers in the technology-based sector (Omar & Noordin, 2013).

The third hypothesis (H3) proposes that leadership has a significant relationship with intention to leave among the employees understudied and result supported that there is significant and positive relationship between leadership and intention to leave. This finding is consistent with previous studies (e.g., Hassan, 2006). The finding may be interpreted in the sense that the respondents correlate job satisfaction with effectiveness of the leadership style. This implies that a leader’s leadership score is more effective among the employees at the company. This provides new insights into factors contributing to employee’ satisfaction and intention to leave the company.
Contribution

The paper contributes to academic knowledge by providing insights and identifying key characteristics that affect the intention to leave. Findings from this work validate and extend March and Simon’s (1958) theory in determining an individual’s decision to quit an organization. It is proposed that career advancement, leadership, and turnover opportunity represent the ease of movement that influences workers’ intention to leave. This study extends the body of knowledge in the field of management. Furthermore, the current study utilises PLS-SEM, which is a new tool of analysis to explain structural relationships among the main constructs. Based on the empirical approach, the current work suggests that career advancement, leadership, and turnover opportunity all play a role in the intention to leave, which is validated through the bootstrapping approach as a new perspective for better future research in this area. Besides, it is vital for managers to understand the factors that influence employees’ intention to leave, to reduce turnover. The findings shed light to managers and identify what needs to be improved in retaining competent employees.

Management needs to consider that their leadership style encourages associates to stay longer in the organization. Managers who are seen as having issues or problems with this need to be called, and organizational expectation need to be shared with them. The human resources department needs to identify divisions and departments that have huge turnover, and to act quickly to reduce this gap, thereby improving company growth. It is seen that management is normally not clearly informed regarding why subordinates resign and leave the company. Usually, the root cause of employees leaving is the immediate superior leading the team, and how issues are resolved.

Conclusion

In brief, findings of this study indicate that leadership and turnover opportunity affect the decision of the employees to leave the company. Thus, this study is especially relevant and offers empirical points that to include adaptability skills in their strategy to provide future human capital that is highly adaptable in their career, with lower levels of intention to leave the organization and/or the profession. The study provides clear understanding of the elements at play; and that understanding, in turn, contributes to the body of knowledge by answering the three research objectives.

References


PERCEPTION AND ENGAGEMENT IN ACADEMIC DISHONESTY: A STUDY AMONG BUSINESS UNDERGRADUATES

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ABSTRACT

Problems concerning academic dishonesty and misconduct among students have become increasingly evident in academic institutions worldwide. This behavior has become a common nevertheless serious unethical comportment due to the reason that it can reflect the integrity of higher learning institution. Academic misconduct is related to a various range of cheating behaviors including plagiarism, copying from a classmate during an exam and illegally downloading academic works from an internet source. Past studies have shown that students who perform academic dishonesty during their academic terms are more likely to engage in unethical behavior in their workplace. In concern to this issue, this paper will investigate the engagement of students in academic dishonesty and various forms of cheating commonly used by them. The study was carried out among business undergraduates in a private university in Malaysia. 200 set of questionnaires were distributed to undergraduates across the faculty that involved respondents from seven different programs. Data was collected using the Academic Integrity Survey by McCabe that was adopted and adapted from the same version of survey conducted at Rutgers University in 2003.

Keywords: Academic dishonesty, cheating, unethical, higher education.

Introduction

Academic dishonesty has become a rampant problem in educational institutions worldwide for many years. Past studies demonstrated that the level of cheating among students in higher education institutions has increased steadily over the past 40 years (Carpenter, Harding, Finelli, & Passow, 2004). Wotring (2007) in a thirty years of study on academic dishonesty revealed that the percentage of students who are cheating has increased from 63% to 70% with more advance cheating behaviours than in the past years. These students too, cheated more frequently. In similar vein, Diekhoff, LaBeff, Shinohara, and Yasukawa (1999) reported an increase of percentage in the level of academic dishonesty over a period of ten years i.e. from year 1984 to 1994. Occurrence of cheating behavior among Asian students is also reported to be high (Diekhoff et al., 1996; Iberahim, Hussein, Samat, Noordin, & Daud, 2013; Shen, 1995).

In examining this issue, it is obligatory to look at the largest group of contributor to academic dishonesty. This is because, this group of students, regardless of which institution or country they are currently studying, they are going to enter the workplace. Their behavior will
determine the integrity of any organization they are engaged with. As reported by various studies, the highest contributor to the increasing statistics of this behaviour is business students. A study by McCabe (1992) found that 87% of business students admitted that they engage in academic dishonesty during their university years. Various researchers (Baird, 1980; Bowers, 1964; McCabe, 1997) have found that undergraduate business students cheat more than nonbusiness students. This phenomenon is giving great impact for the business world as cheating college students graduate with their bachelor’s degrees, enter the career world, and continue being unethical in the workplace (Crown & Spiller, 1998; Nonis & Swift, 2001; Whitley, 1998). For that reason, this paper intend to further investigate on the scenario in regards to the engagement of business undergraduate students in academic dishonesty and various forms of cheating commonly used by them.

Dishonest behavior has been increasing as there are more opportunities and options. Hence, students find it easier to cheat due to new technologies (McMurtry, 2001). According to Kleiner and Lord (1999), students are expedited by new technologies to many types of cheating such as chat rooms, search engines, e-mail, mobile phones and innovative calculators to share unpermitted information. The emergence of smart watch with the ability to store information that can be used to cheat during test and examination has become another method of cheating. Students have become more technology savvy as online instructional videos showing the details and clever methods to cheat are crowding the Internet (Jones, 2011). Also, the various forms of assessment such as reports, term papers, online test and quizzes, has increased the opportunities for academic misbehavior. Due to large number of students in classes and the need to promote teamwork among students, lecturers and instructors are encouraging students to team up for their assignments. Furthermore, the increasing use of word processing and electronic media in the area of research and study has given opportunities for academic misconduct to occur, especially plagiarism.

Literature Review

Concern about academic integrity has become a major priority in higher institution these days. Academic dishonesty will not only intimidate the whole education community but also it demoralizes the academic integrity of the students. Academic misconduct, be it deliberate or unintentional; if they are not timely addressed, will give an alarming impact to the institution as a whole. Although many institutions of higher education have adopted academic honesty policies in the institution (Jones, 2011), this issue is still on the rise.

Academic integrity or academic misconduct can be defined as breach of rules and regulation among students (Jensen, Arnett, Feldman, & Cauffman, 2002; Symaco & Marcelo, 2003), defilement rules or standard for completion assignment, exam or homework (Finn & Frone, 2004), copying test from friends, failure to cite others people work, faking research paper or claiming its own work that previously submitted by another students (Petress, 2001), and deviant behaviour that would undermine academic integrity, where students will put their interest above the interest of University thus putting university in a very risky situation (Staats, Hupp, Wallace, & Gresley, 2009).
Past researchers have commonly used variety of methods in assessing the form and expanse of cheating in the higher institution. Some notable measurements have consisted of evaluating actual episodes of cheating, situation specific of cheating, and measures of intentions to cheat (Chapman, Davis, Toy, & Wright, 2004). Some others included measurement that involved asking about whether or not students have been dishonest in a specific situation (Allen, Fuller, & Luckett, 1998).

Numerous studies (Kisamore, Stone, & Jawahar, 2007; McCabe, Treviño, & Butterfield, 2001; Nonis & Swift, 2001) have attempted to explain various reasons that contribute to academic dishonesty; (i) an environment occupied with students who regularly engaged in academic dishonesty, that they think cheating is an acceptable norm at University and (ii) tendency to repeat dishonesty or cheating after successful first attempt and able to obtain good results (iii) laziness, peer pressure to score high CGPA and endeavor for scholarship. This is supported by Roberts (2002) study which highlight that students engagement in academic dishonesty was due to reasons such as time constraints to complete task, fear of failure, pressure from family members or friends and technology advancement which encourage such misconduct to be done with ease. Given the seriousness of the issue, Duizend and McCann (1998) suggested ways to deal with academic dishonesty; by introducing ethic class to communicate good and ethical academic practice to diminish students’ tendency to engage in unethical behaviour.

The rise of academic misconduct, such as cheating, plagiarism, etc, has given an impression that current education approaches seems to give effect on this behavior (Meng, Othman, D'Silva, & Omar, 2014). Higher institution environment such as existing academic integrity policies, lecturers, tutors, faculty and the like do contribute in playing a role in promoting good academic practices. However, given the easy access of technology nowadays has making higher institution struggle with the issues concerning academic misconduct even further. Chapman et al. (2004) have reported that a high percentage by 75% of students will cheat at some point in their study. This is considered a very alarming rate of cheating among students as this study reported that students are clearly aware of the act of academic misconduct and realized that it is unethical things to do but still doing it anyway due to norm or everyone is doing it.

The current study varies in that it narrows down the issue of academic dishonesty by identifying the awareness, perceptions and frequency of this misbehavior among business students. Accordingly, it highlights certain aspects, namely: (1) the awareness of institution policies and prevention efforts concerning cheating, (2) the magnitude of the academic misconduct behaviour, and (3) the perceptions on degree of academic misconduct.

Research Methodology

This study was conducted in business faculty of a private university in Malaysia with a population of 6,249 students. Data was collected using the Academic Integrity Survey by McCabe that was adopted and adapted from the same version of survey conducted at Rutgers University in 2003. 200 set of questionnaires were distributed to undergraduates across the faculty that involved respondents from seven different programs. This is to ensure that
students from all areas of business were included. Respondents were requested to complete the survey during their normal tutorial and lecture class and respondents were clearly informed beforehand that their responses would be confidential and anonymous.

The survey questionnaire consists of three sections. Section A includes questions regarding the academic environment of the university; Section B asks questions about specific academic misconduct behaviors individuals might consider doing and respondents’ opinion on degree of seriousness of each behavior and Section C includes questions on demographic information.

Data Analysis

Out of 200 questionnaires distributed, 192 sets were returned. There were 33% male and 55% female students participated in this study with 47% of them are in their third academic year. The second highest group participated in this study are second year students (34.9%). Students were also asked to state their current cumulative grade points average (CGPA). 62.5% of the respondents reported that they hold a CGPA between 2.50 and 3.49 while 29.7% hold a CGPA between 1.50 and 29.7.

Table 1: Informed on the policies.

<table>
<thead>
<tr>
<th>Have you been informed about the academic integrity or cheating policies at this university?</th>
<th>Yes (%)</th>
<th>No (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total of students</td>
<td>158</td>
<td>34</td>
</tr>
</tbody>
</table>

Table 2: The awareness of the university policy

<table>
<thead>
<tr>
<th>Policy</th>
<th>Very Low (%)</th>
<th>Low (%)</th>
<th>Medium (%)</th>
<th>High (%)</th>
<th>Very High (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Severity of penalty for cheating</td>
<td>3.6</td>
<td>11.5</td>
<td>26.6</td>
<td>40.6</td>
<td>17.7</td>
</tr>
<tr>
<td>Average understanding of the policy concerning cheating</td>
<td>2.6</td>
<td>13.0</td>
<td>38.0</td>
<td>47.7</td>
<td>4.7</td>
</tr>
<tr>
<td>Student support</td>
<td>1.0</td>
<td>6.8</td>
<td>54.7</td>
<td>34.9</td>
<td>2.6</td>
</tr>
<tr>
<td>The policy effectiveness</td>
<td>1.6</td>
<td>12.5</td>
<td>35.4</td>
<td>45.3</td>
<td>5.2</td>
</tr>
</tbody>
</table>

Table 3: Learn

<table>
<thead>
<tr>
<th>Where and how much you learned about these policies?</th>
<th>Learned Some (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>First-Year orientation program</td>
<td>46.9</td>
</tr>
<tr>
<td>Faculty (e.g: discussed in class, course syllabi or course outlines)</td>
<td>46.4</td>
</tr>
<tr>
<td>Lecturers/tutors</td>
<td>46.4</td>
</tr>
<tr>
<td>Other students</td>
<td>45.8</td>
</tr>
</tbody>
</table>
In table 1, most students in this study institution were being informed about the academic integrity or cheating policies at this university at some points of their study. This portrays the institution’s efforts in addressing academic standard in the university as well as maintaining integrity and honesty in the education system. In table 2, the preponderance of students indicated a high level of awareness in severity of penalty for cheating and high level of understanding on the policy concerning cheating. Students were also reported to have a high level of perception when asked about this policy effectiveness specifically. Albeit the high awareness on such policies, students’ supports on this policy exhibits only a medium level of support. This perhaps an early indication of students perception on their support concerning their obligation and accountability on academic misconduct, perhaps thinking that academic misconduct is a common affair with now more than ever before due to technological advancement (e.g. internet, smart phones etc.). When asked about where and when did the students learned about such policies (Table 3), most students agreed that they only learned some through all mediums. The medium were ranked according to mostly answered medium to the least answered medium. It is revealed that most of the students learned about the policies during their first year orientation program, followed by faculty (e.g: discussed in class, course syllabi or course outlines) and through lecturers and tutors. Two lowest ranks are through other students and through campus website.

Table 4: Discuss policies with lecturers/tutors

<table>
<thead>
<tr>
<th>Discuss</th>
<th>Often (%)</th>
<th>Discuss</th>
<th>Seldom/Sometimes (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Guidelines on group or work collaboration</td>
<td>47.8</td>
<td>Falsifying/fabricating research data</td>
<td>46.4</td>
</tr>
<tr>
<td>Plagiarism</td>
<td>45.8</td>
<td>Proper citation/referencing of written source</td>
<td>37.0</td>
</tr>
<tr>
<td>Breach of examination regulations</td>
<td>38.5</td>
<td>Proper citation/referencing of internet source</td>
<td>34.9</td>
</tr>
</tbody>
</table>

Table 4 reported the frequencies of discussing policies concerning academic integrity with lecturer/tutors. Most of the students rated often when discussing with lecturers/tutors in regards to guidelines on group assignment (engaged by 47.8%), plagiarism (engaged by 45.8%) and breach of examination regulations (engaged by 38.5%). Albeit the result, it is still indicates that most students were not in consensus in perceiving a regular level of discussion with lecturers/tutors. This sequentially may lead to a lack of clear understanding in addressing academic misbehaviour and promoting a good academic practice, and therefore will result in lack of awareness in the seriousness of the offence among the students.

Table 5: Academic honesty occurrence

<table>
<thead>
<tr>
<th>How frequently do you think the following occur at this university?</th>
<th>Seldom/Sometimes (%)</th>
</tr>
</thead>
</table>

23
Inappropriate sharing work in group assignments | 43.2
Cheating during test or examination | 39.1
Plagiarism on written assignment | 38.0

Table 5 ranks the academic honesty occurrence from the questionnaire in order of student participation. On average, most students perceived that the frequency of these academic honesty occurrences among students is only seldom/sometimes. The most common academic misconduct behaviour among students is inappropriate sharing work in group assignment (43.2%), followed by cheating during test or examination (39.1%) and plagiarism on written assignment, engaged by 38.0%. In general, the reason why students are more inclined to engage in inappropriate sharing work in group assignment is perhaps due to uncovering cheating risk is lower compared to other forms of cheating. This rate of academic honesty occurrences, while it may not as a serious alarming, nevertheless indicates that students are still prone to violate standards of academic honesty at some point of their study.

Table 6: Seen other student cheat

<table>
<thead>
<tr>
<th>How often, if ever, have you seen another student cheat during a test or examination at this university?</th>
<th>Never (%)</th>
<th>Once (%)</th>
<th>A few times (%)</th>
<th>Several times (%)</th>
<th>Many times (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>39.1</td>
<td>17.7</td>
<td>30.2</td>
<td>9.4</td>
<td>3.6</td>
</tr>
</tbody>
</table>

Table 7: Report on cheating

<table>
<thead>
<tr>
<th>Have you ever reported another student for cheating?</th>
<th>Yes (%)</th>
<th>No (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>4.2</td>
<td>95.8</td>
</tr>
</tbody>
</table>

Table 6 shows the result of the rate of occurrence in seeing other student cheat. Most of the students (39.1%) claimed that they have never seen another student cheat during a test or examination at the university and it can be concluded that 60.1% students have seen another student cheat during a test or examination at least one time. A significant majority of students (more than 95%) have never reported another student for cheating as conveyed in Table 7. Although the data presented in Table 6 did not directly comparable with the data presented in Table 7, it is interesting to note that majority of students (60.9%) have seen another student cheat during test or examination (at least once) but only 4.2% students admitted that they have reported another student for cheating. Altogether, these findings clearly exhibit some great level of tolerance and perhaps constitute some unspoken approval towards cheating among students upon seeing another student cheats. If such great tolerance displays, it cannot be a good sign as this will eventually lead to a strong tendency of students to engage in academic misbehaviour practices.

Table 8: Engagement in academic dishonesty behaviour
Table 8 explains about engagement in academic dishonesty behaviour. This study indicates that the common academic dishonesty among business undergraduates’ students is copying another student’s homework, where 49% students reported they attempted more than once in previous semester. Apart from that, what are interesting in this data are students always involved in paraphrasing or copying sentences without footnoting them in a paper you submitted. Almost 37% students did this when completed the assignment or thesis. Another popular academic dishonesty is students always working on an assignment with others even when the lecturer asked for individual work in which that 22.9% students engaged in this behavior more than once.

However 89.1% students confess that they never use digital technology to get unpermitted help from someone during test or exam. This statement is supported when 85.4% of students also agree they never participate in this activity when asked about the extent to which the students used technology as unauthorized aid during exam. The low engagement on this behavior could be because some universities impose strict penalties on students who are engaged in improper use of electronic or digital device (e.g smart watches) during exam, such
as suspended format two semesters during academic year. 84.4% students also never engage in turning in a paper written and previously submitted by others and claiming own work as some software such as Turnitin and UK Assignment able to capture the percentage of plagiarism of the report submitted.

31.8% of respondents said they had attempted at least once in previous semester in academic dishonesty especially when working on individual assignment when lecturer asked for individual work. In the same way 26% respondents involved one time in copying a few sentences from printed (journal) or electronic sources without acknowledging the author. 20.3% respondents reported that they had tried once to copy material form word to word (digital resources) and claim their own work. This activity is prevalent among students when they need to review article or journal.

Nevertheless, 20.3% respondents believe fabricating a bibliography is not relevant to explain academic dishonesty as most of the students will have a proper bibliography when they need to complete assignment. 5.2% of students agree that using false excuse to obtain an extension on due date is also not relevant to categorize it as academic dishonesty as students already knew the deadline of assignment and consequences if delayed report submission, for instance impose penalties marks.10.4% respondents agree that receiving unpermitted help on assignment is also not relevant to academic dishonesty behaviour.

Table 9: Perception of Academic Dishonesty

<table>
<thead>
<tr>
<th>Academic dishonesty behaviour</th>
<th>Not Cheating (%)</th>
<th>Trivial Cheating (%)</th>
<th>Moderate Cheating (%)</th>
<th>Serious Cheating (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fabricating or falsifying a bibliography</td>
<td>27.1</td>
<td>41.1</td>
<td>24.5</td>
<td>7.3</td>
</tr>
<tr>
<td>Working on an assignment with others when the lecturer/tutor asked for individual work</td>
<td>40.6</td>
<td>32.3</td>
<td>17.2</td>
<td>9.9</td>
</tr>
<tr>
<td>Getting questions or answers from someone who has already taken a test</td>
<td>28.6</td>
<td>21.9</td>
<td>26.6</td>
<td>22.9</td>
</tr>
<tr>
<td>Fabricating or falsifying research data</td>
<td>21.9</td>
<td>33.9</td>
<td>20.8</td>
<td>23.4</td>
</tr>
<tr>
<td>Copying from another student during test or examination without his or her knowledge</td>
<td>16.1</td>
<td>14.1</td>
<td>27.6</td>
<td>42.2</td>
</tr>
<tr>
<td>Using digital technology (such as text messaging) to get unpermitted help from someone during a test or examination</td>
<td>17.7</td>
<td>8.9</td>
<td>30.7</td>
<td>42.7</td>
</tr>
<tr>
<td>Receiving unpermitted help on an assignment</td>
<td>28.6</td>
<td>33.9</td>
<td>25.5</td>
<td>12</td>
</tr>
<tr>
<td>Copying another student's homework</td>
<td>40.6</td>
<td>30.7</td>
<td>17.7</td>
<td>10.9</td>
</tr>
<tr>
<td>Submitting a paper you purchased or obtained from a Web site and claiming it as your own work</td>
<td>16.1</td>
<td>19.8</td>
<td>31.8</td>
<td>32.3</td>
</tr>
<tr>
<td>Using unpermitted handwritten crib notes (stored in PDA, phone, smart watch, tablet or calculator ) to cheat on a test or exam</td>
<td>15.6</td>
<td>10.4</td>
<td>29.2</td>
<td>44.8</td>
</tr>
<tr>
<td>Copying material almost word for word from</td>
<td>17.7</td>
<td>24</td>
<td>35.9</td>
<td>22.4</td>
</tr>
</tbody>
</table>
any written source and turning it in as your own work

Table 9 further explains about perception of academic dishonesty; and it is exciting to find out how they perceive the definition of what constitutes as academic misconduct. The majority of 40.6% students agree that working on assignment with others when lecturer asked for individual work is not cheating. 28.6% students respond that getting question or answer from someone else has taken a test or receiving unpermitted help on an assignment (28.6%) is also consider not cheating.

When asked about what consider serious cheating, unpermitted handwritten crib notes to cheat on a test is considered as serious cheating that is by 44.8% students. 42.7% students think that it is a serious cheating when using digital technology to get help from someone during test. 42.2% students also perceive that it is a serious cheating when students copying from another student during test without his or her knowledge. Most of the students’ perception about serious cheating is occurred when it is related to exam.

Apart from that, students categorize cheating as a moderate level when they claim other papers’ works as own work (35.9%) or when students fabricating research data (20.8%) and 31.8% agree submitting paper that obtained from website and claim own work is also considered as moderate cheating.

Cheating is considered trivial when students fabricating a bibliography (41.1%) in assignment or when students receive unpermitted help in assignment (33.9%) such as from senior. 21.9% of students perceived that requesting answer from someone who already taken a test as trivial cheating.

Table 10: Academic Environment

<table>
<thead>
<tr>
<th>How strongly do you agree or disagree with the following statements?</th>
<th>Strongly disagree (%)</th>
<th>Disagree (%)</th>
<th>Not sure (%)</th>
<th>Agree (%)</th>
<th>Strongly agree (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cheating is a serious problem in this university</td>
<td>0.5</td>
<td>3.1</td>
<td>18.8</td>
<td>56.2</td>
<td>21.4</td>
</tr>
<tr>
<td>The investigation of suspected incidents of cheating is fair and impartial in this university</td>
<td>1.6</td>
<td>2.6</td>
<td>28.1</td>
<td>60.4</td>
<td>7.3</td>
</tr>
<tr>
<td>Faculty members are vigilant in discovering and reporting suspected cases of academic dishonesty</td>
<td>1.0</td>
<td>3.6</td>
<td>33.9</td>
<td>56.8</td>
<td>4.7</td>
</tr>
<tr>
<td>The amount of coursework I’m expected to complete is reasonable for my year level and program</td>
<td>1.0</td>
<td>20.3</td>
<td>21.4</td>
<td>53.1</td>
<td>4.2</td>
</tr>
<tr>
<td>The degree of difficulty in my exams and assignments is appropriate for my year level and program</td>
<td>3.6</td>
<td>17.2</td>
<td>25.0</td>
<td>50.0</td>
<td>4.2</td>
</tr>
</tbody>
</table>
The types of assessments used in my courses are effective at helping me learn course concepts

When asked whether cheating is a serious problem in this university, majority of the respondents agreed (56.2% Agree, 21.4% Strongly Agree) with the statement. This indicates that students are aware that cheating does occur in many forms in this university, not only during tests or examinations because when students were asked about how often have they seen another student cheat during test or examination (Table 6), 39.1% admitted that they never seen other student cheat while 30.2% stated that they have seen it occurred only a few times.

Students, on the other hand agree (60.4%) that an equitable investigation will be conducted on any suspected misbehavior in this university. 61.5% of the respondents also agree that faculty members (lecturers/tutors) are attentive in discovering and reporting cases of academic dishonesty. This indicates students’ trust and confidence on the faculty and university in addressing and combating academic dishonesty. Hence, this could explain why majority of the respondents in this university never involved in the usage of technology during test or exam (Table 8). McCabe and Trevino (1993) point out that academic misconduct is likely to be lower when students perceive that university integrity policies are understood and acknowledged by students and faculty.

In measuring whether the types of assessments used in the university are effective and reasonable, more than 50% of the students agree with the questions posed to them. However, this contradicts with the findings in Table 8 where 31.8% of respondents worked on individual assignment with others when their lecturer asked for individual work. Likewise, 26% respondents involved once in copying a few sentences from printed or electronic sources without acknowledging the author. The findings suggest that even though students agree that the types and amount of coursework are effective, they still involve in dishonest behavior in completing their work.

Table 11: Approval

<table>
<thead>
<tr>
<th>If you have cheated in a course and the following individuals knew about it, how strongly would they disapprove?</th>
<th>Very strongly (%)</th>
<th>Fairly strongly (%)</th>
<th>Not very strongly (%)</th>
<th>Not at all (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>A close friend</td>
<td>21.4</td>
<td>37.5</td>
<td>26.6</td>
<td>14.6</td>
</tr>
<tr>
<td>One of the students you go around with</td>
<td>14.6</td>
<td>40.1</td>
<td>33.3</td>
<td>12.0</td>
</tr>
<tr>
<td>Your parents</td>
<td>52.6</td>
<td>29.7</td>
<td>10.4</td>
<td>7.3</td>
</tr>
</tbody>
</table>

Table 11 shows students’ responds on whether their close friends or one of the students they go around with will disapprove if they cheated. Only 21.4% of the students stated that their close friend will disapprove very strongly of their misbehaviour. While only 14.6% reported that their acquaintance will very strongly disapprove if they cheat. This might be due to the capacity of relationship that one have with another. People rarely show disagreement to
people they are not so close with. Nevertheless, 52.6% students admitted that if their parents know about their dishonest behaviour, they will disapprove very strongly. This is supported by McCabe (1997) that undergraduate business students are less likely to disapprove of cheating. An exploratory research by (Chapman et al., 2004) among two groups of students found that friends play an important role in whether students choose to perform academic dishonesty. Furthermore, (McCabe & Trevino, 1993) suggested that friends and acquaintances behavior had a significant influence on students’ dishonest behavior.

Discussion and Conclusion

In general, study findings were consistent with the past research. Although some efforts have been made to prevent academic dishonesty in higher education, more instructional strategies or efforts are in need to educate students on good academic practices and to even highlight academic misbehavior as a serious violation or fraud to academic integrity. The faculty (management, administrators, lecturers, tutors, and the like) should be more firm in dealing and scrutinizing misconduct behavior in the institution. Lecturers and tutors for example, should engage more dialogues in class to clearly communicate expectations of academic integrity. Furthermore, (McCabe & Trevino, 1993) suggested that friends and acquaintances behavior had a significant influence on students' dishonest behavior.

More specifically, for business students, due to its nature of field specialization, they are more likely to join management positions in the future. In the organization, management positions are expected to show good ethical examples towards the rest of other organization members due to the facts that they usually uphold to the company’s practices and the one who establishes company’s policy and procedure. With that being said, if business students are not trained to behave ethically during their studies, the chances are they will threaten the good company ethical practices when they joined the employment in the near future. There are many examples of misconduct such as white collar crime as well as high profile scandal that led to bankruptcy such as Enron. Of course the discussion and recommendations listed are not exhausted, suggesting that with more large-scale efforts, students will think twice before committing any academic misconduct as the consequences are dire.
References


AN EMPIRICAL STUDY OF ANTECEDENTS AND INFLUENCE OF KNOWLEDGE SHARING BEHAVIOR TOWARD COMPETITIVE ADVANTAGE: A STRUCTURAL EQUATION MODELING APPROACH

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ABSTRACT

This research examines the influences of the antecedents of the knowledge-sharing behavior which is believed to be one of the organization's strategies to sustaining their competitive advantages, especially in the higher education organization. The competitive advantage can be established by empowering internal resources owned by the organization, i.e. human capital, with establishment of organizational knowledge that are unique and inimitable through sharing knowledge activities. Quantitative research method is used, where the sample distribution planned with 95% level of confidence, and data collected using questioners. Samples selected randomly totaled 83 people from lecturers and staffs of the Faculty of Computer Science, University of Sriwijaya, Palembang. The data analyses were conducted using Structural Equation Modeling techniques by the SmartPLS application, which shown the hypothesis that the Knowledge Sharing Behavior influence toward Competitive Advantage is accepted, the hypothesis that the Individual Intention and Attitude, Leadership, and Reward, influence toward Knowledge Sharing Behavior are also accepted, but the hypothesis of Organizational Culture influence toward Knowledge Sharing Behavior is rejected.

KeyWords: Knowledge Sharing, Competitive Advantage

Introduction

It is widely understood that Competitive Advantage is important for organization sustainability and competition (Barney, 1991). At today's business environment, has been a change of views on a variety of resources that are strategic for the organization. The change is from the dominance of the resources of physical / tangible assets to the dominance of intangible assets. Human capital is one of the main components of intellectual capital (intangible assets) that owned by the organization. Therefore, managing people is essential in a modern organization. As all information systems, programs, policies and strategies are established by the presence of people within it. Consequently, Human Resource Management (HRM) has given big impact and became important in organizations. The ability of human resources are competitive advantages of organization. So, from here we can understand that the most valuables assets of organization are its knowledge and knowledge workers.
To preserving and sustaining the readiness of organizational knowledge as representation of competitive advantages, for that reason it is essential of knowledge management in the form of knowledge sharing. Information and knowledge possessed by individuals within an organization should become internal resources to create competitive advantage, this is in line with Resource Based Theory (RBT) (Barney, 1991), where information and knowledge are valuable resource those will be using knowledge sharing to improve organizational knowledge as the Knowledge-Based Theory (Grant, 1996; Kearns & Lederer, 2003). Meanwhile, referring to Theory of Planned Behavior (TPB) (Ajzen, 1991) that the individual behavior is driven by behavioral intentions where behavioral intention is a function of individual attitudes toward behavior, subjective norms about behavioral performance, and individual perceptions of the ease of its behavior to do (behavioral control). Thus, in this study the identification of the main problems are: Is there any influence from Knowledge Sharing Behavior towards Competitive Advantage of an organization? Furthermore in the context of the organization, if the Knowledge Sharing is an individual behavior that can be planned, then the next problem that should be identified are: Are the factors or antecedents of Knowledge Sharing i.e. the Individual Factors, Organization Norms Factors, and Control Behavior Factors influence directly and / or indirectly to the Competitive Advantage of an organization?

**Literature Review**

**Knowledge Sharing**

Initially, knowledge management techniques used in profit oriented organization or business. But nowadays, knowledge management in particular knowledge sharing has been enhanced to higher education domain. In the higher education environment, storing knowledge is not something that new, but the concept of knowledge sharing and its utilization among the academics and students are something new, thus sharing knowledge in academia face similar constraints to those encountered in the business environment (Keramati & Azadeh, 2007; Khosravi, 2013). The obstacles comprise: still lower cultures to share knowledge making academic activities are still very individual, communication and collaborative working groups are weak; also still high attention to elements of the cost-benefit in sharing the knowledge thus impacting low concern to the organization or pro-social motives; or rewards and adequate incentives still be important factors when implementing a knowledge management system with the aim to improve the sharing of knowledge and motivate on academics (Abdullah, Hassim, & Chik, 2009; Basu & Sengupta, 2007; Wah, Menkhoff, Loh, & Evers, 2008).

Each organization’s strategy must be able to create a competitive advantage, where there are two sources of competitive advantage that can be extracted by the organization, that are from internal the organization and from external the organization. From internal resources such as the ability of employees, hence human resources are representation of competitive advantages that can be use to improve profitability of the company's operations if they are wisely managed (Jambak, 2015). In competitive environment, knowledge can play an integral role in obtaining competitive advantage, Romhardt (2003) said that knowledge becomes an important factor to win the competition. Therefore, it can be said that we are faced with the

Competitive conditions as mentioned above makes the efficient knowledge management, i.e. the knowledge creation, knowledge sharing, or its application, becoming a major issue in the new economic world, the knowledge-based economy. It makes knowledge is an important asset for organizations to gain a competitive edge (Khosravi, 2013). Hence, when a knowledge is created or acquired, it is important to be transferred and shared as soon as possible with intent to gain the advantages of these new assets and applied to the organization. Associated with it, the success of knowledge sharing is vital because the result is the spread of intellectual capital, and success lies in the knowledge sharing capabilities of knowledge workers (Abdul-Jalal, Toulson, & Tweed, 2013). Several factors affect the behavior of knowledge sharing such as individual factors (trust, self-efficacy, dan reciprocal benefits), organizational factors (rewards, organizational culture, leadership), technological factors (knowledge management system and knowledge management system quality), dan communication factors (openness and face to face interactive) (Tan, 2015).

**Theoretical Backgrounds and Hypotheses**

Reflected back to Resource-Based Theory (Barney, 1991) and Knowledge-Based Theory (Grant, 1996), this research from ontological view realize that human knowledge capital exist in every individual as tacit knowledge, which is created as a result of accumulation of experience. The existence of tacit knowledge should be structured in order to reusable and be able to be integrated by doing knowledge sharing, so it will be a organizational knowledge, which will be the capital of an organization that is not owned by other organizations. All this can happen because epistemologically this research also believe that human behavior can be planned, it is necessary to know the factors that affect the knowledge sharing behavior, which will be one of the factors that influence the competitive advantage of an organization.

From the above explanation, the paradigm of this research believe that the competitive advantage of organizational knowledge capital can be derived from the establishment of knowledge sharing behavior. Meanwhile, Theory of Planned Behavior is a theory that argues that individual behavior is driven by behavioral intentions where behavioral intention is a function of individual attitudes toward behavior, subjective norms about behavioral performance, and individual perceptions of the ease of its behavior to do (behavioral control) (Ajzen, 1985, 1991, 2005, 2011). Refering to the theories mention above the research model is prepared as shown in Figure 1.

The research hypothesis those were tested righteousness through the data and field findings were as follows:

H1: Individual Intention and Attitude influence towards Knowledge Sharing Behavior;
H2: Organizational Culture influence towards Knowledge Sharing Behavior;
H3: Leadership influence towards Knowledge Sharing Behavior;
H4: Rewards influence towards Knowledge Sharing Behavior;
H5: Knowledge Sharing Behavior influence towards Competitive Advantages.

![Research Model](image)

**Figure 1 – Research Model**

**Research Methodology**

**Sampling Design**
Research was conducted at Faculty of Computer Science University of Sriwijaya on October 2015 until March 2016. Reseached organization is higher education institution, that assumed a science center where the competitive advantage of the higher education institution is located on mastering of knowledge possessed by the human resources that form the organizational knowledge. Selection of the object of study is the Faculty of Computer Science University of Sriwijaya, because it is relatively new and competitive advantages are formed from human resource capability as compared with the excellence of infrastructure. Primary data were collected through questionnaires survey, with respondents as many as 83 people those were taken using simple random sampling technique and 5% error rate.

**Research Procedure**
All variables on Research Model was compiled both conceptually and operationally, as listed in Table 1. Each variable examined with the questions in the questionnaire study as closed questions, using Likert Scale models. All the questions in the questionnaire are statements that measure positive value. Data were analysis using Structural Equation Modeling (SEM) type of Partial Least Square (PLS) using SmartPLS software. Research with PLS-SEM uses two important stages, ie measurement model (measurement variable models) and structural model (measurement structures). Data on measurement model was used to evaluate the validity and reliability, while in a structural model of the hypothesis is tested through the significance of: 1) Path coefficient, 2) T-Statistic, dan 3) $r$-squared value.

**Table 1 – Definition of Variables & Indicators**
<table>
<thead>
<tr>
<th>Individual Intention &amp; Attitude (X1)</th>
<th>Motivation / How hard dare to try or want to do (X11)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Awareness to sharing knowledge (X12)</td>
</tr>
<tr>
<td></td>
<td>The belief that the sharing of knowledge means maintaining competitive advantage (X13)</td>
</tr>
<tr>
<td></td>
<td>Beliefs consequence of an organization whose members have always shared knowledge is an organization that is able to maintain Competitive Advantages (X14)</td>
</tr>
<tr>
<td>Organizational Culture (X2)</td>
<td>Agility and flexibility of the organizational structure (X21)</td>
</tr>
<tr>
<td></td>
<td>Magnitude of the role of information system &amp; technology (X22)</td>
</tr>
<tr>
<td></td>
<td>The intensity of communication of inter-personal or inter-units (X23)</td>
</tr>
<tr>
<td></td>
<td>Trust (X24)</td>
</tr>
<tr>
<td></td>
<td>Desire to fostering mutual knowledge creation (X26)</td>
</tr>
<tr>
<td>Leadership (X3)</td>
<td>Leaders conducting negotiations to promote the knowledge sharing (X31)</td>
</tr>
<tr>
<td></td>
<td>Leaders adopted reward-punishment to promote knowledge sharing (X32)</td>
</tr>
<tr>
<td></td>
<td>Leadership communicative, enthusiastic and inspiring to promote knowledge sharing (X33)</td>
</tr>
<tr>
<td></td>
<td>Leaders were able to generate trust and mutual respect between individuals to promote knowledge sharing (X34)</td>
</tr>
<tr>
<td></td>
<td>Leaders are able to explain rationally the benefits of knowledge sharing (X35)</td>
</tr>
<tr>
<td></td>
<td>Leaders always involved consistently in the front show how to knowledge sharing (X36)</td>
</tr>
<tr>
<td>Rewards (X4)</td>
<td>It took a intrinsic rewards of self-actualization (X41)</td>
</tr>
<tr>
<td></td>
<td>It took a intrinsic rewards of individual response (X42)</td>
</tr>
<tr>
<td></td>
<td>It took a ekstrinsik financial benefit (X43)</td>
</tr>
<tr>
<td></td>
<td>It took a ekstrinsik non-financial benefit (X44)</td>
</tr>
<tr>
<td>Knowledge Sharing Behavior (Y1)</td>
<td>The use of individuals’ information and knowledge by organizations (Y11)</td>
</tr>
<tr>
<td></td>
<td>The utilization of social networking media (Y12)</td>
</tr>
<tr>
<td></td>
<td>Innovation and creativity of individuals or groups from the knowledge shared by colleagues or other work units (Y13)</td>
</tr>
<tr>
<td></td>
<td>The ability to learn from others and a culture of openness (Y14)</td>
</tr>
<tr>
<td>Competitive Advantages (Y2)</td>
<td>The existence of Organizational Competitive Advantages such a low cost that resulted from the knowledge sharing (Y21)</td>
</tr>
<tr>
<td></td>
<td>The existence of Organizational Competitive Advantages such a differentiation from competitors that resulted from the knowledge sharing (Y22)</td>
</tr>
<tr>
<td></td>
<td>The existence of Organizational Competitive Advantages because focus on advantages resulted from knowledge sharing (Y23)</td>
</tr>
</tbody>
</table>
Data Analysis

Validity Test and Reliability Test

Data validity test is intended to find out how far the questionnaire items that were arranged can represent the variables being measured. Validity test using the loading factor from calculation of SmartPLS software. Initially as shown in Figure 2, there some loading factor values that were <0.50 for instance indicators of X14 (Consequence Aspect of Individual Intention & Attitude), X22 (the role of information system & technology), X24 (Trust), X26 (fostering mutual knowledge creation), and X41 (intrinsic rewards of self-actualization), thus must be reduced from a research model until obtained the entire question items meet the recommended value. The final result of the validity test are listed in Table 2 and Figure 3.

Data reliability test is done by looking at the values of composite reliability and average variance extracted that were generated by the calculation of SmartPLS software. The results of reliability testing for all studied variables are presented in Table 2. From the reliability test results that all variables have been indicate as the fit measurement, in general all studied variables from all the items of the questions used have a good level of reliability.

Structural Model Measurement

Inner model or structural model measurement was conducted to find out the relationships between variables of research model as shown in Figure 3. Structural Model was evaluated by R-square (determination coefficient), data shows that variables of Competitive Advantages have R-square value of 0.439, while R-square value of Knowledge Sharing Behavior variables have 0.595.

