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Universitas Mercu Buana

International Seminar

BUSINESS, MANAGEMENT & ENVIRONMENT :

**A COMPREHENSIVE STUDY
IN ASIAN ECONOMY**

Bali, Indonesia

October **29th-30th**, 2013





INTERNATIONAL SEMINAR AND CALL FOR PAPERS

Business, Management, and Environment : A Comprehensive Study in
Asian Economy

Grand Inna Bali, 29th – 30th October 2013

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Welcome Message from the General Chair

Foreword

It is an honor and a pleasure for me to welcome all participants to the International Seminars on Business, Management, and Environment: A Comprehensive Study in Asian Economy. On behalf of Graduate Studies of Mercu Buana University, Jakarta Indonesia, I extend my greetings and appreciation for who participate in this seminar. I am glad you join the pleasant and the enlightened seminar experience during our time in Bali, Indonesia.

Business, Management, and Environment: A Comprehensive Study in Asian Economy is a fundamental requirement in the process of nation's and global development. The existence of a nation is largely determined by the Business, Management, and Environment. Although the awareness is rapidly growing, the level of attention and political will from other stakeholders is still inadequate.

For the reasons mention above, Graduate Studies of Mercu Buana University, Jakarta Indonesia, hosts the International Seminar with main theme "Business, Management, and Environment: A Comprehensive Study in Asian Economy," these seminar aims at bringing together leading researchers, educators, and others scholars to discuss a more focused on implementation.

The papers in this seminar present various topics, perspectives and methodologies that stimulates debates and dialogs, so it must useful for scholars and researchers in their field.

I want to thank all those who submitted papers for review and those who provided manuscripts for publication in the seminar proceeding. I also want to give a special thanks to the reviewers, whose effort and hard work reflect their commitment and dedication to the profession.

Last but not least, I do hope that you enjoy your stay at Bali, Indonesia and have a fruitful seminar.

Best Wishes,

Dr. Ir. Arisetyanto Nugroho, MM
Rector Of Mercu Buana University,
Jakarta, Indonesia

Welcome Remarks from the Committee

Dear All:

On behalf of Graduate Studies of Mercu Buana University, Jakarta Indonesia, it is our great pleasure to welcome you to International Seminars on Business, Management, and Environment: A Comprehensive Study in Asian Economy. Since this is the first time we held the seminar in Bali, Indonesia, we have received a lot of positive feedback from the participants and it has been expanding gradually.

In this even we have received many paper submissions from different countries, there are Australia, Indonesia, Japan, Malaysia, Philippines, and Romania.

It relies on the solid cooperation of numerous people to organize a seminar of this size. Especially for our Co-host international seminar, namely: (1) President University, Bekasi, Indonesia; (2) Universitas Mahasaraswati, Bali, Indonesia; (3) Universitas Dwijendra, Bali; (4) Universitas Pancasila, Jakarta; (5) Universitas Pembangunan Veteran, Jakarta and (6) Sekolah Tinggi Ilmu Ekonomi Indonesia Jakarta, Hence, we appreciate everyone who support as well as participate in this seminar.

Last but not least, we would like to express our gratitude to all the authors, session chairs, reviewers and participants for their contribution to International Seminars on Business, Management, and Environment: A Comprehensive Study in Asian Economy, 2013, in Bali, Indonesia.

The last I would like to thanks to all organizing committee, that in Indonesian parable “bermandikan peluh, berkelambu asap, dan bertiraikan api” (Sweating, covered by mosquito nets from the smoke, and curtained of fire) that without you this big event will be impossible to conduct.

Thank you again for participating in this seminar. We do hope you enjoy it and find this experience inspiring and helpful in your professional field.

We look forward to seeing you at our upcoming seminar.

Best regards,

Prof. M. HavidzAima, PhD
Chairman of Committee



Committees

International Seminar on Business, Management and Environment: A Comprehensive Study in Asian Economy, Bali, October, 29-30 2013, was organized by University of Mercu Buana Jakarta as host and President University, Bekasi, Indonesia; Universitas Mahasaraswati, Bali; Universitas Dwijendra, Bali; Universitas Pancasila, Jakarta; Universitas Pembangunan Veteran, Jakarta and Sekolah Tinggi Ilmu Ekonomi Indonesia, Jakarta as co-host.

Steering Committee :

Prof. Dr. Ir. Suharyadi, MS (Universitas Mercu Buana, Jakarta, Indonesia)
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 Prof. Saadiyah Mohamad (UITM, Malaysia)
 Prof. Carmen Costa (Spiru Haret University, Rumania)
 Prof. Mizuno Kosuke (Kyoto University, Japan)
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 Prof. Dr. Ngadino Surip (UMB Jakarta)
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 Bambang Suprayitno, SE, MM

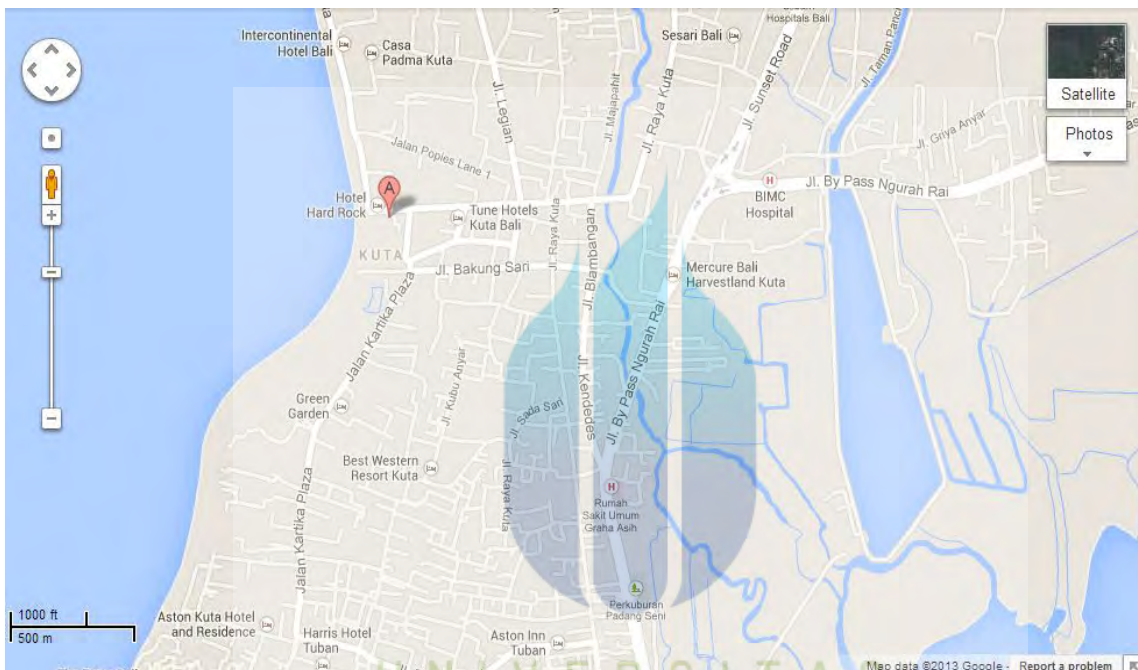
Reviewers:

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 Dr. Rina Astini
 Dr. Farid Hamid
 Dr. Ing. Mudrik Alaydrus
 Ir. Hardianto Iridiastadi, MSie., Phd.
 Dr. Enny Ariyanto
 Dr. Henni Gusfa

Conference Venue

The International Seminar on Business, Management and Environment: A Comprehensive Study in Asian Economy be held during 29 – 30 October 2013 at The Grand Inna Kuta, Bali, Indonesia.

Access Map



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Floor Plans

Ballroom Bale Banjar, 2nd floor Grand Inna Hotel

Room Balangan, 3rd floor Grand Inna Hotel

Room Paseban 2, 3rd floor Grand Inna Hotel



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Program at a Glance

Time WITA	Activity
Day 1, 29th October 2013	
16.00 – 17.30	Registration
17.30 - 18.00	Praying
18.00 - 19.00	Dinner / Art and Culture
19.00 - 19.45	Opening Ceremony <ul style="list-style-type: none"> - Singing National Anthem - Welcome Speech - Rector Speech
19.45 – 20.30	Keynote Speech; <ol style="list-style-type: none"> 1. Coordinating Ministry of Economic Affairs* 2. Governor of Bali*
20.30 – 21.30	Plenary Session-1 <ol style="list-style-type: none"> 1. Prof. Dr. Eduardo Marzan Jr. (Philippine) 2. Prof. Dr. Carmen Costea (Rumania) 3. Prof. Dr. Saadiyah Mohammad (Malaysia)
21.30 – 21.45	Information second day seminar
Day 2, 30th October 2013	
07.00 – 08.00	Registration
08.00 – 09.00	Plenary: <ol style="list-style-type: none"> 1. Prof. Dr. Kosuke Mizuno (Jepang) 2. Prof. Dr. Ali Unsal (Turki) 3. Prof. Dr. Ismet Fanani (Australia)
09.00 – 09.15	Coffee Break
09.15 – 12.00	Parallel Session 1 (3 rooms x @10 papers)
12.00 – 13.00	Lunch and Praying
13.00 – 15.00	Parallel Session 2 (3 rooms x @ 7 papers)
15.00 – 15.15	Coffee Break
15.15 – 16.30	Parallel Session 3 (3 rooms x @5 papers)
16.30 – 16.45	Closing

Parallel Sessions

Session A1: Management and Entrepreneur

Wednesday, 30 October 09.15 – 12.00 Room Bale Banjar

1. **The Attribute Dimensions on Product Quality, The Effect on Thai Consumer Buying Decision (P006)**
Pajaree Ackaradejruangsri, Graduate School of Asia Pacific Studies, Ritsumeikan Asia Pacific University, Japan, email: Pajaac11@apu.ac.jp
2. **How Management Quality Will Improve Performance Through Satisfaction : Case On Education Franchising In Indonesia (P009)**
Lim Sanny, School of Business Management, Bina Nusantara University, Jl. K.H. Syahdan no.9 Palmerah Jakarta, email: Lsanny2004@yahoo.com
3. **Type Of Mental Successful Entrepreneurs In Jakarta: Qualitative Study Experience Bob Sadino Successful Entrepreneur (P020)**
Agus Masrukhin, Bina Nusantara University, Jakarta, Indonesia, email: gusmasrukhin@gmail.com
4. **Company Diversification And Earnings Management (P019)**
Totok Budisantoso, Deasy Adellia Hadi, Email: totok_bs@yahoo.com
5. **Contribution Of State Owned Enterprises In Indonesia (P025)**
Augustina Kurniasih, Heliantono, Noer Azam Achsani, Mercu Buana University, Jakarta, Indonesia, email : ina_umb@yahoo.co.id, heliantono@gmail.com, a_achsani@mb.ipb.ac.id
6. **Strategy Design and Implementation by using Hoshin Kanri Approach that Consistently Making Linkage Between Continuous Improvement and Business Priorities (P029)**
Indra Almahdy, Ketut Sunaryanto, Industrial Engineering, Mercu Buana University, Jakarta, Indonesia, email: indraal@gmx.net, ksunaryanto@yahoo.co.id
7. **Integrated Management System Based on Requirements of Quality Management System ISO 9001, Environmental Management System ISO 14001, and Occupational Health and Safety Management OHSAS 18001 (P030)**
Indra Almahdy, Syaiful Hidayat, Industrial Engineering, Mercu Buana University, Jakarta, Indonesia, email: indraal@gmx.net, syaiful_qms@yahoo.com
8. **The Effectiveness of Transformational Leadership Behaviors on Government Employee Performance (P065)**
Anik Herminingsih, Mochamad Ichsan, Susi Martidingdiyah, Suprpto, Mercu Buana University, Jl. Meruya Selatan, Kembangan, West Jakarta, e-mail: aherminingsih@gmail.com
9. **International Trade Model of Palm Oil in Asia (P068)**
Purwanto S.K., Lecturer of Magister Management, University of Mercu Buana, Jakarta
10. **Re-discovery of the Islamic Market in Indonesia and Its Political Context (P064)**
Ken Miichi, Iwate Prefectural University

Session B1: Green Economy and Business

Wednesday, 30 October 09.15 – 12.00 Room Balangan

1. **The Challenge Of Sukuk Trading In Secondary Capital Market Based On Sharia Compliant (P004)**
Hanandewa, Mohamad Heykal, Bina Nusantara University, Indonesia, email: mheykal@binus.edu and M_heykal@yahoo.com
2. **The Effects of Financial Performance to Corporate Sukuk Ratings in Indonesia (P008)**
Setyani Dwi Lestasi, and Endri, Post Graduate University of Budi Luhur Indonesia
3. **Career Choice Of Accounting Student: Public Or Non-Public Accountant? (P012)**
Putriesti Mandasari, UIN Syarif Hidayatullah, Jakarta, Indonesia, email : halma17@yahoo.com
4. **An Empirical Study of Underpricing in Initial Public Offerings in Malaysian Stock Exchange 2009 – 2013 (P032)**
Hugo Prasetyo and Wiwik Utami, Mercu Buana University, chemyko@yahoo.com and wiwikutami@gmail.com
5. **Revitalizing From The Postal Company To The Network Company (A Lesson Learned From Pos Indonesia Case) (P035)**
Setyo Riyanto, Retail & Property Director of PT Pos Indonesia (Persero), Email: setyo@posindonesia.co.id
6. **Exploring Family Capital In Three Small And Medium Businesses In Bandung (P044)**
Inge Barlian, Budiana Gomulia, Economics Faculty of UNPAR, Management Dept., Jln. Ciumbuleuit No.94, Bandung 40141, Indonesia Elvy Maria Manurung, Economics Faculty of UNPAR, Diploma III

Program, Jln. Aceh No.53, Bandung 40117, Indonesia, e-mail: inge.barlian@gmail.com, budiana.grt@gmail.com, elvy.maria@gmail.com

- 7. The Influence Of Market Attractiveness And Unique Resources On Competitive Strategy Formulation And Its Implications On Business Performance Of Business Defence-Based Strategic Industries In Indonesia (P045)**

Ivan Yulivan, Jubaedah, 1Universitas Pembangunan Nasional "Veteran", Jakarta, Indonesia, email: ivan.yulivan@yahoo.com, jubaedah_nawir@yahoo.co.id

- 8. Determinants of banks' profitability: A market structure analysis of Indonesian banks (P46)**

Noraya Soewarno¹, Mafizatul Nurhayati² and Dadan Umar Daihani¹, 1Maastricht School of Management, Maastricht, The Netherlands, and Trisakti International Business School, Jakarta, Indonesia, noraya.2011@gmail.com; email: dadan@trisakti.ac.id, 2Mercu Buana University, Jakarta, Indonesia, mafiz_69@yahoo.com

- 9. The Determination of the company's characteristics and good corporate governance to CSR disclosure and its impact on firm's value (P067)**

Lailah fujianti, Universitas Pancasila, e-mail : lailahfujianti@yahoo.co.id

Session C1: Asian Studies and Environment

Wednesday, 30 October 09.15 – 12.00 Room Paseban 2

- 1. The Teacher's Commitment, Key to Success School (P001)**

Arcadius Benawa, Character Building Development Center, Bina Nusantara University, Jakarta, Indonesia, email: aridarsana@yahoo.com

- 2. Fostering Creative Culture Creative Economy Development Context-Design and its Relationship with the Disabilities Accesibility in Indonesia (P005)**

Nuah Perdamanta Tarigan, Character Building Development Center (CBDC)- Faculty – Professional Development, Bina Nusantara University, Jln. K.H. Syahdan No. 9, Palmerah, Jakarta Barat 11480 nuah.tarigan@binus.ac.id, nuahptarigan1@gmail.com

- 3. The Rise (and Fall?) of Media Conglomerate Management in Indonesia (P011)**

Atmadji Sumarkidjo, Mercu Buana University, Jakarta, Indonesia, email: atmadji.sumarkidjo@gmail.com

- 4. The Effectiveness of Free Education Policy in Indonesia (A Case Study on the district of Musi Banyuasin South Sumatera) (P016)**

Muhammad Iqbal, Mercu Buana University, Iqbal.ukm@gmail.com

- 5. Culinary As Social Phenomenon, Case Studies In Jababeka And Lippo Cikarang, Bekasi, Indonesia (P017)**

Hernawati W. Retno Wiratih, MSc, President University, Jababeka, Indonesia, Email: hernawati_life@yahoo.com

- 6. Society Transformation Through Social Marketing (P022)**

Ricardi S. Adnan, University of Indonesia, Email: ricardi.s@ui.ac.id

- 7. The Overview of Asean Rice Traded Toward Asean Integrated Food Security (AIFS) (P023)**

Evi Nurifah Julitasari, Widyagama University, Malang East Java, Email: nurifah_uwg@yahoo.co.id

- 8. Small-Medium Enterprise: Competitiveness Indonesia's Small-Medium Enterprise in ASEAN (P024)**

Yulianto¹, Mansur Juned, M.Si², Lecturer of Faculty of Social and Political Science, University of Lampung, Email: yulianto61@yahoo.com, Lecturer of International Relations, Universitas Al Azhar Indonesia, Email: mansurjuned@ymail.com

- 9. The Construction of Political Ecomic Communication of Asian Woman, (The Fenomenology study of Neneng Hasanah Yasin Politic) (P066)**

Z Alfisyahrin & Henny Gusfa, Universitas Mercu Buana

Session A2: Management and Entrepreneur**Wednesday, 30 October 13.00 – 15.00 Room Bale Banjar**

1. **Innovation And Entrepreneurship Orientation In Small Firms In East Java (P033)**
Suyanto, Aluisius Hery Pratono, Faculty of Business and Economics, Universitas Surabaya, e-mail: suyanto@ubaya.ac.id, hery_pra@ubaya.ac.id
2. **Sponsorship, Brand Awareness And Purchase Intention Of Brand Product Polygon On Jakarta (P034)**
Achmad H Sutawidjaya, Mercu Buana University, Indonesia, Fina Dwihandayani, Bakrie University, Indonesia, email: sutawidjaya_69@hotmail.com
3. **Management Innovation: Research Proposition for the Organization (P037)**
Arissetyanto Nugroho, Janfry Sihite, Mercu Buana University, Jakarta, Indonesia, email: arissoehardjo@yahoo.com
4. **Relationship Between Control Systems Management, Investment Opportunity Set, Innovation, Performance And Accounting Policies (P053)**
Ali Sandy Mulya, Istianingsih, Mercu Buana University, Jakarta, Indonesia, email: alisandy@cbn.net.id and istisastro@yahoo.com
5. **The Influence Of Organizational Commitment And Leadership Style On Managerial Performance With Budget Participation As An Intervening Variable (P042)**
Wulan Aprilia Astuti, Erna Hernawati, Jubaedah, Universitas Pembangunan Nasional "Veteran", Jakarta, Indonesia, email: aaabbb@yahoo.com, erna_hernawati@yahoo.com, jubaedah_nawir@yahoo.co.id
6. **The Influence of Political Economy Factors on Mass Media Content (P038)**
Feni Fasta, Morissan, Faculty of Communication, University of Mercu Buana, Jakarta, Indonesia, email: feni_fantastic@yahoo.com, morissan@yahoo.com
7. **Determination of the Disclosure Quality and Implication Toward the System Accrual on Financial Reporting Public Sector in Indonesia (P039)**
Ni Putu Eka Widiastuti, Krisno Septyan, Satria Yudhia Wijaya, UPN "Veteran" Jakarta, Indonesia, email: putu_sr@yahoo.com, kris.tyan26@gmail.com, satria.wijaya@gmail.com

Session B2: Green Economy and Business**Wednesday, 30 October 13.00 – 15.00 Room Balangan**

1. **Analysis Qos (Quality Of Service) IP Multimedia Subsystem (IMS) The Internet Protocol Television (IPTV) Services With Wireless LAN Access Network In PT IFORTE (P007)**
Waseso Segoro1, Rachmat Firdaus2, email: ws271156@yahoo.com, rachmat_firdaus@yahoo.com
2. **Identification and Elimination Waste in Fruit Juice Industry (P013)**
F.I.H. Arina, A. Nurul. I. Hardianto, Industrial Engineering, Bandung Institute of Technology, Bandung, Indonesia, email: arinafaza@gmail.com, artikanurul@yahoo.com, hiridias@vt.edu
3. **Evaluation of Fuel Distribution Process with Lean Concept in PT Pertamina (Persero) (P014)**
Indriasputri, Yunica Imanuella Pallay, Hardianto Iridiastadi, Industrial Engineering, Bandung Institute of Technology, Bandung Indonesia, email: indriasputriindriyanto@gmail.com, yunicaip@gmail.com, hiridias@vt.edu
4. **Unit Cost And Break-Even Point Analysis Of Data Communication Company Case Study: PT XYZ (P015)**
Muhammad Arif, School of Business and Management, Institut Teknologi Bandung, Indonesia, email: muhammad.arif@sbm-itb.ac.id
5. **Selling Only for 0.001 Dollar per Product and You Get 7 Million Dollars: An Exploratory Research of Smartphone as the Best Distribution Channel for Software Product and Potentially Competitive Marketing Channel (P041)**
Anis Cherid, M.T.I. Computer Science Faculty, Mercu Buana University, email: cheridanis@gmail.com
6. **2.45 GHz bandpass filter design with FR-4 material (P063)**
Dian Widi Astuti, Juwanto and Mudrik Alaydrus, Departement Of Electrical Engineering, Universitas Mercu Buana, Jakarta, Indonesia, email: dian_widia1@yahoo.com
7. **The Difference of Financial Performance of Manufacture Companies Caused by the Implementation of ISO 9000 (P049)**
Y. S. Fabianto, L. H. Kusumah, Magister of Industrial Engineering, Universitas Mercu Buana, Jakarta, Indonesia, email: yoke_sf@yahoo.com & yoke.sf@gmail.com, lh_kusumah@yahoo.com

Session C2: Asian Studies and Environment**Wednesday, 30 October 13.00 – 15.00 Room Paseban 2****1. Political Economy Forces On Media Business Management (P026)***Morissan, Faculty of Communication, Department of Broadcast, University Mercu Buana. Email: morissan@yahoo.com***2. Higher Education Performance Dimensions: An Empirical Study In Faculty of Economic Mahasaraswati Denpasar University (P027)***Ni Wayan Eka Mitariani, Agus Wahyudi Salasa Gama, Faculty of Economic, Mahasaraswati Denpasar University, Indonesia, email: emitariani@gmail.com, salasa_pc@yahoo.co.id***3. The Infuencing Factors in Applying Indonesian Financial Accounting Standards (SAK ETAP) (P028)***Ni Wayan Rustiarini, I Gede Cahyadi Putra, I Gusti Ary Suryawathy, Faculty of Economic, Mahasaraswati Denpasar University, Indonesia, Email: rusti_arini@yahoo.co.id, cahy4dini@gmail.com, ary_sai@yahoo.com***4. Implementation of Public Relations Strategic Role After Application of the Act No. 14/2008 About Public Information Disclosure at Public Relations and Protocol Bureau of Regional Secretary Banten Province (P036)***Irmulan Sati Tomoharjo, Mercu Buana University, email: irmulansati@yahoo.co.id***5. Understanding the Dilemma of Whistleblower on one of the Episodes of 'Mata Najwa' A semiotic Approach-Interpretive (P043)***Indrawati Yuhertiana¹, Erna Hernawati², 1 Universitas Pembangunan Nasional "Veteran", Jawa Timur, Indonesia, Email: yuhertiana@gmail.com, 2 Universitas Pembangunan Nasional "Veteran", Jakarta, Indonesia, Email: erna_hernawati@yahoo.com***6. Designing Increasing Productivity With Analysis Value Stream Mapping in RTD (Ready To Drink) Line – PT.XYZ (P048)***Hendri Sulistyo Pribadi, Muhammad Kholil, Industrial Engineering, Mercu Buana University, Jakarta, Indonesia, Email: m.kholil2009@gmail.com***Session A3: Management and Entepreneur****Wednesday, 30 October 15.15 – 16.30 Room Bale Banjar****1. The Study of Mercu Buana University Entrepreneur Unit Strategic Planning in Mercu Buana Entrepreneur Festival Event in 2013 (P055)***Rieke Iskandar, Heri Budiando, Mochamad Rizki, Mercu Buana University, Jakarta, Indonesia, email: riek.iskandar@yahoo.com, bangheri_budiando@yahoo.com, mochrzk@gmail.com***2. The Relationship between Religious Affiliations towards Consumer's Buying Decision: The Case of "Halal" Cosmetics in Indonesia. (P059)***Suresh Kumar, Yohanes, Yonastasya Agustina, Zesika Yulina, Department of Business Administration, President University, email: sureshkumar@president.ac.id, yohanes.lim@icloud.com, yonastasya.agustina@gmail.com, kazeriuta@gmail.com***3. Internet Reporting Quality As Variable That Moderate The Effect of Corporate Social Responsibility Disclosure to Firm's Value (P060)***Salis Musta and Rafrini A, Universitas Pancasila, kuliahpia@gmail.com***4. Factors Affecting Customer Loyalty of E-Toll Card In Jakarta, Indonesia (P061)***Har Adi Basri and Abdul Syukur, Post Graduate Program - Mercu Buana University, Jakarta, email: haradi.2008@yahoo.com and abduls.tohir@gmail.com***Session B3: Green Economy and Business****Wednesday, 30 October 15.15 – 16.30 Room Balangan****1. Emotional Intelligence and Audit Quality (P050)***Yudhi Herliansyah¹, Fitri Indriawati², Meffida Ilyas³, 1Mercu Buana University, Jakarta, Indonesia, bayuharli@yahoo.com, 2Mercu Buana University, Jakarta, Indonesia, Fitri.tugas@gmail.com, 3Satya Negara Indonesia University, Jakarta, Indonesia.***2. The Analysis Of The Performance Of Mutual Funds (Evidence Indonesia 2009 – 2012) (P051)***Aty Herawati, Faculty of Economics and Business, University of Mercubuana, Jakarta, Indonesia, email: atyherawati@gmail.com***3. Analysis of Fiscal Autonomy in Districts and Cities in the Central Java Province based on Regional Financial Independence Ratio (P057)***Irvan Noormansyah, STIE Indonesia, Jakarta, Rais Hakim, General Directorate of Fiscal Balance, Ministry of Finance Republic of Indonesia***4. Number of Risk Factors and Underpricing: A Case of Indonesian Initial Public Offerings (P058)***Tatang A Gumanti* and Siti Sofia Abdul Manan**, Universitas Jember, email: tatangag@yahoo.com*

Session C3: Asian Studies and Environment

Wednesday, 30 October 15.15 – 16.30 Room Paseban 2

1. Feasibility Study Of Samarinda Seberang, Loa Janan Iilir, And Palaran As Satelite City (P047)

Havidz Aima, Wilhelmus Hary Susilo , Mercu Buana University, Jakarta, Indonesia, Email: havidz.aima@yahoo.com, : harry_susilo@hotmail.com

2. The Impact Of Dividends On The Company's Future Earnings Predictability (P052)

Istianingsih, Mercu Buana University, Jakarta, Indonesia, Email: istisastro@yahoo.com

3. Analysis The Effect of Price Perception and Brand Image to Purchase Decision (P069)

Tria Suci Budiarti, and Yuli Harwani, Universitas Mercu Buana, Jakarta, Indonesia, tyas_11@yahoo.com and yuliharwani@yahoo.com

4. The Use of PDM Workgroup as Engineering ERP System (P056)

R. K. Arief, Zulfa Fitri I., Euis Nina S. Y. Industrial Engineering, Mercu Buana University, Jakarta, Indonesia, email: rudi_arief@yahoo.com, zulfafitri@gmail.com, ensy08@yahoo.com



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Plenary Speech 1

Enhancement Of Entrepreneurship In State Colleges And Universities In The Philippines

Eduardo G. Marzan Jr.^{a/}

Central Luzon State University, Philippine

Email: egmarzan@lycos.com egmarzan@clsu.edu.ph

Higher academic institutions traditionally perform three major functions namely instruction, research, and extension. However, in recent years due to decline in the financial subsidy from the national government, State Colleges and Universities (SCUs) in the Philippines added another function which is production or resource generation. In some schools they call it income generation or entrepreneurship, with the objective of creating wealth using the existing resources (land/water, labor, capital and management expertise), and following government accounting and auditing regulations and policies.

The paper presents the experiences of the Central Luzon State University, one of the leading higher educational institutions in the country, and selected SCUs on how they operate and manage income generating projects, the strategies used in enhancing entrepreneurship and the challenges attendant to entrepreneurship development. It will also provide good management practices undertaken by CLSU in managing their projects and the factors to be present in a school to be able to replicate or adapt the CLSU model.

Entrepreneurship is defined as the process of doing something new (creative) and something different (innovative) for the purpose of creating wealth for the individual and adding value to society (Kao, 1995). The person doing all these is called an **entrepreneur**. An entrepreneur could be the business owner, a University President, or a project manager (PM) of an established company just like an academic institution. Entrepreneurs working within the existing structure of an organization are called **intrapreneurs**. Intrapreneurship may refer to the corporate effort attempting to revitalize the individual's efforts by incorporating some entrepreneurial concepts into the corporate culture (Kao, 1995). Based on the above definition, the Project Manager, either a faculty member or non-teaching staff, directly managing a specific project may then be considered as an entrepreneur or *intrapreneur*.

In this paper, *intrapreneurs* shall also mean entrepreneurs, and entrepreneurship shall refer to the effective management of income generating projects.

Plenary Speech 2

Emerging Countries' Facilitators in Promoting People Satisfaction and Sustainable Development

Carmen Costea and Aurelian A. Bondrea

USH Bucharest Romania

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Across the globe, nations have been differently affected by the uncertainty and instability generated by their rush to modernity. The financial and economic turmoil has also differently influenced this switch. Therefore, social and political repercussions of these phenomena called for special attention from policymakers. The effects, alleviated by both the capabilities of government to manage change and people's attitude of people towards development, generated different and the general entrepreneurial propensity of society. All these fields concern also education.

Macroeconomic volatility and its societal effects, has been amplified by the pre-existing conditions of several countries. The markets which were coping with the challenges of transitioning from centrally planned economies and those which were developing new strategic directions faced greater risks. Nowadays they all suffer from the medium to long term repercussions of the crisis.

The mature and highly developed countries have been exposed to the negative impact of the financial crisis and have seen their economic growth rate drop. However, the emerging countries and those effectively still in the process of transition are being forced to rapidly redefine their policies and growth models, since they lack the economic space to manoeuvre and cannot sustain the deficits and austerity measures for extensive periods of time. Large migration, long term unemployment and job security are among the most pressing issues to be addressed by countries in transition in the near future as political and social unrest are already real obstacles against sound growth.

When assessing the characteristics of the labour market and the long term potential of economies to create and maintain qualified employment, two items of interest arise: • the structure of employment dealing with quantitative measures and • the competences of employees dealing with the qualitative aspects. Education provides a driving force for economic, social and cultural development. Nevertheless, in certain situations it can be expensive and ineffective.

Education has been widely considered forcefulness for the economic and social wellbeing of all citizens of the World. Through education nations aspire to make technological progress and improve human beings lives. Through education we strive for social justice, understanding and international peace. Education makes individuals and societies better adapted to thrive in a changing world.

Education and training policy has gained particular momentum with the adoption of the Europe 2020 strategy, the EU's overarching programme focusing on growth and jobs. ... *Recognising that lifelong learning is the key to both jobs and growth and the participation of everyone in society..... –Since 2007, the EC has integrated its various educational and training initiatives under a single umbrella, the Lifelong Learning Programme*". And everything was done looking at the employment market.

Plenary Speech 3

Enhancing Cross border Connectivity in ASEAN Countries: Venturing into Islamic Infrastructure Financing

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Connectivity within ASEAN member countries becomes a central issue in view of ASEAN Economic Community 2015. However, progress towards ASEAN connectivity especially for infrastructure developments has been limited. One of the problems is the resources mobilization for project financing. This paper analyses some selected infrastructure projects that have been financed Islamically in Malaysia and further examines how this model can be expanded into other ASEAN member countries in particular the CVLM countries where issues of infrastructure financing is critical and need to be quickly resolved in view of an enhanced ASEAN connectivity and the future of an ASEAN community development.

Plenary Speech 4

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Kosuke Mizuno

Center for Southeast Asian Studies, Kyoto University

Plenary Speech 5

Importance of the Faith to Establish Ethics and Morality in the Modern Economy

Ali Ünsal

Director of Fethullah Gülen Chair, UIN Syarif Hidayatullah Jakarta, 2013

Ethics and moral values are important elements to establish a happy and secure society. In every aspect of the life, a human being wants to live in goodness and harmony. People try to establish peace, harmony, security, and happiness with some rules. However, some of these rules are written and some of them not. For example, some ethics rules form the foundation of written laws. On the other hand, many moral values are not codified even though they have great authority on society. In this article we will mention the important of ethics and the role of faith especially in business concerns.

Plenary Speech 6

Ismet Fanani

Deakin University, Australia

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FULL PAPER



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Parallel Session A1: Management and Entrepreneur



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Type Of Mental Successful Entrepreneurs In Jakarta: Qualitative Study Experience Bob Sadino Successful Entrepreneur

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Abstract

The purpose of this paper is to determine the type of successful businessman Bob Sadino mentally so he went on to become major employers in Jakarta engaged in the field of retail and supermarket. The theories used are personality theory, theory Cashflow Quadrant. The theory used by later writers associated with the analysis result obtained in the field. The method used is descriptive qualitative analysis using mental success.

Keywords: Entrepreneur, Personality, Cashflow quadrant

1. Introduction

1.1. Background

One of the major problems facing Indonesia today is the issue of unemployment. Disproportionate number of people with jobs has resulted in the availability of most of us do not have a job and steady income. Among the groups of people who do not have a steady income due to shortage of youth employment. Referring to the Central Statistics Agency (BPS), the number of open unemployment in Indonesia in August 2011 reached 7.7 million people or 6.56% of the total labour force. Open unemployment highest in August 2011 graduated from high school (SMA) of 10.66% and Vocational School (SMK) of 10.43%. Unemployed graduates elementary school (SD) amounted to 3.56%, up from the position in February 2011 amounted to 3.37%. Then, unemployed graduates Junior High School (SMP) reached 8.37%, up from February 2011, which reached 7.83%. Then unemployed graduate Diploma I / II / III reached 7.16%, down from 11.59% in February 2011 amounted to. Recent university graduate unemployment fell to 8.02% from 9.95% level in February 2011.

Statistical data above shows that the problem of unemployment in Indonesia productive age is a problem that can not be underestimated. Related to that, given the limited absorption of labour in Indonesia, many people believe that the best way to lower the unemployment rate in Indonesia is by creating the young entrepreneurs entrepreneurship experts from the United States, David McClelland, says a country can be said to prosper if the number of entrepreneurs have at least 2 percent of the total population. However, when the number of entrepreneurs in Indonesia amounted to only 0.24 percent of the total population. If Indonesia's population of about 240 million, then the country needs at least 4.2 million entrepreneurs to reach the

minimum amount. From the above explanation, the authors noticed that the role of the new entrepreneurs as life support Indonesia 's economy in the future is very important , there is no developed country without the presence and contribution of the business community . Then after the emergence of new entrepreneurs how big the impact on the progress of Indonesia.

1.2. Research Objectives

The purpose of this study was (1) To determine the type of mental successful businessman Bob Sadino, (2) To determine what stage the process is being done by Bob Sadino success in realizing its business, (3) To find out what are the obstacles encountered during the process steps towards success and efforts to overcome these obstacles.

2. Theoretical Framework

2.1. Understanding Personality

The word personality (Personality) actually comes from the Latin [1]: persona. At first, it refers to the word person a masks commonly used by performers in Roman times in the role-play role. At that time, each player plays their own roleplay according to the mask he wore. Gradually, the word persona or personality turned into a term that refers to a particular social picture received by an individual from a group or community, then the individual is expected to behave in accordance with the description based on social (role) it receives [2].

According to Allport, personality is the dynamic organization and psychophysical systems in the individual that determine his ways unique or distinctive in adapting to their environment. Meanwhile, according to Kuncoroningrat, personality is a reasonable arrangement of the elements and spirit that determine differences in the behavior or actions of each individual human being. Again differ according to Stern, Personality is a person's life as a whole, individual, unique, business goals, ability to survive and opening up, the ability to gain experience. Whereas according to Maddy or Burd, Personality is a set of characteristics and tendencies that determine the generality stable and psychological differences in behavior (thinking, feeling and moving) of a person in along time and can not be understood simply as a result of social pressure and the pressure at the time of biological. And according to Phares, Personality is the typical pattern of thoughts, feelings and behaviours that distinguish people from one another and do not change across time and situations. [3]

2.2. Understanding Cashflow

Quadrant Cashflow is used to measure the success or failure of one's Mental, it is not of his profession . Cashflow Quadrant mentally classifying people into 4 quadrant namely: (1) Mental

E = Employee (2) Mental S = Self Employed (3) Mental B = Business owner (4) Mental I = Investor .

First introduced Cashflow Quadrant by Robert T. Kiyosaki . If we do not read in full all the books Robert T. Kiyosaki , also do not read many other references . Then we will be stuck in an improper understanding , so it is assumed that quadrant of the person's profession, professions as Doctors, Lawyers, Notaries, Musician, Painter is considered to be in the " S " (Self Employed), but it is not so . The depiction of the profession only to facilitate an initial understanding of the reader . Real understanding is , when a lawyer or a doctor has a mental " S " (Self-employed) , then the lawyer or doctor that will be more successful than a lawyer or a doctor who has a mental " E " (Employee) . If a lawyer or a doctor that has a mental " B " will be more successful , and would be very successful if you have the highest mental mental " I" . So is E , S , B , I was not mentally profession . Simple example is " Mr.Abeng " , he clearly has been a worker , but he has a mental " I" (Investor) . So of course he was a tremendous success . Another example : " Sri Mulyani " , he now employees the World Bank (Chief Executive II position) . But he has a mental " I" , of course, very successful . Another example : " Seller meatballs round " , he's an entrepreneur . However, if the mental is mental " E " (Employee) , then attempt his business difficult to develop, and will stay that way , namely as a circumference meatball sellers . If trying to improve his mental being mentally " S " (Self Employed) , then businesses can thrive his business although progress has been slow , so many customers , turnover increased . If he's trying so hard to improve his mental have a mental " B " (Business Owner), then the business will growing quickly and is able to open employment, are able to form a team, capable of prospering many people. He will have several restaurants meatballs, meatballs are also many mobile units. The important thing is not mentally profession . Whatever the profession , increase your mental. Whether you are an employee, or are self-employed , or profession lawyers, notaries, doctors, increase your mental. Strive to train yourself to keep your mental increase, which at first mentality E, increased to mentality S, then B, and finally the most high minded that I. Increasing your mental , whatever his profession, it will automatically be more successful. If you still have the mental " E " or " S " , so whatever your profession, certainly not so successful. But if you already have a mental " B " or " I " , so whatever your profession, of automatic success. If you are self-employed, then you become a successful entrepreneur. If you are an employee, then you are definitely a successful employee, because it has a mental " B " or " I" . So push hard to improve themselves by increasing the knowledge, experience, and train yourself, so that increases mental and being in the " Right (B or I) ".^[4]

3. Research Methodology

This research is a descriptive study using a qualitative approach . Categorized in descriptive research because the research was conducted in order to determine an event , namely the type of successful businessman in Jakarta mental : a qualitative study of successful entrepreneurs experience Sadino bob . This is consistent with one of the goals of descriptive research , which is intended to carry out exploration and clarification of phenomena or social reality by way of describing a number of variables related to the problem and the unit under study (Faisal , 2001:20).

Descriptive research purpose is to create a description , picture or painting in a systematic , factual and accurate information on the facts , properties and relationships between phenomena are investigated. Surakhmad(1998:140) describes descriptive research method with the following characteristics . First , focus on solving the problems that exist in the present , the actual problems . Second , data collected at first arranged, described , and then analyzed . The approach used is qualitative approach . This approach assumes that the understanding of human behaviour is not enough to surface behaviour itself but also the perspective of human behaviour to get a picture of the man and his world . Research with a qualitative approach not only collect data alone , but also the approach to the empirical world. Data Analysis MethodsOnce the data is collected , the research will perform data reduction and subsequent interpretations of the data to find the values of the fundamental truths of the field (research object) . To analyze the data generated from field research , the author uses the following methods : Methods of Data Analysis ; Method This is a data collection of a general nature then issued data that is specific . The author uses this method to draw conclusions from the data and information obtained in this study .cases are considered in this research , namely the type of successful entrepreneurs in Jakarta mental : a qualitative study of successful businessman Bob Sadino experience .

4. Results Discussion

4.1. Overview

Bob Sadino born in Lampung , March 9, 1933 . He is an Indonesian businessman doing business in the field of food and livestock . He is the owner of the business network and Kemchickand Kemfood . On many occasions , he was often seen using a short-sleeved shirt and shorts that became his trademark . He had lived in the Netherlands for 9 years . In 1967 , Bob and the family returned to Indonesia . first job after leaving the company is renting a carMercedes he had, he himself became his driver . But alas , one day he had an accident which resulted in his car badly damaged . Because they had no money to fix it , bob mason switch jobs become . when his salary was only Rp. 100 . He also had been suffering from depression due to pressure they experienced life . One day , a friend suggested Bob maintain domestic chicken and egg business

to fight depression . Bob interested and start developing a chicken farm .when it is , in Indonesia, the chicken is still dominating the market . Bob was the first to introduce domestic chicken and its eggs to Indonesia . Bob sells the eggs from door to door . But over time , the domestic chicken eggs began to be known that Bob 's growing business . Bob then went on his business by selling chicken meat . In addition to introducing the domestic chicken eggs , he also was the first to use vegetable cultivation hydroponic system in Indonesia.

Many businesses that have gone out of business because their business does not also make a profit even after long standing . Entrepreneurial success is not solely determined by the amount of capital and resources of the business , but also influenced by the mental resilience of the business itself. WarrenBuffett said, thinkingit wasno use, itis alsoagreedbyBobSadino.[5]

According to Bob Sadino , a successful businessman and founder of Kemfood and Kemchick , 5 character suggests that an entrepreneur should possess in order to successfully run his own business ; (1) Have a strong will , Starting something , whatever it is , is not something easy . Constraints and problems faced by people who definitely are just starting an activity . This is also true in private business . Open a private business is not as easy as turning the palm of the hand . To that end , the prospective entrepreneur must have a strong will to be able to face the obstacles and problems in the early days of the business , (2) Determined strong , when private business has been established , the next problem is to obey the action plan that has been designed . The action plan contains concrete measures to guide entrepreneurs in doing business . It often happens , obstacles encountered in the field making business he had to improvise and take steps that are not contained in the action plan . For businesses not strayed far from the targets that have been designed, the entrepreneur must have a strong commitment and determination to always consistently run a business . Targets and action plans that have been developed should run as much as possible so that the mission can be accomplished early establishment of business , (3) Dare to take risks , to make decisions Fear will keep the business running in place . Risk of doing business one of them is a loss .However , it does not mean that risk requires businesses to always ' play safe ' . Courage to innovate and try new strategies are needed for the development of business , (4) Hardiness and not whiny , someone acted Whatever profession , it is certain there will always be challenges and trials that must be faced . Similarly, the professional entrepreneur. Technical obstacles and non - technical entrepreneurs will always encounter every day. To survive in difficult situations , it takes a strong mental endurance. Businessman is expected not dissolve in grief too deep if the business is being shaken. More important things to do business is to find solutions to these problems and are confident that the shocks that hit the business will pass ; (5) Ikhlas and always be thankful. These characters may seem a bit absurd, but the

success of many businesses in entrepreneurship. Attitude of a sincere heart and give thanks to God always makes a businessman doing business with the system go- with- the- flow . Sense of gratitude is sincere and makes businesses can interpret any results obtained from the business , any small business profits he gained.[6]All Riesin his booksaysaselesmandishonest, wouldbe hard pressed to identify the weaknesses in its products. [7]Chairman of the Japanese Chamber of Commerce, said, "we tried to find out the opinions of others, because only with that we can serve their needs".

4. 2. *Philosophy Of Bob Sadino*

Capital is not the main determinant for the success or failure of a trade. sometimes a little capital knowledge of the ins and outs accompanied by a steady trade can make traders successful [8]. Bob Sadino is a businessman who departs from zero capital there are some lessons to be drawn by Bob Sadino when trading its business , including : (1) The key to success is to have a dream , pursue that dream and dare to believe , (2) weakness of many people is too much to think make a plan so that no immediate step , (3) Significant , is action and seek total , in any wrestle ; (4) Each successful step always balanced failure , wring sweat , and even upside down ; (5) Money is the number one priority so , what is important is the willingness , commitment , and always be creating opportunities and willing to take chances . In essence , the key is to start a business on a whim , confidence and creativity . Capital is not the main thing . You can still succeed with business without capital . You can see what is currently achieved from Sadino Bob started it all with a business without capital. Winston Churchill said, "I find that the best way customer trust is to give good service and satisfying. [9] Bob Sadino prefer to work on while the results later, but different theories of Sun Tzu's art of war says: there are two factors that must be considered before do, ie, gains and losses. [10]

5. **Conclusion**

After doing the research by conducting literature from a variety of sources and analyze the data , the authors draw some conclusions about the types of mental as well as a successful entrepreneur Bob Sadino stages and any perceived barriers by Bob Sadino in achieving business success .

5.1. *Type of Mental Bob Sadino*

Based on the analysis of the mental type writer Bob Sadino approaching the theory according to Stern , Personality is a person's life as a whole , individual , unique , business goals , ability to survive and opening up, the ability to gain experience . Whereas According to Madly or Bard ,

Personality is a set of characteristics and tendencies that determine the generality stable and psychological differences in behaviour (thinking , feeling and moving) of a person in a long time and can not be understood simply as a result of social pressure and the pressure at the time of biological . Bob Sadino means hardworking nature has to achieve its goals and always plenty to do without thinking too long . He always thinks positive , and confident spirit . The Cashflow Quadrant based theories including BobSadino B = Business owner mentality and the mentality I = Investor . Where he always took a chance and always look for opportunities in business for himself in order to achieve increased revenues.

5.2. Suggestion

As for the academic advice is expected that the more profound studythe type mentalities another big businessman . It is also hoped the different analysis methods so as to bring new entrepreneurs successful . In the end the economy go forth Indonesian people because it is supported by many new entrepreneurs .

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COMPANY DIVERSIFICATION AND EARNINGS MANAGEMENT

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Abstract

Earnings management is a choice by a manager of accounting policies so as to achieve some specific objective. The reasons for many companies using earnings management within the company are whether to maintain steady earnings growth or to avoid reporting in losses. In addition, earnings management also occurs because of high asymmetry information between manager and other parties who don't have the resources and adequate access to monitoring what managers do. Information asymmetry is more severe for diversified firms compared to focused firms. Diversified companies could ease information asymmetries between the company and external investors by using internal capital markets to allocate resources more efficiently, diversifying income flows and avoiding inefficient bankruptcies, and exploiting economies of scope. The objective of this research is to examine the effect of diversified company on earnings management. This study used pool data on a sample of 168 manufacturing companies listed on Indonesia Stock Exchange year 2009 – 2011 which meets the sample criteria. The result the company diversification has a positive effect on earnings management is supported by empirical evidence.

Introduction

Accounting manipulation, such as earnings management, has weakened the credibility of financial reporting and marred the quality of Earnings (Munter 1999). Loughran and Ritter (1997), Rangan (1998), and Teoh *et al.* (1998) show that earnings management is usually not transparent to investors, resulting in their overvaluing the new issues. Hence, the benefits of earnings management to a firm may be offset by the expected costs of greater exposure and litigation. According to Dye (1998) and Trueman and Titman (1988), the extent of opportunistic earnings management should increase with the level of information asymmetry. Lim *et al.* (2008) stated that information asymmetry is more severe for diversified firms compared to focused firms. Diversified companies could ease information asymmetries between the company and external investors by using internal capital markets to allocate resources more efficiently, diversifying income flows and avoiding inefficient bankruptcies, and exploiting economies of scope (Lewellen 1971; Gertner *et al.* 1994; Stein 1997). The extent of opportunistic earnings management is likely to be higher the greater the level of information asymmetry (Lim *et al.* 2008)). On the one hand, diversification may be associated with greater coordination and economies of scope. On the other hand, the agency costs that arise due to the separation of

ownership and management are exacerbated in diversified firms (Denis *et al.* 1997). Increased information asymmetries between managers and owners in diversified firms could lead to over – investment and misallocation of resources (Lim *et al.* 2008)).

Denis *et al.* (1997) and Chen and Steiner (2000) show evidence that diversification destroys value due to agency costs arising from ownership structure of the companies. Berger and Ofek (1995) found that the market value of equity and debt of diversified companies is less than what they would have if they are separated into portfolios of focused companies. Their results imply that, on balance, the costs of diversification outweigh its benefits. Rather than using the internal capital market as a means of allocation resources optimally, management may use the cash flow generated by healthy segments to subsidize underperforming segments. Lamont (1997), Shin and Stulz (1998), and Rajan *et al.* (2000) find evidence which is consistent with this type of redistribution.

In general, company diversity is defined as company which has two or more business segments. There are several ways that a company might benefit from diversification. Operating in more than one industry can enable a company to grow to take advantage of economies of scale and scope. Assets can be easily shifted from a division with poor future prospects to another as relative economic conditions change across industries (Matsusaka and Nanda, 1994). Aggregate risk may be reduced, and debt capacity increased, if two segments with imperfectly correlated cash flows are combined (Lewellen, 1971). Weston (1970) argues that a multi-divisional company structure creates an internal capital market that allocates resources among segments more efficiently than external capital market resource allocation. Stein (1997) formalizes this intuition. He shows that the headquarters of the company will be more efficient in allocating resources when the information asymmetry problem is smaller within the company than between the company and the external capital market.

On the other hand, diversification may have negative impacts. Stultz (1990) stated that diversified firms will put too much investment in the lines of business with low investment opportunity. Managers might diversify their company to advance their personal position rather than to maximize company value, possibly to increase their compensation (Korahna and Zenner, 1998), to enhance their reputation or prestige, or to build an empire. Further, given that the human capital of many managers is tied up in their companies, conglomeration allows managers to diversify their personal portfolios (Amihud and Lev, 1981 and May, 1995). In addition, manager of diversified firms that tends to do earnings management has a purpose to provide additional funds in order to allocate funds in its business segment. They exploit the weaknesses of external users who do not know the actual company financial information (Lim et al. 2008).

Managers might diversify their company to advance their personal position rather than to maximize company value, possibly to increase their compensation (Korahna and Zenner, 1998), to enhance their reputation or prestige, or to build an empire. Further, given that the human capital of many managers is tied up in their companies, conglomeration allows managers to diversify their personal portfolios (Amihud and Lev, 1981 and May, 1995).

Jensen and Meckling (1976) stated that agency costs arise in any situation involving cooperative effort by two or more people even though there is no clear – cut principal – agent relationship. The principal – agent conflict concerns the difficulties in motivating one party (the agent), to act on behalf of another (the principal). In context of principal – agent relationship makes the information asymmetry is more severe for diversified firms compared to focused firms. The extent of opportunistic earnings management is likely to be higher the greater the level of information asymmetry (Dye *et al.* 1988 as cited in Lim *et al.* 2008). On the one hand, diversification may be associated with greater coordination and economies of scope. On the other hand, the agency costs that arise due to the separation of ownership and management are exacerbated in diversified firms. Increased information asymmetries between managers and owners could lead to over – investment and misallocation of resources. On balance, the evidence in Berger and Ofek 1995 as cited in Lim *et al.* 2008 suggests that the agency costs are greater than the coordination and economies of scope benefits arising from diversification.

Loughran and Ritter (1997), Rangan (1998), and Teoh *et al.* (1998) stated that earnings management usually not transparent to investors, resulting in their overvaluing the new issues. Hence, the benefits of earnings management to a firm may be offset by the expected costs of greater exposure and litigation. The discovery of the presence of earnings management would reduce the credibility of the firm and impair its subsequent ability to raise capital at favorable terms. Dye (1988) and Trueman and Titman (1988) said that the extent of opportunistic earnings management should increase with the level of information asymmetry. Richardson (2000) provides empirical evidence that earnings management is greater for firms with a higher level of information asymmetry. The accounting information of a diversified firm may be noisier than that of a focused firm because of the aggregate nature of diversified firm’s accounting reports. Whereas divisional cash flows of diversified firms are observable by its managers, they are not known to outsiders and only noisy estimates are available. Thus, consolidated earnings reports convey little value – relevant information about the divisions (Lim *et al.* 2008).

Chandler (1977) argues that diversified firms could operate and coordinate distinct activities more efficiently than if those activities were operated by stand – alone firms. Diversified firms could ease information asymmetries between the firm and external investors by using internal capital markets to allocate resources more efficiently, diversifying income flows

and avoiding inefficient bankruptcies, and exploiting economies of scope (Lewellen 1971; Gertner *et al.* 1994; Stein 1997).

However, the benefits of diversification may be offset by costs associated with increased information asymmetry between the headquarters and the individual divisions. Denis *et al.* (1997) and Chen and Steiner (2000) present evidence that diversification destroys value due to agency costs arising from ownership structure of the firms. Berger and Ofek (1995) find that the market value of equity and debt of diversified firms is less than what they would have if they are separated into portfolios of focused firms. Their results imply that, on balance, the costs of diversification outweigh its benefits. Empirical evidence in the internal capital market research is consistent with the notion that information asymmetry and agency problems are more serious in a diversified company relative to a focused company. Rather than using the internal capital market as means of allocating resources optimally, management may use the cash flow generated by healthy segments to subsidize underperforming segments. Lamont (1997), Shin and Stulz (1998), and Rajan *et al.* (2000) find the evidence which is consistent with this type of redistribution.

The literature from corporate spin-offs, carve-outs, and targeted stock offerings also suggests that information asymmetry problems are more acute for diversified firms. Habib *et al.* (1997) and Nanda and Narayanan (1999) find that, following a breakup of a conglomerate into several focused units, the transparency of the resulting firms improves.

Siddiqi and Warganegara (2003) report evidence that diversified firms use spin-offs to reduce capital mis-allocations. Moreover, Krishnaswami and Subramanian (1999) and Gilson *et al.* (2001) find that analysts coverage and forecast accuracy have increased after the breakup. This shows that the knowledge of a lack of scrutiny by financial analysts give managers the opportunities to undertake earnings management since their actions are likely to go undetected. Furthermore, investors may find it difficult to undo earnings that have already been managed. This discussion leads to researcher's hypothesis:

Ha: The Company diversification has a positive effect on earnings management.

Research Method

The population of this study is all publicly traded companies listed on Indonesian Stock Exchange during the period 2009 – 2011. Determination of samples in this study carried out by using purposive sampling method which involves inserting a member of the population who meet certain criteria as samples and are representative. Source of data come from Indonesian Capital Market Directory (ICMD) for obtaining the data; the names of listed manufacturing companies in Indonesian Stock Exchange during the period of 2009 – 2011.

Diversification is treated as the independent variable of this research. Diversification is measured by calculating the number of business segments that are owned by the company. The dependent variable of this research is earnings management. Scott (2011) stated that earnings management is the choice by a manager of accounting policies, or actions affecting earnings, so as to achieve some specific reported earnings objective. Earnings management is measured by using a model of cross-sectional modified Jones.

The data have been collected and analyzed with the following steps:

1. Measuring the company diversification based on the number of segments owned businesses.
2. Calculating Discretionary Current Accrual by modified Jones model, with the following steps:

$CA = \Delta (\text{Current Assets} - \text{Cash}) - \Delta (\text{Current Liabilities} - \text{Current Portion of Long Term Debt})$

$$\left(\frac{CA}{TA}\right)_{i,t} = \beta_1 \left(\frac{1}{TA}\right)_{i,t} + \beta_2 \left(\frac{\Delta REV}{TA}\right)_{i,t} + \varepsilon_{i,t}$$

$TA_{i,t}$ is the total assets for company i in year t ; $\Delta REV_{i,t}$ measures the change in revenues for company i in year t less revenues in $t-1$; and $\varepsilon_{i,t}$ is the random residual term.

$$DCA_{i,t} = \left(\frac{CA}{TA}\right)_{i,t} - \hat{\beta}_1 \left(\frac{1}{TA}\right)_{i,t} - \hat{\beta}_2 \left(\frac{\Delta REV - \Delta TR}{TA}\right)_{i,t}$$

Where β_i is the estimated parameters from Eq. 2 and $\Delta TR_{i,t}$ is the change in trade receivables for company i in year t less the trade receivables in the previous year.

3. Measuring the relationship between earnings management and company diversification by using this regression:

$$EM_{it} = \beta_0 + \beta_1 NSEG_{it} + \beta_2 GROWTH_{it} + \beta_3 LEV_{it} + \beta_4 FSIZE_{it} + \varepsilon_{it}$$

Where:

- EM = Earnings Management
- $NSEG$ = number of business segments in an issuing company;
- $GROWTH$ = (sales year t - sales year $t-1$) / sales year $t-1$;
- LEV = ratio of total debt to total assets;
- $SIZE$ = natural logarithm of company total assets

Data and Results Analysis

Based on specified criteria, then the samples obtained are 56 companies in 2009, 56 companies in 2010, and 56 companies in 2011. Control variable such as growth, leverage, and company size are also added to increase validity of the research. Conclusions made from the results of this descriptive statistic will not be used as a general conclusion because it is a simple analysis of the two variables of the study. Outputs from the descriptive statistics of variables used in this study namely Earnings Management (EM), Diversification (NSEG), Growth, Leverage (LEV), and Company Size (FSIZE) of 168 samples during the period 2009 – 2011 are shown in the following table

Descriptive Statistics

	N	Minimum	Maximum	Mean	Std. Deviation
EM	167	-.40	.87	.0278	.14349
NSEG	167	2.00	7.00	3.2754	1.09580
GROWTH	167	-.75	1.49	.1085	.23767
LEV	167	.002	2.342	.50502	.291528
SIZE	167	25.02	32.66	27.9788	1.59993
Valid N (listwise)	167				

Source: processed data, 2012

The hypothesis in this research are being tested using multiple linear regression analysis with a confidence level of 95% or 5% significance level ($\alpha=0,05$).

Regression Analysis

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.364 ^a	.133	.111	.13527

a. Predictors: (Constant), SIZE, LEV, GROWTH, NSEG

ANOVA^b

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	.454	4	.113	6.203	.000 ^a
	Residual	2.964	162	.018		
	Total	3.418	166			

a. Predictors: (Constant), SIZE, LEV, GROWTH, NSEG

b. Dependent Variable: EM

Coefficients^a

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	.327	.188		1.742	.083
	NSEG	.034	.010	.262	3.429	.001
	GROWTH	.113	.045	.188	2.497	.014
	LEV	.088	.037	.179	2.403	.017
	SIZE	-.017	.007	-.187	-2.447	.015

a. Dependent Variable: EM

From the results of regression analysis above, researcher is able to derive a multiple linear regression model as follows:

$$EM = 0,327 + 0,034 \text{ NSEG} + 0,113 \text{ Growth} + 0,088 \text{ Lev} - 0,017 \text{ Size}$$

Value of Adjusted R Square (Adj. R²) is 0,111. It can be seen that company diversifications has a positive effect on earnings management. One of the purposes of doing Diversification is to maximize the size and diversity in the company so the owner can obtain a higher level of profits from several segments that are owned by the company. The objective of diversification is not only to reduce the level of risk but also to provide an adequate level of profitability for the company (Suwarni and Pakaryaningsih, 2007)). By implementing diversification, it is expected that if one of business segment suffers loss, the company can get profit from the others business segments which cover those loss. Based on the above statement, besides diversification can maximize the company's size and diversity, company is also able to improve company performance and reduce company risk.

El Mehdi and Seboui (2011) stated that from the perspectives conflict of interest between principal and agent, diversification may add asymmetry information. Diversified company will have greater asymmetry information than undiversified company. Diversified companies are less transparent. Manager of the company can understand better about cash flows of each division, but external users can only estimate cash flow of each division in consolidated financial statements. Furthermore, the opportunities to manage earnings in diversified companies are greater than in undiversified companies. These are caused by the possibility where investors do not have incentive, resources, and access to sufficient information in monitoring managers (Warfield *et al*, 1995 as cited in Verawati, 2011).

Conclusion and Future Research

The objective of this research is to examine the impact of company diversity to earnings management. This study used pool data on a sample of 168 manufacturing companies listed on Indonesia Stock Exchange year 2009 – 2011 which meets the sample criteria. The result of this research shows that the company diversification has a positive effect on earnings management is supported by empirical evidence. Public should be more cautious in investing in the capital markets, especially in diversification companies. Further researches may explore in deeper analysis on the method of diversified company manage their earnings.

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Contribution Of State Owned Enterprises In Indonesia

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Abstract

State Owned Enterprises (BUMNs) take part in almost all aspect of life of the people. In Indonesia, now 19 state-owned companies become public companies (listed BUMN). This study aims to analyze the contribution of state owned enterproses in Indonesia through tax and dividend payment. The contribution of the listed BUMN calculated based on the corporate income tax, tax on dividend, and dividend received by government. Contribution is analyzed by comparing listed BUMN corporate tax payment to the non-listed BUMN. Also comparing them to the growth of tax received on those listed and non listed BUMN. We also comparing dividend contribution received from non-listed BUMN to total dividend received by the government. Simple regression is used to analyze the influence of the corporate tax and dividend tax of listed BUMN to Government Budget as part of country development. The result shows that the contribution of tax received from listed BUMN is increasing in the periode of 2005-2011. We also find that Corporate income tax paid by listed BUMN have positive influence to the total corporate income tax received by the government. Corporate income tax paid by listed BUMN also have positive influence to the government budget. Other contribution from listed BUMN are from dividend paid to the government. Even the amount of listed BUMN is relatively few compare to the existing BUMN, but the percentage contribution of dividend received by the government is higher than the total portion of listed BUMN. The influence of tax on dividend of listed BUMN is also positive to the government budget. The significance is higher than the influence of corporate income tax.

Keywords: state-owned companies, corporate tax, dividend, dividend tax

1. Introduction

State Owned Enterprise (SOE/BUMN) have big contribution to the country, BUMN contributing in almost of Indonesian people life (Ministry of BUMN, 2008). There are 141 BUMN at present, 18 of them are publicly listed (listed BUMN). The listed BUMN could receive fund from the investor through capital market (Indonesian Stock Exchange/IDX).

Capital market is one of place where investor could invest in a publicly listed company. The public listed companies' share are traded in the market, and investor could monitor the performance of the public listed company through the capital market.

The owner of BUMN which is the Government of Republic of Indonesia expecting his BUMN performing well in their operation therefore the owner could gain from the increasing share price, also from the tax and dividend.

In 2009 there are 14 BUMN are listed in the market, in 2010 the number are increasing to 16, and the number is also increasing to 18 in 2011, and the government is encouraging the

BUMN to be listed in the market to be more transparent and hoping to perform better in the future, that is why this research is important. Analyst Equity Research of PT Danareksa Sekuritas (2010) stated that BUMN listed in 2010 are better in performance compare to other BUMN not listed.

The purpose of this research is to analyze the contribution given by the listed BUMN from the corporate income tax and tax on dividend, and dividend payment.

2. Literature Review

Tax is a contribution from the people or entity to the country enforced and regulated by laws, for the sake of people's welfare. Tax payment is the obligation of the Tax Payer as a contribution to build the country, to pay the country expenses. Therefore the tax payment is not only an obligation, but contribution from citizen or entity for expenses of government and national development.

In their operation activities enterprises produces goods and services, and the results from those activities are cash in flow. At the end of period management of the enterprise should decide whether to reinvest those cash in flow to the activities or to distribute them or part of them to the owner of the enterprise. Brigham and Ehrhardt (2008) defined Dividend Policy as the policy to distribute the profit of the company as dividend or reinvesting it to company. Dividend is distributed based on the amount of shares owned. Government is the majority shareholder of listed BUMN in IDX. Dividend received from BUMN is also one of the sources of government fund.

BUMN operates in most of the industry mainly in the primary sector (Anonymous, 2009). In 2008 the amount of BUMN is 138 and increasing to 141 in 2009. Mustafa Abubakar, The Minister of Ministry of BUMN, said that BUMN are encourage to be listed in IDX as a public company (Hasanuddin, 2010)

3. Data and Research Method

This research is a formal research, based on the researcher ability to analyze. This research is ex post facto. The depth of the research shows that this is a descriptive research.

This research is using secondary data and ratio scale data, such as

- a. Corporate income tax paid by listed BUMN
- b. Tax on dividend paid by listed BUMN
- c. Corporate tax paid by the total BUMN
- d. Corporate tax paid by existing companies in Indonesia
- e. Government budget

Source of data are Directorate General of Tax and Fiscal Policy agency, both are under Ministry of Finance. Contribution of the listed BUMN calculated based on the corporate income tax, tax on dividend, and dividend received by government. Contribution is analyzed by comparing listed BUMN corporate tax payment to the non-listed BUMN. Also comparing them to the growth of tax received on those listed and non listed BUMN. Comparing dividend contribution received from non-listed BUMN to total dividend received by the government. Simple regression is used to analyze the influence of the corporate tax and dividend tax of listed BUMN to Government Budget as part of country development.

3. Result and Finding

Numbers of listed BUMN is increasing since 2007. In 2011 listed BUMN is 18. And by July 2013, listed BUMN is 20. The percentage of listed BUMN are ranging from 10% to 13% of total BUMN in Indonesia (see Table 4.1). Minimum government ownership as shareholders of listed BUMN is 51% which is PT Adhi Karya (ADHI) in 2007 and maximum 90,03% on PT Kimia Farma (KAEF) in 2007-2011.

Table 4-1. Number of BUMN in Indonesia, 2005-2011

Tahun	Total BUMN	BUMN Tbk
2005	139	11
2006	139	11
2007	139	14
2008	139	14
2009	141	15
2010*	141	17
2011*	141	18
2012*	141	18
2013*	141	20

Source: Anonymous, 2009 and other resource (*)

3.1. Listed BUMN Contribution

Contribution of listed BUMN to the government budget is analyzed through tax and dividend payment to the government as shareholder.

Tax contribution

Tax contribution is analyzed from the corporate income tax and tax on dividend of the company compared them with non listed BUMN and other company in Indonesia. Table 4-2, shows the analyses of corporate income tax and tax on dividend from listed BUMN.

Table 4-2. Corporate Income Tax and Tax on Dividend of Listed BUMN, 2005-2011

Year	Corporate Tax Income Received (Billion IDR)			Tax Dividend Received from Listed BUMN (Billion IDR)
	Existing Companies	Total BUMN	Listed BUMN	
	2005	44,441.10	9,001.85	6,713.48
2006	49,778.45	9,021.63	6,431.49	187.31
2007	66,010.09	15,120.57	11,788.17	312.30
2008	90,520.16	18,236.27	13,968.27	539.60
2009	103,889.53	18,972.62	13,502.93	349.40
2010	107,290.67	15,761.69	11,647.58	595.64
2011	122,905.03	20,930.78	14,921.72	780.39

Source: Directorate General of Tax, 2012

Figure 4-1 shows that fund received by government from tax sources is increasing for the period 2005-2011. The increasing trend is higher in corporate income tax from existing/total company compare to corporate income tax from listed and non-listed BUMN.

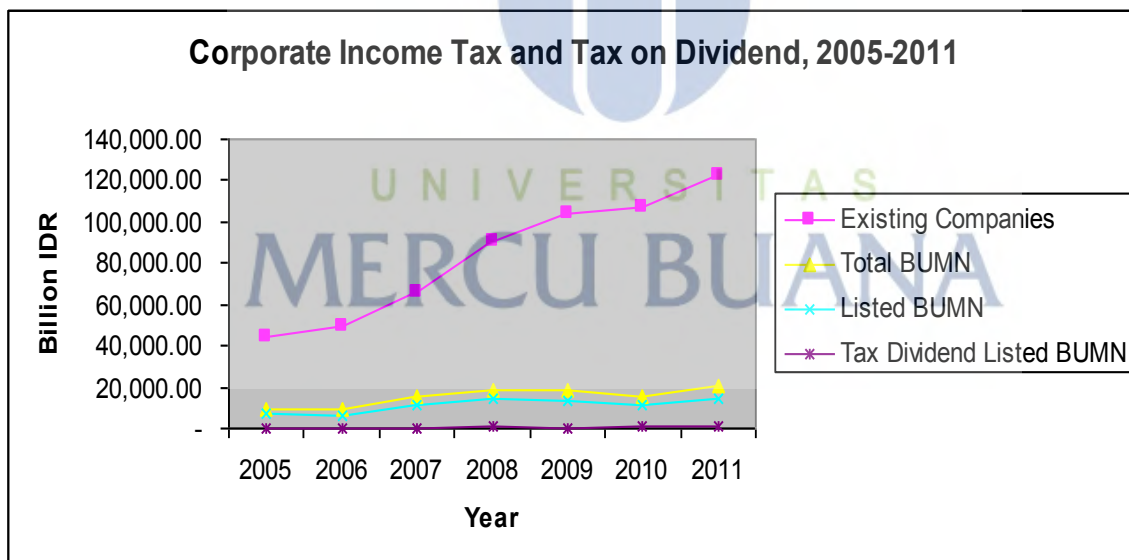


Figure 4-1. Fund Received by Government from Tax

Table 4-3 shows 5-years-analyzes due to increasing corporate income tax and tax on dividend received from all company including listed and non listed BUMN. We can see that both Corporate Tax Income and Tax Dividend Received from listed BUMN tend to increase in the periode of 2005-2011.

Table 4-3. Growth in Existing Companies Corporate Income Tax and Total BUMN, Listed BUMN, and Growth in Tax on Dividend of Listed BUMN, 2005-2011

Year	Growth in Corporate Income Tax			Growth in Tax on Dividend Listed BUMN
	Existing Companies	Total BUMN (141 tax payer)	Listed BUMN (18 tax payer)	
2005				
2006	0.12	0.68	(0.04)	(0.05)
2007	0.33	0.68	0.83	0.83
2008	0.37	0.21	0.18	0.20
2009	0.15	0.04	(0.03)	(0.05)
2010	0.03	(0.17)	(0.14)	(0.12)
2011	0.15	0.33	0.28	0.28

Sources: Result of Data Processing (2012)

The increasing of corporate income tax from listed and non-listed BUMN has ever decreasing in growth in the period of 2005-2011, showing that the payment of BUMN's corporate tax is decreasing and the lowest decrease is in 2010 for all company, including listed and non-listed BUMN. The figure is shown in Table 4-3.

In the year 2010 even the growth is lowest, but the corporate income tax from total of the company shows positive growth to 3%, on the other hand BUMN in total is showing a decrease of 17% in corporate income tax, 14% decrease in listed BUMN's corporate income tax, and 12% in tax on dividend. The condition of the macro economic may be the cause of all this decreasing growth, including in Indonesia Stock Exchange.

Global crisis in 2008 influences the economic condition of Indonesia, the world including Indonesia struggling to recover. The recovering process is not the same for all countries, Indonesia is one of them who recover slower. The global condition also shows that the growth is decreasing also in the fiscal sector. Other causes is in 2010 the government of Indonesia decreases its tax rate for corporate tax, which in 2008-2009 using progressive rate but in 2010 using single tax rate, and also in 2009 the single tax rate is 28% while in 2010 the single tax rate is 25% as stated in tax law number 17 point 2a on income tax.

The corporate highest growth in income tax of listed and non-listed BUMN occurs in 2007. Indonesia economic condition in 2007 is achieving good record even there are some pressure there (BI (Sentral Bank), 2007). In that year, 2007 for the first time the Indonesia's economic growth is more than 6% with good stability. Positive balance in Indonesia balance payment, increasing in money stock, stronger value of money, and increasing credit more than targeted, also inflationary rate is as predicted. Pressure from the outside are the expensiveness of the international goods especially crude oil and effect of subprime mortgage.

Table 4-3 shows contribution of corporate income tax from total BUMN and listed BUMN and the influence of those corporates income tax to the corporate income tax received by the government.

The result shows that the influence of corporate income tax from listed and non-listed BUMN are as follows.

$$\text{Corporate Income Tax} = 956 + 20,595 \text{ non-listed BUMN} \dots\dots\dots (1)$$

$$\text{Corporate income Tax} = - 4.769 + 7,828 \text{ listed BUMN} \dots\dots\dots (2)$$

The equation (1) and (2) shows that corporate income tax from total BUMN influencing positively to the total tax received by government. The tax received by the government will increase 7.828 unit when the corporate income tax from listed BUMN increasing one unit; and increasing 20.595 unit on each of increasing corporate income tax from non- listed BUMN.

Table 4-4 shows the listed BUMN total tax contribution (corporate tax and tax on dividend). Since the source of government fund is mainly from tax received, then those data could be analyze by their influence to the government budget as shown in Table 4-4.

Table 4-4. Corporate Income Tax and Tax on Dividend Listed BUMN and Government Budget, 2005-2011

Year	Corporate Income Tax	Tax on Dividend	Total Tax	Government Budget
2005	6,713.48	268.45	6,981.93	493,920
2006	6,431.49	187.31	6,618.80	636,144
2007	11,788.17	312.30	12,100.47	706,109
2008	13,968.27	539.60	14,507.87	979,306
2009	13,502.93	349.40	13,852.33	847,096
2010	11,647.58	595.64	12,243.22	994,602
2011	14,921.72	780.39	15,702.11	1,082,631

Sources: Directorate General Tax (2012) and Ministry of Finance (2012)

Since tax is the main source of government budget, then there is a hypothesis that the higher the tax received, the higher the goernment budget will be. The higher government budget, the more development could be done.

Regression analysis is used to see the influence of listed BUMN corporate income tax to the government budget. The resulting equation is:

$$\text{Government budget} = 204.040 + 54.594 \text{ corporate income tax of listed BUMN} \dots\dots\dots (1)$$

The result shows that the determination coefficient (R^2) is 75,07% which mean the corporate income tax paid could explain 75.07% the variety of government budget. The regression coefficient (b) of 52,594 which significance at $\alpha = 5\%$ means that every 1 billion rupiah increasing in tax payment from listed BUMN, the government budget will increase of 54.594 billion rupiah.

