

Pertanika Journal of SOCIAL SCIENCES & HUMANITIES

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A special edition devoted to issues in Ecosystem, Innovation, and Excellence in Enhancing Organisation Competitiveness, and Sustainability

> Guest Editors Bachtiar H. Simamora, Idris Gautama So & Bahtiar Saleh Abbas



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Journal of Social Sciences & Humanities

About the Journal

Overview

Pertanika Journal of Social Sciences & Humanities (JSSH) is the official journal of Universiti Putra Malaysia published by UPM Press. It is an open-access online scientific journal which is free of charge. It publishes the scientific outputs. It neither accepts nor commissions third party content.

Recognized internationally as the leading peer-reviewed interdisciplinary journal devoted to the publication of original papers, it serves as a forum for practical approaches to improving quality in issues pertaining to social and behavioural sciences as well as the humanities.

JSSH is a **quarterly** (*March, June, September* and *December*) periodical that considers for publication original articles as per its scope. The journal publishes in **English** and it is open to authors around the world regardless of the nationality.

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History

lournal of Social Sciences & Humanities

Pertanika was founded in 1978. A decision was made in 1992 to streamline Pertanika into three journals as Journal of Tropical Agricultural Science, Journal of Science & Technology, and Journal of Social Sciences & Humanities to meet the need for specialised journals in areas of study aligned with the interdisciplinary strengths of the university.

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Pertanika is almost 38 years old; this accumulated knowledge has resulted the journals being indexed in SCOPUS (Elsevier), Thomson (ISI) Emerging Sources Citation Index (ESCI), Web of Knowledge [BIOSIS & CAB Abstracts], EBSCO, DOAJ, ERA, AGRICOLA, Google Scholar, ISC, TIB, Journal Guide, Citefactor, Cabell's Directories and MyCite.

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An ISSN is an 8-digit code used to identify periodicals such as journals of all kinds and on all media–print and electronic. All Pertanika journals have ISSN as well as an e-ISSN.

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Refer to Pertanika's INSTRUCTIONS TO AUTHORS at the back of this journal.

Most scientific papers are prepared according to a format called IMRAD. The term represents the first letters of the words Introduction, Materials and Methods, Results, And, Discussion. IMRAD is simply a more 'defined' version of the "IBC" [Introduction, Body, Conclusion] format used for all academic writing. IMRAD indicates a pattern or format rather than a complete list of headings or components of research papers; the missing parts of a paper are: *Title, Authors, Keywords, Abstract, Conclusions*, and *References*. Additionally, some papers include Acknowledgments and Appendices.

The Introduction explains the scope and objective of the study in the light of current knowledge on the subject; the Materials and Methods describes how the study was conducted; the Results section reports what was found in the study; and the Discussion section explains meaning and significance of the results and provides suggestions for future directions of research. The manuscript must be prepared according to the Journal's INSTRUCTIONS TO AUTHORS.

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Notification of the editorial decision is usually provided within ten to fourteen weeks from the receipt of manuscript. Publication of solicited manuscripts is not guaranteed. In most cases, manuscripts are accepted conditionally, pending an author's revision of the material.

As articles are double-blind reviewed, material that might identify authorship of the paper should be placed only on page 2 as described in the first-4 page format in Pertanika's **INSTRUCTIONS TO AUTHORS** given at the back of this journal.

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In the peer-review process, three referees independently evaluate the scientific quality of the submitted manuscripts.

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- 1. The Journal's chief executive editor and the editorial board examine the paper to determine whether it is appropriate for the journal and should be reviewed. If not appropriate, the manuscript is rejected outright and the author is informed.
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Comments to authors are about the appropriateness and adequacy of the theoretical or conceptual framework, literature review, method, results and discussion, and conclusions. Reviewers often include suggestions for strengthening of the manuscript. Comments to the editor are in the nature of the significance of the work and its potential contribution to the literature.

- 3. The chief executive editor, in consultation with the editor-in-chief, examines the reviews and decides whether to reject the manuscript, invite the author(s) to revise and resubmit the manuscript, or seek additional reviews. Final acceptance or rejection rests with the Edito-in-Chief, who reserves the right to refuse any material for publication. In rare instances, the manuscript is accepted with almost no revision. Almost without exception, reviewers' comments (to the author) are forwarded to the author. If a revision is indicated, the editor provides guidelines for attending to the reviewers' suggestions and perhaps additional advice about revising the manuscript.
- 4. The authors decide whether and how to address the reviewers' comments and criticisms and the editor's concerns. The authors return a revised version of the paper to the chief executive editor along with specific information describing how they have answered' the concerns of the reviewers and the editor, usually in a tabular form. The author(s) may also submit a rebuttal if there is a need especially when the author disagrees with certain comments provided by reviewer(s).

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- 5. The chief executive editor sends the revised paper out for re-review. Typically, at least one of the original reviewers will be asked to examine the article.
- 6. When the reviewers have completed their work, the chief executive editor in consultation with the editorial board and the editor-in-chief examine their comments and decide whether the paper is ready to be published, needs another round of revisions, or should be rejected.
- 7. If the decision is to accept, an acceptance letter is sent to all the author(s), the paper is sent to the Press. The article should appear in print in approximately three months.

The Publisher ensures that the paper adheres to the correct style (in-text citations, the reference list, and tables are typical areas of concern, clarity, and grammar). The authors are asked to respond to any minor queries by the Publisher. Following these corrections, page proofs are mailed to the corresponding authors for their final approval. At this point, **only essential changes are accepted**. Finally, the article appears in the pages of the Journal and is posted on-line.

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ABSTRACTING/INDEXING

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ISSI Journal of Social Sciences & Humanities AN INTERNATIONAL PEER-REVIEWED JOURNAL

Foreword

We are very pleased to present this special issue of the International Journal of Social Sciences and Humanities (JSSH). This issue is a compilation of selected papers that were presented at the International Conference on Organisational Performance Excellence (iCOPE) 2015, held on the 7th -8th December 2015 in Jakarta, Indonesia. There were a total of **44 papers** selected from this conference. Out of which, 22 are published in this issue and the remaining 22 will be published in the subsequent issue. The selected papers were subjected to the usual peer reviewing process. The iCOPE 2015 was a collaboration between International Performance Excellence Forum (IPEF) and Binus University, Telkom University, Padjadjaran University, Budi Luhur University and Forum Management Indonesia (FMI).

In line with the theme 'Ecosystem, Innovation, and Excellence in Enhancing Organisation Competitiveness, and Sustainability' the iCOPE 2015 topics include but not limited to: Leadership, Strategic Planning, Customer and Market Focus, Information, Measurement, Knowledge Management, and Information Technology, Human Resource, Operational Focus, and Communication for Performance Excellence.

We would like to thank the contributors as well as the reviewers for their commitment and patience which made this JSSH iCOPE 2015 a successful endeavour. It is hoped that this publication would be an encouragement for researchers from around the world to be more active in publishing their research papers that are insightful and useful for academics and practitioners alike.

Special thanks to the Chief Executive Editor, UPM Journals, Dr Nayan Kanwal, for his unrelenting support in making this publication possible. This has certainly motivated us to do better in the future.

Guest Editors

Bachtiar H. Simamora (Assoc. Prof. Dr.) Idris Gautama So (Assoc. Prof. Dr.) Bahtiar Saleh Abbas (Prof. Dr.)

June 2016

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Accurate Sales Prediction and Raw Material Inventory at PT. XYZ

Eni, Y.*, Anggraini, A., Rudi and Sudrajat, D.

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ABSTRACT

PT. XYZ is a company which manufactures standard board. The inability to accurately predict the future leads to overstocking of commodities. This research aims to help PT. XYZ to determine the most accurate forecasting method. Using the Economic Order Quantity (EOQ) model, it will help the company with optimal inventory management. The results show that the most accurate forecasting is Linear Regression method and the optimal order quantity of stucco is 137,805.3 kg, water is 761.58 kl, paper pulp is 64,752,12 kg, and starch is 37,600.91 kg. In conclusion, if the company adopts this model, its overall yearly profit will increase from Rp. 241.735.285.000, - to Rp. 255.315.500.000, - an increase of about 6%.

Keywords: Forecasting, Economic Order Quantity Inventory Control Reorder Point

INTRODUCTION

In any industry, innovation is imperative for purposes of capitalist accumulation and facing competition. In order to achieve excellence, a company has to improve its operational activities through good management. This will ensure quality goods and services and hence, optimal profit for the company.

A production company needs good inventory management to assist with its production activities. There are three kinds of inventory: raw materials, finished goods, and work in progress. Managing the inventory is important as productions are subjected to fluctuating demands. If supply is greater than demand, this is known as overstocking and when supply is

ARTICLE INFO Article history: Received: 19 November 2015 Accepted: 04 May 2016

E-mail addresses: yeni@binus.edu (Eni, Y.), ayu.anggraini@hotmail.com (Anggraini, A.), Rudi@binus.edu (Rudi), sudrajatd@binus.ac.id (Sudrajat, D.) * Corresponding author less than demand the company will run out of stock. This scenario can result in financial losses for the company. Thus, forecasting sales is very important to gauge consumer demand and manage supplies for maximum profit.

In order to obtain the desired results, it is necessary to have production control to meet consumer demand for quality

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and quantity. Miscalculation in the procurement of the factors of production will lead to wastage resulting in financial losses.

PT. XYZ¹ is manufacturing company that produces gypsum with different specification in addition to standard boards, den shield, fire shield, moisture shield, and sound shield. In recent times, there has been an excess stock of standard board because of uncertain sales. The company has not been able to predict the amount of raw materials to order. PT. XYZ produces 396.000 pieces of standard board every month, Based on preliminary observations recent sales figures have fluctuated and there was a gap between the inventory of finished goods and sales. The stock from April 2014-March 2015 is about 2.649.880, and if this is left unchecked the company will suffer losses every month due to increase in storage cost; in addition, the company would not be able to stock any more goods until the old ones are sold.

The present researcher aimed to help solve these problems using a method of forecasting, namely to perform forecasting sales in the next period and estimate the order for optimal raw materials. The EOQ (Economic Order Quantity) and ROP (Reorder Point) methods were employed to help the company know when to order the raw materials to minimise operational costs and ensure maximum profit.

THEORETICAL REVIEW

Operational Management

In a manufacturing or service-oriented company, operations or management are important to change the input to goods and services. Input could be energy, material, labour, capital, and information. Output is the produced goods or services.

Forecasting

Inventory is ordered though no one knows what sales will be, new equipment is purchased though no one knows the demand for products, and investments are made though no one knows what profits will be. Managers are always trying to reduce this uncertainty and to make better estimates of what will happen in the future. Accomplishing this is the main purpose of forecasting.

Forecasting is the first stage of planning; before making a plan, the company need to have in place contingency plans in case of unanticipated events occur. Companies must be able to anticipate the needs of customers and have the capacity and resources to meet those needs. According to Sahu and Kumar (2014) over forecast is better than under forecast despite the former giving rise to increased labour costs; this is because the latter would affect the bottom line of the company.

Inventory

According to Gozali, Andres and Handika (2013), inventories represent the second largest asset category for manufacturing

¹It is a real company with a fictitious name.

companies, next only to plant and equipment. The proportion of inventories to total asset generally varies between 15 to 30 percent. Given substantial investment in inventories, the importance of inventory management cannot be overemphasised. The present study is intended to highlight industry practice in inventory management and to evaluate management performance in this regard. In order to evaluate the performance of the inventory management, data were collected from the annual reports of the company.

According to Simamora (2015), an effective inventory management should:

- Ensure a continuous supply of raw materials to facilitate uninterrupted production.
- Maintain sufficient finished goods inventory for smooth sales operation and efficient customer services.
- Minimise the carrying cost and time.
- Control investment in inventories and keep it at an optimum level.
- It permits a better utilisation of available stocks by facilitating interdepartmental transfers within a company.
- Maintain sufficient stocks of raw materials in periods of short supply and anticipated price changes.

Economic Order Quantity

According to Rezaei & Salimi (2012) EOQ model is mathematical calculations to determine the optimal amount of merchandise to order in a single reservation. There are some assumptions in EOQ techniques:

- 1. Demand is known and constant.
- 2. The lead time.
- 3. The receipt of inventory is instantaneous.
- 4. The purchase cost per unit is constant throughout the year.
- 5. The only variable costs are the cost of placing an order, ordering cost, and the cost of holding or storing inventory over time.
- 6. Orders are placed so that stockouts or shortages are avoided completely.

With EOQ model, the optimal order quantity will occur at a point where the total setup cost is equal to the total holding cost.

Reorder Point

The reorder point occurs when the quantity on hand drops to a predetermined amount. That amount includes expected demand during lead time and perhaps an extra cushion of stock, which serves to reduce the probability of experiencing a stock out during a lead time. Note that in order to know when the reorder point has been reached, a perpetual inventory is required. The goal in ordering is to place an order when the amount of inventory on hand is sufficient to satisfy demand during the time it takes to receive that order (i.e., lead time).

Safety Stock

Safety stock inventory is surplus inventory that protects against uncertainties in

demand, lead time, and supply changes. Safety stocks are desirable when suppliers fail to deliver either the desired quantity on the specified date or items of acceptable quality, or when manufactured items require significant amounts of scrap or rework. The bigger amount of safety stock will reduce the possibility of outof-inventory stock, but the consequence is that can increase holding cost because of total inventory increase. If it happens, then the purpose of minimising total cost has not been achieved.

RESEARCH METHODOLOGY

This research used secondary data such as figures related to demand, sales, and costs. The data was analysed as follows:

Forecasting Analysis

The main variable in this research is sales related to gypsum board called standard board. .Six methods of forecasting were used to study sales figure from April 2014 to March 2015: Naïve Method, Moving Average, Weighted Moving Average, Exponential Smoothing, Exponential Smoothing with Trend, and Linear Regression.

Inventory Analysis

The calculation of inventory was based on forecasting result. The main variable of inventory is stucco, water, paper pulp, and starch. Two methods of inventory were used to study this: Economic Order Quantity (EOQ) and Reorder Point (ROP).

Analysis and Solution Design

In this research, researcher used several methods to perform calculations on sales forecast to ensure cost efficiency. The researcher began with the input stage using the forecasting method to derive the smallest MAD and MSE value to meet future needs. The results of forecasting demand are used to determine optimal amount of Economic Order Quantity of raw material that should be ordered to meet sales predictions and when the company reaches some level of inventory (Reorder Point) they should place an order of raw materials to ensure seamless production processes.

RESULTS AND DISCUSSION

Data Analysis

The following are sales and inventory record from April 2014 to March 2015 for standard board products.

Table 1

Inventory and Sales Standard Board 2014-2015

Month	Inventory (unit)	Sales (unit)	Residual (unit)
Apr-2014	551.619	391,125.3	139.020
May-2014	508.020	392,839.7	118.131
Jun-2014	487.131	394,554.2	164.339
Jul-2014	533.339	396,268.6	241.381
Aug-2014	610.381	391,125.3	226.441
Sep-2014	595.441	392,839.7	231.935
Okt-2014	600.935	394,554.2	194.610
Nov-2014	563.610	396,268.6	297.690
Des-2014	666.690	391,125.3	334.170
Jan-2015	703.170	392,839.7	257.578
Feb-2015	626.578	394,554.2	229.153
Mar-2015	598.153	396,268.6	215.432
Total	7.045.067	4.395.187	2.649.880

Forecasting Analysis Results

The sales forecast of standard board products used QM for Windows software to facilitate the calculation of six forecasting

Table 2Forecasting Analysis Results

methods: Naïve Method, Moving Average, Weighted Moving Average, Exponential Smoothing, Exponential Smoothing with Trend, and Linear Regression.

Forecasting Method	Forecasting Result	MAD	MSE	Actual Sales
Naïve Method	382,721	59,839.09	5,104,624	377,408
Moving Average	408,579	58,141.33	4,761,762	377,408
Weighted Moving Average	399,706	54,072.83	4,623,710	377,408
Exponential Smoothing	380,370.4	47,588.85	3,832,915	377,408
Exponential Smoothing with Trend	376,441	54,908.57	4,337,955	377,408
Linear Regression	377,409.6	41,724.3	2,530,269	377,408

From the table above, the smallest value MAD and MSE is in Linear Regression with 377,409.6 units. The results of this is supported by earlier studies. Candra and Sarjono (2012) and Gozali, Andres & Handika (2013) said the most accurate method is the Linear Regression method.

Inventory Analysis Results

After performing calculations pertaining to the forecasting method, the results are calculated using an inventory method, namely EOQ and ROP method, using software QM for Windows.

Table 3Data Inventory of Stucco

Demand	2.321.035 kg
Unit Cost	Rp. 5.500
Ordering Cost (Co)	Rp. 4.500.000
Lead Time	5 days
Holding Cost	Rp. 1.100
Working Hours	300 days
Safety Stock	60000 kg

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Using QM for Windows software, the result for Stucco is as follows:

Parameter	Value	Parameter	Value
Demand rate(D)	2321035	Optimal order quantity (Q*)	137,805.3
Setup/Ordering cost(S)	4500000	Maximum Inventory Level (Imax)	137,805.3
Holding cost(H)	1100	Average inventory	68,902.63
Unit cost	5500	Orders per period(year)	16.84
Days per year (D/d)	300	Annual Setup cost 75	,792,890
Daily demand rate	7736.783	Annual Holding cost 75	,792,890
Lead time (in days)	5		
Safety stock	60000	Unit costs (PD) 12,765	,690,000
		Total Cost 12,917	,280,000
		Reorder point 9868	3.91 unit

Figure 1. Output QM for Windows Stucco

From Figure 1, the optimal order (Q*) for Stucco is 137,805.3 kg, reorder point is 98684 kg, number of order is 17/

year, average inventory on hand is 7736.783 kg and total cost is Rp. 12,917,280,000/ year.

Table 4 Inventory of Water

Demand	928 kl
Unit Cost	Rp. 2.350
Ordering Cost	Rp. 250.000
Lead Time	1 days
Holding Cost	Rp. 800
Working Days	300 days
Safety Stock	30 kl

Using QM for Windows software, the result for Water is as follows:

Parameter	Value	Parameter	Value
Demand rate(D)	928	 Optimal order quantity (Q*)	761.58
Setup/Ordering cost(S)	250000	Maximum Inventory Level (Imax)	761.58
Holding cost(H)	800	Average inventory	380.7887
Unit cost	2350	Orders per period(year)	1.22
Days per year (D/d)	300	Annual Setup cost	304,630.9
Daily demand rate	3.093333	Annual Holding cost	304,630.9
Lead time (in days)	1		
Safety stock	30	Unit costs (PD)	2,180,800.
		Total Cost	2,790,062.
		Reorder point	33.09333 units

Figure 2. Output QM for Windows Water

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From Figure 2, the optimal order (Q^*) for water is 761.58 kg, reorder point is 33 kg, number of order is 1/year,

Table 5

average inventory on hand is 3.09 kg and total cost is Rp. 2.790.062/ year.

Inventory of Paper Pulp	
Demand	928.414 kg
Unit Cost	Rp. 6.720
Ordering Cost (Co)	Rp. 2.100.000
Lead Time	3 days
Holding Cost	Rp 930
Working Days	300 days
Safety Stock	40000

Using QM for Windows software, the result for Paper Pulp is as follows:

Parameter	Value	Parameter Value
Demand rate(D)	928414	Optimal order quantity (Q*) 64,752.12
Setup/Ordering cost(S)	2100000	Maximum Inventory Level (Imax) 64,752.12
Holding cost(H)	930	Average inventory 32,376.06
Unit cost	6720	Orders per period(year) 14.34
Days per year (D/d)	300	Annual Setup cost 30,109,740.
Daily demand rate	3094.713	Annual Holding cost 30,109,740.
Lead time (in days)	3	
Safety stock	40000	Unit costs (PD) 6,238,942,000.
		Total Cost 6,299,162,000.
		Reorder point 49284.14 units

Figure 3. Output QM for Windows Paper Pulp

From Figure 3, the optimal order (Q^*) for Paper Pulp is 64,752,12 kg, reorder point is 49284 kg, number of order is

14/year, average inventory on hand is 3094.71 kg and total cost is Rp. 6.299.162.000/ year.

Table 6
Inventory of Starch

Demand	464.207 kg
Unit Cost	Rp. 4.800
Ordering Cost (Co)	Rp. 1.500.000
Lead Time	2 days
Holding cost	Rp 985
Working days	300 days
Safety Stock	30000

Using OM for	Windows software,	the result for	[·] Starch is ta	abulated below:

Parameter	Value	Parameter	Value
Demand rate(D)	464207	Optimal order quantity (Q*)	37,600.91
Setup/Ordering cost(S)	1500000	Maximum Inventory Level (Imax) 3	37,600.91
Holding cost(H)	985	Average inventory 1	8,800.46
Unit cost	4800	Orders per period(year)	12.35
Days per year (D/d)	300	Annual Setup cost 18	,518,450.
Daily demand rate	1547.357	Annual Holding cost 18	,518,450.
Lead time (in days)	2		
Safety stock	30000	Unit costs (PD) 2,228	,194,000.
		Total Cost 2,265	,230,000.
		Reorder point 33094	4.71 units

Figure 4. Output QM for Windows Starch

From Figure 4, the optimal order (Q*) for Starch is 37,600.91 kg, reorder point is 33095 kg, number of order is 12/year, average inventory on hand is 18,518,450 kg and total cost is Rp. 2,265,230,000/ year.

CONCLUSIONS AND RECOMMENDATIONS

Conclusion

The result of forecasting method based on sales between April 2014 and March 2015 shows that Linear Regression has the smallest MAD and MSE value namely 41,724.3 and 2,530,269 respectively. Thus, the MAD and MSE value proves that Linear Regression is the most suitable method to study PT. XYZ. By using EOQ method, it can be concluded that the optimal order of stucco raw material to manufacture standard board is 137,805.3 kg, optimal order of water is 762 kl, optimal order for paper pulp is 64,752,12 kg, and optimal order of starch is 37,600.91 kg.

Recommendations

Based on the Forecasting for Inventory Control model developed by Candra and Sarjono (2012) six methods of forecasting were employed, namely Naïve Method, Average, Weighted Moving Moving Average, Exponential Smoothing, Exponential Smoothing with Trend, and Linear Regression. The method that showed the smallest value of MAD and MSE is Linear Regression. The result of forecasting is then used as a reference to calculate demand using Economic Order Quantity (EOQ) method. Result of this research showed that if the company uses forecasting and inventory method then sales of standard board will increase to 246.913 units or an increase 0.056% and will have an impact on company profit as it increases with unit cost Rp. 55.000. If company use this method then profit will increase from Rp. 241.735.285.000 to Rp. 255.315.500.000. or increase of about 6% in the two periods studied.

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Excellent Communication in Indonesian Government Culture to Reach Good Public Governance

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ABSTRACT

The objective of this research is to identify concepts of organisational communication using qualitative methodology through interviews with local government leaders on the role of communication in Indonesian government culture in achieving good public governance. The findings show: 1) the position of leaders as the most important component of communication 2) GPG could be disseminated to members if the organisation's culture has the following features: Process Oriented, Professional Approach, Open situation, Formal Relations, and Fix Regulation. 3) Excellent communication occurs when there is trust in sources and receiver to communicate, and create value for both sides. This study concludes that excellent organisation communication which supports GPG is able to maintain continuity of communication in an organisation. Excellent communication for GPG is communication that serves the community's interests.

Keywords: Communication, Excellent, Good Public Governance, Organisation Culture

INTRODUCTION

There are three important gaps related to governance systems in Indonesia. Publication is limited to government policy, economic changes and policies on good governance

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E-mail addresses: uyunus@binus.edu (Yunus, U.), synthia@binus.edu (Sari, S. A.), patriana@binus.ac.id (Patriana, R. C.) * Corresponding author in Indonesia after the financial crisis, awareness to operate under the principles of good governance on regional government. This study examines the third factor of this gap. Since the public sector that is local government plays an important role in

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serving society at large. (Tambunan, 2000; World Bank, 2004). Some of researchers found that there is a lack of effectiveness in communication on the understanding and implementation of good public governance occurring at two levels: opportunities are unequal vis a the vis exposure information and the lack of communication on documentation (Mardiasmo & Barnes, 2009). This results shows the importance of communication and the development of a culture of communication.

As part of the recovery phase, after the crisis of 1997, Indonesia superbly seeks to enhance the resilience of the crisis by increasing understanding of the importance of good governance and improve the implementation of the code of good governance at private and public sectors. But unfortunately until now good governance in Indonesia remains very poor, especially in government agencies who have demonstrated enthusiasm and effort to implement good governance guidelines correctly (Capulong, 2000; Muljadi, 2001; Muljadi, 2002). Currently, only the central government realized that important to implementation of effective good governance in government.

The government agency has an obligation to deliver positive results to society who use the services, as well as the best provide this value for the tax payer who pay for the service. They must balance the public interest with accountability to the government and manage the complex environmental regulation and motivate staff and executive leader relations. Local government officials are responsible for health, education, housing, criminal justice and many other aspects of public of services. This responsibility requires standard of principles of good public governance to be upheld in order to serve the public. (Sulaiman et al., 2004).

The government agencies are not managed as an institution that should have a role in promoting democracy, market support, providing public services and good governance (Tambunan, 2000; Velayutham, 2003). Moreover, decentralization and regional autonomy has also brought a new phenomenon, in which many local governments are newly formed and established (Devas, 1997; Silver, 2003). There are now nearly 400 local governments (up from the previous total of 300 registered) as a result of decentralisation and regional autonomy (Dwiyanto, 2003) in Indonesia. In addition, a new local government is usually more open and innovative in how to work in the government, in addition to the usually more easily accept changes than the old local government (Malley, 2003). The new local governments do not have the expertise and resources similar to the old local government, thus requiring more guidance from the central government in terms of good governance policies (Erb, 2005).

This study is based on previous research on good public governance in Indonesia. According to Kaihatu that Good Corporate Governance is the system that regulate and

control the enterprise in order to create value-added to all stakeholders. This concept focuses on two things; firstly, the importance of the public's right to obtain information correctly and on time and, secondly, the obligation of the organisation to make the disclosure is accurate, timely, transparent information to all corporate performance, ownership, and stakeholders. From various research results show that the conduct independent agency, the corporate governance in Indonesia is still very poor. (Kaihatu, 2006). For this is situation, the research about GPG is has to run as well to support the public organisation more credible.

Wurtz suggest in paper his communication varies with roles and relationship, with concern for belonging and fitting in and occupying one's proper place. In this case, in making concept of communication will depend on the circumstances in which communication takes place. Likewise, organisational communication, communication that takes place will differ in the organisation of companies and government organisations. (Wurtz, 2005). This mean that every organisation has characteristic itself in communication styles.

Drawing from the above the main question underlying this study are: how to get the concept an excellent organisational communication within the culture of the local government of Indonesia to achieve good public governance?

To get a comprehensive answer to the main question we need to also ask:

- 1) What elements of organisational communication that make understanding and implementation of good public governance in local government in Indonesia?
- 2) What is the important things of organisational culture could disseminate of good public governance code?
- 3) What is the concept of organisational communication to support the implementation of the code of good public governance in local government in Indonesia?

METHODOLOGY

This paper uses qualitative methods that are supported by interviews for data collection. In addition, research is also based on academic's perspective to analyse and explain the organisational communication, the important of culture on organisational communication and understanding and the implementation of good corporate governance. Four local governments are sampled and data collected through in-depth interviews of participants and local government officials. The aim of the interviews was to gain a deeper understanding of the patterns of organisational communication in the implementation of good governance in local governments. The participants are allowed to express the views and perceptions. Primary data base came from four governance offices located at Jakarta (Palmerah, Jelambar, Pademangan Barat) and one office at Bekasi (Wisma Asri). The informants are the headman, the deputy of heads and the employees.

Interviews with employees were random and unintentional. The research has two paradigms, first is qualitative and the next step with quantitative paradigm. The next quantitative methods are to make hypotheses are tested through statistics to measure the correlation coefficient between organisational communication. culture and good corporate governance in local government of Indonesia. The determination of the variables X and Y were measured as indicators and become grains of questions as many as 33 questions. The questioners are still process for the collecting, for this paper, the data based on interviewed and secondary data.

RESULT AND DISCUSSION

Here the role of communication, organisation culture and Good Public Governance (GPG) will be discussed with three sub topics: elements of organisational communication, the important things of organisational culture, concept of excellent organisational communication.

Elements of Organisational Communication

The understanding and implementation of good public governance in local government in Indonesia need elements of organisational communication. There are four elements that will be tested to

show which among them are significant in influencing excellent communication in next quantitative research. The elements are: Source is the person (or thing) attempting to share information, Message is simply the information you want to communicate, Media or channel is the tools how the message can be transfer from source to receiver. Receiver, is the person or people who incurred by information. For this research, the source is the headman or the deputy of headman of local government office. The media are letter, poster or email that communicate about GPG message. The receiver are employees of the local government. The status of employees are many kinds, there are permanent, contracts and outsources. Their education background is from high schools and bachelors.

From the employee's perspective, the result of work is more important than the process in the implementation of GPG, it appears when researcher ask to the employees about what preferred between result and process when GPG has to implemented. This situation can be a thing that is encouraging as evidence that the leader not only think on the process but on the results as well. However, this can also be a dangerous situation when the process is ignored, whereas in achieving GPG, the process is also an important part in achieving results.

In response to above situation, the leaders had to be open to any information, of course the intention is when talking about the information that has to do with GPG. The result of interviews shows that openness in the local government offices is not too strong to support GPG. *Ewuh pakewuh* (hesitance) culture and prudence disseminate information among public organisations is still passable with strict bureaucracy. So, naturally the employee positioned themselves not to always have to get the information that might be in their assumption that should only be known at the leadership level.

Definition of Organisational Culture according to Amnuai, Organisational culture is a set of basic assumptions and beliefs held by members of the organisation, then developed and passed in order to overcome the problem of external adaptation and internal integration problems (Tika, 2006). So, the choices types of culture should be support for the solutions of organisational problems. By finding out the existing culture within the organisation, there will be potential problems that occur and effective communication is expected to be a solution for the organisation and can be formed in accordance with the applicable GPG.

According to Robbins and Judge, there are various forms of transmission cultural organisations are transferred to the members, among other things:

1. **Retelling the story**. Heroic stories, violation of the rules, success, workforce reduction, the removal of employee reaction to past mistakes and a lot of rolling in organisation handling organisation. The stories contain the founders of the organisation in the

narrative. The stories are anchoring the present to the past as well as provide explanations and legitimacy to practices that run today.

- 2. **Ritual.** Is a series of repetitive activities that reveal and reinforce the basic values of the organisation, what is the most important goal, the safety is important and those which are excluded from organisational bias.
- 3. **Material symbols**. Material symbols convey to employees who are important, egalitarianism level desired by top management, and the kind of behaviour (risk-taking, conservative, authoritarian, participative, individualistic, social) right.
- 4. Language. From time to time the organisation continues to develop terms to describe the typical supplies, office, personnel, suppliers, customers or products associated with its business. New employees often have trouble with various acronyms and jargon are then fully become part of their language. These terms can be a common denominator / collective that unites the members of an organisation. (Robbins & Judge, 2014)

The interviews suggests employees of the local government wanted to show proof than to explain the process of service. Here the communication media also seem less used when communicating in order to achieve GPG indicating the communication media are rarely or even never used in the communication process in the offices. organisation The data reveals that employees in the local government assume that if they communicate through the media, the disclosure will become rigid in organisational communication. Openness will be felt when the communication is done directly, without media.

From the discussion above, it can be concluded that organisational culture that supports the creation of GPG is a culture that ultimately affect employees in maintaining morality and ethics in carrying out their daily activities.

GPG should has feature abbreviated by TARIF, that they are: Transparency, Accountability, Responsibility, Independent, Fairness. Therefore, decision makers at all levels should assume the responsibility to take initiative and be accountable for their decisions. Those who are deemed to be fair in their decisions are able to establish longer term relationships which are critical for long term sustainable development. Every organisation needs to gain the trust of others not only for financial resources, but also for all other resources that it uses to create value. Trust can only be gained with transparency. Unless the mobilized resources are used effectively, it would not be possible to mobilize additional resources. (Arguden, 2010). Finally, Performance excellence can be gain by organisation. Therefore, excellent communication of organisation is critical for long term success to become part of the culture of the organisation. So, excellent communication occurs when there is trust in sources and receiver to communicate, and create value for both sides.

Public services provided by the local government has been carried out with responsibility (responsible for work) because employees overwhelmingly agreed to answer the researcher's questions. Freedom from the influence of other parties are very limited in the local government offices. Few employees strongly agreed about independence. Employees are less positive about the statement: public services provided in the offices were influence-free (officers free from any influence).

Regarding justice, employees strongly agreed with the statement that the public services provided in the local government has been conducted with fairness (impartial). In our plan, for the next year, we will extract data from Forum Group Discussion with the public who are customers of the local government offices.

CONCLUSION

Results from the above studies show excellent communication is critical point for implemented GPG as culture in local government in Indonesia. On the basis of this study we can conclude that: 1) the source or leader are the most important things of elements of communication that we conscientious. Organisation will perform with excellence in GPG when the leader can implement it in cultural, next impact is in sociological of local

governance and finally in psychological elements. 2) GPG could disseminated to members if the organisationorganisation culture has features: Process oriented, Professional approach, Open situation, Formal relations, and Fix Regulation. 3) Excellent communication will result when there is trust between sources and receiver to communicate, and create value for both sides. It is therefore possible to conclude that the concept of excellent organisationorganisational communication within the culture of the local government of Indonesia will achieve good public governance and contribute to value added for organisation.

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Performance Excellence by Transformational Leadership in Developing Collectivistic Culture for Indonesian Companies

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ABSTRACT

To survive in the competitive business world Indonesian companies must stand out in performance standards by emphasising performance excellence. The purpose of this paper is to find a suitable model which Indonesian companies can implement to improve their performance standards. Research indicates there is a relationship between Transformational Leadership and Collectivistic Culture, and to a relationship between Collectivistic Culture and Employee's Satisfaction. The sample of Indonesian employees used in this study confirms this relationship and reaffirms the importance of Transformational Leadership and Collectivistic Culture for Indonesian employees.

Keywords: Performance excellence, competitive advantage, transformational leadership, collectivistic culture

INTRODUCTION

With the rapid changes in business world, companies are expected to maintain their competitive edge. In Indonesia local companies are expected to compete not only with fellow local companies but also with foreign companies. To survive and thrive Indonesian companies therefore need to adopt good strategy and high performance standards.

Strategy and performance are not easily devised, many factors can affect the course of strategy and the result which is performance. Business practitioners are facing changes in their daily routine because the business world is always changing. Competitors rise and fall, customers are changing, the market is changing, and some business models can quickly become obsolete.

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To face the challenges a business firm must be able to react and respond quickly or even better if the company can lead the changes. Performance Excellence is a standard many firms are trying to realise. One of the key to leverage performance is Sustainable Competitive Advantage (SCA) but in real business world, this is hard to be obtained. External factors are always changing, technology is improving, people changes, information flow is changing, and regulations are also changing.

Rather than relying on the advantages that comes from external factors, one thing that companies can resort to is internal resources. One asset that every company possess but sometimes taken for granted is the humans inside or better called as employees.

Humans are the one who devise strategies, operate the business, execute strategies, and relate with customers. Good technology can bring companies to some high, but in the end it is humans who make decision, utilize the technology, and build relationship with customers.

To cope with the changes and competition, good human capital is needed. One of the way in building good human capital is by embedding suitable organization culture and application of suitable leadership style. This factors can add to employee satisfaction which is a problem in Indonesia. Based on a study by Accenture, only 18 percent Indonesian workers are satisfied with their job. This is a problem that must be taken seriously by Indonesian organizations in order to achieve performance excellence.

The relationship between Job Satisfaction and Job Performance has been researched from time to time and previous researches confirmed the correlation as showed in researches by Bateman and Organ(1983); Judge et al. (2001); Schleicher et al. (2004) and Platis et al. (2015). These researches that was conducted on different decades showed correlation between Job Satisfaction with Job Performance which is why the correlation is undoubted. In order to achieve performance excellence, organizations must ensure their employees' satisfaction.

Employee Satisfaction is affected by organization culture, in which organization culture positively affect employee satisfaction as found by Sempane et al. (2002), and Belias and Koustelios (2014). Another finding suggested that organization culture must be aligned with employee's personal values as stated by Sadri and Lees (2001). Since Indonesia is a collectivistic country, it is logical to conclude that Collectivistic culture should be the organization culture in Indonesia.

In the changing nature of business, changes are usually happening in organizations. Transformational leadership style which is characterized with changes has the nature of coping and shaping organization changes. Leadership also shapes organization culture as found by Meehan, Gadiesh, & Hori (2005) and Madu (2012). Tuna et al. (2011) also found that Transformational leadership can shape collectivistic nature. Based on the characteristics in coping with changes and shaping collectivistic, Transformational leadership will be one of the focus in this paper.

Jandeska and Kraimer (2005) found that women are more suitable in collectivistic culture. The number of women employees is significant in an organization which is why it is important to be researched on.

The purpose of this paper is to find applicability of Transformational the Leadership and Collectivistic Culture for Indonesian organizations. Since the relationship between Employee Satisfaction with Performance is undoubted, as proven by previous researches, the focus of the paper is the human capital aspect that is Employee Satisfaction nurtured by suitable organization culture (Collectivistic), shaped by suitable leadership style (Transformational). To strengthen the argument of this paper, the model will be tested by sampling Indonesian employees to show the effect of Transformational Leadership towards Collectivistic Culture, and the effect of Collectivistic Culture towards Employee's Satisfaction moderated by Gender.

The research question that want to be solved in this paper are:

- 1. Is there a correlation between Collectivistic Culture with Employee Satisfaction in Indonesia?
- 2. Is there a correlation between Transformational Leadership with Collectivistic Culture in Indonesia?
- 3. Is gender a moderating variable between Collectivistic Culture and Employee Satisfaction?

LITERATURE REVIEW

Balridge Glossary stated that:

"The term "performance excellence" refers to an integrated approach to organizational performance management that results in (1) delivery of ever-improving value to customers and stakeholders, contributing organizational to sustainability; (2) improvement of overall organizational effectiveness *capabilities;* and and (3) organizational and personal learning" (Simamora, 2013).

Based on the definition, the term "performance excellence" includes an integrated approach to management with organizational level affect.

Barney (1995) stated that sustained competitive advantage can be obtained through looking internally and exploit the resources. This research claimed that internal resources can be exploited and shaped into competitive advantage. This means that companies may also look for the corporate culture in order to gain competitive advantage. Strong and unique corporate culture is hard to imitate and can prove to be a sustainable competitive advantage. Building internally for competitive advantage is possible and corporate culture is the catalyst to build competitive advantage by building company's internal resources. This statement is supported by Bradt (2012) who stated that corporate culture is the source of sustainable competitive advantage. This statement that came from a professional

practitioner of management provide insight that even from practitioner's perspective and experience, corporate culture can be sustainable competitive advantage. Meehan et al. (2005) stated that organizational culture can be a source of competitive advantage and leadership is needed for the changes in culture. This statement strengthens the previous statement and added an aspect which is leadership as an important factor. Madu (2012) also stressed that leadership is important in shaping organizational culture as driver of competitive advantage, leadership failure can cause organizational failure. These findings provided strong that from practitioner argument and academic side. both recognized that organizational/corporate culture can become competitive advantage. Leadership is also recognized as an important factor in shaping corporate culture in becoming competitive advantage. Leadership is important because organizational culture is shaped by leadership. It is Leadership that direct and build organizational culture. If the Leadership is weak then the organization is vulnerable and the culture might not be fully embraced by the employees.

Brown, McHardy et al. (2011) found that employers may exert influences in employees' commitment that in turn can increase work performance. Employers are usually the owner or even founders of organizations and often act as the leader. The research showed that these employers have influence on employee's commitment that can increase work performance. Tuna et al. (2011) found that transformative leadership

can increase employee's commitment and build collectivistic nature. Leadership style of course influence the organization, and transformative leadership which is characterized with bringing changes and effective communication is shown to have positive effect on employee's commitment. The research also found that transformative leaders also tend to build collectivistic nature in their organization. This finding suggested that collectivistic nature can be built by a leader who possessed Transformational Leadership style. Based on the finding, transformational leaders not only bring changes but also encourage the subordinates to be more collective.

The number of women employees are increasing and becoming important part of the company. Jandeska and Kraimer (2005) found that women are more triumphant in collectivistic culture. Women are more open to cooperation and are more willing to form a group in finishing tasks. When women are working in Masculine organizational culture, they are shown to be less satisfied. This might happen because they feel that their needs of cooperation and social interaction are limited by the condition of their workplace. This can cause stress and unwanted pressure to the women. The research suggested that women should be working in organisation with collectivistic culture because they can express themselves more. Previous research by Earley (1993) found that collectivists perform more when they perceive that they are in-group. Collectivists are more willing to cooperate and build social interaction among employees. When this is accommodated by their environment, they will feel accepted and might increase their satisfaction. When the collectivists are working in company with non-collectivistic culture, they might find that their need of cooperation and social interaction are not met, thus they feel alienated. The alienated feeling can cause the employee to get distracted from the job and reduce the engagement to the company. Women are more collectivist than men, which is why women are more perceptive about co-workers' acceptance. So, collectivistic culture is more suitable for women. This finding can be aligned with the previous finding to become an argument that transformative leadership is more suitable for women because transformative leadership usually build collectivistic nature in the organization and women are more triumphant in this culture. Milne (2007) stated that team or group is becoming more common in workplace and it is up to the manager (leader) to effectively manage the reward in order to maintain motivation. When managing and leading an organization, team or group work is a common occurrence and the leader must be effective in managing the motivation. The nature of team or group is of course collectivistic and this finding showed that leadership is still important in managing the collectivistic of the organization in maintaining certain level of motivation. Sadri and Lees (2001) found that in order to shape culture into competitive advantage, the culture must be positive and aligned with employees' values and environmental condition. This empowers the previous arguments that collectivistic culture can be

shaped into competitive advantage. With the increasing number of women employees, their preference on collectivistic culture, and the common occurrence of groups in workplace; collectivistic culture is the most suitable culture to be the competitive advantage. Of course to be able to do so, good leadership is needed and transformational leadership is the most suitable one since the leadership style nurture collectivistic.

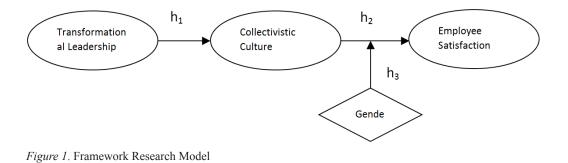
Sempane et al. (2002) found that there is a positive correlation between organization culture and job satisfaction. Belias and Koustelios (2014) stated that there is a significant relationship between organization culture and employee's job satisfaction. Both findings suggested that employee's satisfaction may differ according to the organizational culture of their companies. Culture has impact on employees' satisfaction because culture is important as it dictates behaviour and decision making in the workplace. When employees find that they are unsuitable with the culture, they will find hard times in performing their job. The satisfaction of the employees can also be affected and damaged when they are working in unsuitable culture. Previous researches showed the importance of organizational culture to employees' satisfaction. This might also be the case for Indonesian employees, the organizational culture of Indonesian companies might also affect the satisfaction of Indonesian employees. Heskett et al. (1994) stated that customer satisfaction is affected by value that is created by satisfied employees. Customer satisfaction is important in

creating and maintaining loyalty and it comes from the satisfied employees who provide values for the customers. To create customer satisfaction, it is essential for the employees to perform better on their job. Employees will only perform better on their job if they are satisfied about their job. This way, they feel engaged and are willing to go the extra mile in performing their job.

Tushman and O'Reilly (1997) stated that organization culture can encourage innovation and can also hinder it. Organization culture may encourage employees to propose ideas and try new things in order to create innovation. On the other hand, it can also discourage employees from trying to propose ideas, instead prefer to take the safe way. Mallinger et al. (2009) stated that organizational culture can affect employee's willingness to accept changes. Not only innovation is affected by organizational culture, the willingness to accept changes is also affected by organizational culture. Innovation sparks changes and to be successful, changes must be embraced by both the management and the employees. In order to ensure

good innovation, it is important that the leadership is strong and the culture can accommodate innovation. Innovation bring changes in many aspects and employees are the one who execute and feel the changes. When employees are not adaptable to the changes, there are risks that can happen. This can affect the employees' performance and of course company's performance. In order to successfully embrace innovation, the employees must be satisfied with their job, they must also be engaged. When the employees are engaged to the job or the company, they will be willing to accept changes as they realize that the innovation is important for the company.

Based on the above arguments a research model was built to test the construct built by literature review in order to justify the relationship between Transformational Leadership with Collectivistic Culture, and the relationship between Collectivistic Culture with Employee Satisfaction. The function of this test is to justify the applicability of this research in Indonesian business world. The research model that will be tested in this research is:



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Hypotheses

To answer the research questions, three hypotheses are proposed:

Hypothesis 1: Transformational Leadership has significant correlation with Collectivistic Culture

Hypotheses 2: Collectivistic Culture has significant correlation with Employee Satisfaction

Hypotheses 3: Gender is a moderating variable between Collectivistic Culture and Employee Satisfaction

RESEARCH METHODOLOGY

Framework

Based on previous researches, good human capital can lead company to performance excellence. Organization culture is one of the source that can be the driver of competitive advantage. Developing organization culture is not an easy task, it also needs long time to be able to develop a new culture. Thus, when a company possess organization culture that is suitable for competition, it can drive their human capital to be the sustainable competitive advantage. Competitors will have harder times in imitating organization culture because building organization culture can take years or even decades. From this point of view, a strong organizational culture can already be a sustainable competitive advantage because competitors might not be able to copy it.

Previous researches highlighted the importance of leadership in developing

The of organization culture. nature organization culture is top-down, where employees are following the examples and rules of the leaders. Organization culture usually built by the founders of the company and embraced by the employees. Organization culture can also be built by the leaders of the company by influencing their subordinates to embrace and practice the culture. This is why strong leadership is needed in order to develop a good organization culture. Not only the strength is important but, the leadership must also be suitable with the situation where the company operates.

Review on previous researches showed that collectivistic culture is suitable for collectivists. Indonesian people are collectivists because it is in the culture of the country. Based on this fact, the collectivistic culture might be suitable for Indonesian business world. Indonesian society is collectivistic and tasks are usually completed in group based. This collectivistic culture that has been integrated into the society shape the way Indonesians behave and view tasks. Considering this fact, the best culture that should be implemented for Indonesian company is the collectivistic culture. The collectivistic culture also supports teamwork, with the increasing number of tasks being performed in group within organizations, collectivistic culture is more suitable. Another supporting reason is the increasing number of women employees. Previous researches showed that women are more comfortable and perform better in organization with collectivistic culture. These findings are important because the number of women employees is growing from time to time. With their significant number, women employees can determine the overall performance of the company. By understanding this, the company must support their women employees in achieving good performance. To support their women employees and in line with the country's culture, Indonesian companies should adopt the collectivistic culture.

In order to create strong and effective collectivistic culture, good and strong leadership is needed. Transformational leadership style is suitable for the task. Transformational leadership is characterized with changes, charisma, and personalization. The leadership style also encourages collectivistic among employees. With the rapid changes in business world and competition, organizations must always be ready to change itself. Transformational leadership style is suitable for the task. Transformational leadership is also known for the effect on personalization to employees, because the leadership style can inspire employees, increase their commitments, and develop them. When the leader is inspiring the employees, the employees will be more willing to accept and follow the leader. This can encourage employees to be more embracing towards the leader's strategies. By increasing employees' commitment, leaders can ensure that the employees are willing to follow the strategy of the leader. Development is important and people like self-development. When the leader encourages development, employees will be willing to accept changes that the leaders bring because they perceive that the changes are necessary for their selfdevelopment.

Innovation and changes are required for organizations to keep being competitive. This is the reason why collectivistic culture must be combined with transformational leadership. Transformational leadership is characterized with the changes, the improvement that is encouraged by the leadership style. This improvement is needed to keep the company competitive. Transformational leadership must be applied by top management and also middle level management. This is done while keeping the culture collectivistic. Innovation and change can be inspired by the transformational leaders while the subordinates will be encouraged to accept and adapt to changes by the communication skill of transformational leaders. While accepting and adapting to changes, collectivistic culture will help employees because they are helping each other and performing together. Changes can be better embraced when it is performed together, an employee can better accept changes when the employee perceive that co-workers are also accepting the changes.

One of the factor that can increase customer's satisfaction is employee's satisfaction. Satisfied employees are performing better and more committed to the job, the result is customer's satisfaction. When the employees are satisfied with the job, they are willing to perform the extra miles because they are engaged with the job and the company. When they are engaged, they will ensure that their customers are also satisfied. So, one of the way to make the customers satisfied is by satisfying the employees. Previous researches showed that organization culture can affect employees' satisfaction. Indonesian employees are living in collectivistic society and are being taught about collectivistic since elementary school. Since early school years, the theme of collectivistic has been embedded in the curriculum and being taught to children. Even in their neighbourhood, Indonesian children are being taught by their parents neighbours about collectivistic. and This is the reason why Indonesian are collectivists and like to perform things in group. If they find different culture in workplace, they might get confused or uncomfortable because of the differences with their daily lives. When the culture of workplace is different with the culture of daily lives, employees will need time to adjust. Sometimes, after putting effort in adjusting to the culture, employees might find themselves unsuitable with the culture. This can create confusion and alienated feeling. As shown in previous research, collectivists are performing better when they perceive that they belong to the group. Indonesian are collectivists thus it is important for Indonesian employees to perceive that they belong to the group in their workplace. This is why collectivistic culture in Indonesian companies may

support employee's satisfaction because they find similar culture between their daily lives and their workplaces.

Developing organization culture and maintaining it is just a part of the way to develop human capital. Another part of the way is the recruitment. New employees often find themselves suitable or unsuitable for the company based on the culture of the company. When an employee resigned from the position, finding a replacement is costly. Moreover, when the training and development cost is taken into calculation. This is why good recruitment is important. When recruiting employees, new recruiter must make sure that the employees are suitable with the company. Good assessment must be made by recruiters that not only regarding competencies but can also include culture, values, and personality of the candidates. This is important in making sure that the new employee is suitable for the company and the new employee also feels suitable. Development plan can be started from the recruitment process, because when good assessment is made, recruiters can profile the new employees and develop projection of the development. Currently many Indonesian companies are recruiting simply based on competencies and capabilities without regarding the culture, values, and vision suitability. This common practice must be changed in order to increase the effectiveness of recruitment. As stated before, organization culture can affect employee's satisfaction. This is the reason why new employees must be comfortable with company's culture because it can affect satisfaction, commitment, performance, and ultimately customers' satisfaction.

Sampling

The sampling technique will be performed Snowball Sampling method. using Since the population of this research is Indonesian professional employees, samples are selected from the author's network that include professionals ranging from Junior level to Management level in different industries. The size of the companies ranging from small companies with less than 50 employees to large companies with more than 5000 employees. The sampling does not discriminate the size or industry because the purpose of the study is to understand the effect on Indonesian employees in general. In order to generalise, sampling results are sorted and selected to include different industries.

Analysis Method

The model was tested using Regression analysis to understand the correlation of one variable to another. The main purpose of the testing is to understand the effect of transformational leadership in building collectivistic culture, and the effect of collectivistic culture to Employee's Satisfaction regarding the job. The result is expected to support the hypotheses built based on literature review and observation on Indonesian real world business practice.

RESULTS AND DISCUSSION

Questionnaires are used to gather data, 300 questionnaires are sorted and selected. 135 samples are males and 165 samples are females, with 120 samples from management level and 180 from non-management level. The samples were tested using Regression method to find the relationship between one variable to another. In order to be able to perform the regression analysis on the variables, Likert-scale was used in the questionnaires to measure the degree of perceived Transformational Leadership, Collectivistic Culture, and Employee Satisfaction.

Regression analysis showed that Perceived Transformational Leadership has an R square of 0.538 towards Perceived collectivistic culture. This result showed that the degree of Perceived Transformational Leadership accepts the degree of Collectivistic Culture in an organization. The influence of Transformational Leadership is 53.8% towards the Collectivistic Culture which is significant.