Also it can be seen that the structural relationship between the variables in the form of the path coefficients in this study, thus the structural equations are as follows:

\[
Y_1 = 0.277X_1 + 0.146X_2 + 0.477X_3 + 0.241X_4 \\
Y_2 = 0.065X_1 - 0.197X_2 + 0.266X_3 + 0.012X_4 + 0.557Y_1
\]

The structural equations show that Knowledge Sharing Behavior (Y1) the greatest influence factor is Leadership, while the smallest influence is Organizational Culture (X2). For Competitive Advantages (Y2) the greatest influence factor is Knowledge Sharing Behavior (Y1), while the smallest influence is Rewards (X4).
Figure 2 – Initial Loading Factors Result

Figure 3 – Final Loading Factors with Path Coefficients
<table>
<thead>
<tr>
<th>Variables &amp; Indicators</th>
<th>Loading Factors</th>
<th>Composite Reliability</th>
<th>Average Variance Extracted</th>
<th>Note</th>
</tr>
</thead>
<tbody>
<tr>
<td>Individual Intention &amp; Attitude (X1)</td>
<td></td>
<td>0.818</td>
<td>0.604</td>
<td>reliable</td>
</tr>
<tr>
<td>X11</td>
<td>0.869</td>
<td></td>
<td></td>
<td>valid</td>
</tr>
<tr>
<td>X12</td>
<td>0.802</td>
<td></td>
<td></td>
<td>valid</td>
</tr>
<tr>
<td>X13</td>
<td>0.642</td>
<td></td>
<td></td>
<td>valid</td>
</tr>
<tr>
<td>Organizational Culture (X2)</td>
<td></td>
<td>0.899</td>
<td>0.748</td>
<td>reliable</td>
</tr>
<tr>
<td>X21</td>
<td>0.900</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>X23</td>
<td>0.912</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>X25</td>
<td>0.777</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Leadership (X3)</td>
<td></td>
<td>0.942</td>
<td>0.732</td>
<td>reliable</td>
</tr>
<tr>
<td>X31</td>
<td>0.797</td>
<td></td>
<td></td>
<td>valid</td>
</tr>
<tr>
<td>X32</td>
<td>0.752</td>
<td></td>
<td></td>
<td>valid</td>
</tr>
<tr>
<td>X33</td>
<td>0.885</td>
<td></td>
<td></td>
<td>valid</td>
</tr>
<tr>
<td>X34</td>
<td>0.914</td>
<td></td>
<td></td>
<td>valid</td>
</tr>
<tr>
<td>X35</td>
<td>0.872</td>
<td></td>
<td></td>
<td>valid</td>
</tr>
<tr>
<td>X35</td>
<td>0.900</td>
<td></td>
<td></td>
<td>valid</td>
</tr>
<tr>
<td>Rewards (X4)</td>
<td></td>
<td>0.817</td>
<td>0.602</td>
<td>reliable</td>
</tr>
<tr>
<td>X42</td>
<td>0.656</td>
<td></td>
<td></td>
<td>valid</td>
</tr>
<tr>
<td>X43</td>
<td>0.897</td>
<td></td>
<td></td>
<td>valid</td>
</tr>
<tr>
<td>X44</td>
<td>0.756</td>
<td></td>
<td></td>
<td>valid</td>
</tr>
<tr>
<td>Knowledge Sharing Behavior (Y1)</td>
<td></td>
<td>0.897</td>
<td>0.688</td>
<td>reliable</td>
</tr>
<tr>
<td>Y11</td>
<td>0.848</td>
<td></td>
<td></td>
<td>valid</td>
</tr>
<tr>
<td>Y12</td>
<td>0.670</td>
<td></td>
<td></td>
<td>valid</td>
</tr>
<tr>
<td>Y13</td>
<td>0.916</td>
<td></td>
<td></td>
<td>valid</td>
</tr>
<tr>
<td>Y14</td>
<td>0.863</td>
<td></td>
<td></td>
<td>valid</td>
</tr>
<tr>
<td>Competitive Advantages (Y2)</td>
<td></td>
<td>0.882</td>
<td>0.714</td>
<td>reliable</td>
</tr>
<tr>
<td>Y21</td>
<td>0.788</td>
<td></td>
<td></td>
<td>valid</td>
</tr>
<tr>
<td>Y22</td>
<td>0.897</td>
<td></td>
<td></td>
<td>valid</td>
</tr>
<tr>
<td>Y23</td>
<td>0.847</td>
<td></td>
<td></td>
<td>valid</td>
</tr>
</tbody>
</table>
**Hypotheses Testing**

Hypothesis testing is based on the value found in the structural model analysis, \( t\)-value, *standardized path coefficient value*, probability value (P) were used as predictor of significance level of path coefficient relationship or influence between variables. Threshold value of \( t\)-value factor loadings should greater than the critical value (≥1.98).

**Table 3 – Hypothesis Testing**

<table>
<thead>
<tr>
<th>No</th>
<th>Path</th>
<th>Path Coefficient</th>
<th>t-Value</th>
<th>p-Value</th>
<th>Note</th>
</tr>
</thead>
<tbody>
<tr>
<td>H1</td>
<td>Individual Intention &amp; Attitude (X1) ( \rightarrow ) Knowledge Sharing Behavior (Y1)</td>
<td>0.277</td>
<td>3.925</td>
<td>0.000</td>
<td>Accepted</td>
</tr>
<tr>
<td>H2</td>
<td>Organizational Culture (X2) ( \rightarrow ) Knowledge Sharing Behavior (Y1)</td>
<td>0.146</td>
<td>1.246</td>
<td>0.213</td>
<td>Rejected</td>
</tr>
<tr>
<td>H3</td>
<td>Leadership (X3) ( \rightarrow ) Knowledge Sharing Behavior (Y1)</td>
<td>0.477</td>
<td>3.662</td>
<td>0.000</td>
<td>Accepted</td>
</tr>
<tr>
<td>H4</td>
<td>Rewards (X4) ( \rightarrow ) Knowledge Sharing Behavior (Y1)</td>
<td>0.241</td>
<td>2.448</td>
<td>0.015</td>
<td>Accepted</td>
</tr>
<tr>
<td>H5</td>
<td>Knowledge Sharing Behavior (Y1) ( \rightarrow ) Competitive Advantages (Y2)</td>
<td>0.557</td>
<td>3.724</td>
<td>0.000</td>
<td>Accepted</td>
</tr>
</tbody>
</table>

**Discussion And Conclusion**

**Influence of Individual Intention & Attitude Towards Knowledge Sharing Behavior**

Based on the calculation of the structural coefficient 0.277 with t value (3.925) > t-table (1.98) p-value = 0.000 < 0.05, then the hypothesis which stated Individual Intention and Attitude influence towards Knowledge Sharing Behavior, is accepted. Thereby at the Faculty of Computer Science, University of Sriwijaya there is significant influence of Individual Intention and Attitude towards Knowledge Sharing Behavior. The better Individual Intention and Attitude will affect better the Knowledge Sharing Behavior. By contrast the worse Individual Intention and Attitude will affect the worse Knowledge Sharing Behavior also. From four indicators those were measured in Individual Intention
& Attitude, consequence aspect indicator (X14) must be reduced from calculation because has loading factor value only 0.483, so it considered not as indicator of Individual Intention and Attitude.

The results of this study aligned (prosthesis) with the Theory of Planned Behavior (TPB), that individual behavior is driven by behavioral intentions where behavioral intention is a function of individual attitudes toward behavior (Ajzen, 1985, 1991, 2005, 2011). This result also validate the framework that be used.

Intention’s indicator that measured by motivation dimention, which how hard dare to try or want to do knowledge sharing, has loading factor of 0.869. This shows that intention of behavior is motivation factor that has impact towards behavior and the organization will not be able to acquire the knowledge of each individual optimally if they do not give it voluntarily (Arif, 2000; Kristiawan, 2010). While the attitude indicator, as measured by the dimensions of behavioral aspects of belief, namely awareness of behavior has loading factor of 0.802 and beliefs on behavior has loading factor of 0.642. Both of these data show that the attitude toward the behavior as positive or negative feelings about the people doing the behavior, which indicates the degree to which a person has a good evaluation or less good about the particular behavior (Arif, 2000; Dharmmesta, 1998).

Influence of Organizational Culture Towards Knowledge Sharing Behavior

Based on the calculation of the structural coefficient 0.146 with t value (1.246) > t-table (1.98) p-value = 0.213 > 0.05, then the hypothesis which stated Organizational Culture influence towards Knowledge Sharing Behavior, is not accepted. Thereby at the Faculty of Computer Science, University of Sriwijaya there is no influence of Organizational Culture towards Knowledge Sharing Behavior. Good or bad Organizational Culture has no impact on Knowledge Sharing Behavior.

This result in contrary (antithesis) with the theories dan framework those are saying that the success of an organization is strongly influenced by the presence of a strong cultural character thus providing a conducive atmosphere and allows the organization to operate more effectively and efficiently (Haryono, 2013). With the rejection of this hypothesis, it can be said that shared values that are being use in the Faculty of Computer Science, University of Sriwijaya, both dimensional of visible culture and invisible culture do not support toward the establishment of the Knowledge Sharing Behavior.

From six indicators those were measured in variable of Organizational Culture, some were reduced from calculation because had low loading factors which are < 0.5, Role of Information Systems (X22), Trust (X24) and Organizational Knowledge Creation (X26). This is contrary to theory that if the Organizational Culture successfully developed properly, provide a conducive environment for people to share and can be developed to create organizational learning and knowledge creation culture (Kristiawan, 2010).
Meanwhile, valid instruments have loading factor which very high, the flexibility of the organizational structure (X21) of 0.900, the intensity of communication (X23) of 0.912, and the learning culture (X25) of 0.777, but the aggregate effect is very low on Knowledge Sharing Behavior with coefficient of 0.146. Thus all three of these factors must be evaluated and reviewed, and developed broader to other factors within Organizational Culture in order to support and influence the Knowledge Sharing Behavior.

**Influence of Leadership Towards Knowledge Sharing Behavior**

Based on the calculation of the structural coefficient 0.477 with t value (3.662) > t-table (1.98) p-value = 0.000 < 0.05, then the hypothesis which stated Leadership influence towards Knowledge Sharing Behavior, is accepted. Thereby at the Faculty of Computer Science, University of Sriwijaya there is significant influence of Leadership towards Knowledge Sharing Behavior. The better Leadership will affect better the Knowledge Sharing Behavior. By contrast the worse Leadership will affect the worse Knowledge Sharing Behavior also.

The results of this study aligned (prosthesis) with theories dan framework those are saying that the organization will not be free from the Leadership factors. Leaders in an organization will determine the working atmosphere caused by the Leadership style policy, leader policies always derived from values or their faiths, organization life style will change accordingly which believed by the leader (Haryono, 2013). The results of this study also supports research conducted by Aditya (2015) that said that Knowledge Sharing is Knowledge sharing is a very difficult process, because it is constrained by the different understandings between the knowledge providers and knowledge receivers, to overcome this obstacle, the role of leadership is needed to ensure knowledge sharing can take place effectively. Leaders with their leadership style become the main driver knowledge sharing within the organization, leader with the empowering style effect positively on knowledge sharing, and style of leadership those supportive, consultative and delegative significantly effect on knowledge management practices including knowledge sharing.

**Influence of Rewards Towards Knowledge Sharing Behavior**

Based on the calculation of the structural coefficient 0.241 with t value (2.448) > t-table (1.98) p-value = 0.015 < 0.05, then the hypothesis which stated Rewards influence towards Knowledge Sharing Behavior, is accepted. Thereby at the Faculty of Computer Science, University of Sriwijaya there is significant influence of Rewards towards Knowledge Sharing Behavior. The better Rewards will affect better the Knowledge Sharing Behavior. By contrast the worse Rewards will affect the worse Knowledge Sharing Behavior also. From four indicators those were measured in Rewards, the
indicator of intrinsic rewards of self-actualization was reduced from calculation because had low loading factors which is 0.050.

The results of this study aligned (prosthesis) with theories dan framework those are saying that knowledge sharing as a behavior, as mention in the Theory of Planned Behavior (TPB), need a behavioral control which is Rewards, whether sourced from internal self, from colleagues or partners to share knowledge, as well as from the organization.

In addition, another framework used in this study, is to look at high or low influence of Rewards on the Knowledge Sharing Behavior compared to the intensity of the knowledge sharing, it can be used as benchmarks for how far the Knowledge Sharing Behavior permeated an organization culture in everyday life. Data show that achievement of the scores for all Rewards indicators (X42, X43, and X44), are far above than the score of indicator of intensity of knowledge sharing activities (X23), then it can be understood that in the Faculty of Computer Science, University of Sriwijaya, Knowledge Sharing Behavior has not permeated an organizational culture because they are still strongly influenced by Rewards factors.

**Influence of Knowledge Sharing Behavior Towards Competitive Advantages**

Based on the calculation of the structural coefficient 0.557 with t value (3.724) > t-table (1.98) p-value = 0.000 < 0.05, then the hypothesis which stated Knowledge Sharing Behavior influence towards Competitive Advantages, is accepted. Thereby at the Faculty of Computer Science, University of Sriwijaya there is significant influence of Knowledge Sharing Behavior towards Competitive Advantages. The better Knowledge Sharing Behavior will affect better the Competitive Advantages. By contrast the worse Knowledge Sharing Behavior will affect the worse Competitive Advantages also. The results of this study aligned (prosthesis) with theories dan framework those are saying that Knowledge Sharing Behavior influence towards Competitive Advantages, which according to Aldi (2005) and (Kearns & Lederer, 2003) Competitive Advantages created from an internal organization's resources, such as the ability of employees, organizational structure, system of organizational work, creativity, and knowledge management which will be used knowledge sharing as a way to improve organizational knowledge.

The interesting thing from this research result to be explored further is on indicator of social media networks use as a tool for knowledge sharing (12), eventhough valid but the loading factor value only 0.670, that contributes the most low among others indicators. From this data finding, it can be said that the Faculty of Computer Science, University of Sriwijaya not optimally utilize the role of social media networks as a tool for knowledge sharing.

Knowledge Sharing Behavior is a good mediator variable in correlation between variables of Individual Intention & Attitude, Organizational Culture, Leadership, and
Rewards with Competitive Advantages. Proven by none of those variables that directly affect significantly the Competitive Advantages. In other words, the Knowledge Sharing Behavior is a variable that can bridge the Individual Intention & Attitude, Organizational Culture, Leadership and Rewards towards Competitive Advantages.

**Direct Effect, Indirect Effect, and Total Effect**

Using the path coefficient, it can be analyzed directly effect, indirect effect and the total effect. For Knowledge Sharing Behavior variable (Y1) data show that of the four variables: Individual Intention and Attitude (X1), Organizational Culture (X2), Leadership (X3) and Rewards (X4), the greatest effect is Leadership while the smallest effect is Organizational Culture. From this it can be understood that in order to encourage the Knowledge Sharing Behavior in Faculty of Computer Science of University of Sriwijaya, the role and influence of leadership is very significant in determining whether good or bad the successful establishment of the Knowledge Sharing Behavior. Meanwhile, on the other side that at present conditions the role and influence of Organizational Culture is still very small so it is necessary to be improved, or it can be concluded that the Organizational Culture of Faculty of Computer Science, University of Sriwijaya currently not significantly affecting the Knowledge Sharing Behavior.

For Competitive Advantages variable (Y2) data show that of the five variables: Individual Intention and Attitude (X1), Organizational Culture (X2), Leadership (X3), Rewards (X4), and Knowledge Sharing Behavior (Y1) the greatest effect is Knowledge Sharing Behavior, while the other variables effect are very small. From this it can be concluded that the Knowledge Sharing Behavior is important and has significant influence in determining and maintaining Competitive Advantages for the Faculty of Computer Science, University of Sriwijaya. It is also known that Leadership is the dominant variables contributing in determining and maintaining Competitive Advantages of Faculty of Computer Science, University of Sriwijaya. Data shown that Competitive Advantages (Y2), the indirect effect from four variables: Individual Intention & Attitude (X1), Organizational Culture (X2), Leadership (X3), Rewards (X4), still have greater effect than direct effect, therefore it can be concluded that the role and influence of the Knowledge Sharing Behavior variables as a mediating variable is huge. This research results also shown that total effect of Competitive Advantages of Faculty of Computer Science, University of Sriwijaya dominated by the influence of the Knowledge Sharing Behavior and Leadership. Meanwhile, a special attention and concern of the low impact of Organizational Culture towards Competitive Advantages, it must be reevaluated and reviewed, and developed broader to other factors within Organizational Culture in order to support and influence the Competitive Advantages.
Table 4 – Direct Effect, Indirect Effect, & Total Effect

<table>
<thead>
<tr>
<th>Variable</th>
<th>Individual Intention &amp; Attitude (X1)</th>
<th>Organizational Culture (X2)</th>
<th>Leadership (X3)</th>
<th>Rewards (X4)</th>
<th>Knowledge Sharing Behavior (Y1)</th>
<th>Competitive Advantages (Y2)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Knowledge Sharing Behavior (Y1)</td>
<td>0.277</td>
<td>0.146</td>
<td>0.477</td>
<td>0.241</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Competitive Advantages (Y2)</td>
<td>0.065</td>
<td>-0.197</td>
<td>0.266</td>
<td>0.012</td>
<td>-</td>
<td>0.557</td>
</tr>
</tbody>
</table>

Direct Effect Coefficients

Indirect Effect Coefficients

<table>
<thead>
<tr>
<th></th>
<th>Individual Intention &amp; Attitude (X1)</th>
<th>Organizational Culture (X2)</th>
<th>Leadership (X3)</th>
<th>Rewards (X4)</th>
<th>Knowledge Sharing Behavior (Y1)</th>
<th>Competitive Advantages (Y2)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Individual Intention &amp; Attitude</td>
<td>1.000</td>
<td></td>
<td></td>
<td></td>
<td>0.155</td>
<td></td>
</tr>
<tr>
<td>Organizational Culture (X2)</td>
<td>1.000</td>
<td></td>
<td></td>
<td></td>
<td>0.081</td>
<td></td>
</tr>
<tr>
<td>Leadership (X3)</td>
<td>1.000</td>
<td></td>
<td></td>
<td></td>
<td>0.266</td>
<td></td>
</tr>
<tr>
<td>Rewards (X4)</td>
<td>1.000</td>
<td></td>
<td></td>
<td></td>
<td>0.134</td>
<td></td>
</tr>
<tr>
<td>Knowledge Sharing Behavior (Y1)</td>
<td>1.000</td>
<td></td>
<td></td>
<td></td>
<td>1.000</td>
<td></td>
</tr>
<tr>
<td>Competitive Advantages (Y2)</td>
<td>1.000</td>
<td></td>
<td></td>
<td></td>
<td>1.000</td>
<td></td>
</tr>
</tbody>
</table>

Total Effect Coefficients

Conclusion

This research has successfully build a research model construction to investigate the antecedents variables and its influence of Knowledge Sharing Behavior towards Competitive Advantage of Faculty of Computer Science, University of Sriwijaya. Based on data finding and analysis, this research concluded as follows:

1. The hypothesis that the Knowledge Sharing Behavior influence toward Competitive Advantage is accepted, consequently Knowledge Sharing Behavior is an important
and significant influence in determining and maintaining Competitive Advantages, and also
2. The hypothesis that the Individual Intention and Attitude, Leadership, and Reward, influence toward Knowledge Sharing Behavior are also accepted, but the hypothesis of Organizational Culture influence toward Knowledge Sharing Behavior is rejected.
3. Direct effect, indirect effect and total effect analysis show that Knowledge Sharing Behavior acts as a mediator factor for other factors towards Competitive Advantage.

REFERENCES


INFORMATION CONTENT OF EARNINGS MANAGEMENTS: IMPLICATIONS ON GROWTH AND VALUE COMPANIES

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ABSTRACT

The purpose of this study is to investigate the pattern of earnings management on growth and value companies in Indonesia. This study predicts that earnings management has information contents. Therefore, earnings management tends to degrade the quality of earnings, then affect the future profitability. This study analyzes the effect of earnings management information content to the company's future profitability. This study provides an understanding about accounting information at certain market price levels for growth and value companies.

The contribution of this research is to provide an in-depth review on earnings management study associated with company life cycle (growth and value), as well as to give additional understanding about the existence of incremental information content of earnings management. Thus, firms show different earnings management behaviors and ultimately those behaviors affect the quality of profit to predict future earnings.

Findings of this study indicate the differences between earnings management influence on growth and value companies. The results also support the differences of relative incremental information content of earnings management on growth and value companies. The growth firms tend to do earnings management and have higher profitability compared to the value firms. The implication is that the incremental information content of earnings management on growth firms is lower than those of the value firms to predict future profitability.

Keywords: Earnings Management, Growth and Value Firm, Incremental Information

Introduction

The purpose of this study is to investigate the pattern of earnings management in growth and value companies in Indonesia. Earnings management has information contents and tends to degrade the quality of earnings. This study analyzes the effect of earnings...
management on company profitability. Kallunki and Martikainen (2009) find that earnings management can be used to predict future profitability. Earnings management can mislead investors and influence decision-making process. However, there is still much debate on the pattern differences of earnings management in each country. Shubita and Shubita (2010) indicate that earnings management has no effect on future profitability. Both studies examine the incremental information content of earnings management. Differences in previous research evidences create a gap within this study.

The pattern of earnings management in a company can be influenced by the company life cycle. Gray (1988) reports that culture affects the values of accounting system and accounting practice. Basuki et al. (2010) observe that countries with high power distance and low individualism or high collectivism have lower earnings quality. Leuz et al. (2003) and Francis and Wang (2008) find that countries with low level of investor protection have low level of earnings quality. De Fond and Hung (2007) and Hung (2000) prove that investor protection is positively correlated with the value relevance of accounting information. The researches support the notion that patterns of earnings management is different for each country. The pattern of earnings management is also different for types of company according to their life cycle.

This research is conducted on public companies in Indonesia with characteristics of high power distance and high collectivism that can affect the behavior of professionalism and transparency in accounting practices (Basuki et al., 2010). The implication is that public company in Indonesia is likely to report low level of earnings quality. Research on the incremental information content of earnings management has been conducted by Subhita and Subhita (2010) in Jordan. Indonesia has different culture compared to Jordan, in which Indonesia has low earnings quality. The research question of this study is whether all publicly traded companies in Indonesia have the same character in earnings management. Is there any difference in earnings management behaviors? Therefore, this study explores earnings management behavior that may be different for every public company in Indonesia.

Public companies as the sample of this study are grouped according to their life cycle. This study attempts to examine factors as the basis of differences in earnings management pattern. According to Madhogarhia et al. (2009), earnings management shows different behaviors on growth and value companies. Another study by Yan (2006) finds that firm size is growing along with its life cycle. Earnings management in growth firms is more aggressive than in any other life cycle stages. The focus of this study is to explore the implications of earnings management on growth and value firms in Indonesia. The growth firms have low profit or high market to book ratio. On the other hand, value firms are companies with high level of profit or low market to book ratio. Thus, a statement that Indonesia tends to have lower earnings quality should be examined by reviewing whether the company is a growth or value firm. Value firms are "glamour", in which investors are confidence. Investors tend to believe in financial statements, and
investment decision is based on company reputation. Investor confidence in growth firms is weak and investors still need to analyze financial statements to create investment decisions. This study provides deeper understanding that public companies in Indonesia generally tend to have low earnings quality due to the low investor protection as well as high power distance.

The contribution of this study is to provide in-depth study on earnings management related to company life cycle (growth and value), as well as to provide additional understanding of the existence of additional information content of earnings management. Thus, in a different life cycle, the company has a different pattern of earnings management. The implication may affect the quality of profits to predict future profitability.

Literature Review

Healy and Wahlen (1999) examine the aspects contained in earnings management. The first, intervention of earnings management on financial reporting can be done by using judgment, for instance judgments in estimating future economic events, such as estimations of economic life and residual values of fixed assets, pensions, deferred tax, loss on receivables and impairment. Managers also have choices of accounting method, such as depreciation and cost methods. Second, earnings management can mislead the stakeholders about firm’s economic performance because management has information access that is not accessible for outsiders.

Accounting literature defines two perspectives of earnings management, namely opportunistic perspective and information perspective (Holtahusen, 1990). Information perspective means that decisions on accounting choice indicate the expectation of company future performance. Meanwhile, according to opportunism perspective, managers manage earnings to get incentives transferring stakeholders’ wealth for their self-interests. There are various motivations encouraging profit management. Positive accounting theory proposes three motivations of earnings management: (1) the bonus plan hypothesis, (2) the debt hypothesis, and (3) the political cost hypothesis (Watts and Zimmerman, 1986).

Empirical evidences indicate that large companies tend to choose accounting methods that reduce profits (usually based on political cost hypothesis), companies facing debt covenant tend to choose accounting methods to increase profits (usually based on the debt hypothesis), and managers working at companies with bonus scheme will choose accounting methods that can increase profits (usually based on bonus-plan hypothesis) (Watts and Zimmerman 1986, 1990). McNichols and Wilson (1988) add the fourth factor encouraging managers to affect financial achievement, namely the operating, investing, and financing policies.
Earnings management on growth and value companies

Growth firms are companies with low profit or high market to book ratio. Meanwhile, value firms are companies with high profit or low market to book ratio. The stocks of growth and value companies are determined by the ratio of profit dimension such as market-to-book ratio. Fama and French (1992); Arshanapalli et al (1998); and Capaul et al. (1993) find that in the long run, value stocks outperform growth stocks in the US and overseas markets. Fama and French (1995); and Chen and Zhang (1998) show that companies with high book to market (B/M) ratio have lower profitability, higher financial leverage, and higher earnings uncertainty.

Stock price of growth firms falls when company reports low profits. Information asymmetry leads to earnings management. Growth firms have bigger incentive to manage earnings compared to value firms. Accruals discretionary as an indicator of earnings management would be higher for growth firms rather than value firms. Lakonishok et al. (1994) argue that investor expectations are based on calculations of past performance. Naive investors that are too optimistic about the prospect of glamour stocks tend to over trust the stocks. Therefore, they eventually increase the stock price (overpriced stock). If their expectations are not met, the stocks end up being a loss. According to DeBont and Thaler (1987), profit dissatisfaction adversely affects the market price of growth stock than value stock.

Skinner and Sloan (2002) argue that disproportionate response on negative earnings surprise explains different returns between growth and value stocks. Stock price of growth firms will experience significant negative adjustment when the firms report earnings surprise. Therefore, growth firms tend to do earnings management compared to value firms.

H1: Earnings management in growth firms is lower than earnings management in value firms.

Incremental information content of earnings management

Previous researches find that earnings management is conducted to obtain positive earnings, to maintain sustainable performance, and to meet analysts’ forecasts. Myers et al (2007) argue that firms manage earnings to show growth firm consistency. The firms report increasing profit continuously so that profits remain high. Furthermore, Kallunki and Martikainen (2003) prove that earnings management may affect the quality of earnings information, and ultimately reduce the quality of financial analysis based on earnings figure. Earnings management can be done by adjusting higher profit when the company experiences difficulties and lower profit when company is in a good condition (Subhita and Subhita, 2010). According to Subramanyam (1996) and Ali et al (2000), discretionary accruals improve the ability to predict future earnings. Ali et al (2000) examine the relationship between accruals and future returns of naive investors. The
findings show that the ability of accruals to predict future profitability does not work when market participants are unable to understand the relevant valuable information. Kallunki and Martikainen (2003) describe that earnings management is significantly related to future profitability.

**H2:** Current profitability affects future profitability.

**H3:** Incremental information content of earnings management affects current profitability in predicting future profitability

Patel, Prasad, and Naidu (2009) examine the pattern of earnings management between private and state-owned companies. This study refers to company life cycle to distinguish the patterns of earnings management. Logically, growth firms are trying to manage earnings in order to attract investors. Meanwhile, glamorous companies manage earnings to increase reputation and attract more investors.

**H4:** Growth firm’s profitability is lower than value firm’s profitability.

**H5:** Incremental information content of earnings management in growth firms is lower than in value firms.

### Research Methods

**Sampling Design**
The samples of this research are public companies in Indonesia from 2010 - 2012. The public companies are listed in Indonesia Stock Exchange during that period and report annual financial statement.

**Research Procedure**

Growth and value firms are categorized based on several factors: 1) market to book (m/b) ratio; 2) price to earnings (p/e) ratio; 3) price to cash flow (p/cf) ratio; 4) earnings per share growth; and 5) sales growth. Companies are ranked based on geometric mean variable for each year. Growth firms are those in top 25% of the geometric mean and value firms are those in the bottom 25% of the geometric mean.

Modified time-series model from Jones (1991) is used in this research. Jones model divides reported total accruals into nondiscretionary (expected) and discretionary (unexpected) components. Accrual nondiscretionary is derived from economic variable such as sales and investment level of fixed assets. Accrual discretionary is not described by economic variable but as a result of management decision. Accrual discretionary is used as a proxy of earnings management. Total accrual regression equation is presented in Equation 1.
TA_{it}/A_{it-1}= \alpha_1 \left[ \frac{1}{A_{it-1}} \right] + \alpha_2 \left[ \Delta \text{REV}_{it}/A_{it-1} \right] + \alpha_3 \left[ \text{PPE}_{it}/A_{it-1} \right] + \varepsilon_{it} \tag{1}

TA_{it} = \text{total accruals in year } t \text{ for firm } i \text{ (the difference between net income and cash flow from operating activities)};

\Delta \text{REV}_{it} = \text{revenues in year } t \text{ minus revenues in year } t-1 \text{ for firm } i;

\text{PPE}_{it} = \text{gross property, plant and equipment in year } t \text{ for firm } i;

A_{it-1} = \text{total assets in year } t-1 \text{ for firm } i;

\varepsilon_{it} = \text{error in year } t \text{ for firm } i;

\alpha_1, \alpha_2 \text{ and } \alpha_3 = \text{Model Coefficients.}

i = 1, \ldots, N

T_{it} = \text{year index for the years included in the estimation period for firm } i.

Total accrual (TA) is defined as the difference between net income (NI) and cash flow from operating activities (OCF):

TA = NI - OCF \tag{2}

T-test is conducted to test hypothesis 1 whether the growth firms more aggressively manage their earnings. Hypothesis 2 states the current profitability effect on future profitability. The regression equation is presented in equation 3.

\text{PROFIT}_{it} = \alpha_0 + \alpha_1 \text{PROFIT}_{it-1} + \alpha_2 \text{ASSET}_{it} + \varepsilon_{it} \tag{3}

\text{PROFIT}_{it} = \text{profitability in year } t \text{ for firm } i

\text{PROFIT}_{it-1} = \text{profitability in year } t-1 \text{ for firm } i

\text{ASSET}_{it} = \text{total asset in year } t \text{ for firm } i

The objective of the equation is to predict whether current profitability (\text{PROFIT}_{it-1}) can predict future profitability (\text{PROFIT}_{it}). Total assets (\text{ASSET}_{it}) is a control variable used in equation 4. Hypothesis 3 is tested using regression equation 4.

\text{PROFIT}_{it} = \gamma_0 + \gamma_1 \text{PROFIT}_{it-1} + \gamma_2 \text{AD}_{it-1} + \gamma_3 \text{ASSET}_{it} + \varepsilon_{it} \tag{4}

\text{AD}_{it-1} = \text{earning management in year } t-1 \text{ for firm } 1

Hypothesis 4 predicts the differences on profitability of growth and value firms using Mann Whitney U-test. Hypothesis 5 states that the incremental information content of earnings management in growth firms will be lower than that in value firms. To test this hypothesis, the regression equation is presented in equation 5.

\text{PROFIT}_{it} = \gamma_0 + \gamma_1 \text{PROFIT}_{it-1} + \gamma_3 \text{AD}_{it-1} + \gamma_4 \text{TIPE}_{it} + \varepsilon_{it} \tag{5}

\text{TIPE}: \text{Dummy variable for growth (0) and value (1) firm}
The coefficients obtained from the regression test are $\gamma_0$, $\gamma_1$, $\gamma_2$, $\gamma_3$, and $\gamma_4$. They are inserted back into the equation to obtain the expected profitability. The new equation is presented in Equation 6.

$$\text{PROFIT}_{it} = \hat{\gamma}_0 + \hat{\gamma}_1 \text{PROFIT}_{it-1} + \hat{\gamma}_3 \text{AD}_{it-1} + \hat{\gamma}_4 \text{TIP}_{it} + \hat{\epsilon}_{it} \tag{6}$$

The next test using Mann Whitney U-test is conducted on the expected profitability of the growth and value firms.

Data Analysis

Total samples analyzed in this study are 1135 public companies listed in Indonesia Stock Exchange for 2010-2012. Companies are categorized based on five measurement criteria namely: market-to-book (M / B) ratio; price to earnings (P / E) ratio; price to cash flow (P / CF) ratio; earnings per share growth; and sales growth. Companies in the top 25% are classified as the value firms and companies in the bottom 25% are the growth firms.

Hypothesis 1

Hypothesis 1 stated that there is a difference between earnings management in growth and value firms. The t-test results can be seen in Table 2.

<table>
<thead>
<tr>
<th>Table 2: Results of earnings management in growth and value firms</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mean</td>
</tr>
<tr>
<td>------</td>
</tr>
<tr>
<td></td>
</tr>
<tr>
<td>Lavene’s test for equality of variances</td>
</tr>
<tr>
<td></td>
</tr>
<tr>
<td>t-test for equality of mean</td>
</tr>
<tr>
<td></td>
</tr>
<tr>
<td></td>
</tr>
</tbody>
</table>

The result shows that the mean of earnings management in group growth firms (9.2126) is less than the value firms (9.5980). Variability in test results obtained Lavene’s F test of 0.536 (0.465). Level of statistical significance of >0.05 means that the two groups of observations are not too different. The mean equality of earnings management in the t-test obtained negative t (-4.4665) and the mean difference is negative (-0.38547) at the level of statistical significance 0.00. The conclusion is that the mean of earnings management in growth firm is lower than value firm. The results do not confirm the hypothesis 1 which states that growth firms tend to do earnings management more than value firms. In fact, the value firms tend to perform earnings management more than the growth firms. Hypothesis 1 is not supported because the company faces high political costs to manage earnings to be low or have a high debt to manage earnings to be high.
Hypothesis 2
Hypothesis 2 states that firm current profitability can predict future profitability. Linear regression is conducted and the results are shown in Table 3.

Table 3: Results of regression equation 4

<table>
<thead>
<tr>
<th>Model</th>
<th>B</th>
<th>Prob.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Constant</td>
<td>-15,261</td>
<td>0,016</td>
</tr>
<tr>
<td>PROFIT_{it-1}</td>
<td>0,431</td>
<td>0,000</td>
</tr>
<tr>
<td>LASET_{it}</td>
<td>2,243</td>
<td>0,001</td>
</tr>
</tbody>
</table>

The results show the value of F statistic 154.434 (p-val = 0.000). This confirms that the model could explain the research purpose. The value of adjusted R2 of 0.214 means that the independent variables used in the equation explains the dependent variable at 21.4%. The rest is explained by other variables. Furthermore, coefficient variables is statistically significance at level <α(0.05). Coefficient of PROFIT_{it-1} is 0.431 (0.000) and LASET_{it} is 2,243 (0.001). The results confirm the hypothesis that current profitability affects future profitability.

Hypothesis 3
Hypothesis 3 states that there is incremental information content of earnings management on current profitability when current profitability is used to predict future profitability. Equation 5 is basically testing the information content of earnings management on current profitability when used to predict future profitability. Table 4 shows the results of regression equation 5.

Table 4: Results of regression equation 5

<table>
<thead>
<tr>
<th>Model</th>
<th>B</th>
<th>Prob.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Constant</td>
<td>-1,244</td>
<td>0,032</td>
</tr>
<tr>
<td>PROFIT_{it-1}</td>
<td>0,673</td>
<td>0,000</td>
</tr>
</tbody>
</table>
The results of regression equation 5 shows the value F statistic 88.475 (p-val = 0.000). The value confirms that the model can be used. The value of adjusted R2 of 0.579 means that the independent variables used in the equation explains 57.9% of the dependent variable. Furthermore, coefficient variable of earnings management is not statistically significant -0.025 (0.667). When incremental information content of earnings management is low (high), the effect of current profitability when it is used to predict future profitability is high (low). Coefficients of current profitability is 0.673 (0.000) and coefficients of total assets is 0.175 (0.036). The results do not support the hypothesis that current profitability affects future profitability. It shows conflicting evidence compared to Kallunki and Martikainen (2003) which states that earnings management can predict future profitability. However, this finding confirms Shubita and Shubita (2010), that earnings management does not affect future profitability.

**Hypothesis 4**
Hypothesis 4 states that the profitability of growth firms is lower than of the value firms. Mann Whitney U-test is conducted and the results are shown in Table 5.

**Table 5: Results of Mann Whitney U-test**

<table>
<thead>
<tr>
<th></th>
<th>Mean Rank</th>
<th>Mann Whitney</th>
<th>Z</th>
<th>P-value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Growth</td>
<td>375,08</td>
<td>63026,5</td>
<td>-8,024</td>
<td>0,000</td>
</tr>
<tr>
<td>Value</td>
<td>512,98</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

The test shows the mean rank among growth firms (375.08) is lower than the value firms (512.98). These differences are explained further with negative Z value (-8.024, p-val = 0.000), which means that the mean of growth firms is lower than the value firms. The conclusion is that the profitability of growth firms is lower than the profitability of the value firms. The result confirms hypothesis 4.

**Hypothesis 5**
Hypothesis 5 states that the incremental information content of earnings management in growth firms will be lower than the value firms to predict future profitability. In hypothesis testing, coefficient regression model 5 is used ($\gamma_0, \gamma_1, \gamma_2, \gamma_3, \gamma_4$) to predict the expected profitability (see equation 6). The results can be seen in Table 6.

**Table 6: Results of equation 6**

<table>
<thead>
<tr>
<th></th>
<th>Prob.</th>
</tr>
</thead>
<tbody>
<tr>
<td>F</td>
<td>51,589</td>
</tr>
<tr>
<td>ADJ R$^2$</td>
<td>0,386</td>
</tr>
</tbody>
</table>
Model | B   | Prob.
--- | --- | ---
CONST (prob) | 12,904 | 0,265
PROFIT\(_{it-1}\) | 0,461 | 0,000
AD\(_{it}\) | -1,242 | 0,322
TIPE | 6,422 | 0,000

Results shows that current earnings management (AD\(_{it-1}\)) does not affect the future profitability of the company (PROFIT\(_{it}\)) (0.461, p-val = 0.032). Current Profitability (PROFIT\(_{it-1}\)) affects the future profitability (PROFIT\(_{it}\)) to 0.461 (0.000). Furthermore, the coefficient is included in the equation 5 to obtain expected profitability (see equation 6).

\[ \text{PROFIT}_{it} = 12,904 + 0,461\text{PROFIT}_{it-1} - 1,242\text{AD}_{it-1} + 6,422\text{TIPE}_{it} + \varepsilon_{it} \quad \ldots \ldots \quad 6) \]

The expected profitability then is used to test the difference between growth firms and value firms. Mann Whitney U-test is conducted to test the difference between the expected profitability of the growth and value firms. Results can be seen in Table 7.

<table>
<thead>
<tr>
<th>Mean Rank</th>
<th>Mann Whitney</th>
<th>Z</th>
<th>P-value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Growth</td>
<td>623,50</td>
<td>114691</td>
<td>-7,143</td>
</tr>
<tr>
<td>Value</td>
<td>480,98</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Table 7: Results of Mann Whitney U-test

Mean of the expected profitability from the value firms is less (480.98) than the growth firms (623.40). Z values (-7.143; p-val = 0.000) shows that means of the value firms is less than the growth firms. The incremental information content of value firms is lower to predict future profitability than the growth firms. The results do not confirm the hypothesis 5. The conclusion is that there is a difference between the incremental information content of growth firms and value firms.

Value firms tend to perform earnings management compared to growth firms. The profitability of value firms is also higher than that of the growth firms. However, the incremental information content on earnings management in value firms is lower than the growth firms. Therefore, the conclusion is that value firms in Indonesia tend to perform earnings management and have higher level of profitability than the growth firms. This might happen because the value firms are reputable and try to make better financial reports for investors. Based on the political cost hypothesis, large companies tend to choose accounting methods that reduce profits. Value firms are companies with high profits or low market to book ratio. Thus, companies are trying to decrease profits due to the possibility of higher political costs. If the value firms are in high debt, there is the
possibility of the firms trying to choose the accounting method that can reduce profits as emphasized the debt hypothesis.

**Conclusion And Discussion**

Company and management interests lead to earnings management. Earnings management can affect overall company performance report. This study addresses relative incremental information content of earnings management, which can affect company profitability. The aim of this study is to investigate the differences of relative incremental information content of earnings management. This study compares two types of firms based on company life cycle namely growth and value companies. Previous studies indicate that public companies in Indonesia generally perform earning management, so that earnings quality is generally low. This study provides deeper understanding about earnings management and contributes in examining the type of companies (growth and value) in performing earnings management in Indonesia.