The influence of tax on dividend of listed BUMN is also analized through regression, which resulting to equation:

$$\text{Government Budget} = 419.991 + 923.11 \text{ Tax on Dividend of listed BUMN} \dots\dots\dots (2)$$

The result shows that the determination coefficient (R^2) is 81,79% which mean the tax on dividend paid by listed BUMN could explain 81,79% the variety of government budget. The regression coefficient (b) of 923,11 which significance at $\alpha = 1\%$ means that every 1 billion rupiah increasing in tax on dividend payment from listed BUMN, the government budget will increase of 923,11 billion rupiah.

When the corporate income tax and the tax on dividend for the listed BUMN is combined to government budget, the resulting equation is:

$$\text{Government budget} = 199,958 + 52,924 \text{ corporate income tax} + \text{tax on dividend of listed BUMN} \dots\dots\dots (3)$$

The result shows that the determination coefficient (R^2) is 77,49% which mean the corporate income tax + tax on dividend paid by listed BUMN could explain 77,49% the variety of government budget. The regression coefficient (b) of 52.924 which significance at $\alpha = 1\%$ means that every 1 billion rupiah increasing in corporate income tax + tax on dividend payment from listed BUMN, the government budget will increase of 52.924 billion rupiah.

The (1), (2), and (3) equation shows that tax on dividend paid by listed BUMN has the most significance influence of the government budget. The amount of the government budget is one of the performance measurements of Indonesia. The development growth in economic or in infrastructure is reflected in the government budget.

The budget policy should take more into consideration of the tax received especially from the listed BUMN. It is the duty of the government to maintain the good policy in budget and fiscal so the sustainability of development is maintained.

Contribution through Dividend Received

Dividend paid by existing BUMN is shown in Table 4-5 column 1, while dividend paid by listed BUMN is shown in column 2. Even when the listed BUMN is relatively few (10-13%

from existing/total BUMN) the contribution of the dividend payment is relatively huge (27-46%) compare to total dividend received by government. Therefore the more listed BUMN is listed, so then the government dividend received will also be higher.

Table 4-5. Dividend Received by Government from Total BUMN and Listed BUMN
2007-2011 (Billion IDR)

Year	Total BUMN	Listed BUMN	Contribution of
			Listed BUMN
2007	23.222	10.702	46.09
2008	29.088	8.52	29.29
2009	26.089	7.251	27.79
2010	30.097	11.672	38.78
2011	28.171	12.932	45.91

Sources: Directorate General of Tax, 2012

5. Conclusion and Suggestion

Government source of fund is mainly from tax received. The contribution of tax received from listed BUMN is increasing. Tax paid by listed BUMN are corporate income tax and tax on dividend.

Corporate income tax paid by listed BUMN have positive influence to the total corporate income tax received by the government. Corporate income tax paid by listed BUMN also have positive influence to the government budget.

Other contribution from listed BUMN are from dividend paid to the government. Even the amount of listed BUMN is relatively few compare to the existing BUMN, but the percentage contribution of dividend received by the government is higher than the total portion of listed BUMN.

The influence of tax on dividend of listed BUMN is also positive to the government budget. The significance is higher than the influence of corporate income tax.

The government is suggested to encourage the BUMN to be listed in the capital market, then the government received from the tax and dividend will also increasing.

As the majority shareholder, the government should consider the influence of the dividend paid by the listed BUMN. It is found that the tax on dividend from the listed BUMN is significantly influence the government budget.

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Strategy Design and Implementation by using Hoshin Kanri Approach that Consistently Making Linkage Between Continuous Improvement and Business Priorities

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Abstract

The purpose of this research is to understand the design of Hoshin Kanri approach and also the implementation that show the ability consistently making linkage between business priority and Continuous Improvement such as Six Sigma and Lean project compared with previous improvement activity without using Hoshin Kanri approach. The research method are using 2 methods which are field study and literature study. Field Study method include interview with employees and observation from Line Efficiency Data which is grouping into 2 groups which are data before implementation of Hoshin Kanri that referring to yearly period 2007 - 2009 (36 months) and data after implementation of Hoshin Kanri that referring to yearly period 2010 - 2012 (36 months). The results show that the performance of Line Efficiency is significantly different that referring to Standard Deviation before the implementation Hoshin Kanri with value 0.025 and after that with value 0.011. Test for Equal Variances for Response show that P-value = 0.000 which is accept H1 and reject H0. Lavene's Test also strongly support the F-Test with P-value = 0.019. Overall the linkage of continuous improvement and business process significantly is getting stronger.

Keyword: *Hoshin Kanri, Six Sigma, Lean, Continuous Improvement, Strategy*

1. Introduction

The growing of industrialization recently by establishing of new companies on the same product category is demanding for each company to win in the competition by showing their competitive advantage to the consumers. Generally, there are 3 things used to measure the competitive advantage such as high quality of product or service, on time delivery and lowest price. A lot of actions have been done by many companies to improve their performance in order to get competitive advantage with implementing best practice from benchmarking of other company that already implementing the best practice as part of Continuous Improvement. The example of Continuous Improvement project is Kaizen, TQM, TPM, Six Sigma, Lean, BPR or Lean Six Sigma which convinced to give positive impact to improve performance. In parallel the activity of Continuous Improvements are being done. However, even though many projects have been executed, the performance does not reflect in project improvement. The intention to implement Hoshin Kanri is due to its possible capability of this tool to be able to connect consistently

between business priority which represent into KPI (Key Performance Indicator) and project in Continuous Improvement compared with the previous initiative without Hoshin Kanri. This research objective is to assess that the design and implementation of Hoshin Kanri will give significant improvement to their performance.

2. Concept of Hoshin Kanri

Hoshin Kanri is the strategic planning tool who developed by Dr. Yoji Akao which refer to PDCA cycle as the root of TQM - Total Quality Management (Bhalakhrisnan 2012).

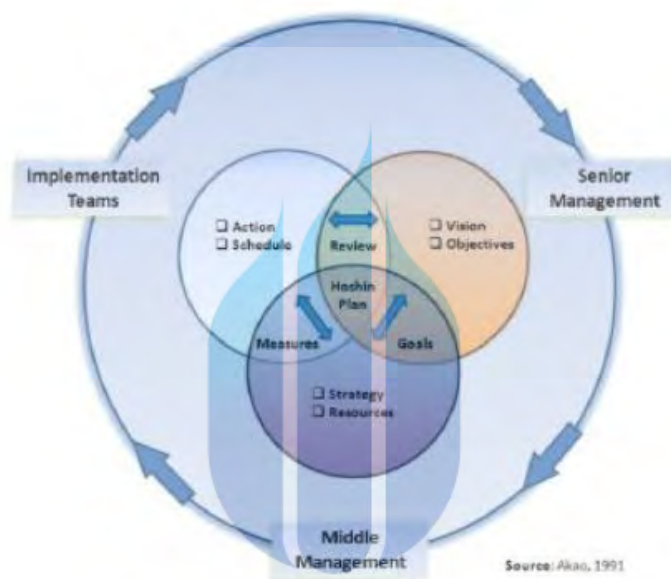


Figure 1 Hoshin Kanri Model

Meanwhile, according to Gasperzs (2012), Hoshin Kanri is a term in Japanese that means management directions or policy (hoshin = driving directions, and kanri = management or policies). Hoshin Kanri is often also referred to as Hoshin Planning. Hoshin Planning is like a compass that points management every person in the organization towards the same (aligned), toward the organization's goals to be achieved. Hoshin Planning does not replace the other management strategies, but are instead to complete because it is a strategic planning system of continuous improvement that focuses on markets and customers.

There are 7 basic principles of Hoshin Kanri as follows:

1. Maintaining the quality. Customer satisfaction and market become the main target of Hoshin Kanri, in order to create continuous profitability. Hoshin Planning focuses on the business system as a whole, not just on certain function.
2. Process approach and not a functional approach. Hoshin Kanri approach based on business process as a whole, not as separate functional approach.

3. Actively involve all levels of management from top to bottom. The management is responsible to formulate, establish, and disseminate the company's vision to the respective departments using the top-down approach (top-down approach).
4. Catch-ball, using the concept of intensive communication vertically and horizontally, including visualizing information through bulletin boards / visual information (visual information board).
5. Making decisions based on the analysis of the problem to find the root causes of the problem, so that corrective action can be done through eliminating the root causes of the problem.
6. Using a team approach and appreciate undivided initiative and responsibility of all employees to achieve realistic targets but the challenge set by management through key performance indicators (KPI = Key Performance Indicators).
7. Team-based performance evaluation and achievement of performance targets set by management, as well as to support or facilitate organizational learning and continuous improvement.

3. Design of Hoshin Kanri

From the above model of Hoshin Kanri, according Gaspersz (2012), there are 10 steps to further implement Hoshin Kanri in the company as proposed by Akao (1991).

Step-by-step implementation of Hoshin Kanri is as follows:

1. Establish policies, plans promotion / advertising, and the company motto,
2. Designing management strategies short, medium and long.
3. Collect and analyze information.
4. Plan targets and measurement tools.
5. Set of items and a list of items that need to be controlled.
6. Disseminate the policy.
7. Disseminate item and list of items that need to be controlled.
8. Implement action plans for achievement items and list items in accordance with the targets set.
9. Examine the results of implementation of the action plans
10. Prepare a status report on the implementation of Hoshin Kanri.

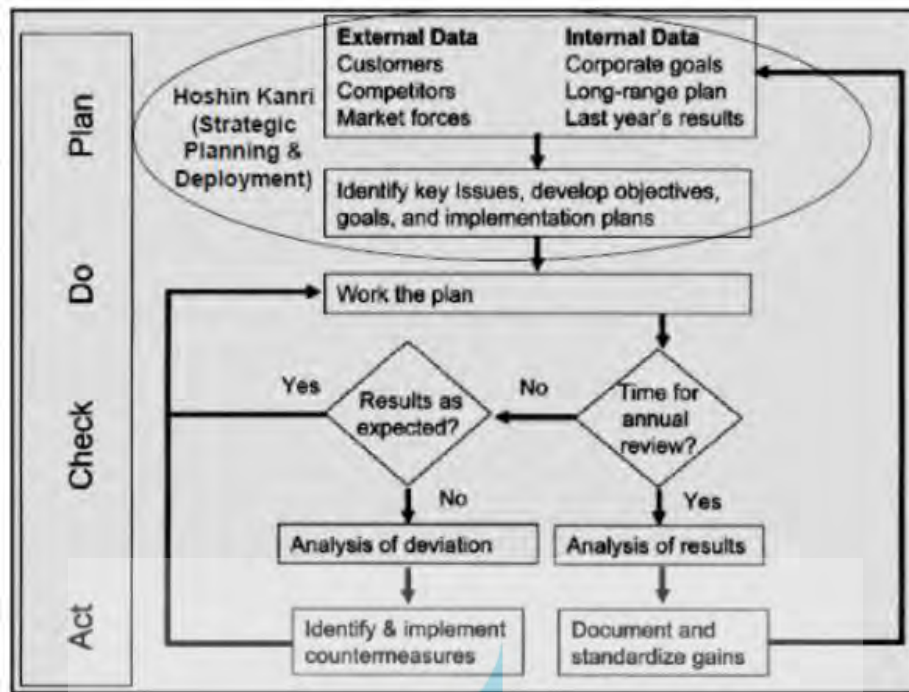


Figure 2 Design of Hoshin Kanri Implementation

4. Implementation of Hoshin Kanri

The implementation of Hoshin Kanri has been started in 2010. The research method are using 2 methods which are field study and literature study. Field Study method using 2 way such as interview with employees and observation from Line Efficiency Data which is grouping into 2 groups which are data before implementation of Hoshin Kanri that referring to yearly period 2007 - 2009 (36 months) and data after implementation of Hoshin Kanri that referring to yearly period 2010 - 2012 (36 months).

Efficiency at Data Line BEFORE applied Hoshin Kanri, from the P-Chart control is obtained that all the data entered in the Limit and Lower Control Limit Upper Control. Thus, all the data is valid or represent actual conditions. However, there are some periods of fluctuation Line Efficiency gains and losses as follows:

1. Period from September to October - November 2007.
2. The period June 2008
3. The period October - Nov 2009

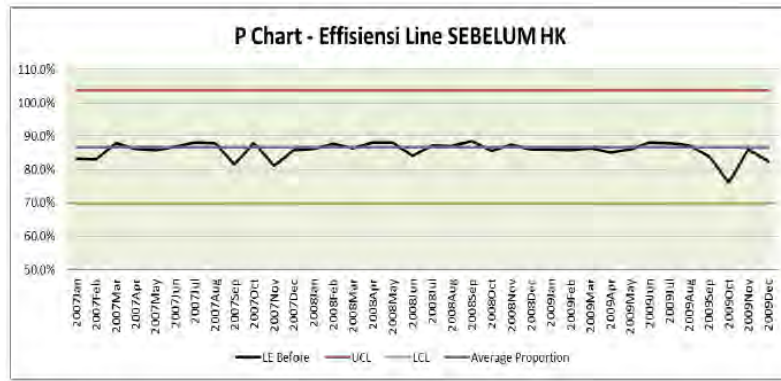


Figure 3 P-Chart of Line Efficiency BEFORE Hoshin Kanri

From the chart, there is no change in the production process. So this provides information that in such periods, a situation occurs where a decrease Efficiency Line that should not occur if there is a system to quickly notify all teams are in the area. Average achievement BEFORE Hoshin Kanri Line Efficiency is 85.79%. The era before 2009 or before the application of Hoshin Kanri, all employees are given training on Continuous Improvement and problem solver tool with quite intensive. As well as DMAIC, Tools 7QC, and so forth. Then, the management encourages employees to choose the themes problems independently in accordance with their respective work area employees. Then the proposals submitted to the management and validated for later executed. The following flow chart filing Continuous Improvement projects before 2009. The figure after implementation of Hoshin Kanri is also shown.

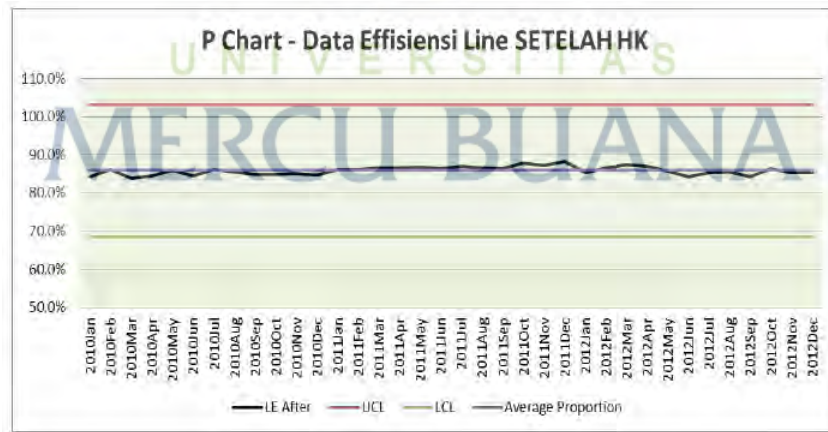


Figure 4 P-Chart of Line Efficiency AFTER Hoshin Kanri

From the chart there is no fluctuation in Efficiency Line from time to time during the period of 2010 – 2012. The average is 85.89%.

From the P-Chart control map, Line Efficiency After applying Hoshin Kanri there is no fluctuation or variance Efficiency Line looks compared to the prior application of Hoshin Kanri. There is an average increase of 85.79% to 85.89% in the two periods. That is, Efficiency Line up

0:10% after application of Hoshin Kanri. To support the comparison result, hypothesis analysis has been done by F-Test for Equal Variances.

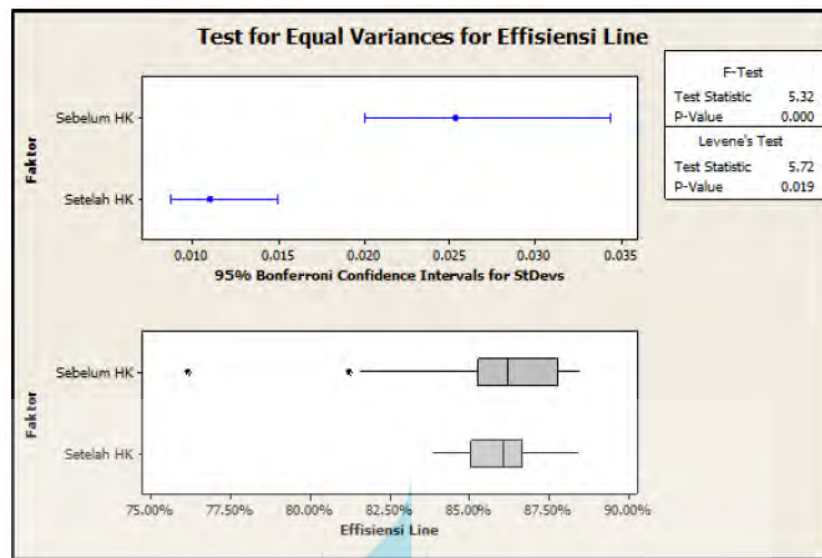


Figure 5 F-Test of Line Efficiency Data Before Hoshin Kanri and After Hoshin Kanri

From the F-Test found that the P-Value = 0.0000 and Levene's Test showed that the P-Value = 0.019, which means that:

1. Does not Accept H_0 and accept H_1 as P-Value less than 0.05.
2. Due to H_1 is statistically accepted, sufficient evidence of at least one group different from the other groups significantly in terms of data variation.

The Hoshin Kanri implementation model is using 5 step as follows:

Step 1. Operational Master Plan, is a process to translate, share and align business / corporate strategy becomes clear, focus on priorities and actions.

Step 2. Performance Measures, is a process of assessment work progress against objectives and targets have been defined previously, including information on the efficiency of resource use in producing goods and services, the quality of goods and services, compared with the results of the intended meaning and effectiveness of the actions in achieving corporate objectives in accordance with the OMP.

Step 3. Operation Review Operation Review is a forum provided to manage the problem through measures that drive business priorities.

Step 4. Problem Solving, is a process for handling structured and systematic problem by using a combination of problem solving tools such as Six Sigma, Lean and others.

Step 5. Standard Routine, is a system that standardize new ways of working that are the result of the actions for project completion problem (Problem Solving) which is believed to have a positive impact and be able to eliminate the root causes consistently.



Figure 6 Hoshin Kanri Model

5. Conclusion

Based on the description and analysis has been presented in the previous chapters , the results of this study can be summarized as follows :

1. Once applied Hoshin Kanri Line Efficiency improvements occur an average of 0.10 % (from 85.79 % to 85.89 %) and the standard deviation of changes in 2:53 % to 1.09 % . Obtained also that the application of Hoshin Kanri far there have been fluctuations in the Map control P - Chart . This comparison is done for Data Efficiency Line Before Implementing Hoshin Kanri (2007 - 2009) and Data Efficiency Line After Implementing Hoshin Kanri (2010-2012) .
2. Basically there are weaknesses in the system without using the Continuous Improvement Hoshin Kanri is the authority of the improvement project is located at the head of each department so it can be made possible differences in business priorities and departmental priorities. That is, the improvement is not seen projects of impact to KPIs or business priorities at the moment, but more to the priorities of each department. Moreover, the mechanism is a bottom - up approach.
3. Hoshin Kanri has the ability to improve company performance and reduce the standard deviation or variation in the achievement of corporate performance. Hoshin Kanri chosen because its ability to translate business priorities into Driver or Performance Measures are able to assess whether the results achieved in accordance with the target or the opposite deviation is called gap.
4. Hoshin Kanri is able to monitor and review the activities of daily whether in the company to improve its performance through Operation Reviews and implemented at all levels of management. Operation Reviews will also provide the trigger to do Problem Solving with Continuous Improvement tools.

5. Standard Routine in Hoshin Kanri is able to provide new ways of working to make the actions that have been performed in Continuous Improvement projects to be part of the employee's job in the future through the new Work Procedure or Work Instruction.
6. There is a system approach with Top-Down Approach and Bottom-Up Approach which is key to the success of Hoshin Kanri.

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Integrated Management System Based on Requirements of Quality Management System ISO 9001, Environmental Management System ISO 14001, and Occupational Health and Safety Management OHSAS 18001

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Abstract

The purpose of this research is to create an integrated system design refer to existing systems (QMS ISO 9001, EMS ISO 14001, OH&S MS OHSAS 18001) has been implemented by the organization with a scope of service from independent consulting, design, technical assurance and project execution in the offshore, maritime, and onshore oil and gas assets. The results of integrated management system include of planning, design, implementation and operation, also design of performance evaluation of the integrated management system. Evaluation provide assessment related to cost and benefit obtained in terms of time, cost, labor and employment also administrative works by that implementation.

Keyword: *QMS ISO 9001, EMS ISO 14001, OH&SMS OHSAS 18001, Integrated Management System, Cost and Benefit*

1. Introduction

Industrial requirements are becoming increase. It is required that supplier can provide the products in the highest quality but to ensure that industrial activity does not cause pollution to the environment and do not cause accidents to all parties involved in the processes. Management systems commonly used to achieve commonly known in industrial requirements are the quality management system ISO 9001, environmental management system ISO 14001 and OHSAS 18001. Integrated management system is a way that can be used by organization to by integrated approach that manage and implement their management system to be effective and efficient.

2. ISO 9000, ISO 14000 and OHSAS 18001 Standard

2.1. Quality Management System ISO 9001:2008

Quality Management System is a set of documented procedures and standard practices for the management system that aims to ensure the suitability of the process and product to the

particular requirements by the customer and the organization (Gaspersz, 2001), ISO 9001 is a standard set of requirements for quality management systems and is the only standard in the ISO 9000 family can be certified even though the certification is not a mandatory. In the document the latest version of the ISO 9001 requirements (ISO 9001: 2008), there are 5 clauses applying quality management system requirements are:

4.0 Quality Management Systems-Requirements

5.0 Management Responsibility

6.0 Management of resources

7.0 Product realization

8.0 Measurement and improvement analyst

The relationships described in clause 4 to clause 8 is illustrated in Figure 1

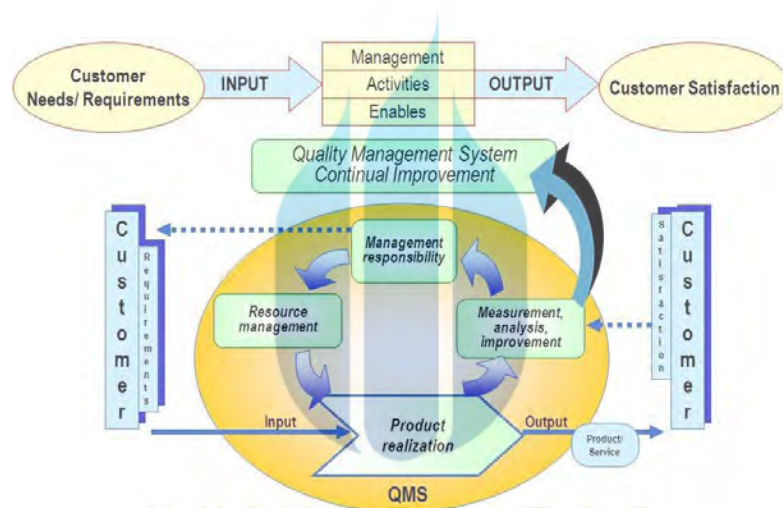


Figure 1 Model of a quality management system

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Table 1 The lists of minimum requirements of documentation implementation quality management system based on ISO 9001:2008

No	Clausul	Documented Procedure	Clausul	Control of Record
1	4.2.3	Control of Document	5.6.1	Management Review
2	4.2.4	Control of Record	6.2.2	Competency, Training and Awareness
3	8.2.2	Audit Mutu Internal	7.1	Planning of Product Realization
4	8.3	Pengendalian Produk tidak Sesuai	7.2.2	Review of requirement related to the product
5	8.5.2	Corrective Action	7.3.2	Design and Development Input
6	8.5.3	Preventive Action	7.3.4	Design and Development Review
7			7.3.5	Design and Development Verification
8			7.3.6	Design and Development Validation
9			7.3.7	Control of Design and Development Changes
10			7.4.1	Purchasing Process
11			7.5.2	Validation of Processes for production and service provision
12			7.5.3	Identification and Traceability
13			7.5.4	Customer property
14			7.6	Control of monitoring and Measuring Equipment
15			8.2.2	Internal Audit
16			8.2.4	Monitoring and Measurement product
17			8.3	Control of Nonconforming Product
18			8.5.2	Corrective Action
19			8.5.3	Preventive Action
20			4.2.3	Control of Document
Mandatory Documents				
1	5.3	Quality Policy		
2	5.4.1	Quality Objective		
3	5.4.2	Quality Planning		
4	5.5.1	Organization Structure and Job Description		

2.2. Environmental Management System ISO 14001:2004

ISO 14001 is an international standard that can be applied by organizations that intend to establish, implement, maintain and improve an environmental management system (ISO 14001, 2004). The standard is referred to as the green standard because it provides specific requirements for a comprehensive environmental management system (Salman, 2009).

There are 6 clauses applying environmental management system requirements are:

4.1 General Requirements

4.2 Environmental Policy

4.3 Planning

4.4 Implementation and Operation

4.5 Checking & Corrective Action

4.6 Management Review

Model of a environmental management system is shown in Figure 2 which illustrates the relationships described in clause 4.1 to clause 4.6

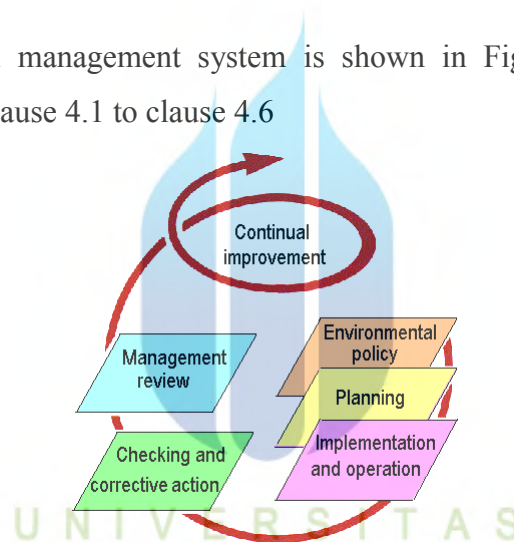


Figure 2 Model of Environmental Management System

Table 2 The lists of minimum requirements of documentation implementation environmental management system based on ISO 14001:2004

No	Clausul	Documented Procedure	Clausul	Control of Record
1	4.3.1	Environmental aspect	4.4.2	Competency, Training , and Awareness
2	4.3.2	Legal and Other Requirements	4.5.1	Monitoring and Measurement
3	4.4.2	Competency, Training , and Awareness	4.5.2	Evaluation of Compliance
4	4.4.3	Communication	4.5.3	Non-conformances, Corrective and Preventive Action
5	4.4.5	Control of Documents	4.5.5	Internal Audit
6	4.4.6	Operational Control	4.6	Management Review

7	4.4.7	Emergency Preparedness and Response
8	4.5.1	Monitoring and Measurement
9	4.5.2	Evaluation of Compliance
10	4.5.3	Non-conformances, Corrective and Preventive Action
11	4.5.4	Control of Record
12	4.5.5	Internal Audit
Mandatory Documents		
1	4.2	Environmental Policy
2	4.3.3	Objectives, Targets, and Programs
3	4.4.1	Jobs Description

2.3. Occupational Health and Safety Management System OHSAS 18001:2007

Occupational Health and Safety Management System is part of the organization's management system used to create and implement occupational safety and health policy and manage risk in occupational health and safety (OHSAS 18001:2007). Clause on the application requirements of OHSAS 18001 SMK3 is similar with the requirements of ISO 14001 clause consists of 6 clauses:

4.1 General Requirement

4.2 OH&S Policy

4.3 Planning

4.4 Implementation and Operation

4.5 Checking & Corrective Action

4.6 Management Review

Model of an environmental management system is shown in Figure 3 which illustrates the relationships described in clause 4.1 to clause 4.6



Figure 3 Model of OHSAS 18001

Table 3 The lists of minimum requirements of documentation implementation OH&S management system based on OHSAS 18001:2007

No	Clausul	Documented Procedure	Clausul	Control of Record
1	4.3.1	Hazard Identification, Risk Assessment & Determining Control	4.3.1	Hazard Identification, Risk Assessment & Determining Control
2	4.3.2	Legal and Other Requirements	4.4.2	Competency, Training & Awareness
3	4.4.2	Competency, Training & Awareness	4.5.1	Performance Measurement and Monitoring
4	4.4.3.1	Communications	4.5.2	Evaluation of Compliance
5	4.4.3.2	Participation and Consultation	4.5.3.1	Incident Investigation
6	4.4.5	Control of Documents	4.5.3.2	Non-conformances, Corrective and Preventive Action
7	4.4.6	Operational Control	4.5.5	Internal Audit
8	4.4.7	Emergency Preparedness and Response	4.6	Management Review
9	4.5.1	Performance Measurement and Monitoring		
10	4.5.2	Evaluation of Compliance		
11	4.5.3.1	Incident Investigation		
12	4.5.3.2	Non-conformances, Corrective and Preventive Action		
13	4.5.4	Control of Record		
14	4.5.5	Internal Audit		
	Mandatory of Documents			
1	4.2	Kebijakan K3		
2	4.3.3	Sasaran/Tujuana dan Program		
3	4.4.1	Struktur organisasi dan Job Deskripsi Rencana Mutu		

3. Integrated Management System

Standard ISO 9001, ISO 14001 and OHSAS 18001 have a common basic principle that continuous improvement is based on the Deming cycle (Plan-Do-Check-Act). These three standards share the same structure, and consist of the same basic cycle (Jonker and Karapetrovic, 2004). System documentation, records, policies, planning, responsibility, implementation, operational control, communication, verification, audit, compliance, continuous improvement and prevention of specific requirements are common to all three standards (Karapetrovic & Jonker, 2003). Wilkinson and Dale (2002, in Zeng, S. X et al, 2005) describes an approach to the integration of two different ways and levels. The second approach was to bring together the documentation requested by both the standard and implement the system with a Total Quality Management approach (Sumeidi, Bakti).

Karapetrovic and jonker (2003) developed a "model system" consisting of (i) goal setting (ii) the

planning and design of the system (iii) acquisition and deployment of resources (iv) the application of the system (v) system evaluation and improvement. Pun and Hui (2002) proposed a "process model" which consists of three stages in the integration of the planning stage, the stage of integration, and installation phases. (S.X Zeng, 2006)

The model integration based on structure of ISO 14001 is shown in the Figure 4

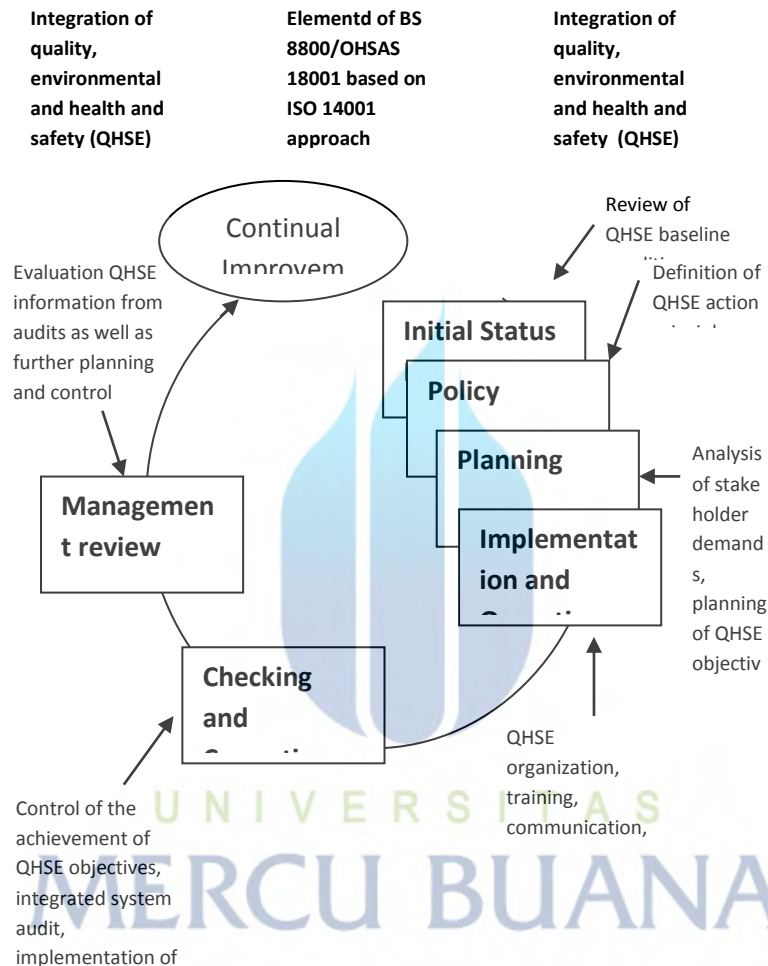


Figure 4 The model integration based on structure of ISO 14001

- (i) Planning, consist of - Initial review, - Structural design documentation - Policy
- The application of manual planning, environmental aspects and impacts identification, hazard identification, risk assessment and determining controls, identification of compliance regulations and other requirements, determination of objectives, targets and programs
- (ii) Implementation and Operation: - Resources, roles, responsibility and authority, - Competence, training and awareness, - Communication, - Documentation, - Control of documents - Operational Control
- (iii) Evaluation of the performance management system: - Monitoring, audits, corrective and preventive actions, - Management Review

4. Evaluation, Cost and Benefit of Integrated Management System

Integration is one method to combine the three channels into a single management system. All sections and sub-sections in each management system will be combined, and create a new integrated management system. When all three are combined systems management, implementation and audit process will be conducted as a single unit. This means it will make a reduced workload, reduced certification time, cost and lack of documentation.

In general, an integrated management system would have the advantage of four dimensions, namely time, cost, labor and administrative work. Detail of evaluation cost and benefit that will be achieved by organization when they implement the integration system as shown in Table 4

Tabel ... Cost and Benefit Evaluation

No	Matrix	Separately Management System	Integrated Management System
1	TIME		
	▪ Development System	12-15 months	6-8 month
	▪ Man days Surveillance	9-12 Man days	6-8 Man days
2	COST		
	▪ Certification	120 million	80-90 million
	▪ Surveillance Audit per semester	60 million	40 million
	▪ Other Costs	n/a	n/a
3	LABOR		
	▪ Management Representative	Min: 2 (two) personnel management representative (1 QA Representative and 1 HSE Representative)	1 (one) personnel management representative (QHSE Representative)
4	ADMINISTRATIVE WORK		
	▪ Control of Documents	88 Manual, procedure including guideline	44 Manual, procedure including guideline

Note: Cost in Rupiah

5. Conclusion

Integration management system is a method to combine 3 management systems (ISO 9001, ISO 4001 and 18001 OHAs) into one single system. Through the integration of management systems, organizations will combine all parts and sub-parts that is within each management system and creating an integrated management system. Integrated management system is a way that can be

used by organization to manage and implement their existing management system (QMS ISO 9001, EMS ISO 14001 and OHSAS 18001) to be effective and efficient.

One of method Integration could be used in the design of an integrated management system is based on the structure of ISO 14001 9 (adopted from BS 8800). The design will be divided into 3 stages: (i) planning design, (ii) implementation and operation and (iii) performance evaluation of the integrated management system.

Integrated management system would have the advantage in 4 (four) dimensions: Time, Cost, Labor and Administrative Work

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The Effectiveness of Transformational Leadership Behaviors on Government Employee Performance (P065)

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Abstract

This research investigates the effects of transformational leadership behaviors on employee performance of trade ministry and finance ministry. The Multifactor Leadership Questionnaire, which was formulated from Bass and Avolio's (1997) Full Range Leadership Development Theory, was used to determine transformational leadership behaviors. Employee performance was captured using Dessler questionnaire (2010). Data obtained from each of the research instruments was then statistically analysed. Multiple linear regression analysis showed that only inspirational motivation behavior had the positive impact on employee performance in the Tax Office, and only idealized influence behavior had the positive impact on employee performance in the Trade Ministry. The findings from this study suggest that not all of transformational leadership behaviors had positive impacts on employee performance in Indonesian context. This research therefore adds a new dimension to the body of literature that will help researchers' efforts to understand the impacts of transformational leadership behaviors on employee performance.

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Re-discovery of the Islamic Market in Indonesia and Its Political Context

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Introduction

Structures of the religious market and their consequences have been well researched, primarily in the United States and several European countries. According to these studies, religious markets are similar to other types of markets in that competition among producers tends to lead to the production of religious 'goods' or services of the kind 'consumers' demand (Flinke and Stark 1989, Hamberg and Pettersson 1994:206). This paper examines the composition and dynamics of the 'Islamic market' in contemporary Indonesia—what kinds of religious goods and services are competing and how these changed after 1998. This examination leads to an understanding of the political market and political marketing. We can answer, at least in part, important questions in contemporary politics in Indonesia through an analysis of why Islamic parties decreased their support in spite of increasing religious identities, why more than 50 districts/municipalities introduced religious bylaws,¹ how Susilo Bambang Yudhoyono won the presidential election in 2004 and 2009, and how Joko Widodo won the Jakarta gubernatorial election in 2012.

Indonesia, particularly after the 1998 political transition, fits the concept of a religious market. Finke and Stark argue this to the degree that religious commitment will be higher. Two inferential measures of competition have been used to test this proposition. First, competition is inferred from the degree of pluralism and, second, competition has been inferred from the degree of state regulation of the religious market (Finke and Stark 1998). The religious market in contemporary Indonesia enjoys both a high degree of pluralism and a low degree of state regulation. Moreover, the degree of religious commitment has increased, as can be indicated by various aspects. This paper does not test the proposition of Finke and Stark but analyzes the composition and dynamics of the religious, mostly Islamic, market in Indonesia.

Indonesia has a vast variety of religious groups and practices, which hardly can be found in any other country. It has been often described that organizationally, Nahdlatul Ulama and Muhammadiyah represent Indonesian Muslims. However, it is far more plural and complicated in both its organization and its practices. There are thousands of region-based groups, mystic (Sufi) groups, and study groups (majelis taklim) that cannot be contained by these two major organizations. The Egyptian Muslim Brotherhood related to the Tarbiyah movement on campus formed the Islamic party PKS (Prosperous Justice Party). Pakistan-based Jamaah Tabligh quietly penetrated nationally and ideologically revolutionary Hizbut Tahrir is more popular on campuses than anywhere in the world. The Shiite and controversial Ahmadiyah have long histories. Literalist Salafi groups gain certain influences and the militant Jamaah Islamiyah and many other small cells recruit members daily. They are competing in the religious market without serious state interventions.

Moreover, religious practices have been highly commodified. Besides the commodification of halal certification, Islamic banking, and the female veil, which can be also found in neighboring Malaysia and other countries, Islamic music and movies, 'celebrity' preachers, and even *dhikr*, or mediative activities, have been highly commercialized and have become the fad in Indonesia. These commodifications are not necessarily parallel with the competition among the aforementioned organizations and groups. Moreover, politicians and political parties (not necessarily Islamic one) exploit religious sentiments and goods. Thus, the religious market often reflects the political market. In this

¹ These regional bylaws include prostitution, gambling, alcohol, reading of the Koran, paying the zakat (alms or religious tax), the wearing of Muslim clothing, and the conduct of women in public (Salim 2007).

paper, I will first analyze the composition and dynamics of the religious market through observing specific religious goods. Second, the political exploitation of religious goods and the analogical relationship between the religious and political markets is pointed out for further analysis.

Commercialization of Religious Practices

It is a common understanding that Indonesia has re-Islamized in the past few decades. One of the significant changes is that local customs and practices, which were often considered as deviant, have faded away. As observed by Geertz, especially in Java, local syncretistic mysticism was influential politically in the 1950s and 60s. Pressures on local mysticism intensified after the alleged coup by communists and the attacks on them in 1965. The standardization and integration to orthodox Sunni Islam further proceeded in the past few decades. Hefner (2011) calls this process of religious transformation religionization; similar phenomena can be found among other faith communities and in other parts of Southeast Asia.

In the early 1990s, Suharto's authoritarian government explicitly attempted to accommodate a more religiously self-conscious society. President Suharto made the pilgrimage to Mecca and referred to himself as Haji Muhammad Suharto.² The government initiated the formation of an Islamic bank, an intellectual association, and other institutions. The military was involved in organizing paramilitary Islamic groups as useful political tools in the late 1990s.

The Islamic market tremendously expanded after the political transition in 1998. The political transition opened the door to greater freedom of expression; private TV channels vibrantly flourished, the domestic film industry revived, and smart phone and Internet users rapidly increased. Islam-inspired programs became important content in the highly competitive media market. Religious practices have been processed in order to meet the spiritual needs of the urban Muslim. The TV preachers, Abdullah Gymnastiar, or Aa Gym, was a prominent pioneer. His preaching brought a fresh sensitivity for Indonesian Muslim viewers, though he resembled the spiritual counselors of American Christian TV in many ways. His popularity quickly fell after marrying a second wife, but others replaced him quickly. Among them are Arifin Ilham, who practices *dzikir*. *Dhikr* (remembrance, reminder, evocation) is a popular meditative practice most commonly associated with Sufism. *Dhikr* refers to the practice of chanting a divine name or Qur'anic phrase. It is often combined with ritualized music and dance (*sama*) and visitation (*ziyarah*) to the shrine of a saint (Sells 2009). Arifin is based at in a choice residential area located in a suburb of Jakarta and popular among the upper middle class. By the end of the 2000s, a large number of celebrity preachers had emerged.

More recently, *dzikir* groups led by a *habiborsayyid*, who are considered to be descendants of the Prophet Muhammad, became popular in Jakarta and surrounding areas. These *habib* are more appreciated by the younger generation of the lower class. Some of these *dzikir* gatherings attract tens of thousands of followers. The *dzikir*, led by a *habib*, has a long history among the Betawi, Jakartan natives, and other communities; however, the gatherings are new among others, such that they draw such huge crowds that they are now broadcasted through television and the Internet.

Apparently realizing the popularity of urban *dzikir*, President Susilo Bambang Yudhoyono participated in events and formed the *dzikir* organization, Majelis Dzikir SBY Nurussalam, which showed up in the preliminary race of the 2009 general election. In the election, he and his running mate,

² Liddle (1995) describes a series of pro-Islam policies as the Islamic turn of Suharto while he suggests that Suharto's policy toward Islam from the 1960s to 90s was two-pronged: promotion of personal piety and suppression of political activity.

Boediono, were criticized because neither of their wives wore veils. He made efforts to promote his pious images through participating in *dzikir* and other ritual events. Fauzi Bowo, former governor of Jakarta, also held Majelis Zikir al-Fauzi and often joined *dzikirs* led by a popular *habib*. He often visited mosques around Jakarta and constructed a good image as a religious and caring person. Fauzi attracted the Betawi electorate overwhelmingly in his reelection in 2012; however, he was defeated by Joko Widodo. Joko's success is usually explained by his populist campaigns, but his team tried to dispel his secular outlook and approached *habib* and other religious leaders (Miichi 2013).

Islamization of Entertainment

Besides the commercialization of religious practices, Islamization (and religionization including other faiths) can be found among existing pop culture commodities. There have been Islamic pop music and film since Suharto's era. A pop group, Bimbo, which debuted in 1967, released an album titled *Qasidah* in the mid-1970s. *Qasidah* is a poetic genre of Arabic origin that can be found in many languages. Bimbo sang *qasidah*-inspired songs with modern melodies, which proved to be successful and became an iconic album. Moreover, *dangdut* superstar Rhoma Irama Islamized lyrics and made efforts to rise to a higher social position.³ However, it was in the late 1990s that a number of 'Islamic singers' emerged and events and programs such as 'Islamic music festivals' began. In fact, the popularity gained by Islamic pop music has become a global phenomenon. In Southeast Asia, Malaysian groups such as Raihan, which debuted in 1996, surpassed the *nasyid* vocalist groups that were initially booming. European Muslim vocalists, including hip-hop groups, have become increasingly popular. The peculiarity of Indonesia is that the Islamic music market is not separated from other genres. Popular rock singers often release Islamic songs and they are more popular than *nasyid* groups. The leading rock band, Gigi, released a religious album *Raihlah Kemengan (Pull Off a Victory)* in 2004, and is a very successful example. Islamic goods have not necessarily dominated but have become an inevitable part of pop culture in Indonesia.

The above observation of the Indonesian Islamic pop culture market can apply to an analysis of films, too, which are more analogous to the political market. We can observe how Islamization was processed and interpreted in order to meet the demand of urban Muslims through three blockbuster movies released after 1998. The first successful film was *Ada apadengan Cinta? (What Happened with Love?)*, which hit the screen in 2002. It was a typical high school love story, well captured in the bright and active atmosphere of the Post-Suharto era. None of the female students wear veils. Their religious and ethnic backgrounds have been completely eliminated from the screen. The movie illustrated one important aspect of the urban middle class in Indonesia, especially in Jakarta: they do not differentiate religious and ethnic backgrounds in social life. It was after the smash hit of *Ayat-ayat Cinta (Verses of Love)* in 2008 that the Islamic drama began in earnest. *Ayat-ayat Cinta* is a love story that takes place in Egypt where the hero of the film is studying. It emphasizes religious values and identities. Every woman who appeared in the film wore a head scarf, except for a Copt Christian, Maria, who later converted to Islam after she fell in love with the central Indonesian character, whom she married as a second wife. This film broke the box office record of *Ada apadengan Cinta?* and was even circulated to neighboring Singapore and Malaysia. These two films, one secular and one Islamic, became prototypes for the soap operas that are still popular today. RCTI, a leading TV station, for instance, makes both types of soap operas for the most popular viewing slots: currently the secular '*Cinta 7 Susun*' for 18:30 and the Islamic '*Tukang Bubur Naik Haji*' for 19:30. These two shows seem to be contradictory markets co-existing in Jakarta. President Susilo Bambang Yudhoyono, again, exploited the booming popularity of *Ayat-ayat cinta*. He revealed that he had cried three times during the film and he even held a screening to invite foreign diplomats. It is important to note that he does not solely promote his own religious image but

³ It is important to note that the origin and early history of *dangdut* is tightly connected to Islamic tradition in Indonesia. See Weintraub (2010).

appeals to two different markets. For example, his wife has since been actively involved in various social activities, but she never wears a veil.

The third successful movie *Laskar Pelangi* (*Rainbow Soldiers*), also released in 2008, further explains the co-existence of the secular and Islamic markets. The two markets are not exclusive and even seem to overlap. This film is not generally considered to be Islamic, but, in fact, it contains many Islamic elements, though not in a preachy sense.⁴ The story is about elementary school children on Belitung Island in the 1970s. They are very poor and the survival of the school itself is in danger. With efforts of a female teacher, however, they succeed. The school is Muhammadiyah School, the oldest Islamic school on the island. The principal proudly emphasizes its history and encourages students by quoting the story of the Nabi Nuh, or Noah's Ark. *Laskar Pelangi* was produced by Mizan, a well-known publishing company that primarily publishes books on Islam. According to my interview with Haidar Bagir, the founder of Mizan, he seeks the middle ground between Islamists and liberals. He criticized *Ayat-ayat cinta* as being 'cosmetic' and emphasized that focusing on social problems such as poverty is more important and probably more religious in a substantial way.⁵

Recent films and soap operas tend to treat the Islamic element as indispensable, but in a relatively subtle way. The successful TV drama 'Islam KTP' (2010–2011) on SCTV cynically showed how religious persons do not always act religiously for show. Even a very nationalistic trilogy *Merah Putih* (*Red and White*, 2009), *Darah Garuda* (*Blood of Eagles*, 2010), and *Hati Merdeka* (*Heart of Freedom*, 2011), which highlighted the Independence War with the Netherlands, and the international blockbusters *Merantau* (2009) and *The Raid* (2011) either start or end with a scene of praying and a quote from the holy Koran. The trilogy was sponsored by Hasyim Djojohadikusumo, a brother of Prabowo Subianto, who led the 'secular' nationalist Gerindra (Movement for Great Indonesia) Party.

Conclusion: The Islamic Market and the Political Market

Characteristics of the Islamic market in contemporary Indonesia certainly reflect the political market. As political parties and individual politicians seek popularity and votes, they watch and accommodate the Islamic market, which constitutes a majority of the electorate. Moreover, they produce religious goods and exploit religious sentiment in some cases. Religious bylaws issued by regent heads or mayors can be understood in this context. The ideological gap among political parties in contemporary Indonesia has shrunk and interparty competition has changed to centripetal (Mietzner 2008). Indeed, it is reported that the vast majority of the Islamic bylaws have been issued by regional heads who come from 'less Islamic' nationalist parties, Golkar, PKB (National Awakening Party), and even PDI-P (Indonesian Democratic Party for Struggle) (Bush 2008).

President Susilo Bambang Yudhoyono has cleverly exploited religious sentiment, particularly around his re-election in 2009. Moreover, Yudhoyono's Democrat Party's motto for the 2009 general election was *Nasionalis-Religius* (Religious Nationalist). He has been carefully cultivating his religious image. At the same time, Yudhoyono tries to promote positive, moderate, and democratic images of Islam inside and outside Indonesia. The casual and positive message of Islam in 'Laskar Pelangi' may lead to a deeper understanding of the background of Yudhoyono's re-election campaign. This strategy was also applied by Joko Widodo's campaign for the 2012 gubernatorial election in Jakarta competing with the 'religious' Fauzi.

⁴ My observation of *Laskar Pelangi* opposes the analysis of Heryanto (2011), which considers it as 'secular and artistically oriented' compared to *Ayat-ayat cinta*.

⁵ Interview with Haidar Bagir, 20 January 2011. See also Widjanarko (2011).

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Parallel Session B1: Green Economy and Business



UNIVERSITAS
MERCU BUANA

THE CHALLENGE OF SUKUK TRADING IN SECONDARY CAPITAL MARKET BASED ON SHARIA COMPLIANT

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Sukuk instrument and trading mechanisms, especially in the secondary market around the globe are somehow depart from the shariah law. It happens because some sukuk instrument is issued just follow conventional system for making easy to the potential investor. The trading mechanisms for example are basis usually are dominated by bai" al dayn concept, the concept that is against the Islamic law. Much of the motives to adopt this concept are to cater conventional investors demand for familiarity in trading mechanism with conventional bond.. The fact, a trading mechanism that fully complies with the shariah law would probably cause anxiety to conventional investors that comprise much of the investors profile in this contemporary financial environment. This is the challenge for Sukuk as one Islamic financial instrument in the word. With the literature study that we used in this research, the author try to proposes the new trading mechanism to minimize the trade-off between conventional and Muslim-devoted investors needs in their sukuk trading in exchange-based secondary market.

Keywords : Sukuk, trading, mechanism, Islamic, investors, financial , environment

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INTRODUCTION

With the strong growth of the Islamic banking industry in the world, not only in the Islamic country but also in the western country, make the Islamic capital market, or capital market that relevant with the sharia compliant became the critical and also important component in the Islamic financial system. One of investment instruments in Islamic capital market is sukuk. In accordance with sukuk thus it is necessary to see at first the meaning of sukuk. There is numerous significance of sukuk. However the significance shall see word derivation from sukuk itself. Word derivation of sukuk is *sakk*, or sometime *sakik* as well. Those words are customary to use international trade event taking places in various area governable by Moslem government in the past Midde Age. Various existing facts show that sukuk at hand is most used by various

Moslem societies in the Middle Age in forms of bond papers representing financing obligation that comes from trade and also variety of other commercial activities. Nonetheless, the most appropriate meaning of sukuk is investment certificate. This definition is not very different from the definition from AAOIFI that stated in May 2003. It stated that sukuk are —certificate of equal value represent the full ownership of tangible asset. In other word, the issuer of sukuk should have the tangible asset as an underlying asset for that instrument. There are also some characteristic from sukuk, such as :

- Sukuk is the instrument of Islamic capital market that can be traded. Sukuk can be traded in the stock exchange because of sukuk represent parties who have a clear asset. Also the investor can get benefit from these assets and can also be traded at market prices.

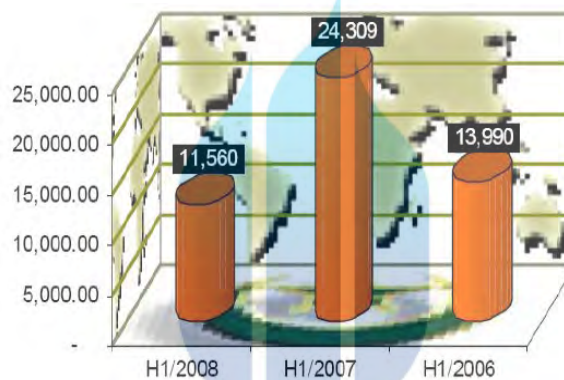
- Sukuk can be rated. As securities in the capital market, sukuk can be rated by international rating agencies such as Moody's and Standard & Poor's

- Sukuk can be added. In addition to the major assets and business activities, sukuk can be secured by other assets Islamic compliance

based on that definition, sukuk can be categorized as an Islamic financial instrument that are asset backed, tradable and also compatible with the trust certificates (Tariq,2004). The investor from sukuk will get the gain advantages as portion inseparable from asset taking foundation of that sukuk. As consequence and effect of that significance, advantages obtained by investor of sukuk shall be divided and distributed to co-investors of the sukuk. In some recent periods of times sukuk has achieved its popularity as one of alternatives of financing instrument instead of conventional bond. In some countries, there knows that sukuk has been important instrument of state budget financing. Recently, some countries have become regular issuers from sukuk instrument for instance Malaysia, Bahrain, Brunei Darussalam, Uni Emirat Arab, Qatar, Pakistan dan States of Saxony Anhalt – Germany. In Europe, the state of Saxony Anhalt is the pioneer state that issued sukuk in Europe and it can raised 100 milliion Euro. The Publication of sovereign sukuk is commonly designated to necessities of state financing in general or is aimed at financing particular projects, such as dam building, electical generation unit, harbor, airport, hospital, and toll road. Besides sukuk in addition can be utilized for financing needs (cash-mismatch), namely by using sukuk with short period of time (*Islamic Treasury Bills*) and also can be used as cash market instrument. During just periods of 2004-2007, sukuk issuance globally has increased significantly from USD 7,2 billions in 2004 to USD 39 billions in the end of 2007 (*Jobs et al, 2008*). In light of trend of 2004-2007 Jobs et al (2008) estimated a number of sukuk globally in circulation will achieve over USD 200 billions in the end 2010. According to

projection done by S&P, in next five years, world market of sukuk can penetrate at level of USD 100 billions. The latter depends on credit market stability condition. Meanwhile, Moody party estimated that market of sukuk will increase to 35% per year. In 2010, global market of sukuk would be expected to penetrate up to USD 200 billions, mainly sustained by countries in Gulf area joining GCC, England, Japan, and Thailand (MIFC, 2009). This very bulky volume potency definitely is necessary to be balanced with secondary market availability of sukuk intact for facilitating investor's needs. The below graph shows world development of sukuk:

TOTAL PUBLICATION OF SUKUK (USD MILLIONS)
COMPARISON OF SEMESTER I 2006, 2007, 2008
(A POSSIBLE IMPACT OF SUB-PRIME CRISIS)



Source : Beard, Charles. –Sukuk in H1-2008 – Key Trends and Market Highlights”, Sukuk Research, IFIS, in Ali (2008)

Secondary market in capital market will much assist investors in need of liquidity in order to be capable to sell bond letters or bond papers that they belongs to. Likewise with investor of sukuk can do presentation of sukuk in secondary market in the end will increase observation of the would-be buyers of sukuk. As with the otherwise, secondary market in addition helps investors having excess of liquidity to afford to buy sukuk in way of exposing their interests on observation of the would-be buyers of sukuk. In this regard, secondary market helps provide liquidity for sukuk and afterward will attract more investor due to facilities for investors to enter market or leave from market. Therefore, higher market activities of sukuk in secondary market will finally increase as well the issuance of sukuk volume.

Based on the previous research that has been done by Tariq, AA (2004) that stated about the accordance and also tradability in financial instrument, there are two types of Islamic financial instrument, there are tradable and also non tradable in the secondary market. For the Islamic financial instrument that classify as tradable, it should be :

- a. Based on mudharabah certificates : The certificates that show the permanent ownership in a company without control and also management rights
- b. Based on musharakah certificates : the certificates that show permanent ownership in the company that follow with control and also management rights
- c. Redeemable musharakah certificates : The certificates with temporary ownership in the company with or without the management rights
- d. Fixed rate ijara certificates : the ownership of durable assets that given or rent and also or the ownership of usufructs durable assets. Rent is fixed for the period of the contract.
- e. Floating rate of the ijara certificates: The ownership of the durable assets that given or rent or the ownership of usufructs of durable assets

Based on the AAOIFI, the sharia compliant ruling that related to the trading of sukuk are usually influenced by the sukuk assets. The most important rules and also principles of the sharia that considered in the sukuk trade are included :

-It is permissible for an issuer to undertake that the investor will buy some sukuk at the market value after completing the deal, or at a price to be determined at the time of purchase.

-It is permissible to trade in securities of ownership of usufructs of tangible assets, subject to forward lease, prior to contract for sub-leasing assets.

-It is not permissible to trade in certificates of ownerships of usufruct of assets before the assets from which the usufructs is to be made available is defined, except by observing the rules for disposal of receivables.

-The certificates may be traded through any known means that do not contravene the rules of the shariah such as registration, electronic means, or actual transmission by the bearer to the purchaser.

- It is not permissible to trade in certificates of ownership of usufructs of a described asset before the asset from which usufructs is to be made available is defined, except by observing the rules of disposal of receivables.

-It is not permissible to trade in murabahah certificates after delivery of murabahah commodity to the buyer (Thomas,et,al. 2009)

Unfortunately the trade practices of sukuk currently in exchange of secondary market almost around the world have a problem in their trade mechanism. This trade mechanism of sukuk looks to deviate from the sharia compliant . Adoption to *bai" al dayn* concept, and instead of *hawalah* concept in trade mechanism of sukuk has taken causes of this deviation; where the latter is motivated by request to serve demands from conventional investors toward familiarity of trade mechanism with conventional bond. Although the latter can either impede

Moslem investor compliant to trade their sukuk due to disobedience with sharia compliant law . On other hand, a trade mechanism fully compliant to Islamic law is likely to cause worry for conventional investors who are most of investor profile in modern finance environment. A new trade mechanism is needed for these both investor profile, namely conventional investor and moslem investor in compliance, to afford to trade their sukuk in exchange of secondary market. The objective of this paper is to give the opportunity and also the new idea about the best mechanism trade for sukuk as an Islamic capital market instrument. Through this new trade mechanism it can afford to huddle up both investor profile, hopefully can help achieve objective of an exchange of secondary market namely by providing liquidity more appropriate and increasing volume of sukuk.

RESEARCH METHODOLOGY

The research in this study is categorized as an applied research and also was done based on the literature study. It can be happened based on the condition there are few research about sukuk as an Islamic financial instrument that can be traded in the secondary market. It means that this research is an innovation. According to the viewpoints of several Islamic finance scientist, an instrument of Islamic investment can be traded in secondary market, so far that instrument fulfills three rules of sharia (Ayub, 2007). Firstly, instrument representing ownership of real physical asset or rights of its utilization (*usufruct*) can be traded at market price. Secondly, instruments representing ownership of debt and cash (money) can be traded yet bound to concepts *hawalah* and *bai" al sarf*. And thirdly, instruments represents the ownership of collection of instruments with different classes is bound to rule of dominant instrument class. Based on these three rules, thus sukuk can truly be traded in secondary market. However, attention in particular is necessary to give in translation of concept *hawalah*. There is significant difference between concept *hawalah* (debt transfer) and *bai" al dayn* (debt sale). In case of purchase and sale of debenture in secondary market follows concept *hawalah*, justified in the syariah, buyer party of debenture holds rights of *recourse* to seller party of debenture in condition the issuer party of debenture does not pay his or her debt by any cause as well. On the other hand, in an equal case it follows concept *bai" al dayn*, not justified in the syariah, buyer or purchaser party of debenture does not hold rights of *recourse* to seller party of debenture.

Although sukuk can be traded, however up to present the sukuk trade in exchange of secondary market global is very minimal, mainly in states of GCC (Gulf Cooperation Council). Based on Wilson (2007) it states that in Europe there are no sukuk that trade in the secondary market. The latter is most probably due to demand is still a bit over in comparison to its supply and most of investors in those states (GCC) in general withhold up to expiry time (Abbas, 2005).

At global level, sukuk listed in exchange only contained 14,3% from the whole values of sukuk revolving in periods of time 2001-2007 (Papazian, 2007). Based on similar source, suku that listed in the Indonesian Stock Exchange are led in terms of record quantity (15,3% from a number of sukuk listed in exchange globally), followed by exchange of UEA (14,2%). As a matter of fact, exchange of Indonesian Stock Exchanges leads in term of record quantity of sukuk and it is a bit interesting, apart from Indonesian presence in market of sukuk still relatively new based on the condition that Indonesia implement dual capital market system almost 10 years and it started from 2003. And it only takes small fraction in whole values of sukuk revolving globally. While UEA themselves have been actively consolidating trade of its secondary market in Dubai International Financial Exchange (DIFX), so that making country to have market value of sukuk to be listed highest in the world (Jobst *et al*, 2008). On other hand, Malaysia as leader in issuance of sukuk globally with contribution of 65,7% upon market share in 2005, seemed to necessarily develop again exchange of secondary market for its sukuk. Although recently secondary market of Malaysian sukuk can be assumed to be most liquid, yet most traded in market of OTC (*over-the-counter*) is not exchange. One of characteristics on trade in market of OTC is usually marked with a bit great margin for broker. Therefore this regard grants reluctance for brokers to develop exchange based- market transparency and liquid since it can lessen their margin through available competition (Marek, 2007). Besides, once an investor getting involved in trade in market of OTC thus he or she is supposed to conduct again the trade in future, most possibly she or he will choose to return to same broker due to reason of ease of documentation, this is again a luck for the pertinent broker. All those things probably can explain slow growth in secondary exchange based-market of sukuk. But then, in logics, lesser margin that the broker obtains due to the emergence of exchange based-secondary market transparency can be compensated by growth of business volume and trade opportunities.

VALUATION MODEL OF TODAY'S SUKUK

Most recent development of sukuk trade in secondary market has reaped some criticisms due to variety of comprehension on sharia compliant rules. For instance in Malaysia, in its domination of the sukuk-issuing value globally, most of sukuk issued is based on concept *bai' al inah* and *tabarru'*; while its trade in secondary market is based on concept *bai' al dayn* (Ayub, 2007). These three concepts principally are in opposition to sharia compliant. If we want to see again the prohibition in the Islamic contract finance, there are several, and include *riba* or usury, that defined as the increase in a loan transaction or also the concept exchange of commodity. Beside that there are also concept of *gharar* and *maisir* that defined as an element of deception either through ignorance of the essential element of the goods, price and also faulty description of the

object of trade, and maisir concept, the activity that are very close to the speculation. And finally *bai al inah* concept. Concept *bai al inah* is almost equal to transaction *repo* in terminology of conventional finance, namely double sale where there are sales and re-sale of an instrument between buyer party and seller party by themselves in which its final outcome will be equal to loan with interest. Many Islamic scholars had defined that *bai al inah* is the way to get the legal excuse from the *riba* concept. As we know that in this concept, it involves the sale and buy back assets by the seller. The asset is sold in the cash basis, but on the other hand, it buys with the deferred payment with the price is higher than before. While *tabarru'* is promising return with certainty or particularity toward sukuk investor, apart from cash flow of project turned to be underlying on that sukuk. Practice *abarru'* includes regular distribution to sukuk holder and it guarantees return of its capital. Some syariah experts from Malaysia argue that purchase and sale of debenture in secondary market are justified based on rules from Syafii belief that it can be sold and purchased on its nominal value (Ayub, 2007). Other criticism refers to practices anchoring outcome return of sukuk to LIBOR (London Interbank Offered Rate) or other equivalent local interest rates. Although some parties argue that the later can be used in pricing (price calculation), however payment of outcome return of sukuk related to conventional interest rate can be assumed usury or *riba* (Usmani, 2002).

All recent development regarding this sukuk is probably based on problems that the financial institution face to arouse sukuk as a thing identical with conventional bond, since it will alleviate in term of risk assessment by investor. Investor will feel more self-conviction to invest on bond letters holding structures not alien for them rather than bond letter with foreign structures and also with term probably assumed to be new. Therefore, innovation toward sukuk is more in side of law in order to abide sharia compliant law however there is no yet innovation financially (Wilson 2008). The latter can be observed on the market price making of sukuk in secondary market. If there is no new innovation financially on sukuk, then market price of sukuk will be equally sensitive like conventional bond on variable of market interest rate. Based on conventional bond valuation, it states that bond price will be higher than its nominal value when interest rate of market corresponding with it is lower than coupon rate and reversely bond price will be lower than its nominal value when interest rate of market corresponding with it is higher than its coupon rate; or expressed through the following equation (Brigham et al., 1999):

$$V = \sum_{t=1}^n \frac{C}{(1+Y)^t} + \frac{P}{(1+Y)^n} \dots\dots\dots (1)$$

where: V is market value of bond,
 C is coupon payment in periodics,

P is standard payment in due,
 Y is interest rate of market in proportion, and
 n is a number of period of coupon payment.

That valuation will determine decision of investor to conduct purchase of sukuk or not. If valuation process of sukuk follows valuation model of conventional bond then process of making sukuk price in secondary market seems that it is not fully subject to sharia compliant law. The latter is due to the valuation model of conventional bond does not count interest effect of compound on cash (money) not justified in the syariah. In the syariah, cash must be used as parameter unit and not as an asset affording to produce income by itself and also not as asset traded. Thus, when investor calculates sukuk price by using valuation model of conventional bond thus this has breached the prohibition of *riba* or usury.

In response of this, Papazian (2007) proposed a valuation model equal with equation (1), but he argued that outcome return used is supposed to reflect outcome return on productive activities or real outcome return, and not on interest rate of market. The latter is expressed as follows:

$$V = \sum_{t=1}^n \frac{C}{(1+Y_r)^t} + \frac{P}{(1+Y_r)^n} \dots \dots \dots (2)$$

dimana: V is market value of bond,
 C is coupon payment in periodics,
 P is standar payment in due,
 Y_r is real outcome return, and
 n is number of period of coupon payment.

According to Papazian (2007), real outcome return is different with interest rate used in valuation model of conventional bond, where interest rate only reflects compensation on capital and time. Real outcome return is outcome return yielded by an investment calculating not only capital and time. Specifically, real outcome return reflects compensation on capital and resource rather than time. In this regard, a comparator (*benchmark*) on real outcome return is needed to replace interest rate of market as used in equation (1). Idea of establishing comparator on real outcome return in fact will be supported by a number of syariah expert to replace LIBOR or interest reate of comparator recently mostly used all around the world in calculation of outcome

return for instrument of sharia finance.

Yet, a valuation model of sukuk firmly following the sharia compliant law is a model usually yielding market price of sukuk on value of nominal value (*pari passu*) all the time. In this regard, anticipation of coupon allotment in the future will not be reckoned in determining market value of sukuk, therefore there is no effect for the cash (money). In fact, valuation like these such things taking places in sukuk trade in Arab Saudi (Marek, 2007). Nevertheless, some parties probably think that valuation model tightly like this is hard to apply since not calculating default risk and opportunity cost upon sukuk by itself. Default risk is a risk where instrument issuer of default risk pays back his or her capital. In comprehension of traditional investor, a purchaser or buyer will bargain at discount price when he or she has perception that sukuk issuer holds probability of default risk or when outcome return of comparator is higher than outcome return of sukuk. Reverse, a seller will ask for premium price when outcome return of comparator is lower than outcome return of sukuk. All the things entirely follow a process of equation (1). But then, sukuk trade getting discount and premium like these involved will be against with sharia compliant law when sukuk is traded to follow rule of hawalah (debt transfer).

Recently, probably some investors will be reluctant to trade their sukuk due to perception that trade mechanism of sukuk today does not follow terms of syariah, as in effect they will be more likely to choose to hold their sukuk in due rather than to get involved in activities incompliant to the syariah. On the other hand, some investors will also probably be reluctant to trade their sukuk in case sukuk is valued on the real face value compliant to the sharia compliant law, in recollection of this regard thus it does not reckon default risk and opportunity cost. But based on the fact that sukuk right now is one of the important Islamic financial instrument and also there are high global demand from all sector investors for Islamic capital market products make the recent challenge to introduce trade mechanism of sukuk that is new and capable to be compliant to syariah law but it also can accommodate valuation process as in conventional bond. The development of secondary market trading is viewed essential in the inject liquidity. It seems that this sort of trade mechanism will attract traditional investors since they sufficiently know well the valuation process and will attract investors very paying attention on rules of sharia compliant law since they gain assurance that trade done is to fulfill Islamic finance rule. Finally, in case it happens then it will afford to encourage liquidity and volume of sukuk, thus it propels sukuk as an alternatively instrument for conventional bond.

ALTERNATIVE OF TRADE MECHANISM

In the trade mechanism for sukuk, the most important thing is sukuk is an instrument that

have asset backed (Wilson, 2007). When sukuk trade, investor of sukuk will buy and sell the rights to the underlying asset which is permissible under the Islamic law if we compare with the debt instrument that cannot be traded under Islamic finance scholar. In accordance with syariah stipulation, sukuk can be traded at secondary market on market value recently so far following rules of *hawalah*. But current problems are many sukuk traded in secondary market in compliance to concept *bai' al dayn* and not in compliance to *hawalah*. Most of traditional investors probably will be ready to receive concept *hawalah*, since in concept *hawalah*, seller of sukuk is still bound in contingency obligation with buyer of sukuk although they have sold sukuk to the buyer. Consequently, a new trade mechanism is needed to encourage the traditional investor to voluntarily trade sukuk under concept *hawalah*.

One of ways of stimulating traditional investors to receive concept *hawalah* is by acquaint the third party or agent in function to receive contingency obligation from sukuk seller while they sell their sukuk to the buyer. This agent principally acts as party who will assist sukuk buyer when buyer of sukuk fails to comply their duty. Its mechanism is as follows: when seller sells sukuk to the buyer at market price, discount price or premium to the value of pari, seller transfers contingency obligation of his or her *hawalah* to an agent, just say that agent of *hawalah*, with such a fee or return that will be incurred to seller can be efficient. In this regard the rating agent is a good candidate to act as agent of *hawalah*.

This mechanism provides comfortable situation to the traditional investor, in recollection that sukuk can be traded at market value, either at discount price or at premium toward its value of par. This mechanism can either stimulate investors who highly pay attention on sharia stipulation in order to trade their sukuk since this trade mechanism has been subject to stipulation in sharia compliant law.

CONCLUSION

Sukuk trade mechanism in secondary market places is different in every countries. However, most of them are traded in adherence to concept *bai' al dayn*, in which the latter does not follow Sharia rule. Adoption on this concept is most probably to fulfill needs of traditional investors in order to have ease in conduct of valuation on their financial products. On other side, adoption of this concept causes investors much paying attention on syariah stipulation will limit their demand to trade their sukuk since not following the syariah rule. Such a trade mechanism of sukuk recently offered by introducing an agent of *hawalah*. The role of *hawalah* agent is to take over contingency obligation from sukuk seller under concept *hawalah*. Through this regulation, sukuk buyer will refer to agent of *hawalah*, and not the seller of sukuk, if issuer of sukuk fails to fulfill his or her duties.

Therefore, traditional investors can trade their sukuk at market value, namely discount price or premium toward its par value, as with their hope and investors who highly abide syariah stipulation can trade their sukuk without worry on trade mechanism against the sharia law. In the end, all these things can encourage more and more investor to trade their sukuk at secondary market and secondary market as well as to add liquidity and volume of sukuk.

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THE EFFECTS OF FINANCIAL PERFORMANCE TO CORPORATE SUKUK RATINGS IN INDONESIA

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Abstract

This study aims to estimate the influence of financial performance is proxied by total assets, debt equity ratio, coverage ratio, return on assets and return on equity to the ranks of corporate sukuk in Indonesia during the 2007-2009 period. This study uses multinomial logistic regression models because there are three categories of sukuk ratings, namely: AA, A, and BBB for 33 sample firms issuing sukuk in the Indonesia. The results of empirical studies have found that the variable total assets and ROA as an indicator of financial performance affects corporate sukuk ranking significantly. In order to achieve sustainable financial performance in order to improve the ranking of the sukuk, the study recommended the company to increase its total assets ROA profitability and improve performance.

Keywords: *sukuk rating Indonesia, multinomial logistic method.*

INTRODUCTION

Rating bond holds an important role for financial market participants, especially for lenders (investors) and the firms receiving the loans (issuers), for the fact that bond is an investment product which can not only provide benefits but also cause potential loss (risk) on the investment itself. Bond ratings are the risk scale of all bonds traded on financial markets. Bond rating is important because these rankings give informative statements signaling both debt failure probabilities and corporate risks. In other words, bond ratings are statements about the state of the debtor and likely to be made in connection with the debt held, so it can be said that the ratings are measures of default risks, namely the probability for the issuers or borrower to experience the conditions of unable to meet the financial obligations (Foster, 1986).

For investors, bond rating provides information on the capacity and capability to fulfill his pledge to pay interests or coupons on a regular basis and return the whole principal at its maturity. If there is information that a company will be in repayment default, the ratings of these companies will drop coupled with the drop of the bond prices. Therefore, the rating of the bonds to investors demonstrates both the potential risks involved and the possible expected results. For companies, bond ratings reflect how well the company performs.

An Islamic bond known as sukuk is still relatively new as an investment instrument in Indonesian financial market. Islamic bonds actually have common characteristics with

conventional bonds. The most fundamental difference is that Islamic bonds do not use a coupon with a fixed interest rate and *sukuk* issuers will not be in a business which is prohibited by Islam, such as conventional banks, conventional insurance and other conventional financial institutions.