Table 1

Regression result for Transformational Leadership to Collectivistic Culture

Regression Statistics				
Multiple R	0,733823			
R Square	0,538496			
Adjusted R Square	0,536947			
Standard Error	0,729677			
Observations	300			

Table 4

Multiple R

R Square

Adjusted R Square

Standard Error

Observations

Table 2					
Regression	result	for	Collectivistic	Culture	to
Employee S	atisfacti	on			

Regression	result	for	Collectivistic	Culture	to
Employee Sc	itisfacti	on (A	Iale)		

Regression Statistics

0,636198

0,404748

0,400273

0,673787

135

Regression Statistics			
Multiple R	0,744655		
R Square	0,554512		
Adjusted R Square	0,553017		
Standard Error	0,609606		
Observations	300		

Observations300Perceived Collectivistic Culture has
an R square of 0.55 towards Employee
Satisfaction. This showed that the higher
the perceived Collectivistic Culture in an
organization, the higher the Employee
Satisfaction. Gender also acts as moderating
variable as shown in Regression results.
For Male employees, Collectivistic Culture

has R square of 0.40 towards Employee Satisfaction while for Female employees the R square is 0.63. The difference is relatively big which shows there is a difference between Male and Female.

Table 3

T 1 1

Regression result for Collectivistic Culture to Employee Satisfaction (Female)

Regression Statistics			
Multiple R	0,796508		
R Square	0,634424		
Adjusted R Square	0,632182		
Standard Error	0,549647		
Observations	165		

Based on the Regression, hypotheses 1, hypotheses 2, and hypotheses 3 are all supported. This shows that the findings of previous researches are compatible with Indonesian employees.

The results of Regression analysis showed support to the arguments built by reviewing literature. While the method is simple, the purpose of the testing is to empower the arguments constructed based on literature review. This shows that although previous researches are conducted different Indonesian on countries. employees have relatively similar traits in being affected by the Transformational Leadership and Collectivistic Culture. The result can be used as a base to spark further research on the matter.

Indonesian employees are more satisfied with collectivistic culture; this means that the employees are more suitable with the culture that is similar with their country's culture. If a company can provide a workplace culture that is similar with the culture of the country, employees will be effortless in assimilating to the culture. As the result shows, this is beneficial because the satisfaction is affected by the culture.

CONCLUSIONS AND RECOMMENDATIONS

Conclusions

Based on the test of the research model, relationship there is а between Transformational Leadership with Collectivistic Culture, and there is a between Collectivistic relationship Culture with Employee's Satisfaction while Gender is a moderating variable. These results serve t as the first step in exploring further into the model explained in this paper. From the results, we can gain insight that Collectivistic Culture is relatively suitable for Indonesian employees and further exploration must be done in order to further justify the statement.

Answers to the research questions posed in this paper indicate a positive correlation between Collectivistic Culture and Employees Satisfaction in Indonesia, and there is a positive correlation between Transformational Leadership with Collectivistic Culture in Indonesia. It is expected that by building Collectivistic Culture through Transformational Leadership, the problem of employees' satisfaction in Indonesia can be solved to a degree.

Recommendations

In order to reach performance excellence through human capital, Indonesian companies can apply these steps:

- 1. Apply transformational leadership style in all level to cope with changes, being innovative, and build collectivity
- 2. Adopt collectivistic culture because it is more suitable with Indonesian culture
- 3. Maintain collectivistic culture starting from recruitment by selecting new employees that are suitable with the culture
- 4. Build good HRIS that can support and monitor employees' development.

These steps are expected to enable Indonesian companies to achieve performance excellence. If these steps are applied effectively, hopefully it can provide company with sustainable competitive advantage, increase organization effectiveness, capabilities, and increase customers' satisfaction.

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Planning Production Capacity Optimisation with Rough Cut Capacity Planning

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ABSTRACT

PT. XYZ is a manufacturing company that produces polyethylene plastic. In some periods, the company is not able to meet consumer demand as requests exceed available production capacity. This study aims to determine the work centre that is experiencing a shortage of production capacity and production capacity planning is proposed as an alternative work centre to optimise production capacity at minimal cost using Rough Cut Capacity Planning (RCCP). This type of research is descriptive. Data was collected through interviews and observations and used to perform capacity planning, i.e. the company's policy of data, company resource data, cost data, and historical demand data. Data processing begins with forecasting consumer demand while RCCP is used to determine the work centre that is experiencing a shortage of production capacity. The proposed production capacity is used as an alternative work centre in increasing production capacity. The results from this study, including the estimated plastic demand for the coming 12 months are 434 766 Kg; There are four work centres that are experiencing a shortage of production capacity at the company, which is cutting manual work centre, work centre cutting machines, sealing work centre and work centre printing; fulfilment capacity planning alternative is a recommendation that is considered to be the most optimal. The results of the proposed production capacity planning show that all estimates of consumer demand can be met and will increase the company's revenue by 31.54%.

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INTRODUCTION

Consumer demand for a product can be fulfilled entirely in the master production schedule if supported by production

according capacity production to requirements. Master production schedule can be realised easily if consumer demand is constant, but in fact companies often experience fluctuations due to unstable demand. According to the 2014 data released by Central Statistics Agency in 2014, the average index of industrial production on annual basis in Indonesia is quite volatile. This means that the level of industrial production in Indonesia has not been stable and has fluctuated from year to year.

According to Reid & Sanders, "Capacity planning is the process of establishing the output rate that can be achieved by a facility. Planning for capacity is important if a company wants to grow and take full advantage of demand" (2013, p. 334). According to Liske (2012) (in Hutagalung, Rambe, & Nazlina, 2013) if capacity planning is executed well, it can meet the demand of existing customers as well as be able to increase the company's revenue. Ria Amalia (2012) (in Hutagalung, Rambe, & Nazlina, 2013) opines that consumer demand can be met by adding machines at the work centre that is experiencing a shortage of capacity.

PT XYZ is a manufacturing company engaged in the manufacture of plastics. A type of plastic that is produced by this company are plastic polyethylene which is usually used for packaging, for example, food and beverages, vehicle parts, as well as other objects. The Company's B2B (Business to Business) system where plastic products are produced and supplied only to a few companies have formed a partnership. Companies often encounter obstacles to determine the optimum amount of production due to fluctuating demand. In addition, the company faces difficulty in meeting the demand of consumers when demand soars as the production capacity of the company is limited. If this continues, the company will cease to make profits as well undermine consumer confidence.

Rough Cut Capacity Planning (RCCP) is an approach to planning production capacity for medium-term and long-term. The RCCP provides capacity needs for labour departments, individuals, or work centres based on workload data. This technique is used to explain/verify capacity in each work centre which compares the required engine load with the available capacity in each work centre. The RCCP asks the question: 'Do we have enough equipment, people, material and time to meet sales and execute current operating plan?'. If the answer is no, some rethinking is required. "RCCP also used to sanity check and validate the quantities and dates in the master schedule before it is released by the master scheduler." (Proud, 2007, p. 37). This study will use the RCCP approach to help resolve the problem of production capacity at PT XYZ.

Angalakuditi & Kurnool (2013) argued that the process of capacity planning is the process of determining the needs of people, machines, and physical resources to achieve a company's production. With the shortage of capacity or excess capacity, the benefits of planning and control systems for effective manufacturing will not be met. It requires a Master Production Schedule (MPS). The RCCP is used to test the MPS offered at work places (also known as work centres in this paper) and departments.

This study aims to determine the work centre that is experiencing a shortage of production capacity and production capacity planning is proposed as an alternative to optimise production capacity but with minimal production costs by using Rough Cut Capacity Planning (RCCP).

LITERATURE REVIEW

Rough cut capacity planning (RCCP) is a quick way to assessing whether the MPS is achievable. It provides a way for the master scheduler to assess the feasibility of any proposed changes to the plan. An RCCP can quickly intervening assess the feasibility of any MPS changes by Comparing load scenarios with particular capacity bottlenecks or, in overall terms, by using the known actual availability of capacity. (Harrison, 2011, p. 52).

According to Proud "Rough cut capacity planning helps to identify the material and personnel shortages, the lead-time constraints, and the capacity issues that make it possible to create a supply (production) plan and master schedule that can be executed with every expectation of success. In short, rough cut capacity planning makes it possible (1) to test the validity of a supply (production) plan and master schedule before doing any detailed material/capacity planning, and (2) to initiate action for making mid- to long-range capacity adjustments." (2007, p. 401)

The RCCP is defined as "the process of conversion of production plans and / or MPS to the capacity needs related to critical resources such as labor, machinery and equipment, warehouse capacity, the capacity of suppliers of material and financial resources." (Gaspersz, 2005, p. 85).

"Rough Cut Capacity Planning is the conversion of production scheduling *Home (MPS-Master production Schedule)* to the energy needs of core resources, and then determine whether scheduling the main possible within the determinants of production capacity." (Najy, 2014, p. 54). In short, according to Proud (2007, p. 400), "rough cut capacity planning makes it possible (1) to test the validity of a supply (production) plan and master schedule before doing any detailed material/capacity planning, and (2) to initiate action for making mid- to longrange capacity adjustments." With RCCP, barriers to implementing a plan can be identified quickly by the team leader and master scheduler without wading through all the details. They only need to focus on the key or important resources within the company. Key resources can include labour, equipment, materials, floor space, the ability of the supplier, and, in some cases, money.

Rough cut capacity planning process contains three basic steps (Proud, 2007, p.404), namely:

- 1. Calculate the capacity needed for achieving the production plan and master schedule.
- 2. Comparing the required capacity with planned capacity.
- 3. If possible, adjust plans and / or capacity so that both become balanced.
- 4. If the rough cut capacity planning finds that the planned capacity is not able to support the plan due to resource issue, the information will then be given to the management and planners who will then make alternative capacity planning.

Based on the above steps, the validation process begins when data from the production plan and / or master schedule is entered into the rough cut capacity planning system. In order to meet the production plan, modules rough cut capacity planning software is used determine the required capacity needed based on information from the production plan and resource profile. After that, the required capacity is compared with the producer's and supplier's planned capacity and capabilities to determine whether there is sufficient capacity or not. If deemed adequate, the production plan is considered realistic and will be used to create a master schedule and a detailed plan of the material/capacity. If key resources of the planned capacity cannot support the plan, then the scheduler management and teachers must either change the production plan or increase the capacity of the resources.

There are three techniques that can be used to perform calculations for Rough Cut Capacity Planning, namely:

- 1. Approach total (Capacity factor Planning Approach Using Factor Overall, CPOF). The CPOF requires three inputs, namely MPS, the total time required to produce a product, and the proportion of time for the use of resources. The CPOF multiplies the total time of each family to the number of MPS to obtain the total time required to achieve the MPS mill. Total time is then divided into time use of each resource by multiplying the total time of the proportion of the use of resources.
- Approach the list of labour (Bill of Labor Approach, BALL) The required capacity is obtained by multiplying the time of each component listed in the workforce with a number of products from MPS.
- 3. Approach the source profile (Resource Profile Approach, RPA) When the resource capacity problems have been identified and analysed, the next step is to evaluate potential solutions. First, determine if the action is really needed for each resource. The challenge is to have the necessary capacity equal to the capacity planned between acceptable limits.

In a situation that is not balanced, there are three options for action: (1) Modifying the production plans in accordance with the capacity, (2) Adjust the capacity to achieve the required capacity, (3) Perform a combination of both actions. The second option is used more often (Proud, 2007, p. 155).

RESEARCH METHODOLOGY

This research was conducted between September 2014 and January 2015 with PT. XYZ, a plastic manufacturing factory. The instruments used in data collection are literature research of books and the internet as well as field research through interviews and observations. The data collected was used to perform capacity planning; data included the company's policy of data, company resource data, cost data, and historical demand data.

Optimisation criteria required to design aggregate planning on PT. XYZ include:

a. Forecasting

Variables used in this study are used to forecast demand for plastic products in PT. XYZ, where forecasting is done for next year based on demand for plastic in the previous year.

b. Rough Cut Capacity Planning (RCCP) and alternative solutions

Variables used in this research is used to calculate the rough cut capacity planning and to determine the most efficient alternative solutions. The following are needed to do the calculations for RCCP:

• Data Company Policy The company policy in this study is the policy of the company related to the company's production activities. Data below relates to the policy in PT. XYZ:

- 1. Normal working days: Monday-Friday.
- Normal working hours for workers in the factory: 8 hours/ day
- Overtime hours for workers in the factory: max. 2 hours/day on Monday-Friday
- 4. Payment of wages: Normal wage rate applies for normal working days, wages for overtime on Monday-Friday is 1.5 times the normal wage rate while wages for overtime during holidays is twice the normal wage rate.
- Data Resources Company
 company's resources used in this
 study relate to the company's
 production activities. There are five
 main work centres at PT. XYZ in the
 production process, namely blowing,
 cutting manual, cutting machines,
 sealing and printing. Data below
 relates to the production resources at
 PT. XYZ:
 - 1. The number of machines and labour force available:
 - Blowing: five machines and five workers
 - Cutting machines: two machines and two workers
 - Cutting manual: null machine and six workers

- Sealing: two machines and two workers
- Printing: two machines and two workers
- 2. Time set up machines
 - Blowing: 0.5 hours
 - Cutting machines: 0.25 hours
 - Cutting manual: 0.25 hours
 - Sealing: 0.25 hours
 - Printing: 0.25 hours
- 3. The capacity of the machines
 - Blowing: 50kg/hours
 - Cutting machines: 70 kg/hours
 - Cutting manual: 10 kg/hours
 - Sealing: 70 kg/hours
 - Printing: 40 kg/hours
- 4. Operation time
 - Blowing: 0.02 hours/kg
 - Cutting machines: 0.0142 hours/kg
 - Cutting manual: 0.1 hours/kg
 - Sealing: 0.0142 hours/kg
 - Printing: 0.025 hours/kg
- Cost Data

In this study, cost data include costs used to provide alternative solutions for the fulfilment of the company's production capacity. Here are the data costs associated with production activities at PT. XYZ:

- 1. Normal wages: Rp10,000/hr.; part time wages: Rp7,000/hr
- Overtime wages: Rp15,000/hr on normal working days; Rp20,000/ hr on holidays.
- 3. Engine maintenance costs: Rp50,000/machines/months

- 4. The price of new machine:
 - Blower machine: Rp120 million/machines
 - Cutting machine: Rp80 million/ machines
 - Sealer machine: Rp7 million/ machines
 - Printing machine: Rp20 million/machines

Data processing will begin with forecasting based on historical demand data to obtain demand forecasting for plastic for the following year. Forecasting demand will be made based on the type of time series forecasting. There are seven forecasting models used; which are naïve, moving average, weighted moving average, smoothing, exponential exponential smoothing with trend, linear regression, and multiplicative decomposition. Once the data is processed and results obtained, the next stage is to compare each of the forecasting methods used to obtain results which are considered the most accurate. The method of forecasting is done by comparing the calculation results of MAD (Mean Absolute Deviation) and MSE (Mean Squared Error). Forecasting method chosen is one that has the smallest value of MAD, and MSE for having the lowest error rate or error. Forecasting results of the selected method will be used as a reference for further research activities.

The next stage in the research is to perform capacity planning by calculating the rough cut capacity planning using the results of demand forecasting future periods as a basis for planning. The RCCP calculation will be performed on each work centre to find out if there is a shortage of production capacity. The RCCP would provide an alternative plan for the company to produce in order to meet consumer demand as well as the use of corporate resources effectively and efficiently. The parameter required is the capacity requirement and availability of resources. Both of these parameters will be compared to determine the production shortfall at each work centre in the company.

The next stage after the data is processed is to do the calculations for alternative solutions. Alternative solutions offered are different for each work centre and tailored to the needs and policies of the company. Alternatives offered include overtime, part-time employees, purchase of new machines, and a mixed strategy. A comparison of the alternatives that have been calculated is undertaken. Alternatives chosen are those that minimise production costs, optimise production capacity, and in accordance with the policy of the company. Selected alternatives are recommended for the company to overcome the problem of meeting consumer demand.

RESULTS AND DISCUSSION

Forecasting is done to determine the demand forecast for the period October 2014 to September 2015 using data from 21 previous periods starting from January 2013 until September 2014. Of the seven forecasting done (naïve method, moving average, weighted moving average, exponential smoothing, exponential

smoothing with trend, linear regression, and multiplicative decomposition), it was found that the Multiplicative Decomposition Value Mean Absolute Deviation (MAD) and Mean Squared Error (MSE) methods can be used as a basis for further research. Calculation and comparison of forecasting results for each method are done with the help of POM-QM software for Windows 3. Historical demand data and forecasting results of plastic products using multiplicative decomposition method can be seen in the following table.

Table 1Demand for Plastic Products

Month	Demand (Kg)
Jan-13	27391
Feb-13	37925
Mar-13	30396
Apr-13	30459
May-13	38234
Jun-13	34995
Jul-13	30003
Aug-13	32658
Sep-13	37804
Oct-13	27961
Nov-13	38108
Des-13	25064
Jan-14	32750
Feb-14	30695
Mar-14	31581
Apr-14	31447
May-14	37504
Jun-14	32772
Jul-14	38991
Aug-14	39432
Sep-14	35029
Total	701199

Source. The results of processing data, 2015

Table 2Forecasting of Plastic Products

Month	Forecasting
	(Kg)
Okt-14	33737
Nov-14	36975
Des-14	34072
Jan-15	37340
Feb-15	34406
Mar-15	37705
Apr-15	34741
May-15	38070
Jun-15	35075
Jul-15	38435
Aug-15	35410
Sep-15	38800
Total	434766

The RCCP table contains a comparison between the available capacity and the capacity required at each work centred. Capacity required can be calculated using the equation:

Capacity requirement = $(a \times d) + (b \times c)$

- a: setup time (hours)
- b: the amount of demand forecasting results (Kg)
- c: the operating time (hours / unit)
- d: number of working days / month (days)

While the available capacity can be calculated using the equation:

Capacity available = d x e x f

- d: number of working days / month (days)
- e: number of hours / days (hours)
- f: the number of machines available production

Of the five work centres at PT. XYZ, namely blowing, cutting manual, cutting machine, sealing, and printing, four work centres experience a shortage of capacity in cutting manual, cutting machine, sealing, and printing. Table 3 shows the results of the calculation of capacity requirements and available capacity in the four work centres that experienced a shortage of capacity.

Table 3Capacity Requirements and Availability

Work Centre	Month	Capacity Requirement (Hours)	Capacity Available (Hours)	Description
Cutting	Oct 2014	1017.86	1104	Sufficient
Manual	Nov 2014	1114.25	960	Insufficient
	Dec 2014	1027.66	1056	Sufficient
	Jan 2015	1125.45	1008	Insufficient
	Feb 2015	1036.68	864	Insufficient
	Mar 2015	1136.65	1056	Insufficient
	Apr 2015	1047.73	1056	Sufficient
	May 2015	1147.35	1008	Insufficient
	Jun 2015	1057.50	1008	Insufficient
	Jul 2015	1158.05	960	Insufficient
	Aug 2015	1067.30	960	Insufficient
	Sep 2015	1169.25	1008	Insufficient

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Planning Production Capacity Optimisation with RCCP

TABLE 3 (continue)

Work Centre	Month	Capacity Requirement (Hours)	Capacity Available (Hours)	Description
Cutting	Oct 2014	341.10	368	Sufficient
Machine	Nov 2014	372.53	320	Insufficient
	Dec 2014	344.18	352	Sufficient
	Jan 2015	376.41	336	Insufficient
	Feb 2015	346.50	288	Insufficient
	Mar 2015	380.29	352	Insufficient
	Apr 2015	350.83	352	Sufficient
	May 2015	383.67	336	Insufficient
	Jun 2015	353.90	336	Insufficient
	Jul 2015	387.04	320	Insufficient
	Aug 2015	356.98	320	Insufficient
	Sep 2015	390.92	336	Insufficient
Sealing	Oct 2014	484.82	368	Insufficient
	Nov 2014	530.05	320	Insufficient
	Dec 2014	489.32	352	Insufficient
	Jan 2015	535.48	336	Insufficient
	Feb 2015	493.07	288	Insufficient
	Mar 2015	540.91	352	Insufficient
	Apr 2015	498.82	352	Insufficient
	May 2015	545.84	336	Insufficient
	Jun 2015	503.32	336	Insufficient
	Jul 2015	550.78	320	Insufficient
	Aug 2015	507.82	320	Insufficient
	Sep 2015	556.21	336	Insufficient
Printing	Oct 2014	343.12	368	Sufficient
	Nov 2014	374.75	320	Insufficient
	Dec 2014	346.22	352	Sufficient
	Jan 2015	378.65	336	Insufficient
	Feb 2015	348.56	288	Insufficient
	Mar 2015	382.55	352	Insufficient
	Apr 2015	352.91	352	Insufficient
	May 2015	385.95	336	Insufficient
	Jun 2015	356.00	336	Insufficient
	Jul 2015	389.35	320	Insufficient
	Aug 2015	359.10	320	Insufficient
	Sep 2015	393.25	336	Insufficient

Source. The results of processing the data, 2015

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In the table above, it can be seen that the company is unable to meet the required capacity so that the production process is not optimal.

Suggestions have been made in the proposal to the production capacity planning work centres that experienced a shortage of production capacity in order to meet consumer demand in full. There are several alternative strategies that can be offered to tackle the problem of shortage of production capacity at the work centre 4. Alternative strategies are offered, among others, overtime, purchase of new machines and increase the number of workers, hiring part timers and a mixed strategy.

In the work centre for cutting manual, two alternative solutions to cover the shortage of production capacity was made: overtime and increasing the number of part-time workers. Table 4 below shows the results of a cost comparison between these two alternatives.

Table 4

Comparison of Alternative Strategies Work Centre of Cutting Manual

No	Alternatives Strategy	Cost
1	Overtime	Rp17,707,200
2	Part-time workers	Rp8,263,360

Source. The results of processing the data, 2015

From the table above, it can be seen that the alternative strategy to employ part-time workers to overcome the shortage of production capacity at the work centre cutting manual has a lower cost compared with the alternative strategy of using overtime hours.

In the work centre of cutting machines, only one kind of calculation to overcome the shortage of production capacity, namely alternative overtime. Below is a table of the alternative charge 5 results:

Table 5

Comparison of Alternative Strategies Work Centre of Cutting Machine

No	Alternatives Strategy	Cost
1	Hour overtime	Rp6,063,406
Sour	a The results of processing	data 2015

Source. The results of processing data, 2015

To meet the shortage of production capacity at the work centre cutting machine, it is preferable for PT. XYZ to impose alternative overtime.

In the work centre of sealing, calculation of three kinds of alternative solutions to overcome the shortage of production capacity is made: vi alternative overtime, alternative engines and increasing the number of part time workers, and alternative mixed strategy. Alternative mixed strategy is a combination of the use of the melting clock and the purchasing of new machinery. Table 6 below shows results of cost comparisons among the three alternatives.

Table 0				
Comparison	of Alternative	Strategies	Work	Centre
of Sealing				

No	Alternatives Strategy	Cost
1	Hour overtime	Rp39,388,544
2	Buy a new machine	Rp36,685,981
3	Mixed Strategy	Rp21,128,204
		1 , ,

Source. The results of processing data, 2015

From the table above, it can be seen that the alternative mixed strategy to overcome the shortage of production capacity has a lower cost compared with other alternatives.

In the work centre of printing, calculation of 2 kinds of alternative solutions to overcome the shortage of production capacity is to alternate overtime and increase the number of machines and part-time employment. Table 7 below shows the results of a cost comparison between these two alternatives:

Table 7

Comparison of Alternative Strategies Work Centre Printing

No	Alternatives Strategy	Cost
1	Overtime	Rp 6,376,050
2	Buy a new machine	Rp 9,392,153

Source. The results of processing data, 2015

From the table above, it can be seen that the strategy of using overtime hours as an alternative will result in lower costs as compared with the alternative strategy of adding capacity.

The results of the alternative recommendation for four work centres in PT. XYZ can be seen in the following table:

Table 8

Table 6

Recommendations for Alternative Strategies

No	Work Centre	Recommendations/Alternative	Cost
1	Cutting manual	Part-time workers	Rp8,263,360
2	Cutting machine	Overtime	Rp6,063,406
3	Sealing	Mixed strategy	Rp21,128,204
4	Printing	Overtime	Rp6,376,050
Total			Rp41,831,020

Source. The results of processing data, 2015

With the additional production cost of Rp41,831,020, - within one year, PT. XYZ can optimise its production capacity and meet consumer demand. The company will also increase the amount of revenue in the first year of Rp7,766,703,000 to Rp10,217,001,000, - by a margin of 31.54%.

CONCLUSIONS AND RECOMMENDATIONS

PT. XYZ is a manufacturing company that produces polyethylene plastic. In some periods, the company is not able to meet consumer demand as demand exceeds production capacity. Rough Cut Capacity Planning (RCCP) is an approach to planning production capacity for medium-term and long-term. This technique is used to explain/verify capacity of each work centre where a comparison is made between the required engines load and the available capacity in each work centre. In this study, we used a rough cut capacity planning approach to help resolve the problem of shortage of production capacity at PT XYZ.

Optimisation criteria required to design aggregate planning on PT. XYZ include forecasting, Rough Cut Capacity Planning (RCCP) and also alternative solutions. There are seven methods of forecasting compared with forecasting the amount of plastic demand, namely Naïve Method, Moving Average, Weighted Moving Average, Exponential Smoothing, Trend with Exponential Smoothing, Linear Regression, and Multiplicative Decomposition. The best forecasting method will be measured by the value of forecasting error, namely MAD and MSE that shows the smallest value. Data processing results show that forecasting method Multiplicative Decomposition has the smallest value of MAD and MSE, which is the most accurate forecasting method. Decomposition Multiplicative forecasting results shows plastic demand for following vear.

Forecasting results will be used as a basis for further data processing in the calculation of capacity requirements by using Rough Cut Capacity Planning. Therefore, the calculation of the production capacity planning with a rough cut capacity planning method (RCCP) would enable us to know where the work centre is having problems, namely shortage of production capacity which poses an obstacle to the company's entire production process.

Based on the calculation of rough cut capacity planning that has been done, it was found that from the existing five work centres in PT. XYZ, four experienced the problem of shortage of production capacity, namely the cutting manual work centre, cutting machines work centre, sealing work centre and printing work centre. Alternative suggested solutions have adapted to the needs of each work centre, company policies, available resources, and the most minimum cost. By implementing alternative suggested solutions, the company could increase its income and optimise production capacity to meet the demand of the consumer.

Data shows that the best alternative solution for cutting manual work centre is to hire additional part-time workers; the best alternative solution for cutting machines work centre is to apply the overtime hours for employees of the cutting machine; the best alternative solution for sealing work centre is mixed strategy consisting of the application of overtime hours, buying new machines, and employ part-time workers; and the best alternative solution for printing is to apply the overtime hours for employees of the printing. By implementing alternative solutions offered in each work centre, the company will also increase the amount of revenue in the first year from Rp7,766,703,000, to Rp10,217,001,000 by a margin of 31.54%.

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Internal Audit Communication for Non-profit Community Learning Centre

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ABSTRACT

Unequal access to education is a major problem in Indonesia, and even in big cities like Jakarta, many do not posses formal education. Without good education, employment opportunities will be limited and most will end up as blue collar workers. Al Ishlah PKBM is one of the community learning centres in Jakarta. For more than a decade, it has provided educational services for people who want to be more empowered through education. It is an alternative educational centre catering for all ages. The PKBM relies on good communication, both internal and external, and therefore, it needs a communication audit to comprehensively evaluate the quality of its internal communication, namely its ability to send, receive and share information with various audiences within the organisation. The aim of this research is to study how internal communication audit influences an organisation. The managers of PKBM Al Ishlah still use the traditional way to manage its internal communication. It was found that the organisation lacks professionalism because it emphasises on the values of empathy. Thus, the centre needs to instil the importance of discipline which needs improvement.

Keywords: Communication audit, organisation performance, non-profit organisation, education

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INTRODUCTION

Unequal access to education is a major problem in Indonesia, and even in big cities like Jakarta, many do not have formal education. There are a few factors at play which make formal education inaccessible to everyone. The main cause is poverty in addition to lack of

interest in education, inadequate facilities (transportation and school building among others), culture (the community's view that understates the importance of education) and disability. Data from DKI Jakarta Provincial Education Office (2015) shows that the number of dropouts has decreased from 2012 to 2014. In 2012, the number of dropouts in Indonesian schools at Elementary level was 281, Junior High School, 804 and Senior High School, 2921. In 2013 the number of dropouts at Elementary level was 221, Junior High School, 552, and Senior High School, 2270. In 2014, the number of dropouts at Elementary level was 197, Junior High School, 431, and Senior High School 1332. The employment rate is higher for people with higher levels of educational attainment and without that, employment opportunities will most likely be limited and, as a result, almost all with low levels of education will end up as blue collar workers. This phenomenon often leads to social problems, crime, especially in big cities like Jakarta. To resolve this issue, the non-profit centres have supported the government to provide informal education to the poor and to the disadvantaged. The non-formal educational sector comes under the portfolio of the Directorate General of Early Childhood Education, Ministry of Education and Culture.

An example of the private, non-formal education is the Community Learning Centre, or PKBM. The PKBM is an established community learning initiative of, by and for the community (Direktorat Pembinaan Pendidikan Masyarakat, 2012). Its establishment is an initiative by the community. The PKBM was set up and governed by the community to improve people's quality of life through learning. Managing the centre requires passion, self-reliance, and mutual cooperation. The PKBM consists of the following components: (1) the target community, (2) students, (3) tutors, (4) the organiser and manager, and (5) partners. The progress of a PKBM can be measured using the following parameters:

- 1. Community participation: the higher the number of community members participating in a PKBM, the greater its achievement or success. Public participation is encouraged by providing facilities, funds, personnel, and so on.
- 2. Benefit or impact on society: This is measured by contributions of PKBM to improving the quality of life of the community. This contribution can be in the form of knowledge, skills, income, changes in behaviour, job creation, and so on.
- 3. Quality and relevance of the programme: A system that monitors the input, process and output of the programmes in the PKBM.
- 4. Independence and sustainability: PKBM's ability to implement the entire programme according to the needs of the targeted community. It requires an independent and sustainable funding system.

Communication is the key to efficiency in an organisation, along with motivation and professional competence. Employees spend most of their time communicating in a form or another, no matter where their position is in the hierarchy of the company. Due to the fact that the number of employees in the services sector and offices are bigger than the number of production workers, there is a need to improve communication among them. Additionally, it is necessary to have a stronger collaboration between work colleagues as the company expands. Team work would not be efficient without collaboration among all its members.

There is a need for good internal and external communication in PKBM. Without good communication, it would be impossible for the organisation to grow and thrive. This research was conducted at PKBM Al Islah, Jakarta. The reason of choosing this institution as an object of this study is because PKBM Al Islah represents the characteristics of nonformal educational sector in Indonesia. It is a learning centre, centre for exchange of knowledge, a knowledge and information centre, a meeting place for various levels of society as well as a community research centre. It has existed for more than a decade, but has never subjected itself to a communication audit before. Consequently, many of the communication problems may potentially occur in PKBM.

To achieve sustainability, a PKBM should be able to regulate the flow of communication within the institute and to be aware of the alignment between the vision and mission and operations of the institution. Thus, the focus of this research is to understand how internal communication audit influences organisational performance. The research question is whether the evaluation results of internal communications at PKBM Al Islah in line with its vision and mission. The aim is to analyse the results of the evaluation of internal communication through communication audits on PKBM Al Islah.

LITERATURE REVIEW

Earlier studies have analysed the importance of internal communications audit to improve the internal market orientations (IMO) of a company (see for example, Joao Carvalho, 2013). Carvalho's research was a case study using a mixed method approach to examine private educational institutions. higher The results indicated managers, teachers, nonacademic staff, and students agree on the importance of formal rules and procedures to regulate the flow of communication. The study also pointed to existence of a direct link between internal communications and the internal market orientations.

The study Vaananen, Harkonen, and Mottonen in 2012 entitled Improving High-Tech Product Development through Communication Audits looked at the suitable process for assessing the effectiveness of communication in hightech product development. Based on the literature review, a communication audit process is constructed and tested in five product development projects of different information and communication technology (ICT) companies. Based on test case experiences and analysis, this study proposed a streamlined communication process audit. An outcome of this paper is a streamlined communication audit process that provides benefits for companies, but does not burden the organisation unnecessarily (Vaananen, et al., 2012). Managers of high-tech companies can utilise the development process for enhancing communication during product development.

Henderson in 2005 conducted a communication audit of Family Health Care Center in Fargo, North Dakota and Moorhead, Minnesota. Data were collected through interviews, surveys, and media monitoring. Findings indicated that Family Health Care Center employees wanted more information from their superiors as well as a reliable source of information and a recognition of their success. The communications audit also found a gap between the requested information and the final information employees received by from the management (Henderson, 2005).

Quinn and Hargie in 2004 published their work titled *Internal Communication Audits: A Case Study of the Royal Ulster Constabulary (RUC)*. Not unlike many police organisations in the United Kingdom, the RUC recognised the need to address the issue of internal communications, but the employees had not been involved in any in-depth assessment of its internal communications, nor did it have a written internal communications strategy. By applying a validated audit methodology, the study examined internal communications strategy within the. Using a triangulation approach, the research consisted of structured interviews, the international communication audit questionnaire, and a critical incident approach. The results showed a general dissatisfaction in the area of specific communication and dissatisfaction in relation to particular areas of the organisation (Quinn & Hergie, 2004).

Situational Theory of Communication

This theory was developed by Grunig who assumes that the relation between knowledge or cognition (awareness), attitudes and behaviour (attitudes and behaviour) depends on a number of situational factors (Macnamara, 2011). Grunig and his students developed the situational theory of communication behaviours, communication effects, and publics. Three independent variables: (1) problem recognition, (2) level of involvement, and (3) constraint recognition, were separated into two dimensions: internal and external. All these concepts were integrated into a causal model (causes and effects) of communication behaviours. Situational theory is used in any public identification by communicating actively, passively, or do not communicate at all about an organisational decision. Grunig describes four situational factors in question, namely (Macnamara, 2011):

- 1. The level of recognition, the publics who recognised the problem is the aware publics.
- 2. The level of understanding of the individuals if the problem is within the scope of their powers. Publics do something to overcome the problem of so-called active publics.
- 3. The existence of a reference such as previous experience or knowledge.
- 4. The level of involvement, namely how big is the individual's involvement. Results of communication can be a level of cognition or make people think about something, the attitude / attitude (opinion-forming), or conduct or behaviour.

Grunig's Situational Theory asserts that publics can be identified and classified according to the extent to which they are aware of the problem and to the extent to which they do something about the problem. Specifically, the theory examines how publics are formed and how this can help an organisation segment the publics accordingly in order to communicate with them. Grunig also identified four categories of publics (Macnamara, 2011):

- 1. Non-public: no problem is recognised or exists
- 2. Latent public: problem is there, but public does not recognise it
- 3. Aware public: the group recognises that a problem exists
- 4. Active public: the group is aware of the problem and organises to respond it.

The type of publics determines how the organisation communicates to it. Situational Theory points out that an organisation should communicate with its latent and aware publics to solve any problems or issues before the situation escalates and the publics decide to take action.

Communication Audit

According Hardjana (2000),to communication audit is a thorough research on the implementation of the communication system of the organisation with the aim to improve the performance and effectiveness of the organisation. The scope of the communication audit can be tailored to the needs of the organisation, because through the audit, the management can test the communication through the media, reveal a misunderstanding and even discover new opportunities. Communication audit is expected to ensure cost-effectiveness, evaluate ongoing programmes, clarify issues and change the perception among the staff. Just as a financial audit serves to establish the economic portrait of an organisation, a communication audit forms a portrait of communication issues within the organisation (Henderson, 2005). Some problems that can be identified through the audit of internal communication, according Hardjana (2000) to are: information deficit, the power of rumours, upward communication. poor poor communication channels, and unproductive meetings.

Three characteristics common to all audits are (Hargie & Tourish, 2000):

- The accumulation of information. This is the diagnostic phase of the audit. In communication terms, managers need information about the quality and quantity of communication between different sectors of the organisation.
- 2. The creation of management systems. This is the prescriptive phase of auditing. Once information has been gathered, systems must then be put in place to further develop best practices, and to remediate identified deficits.
- 3. Accountability. This is the functional aspect of the audit process. Specific individuals should be made accountable for different aspects of internal communication so that when problems are highlighted someone is specifically tasked with ensuring these are swiftly dealt with. If a problem is everyone's responsibility, it is usually no-one's responsibility.

It is true that organisations seeking a competitive advantage must design their systems to at least match, and then exceed, world best practices. Organisational communication is no different. It has been suggested by Clampitt and Berk that a world-class communication system has five key attributes (Clampitt & Berk, 2000):

1. The leadership team has a strategic commitment to effective communication.

- 2. Employees at all levels have appropriate communication skills.
- 3. There is a proper infrastructure of channels to meet organisational objectives.
- 4. There are proper communication policies and procedures to meet organisational objectives.
- 5. Information is managed in a way to meet organisational objectives.

Few organisations have systems in place that are consistent with these attributes. Often, the sad reality is that communication is (Hargie & Tourish, 2003):

- a. Widely touted as a panacea for organisational ills, but allocated minimal fiscal or functional resources.
- b. All pervasive, but often unplanned, it is often the case that communication is what happens to companies when they are busy doing other things.
- c. Hailed as being of central importance in terms of what managers actually do, but rarely investigated with the same rigour as is reserved for such other functions as finance.
- d. Still regarded as something that managers do to their subordinates, they drop information like depth charges on to those employees submerged in the organisational ocean, but make it very clear that they do not expect to receive any feedback in return.

The aims of a communication audit are (Hardjana, 2000):

- 1. To determine the location where there is information overload or information underload,
- 2. To assess the quality of information communicated by the resources within the organisation,
- 3. To measure the quality of the relationships of communication,
- 4. To identify informal networks (grapevine) and formal networks,
- To identify the source of congestion of information and the filter of information by comparing the role of communication in practice,
- 6. To identify the categories and examples of communication experiences that are categorised as positive or negative,
- 7. To describe the pattern of communication that occurs at a personal level, groups, and organisations.

RESEARCH METHODOLOGY

This research used descriptive qualitative method according to internal audit communication processes. Data was collected in two stages:

1. The first stage: preliminary interviews were conducted at the secretariat of PKBM Al Ishlah. This stage was crucial as any audit requires a preliminary assessment of internal communication strategies. This interview was aimed to elicit the managers' opinions and to find out communication problems which have occurred within the institution. These interviews were a kind of a forensic communication to identify aspects that will be explored further in the next stage of data collection.

2. The second stage: focus group discussion involving the managers of PKBM Al Ishlah. The aim was to find out the level of understanding of the vision and mission of the institution Interviews involved alumni of PKBM Al Ishlah to get a thorough understanding of the institution's internal communications activities. interpretation analysis and Data followed the end of the interview phase. It was useful to see if the results from focus groups matched those from interviews or if there were differences.

PKBM Al Ishlah Profile

PKBM Al Ishlah was established in 2004 to serve the educational needs of the community which are not covered by the formal education services. In 2015, the PKBM Al Ishlah had 75 RT (Rukun Tetangga, a kind of neighbourhood watch) where PKBM Al Ishlah was located. The RT (Rukun Tetangga) is a community organisation that is recognized and fostered by the government to maintain and preserve the values of Indonesian society. The values are based on mutual cooperation and kinship as well as to help improve the task of governance, development, rural and urban community. Each RT consists of 30 families in a village and 50 family villages were established under Regulation No.7 /1983. Al Ishlah PKBM educational services are expected to be an alternative for people who want to be more empowered through education efforts irrespective of age. The students of PKBM Al Ishlah range between 10 and 60 years of age. The PKBM Al Ishlah programme services include:

- 1. Package A, elementary school equivalent.
- 2. Package B, junior high equivalent.
- 3. Package C, high school equivalent.

In addition to academic services, PKBM Al Ishlah also provides vocational or job-related educational programme. The vision of PKBM Al Ishlah is

"Becoming a leading educational institution that provides educational programs and professional equality useful for students who are not served in formal education".

While the missions of PKBM Al Ishlah are as follows:

- 1. Conducting Package, A, Package B and Package C and functional literacybased professional entrepreneurship.
- 2. Organising equal education programmes and integrated functional literacy with life skills education in order to train the skills of students.
- 3. Provide facilities and create a fun learning environment for students.

Cooperation with various parties to improve the quality of human resources and quality of services.

RESULTS AND DISCUSSIONS

Communication audit characteristics used in this paper are t adopted from Hargie and Tourish, which are (1) the accumulation of information, (2) the creation of management systems, and (3) accountability (Hargie & Tourish, 2000). Information was collected from various resources, including in-depth interview with the managers of PKBM Al Ishlah, alumnus, staffs, and from observation of secondary data. This diagnostic phase took place at PKBM Al Ishlah, Jakarta. The prescriptive phase followed the diagnostic phase, which include giving recommendations about management structure, changes in the organisation's vision and mission, and internal communication systems. The third phase, accountability, was not tackled. The third phase of the communication audit was still in progress when this paper was written.

In 2015, PKBM Al Ishlah revised its vision and mission. According to its managers, efforts were made to boost reputability of the organisation as well teaching more beneficial skills to its students and to be more competitive in the workplace and society. In addition, it has focused its efforts to become the leading professional institution by advocating modern, cooperative, and transparent management.

The first problem revealed by the audit communication of PKBM Al Ishlah is that the new vision have not been shared with the teachers and students. The second problem is the undefined mission to achieve the vision of enhancing the teachers' professionalism. The mission currently focused only on the quality of learners. Mission statements are supposed to capture the overriding purpose of an organisation in line with the values and expectations of its stakeholders (Johnson et al., 2008). According to Bartkus, Glassman and McAfee (2004) the primary role of a mission statement is to communicate the strategic direction of the organisation to stakeholders in order to guide strategic planning. According to the Indonesian Government (Direktorat Pembinaan Pendidikan Masyarakat, 2012) quality, impact and relevance of the programme have successfully portrayed by Al Ishlah PKBM in its mission. But the two components, namely community participation and sustainability, are not captured in the mission of this institution.

In PKBM Al Ishlah, the students are mostly adults who already have selfconcept. It becomes a challenge for the teachers, because the delivery of study materials is often met with students' resistance, if they are not conveyed in a manner aligned with students' self-concept. In other words, learning cannot only focus on theory, but must be combined with other activities that attract students. The PKBM Al Ishlah also provides vocational skills such as sewing, screen printing, hairdressing, which are expected to directly improve students' livelihood once they graduated.

The values endorsed by PKBM Al Ishlah are familiarity, empathy, and teamwork. In daily operations, these values are not well communicated and wellperceived by members of the institution. The absence of induction for new teachers is also a weakness in the cultivation of the values of the institution. One of the problems expressed by the manager is the value of empathy that is sometimes too strong. They often gave offers to too many prospective students and pursued all means to get them enrolled. For example, they set up a hairdressing business to be managed by students and plans to open a sewing workshop for students in the future, which are not the core of their activities. They should instead focus on teaching and providing the best education and vocational skills to the students. The launching of new businesses are not stated in the vision and mission. This causes problems as there are no tutor and teacher assigned for this programme. In the end, these enterprises, opened only for about 8 months, were forced to shut down.

In terms of the quality of its programme, PKBM Al Ishlah is bounded by the standard of the Regulation of the Minister of Education and Culture in 2007, with a corresponding adjustment in the context and the needs of the institution. Through this regulation, teachers are required to compose a syllabus in accordance with the material being taught. However, in PKBM Al Ishlah, this has not been fully implemented because many teachers do not comply with the regulation by not using a syllabus. This is not because the teachers are not aware of their obligations, but rather because of the absence of a strong control of the managers.

The mode of communication between the manager and teachers are: (1) face to face, (2) WhatsApp, (3) SMS, (4) Telephone, and (5) Email. There has been no significant communication barrier between managers and teachers. There are also biweekly meetings for the purposes of coordination of work programmes. The PKBM Al Ishlah Constitution has been amended but its contents are still not well organised. The contents are broad and tend to be immeasurable. Another problem is the lack of socialisation to instil discipline among teachers and students as it is conducted using oral communication only.

The PKBM Al Ishlah, like many other non-profit institutions, has funding problems related to its sustainability. It currently relies on tuition fees, donations from foundations, the government, private companies, and individuals. The public relations officer carries out fund raising activities by establishing cooperation with the government. But the fund raising efforts are not focused because the job description of the public relations officer is not confined to fund raising alone. The officer's job includes establishing relations with government officials. verify student's diploma, coordinate with targeted communities, and manage funds allocation. It is important to note that one of the short term goals of PKBM Al Ishlah is to become a financially independent nonprofit organisation.

Internal conflicts are common. Conflictrelated tasks are normally settled amicably between the managers. The school principal makes the final decision based on the input of the managers and teachers.

There is a lack of clarity in terms of short-term and long-term goals between the principals and the managers. If left unchecked or unaddressed, will affect the organisational performance of PKBM Al Ishlah. Problems identified in PKBM Al Ishlah, as a result of the audit of communication, are:

- 1. Information deficit: without clear job descriptions, PKBM Al Ishlah suffers from unbalanced information flow, with information deficit in one area and information overload in another.
- 2. The power of rumours: Rumours are common in PKBM Al Ishlah and but they have a devastating impact on the management.
- 3. Poor upward communication: a poor sense of belonging among teachers, make upward communication difficult. Internal publics of PKBM Al Ishlah tended to be immersed in their own problems, disregarding the organisation. One of the reasons for this problem is lack of control and monitoring by the managers.
- 4. Poor communication channels: there appeared to no significant barriers between managers and teachers

when they use informal mode of communication, such as face to face interaction or instant messaging. But problems arose whenever formal media was used, such as formal regulation or contracts between the organisation and its members. These problems were due lack of control and it became a habit to ignore formal communication channels.

5. Unproductive meetings: biweekly meetings were usually conducted without clear goals or even meeting the set goals; the contents were too broad and not specific enough without timeline and clear action plans.

The results of the communication audit in Al Ishlah is in line with Grunig's situational theory of communication (Macnamara, 2011). The PKBM is different from a formal educational institute requiring it to adopt certain government standards. From Al Islam's internal communications, it is clear that only the principal and the secretariat are aware of its problem. The teachers are not aware of the situation and not fully involved in the day to day running of the organisation.. The teachers need direction and firm leadership particularly in problem solving.

CONCLUSIONS AND RECOMMENDATIONS

The result of the internal communication audit of PKBM Al Ishlah shows there's a gap between its vision and mission. The management of PKBM Al Ishlah still resorts to the traditional way to manage the organisation. There's a lack of professionalism in managing the organisation as it relies too much on the value of empathy. The vertical and horizontal methods of communication include: (1) face to face (2) Online Messenger application, (3) SMS, (4) Telephone, and (5) Email (6) Facebook.to The inculcation of values related discipline still needs improvement. Future research should study other PKBMs in Jakarta. A longitudinal research is recommended for PKBM Al Ishlah to check on their internal and communications.

The following recommendations were made to PKBM Al Ishlah based on its communication audit findings:

- A) Improving its vision and mission, as well as its goals and objectives. The mission statement should describe not only the quality of its students, but also the quality of its tutors and managers as well as applying the theory of four parameters of success discussed above. If PKBM Al Ishlah wants to establish a business unit (SMEs) to elevate the living standards of their students, it should be incorporated in the mission statement. In addition, all PKBM Al Ishlah members must share the organisation's vision, mission, goals and objectives.
- B) Improving the rules and determine the appropriate mode of communication to disseminate these new operating

procedures. Rules can also be a tool which guarantee quality control and quality of programmes taught.

- C) An introduction programme for new tutors will enable them to understand the values of PKBM Al Ishlah and its expectations of them.
- D) Branding campaigns and the use of online media for fund raising purposes. It is hoped that through this branding campaign the corporate sector will allocate a portion of their CSR funds for Al Ishlah in order for it to achieve financial independence.

It is understood PKBM Al Ishlah has undergone a change in management in addition to implementing some of the recommendations outlined above. It had also come up with a new and revised vision- mission statement A new internal communication audit is in order to find out the impact of those new measures.

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Vertical Communication Based on Local Wisdom: A Study of World Class University

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ABSTRACT

Binus University relies on IT-based communication. This has given rise to problems, such as unreadable non-verbal communication and reduced formalities and respect among subordinates and superiors. This research aims to answer several questions, namely; (1) What are the local wisdom of Binus University? (2) What is a leadership role in socialising local wisdom? The method used is a qualitative analysis which analyses the implementation of organisational communication based on local wisdom. The results showed that Binus University is applying the vertical information flow within the university with an open and equal treatment among colleagues. Leadership in Binus always instills a culture that became the values Binusian in every occasion. Therefore, Binus needs to create a mechanism for effective message delivery in relation to local wisdom socialisation, that will ensure the effectiveness of two way communications.

Keywords: Organisational communication, leadership style, local wisdom

INTRODUCTION

A company's productivity depends on the efforts of a leader to control his employee through two-way communication. Leadership is an essential element in order to explore the creativity of staff to improve productivity. In higher education institutions, productivity means is able to produce graduates who can work in the global industrial field. Higher education institutions must constantly follow the developments and needs

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E-mail address: lidiaevelina@yahoo.com (Evelina, L. W.) graduates is maintained. In order for leadership to be effective it is necessary organisational communication and a strong organisational culture so that it can form organisational wisdom that is

of the industry to ensure the quality of

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used by all employees. To obtain effective organisational communication, companies rely on IT-based communication media to reduce the cost, time, and distance. Binus University today is ranked as a leading private university in Jakarta, which ranks fourth private university in the category of system development, quality lessons and masterpiece. Binus is known as the first Institute of Higher Education based on IT. All communication is done through communication technologies such as email, SMS, BBM, Website, Binusmaya, Facebook and Twitter. While face-to-face communication is done when it comes to the schedule of lectures and faculty member development, while regular information delivered via electronic media.

As universities that rely on IT-based communication, there are some advantages that can be obtained, for example, reduced cost, distance, and time. However, there are also problems exist if the company uses IT-based communication media, such as unreadable non-verbal communication and reduced formalities and respect among subordinates and superiors. In addition, there are also other problems such as the selection of information, misuse of communications media, to the leaking of confidential company information. On the basis of these considerations, the researchers are interested in studying organisational communication at Binus University and defined research problems as follows: (1) What are the local wisdom of Binus University? (2) What is a leadership role in socializing local wisdom? And (3) How local wisdom can be applied to A World-Class Knowledge Institute in Continuous Pursuit of Innovation and Enterprise at BINUS 20/20?

Corporate Culture and Leadership Style Based Local Wisdom

In every organisation, communication is needed between management and gain a mutual goal. employees to According to Cornelissen, corporate communication is "a management function that offers a framework for the effective coordination of all internal and external communication with the overall purpose of establishing and maintaining favorable reputations with stakeholder groups upon which the organisation is dependent" (Atmadi, 2013). While according to Zalabak, internal communication is "a work within an organisation to assist management in employee and management communication, coordinate a variety of training activities, coordinate internal communication media, facilitate team building and develop numerous other communication activities" (Atmadi, 2013). In other words, communication within an organisation needs a good information flow and structure to facilitate vertical and horizontal communication.

Organisational climate within the company is a term used to describe the physical state and provide information about the structure and meaning of the situation (Pace and Faules, 2005). While the communication climate can be translated as a combination of perceptions and a macro

evaluation of the event communication, human behavior and response of employees. Thus, climate can affect the organisation's communication climate. Organisational climate is how members behave and communicate. Communication climate in the company includes the expectations, the conflict between the individual and the opportunity for growth within the organisation. Communication climate is different from organisational climate. Communication climate includes perceptions of message and event-related messages that occur in the organisation. Perceptions about an organisation on a given day can give a clear picture of the organisational communication climate in a longer period of time (Pace and Faules, 2005). Arni Mohamad added in a climate of fraternal communication that encourages members of the organisation to communicate in an open, relaxed, convivial with other members. Conversely, negative climate makes members dare not communicate openly (Muhammad, 2005). Thus, it can be concluded that the climate in organisations that exist in the company as a result of the communication system and the events within the company perceived by each employee in the long term.