The findings of this study prove that the value firms tend to perform earnings management to improve the company’s profitability. The conclusion is supported by statistical evidence about the differences between earnings management in growth and value firms. The results also indicate that growth firms tend to perform earnings management compared to the value firms. Tests on companies’ profitability also show differences between growth and value firms. Growth firms tend to have lower profitability levels than the value firms. Findings on incremental information content on earnings management when current profitability used to predict future profitability indicate that those of the value firms tend to be lower than those of the growth firms. Based on political cost hypothesis, large firms tend to choose accounting methods that reduce profits. Value firms are companies with high profits or low market to book ratio. Thus, companies are trying to reduce profits due to the possibility of higher political costs. Based on debt hypothesis, if the value firms are in high debt, there is a possibility of the firms trying to choose accounting method to lower profits.

This research has limitations, such as sorting company’s growth and value based on ranking of geometric mean of 5 variables observation and taking the top 25% as value firms and the bottom 25% as growth firms. Determination of the geometric mean rank is constrained because many companies do not report complete financial statements, and therefore cannot be included in the sample. Future studies suppose to study deeper determination of growth and value companies.

Another limitation is to determine the proxy of company profitability. The proxy used in this study is profit margins. The use of a single proxy bias is unlikely to capture the general purpose of research to study the effect of earnings management on company performance. Suggestion for further research is to use a composite factor with some proxy of profitability.
Future researches also need to examine deeper the incremental information content of earnings management since earnings management affects the overall financial performance. Deeper studies can determine the right proxy of incremental information content of earnings management that is expected to reveal the earnings management behavior.

References


EFFECT WORK-LIFE BALANCE AND ADVANCED STUDY ON EMPLOYEE PERFORMANCE

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Economics and Business Faculty Perbanas Institute

ABSTRACT

This study analyzes the effect of work-life balance and employees’ performance. Existing research shows that employees who can make work-life balance have a good performance. Variable opportunity to study in this research advanced analyze the performance of employees due to workload increased advanced study of the work-life balance, advanced study, and still maintain the life. Advanced study to make the division of time for work and life is reduced because of advanced studies confiscated quite a lot. This research was conducted in educational institutions. The selection of the research was based on the consideration that an educational institution employees are motivated to continuously develop themselves to continue their studies. This study was initial research for advanced research.

KeyWords: Work-Life Balance, Employees’ performance, advances study

Introduction

For an employee, everyday life is concentrated on two activities and two different places. On the one hand, employees are part of an organization devoted place and earn a living. On the other hand, an employee is also part and take responsibility for their families. The concentration and distribution of time must be performed by employees so that they can run in parallel.

The divisions are mathematical calculations do not should be administered by the same amount. Supporting the employment of family life. Likewise, family will support employees in carrying out all activities.

Suhardono (2015) said that employees expect to work and family go hand in hand in harmony, the work is a part of life which will result in the totality of the work-life. So it’s not just the balance.
This study will be added variable employee activities advanced studies to look for other forms of employee activities outside of work and personal life and or family. Advanced study is attempted to be included in this study because several previous studies that found only discusses the influence Work-life balance on performance alone.

The purpose of this study was to conduct an analysis of the concepts that exist in relation to the employee’s Work-life balance and influence between Work-life balance and the employee's performance and the effect of advanced studies on the influence of Work-life balance and the employee's performance.

This research is expected that employees and organizations capitalize on Work-life balance in order to keep improving performance in the workplace when an employee is being advanced study.

Literature Review

Work-Life Balance

Work-life balance (the balance of life and work), the concept of a balance between work and leisure time with physical, emotional, and spiritual health, has been a concern of many organizations for employees to balance life and work better will affect more attention on the work and focus. In addition, such employees will have overall satisfaction in work and life. This fact is supported by several studies that found the fact that an individual is more likely to improve the quality of life, mental health, or well-being when he can balance life and work. In addition, other studies acknowledge that the Work-life balance affects healthy lifestyle, highlighting the importance of leisure and recreation to promote the welfare of acting as a crutch setres and encourage a better quality of life and increase productivity and efficiency (Pookaiyaudom, 2015).

Work-life balance has been under discussion since the 1980s as a reaction against unhealthy working life, employees have to struggle to find a precious time for their personal life, ignore the family, and friends, leisure activities because of work. Work-life imbalance detrimental to individual quality of life and well-being. The problem is the long working hours and workload, which causes setres work and illness due to setres. Limelight extends to different areas of work. Work-life programs balance enhance the experience of employees with their benefits for individual employees, workplaces, and communities. Benefits include quality of life, mental health, or well-being (Pookaiyaudom, 2015).

Work-life balance is a concept in conduct constituting a balanced allocation of time in running different roles to perform priorities between the demands of work and personal life. The balance between work and non-work responsibilities responsibilities (Poelmans
et al., 2008). Which must be balanced is the time division, engagement, and satisfaction. The balance achieved is intended to improve the quality of life (Greenhaus, et al., 2003)

Work-life balance is a concept in conduct constituting a balanced allocation of time in running different roles to perform priorities between the demands of work and personal life. This variable will be seen from the resulting value of the respondents' answers on the dimensions of responsibility work and non-work responsibilities. Respondents will be approval or disapproval of the range of scores 1-5.

**Performance**

Performance is an employee success rate in completing the work, is the embodiment of talent and ability of real work and not the characteristics of the individual employee, the employee's work achieved in the task and the work of the organization. According to Mathis and Jackson, the performance is also what to do and what not to do an employee, a real behavior that appears on the employee as a job performance in accordance role in the organization, is the result of the knowledge, skills, and the desire of employees, the performance of employees working in accordance with the requirements specified organization (Priansa, 2014).

Factors that affect performance are as follows.

1. The individual, which includes the ability and physical and mental skills and backgrounds, such as family, social level, experience, demographics such as age, origin, and gender;
2. psikolis, that of perception, attitude, personality, bemauan learning, and motivation;
3. The organization, in the form of resources, leadership, rewards, structure, and design work.

According Sutermeister performance is influenced by motivation, ability, knowledge, skills, education, experience, training, interest, attitude, personality, physical and physiological needs, social needs, and the needs egoistik. Keith Davis's performance is affected by the ability of psychological form of Intelligent Quotient and the ability of reality that is a combination of knowledge and skill; as well as the motivation that is formed from one's attitude in the face of the work situation. (Priansa, 2014).

Performance measurement adapted to the needs of the organization. According to Mondy, Noe, and Premeaux, dimensions that can be used is the quantity of work in the form of project work and productivity of employees in a given period; quality of work, such as accuracy, precision, neatness, and completeness in handling tasks; self-reliance in the capability and independence of the work; initiatives that relate to the independence,
flexibility of thinking, and a willingness to take responsibility; adaptability that be the ability to react to changes; as well as cooperation relating to others. (Priansa, 2015)

Employee performance refers to one's achievement as measured by the standards or criteria set by the company. Management to achieve high performance human resources intended to enhance the company's overall performance. Control skills that do boss (supervisor/manager) emphasizes the development of skills and abilities of individuals. This is an attempt to influence the performance of employees to have the expertise and skills toward a good performance. Control skills including setting goals for the level of expertise and ability to be owned by the employees, monitoring skills, and the ability of employees, give guidance for the purposes of the improvements needed, reward (reward) and sentenced to employees on the basis of the level of skill and ability. To control skills, employees are trained with encouragement, support, and enhance the behavior (behavior), such as training and internships aimed at improving the skills and abilities, such as presentation, negotiation, interpersonal communication, planning and other skills that are relevant. (Wibowo, 2006)

Performance (job performance) is an employee success rate in completing the work, is the embodiment of talent and ability of real work and not the characteristics of the individual employee, the employee's work achieved in the task and the work of the organization.

Performance indicators will be measured by the quantity of work, quality of work, employee efficiency, employee quality standards, business employees, employee professional standards, the ability of employees to work the core, the precision of employees, employee knowledge (Wibowo, 2006). Each indicator will be seen the value of the answer in the form of disapproval responden up to strongly agree (1-5)

Activity of Advanced Studies

What is meant by activities advance studies are an additional educational activities conducted employees besides work and personal life and or family. This activity is intended to provide additional supplies to employees, both facilitated by self-organization and employees themselves. This activity is associated with an additional allowance for the time and effort that must be set aside by an employee. Organizations must provide greater opportunities for career development through various forms of training and education (Keban, 2004).

Advanced research activities are activities performed in the form of additional education of employees outside of work and personal life and or family. Measurements will be done by asking a question with a range of answers (1-5), strongly disagree to strongly agree with.
Previous Research

Pookayodom (2015) showed that Thai students and students of international programs at Chulalongkorn University has realized the importance Work-life balance and its influence on well-being is one of the characteristics of graduates desired including the importance of sports and recreation as approaches Work-life balance for maintenance of well-being and as a stress buffer. They are able to strike a balance between work and life for welfare, less can reduce the pressure and control stress compared with awareness of the importance of time management when excess duty. Both groups studied showed differences recreational activities for Work-life balance, Thai students spend most of their time in The Social Network, while international students watch television, play games, and sports. Another difference is the activities and facilities offered by the college. Thai students agreed that they were primarily volunteer camp allows students to practice community service and participate in the camp area. While the majority of international students feel that the socialization of recreational activities by universities offer more, such as sports games Chulalongkorn international schools because they get to know new friends and encourage their networking capabilities. Recreation is a matter of free choice and free time. Welfare component as the desired characteristics of graduates have felt and adjusted through leisure and recreation.

TA and Henry Beauregard (Beauregard, A. & Lesley, 2009) showed that the implementation of the Work-life balance is not necessarily reduce conflict and there is a possibility to make employees become less committed. Its implementation is expected to provide a competitive advantage for the organization. Its application would also have the impact of cost reduction and there is an imbalance between the treatment of male and female employees since their male counterparts will dominate.

Methodology

The population is employees at education institution who are continuing the study by June 2016: 55 employees consisting of 22 employees are advanced studying to doctoral program, 24 employees for master program, and 9 for undergraduate program. Of this population to be sampled is 34 employee who returned the questionnaire.

The data collection is done by delivering questionnaires to respondents, ie staff moving further studies to determine the respondents’ perception on the variable Work-life balance and performance variables. As a moderating variable written questions about the activities undertaken further studies. On every statement delivered to resolution strongly agree (5), agree (4), neutral (3), disagree (2), and disagree (1).
To analyze the data descriptive analysis was used to determine the characteristics of each variable studied. Hypothesis testing is done to see the effect antarvariabel. Before testing the hypothesis test for normality and homogeneity test. All hypothesis testing using $\alpha = 0.05$. The data obtained were processed using SPSS.

**Discussion**

From previous research the author did not find activities advanced studies used as variables that affect performance are considered. Besides, are not found any research on advanced study activities associated with work-life balance which is considered to strengthen or weaken the performance of employees.

The results of the analysis showed that the variables work-life balance is not significant in building employee performance (a value significantly greater than 0.05). Work-life balance supported by the employees' understanding on the implementation of work-life balance, time division employees do in order to create a balance between all activities, work, family, and advanced study, employee participation in each activity, and employee satisfaction on work-life performed.

<table>
<thead>
<tr>
<th>Model</th>
<th>Unstandardized Coefficients</th>
<th>Standardized Coefficients</th>
<th>Collinearity Statistics</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>B</td>
<td>Std. Error</td>
<td>Beta</td>
</tr>
<tr>
<td>1</td>
<td>(Constant)</td>
<td>-1.630</td>
<td>1.117</td>
</tr>
<tr>
<td></td>
<td>Understanding</td>
<td>.150</td>
<td>.256</td>
</tr>
<tr>
<td></td>
<td>Time</td>
<td>.226</td>
<td>.242</td>
</tr>
<tr>
<td></td>
<td>Partisipation</td>
<td>.019</td>
<td>.255</td>
</tr>
<tr>
<td></td>
<td>Satisfactio</td>
<td>.158</td>
<td>.184</td>
</tr>
<tr>
<td></td>
<td>StudiLanjut</td>
<td>.858</td>
<td>.104</td>
</tr>
</tbody>
</table>

a. Dependent Variable: employee’ performance
Advance study activities significantly influence employee performance. This fact is shown by the results of the analysis significant level of 0.00 is less than 0.05. Advanced analysis of the study shows the influence of R Square .676, which means the effect of advance study on the performance was 67.6% while the remaining 32.4% is influenced by other factors not examined.

### Table 2: Model Summary

<table>
<thead>
<tr>
<th>Model</th>
<th>R</th>
<th>R Square</th>
<th>Adjusted R Square</th>
<th>Std. Error of the Estimate</th>
<th>Durbin-Watson</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>.822</td>
<td>.676</td>
<td>.666</td>
<td>.71496</td>
<td>1.915</td>
</tr>
</tbody>
</table>

a. Predictors: (Constant), Advance Study  
b. Dependent Variable: employee’ performance

### Conclusion

The results of this study concluded that work-life balance consisting of understanding, time, participation and satisfaction did not significantly influence employee performance. Advanced study activities has a significant influence on the performance of employees with the effect of 67.6%.

The results appear very encouraging as it turned out with their employees the opportunity of advanced studies, the performance of employees being adversely affected. However, this study can not describe the condition of an institution considering that not all employees who are involved in the advanced study activities join this research.

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http://doi.org/10.1016/j.sbspro.2015.01.657
MANAGEMENT STYLE AND FACTORS AFFECTING SERVICES PROVIDED BY HALAL SPA BUSINESSES FOR MUSLIM TOURISTS IN THE GULF OF THAILAND

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ABSTRACT

This academic article aims to provide a case study into the management style and factors affecting services provided by Halal spa businesses for Muslim tourists. The content of the article explains the importance of spa businesses for Muslim tourists in Thailand as well as the tendencies of Muslim tourists in the gulf of Thailand and management styles of various Halal spa businesses. It also attempts to explain the factors affecting those Halal spa businesses. The study found that the management style of the Halal spa businesses mostly consists of both internal and external elements. As for the factors affecting the service by Halal spa businesses in the gulf of Thailand for Muslim tourists, they compose of the following: product, price, place, promotion, people, process and physical evidence. Hence, Halal spa businesses in the gulf of Thailand can utilize this knowledge to improve the efficiency of their business models in order to increase the benefits they receive.

Keywords: Business Management, Halal Spa Business, Muslim Tourist, Gulf of Thailand

Introduction

Nowadays, Tourism is an important to economic systems all over the world. In other words, many countries around the globe assign tourism to being a service industry which is significant to their countries as tourism can generate immense revenue streams. A successful tourism industry can also stabilize a country’s economy. Consequently,
tourism is a service industry that is as important as other large industries in many countries. These countries therefore have to compete with each other in terms of economy for the purpose of snatching tourists from other countries to come to travel to their own countries. Aside from this, tourists may also travel around inside a certain country. Thus, it is necessary for the countries that have big tourism industries to create opportunities to compete with their rivals by setting up strategies that can respond to their customers’ needs. For instance, new forms of services and additional services. The purpose of these strategies is to develop products and services regarding tourism which can create a competitive advantage. Halal tourism is a relatively new kind of tourism service in the tourist industry which focuses on the target group of tourists from Muslim countries. Hence, tourism services and halal services must be developed in order to meet the needs of this new market of tourists from Muslim countries. One way to attract these tourists is to provide many kinds of services that can respond to their needs by providing services which are in line with their religious practices. For example, hotels may support Muslim tourists by providing products and services free of prohibited goods such as pork meat and alcoholic drinks. In addition, the swimming pool, spa room, and prayer room may be separated between men and women (Halabase, 2011).

At present, the Muslim population around the world stands at approximately 1,500,000,000 which is 22.9% of the total world population. There is a density of Muslims in the Asia Pacific region of around 61%, Muslims are spread around the globe. Accordingly, the market that sells halal products is constantly in demand, and also halal products and services are highly consumed. It can be seen that tourism for Muslim countries is regarded as an extremely important market (okhovat, 2010). Meanwhile, providing services concerned with tourism to Muslim tourists has to make considerations based on Islamic regulations. This is due to Islam having strict rules which tourism management services need to respond to in order to meet the needs of Muslim people. (Thaipost, 2013). The Halal spa service is an activity that promotes tourism, which is particularly outstanding in Thailand in the field of Thai ancient massage. According to Sriprasert et. Al (2014), it was found that tourists from Muslim countries who travel to Thailand on the Andaman coast required spa services at a high level. Therefore, Halal spa businesses are regarded as one of businesses that is very interesting in order to support all Muslim tourists who are travelling to Thailand. The process of giving services in the form of Halal is heartfelt and this is important in giving tourists good service. This is due to the tourists placing importance on the practice following Islamic principles, also, it is well known that the procedure of giving services is a part of management. As a consequence, the operations of Halal spa businesses needs the understanding of the management form as well as the factors affecting Halal spa business services so that the entrepreneurs in the spa business field will be able to apply themselves correctly in order to support all tourists from Muslim countries.
The importance of spa businesses for Muslim tourists in Thailand.

The number of tourists from the Middle East travelling to Thailand is about 476,024 people each year, 43% of whom will use services provided by Halal spas. According to the survey findings of this group of tourists, it is found that spas in Thailand ranked on the top of their list of activities. The average expenses of using the spa services are about 3,918.25 baht per person in a trip. In this regard, the effect of the total market value of the Middle Easterners using spas will be at approximately 825.65 million baht. This accounts for 5% of the total market value of the spas involved in providing Thai ancient massage, of which the total yearly profit is 16,000 million baht. However, this will be regarded as a niche market. (Prachachart Business, 2015). Thailand places great importance on the Halal market for the purpose of responding to Muslim tourist needs. An important factor in Halal marketing is to develop the raw material quality to be in accordance with Islamic principles. The cosmetic products for use in a Halal spa business such as washing products and skin care products cannot either be made from any parts of pork or made by through processes that are not in line with the religious principles. All oil products should be made from plants. If any product is made from animal fat, it must not be made from forbidden animals. The process of making products associated with killing animals should be executed in the Islamic way. Consequently, methods involving Thai herb products and the organic products can answer all the Halal questions right away. However, some of those products still lack the International organisation standardisation (ISO). This standard, as mentioned above, is regarded as the heart of the Halal spa business in order to give the services of Traditional Thai medicine to Muslim tourists. To provide the services of the traditional Thai medicine to the Muslim tourists, the spa businesses must do so in the form of Langkasuka massage treatment which means using fennel oil and a compressed massage ball in a massage service (Halal institution of Prince of Songkhla University, 2015). Apart from the cosmetic products used in spas, the process of providing the Halal services is also regarded as the heart of the service, which is very important in giving the services to Muslim tourists. In this regard, it can impress upon Muslim tourists, and that can be spread by word of mouth that can cause repeat, as well as new, custom in the use of spa services in the future. If the number of tourists increases, it can also increase the value of the tourism economy to entrepreneurs and improve the revenue of the country’s economy on the whole. That could give Thailand an advantage over its competition in the tourism service industry.

The tendencies of Muslim tourists in the gulf of Thailand

Since Thailand became a member of the Asean Economic Community (AEC), it has had an increased number of tourists from Muslim countries in South East Asia such as Malaysia, Indonesia, and Brunei travelling to Southern Thailand (Insititution for tourism professional training, 2011). Furthermore, Malaysia and Indonesia have been in cooperation with Thailand in making the co-economic development program known as
the Indonesia – Malaysia – Thailand Growth Triangle (IMT GT). This program covers the area of the Thai gulf comprising of Chumphon, Surat Thani, Nakhon Sri Thammarat, as well as Phatthalung provinces. Through this cooperation, the number of tourists from Malaysia and Indonesia coming to Thailand can be far higher than in the past. (Nittaya Tieangtrongpinyo, 2008). According to the data from the Department of tourism, it was found that tourists from Malaysia, which are at 17.5% of the total number of tourists, travel to Thailand and spend most of their time in the South. They can mostly be found in the city of Hatyai in Songkhla province. This is because Hatyai and Songkhla are the center of the Southern Thailand so travelling between them is easier and more convenient for tourists travelling North by land from Malaysia. Moreover, the data from the Department of tourism also shows that from the statistics of tourists who travel to Thailand from or through Malaysia are ranked as the second highest group of the total number of tourists who travel to Thailand each year. (Department of tourism, 2011)

If Thailand wants to encourage more tourists from Muslim countries to visit the Kingdom, especially tourists from the group of Asean countries including Malaysia, Indonesia, and Brunei. It is neccessary to provide adequate Halal spa services which are suitable for the needs of Muslim tourists. In doing this, Thailand must have the correct business administration of the Halal spa services in place in order to impress those tourists. Word of Thailand’s tourism industry may then be spread to people in the tourists’ home countries so that both returning tourists and new tourists will come to use the services in Thailand, particuly in the south of Thailand comprising of the provinces of Chumphon, Surat Thani, Nakhon Si Thammarat, and Phatthalung. Those provinces mentioned on the Thai gulf side are areas which consist of both the seaside locations and moutain range locations, and are regarded as areas that are rich in tourism resources. If entreprenuers in the spa business are well prepared in the field of providing services in Halal form it will be create a great opportunity for the Thai gulf to welcome many more Muslim tourists travelling to Thailand in the future.

The management style of the Halal spa businesses in the gulf of Thailand

From studying the importance of the Halal spa business sector and the trends of the Muslim tourists in the gulf of Thailand. It is reccomended by the author that the management of the Halal spas should be set up for the purpose of being in accordance with the Thai gulf context to support Muslim tourists. In this regard, the administration and management of the Halal spa in the Thai gulf should be in harmony with the standards of Halal food for tourism which should be divided into 11 elements (Deopartment of tourism, 2011). Regarding the form of administration and management, Halal spa businesses are presented in nine elements, classified into two main parts which are internal elements and external elements, these elements are described below.
Internal element

Internal elements are the elements related to the internal Halal spa business. The author suggests the internal elements for the management of the Halal spa business should be divided into six sections.

1. The location element

In order to manage the location element, the Halal spa business must have good location management. To begin with, the male and female prayer rooms and the rest rooms should be separate. What is more, there should be clear signs that visitors can use to tell which rest rooms are for men or women. Moreover, the spa should set up all equipment for use in the toilets such as toilet hoses and water taps. Additionally, the bed for the massage and the rest rooms should not face in the direction of Qiblah (The West of Thailand). Furthermore, any inappropriate images are not allowed to be hung, especially in the massage rooms. Aside from inappropriate images, pets should also be prohibited in the spa area.

The Halal spas should be located in a clean and safe environment which is free of any pollution. As mentioned earlier, the Gulf of Thailand has areas consisting of both mountains and the sea, thus the spa halal business might use the local context in arranging a place to do business. For instance, most areas in Phatthalung and Nakhon Sri Thammarat province are next to the hills and mountains. As a consequence of this, the spa might take advantage of the local geography by situating its business in those mountain areas, or the spa may decorate the inside of the spa to be as natural as possible if the spa is in a moutainous area. Apart from Phatthalung and Nakhon Sri Thammarat, Suratthani is a famous city which is nearby the sea, and as a result of that, the Halal spa business might be located in a beach area. What is more, the spa business may decorate its premises to give the customers a beach feel in order to make them feel fresh with a good feeling whilst having a massage. The tourists will feel relaxed and this will leave a good impression on them of the services provided by the Halal spa.

2. Personnel element

The personnel who provide the services of the Halal spa are exceedingly important and so the Halal spa business will have to arrange muslim staff to work or find staff who have the cognition of the practices following Islam principle. Besides this, the staff should have good knowledge associated with massage and have received the proper training. What is more, the staff should wear a proper uniform. Apart from that, staff must be healthy and free of any contagious illnesses. In this case, the staff should have to go for annual health check-ups. In addition, it is neccessary for the Thai staff to have the
requisite skills and experiences in giving services and they should also be multilingual and capable of communicating in one or more of the following languages; English, Arabic and Bahasa. Furthermore, the business of the Halal spa should develop their personnel in the organisation by using the foreign language and by following the methods of massage in the Islamic way.

3. The material and products element

To manage the element of materials and products, Halal spa businesses must only use products do not contain addictive substances that may affect the mental state and/or nerves. Apart from that, the materials and products should not have any ingredients that come from the forbidden animals of Islam. The products must not contain toxins that can cause serious harm. Moreover, products should not have any alcohol even those which can are only activated in treatment. The most important thing is that the products are certified and they must also have the Halal sign on them in order to make the tourists trust the products, this may lead to an improvement of the reputation of that spa among its visitors.

4. The service element

To give adequate services to Muslim tourists, Halal spa businesses should have various forms of services for the purpose of supporting the tourists and respond to their needs. Thailand is well known regarding providing good services especially the Thai ancient massage (Prachachat Business, 2015). Thus, Halal spa businesses can give Muslim tourists the best form of Thai ancient massage service. In doing this, the staff must also wear the proper uniform and welcome all the tourists with a traditional Thai wai. The Halal spa business should separate the services between men and women. The female staff must only massage female tourists and the male staffs likewise should only massage male customers. Additionally, the staff should aim to give the customers a great service which is quick and neat. Moreover, the spa should not sell any kind of alcohol drink and the Halal spa business should definitely not have sexual services on offer.

5. Safety element

Halal spa businesses should locate its business in an area where the local environment is safe. There is a multitude of dangers that should be considered when choosing a location for the business including gas leaks, electrical shortages etc. Furthermore, the Halal spa business should be located far away from any pollution producing areas.
6. Disposal of waste element

The disposal of waste at any Halal spa business should be regulated and different coloured waste bins provided for the staff to separate out recyclable and non-recyclable goods. Besides that, there should be lids on all drains which should also be laid down in an efficient and useful manner. The spa should not release sewage into public water resources. Apart from that, there should be a tank installed that can filter food & oil so as not to cause any pollution to the local area.

External element

External element is something thing that can have an effect on the management of any Halal spa business. The external element is divided by the author into four main elements; social responsibility element, environmental management element, community relationship element and safety element.

1. Social responsibility element

The social responsibility element is something that any Halal spa business should give huge importance to. In this regard, the Halal spa business must follow labour legislation in terms of wage and welfare. Furthermore, the spa business should not break the law with regards to child labour. In case of hiring foreign staff, the spa business should operate in line with the relevant labour legislation. In addition, the spa business must not support or provide any sexual services.

2. Environmental management element

To manage the environmental element of the business, it is neccessary for the Halal spa business to have measures and policies that can create a high level of consciousness in all departments in order to campaign about environmental conservation. The business should also support the use of products that are eco-friendly as well as increasing the use of crops and herbal products. There should be policies in place to encourage the business and its staff in water and energy conservation, training should be provided to deal with this particular element of the business.

3. Community relationship element

In order to achieve sustained success in the Halal spa business, it is neccessary to build a long and lasting relationship with the community by providing activities and participating with the local community, especially the Muslim community. Besides this, local products
from the community should be supported. The spa business should encourage the local community to produce Halal products as well as Halal food in order to sell them on to the Muslim tourists. This may also help to create employment opportunities for the local community. What is more, the conservation of Thai culture and folk customs in the local community should also be supported. Additionally, any information regarding the mosques in the area should be provided to all Muslim tourists in case they want to practice religious activities there.

4. Safety element

To manage the business of Halal spa, it should be situated in a safe environment, which can control any dangers that might occur such as; gas leaks, flooding and electrical shortages for example. Additionally, it should be situated far from any polluted areas.

From the synthesis of the internal and external elements, the author hereby specifies the diagram showing business management of Halal spas in the gulf of Thailand as shown below in Figure 1.

Figure 1 – The form of Halal spa business management in the gulf of Thailand.
The factors affecting services provided by Halal spa businesses

The author uses the theory of marketing components by Kotler which is called the marketing mix 7’s (Kotler, 2011) to set up the factors relevant to providing Muslim tourists with the necessary services.

1. Product factor

The operation of the spa business nowadays provides a diverse range of massage including Thai ancient massage, oil massage, herbal steam and relaxing massage. To develop the services in the Thai gulf the spa should have products which are unique. By doing this, it can attract the tourists to come and use their services. The strength of the gulf of Thailand is its geographical context, which consists of mountains, the sea and hot springs. Thus, the spa businesses should aim to develop their services to be in the form of mineral spring spas for the Muslim tourists. Moreover, herbal drinks should be provided as part of the service because Thailand is a country with a richness of herbs especially in Phatthalung province. The aforementioned herbs can be brought for use in making herbal drinks for Muslim tourists so that they are able to sample them. (Anucha Noonun, 2005). In addition, the Halal spa business can make its own products for use in massage such as fennel oil and compressed massage balls which can also be sold to Muslim tourists as souvenirs or gifts.

2. Price factor

In the business of Halal spas, the entreprenuers will have to set the price to be appropriate with the service offered. In doing this, the entreprenuer must clearly present the service rates for all types of massage so the Muslim tourists will get to know the right information before making a decision on using the services. Payment methods will have to be under Muslim legislation, in the case of changing the price such as during a festival period, the entreprenuer should notify their customers of any changes in advance.

3. Place factor

The Halal spa businesses can set up various channels of distribution i.e. sale systems of services that are available, through the business website. Apart from websites, the spa business might sell its services via hotels and travel agencies. Today, it can be clearly seen that it is easier than ever before for tourists to buy service packages. They can just go to Halal hotels or selected travel agencies from Muslim countries to purchase them. Moreover, the tourists can either reserve the service package via telephone or walk-in to the spa by themselves if they want a more customized experience.
4. Promotion factor

Promotion is one of the factors that can have an effect on customers coming to use the services provided by the Halal spa. To promote the business of Halal spas to Muslim tourists, the spa must advertise via mass media such as travel magazines, the Internet and signage or posters in public places. The spa might also sell memberships which contain special benefits for returning customers; they can get discounts when they use the service. In doing this, it can persuade Muslim tourists to come and use the services, and of course the overall number of tourists increase with this strategy.

5. People factor

The staff who look after the Muslim tourists should also be Muslim. To give the massage to Muslim tourists, the staff will have to be friendly, polite, as well as sociable to them. The staff must wear a proper uniform which is modest and in line with Islamic principles. They have to have a good understanding of giving services to Islamic customers. Moreover, staff should have a good command of one or more of the following languages; English, Arabic and Bahasa.

6. Process factor

The process of the Halal spa service is that the staff will give massages to clients from the start to end following Islamic rules. The female staff service female tourists and the male staff will service the male tourists. Moreover, the services given to Muslim tourists have to be fast, and staff should make them feel at home. All stages of this process will have to be in accordance with Islamic principles. The number of staff should also be adequate for the amount of Muslim tourists who come to use the services.

7. Physical evidence factor

The physical service provided to Muslim tourists is the area in which the Halal spas need to set the correct atmosphere in the massage rooms, to be in accordance with Islam. In doing this, the spa may decorate their massage rooms with the images of the mountains and/or sea to be in harmony with the local area where the spa business is located. Moreover, it is necessary to provide prayer rooms in the central area which should be large enough to support all Muslim tourists praying together. The prayer rooms should also be separated between men, women and family prayer rooms. The restrooms should be separated in the same manner and should also be equipped with all relevant hygienic equipment such as toilet hoses and hot and cold water taps. Additionally, massage beds
and restrooms should not be set up facing in the Westerly direction as this is is the direction of Qiblah and is therefore prohibited in Islam. Pets and inappropriate pictures are also prohibited in any of the massage rooms.

Conclusion

The management style of Halal spa businesses and the factors affecting Halal spa services in the gulf of Thailand have been presented in this piece. It is a management style which can be operated easily and is not complicated. The key factor is the motivation of people who are interested in doing spa business in the Thai gulf, and also whether these businesses can apply themselves in all areas mentioned to develop and improve their own businesses. They should aim to support the number of Muslim tourists who are prefigured to travel to the gulf of Thailand which is increasing year on year. The method of management and the factors affecting spa business services can make an impression on all Muslim tourists who may then spread the word of their positive experience to other tourists as well as those tourists returning for repeat custom in the future. It can bring about the expansion of marketing to Muslim tourists around the globe. Additionally, it can increase the number of Muslim tourists from the group of Muslim countries travelling to the gulf of Thailand for Halal spa services. In this regard, it is in harmony with the present situation whereby Muslim countries are regarded as a group of countries that have high purchasing power. This can bring about an increase in Halal spa business revenue. Consequently, it will have a good effect on tourism in Thailand and hopefully there will be an increase in the number of Muslim tourists that make the trip to Thailand each year, therefore increasing the revenue streams from tourism throughout the Kingdom.

Acknowledgement

The author would like to thank Faculty of Business Administration, Rajamangala University of Technology Srivijaya for supporting the time and facilities in conducting the study. In addition, the author most gratefully acknowledge the parent and friends for all their support throughout the period of this study.

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AN EMPIRICAL STUDY ON THE RELATIONSHIP BETWEEN VIABLE BUSINESS PLAN AND SMEs PERFORMANCE IN NIGERIA

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ABSTRACT

This study empirically investigated the relationship between viable business plan and Small and medium enterprise’s (SMEs) performance in Nigeria. It is Quantitative research design. Data was collected from the owner/managers of SMEs in Kano, Kaduna and Sokoto States in North-Western Nigeria. From the total of 559 questionnaires distributed, 367 usable questionnaires were returned. The data was analyzed using Partial Least Squares (PLS-SEM). Based on the statistical findings, viable business plan is significantly related to SMEs performance. Future research also suggested in this study.

Keywords: Viable business plan, SMEs, Performance

INTRODUCTION

SMEs serve as an instrument for employment generation in many countries around the globe (Shehu & Mahmood, 2014). Basically, the sector serves as a livewire for economics survival for nations all over the world (Mahmood & Hanafi, 2013; Oduyoye, Adebola, & Binuyo, 2013). Thus, the global consideration is said to be on the issues like job creation, poverty reduction, which is the significant issues encouraging the support of SMEs development among many nations (Oduyoye et al., 2013). Comprehensively, a quiet number of the countries adapted the platform of SMEs to solve their socio-economic problems and improve their GDP.

Even though, SMEs played a vital role in economic development, however, the sector faced with a lot of problems as identified by (Ekpenyong & Nyong, 1992; Gbandi & Amissah, 2014; NBS & SMEDAN, 2012; Oluboba, 2002). This includes: low level of entrepreneurial skills, viable business plan, and difficulty in accessing finance, inadequate equity capital, high rate of enterprise mortality, poor infrastructural facilities, shortage of skilled manpower among others. These further identified as the factors behind the poor performance of SMEs in Nigeria, which attract the attention of both researchers and practitioners in the country (Shehu & Mahmood, 2014; SMEDAN, 2012b). The performance of SMEs in Nigeria is an issue of serious concern to all stakeholders. SMEs contribution to Nigerian Gross Domestic Product (GDP) was very low compared to other
countries like Ghana, Kenya and Malaysia among others. SMEs contribute with nothing less than 10% to Nigerian GDP (Bello, 2014). Therefore, the distress of SME’s financing is among the significant problem (Aminu & Shariff, 2014). Access to finance is not the only problem behind poor performance of SMEs in Nigeria, but viable business plan (VBP) (SMEDAN, 2012a). Planning is an important aspect of organizing process since it resolves numerous problems that result from the ambiguity and information irregularity existing in the discovery and exploitation of entrepreneurial opportunities (Shane & Eckhardt, 2003). Therefore, entrepreneurs need business planning which provide them with tools for managing their resources and lack of planning will lead to time consuming, bottleneck and missing information (Delmar & Shane, 2003). Literature revealed that, there is scarcity of studies that link viable business plan with SMEs’ performance in Nigeria. Therefore, in line with the above and many more motivate this current study; with the aims to address this important gap by empirically investigating the relationship between Viable Business Plan (VBP) and SMEs performance in Nigeria.

LITERATURE REVIEW

SMEs performance

SMEs' performance is derived from the actual outcome of the enterprise measured compared to its input. Performance measurement assists business organizations to concentrate on divisions that require improvement by appraising its work progress level in terms of quality, time, and cost as well as consolidating in areas with higher output (Hansen & Wernerfelt, 1989; Tomlinson, 2011). Previously, studies measured performance using either subjective or objective approach, in other hand financial or non-financial approach (Greenley & Foxall, 1997; Ringim, 2012). According to Haber and Reichel (2005) and Gunasekaran, Putnik, Sousa, Aspinwall, and Guimarães Rodrigues (2006), objective/financial measures is the simplest way to measure performance. Financial returns and firm growth are the principal performance measures (Daily, McDougall, Covin, & Dalton, 2002). Profitability, liquidity, innovation, leverage market share, productivity, human resource management, management performance and quality of goods and services are the fundamental indicators used in measuring organizational performance (Dess & Robinson, 1984). Ahmad (2005) measured performance of SMEs that involve in exporting activities by using the return on sales, return on assets, return on investment, as well as the growth. Performance is the outcome derived from efficiency and effectiveness in optimum utilization of resources and productivity (Berry, Sweeting, & Goto, 2006). Kamyabi and Devi (2011) performance defined as the measurement of firm’s financial ability which includes the level of profit, investment level with both growth in sales and profit. In the study of Hakimpoor (2014) performance was measured in subjective approach using both financial and non-financial measures.

Viable Business Plan and performance
Planning is an important part of the managing process for the reason that it overcomes numerous problems that consequence from the indecision and irregular information present in the utilization of entrepreneurial opportunities (Scott, 2003). Norman, Douglas, and Thomas (2009) argue that businesses tend to have more chance to succeed when there is strategic planning in the organization. They continue to reason that without a clearly defined plan, a business has no sustainable basis for creating and maintaining a competitive edge in the market place. In other words, strategic planning can lead to increase in performance whereas performance can lead to business success. However, such statements require the support of empirical research.

Bracker, Keats, and Pearson (1988) conducted a study looking into the relationship between planning and financial performance of small firms that has more than five years in operation in a growth industry using MANOVA with sample of 217 owner/managers of electronic business using questionnaire instrument and found out that planning for the sake of planning process does not lead to increased financial performance, therefore, they reported that type of planning process employed and long term planning are the important element in regarding with the firms performance.

However, Delmar and Shane (2003) argued that writing business plans before undertaking marketing activities should enhance the continuation of venture-organizing efforts, examining 223 new ventures organizing efforts initiated in the first 9 months by random sample of entrepreneurs in sweding and it has found that those that completed business plans before any marketing activities had a lower termination hazard than those that does not. In the study of Hopkins and Hopkins (1997) a casual design to find out the relationship between strategic planning and Bank financial performance using the sample of 112 banks, which reported that the strategic planning process has direct positive effect on banks financial performance. It also indicated that there is a reciprocal relationship between strategic planning intensity and performance and concluded that without manager’s intensity engagement process strategic planning will not lead to financial performance. Formal business plan is not improve business performance and successful growth (Mazzarol, Reboud, & Soutar, 2009) in their study examine strategic planning with small firms that are growth oriented using 204 sample of owner-managers, structured questionnaire were used for data collection and confirmatory factor analysis and discriminate analysis applied. Therefore, in line with the above literature this paper came up with the following hypothesis:

**H1:** There is significant positive relationship between VBP and SMEs performance.
CONCEPTUAL FRAMEWORK

The research framework has one independent variable that will represent firm’s strategic valuable resources namely viable business plan. SMEs performance is the dependent variable. Numerous studies showed that, resource-based view (RBV) theory recognized as the commonly known theory that is explaining firm performance. RBV emerge from the earlier work of Penrose in 1959, stressing that firm should be considered as bring together of different type of resources (human and physical resources) in an organizational structure. Penrose (1959) stressed the positive implication of organizational resources in improving firm competitive advantage. The RBV postulates that, the firm’s ability to utilize the available valuable tangible and intangible resources determined its competitive advantage (Barney, 1991; R. Rumelt, 1984; Wernerfelt, 1984). Consequently, numerous studies used several elements of firm’s tangible and intangible resources in examining firm performance.

Barney (1991) argued that these resources need to be valuable, rare, inimitable and non-substitutable (VRIN) resources. Entrepreneurship has been acknowledged earlier as an intricate part on RBV framework (Conner, 1991; R. P. Rumelt, 1987). Most of the RBV research are focuses on intangible resources, such as entrepreneurial characteristics (Finkelstein & Hambrick, 1996; Huselid, 1995; McIvor, 2009; Penning et al., 1998).

Therefore, VBP is one of the strategic resources that are intangible and valuable among the organizational resources that will give a firm competitive advantage over its competitors (Alvarez & Barney, 2007). Thus, in line with the available literature, it can be argued that SMEs with proper VBP can exploit more internal finance and external financial resources.