As in conventional bonds, an investor intending to invest in *sukuk* must also consider the ranking of the *sukuk*. *Sukuk* rating was also carried out by an institution or a bond rating agencies. The institution conducts its recent analysis of the *sukuk* performance on the basis of relatively independent assumptions. Each newly issued financial statements or the emergence of important happening concerning to the company that materially affects the ability to pay its debt obligations, it will change the position of *sukuk* ranking results, and vice versa. *Sukuk* that has high ratings will be marked by financial fundamentals and strong business, as well as having a good image in public. Therefore, it can be said that the *sukuk* ratings greatly influenced by the financial performance of the companies issuing the *sukuk*.

This study is aimed to estimate the effect of financial performance proxied with total assets, debt equity ratio, coverage ratio, return on assets, and return on equity to the rank of corporate *sukuk* in Indonesia during the period of 2007-2009.

LITERATURE REVIEW

Sukuk rating is strongly influenced by the financial performance of the *sukuk* issuers. Several studies have been conducted to examine the effect of financial ratios, such as total assets, debt equity ratio, coverage ratio, return on assets, and return on equity resulting from the balance sheet, cash flow and income statement among other things are: Horrigan (1996), Pinches and Mingo (1973, 1975), Kaplan and Urwitz (1979), Chan and Jagadeesh (2003), Bealkaoui (1980), Touray (2004), Nurhasanah (2003), Kesumawati (2003), and Maylia (2004).

Early research on bond ratings was done by Horrigan (1966) who conducted the study on the bond rating prediction in the United States. By using the five financial variables, namely: total assets, working capital / sales, sales / net worth, operating profits / sales, and the net / debt, the research results can predict correctly 58% and 54% of the new rankings and Moody rating changes and also 52% and 57% of new bond rating and bond rating changes of the S & P in the period of 1959-1964.

Bealkaoui Studies (1980) analyzed the rating of bonds using Model Discriminant Analysis (MDA) by identifying the characteristics of three key variables, namely; the company issuing, debt instruments issued and market variables representing the views of the company. He raised eight variables, namely: total assets, total debt, long-term leverage,

short-term leverage, interest coverage, liquidity ratio / current ratio, total leverage, and contract bonds / bond indenture. This model correctly predicted 62.5% to 65% of the 275 new bond rating and bond rating holdout S & P in 1978.

Touray (2004) continued the study of Bealkaoui (1980) by using the eight variables of Bealkaoui (1980) but in addition to the use of MDA model, it was also compared to the use of Multinomial Logit Model. The result shows that Logit Multinomial is better than the MDA with 75% correct predictions on a new ranking of the Malaysian Rating Agency, using the 56 ratings of bonds issued in Malaysia during the period of 1992-2003. Unfortunately, this model cannot be used to predict the holdout sample in a period of crisis in Malaysia.

Astuti (2003) examined the effect of the financial statements to the debt ratings. This study used the variables of return on investment, leverage ratios, profitability ratios and operating profits estimated to affect the bond rating. This study provides evidence that the return on investment significantly influences debt ratings, while the three other variables did not significantly affect the debt ratings.

Andry (2005) examined whether the accounting factors (Growth and Size) and non-accounting factors (Sinking Fund, Secure, Maturity and Auditor Reputation) affect the bond rating prediction. This study provides evidence that Growth affects rating bond predictions, while Size does not have any influence to it. In the variables of non-accounting factors, it was found out that Sinking Fund, Maturity and Opinion given by the big four affect bond rating predictions, meanwhile Secure has no effect on the rating predictions.

Zuhrotun and Baridwan (2005) examined the effect of the rating announcement toward the bond performances. This study aimed to examine whether there are differences in performance before and after the announcement of bond ratings, and whether there are differences in the performance affected by the rating announcement toward the bond performance of large and small companies. The bond performance differences showed investors' responses to the bond rating announcement. The results of this study are consistent with previous studies that the bad news get more responses from the investors (Hand et al., 1992; Lianto and Matolcsy, 1995; Liu et al., 1999). The downgrade is bad news for bond investors, as it indicates the increasing credit risk due to declining creditworthiness of the corporate bond issuers.

Arundina, Tika and Omar, Dato 'Mohd, Azmin (2009) conducted a study on the influence of the financial performance to *sukuk* ratings in Malaysia using M-Logit model. The results of their study shows that out of the six independent variables (total assets, long-term leverage, interest coverage, ROA, beta and insurance status) only three variables (total assets, beta and

insurance status) are known to have a significant association with the *sukuk* ratings. The combination of the above variables are also known to be better than all other combinations in terms of the classification level, the significance level of the model as well as the significance of each variable

METHODS

Data Sample and Data Sources

In this research, the samples used were all outstanding *sukuk* during the period of 2007-2009. The pool data observation period was held from January 1, 2007 to December 31, 2009. The listing *sukuk* data from 2007-2009 were obtained from the webmaster of Indonesia Stock Exchange, and the ranking data obtained from the PT. PEFINDO, an independent bond ranking agency in Indonesia. Sampling was performed with purposive sampling method, using specific criteria for sample choosing. The criteria are:

1. *Sukuk* issued by companies listed on the Jakarta Islamic Index of the Indonesian Stock Exchange and they are still outstanding during the observation years of 2007-2009.
2. *Sukuk* issued by company registered in the bond ratings issued by PT. PEFINDO during the observation period.
3. Having a full financial report available for the public.

Operationalization of Research Variables

There are two types of variables used in this study, the dependent and independent variables. Rating variables used as dependent variables were grouped into three categories: AA, A and BBB. In this case, 1 will stand for *sukuk* AA category, 2 for *sukuk* with category A, 3 for *sukuk* with BBB category. The independent variables used in this study, are:

- a. Total assets (LTA). Total assets are calculated from the sum of current assets and fixed assets of the company.
- b. Debt Equity Ratio (DER). DER ratio is a comparison between the funds from creditors (total debt) owned by the company and funds from the owner (total capital) owned. The larger DER indicates that the capital structure of the business uses relatively more debt than equity.
- c. Coverage Ratio (CR). Interest coverage ratio, which is also called as the "times interest earned" ratio, is a direct measure of the repayment ability of long-term debt calculated from the income statement.

- d. Return on Assets (ROA). ROA is calculated by dividing the profit value with the value of corporate assets.
- e. Return on Equity (ROE). ROE is calculated by dividing the profit value with the equity total value of the company.

Multinomial Logistic Regression Model (M-Logit)

This study uses Multinomial Logistic Regression Model (M-Logit) which is also called Polychotomous Logistic Regression Model. Multinomial Logit Regression Model is one of the most common methods used to analyze the data when the response is a qualitative variable.

If the dependent variable is regular or irregular, and if the problem includes more than two categories, the extended version of the binary logit model (called Polychotomous or Multinomial regression models) can still be applied to the problem. Strategy multinomial logit usually allow one category to assume a certain value. This category is then used as the reference category for all other categories. This method is also called as the base-line category type. M-Logit coefficients in the base-line logit model for the three bond rating categories (AA, A, BBB) can be written in the general form:

$$\text{Log} \frac{p(\text{group}j)}{p(\text{group}uJ)} = \alpha_{i0} + \beta_{i1} X_1 + \beta_{i2} X_2 + \dots + \beta_{in} X_n \quad (1)$$

Where category J with a capital J in the denominator refers to base-line category, the category with small j in the numerator refers to the other categories.

α_{i0} = constant term

β = respective coefficient on the predictor X

$X_1 - X_n$ = predictor variable (independent)

In this case, this is translated into the following equation:

$$\text{Log} \frac{p(AA)}{p(BBB)} = \alpha_{i0} + \beta_{i1} X_1 + \beta_{i2} X_2 + \beta_{i3} X_3 + \beta_{i4} X_4 + \beta_{i5} X_5 \quad (2)$$

$$\text{Log} \frac{p(A)}{p(BBB)} = \alpha_{i0} + \beta_{i1} X_1 + \beta_{i2} X_2 + \beta_{i3} X_3 + \beta_{i4} X_4 + \beta_{i5} X_5 \quad (3)$$

The general form of the M-Logit Regression models shown in the equation above, will be written in the special equation forms of M-Logit Regression models which will be estimated, namely:

$$\text{Log} \frac{p(AA)}{p(BBB)} = \alpha_{i0} + \beta_{i1} LTA + \beta_{i2} DER + \beta_{i3} CR + \beta_{i4} ROA + \beta_{i5} ROE \quad (4)$$

$$\text{Log} \frac{p(A)}{p(BBB)} = \alpha_{i0} + \beta_{i1} LTA + \beta_{i2} DER + \beta_{i3} CR + \beta_{i4} ROA + \beta_{i5} ROE \quad (5)$$

Description :

$\text{Log} \frac{p(AA)}{p(BBB)}$ = Fungsi Logit untuk AA = 1 terhadap Fungsi Logit untuk BBB = 3

$\text{Log} \frac{p(A)}{p(BBB)}$ = Fungsi Logit untuk A = 2 terhadap Fungsi Logit untuk BBB = 3

α_{i0} = Intercept

LTA = Log Total Assets

DER = Debt Equity Ratio

CR = Coverage Ratio

ROA = Return on Assets

ROE = Return On Equity

RESULTS AND DISCUSSION

Analysis of Research Findings

Data Testing Method

Test results on the classical assumption test in this study are as follows:

Table 1

Classical Test Assumptions

Uji Asumsi	Nama Uji	P-Value
Normality	Kolmogorov Smirnov Test	0.229
multicollinearity	Pearson Correlation Test	< 0.80

Normality Test

Normality test aims to examine if the regression model, the independent and dependent variables have normal distributions or not. Good regression models should have data normal or close to normal distributions. To find out data normality can be done by looking at the histogram or normal probability plot. The requirements for normality can be met if the residuals come from a normal distribution and the data value distributions of the will take place around a straight line (Santoso, 2003).

The normality test for this study was done using the One Sample Kolmogorov Smirnov Test. The results of the data normality test showed a significant value or P-value is > 0.05 , equal to 0.229. It is proven that the data were normally distributed.

Multicollinearity Test

Basically multicollinearity is the existence of a perfect (near perfect) linear relationship between some or all of the independent variables (Kuncoro, 2004). Colinearity test aims to test if there is a correlation between an independent variable and the others in the model. In this study the Pearson Correlation Test was used for that purpose. Colinearity occurs when the correlation value between the variables is higher than 0.8 (Gujarati, 2003). Based on the Pearson Correlation Test it was found that there was no significant correlation between those variables.

Hypothesis Testing

Rating Class Distribution

Multinomial Logistic (M-Logit) Regression Model was used in this study. It is also called as Polychotomous Logistic Regression Model. The study was performed using a sample (synthesized current rating sample) to build the model, predict an original case, and examine the significance of the variable. The following table shows the distribution of sukuk rating grade used in this study.

Table 2
Case Processing Summary

		N	Marginal Percentage
Y	AA	6	18.2%
	A	23	69.7%
	BBB	4	12.1%
Valid		33	100.0%
Missing		0	
Total		33	

Multinomial Logit Model

The results of the parameter estimation in Table 3 below are shown as follows:

Equation 1 predicts logit (AA / BBB), AA is compared to BBB

$$= (-116,920) + (3,856) * LTA + (86 857) * ROA$$

Equation 2 predicts logit (A / BBB), A is in comparison to BBB

$$= (-61,893) + (2,172) * LTA + (29 860) * ROA$$

Based on the partially test results (Wald), the chance of *sukuk* to get AA or A rating in comparison to a chance to get BBB rating is positively associated with the total assets and the return on assets. Both variables are significant in determining the ranking of *sukuk*.

Table 3

Parameter Estimates

Y ^a	B	Std. Error	Wald	df	Sig.	Exp(B)	95% Confidence Interval for Exp(B)	
							Lower Bound	Upper Bound
AA Intercept	-116.920	37.115	9.924	1	.002			
LTA	3.855	1.227	9.870	1	.002	47.212	4.263	522.912
ROA	86.857	34.686	6.270	1	.012	5E+037	157191778.7	1.764E+067
A Intercept	-61.893	29.264	4.473	1	.034			
LTA	2.172	1.000	4.717	1	.030	8.775	1.236	62.294
ROA	29.860	21.595	1.912	1	.167	9E+012	3.86E-006	2.237E+031

a. The reference category is: BBB

Source: Calculated using SPSS 15.0

Overall Fit Testing

Table 4

Model Fitting Information

Model	Model Fitting Criteria			Likelihood Ratio Tests		
	AIC	BIC	-2 Log Likelihood	Chi-Square	df	Sig.
Intercept Only	57.945	60.938	53.945			
Final	40.369	49.348	28.369	25.576	4	.000

To test the general suitability of the model, we use the information of the model suitability as measured by -2Log Likelihood to find out if the independent variables are included into the model, the results will be better than the model including intercept only. As shown in the table, the value of -2LogLikelihood with an intercept only is 53 945. Meanwhile, by putting the independent variables into the model, the value of -2Log Likelihood comes down to 28,369, or there is a decline of 25 576 on the Chi-square and it is significant at $p = 0.000$. So a model with independent variables provides better accuracy for predicting the *sukuk* ratings.

Significance Testing for Each coefficient

Likelihood Ratio Test shown in the above table presents the test results on the effects of the independent variables in the final model. 2-log-likelihood is significant in 0000 ($p < 0.05$) for total assets, and 0006 ($p < 0.05$) for ROA. It means that if it is seen from the contribution of each independent variable to the model, total assets and ROA are significant and they contribute to the model. Norusis (1999) states that the Likelihood Test method does not only examine the overall significance for the model, but it is also the most accurate and reliable test to determine the impact of each independent variable in the model.

Table 5

Likelihood Ratio Tests

Tabel 5

Likelihood Ratio Tests

Effect	Model Fitting Criteria			Likelihood Ratio Tests		
	AIC of Reduced Model	BIC of Reduced Model	-2 Log Likelihood of Reduced Model	Chi-Square	df	Sig.
Intercept	60.980	66.966	52.980	24.611	2	.00
LTA	60.672	66.658	52.672	24.303	2	.000
ROA	46.461	52.447	38.461	10.092	2	.006

Goodness of Fit test

Tabel 6

Goodness-of-Fit

	Chi-Square	Df	Sig.
Pearson		60	.167
Deviance	28.369	60	1.000

Goodness-of-Fit Test examines the null hypothesis that the empirical data fits the model (no difference between the model and the data so that the model can be said as fit). If the value of Goodness-of-Fit test statistic is equal to or less than 0.05, the null hypothesis is rejected, it means that there is a significant difference between the model and observation value, so that the Goodness fit model is not good because the model cannot predict the observationvalue. If the value of Goodness-of-Fit is greater than 0.05, the null hypothesis cannot be rejected and it means thatthe model is able to predict the observation value or the model may be acceptable because it fits the observationdata. SPSS output display shows the probability of Pearson (0167) and Deviance (1,000) more than $\alpha = 0.05$, it means that the model can be accepted and be able to predict the value of the observation due fitting the observationdata.

Pseudo R-Square test

Table 7
Pseudo R-Square

Snell	.539
ake	.670
en	.474

Cox and Snell's R-Square is a measurement that seeks to imitate R² measurement in multiple regression based on the likelihood estimation technique with a maximum value of less than 1 (one) so it is difficult to interpret. Nagelkerke's R-Square is a modification of the Cox and Snell coefficient to ensure that its value varies from 0 (zero) to 1 (one). This is done by dividing the value of Cox and Snell's R-Square with its maximum value.

Value of Nagelkerke's R-Square can be interpreted as the value of R² in multiple regression. viewed from the SPSS output, the value of Cox and Snell's R-Square is 0539 and Nagelkerke R-square value is 0670, which means that the variability of the dependent variable can be explained by the variability of the independent variable by 67%, and the rest is explained by variables outside the model.

Results Classification Model M-Logit

Table 8
Classification

Observed	Predicted			Percent Correct
	AA	A	BBB	
AA	3	3	0	50.0%
A	1	22	0	95.7%
BBB	0	1	3	75.0%
Overall Percentage	12.1%	78.8%	9.1%	84.8%

Table 8 presents the results of the prediction of the M-Logit coefficient estimation in the previous section. The columns in table 8 are the predictive values and the rows in the table are the actual values. The result shows that 84.8% (28/33) of all valid cases are correctly classified into the previous ranking class. The most appropriate level of classification is in the A ranking category where 95.7% (22/23) of all cases in the group are classified correctly. Next up is the BBB rating category where 75.0% (3/4) of all cases in the group are classified correctly. The lowest accuracy level is in the AA category, with a slight difference from the other categories in which 50.0% (3/6) of all cases in the group are classified correctly.

Discussion of Results

The empirical results show that only the total assets and ROA variables as the indicators of financial performance give significant influence to of corporate sukuk ratings in Indonesia. These results are consistent with the findings of empirical studies by Horrigan (1966), Kaplan and Urwitz (1979), Belkaoui (1980), Kamstra (2001), and Cho et al (2002), which concluded that the total asset is an important element in bond rating determination. LeClere (2002), Hu and Hansel (2005), Chancharat et al (2007), and Li (2009) also used this variable in their research to predict corporate financial distress and bankruptcy. Horrigan (1966) describes how the relative measure (expressed in total assets) should make a difference in the eyes of the rater or analyst. The underlying reason is that large companies are better prepared to absorb the negative impacts of economic and other natural crises than small ones. Another point of view says that a larger collection (pool) of assets means that the companies have more resources to use in their projects. Touray (2004) mentions that the larger size of the assets of a company relative to other components, the greater ability of the company to make payments to the lender in the event of a crisis. This leads us to conclude that the greater size of the assets of a company, the bigger chance for the company to get higher ranking.

Empirical findings for ROA variable in this study is in line with studies by Chavesuuk (1999), Kim (2001), Kamstra (2001), and Cho et al (2002) who found a significant relationship between ROA and bond ratings. Hadju and Virag (1996), Wen-Ying, et.al (2006) and Li and Liu (2009) used ROA as one of the important profitability variables in the modeling of financial distress and financial bankruptcy. Liang et al (2006) also mentioned that the profitability variables are used to measure how well a company generates profits.

The empirical results for the DER, ROA variables and the coverage ratio in this study are in contradiction with many previous studies. Horrigan (1966), Belkaoui (1980), Kamstra (2001), Touray (2004) argued that the interest coverage ratio is a strong indicator of a

company's financial strength. Gibson (1998), observed that firms in regulated utilities enjoy a lower cost of funds and also have the ability to raise more funds than firms in other sectors. This is because of their stable income and higher coverage ratio record. The higher a company's interest coverage ratio, the higher ranking the company can achieve. However, according to Touray (2004), there are conflicting findings about the significance of this variable in explaining bond ratings.

Credit risk indicators are also based on the company's present and past profitability. The company's profitability can be demonstrated by the return on assets and return on equity ratios. Jane Tripp Howe, in his article, *Credit Analysis for Corporate Bonds* emphasizes on the use of this variable in determining the credit quality, as it provides the necessary ROE component analyst and an indication of the existence of the source of future growth. Using ROE requires deep analysis. ROE varies among companies and industries. Perhaps two companies have the same ROE, but a company has a higher influence and the other has a higher asset turnover rate. Deviations on industry standards need further analysis. This could be one of the reasons why this variable is not commonly used in credit analysts.

Profitability ratios measure a company's ability to generate revenue. Income is one of the sources to fund operations. More funds, both in the working capital or cash, higher boosting of the company's liquidity there will be. There are many companies facing financial difficulties when they have negative earnings. Therefore, profit is often used as a predictor of financial distress incident. This ratio is used to test the profitability of total assets, which also represent the performance of management. A higher ratio means better management performance and less possibility for the companies to experience financial difficulties.

CONCLUSION

This study aimed to analyze the effect of financial performance proxied by total assets, debt equity ratio, coverage ratio, return on assets, and return on equity to the rank of corporate sukuk in Indonesia during the period of 2007-2009. This study used multinomial logistic regression model for there are three sukuk rating categories, namely AA, A and BBB found out in 33 sample firms issuing sukuk in Indonesia. The test results showed that the possibilities for sukuk to get AA or A rating in comparison with the ones that has possibilities to get BBB rating are positively associated with their total assets and return on assets. Both variables are significant in determining the sukuk ranking.

In order to achieve sustainable financial performance for sukuk ranking improvement, this study supports companies to obtain financing from global syariah financial markets. Then

the study recommends: (i) the company must increase its total assets, and (ii) the performance of ROA profitability should remain high to attract investors.

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CAREER CHOICE OF ACCOUNTING STUDENT: PUBLIC OR NON-PUBLIC ACCOUNTANT?

(The Career Choice of Accounting Student in UIN Syarif Hidayatullah Jakarta Using Analytical Hierarchical Process)

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Abstract

This paper aimed to examine factor that is given the biggest priority as reason to choose career as an accountant and to examine career that is given the biggest priority to be chosen by accounting student. Accounting students in Economics and Business Faculty, UIN Syarif Hidayatullah Jakarta, are taken as samples. The sample consists of 20 accounting students who reach 6th semester, 8th semester, and students who are doing mini-theses. Data and information used in this study are primary, since it was collected through interviews or questionnaires. Method used in this research is analytical descriptive with Analytical Hierarchical Process (AHP) as the analytical tool. AHP is chosen due to its ability to solve complex problems with many aspects or criteria. The result indicates that among five factors (Financial Reward, Working Field Availability, Working Environment, Professional Acknowledgement, and Job Security), Working Environment is given the biggest priority (27,51%) by accounting student as reason to choose career as an accountant. Meanwhile, among four career of accountant (Public Accountant, Educator Accountant, Firm Accountant, and Government Accountant), Public Accountant is given the biggest priority (31,85%) to be chosen by accounting student. This research will contribute to the adjustment consideration related to education curriculum of accounting in university in order to be suitable and relevant with working demand by knowing the career that will be chosen by accounting student. It is expected that the accounting graduation will be easily suits their knowledge and skill with working demand as accountant. In this way, the professionalism of accounting graduation will be rise.

Keywords: *Career, Accountant, Analytical Hierarchical Process*

INTRODUCTION

A. Research Background

As the business developed, the job opportunity will follow. In this case, the demand for accountant profession will also rise, since the profession (firm-accountant) is needed in every company to audit the firm for management's interest. This condition is also followed by the higher need for public accountant who will give audit service and review of financial statements, performance audit, and other audit services for the firm.

Not limited to the firm-related accounting profession, government also needs accountant especially when SAP (Governmental Accounting Standard) was being established in 2005. Due to the standard, local governments needs to list all of their asset, liability, and equity, also publish financial statements. Therefore, in order to audit the financial responsibility as well as performance of government institutions, the government accountant is needed.

The needs in firm accountant, public accountant, and government accountant can be supported by educator accountant (Yendrawati, 2007). Educator accountant works in university to create quality human resources in accounting and prepare them to be able to compete in working field.

Career choice for accounting graduation is influenced by many factors. Some researchers have identified factors that influenced career choice as an accountant, such as: financial reward (Rahayu,*et.al.*, 2003; Yendrawati, 2007), working field availability (Rahayu,*et.al.*, 2003; Yendrawati, 2007), working environment (Rahayu,*et.al.*,2003), professional acknowledgement (Yendrawati, 2007), and job security (Rahayu,*et.al.*, 2003; Yendrawati, 2007).

This research will use different methods than previous research, that is using AHP (Analytical Hierarchical Process). According to Saaty (1993), AHP helps decision makers finds one that best suits their goal and their understanding of the problem. AHP method will facilitate examination related to the career that will be chosen by the accounting student among four choices (Public Accountant, Educator Accountant, Firm Accountant, and Government Accountant).

This research will contribute to the adjustment consideration related to education curriculum of accounting in university in order to be suitable and relevant with working demand by knowing the career that will be chosen by accounting student. It is expected that the accounting graduation will be easily suits their knowledge and skill with working demand as accountant. In this way, the professionalism of accounting graduation will be rise.

B. Problem Statement

1. Among five factors (Financial Reward, Working Field Availability, Working Environment, Professional Acknowledgement, and Job Security), what factor that is given the biggest priority by accounting student as reason to choose career as an accountant?
2. Among four career of accountant (Public Accountant, Educator Accountant, Firm Accountant, and Government Accountant), which one is given the biggest priority to be chosen by accounting student?

C. Research Objective

1. To examine factor that is given the biggest priority by accounting student as reason to choose career as an accountant.
2. To examine career that is given the biggest priority to be chosen by accounting student

LITERATURE REVIEW

A. Literature Review

1. Previous research

There are some previous research related to the career choice as accountant, such as research done by Rahayu *et.al.*(2003), Yendrawati (2007), and Rasmini (2007). Rahayu *et.al.*(2003) and Yendrawati (2007) focused on student perception about factors that influence career choice as accountant (public and non-public), while Rasmini (2007) focused on factors that influence the decision to choose accountant profession (public and non-public).

Those three researchers have identified factors that influenced career choice as an accountant, such as: financial reward (Rahayu,*et.al.*, 2003; Yendrawati, 2007), working field availability (Rahayu,*et.al.*, 2003; Yendrawati, 2007), working environment (Rahayu,*et.al.*,2003), professional acknowledgement (Yendrawati, 2007), and job security (Rahayu,*et.al.*, 2003; Yendrawati, 2007), professional training (Rahayu,*et.al.*, 2003). Other factors such as social value, labor market consideration, and personality are not significant in influencing career choice as an accountant.

2. Accounting Profession:

According to the International Federation of Accountants (Benny, 2006), accounting profession is defined as all of working field that used accounting skill, including public and non-public accountant. Non-public accountant consist of firm accountant, government accountant, and educator accountant.

The public accountant is used to be called auditor. An auditor is defined as accountant practitioner that has already given the permission by Finance Minister of Indonesia to give audit service and review of financial statements, performance audit, and other audit services (Azlina, 2008).

Educator accountant is an accountant that becomes educator in university or as a lecturer. According to Azlina (2008), educator accountants must rely on Tri Dharma PT that consist of teach, research, and devotion to the society in doing their job.

Firm accountant is used to be called internal auditor. Internal auditor is defined as employee of a firm (company) who audit the firm for the interest of management and for helping management measuring compliance of operational implementation to the firm's procedures. Activities that are done by firm accountant are cost accounting, budgeting,

general accounting, accounting information system, tax accounting and internal auditing (Yendrawati, 2007).

Government accountant is a professional accountant who works in government institutions, such as BPK (*Badan Pemeriksa Keuangan*), BPKP (*Badan Pengawasan Keuangan dan Pembangunan*), and Itjen (*Inspektorat Jendral*). Soemarso (2004) stated that government accountant provides financial audit and performance audit in government institutions.

3. Factors Influence Career Choice to be Accountant

Financial reward is one of compensation type that is given by the organization to the employee that becomes the major motivation to do work. Azlina (2008) stated that financial benefit that is given to employee is influence on the work satisfaction, work motivation, and work result.

Working field availability is opportunity for a certain job to be filled, whether it is widely opened or small possibility to enter. The reason for this availability or unavailability are because high/low competition or rising/ decreasing demand of a certain job.

Working environment defined as everything that surrounds workers and able to effect the workers in finishing all of the duty that is given to him (Nitisemito (2000) in Azlina (2008). Working environment includes factors such as job type, competitive level, and pressure (Rahayu, 2003).

Rahayu, et.al. (2003) stated that professional acknowledgement consist of things related to acknowledgement of achievement, the possibility to work with other experts, and opportunity to develop.

Job security is defined as factor where the chosen career is able to survive in a long time. It is expected that the career is not only just a temporary, but still continuing until someone is retired (Rahayu, 2003).

4. AHP (Analytical Hierarchical Process)

According Marimin (2008), AHP is divided into several working principles that can be seen as follows:

a. Decomposition (Hierarchical Compilation)

A complex system can be understood by solving the supporting elements of the system, arranging the elements in the hierarchy, and combining/ synthesizing these elements (Kusrini, 2007; Marimin, 2008).

b. Valuation of Criteria and Alternative

Matrix of pairwise comparisons performed to assess the criteria and alternatives. The matrix describes relative contribution or impact of each element to each objective/criterion in the upper level. Comparisons were made based on the evaluation (judgment) of the decision makers to judge the importance of an element compared to other elements.

c. Determination of priorities

For each of criteria and alternative, the comparison needs to be done in pairs. Comparison of the relative values of all alternatives can be tailored to the judgment criteria that have been determined to produce a weighted priority. Priority weights are calculated by manipulation through the matrix or the completion of mathematical equations.

d. Logical consistency

All elements are grouped logically and are ranked in accordance with the consistency of logical criteria.

Saaty (1980) in Suryadi and Ramdhani (2000) establish a quantitative scale of 1 to 9 in order to assess the comparative importance of an element to another element. The scale is called a paired comparison scale.

C. Conceptual Schema

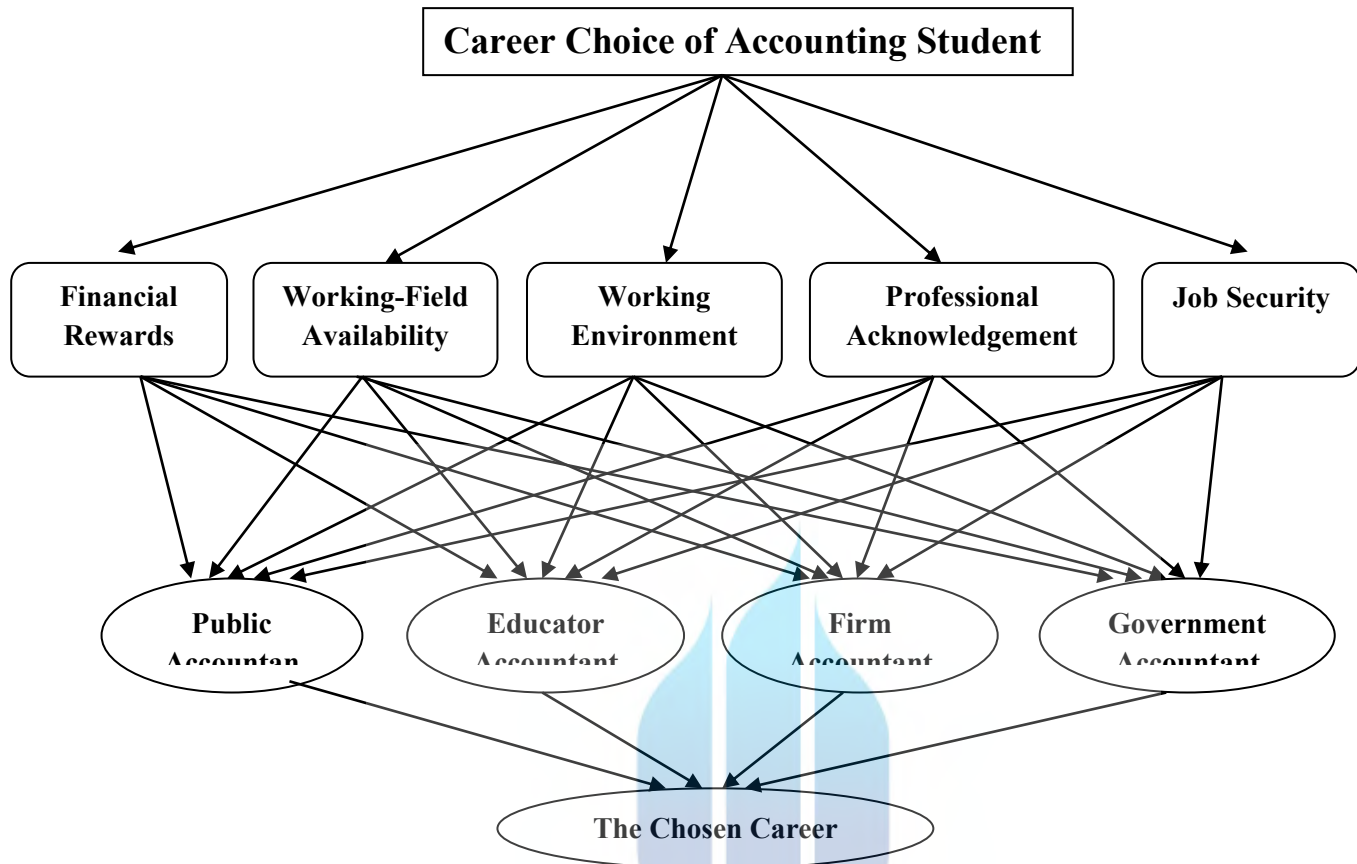


Figure 1
Framework of Career Choice Using AHP

RESEARCH METHOD

Method used in this research is analytical descriptive that focus on problem solutions by describing the state of object or subject at the present time based on the facts, and then analyzing it (Surakhmad, 1994; Nawawi, 1998). AHP that was developed by Thomas L. Saaty was chosen as an analytical tool because it can solve complex problems with many aspects or criteria.

This research used judgment-sampling, meaning that the samples are taken with criteria of judgment (Jogiyanto, 2005). Sample in this research consist of 20 accounting students in Economics and Business Faculty, UIN Syarif Hidayatullah Jakarta, who reach 6th semester, 8th semester, and students who are doing mini-theses (*skripsi*). Unlike the quantitative method, the number of sample in this research is not an issue since AHP method can be carried out by one respondent or multiple respondents.

Data and information used in this study are primary. Primary data is usually collected through interviews or questionnaires (Ferdinand, 2006).

RESULTS AND ANALYSIS

Table 1. Result of Analytical Hierarchical Process

	Goal					Priority
	1					
	Financial Reward	Working Field Availability	Working Environment	Professional Acknow.	Job Security	
	0.18500	0.11324	0.27510	0.157674	0.268985	
Public Acc.	0.07824	0.03271	0.06111	0.07963	0.06685	0.31855
Educator Acc.	0.01631	0.02815	0.11760	0.01708	0.10396	0.28310
Firm Acc.	0.03613	0.03556	0.04478	0.01999	0.02960	0.16605
Gov. Acc.	0.05432	0.01682	0.05161	0.04097	0.06857	0.23229
					Sum	1

The result from table 1 showed that among five factors (Financial Reward, Working Field Availability, Working Environment, Professional Acknowledgement, and Job Security), Working Environment is given the biggest priority by accounting student as reason to choose career as an accountant. Meanwhile, among four career of accountant (Public Accountant, Educator Accountant, Firm Accountant, and Government Accountant), Public Accountant is given the biggest priority to be chosen by accounting student.

The most important thing that accounting students consider when they are choosing accountant career is Working Environment. Rahayu (2003) stated that working environment includes factors such as job type, competitive level, and pressure. Therefore, accounting students will consider about what type of accountant that is suitable with them. Moreover, accounting students will also consider the competitive level on that certain accountant profession. Also, accounting students considers about the work pressure in completing the work assignment.

Related to the chosen accountant career, accounting students prefers Public Accountant rather than Educator Accountant, Firm Accountant, and Government Accountant. The choice is based on comparison between each accountant type. Currently, the approximate number of Public Accountant in Indonesia is about 10.000 peoples. Due to the insignificant number of Public Accountant in Indonesia, the job opportunity in this field is widely open. According to Metrotvnews.com, Indonesia needs at least 200.000 of Public Accountant to support the national economic performance. Therefore, accounting students who chose to be a Public Accountant is hoped to be able to fill the lack number of Public Accountant in Indonesia.

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AN EMPIRICAL STUDY OF UNDERPRICING IN INITIAL PUBLIC OFFERINGS IN MALAYSIAN STOCK EXCHANGE

2009 - 2013

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Abstract

Underpricing is a condition in which the stock price at the time of initial public offerings (IPO) is lower than when it traded in the secondary market. This study aims to analyze the factors that significantly affect the level of underpricing. The research was conducted in Malaysian Stock Exchange in the period January 2009 until April 2013. The independent variables in this study are debt to equity ratio, return on equity, earning per share, firm size, firm age and underwriter reputation. Sampling was conducted using purposive sampling method, there are ninety (90) companies IPO in that period and there are 59 companies run into underpricing. Multiple regression models were used to test the relationship between the dependent and independent variables.

The results showed earnings per share and firm's age have significant negative effect on the level of underpricing. It means that higher EPS and older company have lower level of underpricing. In the other side debt to equity ratio, return on equity, firm size and underwriter reputation have not a significant effect on underpricing.

Keywords: Underpricing, IPO

1. Introduction

Many companies were interested in making Initial Public Offering (IPO) in order to obtain fund which relatively has lower cost compare to banking rate. Offering price in the primary market is determined in advance by agreement between the issuer and the underwriters. If the stock price at the time of IPO is lower than the prices that occurred in the secondary market, the phenomenon is known as underpricing. If the IPO price is higher than the price in the secondary market, the phenomenon is called overpricing.

Underpricing is a common phenomenon in the IPO. There is a tendency that the offer price in the primary market is lower than the closing price on the first day of trading in the secondary market. The Underpricing condition is bad for the companies because the funds that were collected from the public are not optimal. Conversely if there is overpricing, then the investor will lose money, because they did not get initial return. Underpricing is unfavorable for IPO's company, because the proceeds is not maximum. Whereas in the case of overpricing, the

initial investors will lose money, because they do not receive the initial returns. The owner of the company wants to minimize underpricing by publishing a prospectus to reduce information asymmetry.

The prospectus has two kinds of information: (1) accounting information and (2) non-accounting information. Accounting information is a financial statement which comprises the balance sheet, the calculation of profit / loss, cash flow statement, and disclosure of financial statements, while the non-accounting information is the information other than financial statements such as underwriter, the independent auditors, legal counsel, the percentage of shares offered, firm age, and other information. Prospectus is the main source for investors to assess how the business continuity of the company, how the company's ability to generate profits, whether the price offered underpricing or overpricing. Therefore prospectus is one of the key information whether the investor will invest or not.

Studies related factors influenced underpricing phenomenon showed inconsistency results between theory and practices. Many studies showed there are some factors affecting underpricing as DER, ROE, EPS, firm size, firm age and underwriter reputation (Yuhong et. al, 2009; Islam et. al, 2010; Handayani:2008; Kristianti:2012)

The phenomenon of underpricing in Malaysia showed that commonly IPO has offered or sold at a discount (Ruzita et. al, 2012:155). In 2012, Malaysia became the country with the second largest IPO in the world. Malaysia's IPO successfully moving away from leaving Hong Kong stock market, China, and even London.

Malaysia have relatively high rate of economic growth in Asian countries by 5.6% in the year 2012, besides Philippines 6.8%, Indonesia 6.2% and 5.35% Vietnam. (<http://www.bps.go.id> and official website Malaysia, Philippines and Vietnam countries). Malaysian stock market was interested due to the economic crisis of the European and America countries that are not finished yet. Table 1 presented information about level of underpricing in various Asian countries.

Table.1 Underpricing In Asian Countries

No	Country	Period	Underpricing	Researchers
1	Bangladesh	1995-2005	480.72%	Islam, Ali and Ahmad (2010)
2	China	1991-2004	130.3%	Shi-yu and Chang (2008)
3	India	2004-2006	22.62%	Pande and Vaidyanathan (2007)
4	Indonesia	1990-2009	28.89%	Fitri and Rohmad (2010)
5	Japan	2001-2006	60.21%	Uzaki (2009)
6	Malaysia	1980-1998	104,1%	Isa and Yong
		1999-2008	30.21%-31.65%	Rahim <i>et. al</i> (2012)
		2004-2010	22.14%	Yong (2011)
		2000-2011	35.87%	Nashirah and Uzaki (2012)
7	Singapore	1993-2005	16.5%	Zhang and King (2008)
8	Thailand	1990-2007	22.99%	Ekkayokkaya (2011)
9	Vietnam	2005-2009	70%	Maitrounc (2011)

Source: Kiyotaka and Nashirah (2012)

Table 1 showed that underpricing is common phenomenon in Asia countries. Bangladesh is a country with the highest level of underpricing 480.72% and followed by China 130.3%. The objective of this research is to investigate factors that influence the level of underpricing in Malaysian Stock Market. The data collecting start in January 2009 due to a change in the Malaysia Stock Exchange. Since 2009 Main Board and the Secondary Board is to be merged into one Main Market, while MESDAQ into ACE Market which stands for Access, Certainty and Efficiency (Yatim, 2011: 1).

2. Literature Review

Underpricing is a condition in which the stock price at the time of the IPO is lower than when it traded in the secondary market. Pricing at IPO to the public is based on an agreement between the issuer and underwriter companies. While stock prices in the secondary market are the result of interaction between supply and demand mechanism.

Debt to equity ratio (DER) is one of the leverage ratios. DER reflects the company's ability to meet all obligations indicated by the ability of capital to repay debt. DER values reflect the greater risk that the company is relatively high, so consequently investors tend to avoid stocks that have a high value of DER. Thus the company who has higher DER, the greater the underpricing level will be.

Return on equity (ROE) is a profitability ratio which is the ratio between the return on capital. ROE is used to measure the growth of capital to assess the performance of the companies. The investors are more confident to obtain return if at the time of the IPO the company has higher ROE. The lower of ROE means that the level of risk higher because in the future issuer has a potential financial problems. The greater profitability of the company, the

higher the willingness of investor to buy IPO shares because in the future they will get a reasonably high return.

Earning per share (EPS) describe the amount of dollars earned for each share of common stock. EPS was measured based on information in the prospetus of IPO companies. Variable earning per share is a proxy to provide an overview for investors regarding the profits that can be earned in a given period by having a stock. The higher EPS expected to have lower level of underpricing.

Company size can be used as proxy of uncertainty level. Large companies tend to be more known to the public, so the information about the prospect of big companies are more easily to obtained than a small company. The IPO was conducted by small companies is more risky than large companies. Smaller companies often have larger underpricing than large companies.

Company's age shows how long the company can survive and be able to compete. Companies that operate longer have a greater tendency to provide more corporate information and wider than the newly established thereby reducing the information asymmetry and reduce market uncertainty, which in turn will reduce the level of underpricing shares.

Underwriter's function is conducting the public offering of a stock or bond for the first time (IPO). Underwriter reputation can be used as a signal in determining the level of underpricing. Underwriter with higher reputation has greater confidence in the success of the offering that is absorbed by the market. There is a tendency that reputable underwriter more get higher prices as a consequence of the quality of the share. Carter and Manaster (1993) stated that the underwriter variable is a dummy variable. This variable determined based on underwriter rank. Kim et. al (1993) show that underwriter reputation has a negative and significant relationship with the increase in stock price (underpricing).

Based on literatur review, the relationship between research variables were described as follows:

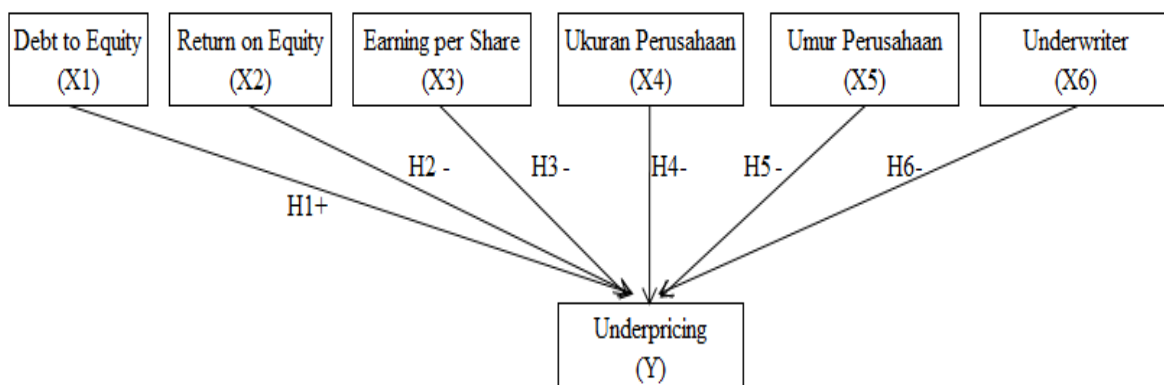


Fig.1 Variables relationship

Based on the variable relationship we state hypotheses as follow:

- H1: Debt to Equity Ratio (DER) has significant positive effect on underpricing.
- H2: Return On Equity (ROE) has significant negative effect on underpricing.
- H3: Earning Per Share (EPS) has significant negative effect on underpricing.
- H4: The size of the company has significant negative effect on underpricing.
- H5: Age of companies has significant negative effect on underpricing.
- H6: Underwriter's reputation has significant negative effect on underpricing.

3. Research Method

The objects of this study are IPO issuers in Malaysian Stock Market from January 2009 until April 2013. There are 90 companies go public at that period, 59 issuers get underpricing. There are 8 data outliers, because of the underpricing level is too high compare to others. Table 2 present the sampling based on purposive sampling method.

Table.2 Sampling method

Sample Criteria	Total
IPO Issuers 2009 - April 2013	90
Non underpricing	(31)
Outlier	(8)
Total Data Sample	51

After outlier observations excluded from the sample and there are 51 companies IPOs were used in this study. This analysis aims to determine the influence of independent variables on the dependent variable. To test the hypotheses we used the following regression equation models.

$$IR = a + b1.DER + b2.ROE + b3.EPS + b4.\ln SIZE + b5.AGE + b6.UND + e$$

Notes:

IR : Intial Return

a : Constant

b1-b6: Regression Coefisien

DER : Debt to Equity Ratio

ROE : Return on Equity

EPS : Earning Per Share

SIZE: Total Asset

AGE : Issuer Age

UND: Underwriter Reputation

e : error

The value of the regression coefficients was used as the basis of hypothesis testing. This means that if the coefficient b is positive (+), it can be said that there is same direction of changing between the dependent and independent variables. Whereas when the value of the coefficient b is negative (-) that demonstrates a negative effect, where the increase in value of the independent variable will result in impairment of the dependent variable.

Underpricing of initial return is measured by the formula:

$$\text{Initial Return} = \frac{P1 - P0}{P0}$$

$P1$ = Secondary market closed price

$P0$ = IPO price

In this study, the independent variable is the DER, ROE, EPS, firm size, firm age and underwriter reputation. The measurement of independent variabel are as follow:

$$\text{DER} = \frac{\text{Total Debt}}{\text{Equity}}$$

$$\text{ROE} = \frac{\text{Return After Tax}}{\text{Equity}}$$

$$\text{EPS} = \frac{\text{Earning}}{\text{Total Stock Share}}$$

To measure the scale or size of the company we used the natural logarithm of total assets of the issuer's prospectus prior to an IPO on the Stock Exchange. Age variable is measured by the length of operating company since it was founded by the current deed to the company's initial public offering (IPO). Age is calculated by the number years.

In the determination of underwriter reputation we used a dummy variable. Underwriters who have a high reputation get score one and zero for the underwriter who does not have a high reputation. Ranking is based on the determination made by the agency rating companies in Malaysia (www.march.com.my). Underwriters who have a high reputation was included in the top 5 underwriters, while underwriters are not included in the top 5 are categorized as underwriter who does not have a high reputation (Kristiantari, 2012:22).

4. Research Result

Table 3 below showed the descriptive statistics for each dependent variable (initial return) and the independent variables, namely DER, ROE, EPS, firm size, firm age and underwriter reputation.

Table.3 Descriptive Statistics

Item	Min	Max	Mean	Std. Deviation	N
IR	0.01	0.38	0.1131	0.08824	51
DER	0.07	2.97	0.8984	0.78908	51
ROE	0.02	0.62	0.2325	0.14827	51
EPS	0.2	62	12.2657	12.76	51
SIZE	16.62	23.88	19.4422	1.96502	51
AGE	3	57	23.2549	13.2964	51
UND	0	1	0.4706	0.5041	51

During the period 2009 - April 2013, the level of initial returns that occurred on issuers in Malaysian Stock Exchange has an average of 0.1131. This means that investors in IPO have initial return 11.31%, it also means that stock price is lower than market expectations. If we used all underpriced's companies (59 IPO) the initial return will become 26.3%.

Average of return on equity is 23.25%, this score are relatively interesting for the investor because the return is higher than interest rate. The averages age of the company is 23 years old. It is means that those companies relatively old and likely to provide more extensive information and publications than newly established companies.

4.1. Normality Test (Kolmogorov-Smirnov)

Table.4 Kolmogorov-Smirnov Test

One-Sample Kolmogorov-Smirnov Test

		IR	DER	ROE	EPS	SIZE	AGE	UND
N		51	51	51	51	51	51	51
Normal Parameters ^{a, b}	Mean	.1131	.8984	.2325	12.2657	19.4422	23.2549	.4706
	Std. Deviation	.08824	.78908	.14827	12.76001	1.96502	13.29638	.50410
Most Extreme Differences	Absolute	.147	.230	.132	.189	.144	.125	.354
	Positive	.147	.230	.132	.189	.144	.125	.354
	Negative	-.121	-.147	-.076	-.172	-.081	-.081	-.324
Kolmogorov-Smirnov Z		1.053	1.641	.946	1.351	1.029	.891	2.529
Asymp. Sig. (2-tailed)		.218	.009	.333	.052	.240	.406	.000

a. Test distribution is Normal.

b. Calculated from data.

From Table 4 above it can be seen that the value of asymp. Sig. (2-tailed) each independent variable are above 5% (> 0.05) can be fulfilled normality test, while the UND variables below 5% because it's using dummy variables 0 and 1.

4.2. Multicollinearity Test

Multicollinearity test aims to test whether the regression model found a correlation between the independent variables. Good regression models should not any correlation between the independent variables.

Table.5 Multicollinearity Test

Model	Collinearity Statistics	
	Tolerance	VIF
(Constant)		
DER	.965	1.036
ROE	.923	1.084
EPS	.965	1.036
SIZE	.836	1.196
AGE	.921	1.086
UND	.811	1.232

Based on Table 5 showed that the value of Variance Inflation Factor (VIF) under 10 and Tolerance above 0.1 so that it can be said that there is not any correlation between independent variables.

4.3. Heteroskedatisity Test

To test whether there is heteroskedatisity we can see from the graph below that plots the value of the predicted variable (ZPRED) with its residual.

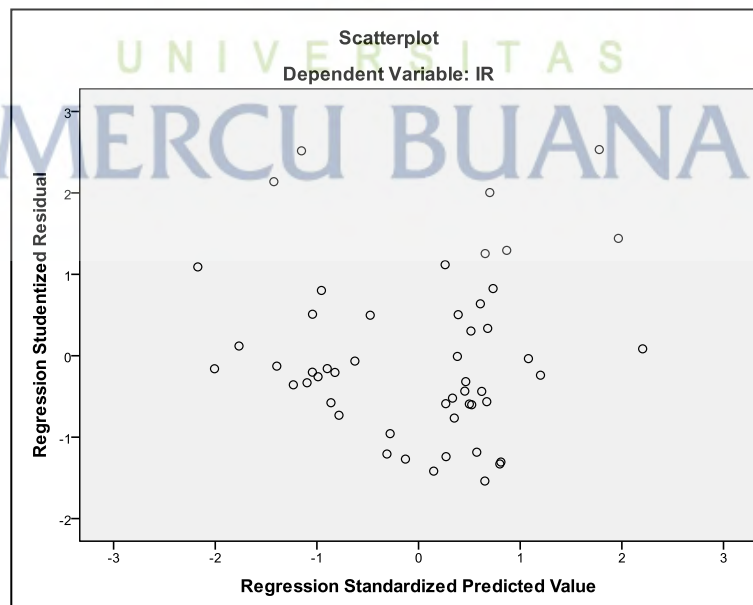


Fig.2 Scatter plot ZPRED with SRESID

Based on Fig.2 the data are randomly distributed above and below the 0 and does not form a specific pattern, it can be concluded that there is no heterokedatisity.

4.4. Autocorrelation Test

Autocorrelation test conducted by Durbin Watson test

Table.6 Autocorrelation Test (Durbin-Watson)

Model Summary^b

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.519 ^a	.269	.169	.08041	2.018

a. Predictors: (Constant), UND, AGE, EPS, DER, ROE, SIZE

b. Dependent Variable: IR

From Table 6 above it can be seen that the Durbin Watson value of 2.018 was in the range 1.8201 (du) to 2.1799 (4-du) means no autocorrelation.

4.5. Coefficient of Determination R^2 and Adjusted R^2

The coefficient of determination aims to find out how is the effect of independent variables on the dependent variable.

Table.7 Coefficient of Determination R^2 and Adjusted R^2

Model Summary^b

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.519 ^a	.269	.169	.08041	2.018

a. Predictors: (Constant), UND, AGE, EPS, DER, ROE, SIZE

b. Dependent Variable: IR

From Table 7 above shows that the coefficient of determination 26.9%, it means that the independent variables affect the dependent variable of 26.9% and there are other variables that can affect the level of underpricing.

4.6. F Test

F statistic test aims to determine the feasibility of the model used to test whether all the independent variables together have an influence on the dependent variable.

Table.8 F Test (Anova)

Model	Sum of Squares	df	Mean Square	F	Sig.
1 Regression	.105	6	.017	2.701	.025 ^a
Residual	.285	44	.006		
Total	.389	50			

From Table-8 above shows the significant value is 0.025 means P value is smaller than 0.05 means that all the above independent variables simultaneously affect the dependent variable (underpricing).

4.7. T Statistical Test

T statistical tests conducted to examine the effect of an independent variable on an individual basis to determine the level of significance or not significant on the dependent variable.

Table.9 The Coefficient of Multiple Regression

Model	Unstandardized Coefficients	Standardized Coefficients	T-Value	Sig.Value
Constant	-0.027		-0.214	-0.832
DER	-0.014	-0.124	-0.949	-0.348
ROE	-0.073	-0.122	-0.910	-0.368
EPS	-0.002	-0.290	-2.210	-0.032*
SIZE	-0.011	-0.234	-1.660	-0.104
AGE	-0.003	-0.396	-2.946	-0.005*
UND	-0.006	-0.035	-0.243	-0.809
R = 0.519 ^a ; R ² = 0.269; Adj R ² = 0.169; F = 2.701				

Based on Table 9, it can be seen that not all of the independent variables have a significant effect on the dependent variable. There are two variables that have a significant effect on the level of underpricing, the company's EPS and Age. It can be seen from the level of significance for EPS is 0.032, and AGE is 0.005 which are both less than 0.05. While the other variables, like DER, ROE, SIZE and UND has significance level above 0.05, it does not have a significant effect on the initial return.

Based on the statistical result, showed that the variable DER has negative coefficient and no significant effect on the level of underpricing. This means that the first hypothesis (H1)

states that financial leverage has a positive effect on underpricing, is unacceptable. This finding is consistent with Handayani (2008:79), and Kristiantari (2012:84). The findings were not consistent with Yuhong et. al (2009:45), who found that DER significantly (positive) effect on underpricing. It means that higher financial risk or risk of failure of the company to repay the loan will be higher, and vice versa therefore the higher the DER of a company, the higher the level underpricing.

The second hypothesis (H2) stated ROE have negative effect on underpricing, was not accepted because the impact of ROE on underpricing is not significant. ROE should have negative effect because the greater ROE means that issuer's has good performance and therefore, the lower level of underpricing.

Based on the statistical results showed that hypothesis 3 (H3) were accepted because EPS variable have significant influence the level of underpricing in the negative direction. This finding is consistent with Handayani (2008:79) which found that the EPS has significant negative effect on underpricing. While the study is in contrast with the results of Darani (2012:77) who said that EPS has positive significant effect on the level of underpricing. Company's EPS have a negative effect on initial returns. EPS measures the magnitude of the company performance per share. EPS as a proxy of profitability of the company to provide information to external parties about the effectiveness of company's operations. The greater the profitability of the company, the higher the willingness of investor in buying IPO shares because in the future they will get a reasonably high return.

The fourth hypothesis (H4) state that SIZE has significant negative effect on underpricing is unacceptable. This finding is consistent with Yatim (2011:1) and Handayani (2008:79). Company size information is not important related to the IPO because company who has large asset does not guarantee that it will give a big return, and vice versa. The findings were not consistent with Sandhiaji (2004:75), Kristiantari (2012:84), Yuhong et. al (2009:45) who found that the significant negative effect of company size, the larger the size of the firm, the lower the level of underpricing.

The fifth hypothesis (H5) states that company's age has a negative effect on the level of underpricing been accepted. This finding is consistent with Uzaki (2012:114) and Islam et. al (2010:10) who stated that the age of the firm significantly negative effect on the level of underpricing. Company's age have a negative effect on initial returns, the older the company the lower the initial return. In other words, when the company was old, then the investor is familiar with the company's performance, so the stock price at the IPO tends to be reasonable price, or have a low underprice. Negative relationship between firm's ages with underpricing is

also consistent with findings by some researcher before. It means that the older company been known by public and investors will be more confidence. It assume that usually an old company have better strategies to attain good performance in the future. While according to the Yatim (2011:1), Kristiantari (2012:84), Handayani (2008:79) an age company does not affect the level of underpricing.

Underwriter reputation has no significant effect on underpricing thus the sixth hypothesis (H6) was not accepted. This finding is consistent with Yuhong et. al (2009:45) this could be due to the investor's perception that all the underwriter has a good reputation. The findings were not consistent with Kristiantari (2012:84), Yatim (2011:1) and Sandhiaji (2004:30) who said that underwriter reputation has significant negative effect on underpricing. This suggests that a highly reputable underwriter has high prices as a consequence of the quality of issuer. Potential investors are preferred with reputable underwriter because underwriters are considered to have more complete information about the condition of the issuer. Similarly, when compared to issuers, underwriters are considered to have more complete information about the market. Highly reputable underwriters are considered able to predict the stock price in the future which would reduce the uncertainties.

5. Summary and Recommendation

The purpose of this study was to examine factors that affect the level of underpricing of companies in Malaysian Stock Exchange. From the results of tests performed on the 59 companies that did IPOs in 2009 - April 2013 obtained the result that the average of initial return in Malaysian is 26.3% and there is a negative significant influence from the EPS and the Age of the firm to the level of underpricing, while DER, ROE, firm size and underwriter reputation does not have a significant impact on the level of underpricing.

This study still has limitations such as the coefficient of determination (R^2) is 26.9% means that the ability of the independent variables in this study describes the variation in the dependent variable is very limited. Therefore there are other variables that affect the underpricing that need to be investigated, such as the reputation of the board of directors and commissioners, the percentage of shares offered, the intended use of the funds, liquidity ratios such as current ratio, or the reputation of auditors who audited the financial statements of the issuer.

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Revitalizing From The Postal Company To The Network Company (A Lesson Learned From Pos Indonesia Case)

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Abstract

Apart from being one of the oldest companies, post companies in many countries also have an extensive post office network. But existing for hundreds of years and operating thousands or even tens of thousands of offices does not guarantee them from being bankruptcy-free. The rapid development of information and telecommunications technology has ended their glory days.

According to available data from Universal Postal Union (UPU), an international post organization, letter delivery volume dropped 4,4% in the last decade. The rapid pace of technology and communications advancement is behind the shrinking business pie for post companies in many countries.

No doubt, the drop in the number of customer also hurt the performance of Pos Indonesia. Of total of 3,817 office units, around 3,571 were in the red in 2010, equivalent to 64% of the offices and equal to Rp. 257 billion in total losses. This has been the case for years.

To avoid being swallowed up by time, in the last decade, a lot of post companies across the globe have metamorphosed way beyond just the post business. Business portfolio diversification has become the main agenda for post companies around the globe. From previously focusing on mail services, they have tapped into the logistics, financial, retail and even property business.

Pos Indonesia developed its network through partnerships with cooperating agencies. This is done to increase the market share accelerated in the outlet more flexible and efficient. At this time Pos Indonesia has over more than 1,500 courier agents and 14,000 financial service agents (average growth of 39%).

Pos Indonesia was launch Posmart. Pos Offices will not only deal with mail and package delivery, but also have roles in other retail business and trade centres. Moving forward, the concept of managing the office needs to be changed.

Pos Indonesia realizes that the internet era was unavoidable. Although threatening the conventional letter delivery market, advancement in technology have also brought several business opportunities, e-commerce transactions through Pos Indonesia's broad network is one instance.

Based on experience and an abundance of property assets, coupled with further business revitalization, Pos Indonesia currently sees property as part of its core business. Apart from the existing four lines of business: courier services, logistics, financial and retail divisions, the property segment is expected to become one pillar of the company's future sources of revenue.

Under new management-inaugurated in 2009-Pos Indonesia is taking part in the strong flow of change. It has conducted big business transformations and revitalizations. The result: from the streaks of losses, the company has begun posting a profit. Improvements have been introduced in all lines. And if

things run smoothly, Pos Indonesia will go public next year.

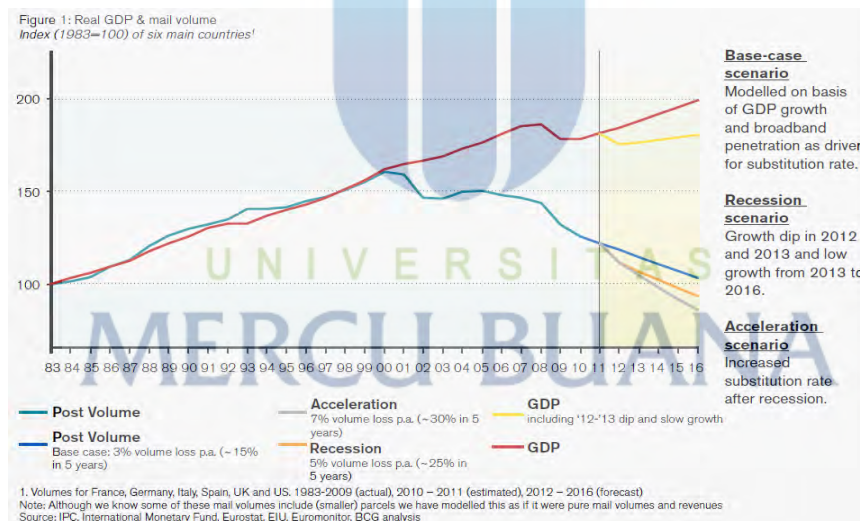
Keyword: *opportunity, revitalization, network company.*

INTRODUCTION

A report titled “Focus on The Future” – by the International Post Corporation and the Boston Consulting Group – described how they have to adapt to anticipate the declining volume of letter delivery on the back of the increasingly widespread use of a new medium, the internet.

The phenomenon, is shown by the evolution in the connection between Domestic Gross Product (GDP) and letter delivery volume. The studies was based on data from six markets, France, Germany, Italy, Spain, England, and The US; from 1983 to 2009, plus estimations for the subsequent years up to 2016.

The study shown that from 1980 to 2000, letter delivery volume move in parallel with GDP. But the trend has change since then, with the volume no longer following GDP growth. Rather, a contrasting trend began: letter delivery volume decline volume declined while GDP grew.



Source: IPC, IMF, Eurostat, EIU, Euromonitor, BCG

The Changing lifestyle, the advancing information technology and the liberalization of the mail industry has forced Pos Indonesia to make changes. The changes are necessary in order to prevent the state-owned company from being swallowed up by the new era. Seemingly, the progress of information and communication technology, such as mobile phones, and internet, have resulted in the shrinking of the need for postal service. But behind the treaths lie numerous business opportunities ready to harnessed.

Pos Indonesia acknowledges that it has face tougher and more complex competition since 1990s as multinational company such as FedEx, DHL, TNT and UPS entered domestic market,

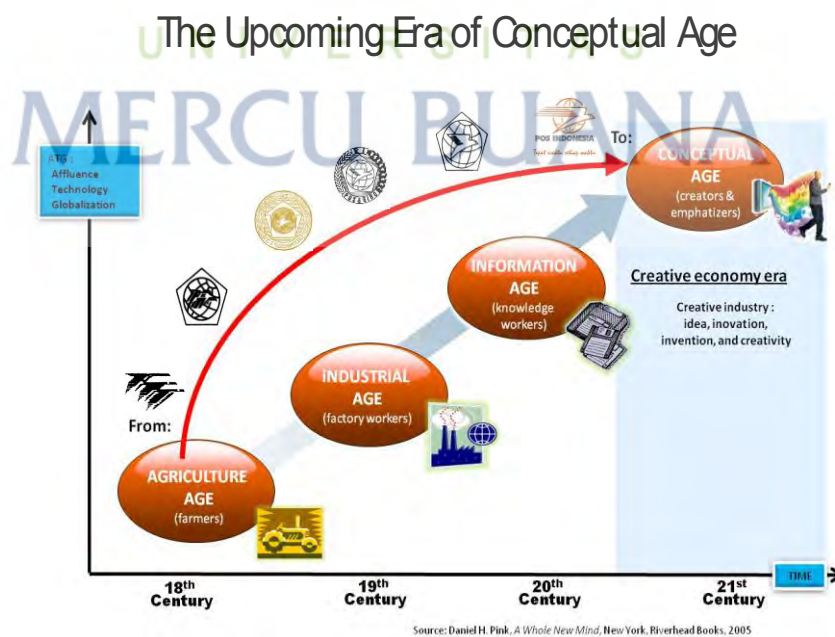
as well as from local courier companies. There are many courier and logistic associations such as; Asosiasi Perusahaan Jasa Pengiriman Ekspres Indonesia (Asperindo), Asosiasi Logistik Indonesia (ALI), Asosiasi Logistik dan Forwarder Indonesia (ALFI), Organisasi Pengusaha Nasional Angkutan Bermotor di Jalan (Organda), Asosiasi Ekspedisi Muatan Pesawat Udara (Gapeksu), Indonesian Air Cargo Agents Club (Icac), Indonesia National Shipowners Association (Insa), and Indonesia National Air Carrier Association (Inaca).

Meanwhile, internal condition faced many basic problem. Pos Indonesia employees at the age of 46 years and older and few are younger. For education, of approximately 28,000 employees, about 18,000 are high school graduates or have lower level of education. The weak operating system. The biggest strength in network has now become a heavy burden. Many of its outlet look so quiet and not properly maintained.

To improve those problems, the new board of directors planned various restructuring measures, including improvement of the company's infrastructure.

BUSINESS REVITALIZING

Pos Indonesia is one of Indonesia's oldest state-owned companies. It was founded when the Dutch Indies company Vereenigde Oostindische Compagnie (VOC) established Kantorpos on August 26th, 1746, in Batavia (now Jakarta) to facilitate letter deliveries, especially for those connected with trade activity.



In 1878, when telegraph line was still being developed in Jawa and Sumatra, the company's name was changed to Jawatan Pos, Telegraph dan Telephone (PTT). More changes

occurred after Indonesia gained its independence. In 1961, the Indonesian Government changed the name to Perusahaan Negara Pos dan Telekomunikasi (PN Postel). And, in 1965, the institutional was split into two: PN Pos and PN Telekomunikasi. In 1978, the government altered the mail company's name again to Perum (public corporation) Pos dan Giro, before transforming into a limited company in 1995.



After studying the case, the management team develop the Rumah Pos (Post House) restructuring model that consist of four main pillars. The restructuring focused on improving the business model, operations and corporate governance. They developed a concept to revamp the company's internal condition and mapped the transformations realized by post companies overseas to conclude that Pos Indonesia should focus on developing the logistics, package, retail, e-commerce, property and postal bank business.

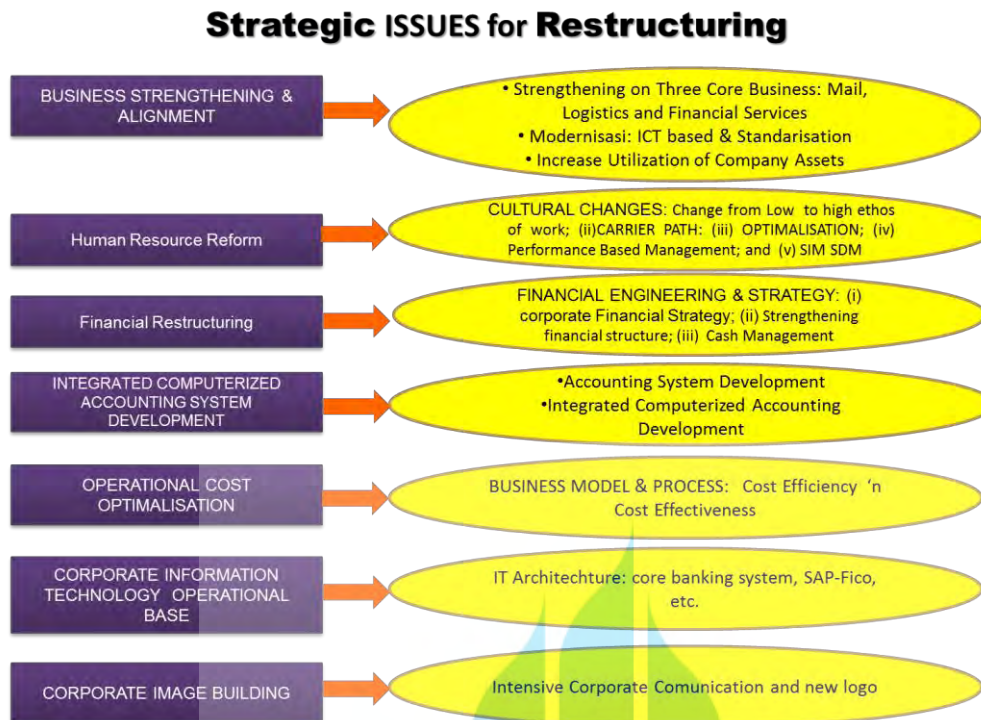
The revitalization focused on internal condition and the business. The internal improvements included the organization and human resources capacity, physical and virtual infrastructure, accounting governance and corporate governance. Meanwhile, the business revitalization focused on its core business, namely letters and packages, logistics and financial services; plus, property and the PosMart businesses.

Problem occurred during implementation, The working culture was very bureaucratic and had fallen into a routines. In the beginning, management couldn't identify the problem. Finally, Pos Indonesia hired a consultant.

The consultancy concluded that post industry is not a sunset industry. The possibility for Pos Indonesia to develop is still wide open. Based on its consultant calculation, if the revitalization program is reformed and its business is restructured, Pos Indonesia could generate revenue almost double in 2015.

The estimation would only materialize if the company restructured the strategy of its core business, wich comprise mail, logistics, and financial services. In the post business, costs and

work units must be cut, the network must be simplified and the portfolio must be expanded.



Source: Booz and Company.

Another important point that the consultant proposed was to maximize the existing potential, Pos Indonesia must implement the four priority strategies, support by 14 initiative strategies and 38 sustainable enabling projects. Meanwhile, Pos Indonesia directors introduced four stages.

The first stage was to focus on preparatios to implement the basic transformations, namely to empower all the organization line to accelerate decision making process.

The second phase (2011-2012), the focus would be on service quality, operations, efficiency, organization improvements, capital structure, financial system human resources, physical and virtual infrastructure and improving the companie's culture to support the business transformation.

In the third phase (2013-2014), the focus would be on holding and initial public offering (IPO), investment in information technology, right-sizing, preparation to be an investment holding, developing core business and new services, and boosting revenue.

Meanwhile, for the fourth stage, the focus should be work programmes for business development and new services, and continue the right-sizing to be the best mail business in Indonesia.

POSTAL AGENT

To anticipate further progress in the new line business, Pos Indonesia is opening wider opportunities for the public to become its agents. From every post office, two agents are expected to emerge every year so the company's network will double year after year.

Pos Indonesia developed its network through partnerships with cooperating agencies. This is done to increase the market share accelerated in the outlet more flexible and efficient. At this time Pos Indonesia has over more than 1,500 courier agents and 14,000 financial services agents (average growth about 39%).

POSTSHOP and E-COMMERCE

A MarkPlus Insight survey, held in several cities in Indonesia, revealed that the number of internet users in the country reached 55 million people in 2011, up from 42 million in the previous year. The research also revealed how online trading activities have climbed 100% in 2011 and around 25% of the users conducted e-payments.

Meanwhile, a Frost & Sullivan survey also estimates there will be 145 million internet users in Indonesia in 2015. Indonesia's online business market share that was just US\$ 349 million in 2010 will grow to US\$ 1.8 billion. The research clearly shows that Indonesia's online trading market and the effects is a larger market for package and logistics businesses.

Pos Indonesia realizes that the internet era was unavoidable. Although threatening the conventional letter delivery market, advancement in technology have also brought several business opportunities, e-commerce transactions through Pos Indonesia's broad network is one instance.

From thus reality, the PostMart was founded. In addition to selling goods in physical form, or consumer goods, the service offers e-commerce services that are divided into three forms:

First, Pos Indonesia is partnering with domestics and foreign providers. On August 28, 2012, it signed a deal with a Singaporean company to sell 2-8 million items.

Second, PosMart records online shopping transactions made through Pos Indonesia. In future, shopping catalogues will be available at each post office and employees will assist consumers in making online transactions. Through this strategy, customers, even those in villages, will be able to go online via post offices. They also won't need to travel to the nearest city of goods.

Third, cooperating with farmers, the post offices will present market data and conditions. This strategy will help farmers to monitor prices of agricultural product in all cities and help stabilize prices.

PROPERTY

Hundreds of property assets are being offered by Pos Indonesia to potential business partners. The first “POS Properti Indonesia Gathering” was attended by 230 investors, including developers, retail businessmen, advertising companies, base transceiver station towers firms and parking management businesses. At the end of the gathering, thirty of them submitted letters of interest, citing fifty locations they wish to keep an eye on.

The list of the pos Indonesia’s property assets is plentiful. The two-and-a half-century old business is the oldest network company in the archipelago. It has properties in 3,082 locations, with total building reaching 3,296 units.

It’s true that this less in comparison than the outlets of Bank Rakyat Indonesia. However, by its distribution network, Pos Indonesia does surpass the bank’s penetration are since it almost covers almost all of Indonesia. Event in the remote places still untouched by the services of other state-owned companies or private corporations, post offices can still be found.

This abundance continues to roll out. It is the locations held by Pos Indonesia that attracts investors. Most post office buildings are situated in premium spots, the hub of trade and business in many major cities in Indonesia. Many are even inside “kilometer 0”, making them so attractive and easily accesible for the public.