Leadership is a relationship of mutual influence between leaders and subordinates who want a real change that reflects the common goal. Leadership involves a profound influence, relationships that occur between people who want significant changes and such changes reflect a shared objective. Influence in this reciprocal

relationship means between leaders and followers who are active (Atmadi, 2013). Leadership styles in companies associated with the communication climate in the company. According to Likert, leadership style more in line with current conditions is the inviting style as well (Masmuh, 2010). This style is very supportive with the aim that the organisation runs well through employee participation. Information runs in any direction while control is executed on every level. People communicate freely, openly, and straightforward, almost without fear of punishment. The level of participation of employees of the highest, resulting in the highest level of productivity as well. Tannenbaum and Schmidt assume that the most effective leaders are those who have a consistent style of leader, in accordance with the demands of the situation (Masmuh, 2010). If an instruction requires, the leader gives instruction; if necessary participation in decision makers, leaders loosened oversight and give the team a role in decision making.

In a company that has been established for many years a distinctive corporate culture can be expected to emerge. The culture can be derived from the original owner and the company can also be from the top-level leaders or directors. Corporate culture, according to Rhenald Kasali is a set of values and a belief that leads to something. The actual purpose of the corporate culture is to equip members with the organisation's identity and generate commitment to the values espoused by the organisation (Kasali, 2008). A company should be regarded as a social and cultural unity. Organisations within a company and all its employees must have a set of values and the same goals. That is what we often hear that all members or employees of the company should have a sense of belonging and enjoy the growth and results of their work. According to Masmuh corporate culture must be related to the morale and productivity of workers (Masmuh, 2010). Thus, the culture of a company is a result of the application of the values that must be understood by all employees and the identity of the company.

Corporate culture also has the value of local wisdom. The definition of local wisdom is derived from two words, namely wisdom and local. So it can be understood as an idea, value, or a local view that is wise, full of wisdom, good value, embedded, and followed by members of the community. Substantially, local wisdom is the values that prevail in a society. Values that are believed to be the truth and become a reference in daily occurrences, as a guidance to behave from the local community (Atmadi, 2013). Therefore, the local wisdom is the entity that largely determine the dignity of human being in his community. This means local wisdom in which contains elements of intelligence, creativity, and knowledge of the local elites and society was decisive in the development of civilization of the people.

Meanwhile, according to Bierly, Kessler, & Christensen knowledge means the ability to use knowledge to achieve the desired goals (Bierly, et al., 2000). While understanding the local knowledge of researchers used the term refers to the organisational wisdom, which means the company's strategy or local wisdom developed, communicated to all employees, and used in the market competition. Three important things that shape local wisdom in companies according Bierly, Kessler, & Christensen are: (1) Transformational leadership, (2) culture and corporate structure, and (3) an effective knowledge transfer mechanism (Bierly, et al., 2000).

The flow of information in organisational communication

Communication patterns that exist within the organisation can be divided into two (2) major parts, namely communication Vertical (up and down) and horizontal communication (equivalent) In both types of communication upwards or downwards, management control communication system.

According to DeVito, the flow of information in organisational communication consists of communication upward and downward communication (often called vertical) and lateral communication other than the sketchy information (rumors) and also on the causes and consequences of the great density of information (Muhammad, 2005). Upward communication is a message sent from a lower hierarchical level to a higher level, for example, the executor to his manager, or from the lecturers to the faculty dean. These types of communications typically include (1) activities related to work, what is happening at work, how much achievement, what remains to be done, and other similar problems; (2) issues relating to work and unanswered questions; (3) various ideas for changes and suggestions for improvement; and (4) the feelings relating to the occupation of the organisation, the work itself, other workers, and other similar issues (Muhammad, 2005).

In line with the views expressed by DeVito, Wayne also revealed that the upward communication in an organisation means that the information flow from the lower level (subordinate) to a higher level (supervisor). All employees within an organisation, except perhaps those who occupy the top position, may communicate upwards, for example, every subordinate may have a good reason or request information from or provide information to a person whose authority higher than the employee earlier. The form can be in the form of a petition and the comments were directed to individuals whose authority is greater, higher, or more broadly is the essence of communication to the top (Pace and Faules, 2005). Can be concluded that the upward communication is the request and comments as well as information about the work they do.

Downward communication is a message sent from a higher hierarchy level to a lower level. For example, messages sent to the dean of the faculty of lecturers are downward communication. The leaders are also responsible for giving assessment to the employees and motivate them, all in the name of productivity and for the good of the organisation as a whole (Muhammad, 2005). According to Katz & Kahn, there are five types of information commonly in communications from superiors to subordinates: (1) Information on how to do the job, (2) information regarding the rationale for doing the work, (3) Information on policies and practices within the organisation, (4) Information on employee performance and information to develop a sense of duty (Pace and Faules, 2005).

Dissemination of Information

Guetzkow said that the flow of information within an organisation can occur in three ways, namely: Simultaneously, sequence or combination of case that way (Pace and Faules, 2005). Described by Pace and Faules (2005), that dissemination of the message simultaneously from person to person within the organisation as a dyadic involving the source of the message and the recipient. Forms of information can be written via the internal media, bulletin boards, magazines, online and through the media through face-to-face / orally in the presence of members of the organisation in question. All information received by members of the organisation at the same time it is called to dissemination of the message simultaneously.

Next, the dissemination of information can be done by distributing sequentially commonly used in large scale organisations as well as Binus University. According to Pace & Faules, dissemination of information sequentially includes the expansion of dissemination of dyadic form, so a message from A to B and then to C and then forwarded to the D, proceed to E (Pace and Faules, 2005). Every individual except the first (source messaging), interpret messages it receives and then forwards the result of interpretation of those after him in a series. Dissemination of information has a sequential pattern as the most important characteristic. Such information dissemination takes place at irregular times. Thus, the information received may be in a different place and time. The problem that can arise is the coordination due to delays in the dissemination of information. This can lead to information that is difficult to use to make a decision because there were members of organisations that have not received the information. Similarly, if the members should be informed in large numbers. Other impacts, accuracy and precision of information can shift resulting from the interpretation and reproduction of messages that are exchanged in the sequential delivery of messages.

RESEARCH METHODOLOGY

The method used is a descriptive qualitative analysis which analyses the organisational communication that form the leadership style based on local wisdom at Binus University. To get the results of this study using the techniques of primary and secondary data collection. Primary data collection through semi- structured interviews, interviewers prepare a list of written questions and allow others to freely ask questions appropriate to the circumstances. Interviews were conducted with directional or free guided interviews with subject matter remains on track and has been prepared in advance (Kriyantono, 2006). While secondary data is supporting primary data, observations were conducted during the research. Observation activity is an activity that uses the five senses. Observation defined as activities directly observing the object something, include interaction (behavior) and conversation occurs between the subject under study (Kriyantono, 2006). Added by Christine Daymon and Immy Holloway that observable activity is to identify the conscious actions and actions that happen automatically (Daymon and Holloway, 2008). Then explained further that the observation is used to present a technique to distinguish between what is said with what they actually do.

Interviews were conducted with Mr. Iman Herwidiana Kartowisastro, as Vice Rector of Academic Development and Provost of Binus University. The second informant is Ms. Lydiawati Kosasih Asallah, as Learning Development Operational Senior Manager of Binus University. Interviews with Mr. Iman and Ms. Lydia took place at Binus University. Other than interviews, observation were also conducted, as both researchers are Faculty Members and lecturers of Binus University.

Another method used is to look for the official document data is data stored on websites and other data such as brochures of activities. The official document

is divided into internal and external documents. Internal documents such as memos. announcements. instructions. meeting reports, conventions and other habits that take place in an institution. While the external document is issued by an institution of information such as magazines, bulletins, news published in the mass media, announcements and notices (Bungin, 2008). The validity of such data using a detailed description is acceptable if the findings are described in detail and clearly, logically and rationally (Bungin, 2008).

Binus University Profile

The journey of Bina Nusantara University began on October 21, 1974. It originated from a short-term course named Modern Computer Course, which then expanded because of its strong foundation and comprehensive vision. Due to the high demand and its rapid development, on July 1, 1981, Modern Computer Course had developed into 'Akademi Teknik Komputer (ATK)' or Computer Technical Academy with 'Manajemen Informatika' or Informatics Management as the first major. After going through years of perseverance and hard work, Bina Nusantara University (Universitas Bina Nusantara or UBINUS) was officially listed and established on August 8, 1996. STMIK Bina Nusantara was then merged into Bina Nusantara University on December 20, 1998. At that time, UBINUS has Faculty of Computer Science, Faculty of Economy, Faculty of Engineering, Faculty of Literature, Faculty

of Mathematics and Natural Sciences and Master's Program in Information System Management. Due to the new organisational structure of Bina Nusantara University, which is begin in August 19, 2008, the names of several faculties were changed. Faculty of Technical Science is now known as Faculty of Science and Technology, Faculty of Economy is now known as Faculty of Business & Economy, and Faculty of Literature is now known as Faculty of Language and Culture. Faculty of Mathematics and Natural Sciences is now merged within Faculty of Science and Technology.

Binus University Vision: "A Worldclass university in continuous pursuit of innovation and enterprises".

While the mission of BINUS University is to contribute to the global community through the provision of worldclass education by:

- 1. Recognizing and rewarding the most creative and value-adding talents
- 2. Providing a world-class teaching, learning and research experience that fosters excellence in scholarship, innovation and entrepreneurship.
- 3. Creating outstanding leaders for global community
- 4. Conducting professional services with an emphasis on application of knowledge to the society
- 5. Improving the quality of life of Indonesians and the international community

Based on belief in God, passion in education, and view of a bright future, Binus are committed to build the nation and contribute to the global community through education and technology. This commitment is reflected in the values of Bina Nusantara, which then guide their actions: (1) Strive for excellence, (2) Perseverance, (3) Integrity, (4) Respect, (5) Innovation, (6) Teamwork.

RESULTS AND DISCUSSION

Local Wisdom in Binus University

The quality policy of BINUS University is to providing world class education with international experiential learning that provide a positive contribution to the global community. The vision of Binus is a World Class University, where graduates of Binus University will be accepted in the global industries through the highest level of education and teaching excellence, including applied research. While the mission of Binus University is to contribute to the global community through the provision of world-class education by acknowledging and rewarding the most creative and value-added talent and improving quality of life of the Indonesian people and the international community. To achieve the vision and mission of the above, its founders instill values as follows: tenacious, focus and passionate, committed in determining common goals, the freedom for innovation, combining the integrity of the creative spirit, and foresight to recognize and take action on future occasions.

Lidya Kosasih from Corporate Learning Directorate unit, who has worked for ten years explains that every Binusian who want to join the faculty and employees must follow the process of induction. There are two types of induction, the first is induction to academic lecturers and media used to communicate in Binus, such as how to use Binusmaya, Binus email, Facebook, Twitter and other communication media platforms. The second is the induction of employees that aims to disseminate the culture BINUS consisting of 5 points, namely (1) Trust in God, for example, every activity always begins and ends the prayer, (2) Sense of Belonging, Binusian care for each facility such as his own. For example, university teaching tools package which consists of mic, remote LCD and markers must be returned with good condition, (3) Sense of Closing, there is always an evaluation assessment, such as the results from the evaluation of lecturers (IKADQ) or student satisfaction index and employees key performance indicators (KPI), (4) Benchmarking, became the standard for the world of higher education, and (5) continuous improvement, always develop themselves, examples industries were invited to participate in the learning process with the name of Binus Global Learning System.

In addition, there are 4 main values: (1) Farsight, (2) Diversity, (3) Tenacious focus, and (4) Freedom to innovate. Based on a belief in God, passion in education, and view of a bright future, Binus University is committed to building the nation and contribute to the global community

through education and technology. This commitment is reflected in the values of Binus University, and guided the strategy (SPIRIT): (1) Strive for excellence continuously do the best to achieve high quality results in every aspect of work, (2) Perseverance - stay calm, focused, never give up, and quickly recover in overcoming challenges, (3) Integrity – honest, transparent, sincere, and courageous in doing the right thing, (4) Innovation encourage creative breakthrough and sustainable ideas to continuously improve processes in order to achieve better results, and (6) Teamwork – believe in importance of collaborative, effective, and trustful working relationships as one team.

Vertical communication in BINUS University

According to the Vice Rector of Academic Development, Mr. Iman H. Kartowisastro Ph. D, Binus does not differentiate based on an individual's occupational or ethnic background. Affirming the value of its founder Binus, rank and position are not the most important aspects, rather it prioritizes equality. This open attitude suggests the absence of a hierarchy. Communication medium at all levels is IT-based, with the internal web (Binusmaya) and email being the main medium communication. The entire Binusian shall periodically see Binus site for all information about the activities in the university. Examples to follow graduation requirements can be accessed at Binusmaya with an error rate of less than 1 (one) percent. Indeed, as the use of multimedia assumes Binusian as robots, but over time will become a habit or custom. IT-based communication media have also become a means of horizontal communication between colleagues, for example, there is a discussion forum on the Binus site and mailing lists to facilitate communication.

With IT-based communications media, there are benefits in addition to the efficiency of the time, namely the loss of distance between individuals, there is no limit position or age and the more support the value of equality upheld by Binus University. This value is emphasized to every subordinate not only through socialization, but also through examples of actions undertaken by the rector, in the hope that it can be emulated by the middle ranks and staff Binus. For example, when induction of new faculty and staff, Rector or Vice Chancellor took time to attend and always provide a personal contact number that can be reached without the hassle through the bureaucracy. This openness also supports communication from subordinates to superiors, so that input from subordinates can be delivered to the chairman without passing through gradual levels. Emphasize the value of openness and equality through awareness and actions of these leaders considered effective in shaping the style of leadership in Binus University, in the middle management ranks entirely applied open door policy associated with IT-based communication media.

Application of organisational communication at Binus University is

in accordance with the theory of the communication climate from Wayne and Arni Muhammad, who said communication climate that is fraternal or family-based value will make the organisation's members to be more open with their colleagues. Openness is constantly fostered by Binus through the event, including the beginning of each semester faculty meeting that encourage intimacy between lecturers. Binus University also implemented dissemination of joint communications between simultaneous and sequential in accordance with the theory from Guetzkow (Pace and Faules, 2005). Dissemination of information simultaneously to all Binusian made relating to events or announcements from the university, while the dissemination of information related to the sequential implementation is regarded the policy per department. Binus University also has applied vertical communication in accordance with the theory from Wayne and DeVito that said downward communication that one of them consisted of information on how to do the job (Pace and Faules, 2005; Rowley, 2006). Because the communication climate in Binus is IT-based, then the whole Binusian are expected to have IT responsiveness skill, and must fill out a form that is related to their duties. To meet this Binus University consistently held training for employees in improving their competence and assist them in doing the job.

Judging from the style of leadership practiced from the top leadership to middle management at Binus University are in accordance with the inviting style with Rensist Likert (Masmuh, 2010). As in the example mentioned above, from the Rector uses inviting style through actions and examples that can be seen by his subordinates. Rector and other leaders give access to their mobile numbers to convey the necessary information. All BINUSIAN have the right to submit an entry before it became a joint decision as in a working meeting.

Everything mentioned above are constantly refreshed in weekly meetings between the leaders and when planning projects. Everything in the Higher Education Tridarma always fits with Binus culture, including community service through Teach for Indonesia (TFI). Binus formed units to support academic activities, e.g. Corporate Learning Directorate, Student Affairs and Community Development, Lecturer Research Center, Academic Development, Operation and Resource Management, Research and Institutional Development, Quality Management Center, Information Technology Directorate. All units fit into working teams and are well-coordinated. Thus each unit in BINUS synergize formed local culture with IT-based. Leaders in Binus have equal status in communication, meaning that communication can be performed directly, openly and do not need to go through complicated bureaucracy. Information can be expressed in formal and non-formal. Non-formal communication can be through social media, email, Facebook, Twitter, BBM, SMS, Whatsapp and other communication means.

Local Wisdom and World Class University

As a short-term goal, Binus University wants to become a world-class institute in continuous pursuit of innovation and enterprise, or better known as Binus 20/20. Local wisdom can add value to Binus University while maintaining its local heritage in the global education industry. In order to achieve this, Binus University needs a strategy to communicate local values to its internal publics.

In accordance with the theory, there are three important things that shape local wisdom to achieve the company's goals, according Bierly, Kessler, & Christensen (Bierly, et al., 2000), namely: (1)transformational leadership, (2) culture and corporate structure, and (3) the mechanism of effective transfer of knowledge. Binus been applying the type of transformational leadership, which means leaders in Binus are to encourage awareness and acceptance of the vision and mission BINUS to all employees, so that all employees BINUS work to achieve the vision and mission. Still, according to Bierly, Kessler, & Christensen that transformational leadership works well if the company prioritize spirituality, then it is in line with the most first Binus culture, namely Trust in God (Bierly, et al., 2000).

The second thing that formed local wisdom is cultural and corporate structure. According to Barney a corporate culture that will be profitable for the company is a culture that puts the needs of employees, customers, communities, and other key audiences for these companies (Bierly, et al., 2000; Krapf, 2002). Binus as an IT-based organisation can eliminate bureaucracy and also they had prioritized the needs and voices of employees. Through Teach for Indonesia (TFI) Binus has prioritize the community, as well as through academic support units such as those mentioned above, Binus have also been prioritized consumers or in this case the student and the parents.

The last thing that shape the company's local wisdom is an effective method of knowledge transfer. Where the culture and values of the company should be promoted, developed, and regularly reminded to all employees of the company. This knowledge transfer has been made by Binus through the employee induction program, weekly meetings, academic work meetings, meetings per semester, Lecturer Gathering, Family Gathering, as well as other programs. Knowledge transfer is also done other than through socialization also through concrete actions from leaders who are expected to be emulated by other employees. In addition, Binus not only to transfer knowledge to the internal public, but also to develop knowledge by inviting the external public is from industrial jobs. By opening the Binusmaya website to the industry so that they can learn the lecture material and give input to both the lecturers and students directly. This method was called Global Learning System. In conclusion, Binus has done three things in forming local wisdom and always developing the values and corporate culture in order to achieve common goals.

CONCLUSION

Binus University applied the vertical information flow for communication within the university with an open and equal standard. Leadership in Binus always instills a culture that became the values of Binusian consisting of five points, namely (1) Trust in God, (2) Sense of Belonging, (3) Sense of Closing, (4) Benchmarking, (5) Continuous Improvement, in every meeting between management and employees. Binus University has also implemented three elements that formed the local wisdom in order to achieve A World Class Institute (Binus 20/20). First, transformational leadership, applied to spirituality from one of Binus values "Trust in God". Second, the culture and structure of the company, where the use of IT-based communication media Binus can eliminate bureaucratic and hierarchical boundaries, in addition to the program "Teach for Indonesia" and academic support units which are all built to meet the needs of primary publics of Binus University. Third, effective knowledge transfer method, performed by Binus through induction programs, meetings, socializing, as well as the Global Learning System program.

It is suggested Binus create a mechanism for effective message delivery in relation of local wisdom socialization. If there are any suggestions or input to the top management, employees can use the official form . In the vertical communication, the leader's role is crucial in instilling the same perception from each employee in Binus University to achieve common goals.

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Lead-Lag Effects in Stock Returns: Evidence from Indonesia

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ABSTRACT

The main purpose of this research is to determine the existence of lead-lag effects in stock returns in the Indonesia Stock Exchange. Fifty-eight companies were taken as samples, selected through industrial classification and selection criteria of leader and follower stocks. The data is analysed using Vector Auto Regression method to extrapolate and investigate the existence of lead-lag effects in Indonesian capital market. This study finds that returns to stocks with relatively high market capitalizations lead returns to stocks with relatively high market capitalizations lead returns to stocks with relatively high market capitalizations lead returns to stocks with relatively low market capitalizations in Indonesian industry portfolios. However, out of ten industries, there are only six who contribute significant result. This research concludes that lead-lag effects do exist in certain industries and it may assist investors in managing the trading strategy. Indonesian capital market is not efficient since lead-lag effects is one of the phenomenon, which against the EMH.

Keywords: Lead-lag effects, Stock Returns, Cross-correlation, Indonesia Stock Exchange

INTRODUCTION

The emergent economic situation in Indonesia, particularly in stock markets, has over the ten years provided greater investment opportunities in the capital market. Investors expect returns in the forms of price appreciations and dividends. Investors often try to estimate the true share prices of the companies they have invested in or of prospective investments, and wonder whether these investments are worth the price currently quoted in the stock

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E-mail addresses: trusmanto@binus.edu (Rusmanto, T.), srwaworuntu@binus.edu (Waworuntu, S. R.) * Corresponding author market. Since investment is a complex activity strategies in implementation and practices are required.

Many researchers have investigated phenomena opposing the efficient market hypothesis. Market over and under reaction (Fama, 1991), seasonal trends or January effect (Gultekin & Gultekin, 1983), Lead-Lag Effects have been tested by researchers. Lead-Lag effect in the point of view of economics has the definition of describing a situation where one (leading) variable is correlated with the values of another variable (lagging) at presently period. In this case the leading variable is determined by the high of a firm market capitalization whereas the lagging variable is verified by the low market capitalization of particular firm. Based on Lo & MacKinlay (1990) the ladlag relationship refer to a form of return predictability in equity markets whereby current returns to some stocks, known as leader stocks, can predict future returns to other stocks, or follower stocks but not vice versa which made this effect is classified as asymmetric.

The Indonesian Stock Market was established before the Independence of Indonesia. The first stock exchange was recognized on 1912 in Batavia, now known as Jakarta, during the Dutch colonial era. The capital market grew gradually and became inactive during World War I and II, and when Indonesia passed from Dutch control. In 1977 Indonesian government reactivated its capital market, and thereafter the support of incentives and regulations rapidly grew. The growth of trading activities in Indonesia Stock Exchange supports that there is improvement and trust in new regulations, which BAPEPAM-LK (Badan Pengawas Pasar Modal dan Lembaga Keuangan) released in 1998. The examples of enhancement of capital market

regulations, in 1999 BAPEPAM-LK made revisions on several rules and released one new rule in order to encourage securities companies to enhance their performance.

The purpose of this study therefore is to analyse the existing lead and lag pattern on stocks that are listed in Indonesia Stock Exchange. Those companies are categorized according to their industry then classified into high or low market capitalization based on their outstanding shares times the share price at the given date.

The aim of this research is to investigate whether Lead-Lag effects exists in the practice of Indonesian capital market. It particularly focuses on daily and weekly returns on leader and follower stocks in the same industry. The primary benefits that can be received from the significant result of this research are: (i) to assist and improve the trading strategy in Indonesian capital market, (ii) to improve forecasting power, particularly in stock market (iii) the result of this thesis may lead to better understanding in lead-lag effects in Indonesian portfolios so that may enhance the knowledge regarding the matter. And the last purpose, (iv) to help the decisionmaking in companies that has beneficial effects through this thesis result.

LITERATURE REVIEW

Capital market has the main role of allocating the ownerships of an economy's capital stock. According to Eugene Fama (1988), the ideal market is when the prices provide accurate signals meant for resource allocation, in which the market with the aim of firms can make production decision investment and investors are able to choose among securities that represent ownership of the firm's activities. Fama also stated the general term of market that considered being efficient is at what times the prices are always fully reflect the available information. Additionally, random walk theory confirmed by Bachelier in 1964 is consistent with EMH. The empirical study about this theory was verified in 1960s and many times since. Presently after the empirical evidence appeared, the EMH was projected based on the overwhelming logic by means if returns were forecast able, many investors would use them to produce unlimited profits.

The existence of efficient markets hypothesis predicts that market prices should incorporate all available information at any point in time. Nevertheless, there are different kinds of information that influence security values. As a result, financial researchers distinguish among three versions of the Efficient Markets Hypothesis, like Fama (1988) classified the EMH based on the availability of information, which consist of three forms. First is weak form, followed by semistrong form and the last would be strong form efficiency, however the definition is depending on what is meant by the term "all available information". As mention earlier, both Fama and Malkiel agree that predictability for long-run serial correlation is equal to zero. They suggest that stock price short-run serial correlations

are not zero. Furthermore, they propose in the short-run stock prices are able to gain momentum for investors as they see several consecutive periods of same direction price movement with particular stock. "The dotcom boom" enthusiasm is believed derived from this effect (Shleifer, 2000). This phenomenon occurred derived from four main reasons. The first reason is it caused by time-variation in expected returns for different stocks. Conrad and Kaul (1988) state that the different expected returns may happen from stocks having time-varying and dissimilar sensitivities to common fundamental risk factors. This also supported by Mech (1993) who argues that lead-lag effects have been recognized from stocks with different time-varying expected returns. An alternative of this explanation is that lead-lag relationships arise due to high contemporaneous correlation between leader and follower portfolios and, at the same time, strong auto- correlation in follower portfolios (Boudoukh et al., 1995). The second motivation for lead-lag effects is the existence of non-synchronous or thin trading in some stocks (Boudoukh et al., 1995). Moreover, Hou (2007) noted that thin trading and bid-ask bounce is expected to affect estimated lead-lag effects in daily returns and therefore used weekly returns in his analysis. The third reason for leadlead effects may come about due to the differential response of some stocks to newly released information.

International studies of lead-lag effects in the markets of various phases of development can help economists gain important insights that may encourage efficient outcomes. Many authors about this topic mainly come from US and conducted the studies on the US stock markets. For instance, Hou (2007) (as cited in Boudoukh et al., 1995) perform their study on US equity market, they perform the study about industry information transmission and the lead-lag effect in stock returns. He discovers that leadlag effect between big and small firms in the same industry is driven by the slow-moving adjustment to negative information. Moreover, by conditioning on industry membership to study the lead-lag effect, it describes significant result that the event does exist. In conducting the study, Hou uses weekly returns of stocks from NYSE/Amex/ Nasdaq data files for the period beginning in July 1963 and ending in December 2001. The prior study about lead-lag phenomenon in UK stock market also been conducted in 2000 by Mills and Jordanov. They find the similarity of result regarding lead-lag patterns in US stock market with the London Stock Exchange.

Based on the above theoretical background, the hypothesis is created r to complete the research process. The efficient market hypothesis, also known as random walk theory, is a dominant theoretical perspective that relates to the existence of lead-lag effects. Lead-lag phenomenon contravenes the basic nature of the EMH. The hypothesis development of this thesis occurs also due to the implementation of EMH into the returns predictability and trading strategies for long term does not exist. Moreover, the basic assumption in doing this study is triggered by the existence of arguments that opposing the efficient market hypothesis (EMH). Those arguments arose as the result of the growing and changing economic situation compared to previous period when the EMH once developed. The arguments include market over-and under-reaction, January effect or seasonal trends, the effect of value and growth firms, and the focus of this thesis, which is a lead-lag effect in industry portfolios.

The above discussions point out the importance of knowing the presence of lead-lag patterns especially in developing market such as Indonesian stock market and it has never been tested before in Indonesia. Therefore, the author aims to test whether the phenomena does exist and applicable in Indonesia.

 H_A : There is lead-lag relation between returns of big cap stocks and small cap stocks in the same industry

RESEARCH METHODOLOGY

The data for this study are taken from the period starts from 1 January 2008 until 31 December 2010. Those data consist of daily and weekly returns which each comprises of raw and market adjusted returns of the selected companies. There are two processes need to be conducted in selecting the appropriate sample for this research which will be discussed as follows.

Selection of Industry/ Sector for This Study

This study examines ten industry groups whose stocks make highest contribution to the total market capitalization of the Indonesian Stock Exchange. On the further condition that each industry must comprises a minimum of 4 stocks. This ensures the process or set of rules to be followed in choosing the leader stocks and follower stocks that will be discussed in the next section Each sector must consist of at least two leader stocks and two follower stocks to be able to be selected as samples that represent the industry. The small number of stocks in the leader and follower portfolios of some industries is a natural consequence of studying lead-lag effects within the industries covered on a relatively small stock exchange. Nevertheless, some industries in Indonesian market contain of the leader and follower portfolios up to eight stocks each. Consequently, the results for those industries with a larger number of leader and follower stocks will be more reliable.

In order to test lead-lag effects required two categories of samples, which include leader and follower stocks in each industry. The terms of leader stocks are those who classified as big market capitalization firms. Big market capitalization is determined from share price times the total number of shares traded in IDX, then the author ranks them orderly started from the biggest to the smallest. Based on the orderly ranking will be selected approximately 50 percent of them as leader stocks and the rest that lesser

than 50 percent are considered as follower stocks. This selection method differs from the previous studies performed by Hou (2007) and Haque (2010) that choose leader and follower stocks for a given industry using largest 30% of stocks, by market capitalization, for a given industry as the industry's leader stocks. They also classify the middle 40% of stocks to be the mid-cap stocks and the bottom 30% are the smallcap or follower stocks for that industry. The differentiation arises due to the process in obtaining the adequate samples from Indonesian market to be tested in this research needs to be adjusted based on the situation in the market. Furthermore, Indonesian market is different with those of developed markets, as a result in choosing the samples need to be modified. Another important criterion for both leader and follower stocks is liquidity.

The author uses formal empirical methodology for this thesis that involves estimating vector autoregressive models (VAR). The vector auto-regression (VAR) model is one of the most successful, flexible, and easy to use models for the analysis of multivariate time series. In addition, since this study uses multivariate time series of data therefore autocorrelation and cross correlation tests are needed to be preliminary performed before the VAR test. To test lead-lag effects in Indonesian stock market, it defines first the 2 X 1 vector i_t as follows

$$i_t = \begin{pmatrix} R_{X, Lead} \\ R_{X, Foll, t} \end{pmatrix} = equation 1$$

And estimate

$$i_{t} = c + \boldsymbol{\Phi}_{1}i_{t-1} + \boldsymbol{\Phi}_{2}i_{t-2} + \cdots + \boldsymbol{\Phi}_{p}i_{t-p} + \varepsilon_{t}$$

equation 2

with $\varepsilon_t \sim i.i.d N(0, \Omega)$. The dimensions of *c* are 2×1 while $\Box \Omega$, $\Phi 1$, $\Phi 2$, ..., Φp are all 2 × 2 matrices. The author uses p = 5 in the regressions for daily raw and market-adjusted and weekly raw and market-adjusted returns. Furthermore, it is expected that lead–lag effects will most clearly be observed in the five periods following a shock to leader stocks.

The criteria of the existence of leadlag effects that states and industry X shows the phenomenon based on Hou (2007), if the equation (3) and (4) below are both satisfied:

$$\Sigma g_k > 0$$
 equation 3
 $\Sigma g k > \Sigma c_k$ equation 4
 $k = 1$

The equation (3) is the basic premise of the lead -lag hypothesis. It tests whether a shock to a leader stock of an industry has the significant result statistically to the corresponding follower stocks. Nevertheless, the entire stocks contained by given industry have some common characteristics. Thus a shock to the follower stocks of an industry may also be expected to have some flow-on effect to the leader stock of the same industry. For that reason, it is necessary to estimate equation (4) in order to obtain the lead-lag hypothesis to be true. The impact of a shock to follower stocks on leader stocks must be statistically less than the impact of a shock to leader stocks on the parallel follower stocks. If these two equations are not met, then the distinction between leader and follower stocks cannot be determined therefore the lead-lag effect does not exist.

Table 1	
Lead-lag Effects in the	Indonesian Stock Market

	Positive Effect of leaders on followers					
Industry	Daily Return	Daily Adj	Weekly Return	Weekly Adjusted		
Property	0.03897	0.03518	0.09468	0.07985		
Wholesale	0.03825	0.03818	0.12842	0.09365		
Food		0.033384*				
& Beverages	0.03382	1.84279	0.07855	0.06584		
Banking	0.04956	0.04571	0.09983	0.09165		
				0.16262***		
Plantation	0.039092	0.01983	0.13857	2.75969		
		0.03858*		0.065*		
Investment	0.03033	1.6466	0.03033	1.76777		
Automotive	0.04442	0.03896	0.14226	0.10035		
			0.11775*	0.10302*		
Textile	0.06359	0.0519	1.80393	1.65418		

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Positive Effect of leaders on followers					
Industry	Daily Return	Daily Adj	Weekly Return	Weekly Adjusted	
		0.04108*			
Animal Feed	0.04286	1.85086	0.11269	0.37814	
		0.04140*			
Coal Mining	0.04211	1.67601	0.09649	0.08819	
Greater Effect of leaders on followers than vice versa					
Industry	Daily Return	Daily Adjusted	Weekly Raw Return	Weekly Market Adjusted	
Property	0.0341	0.03528	0.09233	0.07985	
Wholesale	0.03825	0.03818	0.14044*	0.09388	
Food &					
Beverages	0.03382	0.033384**	0.08283	0.06318	
Banking	0.0497*	0.04584*	0.09919	0.09309	
Plantation	0.03059	0.01991	0.13857	0.16426**	
Investment	0.03033*	0.03819*	0.03033*	0.06521*	
Automotive	0.04483	0.03916	0.14264*	0.10035*	
Textile	0.06359	0.0519	0.13438*	0.1037*	
Animal Feed	0.04286	0.04109*	0.10711	0.35185	
Coal Mining	0.04211	0.04140*	0.09706	0.08912	

TABLE 1 (continue)

RESULTS AND ANALYSIS

The leader and follower coefficients come from the result of equation 3 and 4 that already explain in the methodology section. The formula intends to seek coefficients in which contribute the outcomes of returns of leaders and followers' stocks. However, this study focuses on the returns of follower stocks since the objective is to find out whether there is lead-lag relation in Indonesian industry portfolios. There are two important coefficients need to be examine thoroughly in order to achieve findings of the existence of lead-lag effects. They are the leader to follower coefficients and follower to leader coefficients. For

the reason that lead-lag phenomenon is determined by those coefficients therefore the criteria of determining the presence of the lead-lag effects is based on them. The summary of results regarding which sectors are showing significant outcome with the respects of the satisfied criteria. The results, however, need to be convinced with the results of t-statistics of certain lag, which must be positive and greater than 1.645 for 90% confidence level, 1.960 for 95% confidence level and 2.576 for 99% level of confidence. When these requirements are met, it means that the results are being proofs to the existence of lead-lag effects in Indonesian equity portfolios.

A shock to a leader stock has a positive subsequent effect on follower stocks. It also provides results for the explanation of equation (3) that is a shock to leader stocks has a greater subsequent effect on follower stocks than the effect of a similar shock to follower stocks, on leader stocks. Moreover, this table gives the same quantities for daily market-adjusted returns. The t-statistics values are verified with the t-table in order to confirm whether the lead-lag phenomenon is applicable in the tested sectors. Based on the results, in daily returns, the sectors that show significant result are food and beverages, investment, animal feed, and coal mining. The above table shows that in daily market adjusted returns, a positive shock to the leader stocks of most sectors has a positive effect on the subsequent follower stocks, in the following five days. Meanwhile, in the raw returns show none of significance results in every sub industry. The same effect is not represented in raw returns since the data in raw returns do not assign factors that need to be adjusted in order to get adequate data sample to be tested. As a result, it may lead to the insignificance outcome to detect whether there is positive effect of leader stocks to follower stocks in particular sub industry. This is not surprising as a market-wide shock perhaps encourage lead-lag effects yet the signal that provokes these effects is not as strong compared to the industry signal. Moreover, that leader's stocks have a greater effect on follower stocks than follower stocks do on leader stocks. Considering this criterion,

the daily raw returns results show only applied in banking and investment sectors. These two sectors have significance at the level 10% respectively. The other eight sectors encompass negative presence of the greater effects of leaders on followers than the other way around. This is because the summation of the leader to follower coefficients derived from five lags equal to be less than the total five lags coefficients of followers to leaders. Therefore, in these eight sectors using their daily raw returns data, the implication of greater effects of leader stocks do not apply. In the daily market adjusted returns; leader stocks generally have greater effect on follower stocks in the food and beverages, banking, investment, animal feed and coal mining sectors.

This study also demonstrates the corresponding results for weekly marketadjusted returns. The use of weekly returns for this study is consistent with previous studies conducted in developed markets such as Hou (2007), Haque (2010). The results in weekly raw returns seem to be different from the results in market adjusted returns. Based on the findings, only one sector confirms the existence of positive effects of leaders on follower stocks that is textile sector. The sector has the outcome of t-statistics of 1.80393, which obviously greater than 1.645, as a result it is considered as achieving the 90% confidence level. Since this sector demonstrates the result in 10% level of significance, that means the positive effect of leaders is there yet it is less strong compared to the weekly market adjusted returns results. In weekly marketadjusted returns, strong lead-lag effects are observed for fewer sub industries compared to daily market adjusted returns.

There are only three sectors that included to be enclosing the positive effects of leaders on followers' stocks. The sectors are plantation, investment and textile, which show strong positive effects of leaders on followers particularly in the weekly market adjusted returns. The strongest effect is seen in plantation sector, which results in a significance of one percent (1%) level. The greater effects of leaders on followers than vice versa also found in this study for both raw and market adjusted of weekly returns. Unlike the results from daily returns, it is obvious to see that this effect is shown more results in weekly returns. In weekly raw returns, the property, wholesale, banking, investment, automotive and textile sectors have given contribution in the presence of greater effects of leader portfolios on follower portfolios than follower stocks to the leader ones. In the weekly market adjusted returns result, only plantation sector that has the greater effect of leaders on followers than vice versa by means that in this sector leader stocks have greater influence towards the followers rather than followers to leaders.

This study finds the duration of lead-lag effects in Indonesian industry portfolios. It demonstrates how soon after a shock to a sub industry's leaders, a response is seen in the leader stocks and in the follower stocks of that sub industry. In addition, the table explains for how long those effects last in that particular period in which for this study is using five periods of lags.

For the results in Indonesia, the durations of lead-lag effects help investors to know when is the best time to invest in particular sector. In daily returns, it shows investors on which day after the leaders' shock that make significant contribution in the raising of the follower stocks. In daily raw returns results do not have any outcome that stand as evidence of the existence of lead-lag effects between leader and follower stocks. The significance of results is demonstrated in food and beverages, investment, animal feed and coal mining sectors. As a result, the durations of lead-lag effect in these returns are only to explain the duration of those sectors. For instance, the food and beverages sub industry, in the daily market adjusted returns, indicates lead-lag effect starts in second day periods after the shock and the effects of the shock can be seen up to the fifth period of days following the shock. For investment sector, the duration of leadlag effects in daily market-adjusted returns shows the result of 1:2. It confirms that the leaders shock has significant contribution in the follower's shock, which begins from first day after the shock until the next day after the shock. Moreover, the study shows the result for animal feed sector to be 1:4 which indicates that the followers' shock happens from the first day after the leaders' shock and it ends on the fourth day. Finally, the last sector that contributes significant result in duration of lead-lag effect for daily

market-adjusted returns is coal mining sub industry. This sector signifies that when the leaders shock happens on the second day, the duration of followers' shock following the leaders exist directly in the same day after the initial shock. The duration of leadlag effects in daily returns, as mentioned above provides the magnitude of in which day and how long the investment strategy could be implemented. The duration is shorter within days in which investors desire to invest for short-term period. The existence of daily duration of leadlag phenomenon is consistent with Hou (2007) who believes that transmission of information to leader stocks will affect to follower stocks immediately and last for short period of time. In addition, the duration of lead-lag effects can be the reflective moment in buying or selling the follower stocks. Based on the daily returns data there are four sectors out of ten sectors that are being analysed in this study, which have strongly positive effects of the existence of lead-lag phenomenon. The sectors are food and beverages, investment, animal feed and coal mining sectors. These sub industries demonstrate that lead-lag effects do exist in daily returns although it does not cover in all sectors. This could be the evidence of certain sectors that lead for investors to invest in those particular small stocks in order to obtain abnormal returns of short-term investment.

The textile sector has the duration of (1:4) in the weekly raw returns results. It signifies that the followers' shock occurs on the first week until the fourth week

following the leaders' shock. For marketadjusted results, the sectors that show significant outcomes consist of plantation, investment and textile sectors. The duration in the plantation sector states 1:2 by means the duration of followers' shock lasts only one week after the leaders'. The next sector that has significant result is investment sector in which the follower's shock occurs at the same week after the leaders' shock. On the other hand, the effect in textile sector shows the duration of 2:5 that explains followers' shock will be occurred on the second week until the fifth week following the leaders' shock. Finally, textile sector contributes the duration of follower shock following the leader shock of 2:5. It affirms that follower's shock happens on the second day after the leaders' shock and it stops at the fifth week. The weekly duration of lead-lag effects is confirmed in certain sectors, which include plantation, investment, and textile sectors. These sectors provide evidence that leadlag effects can be occurring in longer period than days. Lead-lag phenomenon in weekly returns verified that investors might see the opportunity to invest in small stocks of the proven sectors as longer investment than the daily ones. Based on the results of both daily and weekly returns in table 4.8, it is consistent to observe that those outcomes are by some means connected to each other. For example, the result in daily market adjusted returns for investment sector is stated 1:2, which means the follower's shock occurs on the first day after the leader's shock and will last until

the second day. In the weekly market adjusted returns result 1:1 by means the follower's shock happens during the first week following the leader's shock and it stops on the same week. This is unswerving with the daily market adjusted returns result that also asserts the shock appears to be happening during two days on a week period. Another confirmation is seen in the food and beverages, animal feed and coal mining sector, which consistently show only significance in daily returns but not in weekly returns. These sectors explain that the lead-lag duration simply occur in daily period and not in weekly period. This is validated by the non-existence of lead-lag durations on their weekly returns results. The duration of lead-lag phenomenon is strongly showed significance in the plantation's weekly market adjusted return result. And yet again, this sector is not significance in the daily market adjusted return result. One of the factors that triggers of weekly significance results in duration is the slow diffusion of information of leader stocks that affect the follower stocks. The transmission of information does not occur in days but it takes place in weeks.

CONCLUSION

From the results analysed and discussed in this paper, there is evidence to support the existence of lead-lag phenomenon in Indonesia equity portfolios. It discovers returns to stocks with relatively high market capitalization lead returns to stocks with relatively low market capitalization in the same given sector. Nevertheless, from the ten sectors, which are tested in this study, not all of the sectors encompass the phenomenon. There are six (6) sectors that show the positive effect of leader stocks on the follower portfolios, which include food and beverages, plantation, investment, textile, animal feed and coal mining. The rest of the sectors, property, wholesale, banking and automotive sectors do not show any significance results neither in 1%, 5% nor 10%.

This perhaps due to the lack of homogeneity in the business nature between leaders and followers stock, as a result the followers do not tend to follow the leader stocks with a lag. The insignificant results may arise also as a response to the data used in this study. In other words, the selected data that represent leader stocks might have similar market capitalizations to the followers' ones. This is because of the inadequate samples to signify leaders and followers in duration of lead-lag effects. This is useful in terms of implementing the trading strategy in Indonesian capital market. The durations assign information in when to buy and sell the small stocks based on the increase of big stocks' share price. Moreover, this kind of information are presented in daily and weekly returns therefore, investors may gain effective comprehension in which terms of period they desire to invest.

This study has made a number of major contributions in the empirical literature on lead-lag effects, particularly in Indonesian literature. It has demonstrated that lead-lag effects may be stronger in the sectors that have more clearly defined leader stocks. In specific strong lead-lag effects are found for the plantation sector in Indonesia whose larger stocks or leader stocks are significantly larger than the remaining stocks in the sub industry. Nonetheless, the lead-lag phenomenon found in Indonesia is not as strong as those documented by Hou (2007) and Haque (2010). This might due to the more clearly defined leader stocks in US and Australia than the corresponding sectors in Indonesia. Moreover, it has shown that lead-lag effects may be because of the behavioural trend chasing as the results of significance are seen more in the daily returns than in the weekly returns. Finally, it has been shown that even as leadlag relationships perhaps due to differential response times of stocks to market-wide information, there is also possible to be a within-industry transmission effect from leader stocks to follower stocks that drives the lead-lag phenomenon.

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The Interrelationship between Intellectual Capital and Financial Performance: A Case Study of Indonesian Insurance Companies

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ABSTRACT

This study aims to confirm the interrelationship between intellectual capital and financial performance by examining 9 (nine) public-listed Indonesian insurance companies' financial statements from 2009 to 2013. Through this, it expects to determine which variables were more influential to intellectual capital and financial performance using secondary, time series, and panel data. Based on Canonical analysis results, the dominant influence on the financial performance of intellectual capital rather than vice versa. Granger causality analysis results indicate that all the variables of intellectual capital and financial performance can be mutually influential. Not all variables have a significant influence one with another. The variables that have significant influence among one another is HCE to ROA, ROE to SCE, and ROA to ROE (not vice versa). It shows that for the case of Indonesian, insurance company's financial performance has more dominant effect than intellectual capital.

Keywords: Intellectual Capital, Human Capital Efficiency, Structural Capital Efficiency, Physical Employed Efficiency, Financial Performance, Canonical Model, Granger Causality Model

INTRODUCTION

Human resources are the most important of organisational resources. It needs to be balanced with other production inputs in order to be beneficial to a company's performance. Intellectual Capital is an intangible asset that is not easy to measure,

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E-mail addresses: ceceph1267@binus.ac.id (Hidayat, C.), xanderputong@gmail.com (Putong, I.), rpuspokusumo@binus.edu (Puspokusumo, R. A. A. W.) * Corresponding author according to Marko (2013), intellectual resources and intellectual capital can only have a competitive advantage when management recognizes the importance of the individual experience. According to Sharma (2013), human capital includes the character, attitude, health, and selfmotivation. Meanwhile knowledge assets are just part of the intangible factors that contribute to a person's performance.

The service sector accounts for over 70 percent of business, with the insurance services sector being an important business activity. Based on a selection criteria centered on organizational performance some insurance companies were identified. Organizational performance is a variable that is thought to have close links with the intellectual capital. Intellectual capital with the existing dimensions can be analyzed by the contribution to the overall good performance of a company. In this study, organizational performance variables are limited to financial measures as a mean of organizational performance of the most common and often used in previous studies.

Several previous studies suggested that the intellectual capital significantly affect organizational performance (Bollen, Vergauwen, & Schnieders, 2005; Salicru, Perryer, & Hancock, 2007; Choudhury, 2010). In this regard, the authors are interested to analyze the interrelationship between the variables of intellectual capital and organizational performance of insurance companies, especially insurance companies in Indonesia that have gone public. The purpose of this study was to analyze the interrelationship model of intellectual capital and corporate performance based on the interpretation of 9 (nine) Indonesian insurance companies financial statement. Other study aimed at determining which variables were more influential among intellectual capital and financial performance.

Based on previous research that examines the relationship between intellectual capital and corporate performance, it is found that the majority states that intellectual capital has a positive and significant impact on the firm financial performance. Theoretically, the better intellectual capital of the company, the better company's financial performance would be. Empirically, the development of the company's intellectual capital tends to remain in the long term, increase and dropped precipitously (constant trend) while financial performance is likely to vary with the trend tends to decline. The results of statistical test based on secondary data derived from the financial statements of the nine Indonesia Insurance company showed that the average intellectual capital with the Financial Performance for a variance, median and mean total significance which indicates the difference, meaning the two variables are not linear, homogenous, and normal correlation (figure 1).

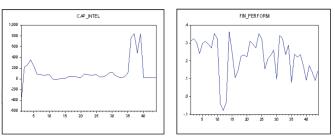


Figure 1. Intellectual Capital and Financial performance

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Based on above arguments and figure 1, as the underline phenomenon of why this research needs to be conducted, especially for Indonesian companies engaged in insurance. Research results obtained are expected to answer the question of why the intellectual capital and financial performance has a tendency of inequality.

LITERATURE REVIEW

Human capital also referred to as intellectual capital is an intangible asset that is not easy to measure, because initially you need to have a dynamic nature and relatively change with changing circumstances. According to Sharma (2013), human capital concerns not only at the skills and expertise of a person in an organization, but also includes character, attitude, health, and self-motivation. In the opinion of Marko (2013), intellectual resources and intellectual capital can only be a competitive advantaged when management recognizes the importance of individual experience, as well as knowledge of an individual has a positive influence on the current development and future of the organization. Dae-Bong (2009) says that the concept of human capital consists of three aspects, namely individual, human capital itself, and production-oriented perspective. Intellectual capital indicator variable in this study refers to the opinion of Pulic (2008), which consists of three indicators, namely human capital efficiency (HCE), structural capital efficiency (SCE), and physical capital efficiency or physical employed efficiency (PEE). Physical

capital efficiency sometimes called also capital employed efficiency (CEE). Value added intellectual coefficient (VAIC) method developed by Ante Pulic in 1998 will be used in this research.

The Value added (VA) indicator is measured in monetary units. It is the difference between the output (OUT) and input (IN) and represents the value created by the organization during a year. VA = OUT- IN, where output (OUT) is total income or total revenue generated by an organization during the year by selling goods or services. Input (IN) is costs that are incurred by the organization towards purchase of inputs for business operations.

Human capital (HC) is one of the most important components of intellectual capital. It covers all expenditure on employees' compensation and development. Structural capital (SC) is a skeleton of organization. It includes institutionalized knowledge and comprehensive experiences based on routine activities and processes. Structural capital refers to the organization structures, systems and processes that enable an organization to exploit the intellectual capital. Capital employed (CE) includes the net physical and material assets of the organization employed for attaining financial goals.

Value added intellectual coefficient (VAIC) indicates the intellectual capability of the organization. VAIC is the sum total of the three components for example HCE, SCE and CEE, and indicates the intellectual capability of the organization. The formula of Value Added Intellectual Coefficient: (1)

VAIC = HCE + CEE + SCE

Where,

Human capital efficiency (HCE) is the ratio of value added (VA) to human capital (HC). This ratio gives the contribution made by every unit of money invested in HC to the VA in the organization. It is an indicator of value added efficiency of human capital and calculated as a follow:

$$HCE = VA/HC$$
(2)

Physical employed efficiency (PEE) is the ratio of value added (VA) to capital employed (CE); this ratio shows the contribution made by every unit of CE to the VA in the organization. It is an indicator of value added efficiency of capital employed and calculated as a follow:

$$PEE = VA / CE$$
(3)

Structural capital efficiency (SCE) is the ratio of structural capital (SC) to value added (VA). It is an indicator of value added efficiency of structural capital and calculated as a follow:

$$SCE = SC / VA$$
 (4)

The concept of intellectual capital has been getting great attention from various parties, especially accountants and academics. This phenomenon requires them to seek more detailed information on matters related to the management of intellectual capital. A company's intellectual capital can be seen from the knowledge and skills possessed by employees, structures and

corporate strategy, information technology, customer loyalty and suppliers. The measurement can be done by various methods now widely experienced growth. Human capital can be increased if the company can exploit and develop the knowledge, competence and skills of its employees efficiently. Therefore, human capital is a key resource that can create a competitive advantage companies so that companies are able to compete and survive in a dynamic business environment. By having skilled employees, it can improve the performance of the company and ensure the sustainability of the company. Increased performance of the company will also increase the market perception

Organizational performance illustrates how far an organization is able to achieve its targets. The performance of an organization can generally be divided into two, namely the performance of financial and nonfinancial performance. Rauch, Wiklund, Lumpkin, & Frese (2009: 9) states that business performance is a multidimensional concept. One distinction is between financial and non-financial measures. The size of the non-financial dealt with matter such as satisfaction and success rates determined by the owner or manager of the company. Financial measures include an assessment of factors such as sales growth and return on investment. In this study given with regard to the availability of data, used as a performance measure of financial performance of insurance companies. The financial performance indicators are used as benchmarks in this study are two financial ratios most frequently and commonly used are: return on assets (ROA) and return on equity (ROE).

Return on equity (ROE) is a measure of profitability that calculates how many dollars of profit a company generates with each dollar of shareholders' equity. ROE is an indicator that measures how effective management using equity financing to fund operations and grow the company. The investors want to see a high return on equity ratio because this indicates that the company is using its investors' funds effectively. The formula for ROE is: ROE = Net Income/Shareholders' Equity. ROE is sometimes called return on net worth. Net income is for the full fiscal year (before dividends paid to common stock holders but after dividends to preferred stock) Shareholder's equity does not include preferred shares.