**Figure 1: Research conceptual framework**

![Research conceptual framework](image)

METHODOLOGY

Data was collected from the SMEs’ owner/managers in Kano, Kaduna and Sokoto States in North Western Nigeria using structured survey questionnaire. It is cross sectional research design where the data were collected only in a given point in time (Kumar, Talib, & Ramayah, 2013; Zikmund, Babin, Carr, & Griffin, 2012). Variables under study was measured using the adapted questionnaire from the previous literature,
where, six (6) questions on SMEs’ performance were adapted from Suliyanto and Rahab (2012), fifteen (15) questions on viable business plan are from the scale of Perry (2002) and Stewart (2003), all in 7 point Likert scale. Five hundred and fifty nine (559) questionnaires were distributed using stratified random sampling in a personally administered approach, out of which three hundred and sixty seven (367) were duly completed and returned which represent 65.7% response rate. The data analyzed using Smart-PLS 2.0 statistical package.

**Statistical Analysis and Result**

Smart PLS 2.0 was used preliminary to test the validity and reliability measure of the constructs.

**The Measurement Model**

Primarily of measurement model is to filter the data, which is to assess and confirmed the constructs validity and reliability before establishing the goodness of measures, they are examined through the indicators reliability, which is 0.4 is accepted, internal consistency, using conversant reliability 0.7 is accepted level, convergent validity using average variance extracted (AVE), which must be 0.5 and above (Chin, 1998), and discriminant validity using factor loading, any item loading on the other construct higher than their loadings should be deleted (Chin, 1998; J. F. Hair, 2010). Therefore, in order to satisfy the measurement model, some items were deleted such items are: PERF3, PERF4 because they did not meet with the minimum benchmark (Chin, 1998; J. F. Hair, 2010). Hence, it has resolved that the instrument adapted in this study is reliable, since none of the items is with less than 0.4. All items loaded on their respective construct ranges from 0.4082 to 0.8782, this is in line with Chin (1998) and Hair, Ringle, and Sarstedt (2011), which is acceptable since it is above the cut-off value of 0.4.

Equally, the composite reliability, value ranges from 0.8316 to 0.9671 which are also greater than the recommended value of 0.7 (Hair et al, 2011). To determine the convergence validity, AVE was used. The AVE ranges from 0.5682 to 0.6645 which is above the minimum cutoff value of 0.5 (Hair et al, 2011). Lastly to determine the discriminant validity, the average variance extracted (AVE) is compared to correlation squared of the interrelated variables of concerned constructs which indicated adequate discriminant validity. Table 1 present factor loading and Table 2 present the discriminant validity.

**Table 1: Factor Loading**

<table>
<thead>
<tr>
<th>Item</th>
<th>Factor Loading</th>
<th>Composite Reliability</th>
<th>AVE</th>
</tr>
</thead>
<tbody>
<tr>
<td>PER1</td>
<td>0.8782</td>
<td></td>
<td></td>
</tr>
<tr>
<td>PER2</td>
<td>0.8103</td>
<td></td>
<td></td>
</tr>
<tr>
<td>PER5</td>
<td>0.4082</td>
<td>0.8316</td>
<td>0.5682</td>
</tr>
<tr>
<td>PER6</td>
<td>0.8235</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Table 2: Discriminant validity

<table>
<thead>
<tr>
<th>Variable</th>
<th>PERF</th>
<th>VBP</th>
</tr>
</thead>
<tbody>
<tr>
<td>PERF</td>
<td>0.75379</td>
<td></td>
</tr>
<tr>
<td>VBP</td>
<td>0.5724</td>
<td>0.815169</td>
</tr>
</tbody>
</table>
After realizing the requirement of the measurement model (construct validity and reliability), the next step was to test the proposed hypotheses of the study by running PLS Algorism and Bootstrapping in Smart PLS 2.0. Table 3 present hypotheses testing results.

Table 3: Hypotheses Testing Results

<table>
<thead>
<tr>
<th>Path Coefficient</th>
<th>Beta</th>
<th>Standard Error</th>
<th>T Statistics</th>
<th>P- Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>VBP -&gt; PERF</td>
<td>0.5724</td>
<td>0.0354</td>
<td>16.1642</td>
<td>0.00</td>
</tr>
</tbody>
</table>
The aim of this study is to examine the relationship between viable business plan and SMEs performance in Nigeria. The statistical finding of the study shows that hypothesis 1 (H1) is supported, where VBP – SMEs performance relationship is significant ($\beta = 0.5724$, $t = 16.1642$, P-Value=0.00), this is consistent with the earlier finding of Wong, Kuek, and Ong (2013); Hopkins and Hopkins (1997) which is significant and positive, even though they used the concept of planning in different context, but their finding is accordance with the current study. Therefore, it implies that, businesses with effective planning will achieve maximum level of organization performance.

Theoretically, this study contributes by extending the existing literature about VBP – SMEs performance. In practical contribution the results of this study will help stakeholders (owner/managers) in taking appropriate decisions as regards to plan their business activities. Finally, this study suggested that, future research should consider how viable business plan will influence SMEs’ financing.
References:

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ENTREPRENEURIAL ORIENTATION, MARKET ORIENTATION, AND PERFORMANCE OF MSES IN PUNJAB, PAKISTAN: MODERATING EFFECT OF NETWORK TIES

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ABSTRACT

Entrepreneurial orientation, market orientation, and network ties are considered as separate antecedents of organizational performance, especially for Micro and Small Enterprises (MSEs) in the developing economies like Pakistan. There are many reasons behind the poor performance of MSEs in Pakistan. Majority of the entrepreneurs only consider access to finance as the main issue. The performance of MSEs is mainly effected in Pakistan because entrepreneurs in Pakistan hardly focus on market orientation, entrepreneurial orientation, and network ties as important antecedent for getting high performance. In this paper, it is argued that advantages of entrepreneurial orientation and market orientation are significant but varied. The level of impact of both entrepreneurial orientation and market orientation varies according to different levels of network ties. The purpose of the study is to identify the moderating effect of network ties on the relationship between entrepreneurial orientation, market orientation, and performance of MSEs. For conducting this study, a sample of 384 respondents was collected from the MSE owners working in Pakistan. This study employed Smart PLS 3 for structural equation modelling after confirming instrument reliability. The study found that market orientation and entrepreneurial orientation has a strong effect over performance of MSEs. Likewise, network ties moderate the relationship between market orientation, entrepreneurial orientation, and performance of MSEs. Future studies may cover a wider area and use multiple dimensions of the variables.

Keywords: MSEs, entrepreneurial orientation, market orientation, network ties.

Introduction

Advancements in technologies are significantly transforming developing economies. These advancements not only created new opportunities and avenues for growth but also pose new and emerging challenges to Micro and Small Enterprises (MSEs) (Vrande, Jong, Vanhaverbeke, & Rochemontd, 2009). Now a day, a majority of
the emergent economies are adopting open market business friendly policies to encourage economic growth and deal with the long standing issue of poverty (Ali, 2013). Several larger firms make the best of such policy changes and use them to their advantage which results in growth for larger firms but this growth comes at the expense of smaller industries and firms. Such issues have led the MSEs to follow entrepreneurial opportunities including creation of customer value and delivering the same (Al-Hyari, 2013). Likewise, the initiation of multinational companies also creates big challenges for MSEs of developing countries. Multinational companies are aggressive and follow entrepreneurial activities to success, leaving little market space for the MSEs of developing countries (Shahbaz, Javed, Dar, & Sattar, 2014). Multinationals also concentrate on catering market opportunities.

MSEs are considered as backbone of any economy. The contribution of MSEs in the economic development of a country cannot be denied. MSEs are considered as major source of employment all over the world (Akhtar, Ismail, Hussain, & Umair-ur-Rehman, 2015). The contribution of MSEs in the GDP of developing countries is also significant. Pakistan is a developing country and there is no exception in the importance of MSE sector in the economic development of Pakistan. MSEs in Pakistan provide employment to more than 90% of the labor force, which shows the importance of MSEs in Pakistan. In past years the government of Pakistan has also tried to enhance the growth rate of MSEs of Pakistan (Khan & Khalique, 2014). Despite several initiatives, the performance of MSEs in the country is unsatisfactory. The growth rate of MSEs is declining, whereas, for a country like Pakistan the growth rate should be above 10%. The growth rate has fallen below 8% in the past few years in Pakistan (Wasti, 2015). This clearly shows the declining position of MSEs is Pakistan.

According to the literature in the field of MSEs, entrepreneurial orientation and market orientation are considered as an important tool for the development of MSEs especially in the developing countries (Rauch, Wiklund, Lumpkin, & Frese, 2009; Gürbüz & Aykol, 2009; Boso, Cadogan, & Story, 2012; Kraus, Rigtering, Hughes, & Hosman, 2012). Several researchers have conducted research on entrepreneurial orientation and market orientation with reference to innovation (Edwards, Delbridge, & Munday, 2005). Likewise, several researchers have conducted research on the performance of entrepreneurial organizations dependent on market oriented business strategies (Vrande, Jong, Vanhaverbeke, & Rochemontd, 2009; Andersson & Lööf, 2012; Ahmad, Pirzada, & Khan, 2013). However, the available literature is ambiguous regarding the combined effect of entrepreneurial orientation and market orientation, that how both of these can have a combined influence over performance. In the literature a few researchers have argued the positive influence of both (Boso, Cadogan, & Story, 2012) and few have argued negative influence of EO and MO (Eggers, Kraus, Hughes, Laraway, & Snyderski, 2013). According to Baron and Kenny (1986) when the results are inconsistent, the underlying reason may be the involvement of some other factor that may

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be influencing the relationship. In developing countries business supporting institutions are not properly formalized (Vrgovic, Vidicki, Glassman, & Walton, 2012). Therefore, network ties including the social network of the entrepreneur and the ties of the same with government authorities may act as a major facilitator for the enhancement of performance of MSEs (Stam, Arzlanian, & Elfring, 2014; Asad, Shariff, & Ekam, 2016).

The decline in the sector is attention seeking for the researchers and policy makers. However, none of the study has been conducted in Pakistan catering to the concept of entrepreneurial orientation along with market orientation with a moderating effect of network ties on the performance of MSEs operating in Pakistan. Thus, there is a dire need to conduct research on the issue which has huge contribution in the economy of Pakistan. Therefore, the current study focuses on the relationship between entrepreneurial orientation, market orientation, and performance of MSEs with a moderating effect of network ties on the relationship among EO, MO, and MSE performance.

**Literature Review**

Several researchers have studied the impact of individual dimensions of entrepreneurial orientations on firm performance.*references*

The extant study broadens the theoretical scope of these studies by analyzing firm performance as predicted by both entrepreneurial orientation (EO) and market orientation (MO).

Previous researchers have demonstrated that the effects of different strategies orientations such as entrepreneurial, market, innovation, may be market specific and have suggested against generalizing the finding to other markets and situations (Rauch, Wiklund, Lumpkin, & Frese, 2009; Vrgovic, Vidicki, Glassman, & Walton, 2012). Therefore, the extant research is conducted by examining the combined effect of EO and MO on performance of MSEs in Pakistan.

MSEs in many developing nations do not received adequate institutional support and therefore have to rely on their network ties for market information and financial/non-financial resources, to enhance their performance (Stam, Arzlanian, & Elfring, 2014).

The importance of these networks ties is more evident in developing countries which lack market support systems for MSEs. The utility of these ties for MSEs are many, and come in the form of pooling of resources, sharing of transport arrangements, and obtaining new or changing market relevant information (Akhtar, Ismail, Hussain, & Umair-ur-Rehman, 2015). A vast majority of previous studies have analyzed the direct effect of network ties on performance (Zhou, Li, Sheng, & Shao, 2014), and not their moderating effect.
Previous researchers have addressed the moderating role of innovation, economic conditions, and environmental conditions between performance and MO and EO (Boso, Cadogan, & Story, 2012), however, the moderating role of network ties, which are external factors for MSEs, has been ignored previously. This research aim to fill this theoretical gap in the body of knowledge, i.e., moderating effect of network ties on the relationship among EO, MO, and MSE performance.

EO is conceptualized as a strategic orientation of a MSE’s owner to engage in entrepreneurial practices. These practices may include providing autonomy to employees, adopting innovative processes, having lower risk avoidance, proactively engaging in the business, and aggressively competing with the competition (Eggers, Kraus, Hughes, Laraway, & Snycerski, 2013). All of these EO dimensions have been reported to have a significant impact on MSE’s performance (Boso, Cadogan, & Story, 2012). Prior research has found that although EO when utilized effectively can boost business performance, however, literature also suggests that this relationship does not hold for each and every situation. Therefore, to ascertain the result of previous studies there is a need to examine the moderating role of network ties on the relationship between EO and performance in the context of Pakistan.

Similarly, Market orientation has also been empirically verified to have a positive relationship with business performance. Previous studies have examined MO from a behavioral perspective and have identified three dimensions of MO, namely, market intelligence generation, dissemination and responsiveness (Raju, Lonial, & Crum, 2011). The items are designed to measure the extent of a firm’s ability to generate, disseminate and finally respond to market intelligence at a local level. Findings for MO are also not to be generalized in every context; therefore a specific contextual testing of this relationship in Pakistan is required.

Both EO and MO are considered to be internal capabilities of a firm and individually they can significantly impact the performance of MSEs, however, collectively they have a synergetic effect on a firm performance. (Boso, Cadogan, & Story, 2012). Additionally, it has been found that EO and MO also interact with each other to boost performance (Hakala, 2011). Despite this, literature suggests that both MO and EO directly are not enough to influence performance. It is also noted that the literature is ambiguous about the extent to which MO and EO together can impact performance of MSEs. The uncertainty of the combined effect of EO and MO on performance is exacerbated by contradictions in previous findings where a few researchers have found a positive influence on performance while others have found a negative combined effect.

When the literature shows contradictory results, it is obvious that some other factor is influencing the relationship (Baron & Kenny, 1986). It has been observed that entrepreneurial networking or the network ties have a significant impact on the
performance of MSEs. In the similar context in the current research network ties are taken as moderating variable (Stam, Arzlanian, & Elfring, 2014).

On the basis of the above discussion, EO is the proclivity of MSEs to explore new markets, MO are the activities of MSE owners towards market intelligence (generation, dissemination, and responsiveness), and network include personal network and business network. Thus, the proposed framework for this study is shown in the figure below:

![Framework Diagram]

**Research Methodology**

The purpose of this study is to further our understanding of the performance of MSEs operating in an emergent economies like Pakistan. This research involves a multi-industry empirical examination. A sample of entrepreneurs from Punjab, Pakistan is chosen for this empirical study. The sampling frame of the study was obtained from Small and Medium Enterprise Development Authority (SMEDA). From the sampling frame on the basis of the suggestion given by Zikmund (2007) 384 MSEs were to be involved, therefore, 700 MSEs were selected randomly to meet the minimum requirement. A self-administered questionnaire was adapted to conduct the study and the questionnaire was emailed to 700 MSEs. After receiving complete response from 384 entrepreneurs the analysis was started. For measuring the responses 7 point Likert scale was used where 1 = strongly disagree and 7 = strongly agree.

**Analyses.**

To analyze the collected data initially factor loadings and Cronbach’s alpha were checked. The results were significant so to further check the direct relationships and the moderating effects PLS-SEM was applied. All the values of Average Variance Extracted and Composite reliability was checked (Hair, BJ, & Anderson, 2010). The result has shown reliability of the instrument and the data was fit for further analysis. Initially, direct relationships were checked between EO MO and performance of MSEs. To ensure
the significance bootstrapping was conducted which gave the values of t statistics and p values (Hacker & Hatemi-J, 2012). Afterwards the moderating variable was added in the model and interaction terms were introduced. The induction of interaction terms has significantly increased the value of $r^2$. The final results of direct algorithms and bootstrapping are summarized in the table below:

**Path Coefficients**

<table>
<thead>
<tr>
<th>Variables</th>
<th>Beta Values</th>
<th>T Statistics</th>
<th>P-Values</th>
</tr>
</thead>
<tbody>
<tr>
<td>Entrepreneurial Orientation</td>
<td>0.075</td>
<td>2.097</td>
<td>0.001</td>
</tr>
<tr>
<td>Market Orientation</td>
<td>0.015</td>
<td>1.987</td>
<td>0.004</td>
</tr>
<tr>
<td>Network Ties</td>
<td>0.309</td>
<td>4.785</td>
<td>0.000</td>
</tr>
<tr>
<td>Moderating Effect 1</td>
<td>0.201</td>
<td>3.001</td>
<td>0.000</td>
</tr>
<tr>
<td>Moderating Effect 2</td>
<td>0.042</td>
<td>2.058</td>
<td>0.002</td>
</tr>
</tbody>
</table>

From the above mentioned analysis it is obvious that MO and EO have a significant impact over the performance of the MSEs operating in Pakistan. Likewise, it has been observed that Network ties also have a significant influence over the relationship between MO, EO, and Performance of MSEs. The moderator has increased the value of explained variation. Before using moderator the value of $r^2$ was 0.32 and after introducing the interaction term the value of $r^2$ has increased to 0.46 (Berry & Feldman, 1985; Chin, Marcolin, & Newsted, 2003). This shows a significant impact of moderating variable in the relationship.

**Conclusions**

The aim of this study was to establish the impact of EO and MO on performance of Pakistani MSEs. Additionally, the moderating effect of network ties was also calculated to find whether or not network ties influence performance of MSEs. The finding shows that EO and MO collectively influence performance. Thus, it can be concluded that EO and MO are equally important for MSEs in emerging economies. Greater EO means higher level of innovativeness and aggressive decisions. Likewise, EO also has a strong link with the performance of MSEs. As far as the moderating effect is concerned, the findings clearly suggest that network ties do moderate both the primary relationships on this study.
Finally, it would be right to conclude that aligning high levels of EO and MO would help in avoiding poor performance of MSEs. Whereas if the owner of an MSEs has effective network ties, he/she can greatly boost the performance of his/her business. This finding is consistent with other findings (References) from the developed world and demonstrates that networking ties are important to performance not only in developed markets but also in developing markets. The current study identifies that when business owners in the emerging markets are more entrepreneurial and more market oriented, and can develop strong network ties, then the performance of their SMEs can greatly boosted. However, the development of such capabilities is not easy and require time and effort.

Recommendations

On the Basis of the findings it is recommended that the government should provide training institutes for the owners of MSEs for two main reasons; MSEs are the major source of employment in Pakistan and secondly, the contribution of MSEs is also significant. Furthermore, the entrepreneurs should be guided to develop the behavior of market orientation. The government should also provide facilities to develop business networks by providing them a platform for interaction and sharing market knowledge.

The study is unique as the framework used has not been studied yet. While conducting research it has been observed that along with EO and MO, finance is another major hurdle in the performance of MSEs. Therefore, it is suggested to add access to finance in the study while measuring the performance of MSEs in any developing country.

References


LEADERSHIP ETHICS IN THE ALGERIAN PUBLIC SECTOR
CITIZENS PERCEPTION

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ABSTRACT

The main purpose of this study is to explore the ethical dimension of public sector leadership in Algeria based on citizens perception. The study used semi-structured interviews with 53 respondents to collect the relevant data. Thematic analysis techniques were applied to derive and to interpret the data. The results have shown that 49 of the respondents, which represent 92.4% of the total number of the respondents, believe that leaders of the public sector lack honesty and integrity in performing their tasks and in dealing with citizens. Similarly, 45 or 84.9% of the respondents believe that leaders of the Algerian public sector do not have strong concern about ethical and moral values. The research findings also come out with five types of ethical flaws related to public leadership in Algeria; namely: corruption, the absence of integrity and honesty, lack of patriotism, dogmatic thinking (closed-minded) and political and ideological loyalties; these ethical shortcomings appeared to be the most common unethical behaviors linked with public leadership in Algeria. The study is limited to citizens’ perception with regards to the ethical dimensions of public sector leaders in Algeria. Public sector leaders should take in account citizens’ perception in order to improve the performance of public sector institutions, agencies and organizations. Additionally, the study adds to the bulk of leadership literature in Algeria, as it provides a new perspective to study the ethical aspect of leaders. This study gives valuable insights about the ethical dimension of public sector leaders based on citizens (customers) perception rather than employees or leaders evaluation. Customers’ perception is very crucial for the public sector entities to enhance its leaders’ ethical conduct and to maintain trust between citizens and public sector institutions.

Keywords: Leadership, Leadership ethics, citizens perception.

INTRODUCTION
In the current era we are living in such complex world where leadership is facing grave and compound challenges in both public and private domain. During the previous decades, the idea of leadership implied that a person holds top managerial position and the different tasks he performs within a particular context. Lately, leadership evolves to entail new meaning of a leader that has the ability to carry out the group vision without using any coercion towards followers (Heifetz 1994). The present leadership crisis has its impact on all spectrums of society. Leaders’ untrustworthiness has resulted in the loss of confidence in government institutions among people. This leadership crisis is manifested worldwide within the financial institutions, governments, and environment. This is due to the poor capabilities of leadership and the failure to deal effectively with the challenges of the modern time (Rayment and Smith 2011).

In the case of Algeria, when looking into the performance of leaders of the public sector or in assessing the results that had been achieved during the last fifty years of independence we can undoubtedly sense the failure of this sector in meeting the aspirations of its people. There is a strong sense of injustice and people are frustrated from by fact that they are living in a country with rich resources and potentials, yet the quality of life does not reflect that (Hamadouche 2012). Moreover, Achy (2013) argues that leaders in the Algerian government are maintaining control over any turmoil by relying on the country’s abundant oil and gas resources and on the loyalty of a narrow group of constituencies, which in turn are benefited from the status quo. However, the majority of citizens are not satisfied with the way how resources are distributed and managed. He goes further to say that this strategy being adopted by the leadership of the country will lead to a blocked door due to the increase of domestic consumption of oil and gas, which by consequence will result in a situation where the country becomes a hydrocarbon importer by 2026. Consequently, the country will be in the face of serious political, social and economic challenges (Strachan 2014).

For the time being, the flow of information is boundless; granting people a better access to inspect the performance of public sector leaders. Thus, citizens became more conscious about what is happening around them. In addition, people now express their opinions about leaders performance and they are less patient with leaders’ failures. Further, Bass (1985) argued that in a highly competitive global economy, leaders of the public sector intuitions should boost and stretch the range of their skills in order to cope with the emerging challenges (Wart 2003). The complexity and diversity of today’s world presupposes different kind of leaders. In a society that is not hierarchical, leaders have restricted power to provide order to the external environment, therefore, it is very important that leaders provide order in human relationships, and one way to do that is by building trust among people. That is why ethics is and must be at the core of leadership inquiry (Ciulla 1996).
LITERATURE REVIEW

Leadership

The topic of leadership is a field of research that has been given great attention by many scholars. The enduring efforts for developing good leadership models have resulted in the emergence of many leadership theories. Bass (1985) pointed out that leadership has always been a topic of interest for historians and philosophers, and scholars, yet the study of leadership had only taken the shape of a distinctive field of research in the early 1990s. Indeed, during these past few decades, an enormous body of knowledge have been accumulated, this can be demonstrated by more than 350 definition of the notion of leadership. Hence, it is very difficult to find one prevailing definition of leadership (Hamidifar 2010). In all organizations, leadership is a decisive factor due to its ability to reduce the sense of crisis and helping people to get through troublesome times by mobilizing individuals’ potentials and creating a sense of responsibility, and establishing good working environment (Greenleaf 1998). Leadership is very controversial and multifaceted phenomenon which got organizational researchers as well as psychology scholars to delve deeply into it. The roots of the concept “leader” can be traced back to the 14th century, the term was known prior the Christian era. On the other hand, the notion of leadership was first captured in the late 18th century. Nonetheless, research on this topic had only started by 20th century (Shital 2010).

Roach and Behling (1984) define leadership as a process by which a leader seeks to influence group of people to achieve a collective goal. Also, leadership involves two facets of the human behaviour “Rational” and “Emotional”. It implies reasoning, logic, as well as passion and stimulating people to perform their tasks. Thus, without denying the importance of rationality in leadership; great leadership is not just about planning or rigidly following a strategy because it should take in account other aspects of human behaviours (Hughes, Ginnett et al. 1999). In the same vein, Edurin A. Locke (1991) defined leadership as the process by which people are trained to take actions for the purpose of achieving a collective goal. Furthermore, effective leadership entails that the leaders performs his role with respect to his followers; by persuading them to realize that their self-interest is tied up with the goals that the leader has made and in working to achieve those goals (Locke 1999).

However, Leaders and followers do not always have shared goals and objectives which may results in conflicts and doubts in the leader-followers relationship. This had been an issue since human beings were living in narrow egalitarian communities. We often agree with individuals in leadership positions even if their values or qualities are not in alignment with what we believe is the right values of leadership. As a result, this conflict of views and values will lead to alienation, disappointment, and instability. Therefore, in order to improve the practice of leadership we need to look critically at history. The process of Leadership should take in account the psychology of followers.
Accordingly, leadership cannot be investigated apart from followership (Van Vugt, Hogan et al. 2008). Singh (2011) argued that effective leaders are able to persuade followers to perform the way they want them to, yet, maintaining followers’ satisfaction in the same time. In order for leaders to assure effectiveness, they must have the ability to effectively communicate the organization’s vision, mission and objectives to the followers, this will boost creativity, innovation, and enhance followers’ performance. Hence, the organization can maintain a competitive edge and be adaptable to the present ever-changing global market (Al-Khasawneh and Futa 2012).

Leadership Ethics

The interest in the field of leadership ethics has grown significantly within recent years. Integrity and ethics of the government officials is a topic that is occupying more areas within the academic arena. Also, Global associations have shown an increasing commitment and endeavours to stand against corruption and unethical practices within the public sphere; these issues also become at the heart of governments’ policy agenda; public servants, politicians, and citizens also become more involved in the issues of public leadership ethics. When integrity is lacking within the public institutions, this may erode trust between the government and its citizens, leaders and their followers.

The word “Ethics” comes from the Greek word “Ethos” which means character. On the other hand, the word “Morality” comes from Latin “Moralis” which means manners or customs. The philosophy of ethics is the study of what makes someone or something ethically good or morally good as well as ethically bad or morally bad (Bowman and Williams 1997). Ethics is very vital issue in all type of organizations. The ethical conducts try to examine the situations and circumstances that organizations and stakeholders be facing frequently. According to Gates (2004), the commitment to an ethical conduct helps in character building, and it aligns behaviours and attitudes with integrity standards. Integrity encourages employees to fulfil their responsibilities toward the organization and to make honest and ethical choices because they are conscious about the importance of ethics and values (VanderPal and Ko 2014). Cooper (2001) points out that administrative ethics marked an importance start in field of research only in the mid-1970, and basically was started in the New Public Administration research field. During these last years, scholarly research and studies in this field have grown exponentially and with rich diversity in all over the world. The increase of books, academic journals, articles, and conferences has exceeded all expectations. Hence, administrative ethics has built a robust foundation within the field of administration (Cooper 2004, Menzel 2005).

The mainstream of leadership research is based on individualistic and psychological approach. Therefore, it is no surprise that studies on leadership ethics we sense a clear emphasis on behaviours that is in accordance with virtue ethics. Number of researchers emphasised on the development of certain important leadership virtues. For example, Molyneaux (2003) argued that “Humility” is important quality for top
leadership; humility denotes to control power and distribute it sensitively. On the other hand, Takala (1998) claimed that ethical leadership should take in consideration and acquire the virtues courage, prudence, justice and modesty. In general, many leadership theorists have emphasised the importance of ethics in the role of leadership. Ciulla (1995) stated that research of leadership ethics will serve as critical approach that can unfold new space for diverse discussions between researchers and practitioners. Even though, previous leadership literature is lacking discussions about ethics and it was not at the core of leadership studies. In addition, Ciulla claimed that except Burns (1978) theory of transformational leadership, most of previous research on leadership did not emphasis on the issues of what constitutes good leadership. According to Ciulla, good leadership comprises two important dimensions; ethicality and the effectiveness of the leader (Broussine and Miller 2005).

The discussion on ethics leads us to issues of corruption as one of the most prevailing unethical practice among public sector and government entities leaders as well as public officials. Williams (1999) defined corruption within public sector as the types of behaviours that make public servants deviate from their responsibilities to work for their own private interests and to gain financial benefits or take advantage of their status for themselves or their narrow constituents (Huffer 2005). In other words, often when we mention corruption we refer to the use of public authority by government officials for private gains, when the public servant “The agent” who have been delegated this authority by citizens “The principal” take part in some type of violation to gain private interests (Bardhan 1997).

According to Kanungo and Mendonca (1996) there is a strong correlation between ethical leadership and organizations continuity. Moreover, Bennis and Nannus, (1985) argued that leaders should represent a model of ethical and honest individuals; leaders should also articulate an ethical conduct to their followers and act as role model. One of most critical roles of leaders within organizations is to communicate ethical values and to create the right values and norms that work as a guidance for followers behaviours (Pelletier and Bligh 2006). Ciulla (2005) suggested that if we recognize that leadership is a relationship, thus, we cannot understand leadership ethics without an examination of the ethics of followers. Values such as justice, duty, and fairness are not just a leaders’ values but also followers’ beliefs and values as well. Ciulla go further to argue that “all too often, people forget that followers have power and hence responsibility. After all without followers, leaders simply do not exist.” Leaders are more inclined to get involved in corrupted behaviours in societies where individuals are not aware of their responsibilities in controlling their leaders. The moral flaws of people that hold leadership positions have greater impact on people’s lives more than the ethical mistakes of ordinary people (Ciulla 2005).

Citizens Perception
During the previous decades, there has been a decay in public trust in governmental performance (Welch, Hinnant et al. 2005). Number of scholars claimed that all human beings relations and exchanges whether it is social, political or economic, need trust and honouring promises, and no advantages should be taken on people (Mansbridge 1990, Bellah and Madsen 1991, Putnam, Leonardi et al. 1993, Coleman and Coleman 1994). Trust is considered as useful mean in strengthening relations. It provides a solid ground for human relations and it gives a sense of belonging that works for the emotional needs of people (Berman 1997). Mutual trust is an important component for the establishment of democratic government systems, a pivotal element for creating sound network and reforms, also, without trust, societal learning and collective action are hard to attain (Yang 2005).

Public administration in the modern world involves an ingrained tenseness between improving the representation of citizens as clients of the public sector and dynamic cooperation with them as partners. This state of persistent tension arises from palpable distinction between the essence of responsiveness and the nature of cooperation. Whilst cooperation is more active, two-way act of participation, engagement, and integration of forces between two or more parties, responsiveness is very often considered as a passive, one-way reaction to individuals’ demands and needs (Vigoda 2002). Theories of human behaviour and motivation reformed from organizational behaviour propose that citizens raise doubts about their relationship with the government and be prone to dissatisfaction in the presence of the following circumstances:

1. Citizens believe that the government is utilizing its authority against their interest or otherwise not helping them.
2. Citizens do not feel that they are involved in local government, or they feel neglected or misunderstood.
3. Citizens find policies and services of the local government policies to be ineffective.

In the case where citizens experience those feelings strongly, they become keenly cynical and turn away from government. Whilst if those feelings are moderate, they might develop modest forms of cynicism (Berman 1997). Similarly, previous research analysed several causes that contribute to the eroding of trust in public sector; namely: the gap between perceived governmental performance and citizens expectations, the economic performance, political scandals, the role of the media, perceived policy failures, and shifts in social capital and culture (Welch, Hinnant et al. 2005). Peel (1998) argued that the lack of trust shown by unfortunate citizens is a rational reaction to their experiences of distrustful government (Yang 2005).

Discussions related to the mechanisms by which the government can restore citizens’ trust are at the heart of public sector reforms. Citizens’ distrust in public sector is linked with the poor functioning of public services. On the other hand, political
Research suggests that well-functioning public services are key factors in creating trust in governments (Van de Walle and Bouckaert 2003). The decline of trust brings difficult challenges to government officials, public servants, and citizens as well, this is due to the loss of public confidence in governmental and administrative performance and the dissatisfaction with public sector services (Welch, Hinnant et al. 2005).

The issue of trust and lack thereof between citizens and administrators is rooted in social and political cultures. However, administrators use to have a neutral view of citizens. This reflects the protracted image of the administrator that is neutral and competent to the extent that he does not intentionally includes his own emotions, feelings, and ethics in decision-making agenda. In a sold democratic entities that is more accountable to its people, that image is no more seen as appropriate. There is a great need and necessary commitment to establish trustful democratic government systems with governors, public servants, leaders, and politicians who are trustworthy and trusting in the same time. The ideal form of governance is the one that is desirable per se and it functions for the purpose of supporting a good life rather than just being inclined to values such as efficiency and economy (Yang 2005). It is a contradictory fact the despite the long discourse about citizens participation, there was very little evidence about what are the outcomes of the participation of citizens in government and the importance of citizens perception (Kweit and Kweit 2007).

The citizens perception is a cognitive reaction of their prior expectation and the data acquired by the public in regard to the government performance. Thus, for instance, the level of citizens trust is correlated with the tangible level of government performance as well as about how citizens interpret the information they obtain about the governmental performance. In essence, the gap between reality and what citizens expectations will expand. Individuals who are not satisfied and frustrated with the services provided by the government will likely to display a perception of distrust and low level of confidence in government services, whilst the adverse is true of citizens who are satisfied with the government performance (Welch, Hinnant et al. 2005).

Democracy entails that citizens perception have some impact on the governmental system, which in turn needs citizens participation and involvement (Kweit and Kweit 2007). When the government is willing to open channels for citizens participation; citizens perception can inform priorities (Kelly and Swindell 2002). Several scholars have postulated different advantages of citizens perception and participation in improving governmental performance. This proposes that perception is very important and participation should be supported. However, there are other scholars who had identified negative effects, which will result in minimizing citizens involvement. For instance, Irvin and Stansbury (2004) named a number of advantages of participation such as: breaking gridlock, avoiding legal cases costs, empowering citizens, improving public sector and services and government performance by taking citizens perceptions in consideration,
getting more citizens to be involved so they can contribute for the betterment of policy making processes. On the other hand, the negative effects are: increasing costs in terms of time consuming, confusion which may lead to bad decisions, and the use of participation to seek for narrow private interests (Kweit and Kweit 2007).

**RESEARCH METHODOLOGY**

**Sampling Design**

This study used qualitative research design. The population of this research was Algerian students in Malaysia. The study used convenience sampling technique to select the interviewees. According to Keyton (2015) in this type of sampling, the investigator chooses those individuals who are convenient to locate and classify as potential respondents (Keyton 2015). To achieve broad representation, the researchers conducted interviews with 53 participants from different educational backgrounds, the respondents in this study were students at three different Malaysian universities, 10 respondents were doing their PhD studies and 2 were studying for the DBA, and 1 student was doing his basic degree, the rest of the respondents were 40 students doing their master degree in the following fields: international business, science management, international studies, educational psychology, human resource management, political science, engineering science, educational psychology, international accountancy, law, communication science. 92.45% of the total number of the respondents were males.

**Research Procedure**

This study was conducted using the interview method whereby research questions and research objectives were used as guidelines to form the questions. In qualitative research method, the interview is considered the most prominent data collection instrument. As noted by Punch, (2014) it is a very good technique to gain access to people’s perceptions, meanings and thoughts about a particular issue it is also a powerful way to get others’ understanding (Punch 2013). During the interview, the researcher used digital voice recorder to record all the interviews. At the end, thematic data analysis technique was used to analyse and interpret the data obtained from the interviews. Each interview transcription was reviewed individually, with themes emerging based on each person’s responses. After these themes were noted and labelled, the themes were integrated across participants.

**DATA ANALYSIS**

This study attempted to address the ethical shortcomings related to leaders in the Algerian public sector; to investigate this ethical flaws, the respondents were asked three interview questions. In the first two questions, 49 of the respondents which represent 92.4% of the total number stated that leaders in public sector lack honesty and integrity in
performing their tasks and also in dealing with citizens. Similarly, 45/84.9% of the respondents believed that leaders in the Algerian public sector do not have strong concern about the ethical and moral values. As stated in the following quotes by some respondents:

**Respondent 6:**

“Theoretically yes. I mean in the written laws. However, in practice, they do not show any concerns about ethical and moral values. Most honest people are suspended from working in the public sphere. As for the integrity, I do not think that there are means that facilitate the existence of integrity. I think it is almost totally corrupted sector.”

**Respondent 8:**

“We can find few leaders that we can trust and they have concern about ethical and moral values, but generally, the policy of the recent government aims to destroy those values and the academic and education programs can work as an evidence. In addition, the situation that the Algerian people are living nowadays proves that honesty and integrity are not taken seriously by public leadership in Algeria.”

The third question was formed in order to prompt participants’ perceptions about the ethical shortcomings of the public sector leaders in Algeria. The results had been generated from the answers of respondents formulated four key themes, which represent the most common and ingrained leadership ethical flaws in the Algerian public sector based on the perception of those citizens.

**Corruption**

Based on the answers of 46 respondents, 86.7% of all respondents, corruption has appeared to be the norm not an exception among leaders in the public sector, and it is the most common unethical behaviour among public sector leaders, corruption appeared in many different types as follows: seeking for private gains, manipulation, fraud, embezzlement, abuse of power, favouritism, bias, stealing public money and bribery. The collected data showed that corruption is the most significant unethical behaviour within the Algerian public sector. Furthermore, corruption is very serious problem in most of the emerging countries. Under these circumstances of unethical public servants, corruption raises the cost of public services provision as well as public expenditures. Corruption also is a significant factor in curbing growth and development.

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1 According to most of the international indicators for transparency and corruption, developing countries that gained their independence in the second half of the twenty century are among the most corrupted nations.
Respondent 10:

“The corruption is endemic among those leaders, bribery and stealing public money are very common practices.”

Respondent 13:

“Talking about ethical challenges we have to mention favouritism and bribery among those leaders, as a citizen you have to give bribery or to know someone to get what it supposed to be a simple right for citizens.”

Leaders in the public sector have the power to make decisions that primarily have great effects on people’s life. Hence, decision-makers must take in account the ethical aspects and consequences of their decisions. For example, citizens do not want those leaders who seek for their own private interests or to serve certain groups and excluding ordinary people, people aspire and expect to have leaders that can serve and work for the public interests in a rational, ethical, and effective way. There is a great need for ethical
transformation in order to make public leaders as well as politicians up to high ethical standards; adhered to serve the public interest effectively and ethically.

The Absence of Integrity and Honesty

Based on the answers given by the respondents, it showed that public leaders in Algeria have lack of integrity and honesty; this appeared to be one of the ethical flaws among public sector leaders. The important players in the public sector are those top managers, directors and public officials, in this case, they have to fulfil their tasks and duties in accordance with the rule of law and effectively follow the codes of ethics within the public sector, also as leaders they must guarantee that their conduct is a reflection of ethical and honest individuals. Moreover, in the absence of public leaders executing with integrity and honesty, respecting their duties, carrying out their promises and showing proper conduct, citizens lose their trust and confidence in public sector institutions and companies and create an image of distrust and frustration among majority of citizens. This was clearly demonstrated by the responses of participants in this study, with 49% of the respondents believing that the absence of integrity and honesty is one of the ethical shortcomings linked with public sector leaders. The following statements show the disappointment of some of the respondents:

Respondent 15:

“Since the independence, a group of leaders with no honesty take were in charge of most of the governmental entities, since then, leadership in Algeria has no integrity or honesty till this day.”

Respondent 20:

“Unfortunately, most of public leaders do not really act in accordance with those values (honesty & integrity).”

There is an increasing awareness of the ethical magnitude of public sector leaders. Public organizations should be functioning in way that can restore people trust, public sector agencies must continually gain the trust of citizens by providing high quality goods and services and they should be utterly responsible and operate in accordance with values such as honesty and integrity. Citizens expect leaders in the public sector to have very high ethical values and they demand public sector to have mechanisms and policies which can insure that those ethical values are in practice (Schwenke 2007).

Lack of Patriotism

Patriotism can be defined as a sort of loyalty to a specific country which only those having that specific nationality can display. Furthermore, patriotism does not mean
blind loyalty to a specific nation which has no respect for other nations or countries. Patriotism does mostly and typically include odd regard not just for one's own country, but for the specific features and qualities and accomplishments of one's own country (MacIntyre 1984). The findings of this study showed that there is a lack of patriotism among some public sector leaders. Based on the answers of the respondents, 24.5% of them stated that leaders in the Algerian public sector are more loyal to their tribes and families rather than to the whole citizens or the nation. Also, some of the leaders adopt odd culture and values that do not represent the Algerian society.

**Respondent 22:**

“The absence of patriotism…”

**Respondent 23:**

“...and the lack of patriotism among those leaders.”

**Dogmatic Thinking**

Leadership in the public sector is not open to the views and perceptions of the Algerian people and did not grant people the opportunity to participate in making decisions. From the participants’ answers in this study, leaders of the public sector do not take into account the different views and perspectives, and they make arbitrarily decisions. Leadership that does not tolerate disagreement and closed-minded is not conducive to development, growth and creativity, making decisions without listening to the opinions and needs of citizens would lead to lack of effectiveness and the loss of trust between citizens and leaders. Moreover, 41.5% of the respondents perceived public sector leaders as closed-minded leaders.