Pos Indonesia over some models. It could be in the form of a joint venture company or joint operation with the Build Operate and Transfer (BOT) concept. The Assets chosen will be in accordance with what they are most suitable for, such as hotels, shopping centers, commercial offices, warehouses and so on. In some locations Pos Indonesia has already started the plan. Take the example of the Pos Indonesia headquarters at Jalan Banda 30, Bandung. However, efforts to optimize revenue from the buiding. The remaining available space was then leased to other corporations such as Telkomsel, BNI, Prudential, and so on. On the outside there are several ATM terminals neatly lined up, advertising banners are displayed on the outside wall of the building and some billboards are placed in the yard. There are also indoor LCD promotions next to the elevators.

Base on experience and an abundance of property assets, coupled with further business revitalization, Pos Indonesia currently sees property as part of its core business. Apart from the existing four lines of business: courier service, logistics, financial and retail divisions, the property segment is expected to become one pillar of the company’s future sources of revenue.

To Achieve the target of the property business unit, starting in 2012 Pos Indonesia established a subsidiary, PT POS Properti Indonesia, to focus on managing property assets through making the most use of land and buildings. Partnerships will be established with potential business entities that show real expertise the have strong capital.

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EXPLORING FAMILY CAPITAL IN THREE SMALL AND MEDIUM BUSINESSES IN BANDUNG

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Abstract

Small and medium enterprises (SME) make up the majority of the business field in Indonesia, having proven to survive during the crisis in 1997-1998 and 2008. SMEs have important role on the economic development, on absorbing labors, and on contributing to the GDP. It is factual that the establishment of an SME generally starts with the family members or at least with the indirect support and family assistance. This study is focused on finding the role of capital provided by the family at the time of establishing and developing SME, either in the form of money capital and financial (fixed assets or current assets), or in the form of values (family capital), or emotions-time-care (psychological capital). The research is performed with using qualitative methods, namely Multi Case Studies on three SMEs in Bandung which are selected as the research object. Results from recorded interview are coded according to the research theme. Pierre Bourdieu's theory of capital is used to analyze and to explore meaning from the findings. The findings show that economic capital is not the only factor that plays a role in starting and developing businesses in the three cases. There are other capitals such as cultural capital and social capital. Symbolic capital can be built in line with the cultural and social capital accumulated along the life of the business.

Keywords : *economic capital, cultural capital, social capital, symbolic capital.*

Introduction

Small and medium businesses usually start from family business. Family ownership is an advantage mainly in providing the required capital, in the form of equipment, vehicles, or other assets. Family capital is a unique combination of family values, social skills, behavior, and the way problems and challenges are handled. Concept of kinship (familiness) also provides 'benefits' to its members through their interactions. Supports in the form of financial supports, attentions, and emotions are necessary in establishing and developing a family business (Hubberson and William, 1999).

However, small businesses that start from family businesses may be at greater risk than large-scale business and non family business are. Small scaled businesses are more risky when turbulences and erosions occur, especially the first 4 years. This is due to several problems such as undercapitalization, poor timing, and mismanagement (Headd, 2003).

Zimmerer (1997) defined entrepreneur as "One who creates a new business in the face of risks and uncertainties for the purpose of achieving profit and growth by identifying opportunities and assembling the necessary resources to capitalize on them" . Whereas according to Gartner (2001) and Low (2001), entrepreneurship includes all functions, activities, and actions with respect to creating organization and seizing opportunities.

In the study of family capital, Rogoff and Heck (2003) defined family as ' oxygen ' that lites the 'fire ' of entrepreneurship. Without the sharing of time, talent, and possessions from family members, most family businesses will not be successful. In other study from Hanlon and Saunders (2007), it was found that entrepreneurs who go into the family business also rely on friendships as they do on family. Greatest support obtained from family and close friends in the form of attention and emotions and actions give them encouragement. It is clear that the resources owned by the owner/entrepreneur are not limited to economic capital/financial, but also human capital, and social and cultural capital.

Westhead and Howorth (2006) indicates in the "Identification of Different Types of Private Firms ", that there are family businesses with family-shareholdings, with or without family management. Other studies by Cramton and Kirkwood (2007) found that the role played by parents is very important at the time of setting up a new business, whether by the father or mother. In addition, roles played by other family members are equally important in obtaining or accessing funds (financial resources) and mobilize them. (Aldrich and Waldinger, 1990)

Thus, family capital is a natural formulation uniquely reflected in the values cherished in the family and passed down through the generations. In the long term, these values may change as family norms change. However, in the short term, there may be change in information channels or reputation. Family capital can be transferred within a family business through socialization and working together for decades.

Latest discussions and debates about business ownership by the family in conjunction with the family capital and family business characteristics have led researches to the direction of the following topics: (i) legal-financial ownership, (ii) psychological ownership, (iii) socio-symbolic ownership, (iv) responsible ownership. (Kansikas and Laakkonen, 2010)

Research Methodology

Bourdieu's Theory of Capital. Pierre Bourdieu was a famous French sociologist. Many of his works are used as reference standards. Bourdieu's concept of cultural theory affects many cultural researches. One of the things set out in his theory is the idea of habitus, field, capital, reproduction, strategy, power, symbolic violence, and others.

Capital in Bourdieu's theory is a very broad definition. Capital here is not only material things, but also ownership of the intangible physical (intangible). Capital becomes meaning in an arena (field). Capital acts as a social relation in the exchange system. Capital is also significant as a dominance basis, for Bourdieu, although this is not always recognized by the participants. Some types of capital/capital can be exchanged (convertible) with other types of other capital. Capitals with the highest or powerful conversion rate are ones which are converted into symbolic capital. Symbolic capital gives legitimacy (legitimate authority) to someone concerning his/her class and status.

There are four types of capital that play a role in determining the power in relation to social relations and social inequality, namely (i) the economic capital (material capital), (ii) social capital, (iii) cultural capital, and (iv) symbolic capital. This capital structure forms a social-coverage structure based on differentiation and distribution. The actors and groups of actors are defined by their positions according to their capital amount and its weight on the overall capital.

Economic capital indicates ownership of economic resources, while social capital is the network of social relations of a person who is useful in determining the reproduction of social position (used to mobilize interests). Cultural capital has several dimensions: objective knowledge, tastes and preferences, formal qualifications (like degree), cultural ability (cultural skills) such as writing skills, language skills, manners, and how to get along, as well as practical skill (such as playing a musical instrument).

Symbolic capital (symbolic capital) shows the high status of its owner, authorities and prestige. For example, big name which is shared from generation to generation, luxury car with a driver, making guests wait, and so on. Another example is, in a career position (Director, Secretary, and Lecturer) which refers to and describes the activity or group name.

Among the four types of capital, economic capital and cultural capital are types of capital that determines the most relevant criteria of differentiation in advanced societies. Economic capital is most easily converted into other forms of capital. In all fields of struggle or social field, the economic capital presence is indispensable. However, compared to the other capitals, conversion rate of capital with the highest power is symbolic capital, namely conversion from

various other capitals into symbolic capital. Symbolic capital in various forms is perceived and recognized legitimate, get public recognition, and is widely accepted.

The research use a qualitative method using Multi Case Studies. Interviews and observations were analyzed using thematic analysis and constant comparison. Glaser (1996) states that: "*the process of constant comparison continually compares the data to the data, to the data concept, concept to concept, concepts and linking back to the data.*" After the interviews are transcribed, five stages are employed to the transcripts interview (Glover JL, 2010) which are as follows:

- ❖ Phase-1: read the entire transcript of the interview once.
- ❖ Phase-2: read one more time, and make notes in the narrative of the 'other of the other', or unusual.
- ❖ Phase-3: reading the transcripts of the same again plus the records that have been made, and begin to categorize (coding) according to the identified themes.
- ❖ Phase-4: read the narration for the fourth time, to see the similarities or differences of opinion among the resource persons (entrepreneurs).
- ❖ Phase-5: read the narrative for the last time, to make the relation of the readings with the themes that have been determined, to the categorization (coding).

After the first four stages, the last reading is necessary to make relation between reading results along with its gained themes to the capital categorization of Bordeaux, as illustrated in the following table example.

Analysis

Multi-Case Studies : Three SMEs in Bandung

Based on observations and interviews, characteristics of each of SMEs surveyed are as follows:

	"GF"	"RC"	"KnK"
Field/Sector of Business	Accessories (making corsages)	Fashion (Moslem shirts)	Book Store & Library
Business age	+/- 40 years	+/- 5 years	+/- 12 years
Place of business	Home	Home	Home
Owner and age	Woman (60'es)	Woman (38'es)	Woman (41'es)

Owner's profile	Graduate of Architect	Master of Development Study	Master of Fine Art Graduate of Architect
Employees Amount	3 people	5 people	7 people
Work Opportunity	Specialized skill	Honest, endurance	Like reading books, listening to music & seeing movies
Production method	Labors intensive with simple machineries	Labors intensive + sewing machineries + information technology	Knowledge intensive with no machinery
Organization and management	Run by owner, with the help of spouse and children	Run by owner herself, with the help of older sister and daughter	Starts alone, now with partners from outside the family
Sources of resources	Local and import	local	Import + local
Market target and orientation	Middle-upper class, domestic market	Middle-Upper, domestic & international market	Small-Medium, , domestic & international market
External Relation	The national designers.	The community of Hijaber's mom, foreign customers	The community of Indie-movie national and abroad
Motivation behinds opening and running business	To own independent income and achievement	To pay living costs (<i>single parent</i>)	<i>Passion, sociopreneur</i>
Family background and environment	Dad and Mom are business people in Purwokerto. 5 Siblings, 2 are business people	Dad was government officer and Mom was a housewife (both of them were RIP), 1 sibling help the business	Dad is a national businessman. Siblings are business people.

From interviews with entrepreneurs, we get interesting findings as follows:

- ✚ Economic capital of the parents
"I come from a wealthy family; this house is a family home that was left to me to manage. Yes, indeed, at the beginning, business comes from personal, yes, yourself. However, this house has been like an initial support required to start the business." (Interview with the owner of KnK)
- ✚ Knowledge capital from parents

–My mother was a tailor. Ever since my childhood, I have been helping Mom in sewing, so know everything about sewing from her. I used to help her after school. After getting married, I joined a sewing course only for a while. It turned out useful. Knowledge of sewing is useful when you attach accessories to bridal gown. My father was multitalented, doing anything creatively and innovatively. He was a great inspiration for me.” (Interview with the owner of GF)

–When My Dad was still alive, He was very supportive towards my business dream. Indeed, he gave kind a initial capital to start-up. He was good at designing (home) though not being an architect. My Mom was good at making up herself. She used to wear clothes in contemporary style, with bob style of hair, black sunglasses, and the appropriate handbag and had someone to take some photos of her with her children around her. I know, I am not as free as she was in deciding which style to take in dressing and hair. However, I am sure that I share her stylish taste and I do my Dad’s drawing talent.” (Interview with the owner of RC)

–I suppose I inherit most of my talents and art taste from the big family. My Grandpa happened to be a photographer and My Aunt was an artist” (Interview with the owner of KnK)

✚ Networking capital of the parents

–Most people in Purwokerto, including My Dad, are trader. My mother’s customers were so complicated that we used to work hard in order that they be satisfied. Dad used to help Mom with advertising in places like theatre. Actually, my first customers for my current business were from my Mom’s” (Interview with the owner of GF)

The explanation is classified again as follows :



	“GF”	“RC”	“KnK”
Economic Capital	Working husband with good pay can allocate his income to pay household bills and by so doing fund for business is safe and used only for business.	Money in amount of IDR 100.000,00 from Dad, used as an initial capital to buy stuffs and sew clothes	Parents’ house in Bandung is left to be managed by the owner of KnK. Personal belongings were books, music and movie CDs,
Social Capital	Friendship networks in Purwokerto had caused to get the first customers which is followed by new created Friendship networks, mainly with high educated people (Doctor, etc)	Friendship networks in Campus and Hijaber’s Mom community	Friendship networks in America and in community of lovers of movies, music, and books, within the country (mainly in Bandung)

Cultural Capital	High education in architecture and tacit knowledge of sewing inherited from a stylish Mom, dealing with fashion products, high taste, and association with high level officers.	Graduate and post graduate education, tacit knowledge of drawings	Graduate and post graduate education, talents art taste shared from grandpa, modest though has plenty, obligation to share values taught by parents
Symbolic Capital	Reputation of "GF" as maker of corsages and 'high class' other accessories	Developing "RC" trade mark of Moslem fashion in Bandung	Reputation as and indie-movie maker and a sociopreneur (one of several best) in Indonesia

Explanations for the above findings:

- Economic capital in the form of money, equipment, houses and buildings, is not always be the only major factor in setting up small and medium enterprises (SMEs). This is evident in the case of " GF" and " RC" that require little capital to start up the business
- Social capital in the form of friendship, joining a particular community, or cooperation with other agencies and institutions for exhibition success, as well as other networks that accumulate during the development of the business (SMEs) proved to be a significant factor. Friendship networks among entrepreneurs in home town, or during school - college, proved to be the initial capital in the form of social capital has an important role in introducing the business through word of mouth. These networks, in response, starts another new networks which give greater impact on developing the business
- At the same time, the initial social capital owned by entrepreneurs change as the business grows. When friendship and networking are increasingly widespread, the reputation (whether in the form of trademarks, goodwill, recognized competence, status and existence in a particular community, and so on) also began to emerge. Reputation or goodwill is one of the capitals mentioned by Bourdieu which is called symbolic capital, which means capital in the form of recognition by others (society) of products, services, or person (employer) concern. Thus, social capital can change into capital changes during the life of the business
- Cultural capital in the form of tacit and explicit knowledge proves to have an important role since the start of the business up today. Education, works experience since childhood, as well as talents inherited from the family (father-mother-brother-grandparents, etc) are accumulated and become cultural capital that are crucial when designing the desired type of business, especially in the case of three SMEs run by the owners.
- The cultural capital can also change into economic capital. This is evident when the product design or other creative stuffs are desired by the customers or audience, and reputation (good name) is obtained. In return, fame and popularity will yield greater benefits in the form of new economic capital. Thus, cultural capital can be transformed into symbolic capital and economic capital during the life the business
- Symbolic capital that comes from a family, such as good reputation (well-known) of mother (parent) as a modiste in Purwokerto, could have an impact on the early establishment of GF and its development to this day. This happens because the business (fashion and accessories) is the same type with the old ones owned by the family. In other words, the old business

support or pave the way to the new business. However, in other cases the symbolic capital of a different impact. In KnK case, the symbolic capital of the father as a famous entrepreneur does not necessarily provide support and pave the way for the establishment and development of new business of bookstore and library. This is due to the difference in area between parent's and son's daughter's company. The owner of KnK prefer to be a competent movie maker and sociopreneur. She had to build her own reputation slowly. Currently, she is among the famous indie-movie maker in Indonesia from Bandung city.

In addition to the findings above, there is one significant finding from the interview with owner of "KnK", that is, the capital gained from environments that boost "passion" to her when starting the business and trying to defend it until now. This is reflected in the following interview excerpt:

"Economics turns out to be an art in my opinion. Not just calculations of break even, but even much greater. Economy is marketing, the way to handle customers. In our case, our business is in a tiny niche, far from being general, a library, vintage store people usually keep from visiting. Besides influenced by my Architecture and Art Education, my interest in reading, discussing over philosophy and theology are influenced greatly by my community and network that I join to this day. They are not from my parents; instead they come along with my friends. This makes me on fire to this day. I think, this third factor is also very important in supporting my current activities. "

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THE INFLUENCE OF MARKET ATTRACTIVENESS AND UNIQUE RESOURCES ON COMPETITIVE STRATEGY FORMULATION AND ITS IMPLICATIONS ON BUSINESS PERFORMANCE OF BUSINESS DEFENCE-BASED STRATEGIC INDUSTRIES IN INDONESIA

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Abstract

The role of strategic industries is very important, especially to support the processing industry toward high-tech industries, create synergies and to prepare a comprehensive infrastructure's development in order to support national economic development and building a defense industry as planned. However the importance role of the industrial sector for the past 10 years becomes irony as the strategic industrial sectors even worse off. The facts from the preliminary survey (March, 2012), for past five years, generally the Strategic Industries Business Units still difficult to achieve sales target achievement reach 80%, evenless achieveing 100% or more. The achievement is insignificant and even some of Business Units were closed.

The less optimum of business performance of defense-based strategic industries today is believed to be the impact of weakness in the design of competitive strategy and the building of value creation which tend to be not fully comprehend the demands of the market. In addition to the cause are, the minimum business performance of strategic industries, the inability of management in exploring market attractiveness in the area of operation, and many business opportunities that seem to be difficult to be explored. From the above issues, it is found out that the phenomenon of has not been able to be carefully anticipated. The already existing business opportunities is not well managed and the limited resources to compete with the competitors, and the difficulty to accessing the market due to the limited capabilities of human resources and supporting facilities.

It is therefore interesting to be explored in a study with the aim to expose and assess data and information about the effects of the market attractiveness, the unique resource to competitive strategy and the implications on business performance of defence-based strategic industries in Indonesia. As for the type of research is used causality to test the relationship and effect between the independent variables and the dependent variables. Analytical approach and technical solutions that will be used as a tool of analysis in this study is the Partial Least Square (PLS). PLS is an alternative method of analysis with Structural Equation Modelling (SEM) based variance.

The Market Attractiveness shows dominant influence in formulating competitive strategy when compared with the unique resources. While the dimensions that give the highest contribution in reflecting the attractiveness of the market is the market access strategy and competitive conditions.

Keywords: *Market Attratctiveness, Unique Resources, Competitive Strategy, Business Performance*

I. Introduction

The business growth of Indonesian non-oil industry has been fluctuating, for more than the last 10 years that the growth rate is not yet as expected. The hardest hit is strategic industry as one of the the backbones of industry in Indonesia. From the data below can be seen that the contribution of industrial sectors towards GDP (*Growth Domestic product*) of the last 5 years is the lowest compares to other industries.

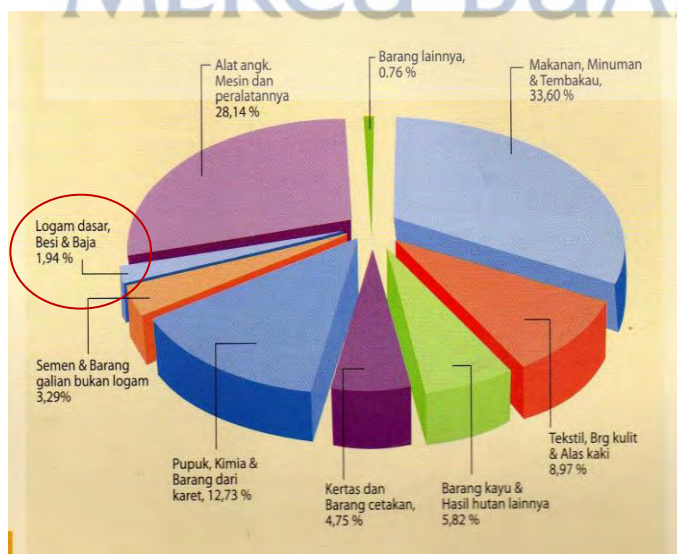
Table 1. The Contribution of Industrial Sectors towards GDP

Contribution of Industrial Sector to National GDP
(in percent)

Description	2006	2007	2008	2009	2010
1. Agriculture, Livestock, Forestry and Fishery	12.97	13.72	14.46	15.29	15.34
2. Mining and Excavating	10.98	11.15	10.92	10.54	11.15
3. Manufacture Industry	27.54	27.05	27.89	26.38	24.82
a. Oil & Gas Industry	5.15	4.61	4.89	3.81	3.27
b. Non-Oil & Gas Industry	22.38	22.43	23.00	22.57	21.55
1). Food, Water and Tobacco	6.37	6.68	6.99	7.49	7.24
2). Textile, Leathers and Footwear Industry	2.70	2.37	2.12	2.08	1.93
3). Wood Product and Forestry Industry	1.34	1.39	1.48	1.43	1.25
4). Paper and Printing	1.19	1.15	1.05	1.09	1.02
5). Fertilizer, Chemical and Rubber Industry	2.82	2.80	3.11	2.90	2.74
6). Cement and Mineral Excavating Industry	0.87	0.82	0.81	0.77	0.71
7). Iron Metal and Steel	0.62	0.58	0.59	0.48	0.42
8). Transportation and Parts	6.27	6.44	6.88	6.17	6.06
9). Other Goods	0.21	0.19	0.18	0.17	0.16
4. Electricity, Gas and Clean Water	0.91	0.88	0.82	0.83	0.78
5. Construction	7.52	7.72	8.48	9.89	10.29
6. Trade, Hotel and Restaurant	15.02	14.99	13.97	13.37	13.72
7. Transport and Telecommunication	6.93	6.69	6.31	6.28	6.50
8. Finance, Leasing and Service	8.06	7.73	7.43	7.20	7.21
9. Services	10.07	10.08	9.73	10.22	10.19
Product Domestic Bruto	100.00	100.00	100.00	100.00	100.00
Product Domestic Bruto Without Oil & Gas	88.85	89.46	89.41	91.68	92.23

Source : BPS and Kemenperin (2011)

Further, for the last 10 years, the sector of strategic industry has been contributing at the lowest compares to other non-oil industries to the PDB (*Product Domestic Bruto*).



Source : BPS and Kemenperin (2011)

Figure 1. Industrial Contribution towards PDB

On the one hand, strategic industry is a processing industry that cultivates the output of the basic industry into high value-added materials. The roles of strategic industry are as follows:

- To play as the spearhead of the agricultural industry to the processing industry and heading to high-tech industry.
- To improve the development of infrastructure of the economy such as transportation, telecommunication, and electrical infrastructures.
- To create synergy and prepare the establishment of complete infrastructure to support the development of national economy and building the defence industry as needed.

Kemenperin (2011)

For the last five years, the fulfillment of major weapon system from national strategic industry only hit 13,7% and 15,8% respectively, with the increase of 2,1%. This means that the budget of the major weapon system is brought from overseas with more that 80% every year. (Harry Sampoerno : 2011). From this issue, it can be observed that the competition in defence-based strategic industry has moved to a global competition with various suppliers from local and international as the competitors. This has weakened the competition power of the local defence-based strategic industry, and consequently impact negatively towards the continuation of the business of defence-based strategic industry in Indonesia.

Basic determinants of performance-based strategic defense industry business is the company's ability to anticipate and capture opportunities in the market appeal, while the dimensions of market attractiveness consists of three aspects, namely: market opportunity, competitive conditions and market access. The stipulation of the three dimensions is based on the consideration of the unit of analysis in this study that the current defence-based strategic industry is tend to reside weaknesses in those three aspects.

Market attractiveness that belongs to the aspect of corporate external environment is difficult to control, the efforts that can be made by the company is by anticipating market conditions supported with the internal capability of the company to response to the condition. Whether or not the company is able to anticipate market attractiveness is determined by optimal resource ownership or is known as the ownership of unique resources.

Company that has a unique resource to have more value than those of other competitors. Resources as such is a source of corporate excellence and will be effective if it can adapt to the market demands. The uniqueness of the company's resources is a series of strategic industrial assets owned by the company in creating superior value for the customer, where the asset is focused on tangible assets, intangible and reliability backed by an organization that has a high capability, both in terms of competence and commitment of the organization to create superior performance.

The development of competitive strategy aimed at building competitive advantage, implement, and adapt these strategies to respond to the continuous changes in the environment. Dimension of competitive strategy that tends to be most suitable to use in the unit of analysis is a strategic industry consists of; Focused Cost Leadership, Focused Differentiation and Faster. It is based on the condition that the defense-based strategic industry in Indonesia today is still difficult to compete in terms of determining the selling price of the product, and the resulting product that tends to be easily imitated by the competitors. In addition, the speed in anticipating the market demands and product delivery is relatively loose to compete with the products from other countries.

Performance assessment can be viewed from two sides, namely the financial and non-financial side. Assessment of financial performance is critical because it is a consequence of the economic decisions taken and impact an economic action. Financial performance is measured by ROI, ROE or ROA. Dimensions of business performance to measure the business performance of business units of defence-based strategic industries are aspects of sales volume and profitability. While the market is one of the indicators of a company's business performance improvement.

II. Research methods

This study is a descriptive study and verification. By using the observation coverage (*time horizon*) cross section / one shot, which is in 2012. The unit of analysis in this study is business units of defence-based strategic industry in Indonesia and using the observation unit the corporate management. The Approach to the analysis and solution techniques that will be used as a tool of analysis (analysis tool) in this study is the Partial Least Square (PLS).

This study consists of two exogenous variables, namely Market Appeal (X1) and the Uniqueness Resources (X2). While the endogenous variables, namely Business Performance (Z) and intervening variables that is Competing Strategy (Y).

2.1. Population

The target Population in this study is business units of defence-based strategic industry in Indonesia. Based on the results of the documentation study, it is noted that industrial companies included strategic business unit amounted to 41 public and private companies. Due to the small population size of the data collection, this study uses census method.

2.2. Techniques of Data Collection

The Primary and Secondary Data needed in this study is taken by using Data Collection Technique as follows:

1. Questionnaires, for the corporate management of the business units belong to defence-based strategic industry.

2. Interview, conducted by providing open questions to the management of the company, and related departments.
3. Secondary Data, by conducting cooperation and coordination with related institutions such as Central Bureau of Statistics, Indonesian Department of Defence.

2.3.Hypothesis

1. Market attractiveness and uniqueness of the resource affect the competitive strategy of the business units defence-based strategic industries in Indonesia either simultaneously or partially.
2. Market attractiveness and uniqueness of resources affect the business performance of the business units defence-based strategic industries in Indonesia either simultaneously or partially.
3. Market attractiveness and uniqueness of resources simultaneously influence on business performance through competition strategic of business units in defence-based strategic industries in Indonesia.

III. Results and Discussion

3.1. The Results of Structural Model Test (*Inner Model*)

Table 2. The Results of Structural Model Test (*Inner Model*)

Variabel	R Square	Communality	GoF	Q-Square
Market Appeal	-	0,933		
Uniqueness Resources	-	0,796		
Competing Strategy	0,65	0,935	0,794	0,983
Business Performance	0,56	0,864		

Source: Primary Data analised by Smart PLS(2012)

The Above Table gives critical value to test model both GoF as 0,794 and the Q-square as 0,983 approaching 1, meaning that the research study has been supported by empirical condition or fit model.

3.2.hypothesis Testing

1. First hypothesis testing,

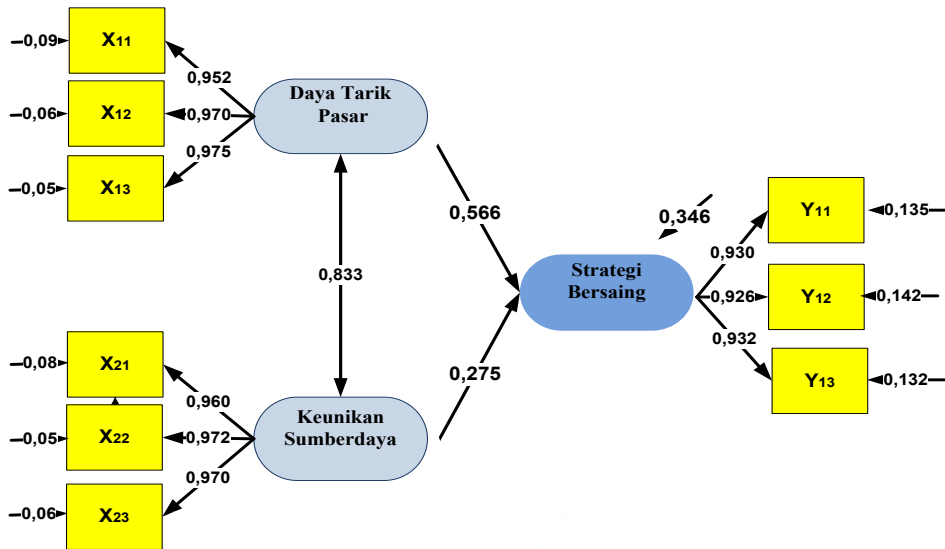


Figure 2. Hypothesis testing result 1

Structural Model for the above diagram is:

$$Y = 0,566X_1 + 0,275 X_2 + \zeta_1$$

The test results show that there is a simultaneous effect of market attractiveness and uniqueness of resources on competitive strategy at 65.4% and the remaining 34.6% influenced by other factors.

Based on simultaneous hypothesis testing, it finds out that the market attractiveness has a dominant influence on the competitive strategy compared to unique resources, this indicates that the formulation of competitive strategy based on strategic industries is strongly influenced by the ability of the management to take advantage of potential market opportunities, examine the condition competition and the ability of business units in designing market access strategy. Nevertheless, adequate resource ownership such as intangible asset that can be in the form of qualified human resources, or the reputation of the company that is supported by a tangible asset ownership as a source of working capital and supported by the reliability of the organization will ensure the creation of competitive advantage.

The Effect of Market Attractiveness to Competitive Strategy is significant of 44.9%. The hypothesis test results revealed that the competitive strategy of defence-based strategic industries in Indonesia, is mostly determined by the capability of the business units in designing strategies to enter the targeted market, where the condition is likely to be determined by the high level of competition in the target market targeting today conditions of competition of defence-based strategic industries that leads to the condition of hypercompetition.

Overseeing the situation, the Management should be more observant in scrutinizing potential market opportunities to the global market, not only targeting the already existing

national market, but also important to standardize the products that demanded by the world market.

The effect of Resource Uniqueness to Competitive Strategy is significant positive effect of 20.5%. From the results of hypothesis testing revealed that, intangible assets contribute to the most dominant competitive strategy although its implementation has not been optimized.

This indicates that the study results are consistent with the empirical conditions currently experienced by business units in defence-based strategic industries where the main drawback is the ownership of intangible assets of which include the competence of the employees, the company's reputation and the quality brand of products that tend to be less known in the world market, even in the domestic market preferences were more likely to favor foreign brands.

Another dimension that is highly influential is the reliability of the organization, followed by the ownership of the tangible assets that the handling of those two issues dimensional is not fully optimized. Remembering that the current's condition of the business units of defence-based strategic industries is not yet reliable, as it can be indicated by the weakness in the preparation of planning, coordination and monitoring the development of organizational culture, the improvement of internal business process as indicated by lack of effective and efficient use of working capital as well as the lack of adequate career pathway programs. On the other hand, the quality of intangible assets of business units of defence-based strategic industry today is relatively low in general, it is characterized by weak mastery of modern technology, the already existing means of production are relatively outdated when compared with the competitors from other countries.

2. Second hypothesis testing,

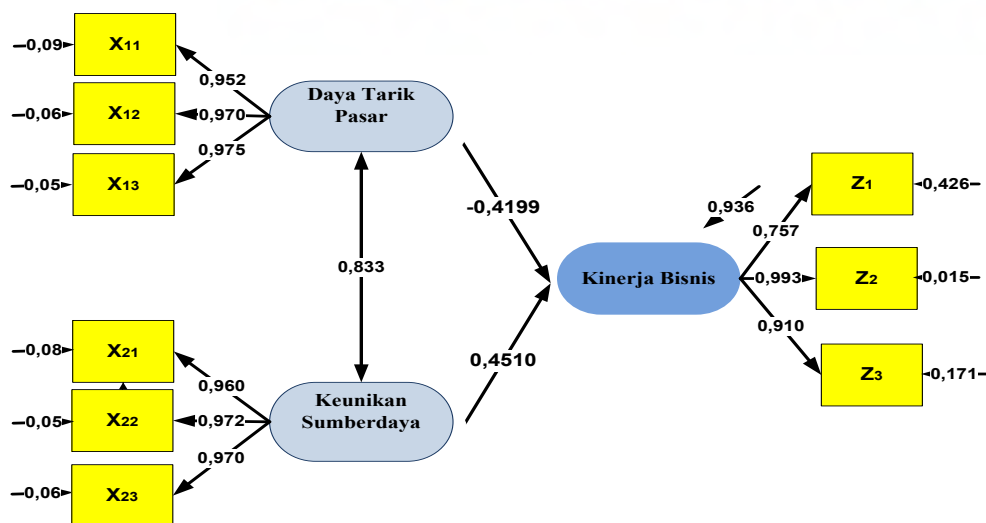


Figure 3. Hypothesis testing result 2

The Structural Model structural of the above diagram is:

$$Z = -0,4199 X_1 + 0,4510 X_2 + \zeta_3$$

The results show that there is no simultaneous significant effect of market attractiveness and uniqueness of resources on business performance with the coefficient of determination is equal to 6.4%, compared to the remaining 93.6%, of the other factors that were not studied. Business performance tends to be predominantly influenced by the optimization of resource ownership, but the increase of business performance of defence-based strategic industries is not directly affected by the appeal of the market, because these variables are variables that can not be controlled by business unit (uncontrollable).

The effect of Market Attractiveness is not significant, the effect of market appeal is very small that it does not impact on the improvement of business performance of defence-based strategic industries.

The influence of Resource uniqueness is a significant with the coefficient of determination R2 is 4.6%. The uniqueness of the resource has a significant impact on business performance, which the dimension that reflects the uniqueness of the resource is the dominant intangible asset ownership and reliability of the business units in defense-based strategic industry.

3. Third hypothesis testing,

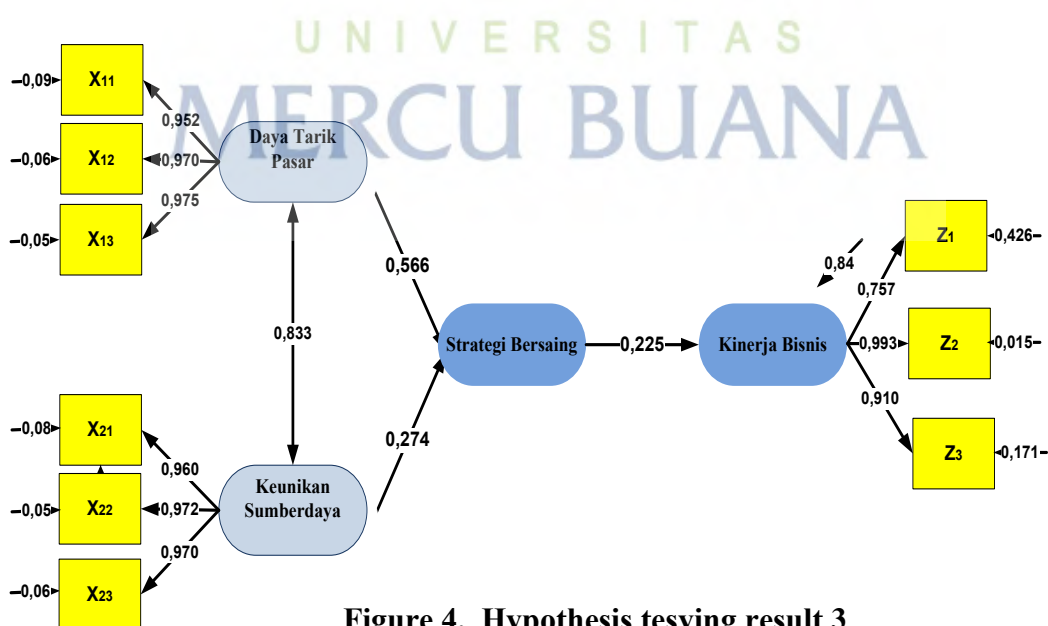


Figure 4. Hypothesis tesying result 3

The results show that there is a simultaneous effect of market attractiveness and uniqueness of the resources on the performance of the business through the competitive strategy of 18.6%.

The Coefficient of determination R^2 of Market Attractiveness on business performance through competitive strategy has a value of 12.7% while the uniqueness Resources competing strategies on business performance by 6.2%.

The synergy of the solution variable consisting of market attractiveness and uniqueness of resources will be able to support the formulation of competitive strategy that has a positive impact on the development of business performance in defence-based strategic industries in Indonesia.

Defense industry as one of the elements in a supporting component of the state defense system, is expected to achieve independency in fulfilling the needs of defense system, thus providing deterrent power and a reliable defense force (deterrence effect). To conduct national defense, the development policies in defense industry implemented not only in supporting the needs of the defense system, but also oriented on commercial aspects. The support to the defense industry in the current administration addressed in order to realize an advanced defense industry, independent and competitive. Advance means that it can improve the productivity and efficiency of the working field and job opportunities, and improve the welfare of the people. Independent means capable of transforming the condition of full dependency on outside parties to be mutually dependent. Competitive means that the products not only to meet the standards to support the needs of domestic users, but also able to support the needs for export opportunities.

The policy of the defence-based strategic industrial business development should also consider the realization of independency in the field of defence. Thus it is required compensation spectrum of both commercial products as well as products based on the weapons systems with the state in peacetime or emergencies. Likewise implications on investment should as far as possible keeping in mind the business aspect. Thus the defense industry is expected to be developed through the approach to security, technology, and professionalism.

Operational strategic should in line with the condition where the defence-based strategic industry has its own peculiarities. The resulting products must be unique, branded, and widely recognized. The weakness of the defense industry in Indonesia that it does not own the ability to test weapon, in other words, it does not own intangible assets such as hermetic-technology, ballistic test equipment, speed and pressure measurement, internationally standardized operational human resources, also, intangible assets such as product brands, patents rights that are not widely familiarized yet.

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Determinants of banks' profitability: A market structure analysis of Indonesian banks

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Abstract

This paper analyzes the relationship between the market structure and profitability of the Indonesian banking industry. We test the market structure-performance hypotheses using a panel data of Indonesian banks over the period 2002-2011. Bank-specific, industry-specific and macroeconomic Determinants of banks' profitability are investigated. The results obtained from our analysis suggest that Indonesian banks' profitability is driven by the efficiency of the banks, rather than banks' market power effects.

Keywords: *Indonesia, Banking, Market Structure, Profitability, Efficiency*

1. Introduction

How do Indonesian banks earn their profits? We analyzed this question from a market structure perspective. Since 2002, Indonesia's banking sector has undergone rapid and significant changes with the influx of foreign banks participation into it. Today, many of the large banks in Indonesia are foreign owned, and these changes are also accompanied by encouraging trends in terms of banks' capitalization and profitability. That said, the presence and concentration of large banks within the industry raised concern regarding the potential collusive behavior of banks. Collusive activities can generate abnormal profits and burden consumers as consumers may be subjected to higher than competitive loan rates and lower banking services. Hence, it is important to understand how banks make their profits. Our study investigates whether the banking sector's profitability is being driven by their market power or whether they are profitable due to greater efficiency. We examine the profitability and market structure relationship in Indonesian banking industry over the period 2002-2011. Our analysis is based on the traditional industrial organization perspective, using two competing hypothesis: The Market Power Hypotheses, in the form of Structure-Conduct-Performance (SCP) and Relative-Market-Power (RMP), and the Efficient-Structure (ES) hypothesis [2]. Relevant studies testing these hypotheses have typically focused on developed countries, mainly the US and European economies [2, 3, 7, 8, 10, 17]. Some studies that focused on emerging and Asian economies are growing in number but they are still limited [1, 5, 9, 16]. However, to the best of our knowledge, specific to the Indonesian banking sector context, there are only very limited studies available [4, 15] that focus on this

subject. This was our impetus for doing a study on this subject. We found evidence supporting the efficient structure hypothesis rather than market-power hypothesis in the Indonesian banking market. The remaining sections of our paper are divided into the following sections. Section 2 presents an overview of the Indonesian banking sector. Section 3 provides a summary of the relevant literature. Section 4 introduces the methodology, variables and data used in this study. Section 5 presents the main findings, and finally Section 6 concludes.

2. Overview of Indonesia's banking sector

The banking sector in Indonesia has undergone reforms that brought dramatic transformation to the industry with the rapid growing presence of foreign-ownership of locally incorporated banks since 2002. Foreign investment in the banking sector was initially meant to inject highly needed capital into the technically bankrupt banking sector after the country was badly hit by the Asian Financial crisis of 1997. Today the number of banks has decreased from 238, at the time of the crisis, to currently 120 banks. Whilst the number of banks has declined, the banking sector's performance in terms of assets and profit growth, during 2002-2011, has shown positive trends (see Table 1). However, the same positive development is not evidenced for the banking sector's efficiency, as measured by the ratio of operating cost to operating income (OCOI). The OCOI ratio is not showing the same positive developments as total assets and profits.

Table 1: Selected key performance indicators of Indonesian banking sector

Indicators		2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Assets	RpTr	1,083.85	1,116.67	1,277.17	1,477.33	1,710.37	2,002.07	2,305.58	2,553.13	3,074.43	3,760.65
<i>Changes (%)</i>		<i>n/a</i>	3.03	14.37	15.67	15.77	17.05	15.16	10.74	20.42	22.32
Profit	RpTr	17.75	20.26	29.64	22.65	28.82	32.94	37.24	44.68	60.79	78.39
<i>Changes (%)</i>		<i>n/a</i>	14.14	46.30	-23.58	27.24	14.30	13.05	19.98	36.06	28.95
OCOI	%	88.08	80.16	77.29	81.42	73.9	71.16	69.91	86.63	86.14	85.42
<i>Changes (%)</i>		<i>n/a</i>	-8.99	-3.58	5.34	-9.24	-3.71	-1.76	23.92	-0.57	-0.84

Source: Infobank, own calculations

These developments have raised our interest to study the relationship of the banking market structure and banks' profitability over the period 2002-2011. We examine whether the profitability of Indonesia's banks is driven by their market power or efficiency.

3. Literature review

We reviewed a total of 17 relevant studies on the banking market structure-profitability relationship. These studies focus on the US, Americas, European, Caribbean, African, Middle

East countries, and Asian countries. Two out of the 17 studies focused exclusively on Indonesia. We provide a summary of the literature reviewed, showing brief results of each study, in Table 2.

Table 2: Summary of the literature reviewed

No.	Study by	Study Period	Country(ies)/Region(s)	Support found for
1	Al-Muharrami and Matthews (2009)	1993-2002	ArabGulf Cooperation Council (AGCC)	SCP hypothesis
2	Chortareas et al (2010)	1997-2005	nine South American countries	efficient structure hypothesis
3	Berger (1995)	1980-1989	US banking industry	Partially supporting the ES and RMP hypotheses
4	Berger and Hannan (1993)	1987-1988	US banking industry	quiet life hypothesis
5	Färe et al (2006)	1992 to 2003	Spanish banking industry	quiet life hypothesis
6	Fiordelisi (2009)	1997-2005	15 European countries	efficient structure hypothesis
7	Gajurel and Pradhan (2010)	2001-2009	Nepalese banking	quiet life hypothesis
8	Garza-Garcia, J. G., (2011)	2001-2009	Mexico's banks	RMP hypothesis
9	Maudos (1998)	1990-1993	Spanish banks	modified-efficiency structure paradigm ES hypothesis.
10	Mensi and Zouari (2010)	1990-2005	Tunisian banking	RMP hypothesis
11	Mirzaei et al (2011)	1991-2008	European countries emerging and advance economies	RMP hypothesis for the advance economies; For their emerging economies, no support for the RMP hypothesis nor the SCP hypothesis.
12	Okumus (1999)	1989-1995	Turkish banks	ES hypothesis
13	Polious and Samuel (1998)	1991-1999	Eastern Caribbean Currency Union (ECCU)	ES hypothesis
14	Seelanatha (2010)	1989-2004	Sri Lanka	ES hypothesis
15	Yu and Neus (2003)	1998-2002	German banks	both the SCP hypothesis and also for the scale efficiency of the ES hypothesis
16	Besar (2011)	2001-2008	Indonesian	ES hypothesis
17	Sastrouwito and Suzuki (2011)	2001-2008	Indonesian	SCP hypothesis

As shown in Table 2, there are several studies on the subject focused on developed countries like the US and European countries. There are also a decent number of studies focusing on emerging or developing countries. Some interesting findings are noted. Most of the studies on developed countries [3, 6, 12, 17] tend to support the SCP, RMP and quiet life hypotheses. This suggests that banks in developed economies tend earn their profit using their

market power. There are few exception of course [2, 8]. Meanwhile, studies on emerging and developing economies tend to support the Efficiency Structure hypothesis [5, 13, 14, 16]. In the Indonesian context, the two studies were reviewed found support for the ES hypothesis [4] and the SCP hypothesis [15]. Interestingly, they have differing outcomes despite having the same period of study, 2001-2008. Given these contrasting findings, we test the profitability and market structure relationship using a more up to date study period from 2002-2011.

4. Methodology, variables and data

To empirically investigate the effect of the banking industry market structure on banks' profitability, we test two contrasting hypotheses under the industrial organization paradigm [2]. The first being the market power hypotheses consisting of the structured-conduct-performance (SCP) hypothesis and the relative market power (RMP) hypothesis. The second is the efficient structure (ES) hypothesis. Under the market power paradigm, banks are presumed to make above average profits using their market power effects. Under SCP, firm performance is positively related to market concentration while under RMP firm performance is positively related to market share. Meanwhile, the ES posits that efficient firms operate at lower cost and subsequently gain higher profits and market share. In testing the hypotheses, we use the following equation which is a simplified model following the model by [2]:

$$\pi_{it} = \alpha_{it} + \beta_{1it}HHI_{it} + \beta_{2it}MS_{it} + \beta_{3it}EF_{it} + \delta_{it}X_{it} + \varepsilon_{it} \quad (1)$$

Where π is the profitability, measured by ROA, of bank i at time t , with $i = 1, \dots, N$, $t = 1, \dots, T$, α is a constant term, HHI is a measure of concentration of bank i at time t , with $i = 1, \dots, N$, $t = 1, \dots, T$, MS is the market share of bank i at time t , with $i = 1, \dots, N$, $t = 1, \dots, T$. EF is a bank's efficiency measured by the ratio of operating cost divided by operating income (OCOI). The X variable is composed of two groups of variables, namely bank-specific, and macroeconomic variables.

If SCP holds, then the expected coefficient for concentration (HHI) should be positive. If RMP holds, then the expected coefficient for market share (MS) should be positive and greater than zero. If ES holds, then the expected coefficient for efficiency (EF) should be positive. A negative relationship between efficiency and market structure is necessary condition for the ES hypothesis [2]. Hence the following functional equations are tested:

$$HHI_{it} = \alpha_{it} + \beta_{it}EF_{it} + \delta_{it}X_{it} + \varepsilon_{it} \quad (2)$$

$$MS_{it} = \alpha_{it} + \beta_{it}EF_{it} + \delta_{it}X_{it} + \varepsilon_{it} \quad (3)$$

For our study, the sample used consists of the top 30 banks in terms of their assets (see Table 3). These banks account for 85 percent of the Indonesian total banking industry assets as at end of 2011. As the observation period of our study spans 2002-2011, there are a total of 300 bank year observations. Of the 30 banks in our sample, 11 are domestic- and 19 foreign-owned banks.

Table 3: List of banks

1	Bank Mandiri	D	16	HSBC	F
2	Bank Rakyat Indonesia	D	17	Bank BJB	D
3	Bank Central Asia	F	18	Bank of Tokyo-Mitsubishi UFJ	F
4	Bank Negara Indonesia	D	19	Standard Chartered Bank	F
5	Bank CIMB Niaga	F	20	Bank BTPN	F
6	Bank Danamon Indonesia	F	21	Bank DBS Indonesia	F
7	Panin Bank	F	22	Bank ANZ Indonesia	F
8	Permata Bank	F	23	Bank Jatim	D
9	Bank International Indonesia-Maybank	F	24	Bank Ekonomi	F
10	Bank Tabungan Negara	D	25	Bank Kaltim	D
11	Bank Mega	D	26	Bank Jateng	D
12	Bank OCBC NISP	F	27	Bank Mizuho Indonesia	F
13	Citibank	F	28	Deutsche Bank	F
14	Bank Bukopin	D	29	Bank Sumitomo Mitsui Indonesia	F
15	Bank UOB Indonesia	F	30	Bank DKI	D

We collected our bank-specific variables from Bank Indonesia, and also sourced them from Infobank. The two industry-specific variables, and concentration, measured by the Herfindahl-Hirschman Index (HHI), and market share, are both calculated based on banks' assets. Table 4 presents the variables description and table 5 provide the descriptive data used in our model.

Table 4: Variables description

Variable	Measure	Notation	Source	Hypothesized relationship
Dependent Variable				
Profitability	Net profits/assets	ROA	Bank Indonesia & Infobank	
Bank-specific				
Efficiency	Operating cost/operating income	OCOI	Indonesia & Infobank	-
Capitalization	Equity/Assets	EQTA	Indonesia & Infobank	+
Loan intensity	Loan/Assets	LOANTA	Indonesia & Infobank	+
Size	Natural log of Total Assets	LNTA	Bank Indonesia & Infobank	+
Industry-specific				
Concentration	Herfindahl-Hirschman Index	HHI	Own calculations	+
Market share	Bank's assets/Banking assets	MS	Own calculations	+
Macroeconomic				
Inflation	Inflation rate	INFL	World Bank database	+/-

Table 5: Descriptive data of variables

Variable	Mean	Min	Max	S.D
N	300	300	300	300
Dependent Variable				
ROA	2.97	-4.80	8.51	1.58
Bank-specific				
OCOI	76.24	42.05	138.10	12.50
EQTA	0.21	0.04	1.50	0.16
LOANTA	0.53	0.05	0.86	0.16
LNTA	17.16	14.04	20.01	1.15
Industry-specific				
HHI	22.43	0.01	549.28	62.26
MS	2.78	0.12	23.44	3.84
Macroeconomic				
INFL	7.98	4.81	13.11	2.89

Source: Infobank, own calculations

5. Empirical results and discussions

We present our results of the estimation of equations 1, 2 and 3 in Table 6. As shown, for the profitability model (equation 1), the R-squared statistics of our balanced panel data model is 79.42 percent, indicating strong explanatory powers of our model. The variable OCOI is statistically significant at 1 percent and has the expected negative effect on profitability. Of the control variables, all of them are statistically significant, with the exception of inflation (INFL). Thus, our findings are both of the market power variables, concentration (HHI) and market share (MS), are insignificant and close to zero. Thus our findings tend to support the ES hypothesis for the Indonesian banking market. This is similar to the results obtained by [4] and contrary to [15]. As pointed out by [2], one of the implications of the efficiency structure hypothesis is that efficiency should be negatively related to either the market share concentration, or to both market power variables. Our findings, using equations 2 and 3, for regressions of market share and concentration against the efficiency variable, provide further support for the ES hypothesis. The efficiency variable OCOI are statistically insignificant to both market power variables, as are the coefficients of the variables INFL and EQTA.

Table 6: Regression estimation using fixed panel model

Variable	Profitability (ROA)		Concentration (HHI)		Market Share (MS)	
Bank-specific	Equation (1)		Equation (2)		Equation (3)	
OCOI	-0.065***	[-13.06]	0.159	[1.00]		[1.07]
EQTA	1.575***	[2.78]	10.500	[0.59]		[0.14]
LOANTA	1.505***	[2.84]	-42.055***	[0.08]	**	[-4.39]
LNTA	-0.281*	[-1.82]	3.346	[0.05]	0.550***	[4.10]
Industry specific						
HHI	-0.001	[-20]	-	-	-	-
MS	0.097	[0.55]	-	-	-	-
Macroeconomic						
INFL	0.004	[0.20]	0.028	[0.05]	0.013	[0.76]
Constant (intercept)	11.351	[4.55]	-27.119	[-0.37]	-6.173*	[-2.63]
Observation	300		300		300	
R-squared	0.7942		0.8645		0.9637	
Adjusted R ²	0.7660		0.8476		0.9590	
S.E of regression	0.7640		24.3087		0.7771	
F-statistics	28.196		49.8930		206.7145	

Source: Own calculations

We briefly discuss the policy implication of our findings at this point. The rejection of the SCP paradigm does not support the measures of greater market concentration through mergers. However, we believe policy makers should continue to encourage greater efficiency in the banking sector while also continuing the reforms towards reaching the objectives of the IBA for better capitalized banks. Our study provided the empirical evidence that large (strongly capitalized) and efficient banks are profitable banks.

6. Conclusion

This paper empirically tests the profitability-market structure relationship of Indonesia's banking sector. We use Indonesia's thirty largest banks in our study to assess how these banks make their profits during the study period spanning 2002-2011. Our sample consists of 30 banks that account for 85 percent of the total Indonesian banking assets as at end of 2011, hence we believe we have a good representation of the Indonesian banking sector in our study sample. We tested the market power and efficiency hypotheses to explain banks' profitability, using simplified models by [2]. Our empirical findings support the ES hypothesis hence Indonesia's banks earn their profits utilizing their efficiency. This paper contributes to the limited body of literature on this subject in the Indonesian context. Our findings lend support to the mergers encouraged by Bank Indonesia through the Indonesian Banking Architecture (IBA). The IBA blue print aims for Indonesia to have fewer but larger banks, and this is justified on efficiency grounds. Hence our study's results suggest that policy makers focus on policy reforms that result in not only fewer larger banks but also efficient banks.

On a final note, we are aware of the limitations of our study, as we are using only the accounting ratio OCOI to measure efficiency, and that our sample included the top 30 banks. Further research may consider using frontier analysis efficiency estimates and include more banks. We are also looking to do so.

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The Determination of the company's characteristics and good corporate governance to CSR disclosure and its impact on firm's value

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Abstract

Low level of CSR disclosure in Indonesia and the public demands that companies behave more social, encourages many researchers to examine the variables that affect to CSR disclosure. The variables studied are the characteristics of firms (Khan 2010 and Pahuja 2009), Good Corporate Governance (GCG) (Barnae and Rubin, 2006; Barako and Brown 2008). The contradiction from previous research motivated researchers to produce new research results from the latest data on the effect of firm characteristics and GCG to CSR disclosure and also find whether CSR will increase the firm's value.

The research sample is 165 companies listed on the Stock Exchange in 2009 selected by purposive sampling. The multiple relationships with nominal and ratio scales of the data so that the data analysis technique used was Partial Least Squared (PLS).

The results showed for the period of 2009, CSR disclosure in manufacture companies has reached 55.44 %, and the highest information to disclosed economic performance. GCG partially has significant effect on CSR disclosure while firm's characteristics have no significant. The firm's characteristics and GCG have significant effect to firm's value while CSR disclosure has no significant.

Keywords: CSR, corporate governance, firm's characteristics and firm's value

1. Introduction

For quite a long time, business world believes that the only company's responsibility is to make benefits for the owner (Friedman, 1970) and giving other responsibilities to the company is a mistake because additional responsibilities cause additional high production cost and it will cause on the decrease of wage and/or the increase of product selling price. Both of these things are contrary to the interests of the company and also the community. Even so, since 1960s, some social and environment problems have appeared which were caused by company's operation which demanded company's responsibility such as on PT Free Port in Papua and PT Newmont in Minahasa cases. It triggered some demands to occur so that the company takes responsibility for not only economics but also social interest. The harmony of the two interests is expected to prolong the company's going concern. One of the demands that make the company has social attitude is the Act No. 40 2007 article 74 about Company and Act No. 25 2007 article 15 b about investor.

Corporate Social Responsibility/CSR gives benefit to all parties, such as company, employee, community, government and environment (Nelly, 3006). Therefore, social activity must be communicated so that all the parties know it. CSR activity can be communicated through some ways and media. One of the media that can be used is annual report. Communicating CSR activity means giving information, which is in accounting term is known as CSR disclosure. In Indonesia, publicly CSR disclosure has been recommended in Standard Pronouncement of Monetary Accounting No. 1 2007 at the ninth paragraph about financial report presentation.

Both of the rules above make the company, especially the one which is registered in Indonesian Stock Exchange, do and disclose its CSR social activity. However, in the reality, there are still a lot of companies which don't disclose their social activity in their annual report or separated report such as sustainable report. It is supported by Novita and Djakman findings (2008) that there were 38 companies which were registered in Indonesian Stock Exchange that only gave financial report in their annual report. Bappeda Gresik Research cooperated with Brawijaya University researcher in 2009 reveal that 84% of 350 companies operating in Gresik did not have CSR Division. It indicated that company's CSR implementation was only unscheduled ceremonial and incidental activity.

Some studies from inside and outside the country also showed that CSR disclosure and report in Indonesia was relatively low. Some findings from those researches such as Shapple and Moon (2005) that compared website based CSR disclosure of 50 biggest companies (from the operational income point of view) in seven Asian countries, included Indonesia. The sampling target was big companies because these companies had many stakeholders so that the CSR's implementation and disclosure pressure in these companies were getting higher. Hartanti's research (2007) found out that in average environmental information disclosure was relatively low which was only 8.7 out of 30. Similarly, the average of environmental management system information disclosure was also low, which was only 2.6 out of 7.

The low rate of CSR disclosure in Indonesia, on one side, and community's demand for the company to behave more socially, on the other side, encourage some researchers do a research on variables that can influence CSR disclosure. The researched variables such as company's characteristics by Khan (2010) and Pahuja (2009), Good Corporate Governance (GCG) by Barnae and Rubin (2006); Barako and Brown (2008). However, the result showed contradiction (conflict finding). The existence of significant benefits on CSR disclosure, and the low level of CSR disclosure in Indonesia as well as the existence of contradictive result from the previous researches, motivate researcher to develop previous research to get newest research result from newest data on the level of CSR disclosure in Indonesia at present, influence of company's

characteristics and GSC on CSR disclosure as well as generate new research whether CSR disclosure will increase company's value.

2. Theoretical Framework

2.1 Company's Characteristics

Lang and Lindholm (1993); Wallance, Naser, and Mora (1994) divided company's characteristics into three categories which are structure variables, performance related variables, and market related variables. The company's characteristics in the research related to performance related variables which are the company size, listing period, liquidity, leverage and profitability.

The company size is the size of the company that can be measured from the total assets. According to agency theory, big company is an issuer which is highlighted a lot so that information disclosure demand is higher to reduce the agency fee (Jensen and Meckling, 1976). Research related to company size with CSR disclosure level has been done by former researchers. However, not all researches supported the influence of company size to CSR disclosure. Some researches that supported the influence of the two variables are: Gray, Javad, Power, David (2001); Suhaidan, Al Omari and Haddad (2004); Ayadi (2004); Haniffa and Cooke (2005); Gao, Heravi, Xiao (2005); Naser et al (2006); Novita and Djakman (2008); Michelon (2007); Pahuja (2009); Maria, Monteiro and Guzman (2009); Artiach, Lee, Nelson and Walker (2009). Meanwhile, Robert (1991), Singh and Ahuja (1983) researches did not find any correlation between the two variables.

Big company has financial ability or wide access to get finance so that it can support big scale company operation activity or even expand which eventually will have impact on the company's value (Hyland (2003); Lins (2003); Wei et al (2005). It means, it is predicted that the company size has significant influence on the company's value.

In fact, some researches on the impact of company size on the company's value showed inconsistency. Wei et al (2005) did a research on 5284 privatized Chinese companies in 1991-2001. The result showed that the company size which was measured by using log assets has significant impact on the company's value (Tobin's Q). The result of this research was supported by some other researchers such as Yermack (1996); Hyland (2003); Lins (2003); Oxelheim and Randov (2003); Bai, Liu, Lu, Song, and Zhang (2004); Silva and Leal (2005); Bebchuk and Cohen (2005); Mak and Kusnadi (2005); Adams and Santos (2006); Brown and Caylor (2006); Black, Jang and Kim (2006); Faleye (2007); Frakes (2007); Tong (2008); Bebchuk, Cohen, and Ferrel (2009); Annabb, Oesch, and Schmid (2009). On the contrary, Villalonga and Amit (2005);

and Bhabra (2007) researches did not find any significant impact of the company's size on the company's value.

Listing age is the period of the company's record in the Indonesian Stock Exchange since entering secondary market. Haniffa and Cooke (2005) did a research on Malaysian company. The research showed that listing age had significant impact on the CSR disclosure. On the contrary, Michelon (2007) who did a research on 57 companies that follow Dow Jones Sustainability Index (DJSI) showed a different result. The result of this research was also supported by Rashid and Lodh (2008); Barnae and Rubin (2010).

A company that has lasted for quite a long time shows that it has a good performance so that it is predicted that there is a positive correlation between the company's age and the company's value. This prediction was proven by some former researchers such as Oxelheim and Randoy (2003); Bebchuk and Cohen (2005); Villalonga and Amit (2005); Mak and Kusnadi (2005); Black, *at al* (2006); Frakes (2007) and Bebchuk *at al* (2009). Their researches findings showed a significant impact between company's age and company's value.

The liquidity shows how far short term claims from creditor can be fulfilled by assets which are expected to be converted into cash in the near future. The former research found that there was no correlation between liquidity and voluntarily disclosure quality (Marwata 2000).

A company with high leverage level will assume liability for high monitoring cost (Jensen and Meckling, 1976). It means, a company with high leverage ratio will provide wider and more detailed information to meet the demands of long term debtors and to minimize debt holder suspicion of the company's wealth transfer possibility.

Empirical researches which are related to leverage impact on CSR disclosure showed various results. Suwaidah *at al.*, (2004); Barnae and Rubin, (2010); Naser *at al.*, (2006); Rashid and Lodh, (2008); Artiach *at al.*, (2009); Pahuja, (2009) showed that leverage had impact on CSR disclosure. On the contrary, Robert (1992) showed that there was no significant impact of leverage on the CSR disclosure. This research finding was also supported by Haniffa and Cooke, (2005); Dam and Scholtends, (2005); Michelon, (2007); and Khan, (2010) researches.

According to Modigliani and Miller's opinion in 1961, if a company has income tax, the use of leverage will increase company's value because interest fee on the debt will decrease taxable income that eventually will decrease tax payment (tax deductible expense). It means, a company with high leverage has a positive impact on the company's value. Modigliani and Miller's opinion (1961) which predicted positive correlation between leverage and company's value was supported by some empirical researches such as Lins, (2003); Villalonga and Amit, (2005); Frakes, (2007), Bebchuk *at al.*, (2009); Ammann *at al.*, (2009), Silva and Leal 2005; Black *at al.*, (2006), and Mak and Kusnadi, (2006). On the contrary, Faleye, (2007) and Bhabra,

(2007) researches showed that leverage had a negative impact on the company's value. It means, if the company's debt increases, the company's value will decrease.

Profitability means the company's ability to generate profit in order to increase stock holder value. Donovan and Gibson (2000) stated that, based on legitimacy theory, one of the arguments on the profitability impact and CSR disclosure is when a company has a high profit level, the company considers that it is not necessary to report on things that can disturb information about company's financial performance success. On the other hand, when the profitability level is low, they expect the report users will read the "good news" about the company, for example, in social scope, and by having so the investors will keep investing in that company.

Empirical research on the impact of profitability and CSR disclosure showed various results. Robert (1992), Haniffa and Cooke, (2005); Said *et al.*, (2008); Pahuja (2009); Khan (2010); Suwaidan *et al.*, (2004) researches showed that there was a significant impact between profitability and CSR disclosure. The opposite result was shown by Taminoto and Suzuki, (2005); Dam and Scholtends, (2005); Ghazali, (2007); Rashid and Lodh, (2008); Marial *et al.*, (2009); Artiach *et al.*, (2009).

A rational prospective investor will invest on a company which has good performance, and high profitability signs a good company's performance, so that logically a high profitability can increase company's value. However, the correlation of profitability and company's value is a hard thing to understand because the empirical proofs show that it is not always parallel (positive).

Silva and Leal, (2005); Adams and Santos, (2006); Frakes, (2007); Ammann *et al.*, (2009); and Jiao, (2010), researches results supported a good correlation between profitability level and company's value. Meanwhile Bai *et al.*, (2004); Black *et al.*, (2006); Bebchuk *et al.*, (2009); and Bhabra, (2007) showed the opposite results.

2.2 Good Corporate Governance

Good corporate governance is a phrase that has wise connotation and accountable. In Latin, governance is "gubernur" which means directing and setting balance values. Forum for Corporate Governance in Indonesia (FCGI, 2001) defines corporate governance as follows:

—A set of rule that regulates relationship between stock holders, company's management, creditors, government, employee, and other internal and external stakeholders which is related to their rights and obligations or in other word a system that controls company. The purpose of company's management is to create additional value for all parties (stakeholders)"

Former researchers used some proxies to measure GCG variables such as management ownership, institutional ownership, public ownership, commissioners and directors' proportion, independent commissioner – directors and Corporate Governance Perception Index (CGPI) proportion. Managerial ownership is a portion of stocks owned by managers. Empirical research on the impact of managerial ownership and CSR disclosure showed various results. Said *et al* (2009) did a research on 150 companies which are registered in Malaysian Stock Exchange i.e. *Kuala Lumpur Stock Exchange* (KLSE) in 2006. The result of the research showed that managerial ownership was not significant for CSR disclosure. Barnae and Rubin (2010) did a research on 3,000 American companies and the result showed that managerial ownership (insider ownership) was significant for CSR disclosure.

Managers who also act as stock holders will try to increase the company's value. Because by increasing the company's value, every stock holder's wealth will increase as well. Morch *et al* (2000) found out that managerial ownership became the motor of companies' value increase in Japan. In other word, it is predicted that managerial ownership has a positive impact on the company's value. Empirical research result on this correlation showed contradicted result. Bebchuk and Cohen, (2005); Faleye, (2007); Bhabra (2007); and Bebchuk *et al.*, (2009) researches supported the positive correlation between managerial ownership and company's value. Meanwhile, Frakes (2007) and Jiao (2010) proved that the percentage of managerial ownership (insider ownership) is not significant for the company's value.

Institutional ownership describes the level of stock ownership by finance institution, such as insurance, bank, pension fund and management asset on the number of revolving stocks. Barnae and Rubin (2010) did a research to see CSR as some stockholders conflict by using some variables such as institutional ownership in 3,000 companies in United States (US). The result showed that institutional ownership was not significant. This result was also supported by Rashid and Lodh research (2005).

Correlation between institutional ownership and company's value was empirically proven by some researchers. Wei *et al* (2005) found out that institutional ownership had significant impact on company's value. Meanwhile, Mak and Kusnadi (2005) showed the opposite i.e. institutional ownership did not have significant impact on the company's value.

Ownership is a revolving stock portion which is owned by community or variable. Some researchers found a weak relationship between the number of stock owned by public and the width of disclosure area, such as a research which was done by Na'im and Traldmian (2000).

Commissioners and directors proportion (proportion of non-executive directors on board) is the total of commissioners divided by the total of directors (Lim *et al* 2008). A company with

big non-executive directors' percentage will do sufficient disclosure level (Haniffa and Cooke, 2002).

Some related researches about correlation between the commissioners –directors' proportion and CSR disclosure level have been done by former researchers. However, not all researches supported the correlation between the commissioners –directors' proportion and CSR disclosure level. Some researches that supported the influence of the commissioners –directors' proportion on CSR disclosure level are Haniffa and Cooke (2005), Barako and Brown (2008), and Khan (2010) researches. Meanwhile the research which did not support the correlation between the commissioners –directors' proportion and CSR disclosure level was done by Said at al (2009).

Researches which are related to correlation between the commissioners –directors' proportion and company's value showed inconsistent result. Yermack (1996) did a research on 452 big companies in US. The research showed that there was a significant negative influence between the commissioners –directors' proportion and company's value. It means the increase of commissioner's percentage will have influence on the decrease of company's value. On the other hand, Bai at al (2004) and Faleye (2007) researches showed that there was a significant positive influence between the commissioners –directors' proportion and company's value. On the contrary, Oxelheim and Randoy (2003) and Mak and Kusnaldi (2005) had a different result. According to their research, there was no significant influence between the commissioners –directors' proportion and company's value.

Some research, which is related to correlation between independent commissioners –director's proportion and CSR disclosure, was done by Lim at al (2008) who did a research on corporate governance in Malaysia. The result showed that there was no variable influence on CSR disclosure.

Corporate Governance Perception Index (CGPI) is a research program and rank application on a good company management at public company and State Owned Enterprises in Indonesia. This program has been held since 2001 which was based on a thought of the importance of knowing how far the companies apply GCG principles (www.iicg.org). CGPI rank is designed into three categories which are reliable, quite reliable, and very reliable level.

Some former researches showed a conflict finding on the influence of CGPI on the company's value. The researches result which showed that there was CGPI influence on the company's value such as Klapper and Love (2004); Bebchuk and Cohen, (2005); Brown and Cylor (2006); Black *at al*, (2006); Ammann *at al*, (2009), while Silve and Leal research (2005) showed the opposite.

2.3 CSR disclosure

CSR disclosure is a number of information disclosures which are related with economics, environment, and social. In a research, CSR disclosure is based on Global Reporting Initiative in 2006. The three categories are divided into 79 disclosure items. Table 2.1 below shows CSR disclosure aspects according to GRI in 2006.

Table 2.1
CSR disclosure aspects according to GRI

<i>Section</i>	<i>Dimension</i>	<i>Aspects</i>	
<i>Economic</i>	<i>Economic</i>	<i>Economic performance</i>	
		<i>Market Presence</i>	
		<i>Indirect economic impacts</i>	
<i>Environmental</i>	<i>Environmental</i>	<i>Material</i>	
		<i>Energy</i>	
		<i>Water</i>	
		<i>Biodiversity</i>	
		<i>Emission, effluents, and waste</i>	
		<i>Product and services</i>	
		<i>Compliance</i>	
		<i>Transport</i>	
<i>Social</i>	<i>Labor practices and Decent work</i>	<i>Employment</i>	
		<i>Labor/management relation</i>	
		<i>Occupational health & safety</i>	
		<i>Training and education</i>	
		<i>Diversity and equal opportunity</i>	
	<i>Human Right</i>	<i>Investment and procurement practices</i>	
		<i>Non discrimination</i>	
		<i>Freedom of association and collective bargaining</i>	
		<i>Child labor</i>	
		<i>Forced and Compulsory</i>	
		<i>Security practices</i>	
		<i>Indigenous right</i>	
		<i>Society</i>	<i>Community</i>
			<i>Corruption</i>
			<i>Public policy</i>
<i>Anti competitive behavior</i>			
<i>Compliance</i>			
<i>Product responsibility</i>	<i>Customer health and safety</i>		
	<i>Marketing communication</i>		
	<i>Customer privacy</i>		
	<i>Compliance</i>		

Silva and Alves (2004) did a research on 150 companies which are randomly chosen from three countries i.e. Argentina, Brazil, and Mexico in 2002. The result showed that there was

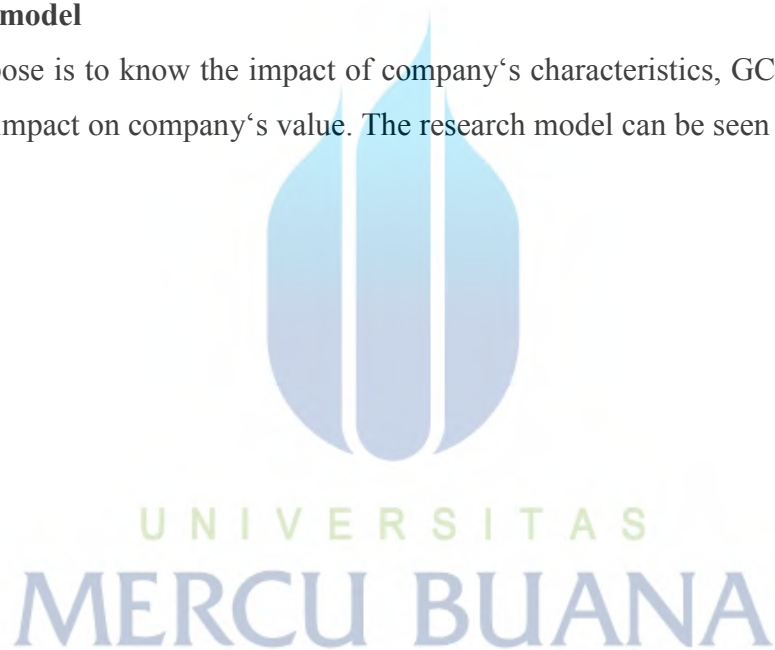
a positive significant influence of the voluntarily disclosure level on the company's value. The result was also supported by Plumlee and Brown (2008) research.

2.4 Company's value

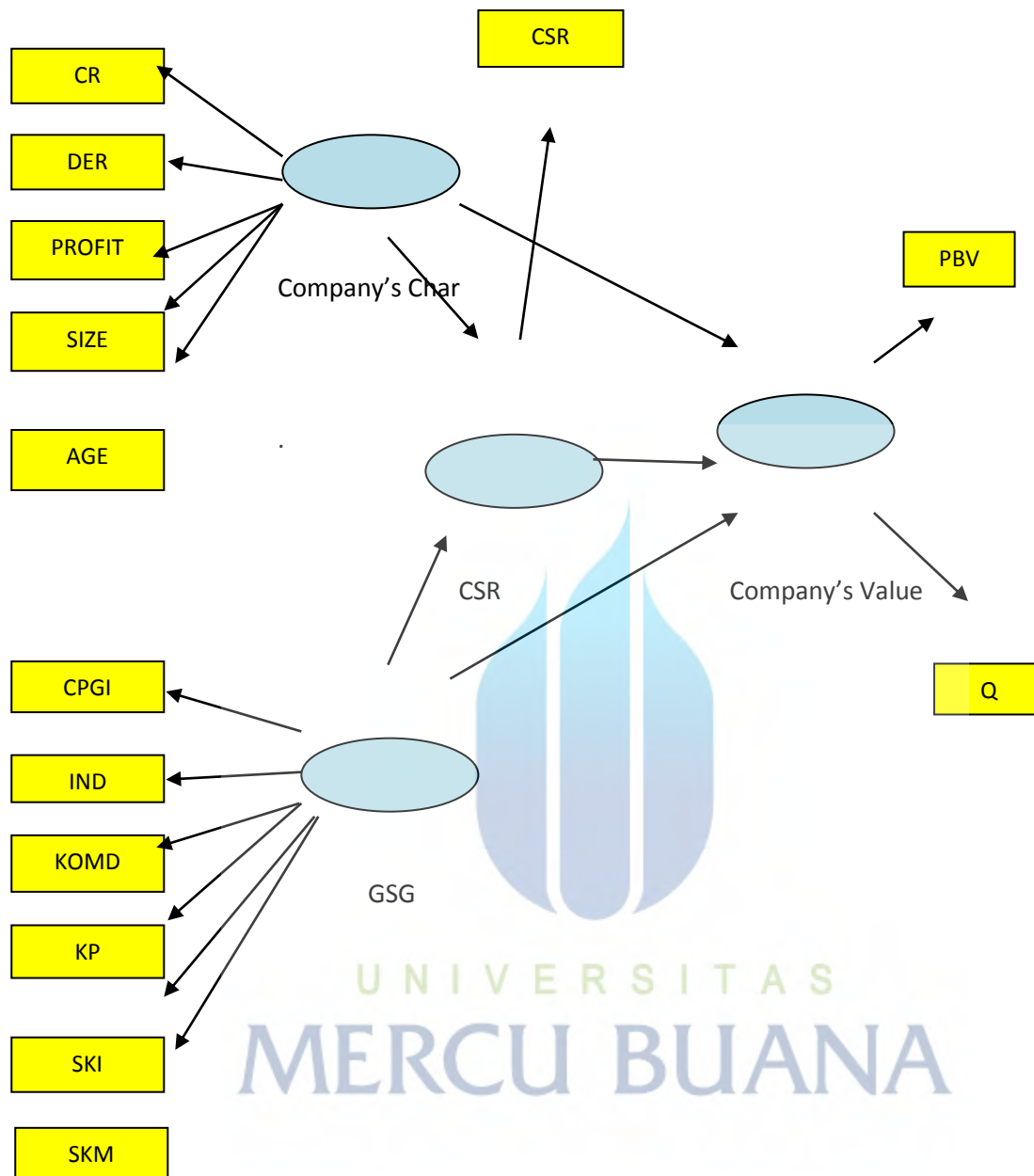
According to Fama (1978), a company's value is reflected by its shares value. The price of company's shares market which is created between a buyer and a seller when the transaction happens. Therefore, the company's market is considered as the reflection of its true company's value. The company's value which is created through stock market value indicator is very influenced by investment opportunities. The existence of investment opportunity can give a positive signal about the company development in the future so that it can increase the company's value.