The return on assets (ROA), often called the return on total assets, is a profitability ratio that measures the net income produced by total assets during a period by comparing net income to the average total assets. The assets of the company are comprised of both debt and equity. Both of these types of financing are used to fund the operations of the company. ROA is an indicator that measures how efficient management is at using its assets to generate earnings. ROA calculated by dividing a company's annual earnings by its total assets, ROA is displayed as a percentage. Annual earning is a company's total revenue for a calendar or fiscal year less its annual operating expenses, interest paid, depreciation, and taxes. Total asset is the sum of all cash, investments, furniture, fixtures, equipment, receivables, intangibles, and any other items of value owned by a person or a business entity.

Another study describes the relationship between intellectual capital and organizational performance is research Salicru et al. (2007) argued that there is a significant relationship between the two variables

Bollen et al. (2005) in his research suggests that the three main elements of intellectual capital are human capital, structural capital and relationship capital affect the performance indirectly, because there are other variables that mediate namely intellectual property. In the study also noted that the three main elements of intellectual capital are human capital, structural capital and relationship capital have a reciprocal relationship of mutual influence. The study of Chen, Cheng, & Hwang (2012) revealed that the greater company's intellectual capital efficiency results greater profitability and revenue growth both the current and the following years. Research from Mondal and Ghosh (2012), indicates that intellectual capital is an important determinant of profitability and productivity.

The Research to determine the opposite relationship, namely the relationship of the financial performance on human resources has been conducted by several researchers, although very limited. One is research Micah, Ofurum, & Ihendinihu (2012), showed that one indicator of the financial performance of ROE has a strong positive influence on the human resources disclosure accounting (HRA). El-Bannany (2012), states that one of the findings that one indicator of financial performance namely profitability affect the increased efficiency of intellectual capital performance.

Most of the previous studies revealed a positive relationship between intellectual capital and organizational performance. A small fraction of the researchers examined the opposite (the effect of the financial performance of intellectual capital). Based on empirical phenomena and previous studies, this study will examine the two-way relationship. The nature of the variables relationship can be seen from the research paradigm. The research paradigm and a hypothetical interrelationship estimates between the variables can be seen more detail from Figure 2 and 3.

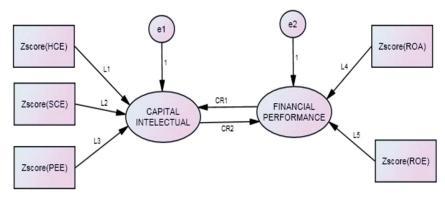


Figure 2. Canonical Correlation - Two Variates

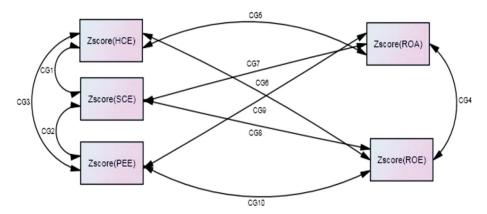


Figure 3. Granger Causality Model - Five Variable

Based on the theoretical framework that have been discussed previously, it can be arranged several hypotheses as follows: (1) There is a significant interrelationship between intellectual capital and firm performance; (2) One of the variables (intellectual capital or financial performance) has a more dominant influence than the others; (3) There is a significant interrelationship between human capital efficiency, structural capital efficiency, physical capital efficiency, return on asset, and return on equity.

The benefits of this research are: (1) Provide the development of concept in human resource management for the company based on the latest findings, particularly for insurance companies to develop and harness the power of business through intellectual capital; (2) Provide input for the insurance company on its corporate intellectual capital; (3) Add insight and knowledge of intellectual capital by using financial statement data.

RESEARCH METHODOLOGY

The main focus of the study was to analyze the interrelationship between intellectual capital variables and the company financial performance. The population of study is the insurance companies that have go public and is listed on the Indonesia Stock Exchange at the time of the study. The suggests that there are only 9 companies both national companies and affiliated national companies: Asuransi Bina Dana Arta Tbk, Asuransi Harta Aman Pratama Tbk, Asuransi Bintang Tbk, Asuransi Dayin Mitra Tbk, Asuransi Multi Artha Guna Tbk, Asuransi Jasa Tania Tbk Asuransi Ramayana Tbk, Lippo General Insurance Tbk, and Panin Insurance Tbk.

The main data sources used in this research is secondary data derived from the financial statements of insurance companies in Indonesia that have go public were chosen as a unit of observation. The data were analyzed is time series panel data between 2009 and 2013 that consist of 9 insurance companies already listed on stock trading in the Indonesia Stock Exchange. The study uses secondary, time series, and panel data with the main analysis tools using Canonical model in multivariate and Granger causality model in bivariate.

Canonical correlation analysis is a method for exploring the relationships between two multivariate sets of variables. Canonical correlation analysis does not make strong normality assumptions. However, as with all least squares procedures, outliers can cause severe problems. In this case, the study needed to analyse scatter plots of each pair of variables, watching carefully for curvilinear patterns and for outliers. The occurrence of curvilinear relationship will reduce the effectiveness of the analysis.

Multicollinearity occurs when one variable is almost a weighted average of the others. Singularity occurs when this relationship is exact. Try running a principal components analysis on each set of variables, separately. If there is eigenvalues at or near zero, that means there is a multicollinearity problem. In this case, omit the offending variables. The correlation matrix of all the variables is divided into four parts:

- 1. R_{XX} , The correlations among the **X** variables.
- 2. R_{yy} , The correlations among the Y variables.
- 3. R_{xy} , The correlations between the **X** and **Y** variables.
- 4. *Ryx*, The correlations between the **Y** and **X** variables.

Canonical correlation analysis may be defined using the singular value decomposition of a matrix C where:

$$c = R_{yy}^{-1} R_{yx} R_{xx}^{-1} R_{xy}$$
(5)

The *average squared loadings* are given by:

$$pv_{xc} = 100 \sum_{i=1}^{k_x} \frac{a^2 xc}{k_x}$$
(6)

The *redundancy indices* are given by:

$$rd = \left(pv\right)\left(R_c^2\right) \tag{7}$$

Granger Causality is mostly examined in the time series context; it might be thought that it is strictly a time-series concept. According to Lu et al. (2014) by basing the opinion of Holland (1986) states that Granger- causality has directly relevant and useful causal content not only for time-series cross-section panels, but also for pure cross-sections under certain conditional exogeneity assumptions. According to Lu, Su, & White (2014), Cross-Section Structural Causality can be assumed as follow: *Let j be given. If* the function $r(_; z; u; aj; bj)$: $D_j \rightarrow R_{ky}$ is constant on D_j for all admissible z and u; then D_j does not structurally cause Y_j ; and we write $D_j \neq Y_j$: Otherwise, D_j structurally causes Y_j ; and we write D_j => Y_j : Here we implicitly assume that under the set of counterfactual policies D_j , both the structural function r and its other arguments (z; u) are invariant. This can be achieved by using a large dimension of unobservable U_j and b_j . Structural causality can be easily understood in the familiar linear structure for scalar Y:

$$Y_{j} = b_{j,0} + D'_{j}b_{j,1} + Z'_{j}b_{j,2} + U_{j}, \qquad (8)$$

Where: $b_j = (b_{j,0}, b'_{j,1}, b'_{j,2})'$. If $b_{j,1} = 0$, then D_j does not structurally cause *Yj*: Otherwise, it does.

RESULT AND DISCUSSION

The analysis in this study is intended explain and answer phenomenon to that has been described previously. The phenomenon is based on the real critical question what is more influential variable between intellectual capital and financial performance. Technique analysis used Canonical correlation (in multivariate) and Granger causality (in bivariate). Intellectual capital consists of three variables, namely human capital efficiency (HCE), structural capital efficiency (SCE) and physical employed efficiency (PEE). While financial performance consists of two variables: return on asset (ROA) and return on equity (ROE).

The first step in the analysis of raw data obtained is to test the normality, linearity, and homogeneity. Therefore, the data was not normal statistically, linear and homogeneous, it is necessary to standardize using a Z-score model formula (4).

$$Z_{Score} = \frac{x_i - \overline{x}}{\sigma_x} \tag{4}$$

Table 1		
Equality Test (Mean,	Variance, and Media	an)

	Mea	n	
Method	df	Value	Probability
Bartlett	4	1.42E-14	1.0000
Levene	(4, 215)	2.002451	0.0953
Brown-Forsythe	(4, 215)	2.075723	0.0851
	Varia	ice	
Method	df	Value	Probability
Anova F-test	(4, 215)	2.08E-28	1.0000
Welch F-test*	(4, 107.5)	2.04E-28	1.0000
	Medi	an	
Method	df	Value	Probability
Med. Chi-square	4	15.09091	0.0045
Adj. Med. Chi-square	4	13.20455	0.0103
Kruskal-Wallis	4	3.183550	0.5276
Kruskal-Wallis (tie-adj.)	4	3.183598	0.5276

4

Equality test (table 1) indicates that the data has been linear (equal mean), homogeneous (equal variance) and a near-normal distribution (equal to the median), thus deserves to be analyzed using canonical models and Granger causality. The next stage of the analysis is to determine Z-score of Intellectual

van der Waerden

capital comprising human capital efficiency (ZHCE), structural capital efficiency (ZSCE), and human capital efficiency variables (ZPEE). Likewise, the analysis data for Z-score financial performance variables consists of return on asset (ZROA) and return on equity (ZROE).

0.9305

0.858217

The next analysis stage of this research is the canonical analysis. Rules in canonical analysis is the number of covariates were formed based on the fewest number of variables. Financial Performance in this study consists of two variables (return on assets and return on equity) and intellectual capital consists of three variables (human capital efficiency, structural capital efficiency, human capital efficiency). In this case the least number of variables is the canonical Financial Performance (latent variable) is composed of two variables, so that as many as two covariates formed. From the two covariates were formed only who have the greatest canonical correlation are used, while the others covariates are considered as a randomized trial.

This result (table 2) shows that Cancorr covariates 1 at 0.523 and significant statistically, because of the coefficient LR < Multivariate Test WL-PTH-LTR-GR, while covariates 2 were not significant and CanCorr coefficient is smaller than covariates 1. Furthermore, only covariates-1 has to be analyzed.

Canonical Coefficients		
Standardized Canonical Coefficients for FINPERFORM	1	
	FINPERFORM 1	FINPERFORM 2
ZROA	-0.506781	1.148147
ZROE	-0.608628	-1.097561
Standardized Canonical Coefficients for CAPINTEL		
	CAPINTEL 1	CAPINTEL 2
ZHCE	-0.127906	0.980876
ZPEE	-0.584895	-0.031201
ZSCE	0.713716	0.201946

Based on these results it can be seen that the direct effect ZROA and ZROE to Financial Performance (FP) each for 0.506 and 0.608 is negative. This indicates that the company's financial performance cannot be measured using ROA and ROE indicators. In fact, statistics explains that for every increase in ROA and ROE actually causes the company's financial performance declined. Means if the ROA and ROE decreased financial performance actually improved. It is clear that insurance companies actually as a business person to bear the real risks. The result implies that the insurance company be more focused to increase customers, as more and more customers, the return on assets will decrease. By decreasing the return on assets, the financial performance will increase.

For variable intellectual capital, ZHCE and ZPEE have negative effect respectively by 0.127 and 0.585, while ZSCE has a positive effect for 0714. It is clear that when

Table 2

ZHCE and ZPEE increase the company's intellectual capital is decreasing, but when ZSCE increase the intellectual capital of the company increased. Generally, means the company does not require hard effort to raise some intellectual capital variables, except HCE. It means companies can cut funding to improve the quality of human resources.

In general, when a company wants to improve financial performance, it must increase the intellectual capital. This condition explains that the 62.2% the company's financial performance influence directly by the company's employee intellectual. The better company's intellectual employees, better the company's financial performance. The problem is that the numbers 62.2% are symmetric, meaning that theoretically if the company's financial performance affects the company's intellectual capital, then the effect is the same at 62.2%, whereas the company's financial performance indicator rises when performance falls, as well as the intellectual capital, 2 of 3 variables should be dropped so that intellectual capital rises. Therefore. necessary to determine which variables is more dominant between intellectual capital and financial performance. It needs to be calculated for an average share of variance of each variable canonical as shown in table 3.

Table 3

Intellectual Capital			Fin	ancial Perform	nance	
Rata-rata	R	R ²	CanCorr	Variable	R	R ²
ZHCE	-0.127906	0.01636	0.622	ZROA	-0.506781	0.256827
ZPEE	-0.584895	0.342102	CanCorr^2	ZROE	-0.608628	0.370428
ZSCE	0.713716	0.509796	0.39			
Rata	a-rata	0.289		Rata	n-rata	0.314

R, R² and Canonical Correlation beetwen Intellectual Capital and Financial Performance

The effect of intellectual capital variations to the Financial Performance is the amount of: 0289 x 0:39 = 0.113. Thus the magnitude of the direct effect is $\sqrt{0.112} = 0.34$ or equivalent 34%. While the influence of financial performance to intellectual capital is the amount of: 0:39 x 0.314 = 0.122, which means its direct effect is $\sqrt{0.122} = 0.35$ or equivalent to 35%. The results showed that mathematically, more

dominant the influence of the financial performance on intellectual capital rather than the opposite which is only 34%. The statistical difference of 1% is not significant. Actually means two canonics (latent variable) above have the same effect on each other. The results show that for the case of Indonesian insurance company's financial performance has more dominant effect than intellectual capital despite the relatively small difference. If the insurance company must determine priorities between intellectual capital and financial performance, the financial performance should be prioritized. Although intellectual capital should still be considered because the difference was not significant statistically.

Table 4Granger Causal Analysis

Null Hypothesis:	Obs	F-Statistic	Prob.
ZPEE does not Granger Cause ZHCE	42	0.03787	0.9629
ZHCE does not Granger Cause ZPEE		0.23922	0.7885
ZROA does not Granger Cause ZHCE	42	0.84553	0.4375
ZHCE does not Granger Cause ZROA		0.29263	0.7480
ZROE does not Granger Cause ZHCE	42	0.35403	0.7042
ZHCE does not Granger Cause ZROE		0.19270	0.8256
ZSCE does not Granger Cause ZHCE	42	0.06126	0.9407
ZHCE does not Granger Cause ZSCE		0.01600	0.9841
ZROA does not Granger Cause ZPEE	42	0.09317	0.9112
ZPEE does not Granger Cause ZROA		0.35344	0.7046
ZROE does not Granger Cause ZPEE	42	1.50420	0.2355
ZPEE does not Granger Cause ZROE		2.06371	0.1414
ZSCE does not Granger Cause ZPEE	42	0.40675	0.6688
ZPEE does not Granger Cause ZSCE		0.18118	0.8350
ZROE does not Granger Cause ZROA	42	1.23141	0.3036
ZROA does not Granger Cause ZROE		1.43732	0.2505
ZSCE does not Granger Cause ZROA	42	0.46892	0.6293
ZROA does not Granger Cause ZSCE		2.17076	0.1284
ZSCE does not Granger Cause ZROE	42	0.35348	0.7046
ZROE does not Granger Cause ZSCE		3.20206	0.0522

To determine whether the variables that make up the above canonical variables affect each other or not, Granger causality test, the results are shown in table 4. All test indicators with alpha 1% to 5% indicates that the null hypothesis is rejected. Thus each of the variables mentioned above can indeed be mutually influence one another (table 4). All test indicators with alpha 1% to 5% indicates that the null hypothesis is rejected. Thus each of the variables mentioned above can indeed be mutually influence one another to determine whether significant or not, it is necessary to test non-recursive on this model, the results are shown in table 5.

Intellectual Capital and Financial Performance

Table 5 Non Recursive Test

	Estimate	S.E.	C.R.	Р	Label
ZROA \leftarrow ZHCE	264	.495	534	.593	par_1
ZHCE \leftarrow ZROA	1.000				
$ZROE \leftarrow ZSCA$	1.000				
$ZSCE \leftarrow ZROE$	-1.441	1.222	-1.179	.238	par_2
ZROA ← ZSCE	728	.435	-1.674	.094	par_3
ZSCE ← ZROA	1.134	1.798	.631	.528	par_4
ZROA \leftarrow ZPEE	.542	9.078	.060	.952	par_5
$ZROE \leftarrow ZPEE$.163	4.963	.033	.974	par_6
ZHCE \leftarrow ZSCE	.039	.475	.081	.935	par_7
$ZSCE \leftarrow ZPEE$	173	15.857	011	.991	par_8
ZPEE \leftarrow ZHCE	015	24.927	001	1.000	par_9
ZHCE \leftarrow ZPEE	283	19.103	015	.988	par_10
$ZROA \leftarrow ZROE$	567	.257	-2.207	.027	par_11
$ZROE \leftarrow ZROA$	1.000				
ZPEE \leftarrow ZROA	010	7.714	001	.999	par_12
ZSCE \leftarrow ZHCE	1.000				
$ZPEE \leftarrow ZSCE$.028	9.270	.003	.998	par_13

The test results (table 5) show that, ZHCE on ZROA, and ZROE on ZSCE (not vice versa) influential significantly. Also ZROA has significant influence on ZROE (not vice versa). This suggests that variables other than those specified, in addition ROA to ROE, although it is non-recursive, there was no mutual influence directly on each variable on purpose. Means in these company, the increase in purely financial performance is due to the contribution of the variables in it are canonical.

CONCLUSION AND RECOMENDATION

Intellectual capital positive has а and significant influence on financial performance. If the insurance company wants to improve its financial performance, it should increase its intellectual capital. The direct effect of financial performance on the intellectual capital is greater than the reverse. It shows that for the case of Indonesian insurance company's financial performance has more dominant effect than intellectual capital despite the relatively small difference.

The direct effect of return on asset and return on equity to financial performance is negative. This indicates that the company's financial performance cannot be measured using return on asset and return on equity indicators. For every increase in return on asset and return on equity actually causes the company's financial performance declined. If the return on asset and return on equity decreased, financial performance actually improved. It is clear that insurance companies actually as a business person to bear the real risks. This result implies that the insurance company be more focused to increase customers, as more and more customers, the return on assets will decrease. By decreasing the return on assets, the financial performance will increase.

The results analysis also showed that human capital efficiency and physical employed efficiency have a negative effect on intellectual capital. Meanwhile structural capital efficiency effects positively on intellectual capital. Therefore, the company should prioritize structural capital efficiency to increase its intellectual capital. The company does not require hard effort to raise some intellectual capital variables, excepted human capital efficiency. It means companies can cut funding to improve the quality of human resources.

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Hospitality Student Satisfaction Regarding Internship in Jakarta, Indonesia

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ABSTRACT

The objectives of this study are to find out the importance of internship for students and the factors for their motivation and satisfaction as interns in the hospitality industry. This research uses the quantitative method through a questionnaire to gather data. Seventy-two questionnaires were collected from Diploma-4 students in hospitality and tourism major universities in Jakarta, Indonesia. Different analyses were employed. The result shows that the students are aware about the importance of the internship. The results also depicted that the location of the hotel had the highest effect on the overall satisfaction. Overall, the students were satisfied with the internship program. To improve the internship programs, the findings of this study recommend the hotel industry and the school offering hospitality and tourism programs to consider the views of students.

Keywords: Hotel Industry, Internship, Motivation, Satisfaction, Jakarta

INTRODUCTION

Hospitality and tourism industry is one of the important industries in the world. This industry contributed to employment, foreign exchange, income, and tax revenue (Geoldner & Ritchie, 2012). Hospitality and tourism industry in some countries such as France, Spain and Malaysia is a largest commodity in international trade (Geoldner & Ritchie, 2012). This industry is also recognized as one of the fastest growing sectors in the world. Forbes (2014) says the hospitality industry will create an additional 75 million jobs. In addition, according to international Labor Organization's statistics

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E-mail address: yuli@binus.edu (Yuliana) (ILO) in 2013, hospitality industry (including tourism) provided more than 225 million jobs all over the world in 2010 and projected to provide 296 million jobs by 2019.

In Indonesia, hospitality and tourism industry ranked fourth largest GDP generator among goods and services sectors, and is one of the important component of the country's economy. In addition, the industry is a source of the foreign exchange revenues, with \$9billion contribution of foreign exchange in 2012, and overall, the industry contributed 8.9% of Indonesia's GDP and supported 8% of the country's total employment (Geoldner & Ritchie, 2012). In Indonesia, it is estimated 700 to 800 hotels will be built in the next decade, concentrated in Jakarta, West Java, Central Java, East Java and Bali. Jakarta, as the country's capital, listed as number one emerging city in 2014, will overtake Singapore and Hong Kong for global businesses in 10 to 20 years' time (Kearney, 2014).

Since the hospitality industry is service-related, and relies on people's communication skills and technical skills, that need to be learnt specifically in the form of education. Those sets of skills are required to create proficient and goodquality employees who will be working in the hospitality and tourism industry, if taught in the proper way. According to (Hobson, 1995), to fulfill the increasing employment opportunities and demand for proficient and well-trained employees, many education institutions offer hospitality and tourism management (HTM) majors. Universities with HTM majors offer the chance to learn theoretically those skills in the classroom. These theories in isolation have no bearing without any practical experience, because generally what the students learn in classroom will be different from how they are practiced.

The above facts encourage an internship or practical training program by universities with a HTM major in their curriculum. Internship has multiple benefits, for example, practical skills that cannot be taught in class, such as using specialized equipment and dealing with difficult customers (Zopiatis and Constanti, 2007). According to (Tse, 2010), internships or practical training programs are a first class opportunity for students to acquire and exercise managerial competencies by observation and practice. Internship requires triangular partnerships from the students, the universities, and the employers or organizations in the industry. Each should get the benefits from the internship program. Internship can strengthen the links between the universities and the industry, which can raise the universities' profile, enhancing the research opportunities and establishing long term working relationships to optimize future graduate employment opportunities (Walo, 1999).

The students are gaining most benefit from the internship. Firstly, they gain the working experience that is not available in the classroom, and applying those skills from the classroom to the real situations. Second, they had better edge in the job market, since the employers are more concerned with the working experience, so internship could help the students securing a job in the future. By doing an internship,

the students can also decide on what career paths they want to choose. Lastly, the students had the opportunities of social and business networking and it helps to increasing their confidence after the internship. Most importantly, the students develop a better understanding of how organizations function. Since internship is consider as working experience, there will be factors that create the students' motivation to do the job assigned to them, which in the end will leads to their satisfaction level. It is also suggested that the success and failure of the internship program will influence the student decision to enter the hospitality and tourism industry after they graduate.

However, internship programs are often considered unstructured, and poorly organized, therefore causing the students to complain about the quality of the program itself (Jenkins, 2001). The benefits for the students are rare when the employment condition were in poor condition such as low rate, no pay for overtime duties, and heavy workloads. In addition, the students are complaining that the full-time staff and managers are not properly train and prepare to help and enhance the students' experience during internship. Some employers even do not pay attention to the objectives of the internship, and just treat the interns (students) as a supplement for a labor shortage instead of developing employees through internship. Previous study also comments that the hospitality schools or departments are not very well prepared to design, monitor and manage

the internship program. This study further added that universities or educational institutes are failing to prepare the students to cope with the challenges and demands of work in this sector. Reference (Fox, 2001) argued that unpleasant internship experiences could quickly turn a person away from the industry, and (Waryszak, 1999) comments that internship programs that fail in meeting students' expectations could discourage them to enter the hospitality and tourism industry after graduation. Since internships are the first working experience students encounter when enters the industry for the first time, it is important to make the internship appropriate and structured because that first time will set the idea of how the industry really is. If one unpleasant internship experience could make a person stepping away from this industry, how many skilled human resources the hospitality industry had to be lost? While the industry needs to have the skilled human resources as much as the growth of the industry, the bigger it gets, the more resources it needs.

Research about students' experience towards internship is limited and based on the knowledge of the researcher. There is no related research about internship that has been done in Indonesia. The students viewed the internships as important, but if the employers did not view it as important, how can the internships work effectively? It could result in low satisfaction from students after the internship, which results in the students not entering the hospitality and tourism industry right after they graduate. Despite of the discrepancies reported from the students, universities and employers, there is a unanimous view that internship is a critical factor in the completion of hospitality curriculum and the transition of student to the real world of work.

Low satisfaction in internship can cause the students to step away from the hospitality and tourism industry, which could decrease the employment rate in the industry. Any shortage in employment will prevent the industry from growing as predicted. To know better about the experience of students during their internship, the main objectives of this study are to understand the efficacy of internship from the students' perspective and also to explore the factors that affect to the students' motivation and satisfaction.

Based on those premises, the research questions for this research are:

- 1) What are the students' perspectives about the efficacy of internship?
- 2) What are the factors that affect the students' motivation and satisfaction during the internship?

The findings of this research will be useful in different ways. For universities, according to (Bao and Fang, 2010), "internship can be considered as a great opportunity for educators to increase the contact and cooperation with the hospitality industry which could enrich the industry's input in course development". This research benefit universities offering hospitality and tourism program (especially to Jakarta areas where the research is done) It will help improve ther quality of the internship program by taking students'point of view. and develop a structured and organized internship program.

Furthermore, internship can strengthen the links between the universities and the industry, which can raise the universities' profile, enhancing research opportunities and establishing long-term working relationships to optimize future graduate employment opportunities (Bell and Schmidt, 1996; Walo, 1999). For employers, internship can benefit in the hiring stages, as it reduces uncertainty when hiring new employees. Also for the employers, this research can also benefit them to help the universities to create the valuable experience for the students, which their positive inputs will improve the reputation of the employers itself to the future students who will take the internship program, and also providing the employers prospective list of employees when the students graduate from their respective universities. Previous studies also note that some firms see internship as a source of inexpensive labor to cope with seasonal demand (Miner and Crane, 1995; Taylor, 2004). Finally, internship could provide students the working experience, which could make them, had more edge on the job market and had the opportunities of networking.

RESEARCH METHODOLOGY

This paper used exploratory research method. A deductive approach was used, with a quantitative method. Quantitative research is a form of conclusive research involving representative samples and structured data collection procedures. This method is needed to complete this research, because it could measure each factor precisely to establish which are the motivators and de-motivators. Descriptive analysis was also used to present and summarize the data that was collected. Mean values and standard deviations of all variables used in this research used descriptive analysis.

The survey technique was used for this research because of its advantages in accommodating a large number of samples and the data could be collected in a short amount of time. This research concentrated on the factors (motivators de-motivators) of the student's and satisfaction regarding the internship, which they had experienced during their studies. The research will focus on three HTM universities in Jakarta, Indonesia, and is limited to the students who already completed an internship during their studies. The research is focused on the hospitality and tourism industry's internship program, which is included in the university's curriculum. Since the research is cross-sectional, considering the amount of time available, the research is concentrating in Jakarta area only. Since this research is cross-sectional, considering the amount of time available, the research is concentrating in Jakarta area only. The questionnaires spread out in three wellknown diploma program universities with HTM major.

The data was collected using a selfadministered questionnaire consisting of five sections, based on prior research (Lam and Ching, 2007; Bao and Fang, 2010; Marinakou and Giousmpasoglou, 2013). The questions are using single-response scale (multiple choice) and 5 point Likert scale. The first segment is about the importance of internship from the students' perspective. The second part breaks down the factors that motivate and de-motivate of students when they do internship. The factors in this section were work environment, location, job, supervision, relationship and pay. The third part measured the level of satisfaction among students. The fourth segment includes an open-ended question, allowing the students with the freedom to write their inputs to improve the internship program and the last section measured the socio-demographic of respondents. The questionnaire designed based on the literature review from the related studies. Multiple linear regression analyses were also used to analyze the data. Multiple linear regression analyses are a statistic analysis used to determine the influence of independent variables on a dependent variable. T-tests were also used to compare the satisfaction in terms of the gender. The data was collected in June 2015.

Since the quantitative research design used for this research, it provides a guide for the purposive sampling where the selected population are not randomly chosen to produce a sample, which are intended to making generalization using Yuliana

statistical inferences. For this research, the best purposive sampling technique that will be use is homogenous technique, where the sample chosen based on the similarity. The chosen participants were selected based on two criteria. At first he/she should already completed internship and secondly they should reside in Jakarta, Indonesia, and done the internship in Jakarta.

To assess the reliability and validity of questionnaire, a pilot test was conducted among 15 students and after the result of reliability test it contributed for actual study. Pilot test is necessary in order to get the indication of how well the participants understand the questions and which questions that are unclear. For pilot test the questionnaire should spread to small groups of people that are representative of the group that are being targeted (Conardie, 2012). For this research, Cronbach's alpha approach used to measure the reliability. The result of reliability test for actual study was satisfactory. The findings revealed the Cronbach's alpha values of .936 for the overall satisfaction and .705 for the internship attributes part. Validity served as the result of measurement. The questionnaire's validity was supported by being reviewed by the experts on the hospitality field.

FINDINGS

The questionnaires were distributed for four days, and in total 72 questionnaires were filled by participants from the selected universities. The participants consisted of 39 females and 33 males students from HTM universities in Jakarta. The participants' age at the time of data collection ranged from age 20 to 24, with an average age of 21.

The Importance Level of the Internship

In the first part of the questionnaire, the participants were asked about the importance of the internship program in the form of a Likert scale. Based on the findings, the students' mentioned that internships are important (M = 4.15) for them to learn more about hotel industry. By completing an internship, the students could experience the hospitality industry and apply what they had learnt in the classroom to real-life situations.

The Motivators and De-Motivators

The students were asked about motivating and de-motivating factors in the second part of the questionnaire. There were six factors: job, supervision, relationship, pay, location and work environment. Since this study employed 5 point Likert scales, the mean score above 3 is considered as satisfactory factor for students. Based on the findings, relationship factors were considered the highest motivator (M =4.01) to the students, followed by work environment (M = 3.82), supervision (M = 3.76), location (M = 3.64), and job (M = 3.40), while the pay factor is considered as a de-motivator (M = 2.68) during internship. Each factor will be explained further below.

Based on the findings, the job factor had an overall mean of 3.40 which suggesting that the students' feel that the job is one of the motivating factors during internship. The supervision factor has an overall mean of 3.76, indicating that the students' feel that supervision during the internship is one of the motivating factors. The relationship factor is the one that highly motivate the students during an internship, with a mean of 4.01.

Pay is a de-motivating factor for the students during the internship. In line with previous studies (Lam and Ching, 2007; Zopiatis and Constanti, 2007; Bao and Fang, 2010), this study also suggested that the pay factor is a de-motivator that could lead thestudents to feel dissatisfied after the internship. Location has an overall mean of 3.64, which indicates that the students' feel

that the location from the hotel to where the students reside at the time is one of the motivating factors during the internship. Work environment, which has an overall mean of 3.82 and is the second highest after relationship factors. The working environment that provides all the students' needs during the internship could motivate the students to do the internship.

Satisfaction Level of the Internship

Part three of the questionnaire consists of the satisfaction related questions based on the six factors listed above. In here, all the six factors were tested to find which factors affected the most to the students' satisfaction during the internship. The results of the questionnaires are explained further in this section.

			Model Summa	ary		
	Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	_
	1	.618ª	0.382	0.325	0.63276	
			Coefficient	5 ^a		
Model	Un-sta	andardized Co	efficients	Standardized Coefficients	Т	Sig.
В			Std. Error	Beta	-	_
Job		0.257	0.104	0.278	2.48	0.016
Supervision		-0.009	0.117	-0.009	-0.076	0.94
Relationship		0.079	0.111	0.077	0.712	0.479
Pay		0.118	0.07	0.186	1.683	0.097
Location		0.305	0.092	0.339	3.297	0.002
Work Environm	nent	0.155	0.118	0.151	1.31	0.195

Table 1Multiple Regression Analysis

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The R square (coefficient of determination) in regression analysis was 38.2% of the total variance in the dependent variable. The F-ratio of 6.696, significant at p < 0.05, shows that the model was reliable.

The final regression equation model was measured as follows:

Y = .490 + .257 job - .009 supervision + .079 relationship + .118 pay + .305 locations +.155 work environment

The value of β in the column of unstandardized coefficients determined the relationship between overall satisfaction during internship and independent variables in this research. If the value is positive, it indicates that there is a positive relationship between dependent variable and independent variables. In this research, two variables had a positive relationship (job and location) on overall satisfaction.

Table 2		
Independent	Sample	es t-test

These values tell to what degree each independent variable affects the dependent variable if the effects of all other predictors are held constant. The regression equation with 6 attributes was significantly related to overall satisfaction of the students, F (6.65) = 6,696, p = .000.

Independent Sample t-test

Independent sample T-test was conducted to gain a better understanding of the overall satisfaction differences between males and female students in Jakarta. A previous study by (Patrick, 2012), states that it is important to know the differences between males and females in terms of education. Based on that study, it is important to know how students at a similar age and from similar social origins differ in science achievements in terms of their gender.

	Levene's Test for Equality of Variances		t-test for Equality of Means			
	F	Sig.	Т	Df	Sig. (2-tailed)	Mean Difference
Equal variances assumed	0.328	0.569	0.454	70	0.651	0.08314
Equal variances not assumed			0.447	62.015	0.657	0.08314
			GROUP STA	ATISTICS		
		Gender	Ν	Mean	Std. Deviation	Std. Error Mean
Overall Sa	atisfaction	Male	33	3.7071	0.85293	0.14848

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The results of TABLE 2, reveal that there is no significant difference in satisfaction during the internship between male and female students, t (70) = .454; p > 0.05. Both males (m = 3.70) and females (m =3.62) were satisfied with their internship experience. Linver, Davis-Kean, & Eccles (2002) also mentions that many researchers still raise the questions on whether the gender differences still exist or not. Many researchers in the science education also finding differences in science achievements when gender is used as a parameter. The current findings informed the subsidiary rationale to carry out this research, because the knowledge on the role of gender in science learning is not complete. However, the area which this study emphasized is directed at the role of gender on internship satisfaction which has very limited literature in Indonesia.

CONCLUSION AND FUTURE RESEARCH

The findings of this study indicate students believed that internship was important for their personal knowledge about the hospitality industry. The results also revealed that relationships with co-workers and staff during the internship had the highest effect on the motivation of the students. It meant that internship helped the students to have a better understanding of professional team-working. These findings were supported by a previous study which stated that students should be encouraged to work as team to share their knowledge and skills related to practice (Wakefield, Boggis, & Holland, 2006). The findings also showed the level of satisfaction of the students during the internship. Two of the factors listed (job and location) are found to affect the students' overall satisfaction. The students' also felt satisfied with their internship, which meant that this work experience will likely affect their future career choices.

Although the students were satisfied with the internship, the satisfaction level would increase if there was some allowance available for them during the internship. It was also found that there was no significant difference between genders on overall satisfaction during the internship. This contradicts the findings of a previous study (Patrick, 2012) which stated there are differences in behavior in terms of gender. This study found that both genders had the same experience regarding internships.

This research can be used by stakeholders in the hospitality industry as well as universities to develop and design high-quality internship programs.

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Family Business and Managerial Ownership: The Effect on the Degree of Accounting Conservatism Practised in Indonesian-Listed Firms

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ABSTRACT

Accounting conservatism and managerial ownership is applied as a means to minimise agency problems. However, different type of ownership will have different level of conflict. Family ownership is deemed to be more affected by agency problem type II. Using the data of Kompas 100 listed firms in Indonesia, this study aims to comprehend the effect of a family ownership and its level of accounting conservatism. The study also analyses the correlation between managerial ownership toward the level of accounting conservatism. Findings show that family business significantly affects the level of accounting conservatism. In contrast, this study cannot find any effect on managerial ownership on the degree of accounting conservatism.

Keywords: Family business, managerial ownership, accounting conservatism, agency problem type I, agency problem type II, Indonesia listed firms

INTRODUCTION

It is common for businesses to practise the separation of ownership and control between management and owners (LaFond & Roychowdhury, 2007). This practice might place managers in a more beneficial position compared to shareholders, since shareholders are not actively engaged in companies' day-to-day operations and have limited real time access to information about the firms compared to managers (Cullinan et al., 2006). This

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E-mail address: rtandiono@binus.edu (Tandiono, R.) * Corresponding author situation might lead to a misalignment of interests between managers and shareholders, thereby contributing to the creation of a potential conflict of interests, which are known as *type I agency problems* (Jensen & Meckling, 1976; Ali et al., 2007). To reduce the negative effects of agency problems, several preventative mechanisms have been applied. Among them is the application of accounting conservatism. Accounting conservatism refers to the condition of recognizing more bad news rather than good news (Basu, 1997). Therefore, conservatism will provide stricter standards in recognizing good news that will minimize the potential practice of negative managerial incentives that arise from information asymmetry occurrences between management and owners (Watts, 2003).

In addition to accounting conservatism, managerial ownership can also serve as a facilitator in reducing agency problems (Jensen & Meckling, 1976). According to LaFond and Roychowdhury (2007), managerial ownership itself can be defined as the proportion of shares owned by the top management. Due to the fact that the existence of managerial ownership creating a better alignment of interests between management and owners. information asymmetry agency problems will be reduced; to generate a low level of conservative practices. .

In Indonesia, accounting conservatism has been widely practiced (Lasdi, 2009). Even though Indonesia is now in the harmonization stage of International Financial Reporting Standards (IFRS) that emphasize the usage of fair value measurements (IAS 13), it is still confirmed that the use of a conservative reporting practice is highly preferred in certain industrial sectors, such as the

agricultural industry. Although IFRS imposes fair value based accounting for the agricultural industry (IAS 41), PSAK still acknowledges the usage of historical costs or conservative accounting reporting in an Indonesian agricultural context due to the nature of Indonesian biological assets that are not suitable to be measured by fair value. Aside from the IFRS convergence factor, several enforcement measures in using conservative accounting have actually been embodied in the content of PSAK itself. For example, until today, the basis for measuring assets (e.g. property plant equipment, inventory, etc.) still reflects the usage of a cost-based measurement instead of a fair value measurement (PSAK 16, PSAK 14). Contingent liabilities and assets are also required to be disclosed along with their future effects regardless of the good or bad effects represented (PSAK 57). Due to the extensive and mandated use of the conservatism principle, this shows that accounting conservatism is still important in a business practice.

Another unique characteristic of Indonesia firms is the type of ownership. Claessens et al. (2000) declared that among all firms listed in the Indonesia Stock Exchange (IDX), around 67% of them are considered as family firms, while 0.6% of them are publicly-held firms. According to Ali et al. (2007), family businesses face different type of agency problem. The agency problem faced by family-owned companies is the misalignment between majority shareholders minority and shareholders.

The existence of different type of agency problems encountered in both family and non-family firms affect the level of conservatism of the firms. Prior research shows that firms owned by founder or family members tend to have a lower degree of conservatism (Firth et al., 2007; Chen et al., 2011). On the contrary, managerial ownership creates better harmonization between managers and owner. Thus, companies with high managerial ownership tend to have lower degree of accounting conservatism (LaFond & Roychowdhury, 2007). Previous studies consider the relationship between two variables. namely the relationship between family ownership and accounting conservatism or managerial ownership and accounting conservatism in developed countries. This study, however, will examine family businesses, managerial ownership, and accounting conservatism as a single correlated research.

Given the fact that majority of the listed companies in Indonesia is owned by founding family or family members, this study will examine the relationship between family ownership and the accounting degree of conservatism. Furthermore, regulation regarding managerial ownership in Indonesia has not been yet properly established. However, the application of managerial ownership is evidenced among the listed firms. Besides family ownership, this study will also examine the relationship of managerial ownership and the level of accounting conservatism.

THEORETICAL FRAMEWORK

Family Businesses and Accounting Conservatism

Prior researches show that family firm, due to its level and type of agency problem, its level of conservatism is low (Firth et al., 2007; Chen et al., 2009). As explained by Chen et al. (2009) when family members (founders) take part in top management (such as becoming the CEO), the family firms will exert a greater alignment of interests. This alignment forms a significant sense of trust toward management from other family members, thereby indicating a low level of agency problems type I. The over excessive trust placed by other family members, however, induced them to use less effort in monitoring the management functions run by a particular family member. As a result, the option to choose a more conservative accounting method would not be undertaken in a serious manner. Furthermore, Firth et al. (2007) also found that Chinese family firms tend to apply less conservative accounting practices due to the family members' intention to maintain their control and dominance in the firms. Accordingly, this study employs the following hypothesis:

H1: Family ownership affects the level of accounting conservatism

Managerial Ownership and Accounting Conservatism

When firms have managerial ownership, an alignment of interests between shareholders and management will be better, thus, reducing agency problems type I in the firms (Jensen & Meckling, 1976).

Based on the previous research, there is a negative correlation between managerial ownership and accounting conservatism (LaFond & Roychowdhury, 2007). This is because low managerial ownership leads to higher agency problem type I, thus resulting in greater demand for accounting conservatism. A study conducted by Shuto and Takada (2010) found similar result in Japanese corporations. Based on the above explanation, this study hypothesizes as follow:

H2: Managerial ownership affects the level of accounting conservatism

RESEARCH METHODOLOGY

This study uses data from the Kompas 100 index of 2010-2013. Banking and financial institutions are excluded from the samples.

Additionally, the authors further narrow and categorize the samples into non-family and family firm samples. Family firms are classified based on the following criteria:

- 1. The firms are not owned by either the government or financial institutions with more than five percent (5%) ownership.
- The firms are included in family business groups (Morck & Yeung, 2003).
- The founders or family members hold top management positions (Chen et al., 2007; Anderson & Reeb, 2003; Villalonga & Amit, 2006).
- The founders have an ownership of more than five percent – 5% (La Porta, 1999; Tong, 2007).

Below is the number of samples used in this research.

Table 1	
Number	of samples

Sample	Number of Listed Firms
Kompas 100 in 2014	100
(-) Financial Institutions	(14)
(-) Doubt Samples (Incomplete	
Documentation)	(14)
Total Sample	72
Non-Family Firms 30	
Family Firms 42	

As a conservatism measurement is used, the authors applied the Basu (1997) asymmetric timeliness model, which is expressed in the following earnings reverse regression model:

$$\frac{EPS_{it}}{P_{it-1}} = \alpha_0 + \alpha_1 DR_{it} + \theta_0 R_{it} + \theta_1 R_{it} DR_{it} + \varepsilon_{it}$$

- *EPS_{it}* : earnings per share (EPS) for firm i in year t
- *P*_{*it-1*} : opening stock market price for firm *i* in year *t*-1
- R_{it} : stock market returns for firm i in year t
- DR_{it} : dummy variable

 ε_{ii} : residual – indicator of conservatism

- When $R_{it} \ge 0$, it will represent good news, hence $DR_{it} = 0$
 - $R_{it} < 0$, it will represent bad news, hence $DR_{it} = 1$

Earnings per share are used as the dependent variable due to its high vulnerability to change for good news or bad news encountered that will help indicate firms' tendency in disclosing good news and bad news. It is then acknowledged to be a good indicator for measuring the asymmetric timeliness of earnings (Basu, 1997). An opening stock market is also used as a deflator of earnings per share in the dependent variable. The independent variables, however, reflect the usage of stock market return of a specific firm in a specific period along with the dummy variables that act as separators for good news and bad news. According to Basu (1997), the stock market return is

believed to have an impact on earnings per share. Hence, those two factors (dummy variables and stock market return) will be multiplied as an interactive term and excess correlation between earnings and stock price movement in a good news over a bad news period, which can be defined in ε_{it} generated.

To test the hypothesis, the authors construct the following regression model considering the value of residual generated in the first hypothesis as shown below.

$$\begin{split} \epsilon_{it} &= \alpha_0 + \beta_1 MGTOWN_{it} + \beta_2 DFB_{it} + + \beta_3 FINLEVit + \\ \beta_4 Lnsizeit + \beta_5 MBVit + \epsilon it_2 \end{split}$$

- ε_{it} : degree of accounting conservatism for firm i in year t
- *MGTOWN*_{*it*}: managerial ownership for firm *i* in year *t*
- *FINLEV*_{it} : control variable of financial leverage for firm i in year t
- Lnsize_{it} : control variable of firm size for firm i in year t
- *MBV_{it}* : control variable of market to book ratio for firm i in year t

To reduce the potential bias from the regression generated, control variables are applied Watts (2003a). Following Cullinan et al. (2006), this study is employing three control variables, which are:

(1) Financial Leverage (FINLEV)

Degree of financial leverage will be measured by calculating dividing total liabilities by total assets in the firms. Financial leverage is used as the control variable since the amount of debt contracting undertaken often determines the degree of conservatism demanded in firms (LaFond & Roychowdhury, 2007). Prior researches have declared that conservatism might help reducing contracting costs that might occur due to its capability in protecting both lenders and borrowers engaged in a debt contract (Cullinan et al., 2006; Ahmed et al., 2007).

(2) Firm Size (Lnsize)

According to LaFond and Watts (2006), large firms will have lower information asymmetry due to more information being disclosed to the public; hence, reducing potential agency problem and lead to lower amount of accounting conservatism. Small firms, on the other hand, requires higher degree of accounting conservatism. Due to significant possible influence of firm size toward degree of conservatism practiced, this study acknowledges the usage of firm size. Firm size is calculated by applying the natural logarithm of total assets book value (BV of total assets) from firms' previous year (t-1) to firms' specific year (t).

(3) Market to Book Ratio (MBV)

Market to Book ratio or commonly known as Price to Book ratio (P/B ratio) is calculated by comparing market value of a stock to the stock book value. The market value is the closing stock price at year t divided by book value of the stock at year t.

Market to book ratio is used because prior research showed that MBV affects the practice of the firm's conservatism (Ahmed & Duellman, 2007). Also, MBV is used in order to control the effect of beginning equity to the asymmetric timeliness (LaFond & Roychowdhury, 2007).

FINDINGS AND DISCUSSION

The table below illustrates the descriptive statistics of the samples.

	RESID	MGTOWN	FOWN	FLEV	FSIZE	MBV
Mean	0.0389	0.00019	-	0.4313	29.69	2.1258
Median	0.034	0	0	0.4177	30	1.91
Minimum	-1.5137	0	0	0.0163	28	0.17
Maximum	1.5867	0.001	1	0.8499	31	5.66
St. Deviation	0.6101	0.00028	-	0.1938	0.871	1.283
Frequency of value 0		111				
Frequency of value 1		121				

Table 2		
Results	of Descriptive	Statistics

RESID = residual value regressed from family and non-family firms; MGTOWN = percentage of managerial ownership in firm i in year t; FOWN = dummy variable -0 as an indication of non-family firms, 1 as an indication of family firms; FLEV = total liabilities divided by total assets of firm i in year t; FSIZE = natural logarithm of total book value of assets (total BV assets) of firm i from year (t-1) to(t); MBV = market stock price divided by book value (BV) of stock for firm i in year t

The descriptive statistics above show that managerial ownership (MGTOWN) has a relatively low value. This indicates that Indonesian firms practice a low level of managerial ownership. In contrast, FOWN as the separator between family and nonfamily firms shows a greater frequency value of 1 compared to the frequency value of 0, implying that in Indonesia, family firms predominantly exist in the market.

Table 3Results of the Regression Analysis

Independent	Coefficient	t-stat	
Variables		(<i>p</i> -value)	
		-1.224	
Constant	-1.624	-0.222	
		-1.132	
MGTOWN	-0.07	-0.259	
		4.269**	
FOWN	0.265	0	
		3.324**	
FLEV	0.205	-0.001	
		0.817	
FSIZE	0.052	-0.415	
FSIZE	0.052	-0.415	
		-2.536*	
MBV	-0.161	-0.012	
Adj. R ²		13.40%	
F-test		8.137	
(p-value)		0	

RESID = residual value regressed from family and non-family firms; MGTOWN = percentage of managerial ownership in firm i in year t; FOWN = dummy variable – 0 as an indication of non-family firms, 1 as an indication of family firms; FLEV = total liabilities divided by total assets of firm i in year t; FSIZE = natural logarithm of total book value of assets (total BV assets) of firm i from year (t-1) to(t); MBV = market stock price divided by book value (BV) of stock for firm i in year t

*significant at 0.05 level

**significant at 0.01 level

The multiple regression results show FOWN variable has a highly significant coefficient value of 0.265 due to the *p-value* amount of 0.000 that is less than alpha (0.05). Therefore, it indicates that family ownership significantly affects the degree of conservatism practiced. This finding might be due to the different levels of agency problems faced by family businesses. Also, this result confirms prior studies, as it identifies the possibilities of having different degrees of conservatism due to significantly different ownership types (family versus non-family firms) encountered (Ali et al., 2007; Chen et al., 2009).

As for the MGTOWN variable, the *p-value* is higher than alpha (0.259 > 0.05), thereby indicating that the coefficient value (β_1) of -0.070 generated by the T-test from MGTOWN is insignificant. This implies that managerial ownership does not affect the degree of conservatism. The authors' finding conveys a contradiction with prior research, for instance in studies conducted by LaFond and Roychowdhury (2007) and Akada (2010). A possible explanation for the differences in these findings might be due to the statistical data value of Indonesian firm samples that only have low or even zero values that reflect a low mean value of 0.00019 and a maximum value of 0.001. This leads to the possible explanation that an insignificant value of managerial ownership relationship to the degree of conservatism might result from an insignificant data value of managerial ownership in Indonesia.

Aside from the independent variables, three control variables are employed in the regression model (FLEV, FSIZE, and MBV). In this case, FLEV exhibits a strong positive relationship with RESID (a coefficient value of 0.205) supporting prior research about the positive correlation between the degree of conservatism with a debt contracting mechanism (Holthausen & Watts, 2001; Watts, 2003a; Guay & Verrecchia, 2006; Ball et al., 2008). This implies that among Indonesian firms, debt contracting plays a significant role in determining the degree of conservatism. As a result, the higher the amount of leverage used, the larger the demand of conservative accounting to better reduce possible contracting costs that might incur (Cullinan et al., 2006).

Additionally, MBV also shows a significant value as expressed in a *p*-value of 0.012. Through a significant negative coefficient value of -0.161, it confirms prior research in which the degree of conservatism might significantly result in the low value of the MBV ratio (Ahmed & Duellman, 2007). FSIZE, on the other hand, shows an insignificant *p*-value (0.415>0.05) indicating that different sizes of firms will not affect the degree of conservatism in an Indonesian context.

CONCLUSION

In mitigating agency problems, there are two mechanisms can be employed, namely accounting conservatism and managerial ownership. Family company has different characteristics and nature compared to widely dispersed ownership company. Studies found that family business is dominated more by agency problem type II rather than the classical agency problem type I.

This study using Indonesian listed companies as samples finds them to have unique characteristics because majority of the companies are family owned. There are also some firms that apply managerial ownership, even though regulation regarding managerial ownership is not yet confirmed.

This study found that family ownership affects the degree of accounting conservatism. The study did not find any correlation between managerial ownership and the level of managerial ownership. This is due to the data available in the sample not significant enough to influence the accounting conservatism variable.

To address some of the latter mentioned limitations the authors suggest utilizing other variables that are not yet measure in this study, yet reflecting the characteristics of the Indonesian corporation. Furthermore, as accounting conservatism is a matter of judgment, the authors suggest using qualitative data to analyse the reason behind the application of conservatism. This should ensure more discussion on the topic of accounting conservatism.

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Implementation of Design Thinking Process in creating New Batik Lasem Design

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ABSTRACT

This paper discusses the innovative new batik Lasem design. Before the writers were able to create the new design, they implemented a creative process called the design thinking process which was developed by IDEO design and Riverdale Country School New York. The framework of the design thinking process involves five steps of research: analysis, ideation, experimentation, and implementation. The town of Lasem and batik Lasem is chosen because the town is the producer of a particular batik in Indonesia that is influenced by Chinese culture. However, the younger generation appears to have no interest in creating new batik Lasem designs to promote and preserve the Lasem culture.

Keywords: Innovation, design thinking, batik; Lasem, Indonesia

BACKGROUND

Innovation, according to Oxford Advanced Learner's Dictionary is (1) the introduction of new things, ideas or ways of doing something; or (2) a new idea, a way of doing something that has been introduced or discovered (Hornby, 2010). These definitions refer to innovation as a finished product, new idea and new method. Innovation does not mean creating something new; it is re-thinking of old ideas, tweaking it, looking at it from different angles until you finally discover that there are more potentials that can be drawn from these old, tired ideas. There is a process involved in any innovation.