**Respondent 12:**

“...and dogmatic thinking that do not accept others’ opinions and do not listen to the needs of citizens”

**Respondent 47:**

“They are not giving people the chance to voice out their opinions and be part in making decisions.”

King and Feltey (1998), argued that citizens participation in decision-making lies on the belief that the engagement of citizens is good for the process of decision-making. Formulating policies with the contribution and the involvement of citizens lead to a realistic and reasonable policies that are based on the interests of citizens. When citizens are involved in decision-making they
will be more understanding of the hard decisions taken by the government, this will result in having more support from the citizens and will decrease conflicts and disagreements with the government policies and regulations (Irvin and Stansbury 2004).

Political and Ideological Loyalties

Also political and ideological loyalty appeared to be one of the ethical flaws among public leadership in Algeria. Respondents expressed their dissatisfaction with those leaders who make decisions that only work for the interests of some people which share the same political or ideological backgrounds. 32% of the respondents believe that the issue of loyalties has affected the ethical sense of public sector leadership. Moreover, the answers of the respondents showed that in recruiting employees as well as in delivering services those leaders are not professional and they are biased. The effect of politics on the civil servants leads to mediocrity and conflicts of interests. When the political or ideological background of leaders have a direct influence over the recruitment process and promotion of leaders or delivery of services for motives other than those based on merit and professional manner, this will restrict the outcomes of the public sector and create conflicts among leaders and damage their integrity.

Respondent 24:
“...There are long list of ethical flaws such as ...loyalty to political parties and ideology.”

Respondent 38:
“...the fact that they are unqualified and they have been appointed based on political or ideological loyalties not based on their merits.”

CONCLUSION AND DISCUSSION

In this study we define leadership as the process of influencing and persuading group of people towards a common goal and coordinating efforts and capabilities of that group to achieve its objectives in the best possible way. However, Leadership is still not subject to sound and deep diagnosis in countries where dictatorship is the main stream at the level of political leadership or within the bureaucratic leadership. In contexts where autocratic leadership is the common leadership approach, leadership means having absolute power and dominance over others, restricting people’s opinions and seeing things only from the leader’s lenses.

Dictatorship is interconnected with absolute power of the leader, also unrestricted power over people and countries resources. As a consequence, leaders develop a tendency towards corruption, tyranny, greediness and selfishness. The ethical flaws linked with leadership are more intense in developing countries with high rates of corruption and low ratios of growth and development due to the absence of control.
mechanisms over those leaders and the improper processes of getting into power which usually occur by forged elections where people’s voices do not make any difference, and citizens are refrained from any effective involvement or participation in policy making agenda. The key question as Ciulla stated is not what is leadership? Rather, is what good leadership is? And how we can avoid having bad leaders?

Finally, this study found that most of respondents described public leadership in Algeria as an ineffective leadership, they also explicitly showed their dissatisfaction with the performance of leaders, and have great sense of frustration with the quality of public sector services. The research findings also come out with five types of ethical flaws related to public leadership in Algeria: corruption, the absence of integrity and honesty, lack of patriotism, dogmatic thinking (closed-minded) and political and ideological loyalties, which found to be the most common unethical behaviours linked with public leadership in Algeria.

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ENTREPRENEURIAL COMPETENCIES AND BUSINESS PERFORMANCE AMONG WOMEN ENTREPRENEURS

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ABSTRACT

Empirical studies on women entrepreneurs have affirmed that women have contributed significantly in the area of entrepreneurship. Relevant literatures have claimed that entrepreneurial competencies have an impact on a firm’s performance. However, these researches only focused on general entrepreneurs. Specific researches on women’s entrepreneurial competencies are still in the early stage. One of the previous studies conducted in England generated a Female Entrepreneur Competence (FEC) framework, which identified four dimensions of competency. In the case of general entrepreneurial competencies, a large number of competency domains were identified, such as the ninth and tenth competency domains. Hence, this study aims to identify and discuss the competencies that are applicable to women entrepreneurs within the Asian context. A questionnaire-based survey on women entrepreneurs under the umbrella of Amanah Ikhtiar Malaysia was carried out. Eight entrepreneurial competency domains, namely opportunity, relationship, conceptual, organizing and leading, strategic, commitment, learning, and personal competencies have been discussed. The Principal Component Analysis (PCA) was conducted to identify the competency domains and competencies that are loaded onto these domains. The results demonstrated that out of the eight entrepreneurial competency domains, three entrepreneurial competency domains, namely opportunity, organizing and leading, and personal competencies, are significantly related to women entrepreneurs’ business performance. This study revealed that women entrepreneurs and relevant competencies are important, which contribute towards the women’s business performance. Thus, this study aims to strengthen existing literatures on women entrepreneurs and the relationship towards their business performance. In more ways than one, this study has suggested that the concept of entrepreneurial competencies in the context of women entrepreneurs is in a dire need of further exploration.
INTRODUCTION

Nowadays, women have been recognised as an important player on the entrepreneurial ground and have contributed productively towards the society. In 2012, 126 million women entrepreneurs and more were starting or running new businesses in 67 countries (Global Report on Women and Entrepreneurship, GEM 2012) while around 30% of US businesses were owned by females and the number has continued to grow twice the rate of all US firms. Despite the important role played by women entrepreneurs, women entrepreneurship has not always been a subject of academic research. A number of studies which focused on women entrepreneurs have looked into pertinent factors that influence women entrepreneurial performances such as individual characteristics and motives as performance predictors. Furthermore, studies examining factors that influence women entrepreneurs’ business performances in the Asian context are also limited as most of the studies were conducted in Western countries (Teoh & Chong, 2007). Gibbs (2005) claimed that the unique contribution of an entrepreneur can determine a firm’s performance. In addition, Bird (1995) and Man & Lau (2005) supported the argument that the success or failure of a firm is influenced by the person who holds the highest position in the organisation or firm. Thus, this study aims to explore the argument that the performance and growth of a business is highly dependent on the competency of the entrepreneur. In past literatures, a relatively small number of empirical studies have focused on entrepreneurial competency of women business owners (Lerner & Almor, 2002). Whilst entrepreneurial competencies are important for business growth and performance, relevant discussion pertaining to these competencies in entrepreneurial literature is still in its infancy (Mitchelmore & Rowley, 2013; Brinckmann, 2008) while studies focused on women’s competency are also minimal (Mitchelmore & Rowley, 2013; Solesvik, 2012; Lerner & Almor, 2002). As comprehensive studies of women entrepreneurs’ competencies are rare, there is need for this study to further explore the unique competencies possessed by women entrepreneurs as suggested by Brinckmann (2008).

LITERATURE REVIEW

A number of researchers have discussed entrepreneurial competencies in previous literatures from different perspectives. Man et al. (2002) defined entrepreneurial competencies as a higher-level characteristic that encompasses personality traits, skills and knowledge, which can be seen as the total ability of the entrepreneur to perform a job successfully (Xiang, 2009). Bird (1995) explains that entrepreneurial competencies are carried by entrepreneurs themselves as they are the ones who start and transform the firm
while adding value through firm resources and opportunities. Barkham (1994) and Dyke et al. (1992) claimed that entrepreneurial characteristics have been found to positively influence business performances. In addition, Mole et al. (1993) state that entrepreneurial competency can be studied from its inputs (antecedents to competencies), process (task or behaviour leading to competencies), or results/outcomes (achieving standards of competence in functional areas). Thus, entrepreneurial competencies can be concluded as the abilities of entrepreneurs or owners to transform resources and opportunities which result in a firm’s success or desirable performance. Ahmad et al. (2010) supported the argument by stating, “The success or failure of the firms is largely influenced by the skills and abilities/competencies of the owners.”

The discussion on entrepreneurial competencies in previous studies focused largely on the significance of entrepreneurial competencies towards SME performance (Poespowidjojo, 2012; Azizi, 2009; Ahmad, 2007; Man, 2001). In general, researchers focus on entrepreneurial competency to achieve superior performance, economic gain or business success (Spencer & Spencer, 1993). Almost all researches have used firm performance as the indicator to investigate the outcome of entrepreneurial competency. The competency approach has been widely used to study managerial performance since the work of Boyatzis (1982) and is increasingly used in the field of entrepreneurial performance (Man et al., 2002). Nor Hazlina et al. (2010); and Sarwoko et al. (2013) in their study of business performance in SMEs, agreed that entrepreneurial competencies have a significant influence towards business performance. As entrepreneurial competencies are seen as important to business growth and success (Mitchelmore & Rowley, 2010), the discussion on competencies in related literature is still limited (Brinckman, 2008). There is also a number of studies that have focused on women’s competence (Carter et al., 2006; Walker & Webster, 2006; Lerner & Almor, 2002; Lerner et al., 1997). As suggested by Mitchelmore & Rowley (2013), “Whilst entrepreneurial competencies are important for all SMEs, the imperative to develop the understanding of such competencies in the context of female-led businesses is particularly strong”. Lerner & Almor (2002) claimed that women have been proven to possess capabilities, including skills and resources which have played an integral role towards firm performance and growth. Previous studies have primarily concentrated on entrepreneurial competencies of women-owned businesses which focused on specific aspects of their competencies or skills, and believed that women’s competencies are desirable and equivalent to those of male-owned businesses (Mitchelmore & Rowley, 2013). Solesvik (2012) reported from her study on Ukraine’s women entrepreneurs that entrepreneurial competency leads to a better performance and stable business growth for women entrepreneurs. This argument is supported by a study conducted by Mitchelmore and Rowley (2013) wherein entrepreneurial competency has an impact on firm performance and growth for women entrepreneurs.
Multidimensional Study of Entrepreneurial Competencies and Business Performance

In view of the fact that most of the researches and studies on entrepreneurial competencies in the areas or components of entrepreneurial competencies were conducted as a group or uni-dimensional construct, there is a need for this research to conduct a study on entrepreneurial competencies’ areas and components separately. One of the objectives for the development of entrepreneurial competencies’ classification is to be able to measure competencies of women entrepreneurs and to test them as an independent effect relationship between entrepreneurial competencies and women entrepreneurs’ business performance. Mitchelmore & Rowley (2013) supported the argument that entrepreneurial competencies are carried by individuals who are entrepreneurs and should be competent in both entrepreneurial (innovation and marketing) and managerial (finance, human resource management, operations and strategic management) competencies (Chandler & Hanks, 1994). Guided by the dynamic entrepreneurial competencies perspective proposed by Man et al. (2002), the entrepreneurial competencies that lead to the success of women entrepreneurs will be explored in this study. Man et al. (2002)’s entrepreneurial model shows that entrepreneurial competencies play a vital role in determining a firm’s performance. Similarly, Chandler and Jansen (1994, 1992) found that entrepreneurial competencies are positively related to a firm’s venture growth. Consequently, eight competencies domains adopted from Ahmad et al. (2010) namely (1) strategic, (2) commitment, (3) conceptual, (4) opportunity, (5) organizing and leading, (6) relationship (7) personal, and (8) learning will be discussed in this study.

Strategic Competency

Man et al. (2002) explained that “Strategic competency is related to setting, evaluating, and implementing the strategies for the firm”. Man (2001) describes the examples of strategic competency domain in relation to behaviour, which include monitoring progress toward business goals, prioritizing work so as to align with business goals, identifying current and expected issues, problems or opportunities, and determining strategic actions by weighing the costs and benefits. Xiang (2009) stressed that as the owner of firms; the entrepreneurs must set direction for the whole company by setting up a vision, big picture in mind for the business, possess clear and achievable goals as well as formulate strategies and implement them to achieve the visions and goals. Thus, the ability of entrepreneurs is vital in order to set a firm’s business strategies using firm resources or opportunities since these strategies will determine the firm’s business growth. Therefore, the following hypothesis is developed:

Hypothesis 1 (H1): There is significant relationship between strategic competency and women entrepreneurs’ business performance.

Commitment Competency
Man (2001) stated that commitment competency is achieved by demonstrating strong motivation to compete, drive to see venture come to fruition, capacity to make an impact, individual drive and dedication. Commitment competency of entrepreneurs is essential to keep them motivated to pursue their goals despite obstacles and barriers caused by the environment (Vijay & Ajay, 2011). Being owners of firms, entrepreneurs are the ones who are fully responsible for their firms’ success or failure. To be successful, entrepreneurs must equip themselves with full commitment and determination towards their firm. Entrepreneurs with this competency shall have a strong sense of mission, and persist with a sense of urgency and drive that borders on the obsessive (Mitton, 1989) as well as taking proactive action towards their responsibilities and duties (Man, 2001). Sorenson (2008) also agreed that entrepreneurs with high levels of commitment are more likely to continue developing their businesses even when they face poor economic performance. Entrepreneurs with a strong sense of commitment will keep themselves motivated when faced with both failure and success (Thompson et al., 1997; Chandler & Jansen, 1992). Solesvik (2012) in her interviews with Ukrainian female entrepreneurs, discovered that they believed commitment competency is among one of the important factors for a business’s success. Based on the above discussion of commitment competency and performance, the following hypothesis is developed:

Hypothesis 2 (H2): There is significant relationship between commitment competency and women entrepreneurs’ business performance.

Conceptual Competency

Entrepreneurs who engage in conceptual competency will explore new ideas, take reasonable job-related risks, look at old problems in new ways, treat new problems as opportunities, and monitor progress toward achieving objectives in risky actions (Nor Hazlina et al., 2011). Man (2001) claims that in the conceptual competency area, the entrepreneurs have already exhibited their ability to view things from different points of view with reference to the market and operation of businesses where it is important to understand the demands of customers in marketing products and services. It has been suggested that conceptual competency should be split into two distinctive dimensions; analytical and innovative abilities which are believed to reflect entrepreneurs’ actual behaviour (Man, 2001). While the original scale developed in the Western context only suggested a single dimension, Man (2001) separated the dimensions in the Chinese context in which innovation and marketing are considered as two split activities. Man (2008, 2001) tested the conceptual competency in line with opportunity and relationship competencies in terms of a competitive scope of an SME in China. This resulted in a significant and positive relationship. As this study was conducted in the Asian context, the study followed the process highlighted in Man’s work (2001). Thus, the following hypothesis is developed:

Hypothesis 3 (H3): There is a significant relationship between conceptual competency and women entrepreneurs’ business performance.
Opportunity Competency

Opportunity competency is important for entrepreneurs, which consists of the ability to search and act on market opportunities. This competency is linked to the ability of entrepreneurs to seek, develop and assess high quality opportunities that are available in the market (Man, 2001). Entrepreneurs’ prompt action in grabbing market opportunities and continuously generating ideas for creating new products and services could be turned into a positive outcome (Vijay & Ajay, 2011; Nor Hazlina et al., 2010). Solesvik (2012) agreed with previous researchers (Murray, 1996; Chandler & Hanks, 1994; Mitton, 1989) in her study of Ukrainian female entrepreneurs that opportunity competency is one of the basic factors that helps leading firms to possess a competitive advantage and business success. De Koning (2003) who supported these various studies has agreed that opportunity, recognition and development are the main aspects of entrepreneurial activities. Wang & Ang (2004) and Thompson (1999) supported the argument that entrepreneurs who can spot new opportunities and develop new ideas possess opportunity competency as it can give a positive impact on a business’ or firm’s performance. Thus, this study hypothesizes the relationship between opportunity and women entrepreneurs’ performance as follows:

Hypothesis 4 (H4): There is significant relationship between opportunity competency and women entrepreneurs’ business performance.

Organizing and Leading Competency

Organizing and leading competency requires entrepreneurs to organize resources, lead subordinates, organize people, motivate people, supervise subordinate, delegate work effectively, and coordinate tasks (Nor Hazlina et al., 2011). In leading employees, it is suggested that keeping the employees “synchronised with oneself” is important by leading them effectively and helping them to understand and follow one’s direction (Man, 2001). Entrepreneurs as the owners of businesses need to have the ability to organize various resources including human resources where the entrepreneurs have to organize business activities and lead their employees to ensure that the businesses run efficiently. A study conducted by Man (2001, 2008) in China SME revealed that the organising, relationship and conceptual competencies of the entrepreneurs are positively related to the organisational capabilities of an SME. Thus, the hypothesis is:

Hypothesis 5 (H5): There is significant relationship between organizing and leading competency and women entrepreneurs’ business performance.

Relationship Competency

In seeking business opportunities, relationship competency is helpful and it can be fostered by creating contacts and connections. Many business opportunities can be established through this process (Man et al., 2002). Entrepreneurs should have a diverse
set of useful contacts to give them access to information and other resources (Jennsen & Greve, 2002). It is believed that building a good networking system and trust with suppliers and customers will be reflected in their long-term business survival. It is also suggested for entrepreneurs to engage in networking and use their social relationships to get the resources they need to launch a business (Hansen, 2001; Jenssen, 2001) as suggested in the resource dependency theory (Barringer & Harrison, 2000). Gaining advice is also a form of support from professionals and experts (Ramsden & Bennet, 2005) as well as government bodies (Ritter & Gemunden, 2004).

Relationship competency encourages entrepreneurs to build a networking system which involves building and maintaining relationships within and outside the firm. As suggested by Hisrich and Brush (1987), business associates and friends, participation in trade associations and women’s groups are significant networks which are positively associated with firm performance (Teoh & Chong, 2007) and are essential for the survival of female-run establishment (Shim & Eastlick, 1998; Blanco et al., 1996; Brodsky, 1993). Cooper (2006) argued that competitive advantage could be optimized through teamwork which can also be found in the relationship competency. Solesvik (2012) also supported the argument that successful female entrepreneurs in Ukraine are associated with relationship opportunities. Nor Hazlina and Hasliza (2013) reported from their findings that entrepreneurs’ relationship competency plays a role in their success and is potentially a strong predictor of business success and performance. Therefore, it can be assumed that relationship competency will lead to women entrepreneurs’ business performance. Thus, the following hypothesis is proposed:

Hypothesis 6 (H6): There is significant relationship between relationship competency and women entrepreneurs’ business performance.

Personal Competency

Man and Lau (2000) elaborated on personal competency as important personal qualities and abilities that could help to strengthen personal competency and enhance an individual effectiveness in performing certain tasks such as managing one’s own business. Personal competency is an essential competency domain that supports all the roles played by entrepreneurs (Man, 2001) and predicted that it could enhance the effectiveness of entrepreneurs in performing all roles which could have positive implications on the business (Vijay & Ajay, 2011). Personal competencies revolve around the ability of entrepreneurs to deal with determination and self-belief (Thompson, 1996), emotional intelligence and self-awareness (Man & Lau, 2000; Goleman, 1998), self-confidence and persistence (Man & Lau, 2000), self-motivation (Man & Lau, 2000; Martin & Staines, 1994), self-management (Winterton, 2002) and positive-mindedness (Man & Lau, 2000). Previous studies have primarily concentrated on entrepreneurial competencies of women-owned businesses which focused on specific aspects of their competencies or skills, and believed that women’s competencies are desirable and equivalent to those of male-owned
businesses (Mitchelmore & Rowley, 2013). Based on this argument, it is hypothesized that:
Hypothesis 7 (H7): Personal competency is significantly related to women entrepreneurs’ business performance.

**Learning competency**

Entrepreneurs who engage in learning competencies experience the process of learning and applying knowledge and skills into business operations. Man (2001, 1999) emphasized that learning is found to be a crucial competency for an entrepreneur to attain besides other competencies when carrying out entrepreneurial tasks. Nakhata (2007) in her study on the career success of SMEs entrepreneurs in Thailand found that the learning competency had a moderate positive relationship with objective and subjective career success. The results revealed the importance of knowledge through learning as it creates value for entrepreneurs. Similarly, Man (2001) found that learning competencies are important as supporting roles to develop and enhance other competencies as they are also relevant to today’s changing environment which requires entrepreneurs to learn continuously to meet new challenges. The results of Man’s study (2001) also reported a positive relationship. Thus, the following hypothesis is proposed:
Hypothesis 8 (H8): Learning competency is significantly related to women entrepreneurs’ business performance.

**CONCEPTUAL FRAMEWORK**

Figure 1: Conceptual Framework

<table>
<thead>
<tr>
<th>ENTREPRENEURIAL COMPETENCIES</th>
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<tbody>
<tr>
<td>• Strategic</td>
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<tr>
<td>• Commitment</td>
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<tr>
<td>• Conceptual</td>
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<tr>
<td>• Opportunity</td>
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<tr>
<td>• Organizing &amp; Leading</td>
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<tr>
<td>• Relationship</td>
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<tr>
<td>• Learning</td>
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<tr>
<td>• Personal</td>
</tr>
</tbody>
</table>

WOMEN ENTREPRENEURS’ BUSINESS PERFORMANCE

H1, H2, H3, H4, H5, H6, H7, H8

Figure 1 represents the conceptual framework for this study. The framework explains women entrepreneurs’ business performance as an dependent variable while entrepreneurial competencies play a role as independent variables, which revolve around
eight domains of entrepreneurial competencies. This study involves a multidimensional study on a direct relationship between entrepreneurial competencies and women entrepreneurs’ business performance. The eight competency domains that have been analyzed in this study are strategic, commitment, conceptual, opportunity, organizing and leading, relationship, learning and personal.

RESEARCH METHODOLOGY

A cross-sectional design with stratified random sampling method was used in this study with samples taken from different geographical areas throughout Malaysia. This study is limited to women entrepreneurs under the umbrella of Amanah Ikhtiar Malaysia (AIM) that offers their micro-financing to females. The respondents were selected from the highest scheme offered by AIM, I-Wawasan which is only eligible to those who have a good repayment record and are successful entrepreneurs. The data used for this study were obtained from AIM’s database, ending in February 2015. A total of 184 usable questionnaires were used for further analysis.

DATA ANALYSIS

This study employs descriptive and multiple regression analyses to analyze the data. 53 items from Man’s instruments (2001) were employed to measure the eight entrepreneurial competency domains based on a seven-point Likert Scale. The Principal Component Analysis (PCA) was conducted to identify the competency domains and competencies that are loaded onto these domains. Prior to performing the PCA, the suitability of the data for factor analysis was assessed. Correlation matrix indicated item coefficients are 0.4 and above. Table 1 exhibits the results for competency scale factor loading. The KMO value is 0.923, exceeding the recommended value of 0.6 (Kaiser, 1970, 1974) and Barlett’s test of Sphericity (Barlett, 1954) is significant at p<0.001. Since the KMO value is 0.923, it is interpreted as being in the range of “superb” (Hutcheson & Sofroniou, 1999). Table 1 also shows that the factor analysis contributed eight factors from the 53 items. One item was deleted due to a low-factor loading. The total variance explained is 67.13 percent. Only factors with a loading value of 0.40 and above were considered.

In order to measure business performance (dependent variable), a subjective assessment was conducted since the owners tend not to reveal financial data performance due to confidentiality and sensitivity (Venkatraman & Ramanujam, 1986). Six items from the seven-point Likert Scale were adopted from Isidore Ekpe (2011) which has its origin in the works of Kuzilwa (2005) and Peter (2001). The rotated Varimax PCA was conducted. A correlation matrix indicated that item coefficients are above 0.4. Table 2 exhibits the results for business performance scale factor loading. The KMO value is 0.897, exceeding the recommended value of 0.6 (Kaiser, 1970, 1974) and Barlett’s test of Sphericity (Barlett, 1954) is significant at p<0.001. Since the KMO value is 0.897, it is
interpreted as being in the range of “great” (Hutcheson & Sofroniou, 1999). Table 2 also shows that the factor analysis contributed only one factor from the six items. The total variance explained is 69.52 percent. Only factors with a loading value of 0.40 and above were considered.

Table 4 indicates the results of a multiple regression analysis that examined the effect of entrepreneurial competencies on women entrepreneurs’ business performance. Overall, entrepreneurial competencies significantly explained 45.0 percent of variance in business performance ($R^2=0.450$, $F=17.875$, $p<0.01$). However, it was found that only three competencies have significantly predicted business performance (H4, H5 and H7). There are opportunity competency ($B=0.153$, $t=1.916$, $p<0.1$), organizing and leading competency ($B=-0.148$, $t=-1.746$, $p<0.01$) and personal competency ($B=0.320$, $t=3.081$, $p<0.1$). The other competency factors failed to have significant effects on business performance ($p>0.1$).

CONCLUSION AND DISCUSSION

Lucky (2011) suggested that owners’ or entrepreneurs’ performance cannot be separated from their businesses because when the firm succeeds, the owner also succeeds and vice versa. Performance is a continuous and flexible process which involves managers, partners and those who manage the business (Armstrong, 2006). This is also the end result of business activities and outcomes of the strategic management process (Agha, Alrubaiee & Jamhour, 2012). From the analysis, there are only three competencies that are related to women entrepreneurs. These include opportunity, organizing and leading as well as personal competencies. The finding is supported by GEM 2013’s report on entrepreneurial opportunities where opportunities exist if women perceived that they have competencies in entrepreneurship. Entrepreneurs with opportunity competency will identify opportunities available in the current market by identifying and providing products and services that customers demand. Entrepreneurs who often see the opportunities will be able to put themselves ahead of others.

Organizing and leading competencies are important in order to organize resources and people, lead and supervise subordinates, motivate employees, delegate work effectively and coordinate tasks would enable entrepreneurs to preserve and maintain the survival and success of their businesses. The finding is supported by Thongpoon, Ahmad & Yahya (2012) where organizing is found to be positively related to the financial performance of Thai SMEs. As reported by Man (2002), “This group of competencies calls for the ability to lead, control, monitor, organize, and develop the external and internal resources towards the firm’s capabilities through the entrepreneur’s organizing
competency in different areas”. From the analysis, personal competency is found to have a significant effect on women entrepreneurs’ business performance. The finding is consistent with findings of past studies by Man (2001), in which personal strength is significant to performance. Thus, personal competencies are believed to support entrepreneurs in dealing with obstacles and challenges besides accomplishing various tasks that will finally lead to superior performance.

In conclusion, entrepreneurial competencies are believed to be understood and perceived differently by men and women entrepreneurs. In view of the fact that women entrepreneurs have been recognized as one of the backbones of a country’s economy, it is crucial to determine the competencies that are mainly important and concern their business performance. The discussion on entrepreneurial competencies should be widely highlighted and further research on women entrepreneurial competencies should be given due consideration. As suggested by most of the previous researchers who agree with entrepreneurial competencies to be presented as a multidimensional construct, more empirical research on multidimensional study of women competencies should be conducted in the future.

REFERENCES


Man, T. W. Y. (2001). Entrepreneurial competencies and the performance of small and medium enterprises in the Hong Kong services sector. Doctoral thesis, Hong Kong Polytechnic University, Hong Kong.


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**APPENDIX**

Table 1: Factor Loading of Entrepreneurship Competency Scale

<table>
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<th>Factor Loading</th>
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<th>5</th>
<th>6</th>
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Table 2: Factor Loading of Business Performance

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<td>BTOS</td>
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Table 3: Inter-correlation between variables

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<th>Relationship</th>
<th>Conceptual</th>
<th>QLC</th>
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<tr>
<td>Competency</td>
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<td></td>
<td></td>
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</tr>
<tr>
<td>Organizing</td>
<td>.383**</td>
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<td>.575**</td>
<td>.675**</td>
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<td></td>
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<td></td>
<td></td>
<td></td>
<td></td>
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</tr>
<tr>
<td>Competency</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Strategic</td>
<td>.560**</td>
<td>.489**</td>
<td>.592**</td>
<td>.598**</td>
<td>.635**</td>
<td>1</td>
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</table>
### Table 4: Effect of Entrepreneur Competency on Business Performance

<table>
<thead>
<tr>
<th>Competency</th>
<th>B</th>
<th>t</th>
<th>Sig</th>
</tr>
</thead>
<tbody>
<tr>
<td>Opportunity Competency</td>
<td>.153</td>
<td>1.916</td>
<td>.057</td>
</tr>
<tr>
<td>Relationship Competency</td>
<td>.045</td>
<td>.497</td>
<td>.620</td>
</tr>
<tr>
<td>Conceptual Competency</td>
<td>.006</td>
<td>.067</td>
<td>.947</td>
</tr>
<tr>
<td>Organizing and Leading Competency</td>
<td>-.148</td>
<td>-1.746</td>
<td>.083</td>
</tr>
<tr>
<td>Strategic Competency</td>
<td>.111</td>
<td>1.096</td>
<td>.274</td>
</tr>
<tr>
<td>Commitment Competency</td>
<td>.163</td>
<td>1.535</td>
<td>.127</td>
</tr>
<tr>
<td>Learning Competency</td>
<td>.115</td>
<td>1.186</td>
<td>.237</td>
</tr>
<tr>
<td>Personal Competency</td>
<td>.320</td>
<td>3.081</td>
<td>.002</td>
</tr>
</tbody>
</table>

R²: 0.450

F: 17.875

Sig: 0.000
DETERMINANTS OF ETHICAL SALES BEHAVIOUR: A STUDY OF TAKAFUL AGENTS IN MALAYSIA

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ABSTRACT

Agents are the frontline employees that play a crucial role in service delivery and creating relationships with customers in an organization in the current era of aggressive competition. Therefore, the objective of this study is to investigate the influence of selling pressure and ethical sales climate on ethical sales behaviours among Family Takaful agents in Malaysia. The research was conducted in Takaful industry of Malaysia and data were collected from 669 participants through self-administered questionnaires. Result reveals that selling pressure and ethical sales climate were significant to ethical behaviours. To improve the generalization of the findings, future research should extend the sample by including a variety of industries. Likewise, the use of longitudinal data could provide new insights into the determinants of agents’ ethical sales behaviours, particularly the relationship with ethical sales performance.

Keywords: Ethical Sales Behaviour; Selling Pressure; Ethical Sales Climate, Takaful Family Agents

INTRODUCTION

Decades ago, there was a tenfold increase in the number of publication on marketing ethics (McClaren, 2013). This was due to the strengthening of the debate in the sub-discipline which introduced a new topic to the field. In addition, Newell, Belonax, McCardle, and Plank (2011) stated that in contemporary view, agents play an important role in developing and maintaining relationships between buyers and sellers, especially in personal selling and sales organization. On the other hand, Pousa and Mathieu (2014) claimed that customers see ethical agent as individuals who are reliable and have morals, which goes a long way toward extending relationships. Generally, the issue of business ethics focused on organizations and individuals (Cadogan, Lee, Tarkiainen, & Sundqvist, 2006).
There is a rapid growth of empirical literature shaping the ethical reality which contributes towards the success of a business enterprise (Amirshahi, Shirazi, & Ghavami, 2014). From the point of view of the firm, ethics is closely related to trust (Chen & Mau, 2009). Customers gain benefit from ethical behaviors which can create trust to support the exchange in the relationship. In the meantime, agents also benefited from the exchange relationship regarding of trust given by the clients because of their ethical behaviors (Afza, 2000). Conversely, unethical behaviors can destroy and expose companies to negative word-of-mouth as customers are not satisfied with the services provided. Customers’ complaints would put a blow to their reputation, and, ultimately could damage the reputation of business (Bourdeau, Graf, & Turcotte, 2013).

Ethical practices need to be addressed in the state of today’s social problems, especially in the financial service. With regards to the Takaful industry, agents are recommended to practice ethical behaviors in winning customer loyalty through customer confidence in the agent (Cadogan et al., 2009; Chen & Mau, 2009; Román & Munuera, 2005). This is to build customers’ full confidence on the agent, especially when dealing with something complicated and complex (Ferdous and Polonsky, 2013), which requires a clear understanding that contribute to the ethical or unethical behaviors in decision making in a complex problem (Lu and Lin, 2014). Not surprisingly, there are several research efforts that have investigated the factors that influence agents’ ethical behaviors such as Alrubaiee (2012), Baker, Hunt, and Andrews, (2006), Cadogan et al. (2009) as well as Hasnah Haron, Ishak Ismail, and Shaikh Hamzah Abdul Razak (2011), which undertake empirical works to address this issue. However, the results of the existing research are characterised by mixed and contradicting results which caused confusion among researchers (Adnan, Saher, Naureen, Qureshi, & Khan, 2013; Alrubaiee, 2012; Hansen & Riggle, 2009; Leonard & Cronan, 2005). Hence, some of the findings are attributed to several factors that may potentially explain the results in the ethics literature. To date, there is a limited number of studies that examined the relationship between issues related to ethics, especially on Takaful agents (Mohamed, Alhabshi, & Sharif, 2013; Mohamed Sherif & Nor Azlina Shaairi, 2013; Sheila Nu Nu Htay, Nur Shazwani Sadzali, & Hanudin Amin, 2015) and most previous research studies had focused on high standard occupations but not on Takaful agent. Hence, the researcher intends to explore the relationship between selling pressure and ethical sales climate towards ethical behaviors. In the perspective of family Takaful agents, after intensive literature review, the researcher realised that there are still tremendous gap in literature, hence, covering this area can offer enormous contribution to the Takaful industry. Based on the problems that have arisen ethical issues are considered as something that bring a problem to the individual work, as well as to the public. Hence, the aims of this study is to make a significant contribution to the understanding of the relationship between selling pressure and ethical sales climate towards influencing ethical
behaviours in the Takaful industry. This is done through employing an empirical model on agents.

LITERATURE REVIEW

Ethical Sales Behaviour

Past literature have discussed ethical sales behaviours from different perspectives. According to Sims (1992) ethical sales behaviours can be defined as what is morally accepted as “good” and “right” as opposed to “bad” or “wrong” in a particular setting. It is based on morals and the correct way to behave to bring noticeable profits and positive business outcomes in terms of employees’ relations, recruitment, retention, productivity, customers’ relationships, and customers’ loyalty (Verschoor, 2001). Meanwhile Román and Munuera (2005) claimed ethical sales behaviours as the fair and honest actions that enable the agent to foster long-term relationships with customers based on customers’ satisfaction and trust. Moreover, the researchers believe that ethical behaviours can support the society and preserve the environment (Chonko & Hunt, 1985; McClaren, 2013; Sukserm & Takahashi, 2012). Meanwhile, Cicala, Bush, Sherrill, and Deitz (2014) stated that unethical behaviours can occur when agents interact with various stakeholders such as customers, competitors and employers. In the meantime, the violation of ethics towards customers as less ethical than controversial actions against the employers’ competitors or their employers (Chonko & Burnett, 1983; Grisaffe & Jaramillo, 2007). In this light, empirical researches have gained attention but the findings did not show significant results (Adnan et al., 2013; Alrubaiee, 2012; Cadogan et al., 2009; Ferdous & Polonsky, 2013; Lin & Wu, 2012; Pettijohn et al., 2011). Notable studies include an empirical study by Alrubaiee (2012) which showed a positive correlation between ethical behaviours and customer loyalty and the major impact on the development and maintenance of relationships with customers. Meanwhile, a study conducted by Ferdous and Polonsky (2013) found that perceived behavioural control is not significantly correlated with ethical sales behaviours. Similarly, Honeycutt, Siguaw, and Hunt (1995) found that high-performance salespeople showed high ethical behaviours and Schweiker & Ingram (1996) obtained empirical evidence regarding of salespeople’s moral judgments as being positively related to their job performance. Based on the results obtained, the findings are inconsistent with regard to the scope of this study. Therefore, there is a need for a more detailed study that can raise the level of ethical behaviours, especially in sales management.

Selling Pressure

Personal selling is very important for the success of many businesses (Dubinsky & Levy, 1985; McClaren, 2013). Based on today’s business conditions, agents are responsible to
generate more revenue in a competitive market economy (Cicala, Smith, & Bush, 2012; Ferrell, Johnston, & Ferrell, 2007). This is because they have a direct impact on the introduction of new products in the market and the development of markets for existing products. Besides that, agent have more opportunities to make ethical decisions on a regular basis as part of their job responsibilities, compared to most employees in other firms (Adnan et al., 2013). This makes them more likely to face moral dilemmas on the decisions they make. They may often feel that their work performance will be improved if they behave in an unethical manner (Agarwal & Malloy, 2002). Consequently, selling pressure can be generated through firms’ implementation of quotas and incentive pay, hence, ethical sales behaviour is a critical aspect to the relationship between buyer-seller. This is because through ethical sales behaviours, agents will able to develop creative solutions while building credibility and trust with their customers (Cicala et al., 2012; Palmatier, Dant, Grewal, & Evans, 2006). In an effort to achieve organizational and personal goals, agents will be likely to view this sales force “sub-culture” behaviours and beliefs as a routine way of doing business, minimizing the ethical issues confronting them. Therefore, the following hypothesis was developed:

Hypothesis 1 (H1): There is significant relationship between selling pressure and ethical sales behaviours.

**Ethical Sales Climate**

Studies on ethical sales climate have garnered interests among researchers, especially on its impact to the agents viewpoint (Yi, Dubinsky, & Lim, 2012). In this regard, ethical sales climate will influence ethical behaviours of individuals within the organization (Wimbush & Shepard, 1994). At the same time, Lu and Lin (2013) claimed that ethical sales climate constitutes of rewards and supports to the different individuals involved. In addition, ethical sales climates serve many functions in an organization (Deshpande & Joseph, 2009; Lu & Lin, 2013). Ethical climate develops from the particular importance of ethics to the sales profession (Wotruba, 1990) and also been stated to have an important influence on the ethical behaviours of agents (Briggs, Jaramillo, & Weeks, 2012), shaped by confrontations with ethical dilemmas of their own or those experienced by others. In other words, the ethical climates serve as a perceptual lens through which workers can diagnose and assess situations (Cullen, Parboteeah, & Victor, 2003). Previous studies showed that the ethical sales climate in a sales department can impact ethical behaviours of agents (Deshpande & Joseph, 2009; Schwepker, 2001; Victor & Cullen, 1988). Deshpande and Joseph (2009) stated that the ethical climate of sales department significantly influences the ethical behaviours of agent, while study by Schwepker (2001) struggled that ethical rules, ethical policy, and the reward system are crucial factors in cultivating an ethical climate. These rewards also impact agents’ ethical behaviours and adjustment. In addition, Martin and Cullen (2006) conducted a meta-analysis of past studies in ethical climate to resolve inconsistencies in previous findings and determined support for Victor and Cullen (1988) ethical climate theory. Based on
their studies, they found a positive relationship between the professional rules climates and various organizational outcomes. Therefore, the following hypothesis was developed: Hypothesis 2 (H2): There is significant relationship between ethical sales climate and ethical sales behaviours

CONCEPTUAL FRAMEWORK

The conceptual framework is presented in Figure 1. Ethical sales behaviour was proposed to be a dependent variable. Meanwhile, selling pressure and ethical sales climate were the independent variables. The selection of these variables was based on a review of extant sales ethics literature and discussions with executives in the Takaful industry. Each component of the model and key relationships are shown in figure 1.

![Figure 1: A Conceptual Model of Ethical Sales Behaviour](image_url)

RESEARCH METHODOLOGY

Sample and data collection

This study applied the quantitative cross-sectional survey design in order find the relationship between the variables and described the situation reviewed. Data were collected from 669 respondents consist of Takaful agents based in the northern region of Peninsular Malaysia. The respondents were selected through stratified random sampling method and calculated using Cochran’s (1977) formula (Bartlett, Kotrlik, & Higgins, 2001). The sets of questionnaire were distributed to the selected agents by visiting them in each Takaful branch. Only three Takaful operators, Etiqa Takaful Berhad, Syarikat Takaful Malaysia Berhad and Takaful Ikhlas Berhad agreed to participate in the study. In
all, a total of 170 usable questionnaires were returned out of the 669 distributed. Hence the response rate for this study I was 32 percent.

Measures

All of the variables included in the research model were measured using multi-item scales drawn from prior studies. The response categories for each item were anchored from Strongly Disagree (1) to Strongly Agree (5). The items used to measure each of the variables are as follow:

a) Ethical behaviour was utilised in the Defining Issues Test (DIT) that was developed by Rest (1979) based on the theory of Kohlberg (1963). By using DIT, three scenario of ethical dilemmas was applied.

b) Selling pressure was assessed by adapting items from (Palmer and Bejou, 1994). The scale was modified for the Takaful industry. The scale’s focus was on the extent and means of a company’s selling pressure.

c) Ethical sales climate was assessed with a frequently used items from previous studies as measured by Schwepker, Ferrell, and Ingram (1997). The items focused on salespersons’ perceptions of the presence and enforcement of codes of ethics and corporate policies on ethics.