2.5 Research model

The research purpose is to know the impact of company's characteristics, GCG, CSR disclosure variables and the impact on company's value. The research model can be seen on picture 2.1



Picture 2.1
Research Model



2.6 Research hypothesis

Hypothesis states a correlation which is logically presumed between two variables or more in proposition formula which can be empirically tested. Based on the theoretical framework which has been explained previously, the hypothesis formula is as follow:

- H₁ There is a correlation between company characteristics and CGC
- H₂ There is an influence of company characteristics with CSR disclosure to manufacture companies which are registered in Indonesian Stoke Exchange
- H₃ There is GCG influence with CSR disclosure to manufacture companies which are registered in Indonesian Stoke Exchange

- H₄ There is company's characteristic influence with company's value to manufacture companies which are registered in Indonesian Stoke Exchange
- H₅ There is GCG influence with company's value to manufacture companies which are registered in Indonesian Stoke Exchange
- H₆ There is CSR disclosure influence with company's value to manufacture companies which are registered in Indonesian Stoke Exchange

3. Research methodology

3.1 Used Method

The research used descriptive and explanatory method. Meanwhile, the investigation type was causality because it stated cause and effect correlation between independent and dependent variables. The time dimension which was used was cross sectional which reflects a condition in certain time.

3.2 Variables operation

The variables operation can be seen in the following table 3.1

Table 3.1
Variables operation

Variables	Sub Variable/dimension (Notation)	Indicator	Scale
1. Company's Characteristics	Company's size (Size)	<i>Log total assets</i>	Ratio
	Listing period (age)	Year of 2009 deducted by the year of being registered in Indonesian Stock Exchange	Ratio
	Liquidity	$CR = \frac{\text{Total of Current Assets}}{\text{Total of current liabilities}}$	Ratio
	Leverage	$DER = \frac{\text{Total of liabilities}}{\text{Total of equity}}$	Ratio
	Profitability	$EPS = \frac{\text{Net Profit} - \text{stock preference dividend}}{\text{Average of revolving stock}}$	Ratio
2. GCG	Managerial ownership	$SKM = \frac{\text{The number of managerial stock and commissioners}}{\text{Total of revolving stock}} \times 100$	Ratio
	Institutional ownership	$SKI = \frac{\text{Number of Institutional Stock}}{\text{Total of revolving stock}} \times 100$	Ratio
	Public ownership	$KP = \frac{\text{Number of Public stoke}}{\text{Total of revolving stock}} \times 100$	Ratio
	Proportion of independent commissioners directors	$\frac{\text{Number of independent commissioners board member}}{\text{Number of Directors Board Member}}$	Ratio
	Proportion of Independent Commissioners Board of Directors	$\frac{\text{Number of Commissioners Board Member}}{\text{Number of Directors Board Member}}$	Ratio

	Corporate governance index	0 = never follow or follow but never gets into big 10 1 = if follow gets into big 10	Nominal
3. CSR disclosure	CSR	$CSRI_j = \frac{\sum X_{ij}}{n_j}$	Ratio
4. Company's Value	Price to Book Value	PBV = $\frac{\text{Market Value}}{\text{Stock Price}}$	Ratio
	Tobin's Q	Q = $\frac{\{(CP \times \text{Number of revolving stock}) + TL + I\} - CA}{\text{Total Assets}}$	

3.3 Sample Determination Technique

The population of this research was all 343 issuers companies which are registered in Indonesian Stock Exchange in 2009 period. The sample of this research was taken by using purposive sampling technique with criteria (1) Indonesian Stock Exchange registered companies which also publish annual financial report in Rupiah currency. (2) Active companies which sell their shares in Indonesian Stock Exchange in 2009 and not being suspended or delisted from exchange in that period. (3) The companies which publish social disclosure in annual report, prospectus, financial report or any other types of report. Based on the sample determination above, 165 companies were taken as research samples. The companies' names can be seen in the appendix.

3.4 Analysis Method and Hypothesis Testing

This research was designed to test the correlation and impact of company's characteristics, GCG to CSR disclosure and company's value. Multiple relationship model between variables and some research data used nominal scale so that quantitatively analysis technique which was used was Partial Least Square (PLS) by using SMART partial least square software (Ringle, C.M et at, 2005)

The measurement model in PLS is called outer model, which is used to test construct validity and instrument reliability. According to hair, J.F., et al, (1998), validity test is applied to know the research instrument ability in measuring things that should be measured. Meanwhile reliability test is applied to measure the consistency of measuring instrument in measuring a concept. Measurement model in this research covered some measurements such as:

a. Validity test

There are two validity testing model i.e. Convergent Validity and Discriminant Validity.

- 1) Convergent Validity is conformity measurement between determined indicators in the model as latent variable shaper which is built in research. Convergent validity from measurement model with reflexive indicator can be seen from outer loading factor which is reflected from original sample estimate value of every latent variable shaper

indicator. For initial phase of the research, the value of outer loading factor indicator is categorized as valid when the value is 0.50. Meanwhile 0.70 and above is considered reliable for reliability coefficient value.

- 2) Discriminant validity is conformity measurement between determined indicators in the model as latent variable shaper which is built in research. Discriminant validity in measurement model is conducted by evaluating the correlation between latent variable indicator to overlapping probability with other latent variable. In this measurement model, indicator correlation value in the formed latent variable supposed to be bigger than correlation value to other latent variable. The second measurement is by comparing between quantity of one loading variable indicator to other variable indicator and it is viewed from the comparison of Average Variance Extracted (AVE) between latent variables. The average variance extracted value which measures variants outside measurement error, will get construct usage with a higher than 0.50 limit.

b. Reability Test

This test is to measure measuring tool internal consistency. Reability test used is composit reability which is the internal consistency measurement or indicator block reability of latent variable which is made in the research. The evaluation of the composit reability value of measurement model gained in PLS model estimation output uses value acceptance limit 0, 60.

c. Structured Model in PLS

Structured model in PLS is called *inner model* which is evaluated by using R^2 to dependent construct (endogen), coefficient value *path* or *t values* each *path* for signification test inter construct in *inner model*. The value of R^2 is used to measure changing variation level of independent variable to dependent variable.. The higher value of R^2 the better prediction model of research model submitted. Coefficiency value of *path* or *inner* model show the significant level in the hypothesis test. The score of coefficiency *path* showed by value t statistics compared with value t table, and R^2 value (above 10 percent) that shows prediction strength of the models altogether.(Imam Ghozali, 2009)

3 Research Result and the Discussion

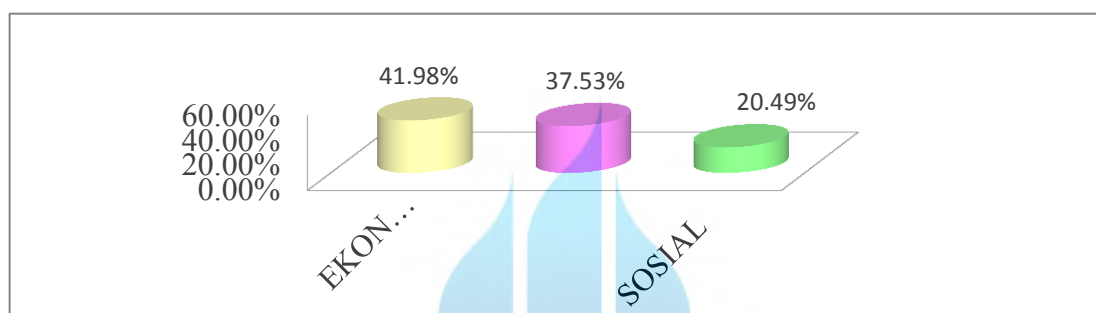
4.1 Disclosure Level of CSR

The disclosure of CSR altogether in the manufacturer company in 2009 has reached 55,44 %, and the highest one revealed is economic performance that is 41,98%, then followed by environment performance 37,54 and social performance 20,49% (picture 5.4). This disclosure

has been better than the years before that was about 33,96 % in the year 2006. It is possibly caused by the Supervisory Board of the Capital Market and Financial Institution (Bapepam-LK) that makes the company presenting their CSR activity report in the annual financial report. The rule that regulate the presentation of CSR report is stated in the rule revision of Bapepam-LK no. X.K.6 about the Presentation of Issuers or Public Company Annual Report where the issuer must present the information about CSR activity in a separate section.

Picture 4.1

The CSR Disclosure of Manufacture Company



4.2 Testing Research Model

4.2.1 Outer Test Model Research

There are two research model tests that are the *outer model* and *inner model*. The *outer model* test is to discover whether the indicators used can measure or represent the particular variable or, in other way, a valid indicator to measure latent construct. While the *inner model* tests the connection between latent construct variables. There are two research *outer model* that are validity test and reliability test. The test of *inner model* is conducted by seeing the value of R^2 to construct endogen and path coefficient value or t value for exogen construct.

a. Research Construct Validity Test.

The result of *convergent validity* test has shown that there are some variables that are not valid or outer loading value less than 0,50 so the validity will be retested by omitting the invalid indicator. The invalid *outer loading* values omitted are CR, AGE and PROFIT in company character construct; KP, SKM, and SKI, in GCG construct and Q in company value construct, for further information can be seen in picture 5.10. After conducting validity retest it can be seen that the indicators creating each construct variable have *outer loading* value above 0,50. (See table 5.1)

Picture 4.2

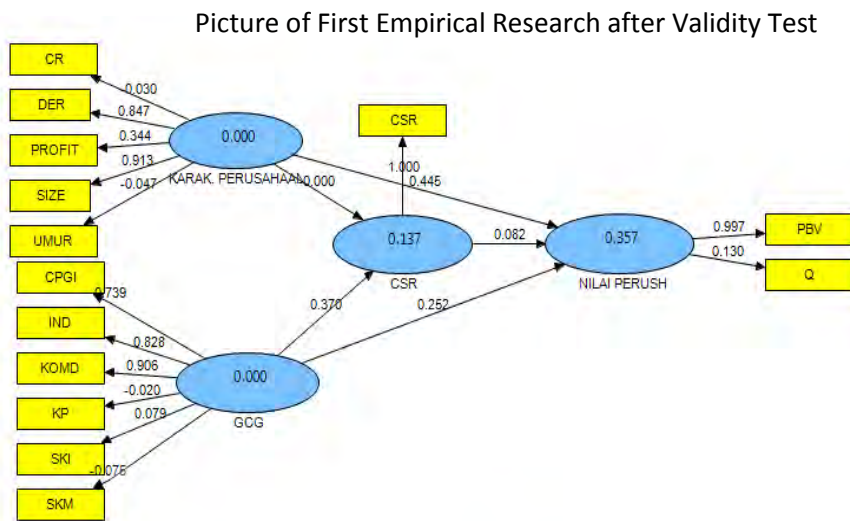


Table.5.1
Outer Loading Value (Measurement Model) of Each Indicator

INDICATOR	COMPANY CHARACTERISTICS	GCG	CSR	COMPANY VALUE
CPGI		0.75495		
CSR			1.000000	
DER	0.865049			
IND		0.82670		
KOMD		0.91199		
PBV				1.000000
SIZE	0.923699			

Discrimination validity test shows a valid indicator if the loading value is higher in construct variable than cross loading value of other construct variable in the research model. The result of discrimination validity test can be seen in following table 5.2. The value of cross loading indicator CPGI 0,754 forming higher GCG construct variable than other construct variables, that is 0,207 for company characteristics construct, 0,176 for CSR construct and 0,357 for company value construct. It means that CPGI indicator is valid as a GCG construct variable indicator and no other is. The value of CSR indicator cross loading 1,000 forms a higher CSR construct than others, that is 0,098 for company characteristic construct, 0,349 GCG construct and 0,220 for company value construct. This means the CSR disclosure indicator is valid as CSR indicator but not the others.

Tablee.5.2

Cross Loading Value of Each Indicator

INDICATOR	COMPANY CHARACTERISTICS	GCG	CSR	COMPANY VALUE
CPGI	0.207000	0.754946	0.176336	0.357993
CSR	0.098707	0.349555	1.000000	0.220228
DER	0.865049	0.214247	0.055637	0.401383
IND	0.299897	0.826704	0.363476	0.317093
KOMD	0.261326	0.911985	0.315674	0.376751
PBV	0.520316	0.418617	0.220228	1.000000
SIZE	0.923699	0.327216	0.113893	0.517817

Cross loading value DER indicator 0,865 creates higher company characteristic construct variable than other construct variable, that is 0,214 for GCG construct variable and 0,055 for CSR construct variable and 0,401 for company value. It means that DER indicator is valid as a company characteristic construct indicator and not the other ones. *Cross loading* indicator value IND 0,826 creates a higher GCG construct variable than the other construct, that is 0,299 for company characteristic construct indicator and 0,363 for CSR construct and 0,317 for company value construct. This means IND indicator is valid as GCG construct indicator and not the other ones. *Cross loading* value KOMD indicator 0,911 creates a higher GCG construct variable than the other construct, that is 0,261 for company characteristic construct and 0,315 CSR and 0,376 for company value construct. This means KOMD indicator is valid as GCG construct indicator and not the other ones. The value of *cross loading* PBV indicator 1,000 creates, 0,520 for company characteristic construct indicator and 0,418 GCG construct indicator and 0,220 for CSR. This means PBV indicator is valid as company value construct indicator and not the other ones. *Cross loading* value SIZE indicator 0,923 creates a higher company characteristics construct variable than other constructs that is 0,327 for GCG construct and 0,113 for CSR construct and 0,517 for the company value construct. This means SIZE indicator is valid as a company characteristic construct indicator and not the other ones. Construct validity test can also be seen from the AVE value. A construct is valid if AVE value is higher than 0,50. The test result of PLS shows that AVE value for every construct is valid because the AVE value is higher than 0,50 (see table 5.3)

Tablee.5.3

AVE Value Each Construct

Construct	AVE
CSR	1.000000
GCG	0.695033
COMPANY CHARACTERISTIC	0.800764
COMPANY VALUE	1.000000

b. Research Construct Reliability Test

There are two construct reliability test; *composite reliability* dan *cronbach alpha*. A construct will be considered reliable if it has *composite reliability* dan *cronbach alpha* above 0,70. The test result shows that *cronbach alpha* value and *composite reliability* value is higher than 0,70 (see table 5.4), this means all construct in the research are reliable.

Table 5.4

Cronbachs Alpha and Composite Reliability value

Construct	Cronbachs Alpha	Composite Reliability
CSR	1.000.000	1.000.000
GCG	0.778185	0.871739
COMPANY CHARACTERISTICS	0.755319	0.889255
COMPANY VALUE	1.000.000	1.000.000

5.3.2.2 Research Model Inner Test

The test of inner model measures how high endogen construct variety caused by exogen variable. A model is good if the variation value can be explained by exogen variable above 10 % which is shown by R Square value. The result of the research shows that the variation of CSR disclosure value and company value is higher than 10 % (see table 5.5) which means a better research model. Table 4.6 shows that CSR disclosure value variation can be explained 12,22 % by the company characteristics CGC, while the other by other variables not included in this research. Variation in company value about 35,09 % can be explained by company characteristic research variable, GCG and the CSR disclosure, the others are not in the research.

Tablee 5.5

R Square Value

	R Square
CSR	0,122291
Company Value	0,350967

5.3.2.3 Hypothesis Test**a. Hypothesis Test 1**

Hypothesis 1 is whether there is a correlation between company characteristic construct variable and GCG. The statistical technique for correlation test does not classify analyzed variable into dependent and independent variable. In correlation test, if a variable change is followed by other variable change, the variables are correlated. Correlation coefficient value is showed by r about -1 and +1, if $r > 0$, shows positive, $r < 0$, shows negative. But if $r = 0$, it shows no correlation.

The PLS test result shows correlation value between company characteristics as can be seen in table 5.6. Table 5.6 shows GCG and company characteristic construct correlation value 30,98 %. It means this relation also shows that Hypothesis 1 is accepted that is there is a connection between company characteristics and GCG. The connection of these two variables is positive, it shows that if GCG is good, the company characteristic is also good, and the other way around.

Table.5,6
Latent Variable Correlations Value

	CSR	GCG	COMPANY CHARACTERISTICS	COMPANY VALUE
CSR	1.000000			
GCG	0.349555	1.000000		
COMPANY CHARACTERISTICS	0.098707	0.309807	1.000000	
COMPANY VALUE	0.220228	0.418617	0.520316	1.00000

Source : Processed secondary data

Hypothesis 2 and 3 Test

Hypothesis 2 empirical test is to acknowledge whether there is any influence between company characteristic and CSR discourse. And Hypothesis 3 to know whether there is any influence between GCG and CSR discourse. The test result of the test can be seen in table 5.7.

Table 5.7
Hypothesis 2 dan 3 Test

	Original Sample (O)	Sample Mean (M)	Standard Deviation (STDEV)	Standard Error (STERR)	T Statistics (O/STERR)	Remarks
Company Characteristics -> CSR	-0,010606	0,026028	0,131219	0,131219	0,080828	H2 denied
GCG -> CSR	0,352841	0,367176	0,139081	0,139081	2,536946	H3 granted

Table 5.15 shows parameter coefficient $-0,010606$ this means company characteristics reduces CSR discourse but it is not statistically significant. T value of company characteristics with CSR discourse $0,080828$ less than $1,96$. It means the hypothesis 1 is denied which means there is no influence of company characteristics with CSR discourse. In table 4.6 it can also be seen that t value GCG with CSR discourse $2,536946$ is higher than $1,96$, that means hypothesis 2 is accepted, means there is a GCG influence with CSR discourse. Parameter value GCG with CSR discourse positive $0,352841$, this means a better GCG causes more transparency in information discourse, specially CSR discourse information.

b. Hypothesis 4, 5 dan 6 Test

Hypothesis 4 empirical test is to acknowledge whether there is any influence between company characteristics and company value, hypothesis 5 is to know whether there is any influence of GCG with company value and hypothesis 6 to know whether there is any influence of CSR discourse with company value. The result of the hypothesis test can be seen in table 5.9.

Table 5.8
Hypothesis 4,5 dan 6 Test

	Original Sample (O)	Sample Mean (M)	Standard Deviation (STDEV)	Standard Error (STERR)	T Statistics (O/STERR)	Remarks
Company Characteristics	0,43209	0,43958	0,09080	0,09080	4,758563	H4 accepted
GCG -> Company Value	0,28475	0,29209	0,0963	0,0963	2,957759	H5 granted
CSR -> Company Value	0,08892	0,09625	0,0831	0,0831	1,069976	H6 denied

Table 5.16 shows t value of company characteristics with company value $4,758563$ higher than $1,96$ means that hypothesis 4 granted which means there is an influence of company characteristics with company value. Parameter value of company characteristics and company value is positive $0,43209$, this means a better company characteristics causes a higher company value

In table 4.6 it can be seen the GCG statistics value with company value $2,957759$ higher than $1,96$, this means hypothesis 5 is granted, that means there is a GCG influence and CSR discourse. GCG parameter value with positive company value $0,28475$, it means a better GCG causes an increased company value. The statistics value of CSR discourse and company value is $1,069976$ less than $1,96$, it means hypothesis 5 is denied and there is no influence of CSR discourse and company value.

5.4 Discussion

Hypothesis 1 test result shows GCG and company characteristics correlation value 30,98 % (table 5.17). It shows a positive connection between GCG and company characteristics eventhough it is low because it is below 50 %. It also shows that a good company characteristics will lead to a good GCG level. It goes with the sample characteristics that a company with good character (big size) such as PT Astra Agro Lestari Tbk, PT Aneka Tambang Tbk, PT Elnusa Tbk, PT Kimia Farma Tbk, Kalbe Farma Tbk, PT Medco Energi Internasional Tbk, PT Tambang Batu Bara Bukit Asam Tbk, and PT Unilever Indonesia Tbk also have good GCG. It has been proven that those company have received best 10 *corporate governance index*.

Hypothesis 2 test result shows there is no relation between CSR discourse and company characteristics. It goes with the legitimacy theory that company with a good characteristics such as big size and high profit, assumes that there is no need to report anything that may disrupt the information on the success (Donovan dan Gibson, 2000). This research is also supported by the research of Haniffa and Cooke, (2005); Dam and Scholtends, (2005); Michelon, (2007); and also Khan, (2010) and against the research of Suwaidah *at al.*, (2004); and Rubin, (2010); Naser *at al.*, (2006); Rashid and Lodh, (2008); Artiach *at al.*, (2009); Pahuja, (2009). This research is against the agency theory that states a big company has high agency expenses. The company that has higher agency expenses will reveal the information wider to decrease the agency expenses. (Jensen dan Meckling, 1976).

The refusal of hypothesis 2 on one and other side shows that there is an improvement in CSR discourse which means there is other factors influence CSR discourse in Indonesia. This factor is also influenced by regulation of Bapepam-LK number X.K.6 about The Presentation of Annual Report of Emiten or Public Company, where every emiten must present any information about CSR activities in a separate part. This estimation is revealed by the result of an interview of stock market practitioner.

Hypothesis 3 test result shows GCG and company characteristics correlation with CPGI indicator, commisioner board and independent commisioner board (see table 5.17). This shows the existency of GCG in Indonesia will make company managers to be more transparent, as it is said by Thompson dan Zakaria, (2004) that rules or regulation from the government is not powerful enough to push or intimidate the company to hold CSR without any pressure from company *top governance*. The result of this research is consistent with the research of Haniffa dan Cooke (2005), Barako *et all* (2008), Khan (2010) and against the research of Said *at all*, (2008) and Lim, (2008)

Path coefficient between GCG and CSR discourse is positive means that a better GCG will make a good GCG discourse. It shows that the manufacturer companies have applied the GCG principals effectively, one of those is transparency. It also tells that commissioner board is responsible to do observation towards any company especially in term of public transparency that will make all regulations from BEI adhered.

Hypothesis 4 test result shows the influence of company value with company characteristics. It means that company size has significant influence with company value. Big company has higher financial support and access to gain finance so that is can afford company operational activities in big scale. Or it may be able to expand its business that may influence the company value. It suits the sample clarification that the company with good characteristics (*Size besar*) such as PT. Astra Agro Lestari Tbk, PT. Astra Internasional Tbk; PT Aneka Tambang Tbk, PT. Adaro Energy Tbk; Indofood Sukses Makmur Tbk; PT Kimia Farma Tbk, Kalbe Farma Tbk, PT. Medco Energi Internasional Tbk, PT. Tambang Batu Bara Bukit Asam Tbk, and PT. Unilever Indonesia Tbk also have good company value. It is proven that 70 % of the big companies is in LQ 45. This research result is the same with the research of Hyland, (2003); Lins, (2003); Oxelheim dan Randoy, (2003); Bai, Liu, Lu, Song and Zhang, (2004); Silva dan Leal, (2005); Bebchuk and Cohen, (2005); Mak and Kusnadi (2005), Adams and Santos (2006); Brown and Cylor (2006); Black, Jang and Kim, (2006); Faleye (2007); Frakes, (2007); Tong, (2008); Bebchuk, Cohen and Ferrel, (2009); Ammann, Oesch and Schmid, (2009). This research is against the research from Villalonga dan Amit, (2005); and Bhabra, (2007).

Modigliani and Miller's opinion in 1961 is that when there is corporate income tax, the leverage use will increase the company value because the interest of the debt will decrease taxable income that will decrease tax payment (*tax deductible expense*). It means that the company with high leverage has positive influence towards the company value. This research supports Modigliani and Miller, (1961) because the company characteristics with leverage indicator influences company value. This research result is supported by some empiric researches that are Lins, 2003; Villalonga and Amit, (2005); Frakes, (2007), Bebchuk *at al.*, (2009); Ammann *at al.*, 2009), Silva and Leal 2005; Black *at al.*, (2006) and Mak dan Kusnadi, (2006). This result is against the research of Faleye, (2007) and Bhabra, (2007).

The test result of hypothesis 5 shows there is GCG influence to company value with CPGI indicator, commissioner board and independent commissioner board (see table 4.9). It means that the company with good GCG level will increase company value. This research supports the research of Klapper dan Love, (2004); Black *at al.*, (2005); Beltratti, (2005); Silveira and Barros, (2006); Villalonga and Amit (2006); Brown and Caylor (2006); Frakes (2007); Ammann *at al.*, (2009); Jiao (2010). This research is against the research of Silva dan Leal, (2005).

The acceptance of hypothesis 5 show that the board of comisioners formed in order to observe and guide the management has been effective. In this case, the management is responsible to increase company efficiency and competitiveness, while the board of comisioners is responsible to observe the management. It also means that the board can have supervision and make sure the management act as it is said by the company owner and all the information will be pass to the *stakeholders*, so that the investors will trust the company more that will also gain more company value.

CSR discourse will increase *business value* (Iturrioz at al., 2009) and can improve customers loyalty (Maignan *at al.*, 1999 and Ellen *at al.*, 2006), so it can be prdicted that CSR disclosure can increase company value. However, it can not be proven in the research because the result of hypothesis 6 test shows that there is no relation of the CSR discourse and company value. This research result is against the previous research Silva and Alves, (2004) research Plumlee and Brown, (2008).

No connection between CSR discourse and company value shows that the investors take investment decision without considering whether it is a social company or not but it is influenced by the profit prediction of the investment. Besides, the reported CSR performance varies so it is difficult for the annual report readersto evaluate and moreover the information shared is only the company positive side so that the report is finally only a company public relation media and not becomes a company acountability to the public.

5. Conclusion and Comment

5.1 Conclusion

The influence of company characteristics and company management quality to CSR discourse with its effect to company value in manufacturer company recorded in BEI in the period of 2009 is concluded as below:

1. The total CSR discourse in manufacturer company in 2009 has reached 55,44 %,
2. Company characteristics has no effect in CSR discourse registered in Indonesia Stock Market (BEI).
3. GCG has significant influence to CSR discourse to the companies registered in BEI. It shows that GCG makes the company to be more transparent and to obey the regulation from BEI.
4. Company characteristics influences company value. This research supports the opinion of Modigliani dan Miller, (1961) if there is company income tax then the leverage use will increase the company value.

5. GCG influences company value in the companies registered in BEI. This shows that good GCG will increase company value.
6. CSR disclosure has no influence to company value of the companies registered Bursa Efek Indonesia. It means that when the investors make decision, they do not consider whether the company has social purpose or not, but it is more to consider the profit prediction from the investment itself.

5.2 Comments

6.2.1 Comment for academic purpose

Based on the conclusion above, refinement of research needs to be done. In order to do that the writer suggests as below:

1. Variation of the value of disclosure CSR that is caused by company characteristics and GCG is still low. Then this research can hopefully become a consideration for the next researchers to explore other variables that may influence CSR disclosure like government pressure through the regulation set, , approach to the ethical behavior, product differences for *green* consumers.
2. Variation of the value of the company that is caused by company characteristics and CGC and a low CSR disclosure so this research will be considered by the next researchers to explore other variables that may influence company value such as economic development level
3. The next research can be held by using *time series* data, as it is mentioned before that this research use *crosssectional* data that is a research that is done in a certain time.
4. The next research is suggested to widen research sample so that the result can be used as public justification or it can be generalized in CSR discourse.
5. The next research is suggested to measure the CSR performance not only in the disclosure level that meets the GRI standard but also CSR performance quality that is valuable and meaningful to the people and the environment or other standard like ISO 26000.

6.2.1 Comment for Implementation Needs

1. Prospective investor should consider the factors that may influence the company value with the risk in investment decision making.
2. The investor should give appreciation to the company that has commitment with the CSR and consider those factors in making decision in the investment besides th profit prediction. It becomes the sign of participation in the growing development.

3. The government should give attention or reward for the company that has good CSR commitment especially environment performance so that the environment damage such as deforestation, water and air pollution, climate change and global warming can be reduced.
4. The company should improve the CSR performance and disclosure especially in social and environment performance as one of the business ethics that shows commitment and responsibilities of the company to the society and the surroundings. Government must prepare the next regulation that explicitly explains business sectors that have social and environmental responsibilities, when the company stated to fulfil its responsibilities and the company must report to the public for the natural resources used. IAI needs to arrange *assurance* standard to CSR report that public accept considering that CSR characteristics report is different with financial report.

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Abstract

This article was written base on my research, which obtain the information that there is direct positive effect of organizational culture, leadership, work environment, and organization trust on the organizational commitment. By quantitative approach my research used a survey method by structured interview with a sample of 75 teachers. The data collected were processed by path analysis. The result showed that the organizational commitment was effected directly positive by the organizational culture, leadership, work environment, and trust. The implications are the organizational culture, leadership, work environment and trust should be improved to improve the teacher's organizational commitment to get a success school.

Keyword: *Organizational Commitment, Organizational Culture, Leadership, Work Environment, and Trust*

1. Introduction

Teacher's organizational commitment is crucial for the survival of the school, especially the private school. In reality, there are still many teachers lacking sufficient organizational commitment. Some indicators show that they just teach to simply perform their day-to-day duty. They do not thoroughly go through the instructional process. They are reluctant to develop their teaching skills and improve their mastery of instructional materials.

It is interesting to conduct scientific study on this phenomenon particularly in the perspectives of organizational culture, leadership, work environment, and trust.

Colquitt, LePine and Wesson (2011: 69) defined **organizational commitment** as the desire on the part of an employee to remain a member of the organization.^[3] According to them (2011: 66) as mentioned in *The Integration Model of Organizational Commitment*, there are many factors, i.e. organization mechanism (organizational culture and organizational structure), group mechanism (leadership, team), personal characteristic (ability, personality, and cultural values), also individual mechanism (job satisfaciton, stress, motivation, trust, learning and decition making).^[3]

Related with the teory of Colquitt, LePine dan Wesson, only some factors which relevan used, such as: (1) organizational culture, (2) leadership, (3) work environment, and (4) trust to see the influence of them to organizational commitment.

Eventhough Colquitt, LePine, and Wesson did not use terminology "work environment" in their *integration model of commitment organization*, but if we refer the concept of **work**

environment according to Robbins (2011: 145), that *the work environment is everything surrounding the job – the variety of tasks and degree of autonomy, job demands, and requirements for expressing emotional labor.*^[11] Some elements in work environment clearly exist in *the integration model of organizational commitment* from Colquitt, LePine, and Wesson. For examples, *organizational structure, communication, team, stress, justice, and decision making.*^[3]

Colquitt, LePine, and Wesson (2011: 557), defined **cultural organization** as *the shared social knowledge within an organization regarding the rules, norms, and values that shape the attitudes and behaviors of its employees.*^[3]

Leadership was defined Colquitt, LePine, and Wesson (2011: 451) as *the use of power and influence to direct the activities of followers toward goal achievement.*^[3] And **(trust)** according to Colquitt, LePine, and Wesson (2011: 219) is *the willingness to be vulnerable to a trustee based on positive expectations about the trustee's actions and intentions.*^[3]

Based on the concept and theory above, the problems in this research are relevant too with the result of some research before that shown the significant influence from organizational culture, leadership, work environment, and trust on organizational commitment. The research which conducted by Ronald C. Nyhan (1999) studied about affective organizational commitment in Public Organization. The result shown that trust has significant influence on affective organizational commitment (1999: 58).^[9]

Perry (2004) made correlation study between affective organizational commitment with supervisory trust. The result shown that there were no relationship between trust and organizational commitment in statistic test, but supervisory trust had important role in improving organizational commitment (2004:133).^[10]

Ingersoll, et. al., (2000: 11) found that organizational culture was the predictor in creating organizational commitment of members.^[5] Chatman, Denison, Smith & Rupp, and Chin et.al., as cited by Canessa and Riolo (2003: 151) found that the good organizational culture will create commitment among the organization members, and helpful in directing individual objective to organization objective and integrate them as the one group among the members.^[2]

The objective of the research is to empirically find an answer to the positive direct influence of the organizational culture, leadership, work environment, and trust on the organizational commitment.

2. Research Method

This research used quantitative approach by survey method. The population consisted of 92 teachers of “Private” Schools in Jakarta, Bogor, and Bekasi with 75 teachers as samples taken through simple random sampling. Data was collected using questionnaire.

Validity test used the Pearson’s Product Moment Correlation technique. Reliability test used *Alpha Cronbach* formulation. Analysis technique used path analysis.

3. Result

Having collected descriptive statistic data and been through analysis requirement test dealing with normality, significancy, and linearity, the results are described as follow:

(1) Organizational culture has direct positive effect on the organizational commitment with path coefficient (0.187) and t test (2.051) > t table (1.994). (2) Leadership effects directly on the organizational commitment with path coefficient (0.224) and t test (3.373) > t table (1.994). (3) Work environment has positive direct effect on organizational commitment with path coefficient (0.230) and t test (2.583) > t table (1.994). (4) Trust has positive direct effect on organizational commitment with path coefficient (0.359) and t test (4.320) > t table (1.994).

Discussion

The research result in fact can prove all hypotheses in this research. Organizational culture has positive direct effect on organizational commitment. This shows that an improvement of organizational culture quality will result in the improvement of organizational commitment. The finding strengthens the notion that one of the teacher organizational commitment levels is defined by organizational culture. If organizational culture is well-implemented, then it will improve an organizational commitment. On the contrary, if organizational culture is not well implemented, the organizational commitment will decrease.

It goes along with the study conducted by William et. al. (2007: 148). They basically say that organizational culture has dynamic characteristics along with the organizational development and dynamic.^[14] Thus its existence can influence the condition of internal organization members in fluctuating way. According to John Slocum & Hellriegel (2007: 328), the power of employees in identifying their involvement in an organization is marked by: their acceptance of the organizational values and goals, readiness to make every effort in the name of the organization, and willingness to maintain their membership in the organization.^[13] It means a

conducive organizational culture in a school can lead to the development of organizational commitment of their teachers to the school.

The study conducted by Chatman et. al. as cited by Canessa and Riolo (2003: 151) shows that good organizational culture will create commitment among the organization members, and help direct individual goals towards organizational goals while accommodating a space for togetherness among the employees.^[2] This indicates that conducive organizational culture could build joint commitment among the organizational members to strive for the organizational goals achievement.

The research conducted by Lok and Crawford (2004: 321) verifies that organizational culture influences organizational commitment.^[7] Thus, it is obvious that organizational culture is deemed the predictor for an organizational commitment.

Thus, the result of the study enriches empirical findings on the positive direct impact of organizational culture towards organizational commitment with different research setting, namely "Private" Junior High Schools in Jakarta, Bogor, and Bekasi.

Leadership has positive direct effect on organizational commitment. This shows that improvement of leadership quality will improve organizational commitment. The research result has verified that leadership has positive direct effect on organizational commitment. This finding indicates that the level of organizational commitment of teacher is defined, among other things, by leadership factor. If leadership is well implemented, it will improve the organizational commitment. On the contrary, when leadership fails to be well-implemented, organizational commitment will be degrading.

This notion goes along with the study conducted by Walumbwa et. al (2005: 235). The study indicates that a leader with transformative leadership has strong effect on the employee's organizational commitment.^[14]

The study conducted by Yousef (2000: 6) also proves that employees perceiving their superior that has participatory leadership will be more committed to their organization.^[16] Similarly, Avolio et. al. (2004: 951) in his study shows that there is significant effect of leadership on organizational commitment.^[1] This obviously underlines that leadership has indeed positive direct effect on the organizational commitment. The research result enriches empirical finding on the leadership effect towards organizational commitment through different research setting conducted in "Private" Junior High Schools in Jakarta, Bogor, and Bekasi.

Work environment has positive direct effect on the organizational commitment. This indicates that the improvement of work environment quality will lead to the improvement of organizational commitment. Research result has evidently showed that work environment has positive direct effect on the organizational commitment. This finding accentuates that the level of

teachers' organizational commitment, among the other things, is defined by work environment factor. Would the work environment is good, it will increase organizational commitment. On the contrary, when work environment is not good, organizational commitment will be degrading.

This goes in line with the result of the study conducted by McCormick and Tiffin (2004: 465). As to them, work environment aspect, such as equipment and facilities, influences the organizational commitment. This aspect requires atmospheric condition factor such as temperature, humidity, air circulation, air pressure, and environment composition.^[8] Conducive work environment fascinates the teachers' performance when doing their job and responsibilities. This comfortable work here boosts up the teachers commitment to their school. So, the research result enriches empirical finding on work environment that affects the organizational commitment with different research setting, namely "Private" Junior High Schools in Jakarta, Bogor, and Bekasi.

Trust has positive direct effect on the organizational commitment. This shows that the growing trust will lead to the growing organizational commitment. This finding accentuates that the level of teachers' organizational commitment is influenced, among other things, by trust factor. When the organizational trust is high, the organizational commitment will go up. On the other hand, when the organizational trust is low, the organizational commitment will decrease.

This goes along with the research results conducted by Kursad (2008: 2293) who shows that in general trust has positive and significant influence on the organizational commitment.^[6] This indicates that trust affects the organizational commitment.

Such research result indicates that trust can elevate organizational commitment. This can take place when the existence of organizational commitment factor as the internal factor is influenced by other internal factors such as trust. An organization with integrity, consistence, and openness tends to strengthen emotional bond and develop positive attitude among the organization members. For this reason, it is understandable that organizational trust has an important role to grow organizational commitment. This research result enriches the empirical finding given the fact that trust influences directly the organizational commitment on the basis of different research setting, namely "Private" Junior High Schools in Jakarta, Bogor, and Bekasi.

CONCLUSION AND IMPLICATION

Organizational culture, leadership, work environment, and trust have positive direct effect on organizational commitment. So, the implication for the Schools, which want to be success have to improve teachers commitment organization by 4 effort.

First, improve organizational culture by (1) always motivating the teachers make innovation by inovation, (2) encouraging the teachers to bravely take risk for increasing the

quality of the school; (3) motivating the teachers to have the best result orientation in his/her job, (4) always asking the teachers to appreciate the living values and human rights, (5) motivating the teachers's habit to have team work orientation, (6) always asking the teachers to concern with competitiveness of the school, (7) inviting the teachers to work always carefully, (8) always upholding justice in empowering the teachers, and (9) always caring with tolerance if among the teachers having limitations.

Second, improve leadership quality by (1) improving the principal in influencing and directing the teachers to realize vision and mission of the school; (2) restoring the principal in delegating the jobs to the teachers so that clear and unequivocal; (3) improving the principal in re-establishing and strengthen school policies to be more wise; (4) repairing principal's actions in guiding teachers in implementing the vision and mission of the school to be more clear and unequivocal; (5) repairing principal's actions in providing input or advice to the teachers, so it is more wise in inviting them to implement the school policies; (6) repairing principal's actions in inviting the teachers to actively work, both personally and collectively for the betterment of the school.

Third, improve work environment by (1) seeking a more adequate physical environment, such as (a) spatial working, (b) air quality, (c) lighting, (d) information technology systems, (e) equipment, and (f) building; (2) attending the non-physical environment in the sense that a healthier psychological, such as (a) mental health of the teachers, (b) stress level, depression, or anxieties of the teachers, and (c) self-esteem of the teachers; (3) noticing of the non-physical environment in the social senses, such as (a) adaptation patterns of the teachers, (b) organizational structure of the school, and (c) communication patterns among the teachers.

Fourth, improve trust by (1) clarifying and reinforcing the assigned tasks to the teachers, (2) encouraging the teachers to total and qualified used in completing the tasks, (3) promoting the development of cohesiveness as a team of teachers, (4) creating the effective communication among teachers and between teachers with Principal, (5) encouraging the teachers to get used to develop their ideas, (6) treating the teachers fairly, (7) encouraging the teachers to continually demonstrate his/her responsibility towards his/her profession, (8) providing support for any kind of a good idea from each teacher, (9) creating consistency in enforcement of school rules, and (10) building mutual respect among the teachers and members of the school as a whole.

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**FOSTERING CREATIVE AND INNOVATIVE CULTURE IN INDONESIA
(CREATIVE ECONOMY DEVELOPMENT context-DESIGN and its
relationship with THE DISABILITIES ACCESSIBILITY in INDONESIA)**

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ABSTRACT

Employees who work in a creative environment can bet that they will come up with innovative ideas. They will also be able to build a resilient or flexible attitude to match the changes that occur in the market, with the same flexibility as well they can make our business become agile and easier more competitive business world that is always changing every time.

Indonesia experienced a very tight competition in the ASEAN community in 2015, we certainly will not compete with other countries due to low public trust towards the world of Human Resources, including the lack of commitment from the top leadership in the context of the first specifically to the disability accessibility.

Creative problem solving means describing something with some pararellisation and search relationships between the processes that occur, along with events that are not clearly associated with each other both logic and intuition, as well as associated with the categories that are usually attached. Here are some tips for building a "creative culture" among employees that we have:

- Although some individuals are more experienced creative atmosphere than others, most people are able in some stage of creativity. A manager who can effectively engage people who can contribute fresh ideas, who are not afraid to think in new ways, and who have a high level of patience to hang in there through the unfavorable season.
- Good communication is very important. Employees should be aware of all aspects of the problem in the framework of a settlement with creative solutions. Make sure everyone is aware of how the group wants to achieve, and what the company's goals and expectations achieved.
- Do not be elitist. Such action is an action that one assumption, which states that only management-level employees are only able to and has a way of thinking with creative solutions. People in the document space might have some pretty great ideas. Find a way to solicit input from all those who come from different backgrounds.

- Be careful not to be critical to the employee who came up with the ideas and the roads are not there before. Sometimes we need a lot of bad ideas to get a good thing, and if people are too afraid of ridicule to participate, we may never get there at all.

Key Words: knowledge, technology and innovation, leadership, creative culture, intuition.

1. Latar belakang masalah/ background

What happens in companies and organizations in the global and in Indonesia lately makes us believe that the man that is the central point of the problem and also the starting point of civilization is getting better in the future, the key is very convenient, but it also makes can be moved backward and even lead to tragedy and disaster for the man himself. Space required to restore them, that does not happen again 'gap' or something huge gulf between the conceptual and realistic way of thinking, causing deterioration of stagnation that can make lostness in the act, and cause discontinuities in the business and management processes are implemented later .

UNDP since 2001 until now, reported that the transformation of today's technology relates to other transformations, such as globalization, and creating a network along with activities. He also explained the link between community capabilities - which are supported by the application of technological advances in medicine, communications, agriculture, energy, and manufacturing - have significantly increased the capability and well-being of society. However, the technology itself is determined by the capacity development and well-being rather than the community itself.

One other important thing to note from the report that the development industry has now entered the era where technology networks working in various fields, mainly:

- **Research and innovation**

With the availability of the technology and business collaboration among institutions in the country is more real and can not be prevented.

- **Production**

Technology center could have in developed countries such as North America, Canada and Japan, but other facilities may be located in other countries who have become so corporate network.

- **E-business**

The use of the Internet and other forms of business have allowed direct contact, known as business to business, and until now predicted to rise significantly.

- **Diaspora**

Distribution rather than science and technology so fast, that when coming from developing countries will be able to create value to the country by providing value to business, relationships, and the transfer of expertise from its base state.

- **Advocacy**

With the availability of technology between the parties relating to one another advocate.

In accordance with it should be noted that the existence of technology - innovation in the management of the company are in one . So that proper management will encourage the use of technology and innovation that allows the strategy can be implemented and goals achieved . In regard to how to build creative and innovative atmosphere above the necessary steps in accordance with the increasingly fierce competition SDM fore , in the context of economic development and creative design hubungannya with disabilities in the accessibility of the building itself . The Company will not quite do with the old CSR approach and only focus on the context that is not especially innovative creative . Approach to ICT that will support effective Knowledge Management will produce power - effectiveness and efficiency of the impact . Author 's involvement in disability -related organizations produce sinerjitas are getting bigger and stronger , the attention given by the government in the form of legislation and policy has improved , especially with the CRPD or Convention on Rights for People With Disability will be pursued further with the formation of the new Disability Act so the policy will be real and legal force and sanctions , as well as attention to the work and also the development of " livelihood " of the disability become more pronounced over the next measurable data " up to date " every time , thanks to the help of KTI or KM .

2. Literature Review dan Operasionalisasi Variabel

According Koentjaraningrat (in Sutarno , tt) , the word " culture " or " culture " of the culture (English) and from the Latin word meaning colere " commented - lah " , " work " , especially cultivate the land or farming .

Culture is the human activity as well as a characteristic of the man himself .

Do not Fear to Failure

The best way to test the idea in many ways not to analyze it , but give it a try . Institutions who dared to implement many of the ideas may be having a lot of failures , but also likely to reap great success . By continuing to try various initiatives means we have increased opportunities for the school community to become a star .

As said Tom Kelley , " often fail quickly succeed " (Often fail to succeed sooner) . Soichiro Honda , founder of Honda also said , " Many people dream of success . Success can only be achieved through repeated failure and introspection " .

This means that schools do not just need to appreciate the people who excel, but also honor those who fail. Many great successes started from failure. Columbus failed when it set out to find a new route to India. He instead found America, and because he thought it was India, Native Americans called Indians.

However, success can also be the enemy of innovation. When everything goes well, we may be blind, complacent. Reliability, comfort, often the enemy of creativity. Too many instances, superior schools that eventually became a loser. Therefore, rapidly changing environment. If the institution does not anticipate addressing the changes, good fortune can turn around.

Not beautiful familiarize themselves with the threat. Better to use positive affirmations as directed. Choose words that are supportive, constructive, and inspiring. Instead of giving instructions, ask only questions that spur ideas and input. Thus, we can encourage the school community to be positive and creative. In addition, innovative leaders also trust others. Give the school community the opportunity to try out new ideas.

How we can build confidence in the team? Start with an honest dialogue. Ask them what they want and how much freedom or control that they idealkan. Show that we are keen to help and support them. Be honest and treat people fairly. Be wise, among others, by acknowledging our failures.

According to Kyung (2008), 18% -24% of school children identified as gifted and high-ability children. Such gifted students often face many challenges as schools rely on the classical way. Turns teachers prefer students who receive authority, obedient, responsible, and conformist. The children were very creative and intelligent, which in many ways nonconformist and unconventional, is seen by teachers as more difficult to teach and manage.

Creative culture that emerged from customs. "Ala could be as usual" according to an old saying. Creativity is actually a translation or embodiments ourselves into a tangible form, such as works of art, the ability to lead and communicate well. People who struggle to use and exploit his potential is characteristic of the creative person. Abraham Maslow called self-actualization as a person. People who actualize themselves have a tremendous boost and great to find various opportunities to be creative. In addition to the characteristic according to Jan Carlzon creative people in the "Moment of Truth" is: a person who has the courage, expressive and intuitive. Tends independent personal creative, confident, willing to take risks, always curious and always experimenting.

Culture or civilization, taken in its wide ethnographic sense, is that complex whole which includes knowledge, belief, art, morals, law, custom, and any other capabilities and habits acquired my man as a member of society. E. B. Tylor 1871

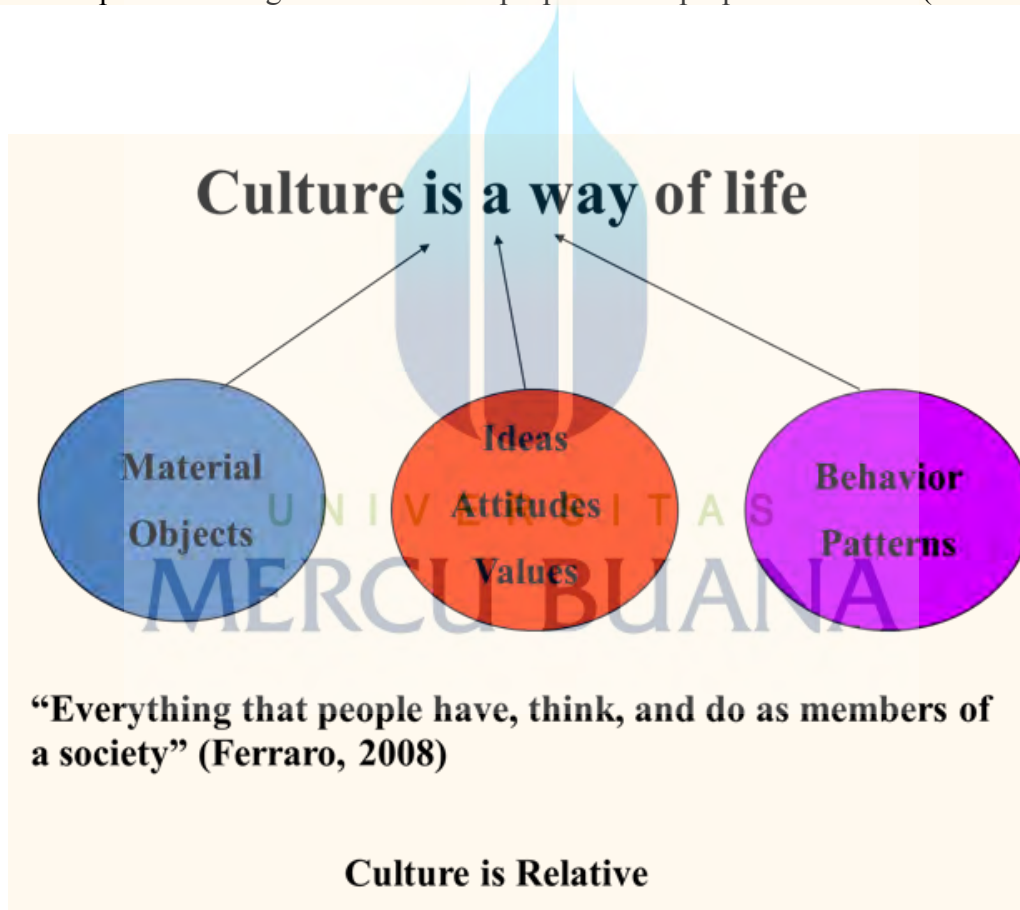
'The sum total of knowledge, attitudes and habitual behaviour patterns shared and transmitted by the members of a particular society' Ralph Linton (1940).

The pattern of life within a community, the regularly recurring activities and material and social arrangements characteristic of a particular group'. Ward Goodenough (1957)

–Culture is the framework of beliefs, expressive symbols, and values in terms of which individuals define their feelings and make their judgements” (Geertz 1957 *American Anthropologist* 59:32-54).

'an historically transmitted pattern of meaning embodied in symbols, a system of inherited conceptions expressed in symbolic form by means which men communicate' (Geertz 1973: 89).

–Cultures are traditions and customs, transmitted through learning, that form and guide the beliefs and behaviour of the people exposed to them.... Cultural traditions include customs and opinions developed over the generations about proper and improper behaviour” (Kottak 2008)



Society

'A distinct and relatively autonomous community whose members' mutual social relations are embedded in and expressed through the medium of culture'.

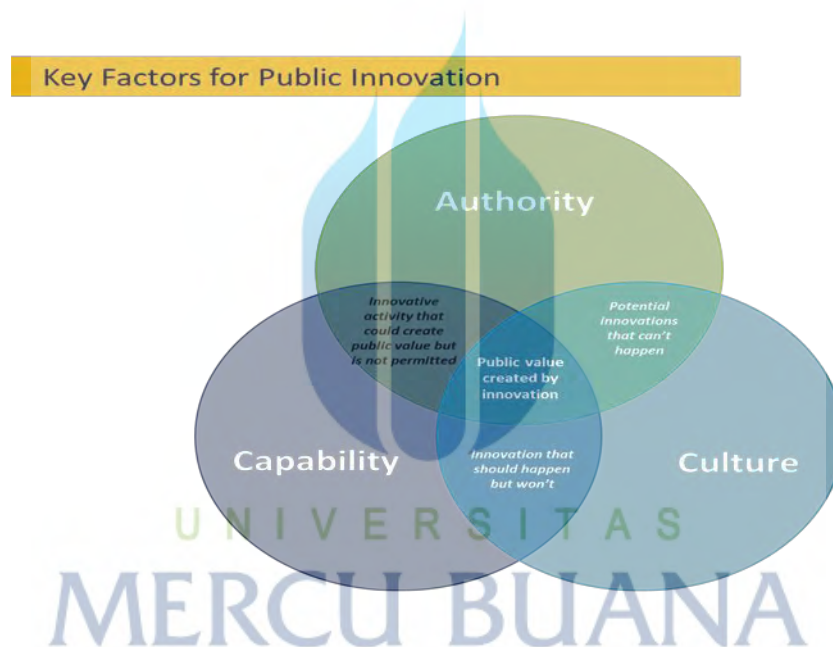
'Any portion of a community regarded as a unit distinguishable by particular aims or standards of living or conduct'. i.e. culture

'A group of people who occupy a specific locality and who share the same cultural traditions or culture.'

*Unleashing public innovation - Serial innovation and the public sector - William D Eggers
Research Director, Public Sector Deloitte*

What was done by the Government of Indonesia through the Minister, Culture, Creativity and Innovation, not enough let alone dealing with the marginalized communities DISABILITIES.

- *Has held Sail Morotai 2012 and involved 22 K / L and in 2013 will be implemented in NTT Sail Komodo.*
- *Now do Revitalization Museum, National Palace, site, and Cultural Heritage. In 2013 the World Cultural Forum will be held in Bali.*
- *In November 2012 will be held Indonesia Creative Products Week (PPKI).*



The innovation process: One weak link in the chain can stump the flow of innovations -

William D Eggers Research Director, Public Sector Deloitte

Measuring Innovation

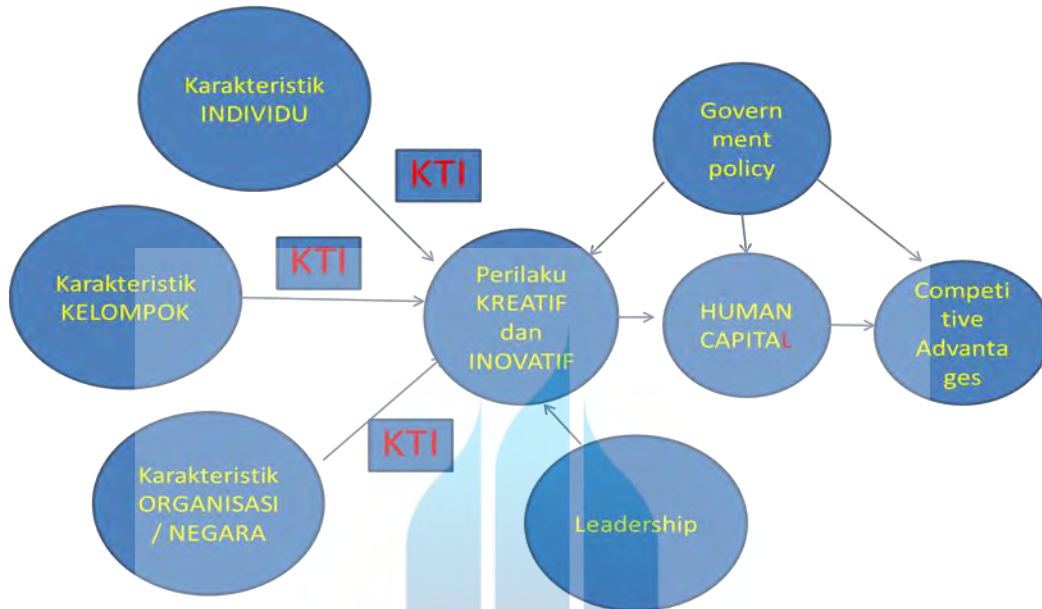
New ideas, not money or machinery, are the source of success today, and the greatest source of personal satisfaction, too.

The creative economy is revitalising manufacturing, services, retailing and entertainment industries. It is changing where people want to live, work and learn – where they think, invent and produce.

The creative economy is based on a new way of thinking and doing. The primary inputs are our individual talent or skill. These inputs may be familiar or novel; what is more important is that our creativity transforms them in novel ways. In some sectors the output value depends on their uniqueness; in others, on how easily it can be copied and sold to large numbers of people.

The creative economy brings together ideas about the creative industries, the cultural industries, creative cities, clusters and the creative class. (the basic of economy creative according to John Howkins & Co)

3. Discussion/ Pembahasan



What is understood in the context of the article above is the title of this paper there is no science that stands alone, all memiliki very strong linkages with each other. That we developed in this paper and the literature review is input some experts and also some of our inputs for further research to understanding more comprehensive than ever, so many studies related to innovation especially creative, but still little is mengaitkannya the issues related to the disability or the marginalized, the ability not inferior to all the Indonesian people and the world. Put that not only the data, but also not just information but has become a knowledge management will make inputs to the human development will become more steady and sustainable because it will teencana with better and more comprehensive. The picture below is of what we think and in accordance with the attached paper input that we read and writings related to leadership be of Peter Northouse and some leadership experts, including those from Indonesia Sen Sendjaya especially in servant leadership, and my previous writings on paper Binus and International, the following is the input to the approach we take to process until the behavior and characteristics of human capital and the performance associated with competitive advantages. According to the research we are doing against Jokowi and Ahok assertive leadership, we see that the role of leaders in building creative and innovative behavior was very large. But it all has to start from

what is called a SWOT analysis , which is an understanding of the strengths and weaknesses of individual , group and organization or country . The data taken is not due to the data itself , but also lead to information and knowledge is more profound and fundamental . If we already know three things carefully , meaning without us knowing the context of the development that will automatically move very fast . So it was not just the creation of new curriculum the most important , but if the leaders are creative or innovative enough not to its behavior , because it does not come suddenly but will appear if it is built from the very beginning and gradually . Thus become Habit , Attitude , Behaviour and eventually became a Noble character , and even Fate in the end . Jokowi and Ahok is showing symptoms that are very good for young people who are creative , and if it is duplicated in the society especially in the context of disability in the creative economy design will be very significant development ahead .

Independent variables that we can see in the picture above is: 3 characteristics that we see above, the characteristics of individuals, groups and organizations / countries.

Intervening is: KTI is an extension of the knowledge, technology and Information.

Moderating is: Government Policy and Leadership.

Dependent is: creative and innovative behavior, human capital and competitive advantages.

4. Conclusion

FOSTERING CREATIVE AND INNOVATIVE CULTURE IN INDONESIA (CREATIVE ECONOMY DEVELOPMENT context-DESIGN and its relationship with THE DISABILITIES ACCESSIBILITY in INDONESIA is a pretty long title , but it is our mind that the struggle over the years , starting from the physical nature of the approach in the form of the work , up to something that is very spacious and had a striking impact not only in this age but also the context of Keera to come, where technology and knowledge is becoming increasingly important in building a prosperous and peaceful society . We intentionally constrict the community to persons with disabilities , in order to focus and fit with my personal branding to build my research track and connected with RIP Binus University , where I am committed to issues related to leadership be more innovative and CSR . Building a creative and innovative culture in Indonesia is not easy , because the character of the people of Indonesia and also the situation is still dependent on natural resources are very rich , so the development of Human Resources and the front of the eye that is not utilized well. Building a creative and innovative culture that requires knowledge of the characteristics of individuals , groups and larger organizations so it is not just a community but also the civil society or the community itself. New approaches behave with creative and innovative that will bring a very important asset in the form of human capital itself towards sustainable competitive advantages of all time . But this work is not easy because there must be political will and government policy is enforced have reward and punishment .

It takes hard work and even very hard to build all this , one of the successful examples in our opinion, is developing a creative economy in the form of design , such as pottery , jewelry , or also building beautiful architecture and so on , where people with disabilities can take part very deep and sustained an average because they have creative abilities that are not less great with all of us in Indonesia. Stigma and discrimination can no longer occur in Indonesia , and even the whole world , including colleagues who had leprosy and other disabilities , such as mental retardation , blind , quadriplegic , tunarunggu , which are very difficult to actually get along with the general public because of their limitations , but not necessarily lost , because it depends on the opportunities that we give to them . Very strong relationship related to the accessibility of disability in the building itself , their families and communities .

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The Rise (and Fall?) of Media Conglomerate Management in Indonesia

By : Atmadji Sumarkidjo ⁶

Abstract

The existence of media conglomerate (by definition is a company that own large number of companies in various media such as television, radio, publishing, movies and the internet) are known after the Reformasi (*reform*) was born in 1998, and after a businessman who is not widely known name Bambang Hary Iswanto Tanoesoedibjo in 2003 took over a giant company Bimantara Citra Tbk from its founders, namely Bambang Trihatmodjo, Rosano Barack and Mohamad Tachril Sapi'ie. The Bimantara was established on June 30, 1981 and operated in the General Trading sector. In line with the business opportunities at that time, the Company had ownerships in the several business lines consisting of Media & Broadcasting, Telecommunications & IT, Hotels & Properties, Chemical, Infrastructure and Transportation. The new owner who bought a majority stake of Bimantara as well as Rajawali Citra Televisi Indonesia (RCTI) television station as a 100% subsidiary of Bimantara. The takeover is the milestone in which that became the beginning of a new rising of Bimantara (in 2007 the company changed its registered name and logo to become PT Global Mediacom Tbk) to be the largest and being claimed as the most integrated media group in Southeast Asia.

In 2012, Mr. Tanoesoedibjo name's became a headline in the national media after in a sudden move he decided to plunge into the world of politics and joined a newly established political party. In 2013 he moved to the obstruction of other political parties, and then together with the chairman of the party they proclaim to become a candidate for President and Vice President in the next Indonesia's General Election in 2014.

It is interesting to discuss whether his media empire has been so strong that he was confident that his involvement in politics would not harm the image of the company and specially its financial condition. In many cases in other part of the world shows that owners of the media group, especially television station owner, was always deemed to have great influences to the formation of public opinion because his say has always taken into account by politicians and government official.

When the owners of the media involved deeply in day-to-day politics, he might not be fully focused on the management of the television he lead. The bigger the media under its control, the

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more difficult it exercise control over the quality and operation of the company's financial performance because most of the media conglomerates in Indonesia doing direct and personal control over his media performance that generates the most advertising. Mechanism of checks and balances in the organization of a company that is usually done by the BOC, in the media conglomerate in Indonesia does not occur because BOC is usually dominated by persons who is trusted by owner and automatically may not be critical of the owner's own performance.

In short-term impact on firm performance is not directly perceived, but in the long run where the competition is getting tighter that encourage increased production costs and the cost of operating of the television station, the owner involvement in practical politics will hurt the financial siden of the company or group of television companies.

Keywords

Deep **involvement of media owner in practical politics** in long term **would harm the image of the company and latter its financial condition**. In many parts of the world owner always **deemed to have great influences to the formation of public opinion** because his say has always taken into account by politicians and government official. Some media owners is able to hold back and just give it political support, such as Rupert Murdoch in the United States who support the Republican Party but never involve in daily politics, while Prime Minister Silvio Berlusconi of Italy's involvement in politics ultimately disrupt the performance of its television group (*Media-Set*) after he lost his political status.

A Brief History of Television Industry

Television industry in Indonesia was born with a historical track-record different of the television technology and the birth of private TV station. When the government established Televisi Republik Indonesia (*TVRI*, the government-owned TV station) in year 1962, the original intention was to make the electronic media as the official mouthpiece of the government. That's why, for a long period, *TVRI* monopoly are maintained by the government as the only television broadcast which airs in Indonesia. Modern technology by the launch of Palapa satellites in 1976 enable *TVRI* to deliver information to the general public in a relatively short time, but it still does not allow institution who are not government owned to manage private broadcast television. Seeing the effectiveness of broadcasts in large, the government intensified the development numbers of relay-station in all part of Indonesia. At first, there must be a relay station in the capital of each province, and then there are programs to build similar stations in remote areas and in border communities where for a long time enjoying the spill-over television broadcasts of neighboring countries. Thanks to technology, the government built Small-size Earth Stations (SES) in more places with much lower costs. The armed forces institution is also concerned with the centralized information dissemination also helping the Ministry of Information (Departemen

Penerangan) to facilitate transporting SES equipment to areas that are difficult to reach by conventional means of transportation.

Private television broadcast appears as an "accident" because the intent is not to divide the space with non-governmental parties. According to Krishna Sen and David T. Hill (2001), in 1987, the government approved the participation by the private sector in the field of television is very limited with circulation where people have to subscribe to a set of popular set-box decoder in order to watch its broadcasts.

The surrender of the attitudes and policies of the TV monopoly according to Sen and Hill caused because Indonesian government was no longer able to maintain a monopoly over television broadcasting fees from the government. "... The introduction and expansion of the private network be-for many people-as the best option for the defense of national culture, which can not be done with the limited resources of the state television. In this case, "... Private television not liberalize the movement of television business, it is (more) a national effort to attract audiences back to the national media space, with other types of television that had been presented by the state television can be."

Its understandable that private companies are given the first right to own and manage the television station is close and somehow related to the palace. PT Bimantara Tbk company whose biggest shareholder is Mr. Bambang Trimatmojo, son of the President, are the ones who were given the right to establish the first private television station in Indonesia.

Three years later, the government gave permission the establishment of the second private television (*SCTV*) broadcasting from the city of Surabaya. Some shareholders have links with the Soeharto family, like Mr. Soetwikatmono. After three years of local broadcasting in Surabaya and its surrounding areas, in 1993 *SCTV* are given permission for broadcasting nationally like *RCTI*.

Televisi Pendidikan Indonesia (*TPI*) was founded on January 23, 1991, as the third commercial stations are allowed to operate. Interestingly, giving the reason that there are already two private television broadcasts, this third station is only allowed to focus on education as reflected in its name, Televisi Pendidikan (education) Indonesia. Since the beginning *TPI* as if attached to ‘borrow’ all of the production facilities and broadcasters from *TVRI* in the morning. As if *TPI* is a "private *TVRI*" broadcasting in the morning. It was only in the afternoon and evening *TPI* using their own broadcasting facilities. (Hidayat et al., 2000: 178) In practice, apart from some formal education materials, the largest part of program outside of school and education package are called ‘informal education’ program, such as news and information, sports, entertainment programs, music, quizzes and US product series (Hidayat et al., 2000:179). *TPI* holder is Mrs. Siti Hardijanti Indra Rukmana, the President’s eldest daughter.

Another conglomerate which later got permission to set up a television station in the era of the New Order is the Salim Group owned by Sudono Salim (or Lim Siouw Liem), a close associate to President Soeharto. The name of the station is *Indosiar*, and it is clear that the name is a strong indication that attachment to the group using the word of 'Indo'. Salim's trademark on his entities like Indocement, Indonemobil and so on symbolized as a company own by a Indonesian citizen. The purpose of establishing the television station is not for political purposes, but as a purely business venture, and therefore most of the content is broadcast entertainment. They model Hong Kong's *TVB* and loaded the air time with local content packaged produced in-house. *Indosiar* still consistent with the model that until now despite the dominance of entertainment broadcasts were much reduced due to inter-station competition increasingly fierce. The last television licence in Orde Baru era is went to a private company (*An-TV*) owned by businessman Aburizal Bakrie which had to set up the station in the city of Bandar Lampung. Only after the end of the New Order, those television station (including *SCTV*) by the new regulations could move their home base to Jakarta.

The second wave of granting licence to set up a national broadcast television stations occurred in the reformation era. The first licence was given to Surya Paloh an entrepreneur who founded a television news station, named *Metro TV*, modeled of *CNN*. The next television station *TV-7*, which is owned by Kelompok Kompas – Gramedia (KKG) followed by permit obtained to businessman Chairul Tanjung to set-up *Trans-TV*. While the *Global TV* which is owned by a number of activists who are members of ICMI despite obtain broadcasting license has not been able to run the businesses because of financial difficulties. Later the license was sold to MNC boss Hary Tanoesoedibjo so *Global TV* became part of the group together with *RCTI* and *TPI*. And businessman Abdul Latief obtained licence to set-up his *Lativi* station.

Easy and Not Easy Business

By definition media conglomerate is a parents company that own large number of companies in various media such as television, radio, publishing, movies and the internet and the media conglomerate in Indonesia is characterized by the following points:

- (1) there is a holding company (parent company);
- (2) The parent company are wholly owned or controlled a majority stake in one hand;
- (3) There are subsidiaries in various types of mass media;
- (4) Being a majority or controlling shareholder (51 percent or higher);
- (5) The owner become Group CEO and control totally the BOC;
- (6) Control the financial part directly, or delegate through trusted person;
- (7) Having a direct access to the media's programming department.

The media conglomerate in Indonesia was built based on three formats formation. The first is the media empire built from scratch and then can expand and can even take over other media or television station. The second form is when an entrepreneur takes over existing media, refine and enlarge the business so that they can then take over or even build a new station to be included on the own media group. The third format is the owner of the television station combines the two previous format. Included in the first category are entrepreneurs like Surya Paloh and Chairul Tanjung that builds their television business from scratch, raised and then expand its business. Tanjung, a talent businessman with "zero" experience in handling a media, seriously build the station not only in term of the infrastructure and technical things, but also construct a team of professional human resources from scatches, and does not do piracy skilled professionals from other television stations as shortcuts. In 2008, he then took over the management of *TV-7* from KKG and changed its name to *Trans-7*.

The second format example is the move by busienssman Hary Tanoesoedibjo who took-over *RCTI*, *TPI* and *Global TV*, respectively. While the Sariatmaja families (owner of *SCTV*) just recently bought Indosiar from Salim's family because of strategic reasons for the development of its media businesses.

It is interesting to note that all the businessman who engage in the television industry in general is the entrepreneurs who *'_learned while doing'* in the television industry. This may be because the television industry is really open to all parties after the reform era in 1998. The businessmen who are lucky to get a national television broadcast licenses prior to 1998 is usually close or related to the ruling party in Indonesia at that time. Free-fight competition in the television industry occurred after 2005, when there were already nine private and national-wide television station.

From a outsider point-of-view, as if the television industry is a very lucrative business venture due to the capitalization of income and that lead to a bias perception that television business in an easy and convenient business to earn profit and also benefit a great deal in a relatively short time. This false or half-true perception is not entirely wrong when the example is a successful television station. But it must be noted also that there are some television station in Jakarta that is not able to earn profits or even being heavily subsidized by the parent or group company. Bottom line is, television industries is not a easy-money businesses.

The history of television industry in Indonesia showed that the business is successful or profit in terms of revenues if stations broadcast most of its content with entertainment focused on lower middle class viewers taste. It is not surprising that local products such as soap opera or infotainment are the mainstay to profit from advertising.

On the other side, television station founded solely prioritize news are very risky. That is why until now in Indonesia there are only two television stations that the majority of its content is news and information. The question of whether News “really made money” on the is more complicated than at first seems and has been the subject of much debate and speculation. (Knee, 2009). It is not simply a question of adding all the operating costs to those of the rights and subtracting the advertising revenues generated for the network during broadcast.

MNC Group television station *RCTI* rely as the only cash-cow for the media to cross-subsidize others in the group. It must be recognized that of three television stations in the group, only *RCTI* is the most convincing financial performance because huge advertising revenue as well as the efficiency of the personnel costs. Its published financial statements are on the financial performance of MNC Group deliberately does not separates advertising revenue from each business unit. During the first half of 2012, PT Global Mediacom Tbk as the owner of MNC is able to print a 21 per cent increase in net profit year-on-year to Rp 66.6 billion, and 63 percent of the revenue it derived just from MNC revenue.

A Smooth Takeover

Like it or not, when we look about media conglomerate than we have to discuss also the ownership of the media today, both print and electronic media (Sumarkidjo, 2010) because in fact, the owners of the media directly or indirectly have an influence in determining the agenda setting and news framing of printed or broadcast on television.

The first in Indonesian media conglomerates do exist in print, but electronic media conglomerate today is the most significant impact in terms of capitalization and cash capital which rotates in the business group. The businessman, Bambang Hary Iswanto Tanoesoedibjo able to enter into agreements (proxy) with Bambang Trihatmodjo, the majority owner of the business group Bimantara Citra Tbk. He then became the majority shareholder with a stake of 51 per cent after buying a number of public shares and raise capital so as to make other stock owners deluted. It is a very smooth takeover.

With authorized capital mastery and a totally full control of *RCTI* management, Mr. Tanoesoedibjo who do not have experience in the media business previously using the knowledge in the field of finance to find out how the television business could profit. Keywords in doing business on the television media is not much different from other businesses or business. The most important thing is how to control the revenue from television advertising, how to collect accounts receivable in a timely manner as well as the advertising cost efficiency to another.

The only significant difference between the non-media businesses and television industry is all about the content or broadcast television. Creating popular television program is a combination

of business skills and acumen with artistic vision. Program that attracted more viewers than any other program in the same hour gain higher rating and will earn a higher share also. For the television industry, high rating and share ensure higher and more revenue. As all we know advertising is the main and only source of revenue of a television station.