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E-mail addresses: nonjane@binus.edu (Basiroen, V. J.), mlapian@binus.edu (Lapian, M. E.) * Corresponding author This paper describes an implementation of Design Thinking process as developed by IDEO and Riverdale Country School in New York, and is discussed in Thomas Vogel's, *Breakthrough Thinking: A Guide* to Creative Thinking and Idea Generation (2014). This design thinking process is applied in the creation of an Indonesian traditional cloth: batik. The Chinese-influenced Lasem batik has newer motifs and can be found in Lasem area, Rembang, Central Java.

DESIGN THINKING PROCESS

The IDEO design and Riverdale Country School in New York developed a toolkit for design thinking called the Design Thinking for Educators which basically divides the process of finding a solution, or innovation into 5 steps: Research and discovery, Analysis and interpretation, Idea generation, Experimentation and refinement, Action plan and implementation (Vogel, 2014). Below describes each process and phase as derived from Thomas Vogel's book:

- Research and Discovery is the phase where facts are compiled and analysed. In this phase, it is imperative to have an understanding of the problem to define the challenges and share knowledge.
- *Analysis and interpretation* which involves examining knowledge and information gathered during the first phase; and create meaning from the facts gathered beforehand.
- *Ideation* is the phase where ideas are developed, refined and compared to find which is the most suitable one(s) to be used as a solution.
- *Experimentation* builds from the idea that has been developed during the previous phase, to build prototypes, as well as making the ideas tangible.

• *Action plan and implementation* or what IDEO calls the Evolution phase is where the 'winning' idea(s) is implemented and further developed.

This framework of design thinking process is used in this paper to describe the problems in the town of Lasem, Rembang, Central Java, well known as a producer of a type of Indonesian traditional cloth, called batik. It is influenced by the Chinese culture brought in by seafarers and merchants. The town of Lasem was chosen to be the main focus of this research because the batik industry in Lasem is facing a serious shortage of young labour force who has interest in batik Lasem and contribute to its innovations. Therefore, this paper attempts to implement the design thinking process developed by IDEO design and Riverdale Country School New York to show that innovations are possible for batik Lasem.

RESEARCHES AND DISCOVERY

Research Methodology

A field research was conducted in the town of Lasem, Rembang. The observation involved being immersed in the lives of the people in the town, especially the batik artisans. The writers made several trips to Lasem and observed several batik artisans creating Lasem batik as well as researching its history and the daily lives of the people and their local culture. In this phase, the writers discovered basic information regarding the town of Lasem. The second phase of this research

involved studying the meaning of the existing motifs of batik Lasem, from which the story behind the motifs are derived from the socio-cultural aspects of the locals. This study of motifs was done by conducting interviews with kev individuals who were regarded as the 'elder' in Lasem society as well as conducting literature review in order to garner more information on the motifs. The last phase of the research was the experimentation on creating new batik Lasem motifs inspired by the existing ones. The author of this paper author has experience in creating new motifs for textile and for the purposes of this paper, she will put into practice the knowledge she had gained from her previous experience in order to create an innovation in traditional motifs. In regards to the design process, the author implements the design thinking process by IDEO as mentioned in the previous section to create new motifs inspired by the existing ones.

Discoveries from Research

The town of Lasem, an area south of Rembang, a region in central Java, serves as a hub for one particular batik style: Batik Lasem. The batik industry in Lasem Area is one of the oldest batik production centres in Java. Its establishment is associated with the Majapahit era (1293 - 1478). The town of Lasem is considered as unique for several reasons; Lasem is a melting pot between the Javanese and Chinese culture; some studies use the term Le Petit Chinois to describe the town of Lasem. It is one of

11 Chinese settlements in the area, dating back to the era Hindu kingdoms reigned in what is now known as Indonesia.

Another noteworthy characteristic of the town of Lasem is it is fairly isolated. The town has preserved its old buildings bearing the distinctive Peranakan style architecture. The town is located in the path of De Grote Postweg or the Great Post Road that spans Anyer to Panarukan and its construction, according to history, brought many suffering to the locals as they were forced to build the road. It is also said that Lasem, used to be known as a famous route for opium smuggling into the Java (Rachman, et al., 2013), James R. Rush in his book Opium to Java: Revenue Farming and Chinese Enterprise in Colonial Indonesia, coined the term opium funnel to describe the town of Lasem.

The locals believe that Bi Nang Un, who was one of the vassals of the Chinese admiral from Yunnan, Cheng Ho, first created the Chinese settlement in the area now known as Lames (Aziz, 2014), together with his wife, Na Li Ni, who presumably brought the more advanced technique than what the locals were familiar with, and introduced it to them (Kwan, n.d.). Na Li Ni was believed to have taught the art of batik to teenagers in the park Banjaran Mlati, Kemandhung. The proof of the arrival of the Chinese people could be seen in one of the historical sites in Lasem where a lifeboat with two human skeletons were found. Handayani (2006) wrote that Ceng Ho himself used to regularly visit ports in the North Coast of Java.

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Figure 1. Ancient Lifeboat in Rembang

An ancient boat in the village Punjulharjo, Rembang, Central Java Province. This boat has an important value to science, history and culture that its presence reserved RI # 5 of 1992 on Heritage Objects.

The boat, which has a length of 15 meters and width of 4.6 meters using a

technology board fastening and sewnplank and lashes - lug technique.

Based on radiocarbon found on the boat, derived from centuries VII - VIII AD (660-780 AD) and the findings of the boat only in Southeast Asia the most complete and intact. (Source: Yogyakarta Archaeological Center)



Figure 2. Batik Lasem Tiga Negeri

The town is considered as having one of the six biggest batik industries during

the Dutch colonial era, and as a place that produces the colour red essential in creating 'batik tiga negeri' - a type of batik that is dyed in three locations in Java (it is called 'negeri' or country because before the Indonesian Archipelago was formed, each kingdom was considered a country in its own right). Batik Lasem Tiga Negeri is Batik Tulis Lasem, which has a colour combination of red, blue, and Soga (brown). The red is from Lasem, the blue is from Pekalongan and the brown 'soga' is from Solo.



Figure 3. Batik Lasem Getih Pithik

Batik Lasem, as can be seen from its name, is a type of batik manufactured in Lasem, Rembang. Batik Lasem, according to Kwan (2011), is considered as one out of the six biggest batik industries during the Dutch colonial period - the others being Surakarta, Yogyakarta, Pekalongan, Banyumas, and Cirebon. Batik Lasem is well known for its distinctive red colour called "getih pithik". In general, the Lasem Batik motif can be divided into three (3) types, namely:

- 1. Motif China, the Chinese influenced motifs. For example, phoenix or phoenix (known as lok can), dragon (dragon), Kilin, partridge, golden fish, deer, bats, butterflies, turtles, snakes, shrimp, crab.
- 2. Motif Java, the Java-influenced motifs. For example, parang, udan riris, kawung, sekar jagad, sido mukti.
- 3. Motifs of flora and fauna Lasem, the motif influenced by the natural environment around Lasem. For example, kricak, latohan, gunung ringgit.

These three kinds of motifs are combined to form a distinctive motif

Laseman. The Laseman motif has a very strong influence on the Indramayu batik, Jambi, Palembang, even Pekalongan, Solo and Yogya as well as the the various regions in the dynamic development of motifs in batik Lasem.

ANALYSIS AND INTERPRETATION

This phased entailed analysing information and facts gathered during the field observation in the previous phase. In this phase, the writers analysed four motifs that are commonly found in batik Lasem as well as derived meaning from each of those patterns, which were influenced by social and geographical aspects of the town of Lasem. Those four motifs are: latohan, watu pecah, bledak kawista, and Gunung Ringgit.

Watu Pecah The great post road or De Grote Postweg as it was called, is a road that spans from West Java in Anyer to East Java in Panarukan along the northern coast of Java (Marihandono, 2008). The road was built in 1808 during the reign of Herman Willem Daendels who decided on the construction of the road due to his concern of the British invasion; the availability of a road would make it much easier for the colonial armies to be stationed ("De Grote Postweg van Java", 2013) there. During this period, many of the residents in these areas were recruited as stonebreakers, and this included Lasem. (Batik Lasem, Akulturasi Tionghoa dan Jawa, 2014). These conditions drove batik artists in Lasem to create a motif that reflected

their sympathy toward the situation as well as for their comrades struggling in pain and suffering working as stonebreakers. The motif itself is called watu pecah or sometimes called krecak or kricak.

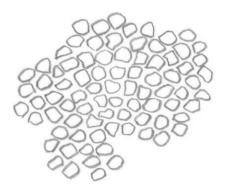


Figure 4. Watu Pecah

The motifs consist of groups of circular shapes often left blank (not dyed). These shapes resemble the stones that had been broken using only traditional tools and they served as a reminder of the people's hardships in building the road from Anyer to Panarukan during that time.

Latohan Latoh (Caulerpa racemosa) is a type of seaweed or green algae from Chlorophyceae (Nuraini, 2006) that thrives in the Lasem area. The particular algae is popular locally as a food source. People in Lasem usually cook the algae in a local cuisine called urap. As Latoh seaweed is easily found in Lasem, the locals turned it into a motif called motif latoh/latohan.



Figure 5. Latohan and Urap

Bledak Kawista. Kawista is a fruit tree that grows in abundance in the town of Lasem. The fruit is round in shape, and it has hardy exterior with soft, paste-like consistency in the inside. The website www.batiklasemart.com stated that Kawista plants are rare in Indonesia and thrive in dry/hot areas such as Lasem and Rembang. The locals consume the fruit by breaking it in two and coat the inside of the fruit with sugar. They would then scoop out the inside of the fruit using a spoon. They also process the fruit into drinkable syrup, a kind of carbonated drink resembling the western colas and thus, it is dubbed as Java Cola or *Kola Jawa*. The relation and interaction between the locals and this particular fruit plant inevitably leads to a creation of batik motif that is derived from this unique plant. The motif is called *Bledak Kawista*. The shape of the motif resembles the shape and texture of Kawista fruit.



Figure 6. Buah Kawista

Gunung Ringgit. Gunung Ringgit is considered as a classic/ancient motif in Lasem as it can be found in the early development of Batik Lasem. The motif bears symbolic meaning of heaps of riches. The philosophy behind the motif is to find and build riches, although by means that are not prohibited by law. Aside from its philosophical meanings, the motif gunung ringgit is most likely influenced by the geographical conditions of the town of Lasem, being surrounded by mountains, one of them being mount Lasem.



Figure 7. Gunung Ringgit

Ideation

During this process, the writers decided to explore the many possibilities of creating new motifs for batik Lasem derived from the old ones. Writers are involved in the process of creating various sketches to develop as many ideas as possible. Below are some of the sketches made during the process.



Figure 8. Ideation process - sketches

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Figure 9. Another set of sketches created during the ideation process

Experimentation

During this process, the writers chose 5 (five) initial ideas to be developed into

the final design of the new batik motifs for Lasem. These ideas are expressed in the form of sketches as follow:



Figure 10. Set of ideas for further development

Action Plan and Implementation

After going through the process of research and discovery, analysis and interpretation,

ideation, and experimentation, the writers finally perfected the previously chosen ideas into a set of new patterns that are inspired by the social and geographical aspects of the town of Lasem such as its history and the life of its people.

Motif Latohan Combined with Watu Pecah

The authors attempted to combine watu pecah and latohan motifs together. These were also combined with floral/vines patterns as often found in Chinese temples spread around the town of Lasem. Latohan is a typical plant that is widely available along the coast, which can be consumed; They grow abundantly in Lasem and hence, used widely as a motif.



Figure 11. Motif Latohan Combined with Watu Pecah

Motif Latohan Combined with Peranakan Style House Gates

The Chinese Peranakan house gates is symbolic of the border between the outside world and the inside. They like to socialise with the world outside, and yet, they also place importance on privacy. These gates are one unique aspect that the authors portray through the new motif of batik Lames, combined with the typical Latohan motifs. Latohan is a typical plant that is grows abundantly along the coast and which can be used as an ointment.



Figure 12. Motif Latohan Combined with Peranakan Style House Gates

Motif Latohan Combined with Cheng Ho's Lifeboats

This motif is inspired by both the tale of Cheng Ho's arrival in Lasem, as well as by the archaeological findings of one of Cheng Ho's lifeboats stranded in Lasem. The present authors combined these motif inspirations to portray how seaweeds covered the boat while it was under the sea.



Figure 13. Motif Latohan Combined with Cheng Ho's Lifeboats

Motif Latohan Combined with Buah Kawis

The present authors attempted to modernise some of these patterns to appeal to a younger generation. They simplified the look of the Kawista fruit, and added more vibrant colours that are usually found in modern cloth patterns. Although the motif is modern, they instilled the spirit of traditionalism into it.

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Figure 14. Motif Latohan Combined with Buah Kawis

Motif Gunung Ringgit Combined with Rokok Lelet and Watu Pecah

To make patterns work is challenging. To include *rokok* (cigarette) *lelet* as a batik pattern, the authors tried several possibilities and eventually came up with a pattern composition that portrays the activity of people in accumulating worldly wealth, in which the rokok lelet becomes a part of their daily past time and as a means to relax after a hard day's work.



Figure 15. Motif Gunung Ringgit Combined with Rokok Lelet and Watu Pecah

Motif Latohan Combined with Rokok Lelet and Watu Pecah

This motif combines watu pecah and latohan motifs. To include rokok lelet as a batik pattern, the authors tried several possibilities and eventually came up with the one in which rokok lelet becomes a means of recreation and relaxation.



Figure 16. Motif Latohan Combined with Rokok Lelet and Watu Pecah

Motif Naga Dragon Cu an Kiong Temple Combined with Watu Pecah

In addition to Cu an Kiong temple's Naga Dragon motifs, there is Watu Pecah or broken stone motif. This motif has a historical value when the then Governor General of the Netherlands, Daendels, made his way from Anyer to the Rembang and Lasem. The impact of it is deep sadness for the people of Lasem. This sadness is displayed in the form of broken stone motif.

Cu an Kiong is the oldest Chinese temple in Lasem, established to honour Thin Siang Seng Bo, or the Ocean Goddess. The front gate of the temple where a sculpture of a pair of dragons facing each other sits inspires this motif.

The dragon or liong is an acculturation of Javanese and Chinese cultures in batik Lasem. In semiotic, the dragon is a symbol of the existence of batik Lasem. Thus the existence of dragon that is visually portrayed as malignant giant snake is not dangerous. The dragon portrays the elegant beauty of Batik Lasem. The main ornament of the dragon motif shows the the diversity of batik Lasem; the exotic dragon strengthens the existence of

Implementation of Design Thinking Process

batik Lasem. Liong in the batik Lasem philosophy can be interpreted as a reflection of glorious expectations, as well as a symbol of a spiritual trip. In Chinese tradition, the dragon is closely related to the source of the power of nature. The dragon is also personified as embodying the spirit of the holy man who cannot go to heaven. Liong/ Dragon motif provides evidence of cultural assimilation or acculturation among ethnic Chinese and Javanese in Lasem. The dragon in both these cultures symbolises prosperity.



Figure 17. Cu A Kiong Temple at Jl. Dasun No 19 Lasem

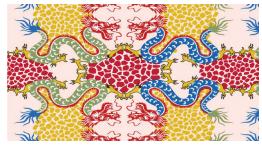


Figure 18. Motif Naga Dragon Cu an Kiong Temple Combined with Watu Pecah

Motif Latohan Combined with Gunung Ringgit

Gunung Ringgit is a motif that depicts worldly wealth (ringgit = money).

In batik, this motif denotes human's endeavour in accumulating worldly wealth by appropriate means. The present authors were inspired to combine Gunung Ringgit motif with Latoh as a reminder that this motif originates from the town of Lasem, and at the same time to inspire their viewers to gain wealth by appropriate means.



Figure 19. Motif Latohan Combined with Gunung Ringgit

Motif Latohan Combined with Phoenix/ Lok Can

Lok Can or Burung Hong or Phoenix is a species of bird in Chinese mythology. Burung Hong is a product of the acculturation of Javanese and Chinese portrayed in batik Lasem, besides the dragon. A male and a female is called feng huang. In recent times the difference in sex is rarely shown. The Feng huang is often found paired with a male dragon. In the western world, feng huang is often associated with the phoenix.

The word Fenghuang is a Hokkien word. In ancient China, Hong, along with the dragon, are often used in wedding decorations or by the noble families. The Chinese tradition considers the dragon and phoenix as a symbol of friendly relations between husband and wife, a form of metaphor between yin and yang. The phoenix on the other hand symbolises virtue, performance and permanence. For the believers, batik Lasem Lok can help motivate someone to be benevolent and contribute to his or her personal achievement.



Figure 20. Motif Latohan Combined with Phoenix/ Lok Can

Motif Latohan Combined with Ceplok Melati as Isen Combines with Peacock

The peacock and flower motifs have Chinese influence. Peacocks are among the three species of birds in the genus Pavo and Afropavo and the partridge (pheasant), Phasianidae. The peacock spreads its beautiful feathers at his tail to attract the peahen. In Chinese mythology, the peacock is a symbol of pride and arrogance. The flower Ceplok Melati as a background motif symbolises the hope of salvation. In the traditional community life at Lasem, hope of salvation, happiness and health are very important. Safety, happiness and health are basic things in life that relate to the balance and harmony of nature.



Figure 21. Motif Latohan, Ceplok Melati Isen-Isen Combined with Peacock

Motif Bunga Seroeni Combined with Watu Pecah and Ceplok Melati as Isen

Bunga Seroeni/Seruni or chrysanthemum, a flowering plant, is often planted as an ornamental plant. These flowering plants first made their appearance in the Cretaceous era. Bunga Seroeni motif is also the acculturation Java and Chinese seen in batik Lasem, in addition to the dragon and burung hong. Watu Pecah motifs have a historical value. When the then Governor General of the Netherlands, Daendels, made his way from Anyer to Rembang and Java it caused deep sorrow for the people of Lasem. Grief is shown in the form of crushed stone motif. The flower Ceplok Melati as a motif background relates to the hope of salvation. In the traditional community life at Lasem, hope of salvation, happiness and health are very important. Safety, happiness and health are basic things in life that relate to the balance and harmony of nature.

Implementation of Design Thinking Process



Figure 22. Motif Bunge Seroeni Combined with Watu Pecah and Ceplok Melati

Motif Buah Kawis/Bledak Kawista

Kawista bledak motif relates to the Kawista tree that thrives in the area of Rembang and Lasem. The Kawista fruit is made into beverage and food. The Kawista flavoured drink known as Java Cola syrup tastes like cola and considered very refreshing.



Figure 23. Motif Buah Kawis/Bledak Kawista

Motif Acak Gunung Ringgit

Mount Ringgit means wealth, money or property that is abundant or piled up and a reflection of the desire to be rich or have a big fortune. One is encouraged to accumulate wealth and property without violating the law and the money should be used for the good of all the people.



Figure 24. Motif Acak Gunung Ringgit

Motif Latohan with Butterflies

The butterfly motif is a symbol of wisdom and hope for human life. The Chinese interpret the butterfly as a symbol of an eternal love between a husband and wife. The story of two lovers who loved each other till death in the legend Sampek Engtai or Shanbo Yintai is represented by the butterfly motif. The Lasem batik with butterfly motifs is also a source of inspiration that is able to motivate people to live a more meaningful life. Metamorphosis is the way butterflies teach wisdom and authenticity of life. The life of a butterfly life begins from in an egg and its metamorphosis form caterpillar to chrysalis is a reflection of helplessness, growth, contemplation which ends in its transformation to a beautiful butterfly which is beneficial to the environment and mirrors the authenticity of human life.



Figure 25. Motif Latohan with Butterflies

Motif Buketan/Bouquet

This bouquet motif has been used from time immemorial by the Dutch colonisers to approach people by providing flower arrangements / bouquet. Buketan motif is a flower arrangement motif. The Buketan word comes from the Dutch language and French is "bouquet" that means flower arrangements. In addition to flowers, this motif can also be a plant or a bird. Motif buketan can be seen in the coastal batik because the flowers are grown in the coastal areas of Java and the flowers are bright and flashy. Buketan motif is very suitable for use in clothing as it motives can add an aura to a women's beauty.

Watu Pecah motifs have a historical value. In ancient times, when the Governor General of the Netherlands, Daendels, made his way from Anyer to Rembang and Java it created a deep sorrow for the people of Lasem. Grief is shown in the form of crushed stone motif.

Motif Latohan Combined with Butterflies

Philosophical Lasem batik motif butterflies perceived as a symbol of wisdom and hope for the formation of human life. The Chinese interpret the butterfly, as a symbol of the love of husband and wife is eternal. The love story of two lovers to death in legend Sampek Engtai or Shanbo Yintai into visualization interpretation philosophical meaning Lasem batik butterfly motif. Lasem batik motif butterflies are also a source of inspiration that is able to motivate people to live more meaningful. Metamorphosis is the way butterflies teach wisdom and authenticity of life. Butterfly life begins from the egg; caterpillar to chrysalis is a reflection of helplessness, growth, contemplation and ends on the implementation of the beauty to be more beneficial for the environment, a mirror for the authenticity of human life.

Latohan is a typical plant that is widely available around the coast, which can be eaten as an ointment. Because there are many in Lasem, then this motif is used as the motif.



Figure 26. Motif Buketan/Bouqet with Watu Pecah



Figure 27. Motif Latohan Combined with Butterflies

Motif Latohan Combined with Koi Fish

Koi fish motif is also the acculturation of Javanese and Chinese in batik Lasem, in addition to the dragon, burung hong and bunga seroeni. In Chinese, Koi fish became a sort of symbol of love and friendship. This is because the koi are homophones that also mean affection or love. The Koi fish is a type of fish that includes carp (Cyprinus carpio), which has very beautiful ornaments and tame. Koi are a symbol of beauty and luck inside the home and outside the home. Latohan is a typical plant that is widely available around the coast, which can be eaten as an ointment. There are many Latohan plants in Lasem and hence it has become a popular motif.



Figure 28. Motif Latohan with Ikan Koi

Motif Latohan Combined with Bunga Seroeni

Bunga Seroeni/Seruni or chrysanthemums is a flowering plant that is often planted as an ornamental lawn or for its flowers. These flowering plants appeared in the Cretaceous era. Bunga Seroeni motif is also the acculturation of Java and Chinese in batik Lasem, in addition to the dragon and burung hong.



Figure 29. Motif Latohan with Bunga Seroeni

Motif Latohan Combined with Ikan Koi

Ikan Koi/Koi fish motif is also a product of Javanese and Chinese acculturation seen in batik Lasem (besides the dragon, burung hong and bunga seroeni). Among the Chinese, Koi fish has become a sort of symbol of love and friendship. This is because the koi are homophones for another word that also means affection or love. The Koi fish is a kind of fish that includes carp (Cyprinus carpio), which has very beautiful ornaments and tame. The Koi fish are usually kept as a symbol of beauty and to bring luck inside the home and outside the home (the koi pond or water garden because koi fish is believed to bring good luck). Because the koi fish is very close related to goldfish in Indonesia, many people call fish koi carp.

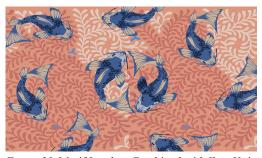


Figure 30. Motif Latohan Combined with Ikan Koi

Motif Latohan Combined with Phoenix/ Lok Can

Lok Can, Burung Hong, Phoenix is a species of bird in Chinese mythology. Burung Hong is also the acculturation Java and Chinese in batik Lasem, besides the dragon. A male and a female is called feng huang. In recent times the difference of sex is rarely used. Feng huang often found paired with a male dragon connotation. In the western world, feng huang often associated with phoenix. Among Chinese-Indonesian, Feng huang itself is usually known as the Hokkien dialect, Hong. At the time of ancient China, Hong often found on wedding decorations or noble family along with the dragon. This is due to the Chinese tradition by considering the dragon and phoenix as a symbol of friendly relations between husband and wife in a form of metaphor between vin and vang. Phoenix symbolises virtue, performance and permanence. For those who are believer, using batik Lasem Lok Can can help motivate someone to be benevolent and personal achievement.



Figure 31. Motif Latohan with Phoenix/Lok Can/ Burung Hong

Through the process of implementing the design thinking process developed by IDEO design and Riverdale Country School in New York, the writers found that social and geographical aspects of the town of Lasem could be a source of inspiration in order to create a new product, in this case, a new pattern of batik, combined as well as derived from the old, traditional pattern. The social and geographical aspects of the town of Lasem inspire the motif.

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Consumer Perception on Gender Equality and Designer Performance for Genderless Fashion Brands

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ABSTRACT

This empirical study is intended to examine how gender equality and feminism can affect the design for a local genderless fashion brand in Jakarta, Indonesia. One of the objectives of this research is to provide inputs to designers in improving their performance. Based on a survey of 150 respondents in the retail market sector in Indonesia, it can be concluded that gender perceptions provide a new avenue for a designer when launching a new collection. Consumers are encouraging a trend towards a genderless collection in decision-making. The local genderless fashion market showed good long-term prospects for the retail market in Jakarta.

Keywords: Fashion, genderless, feminism, consumers, and designer's performance

INTRODUCTION

The local fashion industry in Indonesia is very diverse. A growing number of local and international brands are presenting their collections in major cities. Based on data from the Ministry of Industry Indonesian Republic, in 2013 there were 208 designers and 503 local fashion brands in Indonesia. In 2025 Indonesia is anticipated to be a major fashion centre in the world. According to Sofjan Wanandi, chairman of Indonesian Employers Association (APINDO), Indonesia's fashion potential is extraordinary. "Fashion accounts for 40% of the entire creative economy in Indonesia. Therefore, efforts should be encouraged and improved in the local fashion industry which in 2013 contributed 181

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trillion.

Feminism can provide inspiration for fashion designers. Using development theory feminism in the fashion world to assist in designing genderless clothing the writer seeks to identify the fundamental reasons of choosing a genderless product. The author wishes to know whether the concept of genderless clothing would be accepted in the social community in Jakarta and how it will relate to the fashion designer performance. It will not only research from the design perspective but also customer attitudes, retail stores concept, media and theoretical analysis.

The world is experiencing a paradigm shift in the field of fashion. One of the rapidly growing flows of currency in the world of fashion is genderless or androgyny. Founded on the theory of Thomas Samuel Kuhn (1922-1996) to the paradigm, paradigm occurs in the fashion world; because of the many changes in people's views about the way they dress influenced by social, cultural, political, gender equality. In earlier times, a woman should dress like a woman with a dress, long skirt, and were not permitted to wear pants because it seemed like a boy. In the modern era, long pants are major clothing women to support their activities. Long pants are assisting them to move more easily, freely and comfortable. A lot of designers are prioritizing pants because it could make consumers more confident and look stylish and modern, and feeling of having a similar freedom like men.

In his book "Costume history and Style" Douglas A. Russell reported that the French designer Paul Poiret was one of the first designers to design pants for women, the emergence of the idea of women wearing men's clothing became more popular in the 1920s when the corset was rejected by women and their turned into a more masculine look, women's rights movement has a strong effect on it (Russell, 1982).

Marlene Dietrich, German actress is considered to be one of the greatest actresses of all time. Marlene Dietrich cultivated her own style with her sensuous look and genderless wardrobe in 1930.

Another issue is the manner the public reacts to this change. In Jakarta there are women who love to wear men's clothing and vice versa man who wears women's clothing for a variety of reasons such as variations in women's clothing choices are more, fittings or the size of a woman who they feel is appropriate to wear. Another issue is if it is right for the society in Jakarta to accept this trend. Where was the gender difference? This could indicate whether there is the equality between women and men in life and especially in terms of dressing.



Figure 1. Anna Tommy, a local fashion brand in Jakarta that offers genderless fashion collection; men and women can wear the same outfits.

Consumer Perception on Gender Equality

The concept from Anna Tommy unisex clothing is for men and women to wear the same type of clothes, but both of the users, make it their own through accessorising, mixing and fitting it to one's individual style. The clothes do not express either masculine or feminine features, but are open for individual interpretation. This empowers the consumers of this brand to construct and communicate their own unique identity through the clothes.

Meaning of unisex and androgyny

According to Bem (1981) (American Psychologist, an expert on gender studies and androgyny), Unisex words refer to things that do not show gender specific. Unisex is objects that suitable for both sexes. The term was created in 1960 and is used quite informally. Although combining uni form is of "unus" Latin, the term seems to have been influenced by words such as unified and universal. In this case, it can be seen as meaning shared by both sexes. Hairdresser, clothing design, designer handbags, beauty salon that caters to both men and women are also often known as unisex. Unisex clothing including clothing such as T-shirts, jeans, jackets, and others which has a neutral size specification to fit to both genders.

Japanese and Korean culture has been showing androgynous appearance as a positive attribute in the community, as illustrated in both the K-pop, J -pop, in the anime and manga, as well as the fashion industry. And in Indonesia have also begun to emerge at the same time in Asia.



Figure 2. Helmut Lang collections *Source.* www.theredlist.com



Figure 3. Giorgio Armani collections 1990 *Source*. www.vogue.it



Figure 4. SHINee, Korean K-pop music band for the L'officiel Hommes Korea Magazine March 2013 *Source*. www.kpopupdate97

The author would like to compare the terms unisex and androgyny because their trend is part of culture. According to

Raymond William and Edward Thompson, culture is a form of cultural historical materialism, which traces the development of meaning, exploring the context of the material conditions of production. It can be possible to conclude that the term unisex and androgyny have the same meaning to figure out the absence of gender-specific differences. Gender is socially constructed definition of women and men. This is not the same thing as sex (biological characteristics of women and men). Gender is given in the conception of tasks, functions and roles attributed to women and men in society and in their life.

THEORETICAL FRAMEWORK

Feminism refers to a political movement, a culture or economy aimed at establishing equal rights and legal protection for women. Feminism involves political, sociological and philosophical issues concerned with the problem of biological sex differences advocating gender equality and for women. Feminism is a school of thought and movement demanding the rethinking of women. There are numerous streams by three waves of feminism. The first wave began with the feminist movement associated with the French Revolution of 1789. The illustrious thinker of this period was Mary Wollstonecraft with his book A Vindication of the rights of Woman (Wollstonecraft, 1792). The initial wave refers mainly to women's right movement of the twentieth century, nineteenth and early twentieth century in the United Kingdom and the United States (mainly related to a woman's right to choose in politics). The second Wave of the feminism direction switches of the practical activities towards the theoretic. Simone de Beauvoir, in his book The Second Sex. mentioned that women have been considered second-class citizens. The second wave refers to the ideas and actions related to the women's liberation movement began in the 1960s (which campaigned for the rights of women's legal and social). The second wave feminists see women's cultural and political inequalities as completely linked and encourage women to comprehend aspects of their personal lives. This second wave feminism is written rationale for discussion as it relates to the termination of discrimination of women included in the fashion world.

Third Wave feminism is influenced by postmodernism. The third wave refers to the continuation, and reaction to the perceived failure, which began in the 1990s. The third wave feminism began in the early 1990s, emerged as a response to the perceived failure of the second-wave, and also as a response to the reaction against initiatives and movements created by the second wave. Feminist theory aims to understand gender inequality and focuses on gender politics, power relations and sexuality. While providing a critique of social relations and politics, many feminist theory focuses on the promotion of the rights and interests of women. According to Divia Harilela, a contemporary expert

Consumer Perception on Gender Equality

on fashion, fashion designers apply the androgynous trend as one step further to show the self-expression on gender. According to Danny Chow (as cited in Harilela, 2014), merchandise manager for menswear division in Joyce USA, brand unisex appeal to the younger generation to seek new approaches and self-expression. "This generation is more open-minded and do not care so much about gender. Today, both sexes will buy things they like, regardless of whether they are categorized as male or female," he said, citing brands like Céline, Dries Van Noten and Thom Browne as a favourite of the genders. What makes this unisex fashion so interesting and relevant today is that it is a trend. In contrast, unisex collection is used as a means of self-expression and encourages the wearer to experiment with their personal style without being connected with the constraints of gender. It is likewise relatively easy to use. "Typically, unisex brand will perform a wider variety of sizes to accommodate women's and men's sizes. In general, it is easier for customers to use, because it requires less than perfect body shape. " Said Chow. Unisex fashion biggest supporter is designer Rad Hourani Canada, who founded the first unisex brand back in 2007. If there are more designers presenting genderless label, this will generate more interest among consumers and encourage them to explore further. This provides an attractive attention to be in a position to predict what will happen in the future.



Figure 5. Unisex ready to wear collection in ad campaign from designer Rad-by-Rad Hourani October 2013

Source. www.arcstreet.com

Fashion theory: identity, and difference (m. Barnard)

In his book on Fashion theory, Barnard (2007) highlighted an interview Ryan Smith and the actor Jessica Alba says that fashion is the personality on the "outside" and it represents "who you are". Representation is one thing standing for another thing and we are familiar with it in many areas of our lives, means fashion stand for one's identity. One of goal men and women wear genderless collection is also to represent their identity through what they wear. The meaning of what we wear was the interaction between the values and beliefs as a member of various different cultural groups. In Jakarta there are groups in society that love to wear the genderless collection through influences from trend international and overseas cultural trends. There were many aspects of identity and had to do with more than one's personality. Aspects could be ethnic, sexual, racial, gender, national, class and any other cultural identities. Being a member of a culture was said to be about sharing of values, beliefs and knowledge. Fashion stands for or represents the values and beliefs that we have as members of different cultural groups. The construction of self-identity and meaning is also the construction of a political position, because self-identity and meaning require the relation to other people. Men and women who love genderless fashion brand had a same relation to other people.

DATA COLLECTION AND RESULT

Author collected data from the questionnaires to the 150 respondents in all part of Jakarta, majority 60% from south Jakarta and balance divided into west, north, east and central of Jakarta. To gain valid and reliable information, author had chosen participants from the target audience. Based on the data obtained, results could be used as a research result and findings. Age of the correspondence was between 18-27 years, women, from the upper middle class. Majority almost 85% of them are students and young entrepreneurs whom have a passion in fashion and following the international trends. They bought and visited the same stores, brands that were also observed by author.

The first question was about perception on genderless fashion collection, Figure 6 below shows e the outcome.



Perception of a genderless fashion collection

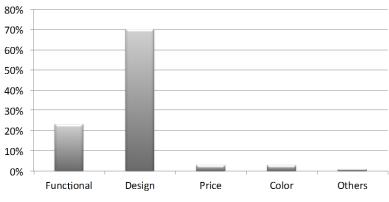
Figure 6. Perception of a genderless fashion collection

Figure 6 shows 52% have a positive perception about genderless fashion collection, while 47% were neutral, and 1% was unfavourable.

This proves that for the actual ages of the consumer, they would have a positive perception of the genderless collection although still 47% found it otherwise.

After rechecked that the term genderless collection was not too familiar to them currently, but after showing samples, they have a clearer picture of the meaning. This positive perception can be found through the growing numbers of the new fashion local brand that focused or offered the genderless fashion collection.





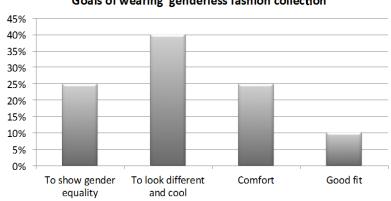
Important factors in buying genderless fashion collection

Figure 7. Important factors in buying genderless fashion collection

Design dominates their purchase on genderless clothing 70%, Other 30% are the function of the clothing. In order to support the fashion designer performance as a goal questions on factor decision in buying collection are helpful, the result based on that question showed 70% choose design, and 30% garment product.

From the respondents information, the author found out also that 42% said that the current design that they found in the market less attractive, so according to them, they have not been able to express themselves better. The genderless fashion brand from Stockholm name Stutterheim. Stutterheim designs with high functionality in mind. There is no distinctive difference between genders, and male and females' models are shown wearing the same styles. And important also that this brand offer wider range of sizes XXXS to XXL. Size measurements play a very big role in creating the genderless collection. Full study about pattern and size chart has to be done. Important also for the fashion designer that they should not designated wearer in mind in creating the brand. It's about combining men and women silhouette. Another brand from Amsterdam, "Nobody has to know" even created a brand with the advance philosophy is to "blur the lines of age, size and gender" through garment. In order to full fill the needs of the attractiveness of a collection, fashion designer has to be able to see from other market fashion such as from Asia, Europe and USA. Author found the "street style" of a market place was important to explore. Learning from those brands, the important point also was how well the brand communicates with their customer about the product.

In the branding analysis of the brand, brand identity should be able to communicate the uniqueness of the clothes. Furthermore local fashion brand should communicate the personal attributes, which are authentic, unique, independent, following international fashion trends that are related to the value of the target market. The local fashion brand should be able to offer their customer with an emotional and self-expressive benefit when they purchased the product. Maintaining the customer loyalty and become part of the brand in the important key for the success. Next questions, which are connected to it, are their goal in wearing the product so it will advise the fashion designer to be able to create a design suitable for their consumer.



Goals of wearing genderless fashion collection

The result shown 40% consumer want to look different and 25% to show the gender equality and 25% comfort and 10% on a good fit. Goals of the consumer are very important also in creating the right product. The independent contemporary women loved the masculine clothes and giving a feminine touch by adding accessories.

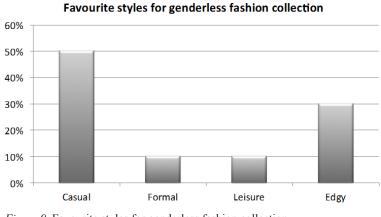


Figure 9. Favourite styles for genderless fashion collection

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Figure 8. Goals of wearing genderless fashion collection

Type of design that selected by consumers for their wardrobe, 50% casual, 30% edgy, 10% formal and 10% leisure attire.

From the results of this data, the authors can conclude that there is a huge potential for genderless fashion collection in the local retail market in Indonesia. Based on the researcher observation in the retail market through some stores like The Goods Dept., Bright spot, some online business in Jakarta, it was shown the acceptance of the Indonesian customers about this type of collection.

The change in the consumer attitude will lead also to the performance of the fashion designer how the fashion designer is able to discover the new consumers' expectations. From the view of the media and marketing of the genderless fashion androgynous brand, styling, gender neutrality has become a key for a fashion advertising and promotion in the current seasons. Fashion designers taken the idea of genderless collection and translate into the multiple lifestyles and became more common. This was allowing a greater choice in what will be worn and how to interact with the user. This trend will be informed through the marketing messages.

CONCLUSIONS AND RECOMMENDATION

Based on the above discussion, the authors draw the conclusion that contemporary feminism could underlie the launch of unisex clothing collection today. International designers follow a socio-cultural development of people's lifestyles, and their basic objectives were in accordance with the theory of feminism. Gender equality does not mean that that women and men become the same, but the opportunities and life chances are equal. Gender analysis also computes social and economic differences between women and men.

In terms of consumers, the basic use of genderless clothing in addition to it being a form of expression is the desire to experiment with style and not being bound by the constraints of gender. From the respondent's sample, it could be concluded that perception about gender provides a new avenue for a designer to design a new collection that will enhance their performance. This paper concludes that changes in society and consumer behaviour perception about gender could lead to performance excellence of the fashion designer.

It is therefore recommended that the fashion designer be more acquainted with consumer tastes to be able to secure a share in the growing Indonesian retail sector.

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SOCIAL SCIENCES & HUMANITIES

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Gender Effect in Moderating Personal Factor Influence on Job Satisfaction of Lecturer Binus University, Jakarta, Indonesia

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ABSTRACT

The phenomenon of woman in labour is pushing a lot of research on gender in the workplace. This study was conducted to determine the role of gender in moderating the influence of personal factors among lecturers in the college sector. This research took place at a private university in Jakarta, namely Bina Nusantara University. By using path analysis method for analysing data based on questionnaires that were distributed to 100 lecturers. Results show that personal factors influencing job satisfaction among lecturers were not affected by the gender issues. These findings are the same as those found by Kaiser (2005).

Keywords: Gender, Personal Factor, Job Satisfaction, Lecturer

INTRODUCTION

The role of women in the labour market in Indonesia, characterised by gender-based development index (GDI) has noted an increase in the last 6 years. Since 2005 GDI was 63.9 to the latest data from the Ministry of Women's Empowerment and Child Protection, 2011 was 67.8 (Menegpp.go.id., 2014). At APEC Women and The Economy Forum (APEC – WEF), held in (dates?) 2013 in Bali, Indonesia, produced a wide range of agreements to open up wider opportunities for women in economic development.

Accenture is a management consulting, technology service, and outsourcing, firm. Accenture conducted yearly research on woman as well as to commemorate International

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E-mail addresses: masruroh2000@yahoo.com (Masruroh), tinjungdesy@yahoo.com (Nursanti, T. D.), laksmisito@yahoo.com (Irvianti, L. S. D.) * Corresponding author Woman's day 2013. Research in 2013 with the theme: "Defining Success, Your Way", was part of Accenture Global Study, designed to provide views on the behavior and attitudes of women in the economy. The findings shows that in Indonesia, exactly half of the female professionals are satisfied with their work. This number is higher in comparison to Singapore, Malaysia, Thailand, and the Philippines. In addition, this study also showed that 64 percent of Indonesian professionals say they are workaholics (workaholic), a figure similarly higher when compared with the above mentioned Southeast Asian countries. The study also indicates striking a balance between leisure and work, as well as money, is the most important consideration for Indonesian professionals when defining success. The present study also shows that professionals in Indonesia are more likely to ask for a raise or promotion, compared to counterparts in other Southeast Asian countries.

Research by Kaiser (2005) in the 14 member states of EU, show that Denmark, Finland and the Netherlands did not show gender significant differences in job satisfaction. In Portugal men are more satisfied with their jobs than women. However, in most of the countries studied, female workers show the level of job satisfaction is significantly higher than men. Because most women were disadvantaged relative to men in the labour market, the findings clearly indicate gender paradox job satisfaction in these countries. From this point of view, only Denmark, Finland and the Netherlands were showing their gender equality of job satisfaction. The results also showed objectively that determinants of the status of the labour market was the socioeconomic and institutional factors. And subjectively the status of the labour market was assessed and evaluated. Increasingly tight labour market access and process for women, the greater the possibility of gender paradox job satisfaction in any country. According to the process of modernization of the labour market, these results support the hypothesis that equal opportunities for women and men as in the Scandinavian countries and also partly in the Netherlands implies that the gender paradox job satisfaction does not arise again due to fading over the last decade. The gender - job satisfaction paradox is when the women employees face disadvantages in terms of wage and working conditions in labour market, but women employee derive more job satisfaction than do men.

However, contrary to the finding in Japan who conducted by Yukawa and Arita (2014). They found evidence a gender – job satisfaction paradox. This finding in line with the increasing supply of woman labour in Japan recent years. Gender difference is an important factor in job satisfaction. According to Sloane and William (2000) compared job satisfaction between men and women that the factors affecting job satisfaction differ for men and women even when men and women have the same environment.

Suki and Suki (2011) found that both male and female employees have the same level perception of the job satisfaction and organizational commitment. They conducted research on 112 employees of Labuan School of Informatic Science in Malaysia. Employee's gender has no significant effect on his/her perception of job satisfaction. Related to the above findings of some studies, this research wants to investigate the job satisfaction of gender in higher education institution. According to data from the DIKTI, there are more than 200 thousand lecturers either permanent or non-permanent. Thus the number of lecturer who will increase in the future dating really need attention in managing human resources in higher education institutions, especially the lecturer as the spearhead of college success in carrying out the mission of education. In education, it is important the variables which influence the lecturer's job satisfaction.

Job satisfaction defined as one's affective attachment to the job viewed either it is entirety (global satisfaction) or with regard to particular aspect (facet satisfaction) (Tett & Mayer, 1993). Greenberg and Baron (2000) states job satisfaction is a person's positive or negative feeling about their job.

In education, the learning process is very important to note that the role of an educator is very significant in improving the quality of education. Therefore, educators are spearheading the national education system. In addition. the management system and its implementation in educational institutions play a role in improving the quality of education. Quality of educators affected by pride educators to the profession. This is consistent with the statement of the role of feeling means that employees can determine his satisfaction. In an organization, especially in the case of an education institution job satisfaction is

not solely based on the material, but also the inner satisfaction in themselves educators. In general, the view that the purpose of work is to make money, so the greater the reward given the more interested people on the job. This presumption cannot be blamed, because the physiological needs of human clothing, housing, and food will be met if a person has money. But money is not an absolute factor that guarantees the satisfaction of one's work.

Research on gender on job satisfaction university professors will be increasingly important in contributing to the management of human resources better in the future. Research was conducted on teachers in higher education institutions Binus University. Given that Binus University today is a leading private university in Indonesia. With the growth and remarkable progress in the middle of the competition is so tight among many higher education institutions in Indonesia.

Binus University achievement remarkable is inseparable from the performance of operational reliability so as to produce graduates who are good, in accordance with the needs of the industrial sector to absorb graduates Binus University. The operational performance of higher education institutions is determined by the educators. Due to limitations educators acquire data from internal sources Binus University, then a glimpse today at Binus University there are currently more than 5,000 educators, seen from the main number of professors, lecturers or existing code of lecturer. It is hoped this study

samples were drawn at random will be able to clarify a little profile of educators at Binus University.

So research on job satisfaction gender in college lecturer will be increasingly important in contributing to be better the management of human resources. Through this research a change in mindset on women issues must be taken into account in any decision of the organization.

Outcomes resulting from this research can be a reference for educational institutions to make the female teaching staff as one of the important actors in improving the competitiveness of that educational institutions. The output generated from this study can be a reference for business owners to make HR management as one priority in the management of its business. Based on the background that was cited previously, the problem of this research is how the influence of personal factors on job satisfaction moderated by gender factor on the lecturers at higher education institution.

RESEARCH METHOD

This research can be categorised as associative research. The method of the data collection was through a questionnaire using the Likert scale (strongly agree with the answer choices to strongly disagree). Time horizon is cross-sectional in the which the data collection conducted only one time at any given period.

The analytical method used is the path analysis. The data test used to test the validity and reliability of data, as well as normality of data. Based on the requirements of regression model, multicollinearity test and heteroschedasticity test were conducted. Furthermore, equipped with a correlation test to determine the relationship between two variables.

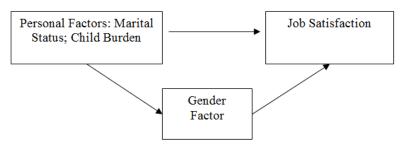


Figure 1. The Path Analysis Diagram

RESULT AND DISCUSSION

In this study, respondents are active lecturers at Binus University. The sample size is 100 respondents. Characteristics of personal factors of the respondents in this study were taken into account such as gender, marital status, age, child burden, education background, and employment history.

Before discussing the results of the path analysis, the profile of lecturers in Binus University show most (60%) lecturers at Binus University faculty are male. In terms of marital status, 73% of lecturers are married, of which 80% are over 30 years of age. They have post graduate qualifications, in line with government regulations. Most faculty members have served at Binus University for more than five years, of which job satisfaction, career path, compensation, pride, are important considerations. Correlation analysis showed that results of this study are in line with the findings of Accenture (2014) and those of Kaiser (2005) that there is a relationship between gender and job satisfaction, and that female workers are more satisfied with their jobs compared to male workers. The newest study from Pakistan conducted by Fatima et al. (2015) contra result with the Kaiser finding. Fatima, et al found male employee in NGO and public sector school in Pakistan more satisfied with their job as compared to female employee. There is no association between marital status and job satisfaction. It may be said that married workers have a higher level of job satisfaction in comparison with unmarried ones.

Table 1Summary of Correlation of X1, X2, Y on Z

Correlation	Coefficient Correlation	The Meaning
X_1 and Z	0,106	Weak, Negative and Not significant
X_2 and Z	0,305	strong, positive, significant
X_1 and Y	0,272	weak, negative, significant
X_2 and Y	0,256	weak, positive, significant
Y and Z	0,540	strong, positive, significant

Source. The Research Result, 2014

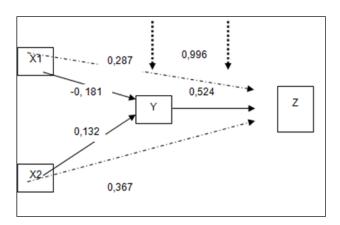


Figure 2. The Relationship of X₁, X₂, Y, on Z Variable *Source*. The Research Result, 2014

The Influence	Direct Influence	Indirect Influence
Y on Z	0,524	-
X1 and X2 on Y	0,083	-
X1 and X2 on Z	0,112	0,083 x 0,524 = 0,043
X1, X2, Y on Z	0,344	
ε ₁	0,996	-
ε,	0,939	-

Table 2 The Summary of Relationship of X_1, X_2, Y , on Z Variable

Source. The Research Result, 2014

The results showed that gender variable cannot moderate the influence of personal factors (marital status and child burden) on job satisfaction of lecturers Binus University. Would be more appropriate gender variable turns acting as the independent variable. As independent variables, along with marital status and child burden, gender variable greater affect significantly on job satisfaction which is equal to 0.344.

This result support the finding of Aydin et al. (2012) research. They found that female teachers' satisfaction greater than male teachers in Turkey. They strengthened their finding by argument that the determinant and flexibility work and home, appear to be a greater value to female teachers. The policies which forces women to choose between home and work may reduce their job satisfaction. It would be better to leave this mandatory attitude. As well as with Yukawa and Arita (2014) in Japan they did not find gender - job satisfaction paradox on overall job satisfaction, but on treatment job satisfaction they found gender - job satisfaction paradox.

Duong (2013) found there were significant effect demographic factors and institutional factors on job satisfaction of academic members of 3 public universities in Vietnam. Gender was part of the demographic factors in Duong research.

Klassen and Chiu (2010) found teachers' years of experience had nonlinear relationships with three of self-efficacy factors, increasing from early career to mid-career and then falling afterwards. Female teachers had greater workload stress, greater classroom stress from student behaviours, and lower classroom management self-efficacy. Teachers with greater workload stress had greater classroom management self-efficacy. Teachers with greater workload stress had greater classroom management selfefficacy, whereas teachers with greater classroom stress had lower self-efficacy and lower job satisfaction. Those teaching young children (in elementary grades and kindergarten) had higher levels of self-efficacy for classroom management and student engagement. And teachers with greater classroom management selfefficacy or greater instructional strategies self-efficacy had greater job satisfaction. This result same with Klassen and Chiu findings, that gender and workload had relation with job satisfaction. This finding different with Suki and Suki (2011) finding in Malaysia. Suki found no gender difference men and women teacher also no correlation gender with job satisfaction. As well as Yapa et al. (2014) found that gender has no significant effect on job satisfaction.

CONCLUSIONS AND SUGGESTIONS

Conclusions

Based on the previous discussion, this study found:

- 1. Individually each variable marital status, child burden, gender, has a significant effect on job satisfaction
- gender does not play a role of moderator variable, thereby gender variable cannot strengthen or weaken the effect of personal factors on job satisfaction
- The results of this study support the findings of Kaiser (2005), Klassen and Chiu (2010), Aydin et al. (2012), Duong (2013), Accenture (2014), as well as the findings of Yukawa and Arita (2014) that there is a relationship also influences personal factors and gender on job satisfaction. However, this result contrary to the result of Suki and Suki (2011).

4. Although gender variables relate and affect job satisfaction at the same time this study does not explain the gender type which is more strongly linked to or has greater influence on job satisfaction.

Suggestions

Some suggestions can be presented based on the results of this study:

- The decision makers in the organization, especially those in institutions of higher education need to consider personal factors and gender in decisions making related to the management of human resources in order to increase job satisfaction which eventually will be able to retain qualified teaching staff.
- 2. This study may be expanded to examine other organisations.

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SOCIAL SCIENCES & HUMANITIES

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Upcycling Technique for Eco-Fashion Products made by Slum Communities at Cakung, Indonesia: Students' Experience

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ABSTRACT

This report presents the findings and implications of research on how students apply an eco-fashion strategy with a local crafter from a slum community in a rural area of Cakung, Indonesia. Based on a fashion course titled Fashion Future, it discusses sustainable design more commonly known as Eco Fashion. The objective of this paper is to describe the students experience on collaborative undertakings with the slum community in Komunitas Anak Cakung. The findings suggest that the experience acquired provided students with useful insights.