DATA ANALYSIS

Data were analysed using the IBM Statistical Package for Social Sciences (SPSS) version 22. This study used descriptive and multiple regression to analyse the data. The descriptive statistics of the sample are listed in Table 1. The sum of the respondent of this research was 170 Family Takaful agents. There was a higher number of male respondents than females. Meanwhile, most agent Takaful who participated are under the age range of between 25-29 years old at the time of study. Moreover, as expected, the largest race group in this sample is Malay, followed by Chinese and Indian respectively. The results showed that the majority of respondents are degree holder and the level of respondents’ tenure with their companies is within the range 2-5 years. Lastly, Table 1 demonstrates the working experience of the agent is in the range of 10 to 13 years.

<table>
<thead>
<tr>
<th>Demographic Profile</th>
<th>Frequency</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gender</td>
<td></td>
<td></td>
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<tr>
<td>Male</td>
<td>103</td>
<td>60.6</td>
</tr>
<tr>
<td>Female</td>
<td>67</td>
<td>39.4</td>
</tr>
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<td>20-24 years</td>
<td>25</td>
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<td>25-29 years</td>
<td>47</td>
<td>27.6</td>
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<tr>
<td>30-34 years</td>
<td>45</td>
<td>26.5</td>
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<tr>
<td>35-40 years</td>
<td>23</td>
<td>13.5</td>
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<td>41-45 years</td>
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<td>12.4</td>
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<tr>
<td>More 45 years</td>
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<td>5.3</td>
</tr>
<tr>
<td>Malay</td>
<td>131</td>
<td>77.1</td>
</tr>
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</table>
The exploratory factor analysis was used to determine the construct validity of selling pressure, ethical sales climate and ethical sales behaviours. The Principal Component Analysis (PCA) was used to assess the dimensionality of the measures, in this light, PCA performed to assess the factorial structure of the scales. The results of the factor analysis showed the Kaiser-Meyer-Olkin (KMO), which surpassed the .6 and the Bartlett Sphericity test (BTS) which was significant with p<.05. One possible reason is the number of samples which was less than 200 people, Hair, Black, Babin, and Anderson (2010) suggested that the adequacy of the sample measured is .45. All of the variables passed both the statistical tests of Kaiser-Meyer-Olkin (KMO) which is a measure of sampling adequacy and Bartlett’s Test of Sphericity for statistical significance. These tests confirmed the factorability of the data collected through the scales. The reliability score for selling pressure, and ethical sales climate were 0.75, 0.94 respectively. On the contrary, the pre-conventional, conventional and post-conventional were 0.64, 0.82 and 0.73 respectively. In the meantime, even though the value of the Cronbach Alpha for pre-conventional items was low, researchers had retained all the items, because theoretically, these items are important and should be maintained (Abdullah Abdul Ghani, 2000; Hairuddin Megat Latif, 2014). The results of the factor analysis as shown in Table 2, indicated that each factor was validly represented by its relevant items.

<table>
<thead>
<tr>
<th>Race</th>
<th>Chinese</th>
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<th>18.8</th>
<th>18.8</th>
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<td>Indian</td>
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<td>4.1</td>
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<td></td>
<td>Diploma</td>
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<td>33.5</td>
<td>33.5</td>
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<td>Degree</td>
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<td>40.0</td>
<td>40.0</td>
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<td>Master</td>
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<td>2.4</td>
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<td>.6</td>
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<tr>
<td>Level Education</td>
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<td></td>
</tr>
<tr>
<td>2-5 year</td>
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<td>60.0</td>
<td></td>
<td></td>
</tr>
<tr>
<td>6-9 year</td>
<td>41</td>
<td>24.1</td>
<td></td>
<td></td>
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<td>10-13 years</td>
<td>25</td>
<td>14.7</td>
<td></td>
<td></td>
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<tr>
<td>14-17 years</td>
<td>1</td>
<td>.6</td>
<td></td>
<td></td>
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<tr>
<td>18-21 years</td>
<td>1</td>
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<tr>
<td>Tenure</td>
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</tr>
<tr>
<td>2-5 year</td>
<td>27</td>
<td>15.9</td>
<td></td>
<td></td>
</tr>
<tr>
<td>6-9 year</td>
<td>39</td>
<td>22.9</td>
<td></td>
<td></td>
</tr>
<tr>
<td>10-13 years</td>
<td>65</td>
<td>38.2</td>
<td></td>
<td></td>
</tr>
<tr>
<td>14-17 years</td>
<td>23</td>
<td>13.5</td>
<td></td>
<td></td>
</tr>
<tr>
<td>18-21 years</td>
<td>11</td>
<td>6.5</td>
<td></td>
<td></td>
</tr>
<tr>
<td>more 21 years</td>
<td>5</td>
<td>2.9</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Experience</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2-5 year</td>
<td>27</td>
<td>15.9</td>
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<td></td>
</tr>
<tr>
<td>6-9 year</td>
<td>39</td>
<td>22.9</td>
<td></td>
<td></td>
</tr>
<tr>
<td>10-13 years</td>
<td>65</td>
<td>38.2</td>
<td></td>
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<tr>
<td>14-17 years</td>
<td>23</td>
<td>13.5</td>
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<tr>
<td>18-21 years</td>
<td>11</td>
<td>6.5</td>
<td></td>
<td></td>
</tr>
<tr>
<td>more 21 years</td>
<td>5</td>
<td>2.9</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Table 2
Validity and Reliability of instruments

<table>
<thead>
<tr>
<th>Item</th>
<th>Selling Pressure</th>
<th>Ethical Sales Climate</th>
<th>Ethical Sales Behaviour</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pre</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cont.</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Post</td>
<td></td>
<td></td>
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</tr>
</tbody>
</table>
The findings from Table 3 revealed that the selling pressure and ethical climate have positive significant towards ethical behaviours. In all, selling pressure and ethical sales climate significantly explained 71.3 percent of variance in ethical sales behaviours ($R^2=0.713$, $F=85.63$, $p<0.01$). The positive result indicated that the higher selling pressure, the higher agents are influenced to work ethically. The overall findings
presented selling pressure (β=.287; t =5.091; p < 0.01) and ethical sales climate ((β=.433; t =8.856; p < 0.01). Moreover, the empirical findings indicate that selling pressure and ethical sales climate have relationships with ethical sales behaviours. Therefore, all the hypotheses were accepted. The results of the hypotheses testing are summarised in Table 3.

Table 3

<table>
<thead>
<tr>
<th>Variables</th>
<th>β</th>
<th>t</th>
<th>Sig</th>
<th>Result</th>
</tr>
</thead>
<tbody>
<tr>
<td>Selling Pressure → Ethical Sales Behaviour</td>
<td>0.287</td>
<td>5.091</td>
<td>0.000**</td>
<td>Supported</td>
</tr>
<tr>
<td>Ethical Sales Climate → Ethical Sales Behaviour</td>
<td>0.433</td>
<td>8.856</td>
<td>0.000**</td>
<td>Supported</td>
</tr>
<tr>
<td>R2</td>
<td>0.713</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>F</td>
<td>85.63</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Sig</td>
<td>0.000</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Notes: * p<0.05; ** p<0.01

CONCLUSION AND DISCUSSIONS

To our knowledge, this is the first study that simultaneously identifies and analyses the key factors for ethical sales behaviours amongst Takaful agents in Malaysia. The researchers believe that this research will make significant contributions to the existing literature. The result of the study showed that selling pressure and ethical sales climate are found to have a positive significant relationship to ethical behaviours. The result of this paper indicate that both selling pressure and ethical sales climate are important factors that influence Family Takaful agents to act in an ethical manner when interacting with their clients. As pointed out by Perret & Holmlund, (2010), Wachter, Vitell, Shelton, and Park (2012) and Yi et al. (2012), selling pressure is focused on retaining the relationship with the customers and this encompasses a range of activities inherent of the company’s objective and agents’ concerns for customers’ need. Thus, in service industry like Takaful putting customers’ interest should be priority (Saxe & Weitz, 1982), and agents tend to sell product that are beneficial to the customers (Tseng, 2011). The result on ethical sales climate is consistent with prior studies Ojikutu, Obalola, and Omoteso (2013), Peterson(2002), Shacklock, Manning, and Hort (2011) and Unal (2012). These previous researches also exhibit that ethical climate can be proved empirically to have a positive and significant relationship to the ethical behaviours of agents. Based on the result, it is apparent that by introducing systems and procedures, agents can improve their ethical behaviours and good manners to comply with the laws and guidelines when carrying out their sales activities. The adherences to the guidelines and zero tolerance to unethical activity are some of the effective ways to avoid unethical behaviours among Takaful agents. Therefore, this finding is supported by other researchers’ findings. Thus, it can be concluded that Takaful operators as service providers, must strategies to achieve sales ethics to generate agents’ ethical sales behaviours. Therefore, the increasing
demands for Takaful products calls for sales department to focus on related issues that may affect the company's reputation as the sale of complex services may offer many opportunities for agents to take advantage of an unsuspecting customer or provide insights into the consumer’s needs.

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FAKTOR ERGONOMIK DAN KEPUASAN KERJA: KAJIAN KES DALAM KALANGAN OPERATOR PENGELUARAN

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ABSTRAK


Kata kunci: ergonomik, kepuasan kerja dan operator pengeluaran
PENDAHULUAN


SOROTAN LITERATUR

Kepuasan kerja dapat mempengaruhi perlakuan bekerja dan seterusnya prestasi organisasi (Bakotic, Danica & Tomislav, 2013). Konsep kepuasan kerja disifatkan sebagai tingkah laku individu terhadap rutin kerja dan hubungannya dengan motivasi pekerja. Justeru, motivasi tidak akan muncul tanpa kepuasan kerja dalam individu (Siti Zawiah & Zahari, 2005).

Pekerja merupakan sumber yang penting dalam pelbagai industri bagi penghasilan produktiviti. Pengurusan tenaga kerja sangat kritikal berbanding faktor lain kerana manusia mempunyai pelbagai sifat dan gelagat yang turut boleh mempengaruhi kepuasan kerja (Muna & Atasya, 2013). Matlamat sesuatu organisasi tentulah ke arah memperolehi keuntungan yang maksimum. Justeru, terdapat aspek yang mempengaruhi pencapaian hasrat tersebut seperti aspek kepuasan bekerja dalam kalangan pekerja. Tuntasnya, aspek kepuasan kerja menjadi suatu hal yang penting dalam organisasi. Dengan kata lain, di samping teknologi, peralatan, kewangan dan masa, sifat pekerja itu sendiri mempengaruhi kepuasan kerja mereka. Demi mencapai misi sesuatu organisasi, pekerja mestilah memperolehi kepuasan bekerja agar dapat mempertingkatkan semangat, motivasi dan prestasi ke arah penghasilan produktiviti yang maksimum (Brahmasari & Suprayetno, 2008).


Beberapa kajian yang telah dijalankan oleh pengkaji sebelumnya berjaya membuktikan kaitan faktor ergonomik di tempat kerja dalam yang mempengaruhi tahap kepuasan kerja,


Walau pun telah banyak kajian terdahulu yang berjaya membuktikan wujudnya hubungannya yang signifikan antara faktor ergonomik dengan tahap kepuasan kerja dalam kalangan pekerja dari skop pekerjaan dan industri yang berbeza, namun, pengkaji merasakan penting untuk kajian ini dilaksanakan kerana setiap kajian kes mempunyai ciri-ciri dan faktor-faktor penyebab yang berbeza. Adalah menjadi keperluan kepada pengkaji untuk mengkaji permasalahan ini di organisasi kajian disebabkan wujudnya masalah kadar lantik henti yang tinggi dalam kalangan operator pengeluaran yang kebanyakannya merupakan warga tempatan (Nor Asilah, 2015). Hasil temu bual awal bersama pegawai sumber manusia di organisasi kajian membuktikan wujudnya masalah ketidakpuasan kerja dalam kalangan operator pengeluaran di organisasi kajian. Masalah ini menyumbang kepada penurunan motivasi untuk melaksanakan tugas, peningkatan
kadar pemberhentian kerja dan seterusnya mengakibatkan penurunan kepada produktiviti kilang (Nor Asilah, 2015). Temu bual bersama beberapa orang pekerja di organisasi berkenaan juga mendapat wujud masalah kelesuan dan ketidakselesaan dalam melaksanakan tugas akibat keadaan persekitaran dalam organisasi mereka yang ada kalanya tidak mencapai tahap yang memuaskan (Nor Asilah, 2015). Oleh yang demikian, tujuan utama kajian ini adalah mengkaji hubungan antara faktor ergonomik dalam persekitaran fizikal pekerjaan terhadap tahap kepuasan kerja dalam kalangan operator pengeluaran di sebuah kilang pembuatan.

**Persoalan Kajian**

Terdapat tiga persoalan kajian utama dalam kajian ini seperti mana yang dinyatakan di bawah:

1. Apakah tahap kepuasan kerja dalam kalangan operator pengeluaran di organisasi kajian?
2. Apakah tahap persepsi pekerja terhadap persekitaran fizikal tempat kerja?
3. Adakah terdapat hubungan antara faktor ergonomik dalam persekitaran fizikal tempat kerja dengan kepuasan kerja?

**Objektif Kajian**

Objektif umum kajian ini adalah untuk mengenal pasti hubungan antara faktor persekitaran fizikal tempat kerja dengan tahap kepuasan kerja dalam kalangan operator pengeluaran. Di bawah merupakan tiga objektif khusus dalam kajian ini iaitu:

1. Untuk mengukur tahap kepuasan kerja dalam kalangan operator pengeluaran di organisasi kajian.
2. Untuk menentukan tahap persepsi pekerja terhadap persekitaran fizikal tempat kerja.
3. Untuk mengenal pasti hubungan antara faktor ergonomik dalam persekitaran fizikal tempat kerja dengan kepuasan kerja.
METODOLOGI KAJIAN

Rekabentuk Kajian


Alat Pengukuran


ANALISIS DATA

Maklumat Demografik

Majoriti responden adalah lelaki (67.4%) berbanding perempuan (32.6%), berumur di antara 18 hingga 35 tahun (65.2%), diikuti responden yang berumur di antara 36 hingga 45 tahun (26.7%). Lebih 60 peratus responden merupakan lepasan Sijil Pelajaran Malaysia (SPM) dan 81.3 peratus berbangsa Melayu.
Min dan Sisihan Piawai

Nilai min dan sisihan piawai diperolehi daripada analisis deskriptif dilaporkan seperti mana dalam jadual di bawah. Berdasarkan nilai min di bawah, majoriti responden melaporkan mereka mempunyai tahap kepuasan kerja yang berada pada tahap sederhana. Majoriti responden juga menyatakan mereka mempunyai persepsi yang berada tahap sederhana terhadap kesemua sub faktor yang berada di bawah pemboleh ubah faktor ergonomik.

<table>
<thead>
<tr>
<th>Pemboleh Ubah</th>
<th>Min</th>
<th>Sisihan Piawai</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pengudaraan</td>
<td>3.63</td>
<td>1.24</td>
</tr>
<tr>
<td>Bunyi bising</td>
<td>4.35</td>
<td>1.05</td>
</tr>
<tr>
<td>Pencahayaan</td>
<td>3.70</td>
<td>0.90</td>
</tr>
<tr>
<td>Susun atur</td>
<td>4.45</td>
<td>0.66</td>
</tr>
<tr>
<td>Ruang kerja</td>
<td>4.40</td>
<td>0.54</td>
</tr>
<tr>
<td>Kepuasan kerja</td>
<td>4.30</td>
<td>0.60</td>
</tr>
</tbody>
</table>

Hasil analisis korelasi Pearson dipaparkan dalam Jadual 2. Secara keseluruhannya, pemboleh ubah pengudaraan, bunyi bising dan pencahayaan tidak signifikan dengan kepuasan kerja kerana nilai p>0.05. Hanya faktor susun atur dan ruang kerja sahaja mempunyai korelasi signifikan dengan nilai < 0.05.

<table>
<thead>
<tr>
<th></th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
<th>6</th>
</tr>
</thead>
<tbody>
<tr>
<td>Kepuasan kerja</td>
<td>1</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Pengudaraan</td>
<td>0.048</td>
<td>1</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Bunyi bising</td>
<td>0.045</td>
<td>0.184**</td>
<td>1</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Pencahayaan</td>
<td>0.046</td>
<td>-0.234**</td>
<td>0.328**</td>
<td>1</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Susun atur</td>
<td>0.719**</td>
<td>0.093</td>
<td>-0.056</td>
<td>-0.104</td>
<td>1</td>
<td></td>
</tr>
<tr>
<td>Ruang kerja</td>
<td>0.332**</td>
<td>0.032</td>
<td>0.117*</td>
<td>0.225**</td>
<td>0.251**</td>
<td>1</td>
</tr>
</tbody>
</table>

** p < 0.01 (2-tailed)

Jadual 3 memaparkan keputusan nilai-R, R², dan perubahan nilai-R². Nilai-R dalam jadual berkenaaan adalah 0.741, menunjukkan hubungan linear yang kuat antara pembolehubah. Nilai-R² pula adalah 0.550. Nilai ini menunjukkan bahawa 55 peratus daripada varian dalam kepuasan kerja boleh dijelaskan oleh hubungan antara setiap pemboleh ubah bebas yang dikaji dalam kajian ini. Jadual 4 pula memaparkan persamaan
regresi bagi setiap sub faktor yang signifikan dengan kepuasan kerja di kalangan responden.

Jadual 3. Rumusan Model

<table>
<thead>
<tr>
<th>Model</th>
<th>R</th>
<th>R²</th>
<th>Perubahan R²</th>
<th>Std. Error of the Estimate</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>0.741</td>
<td>0.550</td>
<td>0.542</td>
<td>.40736</td>
</tr>
</tbody>
</table>

Jadual 4. Persamaan regresi dan statistik berkaitan

<table>
<thead>
<tr>
<th></th>
<th>Unstandardized Coefficients</th>
<th>Standardized Model Coefficients</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Model Coefficients</td>
<td></td>
</tr>
<tr>
<td></td>
<td>B</td>
<td>Std. Error</td>
</tr>
<tr>
<td>1</td>
<td>(Constant)</td>
<td>.553</td>
</tr>
<tr>
<td></td>
<td>Pengudaraan</td>
<td>-.007</td>
</tr>
<tr>
<td></td>
<td>Bunyi bising</td>
<td>.027</td>
</tr>
<tr>
<td></td>
<td>Pencahayaan</td>
<td>.046</td>
</tr>
<tr>
<td></td>
<td>Susun atur</td>
<td>.634</td>
</tr>
<tr>
<td></td>
<td>Ruang kerja</td>
<td>.151</td>
</tr>
</tbody>
</table>

a. Pemboleh ubah bersandar: kepulasan kerja

KESIMPULAN DAN PERBINCANGAN

Kajian ini bertujuan untuk menyiaskan hubungan antara faktor ergonomik dalam persekitaran fizikal di tempat kerja dengan tahap kepuasan kerja dalam kalangan operator pengeluaran di sebuah kilang pembuatan. Secara umumnya, tahap kepuasan kerja dalam kalangan responden kajian adalah pada tahap sederhana, di mana 51.7 peratus responden bersetuju bahawa persekitaran pekerjaan yang selesa menjamin tahap kepuasan kerja mereka. Hanya 37.2 peratus responden melaporkan mereka berasa seronok apabila berada di tempat kerja yang selamat dan selesa. Hasil analisis Korelasi dan Regresi Berganda mengesahkan bahawa hanya pemboleh ubah susun atur dan ruang kerja sahaja yang mempengaruhi pemboleh ubah kepuasan kerja. Manakala faktor ergonomik yang lain
seperti pengudaraan, bunyi bising dan pencahayaan tidak mempunyai hubungan yang signifikan dengan kepuasan kerja dalam kalangan responden.


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TEKANAN KERJA DALAM KALANGAN GURU: KAJIAN KES DI SEBUAH SEKOLAH AWAM DI MALAYSIA

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ABSTRAK


Kata kunci: tekanan kerja dan guru
PENDAHULUAN

Tekanan kerja sememangnya suatu perkara tidak dapat dielakkan dan setiap individu yang bekerja harus berdepan dengan permasalahan ini. Tekanan kerja boleh memberi kesan ke atas kehidupan manusia dalam pelbagai bentuk sama ada fizikal, psikologi dan sosial. Tahap keseriusan kesan tekanan kerja ke atas seseorang pekerja adalah banyak bergantung kepada ciri-ciri, sikap serta cara bagaimana individu itu menghadapinya.


Tekanan kerja dalam kalangan guru mempunyai kaitan yang sangat rapat dengan lambakkan kerja yang diberikan oleh pengurusan sekolah. Kadang kala tugas yang diberikan itu di luar skop tugasannya yang sepatutnya dilakukan oleh warga pendidik. Antaranya melibatkan kerja perkeranian, menghadiri seminar, kursus, mesyuarat panitia, dan pelbagai lagi. Raja Maria (2011) dalam kajian beliau mendapati sekurang-kurangnya tiga puluh peratus daripada jumlah guru di Malaysia perlu menggalas lebihan tanggungjawab yang sememangnya memberikan tekanan dan memberikan impak negatif kepada tumpuan mereka terhadap pembelajaran dan pengajaran dalam kelas.

Menurut laporan daripada Kesatuan Perkhidmatan Perguruan Kebangsaan (NUTP), majoriti guru dan pentadbir sekolah mengalami bebanan tugas ini disebabkan oleh penglibatan mereka dalam aktiviti-aktiviti luar seperti menghadiri pelbagai perjumpaan, persidangan, mesyuarat, kursus yang telah diaturkan pihak sekolah seperti Jabatan Pelajaran Daerah dan sebagainya. Guru-guru juga turut merasai bebanan kerja yang tinggi disebabkan jumlah waktu mengajar yang terlalu padat dan terhad yang menyebabkan mereka tiada masa rehat yang mencukupi. Seterusnya, ia membawa kepada tekanan kerja kepada golongan ini. Selain dari tugasan mengajar dan mendidik, guru-guru juga terpaksa membuat tugasan yang lain seperti memasukkan dan mengemas kini maklumat pelajar kepada sistem, menghadiri pelbagai persidangan, mesyuarat, kursus, menjadi guru penasihat sukan, kelab dan pelbagai lagi (Berita Semasa, n.d.).

yang melaporkan mereka mengalami masalah mental iaitu mewakili hanya 0.12 \% dari pada jumlah guru di Malaysia (Utusan Malaysia, 2011).

Kajian yang dilakukan oleh Kementerian Pelajaran Malaysia telah menunjukkan terdapat beberapa punca utama yang menyumbang kepada masalah mental guru. Antaranya ialah disebabkan oleh keturunan yang mencatatkan peratusan sebanyak 76.47\%, personaliti 52.94\%, meroyan dan gangguan saraf 35.2\%, penyakit misteri 29.4\%, penderaan oleh keluarga, kemalangan dan tekanan organisasi ataupun sekolah menyumbang sebanyak 23.5\%, krisis rumah tangga dan masalah kesihatan mencatatkan sebanyak 11.7\% (Utusan Malaysia, 2011).

Sekiranya permasalahan ini masih tidak mendapat perhatian yang serius, kemungkinan guru-guru yang mengalami tekanan mental akan semakin meningkat. Selain dari itu potensi guru meninggalkan profesion perguruan juga akan menjadi semakin serius. Kesan kepada tekanan kerja mampu menjejaskan tahap motivasi dan prestasi kerja para warga pendidik ini, ianya secara tidak langsung memberikan kesan negatif terhadap kualiti pembelajaran serta pengajaran guru dalam tugasana mereka.

SOROTAN LITERATUR

Menurut Woo (2004), terdapat pelbagai faktor yang mampu menyumbang kepada tekanan kerja dalam kalangan guru. Antara faktor yang dikaitkan dengan tekanan ialah meliputi aspek organisasi (struktur dan iklim organisasi), pelajar (disiplin pelajar, tingkah laku dan latar belakang pelajar) dan aspek guru itu sendiri (umur, tahap pendidikan, hubungan interpersonal, personaliti dan sebagainya). Kebanyakan guru yang berhadapan dengan masalah tekanan kerja tidak sedar mengenai bahaya kepada tekanan yang negatif (Azizi, 2010). Tekanan yang negatif ini mampu memberikan kesan yang buruk seperti kemerosotan dari sudut kesihatan serta prestasi kerja mereka. Tekanan kerja juga memberikan kesan kepada kepuasan kerja serta produktiviti guru (Flook, Goldberg, Pinger, Bonus, & Davidson, 2013). Selain itu, tekanan juga mampu memberikan impak kepada masalah kesihatan mental, fizikal dan kehidupan sosial guru tersebut (Needle, Griffin, Svendsen, & Berney, 1980).

Dalam kajian yang dilakukan oleh Azrul (2009), faktor bebanan tugasan telah dikenal pasti sebagai faktor utama dan mempunyai pengaruh yang kuat terhadap tekanan guru di Malaysia. Perubahan kepada pelan pendidikan Malaysia baru-baru ini misalnya dikatakan mampu mempengaruhi tahap tekanan kerja dalam kalangan guru (Azizi & Norliza, n.d). Dengan adanya sistem kurikulum bersepadu yang baharu, ia secara tidak langsung menambahkan bebanan tanggungjawab dan kerja yang sedia ada dalam kalangan guru di sekolah. Perubahan kurikulum yang baharu juga memerlukan guru ini sentiasa meningkatkan kemahiran mereka terutamanya dalam proses pengajaran dan pembelajaran bagi menghadapi perubahan tersebut. Perubahan dasar ini mampu
menyumbang kepada lambakan tugas guru sedia ada di samping mereka terpaksa mengubah cara pengajaran dan pembelajaran supaya lebih berinovasi dan maju. Ini akan mengundang lagi tekanan apakah lagi mereka masih belum bersedia untuk menghadapi perubahan drastik ini (Azizi, 2010).

Ekoran daripada ini, tugasan guru akan menjadi lebih bertambah akibat daripada perubahan dasar serta terlalu banyak arahan dalam arahan. Ini bermaksud apabila pihak Kementerian Pelajaran Malaysia mengeluarkan pekeliling meminta guru melaksanakan program tertentu. Pada masa yang sama guru terpaksa menjalankan program yang sama tetapi di bawah arahan pentadbiran oleh Jabatan Pelajaran Negeri dan Jabatan Pelajaran Daerah. Walaupun program yang dilaksanakan itu mempunyai pengisian yang sama. Maka dengan ini akan berlaku pembaziran masa kerana mereka terpaksa membuat aktiviti dan tugas yang sama secara berulang kali dan menjelaskan pengajaran serta pembelajaran guru di sekolah (Berita Harian, 2010).

Ia kemudiannya mengundang kepada permasalahan di mana golongan guru akan mengalami kekangan masa atauupenurun masautupenurun masa untuk diri sendiri. Lambakan aktiviti pentadbiran yang perlu dilaksanakan akan mengganggu waktu rehat para guru terutamanya cuti hujung minggu di mana para guru terpaksa ke sekolah untuk melaksanakan aktiviti yang telah dirancang oleh pihak sekolah. Pendapat ini disokong oleh kajian Woo (2004), mendapati bahawa faktor kekangan masa adalah yang paling dominan dalam mempengaruhi tahap tekanan kerja dalam kalangan guru dan diikuti oleh faktor bebanan tugas, penghargaan serta kerenah pelajar.


Walaupun telah banyak kajian yang dilaksanakan dalam mengkaji faktor-faktor yang menyumbang kepada tekanan kerja dalam kalangan guru di Malaysia, namun hasil yang diperoleh adalah berbeza-beza mengikut kepada skop kajian yang dilakukan. Begitu juga dengan kajian yang ingin dilakukan ini. Perbezaan dalam penemuan hasil kajian terdahulu telah mendorong pengkaji untuk menggunakan faktor yang sedia ada bagi mengenal pasti sejauh manakah faktor ini mampu mempengaruhi tekanan kerja dalam kalangan guru sekolah kajian. Kajian ini diharapkan mampu memberikan kesan yang positif dalam meningkatkan mutu serta kecemerlangan profesion perguruan negara.

Persoalan Kajian

Terdapat dua persoalan kajian utama dalam kajian ini seperti mana yang dinyatakan di bawah:
1. Apakah tahap tekanan kerja dalam kalangan guru di sekolah kajian?
2. Adakah terdapat hubungan yang signifikan antara faktor lebihan bebanan tugas, kekangan masa, hubungan yang tidak baik antara guru dan murid serta sokongan pengetua ke atas tekanan kerja?
Objektif Kajian

Objektif umum kajian ini adalah untuk mengenal pasti hubungan antara faktor lebihan bebanan tugas, kekangan masa, hubungan yang tidak baik antara guru dan pelajar serta sokongan pengetua ke atas kepuasan kerja dalam kalangan guru. Di bawah merupakan objektif khusus dalam kajian ini iaitu:

1. Untuk mengukur tahap tekanan kerja dalam kalangan guru di sekolah kajian,
2. Untuk mengenal pasti hubungan antara faktor lebihan bebanan tugas, kekangan masa, hubungan yang tidak baik antara guru dan murid serta sokongan pengetua ke atas tekanan kerja.

METODOLOGI KAJIAN

Rekabentuk Kajian


Alat Pengukuran

rintis dijalankan sebelum proses pengumpulan data sebenar dilaksanakan. Kajian rintis ini bertujuan untuk memastikan setiap item kajian mempunyai tahap kebolehpercayaaan (Cronbach alpha) yang tinggi dengan memastikan nilai kebolehpercayaaannya melebihi 0.6. Kesemua item kajian ini telah dibuktikan mempunyai nilai kebolehpercayaaan yang tinggi dengan nilai melebihi 0.7 (Sekaran & Bougie, 2010).

ANALISIS DATA

Maklumat Demografik

Majoriti responden adalah perempuan (69.8%) berbanding lelaki (30.2%), berumur di bawah 35 tahun (64.6%), diikuti responden yang berumur di antara 36 hingga 45 tahun (25%). Dapatan ini selari dengan data yang dikeluarkan oleh Kementerian Pelajaran Malaysia dan disokong oleh NUTF yang menyatakan lebih 70 peratus guru di Malaysia terdiri daripada guru perempuan (Aminudin, 2014). Lebih 60 peratus responden menyatakan mereka telah berkahwin manakala 29.3 peratus pula melaporkan masih bujang. Majoriti responden (87.9%) merupakan lepasan Ijazah Sarjana Muda dari pelbagai kelulusan termasuklah di bidang pendidikan. Lebih lapan puluh peratus responden juga melaporkan mereka mempunyai pengalaman mengajar di antara dua hingga lapan tahun.

Min dan Sisihan Piawai

Jadual 1 memaparkan nilai min dan sisihan piawai diperoleh daripada analisis deskriptif ke atas kesemua pemboleh ubah yang terdapat dalam kajian ini. Berdasarkan nilai min di bawah, majoriti responden melaporkan mereka mengalami tahap tekanan kerja yang berada pada tahap sederhana. Hanya enam peratus (6%) melaporkan mereka mengalami tekanan kerja pada tahap tinggi, manakala 44.8 peratus responden melaporkan mereka mengalami tekanan kerja pada tahap rendah.

<table>
<thead>
<tr>
<th>Pemboleh ubah</th>
<th>Min</th>
<th>Sisihan Piawai</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bebanan tugas</td>
<td>4.18</td>
<td>1.716</td>
</tr>
<tr>
<td>Kekangan masa</td>
<td>3.86</td>
<td>1.205</td>
</tr>
<tr>
<td>Hubungan tidak baik antara guru dan murid</td>
<td>2.01</td>
<td>1.019</td>
</tr>
<tr>
<td>Sokongan pengetua</td>
<td>4.26</td>
<td>1.387</td>
</tr>
<tr>
<td>Kepuasan kerja</td>
<td>3.18</td>
<td>1.512</td>
</tr>
</tbody>
</table>

Jadual 2 pula menunjukkan keputusan analisis korelasi Pearson di antara pemboleh ubah bersandar (tekanan kerja) dengan pemboleh ubah tidak bersandar. Kajian mendapati kesemua pemboleh ubah mempunyai nilai korelasi yang signifikan dengan tekanan kerja pada nilai p<0.05.
<table>
<thead>
<tr>
<th>Jadual 2. Nilai korelasi (r) bagi setiap pemboleh ubah</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tekanan kerja: 1</td>
</tr>
<tr>
<td>Bebanan tugas: 0.339** 1</td>
</tr>
<tr>
<td>Kekangan masa: 0.562** 0.466** 1</td>
</tr>
<tr>
<td>Hubungan tidak baik antara guru dan murid: 0.362** 0.166 0.255** 1</td>
</tr>
<tr>
<td>Susun atur: -0.199** 0.007 -0.051 0.130 1</td>
</tr>
</tbody>
</table>

** p < 0.01 (2-tailed)

Keputusan analisis regresi berganda dipaparkan dalam jadual di bawah dengan nilai-R adalah 0.645. Ini menunjukkan hubungan linear yang kuat antara setiap pemboleh ubah. Nilai-R² pula adalah 0.416. Nilai ini menunjukkan bahawa 41.6 peratus daripada varian dalam tekanan kerja boleh dijelaskan oleh hubungan antara setiap pemboleh ubah bebas yang dikaji dalam kajian ini. Jadual 4 pula memaparkan persamaan regresi bagi setiap sub faktor yang signifikan dengan tekanan kerja di kalangan responden. Kajian mendapati hanya faktor kekangan masa dan hubungan tidak baik antara guru dan murid mempunyai hubungan positif dan signifikan dengan pemboleh ubah tekanan kerja pada nilai p<0.05. Manakala faktor sokongan pengetua mempunyai hubungan yang negatif dan signifikan dengan pemboleh ubah tekanan kerja pada nilai p<0.05.

<table>
<thead>
<tr>
<th>Jadual 3. Rumusan Model</th>
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<td>Model</td>
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<th>Jadual 4. Persamaan regresi dan statistik berkaitan</th>
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<tr>
<td>Unstandardized Coefficients</td>
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<td>Model</td>
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<tr>
<td>1 (Constant)</td>
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<td>Bebanan tugas</td>
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<td>Kekangan masa</td>
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<tr>
<td>Hubungan tidak baik antara guru dan murid</td>
</tr>
<tr>
<td>Sokongan pengetua</td>
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</tbody>
</table>

a. Pemboleh ubah bersandar: tekanan kerja

PERBINCANGAN DAN KESIMPULAN

Tujuan utama kajian ini adalah untuk mengenal pasti faktor yang mempunyai hubungan ke atas tekanan kerja dalam kalangan guru di sebuah sekolah menengah awam

Kajian juga mendapati terdapat tiga faktor yang mempunyai hubungan yang signifikan dan positif dengan tahap tekanan kerja. Faktor kekangan masa dikenal pasti sebagai faktor utama yang mempunyai nilai signifikan yang tinggi (0.502, p<0.05) dengan tekanan kerja berbanding faktor hubungan tidak baik antara guru dan murid (0.298, p<0.05), dan sokongan pengetua (-0.224, p<0.05). Dapatan ini disokong oleh beberapa kajian terdahulu yang bersetuju bahawa kekangan masa dalam menyiapkan tuntutan tugas menyebabkan para guru mengalami tekanan kerja (Ferguson, Frost, & Hall, (2012) dan Reichl, Wach, Spinath, Brünken, & Karbach, (2014)). Sokongan pengetua juga dikenal pasti mempunyai hubungan signifikan yang negatif dengan tekanan kerja. Ini bermakna kebanyakan responden bersetuju bahawa sokongan yang diberikan oleh pengetua mampu mengurangkan tahap tekanan kerja yang dialami oleh mereka. Dapatan ini disokong oleh kajian Moore (2012) yang membuktikan sokongan daripada pengetua di sekolah mengurangkan kadar tekanan kerja yang dialami para guru.

Dapatan kajian ini membuktikan bahawa kekangan masa untuk menyiapkan tugas yang diberikan merupakan faktor utama yang mempengaruhi tekanan kerja dalam kajian ini. Umum telah maklum bahawa majoriti guru di Malaysia bukan hanya ditugaskan kepada tugas hakiki mereka iaitu mengajar, tetapi juga terpaksa melakukan beberapa tugas tambahan dan pada masa yang sama terpaksa mengendali kes pelajar di luar bidang tugas dan waktu bertugas. Skop kerja yang luas kadangkala membebankan tugas sedia ada pada seseeorang guru. Masalah kekangan masa ini juga turut dipengaruhi oleh tuntutan peribadi misalnya mengendali hal rumah tangga. Seperti yang dilaporkan, majoriti responden adalah guru wanita yang berkeluarga dan ia merupakan satu permasalahan yang biasa dalam kalangan wanita berkerja (Goyal, Jain & Jain, 2013).

Adalah menjadi kewajipan kepada pihak pentadbiran sekolah untuk menyediakan persekitaran pekerjaan yang kondusif dengan memastikan guru diberikan masa yang secukupnya untuk menyiapkan tugas. Amalan waktu kerja fleksibel antara pendekatan yang boleh diambil oleh pihak sekolah untuk memberikan kelonggaran kepada para guru dalam menyiapkan tugasan mereka. Pentadbiran sekolah juga perlu menyatakan komitmen mereka dalam mengatasi masalah ini melalui pembentukan polisi keselamatan berkaitan tekanan kerja dalam kalangan guru di sekolah. Sebagai majikan juga, pengetua
juga perlulah memainkan peranan dengan lebih positif dengan menyediakan platform kepada para guru untuk menyatakan masalah yang dialami semasa bekerja dan terbuka mendengar setiap cadangan penambahbaikan yang diberikan oleh pekerja bawahan mereka dalam mengatasi masalah ini. Pihak Kementerian Pelajaran Malaysia juga boleh mengambil langkah proaktif dengan menggandakan kekerapan program latihan dan seminar menangani masalah tekanan kerja dalam kalangan guru sekolah. Masalah tekanan kerja perlulah ditangani dengan kadar segera dan efektif kerana guru adalah pemangkin transformasi kemajuan negara.

RUJUKAN

Azizi, Y., Lim, T. T., Nordin, Y. (2010). Gaya kepimpinan guru besar dan hubungannya dengan faktor-faktor kepimpinan di sekolah penerima anugerah sekolah cemerlang di Negeri Melaka, UTM.


MANAGEMENT CONTROL SYSTEMS, CORPORATE SOCIAL RESPONSIBILITY AND FINANCIAL PERFORMANCE OF THE COMPANY 
(Empirical Studies at the manufacturing company in the province of Banten )

Agus Ismaya Hasanudin, SE, SH, M.Si  
Roni Budianto, SE, Ak, ME, CA

ABSTRACT

The purpose of this research was to test empirically and analyze the relation of management control systems (MSS), corporate social responsibility (CSR) and corporate financial performance as well as analyzing the role of intervening from reputable companies and learning two loops in the relationship. Specifically, invalid constructs that are used in control systems management is a system diagnostic and interactive systems. Research based on the theory of stakeholders and the theory of the resource based view. This study used a sample on a manufacturing company represented by middle managers and above. As many as 163 respondents participated in this research, while research data to test the hypothesis is analyzed using structural equation modeling.

The results showed that: first: management control systems (MSS) effect significantly to corporate social responsibility (CSR). Second, corporate social responsibility (CSR) effect on reputation and learning two loops. Third, the reputation and learning two loop effect significantly to financial performance. Fourth, corporate social responsibility (CSR) does not affect performance directly. Fifth, the reputation and learning two loop proved mengintervening the relationship of corporate social responsibility (CSR) and corporate financial performance.

The implications of this research proven management control systems that can support the process of implementation of CSR is a more effective way to integrate the framework of performance measurement systems with the expectation of its stakeholders. From the results it can be concluded that the role of MSS against CSR does not have a direct impact on the financial performance of the company, but it takes the role of reputation and learning two loops as intermediaries to obtain results that are more effective against the financial performance of the company.

Keywords: management control systems, CSR, reputation, learning two loops and the financial performance of the company
1. INTRODUCTION

1.1 Background

Over the last decade the manufacturing industry has become an important sector for the economic growth of any developing country with the level of absorption of labor is high and the driving force in export activities (Scott, 2008). In Indonesia, the contribution of the manufacturing industry sector against gross domestic product (GDP) and national foreign exchange acceptance is an important issue in the year 2012 (Sindonews, 2012). According to data of the Central Bureau of Statistics Indonesia's economic growth in the quarter II in 2012 reach 6.4% more sustained by manufacturing industrial sectors that contribute up to 23.5% to GDP followed by 14.8% of the agricultural sector and the trade sector, hotels and restaurants of 13.8%.

The company's performance is the degree of level objectives are reached on all lines of the Organization of the company that includes financial and non-financial aspects (Govindarajan, 1984). In some literature it is found that the tendency of companies to optimize financial performance has been encouraging aspects of business-oriented to a single bottom line or reflect the company's value than mere financial condition (Neville, 2005). Financial performance is believed to be the main factors that menstimulus interest investors or potential investors that a potential rate of return activity with positive (Mackey, 2008).