In terms of ownership of a large group of media, currently in Indonesia there are five formats of media conglomeration (*plus* electronic or print media conglomerate) in Indonesia:

1. Entrepreneurs who developed the media business as a main line of business. If there are other businesses in the group so it was just as portfolio or development in other fields. The best example is the move by businessman Tanoesodibjo before he joint politics in the end of 2012.
2. Entrepreneur who make the effort in the media as just part of various other businesses that he already owns. Mr. Tanjung is that kind of businessman.
3. Entrepreneur who became the owner of media conglomerate starting by owning a national-wide and respected print media. Although a successful print media conglomeration, but experience in the management of print media was not a guarantee that they can also successfully running a television station. KKG management forced off their national television station *TV-7* to businessman Tanjung after experiencing financial bleeding for almost five years. KKG today is trying to run a new television station began broadcasting as local television station (*Kompas-TV*).
4. Businessman *cum* politician who put the capital in the business of electronic media as a tool for political interests and vision as well as well as a profitable business entity. Politicians like Surya Paloh and Aburizal Bakrie is an example of how they are able to optimally use the television station that they owned for their political interests and as well as a gauge of public opinion against their existence in the world of politics.
5. The combination of several models above as well as the dynamics of the development of the times and the current political climate.

Does Politics Matters?

Although the mass media, especially television, is owned by national entrepreneurs who are always prone to conflicts of interest as well as the "safety" generally protect their business with the attitude and bias or sympathy for a particular candidate, although in the Presidential Election in 2004 and in 2009, the alignments on certain candidates practically invisible in news-editorial policy in the news room. Even more evident partiality on *TVRI* news if you want to compare.

If in the 2004 elections, television stations vying to be able to do the talk-show exclusively with the presidential candidate and vice presidential candidate: then in the 2009 elections, talk shows and public debates of the candidates was organized by the General Elections Commission (KPU) cooperate with all national television stations with a television pool system. It is a system which

turns all national television station to host and facilitate public debate, and the program are free to be relayed by other television station. This way you avoid television media bias on one candidate, and also quite fair to the candidates having the same opportunity at the same time.

The direct involvement of the TV's owner matters when we talk about the use of public sphere. Organizers of the upcoming 2014 general election and the National Broadcasting Commission (KPI, Komisi Penyiaran Indonesia) should firmly establish guidelines or rules of the game so that the possibility of a public space that is used for political purposes a television station owner can be avoided. Attitude of sympathy or support to any political party is fine to do as long as it is done in the corridors of ethics and rules.

The Threat

Although the television industry in Indonesia is still relatively young but many believed the future is very bright and threat to the existence is low. Indonesia is the country with the fourth largest population in the world, means the potential audience is very tempting between 150-200 million people. Indonesia's economic growth over the last ten years (between 5 to 6.5 percent annually) is among the most well compared to many other developing countries, and this fueled the growth of the middle class (now estimated to number about 45 million people) are significant enough that an advertising goals large. After all a healthy middle class is the largest potential buyers of products advertised on television.

It is estimated that the players in the television industry in the future there will be increased from what is out there now that is difficult to expect any new players who can survive in the field of competition is so tight. Although there is the possibility of the next five years the government will enforce the rules regarding digital television broadcasts where the number of broadcast channels increases doubled but certainly that will not automatically raise new television stations. The increase middle class population in Indonesia quickly anticipated by television stations that exist with creating strategic business unit (SBU) in the field of cable television. As in other more advanced nations where most people have watched television broadcasts via cable, then the number of cable television subscribers in Indonesia rose constantly. According to the predictions in the 2030 the number of Indonesian middle class will reach 135 million people, and based on the theory more than 60 percent of them would be happy to watch the broadcast via cable television broadcasts rather than programs transmitted via terrestrial antenna.

So what is the threat to the existence of media conglomeration in the future? *First*, the involvement of the owner of the company in the field of politics. Political environment in Indonesia is still very primitive where the "colour" of money and power dominate our politics and idealism is just an empty symbol. This means that the owner of the television companies have a lot to spend on his political activity as well as the political parties he support.

Second, because the entertainment programs fill more than 70 percent of airtime, the cost of broadcast entertainment production or soap opera rose sharply. On one hand this provides a great income for creative workers, but on the other hand the money must be spent for the production of each episode of the program increased dramatically. TV show can not be eliminated because until now such event is the largest maker of advertising revenue. TV station owners should continue to keep the rating and share of most of their programming high against competitors.

Thirdly, advertiser appeal in cable television is sports programs, especially live football broadcast, which exclusively exist only in their program. As a result of the unfair competition it cost to obtain a football broadcast rights favored by television viewers in Indonesia each year increased fantastically. For example, in year 2002 when *RCTI* gets broadcasting rights of football world championship, they just have to pay U.S. \$ 5 million. In 2010, *RCTI* must spend U.S. \$ 25 million for the right to broadcast the FIFA World Cup. While the broadcasting rights for the next 2014 FIFA World Cup obtained by Viva Group (*TV One* and *AN-TV*) after paying bail of US\$ 61.54 million!

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The Effectiveness of Free Education Policy in Indonesia (A Case Study on the district of Musi Banyuasin South Sumatera)

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Abstract

This study aims to determine the effectiveness of the free educational program that has been conducted in Indonesian local government. This study investigates a case study on the implementation of free education in the district of Musi Banyuasin South Sumatera. The research was conducted qualitatively by analyzing secondary data and conduct interviews with stake holders whom are the executive of education from the Department of Education, the Principal and parents. From the research, it was found that the implementation of free education in Indonesia is still a political commodity, free education policy in practice still have problems and weaknesses. The constraints faced by schools is the budget provided by the local government is the cost of education and minimum service standards budget given are not payed monthly, but given every 6months which causes problems and obstacles in school operations, which then affects the school's ability to thrive and compete with other schools. In the implementation of free education, the school is still collects school tuition fee from the parents through the school committee, this is because it takes a very large budget. Free schools policy also has psychological implications, where students and parents tend to be less concerned about the needs of the school, because they think everything is free, so the students have low interest and motivation, causing them to change schools freely because of the free education policy.

Keyword : *Policy, Free Education, District Musi Banyuasin*

BACKGROUND

Education is an important element in every aspects of life of the Indonesians. The 1945 Basic Law (UUD) has mandated the importance of education for all citizens, as written in Clause 28B verse (1) and Clause 31 verse (1), which states that every citizen has the right to receive education. The development of education is very important because it plays a significant role in achieving progress in many aspects of life : social , economic , political , and cultural. The Government have an obligation to fulfill the right of every citizen in obtaining educational services in order to improve the quality of life of the nationof Indonesia. This obligation is in order to meet the mandate of the constitution which states that the government takes full responsibility in the intellectual life of the nation and creating general prosperity , which is done through education. The gap in education participation looks striking, among social groups (poor people) and between categories areas (rural - urban) , and increased with the increasing of age. Therefore, educational development should be directed towards improving and expanding equitable access to education services , improved quality and relevance as well as the improvement of education management in order to face the challenges of change at local , national , and global levels .

In addition , funding education is a very important issue in the education overall system development. Money is not everything in determining the quality of education , but all educational activities require funding. Therefore, if the performance of the education system is improved , budgeting management also could not be unseen , given that the budget should support activities . Not all Indonesian people are fully aware that the cost of a higher education will be able to overcome the problems of education , although not all problems will be solved completely .

The Government Regulation (PP) No. 48/2008 on Education Funding is actually quite clear that high levels of education funding (not compulsory) is a collaboration of funding by the Government / local authorities and the combination is valid for non - land investment costs and operating costs of non - personnel for the education unit established or organized by the Government / provincial Government. Meanwhile, as for the education unit established or organized by the community , the entire cost of both investment costs , operational costs , and implementation costs borne by society or by organizing the educational unit . The government and local governments are in a position to provide funding assistance to meet the needs of such costs. Thus , sources of education funding at the secondary level is more varied and has the opportunity to be synergized.

Moreover, the regional autonomy conducted since 2001 brought major changes in the management of education . In the era of autonomy, the regional government is responsible for the management at all levels of education beyond high (elementary , junior high , high school) , in terms of substance , the local government is responsible for almost all areas related to the education sector (except curriculum and setting standards under the authority of central government).

According to Wikipedia , the definition of free education is education provided to students free of charge . However , students may still have to get a free education expenses , such as books and other teaching materials . Free education can be given to students in the form of scholarships or grants that cover all or almost all of the expenses for school students .

The United Nations Educational , Scientific , and Cultural Organization (UNESCO) states that one of the goals of Education for All (EFA) is that schools should be free of charges. This means that parents do not have to pay school fees for their children to go to school . In addition,

parents do not have to pay a variety of other expenses that make poor children do not attend school . These expenditures include purchase of textbooks , the cost of participation in sports activities , etc. . (In Saparudin , 2002)

Study Problems

One of the many issues presented in the era of regional autonomy policy is about free educational funding . Free education policy is a populist theme campaigned by the governor . Free education certainly is a highly qualified sales policy in the context of attracting voters, but what are the implications and the implementation ? this is certainly an interesting topic for scrutiny , of the extent of free education policy effectiveness particularly in the Province of South Sumatra , especially in District Musi Banyuasin known as the pioneer of free education policy in Indonesia . This study is one small part of the research team studies by the education and religious directorate of Bappenas.

Purpose of the Study

- 1 . To identify the free educational picture in Musi Banyuasin Regency , South Sumatra
- 2 . To find out the problems and constraints faced in the implementation of free education in the District Musi BANYUASIN
- 3 . To find out the psychological implications of free education for students and parents of students benefits

Review

- 1 . To have a picture of the pattern and the free education system
- 2 . Knowing the advantages and disadvantages of free school
- 3 . Be able to evaluate and give input in the implementation of free education

Research Methods

Samples from this study are from Musi Banyuasin regency government and education entities both private and state spread across the Musi Banyuasin Regency , South Sumatra . Samples used in the study are taken by purposive sampling method , considering the school representation is classified based on school status , educational level and type of school . As for the schools that are considered representative is :

Regency	School	Government Agencies
Kab.Musi Banyuasin	SMA N 1 Sekayu SMA N 3 Sekayu SMA PGRI Sekayu SMA Rahmaniah Sekayu SMK N 2 Sekayu SMK N 1 Sekayu SMK PGRI Sekayu SMK Muhammadiyah	Dinas Pendidikan Sumatera Selatan Bappeda Sumatera Selatan Dinas Pendidikan Kab. Musi Banyuasin Bappeda Kab. Musi Banyuasin

In addition , the respondents of this study is Bappeda Office and Provincial Department of Education , Office of the Department of Education and Bappeda Kab / Kota , Head of School and School Committee Manager . To determine the sample schools based on recommendations from the Department of Education Kab / Kota which is a school that is considered appropriate in this study . School to be taken consider as the representation of the state high schools and private high school , state and private vocational schools and the representation between management and technic vocational schools. The data collections are by collecting secondary data on the statutory regulations and strategic plan of education in South Sumatra Province Banyuasin, Musi. Primary data obtained by doing interviews at the school , parents of pupils representative and head of education and Bappeda.

RESEARCH RESULTS

The Regency of Musi BANYUASIN is capitalized in the vast territory of Sekayu 14265.96 km² or about fifteen percent of South Sumatra Province wide . Musi Banyuasin Regency is located between 1.30 up to 40 South Latitude and 1030 up to 1050 40 ' East Longitude . Now the limit is a Musi Banyuasin Regency :

- North Side with Jambi Province
- South Side Muara Enim regency
- West side of Musi Rawas regency ,
- and
- East Side District BANYUASIN .

Based on Musi Banyuasin Regency Regulation No. 32 Year 2005 July 25, 2005 concerning the creation of two (2) districts in the regency Musi Banyuasin , then the amount of Musi Banyuasin Regency kecamatan in the back consists of 9 districts , up to 11 districts .

Musi BANYUASIN has the potential of abundant natural resources , which is good , and not being developed in line with the development of socio-economic conditions of society. In this case Musi BANYUASIN excavation potential to enhance natural resources through the expansion of research and development programs (Litbang) on service - related offices .

Musi Banyuasin Regency economic conditions in the period 2002-2004 was encouraging with average economic growth of 3 percent per year . Solid economic sectors of capital managed by state-owned enterprises and large private sector , such as farm - processing industries and large plantations like rubber and oil palm.

Of work status , productive age population (15-64 years old) really work or Work Participation Rate (GII) reached 80 % of the total population of productive age . High labor force growth rate is not proportional to speed up the growth of employment opportunities is still a problem as large as 7.9 % unemployment . Another factor is still low dominant soul entrepreneurship especially in young work force still expect employment in the formal sector seperto Governance, State-Owned Enterprises and Private Enterprises.

Implementation of Free Education

Musi Banyuasin Regency is one of the pioneers in the application of free education in Indonesia . District Musi BANYUASIN with PAD have a large regional budget from oil and gas revenue , so as to facilitate the funding of education until high school. And this policy is already implemented almost in all districts / city in South Sumatra province . The head of each governmental state has a commitment throughout the district in order to target school-age children to have access to primary and secondary education services free of charge. This commitment is emphasized in the applicable legislation in each region , ie the Governor Regulation (Pergub) in South Sumatra The adoption of this policy related to the second aspect , namely education funding formula , the level of education from basic to secondary school level . Model implementation of free education policy in both provinces , showing some formulations. First , track the implementation of free education . Implementation of free education funding set in place the legal regulations in each region are then followed up with the signing of an

agreement (MOU) between the Provincial Government and District / City Government . This seems to be more convincing performance guarantees free education throughout the province in question.

Umbrella law on the free education program is the Musi Banyuasin Regency South Sumatra Governor Rule No. 31 of 2009 About Maintenance Guidelines Free Schools Program in South Sumatra Province set the date of the occurrence , ie May 14, 2009 . In addition, the Governor and the Head of Deir II (kab / kota) has signed an MoU on free education in South Sumatra .

MoU between Pemprov . Sumsel the regency . Muba BANYUASIN . In this case, the District Musi BANYUASIN has more first free policies in education funding , but is one of the pioneers in the implementation of free education in Indonesia . Free education funding policy has done since 2002 . Free School is a program to ease the burden of parents / carers of students through the release of the obligation to pay school operating costs .

School operating costs are costs incurred for financing activities of teaching and learning process consisting of : (a) the cost of covering the cost of personal well-being of teachers, officers, and teachers' professional development , and (b) Non-personal cost that includes new student reception / birthday list students , supporting learning and teaching activities , evaluation / assessment , treatment / light maintenance , power and services , construction Studentship , and office stationery.

Based on a rule of thumb , the proportion of the financing component of free education funds for SMA and SMK students are : 50 % for teachers, 30 % of CBC , 10 % of extracurricular activities, and 10 % for equipment . In detail , in accordance with Article 12 Pergub Sumsel No.31/2009 , free school education fund preferred use for :

- a. Acceptance of new students (administration , fotocopy , committee consumption , etc. .)
- b . Purchase of reference books and textbooks for subjects collected in the library,
- c . Remedial learning activities , enrichment , ekstrakurikuler , etc.
- d . Funding daily repeat , repeat general , school tests , and report student learning outcomes ,
- e . Purchase of consumables ,
- f . Competitive funding and subscription services (electricity, water , telephone , internet, environmental management , etc. .)
- g . School care financing ,
- h . Monthly honorarium payment contract teachers and educational staff honorarium ,
- i . Teachers' professional development , such as training , KKG / MGMP , and PSC / MKKS ,

- j . Transportation assistance for poor students who struggle with transport costs to and from school
- k . Organizing free schools program administration (ATK , multiplication , treasurer incentive arrangements within the framework of the free schools program reports , etc.)
- l . Purchase untukk computer learning activities of students , maximum 2 sets for SMA / SMK / MA ,
and
- m . Homeroom honorarium payments and principal representative and advantages of teaching hours .

Education funding policy committed secondary school level by the Provincial Government Regional Government of South Sumatra and Sulawesi regency administration has made arrangements BANYUASIN example and a clear division of the ruling Regencies / cities on free school funding education funding to secondary school level (12 years) . Government and the government of South Sumatra kab / kota have shared a clear role and funding .

In the MoU between the Government of the Province Government Kab / Kota has agreed on sharing of funding for students , where 60 % are borne by the government Kab / Kota and 40 % incurred by the Provincial government . Funding assistance provided to schools in the form of cash grants SPP/BP3 the amount Rp . 90.000 , - per student per month for high school students and Rp . 100.000, - per student per month to students of SMK . Based on the proportion of technical instructions component of financing to fund free school education and high school students of SMK is 50 % for the welfare of teachers, 30 % of CBC , 10 % of extracurricular activities, and 10 % for equipment . In addition, provincial governments also help RSBI school funding and that is the government's responsibility in accordance with the Provincial government regulation No. 17 of RSBI .

Besides, in addition to providing funding assistance SPP/BP3 substitute Musi Banyuasin regency also bear the cost of electricity and water and build new vocational schools in some districts that do not have schools. Teachers and educators get a meal Rp.15.000/per day and also given the opportunity to pursue studies S1 and S2 through a scholarship program of District and Provincial governments . Schools can not collect at all, the school committee can not collect , including students able to also free , so there is no contribution from parents at all . Schools can collect school fees if they make a written statement to decline the help from the government on providing free of charge education .

Problems on Funding in the Field

From the results of interviews of teachers and parents of students representation , there are some problems faced by the school , as follows:

- 1 . Prohibited from collecting school fees from students and parents of students
- 2 . Funding provided by the Province or District government good is Secondary Education Standard Minimum provided, until school the vocational school particularly difficult to grow that require a lot of maintenance cost and practical costs
- 3 . Funds provided are often late and sometimes in rapel to 6 months , this makes the school should seek bailouts from various parties to carry out operational school
- 4 . Assistance provided to civil employees and the honorary teachers , while many schools still use teachers who has not been recorded , which results in a striking gap between the teachers
- 5 . School does not have a budget to do extra activities aimed at improving the capacity of students , all self- limited government budget.

Psychological impact

- 1 . the student's parents have less student responsibility and education for schooling their children because it they consider everything is funded by the government
- 2 . Students also lack the sense of responsibility because they do not charge a fee because there is no sense of responsibility
- 3 . At many private schools there are setbacks , because many students who switch schools as they wish and therefore it lowers the amount of students studying at private schools and preferring to study at public school
- 4 . Compensation for the cost of education is spend by many students / parents to buy motor vehicles for children in school , so they're less attention to other educational needs because the government considers all already incurred .

Conclusions and Recommendations

Free education in the district of Banyuasin is already running well . However, in the implementation, the school is facing problems mainly due to the financial system with overdue paid salary and given limited funds . Free education is an important educational program for the community , but in practice must comply with the requirements in the development of a decent

education . To reduce the social gap and the jealousy among the society, should be given a cross- subsidized education program, those who are capable paying the school fee are to pay and who can not afford are free of charges .

The budget given should be disbursed on time and not just the minimum standard of education , but the school should have a budget development and improvement of adequate facilities , so that schools can become the center of a qualified education. The average quality of education in the district of Musi Banyuasin is standard due to limited human resources and budget.

Although education is free , parents and students should also be given an understanding of the importance of responsibility in improving the quality , if they have the economic ability then it is necessary to be given the understanding that they also should give a positive contribution to the school so that the school can thrive.

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CULINARY AS SOCIAL PHENOMENON, CASE STUDIES IN JABABEKA AND LIPPO CIKARANG, BEKASI, INDONESIA^{1,2}

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Abstract

Humans find its existence for thought. Humans are unique creatures. According to Descartes (1596-1650) humans are creatures who think (cogito); doubts about its existence the cogito ergo sum are answered which is building a relationship with their environment to develop themselves as human beings. In the whole course of life, man's development from the primitive and simple to the most complex ways of living, wherever men have lived together there has been some group interest in food, traveling, and pleasure. This interest as group grows becomes more complex, and places in charged with the chance and challenge of feeding and offering is created. Human capital is not only a factor in economic growth, but also an effect of it or of developments generated by economic growth. The process of economic growth can explain much of the observed variation in the structure distribution among culinary foods as a social phenomenon. The global spread culinary industries produced benefit development of well-being in many areas. The contribution of culinary to economic well-being depends on the quality and revenues of the culinary that offer. The trend of world community today there is an interest increase of most of people, with their own reasons, they like to spend their time to the food court even a while. Due to the result of research shows that with 180 respondents from any reasons we try to study (ages of group of respondents, gender, education, occupation, the living area, their related Activities Culinary for. Lunch and or dining out is growing form of half of informal form and leisure where meals are consumed not out of necessity but also important sustainable positioning in ever more complex for pleasure and to build a relationships, the occasion are part of the leisure experiences as much as the food itself as social-belonging, esteem, and self-actualization (Hierarchy of Needs, Maslow, 1954), and event cultural object. In Sen's capabilities approach which holds a person's capability to have various functioning vectors and to enjoy the corresponding "well-being achievements" to the best indicator of welfare (Sen, 1985) means that culinary as social phenomenon growth amplifies the positive impacts of rotation economic and market production at the same time welfare too.

Key words: *culinary, leisure and esteem, self-actualization, growth economic.*

A. INTRODUCTION

According to Descartes (1596-1650) humans are creatures who think (cogito); doubts about its existence the cogito ergo sum are answered. Humans find its existence for thought. Humans are unique creatures, he being a free, autonomous and dependent, he is being a dynamic and multi-dimensional, which is building a relationship with their environment to develop themselves as human beings are basically productive and homo-mensura man into a dimensions that is all to become (what I know; ethical; able to answer; religious). In the whole course of life, man's development from the primitive and simple to the most complex ways of living, we impressed by the fact that wherever men have lived together there has been some group interest in food, traveling, and pleasure. This interest as group grows becomes more complex, and places in charged with the chance and challenge of feeding and offering is created. Talking about man as human beings, his existence is always the actual cause and central discussion in a variety of events. Man not only with his

possession of human intelligence and purposive will also in the fact that from the time he first appeared in the earth he supplemented his hereditary, physical, and psychic potential with habits, and techniques to increased his comfort, power and safety. Human beings are intentional agents that can act on their desires and beliefs, represent their environment internally and find more appropriate means to reach their goals which probably share, come reflexive that call man's educability that consists in concern for the truth of quality in beliefs and the good quality of one's desires in virtues.

Today, the business volume of culinary and tourism has become the major players in international commerce, and represents at the same time one of the main income sources for many developing countries. Modern culinary and tourism is closely linked to development and encompasses a growing number of new destinations. These dynamics have turned tourism into a key driver for socio-economic progress. In over decades, culinary has experienced surpasses compare to goods products, auto mobiles, or even oil exports, and has experienced continued growth and deepening diversification to become one of the fastest growing economic sectors in the world. This growth goes hand in hand with an increasing diversification and competition among destinations.

The global industries of culinary produced benefit development of well-being in many areas. The contribution of culinary to economic well-being depends on the quality and revenues of the culinary offer. The destination of tourism is the important sustainable positioning in ever more complex of tourism marketing. Due to the consumers need's of culinary, and explores of restaurants as consumption spaces, give rise to tourism. In recent years major changes have occurred in here how and where consumers shop. The trend of world community today there is an interest increase of most of people, with their own reasons, they like to spend their time to the food court even a while. The term "food" is used in the health literature to refer to places with limited access to reasonably priced nutritious foods (Wrigley, 2002). Hence, "micro-geographies of consumption" emerge and individuals have increasingly differential levels of access to specific types of consumption spaces, which can have important consequences for their quality of life (Mullins et al., 1999; Zukin, 2004).

B. Research Background

As human beings we are born with a human nature and human dignity that each and every member in the very capacity of being human holds an inherent dignity and worth. Human being is an ideal and a norm; need to be cultivated to develop his or her human nature. Pettit, 1993, mention that human being has capacities that allow them to respond appropriately to environmental requirements, but also allow them to care for the appropriateness of their own responses. The human being is a rational actor and such creates culture and history, free in many respects and expectations. We may have across the word of "environment," even "feeding environmental." Humans not only learn from the environment (natural, social system, and the economic system), he also learned from the earlier human, processes and developments will shape his pattern of learned behavior and beliefs. Man is reflections human beings who think about the experiences and beliefs that grow out of him.

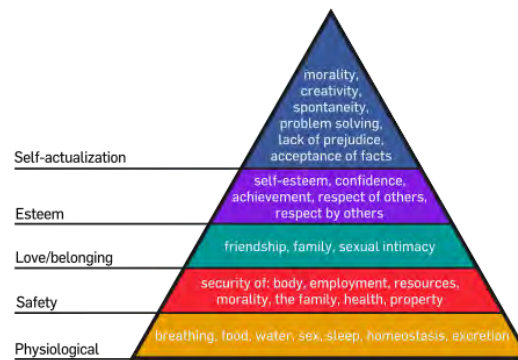


Figure. 2 *An interpretation Hierarchy of Needs, with the more basic needs at the bottom.*
Maslow's Hierarchy of Need, Maslow, 1954

Development, even as the basic needs of human welfare, e.g. income, education, health, and also the vector of possible opportunities available to individuals in a particular state. Underpinning in Sen's capabilities approach which holds a person's capability to have various functioning vectors and to enjoy the corresponding "well-being achievements" to the best indicator of welfare (Sen, 1985). For that reasons, we do not want culinary to travel through. We want them to stop, spend and stay longer, on the things that make them unique and which reinforces their identities that different of them. Consider contribution provider of sustainability to local economy and food ways like consideration of food and goods that contribute to saving heirloom foods it help reduce emissions and environmental change, it help increase rather than reduce the variety of what they eat and taste.

C. Objectives of Research

1. Culinary as define as culinary related activities, such as lunch, dining, purchasing culinary, and the characteristics of unique experiencing culinary.
2. Pertinent to culinary that concern to identifying the dimensions of culinary's tourism.
3. Concerns to the culinary market segment

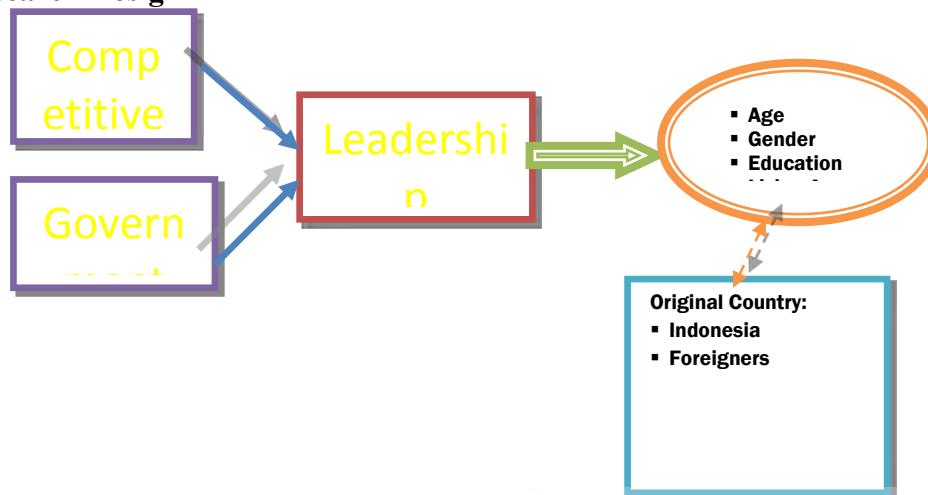
By this study identified profitability of Jababeka specialty by way of strengthen of food culinary and restaurants to promote and encourage Jababeka as an Industry city as a travel destination for picturesque culinary experiences.

D. Limitation of Research

The Research subject to following delimitations:

1. Delimit to culinary tourists Jababeka and Lippo Cikarang counties.
2. The study take into account the amount of money spent by the culinary tourists on food and related activities.
3. The study want to see the interest of each group society which grouped by Indonesian and Foreigner who stay in Jababeka and Lippo Cikarang to food culinary
3. The study is an empirical generalization and does not test any theories.

E. Research Design



F. Research Schedule

No	Date	Activities
1	December-January	Data Collection
2	January 2013. 1 st week	Presentation Research Proposal
3	January 2013. 1 st -4 th week	Construct Theory
4	February-April	Writing a research report

G. Research Data Collection

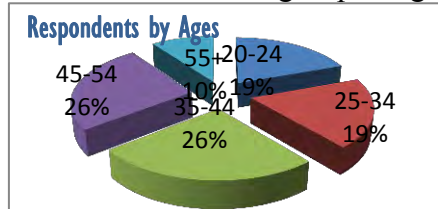
1. These research using theoretical pluralism combines to globalization and cultural to understand culinary tourism trends of globalization community.
2. This paper using percent attempt to analyze the perspective of consumer's culinary behavior and or food tourism, and to investigate the restaurants as consumptions spaces, give rise to culinary tourism, and engender of consideration and tourist market segment that show behavior's tourism of economic of community to the economic growth.
3. Data were collected on people around Jababeka-Cikarang and Lippo Cikarang with 180 respondents as sample of this research with specification of socio-demographic indicators of respondent which divided by Hierarchy of Needs (Maslow 1954) into:
 - 3.1 Age Group: 20-24; 25-34; 35-44; 45-54; 55+.
 - 3.2 Gender: male; female.
 - 3.3 Education Level: high school; higher education/university.
 - 3.4 Living Area:
 - 3.4.1. 67 percent of respondents who live in Jababeka-Cikarang.
 - 3.4.2. 33 percent of respondents who live in Lippo-Cikarang.
4. Related Activities Culinary and or food tourism for: Lunch; Dining; Purchasing; Unique Experience.
5. Spent Amount for Culinary and or food tourism in Rupiah: 200.000-400.000; 500-600; 700.000-800.000; 800-1.000.000; 1.000.000>
6. The Origin Country of respondents: Indonesian; Foreigner
7. The questionnaire consisted of respondent's statement with choosing favorite food for their occasion. By this statement, tried to identify: kind of places food choices for purchases (Indonesian food, West food, Japan food, Korean food, Chinese food, Thailand food). In the

questionnaire regarding how much the consumers' culinary willing to pay for.

H. Result of Research

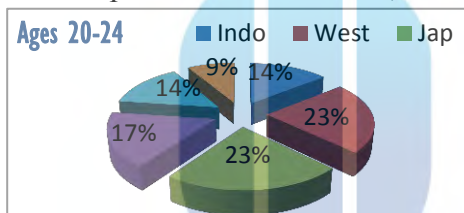
1. Respondents Devided by Ages

1.1. Respondents of this research divided into group of age which:

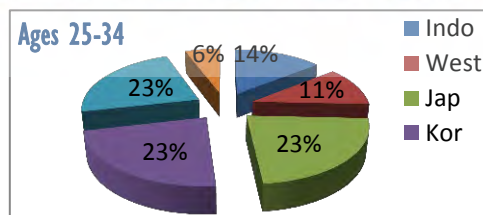


To do this research 180 respondents that represent population of people who interest on food culinary which divided into age group that is 19 percent for 20 – 24 years old; 19 percent for 25 – 34 years old; 26 percent for 35 – 44 years old; 26 percent for 45 – 54 years old; and 10 percent for 55 years old and more.

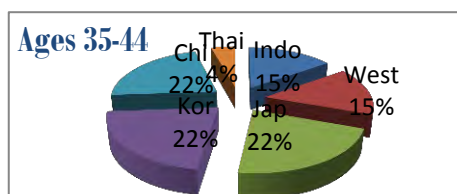
1.2. 19 percent of respondents who represent of 20 to 24 years old with the percentage of 9 percent they chose Thailand food; 14 percent each for Chinese food and Indonesian food; 17 percent Korean food; and each of 23 percent for West food, and Japanese food.



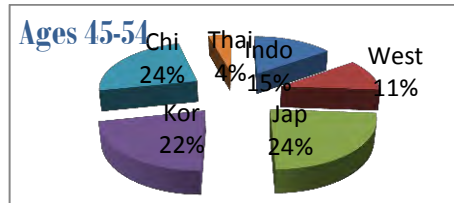
1.3. 19 percent of respondents which represent of 25 to 34 years old that show of the middle age of their carrier, 6 percent of them choose for Thailand food means lower than respondents which 20 to 24 years old who choose Thailand food; 14 percent choose for Indonesian food; 11 percent choose for West food; and 23 percent each groups they choose for Japanese food Korean food and event Chinese food.



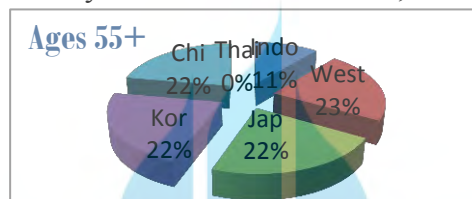
1.4. 26 percent which represent of 35 to 44 years old of respondents that also represent their social maturity, 4 percent they choose for Thailand food; 15 percent respectively of two groups of respondents they choose for Indonesian and West foods; and for three groups of respondents respectively which each 22 percent they choose for Japanese, Korean, and Chinese foods.



1.5. 26 percent which represent of 45 to 54 years old of respondents that represent for well-established of their carrier, 4 percent they choose Thailand food it show like in respondents ages of 35-44 years old; 15 percent choose Indonesian food and it show still same like in respondents ages of 35-44 years old; 11 percent choose West food it mean four percent lower than in ages of 35-44 years old of the respondents; 22 percent choose Korean food; and 24 percent of two groups of respondents they choose Japanese and Chinese food.

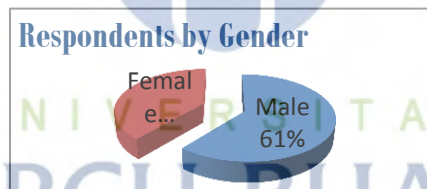


1.6. Ten percent of 55 years old or more of respondents we have as representative of well-considered and mature respondents, 0 percent they choose Thailand food; 11 percent they choose Indonesian food; 23 percent they like to choose West food; and three groups of respondents respectively with 22 percent they like to choose Chinese, Korean and Japanese food.

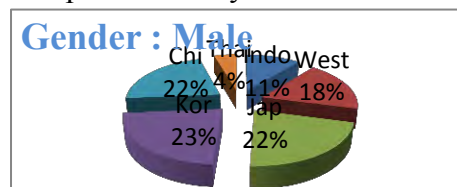


2. Respondent Devided By Gender

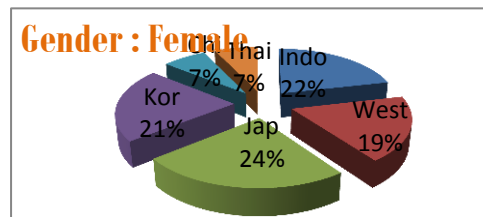
The research sample which with 180 of respondents divided by 61 percent are male and 39 percent are female. From segregation of gender researcher try to find out who and what they like most to foods culinary for.



2.1. For Male which 61 percent of respondents; 4 percent of respondents they like to choose Thailand food; 11 percent of respondent's they choose Indonesian food; 18 percent of respondents choose for West food; 23 percent of respondent's Korean food; and respectively 22 percent respondent's of two groups of respondents they like to choose Japanese and Chinese food.

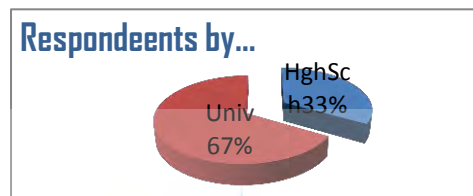


2.2. In contrary, for female which 39 percent of respondents, 7 percent of respondents they choose Thailand food means 3 percent higher than male; 22 percent respondents choose to Indonesian food means two times larger than male respondent's who choose Indonesian foods; 7 percent of them choose Chinese food that means 15 percent lower than male; 19 percent respondents who choose West foods that show almost same percent of respondent respectively of male and female who like to west foods; 21 percent of respondents choose Korean foods; and 24 percent of respondents choose Japanese food.

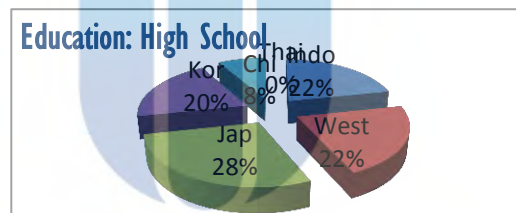


3. Respondents Divided by Education Level

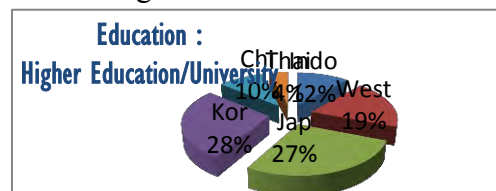
For respondents who divided by their education level which divided by 33 percent of respondents to represent who graduate from high school and 67 percent of respondents to represent graduate from higher education (university). From this step researcher divided them into favorite food of their culinary.



3.1. From 33 percent respondents which is represent of high school education background, 0 percent of respondents choose Thailand foods; 8 percent of respondents choose Chinese food; 20 percent of respondents choose Korean foods as their favorite; they choose for Indonesian food and West foods with 22 percent of respondents respectively; and 28 percent of respondents choose to the Japanese food.

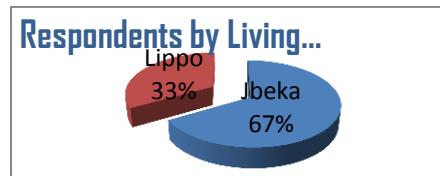


3.2. From 67 percent respondents which is group of higher education/university education background, 4 percent of respondents choose Thailand foods which mean 4 percent higher than high school education background; 10 percent of the respondents choose Chinese foods it shows 2 percent higher than group of respondents before; 12 percent of respondents choosing Indonesian foods here shows that 10 percent lower than respondents group of high school; 19 percent of respondents choosing West food it show 3 percent lower than respondent's group before; 27 percent of respondents choosing Japanese foods mean shows that evenly to the respondents group before; than 28 percent of respondents choosing Korean foods.

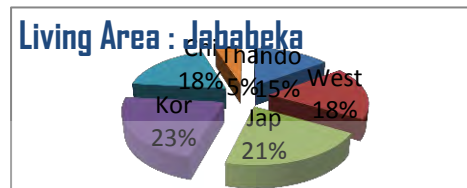


4. Respondents Divided by their Living Area

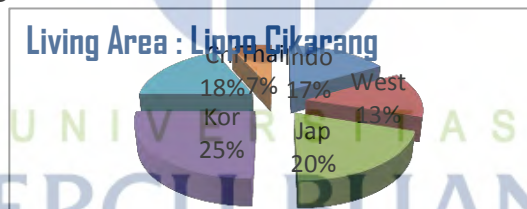
For respondents which divided by their living of area that they divided into 33 percent of respondents with who live in Lippo-Cikarang; and 67 percent of respondents who live in Jababeka-Cikarang.



4.1. With 67 percent of respondents which is live in Jababeka-Cikarang, it shows that 5 percent they choose Thailand food it reveal evenly like respondents before for the Thailand food; 18 percent of respondents choosing Chinese food it show higher than respondent before; 15 percent of respondents choosing Indonesian food; 18 percent of respondents are choosing West food; 21 percent of respondents choosing Japanese food; and 23 percent of respondents choosing Korean food.

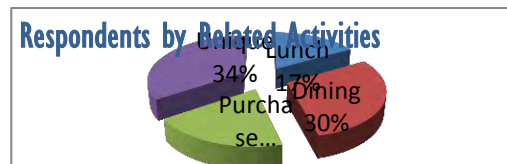


4.2. With 33 percent of respondents which live in Lippo-Cikarang, it shows that 7 percent of respondents choose Thailand food it mean shows that 2 percent higher than respondents who live in Jababeka-Cikarang; 18 percent of respondents choosing Chinese food here evenly like respondents who live in Jababeka-Cikarang; 17 percent of respondents choosing Indonesian food it show that 2 percent higher than respondents who live in Jababeka-Cikarang; 13 percent of respondents choosing West food that show 5 percent lower than respondents who live in Jababeka-Cikarang; 20 percent choosing Japanese food that show a little dispute to the respondents who live in Jababeka-Cikarang; and 25 percent of respondents choosing Korean food it show 2 percent higher than respondents who live in Jababeka-Cikarang.

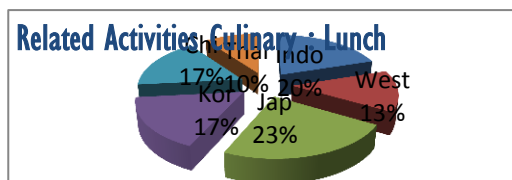


5. Respondents Divided by their Related Activities

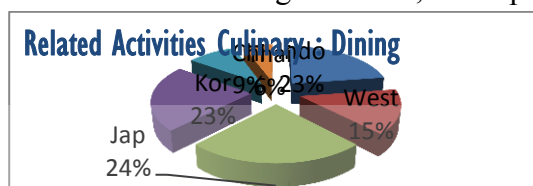
5.1. For respondents which divided by their Related Activities that they divided into 17 percent of respondents with lunch as their related activities for culinary; 30 percent of respondents by dining as their related activities of food culinary; and 19 percent of respondents by purchasing as their related activities for food culinary; and 34 percent of respondents as their related activities for their food culinary.



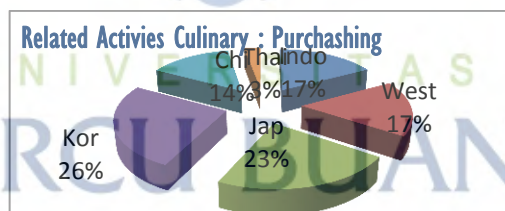
5.2. For respondents which divided into 17 percent of respondents as their related activities for lunch of their food culinary show that 10 percent of them choosing Thailand food; 20 percent they choose Indonesian food; 13 percent they choose West food; 23 percent choosing Japanese food; and each two groups of 17 percent choosing Chinese and Korean food.



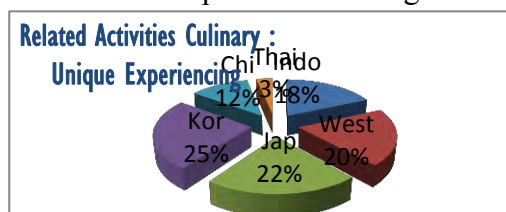
5.3. For respondents which divided into 30 percent of respondents as their related activities for their dining of their food culinary show a little of varieties to related activities which is 6 percent of respondents choosing Thailand food it mean 4 percent lower from lunch as related activities of food culinary; respondents choosing for Indonesian food as many as 23 percent for their dining as their related culinary activities same like Korean food with 23 percent as their related culinary activities; 15 percent choosing West food for related dining activities; and 9 percent for Chinese food.



5.4. For respondents which divided into 19 percent of respondents with purchasing as their related activities for their food culinary show a varieties of related activities which is 3 percent of respondents choosing Thailand food which mean 3 percent lower than dining as related activities of respondents; 17 percent of respondents each groups respectively choosing of Indonesian food and West food of their related activities for their food culinary which mean 2 percent higher from West food of dining and 6 percent lower than Indonesian food of dining of related food culinary; for Chinese food they are 14 percent and imply to 5 percent higher of dining as related activities; for Japanese food in purchasing as related activities have 23 percent and only 1 percent lower than dining related activities; and 26 percent for Korean food in purchasing culinary imply 3 percent higher than dining one.

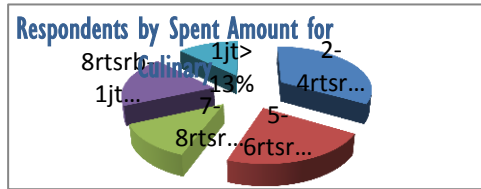


5.5. For respondents which divided into 34 percent of respondents with their unique experience as their related activities for their food culinary show varieties of related activities which is 3 percent of respondents choosing Thailand food which imply like in respondents of purchasing related activity; 12 percent of respondents choosing Chinese food that show 2 percent lower than respondents of purchasing; 18 percent of respondents choosing Indonesian food and 20 percent choosing West food it show 3 percent higher than purchasing as their related activities; 22 percent of them choosing for Japanese food and 25 percent choosing Korean food as their related activities.



6. Respondents Divided by Spent Amount for Culinary

6.1. For respondents which divided by how much they spent amount of money for their food culinary that they divided into Rp 200.000 –Rp 400.000 with 33 percent respondents; Rp 500.000 – Rp 600.000 with 22 percent of respondents; Rp 700.000 –Rp 800.000 with 13 percent of respondents; Rp 800.000 –Rp 1.000.000 with 19 percent of respondents; and Rp 1.000.000 or more with 13 percent of respondents.



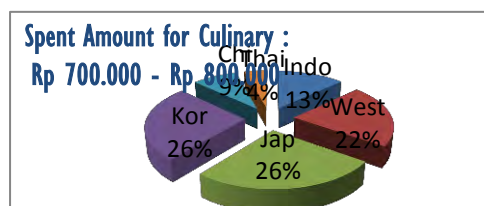
6.2. For respondents which divided by Rp 200.000 – Rp 400.000 with 33 percent of respondents, 3 percent of the respondents choose of Thailand food; 14 percent of the respondents choose Chinese food; 23 percent of the respondents choose Korean food; and three groups of respondents respectively with 20 percent they choose Indonesian food, West food; and Japanese food for their culinary.



6.3. For respondents which divided into Rp 500.000 – Rp 600.000 with 33 percent of respondents, as though with the group before who spent amount Rp 200.000 – Rp 400.000 for their culinary, 3 percent of respondents choose of Thailand food; 10 percent they choose Chinese food; two groups respectively with 15 percent they choose Indonesian and West foods; 25 percent of respondents choose Japanese foods; and 32 percent respondents choose Korean food shows as the highest choice.



6.4. For respondents which divided into Rp 700.000 – Rp 800.000 with 13 percent of respondents, unlike in the group before who spent amount Rp 500.000 – Rp 600.000 for their culinary in this group 4 percent of respondents choose of Thailand food; 9 percent they choose Chinese food; with 13 percent they choose Indonesian foods; 22 percent choose West foods; and two groups respectively with 26 percent respondents choose Korean and Japanese foods shows as the highest choice.



6.5. For respondents which divided into Rp 800.000 – Rp 1.000.000 with 19 percent of respondents, as though with the group before who spent amount Rp 200.000 – Rp 400.000 for their culinary 3 percent of respondents choose of Thailand food for their culinary; in this group two groups of

respondents 12 percent respectively choosing Indonesian and Chinese foods; 18 percent they choose West food; 26 percent they choose Japanese foods; 29 percent of respondents choose Korean foods.

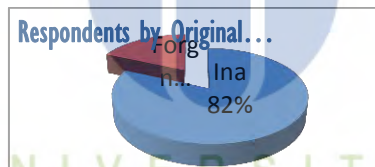


6.6. For respondents which divided into Rp 1.000.000 or more than with 13 percent of respondents, 0 percent of respondents who choose for Thailand food for their culinary unlike with four other groups before; in this group of spent amount for their culinary, two groups of respondents with 17 percent respectively choosing Indonesian and West foods; little bit lower with the group before the respondents 26 percent choose Japanese food; and event little bit lower with the group before the respondents 31 percent they choose Korean foods.



7. Respondents Divided by Original Country

The respondents divided into their original country namely Indonesian with 82 percent of respondents and 18 percents of foreigner as respondents of this research to represent as people who like to foods culinary.

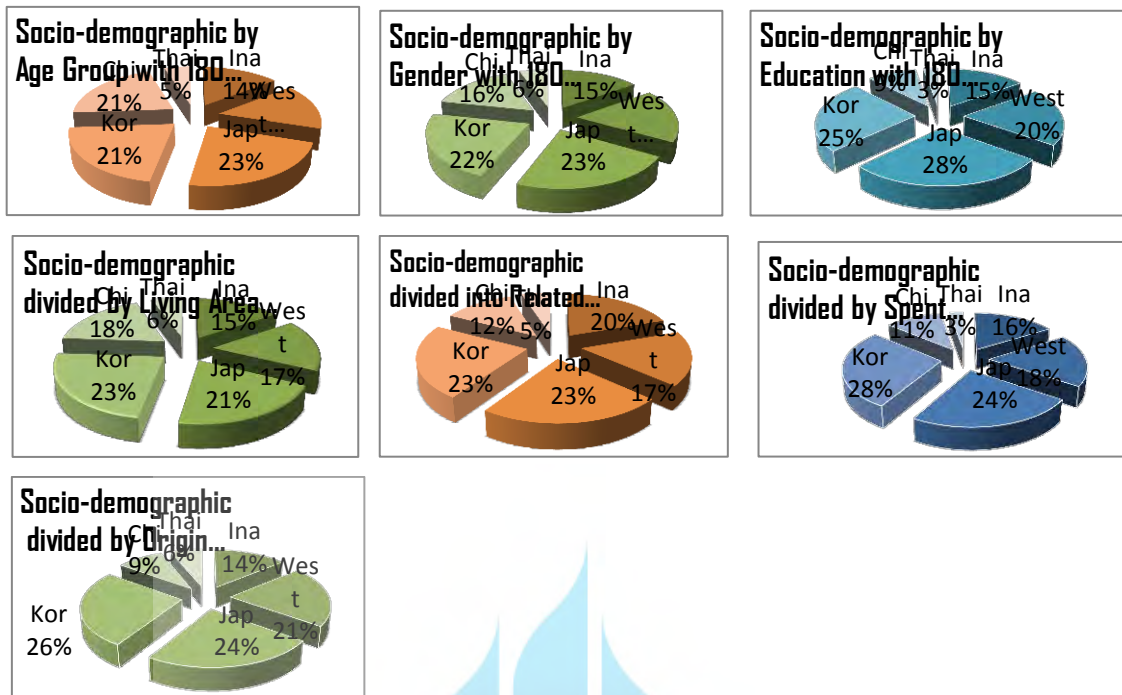


7.1. Respondents with selected foods they most like for their foods culinary divided into Indonesia as their original country with 82 percent of respondents which 6 percent of respondents who choose for Thailand food; 9 percent who choose Chinese food; on the contrary as Indonesian the respondents only 15 percent who choose Indonesian foods for their culinary unlike with other groups of West food with 20 percent, 24 percent for Japanese food, and 26 percent for Korean food.



7.2. Respondents with selected foods they most like for their foods culinary divided into Foreigners who stay around Jababeka-Cikarang and Lippo-Cikarang, Bekasi with 18 percent of respondents shows that 6 percent of respondents like to choose for Thailand foods; 9 percent of respondents respectively like to choose Chinese and Indonesian foods; as a foreigners the respondents 24 percent of respondents respectively they choose Japanese and Korean foods for their culinary

8. The Research Discussion Based On Each Group Of Socio-Demographic Divided Is:



I. A Food, Culinary, And Social Phenomenon

A food and goods is not only a functional food and goods, but also belonging, esteem, self-actualization (Hierarchy of Needs, Maslow, 1954), and cultural object that consumed not only for its taste and nutrients, but also as a symbolic of aesthetic culturally and value of believing (The Nature of Man, Feraro 1999). Food is significant to culture as Long (1998, p. 195) mention “it allows an individual to experience the ‘other’ sensory level, and not just an intellectual one.” Food is a fundamental component of a destination’s attributes and attractions of tourists experiences (Symons, 1999). This makes food an essential constituent of tourism production as well as consumption. According to Hall, 2005, that a shift in consumption patterns into day-trip zones areas are most potential economic and social benefits of culinary. The growth in culinary has potential contribution towards regional development (Hall and Mitchell, 2005). The highlight issues that emerge potential is destination scale, like Hall also note the importance of movement over time and space outside (destination) of the immediate culinary tourism. By determine socio-demographic, represent market development possibilities for the growth of culinary to the potential foods and goods of consumption, the characteristic’s and the influence during their day-trip zone.



In this global era, the business volume of culinary tourism equals or even surpasses that of oil exports, food products or automobiles. Culinary tourism has become one of the major players in international commerce, and represents at the same time one of the main income sources for many developing countries. This growth goes hand in hand with a increasing diversification and competition among destinations. Over decades, culinary and tourism has experienced continued

growth and deepening diversification to become one of the fastest growing economic sectors in the world. Modern culinary tourism is closely linked to development and encompasses growing number of new destinations. These dynamics have turned culinary tourism into a key driver for socio-economic progress. Lunch and or dining out is growing form of half of informal form and leisure where meals are consumed not out of necessity but also important sustainable positioning in ever more complex for pleasure and to build a relationships. The occasions are part of the leisure experiences as much as the food itself. Consumption is integral experience aspect with the consuming not only the sights and sounds but also the food and the pleasure as their leisure experiences that they are looking for.

Economic developments professionals are searching for the correct recipe of strategies in induce the greatest gain of chances and challenges of economic growth benefits. One measure of their success is defined as an increase or decrease of tourism relative to county. Blair, 1995, from the perspective of the economic development, the community should optimize the combination of development strategies into package that will be beneficial to businesses, without imposing too high cost on the community. In other words, the goal of community economic development is to diversify the local economy by engaging in development that results in tourism opportunities (Blakeley, 1994). Generally, the process of making a decision about purchase has five phases: a consumer passes focusing to a problem; search for information; seeking alternatives; decision about the purchase and post-purchase reactions. Grbac and Meler 2007, mention, consumer might skip some of the decision process steps depending on the level of complication the process. Identified some factors which affect the consumer during the decision process and pointed out personal, physical and social factors (Zhang T. and D., 2007). Ilak P, and A. Tezak (2009: 296-305) found that a purchase process model in which the socio-demographic features affect the consumers sensitivity to quality and price, and finally the motivations and purchase decision. Although nonmetro areas have enjoyed the economic prosperity, but not all nonmetro areas have shared equally in the economic boom (Gibbs, 2001). Specifically, the most remote nonmetro areas have achieved the same magnitude of economic prosperity as those closer to metro areas (Gibbs, 2001). Also, a divergence still remains between metro and nonmetro areas with respect to growth by design of differences in population density and economic base (Gibbs, 2001). Starting thinking from traditional economical views, consumers' behavior during purchase or looking for unique experience is based on maximizing usage and minimizing costs for a person. Consider to Masloyljev acc. to Foxall et.al. 2007, that food as a basic need of each person is necessity highly ranked comparing to other needs, therefore, it is satisfied first. Masloyljev theory explains the difference between what we can call a physical/ inherited need and the learned need which a person gain through social interaction. Taking in mind that these fact, a consumers who buy food want to maximize the use and minimize the the cost (Myung et.al, 2008). Most people, consuming food is a central point of their tourist experiences and an experience in itself (Beer, 2008). To consume interesting food in a nice environment is one of the aims of the tourist to stay (Antonioli-Corigliano, 2000). In this experiencing, food is a big role in the destination presentation that connects to regional activities and finally it increases the income of the destination facilities such as hotels. As a point of culinary interest, food is an attractive factor and part of heritage and also an inventive part of the future.

Wisdom Quote

✚ *"Dreams Are Renewable. No Matter What Our Age or Condition, There Are Still Untapped Possibilities within Us and New Beauty Waiting To Be Born" (Dale E. Turner)*

✚ *To take up of the cultural wisdom in any sense we are obliged, we have to consider what has become of it. Entry for wisdom is slightly scanty, has to come to vanish entirely with the greater density and reticence.*

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ATTACHMENT

Attacment 1: Kuesioner Kuliner

1. Nama Panggilan:..... Umur:.....L/P
2. Pendidikan Terakhir: SMA/Universitas
3. **Ini adalah makanan favorit bila anda "makan bersama"(lingkari 2 pilihan saja) :** 1.Masakan khas daerah Indonesia 2. Masakan khas Jepang; 3. Masakan khas China 4. Masakan khas Korea 5. Masakan khas Western 6. Masakan khas Thailand 7. Fastfood
6. **Tujuan "tempat makan bersama" di daerah Jababeka yang disukai (pilih 2 saja berdasar urutan favorit):** 1.Masakan khas daerah Indonesia 2. Masakan khas Jepang; 3. Masakan khas China 4. Masakan khas Korea 5. Masakan khas Western 6. Masakan khas Thailand 7. Fastfood), **jika bersama:**
 1. Keluarga
 2. Teman sekerja
 3. Teman
 5. Rekan Bisnis
 4. Setiap makan siang di tengah jam kerja
7. **Makanan favorit untuk "makan bersama" di daerah Lippo Cikarang yang disukai (pilih 2 saja berdasar urutan favorit):** 1.Masakan khas daerah Indonesia 2. Masakan khas Jepang; 3. Masakan khas China 4. Masakan khas Korea 5. Masakan khas daerah Western 6. Masakan khas Thailand 7. Fastfood), **jika bersama:**
 1. Keluarga
 2. Teman kerja
 3. Teman
 5. Rekan bisnis
 4. Setiap makan siang (di tengah jam kerja)
8. **Tujuan favorit tempat makan kesukaan anak-anak anda di daerah Jababeka (lingkari 2 saja berdasar urutan favorit) adalah:** 1.RM Pecel Lele lela; 2. Paparon's Pizza; 3. Solaria; 4.KFC; 5. Citywalk Resto Plaza Jababeka 6. Giant Foodcourt 7. Roxy Foodcourt 8. Bakmi Grand Kelinci 9. Hoka Hoka Bento 10. Yokobento 11. Lexis Resto & Saung Air 12. Bumbu Desa 13. Resto Mang Kabayan 14. JB Foodcourt
9. **Tujuan favorit tempat makan kesukaan bersama rekan bisnis anda di daerah Jababeka adalah:**1.RM Pecel Lele Lela; 2. Paparonz Pizza; 3.Solaria; 4.Giant Foodcourt 5. KFC 6. Hoka Hoka Bento 7. Blissco Coffee 8. Lexis Resto & Saung Air 9. Bakmi Grand Kelinci 10. Yokobento 11. Kedai 12 Bakul 12. Citywalk Resto Plaza 13. Roxy Foodcourt 14. Sentra Terrace 15. Bebek & Ayam Goreng Pak Nduť 16. Bebek Goreng Mercon Spesial 17. Resto Mang Kabayan 18. Rumah Makan Agung Masakan Padang 19. Bakmi & Bubur Ayam HANS 20. Rumah Makan Saung Cobek 21. Bakso Rusuk Raos 22. Bakso Tomat 23. Sami Kuring 24. Bumbu Desa 25. Bakso Lapangan Tembak Senayan 26. Alhambra Capitol Business Park 27. Miss Iga SGC Cikarang
10. **Tujuan favorit tempat makan kesukaan bersama rekan bisnis anda di Lippo Cikarang adalah:**1.Citywalk Lippo Cikarang 2. Mc Donalds 3. Rumah Makan Padesaan 4. Kedai Tiga Nyonya 5. Soyang Gang Korean Restaurant 6. Sakura Restaurant 7. Chikuyo-Tei Restaurant 8. H.E.M.A Dutch Family Restaurant; 9. Canton Restaurant 10. Bebek Bali Restaurant 11. Oriel Steak Restaurant 12. Purnama Restaurant 13. Pasific Restaurant 14. Monalisa Restaurant 15. Cheun Ci Ru Restaurant 16. Ayam Bakar Top 17. Ventura Resto 18. Sop Kaki Kambing & Sate Jangkung 19. HANS – Bubur & Bakmi Ayam Bangka 20. Bakmi Jawa 21. Soto Mie Asli Bogor – Rajanya Soto 22. Bakmi Golek 23. KFC 24. Pizza Hut 25. Hoka Hoka Bento 26. Oriental Dimsum & Chinese Food 27. Solaria 28. Bakul Sunda 29. Bubur Seafood Laota 30. Rumah Makan 9 Daun 31. Bakmi Karet Mangga Besar 32. Rumah Makan Asam Asam 33. Rice Boat 33. Ayam Bakar Joglo 34. Cheers Western Food Restaurant 35. Marga Kuring 36. RM Cucu Ma 'Uneh' 37. Stylistic Cafť Resto & Billiard 38. Warung Mbok De 39. Ayam Penyet Ria 40. Rumah Makan Muria 41. Pat Thai (Bangkok Seafood)

Attachment 2: Socio-demographic Indicators

Socio-demographic indicators	Respondents Culinary						
	Respondents	Indo	West	Jap	Kor	Chi	Thai
Age group							
20-24	35	5	8	8	6	5	3
25-34	35	5	4	8	8	8	2
35-44	46	7	7	10	10	10	2
45-54	46	7	5	11	10	11	2
55+	18	2	4	4	4	4	0
Gender							
Male	110	12	20	24	25	24	5
Female	70	15	13	17	15	5	5
Education level							
High School	60	13	13	17	12	5	0
Higher / Univ. education	120	14	23	33	33	12	5
Living Area							
Jababeka	120	18	22	25	27	22	6
Lippo Cikarang	60	10	8	12	15	11	4
Related Activities Culinary							
Lunch	30	6	4	7	5	5	3
Dining	53	12	8	13	12	5	3
Purchasing	35	6	6	8	9	5	1
Unique Experiencing	62	11	12	13	15	7	2
Spent Amount for Culinary							
200,000-400,000	60	12	12	12	14	8	2
500,000-600,000	40	6	6	10	13	4	1
700,000-800,000	23	3	5	6	6	2	1
800,000-1,000,000	34	4	6	9	10	4	1
>1,000,000	23	4	4	6	7	2	0
Country							
Indonesia	147	22	29	35	39	13	9
Foreigner	33	3	9	8	8	3	2
Source: questionnaire							

Society Transformation through Social Marketing

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Abstract

Indonesia has a package of cultural uniqueness; in one side it is well known as a nice and good personality, has a strong fighting spirit, and uneasy to surrender but on the other side it cannot be denied that Indonesia like a person that is easy to choose short cut, easy to anger, easy to provoke, less of discipline and others. Despite of the two extreme polar, Indonesian has to improve itself to get better and better.

Technology invention or improvement and globalization exposures bring social change for some parts give support the culture that needed of national development but for some cases, they cause negative influences for it. Social change could be designed by state but could be run by itself that intended consequences. The social change that be designed by state of course makes positive implications if it is relevant with the human paradigm at that time. Social marketing as one of tools to make a social change has proofs that its impact could be categorized as positive things.

Keywords: change, transformation, social marketing

UNIVERSITAS
MERCU BUANA

Introduction

For several centuries Indonesia has been well known by foreigners as a charming panoramic and also its habitants. Beautiful landscape is the most attractive things for foreigners to love this thousand islands. Smiling, hospitality, courage, industrious and conscientious are the traits of Indonesian which are giving this country many achievements; economics and industrial development, poor eradication, increasing rate of literacy, sport success particularly in badminton, many medals in students science Olympiads and so on. However, the auto-critique from Lubis (1990) that Indonesian is a cheating person keeps away from responsibility, feudalism, mystic-ism, lazy and weak are things that we have to debate. The most important thing is not to deny or argue Lubis' statement but, we should prove that we have both positive

and also negative behaviour as same as other nations. We have to convince ourselves that we are running to get positive cultures systematically and seriously. At the same time we should care about the way that we are on the right track to achieve them. As Selosoemardjan (1962:391) argued about social changes which had taken place in Jogjakarta can be separated in two categories – intended and unintended. By intended it meant that change had been previously conceived or planned but unintended is the change came about without being previously conceive or planned by any member of society. Government and people can manage intended change to still on the right track to achieve the desire transformation. However, no one knows the consequences of unintended change either to make social order getting better or worse. (Sztompka, Piotr 2004)

After reformation, Indonesians admit themselves that the negative behaviours tend to be more conspicuous rather than positive ones such as the preference in doing something to interest groups rather than for nation, the escalation rate of corruption, the heightened activities of extreme or fundamental ideology such as bombing and separatism. (Adnan, 2006) Meanwhile, at the same time we also witness many better mores that happens in this country. Comparing ten years ago, in this current situation people understand how to stay in line, get more curious about the health, and are not ashamed to wear batik in a formal occasion or as daily cloth. Nowadays batik is becoming an identity and pride of society. Are the changing behaviours happened naturally or interfered by social action? Let me explain them with social marketing concept.



Objectives

As common happens in other societies, Indonesian has been changing from time to time. Some components are getting better but the others are going worse. The positive one we have discussed slightly above, but the negative directions we can see on the risen of corruption, individualism regardless society or nation, terrorism and others. Of course, we do not want social transformation is directing to the negative aspects but we expect all of social changing is focusing to the positive ones. Through this paper, I will describe about social change that brings transformation based on theoretical and many examples from other society's journey in the past. Then I, will describe about the role of social marketing and the last I will expose the success story of Indonesian transformations utilized strategy or application of social marketing. Majority data were resourced from my new book –Target Adopter – Transformasi Pemasaran Sosial yang

mengubah Wajah Indonesia”. Enriched by documents and other literatures this paper was developed as a new entity.

Social Transformation

Social transformation sometimes is called as social change whereas in social change everything is different from one moment to the next one. But, not any social change is a social transformation. Let say the picture of age proportion of society, the rate of people health, kind and quality of food, number of family, and social structure are different from 1980 and 1990. However, along that period we could not say that there was a social transformation. On the other side, social transformation is a social change such as social order in 1999 is different from 1996. This shifting is caused by reformation transforms society from the anxiety to the hysteria. As Giddens (2001: 42) social change is difficult to define because of everything is different all of times caused by the changing of physical environment, political organization, cultural factors, demographic, economic, cultural, technological improvement and globalization. Social change in a certain time could make social orders different from past to current situation. Social order could be defined as a social structure, social stratification, and value consensus as Parsons (Haralambos & Holborn 2004: 943) Then, Garfinkel (Ritzer 2005: 301) argued about the relationship between individual and institutional beliefs and values. Social changes that build new social order in term of values, social structure, social habits, political system, economic system and others are called as a social transformation.

History tells us that a civilization or sovereignty must be developed by social transformation. In the past decades or centuries ago social transformation was usually conducted by forced or military achievement. A nomad tribe in Asia expanded its territory and supremacy through annexation over other tribes and also any kingdoms along Asia and Eastern Europe, then, it was known a Mongol territory. To build certain monumental buildings like Pyramids in Egypt, the Great Wall in China, a huge territory for Greek, Rome, Spanish or British empires could be realized by arm forces. And, Dutch annexation in Eastern Hindia, Belgium and French occupation in Africa, Japanese spread out in Asia Pacific could be happens with power and cruelly action. Social transformation could be happens because of war. However, after military action, not only battlefield get damages but also the country that involved in that action. Here is the negative side of transformation that is relied on military action. (Tilly, 1981)

In modern world was marked the transformation agriculture societies to be industrialized societies. The technology inventions, growth of capital and religious reformation in the 18th and 19th centuries have transform people around the world to be a modern society. However, this transformation had sacrificed thousand or maybe million proletarian in that blue continent. In Asia we can see in Taiwan when Chiang Kai Sek pressed his people to change their behaviour to be a modern civilization, and also it was similar with the way of Park Chung Hee did in South Korea building his country. Social transformation has a trade off with humanitarian. (Adnan 2006)

Recent years, common social transformations are influenced by the trend of global concerned about humanity. Since Age of twentieth people has been care about human rights and the used of pressure getting weaker and weaker. Social transformation is conducted by intellectual way. Even thought the elites or the people aware about their weakness in their culture they could not use power to correct it. If the nation's elites do not realize this condition or they aware but do not put it as their priority they will rely on social change as it is. It means that the acceleration of social change or its direction could direct to the south or to the north, or could be to the north east and many possibilities. So that, social transformation should be planned and managed by society or government if we want the social change gain the positive impacts. The proven approach to bring social transformation keeping in right line with acceleration is social marketing such as program for reducing consumption of drugs, smoking, population growth, preventing the HIV AIDS epidemic, increasing school participation and others are the facts of social marketing programs. (Giddens 2002:42-45)

The Role of Social Marketing

Social change can be intended through public policy that is designed by government. Through National Development Planning Board (Bappenas) Indonesia planned to transform society from agricultural to industrial profession and also culture as dictated in Repelita I until Repelita V. Then, Jakarta Provincial stated its mission to develop itself from a trading city to be a service city. We can see many programs which are designed by government to transform society from started order to a new one. However, many of intended change cannot run perfectly. To transform from agricultural to be industrial society is needed socio-cultural change follow physical and economical change. People have to change their value and behaviour about time, about achievement, about cleanliness and healthiness, about using electrical equipment which has regulation for safety, efficiency, productivity and so on. Socio cultural changes inadequate

are forced by regulation or law only. If someone does not understand toward a new thing he/ she might not conduct as well as the concept expectation. Or, if they follow to conduct new habit because of regulation, they could obey it like robot and they might be alienation. So that, people need socialisation or education program to make them aware and care about their socio-cultural changes. Here is the role of social marketing.

Social marketing has principles like a marketing concept that people understand well. It different from definition of marketing in commercial concept that its aim is to get profit, but social marketing its goal is to change social behaviour. (Fine 1990) The essential difference between commercial marketing and social marketing is in their goal. Commercial or business marketing be developed to sell product or service and different from the aim of social marketing. So, in commercial marketing the persons who are targeted of its activities are called as consumer or customer. People are endorsed to buy and consume a certain product or service. However in social marketing this kind of persons are called as target adopter. (Adnan 2013) They are enforced to change their behaviour from the past habits to the new ones that suggested in social marketing messages. Such as in Family Planning challenge, mostly traditional societies thought that have many children mean richer and moreover people believe that give birth is God's want. And, no one is allowed to reject it. Family planning program had to persuade people to change their beliefs and then created need to accept this program. Through social marketing, people are not enforced to buy any contraception products but convinced them to utilize one of family planning methods. Government which is an important actor to make it succeed used social marketing principles to convince societies that family planning has goal to enhance family welfare and it is not against the God's want. Moreover, government has responsibility to serve anything else regarding the availability of products or information about contraception. Then, it is work.

Social marketing is not a new phenomenon, but it has been introduced since long time ago when the Ancient Greece and Rome, campaigns were launched to free the slaves. In England during the Industrial Revolutions, campaigns were mounted to abolish debtor prisons, grant voting rights to women, and abolish child labour. (Kotler 1989: 5-7) In recent time, social change campaign has focused on health reforms (anti smoking, the prevention of drug abuse, to care about nutrition and to build physical fitness), environmental reforms (safe energy, the preservation of national park and forest, the protection of wild life refuges), educational reforms (to increase adult literacy, to improve educational participation), economic reforms (to revitalize order, boost job skill, to build industrial city). Sweden and Canada are the success countries to

reduce the number of smokers while in Indonesia, Philippines, China and Indonesia conduct forceful social campaigns to inoculate children against viruses, to make wide spread the use of oral rehydration therapies, and to promote family planning, literacy and healthful diets.

In Indonesia, social marketing has been practiced by state since 1970 when Family Planning Program introduced by government. As we know, that the average of population growth above 2.3 will make social and national problems later on: a high competition for education, a rare of hospital services, a decrease of security guarantee, the amazing increase of demand for food, housing, clean water, and others. Government believed that the only solution to solve this problem was reducing population growth through Family Planning. At that time and as a tradition, people convinced themselves that it was better for couple to have many children rather than less. In their term, "have many children mean wealthier". In early years of this program the informal leader such as ulama, head of local customs (pemimpin adat), or local elites did not understand about the essence of this program and they played role as citizens' speaker to express their neglected to this program rather than to support it. Beside they relied on God's want, ulama believed that protecting a woman from pregnancy was a sin. This culture was a big challenge for government to conduct family planning successfully.

However, through the gorgeous concept of communication strategy (Alifahmi 2008) and practice of social marketing, this program get succeed to reduce population growth. Many times Indonesia is a role model for other countries to reduce population growth through family planning. Here is the story of family program.

At the end of 1960th New Order Government aware that the complicated matters to develop this country besides that the locations are spread out about 2 million sq km in seventeen thousand islands the higher rate of population growth are the big challenges. At the beginning of 1970th, government introduced the Family Planning Program while along 1970-1980 population growth was about 2.32. This earlier period, mostly Indonesian believed that have many children are richer and bestowed by The Almighty Supreme. Almost no one housemother had ever thought to prevent pregnancy and might be there was not any household made sure themselves to neglect God's want. This belief was strengthened by head of customs (pemuka adat) and the religion leaders (ulama, ustad, kiyai, pastor or pandeta). After family planning was launched by government many people expressed their disinterest and some of them argued that this program was contradicted with religion and tradition. (Suyono 2010)

Of course, at that time military was so powerful and many government policies were practised by power such as Pancasila as the one and only ideology and basic principles for any social and organization activities, trading and industrial affairs, develop toll roads and so on. However, in Family Planning Program social marketing principles were practised by National Coordinating Board for Family Planning (BKKBN). All the reluctance conditions were analyzed and then founded out the solutions. Socio-cultural approach was the key succeed for those activities. Religious and custom leaders were came near by the master of this program and the public was approached by “pull and push strategy” of marketing principles. Messages which were delivered by Radio and Television were matched with society’s need; increase family happiness. Through advertisement people were illuminated about the important thing to accept the family planning program. At that time, radio was the most influencer media and government exploit it to endorsed society to support this program. Tele-drama was developed to inform that a family which has many children would get social problems, children nutrition, schooling, unhealthy mother because of give birth frequently and spend her time to take care all of children along the day from morning until the late of evening. Head of house hold were getting confuse and head ache because of thinking over how fund his family need; food, cloth, home, education, health, leisure, and so on. The core message is having two children only is the best way to achieve family happiness. Pull strategy over people to not confuse how choose any kind of family planning methods. They might choose IUD, pil, or condom easily. Since those products were available nearby their home and moreover, many apparatus and social workers in village authority (Kelurahan) could be ask and give solution freely.