Keywords: Fashion, eco fashion, textiles, collaboration, projects, upcycling, education

INTRODUCTION

The objective of this paper is to describe the students experience in their collaborative work with a slum community in Cakung, Indonesia in order to learn *upcycling* techniques for fashion products.

Recently there has been interest on the role of different forms of Eco Fashion in helping people to 'get by" or, to "get on". Everyday fashion is generally seen as a resource in people's lives, it is therefore important to respect the power of fashion and adornment, and understand its significance in cultures throughout the world. Fashion performs many roles: it is a social catalyst, a communication medium that functions in both personal and public spheres, as it is simultaneously both inward ad outward looking. Fashion provides

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E-mail address: ikarina@binus.edu (Karina, I.) livelihoods, and sustainable fashion must continue to meet our personal and symbolic needs, while addressing the intrinsic problems of the fashion system (Black, 2013, p.8). By sharing our resources more equally, we can focus on the things that really matter and achieve genuine and lasting progress with higher levels of wellbeing.

There is a significant opportunity for fashion education institutions like BINUS Northumbria School of Design to play a key role like the Fashion Future class which talks about Eco Fashion - fashion that are aware of environmental impacts in realizing this approach; such institutions are ideal catalysts as they are in the position to be able to bring together key stakeholders and cutting edge thinkers.

The Project Aim

Firstly, the project aims to establish the extent to which fashion/textile industry is related to the incidence of ever growing waste and negative impacts for the environment. Secondly, it seeks to determine whether the eco-fashion strategy alters response to alleviate poverty by ethical trading in ideas and knowledge service using fashion education through Upcycling methods. The project aims to develop a design based on eco fashion strategies, using waste as the main material for a wide range of innovative eco fashion products. The research also hopes to describe students 'experience in their collaborative work with slum communities.

LITERATURE REVIEW

While *upcycling* is an increasingly popular way to make something valuable from discarded clothing, recycling fabrics is another viable choice in the prevention of textile waste. The use of the term "recycled" in this text refers to fabrics made from reprocessed waste materials. Recycled textile gained prominence in the 1990s, when innovations such as fleece derived from plastic bottles made headlines. Yet textile recycling is one of the oldest forms of material reprocessing in the worldand, with the exception of a few recent advancements, the production processes and uses of recycled textiles have changed little over their long history.

Although the uses for recycled fabrics have expanded in recent years – becoming especially important to the contemporary sustainable fashion industry – recycled fabrics have been used for "low grade" (non-fashion) purposes for centuries. When shredded, the material can be made into paper, used as insulation or stuffing, or quite literally used as rags for wiping or polishing.

The use of recycled materials in recent high fashion collections underscore their importance. High profile campaigns aimed at educating and engaging consumers have also helped to further understanding of the importance of recycled fashions. In April 2012, for example, prominent British retailer Marks & Spencer launched its "Shopping" campaign, an initiative that encouraged shoppers to trade items of used clothing when they purchased new garments instore. As part of the campaign promotion, buildings on a street in London's Brick Lane were entirely covered and filled with used clothes – the number of which was the equivalent of clothing that is thrown away

every 5 minutes (approximately 10,000 garments). The awe inspiring display certainly made its point. The campaign was also launched and supported by British actress Joanna Lumley, who publicly stated her concerns over the amount of clothing that is simply thrown into landfills. "I think young people have been encouraged to buy something, wear it for months and throw it out, particularly if they're not very good at mending things. I donate a lot of my clothes to charity because I hate throwing things in the dustbin. It does not seem right to me. Hopefully, we will roll up to M&S with something we don't want anymore." Not long after the Marks Spencer recycling program was initiated, Swedish fashion retail giant H&M began a similar campaign (H&M, 2015).

As a major global business, the fashion industry 21st century fashion courses are preparing students for an industry that seeks to bring a political dimension to fashion education and make it a potent catalyst for change. (Gordon & hill, 2015, p.20)

METHODOLOGY

The regular activities at Komunitas Anak Cakung - which is a slum community at a rural area in Cakung, Indonesia are an alternative education for children who lack access to education, especially for children whose parents are economically less and are usually located in the suburbs of Jakarta. Their beneficiaries are children in Cakung and Muara Baru. Since 2012, the organization started renting a house that they call "Rumah Belajar" or Home Study, as a place of learning.

A group called Usaha Mandiri (Independent Business) has producing products such as greeting cards from paper quilling (usually the production goes for greeting cards of Easter, Christmas, Valentine and such), and recycled beads for necklaces, bracelets, earrings, coasters, bowls, Bible covers, purses and pencil cases. Children of the 3rd category are approximately 11 children (aged 11-15 years), whereas participants of Independent Business activity are about 8 people (aged 13-20 years old and the mother of childbearing age to old age). Skills activities kids categories 0 to 2 are usually combined, there are about a maximum of 30 children (aged 5-10 years).

The group assignment require students to join the field trip activity on 5 October 2014 as part of the syllabus requirement, it consists of 2 tasks: (1) Written research report and (2) Power-point format. Upon the completion of this project, students are expected to be able to demonstrate an understanding of current eco fashion movements and identify and analyse various creative approaches, techniques used and how the eco fashion product promotion works. Students also need to identify and justify 2 other alternatives to produce an eco-fashion product. In addition, students are required to create an informative and effective power-point format report and present in front of the class as a knowledge sharing session.

A group of students (2 people) are expected to apply one of the 10 eco design strategies in a fashion product, using TED TEN's Strategies (www.tedresearch.net) as a reference. First, are design to minimize waste such as creating long-life textiles, recycle and re use of materials, re-working existing garments to produce up-cycled products, design multi-functional products, zero waste cutting, using new technologies to 're-surface' pre-consumer polyester. Second, design for recycling / upcycling such as designing for recycling / upcycling from the outset, which is a more proactive approach and responding to existing garments / materials to Recycling / Reengineering a product/garment (reactive approach), upcycling - adding value through process or concept to existing garments/materials, transfer printing onto polyester to produce up-cycled products, closed-loop recycling (forward recycling) post-consumer polyester, of monomateriality, borrowed materials and design for disassembly.

Third, design to reduce chemical impacts, consider using organicallyproduced mechanical materials. use non-chemical technology create to decorative surface pattern, such as laser / water-jet / sonic cutting and laser / sonic welding, to seek convincing alternatives to harmful chemical processes such as devore, chemical dyes, mordents etc. and consider natural dyes and their processes. Fourth, design to reduce energy and water use, innovative labelling to increase consumer knowledge about best laundry practices,

digital printing, exhaust printing and dyeing, design for No or Low launder / Short life textiles, localization, prioritize natural energy systems, dry patterning systems / Projected patterns, design for recovery of energy. Fifth, design that explores clean and better technologies, dematerializing e.g. using sonic welding instead of threads, Using new technologies like laser etching to 're-surface' pre-consumer polyester, Bio - GM technology, vanishing muslin, regenerated cellulose fibres, digital Printing - 2D and 3D, production technologies such as 3D warp knitting, coating and Finishing - nano, colour technologies, Teflon, Smart - Piezoelectric materials, shape memory alloys and shape memory polymers, magnetic shape, self-healing materials, Smart Devices - RFID tagging, mobile technology. Sixth are design that looks at models from nature and history. Learning from past examples to extend the life of a garment, adapting traditional craft skills for contemporary contexts, and to consider local materials and production. Seven, design for ethical production such as learning from historic examples of extending the life of a garment, adapting traditional craft skills for contemporary contexts, ad to consider local materials and production. Eighth, are design to replace the need to consume which are employ Emotional Durable Design/Slow Design, design textiles and products which adapt and change with age, to celebrate vintage, personalize / Customize / DIY, Recycle. Re-use, to apply experience / User-centred design, and to explore CoDesign, mass collaboration, collaborative consumption, crowd sourcing. Ninth, Design to dematerialize and develop systems and services such as to create Multi-functional products, temporary / non-invasive installations, to establish design systems and services instead of products such as lease, share, repair and develop on-line/local communities. And lastly, the tenth are design activism which are to Raise awareness of environmental and social issues, joining participatory engagement using web and open source platforms, extending the reach of the designer beyond making products. For activism, approaches are to make process findings of research by identifying and analysing various creative approaches, eco fashion designer figures, eco movements, and techniques used behind the profile assigned. Also, to present research findings from field trips and organized independent research (including materials and sample exploration) in front of the class wherein each individual will be given 12 minutes for the presentation in front of the class.

To present the Final Product, by having the research book completed which makes more research focus on making the prototype; students are required to produce fashion products (mini collection, a garment or accessory.) To finalise the design process, start molding design into a promotable eco fashion collection through e-commerce and including a display through photographic styling and digital illustration of the product for the final project website content. The design workshop will continue to further develop their final proposal resulting in a series of visualisation sand a final working prototype. Teams will prepare promotion and marketing material to endorse their product and their final presentation. The teams will present in front of a wide range of public including a selected panel of assessors. Presentations should not exceed 15 minutes, made concise and lucrative for the public eye. The research book will be available physically and on-screen in the presentation to justify their final product.

By Mid and Final Semester, students need to submit a group written research report in power point format (of a minimum 12 pages) to illustrate findings from the Komunitas Anak Cakung field trip, samplings, identifying and analysing various creative approaches, eco fashion designer figures, eco movements, and techniques used behind the profile assigned.

Students' Empirical Experience

Fashion future is a course that talks about Eco fashion, to bring up the issue of environmental awareness that arise in the fashion industry. The writer examined the responses of semester 5 students in a total of 22 people at BINUS Northumbria School of Design (BNSD) who joined the fashion future class. The collaboration activity with the slum community held at a rural area in Cakung was also conducted by the writer who also designed the syllabus course. The responses are divided into 3 aspects, whether individuals responded differently surveys administrated to

via reflective writing papers. There are 3 aspects referring from the student's experience which are:

- 1. The aspect between the student and the collaboration
- 2. The aspect between the student and the slum community
- 3. The aspect between the student and the eco fashion theory that they have learned from the fashion future class

As this course proposes a service program for the target community, they are interested in taking part of this collaboration. It is part of the CSR activity that is a mandatory activity conducted by every university lecturer, by serving the community a knowledge in designing an eco-product and combining with the existing weaving techniques that they already know - or simply using any fabric waste, like banner waste that are available to collect from the slum site where they live. From the writer's experience with the community, the participants of the workshop are glad to acknowledge other product ideas that they can make and eventually produce and distribute to future customers.

Results promoted through social media on how eco fashion studies can raise environmental awareness had been shown at a Greenpeace "Detox Fashion "campaign by showcasing a student's work on upcycling garments. The idea was born out while a Binus Northumbria School of Design student previously attended the Fashion future class. The campaign showcase 2 other designers who display their work on the runway at Sungai Citarum, a river polluted by chemicals produced by the fashion industry. The campaign was widely published in the national and international media.



Figure 1. Student 2, also applies *upcycling* strategies for her bag collection.



Figure 2. Student 3 makes necklaces using nuts waste such as unwanted nut shells & pistachio crumbles.

Aspect 1: Student experience with the collaboration. Comment from a student from semester 5 fashion management course on her experience of joining the field trip to a slum community at Cakung called Children of Cakung Community: "It was a good experience, to see the whole process of compiling the plastic waste from scratch. The people of the slum community were welcoming us with open arms."

Advantages that were derived from the collaboration was to gain new knowledge on *upcycling* technique. Students began to think of developing similar slum communities in other parts of the country.

Aspect 2: Student experience with the slum community. The students went to Children of Cakung Community organization, to look at the process of the waste that are collected from scratch, the slum community usually pick up around the landfill at Cakung, and then they wash it and dry it in the sun that are later cut into pieces. They use this as a plastic base material to weave into many products that are handmade like pouches, bags, vase, etc.

For student experience, the organiser hopes that students can conduct teaching/ exchange their design ideas in order to have learning skills for the children category 0, 1, 2, and 3 and also workshops for participants of Independent Business that are some children and mothers, which are useful to supplement their income or savings for the family's needs and for the teenager's savings. Students gained ideas to make innovative garments using the techniques, show it through fashion shows, telling the story behind the collection of the waste materials and promoting through social media. Aspect 3: Student experience with the eco fashion theory. From what they have learned from the visit to Children of Cakung Community and can relate through the Fashion Future course, students gain knowledge about more considerate design and being more aware about the environmental impact while designing or working in the fashion industry later. They realize that the fashion industry contributes so much waste - either from the retail industry or textile industry. Some students are now aware of using the right materials to use if they want to join the eco fashion cause, like applying *upcycling* techniques, natural dyeing, recycling materials and having more pride towards local products to minimize the carbon footprint. By the end of the semester, students finally understand the meaning of sustainable design and how to apply the strategies that make an Eco Fashion product.





Figure 3. Process in making a bag applying weaving technique as part of the *upcycling* technique

Figure 4. Dragonfruit blended into a pigment which are later used for a fabric dye



Figure 5. Upcycling project of transforming a skirt into a buttoned top for the fashion future class

Karina, I.

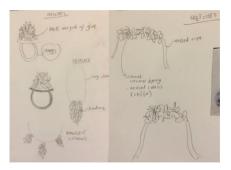


Figure 6. Student's sketch done on their research book

CONCLUSION

Fashion can be used as a means to engage a small community that needs support and A study program which focuses on environmental issues, sustainable design, eco fashion, among other related themes can provide useful insights for students. Benefits for students by working with the community while doing their Eco Fashion course work not only enhanced potential for collaboration with the local but also I promote sustainable design products.

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Academic Achievement, Self-Efficacy, and Career Aspirations as the Predictors of Career Success for a First Job

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ABSTRACT

Academic achievement is a variable that is used by companies in employee selection. Self-efficacy and career aspirations is seen as having an influence on career success. A discriminant analysis was performed to test whether academic achievement, self-efficacy, and career aspirations could be used as predictors to differentiate between a person who was successful and a person who was less so in their career, especially in the early years of employment. More successful people had a tendency for Pure Challenge by which is meant that the person is able to overcome challenges and a readiness to take charge. Lifestyle aspiration is also seen as important in career development. And the last aspiration was Entrepreneurship, indicating that a more successful person usually wanted to build something and take charge. The findings of this research support the claim that academic achievement was not the only factor which contributed to career success. Self-efficacy, and career aspirations play a role in the career success.

Keywords: Academic achievement, career aspirations, career success, generation Y, self-efficacy, training and development

INTRODUCTION

Many studies have shown the effect of diverse variables on career success. The measurement of success itself is an abstract concept as Hughes (1958) stated that the success of a person could be divided into 'objective success' and 'subjective success'. Objective success is the achievements of a person that can be both seen and valued by

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E-mail address: imurwani@binus.edu (Murwani, I. A.) * Corresponding author others, while subjective success is based on their internal satisfaction. Heslin (2003) divided success measurement into 'selfreferent' and 'other-referent'. For the selfreferent, objective and subjective success can be measured based on the person's personal achievements, while the otherreferent is measured by comparing the achievements between two people.

Academic grades are widely used to measure high school or university students' capabilities. This common practice is also used as a procedure in deciding who to hire. Hashim (2009) stated that school grades were used as the first criteria in employee selection, and Wise (1975) found a relationship between academic achievements and a person's job performance. The research had limitations because job performance was measured based on the salary of the respondent with the assumption that the salary would increase when the performance improved.

The other criteria to measure the progress of career success are 'self-efficacy' and 'career aspirations'.

Self-efficacy is related to career interest and a person's belief in their ability actually influenced the interest and career choice (Tang et al., 2008) and a person's career aspiration is related to individual's perception of success.

In the light of competition in the job market, an individual who joins the work force for the first time needs to know the factors that can influence career success. Understanding the dominant factors should allow the candidate to develop their skills earlier to enhance their career. *Could academic achievements, self-efficacy, and career aspirations be used as factors to differentiate between a more successful and a less successful person*? The paper originally did not have intention to highlight the generational issues. However,

In the 21st century the workforce has employed four cross generational employees which was Traditionalist, Baby Boomer, Generation X and Generation Y in the same time (Shaw & Fairhurst, This paper hopes to 2008). contribute to the understanding of the characteristics of Generation Y's career success

In measuring the success of a person, one variable would be career success. According to Seibert and Kraimer (2001) career success follows the accumulation of positive work and psychological outcomes resulting from one's work experiences. Hughes (1958) defined career success into two categories which were objective career success and subjective career success. Career success encompassed "the real or perceived achievements individuals had accumulated as a result of their work experiences". Hughes (1958) stated that objective career success is directly observable, measureable and verifiable by an impartial third party using the observable data of the person. Nicholson (2000) proposed 'pay', 'promotions' and 'occupational status' as the verifiable attainments of a person's objective career success.

According to Abele and Wiese (2008) subjective career success emphasized the beholder's own evaluation of his/her career. Heslin (2003) proposed that the self-referent and the other-referent could influence the subjective career success. The subjective career success related to how a person sees their career according to their personal evaluation, by comparing their career with their self-values for the self-referent and to the situation of his/her surroundings for the other-referent.

Rivkin et al. (2005) stated that academic achievement is a cumulative function of current and prior family, community, and school experiences. So, the academic achievement represented the student's current and prior experiences. This means that academic achievement also represents, to some extent, the intelligence of the student. Academic achievement is usually measured by the grades assigned to a student based on the student's achievement during the academic study process. The grading method and the grades value could be different from one school to another. Hashim (2009) stated that school grade was usually used as the first selection criteria in the employee selection process and Wise (1975) found out that there was a relationship between the academic achievements and the job performance of a person.

Although perceived 'self-efficacy', the belief the capabilities to produce designated levels of performance that could influence and affect someone' lives (Bandura, 1994), was used in psychology, the application of self-efficacy was not limited to the psychology field. The application was extended to coveractivities from academic activities, sports, and professional jobs. Judge and Bono (2001) claimed that there was a correlation between self-efficacy and job performance. This research showed that although self-efficacy resided in the mind of a person, such a belief had an impact on real life events such as job performance. Hackett and Betz. (1981) stated that women with low self-efficacy had lesser career achievement and opportunity.

Rasdi et al. (2009) stated that career aspiration referred to the socioeconomic level of a person's ideal occupation. Furthermore, the research also showed that "overall career aspirations were significantly related with subjective career success".

Schein 1996) (1985. developed a model called 'Career Anchors' to categorize career aspirations into 8 anchors which were (1) Autonomy/Independence: self-reliant attitude that prefers to do things according to his/her own way; (2) Security/ Stability: looking for security in a job that can give long time stability; (3) Technicalfunctional competence: aspiration towards the competence in one field by honing skills and concentrating on one field; (4) General Managerial Competence: having the desire to climb the ladder and gaining more control over the organization; (5) Entrepreneurial Creativity: Seeking for innovations and the possibility of building his/her own business; (6) Service or Dedication to a Cause: Aiming to do things for the greater good and the desire to dedicate oneself to shaping a better world; (7) Pure Challenge: seeking challenges and new problems to be solved; (8) Lifestyle:

The lifestyle is more important than the career itself because the career is to support the lifestyle. It was possible for a person to have high aspirations for several categories or even all the categories. However, usually one or more categories were stronger than the others.

Generation Y is the name given to the most recent demographic group to have entered higher education and the world of work. The start and end dates, which define the parameters of Generation Y, vary from the beginning dates of 1977-1982 to ending dates of 1994- 2003 (Shih and Allen, 2007 inside Shaw and Fairhurst, 2008). The term "Millenials" was used by Howe and Strauss (2000) to describe the population who was born between 1982 and 2000.

Because of every one's life experiences shaped who they were, it was no surprise that employees who grew up in different time period would have different world views, expectations and values, resulting in preferred methods of communicating and interacting with one another (Glass, 2007) and different belief about career (Dries et al., 2008).

METHOD

Research Model

The framework of this research was adapted from Rasdi, et al. (2009) with two additional variables : academic achievement (Wise, 1975; Rivkin et al., 2005; Hashim, 2009) and self-efficacy (Schwarzer et al., 1997; Tang et al., 2008).

The research model is described below:

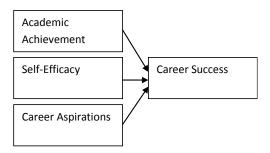


Figure 1. The Research Model

The model above was designed to analyze the relationship between the variables and to identify the most dominant factors that supported career success. The samples were divided into two groups which were: the more successful; and the less successful. The research methodology was adapted from Esters and Bowen (2005) which used a discriminant model to prove the hypothesis that academic achievement, self-efficacy, and career aspirations could discriminate between more successful and less successful people's careers. There were two phases of the analysis: (1) finding the criteria that differentiate between respondents based on how successful they were (2) testing the hypothesis by ascertaining the success rate of the discriminant analysis.

The operationalization of variables was explained below.

 Dependent Variables – Career Success The respondents were divided into two groups: the more successful group and the less successful group based on the raise of salary since the first time they joined taken into account the year of employment. If the salary of the person is above the national average salary of his/her job, they were in the more successful group. The average salary lists used were the lists provided by Kelly Services, a recruitment consultant in Jakarta.

- 2. Independent Variables
 - a. Academic Achievement Final GPA
 - b. Self-Efficacy 10 questions developed by Schwarzer et al (1997)
 - c. Career Aspiration Questionnaires by Igbaria & Baroudi (1993) based on Schein (1985).

Hypothesis 1: The discriminant model where academic achievement, selfefficacy, and career aspirations serves to differentiate the person who had a more successful career with their counterparts who were less successful.

METHODOLOGY

The population was the workforce in Jakarta with at least a bachelor degree. The sample was 100 people, determined by Slovin's equation with a confidence level of 90%. The sampling method was convenience sampling. The questionnaire was distributed using referral and the available network.

Data Analysis

Reliability was tested using Cronbach's Alpha (if higher than 0.60 the reliability is good). The validity was tested using the cross validity method to measure the

hit ratio. If the prediction success rate was 50% bigger than the ratio got by classification by chance, then the validity is good - the bigger the difference the better the validity. The success rate of 50% was determined because the sample size between the more successful and less successful was divided equally Hair et al. (1998). Logistic regression was also formulated to predict and explain a binary (two-group) categorical variable rather that a metric dependent measure. Logistic regression has the advantage compared to discriminant analysis especially when the basic assumptions particularly normality of the variables are not met. Discriminant analysis relies on strictly meeting the assumptions of multivariate normality and equal variance-covariance matrices across group which are difficult to achieve in most cases. In addition, logistic regression is similar with the nonlinear regression and equivalent to two-group discriminant analysis and may be more suitable in many situations (Hair et al., 1998).

RESULTS AND DISCUSSION

Respondents Profile

Gender and Age Group. Of 100 respondents, there were 70 males and 30 females. 86% of the respondents were between the age of 21 and 30 years old, indicating that most of the respondents were from the same generation. The respondents were born between 1981 and 1990 which classified them as the Generation Y according to the definition from Shih and Allen (2007).

Time when starting to work. The year that the respondents began to work following their graduation was used to classify the respondents to the group of more successful or less so. The respondents started working between 1997 and 2011. Some of the respondents had already work when they were still studying in the university. The length of the working year would not be taken into account and not be a focus of differentiation in this research. Although, this may be acknowledged as the limitation of this research it has to be noted that 79% started working between 2005 and 2010, corresponding with the distribution of the age of the respondents.

Academic Achievement. Because some of the respondents had refused to put their exact GPA number, the respondents were divided into five groups: (1) GPA below 2.00; (2) GPA between 2.01 to 2.74; (3) GPA between 2.75 to 3.24; (4) GPA between 3.25 to 3.59 and (5) GPA more than 3.59. Most of the respondents were in the group 2.75-3.24 and only 12% of the respondents were in either group 1 or 5.

Reliability and Validity

The measurement using a set of 10 questions developed by Schwarzer et al. (1997) was reliable, because the Cronbach's Alpha of Self-Efficacy was 0.852 which was higher than 0.70. However, not all of the questions were highly correlated. Question number 3's (It is easy for me to stick to my aims and accomplish my goals) Corrected ItemTotal Correlation was 0.240 which meant it was not correlated. The argument to keep the questions in the analysis was because we believed that the measurement of the self-efficacy developed by Schwarzer, et al. (1997) was a set by itself and thus we did not eliminate any of the questions to keep the originality of the measurement.

The measurement used 25 questions by Igbaria and Baroudi (1993) which based on 41 questions by Schein (1985) was reliable, because the Cronbach's Alpha for the 25 questions is 0.799 which is higher than 0.70. We found out that some of questions had low correlation. However, after deleting low correlated questions, the value of Cronbach's Alpha stayed similar, except for the questions number 8 (The organization will give me a long run stability).

Discriminant Analysis

The hypothesis was the discriminant model whereby academic achievement, self-efficacy, and career aspirations would differentiate those who had more successful careers with those who were less successful in their careers.

The discriminant model successfully classified (82%) that the validity of the discriminant model was high and was successful in classifying the two groups. When analyzing the discriminants, the respondents were divided into two groups. To minimize subjectivity, career success was defined as the raise of salary since the first time they joined taking into account the year of employment. There were 50 respondents who were members of the more successful group (value 1) and 50

respondents with the less successful group (value 0). All single questions are entered as dimension.

Table 1Classification Results

		Classification	on Results		
		Success_value	Predicted Group Membership		Total
			.00	1.00	
Original	Count	0.00	43	7	50
		1.00	11	39	50
	%	0.00	86.0	14.0	100.0
		1.00	22.0	78.0	100.0
a. 82,0% of	original group	ped cases correctly cl	lassified.		

Homogeneity of the group. One of the assumptions that should be accepted in the discriminant analysis is the homogeneity of the group which is reflected by the value of ox's M. The p-value of Box's M of the model is less than 0.05, which indicates that the group is heterogeneous.

Discriminant Loadings. The Canonical Correlation in the table on Eigen Value is used to explain the degree of relationship or the magnitude of dependent variable variances that can be explained by independent variables. The model above can only explain 46% variances of the variable independent by the discriminant model.

Discriminant Weights. The Test of Equality of Group Means showed the significance of each questions to discriminate the two groups and shows that GPA, self-efficacy's question numbers 1(*I* can always manage to solve difficult problems if I try hard enough), 2 (If someone opposes me, I can find the means and ways to get what I want), 7 (I can remain calm when facing difficulties because I can rely on my coping abilities), 8 (When I am confronted with a problem, I can usually find several solutions), 9 (If I am in trouble, I can usually think of a solution), 10 (I can usually handle whatever comes my way); career aspirations' question numbers 4, 6, 10, 11, 16, and 25 were significant predictors to discriminate the two groups.

Career Aspirations' question number 4 (Working on problems that are almost insoluble is) and 16 (The only real challenge in my career has been confronting and solving tough problems, no matter what area they were in) referred to the respondent's aspiration towards Pure Challenge from the Career Anchor (Schein, 1985, 1996). Career Aspirations' question number 6 (To be in charge of a whole organization is) reflected the aspiration towards Managerial. Career Aspirations' question number 10 (Developing a career that permits me to continue to pursue my own lifestyle is) was for the aspiration towards Lifestyle. Career Aspirations' question number 11 (Building a new business enterprise is) and number 25 (I have always wanted to start and build up a business on my own) referred towards aspiration towards Entrepreneurship from the Career Anchor. (Schein, 1985, 1996). However, as overall function, the model Wilk's Lambda shows a p-value of 0.07 (bigger than 0.05) which means as an overall function, the model cannot show a differentiation between group.

Following from the above finding a model is constructed using the variable of GPA, Overall Self-Efficacy and Selected Career Aspiration (questions 4,6.10, 11 and 16).

The model's statistical result are as below:

Table 2The Statistical Result of Second Model

Test of Equality Group Means	Block M for homogeneity	Eigenvalues for Canonical Correlation	Wilk's Lambda
Significant value:	• p value 0.012< 0.05 • Reject H0	Canonical Correlation value:	• p value 0.01 < 0.05 • Significant difference
 Overall Self Efficacy Career Aspiration question number 4 and 10 	• Group is heterogeneous	0.464 • Square = 0.215296 • 21.5% of the dependent variable is explained by an independent variable	between group

The model above can explain the difference between groups compared with the first model. Although the hit ratio of classification result is lower than the first model. This model can only classify 70% of the group.

The summary for two models. The summary of the analysis is that the discriminant model where GPA, Self-Efficacy, and Career Aspirations will differentiate a person who is more successful career wise. When eliminating the insignificant Career Aspiration question and treating Self Efficacy as one variable, the model's predictability is significantly improved. The second model concluded Self-Efficacy, and Career Aspirations can be used as the predictors to discriminate the two groups. A more successful person is expected to aspire towards Pure Challenge and Lifestyle.

More successful people were expected to have a tendency for Pure Challenge which meant that the person was able to overcome challenges and tough problems and did not run away from them. They were also expected to have managerial aspiration which meant that the person was ready to take charge. Lifestyle was also an aspiration for a more successful person because the person would develop a career that supported his/her lifestyle. And the last aspiration which is significant in the first model was Entrepreneurship, indicating that a more successful person usually wanted to build something and take charge.

The result supported Rasdi et al. (2009) who stated that 'managerial' and 'pure challenge' positively and significantly influenced the managers' career needs, values and interest. A person that had good managerial aspirations could perform better in a managerial position and with their endurance against challenges, the position could be maintained. Greenhaus et al. (2000) claimed that career success would accrue for people that stay true to 'lifestyle preference'. Schein (1996) stated that 'lifestyle' means that the person was trying to balance their personal life and career. He argued that the core of entrepreneurship was creativity as there were many new opportunities that could be taken-up by individuals with entrepreneurship aspirations. Simonton (1997) supported the claim on creativity by claiming that creativity can influence the career trajectory of a person. Since creativity was the core of entrepreneurship, the entrepreneurship aspiration could also support the career of the person. Individuals who had an aspiration towards 'pure challenge' would be most likely to endure any given challenge and with managerial aspirations the individual would seek to achieve a higher position.

This result also supported the characteristics of Generation Y, which was known as "the most technically literate, educated and ethnically diverse generation in history (Eisner, 2005, p.6)". The Pure Challenge group is willing to become active learners and face the challenge as well since the nature of these challenges will itself evolve rapidly with technological change (Schein, 1996). Familiarity with the technology which is represented by this generation's familiarity with new gadget showed the relevancy of this career aspiration that may support the career success of Generation Y. Apart of that, this generation is capable of multi-tasking quickly (Friefield, 2007), is result oriented and have appetite for work and pressure (Shih and Allen, 2007) which matched the definition of Pure Challenge related to beating the odds. The characteristic of frequent changing of jobs might be related with seeking more challenges, though issues such as self-esteem and narcissism and the decline of social rules too are important. Generation Y also seeks work life balance and if forced will select family and friends over work (Crumpacker and Crumpacker, 2007) and this characteristic was correlated with the other predictor which is Lifestyle. Schein (1996)mentioned that the boundaries of work had become more fluid and ambiguous which indicated that people seek more flexible job

arrangement compared with the traditional 9 to 5 arrangement. The sensitivity to the social awareness of this Generation Y (Eisner, 2005, p.6; Glass, 2007) could be interpreted also as their way to balance work and life. Glass (2007) stated that according to the Cone Millenial Cause Study (Cone, 2006) this generation would turn down a job offer from a company perceived to be irresponsible to society.

The Entrepreneurship anchor represents the creativity as the response to the dynamic complexity of the industry. The need for new products and services as a response to the evolving technology will be increasing in the future (Schein, 1996). The overall model fit was also tested by logistic regression. There were 3 models that was developed which were (1) the independent variables was average GPA, Self-Efficacy and Career Aspiration, with each individual questions were entered simultaneously (2) the independent variables was average GPA, average Self-Efficacy and overall Career Aspiration and the last model (3) the independent variables was average GPA, average Self-Efficacy and individual Selected Career Aspiration. The summary of the results is below:

Table 3The Logistic Regression Result

	Model 1: Logistic Regression with each individual questions a variable	Model 2: Logistic Regression with average GPA, average Self Efficacy and average Career Aspiration as variable	Model 3: Logistic Regression with average GPA, average Self Efficacy and Selected Career Aspiration from Model 1 results as variable
Significant variable	GPA Self-Efficacy 8 & 9 Career Aspiration 2, 4, 10, 13	Average Self Efficacy	Overall Self Efficacy Career Aspiration 10
Reliability	Nagelkerke R square : 0.688	Nagelkerke R square : 0.119	Nagelkerke R square : 0.351
	68.8% can be explained by this model	11.9% can be explained by this model	35.1% can be explained by this model
Good fit model	Hosmer and Lemeshow Test : p value 0.247 > 0.05	Hosmer and Lemeshow Test : p value 0.169 > 0.05	Hosmer and Lemeshow Test : p value 0.451 > 0.05
	Good fit	Good fit	Good fit
Classification ratio (validity)	86%	58%	74%

All of the models are fit to explain the differentiation between two groups according to the Good Fit Model. Hair et al. (1998) tells us a good model fit is indicated by a non-significant chi-square value. However, the highest reliability or the ability to explain the differentiation between group is the Model 1. Model 1 can classify 86% of the sample to a group.

Comparing the logistic regression and discriminant analysis result, we would found the different result for Career Aspiration. In the Model 1 Logistic Regression, the question number 2 (Managerial) and 13 (Service) can be significantly differentiate the group. In the model 3, only Lifestyle could be used as predictor to determine a career success. This finding is in line with supposed character of Generation Y that seeks work life balance and if forced will select family and friends over work, seek more flexible job arrangement compared with the traditional 9 to 5 arrangement (Crumpacker and Crumpacker, 2007) and the sensitivity to the social awareness of this Generation Y (Eisner, 2005, p.6; Glass, 2007) could be interpreted also as their way to balance work and life.

CONCLUSION

The discriminant model whereby GPA, Self-Efficacy, and Career Aspirations would differentiate between a person who is more successful in their career and a person who is less successful in their career is valid. The GPA, Self-Efficacy, and Career Aspirations can be used as the predictors to discriminate the two groups. A more successful person was expected to have aspiration towards the Pure Challenge, Lifestyle, and Entrepreneurship variables. The good fit model was also confirmed by logistic regression and confirming the role of Pure Challenge and Lifestyle.

Since the respondents had this job as their first job, this model can also be used for preparing the first job to develop certain aspiration to achieve the success in the future.

This model can also be used as career success predictor for Generation Y, since the profile of respondents fall into the generational cohort year and the result have been supported by several researches explaining the characteristic of Generation Y.

This research can be used to initiate future research to overcome its limitations (1) The definition of career success for the first job can be sharpened by adding more dimension into career success. Friedman and Greenhaus (2000) established 5 dimensions of career success such a status, time for self, challenge, security and social. Dries et al. (2008) incorporated a series of vignettes in the online survey to evaluate the "career success". IQ and EQ may be included in the future research to get more comprehensive results besides academic achievement; (2) Future researchers may want to cooperate with corporations or schools to get the exact salary or grade of the respondent to increase accuracy; (3) The application of different research methods may give different result.

The findings of this research support the claim that academic achievement was not the only factor which contributed to career success. Self-efficacy, and career aspirations play a role in the career success. And since the research involves Generation Y as the primary target respondents with the facts that they were the newest generation entering the work force or related with the subject of this research the first job, this research can have managerial implications especially with the issue to retaining the Generation Y's workforce and developing the talents. (1) Professional workers should build their 'Pure Challenge', 'Managerial', 'Lifestyle' and 'Entrepreneurship' skills. Companies may train or support their employees toward the expected aspirations to improve company performance. (2) Generation Y are keen to be challenged but also they would like to keep their freedom. For the companies with a high number of the first job employees might consider the flexible hour to retain this young talent; (3) The perception of frequent changing job among this generation might be related with the Lifestyle anchor with the interpretation that this generation chose job which fit with their lifestyle. Balancing work and life, connecting with the social sensitive issues are among of the examples on how to keep this generation in the company; (4) In terms of developing the talents, according to Shaw and Fairhurst (2008), this Generation Y's desire to understand their roles and tasks in the organization and seek early feedback

suggests a tailored approach such as early assignment of mentoring or coaching for the first graduate will be helpful as this generation look for candid perspectives and genuine support (Sayer, 2007); (5) Shaw and Fairhurst (2008) also stated that this Generation Y prefers doing than listening. The lateral movement can help broadening their knowledge, experience and experience as they move their career.

Besides the companies, the education institution should also redefine their learning experience during the school time. Schools should try to build the mindset of the students and try to nurture their selfefficacy and career aspirations especially for 'Pure Challenge', 'Lifestyle' and 'Entrepreneurship'. Connecting the school with the companies and other professional organization can help both school and students to prepare themselves in the workforce market. With the character of learning by doing from this Generation Y, internship and doing projects with companies will nurture the anchor of 'Pure Challenge' and 'Entrepreneurship'. Connecting school with any social projects is a medium for nurturing the positive 'Lifestyle' anchor.

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The Effect of the Diffusion of University Website Innovation on Student Behaviour of State and Private Universities: A Comparative Study

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ABSTRACT

This research aims to investigate the diffusion level of website innovation by the students. The objective is to find out whether student satisfaction is an intervening factor in adoption behaviour. The research model is applied on two groups, one at the State University, the other at a Private University. in Jakarta and West Java. The data is analysed using Structure Equation Model using Wrap PLS. The results show that overall, the relationship between variables in the Private Universities is stronger than in State Universities suggesting students in the Private University are more diffused by innovation than those in the State University.

Keywords: Diffusion of Innovation, Satisfaction, Website Service, Consumer Behaviour

INTRODUCTION

Student innovation diffusion behavior is based on their role in searching, observing, acquiring and evaluating the university's website. Information about campus activities or is expected to be on the campus website. Observations on the website informs its acceptance by students. The acquisition of information through lectures, academic activities, and other information sources informs student innovation. Evaluating the campus website campus is also part of student behaviour.

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E-mail addresses: edia@binus.edu (Abdurachman, E.), enggalnabeel@yahoo.com (Sriwardiningsih, E.) * Corresponding author Each individual activity will have an impact on the feelings of the individual, a college education should provide satisfaction for students who can be seen as consumers of education. Universities are therefore encouraged to improve their services and an innovative website can help to provide faster service and up to date information needed by students (Sravanthi, 2013).

Another advantage of an internet based website is its role in providing information, teaching materials among other things. They can be delivered to all students and reduce the limitations arising from administrative deficiencies and shortage of lecturers (Herawati et al., 2008; The Ministry of College Education, 2012). Internet can improve communication between students and campus staff and have better innovation diffusion impacts (Rogers, 2003). The effect of innovation on consumer behaviour visibles from the liveliness of such individuals to always use these innovations in daily life or habits, therefore the service via the internet must be in accordance with their needs (Schiffman & Kanuk, 2010). The process of optimum innovation diffusion will be achieved if the factors affecting the adoption fulfilled (Kotler & Keller, 2012).

In Indonesia according to one survey (Kompas.com, 2012) students prefer to use the website for online gaming rather than for learning, thereby suggesting student self-motivation and student satisfaction are relatively low (Herawati et al., 2008; The Ministry of College Education, 2012; Sriwardiningsih, 2014).

The questions asked in this research relates on the quality of website service in universities in Indonesia in providing student needs.

It aims to examine the diffusion level of website innovation by students and find out whether the student satisfaction can be an intervening factor on adoption behaviour. There are seven hypotheses to be tested in this study,

- H1: Student satisfaction on website service has positive impact on student adoption behavior of innovation.
- H2: Website service has positive impact on student adoption behaviour of innovation
- H3: Website service has positive impact on student satisfaction
- H4: Student motivation to use internet significantly affecting student adoption behaviour of innovation.
- H5: Student motivation to use internet significantly affected student satisfaction on website service.
- H6: Internet literacy has positively significant positive impact on student adoption behaviour of innovation.
- *H7: Internet literate has negatively significant impact on student satisfaction*

LITERATURE REVIEW

The Consumers Behaviour Diffused by Website Innovation

Consumer behaviour concept combined with the diffusion innovation theory (Ajzen, 1991) is used to analyse consumer behaviour affected by website innovation adoption. Innovation diffusion concept refers to the involvement of innovation for individual activity or behaviour. Innovation diffusion of website services on individu might have positive affect on the behaviour of the website user, such as repeating visit to the same website. This means, the user is willing to adopt the website technology. (Goldsmith et al., 1995; Steenkamp, 1999; Weiner, 2000; Zeithaml et al., 2002; Collier & Bienstock, 2006). It is possible also to make negative effect, the user will hesitate to revisit the website, the users do not adopt the website technology (Rogers, 1995; Grant, 1996; Venkatesh, 2006; Collier & Bienstock, 2006).

Based on previous research, Rogers emphasises that consumer characteristics such as innovators, early adaptor, early majority, early adopters, and laggards determine innovativeness (Gatignon & Robertson, 1985; Wright & Esselemont, 1994; Steenkamp, 1999; Pindyck & Rubinfeld, 2012). His further empirical research showed that the consumer characteristic sometimes is inconsistent. In certain social environment, in the era of technology development, consumers tend to be innovative (Rogers, 2003; Schiffman & Kanuk, 2010).

The relationship between consumers and service provider will be strength if the consumer need is optimally fulfilled (Sheth & Parvatiyar, 1995; Kotler & Armstrong, 2012). The result of this research is expected to have benefit for university management in in designing and developing an excellent website service that would support the learning process.

The Consumer Satisfaction

The concept of consumer satisfaction indicates Many factors are expected to influence the students' satisfaction (Steenkamp, 1999; Kotler & Keller, 2012), among others are the perceived benefits in accordance with expectations, positive recommendation and repeat behaviour (Deci & Ryan, 2008; Kotler & Keller, 2012).

The Motivation

Motivation of consumer self-control is one where self-control consists of autonomous, ability and social. Environment can also influence consumer motivation (Gagne et al., 2010; Miles, 2012).

The Internet Literacy

The Internet is a network that connects millions of global information network to be more beneficial for the users (Turban & Cable, 2003; O' Brien & Marakas, 2008), in which the Internet is a computer network growing rapidly to meet the needs of business, education and other industries (Haag, 2005). The Internet is communication network spread out to the whole world through Local Area Network (LAN) or Internet Service Provider (ISP). The services are provided anywhere and anytime, there is no restriction in term of space, distance and time (Eisenberg, 2008; Strauss & Frost, 2011).

There are many definitions of information literacy: (a) Visual literacy is understanding and using images for visual learning, visual thinking and visual communication; (b) Media literacy is able to access, to analyse and to produce information for a specific result; (c) Computer literacy is able to create and to manipulate documents or data with the help of word processing software, database, and so on; (d) Digital literacy is the mastery of the source and digital devices; (e) Network literacy is a term

that still developing, which able to access, to locate and to use information in the world of networking (Kogut and Zander, 2003). The Internet literacy contains information, consumer comprehension to seek and to get the benefit from the internet (Adler, 2001) and distribution of information knowledge in the social media (Castro et al., 2011). Every individual should have the ability to manage information (Hair et al., 2010).

METHODOLOGY

Data consists of qualitative and quantitative data. Qualitative data obtained through interviews and focus group discussion. Quantitative data are obtained via survey using questionnaire with 5 points Likert scale. The respondents are academic practitioners. Secondary data is obtained from the internet access and from the Ministry of Education, Indonesia. The data analysis used is Structural Equation Model Varian or Partial Least Square (Kock, 2012). The tool for analysis used is Warp PLS 4.0 program (Lindell & Whitney, 2001). The questionnaires have been distributed through online and directly to the randomly selected students. The sample size of the online respondents is 317 from two selected universities and from directly interviewed respondents are 274 that came from six selected universities. The respondents were students, who are users of the university website service at least has been one semester at the campus. Ouestionnaires were distributed randomly from the selected universities.

ANALYSIS AND RESULT

The suitability of overall models for both groups (State Universities and Private Universities) are fulfilled. They meet the three requirement categories namely Average Path Coefficient (APC), Average R-Square (ARS), and Average Variance Inflation Factor (AVIF). The model test qualifies compatibility (fit) and can proceed to the next test. The model with the value of the variance inflation factor or AVIF<5 showed no multi collinear between indicators within the latent variables (lateral collinear) and between the latent variables (classic collinear) in the model. All the AVIP values are < 5 which indicating there are no multi-collinear. The p-value for APC and ARS values are <0.05, it indicates coefficients path of the variables in the model are stable (Lindell and Whitney, 2001; Ji and George, 2008).

Outer models for both model groups have high convergent validity values and they are closely associated with the latent variables with a significant p-value <0.05 and high discriminant validity value with high AVE value. In addition, the value of the composite reliability coefficient (CR) and the value of Cronbach's alpha coefficient should be ≥ 0.7 (Lindell & Whitney, 2001; Kock, 2012).

The comparison of the relationship strength between two variables in the model, for the State Universities and the Private University is presented in Table 1. The Effect of the Diffusion

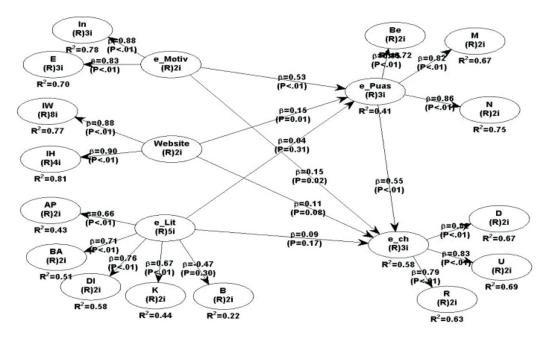


Figure 1. The Path Diagram for The State University

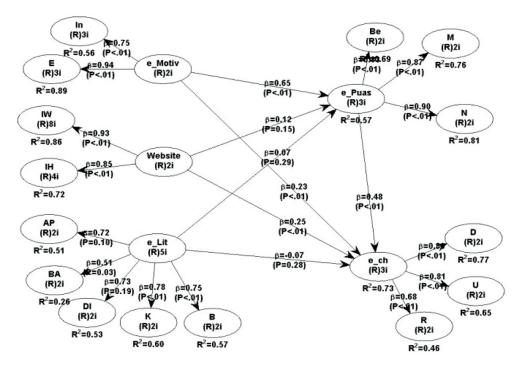


Figure 2. Path Diagram for The Private University

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Table 1

Estimated Path Coefficients and Significance Test Result

Hypothesis	State Universities β (P value)	Private Universities β (P value)
H1: Student satisfaction on website service has positive impact on student adoption behaviour of innovation.	$\begin{array}{l} \beta=0.55\\ p<0.01 \end{array}$	$\begin{array}{l} \beta=0.48\\ p<0.01 \end{array}$
H2: Website service has positive impact on student adoption behaviour of innovation	$\begin{array}{l} \beta = 0.11 \\ p < 0.01 \end{array}$	$\begin{array}{l} \beta=0.25\\ p<0.01 \end{array}$
H3: Website service has positive impact on student satisfaction.	$\begin{array}{l} \beta=0.15\\ p<0.01 \end{array}$	$\begin{array}{l} \beta=0.12\\ p<0.01 \end{array}$
Student satisfaction significantly intervening relationship between website services and student adoption behaviour of innovation	$\begin{array}{l} \beta = 0.193 \\ p < 0.01 \end{array}$	$\begin{array}{l} \beta = 0.309 \\ p < 0.01 \end{array}$
H4: Student motivation to use internet significantly affecting student adoption behaviour of innovation.	$\begin{array}{l} \beta=0.15\\ p<0.01 \end{array}$	$\begin{array}{c} \beta=0.23\\ p<0.01 \end{array}$
H5: Student motivation to use internet significantly affected student satisfaction on website service.	$\begin{array}{l} \beta=0.53\\ p<0.01 \end{array}$	$\begin{array}{c} \beta = 0.65 \\ p < 0.01 \end{array}$
Student satisfaction has a significant role as intervening variable between student motivation and student adoption behaviour of innovation.	$\begin{array}{l} \beta = 0.440 \\ p < 0.01 \end{array}$	$\begin{array}{l} \beta=0.541\\ p<0.01 \end{array}$
H6: Internet literate has positively significant positive impact on student adoption behaviour of innovation.	$\begin{array}{l} \beta = 0.09 \\ p = 0.17 \end{array}$	$\beta = -0.07$ p = 0.28
H7: Internet literate has negatively significant impact on student satisfaction.	$\begin{array}{l} \beta = 0.04 \\ p = 0.31 \end{array}$	$\begin{array}{c} \beta = 0.07 \\ p = 0.29 \end{array}$
Student satisfaction of website service has significant role as intervening variable between Internet literate and student adoption behaviour of innovation	$\beta = 0.15$ p =0.125	$\beta = -0.035$ p = 0.400

The study finds that student adoption behaviour of website innovation is higher for Private Universities ($R^2=73\%$) compare to that of State Universities ($R^2=58\%$). The student adoption rate of the innovation of website services tends to be higher for the student in Private Universities than for the student at State Universities. This case might due to the student ethos of students of Private Universities to study face to face regularly in the class is not as high as that of student who studies in the State Universities. Since most of Private Universities student are working student, then they prefer to study through internet rather than directly learning in the class. This shows that website innovation adoption by student is different between the two group universities (Ajzen, 1991; Steenkamp, 1999; Chin et al., 2003; Laudon & Laudon, 2005; Belanche et al., 2011). In general, the relationship among variables is stronger in Private Universities case compare to that of the State Universities. Almost all of the estimate of β coefficients for Private Universities are larger than that of State Universities, except for Hypothesis-3. For the relationship stated in Hypothesis-6, for both group are not significant.

There are many reasons why students adopt the website innovation. This might be seen from the value of R^2 of the dimension constructed this latent variable. The dimensions are:

- First, push factor of the stimulant and the up-to-datedness of learning process on campus (D) with $R^2 = 0.67$ for State Universities and $R^2 = 0.77$ for Private Universities. This dimension has very strong effect on the student adoption especially for Private Universities with $R^2 > 0.67 R^2$ (Roehrich, 2004).
- Second, is the uniqueness of borderless learning method with R^2 = 0.69 for State Universities and R^2 = 0.67 for Private Universities. The third is access to learning process with R^2 of 0.63 for State Universities of 0.46 for Private Universities. Therefore, the three dimensions have relatively strong effect in constructing the student adoption behaviour of innovation (Anderson and Sullivan, 1993).

Student satisfaction on Internet endogenous variable

The study reveals that student satisfaction on website innovation for State Universities student ($R^2 = 0.41$) is higher compare to that of Private Universities student ($R^2 =$ 0.57). The fact that most Private Universities students are working student, they prefer to use internet for all study purposes during their valuable time. They can then, use other available time for doing their task outside of study process. This show that there is a dominant factor contributing to the consumer satisfaction, which in this case is student satisfaction of the campus website services. In this modern era, marketing orientation more heavily depend on consumer satisfaction. The student emotion and behaviour after using the website service is very important (Sheth & Parvatiyar, 1995). Industries not depending on large scale mass production any more, but they switch their focus on consumer satisfaction.

The three dimensions have a very strong impact on student satisfaction. This supports the conceptual of modern marketing orientation that uses technology innovation as a tool to increase consumer satisfaction (Sheth & Parvatiyar, 1995). The satisfaction felt by the consumers after they receive services (Sheth & Parvatiyar, 1995; O' Brien & Marakas, 2008) is the same with what they are expected (Anderson & Sullivan, 1993). This research indicates the importance of measuring the consumer satisfaction so the service provider knows how good and how suitable their services (Sheth & Parvatiyar, 1995; O' Brien & Marakas, 2008; Schiffman & Kanuk, 2010).

CONCLUSION

The adoption behaviour on website innovation among students at State Universities is different from those in Private Universities. The Private Universities student diffusion rate is higher than in State Universities. In addition, the student satisfaction has a significant role as an intervening variable. This result supports marketing theory.

Implications

This study contributes to the theory of consumer behaviour in the face of globalization and technological innovation. Innovation diffusion theory contribute greatly along with the development of Internet technologies globalization in the form of website services in a variety of industries. Consumers are willing to adopt innovations in the form of repeated behaviour can be regarded as well as customer loyalty. Several factors will affect customer satisfaction and service for example motivation interactive website.