When financial performance becomes an attraction for investors, the company's leaders began to focus its operations to create measures of financial performance that demonstrates the economic value of the company so that it can reduce the risk of capital (Curran, 2005). The tendency of the business behavior in accordance with the classic approach in business i.e. the theory of shareholder (shareholders) who said that the company's only responsibility solely to the shareholders (Cochran, 1994). According to the theory of shareholder (shareholders), the purpose of the company is just to provide a return on investment for the shareholders of the company as such is seen as an instrument for creating economic value so that any activity within the company is justified in order to improve the value of the company (Cochran, 1994; Greenwood, 2001). But over the last decade, there has been much research cons against this theory because in the modern era of the nature of the business is too complex to be explained by a reductionist approach (Agatiello, 2008; Sweeney, 2010).
The emergence of the idea *Triple bottom line* popularized by Elkington (1997) become a marker of paradigm shift *single bottom line* or a *shareholder* (shareholders) became the focus of the *triple bottom line* or *stakeholders* (stakeholders). The idea has the implication that to ensure the viability (*sustainability*) of companies in the business, then business person needs to pay attention to the social and environmental aspects in addition to the profit of the company that became the traditional size of company performance (*Budiarta, 2012*). *Stakeholder* theory expands the scope and patterns of activity of the company is to pay attention to the needs of a number of influential parties and affected of any operating company called stakeholders (*Clarkson, 1992*).

According to European Commission (2001), *Corporate social responsibility* (CSR) is a number of social and environmental activities implemented by the company in order to cope with the impact of business operations and to answer the expectations of our stakeholders. From this definition it can be concluded that the purpose of the CSR was able to answer the expectations of all the *stakeholders* including shareholders who also has expectations from the results of the application of CSR activities. Previous researchers have proven empirically that increased the company's performance was marked by the effectiveness of CSR implementation that is capable of increasing the competitiveness of the company in the long run (*Webb, 2007*).

Rouse and Putteril (2003) argues that managers need to use performance measurement approach for setting the *goal* (purpose) in order to comply with the expectations of *stakeholders*. The implications of the opinion of the Rouse and Putteril (2003) is in choosing activities and allocate resources over those activities need for role management control systems (MSS) to conform with the objectives and the expectations of *stakeholders* (*Durden, 2008*).

SPM is the formal procedures and systems that use the information to keep the Organization's activity patterns in the system of planning, monitoring and reporting (*Henri, 2006*). The application of SPM will provide projections on the progress in the achievement of the strategy of the company as well as the opportunities and threats that will arise (*Durden, 2008*). In a study conducted by Henri (2006), SPM is represented by a component of the performance measurement system (PMS), namely diagnostic systems and interactive. The study also used the diagnostic system and interactive represents the SPM, in accordance with the statement of Rouse and Putteril (2003) that the base performance measurement is able to balance the goals of activity with the expectation of *stakeholders*.

In the context of social responsibility, integration of management control systems (MSS) in the practice of CSR has been coined by Durden (2008) where the Manager will require a control system that regularly monitor whether the business operates in accordance with social responsibility and the aim stakeholders. Durden (2008) assume that the presence of SPM strengthen viewpoints business person to operate socially responsible, not merely fulfilling obligations to stakeholders or just engage in improved *image* soley.

Although earlier researchers discuss about the relationship between CSR and SPM (*Durden, 2008; Kiviverta, 2010; Arjalies and Mundy, 2013*) there are, however,
some of the gap (gap) for subsequent research examined in. The following explanation will expose research gap regarding how SPM influencing CSR that is linked to the performance of companies that used reason and motivation for further research.

Durden (2008) do qualitative methods case studies with implications of such research were: first, the importance of the movement dimension of social responsibility-oriented business, the importance of building a comprehensive articulation of CSR by identifying stakeholder groups to set goals of CSR, and the third acknowledged the role of informal control system management for the underlying approach to CSR that produces the normative conceptual framework provides integration of SPM in the CSR. In accordance with the suggestion of research conducted by Durden (2008), further research is conducted to investigate the applicability of the framework, especially in terms of the design of SPM with regard to the types of formal and informal controls that can be applied.

Next, Arjalias and Mundy (2013) qualitative research with a research question how organizations use SPM to manage CSR. The implications of such research is the MSS used by the company to find out which group was the target of the CSR and the use of the MSS could enable managers to identify and manage threats. As for the limitations of the study is that although this research reveals a basic understanding about the role of MSS and CSR, but the relationship is not measured.

Good research done by Durden (2008) and Arjalias and Mundy (2013) using qualitative methods. Qualitative research enables a more detail analysis of a process of strategic change and the use of qualitative approach supported by many researchers (Dent, 1990). However the ability to generalize from the results of these research findings is still limited because of the diverse characteristics of the nonprofit organization specific. Thus more research needs to be done to explain the causal relationships between SPM and CSR with quantitative methods so that the results can be generalized.

Crack down on up the limitations of the research Durden (2008) and Arjalias and Mundy (2013) the study tested the relationship, SPM and CSR through quantitative approaches in order to gauge how much influence from the relationship. The logical explanation of the assumptions of this research is that the company should be able to manage, measure and monitor the performance of the economy, society and the environment through performance measurement in order to produce an effective CSR actions in accordance with the expectations of the stakeholders (Kiviverta, 2010). This is in line with the hypothesis of the research model on which MSS acts as a direct antecedent of CSR.

In addition to the focus on the implementation of a management control system (MSS) to monitor the activities of CSR, the next part of this research is linking CSR with two learning loop. Previous research which uses the concept of the learning organization more discusses the influence of the learning process are obtained every individual in the Organization to improve CSR activities (Antal and Sobczak, 2005; Lee and Chang, 2011; Blackman, Kennedy, and Quazi, 2013) but very few are discussing the opposite direction
in which the implementation of CSR is able to affect the learning process in the Organisation for sustainable progress.

Research conducted by the Carter (2005) have analyzed the presence of a learning organization in the role of mediate relations CSR and performance of suppliers, but in such research are not addressed in a comprehensive manner how CSR can affect learning organizations and how the mechanism of the learning process was created.

This research uses the approach of learning two loops that are not found in previous literature that discuss CSR. According to Argyris (1976) learning double-loop is the process in which the entities (individuals, groups or organizations) could be questioned about the changes to the fundamental aspect of the organization includes the values, assumptions and policies. This contrasts with the approach of learning one loop in which only encourage entities to change their actions according to the difference between the expected and the results obtained (Argyris, 1976).

In a two-loop learning the subject isn’t just looking for an alternative course of action to achieve the same goal but also researching the feasibility and appropriateness of such action (Greenwood, 1998). Therefore, the learning of the two loop involves a reflection of values and norms and social structures that play a role in their development. The pattern of learning two loops each individual organizations will be prosecuted more dynamic changes compared to learning one loop. Argyris (1976) added that the organizations are accustomed to using learning pattern one loop would face difficulties if there is a deviation on the assumptions that are being made, in contrast to two-loop learning more dynamic.

The application of CSR is done systematically was able to improve the process of learning two loops for the organization because the aim and any obstacles of CSR activities articulated by individuals as part of the learning process that should be responded carefully. From the previous explanations can be drawn the conclusion that required the existence of a system of control that can help the process of implementation of CSR which then can enhance the process of learning the two loops in the Organization in order to encourage orientation of employees to actively participate in issues related to CSR.

This research not only suggested the influence of CSR on learning the two loops, but also discusses how the learning of the two loops can mediate the relationship between CSR and financial performance of the company. The company's commitment in conducting the CSR effect on the achievement of the company's financial performance through cost reduction of retention and access to capital (McGuire and Sundgren, 1988; Sweeney, 2010) but not the least contradiction who refuse direct konseptualitas between CSR and financial performance of the company (Moore, 2001; Mill, 2006).

According to Fombrun (2000) it is very difficult to draw a correlation between CSR and simple financial performance, due to the need for a business that is capable of bridging benefits the relationship. This research suggests that the learning of the two loops was able to mediate the relations CSR and financial performance of the company. According to Kaplan and Norton (2000) two-loop learning is a powerful tool that allows
the management team to perform important functions such as: working as a team to interpret data, develop a new strategic insight and adjust strategies in accordance with changes in the environment.

With regard to the role of business benefits to bridge relations CSR and financial performance of the company (Fombrun, 2000) this research, entering the second intervening variable for the relationship of CSR and financial performance of the company, namely reputation. Some previous studies have been conducted to investigate the direct relationship between CSR and corporate performance but the results still give contradictory results. Studies conducted by Sweeney (2009) discovering the existence of a direct relationship between positive CSR and financial performance of the company with several business benefits, while the research done Mill (2006) find CSR has no relationship towards the financial performance.

According to Neville (2005), a direct relationship between CSR and the performance is very difficult to explain the specifics but rather the need for intermediate variables that are able to mediate the relationships, reputation of the company. Further according to Neville (2005), reputation is a key factor for the success of the company by promoting the results of the activities of the company to the public so in other words the reputation of bridging relationship of CSR and corporate performance. From the description, this research will include a reputation as intervening variable from CSR performance and relationships.

This research generally operates on the effect of management control systems (MSS) towards the implementation of CSR to improve the financial performance of the company with the role of the intervention of a number of business benefits like learning two loops and business reputation. In addition, this research is also the beginning of literature that discusses the influence between the SPM and CSR research framework by adopting Durden (2008) and the influence of CSR on learning the two loops that still has not been found in similar research.

Based on the descriptions described above, this research will investigate the the influence between control systems management (SPM), corporate social responsibility (CSR), the learning of the two loops, the reputation of the company and the financial performance of the company. This research will focus on the manufacturing industry in the province of Banten. The naming of Banten Province by reason of 24% of manufacturing companies in Banten got red categories in terms of waste management performed by the PROPER in the year 2012 an indicates a management environment that is poorly applied by the manufacturing company in Banten. The thing that makes this worth to do research with the hope of providing a new view for the company because it may just be a bad environmental management occurs due to the inability of the company in designing good control systems to implement systematic CSR.
1.2 formulation of the problem
1.2.1 Formulation Problems

As outlined earlier in this research gap, then problems can be obtained as follows:

a. The limited research that explains how the SPM effect on CSR and how strong the relationship. Durden (2008) and Kiviverta (2010) only suggested framework of thought in the form of the measures for the integration of SPM until the publication of CSR report but not to validate these steps into invalid constructs research and discuss how strong the influence of application of SPM against the success of CSR.

b. Still not there is research that discusses the influence of CSR among learning against two loops. Research conducted by Carter (2005) has been previously analyzed the presence of a learning organization in the role of mediate relations CSR and performance of suppliers, but in such research are not addressed in a comprehensive manner how CSR can affect learning organizations and how the mechanism of the learning process was created.

c. There is a difference in the results of research about the relationship between CSR with the financial performance of the company. Some researchers found the existence of a direct relationship between positive CSR and financial performance of the company with several business benefits (McGuire and Sundgren, 1988; Balabanis, 1998; Sweeney, 2010) However, some other researchers who did not find the existence of significant influence in CSR implementation against the financial performance is even negatively by reason of CSR is not able to generate economic benefits real for the company (Moore, 2001; Nadeem, 2012).

d. The limited research that tested the intervention role of learning two loops and reputation of the company in the relationship between social responsibility and financial performance.

1.2.2 Research Questions

As discussed in the background research and the formulation of the problem, the focus of this research is to examine a number of variables of CSR and financial performance of the company. Specifically, the research questions formulated as follows:

(1) Whether control systems management (SPM) has an influence on Corporate Social Responsibility (CSR)?

(2) What is Corporate Social Responsibility (CSR) have influence against reputation company?

(3) What is Corporate Social Responsibility (CSR) have influence against learning two loops?

(4) What is the reputation of the company has an impact on the financial performance of the company?

(5) Whether learning the two loops has influence against the financial performance of the company?
6) What is Corporate Social Responsibility (CSR) has an impact on the financial performance of the company?

1.3 Objectives and Benefits Research

1.3.1 Research Objectives
Specifically, the purpose of this research is to:

1. Obtaining empirical evidence, test and analyze the influence of Management control systems (MSS) against Corporate Social Responsibility (CSR).
2. Obtaining empirical evidence, test and analyze the influence of Corporate Social Responsibility (CSR) against the reputation of the company.
3. Obtaining empirical evidence, test and analyze the influence of Corporate Social Responsibility (CSR) towards learning two loops.
4. Obtaining empirical evidence, test and analyze the influence of corporate reputation against the financial performance of the company.
5. Obtaining empirical evidence, test and analyze the influence of learning two loops against the financial performance of the company.
6. Obtaining empirical evidence, test and analyze the effect of Corporate Social Responsibility (CSR) against the financial performance of the company.

1.3.2 The benefits Research
By understanding the influence of SPM, CSR, reputation company learning, two loops and the financial performance of the company then uses the research results expected are as follows:

Theoretical Aspects
1. For researchers can be used as a reference to do further research in the field of accounting by adding other variables that are not in this research.
2. For academia, as input and review material in the teaching material of science accounting, in particular regarding control systems management (SPM) and corporate social responsibility (CSR).

Practical Aspects
1. Can be made into consideration, inputs, and thought-provoking contribution to company managers to understand the influence of management control systems (MSS) in order to affect the formation of social responsibility (CSR) that generates economic benefits the company and push for competitive advantage.
2. For practitioners, it can be used as input in the application of the practice of corporate social responsibility (CSR) at their institution, along with the rise of the public demands of the importance of the application of corporate social responsibility that is also a reflection of the implementation of good corporate governance that is expected to enhance images /reputasi companies in the community as the consumer products.
1.4 The Originality of research

This research has the difference compared to some previous research in the sphere of management accounting and CSR implementation as follows:

1. **The first Difference**
   This research with previous studies is located on the use of SPM variable or CSR and method in explaining the causal relationships between SPM and CSR. This research uses the variable SPM specifically into two dimensions of performance measurement systems, namely diagnostic systems and interactive and use quantitative methods in variable sizes reflect the SPM and test how much influence the increase of SPM on any increase in the CSR.

2. **The second Difference**
   The research in this study was the existence of the CSR influences posited against learning two loops that are not yet contained in the previous similar studies. The research of **Carter (2005)** has been previously analyzed the presence of a learning organization in the role of mediate relations CSR and performance of suppliers, but in such research are not addressed in a comprehensive manner how CSR can affect learning organizations and how the mechanism of the learning process was created.

3. **The third Difference**
   This research is also learning to use two loops and reputation of the company as the intervention variables still rarely found in studies of variable relationships CSR with the financial performance of the company.

2. REVIEW OF THE LITERATURE

2.1 The Theory Of Stakeholders (Stakeholder Theory)

   **Freeman (1984)** it is the researchers first to mengemukakan 's theory of the role of stakeholders in corporate environments. His research focus on flow download theyoroti internal and external other principals of the company are affected by the activities of the company in addition to Regent shares suggested in an economic model. The origin of the term stakeholder proposed by **Freeman (1984)** in the management literature can be traced back to when the vocabulary of words that appear in an internal memorandum at the Stanford Research Institute, where stakeholders are defined as groups that without the support of the organization there shall be no.

   Theory stakeholders the descriptive nature of the i.e. describe the characteristics and behaviour of certain companies, thus describes the company as a constellation of teamwork and power competitive has intrinsic value. **Jones (1995)** indicates that the management as stakeholders is a source of competitive advantage who do the contract between the Organization and its stakeholders on the basis of trust and kerjasama,
therefore the cost will be required in monitoring and enforcing contracts. Clarkson (1992) argues that the failure to maintain the participation of the main stakeholder groups will result in failure of the system and the company's ability to continue the company as a going concern.

Perspective stakeholders look at the Organization as the Centre of a network of relationships with various stakeholders good individuals or groups who incorporate shareholders, consumers, employees, business partners and Government (Neville, 2005). H relationship between the Organization and its stakeholders are reciprocal in terms of opportunities and threats as well as rights and obligations (Freeman, 1984). From this perspective, the organization is seen depends on the stakeholders to create the resources that allow it to operate as the level of financial return that comes from consumer product use in the continuity of the company. The description of logical reason from assumptions this study in which CSR-related financial performance ...

Hillman and Keim (2001) Add to that approach stakeholders became the Guide for companies to be able to run good with stakeholder management how to build good relationships with all stakeholders will drive increased financial performance as measured by the return on investment as well as the average product sales. Berman and Wicks (1999) also have the same opinion in which stakeholder management will improve the company's financial performance as measured by the return on assets.

Next, m engingat many problem the need consideration from stakeholders, there is a possibility that decisions about the allocation of resources will be based on the holistic process information. Fombrun (2000) States that onsepp reputation of the company can be used as a means of stakeholders to evaluate, meet the motivation and the memprocess results from the company's CSR activities. The reputation that the case be considered as a key mediator of the relationship between CSR and the company's financial performance because it gives you a quick overview to stakeholders regarding progress of CSR activities. The description of the reason the logical assumption of this research in which the existence of an indirect relationship between CSR with corporate financial performance through the creation of the reputation of the CSR activity results.

This research use the stakeholder theory as a foundation of research related to the perspective of the stakeholders who consider that the company has a commitment to aligning company goals with social interests. As for the application not only impacted to related stakeholders but also to the positive image of the company, increasing the confidence of creditors in providing capital and increased employee motivation (Carter, 2005; Sweeney, 2010).

2.2 Theory-based resources (the Resource Based View/RBV)

Theory-based resources (the resource-based view) was introduced by the Penrose (1959) popularized in the field of management by strategists Barney (1991) who argues that the presence of certain organizational resources and how these resources work is very important to allow companies to achieve a competitive advantage over other companies.
The resources of the Organization as defined by Wernerfelt (1984) as assets that are semi permanent bound on companies that include personnel, technology and knowledge. Resources are scarce and difficult to emulate as well as cannot be replaced will lead to a sustainable competitive advantage that they cannot be easily copied by competitors (Barney, 1991). Resources include a variety of elements that can be used to implement the strategy of value creation, specific physical assets (production facilities that have been dispeisialisasi, geographic location), human resources (expertise in engineering and management), asset organisatoris (control management, a superior work force) and competence (Henri, 2006).

Resource-based theory of the demonstrate that so that an organization can achieve the goal, the structure of the internal capabilities required to adjust the external environmental conditions. Intangible resources internal and external market conditions are created through the development of a unique strategy. According to Taghian (2008), in terms of the concept of marketing, CSR implementation can serve as an intangible resource is unique, owned the company.

Taghian (2008) argues that pragmatically CSR is a formal corporate values derived from system organizations that then serve as a culture and a unique resource. Reviewed from the perspective of marketing, implementation of CSR can be a systematic resource that is able to identify opportunities and threats (Error, 2006). On the basis of the description, this research uses theories of resource-based (RBV) to link the variable SPM and CSR.

The motivation of all actions taken by any individual within the company is inseparable from the culture inherent in the organisation and absorbed as insights for operational activities (Taghian, 2008). The development of insights from organizational culture is an aspect of learning organizations that become facilitators essential in a competitive advantage (Carter, 2005). Based on the description, this research uses the RBV theory as the basis for linking CSR variables, learning organizations and the financial performance of the company.

Resource-based Strategies focuses on how competitive advantage resulting from a group of resources that are the company's core competence (Hart, 1995). Resources have value if it increases the efficiency or effectiveness, as intangible assets. Previous research has already proven how the company earned reputation can become a resource unique intangibles that are able to maintain a competitive edge for quite a long time (Fombrun, 2000; Neville, 2005).

This research uses the theory-based resources (the resource-based view) as the Foundation of research in accordance with the premise that the RBV theory is a unique resource is the competitiveness for companies in creating competitive advantage. From the above discussion in mind that CSR, reputation and organizational learning is a form of resource that can serve as the company's capability to achieve the results of the competitive advantage of the company's financial performance.
2.3 control systems management (SPM)

Anthony (1995) defines the management controls already there in era 60’s as the process manager in order to make sure that the resources are acquired and used effectively and efficiently in order the fulfillment of the objectives of the organization. Simons (1995) define SPM as a formal information-based routines d an Procedure the managers use to maintain or change pola in the activities of the organization.

Simons (1995) has developed LOC or Lever control framework in which s istem management control divided into 4 (four) groups that reflect a different relationship with the strategy, namely the belief system (belief system), boundary system (system limitations), diagnostic use (use of Diagnostics) and interactive use (use of interactive). Belief system is used to determine the purpose and direction of the Organization through the values of the Organization, whereas the boundary system is a system that sets a limit to search for opportunities by describing business risks that need to be avoided. Diagnostic use are used to motivate, monitor and helpful in the achievement of targets through a deeper understanding of critical achievement of organizational performance variables. Then, use the interactive part to push ideas and new strategies through persuasive approaches and continuous estimation about the future.

SPM is viewed as a means of limiting and monitoring activities to ensure that the Organization's objectives will be achieved (diagnostic). However, the SPM also encourage the dialogue which is continuous and the debate is happening within an organization so as to create an environment where innovation, adaptation and the emergence of the new strategy will continue to occur (interactive). Both the MSS by Simons (1995) referred to as the diagnostic system and interactive system.

This research uses the dimensions of performance measurement in the SPM system represent a diagnostic and interactive systems. Henri (2006) also use the dimension of performance measurement in measuring SPM variable. In the context of the application of CSR activities, Kiviverta (2010) stated that the use of SPM serves to monitor whether such activity has been effective and what things need to be repair. It is in accordance with the principle of SPM based performance basing on what is happening in the future (forward looking) that had characterized the onset of active discussion between the various lines of the company.

According to Kiviverta (2010) SPM implementation, integration CSR among other things can be done in the diagnostic system as well as an interactive system. Diagnostic systems have an important role to ensure that the strategy being followed, whereby CSR can be seen in the setting of standards, measuring the output and linking incentives to achieve targets. Then have a role in interactive systems collect the data a time of changes and trends ind in the industry as well as debating the issues and features that might create a strategic uncertainty, whereby CSR can be one of the strategic uncertainty through the behavior of a competitor who change and/or customer requirements.

2.4 Corporate social responsibility (corporate social responsibility/CSR)

One of the major developments of the concept of CSR is through a "Triple Bottom Line" expressed by Elkington (1997) published in the book "Cannibals with Forks: the Triple
"Bottom Line of Twentieth Century Business". It further stated, that if the company wants to sustain then need to pay attention to the 3 p, i.e. not only profit, but also must be able to contribute to society (people) and participated actively in maintaining environmental sustainability (planet).

Sweeney (2009) define CSR as a concept that is not merely a charitable activity but it requires a firm paying more attention to the effects of all interested parties (stakeholders) in any decision making. McGuire and Sundgren (1988) CSR assumes that exceeds the consideration economical and legal in which some regard as a purely voluntary activities, so that the conceptualization of CSR should be seen by the company as one of the above economic and legal criteria.

According to Carroll (1979) the form of responsibility in the context of CSR are four, namely: first, economic responsibilities or responsibilities. The first responsibility requires a company to produce the goods and services needed by the community at a level of sales. Second, legal responsibilities or legal responsibility. This second responsibility requires a company to meet the agreed upon rules together. The third ethical responsibilities or responsibilities of ethical. This third responsibility has implications that companies must maintain a code of conduct in accordance with the agreed upon together. Then the last one is the Discretionary responsibilities or responsibilities of wisdom. This responsibility has implications that the company should be voluntary and wise in doing social activities.

2.5 Reputation of the company

Fombrun and Shanley (1990) it also explained that the company's reputation is a representation of the perception of the company's actions in the past and prospects for the future which described the overall desire of its constituents (stakeholders) compared with competitors. Stakeholders develop expectations of how the company will act in a variety of conditions, fails to live up to expectations that it will give a bad reputation (Roberts and Dowling, 2002).

The reputation of the owned by the company in the environment it is very important for the company because in the eyes of customers and the wider community, reputation may explain why more customers choose the products or services offered by a company rather than a product or service offered by the company's competitors, which distinguishes is simply the between failure or success. The more credible the accreditation group, then the company will be more confident to defend itself facing external publications and claims that negative (Lai, 2010).

In addition, according Curran (2005), CSR with environmental focus is key components for a company to get a reputation. A company that is considered socially responsible will benefit from a reputation that was enhanced on the basis of the opinion of the public, as well as its reputation in the business community, enhancing the company's ability to attract capital and trading partners (Sweeney, 2010). In line with the view of resource-based companies, reputation is extremely important not only because of the potential for value creation, but also because of their intangible character in making
replication by companies that competed a lot harder (Barney, 1991). In a world that is full of consumer products would appear to be that the social reputation of responsible behavior may be one way to differentiate the company from its competitors (Siegel, 2000).

Deephouse (2000) define reputation as an evaluation of the company with the stakeholders in matters affecting them, self esteem and knowledge. The company's resource-based view argue reputation is the resources that lead to competitive advantage, gave the signal to stakeholders about the attractiveness of the company, which then are willing to undertake the contract with flexible. This argument is strengthened by research Neville (2005) that identify the variable's reputation as a mediator between CSR and financial performance, as well as the company's success in implementing the CSR will be in line with the achievement of the company's reputation. Brammer and the Millington (2005) it also reported a positive relationship between a company's reputation and financial performance, the implication of the study is a good reputation will increase the value of everything the Organization do and say, but it sa reputation that is bad will reduce the value of products and services and can act as a magnet that attracts further derision.

2.6 Learning Two Loop

The concept of a learning organization into a separation of learning one loop and two loops arise from the theory of action (theory of action) was popularized by Argyris and Schon (1978) who looks at the human agent as designer of an action. According to Argyris and Schon (1978), a man as the agent of designing actions to achieve specific goals and monitor the ongoing actions and the consequences that will be posed to assess effectiveness. Human agents understand the context in which they are building the representation or mental concepts in themselves which in turn will guide the design of an action. With monitor the relative effectiveness of an action, then the human agent can also monitor the adequacy of their construction from the context in which the action occurred.

Two-loop Learning is a pattern in the Organization in which the individual is able to ask questions about changes to the fundamental aspects of the Organization's policy (Argyris, 1976). It contrasts with the pattern of learning one loop in which the subordinate in the Organization are encouraged to learn during the learning process is not to question the basic design, objectives and activities of their organizations.

According to Linz and Resch (2010) learning two loop is the most ideal forms in a circular process of learning at the time of the decision making process, by evaluating the policy through an analysis based on information from other literature, not only improve the effectiveness of decision-making by explaining aspects of the behavior of the individual at the time of the decision making process, however it is also possible to generate a clear culture to achieve effectiveness.

In relation to Corporate Social Responsibility (CSR), organizations that are familiar with CSR activities are expected to shape the orientation and perception of each individual
organization to be more sensitive to the dynamics that occur within their organizations. According to Blackman et al. (2013) the existence of significant attention from the viewpoint of CSR implementation due to the existence of dissonance or gap between the motives of employees and their expectations over the motives of the organization. An employee will develop mental models or scheme about CSR and the role of organisations that will affect the way they viewed the incident at work and then reacting to them (Davison and Blackman, 2005).

The statement strengthened the view of how CSR is able to affect the way of thinking of employees in articulating the policy applied or whether the CSR policies within their organization. The scheme of the Act that created the CSR employees relating to the premise that the knowledge gained through reflection on the real world nor the acquired experience will in mental models of framing every potential to learn and create new knowledge (Davison and Blackman, 2005).

From statement (Davison and Blackman, 2005) These can be interpreted as that individual schemes regarding CSR created from previous experience thus creating a new form of knowledge that has never been studied previously (unlearning). According to Sinkula (2002) the learning strategy use two loops will be supportive of and supported by a strategy of unlearning method because unlearning is to understand the mechanisms that can be used to allow for irregularities in which routine culture embedded. In other words, there is a logical thinking that is the basis that the application of CSR is able to affect the learning of two loop because in learning two loop member organizations can reflect on whether "rules" should be modified not only on whether irregularities have occurred and how to fix it.

Kaplan and Norton (2000) Add to that a two-loop learning is a powerful tool that allows the management team to perform important functions such as: working as a team to interpret data, develop a new strategic insight and adjust strategies in accordance with changes in the environment. The knowledge acquired by learning patterns of two employees in the loop with respect to the application of CSR, simultaneously can increase the effectiveness and efficiency of the product. It deals with the main advantage of the learning of the two loops are often referred to as solving problems (problem-solving) where knowledge of the existence of anomalies over assumption contains an attempt to fulfill the purpose of the performance of process efficiency in mainly (Dooley, 1999).

2.7 financial performance of the company
According to Govindarajan (1984) performance is the activities conducted to assess someone's work is done by means of comparing performance with descriptions or job description in a given period. Organizational performance is the performance of the resulting overall (overall) so that in can be an objective performance measures. Invalid constructs performance is defined as the degree of level objectives are achieved in all dimensions, which include financial and non-financial aspects. The measurement using
the instrument *self rating* built to evaluate the effectiveness of the strategy of the business unit.

Johnson and Scholes (1999) research on measuring the performance of a company through the magnitude of the market share, sales growth and importance between partners, which turned out to be this dimension can also be used to measure the performance of the company. Then Dawes (2000) stated that the perception of managers over the profitability of the company may be a good company a benchmark, while comparing the performance of the present with the past is less worthy of use due to a bad memory. While Harris and Ogbonna (2001) measure of performance in the same way by the method of Dawes (2000), only the dimensions expanded with market share and sales volume.

From the angle of management, profitabilitas is a key component of financial performance and reflecting the effectiveness of the management has been working well and is reflected by the total net assets recorded on the balance sheet (Neville, 2005). Some studies use to assess the profitability of *efektivitas* the assessed with the net income related to assets that are used terminology advantage (Sweeney, 2010). The financial information required by investors in the form of both quantitative and qualitative information that is sourced from the company's internal (management) as well as external parties of the company. Internal financial information is a company accounting data can be either a sales, profit margin, operating income, assets, and more. While external financial information in the form of a review of the analyst and financial consultant who published (Moore, 2001).

2.8 A framework Theoretical The Basis And Framework Of Research

2.8.1 Basic Theoretical Framework

Research Agenda CSR When this is the evaluate internal factors namely the involvement of management in organizing the activities of CSR in a systematic social agenda (Adams, 2002). The framework of CSR are established can be different depending on the type of industry and area of operation, on the kind of the same industry CSR is very necessary to create the characteristic for the company. RBV theory suggests that in order for an organization can achieve the goal, the structure of the internal capabilities required to adjust the external environmental conditions. The company's internal capabilities can become intangible resources that became hallmarks of the company from competitors. According to Taghian (2008), from the standpoint of theory-based resources, CSR is a unique resource because it is values that are built into an organization and becomes a characteristic with similar organizations.

Durden (2008) highlight the relationships between SPM and CSR shown in the theoretical framework begins with the identification of the groups of stakeholders who related and for dengan development objective of social responsibility to the implementation of CSR.

Within the framework of theoretical Durden (2008) there are two strands which overlap and can not be divalidasikan into a measurable variable that is the process of identifying
stakeholder groups (identifying stakeholder groups) that coincide with goal setting CSR (CSR goal setting) and action management (management actions). Two of these grooves is a form of management control systems. SPM is a formal procedure and systems that use the information to keep the pattern in the Organization include the system of planning, monitoring and reporting on the basis of the information collected by the management of Henri (2006). Therefore, this research eliminates two of the plot because it is already listed in the SPM, so the theoretical relations that can be established is between the SPM and CSR.

In the resource-based theory is also mentioned that a strategy based on resources focus on how competitive advantage resulting from a group of resources that are the company's core competence (Hart, 1995). Resources have value if it increases the efficiency or effectiveness, as intangible assets. Previous research has already proven how the company earned reputation can become a resource unique intangibles that are able to maintain a competitive edge for quite a long time (Fombrun and Shanley, 1990; Neville, 2005).

Further according to the Neville (2005), a reputation that was formed from the positive action organization that originated from the effectiveness of the application of CSR can be a resource that is very difficult to be imitated by other organizations so as to enable the company to achieve a competitive advantage. Logical reason of such statements is good consumers, shareholders or other external groups will be looking at an organization that has a good reputation does not occur in the internal negative things the Organization so that internal and external parties have no doubt doing a social contract with the company. The description of this research became the basis for linking CSR and financial performance, the reputation of the company.

2.8.2 Framework Research
The Company has control of aim management responsibility in social measurement system using either formal or non formal that gives signal to the Manager of that group of stakeholders and classified in relevant in the purpose of the organization. Formal and informal measurement system mutually reinforcing in his role as the basis for management actions in the framework of social responsibility.

In the Groove of the relationship framework Durden (2008) substantively, the management control system is able to accommodate phase management actions. This is in line with the statement of Kiviiverta (2010) that before companies disclose information sustainability (sustainability report) in line with external CSR reporting, companies must be able to manage, measure and monitor the performance of the economy, society and the environment through performance measurement and issued a policy to motivate employees for the sake of achieving the objectives of the company.

As a resource that is affected by a system of management control, often the policy in the implementation of CSR is examined periodically and require a change in accordance with changes in the internal and external environment of the company. It means that assumptions or policies that have been established the possibility of embodied as had
been planned, or realized in a form that has been modified, or even entirely different realized that had been planned earlier.

Changes in the environment of the organization requires every element of the Organization to learn quickly (Mundy, 2010). These things are contextually related to the learning model of two loops in the concept of a learning organization that is defined not only as the capabilities of the Organization for the development of an internal activity or policy but also suggest testing continuously over these policies (Linz and Resch, 2010).

According to Davison and Blackman (2005) employees will develop mental models or scheme about CSR and the role of organisations that will affect the way they viewed the incident at work and then to react to an event. In other words, there is a logical thinking that is the basis that the application of CSR is able to affect the learning of two loop because in learning two loop member organizations can reflect on whether "rules" should be modified not only on whether irregularities have occurred and how to fix it (Argyris, 1976).

Two-loop Learning is not only influenced by the implementation of CSR, however can also be an intermediary in relation to how the CSR implementation can improve the financial performance of the company. According to Fombrun (2000) it is very difficult to draw a correlation between CSR and simple financial performance, due to the need for a business that is capable of bridging benefits the relationship. The knowledge acquired by learning patterns of two employees in the loop with respect to the application of CSR, simultaneously can increase the effectiveness and efficiency of the product. That is because the main advantage of the learning of the two loops are often referred to as solving problems (problem-solving) where knowledge of the existence of anomalies over assumption contains an attempt to fulfill the purpose of the performance of process efficiency in mainly (Dooley, 1999).

In addition to learning the two loops, there are business benefits that became public over the motivations of CSR to build credibility with stakeholders that are often discussed in the literature of social responsibility, namely the reputation of the company (Adams, 2002). Companies that are able to create a reputation of applying social responsibility activities published in the external reporting has been demonstrated in previous studies were able to improve the performance of the company in the long term. This is due to the company's reputation will affect consumers' viewpoints regarding the overall operations of the company including product quality, so that consumers are willing to pay a premium price over similar products produced by competitors (Sweeney, 2010).

2.9 Development Hypothesis
2.9.1 The relationship of SPM and CSR

Stakeholders Theory is a reflection of two theories that cannot be separated, i.e., "the theory of organizational management and ethics" (Phillips, 2003). The normative approach of stakeholder theory is used to interpret the function of companies including identification of moral or philosophical guidelines for the management and operations of the company (Donaldson and Preston, 1995). According to Donaldson and Preston
the Manager had a tanggung responsible for choosing activities and directs resources to get benefits for the legitimacy of our stakeholders. In his research, Durden (2008) States that choose an activity and direct resource that is in line with the resource-based view (RBV) imply a role the it is important for control system management (SPM) to operate in accordance with the principles and objectives of the the stakeholders. Resource-based theory of the demonstrate that so that an organization can achieve the goal, the structure of the internal capabilities required to adjust the external environmental conditions. Intangible resources internal and external market conditions are created through the development of a unique strategy. According to Taghian (2008), in terms of the concept of marketing, CSR implementation can serve as a resource is unique intangible, owned the company.

Taghian (2008) argues that pragmatically CSR is a formal corporate values comes from the Organization as a system design culture and become a unique resource. Reviewed from the perspective of marketing, implementation of CSR can be a systematic resource that is able to identify opportunities and threats (Error, 2006).

Cresti (2009) suggest that compliance is dedicated to CSR and strategic role assignment for the principles of sustainability requires adjustment from System control the existing management. Penyesuaian This involves the processes and systems of planning and control, compensation and evaluation, incentives and rewarding as well as information and communication. In particular, the implementation of a consistent planning and social-oriented is natual one control system, where the company's strategic goal can be translated into indicators of sustainability metric that gives responsibility to the members of the Organization are appropriate. Control systems based performance measurement can help managers for determine whether the strategic objectives the company has been they achieve and will helping employees to keep track of whether they are moving to the right direction. The Description is the basis of this research hypothesis in which SPM associated positive towards CSR.

\[ H1 = \text{Control Systems Management (SPM) ber the influence of the positive against Corporate social responsibility (CSR)} \]

2.9.2 CSR Relationship and reputation

Theory s takeholder argues that the performance of the company specified oleh their stakeholders and resources in order to respond to the actions of the Organization (Frooman, 1999). Next, Fombrun and Shanley (1990) argues that positive reputation can inspire stakeholder theory Organization with a competitive advantage, and brand equity. This allows the company to charge a premium price and save on promotional expenses (Fombrun and Shanley, 1990).

Knowledge of consumer products will be carried not just depending on the quality, price, and uniqueness, but on how they interact with the labor, social, and environmental his . This is related to the social responsibility of the company to its
stakeholders external to them. In a highly competitive market environment, many companies have used CSR as strategic tools to respond to the expectations of the various parties such as the media, public opinion, the nongovernmental organization the Government and even consumers, so thus it can create a good corporate image (Jones, 1995). According to Sweeney (2009), CSR is a key component of the achievement of the company's reputation. A company is considered to have or hold the reputation of the results of the CSR activities that will benefit from the reputation it alone in terms of the business community and enhance the company's ability to attract capital and trading partners (Lai, 2010).

According to the theory of the RBV, resources have value if it increases the efficiency or effectiveness as intangible assets. Previous research has already proven how the company earned reputation can become a resource unique intangibles that are able to maintain a competitive edge for quite a long time (Fombrun and Shanley, 1990; Neville, 2005). Further according to Neville (2005) a reputation formed from positive action organization that originated from the effectiveness of the application of CSR can be a resource that is very difficult to be imitated by other organizations.

With give signal to consumers about product quality, reputation will inmay that allows the company to download so superior products in the market (Sweeney, 2010). Lai (2010) in his studies have found results in the implementation of the CSR commitment of influential positive brand reputation on the creation of the company, in addition Sweeney (2009) CSR activities has also been found to have a positive influence toward social and business reputation. Based on the above explanation leads to a hypothesis of research that links between CSR and reputation.

\[ H_2 = \text{Corporate Social Responsibility (CSR) ber the influence of the positive against r eputasi company} \]

2.9.3 Relations CSR and learning Two Loop

The implementation of CSR can be a factor for change in the Organization, therefore change management need to be considered (Kiviverta, 2010). With the implementation of CSR in organizations will reduce the dissonance and strengthen motivation of employees regarding expectations of record upon the Organization, so the mental model and scheme of the CSR will be attached to and affect the way they perceive the happenings at work to react to it (Davison and Blackman, 2005).

Scheme of CSR indicates the premise that knowledge is obtained through reflection on the real world nor the acquired experience will in mental models of framing every potential to learn and create new knowledge (Davison and Blackman, 2005). The use of learning strategies two loop will support some form of new knowledge that has never been studied previously (unlearning) (Sinkula, 2002), since it can be used to detect irregularities in which routine culture embedded.

From these explanations can be drawn the conclusion that the application of CSR is able to affect the learning of two loop because in learning two loop member organizations can
reflect on whether "rules" should be modified not only on whether irregularities have occurred and how to fix it. The description of the Foundation filed the following hypothesis:

\[ H_3 = \text{Corporate Social Responsibility (CSR) ber the influence of the positive against two-loop learning} \]

2.9.4 Relations reputation and the financial performance of the company

Descriptive Aspect of stakeholder theory is how to identify and explain the relationships between the stakeholders in the company (Donaldson and Preston, 1995). Accuracy in cracking down on stakeholder expectations transmitted in accordance with the level of needs either an instrumental or normative will generate an interest for the stakeholders. The interest could be an objective assessment in the form of awards from the consumer which forms a positive reputation for the Organization (Post and Preston, 2002).

Deephouse (2000) define reputation as an evaluation of the company with its stakeholders in matters affecting them, in which self-esteem and knowledge the reputation is very important to the success of the company (Roberts and Dowling, 2002). According to Fombrun and Shanley (1990) a positive reputation can inspire an organization to achieve a competitive advantage that enables companies to set premium rates and save on the cost of the promotion.