Building awareness and demand for household to accept this program, BKKBN utilized not only mass media through Public Service Advertisement but also any network of government chains; village authority (Kelurahan), Neighbourhood Women Activist (Ibu-ibu PKK), Integrated Village Services (Posyandu), and Health Institute for Mother and Baby (BKIA). Those channels act as a government speaker and convinced people to accept Family Planning Program because it was a perfect way to enhance social welfare and it was not against the religion or traditional beliefs. Years by years debates and reluctance about it were getting weaker and those informal leaders not only said “yes” but also to became speakers to succeed it. However, on the other side, government as the host of this program agreed to not insist the “tubektomi” and “vasektomi” because of these two ways of Family Program were still not accept by them. It was a negotiation that made conformity and dealt between government and informal leader. Then, in 1980-1990 the growth of population could be reduced with average 2.82 and then Indonesia becoming a succeed story reducing the population growth in the world. (Panggabean 1993)

Besides of family planning, the use of social marketing in Indonesia had been proven in national general election in 1999. (Adnan 2013: 27-28) After turmoil on May 1998 in several cities Indonesia had trapped in horizontal conflict between any elements in societies. (Columbijn & Thomas Linblad 2002). People were getting apathy and distrust going higher so that they were lack of enthusiasm to participate in becoming General Election. Beside politician and their followers society did not rely on any factions or political parties. Aware about this circumstance the transition government conducted a program to recover people's mind in politics. It hired a professional consultant lead by a reputable film maker to solve this condition. The consultant started its work with a research which was conducted in several cities among major islands in Indonesia. The findings were the important information to develop a strategy to boost people need in becoming general election. Social marketing strategy through communication campaign was produced and then be executed perfectly. Then people participation at that general election reached 96 % of eligible voters.

Other case of social marketing practised that change people behaviour we can see in wearing Batik. A couple years ago, society thought that Batik is a formal dress that used in reception only but it was not prestigious compare to European full dressed. Moreover, Batik was used by house wife as a domestic cloth particularly at night. It was not common or even strange while some one wore batik in daily activities such as going to campus or office. Ministry of Trade and also several leaders who were concerned about it and had attention to traditional heritage tried to enhance the prestigious image of Batik. They used mass media to influenced people to admire give more appreciation of Batik. Through a good campaign in several years and utilized a celebrity icons this Indonesian heritage have been appreciated more not only as a cloth but also as one of national identity. Now no one of Indonesia is ashamed to wear batik. It is different from years ago.

Since the earliest of 1980th until 1990th, there was trend for mothers to feed their baby with formula milk. They thought that instant milk is same as breast milk nutrition and breast feeding is not good for their beauty. However, in the middle of 1990th medical science published the research report that breast feeding is very important for baby and is needed by moms to increase their health. It was not easy to change people's mind and also to solve problem how do they give breast feeding while they are working in the office. Through a good social marketing program these problems be solved and now we can see in major cities in Indonesia almost all moms prefer

to give breast feeding rather than formula milk and many of them keep their breast milk in cooler or refrigerator for their baby.

Another succeed of social marketing program is the habit and behaviour to respect others who come earlier in a certain occasion. Formerly Indonesians tend to race or fight to board a bus or train, to get ticket, to pay in cashier and others. Television channels, corporation, and elites people who cared about this condition expressed their concern via Public Service Advertisement and comments in several occasion. Through campaign and article about order, respect to person who comes first, and be ashamed of ducks which have habits to queue, for several times later on Indonesian change their behaviour and then appreciate to stay in line.

What Next ?

As an emerging country Indonesia has reached many achievements but still has several problems in socio-cultural matters. Trust between elements in society is still fragile as we can see in the last years that conflict and collective fighting are frequent happens in several regions. The way of shortcut that had been assembled for centuries is still easily founded in daily life such as motor cycle pass the forbidden street, duplicate any copyrights in music, film, books and others. For several societies fighting spirit is a luxurious matter. For other communities, to practise ethnocentrism or selfishness breaking social norm or law is still a common tradition. Several societies have a less of appreciation for time utilization. They spend their time for unproductive activities such as sitting and chatting in traditional coffee house for hours without a useful subject. There are many other cultural problems in our society until right now. So that, we have obligation to transforms our society to be better. (Landes 2000)

Government could do something to achieve a supreme welfare to all people, but as a common, in global society right now economy is the leader of development. Economy is the most imperative sector for state to enhance its sovereignty. However, if we rely on hundred percent with economics' principles the impact of development could be a negative thing for socio-cultural. Even if we believe that the government do right in development we cannot sure is its policy has a good impact for socio-cultural development or maybe the reverse. I believe social development is one of the important issues through its good plan. Social transformation is needed to change any irrelevant culture to be a supportive one related to national development. Of course, social marketing is not the most powerful tool to transform society but, it concept has proofs in building new Indonesian culture better.

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THE OVERVIEW OF ASEAN RICE TRADED TOWARD ASEAN INTEGRATED FOOD SECURITY (AIFS)

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Abstract

ASEAN takes serious effort to address the challenge of Food Security, within the region of Southeast Asia. Especially for rice trade among ASEAN country was take a place a long ago but in 2015 we would integrated market. The aims of study are (1) how the potential rice supply and demand (2) how the effect of trade restriction to influence the rice supply and demand. Models construct by econometric simulation analysis from the time series data 1984-2007. The results shows: (1) the effect of export trade restriction will increase an export price in all export rice country except United State and extend the word rice supply more than 10 percent, and the effect of import trade restriction will increase an import price in all importer country, (2) and the effect of import trade restriction to Indonesian rice performance are decrease at domestic production, paddy productivity and demand fertilizer. We suggest that rice commodity still intervention through input price instrument, output price instrument, stock instrument.

Key words : restriction, rice traded, global market

I. INTRODUCTION

Food security was a long standing agenda for the ASEAN, which is in nature dynamic and covering cross-sectoral issue, which are evolving through time. Since the establishment of ASEAN in 1967, ASEAN has pledged to eliminate poverty hunger, diseases and illiteracy as its primary concerns (Darmawiredja, 2012)^[1].

Recognising the importance of having a strategic for ASEAN. approach towards long term food security in the region, we have now in place an ASEAN Integrated Food Security Framework and The work has begun on carrying out the responsibilities of the Strategic Plan of Action on ASEAN FoodSecurity.

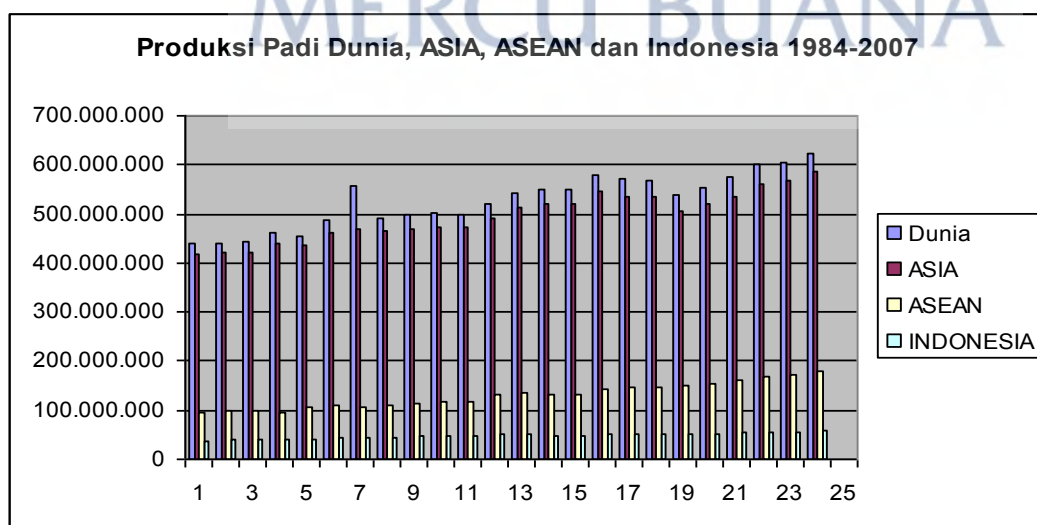
This program was response to the sharp increase of international food price in 2007/2008. Almost all food prices increase, so it called *“commodity price boom”*. Rice price increase hit until 300% from 325 US \$/MT to 1,080 US \$/MT (Business Monitor Online, 21/01/2009). The corn prices hit until 280 US \$/MT, soybean prices hit almost 600 US\$/MT, maize prices hit almost 200 US \$/MT and wheat prices hit almost 500 US \$/MT. The increase highest was rice prices, normally price in range 300 US\$/MT. The food price indexes was hit until 170-210 in 2007/09, manly the indexes only under 130.

Reed (2012)^[2]., says that some cause for the price boom i.e (1) Speculation, (2) drought or supply problems, (3) demand increases in emerging countries, (4) trade restrictions, (5) energy policy in the US and (6) value of the US dollar. Speculation it means the food price very volatile so for feature traders buy and hold the commodity on their overall strategy to get hedge funds. Higher trading volumes due to new traders, so increase demand side. No evidence that more speculators have caused price increases, but this is a short-term phenomenon

The second is drought in supply problems, how is it. Asia was the biggest rice producer in the world, contribute about 92,25 percent from total world supply. The biggest producer was China 30.12 percent and Japan (1.75 percent), India (23.24 percent), Bangladesh (6.92 percent), Pakistan (1.34 percent), Nepal (0.59 percent) and Srilangka (0.50 percent). The ASEAN country such as Indonesia contribute 9.19, percent, Vietnam (5.78 percent), Thailand (2.61 percent), Myanmar (5.16 percent) and Philipina (5.05 percent) of total production (Julitasari, 2012)^[3].

To compare the production of ASEAN country with Asia, World and Indonesia production was display in figure it. We know that, the trend of ASEAN paddy production was increase. The average increase of the ASEAN paddy production was 130,46 MT/year with the rate 2,84 percent/year. This is the largest growth among World (1,62 percent/year), Asia (1,51 percent/year), and Indonesia (1,82 percent/year).

Rice traded in the world market was a few about 4 to 7 percent from total world production. Therefore, it's called thin market because some producers more oriented to sufficient domestic demand. This is phenomenon make vulnerable to increases of price. The third largest rice producer was China, India and Indonesia rice production had average 48,019 million tonnes/year, while China reached 183,756 millions tonnes/year.



The ASEAN leaders at the 14th ASEAN Summit, reaffirmed their commitment and pledged Food Security as a Top Priority Policy Agenda as a Permanent and Long-Term Policy of the region. The Leaders adopted the ASEAN Integrated Food Security (AIFS) Framework and

Strategic Plan of Actions on Food Security (SPA-FS) as guidance and measures of the region's work on food security.

Thailand was the largest rice exporter, contribute 31.04 percent, India (13 percent), Vietnam (15.32 percent), Pakistan (9.53 percent) and United States (9.52 percent) from total rice world. The export volume of Thailand was 5.245 million tonnes/year (FAO, 1984-2008). The volume import or demand side we know that Africa was the best rice importer (31.71 percent), Asia (24.38 percent), Eropa (22,52 percent) and America (21,40 percent).

The big importer country was Iran with the import volume 80.52 percent of total demand Asia, Indonesia (29.83 percent), Philipina (26.86 percent), China (22.23percent) and Malaysia (14.60 percent). Although, Asia was the big producer in the same case Asia was the big consumer. How to anticipate the increasing demand from ASEAN country? Is the trade policy restriction come on ASEAN country? What happen if the trade policy restriction eliminate from the country because the ASEAN Free Trade Area committed to eliminate tariff until 0 to 5 percent in 2015 and ASEAN-China will full liberalized in 2018.

II. LITERATURE REVIEW

Trade restrictions are essentially a government intervention at the border price (Tweeten, 1992)^[4]. The trade restrictions implemented in import/export country include tariff/tax subsidy and quota. Export trade restrictions such as of export taxes, export subsidies, export quotas, minimum export price and non-tariff barriers such as export promotion, credit and subsidies made storage.

Sawit (2009)^[5], the major rice exporting countries still use export subsidies, such as India to implement rebate (discount price), so it can be sold cheaply on the world market in order to reduce the burden of stock. Thailand, China, Vietnam and the developed countries of the European Union and the United States also apply export subsidies.

The ASEAN integration and community-building as mandated by the Charter Petroleum Security Agreement aimed to minimise exposure to help the region in this effort. The ASEAN leaders has also been signed ASEAN's best strategy is to for an ASEAN Community (2009-2015). The ASEAN Leaders tasked ASEAN Ministers on Agriculture and Forestry (AMAF) to implement the SPA-FS.

The issue of food security was establish on 2009 at 14th ASEAN Summit, the Leaders reaffirmed Food Security as Permanent and Long-Term Policy Agenda and Adopted ASEAN Integrated Food Security (AIFS) Framework and Strategic Plan of Action on Food Security (SPA-FS). Before, in ASEAN Summit 1992 the agenda was (1) strengthening food security in the

region, (2) facilitation and promotion of intra and extra ASEAN trade in agriculture and forestry, (3) Generation and transfer of technology to increase, productivity and develop agribusiness and silvo-business, (4) Agricultural rural community and human resource development, (5) Private sector involvement and investment (6) Management and conservation of natural resources for sustainable development, and Strengthening ASEAN Cooperation and Joint Approaches in addressing international and regional issues.

III. RESEARCH METHODS

The study use time series data in 1984-2007, collect from www.faostat.fao.org , www.appi.or.id , www.bps.co.id , www.bulog.go.id and www.database.deptan.go.id. Nominal data deflated by the consumer price index (CPI) with base year 2000 = 100, and for export and import price deflated by the export/import price index.

Model construct by simultaneously equations, analysis with SAS/ ETS (Statistical Anaysis Simulation/Econometric Time Series). The model include two block i.e supply side and demand side. The total supply is the sum of export volume of rice exporter i.e. Thailand, India Vietnam Pakistan United State China and other countries, in equation:

$$TEXD_t = \sum EX_{it}$$

$$TEXD_t = EXTHA_t + EXINDI_t + EXVIE_t + EXPAK_t + EXAS_t + EXCHI_t + EXLN_t \dots \dots \dots (1)$$

The total demand is the sum of import volume of rice importer countries i.e. China, Indonesia, Philippines, Iran, Malaysia and other countries expressed in equation (2)

$$TIMD_t = \sum IM_{it}$$

$$TIMD_t = IMCHI_t + IMINA_t + IMPHI_t + IMRAN_t + IMMAL_t + IMLN_t \dots \dots \dots (2)$$

The volume of export/import depend on price export/import we can derivative price of export/import function through the value equation. Nyhodo, Punt Cand NVink (2009)^[6], the domestic value of production is the sum of export value plus domestic market value, expressed an equation :

$$PEX_{it} * EX_{it} = PPX_{it} * QSX_{it} - PDX_{it} * QDX_{it} \dots \dots \dots (3)$$

The domestic price was include the subsidy/tax of export in equation:

$$PDX_{it} = NER_{it} * PEX_{it} (1 - Tx_{it}) \dots \dots \dots (4)$$

So we can derived the export price with the trade restriction in equation:

$$PEX_{it} * EX_{it} = PPX_{it} * QSX_{it} - PDX_{it} * QDX_{it} \dots \dots \dots (5)$$

$$PEX_{it} * EX_{it} = PPX_{it} * QSX_{it} - [NER * (PEX_{it} - PEX_{it} * tax) * QDX_{it}] \dots \dots \dots (6)$$

$$PEX_{it} * EX_{it} = PPX_{it} * QSX_{it} - NER * PEX_{it} * QDX_{it} + PEX_{it} * tax * QDX_{it} \dots \dots \dots (7)$$

Assuming $(PEX_{it} - PEX_{it} * tax)$ is the trade restriction, can be expressed:

$$PEX_{it} = f(EX_{it}, PPX_{it}, QSX_{it}, PWEX_{it}, QDX_{it}) \dots \dots \dots (8)$$

In the same way, we can derived in import demand function is expressed here :

$$PIM_{it} = f(IM_{it}, PPIM_{it}, QIM_{it}, PWIM_{it}, QDIM_{it}) \dots \dots \dots (9)$$

Where :

TEXD_t = Total export volume in world market year-t (tons)

EXTHA_t = export volume Thailand year-t (tons)

EXINDI _t	= export volume India year-t(tons)
EXVIE _t	= export volume Vietnam in year-t(tons)
EXPAK _t	= export volume Pakistan in year-t(tons)
EXAS _t	= export volume United State in year-t(tons)
EXCHI _t	= export volume China year-t(tons)
EXLN _t	= export volume another country year-t(tons)
PDX _{it}	= price producer in exporter country-i year-t (US\$/ton)
NER _{it}	= exchange rates in the exporter country-i year (US\$)
PEX _{it}	= export price in exporter country year (US\$/ton)
Tx _{it}	= export tax on exporters of the country year (US\$/ton)

IV. RESULTS DISCUSSION AND ANALYSIS

4.1. IDENTIFICATION OF TRADE RESTRICTIONS

Rice is very high sensitive product in the trade of agricultural products. It is proven that the number of exporter/importer intervention. Some of trade restrictions expressed in the table 1.

Table 1. Identification of Internal and External Policy and Importer of Rice Exporting Countries World

Countries	Internal Policy	External Policy
India	Pricing policies (price support)** minimum producer price**	export subsidies** ad valorem rates** export tax***
Thailand	Supply and Input Subsidy Policy* *Production Management Policy Seed Provision and Credit Offers* Fertilizer Procurement* Regions Production Centers* Program R&D Technology Transfer* Price Stabilization Policy: Pawn Rice*, Intervention Market, Stock Rice* Agricultural Bank credit scheme**	Formilled rice export tax** Promotion of Exports** Storage and Credit Subsidies * Import Control
United State	Loans in the form of LDP**	tariff**
China	Subsidies, irrigation and improved seeds <i>minimum support price policy**</i> <i>procurement price program**</i>	tariff rate quota** tariff maximum 10%**
Philippines	There in data	tariff 35%*** quota***
Pakistan	There in data	<i>minimum export price***</i>

Excerpted from: *Simatupang (2002)⁷, **Ratjitsinh (2000)⁸, ***<http://oryza.com/World-Rice-Trade/Rice-Market-Prices/10746.html>⁹

Mulyana (1998)^[10], has been identified that variable trade restrictions as a factor affecting the export/imports volume. The state government's intervention in the major rice exporter/importer. Thailand export price always higher than domestic prices because of export taxes. The goal is to protect domestic consumers but the volume of rice exports are elastic means an increase in world prices responded with an increase in export volumes.

Sudjilah (2009)^[11], China rice export restriction are significant influence the export volume and the export price was compared to other countries because China impose export tax.

Effect of rice export restrictions in Vietnam was also significant increase in the volume of exports, due to export subsidies. But in the United States influence of grain export restrictions were not significant, it is often associated with aid programs by selling cheap rice through the Farm Bill 2002. Haryati (2003)^[12] trade restriction is significant positive effect on domestic prices but negative effect on import price.

Export/Import Price

Export restriction of rice significantly influence the export price ($R^2 = 0.67$ to 0.91) in Thailand, India, Pakistan, United States and China. The sign was positive except United States because for Food Aid. The effect of export price to volume export was significantly its means the increase export price respond with the export volume. Lag endogenous export price is significant to determine export price so trend of export prices always grow up. The impact of export restrictions to export price Thailand (4.31%), India (1.00%), Vietnam (3.26%), Pakistan (3.62%), China and US (-0.77%).

Effect of import restriction is significantly to increase import price for all countries, with the positive sign but not effect to import volume except China. In China, Philippines and Malaysia, the increase of import price following decrease of import volume. In Indonesia and Iran not effect to volume import because trend of import volume is very high, variable lag previous year influence this year.

Haryati (2003)^[12], Malaysia price import was negative effect on volume import. Malaysia import prices are affected by world rice prices and import prices in the previous two is positive. Import volumes are influenced by the price of imports and exchange rate marked negative.

Impact of Export Restriction

Simulation shows export restriction intervention will increase the world supply to 9.92% and export volume to 10.00% from Thailand, India, Vietnam, Pakistan, U.S. and China. Export restriction also increase the export price in Thailand (0.03%), India (9.26%), Vietnam (7.70%), Pakistan (3.55%), China (10.98%), but the response negative in U.S. (-42.83%). The effect of no intervention is not increase the total world supply and the export volume of exporter country. It is proved that the increase the world supply is due to export restriction.

Impact of Import Restriction

Simulation of import restriction intervention will respond positive increase price import in China (10.11%), Indonesia (3.84%), Iran (2.60%) Malaysia (0.07%) and negative response in Philipina (-0.30). The impact of no-import restriction will affect the production blocks of lower domestic grain production (-0.02%), decreased productivity (-0.03%) and demand urea fertilizers (-0.02%).

In world market, the absence of import restrictions responded with an increase in the import price of China (10.12%), Indonesia's import prices (9.10%) and import prices are Malaysia (3.04%). While the impact of the absence of import restrictions by the negative response Philippine import prices (-0.24%) and import prices Iran (-0.20%).

V. CONCLUSION ANDADVICE

1. Impact of export restrictions will increase in total world supply and export volume in all the major countries. It is proved that the increase in world supply just influence intervention of exporter country. The export prices in all the countries will increase except the United States. The opposite, no-intervention will decrease in world supply and an increase in export prices in some countries exporters.
2. Impact of Import restrictions intervention in major importing countries have no effect on domestic block production, but if no-intervention import restriction applied in country importers will affect production blocks responded with a decrease of domestic grain production, productivity and there alization of urea distribution.
3. The impact of an increase in the quantity of imports by major importers State would respond with a 10% increase in total world export supply 10.86% and an increase in the volume of imports of the larger Indonesia is 21, 40%. The impact of an increase in the quantity of imports in country importers also responded with increased import prices Indonesia (8.00%).
4. Impact of Increased import price response that blocks the production of domestic grain production decline (-0.02%), decreased productivity (-0.03%) and a decrease in the realization of the distribution of urea (-0.02%).

ADVICE

Intervention export restrictions would indeed increase the total world export supply, if removed would cause no increase offer but the effect on the increase in export prices. Intervention export restrictions by major exporters State is still required to improve the total world export supply, if the no-intervention retrksi exports will affect negatively on the performance of Indonesia's rice.

Rising import prices contributed to the decline of domestic grain production, productivity and the realization of urea distribution. Intervention by the State of import restriction major importers are still required because if no-intervention import restriction will affect negatively on the performance of rice in Indonesia. Without applying import restrictions will impact on the domestic grain production, productivity and the realization of urea distribution.

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**Small-Medium Enterprise:
Competitiveness Indonesia's Small-Medium Enterprise in ASEAN**

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Abstract: This paper examines the readiness of Indonesia's small and medium enterprises competitiveness within the region of Association of South East Asian Nation. It focuses on the on several important aspects. First, this paper will explain about the definition of the term Small and Medium enterprises in Indonesia, the picture of small and medium enterprises, its contribution to the absorption of labor, competitiveness within the region of association of south east Asian region, weakness and several recommendation to boost its competitiveness.

Keyword: *small and medium enterprises, competitiveness, ASEAN.*

Introduction: What does the term "small and medium" enterprises means?

In Indonesia, there are numerous definition imposed on the term –small and medium enterprises, it is happened because each department in Indonesia tend to have its own definition on this term since there is no nationally accepted definition.

First, in accordance to National Statistic Body (BPS), Small and medium enterprises is a small scaled business with less than 5 workers. On the other hand, The central bank of Indonesia has its own definition, it defined small and medium enterprises based on several characteristics: First, small and medium enterprises is a company with a relatively small capital, less than 20 million rupiah or equal to \$2000 dollars . Second, its total assets is or less than 600 as operational budget. Lastly, annual revenue is or less than 1 billion rupiah (\$ 1.000.000).

Second, referring to Cooperation , Small and Medium Enterprises department (UU No 9 Tahun 1995) , small and medium enterprises is defined as a small scaled business which has traditional management system, and total asset ranged from 50–200 million rupiah (\$500–20.00) (excluding: land and building) and annual revenue is or less than 1 billion rupiah (1.000.000 dollars).

In another country, especially in most of developed countries, we can see that the definition imposed on this term is pretty much differed from Indonesian. According to World Bank, small and medium enterprises are enterprises that employ as many as/less as 30 workers, with annual revenue up to US\$ 3 million and with total asset less than 3 million. In Europe for instance, it defined the small and medium enterprises on a relatively "higher" standard, employ

10-40 workers and annual income 1-2 million euro. In contrast, in the South East Asian region (ASEAN) countries, the definition is ranged from Malaysia (5-10 workers), Thailand (10-15 workers) and Singapore (10-99 workers).

The Picture of Indonesia's Small and Medium Enterprises

In Indonesia, small and medium enterprises has been a fundamental sectors that contribute greatly to the nation economy, it is taking 94% Indonesia economic portion. Small and medium enterprises in Indonesia divided into several sectors as follow:

1. Agricultural sector
2. Mining sector
3. Processing industry
4. Electricity, water and gas sector
5. Property
6. Hotel and restaurant
7. Shipping and communication
8. Financial,
9. services⁸

Sektor Ekonomi	2004				2005			
	UK	UM	UB	JML	UK	UM	UB	JLH
1. Pertanian, peternakan, kehutanan dan perikanan	53,33	12,47	1,58	48,27	52,74	12,23	1,62	47,81
2. pertambangan dan penggalan	0,42	1,97	0,47	0,55	0,46	2,13	0,54	0,60
3. industry pengolahan	9,70	25,95	93,39	13,85	10,19	26,61	93,16	14,19
4. listrik air dan gas dan air bersih	0,01	1,28	0,33	0,12	0,01	1,23	0,34	0,12
5. bangunan	0,46	4,58	0,24	0,79	0,47	4,64	0,25	0,80
6. perdagangan hotel dan restoran	24,76	24,34	1,11	23,39	25,07	24,70	1,18	24,27
7. pengangkutan dan komunikasi	4,67	5,14	0,59	4,57	4,59	5,07	0,61	4,50
8. keuangan persewaan dan jasa perusahaan	0,20	5,16	0,60	0,62	0,18	4,66	0,57	0,56
9. jasa jasa	6,45	19,12	1,68	7,31	6,30	18,74	1,73	7,16
Total	100,00	100,00	100,00	100,00	100,00	100,00	100,00	100,00

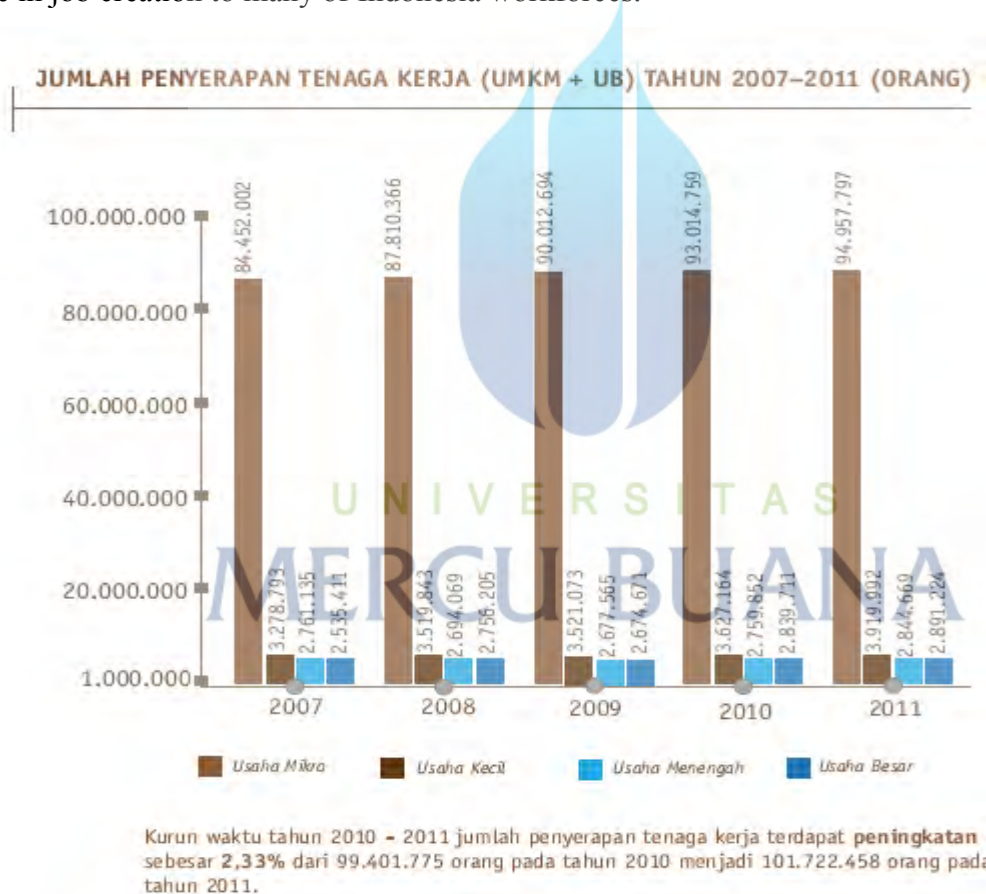
SUMBER : MENEKOP DAN UMKM dan BPS, 2005

⁸ Kemenkop dan UMKM, BPS, 2005

From the sector distribution's above, we can see that more than a half of Indonesian Small and Medium Enterprises or amounted as 53% of the total number is in the agricultural sector, and the rest (amounted 24%) is in restaurant and hotel sectors. So from the data above we can see that many there are many Sectors left unexplored at its maximum.

Small and Medium Enterprises Contribution to Absorption of Labor

In term of business scale, employment and annual revenue, small and medium enterprises is absolutely inferior to many big enterprises out there, but if we see in deeper level, small and medium enterprises play significant role in Indonesia's economy, a fundamental support for the country's economy. And this fact can also be seen in the data below, it shows that this sector at least in 2011 employed not less than 110 million people. so in shorts, this sector has an essential role in job creation to many of Indonesia workforces.



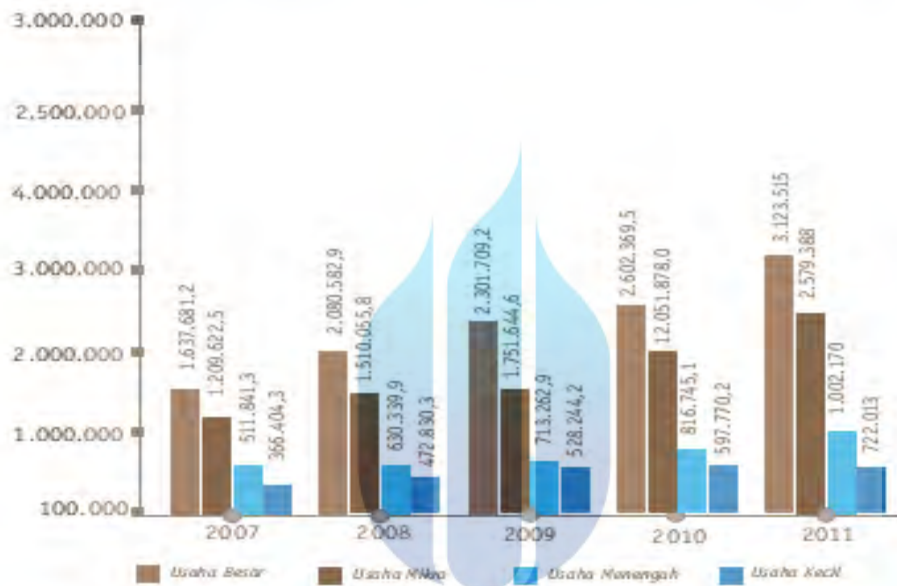
From the data above, we can see that even though there is no significant improvement from 2007 to 2011, the absorption of labor and its contribution to the country's economy is still very significant.⁹

⁹ Annual report Kementerian Koperasi dan UMKM 2011

Small and Medium Enterprises Contribution

Despite its substantial position in Indonesia's economy, the small and medium enterprises at some extent also play a greater role in national economy. Table below shows that small and medium enterprises gross domestic product is always been competing with big enterprises GDP and always show a significant improvement every year.

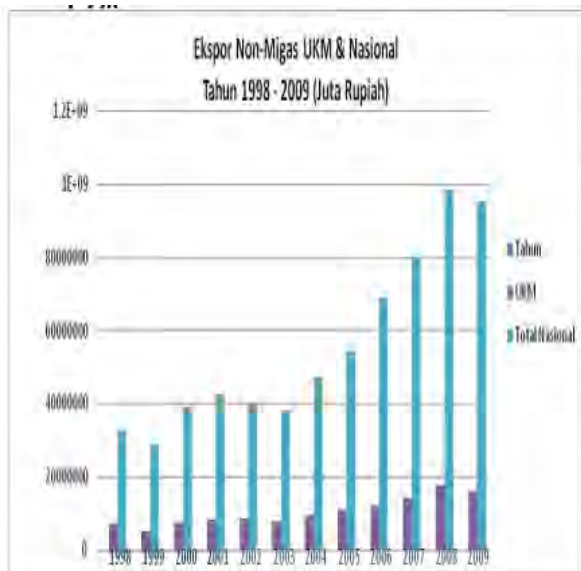
JUMLAH PRODUK DOMESTIK BRUTO (PDB) PELAKU USAHA NASIONAL (UMKM + UB)
TAHUN 2007–2011 (RP.MILYAR)



Kurun waktu tahun 2010 – 2011 jumlah PDB UMKM terdapat peningkatan sebesar 24,15% dari Rp.3.466,39 triliun pada tahun 2010 menjadi Rp.4.303,57 triliun pada tahun 2011.

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Also, in export sectors, small and medium enterprises play major role. The graphic below shows the improvement of export value from small and medium enterprises from 1998 – 2009 with the average values amounted as 19,28% from Indonesia's total export.



No	Tahun	UKM	Total	% UKM
1	1998	69.315.402	325.498.140	21,30
2	1999	52.594.122	286.247.749	18,37
3	2000	75.448.606	389.967.289	19,35
4	2001	80.846.524	425.115.716	19,02
5	2002	87.290.034	399.206.109	21,87
6	2003	77.096.715	382.534.146	20,15
7	2004	95.548.237	470.789.928	20,30
8	2005	110.338.065	544.201.760	20,28
9	2006	123.767.869	689.412.542	17,95
10	2007	140.363.835	794.872.133	17,66
11	2008	178.008.282	983.540.414	18,10
12	2009	162.254.525	953.089.868	17,02
Rata-rata		104.406.018	553.706.316	19,28

Weaknesses

Despite its significant role in Indonesia's economy, small and medium enterprises in Indonesia still face numerous issues, as follows:

1. Lack of innovation

Innovation is undeniably a very decisive factor in winning every competition and most of Indonesia's small and medium enterprises are lack of this variable. So that's why in term of product competitiveness, comparing to most of ASEAN countries, Indonesia still left behind and unable to compete. Most of ASEAN countries products use interesting packaging, promotion and product innovation while Indonesia small and medium enterprises product appeared unattractively, unlabeled and etc.

2. Capital

Second's problem of Indonesia small and medium enterprises is the accessibility to capital. Many of Indonesia small and medium enterprises still facing difficulties to access the capital because it is not yet "bankable" so many banks refused to give them financial support to develop their business.

3. Technology

Unlike many developed countries, most of small and medium enterprises in Indonesia use traditional production mechanism so this problem resulted in not only low productivity but also low quality of the products. This problem caused by lots of factor such as low accessibility of capital, investment to buy new machines and

4. Tax

Tax is however one of Indonesia's small and medium enterprises weakness especially in term of production cost. High taxes for export for example make them unable to sell their product at a competitive price and eventually they are unable to compete in international and regional market.

5. Promotion

Ineffective promotion is also another problem of Indonesia small and medium enterprises that resulted in inferior competitiveness. The lack of knowledge and skills in operating ICT is the key factor that caused ineffective way of promotion

Factors That Hamper Small and Medium Enterprises

Besides weaknesses mentioned above, there are several factors that hamper the competitiveness of small and medium enterprises in Indonesia, those factor are: corruption, inefficient and ineffective bureaucracy system, insufficient infrastructure, political instability and financial problems. The first three factor above are the main factor that hamper the growth and competitiveness of Small and Medium Enterprises in Indonesia (corruption: 15,4%, inefficient and ineffective bureaucracy 14,3 % and insufficient infrastructure 9,5%)¹⁰

NO	FAKTOR PENGHAMBAT	INTENSITAS MASALAH
1	Korupsi	15.4
2	Birokrasi pemerintah yang tidak efisien	14.3
3	Infrastruktur yang tidak memadai	9.5
4	Ketidakstabilan politik	7.4
5	Akses pada pembiayaan	7.2
6	Tenaga kerja terdidik yang memadai	6.3
7	Etika kerja yang buruk	6.2
8	Ketidakstabilan pemerintah	6.1
9	Inflasi	6.1
10	Peraturan pajak	6.0
11	Tingkat pajak	4.2
12	Peraturan buruh yang membatasi	3.6

Sumber : WEF (2011), diolah

Small and Medium Enterprises Competitiveness In ASEAN

¹⁰ World Economic Forum 2011

The biggest challenge that Indonesia's small and medium enterprises facing right now is competitiveness, how to improve it so that Indonesia small and medium enterprises product can eventually compete with another countries in ASEAN Economic Community (AEC) which will be implemented in the late 2015. ¹¹

Furthermore, due to lack of socialization, there are still numerous small and medium businesses that are unaware of the AEC and it is really critical because due to this problem "foreign player" could dominate the value chain in Indonesia.

Relating to competitiveness of Indonesia Small and Medium enterprises in ASEAN region, according to World economic Forum, Indonesia is till on 46th world wide, Malaysia 21st, Thailand 39th, Vietnam 65th, and Filipina 75th. While Singapore is on the top (2nd) worldwide. ¹²

NEGARA	PERINGKAT 2011	SKOR	PERINGKAT 2010	PERUBAHAN
Singapura	2	5.63	3	1
Malaysia	21	5.08	26	5
Thailand	39	4.52	38	-1
Indonesia	46	4.38	44	-2
Vietnam	65	4.24	59	-6
Filipina	75	4.08	85	10

Sumber : WEF (2011), diolah

Recommendations

There several recommendations to tackle issues that Indonesia small and medium enterprises are facing, those are as follows:

1. Loosening the administration process

Up till now, most of the assistance given by the government are only the cut of taxes and free of administration fee, but however not all businessman in this sector need it in the first place, there are still plenty of problem untouched by the government, such as inefficient bureaucracy and corruption .

2. Promotion and Market

¹¹ Sucipto, *Daya Saing UMKM Menghadapi AEC*, 2013

¹² World Economic Forum 2011

A good promotion will certainly enhance the competitiveness of small and medium enterprises products. Though there are still lots another influential factor, promotion still play significant role in enhancing the product values of production.

3. Lowering rate of credit

High rate of credit is one of the obvious reason of the small and medium enterprises unwillingness to get extra money from the bank to improve their business. and this should be a concern of the government.

Credit interest rate on July 2013

Nama Bank	Suku Bunga Dasar Kredit (%)				
	Kredit	Kredit	Kredit	Kredit Konsumsi	
	Korporasi	Ritel	Mikro	KPR	Non KPR
PT BANK MANDIRI (PERSERO), Tbk	10.00	12.00	22.00	10.75	12.00
PT BANK RAKYAT INDONESIA (PERSERO), Tbk	9.76	11.52	19.26	9.99	12.01
PT BANK CENTRAL ASIA, Tbk	9.25	10.60	-	9.50	8.18
PT BANK NEGARA INDONESIA (PERSERO), Tbk	10.00	11.60	11.60	10.65	12.25
PT BANK CIMB NIAGA, Tbk	9.85	10.75	19.00	10.80	10.45
PT BANK PERMATA, Tbk	9.63	9.63	17.00	10.13	10.13
PT PAN INDONESIA BANK, Tbk	9.75	10.50	-	11.50	10.25
PT BANK DANAMON INDONESIA, Tbk	10.25	11.25	20.01	11.75	12.49
PT BANK TABUNGAN NEGARA (PERSERO), Tbk	10.00	10.25	17.75	10.45	11.00
PT BANK INTERNASIONAL INDONESIA, Tbk	10.09	10.53	-	10.02	10.27
PT BANK OCBC NISP, Tbk	9.75	10.75	-	11.50	11.50
THE BANK OF TOKYO MITSUBISHI UFJ LTD	5.82	-	-	-	-
THE HONGKONG AND SHANGHAI BANKING CORP	8.50	8.50	-	8.50	-
PT BPD JAWA BARAT DAN BANTEN, Tbk	7.56	10.34	16.94	8.10	10.02
CITIBANK NA	11.04	13.06	13.48	11.76	12.66
PT BANK BUKOPIN, Tbk	-	16.26	18.26	-	17.40
PT BANK UOB INDONESIA	9.55	11.25	-	9.66	-
PT BANK TABUNGAN PENSIUNAN NASIONAL, Tbk	6.75	6.95	-	-	11.50
STANDARD CHARTERED BANK	11.25	17.25	-	12.50	12.50
PT BANK MEGA, Tbk	7.54	7.90	-	8.21	-
PT BANK DBS INDONESIA	-	-	9.87	10.59	-

4. Training on innovation, packaging and technology

The lack of innovation in small and medium enterprises is undeniably one of the biggest factor that hamper its competitiveness to compete with another country especially in the ASEAN region. So one of the solutions to tackle these problems is by giving an adequate training for small and medium enterprises to improve its innovation.

5. Lowering the cost of several decisive variable in production cost

Electricity and oil prices are two most influential aspects in determining the cost of production.

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**The Construction of Political Economic Communication of
Asian Woman, (The Phenomenology study of Neneng Hasanah Yasin Politic)**

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Abstract - The polemic of Asian Woman on the issues of gender and economic development is an interesting study in the political economy of communication perspective. The one of interesting phenomenon is the presence of women in a winning position as agent or communicator politics and economics. The research was conducted in a constructivist perspective, using a variant of the Phenomenology method. The purpose of research is to make the pattern of political communication women in Asia. The results of this study are the pattern of : political communication by Neneng, political communication of woman, and professional politic communication. The other result is woman identity transformation. The transformation type are pseudo politic identity and professional politic identity.



Parallel Session A2: Management and Entrepreneur



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INNOVATION AND ENTREPRENEURSHIP ORIENTATION IN SMALL FIRMS IN EAST JAVA

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Abstract

Although entrepreneurship plays an important role on the innovation success of small enterprises, the empirical evidence on this issue is hardly to find. This current study contributes to the empirical finding of innovation success using the case of small firms in East Java. Employing factor analysis and ordinary least squared (OLS) regression, this study finds that entrepreneurship orientation is a key variable affecting innovation success in small firms. Human capital has negative impact on innovation success, while social capital is not a significant contributor on innovation. The implication of these findings closely related to the potential entrepreneurship for develop small firms to medium scales.

Keywords: *entrepreneurship, innovation success, small firms, human capital, social capital.*

BACKGROUND

Innovation plays a pivotal role in business competition. While Schumpeter introduces a term of ‘creative destruction’ to point out the role of agents in economic development (Borchert, Patricia S & Cardozo, 2010; Pettus, 2011), the process of entrepreneurship in developing countries tends to refer to ‘creative imitation’ due to imitation process from other side of the world with different levels of adhocracy (Naranjo-Valencia, Jiménez-Jiménez, & Sanz-Valle, 2011).

Lee and Zhou (2012) argue that innovation success is about evolution from creative imitation to creative innovation. Hence, successful innovation has different stories between a large companies and small firms. Large manufacturing companies experience remarkable investments in new technologies and equipments with world-class skills. In contrast, there is a set of complex challenges for small firms to achieve innovation success due to lack of resource in R&D activities (Laforet, 2009).

The innovation success is influenced by many factors. Among others, entrepreneurship orientation, human capital, and social capitals are three key factors that significantly affect innovation success. Entrepreneur orientation relates to product and market innovation, proactive-attitude context, and the attitude towards risks. Human capital covers the training activities, knowledge accumulation, and experienced learning. Social capital reflects networking activities, supply chain management, and relation among workers. Unfortunately, empirical studies on innovation success that analyze the impact of those three important factors are rare.

The paper examines the impact of entrepreneurial orientation, market orientation and social capital on innovation success in responding the empirical gap on the performance of innovation success. It also provides insight into a contingent model in explaining innovation from the perspective of entrepreneurial orientation, following the argument by Rubera & Kirca (2012) and Baker & Sinkula (2009).

LITERATURE REVIEW AND HYPOTHESES DEVELOPMENT

The construct of innovation brings nexus among numerous variables, such as entrepreneurial orientation or innovation success. In order to draw a distinction between innovation in entrepreneurial orientation and innovation success, this paper highlights that innovation success is the concrete result from innovation process (Baker & Sinkula, 2009). It is different from innovation in entrepreneurial orientation, which is about openness to new idea, including new products and new methods (Pearce II et al., 2009). As point out by Guimaraes, Brandon, & Guimaraes (2010), innovation success needs to be examined through the comparison on its competitors. Firms with innovation success will lead the competition, when the competitors prefer to adopt its technology.

The model employs three independent variables as determinants of innovation success, namely market orientation, entrepreneurial orientation and social capital. Those variables are expected to affect on innovation success as dependent variable. The model constitutes three independent variables, i.e. entrepreneurial orientation, social capital and human capital. The dependent variable is innovation success.

$$IS = f(EO, SC, HC)$$

The IS stands for innovation success, while EO, SC, and HC represents entrepreneurial orientation, social capital and human capital, respectively. Innovation success represents a concrete result, whichs spring from innovation success. Baker & Sinkula (2009) draw a distinction between innovation success and innovativeness. Innovation success refers to the

outcome, while the ‘_innovativeness’ as an element of entrepreneurial orientation is associated with openness to new idea (Lumpkin, Cogliser, & Schenider, 2009). To examine the innovation success of a firm, Guimaraes, Brandon, & Guimaraes (2010) suggest a comparison with direct competitors. Firms with poor innovation heavily rely on their rivals' knowledge to maintain their technological capacities (Lhuillery, 2011).

EO has generally been conceived of as an organizational decision-making proclivity favoring entrepreneurial activities (Covin & Wales, 2012). The entrepreneurial firm is considered with product-market innovation, undertakes somewhat risky venture and proactive innovation (Bouchard, 2011).

The central proposition of social capital is that networks of relationships, which constitute a valuable resource. Entrepreneurial social capital constitutes three elements: view of networks, which closely related to entrepreneurial social networks; view of resource, which is about resource-based management, and view of integration, which refers to shared resourced with common goal (Wang & Shi, 2012).

Human capital refers to the employee’s value, which is associated with valuable skill set as production input. This is about compensation and circumstance, which enable shared knowledge among workers (Wu *et al.*, 2008). Hence, there are three proposed hypotheses.

H1: Social capital affects innovation success

Social capital (SC) is a relevant variable for innovation success. The social capital can encourage employees to enhance their knowledge without suspicion and concealment, through external and internal sources, and converted into new ideas for innovation (Ayuso, Rodríguez, García-Castro & Ariño, 2011; Wu, Chang, & Chen, 2008). On the other hand, Xiao, Marino, & Zhuang (2010), indicate that the interaction between innovation success and social capital can be negatively due to environmental information uncertainty.

H2: Human capital affects innovation success

Human capital (HC) is another determinant variable for innovation success (Wu, Chang, & Chen, 2008). Gallié & Legross (2012) identify positive impact of R&D training on patented innovation. It is high-risk exposure for small business due to huge amount of fixed cost to carry out research and development activities (Rammer, Czarnitzki, & Spielkamp, 2009).

H3: Entrepreneurial orientation (EO) affects innovation success

Entrepreneurial orientation (EO) plays pivotal role in improving a firm's performance [21]. There are some ground breaking researches provide evident about positive impact of entrepreneurial orientation on small firm performance (Bojica, A.M., Fuentes, M.M., Gómez-Graza, 2011).

RESEARCH METHOD

The unit analysis of this research is small businesses. The term of 'small enterprises' refers to companies with asset less than Rp500 million and sales less than Rp2.5 billion as Law No 20, which was enacted in 2008. The data collection is carried out under the random sampling approach. The data collection carried out in Surabaya, Indonesia with small business enterprises as a unit of observation. According to Indonesian Statistic Board, the population of small business in Surabaya in 2012 was 362.448 units, implicating that the ideal sample size is 380 enterprises (Krejcie & Morgan, 1970). This research project observes 168 enterprises due to time and budget constraints. However, the observed enterprises represent the key players of small enterprises and, hence, provides a close picture to the ideal samples.

The data collection employs direct interview and mailed questionnaires. The direct interview was carried out in November 2012. This research conducted interviews in five small business centers. During this observation, 80 samples were collected. Because required data was not sufficient, then this research collaborated with local business communities in obtaining more samples. Thereafter, the questionnaires were delivered to the members of such organizations and 88 small businesses provided responds.

This research adopts the questionnaires from Baker & Sinkula (2009) and Wu, Chang, & Chen (2008), Lumpkin, Cogliser, & Schenider (2009) and Gupta, Huang, & Yayla (2011), focusing on the variables using in this research. The analysis of data is carried out in three subsequent steps: the tests of validity and reliability, factor analysis, and regression analysis. To deal with the construct with factor and item analysis, the research carries out regression approach with SPSS tool.

Although the research focuses on small enterprises, the collected data consist also few medium enterprises. This is due to the a priori assumption about the size of the enterprises while sending the questionnaires. However, there is only one enterprise with more than 100 workers.

The data collected in Surabaya, a city with population of around 3.5 million. The main economic activities indicate that many enterprises become core business in trading, manufacture, services and construction sectors. The data showed that sample represents two major sectors, i.e. trading and manufacturing (Table 1). These two sectors cover 69% of the samples. Services are accounted for 21.4% of the total samples, while the construction sector has a proportion of 9.5%.

Table 1: Descriptive data

Groups	Frequency	%
Trading	66	39.3
Manufacture	50	29.8
Construction	16	9.5
Services	36	21.4

Source: Authors' calculation from the collected samples.

RESULTS AND DISCUSSION

The validity testis related to the extent to which a questionnaire is understandable for respondents. The result relies heavily on expertsin focus group discussion. When the preliminary questionnaire is formed, respondents from small business and related organizations were invited to test the degree of understandable. Based on the comments from focus group discussion, the questionnaire were revised and re-tested. A number of suggestions bring about adaptation from original questionnaires.

For reliability test, this research carried out Crownbach alpha test. Tabel 2 presents the results of the reliability test. The coefficients of Cronbach's alpha for all variables are greater than 0.6, indicating a high level of internal consistency for scalesunder this specific sample. This finding implicates that all observed variables are reliable for further analysis under regression function.

Table 2: Summary of Reliability Test

Variable	Crownbach alpha
Innovation Success	.655
Social Capital	.980
Entrepreneurial Orientation	.986
Human Capital	.978

Source: Authors' calculation from the questionnaire data.

In order to investigate the linear relationship between each item of questions and unobserved variables, this research performs factor analysis. The results indicate that items EO6, EO7, SC5 and SC6 should be removed, as there is a potential linear relationship with unobserved variables. Therefore, the factor loading results presented in Table 3 show only the independent variables. The factor loading for the items in Table 3 indicates that the values are larger than 0.9, indicating no linear relationship to unobserved variables.

Table 3: Final result of Factor loading

Items	Factor 1	Factor 2	Factor 3
EO1	.972		
EO2	.969		
EO3	.969		
EO4	.967		
EO5	.962		
SC1		.971	
SC2		.967	
SC3		.964	
SC4		.952	
HC1			.984
HC2			.970
HC3			.962
HC4			.952

Source: Authors' calculation from the questionnaire data.

The normality tests provide ambiguous results, as shown in Table 4. After the early step of normal-distribution screening, some variable are transformed with z-scores. The final result indicates that all variable are normally distributed with z-score between -2 and +2. In contrast, Kolmogorov-Smirnov test and Shapiro-Wilk test presents different story that those variables confirm that the data are not normally distributed. In the case of ambiguity exist, one might argue following the z-score. A note should be kept in mind that the normality distribution is in the border.

Table 4: Normality test

Variable	Minimum z-score	Maximum z-score	K-S test	S-W test
IS	-1.65569	1.42353	.194***	.891***
EO	-1.46063	1.88976	.232***	.865***
SC	-1.75480	1.52842	.219***	.914***
HC	-1.02679	1.87544	.217***	.849***

Source: Authors' calculation from the questionnaire data.

The regression results with IS as dependent variable, while SC, EO and HC are considered as independent variable, are as follows:

$$IS = 1.699^{***} + 0.145 SC + 2.749 EO^{***} - 135HC^{***}$$

(0.140) (0.180) (0.187) (0.035)

$$R^2 = 0.675^{***}$$

$$F \text{ test} = 82.427$$

*** = significant at the level 1%

The F test is 82.427, suggesting that the three variables are simultaneously significantly affecting innovation success under the probability value of 1%. Therefore, the null hypothesis that the three independent variables have no impact on the innovation success is rejected. Furthermore, the R^2 value is 0.675, implying that the variation of the three independent variables (social capital, human capital, and entrepreneurship orientation) explains more than 67 percent of the variation in dependent variable (innovation success). This is a fairly high value considering that the maximum value of R^2 is at 1.

Turning to the coefficient test, there are three hypotheses. Firstly, it appears that the null hypothesis of H1 that social capital affects innovation success isn't rejected. That means social capital has no significant impact on innovation success.

Secondly, the null hypothesis of human capital on innovation success is rejected. This means human capital is statistically significant with negative effect. This evident supports the argument of Rammer, Czarnitzki & Spielkamp (2009). In the context of small business, investment in human capital doesn't bring about innovation success.

Another hypothesis is about the impact of entrepreneurial orientation (EO) on innovation success (IS). The null hypothesis that entrepreneurial orientation (EO) doesn't affect innovation success is rejected. The output indicates positive impact of EO on innovation success. This evident is consistent with Parkman, Holloway, & Sebastiao (2012) and Bojica et al (2011).

CONCLUSION

This paper provides evident that entrepreneurial orientation plays a pivotal role on innovation success. This is consistent with the mainstream references about positive impact of entrepreneurial orientation on innovation success (see Baker & Sinkula, 2009, Parkman, Holloway, & Sebastiao, 2011; and Bojica, Fuentes, & Gómez-Grazz, 2011). However, an interesting finding appear in relation to human capital and social capital, which is different with the mainstream literature.

The results indicate that human capital has negative impact on innovation success. This is different with the mainstream references (see Wu, Chang, & Chen, 2008; Gallié & Legross, 2012). This evident supports an alternative argument proposed by Rammer, Czarnitzki, & Spielkamp (2009). In other words, the role of human capital in small enterprises is go to the different direction in small firms if compared to medium and large scale firms. This suggests for a policy focusing on improving the human capital of small businesses.

Though many world-class companies start from zero, e.g. Amazon, Google, Apple, Tata, Samsung, Charoen Pokphand Group, it appears that other million small firms fail to survive, even within their first five years (Hunter, 2012). When innovation success comes to main reason for business performance, research and development activities tend to be high-risk exposure, high fixed cost, high minimum investment, and severe financial constraint for small businesses.

The implication for further research should go into deep analysis with research question on how transformation from small to larger scale company takes place with innovation success. To what extent that a firm should pay attention on social capital with opportunity cost and how to handle risk in research and development also need to be taken into account in the context of small business.

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Appendix

Scale items and retained measures

Innovation success(adapted from Baker & Sinkula, 2009)

Five-point scale with 1 = very unsuccessful and 5 = very successfully (IS1).

1. Our new innovation success rate relative to direct competitors (IS2)
2. Our new innovation is totally different to our competitors (IS3)
3. Our firm beat competitor with innovation (IS4).
4. We alter our product offering to meet customer's need (IS5)

Entrepreneurial orientation(adapted from Lumpkin, Cogliser, & Schenider, 2009)

Five-point scale with 1 = strongly disagree and 5 = strongly agree.

1. Our firm prefers low risk projects with certain rates of return (EO1).
2. Our firm is quick to spend money on potential solutions if problems are holding us back (EO2).
3. In general, our firm favors a strong emphasis on the marketing rather than an innovation (EO3).
4. In our firm, changes in product or service lines have been mostly of a minor nature (EO4).

5. Our firm is making no special effort to take business from the competition (EO5).
6. Our firm always initiates actions firstly instead of responsiveness (EO6).
7. In our firm supervision from the senior staffs is very important for junior staffs (EO7).

Social Capital(adapted from Gupta, Huang, & Yayla, 2011)

Five-point scale with 1 = strongly disagree and 5 = strongly agree.

1. Our firm does not depend on a single supplier though they have ability to be served by just one (SC1).
2. Our firm does not adopt a new technology even from a well known brand unless we test it (SC2).
3. Our firm builds relationship with suppliers, who are transparent with price break up (SC3).
4. In our firm, staffs show enthusiasm for my efforts (SC4).
5. Our staffs are united in trying to reach its goal (SC5).

Human Capital(adapted from Wu, Chang, & Chen, 2008)

Five-point scale with 1 = strongly disagree and 5 = strongly agree.

1. In our firm, there was a formal training for worker in this year (HC1).
2. Our employees are compensated based on the value they add to firm as a team (HC2).
3. In our firm, senior staffs share experience with junior colleague (HC3).
4. In our firm, employees can work brightly (HC3).

SPONSORSHIP, BRAND AWARENESS AND PURCHASE INTENTION OF BRAND PRODUCT POLYGON ON JAKARTA

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ABSTRACT

Today, *sponsorship and brand becomes an important tool for the marketing strategies and targeting the consumers.* This research aims to analyze the effect of sponsorship and brand awareness on purchase intention brand product Polygon in Jakarta. Samples size of this research is 150 respondents who is an user transportation bicycle attending bike even sponsored by Polygon in Jakarta. Data were collected through distributing questionnaire, using purposive sampling method. Applying multiple regression analysis, the result shows that sponsorship and brand awareness are positive affect purchase intention brand product Polygon in Jakarta. However, the influence of brand awareness is smaller than existing influence of sponsorship. Sponsorship positive influence with regression coefficient value of 0,411 and brand awareness positive influence with regression coefficient value of 0,112.

Keywords: sponsorship, brand awareness, purchase intention.

Introduction

Bicycle as transportation is increasingly popular in big cities especially Jakarta. High Cost for fuel consumption becomes one of the reasons for cycling and cycling transform into one of the alternative transportation in the city (anonymous, 2011a). Another reason why more and more people use bicycles in Jakarta is to increase the mobility of people who do not have a motor vehicle, nourish your body and increase your confidence (anonymous, 2011b). Even cycling becomes lifestyle community in Jakarta (Apriyani, 2011). That situation makes the sporting goods industry particularly bike to compete in marketing their products. One of the most appropriate tool in the face of competition is a promotion, which is also known as an appropriate promotional marketing communication to introduce a product to the public so the benefits of a product can be seen (Kotler and Armstrong, 2001).

According to Kotler and Keller (2009) sponsorship is one of the main tools in public relations. Sponsorship is a big investment that made a company to advertise, publish, sell, influence, promote, create brand awareness and increase the competitive advantage of a company (Pitts and Slattery, 2004). Sponsorship usually done in trade fairs or bazaar events, artistic performances, shows, anniversary celebrations and sporting events of global companies (Kotler and Keller, 2009).

In-paced competitive market like today, the brand has an important role for the survival of a company. Moreover, marketing in the future becomes more interbrand competition, ie competition for consumers through the brand. Besides the brand is not only regarded as a name, logo or symbol. More than that, the value of the brand is to offer a product for consumer use (ariefyuliansebekti, 2010).

Polygon is a world-class brand. Polygon is one bike brand in Indonesia, which was produced by PT InseraSena, established in 1989 in Indonesia. Polygon is one brand that do a fair amount of sponsorship in bike related sporting activities such as fun bike, bicycle fairs, and bike cyclists community (anonymous, 2011d). By becoming a sponsor on the activities of the cycling sport Polygon hope to have a good reputation in the eyes of the public so they can have a positive influence on willingness to buy the products of Polygon brand. Brand products owned by the Polygon are Polygon (15% of exports) and foreign brands and corporate orders (70% of exports). Types of products that have been manufactured with the Polygon brand is Mountain bike, roadracing bike, city bike, BMX and freestyle, junior & kids bike and a variety of special bikes (rodeo, tandem, folding, cruiser).

Sponsorship

According to Johnston and Zamawi (2009) sponsorship is giving or receiving financial aid or anything else in the form of a reward for something that is exposed to the public. While the International Event Group stated sponsorships are cash and or the types of expenses that are paid on a property such as sports, entertainment or an organization in return for the commercial potential associated with that property (IEG & Lexicon 2001 in Roy and Cornwell 2003).

Brand Awareness

Brand awareness is the ability of a person who is a potential buyer to recognize or mention back a brand that is part of a product category (Aaker in Papadimitriou et al, 2008). Brand awareness is an important element because it is one of the main objectives in brand management, despite having limitations in achieving success (Langner et al, 2006). According to Aaker in Durianto, 2004, the level of brand awareness (brand awareness) can be described sequentially from the lowest level to the highest level are:

1. Unware of brand

Is the lowest level of brand awareness in the pyramid, where consumers are not aware of the existence of a brand.

2. Brand recognition

Minimum level of brand awareness. It is important when a buyer chooses a brand when

making a purchase.

3. Brand recall

Recollection of the brand based on a request for someone to mention a particular brand within a product class.

4. Top of mind

If someone asked directly without any help recollecting and he can mention the brand name, the brand can be defined as the first to reach top of mind. In other words, the brand is the main brand of the various brands that are in the consumer's mind.

Willingness to Buy

According to Chen (2007) there are three factors that influence the willingness to buy organic foods in Taiwan, namely the attitude of a person's behavior, the degree of a person's perceived social pressure to behave and the degree of control a person has over their behavior actions. The desire to buy a product intertwined with brand awareness, brand associations, perceived product quality and brand loyalty (Jalilvand et al, 2011).

Schiffman and Kanuk in Sigit (2006), intention or desire to buy is a form of real thought and reflection of buyers plan to purchase multiple units of a certain quantity of a few brands that are available in a given period.

Hypothesis Development

Based on the previous discussion, the proposed hypotheses can be summarized in the following hypotheses, they are:

- H1(+): There is a positive influence between sponsorships done by Polygon and the desire to buy a Polygon brand
- H2 (+): There is a positive influence between Polygon brand awareness and the desire to buy Polygon brand
- H3 (+): There is a positive influence between sponsorship and Polygon brand awareness toward the desire to buy Polygon brand

Methodology

This type of research is the kind of associative causal research. According to Umar (2007), associative causal research is describing a causal relationship or influence of one variable with another variable. In other words, the design is useful to measure the causal relationships between variables or to analyze how one variable affects another variable. The population in this study is the bicycle transportation users in the cycling sport activities sponsored by Polygon in Jakarta

that the exact number is not known. In this study the authors define the sample of 150 respondents.

Study Instrument Test Result

Validity Test

This study will test the validity of using the discriminant validity testing. Discriminant validity can be tested with the product moment correlation analysis, provided that the value of $r < 0.7$, where in the independent variable does not occur multicollinearity and already meets the test of factor analysis (Sekaran, 2003).

Table 2 Result of Correlation Analysis with Pearson Correlation

Pearson Correlation (r)	Sponsorship	Brand Awareness	Desire to Buy
Sponsorship	1	.433**	.401**
Brand Awareness	.433**	1	.251**
Desire to Buy	.401**	.251**	1

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

Based on Table 2, it can be seen that the value of r of the two independent variables have values below 0.7.

Reliability Test

Reliability testing of 150 respondents in this study is using Cronbach's alpha formula. Cronbach alpha value which stands at 0.6 or more indicates that the variable is reliable that can be seen in Table 3 below:

Tabel 3 Reliability Test

Variable	Cronbach's Alpha
<i>Sponsorship</i>	0,774
<i>Brand Awareness</i>	0,849
<i>Desire to Buy</i>	0,810

Factor Analysis Test

Sekaran (2003) explains that the analysis of the factors is used to determine the grain of questions corresponding to each dimension (factor) that are formed. Factor analysis using the Keiser-Meyer-Olkin (KMO) calculation to determine whether the variables used are appropriate. The conditions indicated by the value of KMO is greater or smaller than 0.5.

Factor Analysis on Independent Variables

Table 4 is an analysis of the test results on the variable factors of sponsorship and brand awareness.

Table 4. Result of Factor Analysis toward Independent Variable

Keiser-Meyer-Olkin				
		524.366		0,772
		.772		678,343
				0,000
No	Questions related to Independent Variables	Factor 1	Factor 2	α Cronbach
	Sponsorship			0,774
1	For me, Sponsorship program conducted by Polygon are able to capture targeted audiences	.761		
2	For me, Polygon Brand has a appropriate positioning with sponsored item/goods	.783		
3	For me, Polygon Brand able to deliver its message in their sponsorship program	.802		
4	I agree with statement that sponsorship conducted by Polygon able to increase consumer perception about the team sponsored by Polygon.	.587		
5	I agree with statement that because of polygon as sponsor, consumer likes polygon brand better.	.591		
	Brand Awareness			0,849
6	I have seen Polygon Brand before		.726	
7	I know products owned by Polygon brand		.814	
8	I easily remember Polygon brand		.833	
9	I aware with the existence of Polygon brand		.862	
10	I have seen Polygon Brand		.726	

Table 4 displays the results of the factor analysis of independent variables. KMO values obtained can be expressed in accordance with the standards because it is greater than 0.5. Value of each of the questions can also be expressed in accordance with the standards because it is greater than 0.5. Statements about sponsorship variables clustered on the variable 1. It is clear that question items used variables are in accordance with the concept of sponsorship used. Questions on the brand awareness variables clustered on the 2 variables also explained that the question items are in accordance with the concepts used.

Factor Analysis of Dependent Variables

Table 5 below is a variable factor analysis for variable willingness to buy. Each of the questions in the variable willingness to buy has their value calculated and sees its groupings.

Table 5. Factor Analysis Result toward Dependent Variable

<i>Keiser-Meyer-Olkin</i>		0,755	
		Bartlett's Test	263,299
		Sig.	0,000
No	Questions related to dependent variables	Factor 1	á Cronbach
Desire to buy			
1	I have a desire to buy Polygon Brand product	.784	0,810
2	I hope I can buy Polygon product in the future	.729	
3	There is possibility that I will purchase Polygon product in near future.	.717	
4	Information regarding Polygon brand increase my interest in purchasing.	.813	
5	For me, Polygon brand product attribute is relevant to increase the interest to buy.	.733	

Result of Model Testing

Regression Result

The model equations in this study are appropriate:

$$Y = 1,429 + 0,411X1 + 0,112X2$$

Regression analysis was used to assess the effects of independent variables on the dependent variable. Based on the calculation of multiple regressions using SPSS program, the results obtained are shown in Table 6 below:

Table 6 Regression Coefficients^a

Model	Unstandardized Coefficients		Standardized Coefficients		t	Sig.	Collinearity Statistics	
	B	Std. Error	Beta	ts			Tolerance	VIF
(Constant)								
Sponsorship	.411							
KesadaranMerek	1.429	.408	.095	3.504	.001			
	.360							
	4.315							
	.000							
	.812							
	1.231							
	.112	.098	.095	1.134	.259	.812	1.231	

a. Dependent Variable: Aggregate Desire to Buy

Thus, with the equation listed below:

$$Y = 1,429 + 0,411X1 + 0,112X2$$

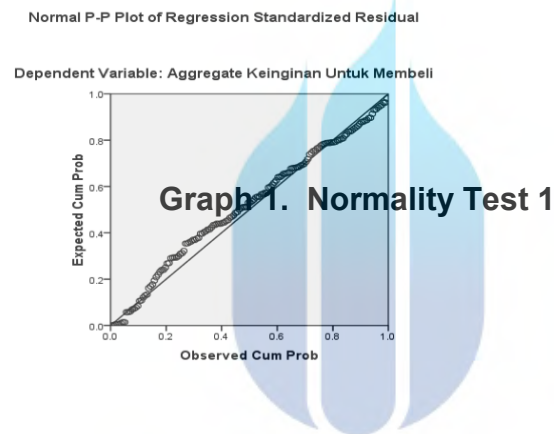
Whereas:

Y = Desire to buy, X_1 = Sponsorship, X_2 = brand awareness

From the equation it can be concluded that :

- Constant value of 1.429 indicates that if X_1 (Sponsorship), and X_2 (Brand Awareness) remain the same, (constant) then the willingness to buy branded products of Polygon in Jakarta is expected to be positive or increased.
- Variable sponsorship and branded awareness has a positive coefficient. This means that the sponsorship and branded awareness has a positive influence on willingness to buy products of Polygon in Jakarta.
- Sponsorship coefficient has a value of 0.411 indicates that if the sponsorship is to increase, assuming other variables remain the same, the willingness to buy products of Polygon in Jakarta will also increase by 0.411.
- Brand awareness coefficient has a value of 0.112, which means that if brand awareness is increasing, while the other variables remain the same, the desire to buy will also be increased by 0.112.

Normality Test



Based on Figure 1 above, it can be seen that the points are spread around the diagonal line and follow the direction of the diagonal line, so that the regression model meet the assumption of normality.

Multicollinearity test

In addition, multicollinearity test can also be done by knowing the value of VIF. Value indicates that in the independent variables do not occurred multicollinearity is where the value should be less than 10 (Sekaran, 2003). In Table 7 it is clear that the value of VIF is less than 10 so it shows that multicollinearity does not occurred in the independent variables of this study.

Tabel 7 VIF Measurement Result

Independent Variable	VIF
Sponsorship	1,231
Brand Awareness	1,231

Hypothesis Testing Coefficient of Determination Test Results

In Table 8 below can be seen the coefficient of determination which describes how much the desire to buy can be explained by the variable sponsorship and Brand awareness.

**Table 8 Coefficient of Determination
Model Summary^b**

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.410 ^a	.168	.157	.70506	1.693

a. Predictors: (Constant), Aggregate Brand Awareness, Aggregate Sponsorship

b. Dependent Variable: Aggregate Desire to buy

Calculation results that the coefficient of determination (adjusted R²) is equal to 0.157 (based on table adjusted R² value). This means that a variation of 15.7% variable desire to buy can be explained by the variable sponsorship and Brand awareness simultaneously, while the remaining 84.3% can be explained by other variables not examined in this study.

F Statistic Testing

This hypothesis verifiable by using SPSS. Testing is done by looking at the significance level (p-value), if the value of the resulting significance level less than 0.05 then the hypothesis is accepted, otherwise if the value of the significance level greater than 0.05, then the hypothesis is rejected.

**Tabel 9 F Testing Result
ANOVA^b**

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	14.776	2	7.388	14.862	.000 ^a
	Residual	73.075	147	.497		
	Total	87.851	149			

a. Predictors: (Constant), Aggregate Brand Awareness, Aggregate Sponsorship

b. Dependent Variable: Aggregate Desire to Buy

Statistical calculation results listed in Table 9 shows the F value of 14.862 with a significance level of 0.000. By using the 0.05 limit, the resulting significance value less than 0.05. This means that the variable of willingness to buy (Y) can be explained significantly by sponsorship (X1), and brand awareness (X2) simultaneously.

T Statistic Testing

Table 10 describes the significant degree to the independent variables and the dependent variable.

Tabel 10 Hasil Uji t

Model	T	Sig.	Collinearity Statistics	
			Tolerance	VIF
Sponsorship	4.315	.000	.812	1.231
Kesadaran Merek	1.134	.259	.812	1.231

Dependent Variable: Aggregate Keinginan Untuk Membeli

A significant value can be said to be significant if the p value < 0.05 , and is said to be insignificant if the p value > 0.05 . Thus, with the significant value above, it can be seen that there are influence of independent variables on the dependent variable significantly.

Discussion

In this study, one hypothesis is rejected and the other two hypotheses are accepted. The test results showed that brand awareness does not significantly affect the desire to buy, while sponsorship significantly influences the desire to buy polygon brand products. The study also explains that the independent variables used were sponsorship and brand awareness may explain the variable willingness to buy at 16.8%, and the remaining 83.2% variable desire to buy branded products polygon described by variables - other variables that are not in this study.

The Influence of Sponsorship toward Desire to Buy

Results of hypotheses testing no 1 (H1) proved that there are significant between the sponsorship of the desire to buy. Based on the results of the calculations that have been done, it obtained t value of 4.315 with a significance value of 0.000, where the value is smaller than 0.05, which means that this hypothesis is accepted. This test can statistically prove that sponsorship positively influence the desire to buy. It means that there is influence between variables sponsorship of the desire to buy. This suggests that consumers perceived that polygon sponsorship done well enough to be able to influence their desire to buy a Polygon branded product. Thus, with the high amount of sponsorship, the desire to buy Polygon would be high as well.

The Influence of Brand Awareness toward Desire to Buy

Results of hypothesis testing no 2 (H2) suggests that brand awareness has positive effect but not significantly on willingness to buy. Based on the calculation results that has been performed, the results obtained is a t value of 1.134 with a significance value of 0.259, so the hypothesis is accepted. This indicates that brand awareness has a very small influence on the desire to buy.

Besides that, the desire to buy a product is intertwined with brand awareness, brand associations, perceived quality and loyalty products on a brand. (Jalilvand et al, 2011).

The Influence of Sponsorship and Brand Awareness toward Desire to Buy

Results of hypothesis Testing no 3 (H3) shows that the coefficient of determination (R Square) is equal to 0.157. This means that a of 15.7% variation from variable of desire to buy can be explained by the variable sponsorship and brand awareness simultaneously, while the remaining 84.3% can be explained by other variables not examined in this study. It can be concluded hypothesis is accepted. So the test results of hypothesis 3 suggests there is a positive impact between sponsorship and brand polygon against the desire to buy polygon brand.

Conclusion

- There is the influence of sponsorship undertaken by Polygon against the desire to buy Polygon branded products in Jakarta. In accordance with the first hypothesis using statistical tests t, variable sponsorship toward the desire to buy the show a positive p value of 0.000. This shows that there is a positive impact between sponsorship and the desire to buy Polygon branded products in Jakarta. Moreover p value below 0.005 indicates that the variable has positive and significant effect.
- There is the influence of the Polygon brand awareness towards the desire to buy Polygon branded products in Jakarta. In accordance with the second hypothesis still using t statistical test, variable brand awareness toward the desire to buy show a positive p value equal to 0.0259. This shows that there is a positive effect between brand awareness and the desire to buy Polygon branded products in Jakarta.
- There is the influence of sponsorship undertaken by Polygon and Polygon's brand awareness toward the desire to buy Polygon Branded Products in Jakarta. This shows that there is a positive effect between sponsorship, brand awareness and the desire to buy Polygon branded products in Jakarta.

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Management Innovation: Research Proposition for the Organization

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Abstract

Management innovation well suited in the core of the organization activity, but as a concept it will need to be further empirically tested. This paper develop an argument that management innovation well suited in 3 strategic management school, which are the classic, contemporary and competitive school, nonetheless there is still lack of literature that cover the management innovation elements on 64 Strategic Management Journal published in 2012.