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Improving Academic Writing Standard: A Challenge for Universities

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ABSTRACT

The low rate of publications in internationally reputed scientific journals has become one of the main concerns of many Indonesian academicians and universities as these organisations are expected to contribute to knowledge and improve academic quality. One of the contributing factors is the researchers' mastery of English to write for international journals. This paper examines lexical density and reading ease of scientific papers, some of the indicators used for evaluating the quality of scientific writing. This study adopted three methods from Halliday (1985), Flesch (1948) and Gunning (1952) in determining the lexical density, fog index and reading ease. These three determining factors were then statistically calculated using simple regression; the results showed they have a highly significant effect (70.1%) on the standard of academic writing. Thus, it is highly recommended that Indonesian academicians enhance the quality of their scientific papers through the process of editing and proofreading prior to submitting their papers to international journals.

Keywords: Writing skill, scientific papers, lexical density, reading ease, fog index

INTRODUCTION

Business competitiveness has led to companies to seize opportunities and manage challenges in the global environment. Similarly, in order for local universities to be internationally competitive, they have to be run and managed as world-class universities.

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E-mail addresses: iiskurnia@telkomuniversity.ac.id (Nurhayati, IK), nia.kurniasih.itb@fsrd.itb.ac.id (Kurniasih, Nia) * Corresponding author One of the requirements to be recognised as a world-class university is publication of research findings by faculty members in highly reputed journals.

Quality research published in reputed journals provide important contribution to specific fields of study. Peer evaluation

and review from outside the university determine the quality of research. Generally, if a paper is rejected by a journal editor, it implies that the journal has very high standards and academic rigour. The high number of articles rejected due to poor quality, based on, among others, referees' comments and feedback, shows that the journal is very selective and allows only quality articles with good reviews to be published, hence assuring its status a respected publication. According as Sampson et al. (2010) refereed to publications are of higher quality than non-refereed ones. The refereeing process entails content evaluation by scholars or peer reviewers which are used as a basis to accept or reject the work, irrespective of whether the author was invited to publish with the journal or not. The impact rating of the journal is based on the number of manuscripts submitted and subsequently published.

Dissemination of research results and findings in reputed journals are an integral part of the research process. Academics as researchers write not only to keep a record of their achievements, but more importantly for readers who expect good quality research papers. To be qualified for international journal publication, a manuscript must be written in a scientific style, which may not be easy for novices; yet, clear communications and concise writing style for a scientific audience can be taught (Davis, 1997). It should be written and published as a report that describes results of original research that meet certain requirements (Day, 1983, p.1). He also stresses the importance of content, style and organisation of the paper.

The standard of writing level has received great attention in the last decades and various studies have been conducted on this. According to Flowerdew and Wang (2016), revision and changes made by an editor to an academic article helps to ensure their its eventual publication. The editor's role is to improve the language used in the articles. Sunol and Saturno (2008) opined that improving an author's language and eliminating the language barrier in writing is a win – win situation. To the knowledge of the present authors, there are no studies on the writing standard of Indonesian academicians in particular their grammar and lexical density.

Writing scientific papers for internationally reputed journals, especially in Indonesia, remains limited due to many factors, one of which is the researchers' mastery of English (Sunol & Saturno, 2008). They reported that many researchers whose original work is in languages other than English are faced with difficulties when they have to write in English, a language that is not their mother tongue and consequently, some of them seek professional support in the form of translation. This is often seen as a means to resolve the problem that requires serious measures both by the academicians as researchers and faculty members and the university as an organisation that is responsible to contribute and disseminate knowledge.

Indonesian academicians must improve their English writing skills as the low quality of their papers is a result of their limited mastery of English. This is indicated by the level of difficulties they face when writing their papers which is also the main reason this present research was conducted. The levels of the texts vary. Diction or choice of vocabulary or the number of vocabulary words in a text is one of the determining factors, and the number and diversity of vocabulary used in a text can be measured through lexical density and reading levels or FOG Index of the text, an index of readability formula proposed by American textbook publisher, Robert Gunning (Janna & Wray, 2012). Calculation of lexical density and readability involves words, number of clauses, and number of clause complex of both the spoken and written texts. Halliday (2004) (as cited in Presnyakova, 2011) wrote: "Typically, written language becomes complex by being lexically dense: it packs a large number of lexical items into each clause: whereas spoken language becomes complex by being grammatically intricate: it builds up elaborate clause complexes out of parataxis and hypotaxis."

Determining whether a text uses a written or spoken language requires an understanding of its physical features, familiarity with the reason the text is produced, and understanding about how the text is decoded; it can be performed by taking into account features of written or spoken language presented by Eggins (1994). The calculation of lexical density and grammatical intricacy of a text can be conducted manually by applying a formula used by Halliday (1985). Grammatical intricacy and lexical density of every text is different. Both determine whether a text is spoken or written, as described by Eggins (1994) in Table 1.

Table 1

Lexical Density and Grammatical Intricacy In spoken and Written Language Q

Spoken Language	Written Language
Low lexical density	High lexical density
Few content-carrying	Many content-carrying
words as a proportion	words as a proportion
of all words	of all words
High grammatical	Low grammatical
intricacy	intricacy
Many clauses per	Few clauses per
sentence	sentence

To determine whether a text belongs to a written or spoken language would require an understanding of its physical features, the introduction of the original purpose of why the text is written, and an understanding of how the text is decoded (Eggins, 1994)

Lexical density in a text can be calculated using several formulas. The concept of density in this context refers to a kind of complexity that results from the development of words. In other words, this relates to the notion of lexico-grammar in terms of wording in the language (Halliday, 1985). There are at present several different measurements for lexical density. According to Ure (1971), lexical density refers to the number of lexical items divided by the number of running words. This formula was refined by Halliday (1985) as his first attempt to measure lexical density, and was further developed by O'Loughlin (1995).

Traditionally, according to Le et al. (2011) lexical items comprise nouns, verbs, adjectives and adverbs because they have independent meanings and new members can be added to these categories. Halliday (1985) uses the term 'items' rather than 'words' when discussing grammar and lexical items, as he argues they may contain more than one word in the usual sense. Taking several phrasal verbs such as stand up, take over, or call off, each of these consists of two words, a lexical verb and a preposition, but Halliday treats them as a lexical item. This contrasts the views of Ure (1971), who treats them as two separate words, one being the lexical word stand, take, or call, and the other being the preposition up, over, or off respectively.

METHODOLOGY

The present researchers aimed to understand the writing standard of academicians in Indonesia using the direct observation technique.

The authors scrutinised 56 scientific papers written in English by Indonesian academicians (lecturers). The papers were presented at an international conference held in Jakarta, Indonesia in 2014, organised by a private university in Bandung, Indonesia. The purposive sampling technique was used in which each sample element was selected for a given purpose, usually because of the unique position of the sample elements. According to Herbert Rubin and Irene Rubin (1995), purposive sampling may involve studying the entire population of groups or a subset of a population. Furthermore, it is understood that a purposive sample may be deemed a "key informant survey." It targets individuals who are knowledgeable about the issues under investigation. In this study, all the research samples (56 papers) were selected.

As discussed in the introduction, Sunol (2008) stated that many researchers whose original work is in languages other than English are faced with difficulties when they have to write in English, a language that is not their mother tongue; consequently, some of them seek professional support in the form of translation (Stephan, 2008). Based on this and the results of direct observation as well as a brief preliminary investigation of the 56 papers, the researchers assumed that the processes of editing and proofreading would most likely help improve the quality of academic papers. Below are the present study's four research questions:

- 1. What are the lexical density, grammatical intricacy, fog index, and reading ease of the scientific papers produced by Indonesian academicians?
- 2. What is the reading ease and writing standard of the scientific papers produced by Indonesian academicians?

3. To what extent do lexical density, ease of reading, and fog index affect the reading and writing standard of Indonesian academicians?

This research adopts the three formulas proposed by Halliday (1985), Flesch (1948) and Gunning (1952) to examine the lexical density of the sample, namely fifty-six (56) conference papers. The lexical items are manually counted using Microsoft Excel based on Halliday's rules of determining lexical items and the results compared with Halliday's standard of lexical density.

To find out the reading ease of the texts, data were calculated using Microsoft Excel, employing Flesch's Reading Ease Formula. Next, the results were compared with Flesch's standard of Reading Ease to find out the readers' grades. Lastly, Gunning's FOG index was used to calculate the readability of the text. To calculate the lexical density, a formula by Johannsson (2008, p.65) was adopted and which can be expressed as follows:

$$Ld(\%) = \frac{number \ of \ lexical \ words}{total \ number \ of \ words} \times 100$$
[1]

According to Halliday (1985), a typical average lexical density for written texts is between 3 and 6, depending on the text. The higher the index, the more difficult the text. The figures for spoken language, however, fall to between 1.5 and 2. The statistics obtained from the above methods were compared with Flesch's (1948) Reading scale. Flesch Reading Ease measures sentence length and the number of syllables every 100 words (Courtis & Hassan, 2002). Its formula is stated below, in which *wl* indicates the total number of syllables of the words in the passage and *sl* indicates the average number of words per sentence.

To find out the reading ease of a text, Zamanian & Heydari (2012) adopted the formula below:

$$RE = 206.835 - (1.015 \text{ x ASL}) - (84.6 \text{ x ASW})$$
[2]

In which **RE** is the acronym for Reading Ease; ASL is the Average Sentence Length (i.e. the number of words divided by the number of sentences); and ASW is the Average number of Syllables per Word (i.e. the number of syllables divided by the number of words). Flesch set the range of RE score from 0 to 100. High score indicates good readability. RE scores between 90.0 and 100.0 are considered accessible for 5th graders. The scores between 60.0 and 70.0 are considered accessible for 8th and 9th graders, and the scores of RE between 0.0 and 30.0 are considered easily accessible for college graduates (Zamanian & Heydari, 2012). A formula to evaluate readability for adults was developed by Gunning (1952) known as The Fog Index. It became popular, it uses two variables: average sentence length and the number of words with more than two syllables for each 100 words. The Fog index rates the readability of a text using the formula, Reading Level or Grade (Zamanian & Heydari, 2012)

To determine whether there is a significant effect of lexical density, readability and Fog index on reading and writing standard, quantitative calculations were performed using the following: Kolmogorov-Smirnov test to determine normality, multicollinearity classical assumption test to determine whether a regression model could find a correlation between independent variables in this research, heteroscedasticity test to see whether there was a variance between a residual and another observation in the regression model used in this research, and multiple linear regression analysis to determine the relationship between the dependent variables (Reading Level Index/ writing level) and independent variables (Lexical Density, Gunning Fog Index, and Reading Ease).

The last stage of the analysis was to evaluate the writing of 5 (five) selected papers, out of the 56 edited papers approved for submission, using purposive sampling. The editing and proofreading were analysed using Flowerdew's model (1999) that describe the revisions, namely addition, deletion, substitution, rearrangement, and correction.

RESULTS AND DISCUSSION

This section discusses and analyses the statistical data to highlight research findings. In measuring the lexical density, we have distinguished the grammar from lexical items. Grammar or 'function words', come in a closed system consisting of determiners such as articles, pronouns, prepositions, conjunctions, some classes of adverb and finite verbs. In contrast, lexical items, or 'content words', are named lexical as they function in lexical sets that are, according to Halliday, part of an open system. Traditionally, nouns, verbs, adjectives and adverbs are the four word classes composing lexical items since they have an autonomous meaning and new members can be added to these categories:

The first finding on Lexical Density (LD) is described in Figure 1. Lexical density is calculated by obtaining the ratio between the lexical items with a total running words or advanced grammar unit called a clause. Lexical density has a representative reflective function of a written text and therefore, it is less active and far from being spontaneous as it is in the spoken language which is the language of action. Data showed the highest is 73%. As the number surpasses forty (40) per cent, it accounts for higher lexical density (Halliday, 1985). In other words, the texts or scientific papers written by the participants are more difficult. The second highest is 22%, and the rest of 2%, 2%, and 1%, indicating lower scores, which implies low levels of lexical density. Based on this figure, we can conclude that the majority of papers examined in this research are of higher lexical density, while only 5% are of lower level.

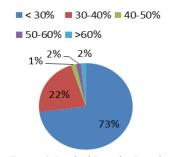


Figure 1. Lexical Density Level

Details on difficult words found in the texts can be seen in Table 2 which shows the lowest number of difficult words found in the texts is 227and the highest is 2039. The mean of difficult words is 775 words, with 36 participants below the mean and 23 above the mean. It can be concluded that, in terms of difficult words, more than half of the papers submitted were still below average.

Table 2

The Number of Hard Words of Indonesian Faculty's Scientific Papers

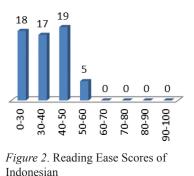
Hard words	Total	Units
The lowest number	227	Words
The highest number	2039	Words
Mean	775	Words

Another feature of lexical density is the long words. Table 3 shows the lowest number of long words found in the text, which is 390, and the highest which is 3459. The mean is 1249 words, with 29 participants below the mean and 30 above the mean. Thus, in terms of long words, there is no big difference in the number of papers that belong to the category of below and above average (a difference of 1 participant).

The Number of Long Words of Indonesian Faculty's Scientific Papers

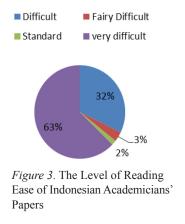
Hard words	Total	Units
The lowest number	390	Words
The highest number	3459	Words
Mean	1249	Words

The lexical density, as shown in Table 3, was analysed using Flesch's Reading Ease. The results show that 18 papers score as high as 0 - 30 RE, meaning the texts are very difficult according to Flesch's standard; 17 papers scored between 30 - 40RE, or difficult; 19 papers scored between 40 - 50 RE, meaning they were fairly difficult and 5 papers scored between 50 and 60 RE, which means they were standard papers. In terms of readability, the papers belong to three categories: very difficult, difficult, and fairly difficult; they were almost equal in this regard. A significant difference is seen in the number of papers rated as standard, which is considerably lower.

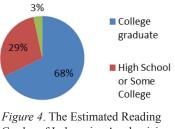


Data analysed using Flesh Reading Ease Level show that 63%, 32%, 3% and 2% of the papers are categorised as very difficult, difficult, fairly difficult and standard respectively. This is shown in Figure 4. Thus, in terms of Flesh Reading Ease, the majority of the papers are difficult.

Table 3



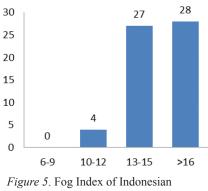
Gunning's Estimated Reading Grades was used to analyse data. Figure 5 shows 68% of the papers written by the academicians are of reading grade of college graduates, 29% of high school or college graduates, while the remaining accessible for high school graduates, despite the fact that all of the participants are lecturers with Doctorate and Master's degrees.



Grades of Indonesian Academicians' Paper

Figure 4 shows the Fog index, supporting the data presented above: 5 papers have an index of 10 - 12, or equal to the level of high school students, 26 papers have a fog index between 13 and 15, which means equal to that of freshmen, sophomore and junior college students, and

28 papers have an index higher than 16, which means equal to the level of senior college students.



Academicians' Paper

Many scientists, practitioners, lecturers, practitioners, college students and business people in Indonesia do not possess good writing skills to convey their ideas effectively.

In terms of writing for journals and other academic publications, Murray (2013) suggested that academics develop their writing skills by engaging in writing practices, and this may mean changing writing behaviour. There are several reasons why lecturers need to write, and one of the most important among these is when they write, they are providing a role model for their students in addition to helping to demystify the act of writing. Many lecturers in Indonesia are facing the pressure to increase their publications output.

Academic writing has long been accepted as a complex process both to undertake and to teach. While many studies have explored various aspects of lecturers' perceptions about teaching writing across different contexts (Moore 2000; Björk et al., 2003; Murray 2006), there is a lack of evidence from the higher education professional development context and perspective. There are mounting pressures on academics to undertake research and to publish both in their own disciplines and in higher education pedagogy, practice and policy.

Research is an important reason for the establishment of universities. Universities serve as not only a learning centre but also as a centre for research, strategic knowledge, for bridging the gap between the public and private sectors. Universities have to be actively involved in supporting and promoting research development. The term research universities refers to universities that excel in research activities. Therefore, research universities contribute to the development of knowledge and science, to the understanding of human life and to serve various other societal needs.

In measuring the success of a research university, publication by its academics in good quality journals is imperative. Publication is the most important aspect and outcome of research. Through publications, a research activity disseminates its knowledge to be accessed by those who need them.

To determine whether there is a significant effect of lexical density, reading ease and fog index on the reading index and writing standard, quantitative calculations were performed using the Kolmogorov-Smirnov test to determine normality and multicollinearity classical assumption.

Test Result of Normality Classical Assumptions

A normality test is performed on data to determine whether they (data) have a normal or an abnormal distribution. Figure 6 shows the results of data processing using SPSS 20 as follows:

Normal P-P Plot of Regression Standardized Residual

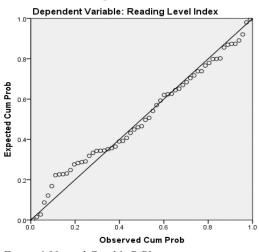


Figure 6. Normal Graphic P-Plot

Figure 6 shows a normal distribution of data used as variables. It can be seen on the points indicating the data that are spread around the diagonal line, and the distribution of the data points in the direction that follows the diagonal line. A normality test was also conducted using statistical calculations, namely Kolmogorov-Smirnov test, to generate more detailed numbers and to find out whether a regression equation can qualify the assumption of normality.

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Table 4 Kolmogorov-Smirnov Test

One-Sample Kolmogorov-Smirnov Test		
		Unstandardised Residual
N		59
Normal Parameters ^{a,b}	Mean	0E-7
Normal Parameters	Std. Deviation	1.97872971
	Absolute	.115
Most Extreme Differences	Positive	.056
	Negative	115
Kolmogorov-Smirnov Z		.880
Asymp. Sig. (2-tailed)		.421

a. Test distribution is Normal.

b. Calculated from data.

The test results showed the probability value (asymptotic significance) > α (0.421) > 0.05 and therefore it can be concluded that the regression model in this study has proven the assumption of normality.

Results of Multicollinearity Classical Assumption Test

Multicollinearity test aims to find out whether a regression model can show a correlation between independent variables. Multicollinearity can be seen from VIF (Variance Inflating Factor); if VIF is not higher than 10 and the value of Tolerance is not any less than 0.1, the model can thereby be deemed free from multicollinearity (Sunjoyo et al., 2013, p. 65). The test results for multicollinearity can be seen in Table 4.2 below: Table 5 Multicollinearity Test

Coefficients				
Collinearity Statistics				
Tolerance	VIF			
.795	1.257			
.636	1.573			
.699	1.431			

a. Dependent Variables: Reading Level Index

Table 5 shows that the tolerance value of all variables is higher than 0,1 and the VIF value is lower than 10. This indicates that no multicollinearity has occurred in the variables.

Results of Heteroscedasticity Classical Assumption Test

Heteroscedasticity test aims to find out whether there are variances between a residual and another observation in a regression model. A good regression model is one without any occurrence of heteroscedasticity. One way to test the presence of heteroscedasticity is through a scatterplot method, by observing the pattern of the dots. The figure below shows the results of the heteroscedasticity test:

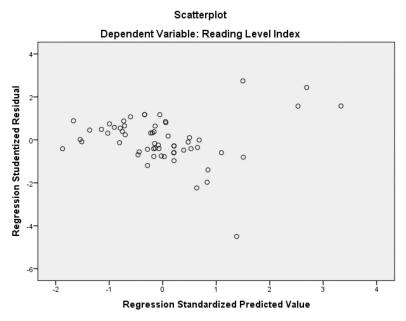


Figure 7. Heteroscedasticity Test

As can be seen in Figure 7 the plots are randomly scattered, both above and below the number 0 and Axis Y; it can be concluded, therefore, that heteroscedasticity did not occur in the regression model. Thus, the regression model can be used for performing the test.

Results of Multiple Linear Regression Analysis

Multiple linear regression analysis was used to determine the relationship between the dependent variable (*Reading Level Index/ Writing level*) and independent variables (*Lexical Density, Gunning Fog Index*, and *Reading Ease*). Based on the results, the relationship can estimate a certain variable only when other variables are known. The regression equation is as follows:

$$Y = 5,621 + 0,271X_1 + 0,641X_2 + (-0,100)X_3$$

Based on the equation, the following can be explained:

Constant (a) = 5,621. It indicates a value of constant, i.e. If variables *Lexical Density* (X₁), *Gunning Fog Index* (X₂), and *Reading Ease* (X₃) = 0, then the *Reading Level Index/writing level* remains the same at 0,685.

- Coefficient X₁ (b₁) = 0,271. It indicates that the variable *Lexical Density* has positively affected the *Reading Level Index/Writing Level*. If variable *Lexical Density* increases by one unit and the other variables remain constant, the *Reading Level Index/Writing Level Writing Level* will increase by 0,271.
- 3. Coefficient X_2 (b₂) = 0,641. It indicates that the variable *Gunning Fog Index* has positively affected the *Reading Level Index/Writing level*. If the variable *Gunning Fog Index* increases by one unit and the other variables remain constant, the *Reading Level Index/Writing standard* will increase by 0,641.
- 4. Coefficient $X_3(b_3) = -0,100$. It indicates that variable *Reading Ease* has negatively affected the *Reading Level Index/Writing standard*. If variable *Reading Ease* increases by one unit and the other variable remains constant, the *Reading Level Index/Writing standard* will decrease by 0,100.

Simultaneous Test (Test F)

This test determines whether there is a simultaneous effect between the independent variables (Lexical Density, Gunning Fog Index, Reading Ease) and the dependent variable (Reading Level Index/ writing standard).

			ANOVAª			
Model		Sum of Squares	df	Mean Square	F	Sig.
	Regression	531.800	3	177.267	42.933	.000 ^b
1	Residual	227.092	55	4.129		
	Total	758.892	58			

Table 6Result of Simultaneous Test

a. Dependent Variable: Reading Level Index

b. Predictors: (Constant), Reading Ease, Lexical Density, Gunning Fog Index

Table 6 shows that the F count value is 42.933 with a significance level of 0.000. Therefore, in both calculations, the F_{count} > F_{table} (42.933> 2.772) and the significance level is 0.000<0.05. This shows that H_0 was rejected and H_a was accepted, which means there was a significant difference between the three factors: Lexical Density,

Gunning Fog Index, and Reading Ease and Reading Level Index/writing standard simultaneously.

Partial Test (t Test)

The t test aimed to investigate if the independent variables (*Lexical Density*, *Gunning Fog Index*, and *Reading Ease*) partially affect the dependent variable (*Reading Level Index/writing level*).

	Coefficients					
Model		0.121111	Unstandardized Coefficients		t	Sig.
		В	Std. Error	Beta	-	
	(Constant)	5.621	3.112		1.806	.076
1	Lexical Density	.271	.040	.556	6.726	.000
1	Gunning Fog Index	.641	.158	.375	4.054	.000
	Reading Ease	100	.035	252	-2.860	.006

Table 7	
Result of Partial	Test

a. Dependent Variable: Reading Level Index

Table 7 shows that:

- 1. The value of t_{count} for *Lexical Density* (X₁) is bigger than the t_{table} , i.e. t_{count} (6.726) > t_{table} (2.004) and level of significance, 0,000 < 0,05. Thus, it can be concluded that partially there is a significant effect of *Lexical Density* (X₁) on the *Reading Level Index* (Y).
- 2. The value of t_{count} for Gunning *Fog Index* (X₂) is bigger than the t_{table} , i.e. t_{count} (4.054) > t_{table} (2.004) and level of significance, 0,000 < 0,05. Thus, it can be concluded that partially there is a significant effect of *Gunning Fog Index* (X₂) on the *Reading Level Index* (Y).

3.	The value of t_{count} for <i>Reading Ease</i> (X ₃)
	is smaller than t_{table} , i.e. t_{count} (-2.860)
	< t _{table} (2.004) and level of significance,
	0,006 < 0,05. Based on the level of
	significance, it can be concluded
	that, partially, there is no significant
	difference for <i>Reading Ease</i> (X_3) on the
	Reading Level Index (Y).

Size of Partial Effect

Analysis of the size of partial effect was conducted to determine to what extent each independent variable affected the dependent variable. The partial correlation analysis results are as follows:

Variables	Standardized Coefficient Beta	Correlations Zero-Order	Magnitude of Partial Effect	Magnitude of Partial Effect (%)	
<i>Lexical Density</i> (X_1)	.556	.646	.359	35,9%	
Gunning Fog Index (X_2)	.375	.673	.252	25,2%	
<i>Reading Ease</i> (X_3)	252	354	.090	9,0%	
Effects in Total			.701	70,1%	

Size of Partial Effect

Table 8

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The size of partial effect was obtained by multiplying the standardised coefficient beta with zero-order. Table 4.5 shows that the partial effect of Lexical Density (X1) on Reading Level Index/writing level (Y) was 35.9%. The partial effect of Gunning Fog Index (X2) on Reading Level Index (Y) was 25.2%. The partial effect of Reading Ease (X3) on Reading Level Index (Y) was 9%. Thus, the total effects of Lexical Density, Gunning Fog Index, against Reading Level Reading Ease Index together amounted to 70.1%. This is also apparent when viewed from the coefficient of determination.

Test Results of Determination Coefficient

The coefficient of determination was used to determine to what extent the independent variables (Lexical Density, Gunning Fog Index, and Reading Ease) affected the dependent variable (Reading Level Index/ writing standard) based on R2 calculation. The results can be seen in the table below.

Table 9Test Result of Determination Coefficient

Model Summary								
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate				
1	.837ª	.701	.684	2.03198				

a. Predictors: (Constant), Reading Ease, Lexical Density, Gunning Fog Index

b. Dependent Variable: Reading Level Index

Based on Table 9, the result shows that r^2 was 0,701. The calculation for the determination coefficient, therefore, is as follows:

$KP = 0,701 \times 100\% = 70,1\%$

This equation means the size of the effect of *Lexical Density* (X_1) , *Gunning Fog Index* (X_2) , and *Reading Ease* (X_3) was 70,1%.

The present research shows that academics in Indonesia lack access to writing programmes or workshop or unable to afford editing services, which has resulted in their manuscripts being handled by a number of 'brokers' before they reach publication stage (Lillis & Curry, 2006). The authors also mention two types of brokers, namely academic brokers, who focus on the content of research articles, and language brokers, who are more concerned with linguistic presentation.

A number of organisations, individual writers and researchers have benefited from the help of professional language brokers, editors or proofreaders, as their last resort to improve their writing prior to submission. Many of the respondents send their articles first to Indonesian proofreaders with sufficient English proficiency and considerable editorial experiences to correct articles; these articles are later sent to English native speakers whereby they benefit from further editing and proofreading. This has helped Indonesian academicians to improve the quality of their writing by minimising language and grammatical errors.

Based on the interview with the respondents, the editing process can be summarised as below: The editing process consists of four stages. In the first stage, the editor reviews the manuscript and corrects any surface-level issues, such as grammar and spelling, that could be easily fixed. In the second stage, the author and the editor meet in person or hold an audio chat via Skype to review the entire manuscript again. In the third stage, the author then brings his/her manuscript to other players involved in the editing process such as his/ her Ph.D. supervisor and colleagues for further editing. Before the author submits the final draft, at the final and fourth stage, editor reviews it one more time, suggesting some final touches when necessary.

Interviews with five (5) academicians whose articles were selected for the purpose of this study, show that they had gone through the processes of editing and proofreading with the help of a professional editor before they are approved for submission. The following result was obtained.

Sample	Addition	Deletion	Substitution	Rearrangement	Correction	Total Changes Made
1	33	41	25	21	36	156
2	29	22	16	31	29	127
3	14	19	13	21	38	105
4	26	31	11	17	29	114
5	11	26	7	11	23	78

 Table 10

 Revision Changes in the process of Editing and Proofreading

Table 10 shows that editorial input or revision to the scientific papers include addition, deletion, substitution, rearrangement, and linguistic correction (morphemes, words, phrases, and clauses/ sentences). Data showed a relatively similar pattern between the five samples evaluated; most changes involved correction, which is slightly higher than deletions. Similarly, the addition of text is slightly higher than that of rearrangement.

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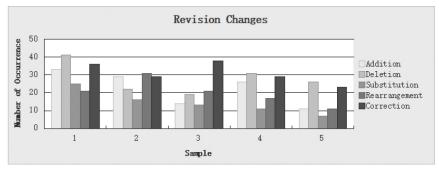


Figure 8. The Lowest Number of Occurrence

CONCLUSION

The low quality of articles or papers written by Indonesian academicians shows their limited mastery of English. This includes the choice of vocabulary or the number of vocabulary in a text, the number and diversity of vocabulary used in a text that can be measured through lexical density and reading levels or FOG Index of the text, an index of readability. The calculation of lexical density and readability involving words, number of clauses, and number of clause complex of the written texts have indicated that the papers written by the academicians to be presented or published in an international event are still not difficult.

Statistical calculations showed that the variables Lexical Density (X1), Gunning Fog Index (X2), and Reading Ease (X3) had significant effects on reading grades/ writing standard, at 70.1%. The rest, however, has been affected by other factors not examined in this study.

Therefore, the researcher recommends that Indonesian academicians enhance the quality of their articles and improve

their capability in writing in English by improving their writing standard in terms of Lexical Density (X₁), Gunning Fog Index (X_2) , and Reading Ease (X_2) . It is also recommended that universities facilitate and make the best effort to improve the quality of their human resources, namely the faculty members and researchers, in writing journal articles in English, hence the goal to keep up with other countries in terms of productivity of publications in internationally reputed journals can be reached. One possible solution to improving the quality of Indonesian academicians in terms of writing for international journal article is by seeking professional help from language editors and proof-readers who will perform the revisions and changes required before submissions.

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Does Islamic Banking have a Competitive Advantage over Conventional Banking in Indonesia?: A Study of Perspectives

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ABSTRACT

This research aims to highlight, from the perspective of competitive advantage, the difference between Islamic and conventional banking. The competitive advantage is based on capital's preference. The sample of this study was 120 commercial banks but only 49 banks, accounting for 52% of banks in Indonesia, completed and returned the questionnaire (response rate 39%). The research focused on the top management team and data was collected using questionnaires. The questionnaire was based on a variable construct, taking into consideration the bank's competitive advantage and innovation performance among others. The results show that capital is the only factor of advantage for Islamic banks.

Keywords: Competitive advantage, innovation performance, absorption capacity, organisational culture, conventional and Islamic banking

INTRODUCTION

The banking and financial industry in Indonesia is experiencing a dynamic change. Law Number: 21, 2008 started Islamic banking in Indonesia. Islamic banking is different from conventional banking whereby the latter 1 offers savings, deposits and current accounts while the former offers *Murabaha*, *Isthisna'*, *Ijara*, and *Mudaraba* among others. A bank's performance is largely determined by its competitive advantage. Competitive advantage measures how a company faces

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competition. to see whether Does Islamic banking have a competitive advantage over conventional banking? The competitive advantage of a bank is determined by the amount of capital it holds. This is exemplified by the Bank Indonesia's effort as the Central Bank to boost its capital reserves (Indonesian Banking Architecture, Bank Indonesia, 2004). Its policies to achieve that include single present policy, having minimum capital of IDR100 billion, and mergers between banks to boost capital. Islamic banks need to improve their competitive advantage in order to compete with conventional banks.

In the strategic management context, culture is seen as a competitive advantage (Barney, 1986; Fiol, 1991). Fiol (1991) proposed Identity-Based View as a sustainable competitive advantage. Culture is considered important by practitioners and a central factor in the McKinsey 7S and as one of the factors in Balanced Scored Card (Kaplan, 2005). There are many definitions of organisational culture. The present study, adopts the definition of Pettigrew (1979) and Van den Berg and Wilderom (2004) whereby organisational culture is a system of accepted meaning, approved and accepted or perception shared, manifested in work habits, and owned collectively by certain groups at certain times.

This study examines the difference between Islamic banks and conventional banks from the perspective of competitive advantage in Indonesia. The study analyses aspects of the capital, innovation, absorptive capacity and organisational culture. This study concludes that capital can improve the competitive advantage of both Islamic and conventional banks. Innovation, absorption capacity and organisational culture can improve the competitive advantage of banks, both Islamic and conventional.

METHODS

This study examined 120 commercial banks in Indonesia. The study sample to included public banks which are stateowned, private, foreign banks, privatepublic banks, Islamic Bank, Regional Development Banks, Exchange Banks-Non-Foreign Exchange Bank, and the medium and small banks. Respondents belonged to top management team (CEO or BOD), represented by directors and senior officers under the Board of Directors. Items that are not valid will be test repaired using Structural Equation Modeling /SEM-based variant, via the Smart PLS application 3.0.

RESULTS AND DISCUSSION

It is necessary to test the validity and reliability, dimensions and indicators are in line with the constructs. Validity and reliability of test results can be seen in the table below:

	First Item	Used Item	Validity	Reliability	Inform
Competitive Advantage	14	14	0,596-0,947	0,847	Valid and reliable
Product Innovation	5	5	0,571-0,933	0,935	Valid and reliable
Process Innovation	4	4	0,748-0,828	0,910	Valid and reliable
Acquire	7	6	0,635-0,748	0,876	Valid and reliable
Assimilation	9	7	0,645-0,812	0,895	Valid and reliable
Transformation	9	8	0,606-0,851	0,931	Valid and reliable
Exploitation	5	5	0,964-0,892	0,912	Valid and reliable
Developed	5	5	0,589-0,808	0,850	Valid and reliable
Group	5	2	0,608	0,751	Valid and reliable
Rationale	5	5	0,545-0,815	0,873	Valid and reliable
Hierarchy	5	4	0,595-0,687	0,804	Valid and reliable

Table 1Validity and Reliability Testing

Table 1 shows that all variables used in this study have adequate validity and reliability. Of the total 73 items, 65 items unused measurements have adequate validity (0545-.947). The entire variable also has adequate reliability (Cronbach alpha 0751-0935). Research participants must have a minimum capital of IDR100 billion (as at 31 December 2011). A total of 120 banks met these criteria and adequately represented the banking industry as a whole. The sample included big banks (in terms of capital), followed medium-sized banks and by small banks. The small banks accounted for the largest number in the sample The size of the bank is important for the ANOVA test and to determine the mean score of variables. Only commercial and Islamic banks participated in this study whereby the latter outnumbered the former.. Islamic bank respondents who participated in this study encouraged other Islamic banks to participate as well which accounted for their overrepresentation in the sample.

In terms of geographical distribution, the banks were well represented. They were located in North Sumatra, Bandung, Jakarta, Surabaya, Maluku, Sulawesi and Papua. It is important to understand the characteristics of the bank executives as respondents. On average, each bank is represented by 1.7 respondents. Thus, it is expected subjectivity is minimised. Data related to respondents are captured in Table 3.2 (non-parametric data) and Table 3.3 (parametric data) below:

No	Respondent Characteristics	Sum	Proportion
	Education Level		
	Doctor/PhD	3	4%
	Master	41	49%
1	Bachelor	39	46%
	Diploma	0	0
	High School	1	1%
	Gender		
2	Female	10	12%
	Male	74	88%
	Position		
2	CEO or Vice CEO	3	4%
3 Director		17	20%
	Vice Director	64	76%
	Work Unit		
	CEO or Vice CEO	3	4%
4	Operation and IT	21	25%
4	Marketing	10	12%
	Risk Management, HR, Audit, Corporate Affair and Support System Unit	50	60%
Tota		84 I	Respondents

Table 2Respondent Characteristics-Non Parametric Data

The respondents were educated executives. Most of them (49%) hold a Master's degree and 4% of them had a doctorate. There were more male respondents than females. This could be due the fact the banking sector in Indonesia has more male executives than female executives. Most of the respondents worked in the HR, Finance, Risk Management, Corporate affairs and Audit divisions. In addition to demographic non-parametric data, this study also included parametric data. Table 3.3. below provides an analysis of this data:

Table 3Respondent Characteristics-Parametric Data

No	Respondent Characteristics	Mean	Modus	Median	Minimum	Maximum
1	Age ^{*)}	47	43	47	32	72
2	Work period in bank*)	19	24	19	1	50
3	Work period on position*)	4	7	6	1	12

Most of the respondents were executives aged between 43 and 47. From the perspective of developmental psychology, all the participants in this study were mature and between the ages of 40 and 60 Mature executives are expected to carry out their duties intelligently (Wink & Scott, 2005). Most of the respondents had between 18 and 24 years of work experience in the banking industry. This long service means they have a deep understanding of the banking industry. The respondents of this study are considered very capable with an ability to understand the variables used in this study. The respondents have been working in the banks under study between 4 and 6 years. This indicates that respondents are well versed in their duties and functions as well as possessing a good understanding of the banks they work in and the position of their bank compared with other banks in Indonesia and in the region. The respondents were considered responsible in carrying out their duties evident from their answers in the questionnaire. For data on the size of the banks, in this case the bank's capital as at 31 December 2013, it does not test the validity and the reliability for official use of secondary data sourced from the regulator. Primary data was collected in 2013. A two-way analysis of variant test was conducted to determine the variance of each variable. The results can be seen in the table below:

Table 4Two Way Analysis of Variant Testing

	F test	Significance	Summary
Capital	10,290	0,000	Significant
Conventional-Islamic	-0,121	0,729	Non-significant
Conventional-Islamic	1,497	0,228	Non-significant

From the data it appears that a positive score of F test with a score of 0.000 is significant. This indicates that the bigger a bank is, the stronger its competitive advantage. This is consistent with results of previous studies, as well as from the fact regulators often encourage banks to strengthen their capital base. The indicator used is the ratio of the price compared with cost, product quality, product delivery, product innovation and the speed with which the products are released to the market. Chen and Huang (2009) state that the company's internal conditions and the position of the company against its competitors are important. Chen et al. (2009) reported on the importance of Absorptive Capacity (ACAP). In statistics, measuring instruments must have good reliability and validity. The "diamond" (Porter, 1980) framework points to the level of competition as one of the dimensions that affect competitive advantage. In the context of this research, there are three groups of banks with different levels of competition (Mulyaningsih & Daly, 2001). The banks compete directly with a group of banks. Due to different levels of competition,

the competitive advantage of a company depends on if they are competing with a group of banks or individual banks. This study focuses on the competitive advantage of a banking group as well the competitive advantage of banks which are not part of a group. A banking group has a competitive advantage against its rivals as its competitors can't replicate the success of its strategy, and thus, the company can achieve a sustainable advantage (Di-Baggio & Powel, 1983; Chen et al., 2009): IDR.100 M \leq capital \leq IDR.1 T; IDR.1 T \leq capital \leq IDR.50T; IDR.50T ≤ capital (www.bi.go.id; Mulyaningnsih & Daly, 2011). A bank does not have superior position against competitors if it is not part of a group with sound capital, where competitors can't replicate the success of the strategy of the company, so the company can make a steady profit (Di Baggio & Powel, 1983; Chen et al., 2009). Bank group with capital: IDR.100 M \leq capital \leq IDR.1 T; IDR.1 T \leq capital \leq IDR.50T; IDR.50T \leq capital (www.bi.go.id; Mulyaningnsih & Daly, 2011).

In the two-way analysis of variant testing, it appears that the bank size and its operating principles do not necessarily offer it a competitive advantage. It can be seen from this study that Islamic banking principle does not offer the bank a competitive advantage. Islamic banks need to look at other sources of competitive advantage. A source of competitive advantage can come from external factors, such as special support from the Islamic bank regulator and public awareness of the shar'i principles among others. Islamic banks must also focus on internal factors as a source of competitive advantage as they can be controlled and managed in-house. Among the internal factors which are important is innovation, the ability to absorb and utilise external knowledge (absorptive capability) and a strong organisational culture. However, are Islamic banks and conventional banks different in these three aspects? Results of the study can be seen in the table below.

Table 5 Statistics Testing

Statistics resting					
	Mean for Conventional Banking	Mean for Islamic Banking	T test	Significance	Summary
Product-Innovation	4.53	4.29	0.67	0.52	Non-significant
Process-Innovation	4.89	4.63	0.91	0.38	Non-significant
Acquire	4.97	4.97	-0.01	0.99	Non-significant
Assimilation	5.18	5.21	-0.11	0.91	Non-significant
Transformation	4.97	4.97	0.02	0.99	Non-significant
Exploitation	4.9	4.8	0.03	0.76	Non-significant
Developed	4.67	4.56	0.45	0.66	Non-significant
Group	4.95	4.8	0.56	0.59	Non-significant
Rational	5.18	5.01	0.76	0.46	Non-significant
Hierarchy	4.67	4.47	1.01	0.33	Non-significant

The test results using independent samples T -test, using $\alpha = 5$ %, show no significant difference.

Result from the test repaired done using Structural Equation Modeling /

SEM-based variant, via the Smart PLS application 3.0. described as Validation test item shows loading minimal 0.7. Less than 0.7 is discarded and ilustrated as below,

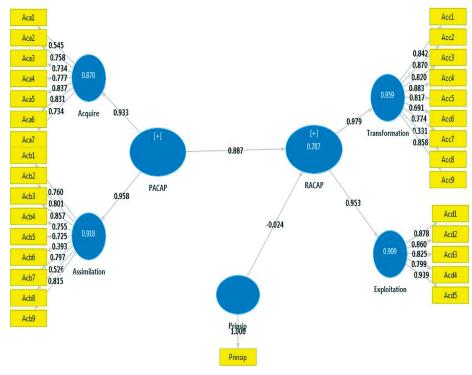


Figure 1. Result Model

Table 6 Reliability Test

	Average Variant Extracted/AVE Min 0,5	Composite Reliability/CR Min 0,7	Cronbach's Alpha/CA Min 0,7
Acquire	0.62	0.91	0.88
Assimilation	0.63	0.92	0.90
Transform	0.72	0.95	0.93
Exploitation	0.74	0.94	0.91
Principle	1.00	1.00	1.00

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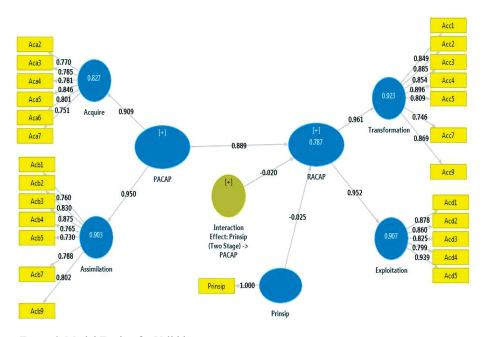


Figure 2. Model Testing for Valid item

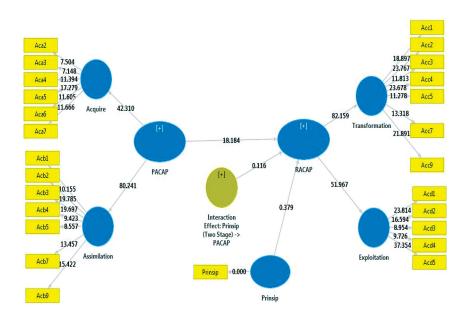


Figure 3. Model with Tests of significance $\alpha = 5 \%$

CONCLUSION

From the present study, it can be concluded that:

- 1. Capital is a competitive advantage for Islamic banks.
- Performance innovation, absorptive capacity and organisational culture are not competitive advantages for Islamic banks.

Therefore, in order to achieve competitive advantage, Islamic banks need to do the following:

- Having other competitive advantages in addition to the performance of innovation, absorptive capacity and organisational culture.
- Conduct education for the community through the programme titled "Shar'i goes to School and Campus"
- Gauging the public's understanding of Islamic banking.
- Establishment of DSD (Regional Islamic Council) at provincial/district / city level in Indonesia.

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The Role of Relationship Marketing on Customer Loyalty toward Indonesian Fast Food Restaurant

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ABSTRACT

The aim of this research is to examine the influence of trust, commitment, communication, and conflict handling in customer loyalty. Data collected from 200 respondents were used with a simple linier regressions analysis. This showed a positive influence between relationship marketing dimensions and customer loyalty.

Keywords: Commitment, Communication, Conflict Handling, Customer Loyalty, Trust

INTRODUCTION

Customer loyalty has been the objective or goal of marketers and businesses. In a competitive market scenario, a business must adapt and develop to achieve its goals. Ndubisi (2004) stated that it is possible for a business to leverage firm-customer relationship to gain privileged information about customers' needs and improve product offer. The concept of relationship marketing is a means by which a business can gain improve firm-customer relationship and achieve higher levels of loyalty from customers. Relationship marketing spotlights on the creation and upkeep of the relationship between two social affairs of exchange, the supplier as an individual and the purchaser as a man through the responsibility for aching to be commonly earnest, corresponding, trusting and to casing bonds. Rivalry between businesses and improvement in industry standards

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E-mail addresses: anas.hidayat@uii.ac.id (Hidayat, A.), guruhghifar@gmail.com (Zalzalah, G. G.), sekasasi@gmail.com (Ekasasi, S. R.) * Corresponding author suggest that sorting out new customers cannot always be depended on (Zeithaml et al., 2006).

In Indonesia, relationship marketing has been studied since the late 90s NukIdianuj (2001) stated that relationship marketing concept is a displacement

from previous concept which called transaction marketing that focus more on exchange while relationship marketing focus on construction of value-based and relationship marketing network. Relationship marketing is a basic of marketing practice which is maintain the relationship closer with creating 2 ways communication between the company and the customer with mutually beneficial. Fundamentally, relationship marketing is a long term relationship between manufacture, customer, supplier, and others. Relationship marketing can deceive the power of customer hope with the influence of information technology to give the customer their satisfaction and loyalty (Alladin, 2013).

Previous studies (see for example, Ndubisi, 2006) found that the four variables (trust. commitment, communication, and conflict handling) have significantly affected customer loyalty in the banking sector in Malaysia. This study will examine the influence of relationship marketing on customer loyalty in the fast food sector in Indonesia. Further, it also examines which RM dimension has the most influence customer loyalty. The finding of on the research can be used by fast food businesses to formulate the best strategy in order to gain the highest customer loyalty.

LITERATURE REVIEW

Relationship Marketing

Relationship marketing is system to construct, create, and upgrade the customer relationship (Berry, 1983). Relationship

marketing aimed to create, keep, and improve the relationship with customer and shareholders which are its can give a benefit one to another (Gronroos, 1994). the impact of relationship marketing as a strategically critical instrument from which customer loyalty can be secured and, therefore, the accomplishment of higher competitiveness and improved consumer loyalty can be accomplished. Developing competition, combined with industry development and recessionary weights, imply that associations can't solely rely on upon new customer to take the spot of lost customer (Zeithaml et al., 2006). Relationship marketing has positively affected the execution of the company contemplated.

As discussed by Ndubisi (2006), marketing literature has underlined four main points in relationship marketing; trust, commitment, conflict handling, and communication.

Trust

According to Chattananon and Trimetsoontorn (2009), trust is characterized as a normal business relationship which each individual included can rely on upon the respectability of the insurance offered by the others. Trust can be characterized as a readiness to satisfy the guarantees to their accomplice and meet what they anticipated.

Different researchers have defined trust as far as astute conduct (Dwyer et al., 1987), common qualities (Morgan & Hunt, 1994), shared objectives (Wilson, 1995), instability (Crosby et al., 1990), activities with positive results (Anderson & Weitz, 1989) and making and keeping guarantees (Bitner, 1995). A backstab of this trust by the seller or service provider could lead to defection. Therefore, trust can be defined as a willingness to fulfil the promises to their partner and meet what they expected. Therefore, the hypotheses are as follows:

H1: There is positive influence of Trust toward Customer Loyalty

Commitment

Moorman et al. (1992) defined commitment as a consistent eagerness to preserve a value relationship. Commitment is another significant precursor of relationship marketing and a profitable develop for measuring the propensity of client devotion and conjecture future repurchase (Taleghani et al., 2011). Research proposes that relationship commitment is at the centre of all effective working connections and that it is a fundamental fixing in fruitful long haul connections, including supplier-purchaser connections (Anderson & Weitz, 1989). Therefore, commitment is how to maintain the performance that has been expected by their partner and it can enhance the long-term relationship to achieve customer loyalty. Therefore, it is hypotheses as follows:

H2: There is positive influence between Commitment and Customer Loyalty

Communication

Sin et al. (2002) characterized communication as the formal and casual bargain and sharing of noteworthy and convenient data among purchasers and dealers. Communication is likewise viewed as a critical part of effective connections (Morgan & Hunt, 1994). Anderson and Narus (1990) describe communication as formal and in addition casual sharing of significant and auspicious data between firms". Communication is an irreplaceable trait in fruitful organizations to be portrayed as central for improving cooperation (Rule and Keown, 1998). Communication in relationship marketing means keeping in touch with valued customers. providing timely and trustworthy information on service and service changes, and communicating proactively if a delivery problem occurs. It is the communicator's job in the early stages to fabricate mindfulness, create purchaser inclination (by advancing worth, execution and different components), persuade intrigued purchasers, and urge them to settle on the buy choice (Ndubisi & Chan, 2005). Therefore, it is hypotheses as follows:

H3: There is positive influence of Communication toward Customer Loyalty

Conflict Handling

Dwyer et al. (1987) defined conflict handling as a seller's ability to eludes the potential of problem, answer conflicts before they make problems, and discuss open solution when the problem arises. Conflict handling can become a consideration as how we avoid and make a solution for a problem when it happens before and after the problem exist (Ndubisi & Chan, 2005). Taleghani et al. (2011) stated that customers tend to be loyal to banks that effectively make steps towards conflict resolution with good reactions to show problems. Therefore, it is hypotheses as follows:

H4: There is positive influence of Conflict Handling toward Customer Loyalty

Customer Loyalty

Customers who buy from a business contribute to its profit giving it a continuous income base Customer loyalty is described d by Oliver (1999) as a profound desire to purchase or reject a particular product (Yim et al., 2008). Fornell and Larcker (1981) conceives that loyalty is the capacity of fulfilment, exchanging boundaries and voice. Loyal customer may not be constantly fulfilled, but rather fulfilled clients are adept to be faithful.

Relationship marketing aims to create, keep, and improve the relationship with customer and shareholders which are its can give a benefit one another (Gronroos. 1994). Relationship marketing structure and fundamental measurements differ crosswise over exact concentrates, however key to the conceptualization is the conviction that no single measurement or social develop can completely characterize the general profundity or atmosphere" of a trade relationship. Adjei et al. (2009) explain that the outcome of relationship marketing generally is to strengthen or expand the long term consumer satisfaction and customer loyalty, and also keep on supplying high satisfaction level to customer.

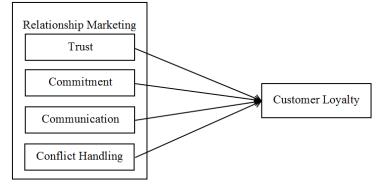


Figure 1. Research Framework

METHODOLOGY

Sample and Data Collection

The subject of this study is the consumer of fast food using a questionnaire that was spread out to 223 respondents. Most of the respondents are female about 57% or 114 respondents. Males accounted for the balance 43% or 86 respondents. The distribution of respondents' age is balanced to 50%, half of them aged 17 - 25 years

and the rest of them are 26 - 35 years. Respondents with monthly expanses less than Rp1.000.000 are about 52.5%. Respondents with monthly expanses between Rp1.000.000 and Rp5.000.000 per month are 43.5%. The rest of them are 4% with spending per month that more than Rp5.000.000.

Measurement

The measurement of trust dimension was adopted from Churchill and Surprenant (1982), and the measurement of communication, commitment, and conflict handling dimension were adopted from Morgan and Hunt (1994). While for the

Table 1

Validity and Reliability

loyalty dimension, it was measured using items as adopted from Bloemer et al. (1999).

Validity and Reliability

Table 1 shows the Pearson Product Moment correlation for the seven Likert scaled variables. All indicator items on the relationship marketing variables (trust, commitment, communication and conflict handling) and customer loyalty found to be valid, since all of them have value of more than 0.115 with the significance level of less than 5 % (p <0,05). All variables also indicated to be reliable with Cronbach's alpha of more than 0.6.