RBV Theory exposes that resources have value if it is able to increase the efficiency or effectiveness as intangible assets. Reputation formed from positive action organization that originated from the effectiveness of the application of CSR can be a resource that is very difficult to be imitated by other organizations so as to enable the company to achieve a competitive advantage (Neville, 2005). Brammer and the Millington (2005) added that there is a positive and significant relationship between corporate reputation and the financial performance of the company, besides Neville (2005) also suggests that the reputation of the variable intermediate between CSR and financial performance. The Description is the basis of the filing of the following hypothesis:

\[ H_4 = \text{The reputation of the ber the influence of the positive on performance finance company} \]

2.9.5 The relationship between learning two loop and performance corporate finance

Theory-based resources (RBV) recommends that the company's performance can be affected by the way in which the unique resources of the Organization are placed and maintained. One of the resources the company is knowledge, and includes the ability of the Organization to effectively learn and implement changes based on what has been learnt (Garvin, 1993).

According to Barney (1991) the strategic impact of the Union's experience, knowledge and information are owned by the organization allows for the development and implementation of strategies that lead to increased efficiency of the company. The knowledge acquired by learning patterns of two employees in the loop with respect to the
application of CSR, simultaneously can increase the effectiveness and efficiency of the product rather than a pattern of learning one loop that emphasize thinking over routine activities.

The main Advantage of the learning of the two loops are often referred to as solving problems (problem-solving) where knowledge of the existence of anomalies over assumption contains an attempt to fulfill the purpose of the performance of process efficiency in especially (Dooley, 1999). Based on the above explanation leads to a hypothesis of research that links between the learning of the two loops with the performance of the company.

\[ H_5 = \text{Two-loop Learning positive effect against the company's financial performance} \]

### 2.9.6 Relations CSR and financial performance of the company

**Stakeholder Theory** argues that the company's performance determined by the provision of resources by stakeholder in response to the actions of the Organization (Frooman, 1999). The decision of stakeholders either to provide or cease to provide resources for the organization is the culmination of complex considerations in the evaluation of the overall operations of the company (Neville, 2005).

Some peneliti argue that CSR it is the media that is able to accommodate the expectations of stakeholders both internal and external can increase the competitiveness of companies in the long run (Webb, 2007). Jorgensen and Knudsen (2006) suggested that the area of the relationship between CSR and the performance of the company is the most questionable of expectations of CSR. While this a lot of research the support positive relationships lightly between CSR and corporate performance, (Orlitzky, 2001) where the relationship is not yet fully admit through the mechanism of enhanced financial performance with CSR, so have not been able to be well understood.

RBV Theory explains how to manage company resources are scarce and difficult to emulate in order to achieve a competitive advantage (Barney, 1991). According to Taghian (2008), in terms of the concept of marketing, CSR implementation can serve as a resource is unique because of the intangibles pragmatically CSR is a formal corporate values comes from the design of the system organizations that then serve as an organization's culture. Further Taghian (2008) argues of resource base, CSR is a unique intangible resources that are difficult to emulate by competitors because it has characteristics in accordance with the conditions of the Organization and eventually leads to competitive advantage.

Some studies have downloadedyatakan a positive relationship between CSR and financial performance, whereas others has concluded that the effects of CSR to the financial performance was negative. Nevertheless, the debate surrounding the financial impact of CSR continue scrolling and the task to identify the relationship between CSR and financial performance has proven to be a very important issue and it is very difficult (McGuire and Sundgren, 1988). The above Description is the basis of the filing of the following research hypotheses:
H 6 = Corporate Social Responsibility (CSR) ber the influence of the positive on performance finance company

3. RESEARCH METHODS

3.1 population and Sample

3.1.1 Population

The population in this research is a company manufacturing medium-level and above who are in Banten Province amounted to 75 companies listed as Program participants Ranked the company's performance in the management of the environment (PROPER) in 2012. The reason for using manufacturing company in Banten Province as objects of research are: first, because the manufacturing industry is an industry that is more complex in terms of the control side (Anthony and Govindarajan, 2004). Second, as much as 24% of manufacturing companies in Banten got the Red category in the PROPER assessment of the results in the year 2012 an indicates a management of bad environment.

Sectors of the manufacturing industry as a driving force of economic sectors still have a very important role in the development process in Banten Province where added value (value added) resulting from the manufacturing industry is the largest contribution of nine economic sectors (BPS, 2013). The development of the manufacturing industry in the region of Banten continues to experience increased since the last 3 years. According to Banten Today (2013), the total realization of investment in Banten Province for the first quarter was 162 projects with a value of Rp 11.04 trillion. Of data about the current development of manufacturing industry in Banten Province can be underlined that the indirect economic sector in Banten Province was supported by an increase in the number of manufacturing industries in Banten. But an increasing number of industry is not accompanied by the implementation of the activities of a socially responsible, indicated by the results of the report on the company's performance Rating Program In environmental management (PROPER) in 2012, in which as many as 24% of manufacturing companies in Banten got red categories or in other words get the predicate bad in environmental management.

The Facts need to get special attention and examined further because it might just be a bad management occurs due to the inability of the company in designing good control systems to implement systematic CSR. Upward middle management in manufacturing were selected as respondents were in a position that allows for their corporate strategy mengkspresikan (Brown and Iverson, 2004). In addition they become important tools for defining and establishing a strategic position for the Organization (Porter, 1985), they also have the perspective of the practice of the most large organizations, and the possibility that bring the greatest impact against the final results obtained a organsiasi (and Cyclicota Harrison, 2002).
3.1. 2 Sample
Method the selection of the sample used in this study is the method of sample selection aims (purposive sampling). The reason to use the method of purposive sampling in this research is for researchers to actually get the information needed from the right object.

The unit of analysis in this research is a manufacturing company in the province of Banten which was recorded as a participant in the company's performance Rating Program In environmental management (PROPER) by 2012 as many as 75 companies. As for the consideration or determination of criteria for the sample in this research are as follows:
1. Take object manufacturing company in Banten Province because of Banten is one of the three largest provinces in the spread of 60% manufacturing company throughout Indonesia. In addition, the manufacturing industry is the majority of industries in Banten Province so that waste management and the active role the industry related environmental issues are very important to be examined (Republika Online, 2013).
2. Tersampel manufacturing company represented by m secondary anajer to the top that has the following criteria: the most managers have less experience for two years in the company, so they are expected to have knowledge on matters pertaining to strategic.

3.2 Data Collection Methods
3.2.1 Design research instrument
The Data for Research This is the primary data. This data is collected through survey techniques using the research instrument in the form of a questionnaire. Research instrument each variable contains research questions the research corresponds to the variables examined in this study. Total questions research is 36 rounds consist of 6 grains of the question which is the identity of respondents and 30 rounds of questions which are the variables of the study. The grain question in each variable research are covered. Complete this research instrument as contained in annex 1 in the form of the perception of respondents collected with methods and proceed directly to the respondents. The reasoning is to deliver direct results obtained more effective and its area is still accessible by researchers.

3.2.2 implementation of the Data collection
Data collection through surveys using the techniques of delivery directly to the 75 companies that are domiciled in the province of Banten. Before the questionnaires distributed to the samples, the researchers did a pre-test (pre survey) questionnaire for the pilot study. Pre-test is done to find out until the sejauhmana understanding of the questionnaire. Pre-test done to companies of its kind outside the object of research. After done pre-test then proceed with the pilot study.
The Data of manufacturing companies in Banten Province retrieved from the database of the results of the assessment PROPER program implemented in 2012. Then the company acquired addresses of researchers through a variety of sources, such as from a database at the Ministry of industry of Banten Province and the Central Bureau of Statistics area of Banten. Total questionnaires sent was 300 copies to 75 manufacturing company.

3.3 Research and measurement of Variables
3.3.1 A conceptual definition of Variables

Research used variable consists of a management control system (MSS), corporate social responsibility (CSR), corporate reputation, learning two loops and the financial performance of the company. The variable measured using instruments that are adopted from the literature—literature have been used in previous research. As for these variables is:

3.3.1.1 Control systems management (SPM)

Control systems management (SPM) is a formal procedure and use the information to keep the pattern in the activity of the Organization (Simons, 1987; Henri, 2006). This study uses two dimensions in the management control systems represents invalid constructs (SPM), namely diagnostic systems and interactive systems. This is in line with the research of Henri (2006) that uses two dimensional as the basis for performance measurement.

The diagnostic control System is the feedback system that is formal and is used to monitor or oversee the final organizational and correct or make improvements in case of deviations or irregularities on performance (Simons, 1995). Diagnostic system using variable measurement instruments research Henri (2006) to measure the presence of diagnostic system that will affect the strategies recommended in the CSR Durden (2008) and Kiviverta (2010): trace the progress, monitor results, compare the results with the expectations and examines the size of the key to success.

Interactive control systems is a formal system that is used by the Manager of the top of a company to involve himself regularly and personally on the decision-making activity of the subordinate company (Simons, 1995). Interactive system using variable measurement instruments research Henri (2006) to measure the use of the interactive control system by the Manager of CSR activities will affect: developing discussion, develop public debate, provide a view of the Organization, our commitment to organsasi, focus on the main issue, the focus on success factors and develop a common language in the organization.

3.3.1.2 Corporate Social Responsibility (CSR)

Corporate social responsibility (CSR) is the activity of the organization that is sensitive to the surrounding communities and stakeholders of the Organization's operations (Lai, 2010). Measurement of the variable using the CSR research instrument
Sweeney (2009) to measure CSR activity in learning and reputation affects two loops which include: evaluation of environmental friendliness, the packaging is recycled, monitor the rest of the results of production (waste), the inclusion of information on the packaging label, responsiveness to customer complaints, is active in charitable activities, procurement of employment for the local community, the feasibility of wages and career development of employees.

3.3.1.3 The Reputation of the Company
Reputation of the company in the context of CSR is the resources that lead to competitive advantage, a signal to stakeholders about the attractiveness of the company, which expected the stakeholders are willing to contract more (Deephouse, 2000). Measurements of a variable reputation using the research instrument Neville (2005) and Sweeney (2009) which includes the reputation of the business (in recognition of performance, investment value, quality products & services and quality management) and social reputation (confession's credibility within the responsibility in the field of the environment and society).

3.3.1.4 Learning Two Loops (Double-Loop Learning)
Two-loop Learning is a learning organization that emphasizes in-depth thinking about the assumptions and beliefs that run (Cartwright, 2002). According to Argyris (1976) learning the two loops can be used as a model in the organization that provides feedback on an assumption to make the decision-making process more efficient. Measurements of the variables of learning two loops using the learning function of the two loops made by Kaplan and Norton (2000), namely: working as a team to interpret data, the development of new strategic insight and adaptation of the strategy to changes in the environment.

3.3.1.5 financial performance of the company
Orlitzky (2001) arguing that all organizations at all levels of the measure will get a benefit from CSR financially. Measurement of the company's financial performance using variable research instrument Henri (2006) and Sweeney (2009): the level of sales, and net profit rate comparison (percentages) net profit and the cost.

3.4 processing and Data analysis
After the data is collected, then the next is done processing the data. Data processing is usually done through editing the data complete and incomplete data, coding, and tabulate data. Data that can be used for data analysis is the phase where charging the full questionnaire and don't miss the questions in the questionnaire. After the data through the stages, then the next do data entry into the computer. The data processing is done using the application program Statistical Package for the Social Science (SPSS version 16.0) and Smart Partial Least Square (SmartPLS) version 2.0.
The selected method for data analysis of structural equation model or is the *Structural Equation Modeling* (SEM). This model was chosen because it is a multivariate technique which combines aspects of multiple regression and analysis of factors to estimates a series of simultaneous interdependence relations (*Hair, 2006*). Model of data analysis with SEM gives advantages in estimating errors of measurement and parameter estimation.

The analysis of the data used in this study consists of several phases of analysis as described below.

**3.4.1- Analysis of Non-Response Bias**

Non response bias test done to find out what is going on is the difference between answers to the questionnaire or not the questionnaires returned by the respondent before the *cut off* date as the deadline for repayment delay with a questionnaire returned by the respondent after the *cut off* date. Non response bias test done with independent samples t test by way of comparing the average answer of respondents before the date *cut off* with an average answer of respondents after the *cut off* date.

If the average answer of respondents before the date *cut off* does not differ statistically with an average answer of respondents after the date *cut off*, meaning the data provided by the respondents either before the date of *cut off* and after the *cut off* date can be processed everything as material proof of the research hypothesis. To find out how the answers of both groups of respondents in order to know the non-response bias was helped with the t-test statistics. The test aims to find out the average score for each of the variables the study did not differ between the groups of respondents.

**3.4.2- Test Data quality**

**3.4.2.1 Test Validity**

Testing tool used to test the validity of the instrument used test analysis of factors (*factor loading*). This analysis in structural equation modeling (SEM) using the factor loading. *Loading Factor* is meant to ensure that every grain of questions which are classified on each variable. An indicator is declared invalid if it has the highest *loading factor* to invalid constructs the intended *loading factor* compared to other invalid constructs. Another method to see the level of validity to meet the *convergent validity* is by looking at the value of the *square root of the average variance extracted* (AVE). The recommended value is above 0.5.

**3.4.2.2-reliability Test**

Reliability test done by looking at the value of the *composite realibility* of block indicators that measure invalid constructs. The results of the *composite realibility* will show the value that satisfies if above 0.7. In addition, a test of reliability can also be reinforced with *Cronbach's Alpha* where the recommended value is above 0.6. Shape measurements by looking at the *composite reliability* that will be used in this study.
3.4.3 Descriptive Statistics Variable Research

Descriptive statistical analysis was performed to find out the profile of respondents and study variables. Descriptive statistics for the profile of respondents is presented in the form of frequency and percentage. While the data is interval presented in the form of mean, and standard deviations. Descriptive statistics of the variables of the research will be presented in the form of mean, theoretical and actual range, mean, and standard deviation.

3.4.4 Hypothesis Testing

All the proposed hypothesis in this study was tested by using structural equation models (SEM). Research on hypothesis testing based on parameter estimation of the model equation stuktural. Testing inner structural model or models do to look at the relationship between significance and value of invalid constructs an R-square of model research. The structural model is evaluated by using the R-square for the dependent invalid constructs and t-test for the significance of the structural parameters of line coefficients.

4. Data Analysis and Hypothesis Testing

Data for this research is the primary data repository containing the answers of the respondents to the questions contained in the questionnaire research. Respondents who were the targets of the research is the Marketing Manager, production manager and HR managers of manufacturing companies that are registered as participants in the year 2012 the PROPER number of 75 which is the manufacturing industry medium and large scale. A summary of the number of deliveries and return questionnaire in this research can be seen in table 4.1

Table 4.1
Shipping and Returns Questionnaire

<table>
<thead>
<tr>
<th>Description</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total questionnaires sent</td>
<td>300</td>
</tr>
<tr>
<td>The questionnaire could not be taken</td>
<td>137</td>
</tr>
<tr>
<td>Total questionnaire return used</td>
<td>163</td>
</tr>
<tr>
<td>Rate of return (response rate) (163/300 x 100%)</td>
<td>54.33%</td>
</tr>
</tbody>
</table>

Source: developed for dissertation

Based on the above table as much as 137 questionnaires did not responded but by reason of the respondent's work schedule, the questionnaire was rejected and did not follow up by the (receptionist) company when a questionnaire is given so that the respondent could not fill out the questionnaire. So questionnaires can be used in the data analysis as much as 163 questionnaires (300-137). In other words, the rate of return a questionnaire of 54.33%. The data showed that the rate of return the questionnaires in
Indonesia ranges from 10% to 18% (Mardiyah and Listianingsih, 2005). Thus the questionnaire response in this study can still be accepted.

5. DISCUSSION OF RESEARCH RESULTS

5.1 Influence Control Systems Management (SPM) for Corporate Social Responsibility (CSR)

Hypothesis 1 stated that management control systems in the form of an interactive system and diagnostic system of influential positive towards corporate social responsibility (CSR). From hypothesis testing is done before, obtained results i.e. H1 is accepted where the SPM effect significant positive towards CSR. This relationship is indicated by the value of the coefficient estimates between SPM with CSR of significance level of 0.980 11.196. The value of the coefficient R square ($R^2$) of 0.960.

The value of path coefficient 0.980 pointed out that in this study the Management Control System is a variable that is capable of influencing corporate social responsibility. The value of this coefficient is also supported by a value of the T-statistic of 11.196 at the statement indicating that the hypothesis 1 can be accepted. Then for the value of R$^2$ of 96% or 0.960 shows that CSR is able to be explained by the Management Control System of 96% while the rest is explained by other factors not examined in this study.

Overall Management control systems indicated by the diagnostic System and the interactive System as measured by the indicators that are used give a positive influence towards Corporate Social Responsibility (CSR) with an indication of the value of the high line i.e. 0.980. With high path coefficients between control systems management, this study emphasizes the importance of an effective CSR implementation through integration of the CSR action has a good control. Thus important factors in doing social action can be understood and evaluated for the company's long-term sustainability.

The results of this research along with the theory that the underlying disease that is the theory of Stakeholder and RBV Theory. Linkages with the Stakeholder theory lies in the Groove of the normative Stakeholder theory in which the Organization should be maintained ethically in accordance with the needs of the stakeholders identified (Freeman, 1984). This means that management must identify the Group and the needs of each stakeholder through a good system before allocating the CSR activity so that an action is right on target to related stakeholders.

Then the interconnectedness theory RBV in this study lies in the RBV theory arguments that the success of an organization can be based on the resources that are so important or difficult to emulate with fundamental needs to change the focus on the company either in the system or structural to create value in business strategy (Wernerfelt, 1984; Barney, 1991). Pragmatically, CSR is a formal corporate values derived from system organizations that then serve as a culture and a unique resource (Taghian, 2008). This indicates that the views from the perspective of theory-based resources, Management control systems is the focus of resource management objectives in this respect the application of CSR in order to create added value for the company.
5.2 The influence of Corporate social responsibility (CSR) against the reputation of the Company

2nd hypothesis States that corporate social responsibility (CSR) a positive effect against the reputation of the company. From hypothesis testing done before this hypothesis proved to be significant positive effect of CSR, namely against the reputation of the company. This relationship is indicated by the value of the coefficient estimates between CSR and reputation of significance level of 0.966 6.482. The value of the coefficient R square ($R^2$) of 0.930.

The value of path coefficient 0.966 pointed out that in this study corporate social responsibility (CSR) is a variable which is capable of affecting reputation. The value of this coefficient is also supported by a value of the T-statistic of 6.482 indicating that statement on hypothesis 2 is acceptable. Then for the value of $R^2$ of 93% or 0.930 suggests that the reputation of the company is able to be explained by Corporate Social Responsibility (CSR) of 93% while the rest is explained by other factors not examined in this research.

Variable Corporate Social Responsibility shown by the indicators that are used give a positive influence against the reputation of the company with an indication of the value of 0.966. The creation of a reputation that is owned by companies from both the internal and external environment proved to be very affected of how big the application of CSR.

The results of this research are also in line with the research Jones (1995) stating that in a highly competitive market environment, CSR is a strategic tool to respond to the expectations of the various parties such as the media, public opinion, governmental organizations even consumers for creating a good corporate image. The results of this research are supported by research done Lai (2010) which concludes that there is a significant positive relationship between CSR and corporate reputation.

The interconnectedness of these research results with the Stakeholder Theory lies in the affirmation that the main purpose of the theory is that helping corporate managers to understand their environmental stakeholders and management more effectively between the existence of relationships in their corporate environment as well as to help corporate managers in enhancing the value of the impact of their activities and minimize harm to stakeholders (Sweeney, 2010). To manage the relationships between stakeholders, companies need to apply the principles of good corporate governance and corporate social responsibility for maintaining a reputation before the stakeholders.

Managers are required to strive to create the best pattern in fostering relationships between stakeholders. Lawsuits are expensive and wasted investment opportunities to make companies more proactive to make some sort of guideline and processes to minimize the risk of this sort. CSR is an earnest effort from business entities to minimising the negative effects and maximise the positive impact of the operations of all stakeholders in the realm of economic, social and environment (CSR Studies peripheries
of Indonesia). Through the application of good CSR, enterprises can gain business advantages, one of which is the reputation (Hopkins, 2003).

The results of this research also supports the RBV theory where it is said that CSR is a unique resource that is very hard to emulate that stemmed from the company's formal values (Taghian, 2008). According to Neville (2005), the reputation is also a resource that was formed from the positive actions of the organization which is derived from the company's interactions with stakeholders and of information on the activities of the company are circulated among stakeholders. Both of these statements clarify how CSR can affect the reputation of the company as a resource that is owned by the company.

5.3 The influence of **Corporate social responsibility** (CSR) against Two Learning Loop

Influence of **Corporate Social Responsibility** (CSR) toward learning organizations declared on 3 hypotheses that **Corporate Social Responsibility** (CSR) a positive effect towards learning two loops. This hypothesis is proven by shown by a positive path coefficient value of 0.955 with a level of significance of 3.636 and value R square coefficient (R2) of 0.913.

The value of this line indicates that the coefficient in the study **Corporate Social Responsibility** (CSR) is a variable which is capable of affecting the learning organization. The value of this coefficient is also supported by a value of the T-statistic of 3.636 indicating that a statement on the hypothesis of 3 is acceptable. Then for the value of R² of 0.913 or 91.3% shows that learning two loop capable are described by **Corporate Social Responsibility** (CSR) of 91.3% while the rest is explained by other factors not examined in this study.

Overall **Corporate Social Responsibility** shown by the indicators that are used give a positive influence towards Learning Two Loops with an indication of the value of 0.955. Formation of the learning of the two loops that are owned by the company proved to be very affected of how big the application of CSR.

The findings of this research strengthen the framework of thought in the study in which organizations that are familiar with CSR activities capable of forming orientations and perceptions of each individual organization to be more sensitive to the dynamics that occur within their organizations. Mental models or schemas developed by the employee in connection with the implementation of which will affect the way they viewed the incident at work and then reacting to them (Davison and Blackman, 2005).

The results of this research cannot be separated from the underlying disease that is the theory of Stakeholder and RBV Theory. As for linkages with **Stakeholders** located on instrument approach of Stakeholder Theory which sets out a framework for examining the relationships arising from the practice of the management of stakeholder (Mishra, 2013). Post and Preston (2002) Add to that the success of the management of stakeholders also involves a learning process in the organisation due to the changes in the characteristics and attractiveness of stakeholders from time to time.
Then the interconnectedness theory research in the RBV is located on the statement in which complex organizational system that is the basis for competitive advantage derived from the background or history of the company. Two-loop learning is the concept of a learning organization that emphasizes in-depth thinking about the assumptions and beliefs that are run are able to create work motivation (Cartwright, 2002). Motivation of actions taken every individual in the company is inseparable from the culture inherent in the organization. According to Taghian (2008), now CSR is seen as unique intangible resources of the company comes from the Foundation of the Organization and the system as a culture/cultural organizations.

5.4 influence of reputation for the company's financial Performance

Hypothesis 4 States that the reputation of a positive effect against the financial performance of the company. From hypothesis testing is done before, this hypothesis proved to be shown by a positive path coefficient value of significance level 0.575 of 3.519.

The value of the coefficients of this line indicates that this Reputation in research is variable which is capable of affecting the company's financial Performance. The value of this coefficient is also supported by a value of the T-statistic of 3.519 indicating that statement on acceptable hypothesis 4. Then for the value of $R^2$ of 0.959 or 95.9% indicated that the financial performance of companies able to described by a reputation of 95.9% while the rest is explained by other factors not examined in this study.

Reputation of the company in this research is shown by the indicator of recognition on actions of social responsibility with a value of loading (0.934), recognition on product quality (0.922), the positive response of consumers regarding the reliability of the product (0.925) and positive perception of consumers in the product in comparison with other (0.906). It pointed out that the question in the questionnaire that was answered by the respondents on average has managed to represent invalid constructs the reputation of the company.

Reputation is defined as intangible resources are owned by the company as a aims-lift company name. The possible cause of the rejection of this hypothesis is the size used in the company's reputation represents invalid constructs. Reputation indicators consist of the recognition of CSR actions related stakeholders, management's perception regarding the recognition of product quality and consumer response against the reliability of the product. In general it can be said that the reputation which is used in this study reflect the social reputation.

The potential of a good reputation gives rationalization for relations cross-section with the financial performance of the company, because the employees prefer to work for a company that has a high reputation in which have to work harder to get better remuneration so as to lower the cost of monitoring and long-term profit menstimulus (Roberts and Dowling, 2002).

The results of this study are in line with research Neville (2005) and Sweeney (2009) where reputation is able to improve the financial performance of companies in
which a company deemed socially responsible can benefit from an enhanced reputation with the publication, as well as its reputation in the business community to enhance the company’s ability to attract capital and trading partners.

5.4 Influence of Learning Two Loop Against the Financial Performance of the Company

Hypothesis 5 stated that learning two loop effect positive against the financial performance of the company. From hypothesis testing done before this hypothesis proved to be a learning yajtu two loops of influential postiif significantly to the company's financial performance. This relationship is indicated by the value of the coefficient estimates between the two Learning loop and the financial performance of the company 0.476 with a level of significance of 3.056. The value of the coefficient R square (R²) of 0.959.

The value of the coefficient of 0.476 lines demonstrated that in this research Study two loop variable is capable of knowing the financial performance peusahaan. The value of this coefficient is also supported by a value of the T-statistic of 3.056 which indicates that the statement on the hypothesis 5 is acceptable. Then for the value of R² of 0.959 or 95.9% indicated that the financial performance of the company is capable of Learning described by two loops of 95.9% while the rest by other factors not examined in this study.

As for the results of this research have linkages with the theory underlying disease, i.e. the theory of Stakeholder and Tori RBV. Relation with the theory of Stakeholders lies with the employee's perspective on the theory of Stakeholders that the company focuses the efforts of managers into a systematic approach to generate profit from learning in terms of increased trust in the leadership, improve the efficiency of work organization, committed workforce, reduce costs per employee. Higher levels of Learning two loop organizations leads to performance improvement company (Dooley, 1999).

Then the results of this research in line with the RBV theory where it is said that the company's performance can be affected by the way in which the unique resources of the Organization are placed and maintained. One of the resources the company is knowledge, and includes the ability of the Organization to effectively learn and implement changes based on what has been learnt (Garvin, 1993).

5.6 Influence of Corporate Social Responsibility (CSR) Against the Company's Financial Performance

6 hypothesis States that corporate social responsibility (CSR) a positive effect against the financial performance of the company. From hypothesis testing conducted before the influence of CSR Performance against financial companies represented by the value of the coefficient-0.055, a direction coefficient which is not in accordance with the statement of the hypothesis 6. From the results of testing of the relationship of causality is also not found the presence of the influence of significance, because it has a value of the
T-statistic of 0.270. This value under the t-calculate required so that hypothetical accepted i.e. 1.96. This means that there is an influence of the negative was not significant. Thus, based on the results of testing empirically, then the hypothesis 6 was rejected.

The financial performance of companies in this study is shown by the indicator of the level of sales by value of loading (0.931), the rate of increase in net profit (0.931) and the percentage of net income and costs (0.944). It indicated that on average the respondents had a high enough level of performance. However the direction of the negative relationship between CSR performance against a company does not comply with what has been predicted.

Arguments that may be presented to explain the rejection of this hypothesis as follows. The company's performance in the study related to the financial performance is shown through the levels of sales, profitability and the return on investment that can be by the company. In general it can be said that the company's performance achieved by a company basically reflects all the things done by the company. However, high performance is not necessarily reflected by good or bad application of corporate social responsibility, but in fact reflected how the company motivates the Member organizations are mainly decision-makers in implementing various strategies to be able to achieve the high performance of the company.

Apart from the factors of relevance that could cause the company's performance, the rejection of the hypothesis this may just be due to required time span not just one period to be able to explain CSR influences on performance of the company. Corporate social responsibility has weaknesses in its application as to whether the activity in accordance with the expectations of the parties concerned and difficult it is to pull the measure from the results of these activities as well as the need to how long it takes in order to make the results of the CSR activities can be felt by the company.

The test results show that the value of the correlation estimation of corporate social responsibility (CSR) against the financial performance of the company is -.055. The value of the correlation that is contrary to the hypothesis of research that shows that CSR does not obtain sufficient evidence regarding the influence on performance of financial companies. CSR mungin only serve as a vision and strategy underpinning the implementation of the various activities within the company. CSR is therefore not yet able to serve as a tool to improve the performance of the company.

The findings of this study are consistent with the results of the research Jaggi and Freedman (1992) that environmental performance is done by the company do not affect significantly to financial performance. The results of this research are supported by research Sarumpaet (2005) in which not surprisingly in a developing country like Indonesia unrelated environmental performance against financial performance because the company repeatedly to create environmentally friendly products that usually such business will have an impact on the selling price higher which then reduces the interest to buy consumers in Indonesia, so the behavior has no effect for better financial performance.
6. CONCLUSIONS, IMPLICATIONS AND LIMITATIONS OF THE RESEARCH

6.1 Conclusion
This research was conducted based on the view of control systems carried out by management that affect Corporate Social Responsibility (CSR) and substantially affect reputation, learning two loops and the financial performance of the company. In addition to an extension of the previous research conducted by Durden (2008), Kiviverta (2010) and Arjalies and Mundy (2013) of exposure Control system integration Management framework in the Corporate Social Responsibility (CSR), it also pioneered the research literature that discusses the influence of Corporate Social Responsibility (CSR) towards Learning two loops.

The expansion of such research lies in the use of variable SPM as well as CSR and method in explaining the causal relationships between SPM and CSR. This research uses the variable SPM specifically into two dimensions of performance measurement systems, namely diagnostic systems and interactive, while research Durden (2008) and Kiviverta (2010) discusses the SPM as formal and informal controls. Then for the variables, this research uses CSR CSR as the implementation of the operational activities of each organization that is socially responsible, while CSR in research presented as a strategy.

Expanding on the use of SPM variable described above is also closely related to the differences regarding the measurement methods used in this study and previous research (Durden, 2008; Kiviverta, 2010; Arjalies and Mundy, 2013). In explaining the causal relationships between SPM and CSR, this research using quantitative methods in variable sizes reflect the SPM and test how much influence the increase of SPM on every CSR improvement, whereas in research Durden (2008) and Kiviverta (2010) does not discuss the causal relationship but only discusses how effective CSR can be generated through the steps systematically.

The difference is due to the good Durden (2008) and Kiviverta (2010) choose to use the methods of qualitative case studies. Research case studies allow a more detail analysis of a phenomenon and the use of the case study approach supported by many researchers (Dent, 1990). But because the focus of the research is qualitative case study, then the results of such research is very hard to generalized with other studies because every organization has different culture.

Apart from the expansion of influence regarding the MSS against CSR, this research also opens the understanding of CSR influences towards Learning two loops that have never been discussed in previous accounting literature. Previous research which uses the concept of the learning organization more discusses the influence of the learning process are obtained every individual in the Organization to improve CSR activities (Antal and Sobczak, 2005; Lee and Chang, 2011; Blackman et al., 1995) but very few are discussing the opposite direction in which the implementation of CSR is able to affect the learning process in the Organisation for sustainable progress.
Carter (2005) has been previously analyzed the presence of a learning organization in the role of mediate relations CSR and performance of suppliers, but in such research are not addressed in a comprehensive manner how CSR can affect learning organizations and how the mechanism of the learning process was created. This research uses a model of learning two loops in which the entities (individuals, groups or organizations) could be questioned about the changes to the fundamental aspect of the organization includes the values, assumptions and policies (Argyris, 1976).

Organizations that are familiar with CSR activities capable of forming orientations and perceptions of each individual organization to be more sensitive to the dynamics that occur within the organization. The perception will form a mental model or schema of the CSR and the role of organisations that will affect the way they viewed the incident at work and then reacting to them (Davison, 2005). So it can be drawn the conclusion that the implementation of the CSR was able to influence the process of learning the two loops in the organization.

This research was conducted to meet the goal in General that is testing the influences of SPM against CSR and CSR influences on performance company that is mediated by reputation and learning organization. Specifically this study aims to (1) test the influence of the SPM which includes diagnostic and control systems interactive control systems towards corporate social responsibility (CSR); (2) to test the influence of CSR against reputation and learning two loops; (3) test the influence of reputation and learning two loop against the company's financial performance (4) test the direct influence of CSR performance against financial companies; and (5) test the influence of the CSR performance of companies that are mediated by reputation and learning two loop.

This research using the method of survey by sending a questionnaire to the managers of manufacturing companies in the province of Banten. The research of using primary data that is in the form of answers of the respondents to the questions contained in the questionnaire research research. Data collection was started from February 2013 and ends at the end of April 2013. This research analysis unit is a manufacturing company that is represented by its marketing manager, production manager and Assistant Manager. As many as 163 respondents participated in this study are derived from 43 companies in industrial manufacturing environment. Research data to test the hypothesis is analyzed using structural equation models (SEM) with the help of program statistics SmartPLS version 2.0.

This research more theory, referring to RBV and stakeholders in which direction the research refers to the conceptualization of how SPM can affect a company's success in implementing CSR activities. In addition, the expansion is done also by adding learning two loops as the business benefits that along with a reputation for mediate the influence between CSR and financial performance of the company.

The results of the analysis of the model of measurement variables structural equation model of research and built in this study shows that the model fit the data. Testing on the quality of the data also indicates that the data obtained have high quality proven through test validity and reliability obtained good results. In addition the assumptions model
research in structural equation models also are met and after a test match is the model, then the model meets the criteria you see fit.

Refer to the results of data analysis, testing and discussion of the hypothesis of this research provides some findings as follows:

First, management control systems, in the form of system diagnostic and interactive system in a positive and significant effect with corporate social responsibility (CSR). This suggests that companies that have performance-based management control systems will give a high influence also to the application of CSR as a strategy. Thus, this research provides support for the importance of management control systems for use in implementing a CSR strategy by the company.

The results of this research would certainly give a strong view that a much-needed management control systems for companies who want to consistently apply the principles of CSR in the operation of its business. Good management control system will ultimately help the company CSR strategy in achieving the objectives more effectively so that the return of such activities will be more possible. Therefore, the findings of this study provide evidence that SPM must be viewed as a form of control or monitoring mechanisms should I integrate my company's CSR strategy.

Second, the results of research on the influence of corporate social responsibility (CSR) against reputation and learning two loop shows that CSR affect your reputation and learning two loops in a positive and significant, then it can be drawn the conclusion that the influence of the application of CSR are equally affect for the formation of corporate image in the social field and enhance the process of learning two loops for the employees of the company.

With regard to the learning of the two loops, this research provides evidence that CSR committed companies capable of affecting the dynamic way of thinking for our employees in articulating the policy applied by the company. Often occur dissonance or gap between the employee's motive in working with their expectations over the policies of the organization. The existence of a CSR implementation that is applied by the company gave a positive signal for the learning process they do because they can develop mental models or its own scheme of thought about how the behavior of social organizations responsible for more dynamic in facing environmental change is happening.

The scheme creates a form of new knowledge that has never been studied previously (unlearning). According to Sinkula (2002) the use of the learning strategies of two loop will support and be supported by a strategy of unlearning method because unlearning is to understand the mechanisms that can be used to allow for irregularities in which routine culture embedded. Formation of the learning model of two loops will make it possible for the Organization to improve the company's performance potential because the main advantage of the learning of the two loops was as problem-solving (problem-solving) where knowledge of the existence of anomalies over assumption contains an attempt to fulfill the purpose of the performance is mainly the efficiency in the process.
Third, the results of research on the influence of reputation and learning two loop against the financial performance of the company shows that good reputation as well as the learning of the two loops has a significant positive influence towards the achievement of the company's financial performance. The results of this research, obtain sufficient empirical evidence that reputation is shaped the perception of the different parties and the process of the creation of knowledge through learning the two loops can maintain the legitimacy of the name of the company and serves as a tool to improve the financial performance of the company.

Previous studies have discussed the influence of reputation for the company's financial performance (Dooley, 1999; Neville, 2005; Sweeney, 2010; Nadeem, 2012) such research, but the results are still contradictory. Studies conducted by Sweeney (2009) discovering the existence of a direct relationship between positive CSR and financial performance of the company with several business benefits, while the research done Nadeem (2012) find CSR has no relationship towards the financial performance. The results of this study provide evidence empirically that the reputation of not only being able to affect the company's financial performance improvements but able to be the mediation of relations CSR and financial performance of the company.

Reputation in this study measured through social aspects related to the application of CSR. From the results of this research note that reputation formed by companies through the effort with regard to social responsibility had a positive response to the company's financial performance. In other words, the potential for effective achievement of financial performance against that reputation was greatly influenced by the effectiveness of CSR implementation. So for organizations who want a positive reputation required to implement systematic CSR CSR, although the impact is not direct effect on achievement of financial performance.

Fourth, research results influence of corporate social responsibility (CSR) against the company's financial performance demonstrates that CSR does not obtain sufficient evidence regarding the influence of CSR performance against financial companies. Empirical evidence suggests that the negative effect of CSR with the financial performance of the company. These results give the meaning that CSR may be used as a strategy to set a goal of social activities which will be carried out, but its role in improving the performance of the company directly is still hard to drawn relationships.

Fifth, the results of this research also shows there is an indirect relationship between CSR performance against the company's financial reputation and learning through two loops. This can be seen on the analysis Chapter 4 where the influence is not direct either via the CSR reputation as well as learning the two loops is greater than the direct influence between CSR performance against financial companies. These results give the meaning that the return of the CSR activities conducted by the company in the form of financial performance will be more effective when supported by the business benefits such as reputation and learning two loops formed of CSR activities itself.

Based on the research findings presented above, then the research conclusions can be drawn as follows:
1. Management control systems in the form of interactive systems and the diagnostic system can be used by the company to implement the strategy of corporate social responsibility (CSR).

2. Corporate social responsibility (CSR) can improve the reputation and learning two loops.

3. Reputation and organizational learning can improve the company's financial performance significantly.

4. Corporate social responsibility (CSR) may is not a tool that could be used directly to improve the company's performance.

5. Reputation and learning two loops is intervening variables that can be the key to strengthening the relationship between CSR and corporate performance.

6.2 Theoretical Implications

The results of this research contribute to the development of science accounting especially management accounting based theories of resource-based view and stakeholder theory. The management control systems used this research contribute to serve as a tool in formulating and implementing a CSR strategy. Management control systems should be integrated with the CSR strategy. For this research were of the view that management control systems are very important in overcoming various obstacles in the formulation of CSR strategy undertaken by the company so that the purpose of the CSR can be achieved effectively.

This research provides support for corporate social responsibility based on management control systems are presented in terms of logical thinking by Durden (2008). The use of control systems performance-based management gives broad impact which supports the view of management control systems as a means of contributing not only to the implementation of the strategy but also allows the company to menstimulus the emergence of the new strategy (Henri, 2006).

The findings of this research essentially provides support for the theory of the resource-based view, saying the company's competitive ability is a function of the uniqueness and value of the resources and capabilities that are owned by the company (Wernerfelt, 1984). The theory of the resource-based view argue that reputation is also the resources that lead to competitive advantage, gave the signal to stakeholders about the attractiveness of the company so that they are willing to undertake the contract (Deephouse, 2000).

These research findings provide support to the theory of stakeholders. The use of variable learning two loops as contextual factors greatly affect the company in the selection of strategies with the contribution of creative ideas. The theory of stakeholders viewed the resources that include social acceptance and contribution is clearly derived from the model, workers and income. Dikontribusi resources of stakeholders that is greater than the financial investment made by shareholders (Post and Preston, 2002; Sweeney, 2010).

6.3 Practical Implications.
The results of this research has practical implications so that it can be used by manufacturing companies in designing control systems can serve as a management tool to be integrated with the strategy of corporate social responsibility. As for some of the practical implications can be explained as follows. First, in designing a strategy of social responsibility that will be carried out by the manufacturing companies should use the management control systems performance based form of interactive systems and diagnostics systems together so that it can assist the company in achieving goals of CSR effectively.

Second, manufacturing companies need to maintain reputation and enhance the process of learning two loops to be able to increase the chances of the results of the activities of the social responsibility of the company's financial performance is achieved in order that optimal. The results of the findings of this research show that the manufacturing companies should use a company like the learning capabilities of two loops and a reputation as a Union should integrate my to be able to bring sustainability in manufacturing companies.

6 4 limitations and Future Research Agenda
This research has some limitations that can be described as follows. First, this study highlights the use of SPM based performance measurement that is implemented in the form of diagnostic systems and interactive. Balanced pressure system diagnostic and interactive will give you maximum results. In this research not discussed how much pressure should be granted by the system diagnostic and interactive together in assisting the implementation of an effective CSR.

Second, the empirical model that was built in this research use only two levers within the framework of the Levers of Control. Quantitative research by entering the four levers Framework the Levers of Control probably will give different results.
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