Indicators	Correlation Coefficient(rxy)	Cronbach Alpha
Trust		0.863
Trust1	0.669	
Trust2	0.676	
Trust3	0.638	
Trust4	0.689	
Trust5	0.594	
Trust6	0.676	
Commitment		0.869
Commitment1	0.710	
Commitment2	0.729	
Commitment3	0.743	
Commitment4	0.710	
Communication		0.868
Communication1	0.695	
Communication2	0.756	
Communication3	0.707	
Communication4	0.724	
Conflict handling		0.872
Conflicthandling1	0.709	
Conflicthandling2	0.810	
Conflicthandling3	0.748	
Customer loyalty		0.899
Customerloyalty1	0.738	
Customerloyalty2	0.738	
Customerloyalty3	0.937	

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DATA ANALYSIS AND RESULTS

The statistical tool for the data analysis is a simple linier regression. Below is an estimation of linear regression index that is generated after testing:

Table 2
Regression

Variables	Regression coefficients	t value	P value
Trust	0.703	7.604	0.002
Commitment	0.121	1.292	0.000
Communication	0.145	1.582	0.000
Conflict	0.715	8.105	0.001

The test results showed that the p-value of trust is 0.002, which is below than 0.05. This value proves that Ho is rejected. It means that there is a positive significant influence of trust toward consumer loyalty on fast food restaurants in Yogyakarta. Trust is a variable that affects consumer loyalty with a positive coefficient of 0.703. It means if trust increases by one unit then the loyalty of consumers will increase by 0.703 assuming other variables in constant conditions. This shows that the better positive influence of trust at fast food restaurants in Yogyakarta, the greater the loyalty of consumers. Thus the first hypothesis which states "H1: There is positive influence of trust toward customer loyalty" is supported.

Commitment has p-value of 0.000 that below 0.05. This value proves that Ho is rejected. It means that there is a positive significant influence of commitment toward consumer loyalty on fast food restaurants in Yogyakarta. Commitment is a variable that affects consumer loyalty with a positive coefficient of 0.121. It means if commitment increases by one unit then the loyalty of consumers will increase by 0.121 assuming other variables in constant conditions. This shows that the better positive influence of commitment at fast food restaurants in Yogyakarta, the greater the loyalty of consumers. Thus the second hypothesis which states "H2: There is positive influence of commitment toward customer loyalty" is supported.

Meanwhile, the test results of communication show that the p-value is 0.000 that below 0.05. This value proves that Ho is rejected. It means that there is a positive significant influence of communication toward consumer loyalty on fast food restaurants in Yogyakarta. Communication is a variable that affects consumer loyalty with a positive coefficient of 0.145. It means if communication increases by one unit then the loyalty of consumers will increase by 0.145 assuming other variables in constant conditions. This shows that the better positive influence of communication at fast food restaurants in Yogyakarta, the greater the loyalty of consumers. Thus the third hypothesis which states "H3: There is positive influence of communication toward customer loyalty" is supported

The test results of conflict handling showed that the p-value is 0.001 that below 0.05. This value proves that Ho is rejected. It means that there is a positive significant influence of conflict handling toward consumer loyalty on fast food restaurants in Yogyakarta. Conflict handling is a variable that affects consumer loyalty with a positive coefficient of 0.715. It means if conflict handling increases by one unit then the loyalty of consumers will increase by 0.715 assuming other variables in constant conditions. This shows that the better positive influence of conflict handling at fast food restaurants in Yogyakarta, the greater the loyalty of consumers. Thus the fourth hypothesis which states "H4: There is positive influence of conflict handling toward customer loyalty" is supported.

CONCLUSION

empirically investigates This study the influence of trust, commitment, communication and conflict handling towards loyalty in fast food restaurant business in Indonesia. Four underpinnings of relationship marketing were included to measure relationship marketing variable have found that there is positive influence towards customer loyalty in fast food restaurant in Indonesia. Based on the finding of this research, it is recommended fast food restaurant businesses focus on relationship marketing dimension (trust, commitment, communication, and conflict handling) in order to gain customer loyalty.

It is suggested for future studies include other variables such as bonding, satisfaction, shared values, empathy, reciprocity, and others.

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Hospitality Communication: A Phenomenological Study based on Local Wisdom of West Java

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ABSTRACT

Companies in involved in the service industry face intense competition and rivalry. The ability to communicate is essential to improve the quality of their service. This study uses the constructivist method of Phenomenology and symbolic interaction theory to study this phenomenon. The purpose of this study is to explore and analyse the values of West Javanese local wisdom in improving communication competences, and develop a unique service concept, Hospitality Communication. This is proven to be a good concept in facing business competition, especially in enhancing tourism business in West Java.

Keywords: Local Wisdom, Communication competences, West Java and Hospitality Communication

INTRODUCTION

West Java has a diverse culture and beautiful natural attractions making it a top tourist destination both for locals and foreigners. This has also led to the mushrooming of tourism related businesses in West Java, such as hotels, restaurants, and entertainment outlets among others. This sector is highly competitive whereby businesses strive to increase their profits by improving the quality of their human resources, and most importantly their communication with their consumers and customers.

Customer complaints is the greatest enemy of tourism-related business, especially in this era of communication technology and social media. Studies have pointed to the power of social media in influencing public perception. Image is important for tourism-related businesses which directly affect their profit margin. Every business strives for a good

Article history: Received: 19 November 2015 Accepted: 04 May 2016 image and maintain its reputation - a good reputation can be achieved via a positive image. Maintaining a good image is the duty of every employee in the company, especially those who are in the front line

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dealing with customers, namely front desk staff, chamber maids and public relations officers.

Empirical evidence suggests most of the complaints from consumers and customers are related to poor communication skills among staff. Having good communication skills can be favourable to business. However, the importance of good communication has been overlooked or underestimated by many businesses.

Interpersonal communication, defined in the broadest sense, includes all interactions where there is a relationship between all participants (DeVito, 1997, p.232). For the purposes of this study, hospitality communication is included in the definition of interpersonal communication.

Interpersonal communication, both verbal and non-verbal, is the most effective form of communication and results in minimal distortion of the intended message. Hospitality staff engaged in the tourism business deal directly with local and foreign guests and hence, good and effective communication is essential for every employee. Indonesia is a nation with diverse and rich cultures and has a tradition of good hospitality which can be revived to boost its tourist industry. West Java has many different cultures depending on the area. The places that the present author visited to get an idea of the local wisdom on hospitality communication are Garut, Tasikmalaya, Bandung, and Sukabumi. West Java is rich in natural heritage and culture which have attracted domestic and overseas tourists. The present author believes that good verbal communication skills are the key to success of any hospitality related businesses and many of them unfortunately go under as they have not realised their importance. Therefore, this research aims to explore and analyse the values inherent in local wisdom in improving communication competences and to develop a unique hospitality communications concept typified by West Java culture.

THEORIES AND CONCEPTS

Phenomenology refers human to consciousness and is а subjective concept to understand social action. The phenomenological approach focuses on subjective experiences and is related to personal views about the world and one's interpretation of various events. This approach seeks to understand the phenomenal events experienced by individuals without the burden of preconception.

According to theorists of symbolic interaction, social life is essentially a human interaction using symbols. They are interested in how humans use symbols that represent what they mean when communicating with each other, and also the effects of the interpretation of these symbols on the behaviour of the parties involved in the social interaction. Adherents of the theory of symbolic interaction believe that human behaviour is essentially the product of their interpretation of the world around them. George Ritzer (as cited in Mulyana, 2006, p.73) summarises the principles of symbolic interaction theory as follows:

- 1. Humans, unlike the lower animals, are endowed with the ability to think.
- 2. Ability to think is shaped by social interactions.
- 3. During social interactions, people learn meanings and symbols that allow them to apply their thinking skills.
- 4. In a typical human interaction, meanings and symbols allow people to continue with their actions .
- 5. People modify their actionbased on their interpretation of a situation.
- 6. People make modifications or changes to their action after assessing their relative advantages and disadvantages.
- 7. Action and interactions are linked to form groups and communities.

Thus, communication is exchange between two or more people, achieved through the use of conventional symbols, whereby cognition, feelings, and actions are implicit the a symbol.

According to Rose, as quoted by Mulyana (2001, p. 77) that: "The symbol is a stimulus that contains the meaning and value are studied for humans, and the human response to the symbol is in the sense of meaning and value rather than in terms of physical stimulation of tools senses". Mulyana (2001, p. 78) further explains that "symbols have meaning if it evokes in individuals who deliver the same response as it will appear on the individual destination".

Communication occurs mainly through language, which is a set of symbols or a vowel or a written symbol system used uniformly or almost uniformly by members of a community. A symbol that is meant is described in the theory of the symbol, which is something that is deliberately used to condense or represent something else. Symbols consist of gestures and words.

Words used as a symbol has three functions: as a symbol of an object, as an attribute of an object, and as the object itself while the word has a denotative and connotative meaning. A connotative meaning is the feelings and attitudes associated with a symbol while denotative meaning is objects, events, or situations that are referred or indicated by words. Therefore, the meaning of an utterance is determined by individual experiences with respect to the words and the overall context in which the speech was heard, both verbal and nonverbal as well as external and internal.

Communications as observed in Garut, Tasikmalaya, Bandung and Sukabumi, take place through symbols. The communities of "Kampung Pulo", "Kampung Naga", and "Kasepuhan Ciptagelar" still remain faithful to their traditions and the local culture and way of thinking of their predecessors although certain aspects have undergone changes.

METHODOLOGY

The researcher interviewed basic and key informants for this study. They are those who understood well the local customs and local knowledge typical of West Java as well as those who understood the importance of good communicative skills in improving tourism-related businesses. Interpersonal relations that have been established well in advance between researcher and research subjects will be used by the former in order to obtain accurate and reliable information as well as open access to research and add to the subject so that researchers can gather information as much as possible.

A key informant is a person who is deemed capable of providing general information and is able to appoint another person who can provide more in-depth information (Koentjaraningrat, 1974. p. 130). Key informants in this study refers to experts in West Java culture who understand the values of local wisdom and customs of the Sunda region. This study used purposive sampling, a sampling technique used by researchers if they have certain considerations in sample collection or sampling for a particular purpose.

The researcher selected a few informants from the community who still practise customs of West Java. Some of the key informants included Yoyo Yogasmana, Umi, AbahAdi, Aki Darma (residents of the community "*Kasepuhan Ciptagelar*" in Sukabumi), Dr. Henny Gustini, M. Ag (Sundanese culture expert), and a few members of the public from Garut, Bandung and Sukabumi. They were selected randomly.

RESULTS AND DISCUSSION

Garut is a city located between Bandung and Tasikmalaya. Its village is called "*Kampung Pulo*". The author interviewed a few respondents there to discover local values as well as observe their daily interactions with others. Interviews were also conducted with selected informants from a village in Tasikmalaya named "*Kampung Naga*".

Lecturers, researchers, and experts on the Sundanese culture were interviewed in Bandung by the researcher. The researcher also gained useful insights on the daily lives of villagers in a beautiful village called *"Kasepuhan Ciptagelar"*. The villagers were warm and friendly.

Direct observations of the daily lives of the people in West Java, especially Garut, Tasikmalaya, Bandung and Sukabumi, as well as interviews with the people there the researcher gained information on effective communicative skills, especially from the Sundanese region, useful for the services sector.

This research showed that the Sundanese people have effective interpersonal communication skills that are appropriate and useful for tourism-related businesses to learn and adopt.

Symbols and local wisdom are maintained by the community of *Kampung Pulo*, *Kampung Naga* and *Kasepuhan Ciptagelar* in their efforts to preserve their identity and culture,. Based on the research findings, many of the values of local wisdom can be applied to the concept of Hospitality Communication. The West Javanese community has a set of values called "*Catur Rangga*". Some of the values of "*Catur Rangga*" are:

- "Someah hade kasemah", which means guests must be greeted with a smile, welcomed with open arms and shown generosity..
- "Mipitamitngalamenta, nganggosucimangan halal, ngucapkalawan nu sabenerna", which means permission must be sought before attempting any action and integrity, honesty are crucial to a good living
- "Munteunyaho kudu nyaho, mungeusnyahoulahnyaho", which means one should not be embarrassed to seek information or clarify on certain issue.. An important aspect of communication is to allows others to complete their speech before interrupting; listening power is important.
- "Kudu akurjeungdulur, kudu hade jeungsaderek, kabaturtinggalnganggona", which means one should not fight but engage with the other with politeness and treat the other equally.
- "Hade carekkasaderek, hade basakasasama", which means that when we confront others, it must be done with politely using good language.
- "*Hade gogog hade tagog*", which means that our words are synonymous with our behaviour and hence our words must be followed with the right action.

- "*Basamahteu kudu meuli*", which means that one should be generous with positive and good words and not be stingy on the information needed.
- "*Hade kuomong, gorengkuomong*", which means that right or wrong communication is essential for progress and problem solving.
- "*Basatehcicirenbangsa*", which mean our words and action are a reflect us. Thus, language is the identity of a community.
- "Basatehgapurabangsa", which means that language is an important racial and national identity. Hence, we must be proud of our language.

The expressions "*CaturRangga*" (in Sundanese meaning Special Behaviour), has been passed on from one generation to the other. When linked with the theory of symbolic interaction, then it is the result of the ability of human conferring meaning for each symbol in the process of interactions.

The values of local wisdom as discussed in the foregoing is closely associated with the concept of interpersonal communication, which is characterised by informal and face to face interactions. The concept of Hospitality Communication in the context of this study has the following elements: friendliness, honesty, humility, generosity, equality, kindness, politeness, and compassion which are the foundation of all our actions.

According to Steward L Tubbs and Sylvia Moss (2003), effective communication is composed of the following five (5) elements: **First**, a careful understanding and acceptance the contents of the communication.

Second, the communication is not only intended to deliver information and establish mutual understanding, but it is done in a pleasant manner in addition to offering comfort to the customer.

Third, influencing attitudes, whereby the communication process is actually intended to influence the attitude of others; to be able to influence others, we need a psychological approach in the form of emotional appeals.

Fourth, good social relations are imperative whereby communication is aimed at creating social relationships which are nurtured well. In the context of inclusion, it is necessary to reinforce the communication between the company and community.

Fifth, actions whereby influencing others can be successful if the people take action to achieve their desires. Action is the accumulation of the communication process and this requires knowledge of psychological factors that affect one's actions, in this case the expertise of employees in communication capable of influencing people to take real action. In the case of tourism-related business, the first acts of tangible actions could include buying behaviour and choosing hotels, restaurants, and tourist attractions specific to their liking.

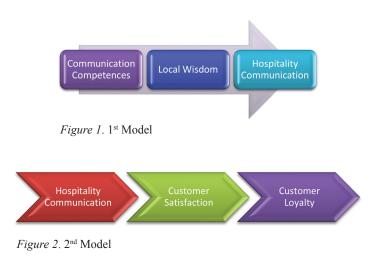
Other factors that influence effective communication include choice of words. vocabulary or language used as it is a mode to convey information; in this case, the service officer or employee of a company must be clever in choosing words that are appropriate for specific situations. In addition, nonverbal messages also must be considered and used in addition to words spoken to strengthen and support the verbal messages. Nonverbal messages include the movement of limbs, facial expressions, gestures, and appearance. Indeed, nonverbal message that is consistent with the verbal message is a natural pair; our conscience is reflected in facial expressions and body movements.

Effective application of this concept helps to draw tourists and boosts business. The human resources division of the business must ensure effective communicative skills of its staff in order to achieve this.

Hospitality Communication is very important because it not only adds to customer satisfaction, but generates customer loyalty. Hospitality Communication is not just the ability to communicate, but also shapes the character of entrepreneur and employees who provide service with a sincere heart.

the first model below show how the hospitality communication is built from communications competences and local wisdom, and the second shows the process to gain customer loyalty.

Hospitality Communication: A Phenomenological Study



CONCLUSION

Hospitality Communication is a locally derived West Javanese concept, which means its application will vary from region to region and according to local culture. It can be adopted by tourism related businesses to lure tourists because of the appeal of the concept. Application of communication in the business world hospitality tourism in West Java, can be done through a special communication skills training to apply the concept of hospitality communication, given to employees and all parties involved in the tourism business.

Training by applying the values of local wisdom that were uncovered in this study is useful for enhancing the quality of service staff, and able to deal with customers in a friendly and professional way. Hospitality communication is one solution to improve the quality of service and to win customer loyalty.

Hospitality communication derived from local culture and local wisdom offer a competitive edge for tourism related business especially now with the establishment of Asian Economic Community.

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Justice-Based Health Care Service and Repatronage Intention of Poor Patient

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ABSTRACT

The purpose of this research is to develop a model of justice-based health care for poor people and examine its effect on patient satisfaction and repatronage intention. There were 234 participants, namely hospital patients from poor families, in the final sample for this study. The results found that interactional justice and information have significant effect on patient satisfaction. Lack of good communication and knowledge of poor patients were the two main reasons cited by patients in this study for their dissatisfaction with the hospital service. All dimensions related to justice-based health care and patient satisfaction have no effect on repatronage intention. Hospitals need to create a standard operating procedure (SOP) as part of their work culture to improve interaction between doctors, nurses and non-medical personnel with patients, especially the poor ones.

Keywords: Justice-based Health Care, Patient Satisfaction, Repatronage Intention, Hospital

INTRODUCTION

Poverty is still a major problem in Indonesia. The government under its National Medium Term Development Plan (RPJMN) 2015-2019 has set several priority areas, one of them is poverty alleviation. The Indonesian government under the RPJMN plans to decrease poverty rate to 6.5% - 8% of the population through justice-based development. According to the Indonesian Central Statistics Agency (BPS), as of September 2013, the poverty rate in Indonesia was11.47% or 28.55 million people.

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E-mail address: nugrohomardi@uwp.ac.id (Wibowo, N. M.) * Corresponding author Poverty is a complex problem that can affect various aspects of one's life including one's health. According to Nurhasim (2009), poor people tend to have a lower health status and are more susceptible to diseases, especially infectious diseases. This is due to the fact that poor people are less likely to have access to good nutrition, live in dirty neighbourhoods, and have difficulty accessing health services. Poor health makes people lose their capacity to work; they will often find difficulty in coping with their problems without the assistance from others. If this situation is not resolved, then the goals of Millennium Development Goals (MDGs) will likely not be achieved (Juliastutik, 2011).

The BPS record shows that East Java has the largest number of poor people in absolute terms in 2013, although still below the relative poverty rates of other provinces. Its socio-economic survey results in September 2013 shows there are 4.86 million (12.73%) poor people in East Java, with 1.62 million of them concentrated in urban areas and the rest in rural areas. According to Statistical Information System of Rural Development Ministry in 2012, there are five (5) districts in East Java known as poverty pockets and categorised as disadvantaged areas: Sampang with a poverty rate of 27.87%, Bangkalan with a poverty rate of 24.61%, Pamekasan with a poverty rate of 19.53%, Bondowoso with a poverty rate of 15.75% and Situbondo with a poverty rate of 14.29%. Health conditions of the poor are worse than the non-poor ones. Infant mortality in poor families is three times higher than non-poor families. The mortality rate of toddlers under five in a poor family is five times higher than non-poor families. On other hand, a good health service delivery for poor people will prevent eight million deaths annually. In addition, economic growth in countries with better health levels are 37 times higher than in countries with poorer health.

To ensure poor people's access to health services, since 1998, the Government has implemented various poverty reduction efforts. It introduced Social Safety Net - Health Division (JPS-BK) programme from 1998 to 2001, Energy Subsidy Reduction Programme (PDPSE) in 2001 and Fuel Subsidy Reduction Compensation Programme (PKPS-BBM) from 2002-2004. The Ministry of Health since 2005 has been implementing social health insurance programme, which has undergone changes over time. The programme was originally known as the Health Insurance for Poor people (JPKMM), or more popularly known as the Askeskin programme. From 2008 to 2013 the programme came to be known as Community Health Insurance. Beginning January 1, 2014, the government renamed its social security system National Health Insurance (JKN) and Social Health Security Agency (BPJS) whereby JKN premiums for poor people are paid by the government.

The programmes launched by the government are a testament to its commitment to provide health coverage for poor people. But the reality shows that health care for poor people often does not match expectations. Dalinjong and Laar (2012) reported that poor families often face discrimination in accessing health care services as hospitals prefer to serve patients who pay cash for their -treatment. This distinction can be seen in the way

bureaucracy serves them, including the right to obtain information; the poor who more often than not are shabbily dressed and considered belonging to a lower class. In addition to hospitals, health centres often provide inferior services to poor patients. Budiarto et al. (2007) found that that the poor's public perception of service responsiveness at health centre's in East Java is still not good scoring an average of 2.08 (a score of 1 is poor and a score of 5 is excellent). Thus, the poor have a bad impression of health services which appear to be unjust and discriminatory towards them. The less-than-acceptable services the poor receive from the hospital services only makes it more difficult for them to escape poverty (Juliastutik, 2011).

The model of justice-based health services in this research also relates to repatronage intention. Wang (2008) showed a positive effect of distributive, procedural, and interactional justice on positive recommendation. Dayan et al. (2008) concluded that distributive and interactional justice have positive effect on customer loyalty. Meanwhile, Ting and Yu (2010) highlight the distributive and procedural justice effect on repatronage intention, whereas interactional justice does not have an effect on repatronage intention. Nikbin et al. (2012) reported that better informational justice can decrease customer's intention to switch to other providers. This research is conducted with objective to develop a model of health care for poor people based on justice and analyse the effect of justice-based health care on patient satisfaction and repatronage intention.

THEORETICAL REVIEW

Fair Services

There is a paradigm shift in service assessment of a organisation by customers. The tendency to evaluate organisational service by consumers does not depart from the assessment of service quality developed by Parasuraman et al. (1988) with a ServQual model and later developed by other researchers, but also assesses the aspect of organisational justice to deliver these services to all customers. According to Ting and Yu (2010), justice theory comes from the social psychology literature based on an individual's perception of justice in a situation or decision. Palmer et al. (2000) developed a conceptual framework based on justice theory to analyse the effect of failure and services repairmen to restaurant patrons. Their results show that justicebased service has a significant effect on intensity of repeat visits. In other words, consumers want a fair service.

The justice concept was first used in marketing management relating to negligence of services provider and customer complaints (Tax et al., 1998). According to Whiteman and Mamen (2002), justice is ensured to the public in all aspects of life without compromise and reason. Justice is also interpreted as an evaluation of fair treatment of a person against another (Huang & Lin, 2005). An explanation of the concept of justice concept will beneficial to describe the public reaction to conflict situations (Tax et al., 1998). This is because of differences in justice for service will affect the person's emotional state. The conflict begins when a party feels that goals, values, attitudes, behaviours and beliefs do not conform to the others, because justice application in life can reduce the conflict potential (Whiteman & Mamen, 2002).

Aryee et al. (2002) show that distributive and procedural justice can affect consumer's satisfaction. Meanwhile, Kwun and Alshare (2007) and Tax et al. (1998) show that interpersonal justice has a better effect than distributive and procedural justice. Therefore, distributive, procedural, interpersonal and informational justice have a positive effect on patient satisfaction. The dimensions of justice also have a positive effect on public interest to behave positively or provide recommendations (Wang, 2008). Meanwhile Dayan et al. (2008) prove that distributive and interpersonal justice have positive effects on people loyalty's to ensure repatonage (to use the services of the same organisation). Ting and Yu (2010) reported that distributive and procedural justice have a positive effect on repatronage intention of hospital patients. Therefore, it can be stated that service justice has a positive effect on repatronage intention of hospital patients.

Patient Satisfaction

According to Chang and Tu (2005), customer satisfaction is a customer evaluation after behaving in a certain time and place. Tian-Cole et al. (2002) explain satisfaction as a result of a customer psychological assessment of direct experience. The satisfaction can be measured directly, for example through a pleasant/not pleasant feeling or satisfied/ dissatisfied.

Customer satisfaction is an emotional response to service attributes and service information is the basis to retain customers (Spreng et al., 1996). Satisfaction can be seen as a psychological state that is generated when customer's expectation is fulfilled or exceeds his or expectations and dispel the preconceived negative feelings about the consumption experience (Alam & Khalifa, 2009). When consumers feel a sense of gratification, their loyalty will increase and they are more likely to make repeat purchases (Hicks et al., 2005).

Repatronage Intention

Repatronage intention refers to customer's wanting to maintain a relationship with a service provider and make subsequent purchases (Jones & Taylor, 2007). Repatronage intention at this time is an important concern because of cost to get new customers is usually greater than costs to retain existing customers (Spreng et al., 1996). Repatronage intention is a consequence of satisfaction or dissatisfaction which will affect the future customer relationship with the organisation, profitability and business success (Nikbin et al., 2011). Therefore, research framework is presented in Figure 1.

Justice-Based Health Care Service and Repatronage Intention

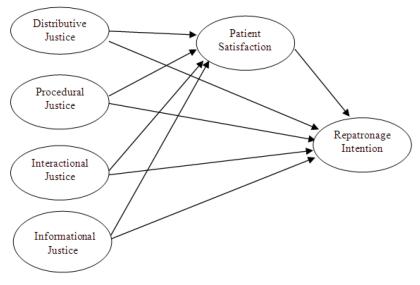


Figure 1. Conceptual Framework

Based on the conceptual framework, research hypotheses nine can be formulated. First, distributive justice has a significant positive effect on patient satisfaction. Second, procedural justice has a significant positive effect on patient satisfaction. Third, interactional justice has significant positive effect on patient satisfaction. Fourth, informational justice has a significant positive effect on patient satisfaction. Fifth, distributive justice has a significant positive effect on repatronage intention. Sixth, procedural justice has a significant positive effect on repatronage intention. Seventh, interactional justice has a significant positive effect on repatronage intention. Eighth, informational justice has a significant positive effect on intention. repatronage Ninth, patient satisfaction has a positive effect on repatronage intention.

RESEARCH METHODS

The poor people in this study sample were selected based on purposive sampling of poor people who are listed as Contribution Beneficiary Acceptor (PBI) of Social Security Administering Agency (BPJS) Health, cardholders of Jamkesmas, or Poor Certificate (SKM) who become Hospital inpatients in Sampang, Bangkalan, Pamekasan, Bondowoso and Situbondo who receive inpatient treatment for at least two days.

Data is collected through questionnaires and interviews. The questionnaire is consists of written questions or statements related to study variables. All statements are measured using the five point Likertscale. Interviews were conducted with the aim to complete data obtained from the questionnaire. The informants were the Hospital Heads of Classrooms III in Sampang, Bangkalan, Pamekasan, Bondowoso and Situbondo as care areas of poor families.

This study used quantitative analysis techniques. Quantitative analysis is done by quantifying research data to produce information needed for data analysis. Data was refined to evaluate their validity and reliability construct based on their level of abstraction by assessing convergent validity and discriminant validity and to

Table 1Respondents Characteristics

Description	Total (people)	Percent
Sex		
Male	100	42.74
Female	134	57.26
Civil Status		
Married	211	90.17
Single	23	9.83

Source. Primary data processed (2015)

Determination coefficient value of goodness of fit using PLS model can be known from the Q-square value of predictive relevance. The higher the Q-square value, it can be said that model fits the data. The results show the Q² value is 68.78%. This means that model can explain repatronage intention of patients evaluate goodness of fit model. This was carried out using the software Smart PLS 2.0.

RESULT AND DISCUSSION

There were 234 respondents: 45 from Sampang hospital, 38 from Bangkalan, 51 from Pamekasan, 50 from Bondowoso, and 50 from Situbondo. The respondents' characteristics are shown in Table 1.

and patient satisfaction by 68.78%. Therefore, it is a good model, or the model has a good predictive value.

The hypothesis testing results can be obtained by comparing the t statistic value with t table value of 1.96. If the t statistic is greater than 1.96 then the hypothesis is accepted.

Table 2	
Path Coefficients	5

	original sample estimate	Mean of subsamples	Standard deviation	T-Statistic
Distr. Justice->Patient Satisfc.	0.032	0.005	0.129	0.251
Procdr.Justice ->Patient Satisfc.	0.190	0.244	0.143	1.330
Informt.Justice -> Patient Satisfc.	0.391	0.380	0.172	2.277
Interact.Justice->Patient Satisfc	0.296	0.294	0.100	2.952
Distr.Justice -> Repatron.Intention	0.018	0.084	0.238	0.075
Procdr.Justice -> Repatron.Intention	-0.098	-0.063	0.302	0.324
Informt.Justice-> Repatron.Intention	0.129	0.151	0.166	0.774
Interact.Justice-> Repatron.Intention	0.129	0.232	0.199	0.649
Patient Satisfc> Repatron.Intention	0.260	0.225	0.243	1.070

Source. Primary Data Processed (2015)

Hypothesis testing show that:

- Distributive justice has no effect on patient satisfaction. It is indicated by path coefficient of 0.032 and t statistic value of 0.251 is less than 1.96. These results indicate that the distributive justice changes in health care cannot affect on patient satisfaction of poor people of PBI members. For poor of PBI members, hospitals health care has not shown good service and inconsistent with expectations.
- 2. Procedural justice has no effect on patient satisfaction. Path coefficient value of 0.190 and t statistic value of 1.330 is lower than 1.96. This finding suggests that what has been done by hospitals about healthcare related procedural justice does not directly affect patient satisfaction. Health services designed by the hospitals already meet existing standards and

comply with rules and procedures. However, the poor patients' behaviour do not reflect this.

- 3. Interactional justice has a significant positive effect on poor patient satisfaction as a PBI member, as indicated by path coefficient of 0.296 and t statistic value of 2,952 is greater than 1.96. These findings indicate that poor patients are satisfied with their interaction with the doctors and nurses which had made an impression on them. Thus, the presence of doctors and nurses as medical personnel have an important role in health care.
- 4. Informational justice has a significant positive effect on poor patients' satisfaction as PBI members, as indicated by path coefficient of 0.391 and t statistic value of 2.277 is greater than 1.96. These results show that the hospital provided information

to patients who are PBI members in accordance with patient expectations. Patients who are PBI members were satisfied with provision of such provide good information. Doctors explanation to poor patients about their illness in detail and in a timely manner Information about their illnesses or diseases encourages patients to be more careful their health, especially information related to diet and life style.

- 5. Hypothesis testing shows that distributive justice has no effect on repatronage intention, as indicated by path coefficient of 0.018 and t statistic value of 0.075 is less than 1.96. These results indicate that health care changes based on distributive justice does not affect repatronage intention of poor patients who are PBI members. These findings prove that repatronage intention of poor patients does not depend on good health care services which match expectations even if they are given the same treatment as other patients with appropriate services.
- 6. Procedural justice has no effect on repatronage intention. This is shown by path coefficient value of -0.098 and t statistic value of 0.324 is less than 1.96. This finding suggests that procedural justice in health care does not directly affect patient loyalty. Poor patients who are PBI members believe health services must follow the procedures. Thus, procedural justice, similar to

distributive justice, does not have any effect on repatronage intention of the patients.

- 7. Interactional justice does not have any effect on repatronage intention. This is shown by path coefficient of 0.129 and t statistic value of 0.649 is less than 1.96. These results indicate that interaction of nurses and doctors in hospitals to serve poor people do not affect a poor patient's repatronage intention. Previous hypothesis test showed that interactional justice has an effect on patient satisfaction. This means that the services of doctors and nurses to serve poor patients exceed patient expectations. Poor patients are impressed with their interactions with physicians and nurses. But when interactional justice is related with repatronage intention, it has no effect. This indicates that increase in politeness, closeness and familiarity with doctors and nurses do not increase repatronage intention.
- 8. Informational justice does not affect repatronage intention. This is shown by path coefficient of 0.129 and t statistic value of 0.774 is less than 1.96. These findings indicate that information services provided by doctors and nurses to poor patients with regard to patient illness had no effect on patient loyalty to hospital. Poor patients seeking medical help in hospitals are not affected by doctors and nurses giving them information in detail and in a timely manner about their diseases.

9. Satisfaction has effect no on repatronage intention. This is shown by path coefficient of 0.260 and t statistic value of 1.070 is smaller than 1.96. These findings suggest that loyalty and commitment of poor patient to seek medical treatment at hospitals are not determined by their satisfaction with iustice-based healthcare. Patient satisfaction does not relate to repatronage intention.

CONCLUSION

Hypothesis test shows that interactional justice can improve poor patient satisfaction with PBI-BPJS, JAMKESMAS and SKM Cardholder. Services provided doctors and nurses with modesty, intimacy and sincerity makes a good impression vis a vis the patients. Poor patients feel well treated by doctors and nurses. This shows that doctors and nurses as medical personnel have an important role in health care. These findings reinforce the results of studies by Tomar and Dhiman (2013) and Wibowo (2013) that doctors and nurses play a role in encouraging a patient's recovery using their hospitality and attention.

The results also show that informational justice has significant positive effect on poor patients' satisfaction level. This is because doctors provide the poor patients with good information on their illness and in a timely manner. Acquiring information on their disease from their doctors helps patient to be more careful in taking care of their health, especially the former's advice related to diet and lifestyle. Generally, hospitals provide good information and has good communication with patients which increases the latter's satisfaction level. These results confirm the findings of Nikbin et al. (2012) who reported a strong relationship between informational justice and switching intention.

Other hypothesis testing show that distributive and procedural justice had no effect on patient satisfaction. Other findings indicate that repatronage intention behaviour does not depend on health care justice and poor patient satisfaction. This illustrates the use health care services in hospitals by poor patients as a logical consequence of PBI-BPJS, JAMKESMAS or SKM cardholder that "willing or unwilling" they have to visit hospital when they are ill.

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Green Manifestation of Eco-Driver for Excellent Performance

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ABSTRACT

This is an empirical research that investigates and attempts to define dominant drivers of environmental friendly hotels from an operational perspective in Indonesia. This research uses qualitative method and analyses actions, programmes, initiatives and plans of each object to locate the dominant factors. It also describes the environmental performances of each hotel. This research finds that INSPIRA's dominant driver factor is ts competitiveness and organisational 'greenness'. For Victoria Hotel, the dominant driver factor is its continuous green attitude by using latest technologies. In Sumaq, Machu Picchu, the dominant driver factors are both regulation and customer requirements of green services. All these actions are green manifestations or eco-drivers for excellent performance in the hotel industry.

Keywords: Eco-driver factors, hotel operations, environmental performance

INTRODUCTION

Sustainability and environmental considerations have become critical issues for companies and industries nowadays. Industries influence the environment directly, and have different strategies to deal with the environmental issues. They also create sustainable development programmes simultaneously. The Brundtland Commission (2007) defines sustainable development as development that meets the needs of the present without compromising the ability of future generations to meet their own needs.

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E-mail addresses: irnacut@telkomuniversity.ac.id / setiawaticutirna@gmail.com (Setiawati, C. I.), paltisitorus@telkomuniversity.ac.id / paltisitorus@gmail.com (Sitorus, P. MT.) * Corresponding author One industry which is facing increasing environmental scrutiny is the tourism and hospitality industry, in particular, hotels. The hotel industry is particularly interesting for two fundamental reasons: it has an increasing economic importance and displays a higher environmental concern on the other. The hotel industry is ranked among the top industry in terms of energy consumption in the service building business (Bohdanowicz & Martianic, 2007). With 75% of primary energy in Europe, for instance, derived from fossil natural sources, the hotel industry's contribution to global warming and climate change should not be ignored (Bohdanowicz & Martianic, 2007).

Bohdanowicz (2005) finds that annually, a typical hotel produces 160-200 kg of CO₂ per m² of room floor – depending on the fuel used to generate electricity, heating and cooling machines. It consumes 39 Twh (terawatt hours) of energy annually, half of which is in the form of electricity, and a hotel also produces an excess of 1kg of waste per guest per day, which results in tonnes of wastage monthly (Bohdanowicz, 2005). This awareness for f the environment has led to the implementation of environmentalfriendly policies and operations in hotel organisations. According to Sayre (1996) (as cited in Al-Shourah, 2007), environmental management practices focus on developing, implementing, managing, coordinating, and also monitoring environmental practices in the corporate world to actualise two goals: compliance and waste reduction. Hence, the operational system has been designed to facilitate environmental friendly outcomes.

An environmentally friendly hotel implements its operational strategy with the objective of providing long-term environmental benefits and sustainable use of natural resources. Alexander (2002, p. 2) argues that an eco-friendly hotel is a hotel that strives to provide environmentally operational services. Alexander defines hotels which operate on environmentallyfriendly terms as Green Hotels. An environmental-friendly hotel operation minimises negative environmental impacts and maximises the benefits for the hotelier (Faulk, 2000). Environmental performance of a hotel is related to its type, age, layout and size of building, extent of public facilities, and climate (Warnken et al., 2005). Environmental management does not merely mean ensuring hotel surroundings are clean and not soiled. Daily operational activities also provide a drastic cost saving for hotels. Many hotels have acknowledged the negative impacts their business activities have on the environment and have attempted to alleviate them (Alexander, 2002).

In Indonesia, for instance, there are hotels that provide environmental-friendly services and operate on environmental friendly policies and strategies. They awarded the "Green Hotel" recognition by the Tourism and Creative Economy Ministry. Among the hotels that succeeded in getting this award are Borobudur Hotel (Jakarta), Dharmawangsa Hotel (Jakarta), Alila Uluwatu Villa (Bali), Preanger Hotel (Bandung) and other hotels dispersed across tourist destinations in Indonesia (Disbudpar, 2014). The environmental practices of these hotels are recycling of water, , receptacle rain for storage, no smoking rooms, and buildings made from environmental friendly materials (Setiawati, 2014). In Europe, there are hotels which operates on environmentalfriendly policies, such as Inspira Santa Marta in Portugal in the form of Green Meeting

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Commitments, Victoria Hotel in German in the form of Green Task Force and Hotels Hotel Sumaq Machu Picchu in Peru.

This research discusses the drivers of environmental friendly policies in the hotel sector in Indonesia: (1) Regulation factors refers to provincial government laws governing the hotel industry; Hotels and Restaurants Association imposes rules and has coercive powers pertaining to hotel operations; there are penalties for hotels that do not practice environmentally-friendly operations in addition to incentives given by the government and Association for green hotels; (2) Customer Requirements of Green Services refers to hotels that provide green services as per customer's beliefs and demand for hospitality services; a customer's choice of hotel is determined by the hotel's environmental friendly policies and they support responsible and trustworthy hotels which provide green facilities; (3) Competition Circumstances refers to innovations atmosphere and different strategies among rivals in the hotel industry; hotel managers perceive a greater level of competition so that they improve environmental practices to gain competitive

advantage; green hotels are more expensive compared with the others in addition to promotion wars among rival hotels; (4) Greenness Inside the Organisation refers to awareness and the concern of the hotels to protect environment; attitude of hotels towards sustainability, and hotels brave enough to face tradeoff between costs and discover opportunities for saving and waste reduction; and (5) Continuous Green Attitude refers to Hotels implementing practices and behaviours as well asattitude toward change, rather than just respond to market changes; shareholders are more interested to invest in companies which practise social responsibility in particular hotels that enter the market with new ideas. services and practices.

METHODOLOGY

This research investigates factors, along with a framework for testing whether factors and hotel "attitude" are indeed drivers and motivators to achieve sound environmental performance. The following is the framework model that describe factors for performance:

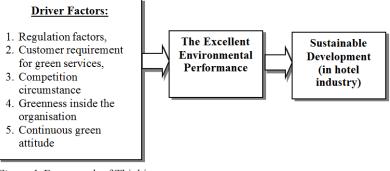


Figure 1. Framework of Thinking *Source*. Arranged by authors.

This research examines 3 (three) certified eco-friendly hotels. These hotels are chosen from a judgmental sampling technique by filtering criteria based on evidence of environmental performance. Their characteristics are described below:

- 1. Four or five-star hotel. These hotels are do consider the environmental damage or impacts of their operations more carefully compared with one/two/threestar hotels.
- 2. selected hotel is not just as a member of an International Hotel Chains (IHCs) but also an independent hotel, because fundamentally, the realisation of environmentally-friendly hotel operations is not based on type, size and ownership model of the hotel.
- 3. Hotels that have good financial performance (financial insight) for at least 5 years. It would also be better if it is supported by a large market share in addition to being a market leader in the hotel industry in its own state. This is a good motivation since a hotel with a good financial performance will attempt to maintain its reputation including its reputation in handling environmental issues and fulfilling regulatory compliance.
- 4. The hotel has obtained certification, award or achievements relating to

its success story in the application of environmentally-friendly operation in its daily business activities. This refers to awards and certificates received in the last 1-3 years from an accredited institution both nationally and internationally. This is a good motivation since a hotel with a sound performance will attempt to maintain its reputation include its reputation in handling environmental issues and fulfilling regulatory compliance.

Three hotels were selected for this research based on the above criteria: (1) Hotel Inspira Santa Marta (INSPIRA), Portugal; (2) Best Western Premier Hotel Victoria, Germany (Hotel Victoria); and (3) Sumaq Machu Picchu in Peru. This research assesses at customer satisfaction at these hotels and examines their strategies in implementing environmental friendly policies.

RESULTS AND DISCUSSION

Five driver factors were examined in (1) Hotel Inspira Santa Marta (INSPIRA), Portugal; (2) Best Western Premier Hotel Victoria, Germany (Hotel Victoria); and (3) Sumaq Machu Picchu in Peru, South America: regulation factors, customer requirements of green services, competition circumstances, greenness inside the organisation and continuous green attitude. Green Manifestation of Eco-Driver for Excellent Performance

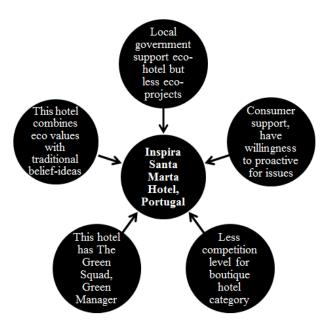


Figure 2. Green Manifestation in INSPIRA *Source*. Authors.

Based on Figure 2 above, we found Inspira Santa Marta Hotel that (INSPIRA) is motivated by complex set of of driver factors. Regulation factor drives policy for the hotel provider and requires certification as an environmentally friendly hotel if the hotels want to be promoted officially. Unfortunately, local government and NGOs do not have many environmental projects to support the eco-hotels. It means that the hoteliers must create internal projects to realise their green values. In terms of customer requirements of green services, INSPIRA accommodates their needs in the form of less emission from vehicles, healthy food and recycling initiatives to reduce wastage. In terms of competitiveness, INSPIRA has become a leader in Portugal in the Boutique Hotel category because the competition

atmosphere is below expectation there. However, INSPIRA is facing competition under pressure from big hotels and hence its managers focus on innovation. The environmentally-friendly hotel operations are conducted by The Green Squad and lad by Green Managers. The employee motivates themselves to learn about suppliers. **INSPIRA** recycling from implements practices and behavioural changes by combining its policies with traditional beliefs, rather than learning as the main strategy to respond the market changes in Portugal.

INSPIRA invests in sustainable strategies and develops sustainable infrastructure, services and operations in its hotels; it has excellent environmental performance in conserving energy, water, biodiversity and resources as well as managing waste through recycling practices. Below are INSPIRA's environmental achievements:

- ✓ 12% success in reducing paper consumption,
- ✓ 15% success in decreasing paper impression,
- ✓ 80% success in recycling of total waste production,
- ✓ 21% success in decreasing energy consumption
- ✓ Preference given to biological and local products for customers.

- ✓ Success in providing recycled paper, organic waste recycling, and amenity dispensers that align with suppliers' policy.
- ✓ Success in paperless procedures for instance electronic billing and contracts.
- ✓ Success in designing Building Management System (BMS)
- ✓ Winning ISO 14001, Green Globe, Green Key and Travelife and emerging the Best Hotel Concept for events since 2012.

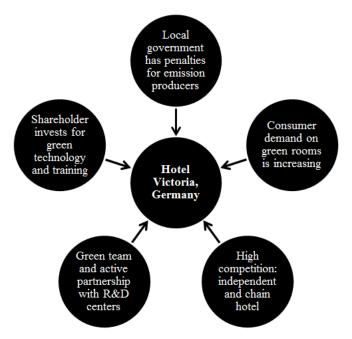


Figure 3. Green Manifestation in Best Western Premier Hotel Victoria *Source*. Authors.

The environmental protection project in Hotel Victoria began in 1985. It means that greening the organisation is driven by the the owner as well as the hotel's shareholders. The mission is to create Eco-Awareness and respond to consumer demand regarding environmental friendly practices in the hospitality industry. It cannot be denied that customers of Hotel Victoria have a strong impulse to engage in environmental projects.

Innovation and employee awareness are ongoing with a partnership with WWF to oversee the hotel operations as well comply with regulation. Strategic implementation to achieve green goals is paramout for the hotel. In 2002, Hotel Vitoria established frontal movement in environmental operation for machines, transportation, heating system from oilbased to modern wood-pellet heating system with an exhaust-gas cleaning system. Shareholders have enthusiastically supported and encouraged investments in to efficient technologies in particular energy conservation. The forms of technologies are photovoltaics and aeolics (wind).

Hotel Victoria's **environmental** achievements are listed below:

 ✓ 100% success in conducting compliance in regulation, because Hotel Victoria follows European Union (under the EMAS) environment policy.

- ✓ % success in producing zero emission since 2002,
- ✓ 70% success in reaching 82 kWh/m² for energy requirement through insulation for low energy needs,
- ✓ 100% success in producing renewable energy for heating by investing in wood-pellet heater combined with a thermal solar collector,
- ✓ Energy produced by the wind turbines is fed into the net which is calculated and given back in the form of electricity bill. This reduces electricity cost and considered efficient use of energy!
- ✓ The thermal-solar energy plant project supports the hot water production.
- ✓ Hotel Victoria has won numerous awards for its commitment to preserving the environment. It has won both regional and international awards.

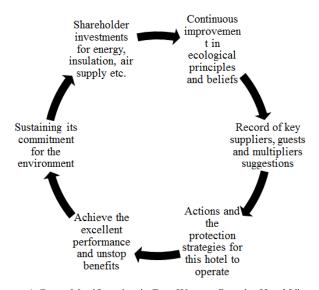


Figure 4. Green Manifestation in Best Western Premier Hotel Victoria *Source*. Authors.

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All key suppliers, guests, and multipliers were informed about Hotel Victoria's environmental protection policy and its green environment philosophy. Hotel Victoria directly focuses on pollution prevention, opportunities for energy saving, waste reduction, recycling and lower packaging and transportation cost.

An export monitoring programme was developed jointly with the Energy Agency of Freiburg Region to supervise monthly energy consumption and to ensure accessibility for all interested parties. This driver factor refers to the association's rules and coercive power to maintain, develop and even shut down hotel and enterprises which violate rules. In Germany, there is a formal association that governsthe eco-hotel industry, both at national level and also at the local level (regional and capital city). This association has many active members that has emerged as a a large community which t monitors hotels and restaurant providers. This association also could become a body that establishes the environmental legal compliance and generate laws regarding environmentalfriendly operations based on general decision/discussion of members. Hotel Victoria also enlist the active cooperation of its guests in its environmental-friendly approach and welcomes criticism and suggestions.

The driver factor in technology initiative refers to hotel organisations which have greater capacity to innovate and which will be more successful in responding to their environments and develop new capabilities that lead to greater performance. This driver factor indicates that responsiveness to changing market needs often calls for the introduction of new services and fulfilling expectation. There are incentives and recognition awards for hotels which successfully practice environmentalfriendly operations. Actually, this strategy has been applied in many countries, as the publicity will have influence on the customer. Incentives could also be given by government bodies and associations, both at the provincial and central level. Incentives are also given in the form of financial support, and recognition at the province level and ministerial level. These incentives improve the hotel's operational activities.

The third object is Sumaq Machu Picchu Hotel Peru, which was built in 1987 and located near the Vilcanota River and in the middle of Machu Pichu Basin. This hotel has kept its ethical and moral commitment to the stakeholders and has welcomed sustainable tourism activities. Green Manifestation of Eco-Driver for Excellent Performance

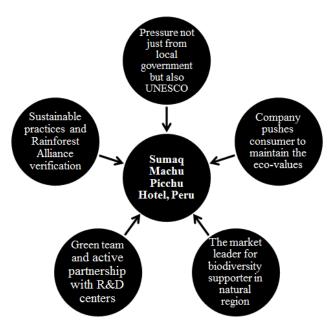


Figure 5. Green Manifestation in Sumaq Machu Picchu Hotel *Source*. Authors.

Sumaq Machu Picchu Hotel has pressure to sustain its natureal environment and culture. This Sumag Machu Picchu Hotel has implemented the rigid sustainable policies and is determined to carry out its environmental missions, based on the existing regulations and laws in force. Provincial and local governments and international institution want a cleaner environment and thus pressure organisations to pay attention to the possible environmental consequences before making critical decision. Critical decisions mentioned in this research relate to location, waste procedure, electricity requirements, recycling procedure, green suppliers, transportation facilities and other hotel operations. Tzschentke et al. (2004) states that legal compliance is a primary reason for environmental improvements.

The purpose is also to satisfy the management and shareholders of the company. Because of widespread greenness inside the organisation, this hotel has become the pioneer tourism company to implement a sustainable plan that include actions, programmes, and procedures. This hotel also provides incentives to employees for its greening activities and offers them benefits as per the law.

Customer's beliefs and needs are important too as organisations are likely to be market oriented, i.e. to attract and respond to evolving customer preferences, looking for breakthrough services as demanded by customers and certain events could change the customer's view about environmental-friendly hotel operation. Potential customers can create a cmmunity to support, respect, and maintain recommendation related to green hotel initiatives. Customers also take apart in the green partnership programme organised by Sumaq Machu Picchu in its green manifestations to respect nature and biodiversity.

The hotel incorporates environmental considerations into its strategic planning to show its customers it is acting in a socially and environmentally responsible manner. By fulfilling the customer's green requirements, the hotel establishes green parameters in its operation.

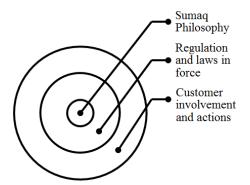


Figure 6. Green Manifestation in Sumaq Machu Picchu Hotel *Source.* Authors

Sumaq Machu Picchu Hotel's **environmental performance** is listed below:

- ✓ Success in decreasing energy consumption from 39,81 kw to 33.14 kw per guest.
- ✓ Success in decreasing solid waste from 1,13 to 0,88 kilogram per guest.

- ✓ Success in decreasing fuel consumption from 0,85 to 0,75 gallons of gasoline per guest.
- ✓ Success in recycling 3.676 containers.
- ✓ Success in acquiring more than 50% of culinary ingredients from suppliers in the department of Cusco.

CONCLUSION

Driver factors are fundamental for environmental-friendly hotels and which motivate them simultaneously. The green manifestation or eco-driver for excellent performance in hotel operation consists of regulatory factors, customer requirements for green services, competitiveness, organisational greenness, and continuous green attitude.

It can be concluded from this study of the three hotels and their greening initiatives, INSPIRA has a competitive edge due to its organisational greenness orientation. It has become a leader in Portugal in the Boutique Hotel category because competition is below expectation. However, INSPIRA faces competition from other big hotels and in dealing with that, its managers has begun to focus on innovation. The environmentally-friendly hotel operations are conducted by The Green Squad and lad by Green Managers. The employees motivate themselves to learn about recycling from suppliers.

In Victoria Hotel, the dominant driver factor is its continuous green attitude; it has established environmental-friendly operation for machines, transportation, heating system from oil-based to modern wood-pellet heating system with an exhaust-gas cleaning system. Shareholders invests in efficiency technologies. The involvement of shareholders can sustain the environmental-friendly hotel operations.

In Machu Picchu Sumag the dominant driver factors are both regulation and customer requirements for green services. This driver factor refers to laws and regulation established by local governments via its decentralisation of governance. Provincial governments and local governments are under pressure to generate a cleaner environment and in turn pressure organisations to pay attention to the possible environmental consequences before making critical decision. Critical decisions mentioned in this research are related to location, waste procedure, electricity requirements, recycling procedure, green suppliers, transportation facilities and other hotel operational issues. Sumag Machu Picchu states that legal compliance is the most important factor and driver in environmental considerations.

Customer's require services, products and facilities from responsible hotels. Sumaq Machu Picchu Hotel realises it its role to protect the biodiversity and cultural treasures of the nation. All these actions are as green manifestations and serve as an eco-driver for excellent performance in the hotel industry.

ACKNOWLEDGEMENTS

This research was supported by the authors' partners who dedicated his/her life to the tourism industry, in particular the hotel. We wish to thank the Research Centre in Telkom University and our parents, colleagues and members of the board of Telkom University in Bandung for their help in realising this research objective.

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