Keyword: management innovation, organization, invention, implementation, strategic management school

Introduction

Organization conducting an evaluation process to be able to manage the dynamics of the rivalry within an industry. Organization conducting a continuous improvement to be able to achieve the organization desired goals and performance.

Currently the dynamic competition is contrast compared to the early development of management theory (Fayol, 1949; Taylor, 1911), which assumed that the business environment are stable. Subsequently scholar have been reinventing new management practices and theory (Birkinshaw, Mol, & Hamel, 2005; Inkpen & Choudhury, 1995; March & Simon, 1958) that relevant to the organization veracity to be able to develop the competitiveness.

These kind of management practices and theory, for instance the organization SOP (Standard Operating Procedure), the reorganization of the management structure, the application of functional audit, the development of the modern technology system, the application of employee bonus assignment system, meeting and forum communications transparency, and the other reinvention of management acitivities had become a necessity in the dynamic competition. In the point of time, if these kind of invention hasn't yet been applied by the organization, then the idea considered to be a new thing for the organization. This kind of new thing so called innovation, the simple terminology for 'something new' (Gopalakrishnan and Damanpour (1997, p. 16).

Management Innovation

This innovation process of management theory and practices begin with an internal evaluation within the organization. After the idea as the solution to develop the organization competitiveness innate, the organization operationalized the idea to enhance the organizational performance. These process generate at least 2 type of innovation which are, the invention of innovation in the abstract levels (Kramer & Kramer, 1975) which is the brainchild of the practices, processes, techniques and structures to enhance the organizational performance and the second innovation which is the operationalization of practices, processes, techniques and organization management structure (Alänge, Jacobsson, & Jaryehammar, 1998; Guillén, 1994), that intended to be the implementation. Both of these innovations are series of processes, the invention and implementation of organization management aim to improve the performance of the organization.

Invention and implementation are the elements of the management innovation concept (Birkinshaw, Mol, & Hamel, 2008). A concept stated that the management innovation is the invention and implementation of management practice, process, structure, or technique that is new to the state of the art and is intended to meet the organizational goals.

The complete definition of the concept meant that management innovation is relevant to be able to understand the process of innovation in the management of the organization, which produced the invention and implementation of practices, processes, structures and management techniques to improve the performance of the organization. Birkinshaw et al. (2008) stated that management innovation such as Modern Research Lab (Hargadon, 2002), Total Quality Management (Zbaracki, 1998), the M-Form (Chandler, 1969), Activity Based Costing (Kaplan, 1998) are the result of research on varieties of new things going on within the company. Furthermore, these kind of practices, processes, structures and management techniques being conceptualized and became a label (Birkinshaw et al., 2008). The concept of management innovation as stated by Birkinshaw et al. (2008), as well as the definition of invention and implementation, can be further elaborated with the strategic management theory. Strategic management theory focus on the examination of the perspectives or paradigms that mainly stands for the entire constellation of beliefs, values and techniques shared by the members of a given community (Kuhn, 1996, p. 176)), which are the managers that responsible to improve the organization performance (Drejer, 2004).

Aligned with the paradigm of strategic management, the concept of management innovation examine the management process in developing the idea (of invention) and (the implementation) of the idea to improve the organizational performance (Birkinshaw et al., 2005). Management innovation at least have 4 main elements which are: focus on the organization as its analysis unit, examination on the process of the organization to achieve the desired organization objective, observation on the role of manager in developing measures to achieve the goal, and finally the implementation of the measures in the process of achieving the organization objectives (Ronda-Pupo & Guerras-Martin, 2012). These four elements happen to be the core of the paradigm in strategic management.

Strategic Management School

The main elements of the management innovation concept can be further elaborated within the "school" of the strategic management (paradigm). The classical school pointed out that the process to achieve the organization's competitiveness could be attained by exploring the advantages possessed within the organization, furthermore ensemble the advantages possessed to meet the expectation of the environment (inside-out approach). This phases meant as the search process (invention) on an idea, then the next step are the process to manage the organization to meet the market potential needs. Furthermore, the classical putforward the implementation as a sub activity to support the process to reach the organization's competitiveness (Learned, Christensen, Andrews, & Guth, 1965).

Subsequently the contemporary school pointed that collaboration is important for the organization to be able to achieve the desired goal. Furthermore, the contemporary school in strategic management pointed that the collaboration and cooperation among stakeholders (inside and outside) of the organization is the main priority for the organization to develop the organization competitiveness (Chaharbaghi & Willis, 1998).

The contemporary school necessity on collaboration originated from the Simon (1957) "bounded rationality" on Administrative Behavior. Simon convey the need for collaboration in the process of building a solution to achieve the desired goals, as well as Senge (1990) that stated the attempts to achieve growth require a collaboration (game) between the reinforcing factors and limiting factors in the process on developing a solution. The paradigm of the contemporary school focus on collaboration, which also known as the processual approach, it seeks to understand the role of managers to implement the collaboration with the stakeholders to develop the organization competitiveness.

The competitive school on the other side has a different focus compared with the classical school. The competitive school as expressed by (Porter, 1987) developed the competitiveness by adjusting the organizational strategy toward the surrounding environment (outside-in approach). In brief, the organization encouraged to develop the excellence that "fit" the organization with the environment.

The Competitive school as stated, focus on developing the environment (market) oriented idea (outside-in approach). The school pointed that the environment affect the organization, influence the organization to create differentiation compared to the other organizations within an industry. This paradigm can be further examined by Schumpeter (1934) "The theory of the economic development", Penrose (1995) "The Theory of the Growth of the Firm", (Porter, 1987) "Competitive strategy", Drucker (1999) on "Entrepreneurship in business enterprise", Teece (1980) "Economies of Scope and the Scope of the Enterprise" and as well as Barney (1986) "Organizational Culture: can it be a source of competitive advantage?" and Barney (1991) "Firm resources and competitive advantage".

The classic, contemporary and competitive school have a different paradigm to achieve the objective of the organization, but all of them covers the process of invention in developing ideas to reach the objective of the organization, as well as the implementation in the management of the organization. Therefore the management innovation as a concept is relevant to elaborate the paradigm of the internal agent organizations (CEO, top and middle managers) as well as the process of the organization in developing the management innovation which can meet the objective of the organization.

These strategic management school aligned with the operationalization of the management innovation within the organization to improve the organizational performance (Ronda-Pupo & Guerras-Martin, 2012). The management innovation also associated with the process of the manager as the "middlemen" within the process of building a new idea (invention) from different sources of information and knowledge within and outside of the organization as well as implement it (implementation) into an organization to attain the organization objective (Birkinshaw et al., 2005) .

Empirical findings

The management innovation still lack of empirical tested. Based on 64 literature review on

Strategic Management Journal published within 2012, there were only 11 relevant publications that fit with some of the elements on management innovation, and there is only one publication that already incorporate most of the elements on management innovation, which is "Strategic (MIS) FIT: The Implementation of TQM in Manufacturing Organizations" (Zatzick, Moliterno, & Fang, 2012). But none of these publications elaborate the holistic management innovation as the invention and implementation of a management practice, process, structure, or technique that is new to the state of the art and is intended to further organizational goals.

Conclusion

Therefore research on management innovation, the elaboration of the phenomenon of management innovation in the organization by conducting variety of available strategic management paradigm is required. The contribution of this research will contribute the corpus of the scientific knowledge on strategic management. Particularly, empirical test is needed to develop the concept of management innovation that are relevant to conceptualize the organization practice on competitiveness.

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Relationship Between Control Systems Management, Investment Opportunity Set, Innovation, Performance And Accounting Policies

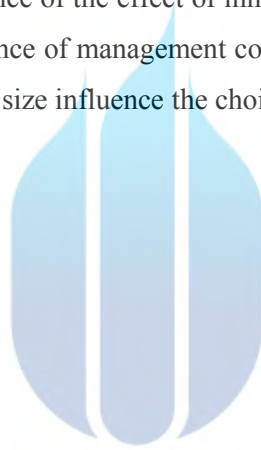
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Abstract

This study Aimed to analyze the influence of management control systems, innovation and performance opportunities set against accounting policies. The samples used were 151 respondents from companies listed on the Stock Exchange (2007-2011). Testing the hypothesis is done by using Structural Equation Modeling (SEM). The results showed that there was no significant effect of innovation on performance. This study also failed to prove the existence of the effect of innovation on the investment opportunity set. However, this study can prove the influence of management control systems on firm performance. While the company's financial performance and size influence the choice of accounting policies.



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THE INFLUENCE OF ORGANIZATIONAL COMMITMENT AND LEADERSHIP STYLE ON MANAGERIAL PERFORMANCE WITH BUDGET PARTICIPATION AS AN INTERVENING VARIABLE

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Abstract

This study is conducted to examine the effect of variables Organizational Commitment, Leadership Style and Budget Participation on Managerial Performance. The study sample is 102 employees working at the Education and Training Board of Ministry of Defence of Republic of Indonesia. The data analysis technique used is the path analysis. The results show that the effect of Organizational Commitment is not significant negatively on Budget Participation. Leadership Style influence is insignificantly positive on Budget participation. Organizational commitment is insignificant positive effect on Managerial Performance, while the Leadership Style and Budget Participation influence equally positive significant on Managerial Performance. From the analysis of the path which is the direct path (direct effect), Organizational Commitment and leadership style has a positive influence on Managerial Performance. Budget Participation variable cannot afford as an intervening variable Organizational Commitment and Leadership Styles on Managerial performance, because the direct lines have a greater influence than the indirect pathway (indirect effect)

Keywords: *Organizational Commitment, Leadership Style, Budget Participation on Managerial Performance*

1. Introduction

Managerial performance is the performance of individual members of the organization in managerial activities, such as: planning, investigating, coordinating, staff arrangements, negotiating, and others. Managerial performance and achievements demonstrate the ability of a manager to run the organization to realize the goals that lead to the achievement of the public service. In achieving the above objectives Managerial Performance improvement to consider the factors that may affect these issues, among others, Organizational Commitment, Leadership Style and Budget Participation.

Various studies have previously explained that there are inconsistencies regarding the impact research Organizational Commitment, Leadership Style, Budget Participation and Managerial Performance. Research supporting the influence on Organizational Commitment, Leadership

Style, Budget Participation and Managerial Performance, among others, are by Yusfaningrum and Ghozali (2005), Sumarno (2005), Faizzah and Mildawati (2007), Maiga and Jacobs (2007), Sinuraya (2009), Mariam (2009), Mediaty (2010), Hima and Diversity (2010) and Mahjoub and Haliovi (2012). Whereas, previous research that do not support any influence on Organizational Commitment, Leadership Style, Budget Participation and Managerial Performance, among others, are by Yusfaningrum and Ghozali (2005), Sumarno (2005), Faizzah and Mildawati (2007) and Sutapa and Soni (2010).

2. Literature Review

From the point of view of agency theory, the principal (owner or top management) oversees agents (employees or managers lower) to carry out the performance efficiently. This theory assumes efficient performance and that performance is determined by the efforts and the influence of the environment. Hence, the above explained that performance rooted from agency theory.

According to Ikhsan and Isaac (2005:35) Organizational commitment is the degree to which an employee is in favor of a particular organization and its goals, and intends to maintain membership in the organization. Organizational commitment is also a personal value, which sometimes refers to the company's loyal attitude or commitment to the company. Organizational commitment is a form of employee's loyalty to the organization where they worked. The adequacy of the budget not only directly improve the work performance, but also indirectly increase the Organizational Commitment. Increased participation in the preparation of the budget will enhance Organizational Commitment.

Sumarno (2005) study proves that the Organizational Commitment influences positively and significantly effect on the budget participation. In addition, research by Hima and Ika (2010) also prove that the commitment can moderate the effect of Budget Participation on Managerial Performance. The hypothesis that can be put forward to the influence of the Organizational Commitment on Budget Participation in this study is:

H1: Organizational Commitment significant influence Budget Participation.

According to Ikhsan and Isaac (2005:169) on applied to the functions of planning, Theory X implies that the budget will be prepared by top management (kontoler or planning director) and imposed onto lower level management. Thus, the authoritarian leadership style, budget seen as a management control tool that is designed to ensure employee's compliance with the

expectations of top management planning or budgeting. The planning process or budget planning is associated with several factors that appear in the work environment in which planning occurs. In the context of an organization it should continue to be directed to an effort to achieve the goals of the organization. One of such factors is the leadership style. Leadership style is a way of the leader to influence their subordinates so that the one is willing to do the will of leaders to achieve organizational goals although personally it may be unpopular.

The study of Hima and Ika (2010) prove that the leadership style oriented to considerations will be able to increase the influence of Budgetary Participation on Managerial Performance. Then Mediaty study (2010) also proves that the Budgetary Participation and Leadership Styles simultaneously or partially influence positively and significantly on Administrative Performance. From the previous studies above can be hypothesized on the Participation Leadership Style Budget are as follows:

H2: Leadership Style has significant effect on the Budget Participation

Sandjojo (2011:46) shows that one of the organization's claims to their members is their commitment to the organization's work place. Organizational commitment is the extent to which employees are willing to make continuous efforts for the success of the organization. Organizational commitment is part of the attitude (attitude) of someone who supports organizational success. Commitment to the organization will make employees more accountable to tasks and show better performance. With a strong commitment to the company the budget will always be fulfilled so that the performance can be achieved.

Sumarno Research (2005) proves that there is positive and significant impact on the Organizational Commitment on Managerial Performance. These results are consistent with research Peter's and O'Connors, 1980; Blimberg and Pringle, n 1982; Randall, 1990; Nouri and Parker, 1998; Firdaus and Bambang Supomo, 2003; Hariyanti and Nasir, 2002. Besides, the effect on the relationship between Organizational Commitment Budget Participation and Managerial Performance is positive and significant. While, Sinuraya (2009) also states that there is influence of Organizational Commitment to Employee Performance. Therefore, the hypothesis for the effect of Organizational Commitment on Managerial Performance in this study is described as follows:

H3: Organizational Commitment has significant effect on Managerial Performance

H6: Organizational Commitment has significant effect on Managerial Performance through Budget Participation.

According to Theory X of McGregor in Ikhsan and Isaac (2005:169) describes an authoritarian leadership style and strictly controlled, where the need for efficiency and control requires the managerial approach to dealing with subordinates. Leadership style is the degree of

relationship between a person and a working mate. To monitor the performance of subordinates, these leaders assign their staff to collect information which allows for indirect supervision. Leadership style can affect employee productivity manager (employee performance). Thus, Good leadership style is needed in Managerial Performance.

The study of Mariam (2009) proves that there is a significant and positive influence of leadership style on employee performance, in addition to the research Mediaty (2010) also proves that the Budgetary Participation and Leadership Styles simultaneously or partially positive and significant effect on Administrative Performance. Thus the influence of Managerial Leadership Style on Performance in this study is described as follows:

H4: Leadership Style has significant effect on Managerial Performance

H7: Leadership Style has significant effect on Managerial Performance through Participation Budget

According to Rudianto (2009:3) budgeting is work plan of the organization in the future that realized in the form of quantitative, formal and systematic. Each agency or organization must have budget to implement and achieve the objectives of the institution or organization. Budget has an important role as a tool in managerial planning and control. In its function as a means of control, the budget is used as a system to measure the performance of an organization. Good performance can produce output according to the input. So the budget as a control tool to control the use of its resources to achieve optimal results.

Faizzah and Mildawati (2007) proves that the Budget Participation has positive and significant effect on the managerial performance. Yusfaningrum and Ghozali (2005) also state that the Budget Participation has positive and significant effect on Managerial Performance. Thus the hypothesis of the influence of Budget Participation on Managerial Performance in this study are:

H8: Budget Participation has significant effect on Managerial Performance

3. Research Methods

Operational definition

1. Exogenous variables (X)

The exogenous variables in this study are as follows:

a. Organizational commitment (X1)

Organizational commitment is the ability and willingness of an individual to behave, to sacrifice, to do everything best to achieve the goals and objectives of the organization.

b. Leadership style (X2)

Leadership style is a form of business that made a person to influence others in order to support its business in order to successfully achieve the goals of an organization.

c. Budget Participation (X3)

Budget participation also as an intervening variable, is how far the involvement of managers in the budgeting process.

2. Endogenous variable (Y)

Managerial Performance (Y)

Managerial performance is the ability to run the task manager and the lead center responsibility which he led.

Variables Measurement

Measurement of the variables used in this study are as follows:

1. Exogenous variables (X)

The measurement of exogenous variables in this study are as follows:

a. Organizational Commitment (X1)

Measurement of Organizational Commitment variables in this study uses an instrument developed by Mowday et al (1979), which was described by Meyer et al (1989) in Sumarno (2005) as "most, Instant used measure of affective commitment to date" (p. 152) . Instrument consists of 3 questions regarding the item Organizational Commitment affection, 3 questions regarding the items, and 3 continuous Organizational Commitment item Organizational Commitment normative question of which has been modified. To measure each respondent's answer on Organizational Commitment variables used 5-point Likert scale of measurement.

b. Leadership style (X2)

Measurement of Leadership Style variable in this study was measured with an instrument developed by Gibson (1996) and adopted from Sri Trisnaningsih (2007) in Larasati (2012). Dimensions contained in this research that attitudes and behaviors, directive, and measure their competence . For individual respondents on variables measuring leadership style used 5-point Likert scale that has been modified.

c. Budget Participation (X3)

Measurement variables Budget Participation in this study was measured with an instrument developed by Milani (1975) in Sumarno (2005). Dimension contained

the budget. Each respondent was asked to answer six of the questions by selecting one of the four-point Likert scale that has been modified. Low scores (points 1) shows low participation, whereas a high score (5 points) showed high participation.

2. Endogenous variable (Y)

Managerial Performance (Y)

Managerial Performance Measurement variables in this study were measured using a self-rating instrument developed by Mahoney et al (1963) in Sumarno (2005). Instruments measured with a Likert scale with a range of 1 to 5 scale 1 and 2 show the performance of the weak performance, the performance scale 3 shows the good performance and the performance scale 4 and 5 show that satisfactory performance has been modified.

Population in this research is the Defense Education and Training Board of Ministry of Defence of RI. While samples taken in this study is that the leadership echelon positions II, III, IV and V level head / chair / director, section chief and head of sub-section (Head) / chief sub-areas (Sub Head).

4. Technique Analysis and Testing Hypotheses

In conducting the analysis and hypothesis testing, the procedure is done by using path analysis or path analysis.

As for the stages to test path analysis are as follows:

1. Formulating hypotheses

- 1) Organizational Commitment and Leadership Style has significant effect on the Budget Participation.
- 2) Organizational Commitment, Leadership Style and Budget Participation simultaneously has significant effect on Managerial Performance.

2. Determine the structural equation

Based on the hypothesis then made two structural equation regression equation suggests the hypothesized relationship.

a. Equation 1 sub structure is as follows:

$$X_3 = \beta_{31} X_1 + \beta_{32} X_2 + e_1$$

b. Equation 2 sub structure is as follows:

$$Y = \beta_{y1} X_1 + \beta_{y2} X_2 + \beta_{y3} X_3 + e_2$$

where:

X_1 = Organizational Commitment

X2 = Leadership Style

X3 = Participation Budget

Y = Managerial Performance

e = coefficient of residual

p = coefficient of line

5. Results and Discussion

The Distribution and The Submission Questionnaire Respondents

Questionnaire distributed to the leadership echelon positions II, III, IV and V on Jemenham Badiklat MoD Training Center on June 26, 2013. Of the 120 questionnaires distributed, 102 questionnaires were returned and 18 questionnaires were not returned. The rate of submission (response rate) obtained was 85% while the remaining 15% did not return.

Data Analysis and Hypothesis Testing

a. Testing Sub-structure I

The testing sub-structure I examines the influence of variables Organizational Commitment and Leadership Style on Budget Participation.

According to the table shows that the rate of 2.048 calculated F then compared with the F table value of 3.09 (5%, 3 (df1 = 4-1), 98 (DF2 = 102-4) to produce $2.048 < 3.09$ and significance of numbers $0.134 > 0.05$. then Ho1 is accepted and Ha1 is rejected, so it can be concluded that there is no significant effect between Organizational Commitment and Leadership Styles together (simultaneously) on Budget Participation.

b. Testing Sub-Structure II

Using the figure of significance level < 0.05 . According to the table shows that the rate of 8.972 calculated F then compared with the F table at 3.09 (5%, 3 (df1 = 4-1), 98 (DF2 = 102-4) to produce $8.972 > 3.09$ and the significance of the numbers $0.000 < 0.05$. then Ho1 was rejected and Ha1 accepted, so it can be concluded that there is significant influence between Organizational Commitment, Leadership Style and Budget Participation simultaneously on Managerial Performance. Individuals or partial test (t test) Organizational Commitment has concluded that no significant effect on Managerial Performance. Leadership Styles unknown variable rate of 2.961 t then compared with the t table is 1.984 (df = 102-2) to produce $2.961 > 1.984$ and the significance rate of $0.004 < 0.05$. Thus Ho5 rejected and HA5 accepted. It can be concluded that leadership style has a significant influence on Managerial Performance. Further variables Budget Participation known figure of 2,232 t and then compared with a table of 1,984 t (df =

102-2) to produce $2.232 > 1.660$ and the significance rate of $0.028 < 0.05$. Thus H_0 rejected and H_A accepted. It can be concluded that the Budget Participation has a significant influence on Managerial Performance.

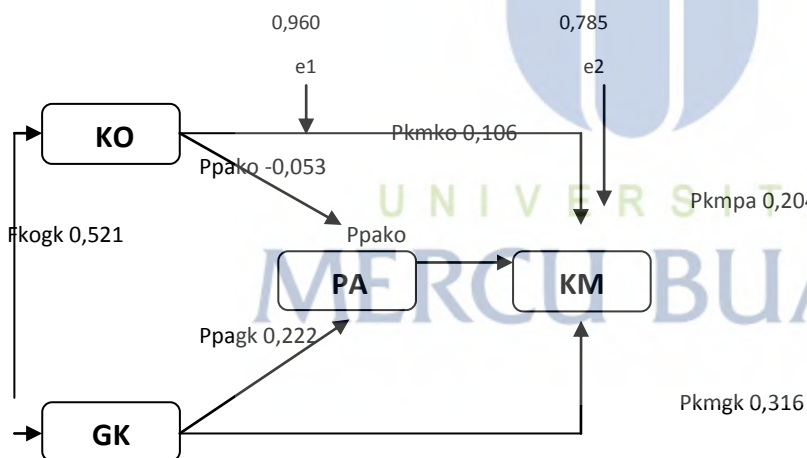
Table 1. Matriks Interpretasi Koefisien Jalur

Variable	Direct Effect	Indirect Effect	Total Effect
Ppako	-0,053	-0,010812	0,151
Ppagk	0,222	0,045288	0,426
Pkmko	0,106	-	-
Pkmgk	0,316	-	-
Pkmpa	0,204	-	-

Source : Primary Data analyzed, 2013

Creating Path Diagram

After the calculations for all paths influences are completed, then making of the path diagram to path analysis model of mediation as a whole as follows:



Sub Struktur I dan II

6. Discussion

Based on the results of the overall analysis (simultaneously) has been done for the sub structure I, noted that the variable Organizational Commitment and Leadership Styles altogether have no significant effect on the Budget Participation. This shows that the application of Organizational Commitment and Leadership Style on the organization can not improve managerial performance. This result is in line with research Sutapa and Soni (2010).

While the results of the overall analysis of the sub-structure II, noted that the variables of Organizational Commitment, Leadership Style and Budget Participation jointly have a significant effect on Managerial Performance. This means that managerial performance can be improved if an employee has a good commitment to the organization where he works and style of a leader in an organization that can give direction well and make a success of the organization as well as the budget well imposed. This result is in line with the Hima and Diversity (2010).

Based on the test results in partial commitment to the Organization Budget Participation, it can be seen that the variable Organizational Commitment has no significant influence on the Budget Participation . The calculations show that the variable Organizational commitment has a negative coefficient of -0.053 with a significance rate of $0.644 > 0.05$, which means that the first hypothesis which states that the Organizational Commitment Budget Participation has significant influence, is rejected . In this study Organizational Commitment has no significant influence negatively to Budget participation, so that in the less commitment to the organization has been unable to provide sufficient budget for the organization . The results are consistent with research Faizzah and Mildawati (2007) and Sutapa and Soni (2010) who can not prove the existence of the effect of variable Organizational Commitment to variable Budget Participation , while inconsistent with research Sumarno (2005) and Himawan and Ika (2010) , which proves that there is an influence of variable Organizational Commitment on the Budget Participation variable

Limitation of The Study

In this study it was realized that there are some limitations that may affect the results of this research, several limitations of this study include:

1. This study only uses a survey method with questionnaire, so that researchers can not anticipate the origin of the respondents answered the questionnaire.
2. This research is conducted only limited to the variable Organizational Commitment, Leadership Style, Budget Participation and Managerial Performance course. Further research is expected to expand and develop the variables in order to improve Managerial performance, because there are many other variables that influence managerial performance.
3. Correspondents taken in this study is limited to the Defence Education and Training Agency MOD that it may allow differences in results and conclusions when the studies conducted in different research objects.

7. Conclusion

This study aims to provide empirical evidence that the Organizational Commitment and Leadership Styles has an influence on Managerial Performance through Budget Participation. Based on the research results, it can be concluded as follows:

1. In the first sub-structure, proving that the Leadership Style and Organizational Commitment jointly insignificant effect on the Budget Participation. While the results of the overall analysis of the sub-structure II, it is known that the Organizational Commitment, Leadership Style and Budget Participation jointly have a significant effect on Managerial Performance.
2. Partially, the variable of organizational commitment has no significant influence the Budget Participation. Positive path coefficient implies that the variable of Organizational Commitment Budget has negative influence on participation.
3. Partially, the variable of Leadership Style does not affect significantly on Budget Participation. Positive path coefficient implies that the variable Leadership Styles has positive influence on Budget Participation.
4. Partially, Organizational Commitment variable has no significant influence on Managerial Performance. Positive path coefficient implies that the variable has a positive effect on Organizational Commitment Managerial Performance.
5. Partially, Leadership Style variables have a significant influence on Managerial Performance. Positive path coefficient implies that the variable Leadership Styles has positive influence on Managerial Performance.
6. Partially, Budget Participation variable has a significant effect on Managerial Performance. Positive path coefficient implies that the variable has a positive effect on the Budget Participation Managerial Performance.
7. Budget Participation variables can not be intervening variables influencing Organizational Commitment and Leadership Style on Managerial Performance

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The Influence of Political Economy Factors on Mass Media Content

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Keywords: Influence, Political, Economy, Media

Abstract

The idea of political-economic theory focuses primarily on the relation between the economic structure and dynamics of media industries. From this perspective, the mass media have to be considered as part of economic system, with close relation to the political system. Some media theorists portrayed mass media as operating under pressure from internal factors and various external power roles. This article discusses the forces at work within media organizations, the external influences upon their activity and the influence of particular organization features on what they produce and disseminate. This article examines the political economy factors that affect media content. Mass media were under pressure from various external 'power roles', including clients, competitors, authorities, experts, other institutions and the audience.

1. Introduction

The idea of political-economic theory focuses primarily on the relation between the economic structure and dynamics of media industries and the ideological content of media. This socially critical approach directs its research attention to the empirical analysis of the structure of ownership and control of media and to how media market forces operate. From this perspective, the mass media have to be considered as part of economic system, with close relation to the political system.

Mosco (1996:25) thinks about political economy as the study of *–thesocial relations, particularly the power relations that mutually constitute the production, distribution, and consumption of resources.*” From this vantage point, the product of communication, such as newspapers, books, videos, films, and audiences, are the primary resources. This formulation has a certain heuristic value because it calls attention to fundamental forces and processes at work in the marketplace. It emphasizes the institutional circuit of communication products that links, for example, a chain of primary producers to wholesalers, retailers, and consumers, whose purchases, rentals, and attention are fed back into new processes of production. Moreover, political economy tends to concentrate on a specific set of social relations organized around power or the ability to control other people, processes, and things, even in the face of resistance (Mosco, 1996:25).

According to Murdock and Golding (1977:37), the effect economic forces in mass media are not random, but

work consistently to exclude those voices lacking economic power or resources.... the underlying logic of cost operates systematically, consolidating the position of groups already established in the main mass-media markets and excluding those groups who lack the capital base required for successful entry. Thus the voices which survive will largely belong to those least likely to criticize the prevailing distribution of wealth and power. Conversely, those most likely to challenge these arrangements are unable to publicize their dissent or opposition because they cannot command resources needed for effective communication to a broad audience.¹³

Some media theorists including Golding and Murdock (2000), McQuail (2000), Shoemaker and Reese (1991) and Gerbner (1969) portrayed mass communicators as operating under pressure from internal factors and various external 'power roles', including owners, clients (such as advertisers), competitors (other media in the main), authorities (especially legal and political), audience, politicians, and other institutions.

Commercial mass media depend a great deal on advertising, and this dependence on advertising is backed up by a strong orientation toward market, which dominates media institutional values. It means that the interests of the media companies are similar to the interests of other kinds of business. Media institutions treat their product like any other commodities underpinning the view that media goods come to be treated like any other commercial products, and if media products are manifestations of culture, then that culture becomes a bunch of commodities, where the media are concerned (Burton, 2005).

Grossberget *al.* (1998) make a useful general description of how media make sales and derive income via the following sources:¹⁴

- direct purchase of the commodity – e.g. the cost of the magazine
- a charge for access to the point of distribution or display – e.g. box office charge at the movie theatre, or the Internet provider charge
- indirect financial support, though the commodity is free at the point of sale – e.g. commercial television
- indirect financial support, plus a cover cost – e.g. advertising in newspapers.

¹³Murdock, Graham and Peter Golding (1977). 'Capitalism, Communication and Class Relations.' Pp. 12–43 in *Mass Communication and Society*, edited by J. Curran, M. Gurevitch and J. Woolcott. London: Edward Arnold in Denis McQuail (2000), *Mass Communication Theory*, 4th Edition, Sage. p 82.

¹⁴Grossberg, L., et.al. (1998). *Media making: Mass media in a popular cultures*. Thousand Oakes, London & New Delhi: Sage in Graeme Burton (2005). *Media and Society: Critical Perspectives*. McGraw-Hill., p54

Commercial mass media depend a great deal on advertising, and this dependence on advertising is backed up by a strong orientation toward market, which dominates media institutional values. It means that the interests of the media companies are similar to the interests of other kinds of business. Media institutions treat their product like any other commodities underpinning the view that media goods come to be treated like any other commercial products, and if media products are manifestations of culture, then that culture becomes a bunch of commodities, where the media are concerned (Burton, 2005).

The discussion of this article will use frameworks and perspectives taken from several communication theorists with regard to an important topic namely political economy factors of communication affecting media content..

2. The Political Economy Factors

According to McQuail (2000), the media organization, where media content is made, is an essential link in the process of mediation by which society addresses itself. In this regard, structural features of media organization such as size, forms of ownership and media industrial function can be seen as having direct consequences for the conduct of particular media organization. McQuail refers conduct to all the systematic activities that in turn affect performance, in the sense of the type and relative amount of media content produced and offered to audiences. According to this model, we need to look not only at internal features of media organizations but also at their relations with other organizations and with the wider society.

This article looks at the forces at work within media organizations, the external influences upon their activity and the influence of particular organization features on what they produce and disseminate. McQuail said, the theories, which have been formulated based on research into media organizations, have been consistent. They support the view that organizational routines, practices and goals systematically and distinctively influence content.

The questions about the degree of freedom media organization possesses in relation to the wider society, and how much freedom is possible within the organization and media-organizational routines and procedures for selecting and processing content lead to consideration of the tension. The following oppositions reflect the tension at the heart of media-making: 1) constraint versus autonomy; 2) routine production versus creativity; 3) commerce versus art and ; 4) profit versus social purpose (McQuail, 2000)

The broad range of issues, which arise, can be appreciated when one takes an overview of theoretical perspectives organized around the question of influence on media content, as posed by Shoemaker and Reese (1991) who suggest five main hypotheses:

- 1) content reflects social reality (mass media as mirror of society);
- 2) content is influenced by media workers' socialization and attitudes (a communicator-centered approach).
- 3) content is influenced by media-organizational routines;
- 4) content is influenced by social institution and forces;
- 5) content is a function of ideological positions and maintains the status quo (the hegemonic approach)

McQuail identify five main kinds of relationship, which need to be examined in order to gain some understanding of the conditions affecting media organizational activity and the mass communicator role:

- 1) relationship with society
- 2) relationship with owners, clients and suppliers
- 3) relationship with pressure groups
- 4) relationship with internal organization
- 5) relationship with audience

A number of different relationships within and across the boundaries of media organization must be taken into account in any theoretical account of media organizations and occupations. These relationships are often active negotiations and exchanges and sometimes conflicts, latent or actual.¹⁵

Gerbner (1969) portrayed mass communicators as operating under pressure from various external 'power roles', including clients (such as advertisers), competitors (other media in the main), authorities (especially legal and political), experts, other institutions and the audience.

According to Pringle and Starr (2005:102), all broadcast station content (programs) is determined by four influences: audience, broadcaster, advertiser and regulator.¹⁶

The audience, which seeks out a station for its programs. Listeners or viewers may be exposed to other content, such as commercials and public service and promotional announcements, but their principal goals to hear or view program content that satisfies their need at a particular time. Programs that fail to attract listeners or viewers, or fail to satisfy their needs, are imperiled. So are the financial fortunes of the station.

The broadcaster, who is responsible for operating the station profitably for its owners. The greater the audience, the greater the likelihood that a profit can be realized. Accordingly, the

¹⁵McQuail (2000).*Mass Communication Theory*.Ibid

¹⁶ Peter K Pringle and Michael F Starr (2005), *Electronic Media Management*, Fifth Edition, Focal Press, p. 102

broadcaster selects and schedules programs to attract as many people as possible among the targeted audience.

The advertiser, whose principal interest in using a radio or television is to bring a product or service to the attention of those most likely to use it. Programs that attract potential customers stand the best chance of attracting advertising revenues, especially if the number of people is large and the cost of delivering the commercial to them is competitive.

The regulator, or government and its agencies. Its goal is to ensure that the station is operated in a way that serves the public interest. The regulator take actions aimed at compelling or encouraging broadcasters to engage in certain programming practices to satisfy that goal.

J. David Lewis used responses from 301 stations in the United States to determine influences in television station programming. He developed eight categories, in no particular order of priority.¹⁷

- Direct feedback from the audience, including letters, telephone calls, and conversations.
- Regulatory, or rules and standards of practice, such as commitments to the FCC, its rules and regulations, and the station's own policy statement
- Inferential feedback, or ratings
- Conditional, a mix of factors including comments of critics and opinions of friends outside the station
- Production staff, the opinions of station personnel with production responsibilities
- Personal or subjective judgment, including instinct, common sense, and knowledge of the community
- Financial, or factors related to the station's income and expenditures, such as sales potential, sales manager's opinion, and cost
- Tactical, that is, methods of program planning, the arrangement of the schedule, and viewing trends.

Commercial radio and television stations air thousands of hours of programs each year. Individual programs may be produced by the stations itself or obtained from another source. They may be designed chiefly to entertain, inform, or educate. Pringle and Starr (2005:102) write about these influences:

—Much is said and written about broadcast programming. However, it would be unwise to identify any one influence for praise or condemnation. The programming

¹⁷ J. David Lewis, *Programmer's Choice: Eight Factors in Program Decision-Making*, *Journal of Broadcasting*, 14:1 (Winter 1969-1970), pp 74 – 75 in Peter K Pringle and Michael F Starr (2005), *Electronic Media Management*, Fifth Edition, Focal Press, p. 102

we hear and see results from the interaction of all four forces.” (Pringle and Starr, 2005:102)

This article examines the political economy factors that affect content as mentioned earlier by the communication theorists. However, the discussion focuses on five factors considered the most influential in shaping television content: media owners, advertisers, audience, government and politician. The five factors are widely discussed in various media literature, and reviews with regard to the five variables.

3. Conclusion

The mass media have to be considered as part of economic system, with close relation to the political system. Mass media can be portrayed as operating under pressure from internal factors and various external power roles.

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Determination of the Disclosure Quality and Implication Toward the System Accrual on Financial Reporting Public Sector in Indonesia

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ABSTRACT

Short term goals to be achieved by the private sector and the public sector in doing business is the profit as possible but with the profit or surplus output of the sector financial statements is not enough because there are still components of other financial reports required by the stakeholder or shareholder that is qualified for the disclosure of the information presented in the financial statements. Plan changes to accounting system of cash into the system in the public sector accrual is an increased financial accountability in the public sector, why is this necessary since proved a few years in the last decade, the results of the audit opinion of Board of Financial Inspector Republic of Indonesia does not state an opinion (disclaimer). In addition the Government effort was the expansion of the scope of the representation, it is in line with the principle of representation of financial reporting which is full disclosure.

On some previous research use the annual report governance more broadly examine the disclosure level or as research Zimmerman (1977), Baron (1978), Copeland, Ingram, and Magann (1981), and Ingram (1984). This study empirically examines the quality of financial reporting and disclosure implications for accrual system in the public sector seen from good government governance, financial performance and the income per capita in the public sector. In progress Central Government financial reports stated that the report can provide information from the results of Indonesia's financial reform and presented to the principal accounting and its users in order to find out the progress of the country as a financial management professional. The report is expected to improve understanding of financial accounting of the public sector also enhances public awareness and participant in producing Good Government Governance.

Based on act number 15 / 2004 about the examination and financial management of the country one determinant opinion from The Audit Board of Republic Indonesia (BPK RI) is adequacy disclosure in a financial statement that is served and supported research Robbin and Austin (1986) indicating quality disclosure is needed on public sector and must always be improved as transparency and accountability the financial report of the country.

Considering in Indonesia system cash toward accrual will be turned into full accrual as an accompaniment to accountability the state of being tried to better, according to statistics in a report of ministry of finance or institutions with the results of an unqualified audit opinion produced by the Audit Board since the

2007 to 2009, shows that figure significantly higher. Likewise to local government financial report 2007 until 2009, showing increased unqualified audit opinion. To support the object of this research was then used the selection samples with the methods purposive sampling to the whole district in the Island of Java the period of 2010 with cross section.

The selection of samples in Java because the economy was quite dynamic and has a higher population in Indonesia. For these reasons, the selection with income per capita being variable in research is supported with research results from Robbin and Austin (1986) that affect income per capita significantly to the quality of the disclosure. Good financial performance variables will yield the quality of disclosure in order to get a Reasonable audit opinions qualified. Good Government also support disclosure quality Governance as the image of the State financial management professionals and a full mandate.

Keywords: *quality of disclosure, income per capita, good government governance, financial performance*

1. INTRODUCTION

On some previous research have examine extent disclosure financial reporting in governmental likes as Zimmerman (1997), Baron (1978), Copeland, Ingram and Magann (1981), and Ingram (1984). The Difference with this paper, it is to examine determinants of quality disclosure in public sector and implicated to accrual system which it will to applied in Indonesia

Accounting is tool to extend accountability and transparency of financial reporting, especially in this paper is in public sector which transparency is required of disclosure of governmental financial reporting. With the result that accountability can be running because disclosure is integrated component in financial reporting.

Based on UU No. 15 Year 2004 about Audited and Execute of State Financial, that one of determining of opinion BPK is adequate disclosure in dishing financial report, this statement such as Robbin and Austin (1986) were showed that surely needed at public sector and it will always enhanced as responsibility for financial reporting to indicate of reconcile of dishing of financial reporting with public accounting standard statement (PSAP) which behave at financial report of country.

Table 1. The Growth of Auditor's Opinion of LKPD 2007 - 2009

LKPD	OPINI								JUMLAH
	WTP	%	WDP	%	TW	%	TMP	%	
Tahun 2007	4	1%	283	60%	59	13%	123 ¹	26%	469
Tahun 2008	12	3%	324	67%	31	6%	116 ¹	24%	483
Tahun 2009	14	4%	259	74%	30	9%	45	13%	348**

On Table 1. LKPD 2007 until 2009 showed increasing of opinion The Audit Board is Qualified. Its result is indicate that of dishing of financial reporting matching with theorems of accounting

of public sector and awareness of responsibility to public ever is good in regional financial reporting.

Sample in this paper takes from all districts or municipalities (area headed by a bupati) in Island of Java. Island of Java is one of big island in Indonesia became centre of Indonesian as making a living. Spinning wheel of economy in java has been moving on because it needed of labor and other economics necessity more and more increasing. Based on data of Masterplan of Fast of Extending developing of economic Indonesia (MP3i) said "around 60% the economics existing in Java". With the result that Java is national central economic

Citizen in Java island more than other islands in Indonesia and amount of citizen is one of element for calculating income percapita. So, income percapita has been indicating average revenue in a regional.

Spinning wheel of economy and increasing of citizen have became Java as mirror of all citizen living. Then, It is not surprising if each financial reporting in all districts should be done to full disclosure and quality disclosure. Robin & Austin (1989) also showed the result that revenue per capita and surplus per capita associated positive with quality disclosure in public sector for fairness of audit's opinion. With the theory, phenomenon and previously research above, the hypothesis is:

H1: the higher of income per capita has possibility better quality disclosure in regional government.

The one of element in developing of regional is source of fund receipt in local revenue (PAD). It's based on section 79 UU No. 22 Year 1999, indicating that regional governmental should be focused on ability to managing of PAD. Then, positively growth of local revenue is indicate performance regional financing. Thus, bigger of PAD became more disclosure in financial reporting which accountable and transparency. With matching of record-keeping public sector accounting to get a good opinion from auditor.

H2: The regional governmental performance has possibility better quality disclosure in regional government

Switch from income per capita and local revenue, good government governance is one of element of responsibility to public. Bushman's research (2004), that transparency (element of good government governance) associated in entity financial reporting became better. With enhance of quality disclosure in financial reporting kept nearly better opinion from auditor.

Difference with Healy and Palepu (2001), Leftwich (1980) and Watt'n Zimmerman (1986), they were explained that required minimum disclosure can be deduct information gap and accounting information can make free rider problem. Dye (1989) and Adamat and Pflleiderer (2000) explained that disclosure generate negative information. Thus, reporting of disclosure will be less

miss information to keep fairness of auditor's opinion and because existing UU No.15/2004 about Audited and Execute of State Financial, disclosure is one of its element. Thus, good government governance has including in transparency and accountability in reporting of auditor's opinion.

H3: Good government governance has possibility better quality disclosure in regional government

2. METHOD

In conducting data analysis and hypothesis testing, data processing is done either manually or computerized programs that implement Microsoft Excel and SPSS (Statistical Product and Service Solution). Methods of analysis used in this research is descriptive statistical tests and hypothesis testing using logistic regression. Logistic regression model used in this study to test the hypothesis.

2.1. Sampling Process

The sample in this study are districts around the island of Java, where Java consists of 6 (six) province so that the total provincial districts are 118 (one hundred and eighteen) region consisting of the districts and cities, but only 85 districts and cities that have corresponding data completeness sample criteria, namely, having a data source revenue (PAD), presented information Gross Domestic Income (GDP) Over Constant Price (OCP), Report of the audit board opinions. There is also the data used in this study in the form of secondary data that Local Government Finance Report (LKPD) that has been audited by the audit board (BPK) for 2010. Data obtained from the Center for Information and Communication (PIK) BPK RI addressable Jl. Gatot Subroto Jakarta.

Table 1. The composition of the City and Districts in Java

#	Province	District	City	Total
1	Banten	4	4	8
2	West Java	17	9	26
3	Central Java	29	6	35
4	East Java	29	9	38
5	Special Region of Yogyakarta	4	1	5
6	Capital Region of Jakarta	1	5	6
			<i>Total</i>	<i>118</i>

Table 2. Sample Selection Process

	Σ	%
The total number of districts and cities in Java	118	100
-/- District and Cities data is unavailable	(6)	5
-/- GDP OCP data is unavailable	(25)	22
-/- Available data but error	(4)	3
Total Sample	83	70

2.2. Research Variables

a Income Per Capita (ICP)

Per capita income represents a purchasing power, especially the power to make the product revenue in a particular area. With per capita income growing economy indicates growth in certain areas so that the transparency was increased in the area of financial reporting is full disclosure as a good result has been achieved and showed satisfaction.

Measurement of this variable using the data presented in GDP OCP in the notes to the financial statements of LKPD. These data are presented in LKPD as an idea of how the purchasing power in the region.

b Performance (Pf)

One source of funding is local revenue (PAD). PAD Fund is a major source of regional development. The results of this development will demonstrate the performance of local government.

Measurement of this variable is to calculate the revenue growth (growth)

c Good government governance (3G)

Governance in this case concerning aspects of how the organization of the government accounting system. This system is a systematic set of procedures, organizer, tools, and other elements to realize the accounting functions from transaction analysis to financial reporting within government organizations.

Measurement of this variable by how much the number of words in a descriptive paragraph audit opinion. The more the number of words in an explanatory paragraph indicating governance in the accounting system is still weak. This is a dummy variable which will be assigned the value of 1 if there is no audit opinion the explanatory paragraph (LKPD get opinions WTP), and 0 if otherwise.

d Disclosure Quality (Qd)

Transparency and accountability are an element LKPD disclosure. Disclosure quality caused obtained unqualified opinions on financial statements.

Based conducted by Robin & Austin (1986), the measurements in this study using the disclosure quality audit opinion on LKPD. This is a dummy variable, value 1 if the audit opinion is fair with Explanatory Paragraph / unqualified, and 0 if otherwise.

2.3. Data Analysis Techniques

Data analysis in this study using logistic regression. Logistic regression was used as the dependent variable in this study is categorical / dichotomous ie 1 (if LKPD receive unqualified opinions or Unqualified with Explanatory Paragraph) and 0 (if LKPD get opinions disclaimer). The topics of the prediction of an event or decision-making relevant use this logit model (Stone and Rasp, 1991). The model in this study are:

$$\text{Ln} \frac{Qd}{1-Qd} = \alpha_{it} + \beta_1 IPC_{it} + \beta_2 Pf_{it} + \beta_3 3G_{it} + \varepsilon_{it}$$

Legend :

Qd	: Disclosure Quality
IPC	: Income Per Capita
Pf	: Performance
3G	: <i>Good Government Governance</i>
e	: error term
it	: time of data and districts in observation

3. DISCUSSION

In the following sections will be presented the data analysis and discussion of the results of empirical testing how the possibility of disclosure quality of local government will be influenced by per capita income, revenue growth, and the implementation of good governance government

3.1. Data Analysis

Statistics descriptive (table 3) served on paragraphs this shows average presentation of quality disclosure by 83 sample on observation in 2010 worth 0.95, growth local revenue overall local government in Java show average of 1.03E10 proportional to the average income per capita namely 2.88E10 while for good government governance having an average 0.04 with deviation value of 0,188

Table 3. Descriptive Statistics

Variable	Mean	Std. Deviation	N
Qd	.95	.215	83
Pf	1.03E10	15.1196488	83
IPC	2.88E10	2.2170606	83
3G	.04	.188	83

Collinearity Test

Model		Collinearity Statistics	
		Tolerance	VIF
1	(Constant)		
	Pf	.993	1.007
	IPC	.967	1.034
	3G	.971	1.030

From the output above (table 4), there is a Coefficient in a column, it can be noted that VIF for the three variables growth performance, income per capita and Good Government Governance less than 5, so it can be inferred that the regression models not found problems multicollinearity.

3.2. Discussion

The discussion of testing is done by comparing a value between -2 log likelihood (-2LL) at the beginning of (Block Number = 0) with a value of -2 likelihood (-2LL) at the end (Block Number = 1). Any reduction in value between -2LL beginnings (initial -2LL function) with a value of -2LL in the next step (-2LL end) show that the hypothesized model fit to the data (Ghozali, 2009: 268). Log Likelihood in the logistic regression is similar to the notion of "sum square error" on regression model of log Likelihood decline shows that the model regression is getting better. Showing a comparison between the value of the initial block with the -2LL 2LL block end. From the results of the calculation of the value of -2LL values for the initial blocks appear that (Block Number = 0) and the value -2LL 32.064 at end of block (Block Number = 1) decreased with the results being 31,586 can be concluded that the second regression models better.

Table 5. Data analysis

Description	Coefficient
Constant	4,871
IPC	-0,072
Pf	0,016
3G	18,588
Chie -Squere	6,128
-2LogL	31,586
Nagelkerke R ²	0,018
Sig Hosmer and LewesLow Test	0,633
Percent correct	95,2 %

Based on table 5 shows the result that simultaneously the financial performance of district, income per capita, good government governance the possibility of the quality of the disclosure of governments are getting better it is seen from the chi-square of 6,128. To a significant degree of just under 5 % .

$$\text{Ln } \frac{Dq}{1-Dq} = 4,87 + 0,02 \text{ Pf} - 0,07 \text{ IPC} + 18,55 \text{ 3G}$$

On the model summary Nagelkerke R2 values stated that it is likely the quality of disclosure 0,018 better, it can be explained by the financial performance, income per capita and good government governance of income per capita of 1.8% .

The income per capita of municipalities in Java, indicated by gross Regional domestic Income with Constant Prices have negative relationships that means GDP in sample values domination over in the district in which the value of GDP is lower than the county town and as a result the quality of disclosure and the region in providing accounting information is not maximal. The results of this study differs from the research of Robin and Austin (1986) this difference lies in the number of words contained in the disclosure items that used local governance but in this study using multiple words as a result of the auditor's examination that the auditor opinion given so the fewer words given by the auditor in the audit opinion then the granting of the area under the conditions of Good Government Governance (3G) updates that have an impact on the accounting information presented local governments are increasingly qualified.

The financial performance of local government across Java Island indicate the possibility of a positive impact on the quality of disclosure means that changes to the Original impact Area Revenue growth to WordWrap the audit opinion by the auditor which is getting better because of the condition of the financial management of income deriving from native made a public confidence in the area that local governments are committed to manage his income correctly.

In the tabulation of the data like the graph on attachment the province, which received an unqualified audit opinion from The Audit Board in domination Banten provincial government while to be seem with a sentence explanatory in domination province of central Java in the reporting audient 2010 support bureaucratic reform programs on all fronts local governments as mentioned (Hyndman and Conolly, 2011) that the implementation of new public management (NPM) within the scope of information if in 2008 answer government accounting will form of government has to change systems of accounting cash toward accrual because without an accounting system NPM accrual the implementation of this would weaken the financial performance of local governments.

Australia and New Zealand in the 1980s has experience in changing the accounting system turns out to be successful NPM is applied when the Central Government and local governments support the accrual system was strengthened by the results of research (Likierman, 2003). Accrual-based accounting system makes the presentation more transparent accounting and information is influential to the capital costs and expenses recognized by local governments if the option remains based on cash-based there is significant bias towards the recognition of investment capital, although the debate between the cash or accrual-based continued on the financial accounting system but as a wise choice for management to disclose information accounting accrual option is better.

4. CONCLUSION

Municipalities and regencies in Java who became samples in research is expected show role readiness by all regional government in Java as a barometer in support system change cash toward accrual system so bureaucratic reform and application of new public management (NPM) like countries to have first apply impact to regional financial management the more transparent, accountable and positive impact to development in all fields. Overall model this research associated with data have filled model fit, it means the financial management performance region, income per capita and good government governance having probability to a positive quality of the disclosure only to income per capita possible to do less than another variable. Limitation of this research is on the number of samples so that in the next research can use samples whole district in Indonesia.

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Parallel Session B2: Green Economy and Business



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**ANALYSIS QoS (QUALITY OF SERVICE) IP MULTIMEDIA
SUBSYSTEM (IMS) THE INTERNET PROTOCOL TELEVISION (IPTV)
SERVICES WITH WIRELESS LAN ACCESS NETWORK IN PT
IFORTE**

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Abstract

The first problem IPTV service IFORTE like to send streaming video without going through the IMS server. QoS IPTV service requires excellent communication due to real-time data, so dibuuhtkan a technology to improve the QoS. IMS provides the architecture that is able to simplify and speed up service creation and activation processes and administrative services (provisioning), while still supporting the existing services of the network. Before using IMS IPTV services to the value of QoS is still bad, it can be seen from the results of experiments that I carried out in this thesis. Because IMS able to simplify and speed up service creation and activation processes and administrative services (provisioning). The methodology used laboratory research. In this final task designed and analyzed of internet protocol television (IPTV) service on IP Multimedia Subsystem with wireless access LAN. From this implementation then analyze from Quality of Service (QoS) aspect with delay, packet loss and jitter. The purpose designed IPTV at IP Multimedia Subsystem network to improve QoS. The analysis doing based on result of the test television transmission from server to client with some variant bit rate, distance and background traffic. In this final task, also test the performance of server with looking CPU Utilization. From the result of test and analysis for example interarrival delay on background traffic scenarios using 35 Mbps at a distance of 80 m and the bitrate 1024 with 12.7653 ms obtained using IMS and IMS obtained without the use of 28.2205 ms. The results obtained are still below the maximum limit of a standardized ITU-T, it is concluded this system to function properly. So the IMS network can be used on PT IFORTE.

Keyword : *IMS, Internet Protocol Television, Wireless Lan Internet Protocol, QOS, delay, Packet Loss, Background Traffic, Bitrate Jitter, CPU Utilization.*

1. INTRODUCTION

Nowadays there are several initiatives and research studies proposing a general architecture to stream TV using the TCP/IP protocols (IPTV). As the applicability of IP multicast in the current Internet presents several challenges, such as address management, security, support of heterogeneous receivers and charging, other proposals are gaining support for content distribution to multiple users. One of these alternatives is the use of Peer-to-Peer (P2P) techniques to distribute content, by means of an overlay network formed by end user equipment. One of the challenges with this technique in the current Internet is how to distribute a real-time flow over a best-effort network: although there are very efficient ways to construct the overlay and to exchange packets between end nodes, packets can be delayed or lost. In order to guarantee an acceptable Quality of Service (QoS), some improvements are necessary to the Internet. In this context, standardization bodies like 3GPP and ETSI (TISPAN working group) are working to propose a complete architectural framework for Next Generation Networks (NGNs), capable of providing QoS to end-users. NGNs are centered around the IP Multimedia Subsystem (IMS), which provides access and session control for all-IP services. Initially developed by 3GPP for UMTS cellular networks, currently 3GPP is working together with ETSI-TISPAN to extend the specification for any type of access technology.

Along with the development of information technology and IP base telecommunication particular development application, providing useful solutions to broadcasters in the world and in Indonesia in particular. A lot of things we can get from the function of internet protocol, start from sending news items via the internet, broadcast live moving video streaming, monitoring transmitter area with video streaming to IPTV.

2. THE CONCEPT OF IMS TECHNOLOGY

IMS is a network that arise with the presence of softswitch technology that preceded the beginning of the concept of NGN networks. The basic principle is to integrate IMS network between wireless and wireline

technologies with a range of services that can be handled, including voice services and a wide range of data services. The principle of this technology is emerging session set for each service.

Basically, the IMS network is a network layer for packet switched network and the existing circuit switched, which has the ability to include:

- Support for IP-based interactive multimedia to support Quality of Service (QoS).
- Signaling or its signaling based on the protocol of the IETF (Internet Engineering Task Force), such as Session Initiation Protocol.
- Can be a backbone, core, or access.
- Can be integrated with the Public Switch Telephone Network (PSTN), the Public Land Mobile Network (PLMN), and data networks.

2.1 The Architecture Of IMS Network

IMS architecture is the architecture that supports a wide range made possible by the flexibility of the SIP protocol is used on the network. IMS architecture can support multiple application servers provide traditional telephone service (POTS / PSTN) and non-telephony services such as instant messaging, push to talk, multimedia messaging, video streaming, and more.

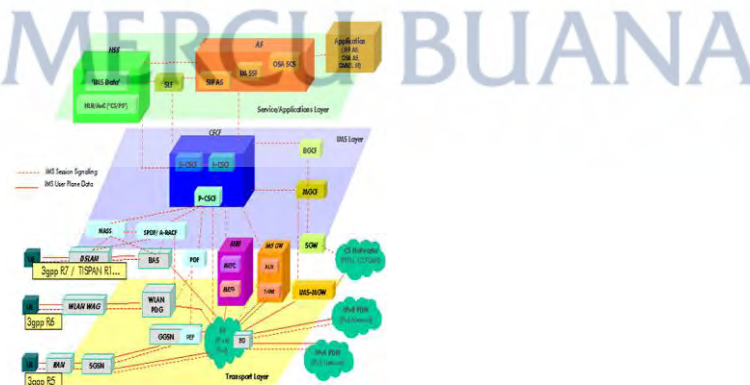


Figure 2. 3GPP / TISPAN IMS Architecture

2.2 IPTV (Internet Protocol Television)

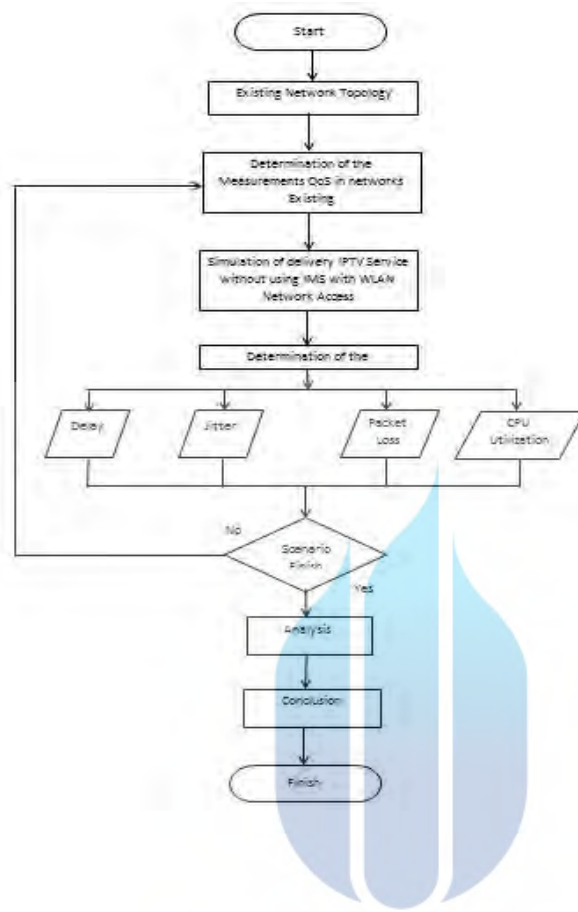
IPTV (Internet Protocol Television) is a system where a digital television service is delivered using Internet Protocol over a network infrastructure, which may include delivery by a broadband connection. A general definition of IPTV is television content that, instead of being delivered through traditional broadcast and cable formats, is received by the viewer through the technologies used for computer networks. IPTV is usually delivered over low cost IP Set Top Boxes designed and developed for a very particular application: the demodulation and decoding of A/V signals, and their presentation on a TV display. Regulation work must be done to deal with content delivery method such as: linear and nonlinear. In linear method the operator keeps control over the time to transmit or stream such content. While non-linear method grants subscriber the control to decide when to start a program, similarly as Video-On-Demand (VoD).

3. RESEARCH METHODOLOGY

In this thesis is discussed about the process of designing a server that will be used as the IP Multimedia Subsystem network with an Internet Protocol Television. To facilitate the design process is necessary implementation flowchart that helps in understanding the design process to be created. Flowchart created will explain the outline of the process is done at the time of the thesis.

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Scenario 1 :



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Figure 3.1 Flowchart of Measurement QoS without IMS
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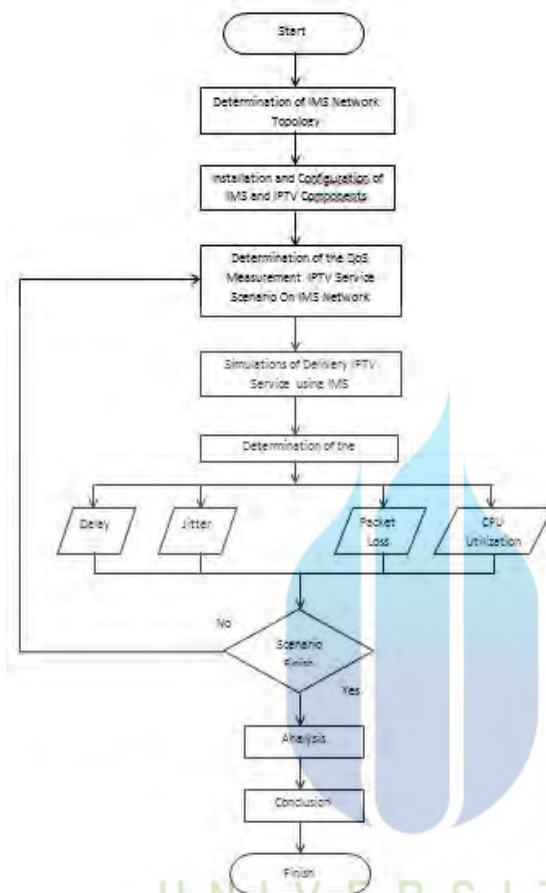
Scenario 2 :

Figure 3.2 Flowchart Measurement Qos of with IMS

3.1 Design and Implementation System

In this thesis implemented television service internet protocol (IPTV) in IP Multimedia Subsystem architecture. The component that make up these systems is the Open IMS Core, Television servers, application servers and media servers. Once the system has been built then the next is testing delivery of streaming internet protocol television services using the wireless network.

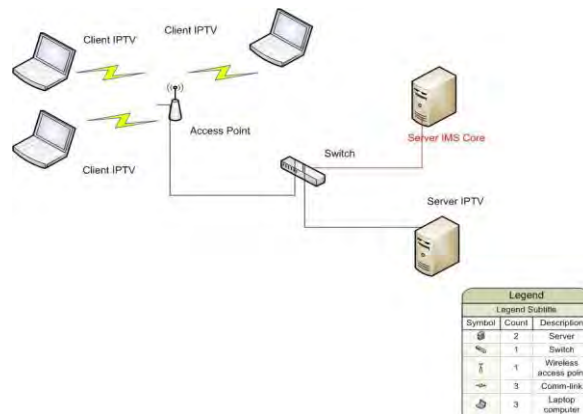


Figure 3.3 Implementation of IPTV at IP Multimedia Subsystem

3.2 Testing System

In this thesis will be tested on the system by the IPTV service delivery network using by Video mp4 codec and audio codec mpga. Testing is done with some kind of scenarios:

1. Test IPTV service delivery network conditions blank (background traffic at 0 kbps) with a bitrate of: 128 kbps, 256 kbps, 512 kbps and 1024 kbps with the distance between users with different access points. measurements were made at a distance of 10 m, 20 m, 40 m and 80 m
2. The second scenario is not much different from the first scenario, but in the second scenario is to use background traffic at 30 Mbps and 35 Mbps.
3. Measuring CPU Utilization on IPTV service delivery with an empty network conditions (network conditions without background traffic) and with 35 Mbps background traffic by the number of users 1-5. Measurements carried out at a constant distance conditions.

4 EXPERIMENTAL RESULT

In this thesis, the parameters measured are inter arrival time delay, jitter, packet loss and CPU Utilization. Delivery of internet protocol television services carried out by the media server that takes her from the television video input whereas server IMS Server is used to control the path of its

communications and signaling. The process of data retrieval is done as much as ten times the experiment and within a minute of each trial.

To obtain the data used software network analyzer measurements are Wireshark. The results of the data obtained further processed to obtain the value of inter-arrival time delay, jitter, packet loss and CPU Utilization. then after the data obtained from the analysis is done on the performance system built.

4.1 Key Performance Indicators (KPI)

KPI	Delay	Jitter	Packet Loss	Status
Video Streaming IPTV	<< 150 ms	0 ms	0 %	Excellent
	150 s/d 300 ms	0 s/d 75 ms	3 %	Good
	300 s/d 450 ms	76 s/d 125 ms	15 %	Medium
	>450 ms	125 ms / 225 ms	25 %	Bad

In the table Key Performance Indicators (KPI) are Inter Arrival time delay, jitter, packet loss and the status of QoS parameters themselves. For each parameter there is a maximum value that must be met when doing research.

4.2 Measurement and Performance Analysis

* Inter Arrival Time Delay

Network	Existing				IMS			
	256	512	768	1024	256	512	768	1024
Bitrate (kbps)	Average of Inter Arrival Time Delay (ms)				Average of Inter Arrival Time Delay (ms)			
Range (m)								
10	26.1159	26.1105	26.1137	26.8508	12.3561	12.5366	11.1903	10.5026
20	26.1162	26.1137	26.3472	26.1190	12.3904	12.5342	11.3493	10.5590
30	26.0985	26.1162	26.5543	26.3895	12.4149	12.5099	11.4075	10.5593
40	26.0958	26.1149	26.1086	26.3027	12.5683	12.6035	11.2931	10.6169
50	26.1273	26.1062	26.1357	26.2205	13.1003	13.4864	11.3714	10.2548

Network	Existing				IMS			
	256		1024		256		1024	
Bitrate (kbps)								
Background Traffic	30 Mbps	35 Mbps	30 Mbps	35 Mbps	30 Mbps	35 Mbps	30 Mbps	35 Mbps
Range (m)								
10	26.2218	26.3037	26.1536	26.6785	13.8212	12.9596	13.8836	12.7787
20	26.1417	26.2333	26.9473	27.3609	13.9698	12.7969	13.8946	12.7669
40	26.4746	27.117	26.2399	26.2018	13.8206	13.8783	13.8783	12.8031
80	29.2098	29.8989	26.3027	28.2205	15.1857	15.1808	15.1808	12.7653

***Jitter**

Network	Existing				IMS			
Bitrate (kbps)	256	512	768	1024	256	512	768	1024
Range (m)	Average of Inter Jitter (ms)				Average of Jitter (ms)			
10	4.5448	4.5176	4.4638	4.1055	1.741	2.0742	3.2211	3.9078
20	4.4709	4.5066	4.5540	4.1009	1.2314	2.771	7.0991	6.4619
30	4.4090	4.4733	4.4805	4.1007	1.6954	2.3086	5.5659	4.1381
40	4.4191	4.4480	4.5506	4.1150	1.2514	2.9699	4.4559	2.9019
50	4.4591	4.5765	4.5873	4.1551	1.9188	1.9679	4.4903	1.8993

Network	Existing				IMS			
Bitrate (kbps)	256		1024		256		1024	
Background Traffic	30 Mbps	35 Mbps	30 Mbps	35 Mbps	30 Mbps	35 Mbps	30 Mbps	35 Mbps
Range (m)								
10	15.5208	15.7839	13.5190	11.7676	3.292	3.8412	0.6578	1.5585
20	15.4803	15.5104	13.6643	11.8548	3.7273	5.2785	1.5234	1.7325
40	15.4652	15.5940	13.6683	12.0334	4.0015	6.6961	2.0054	2.4582
80	15.7310	15.5259	13.7615	11.9100	8.4762	11.6164	3.9019	5.8993

***Packet Loss**

Network	Existing				IMS			
Bitrate (kbps)	256	512	768	1024	256	512	768	1024
Range (m)	Average of Packet Loss (%)				Average of Packet Loss (%)			
10	0.017	0.013	0.052	0.498	0.017	0.009	0.0017	0.004
20	0.017	0.013	0.034	0.09	0.008	0.0057	0.008	0.0107
30	0.008	0.022	1.668	0.926	0.009	0.0017	0.009	0.017
40	0.017	0.026	0.052	0.742	0.0107	0.004	0.0017	0.009
50	0.06	0.034	0.092	0.466	0.021	0.008	0.013	0.021

Network	Existing				IMS			
Bitrate (kbps)	256		1024		256		1024	
Background Traffic	30 Mbps	35 Mbps	30 Mbps	35 Mbps	30 Mbps	35 Mbps	30 Mbps	35 Mbps
Range (m)								
10	0.463	0.754	0.198	1.957	0.0107	0.16	0.1	0.0447
20	0.151	0.5062	2.575	3.5433	0.017	0.1057	0.105	0.0294
40	1.412	3.568	0.532	0.414	0.16	0.0497	0.0164	0.05
80	0.4385	0.362	0.742	0.466	0.2487	0.282	0.0204	0.18

*** CPU Utilization**

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 -Applicaton Server and media Server

Bitrate (kbps)		512	512	1024	1024
Background Traffik (Mbps)		0	35	0	35
CPU Utilization (%)	1 user	54.6	82.4	61.7	85.1
	2 user	56.6	85.0	78.9	87.7
	3 user	59.2	87.9	81.5	88.9
	4 user	73.6	92.1	86.4	93.5
	5 user	77.8	95.6	89.2	98.6

- OpenIMS Core

Bitrate (kbps)		512	512	1024	1024
Background Traffik (Mbps)		0	35	0	35
CPU Utilization (%)	1 user	10	10	10	10
	2 user	10	10	10	10
	3 user	10	10	10	10
	4 user	10	10	10	10
	5 user	10	10	10	10

5. CONCLUSIONS

Based on the results of the implementation, testing, and analysis the following conclusions can be drawn:

1. QoS analysis results in a performance improvement of IPTV services based on standards from the ITU-T on IMS network in PT IFORTE obtain better QoS results than Existing IPTV networks. So that the test results can provide in terms of technical fuction for IPTV services as well as value added to the economy in terms of increasing IPTV users so that revenue for the company.

2.

a. The measurement results Interarrival delay of 12.7653 ms, this value is still below the standardized by ITU-T for video streaming no more than 150 ms, while the existing network acquired 28.2205, is to still meet the existing network but using IMS can reduce delay in IPTV delivery.

b. jitter measurement results obtained obtained values of 5.8993 ms jitter. Jitter were obtained standards issued by ITU-T for video streaming that is not more than 30 ms while the existing network gained 11.91, but using IMS can reduce the failure rate in the delivery of IPTV.

c. Measurement results obtained Packet loss Packet loss is 0.18 still meet standards issued by ITU-T for video streaming that is not more than 5%, while the existing network obtained 0.466, but using IMS can reduce packet loss in the delivery of IPTV to the client using IPTV.

3. The Measurement result of CPU Utilization shows that the increase in bitrate and background traffic used does not provide changes to the CPU utilization for both the shipping and delivery of user 1 to 5 users. At the time bitrate 512 kbps and 1024 kbps 10% of CPU utilization. Next to the background giving the greater the traffic that does not make the CPU utilization changes. By the time the network is empty and given background traffic at 35 Mbps can be seen a large CPU utilization is 10%.

4. Summary measurement and comparison of the results of the data obtained from existing data collection on the network (without IMS) and IMS networks by using the network in the last scenario with background traffic is 35 Mbps bit rate at a distance of 80 meters in 1024 are as follows:

Parameter	Bit rate 1024 BG 35 Mbps Range 80 meter		
	Existing	IMS	Indikator
Interarrival Delay (ms)	28.2205	12.7653	↓
Jitter (ms)	11.91	5.89	↓
Packet Loss (%)	0.46	0.18	↓

So the conclusion based on the results of the implementation and performance analysis of QoS in IPTV services using IMS can improve QoS value on IPTV to be better at PT IFORTE.

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Evaluation of Fuel Distribution Process with Lean Concept in PT Pertamina (Persero)

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Abstract

Fuel distribution system is an important element in the downstream activities of PT Pertamina (Persero) as it relates directly to the availability of fuel at any gas station. This activity should be ensured to run smoothly in order to avoid fuel shortages in the community. Current fuel distribution system of PT Pertamina (Persero) has been equipped with a comprehensive set of advanced automation system that can simplify every activity on fuel storage depot. However, in reality there are problems associated with the loss of time and volume in a series of activities.

The research method refers to the customized application of lean concepts in the distribution process. The study begins by developing big picture mapping of the distribution process based on interviews and field observations. An overview of the waste can be drawn from the mapping. The weighted value of these wastes will be calculated and the weighted value will be used to draw detailed mapping specified by Value Stream Analysis Tools (VALSAT). The detailed mapping gives information about which activities that considered as value adding or not value adding. Moreover the calculation of Total Overall Vehicle Effectiveness (TOVE) is also done to measure the utilization level of the transport vehicle used. The next step which is quantification is done by looking at the relationship between each waste and cost incurred by the company. Analysis of the impact of each waste done by finding the root cause and formulate directions of improvement that can be applied to improve the company's distribution process. At the end of this study will be shown the amount of waste contained in a series of distribution system of PT Pertamina (Persero) included with directions of improvement related to the waste contained in the process.

Keyword: *waste identification, distribution, lean distribution VALSAT, TOVE,*

1. Introduction

PT Pertamina (Persero) is a mining company's oil and natural gas in the form of state-

owned enterprises (National Oil Company). PT Pertamina (Persero) divides its business activities into two sectors, upstream and downstream sectors. Upstream activities include exploration, production, and transmission of oil and gas. While the activity of the downstream sector includes processing of crude oil, oil products marketing and trading and shipping business to distribute the company's products. Since the issuance of UU No.22/2001, PT Pertamina (Persero) trying to do the transformation in all sectors, including the downstream sector. Strategy in the downstream (downstream) is aimed at achieving a more favorable margins and operational reliability. One way to achieve this is by improving the effectiveness and efficiency of the distribution process. The best strategy to become efficient is by waste elimination along the process [1].

Waste elimination is the main idea of lean manufacturing concept [2]. Lean concept has already been applied in various areas not only manufacturing but also in service, insurance, and also in distribution area. In the lean distribution concept, length of lead time is one of the main concern because short lead time can reduce the distribution cost and increase the service level of the company [3]. Therefore the concept of lean distribution will be used to solve the distribution problem in PT Pertamina (Persero). Instead of identifying the waste, this study also will quantifying the effect so the company will realised the amount of time and money wasted because of not running the process effectively and efficiently.

2. Methods

2.1. Big Picture Mapping

Mapping the process is a basic and essential step in doing waste identification. The mapping will be done by using Value Stream Mapping (VSM). VSM is an efficient and simple tools to identify waste in a process and also to measure the leaness level of the ongoing process [4]. The advantages of big picture mapping are [5]:

- a. Map the flow of the process.
- b. Give information of where the wastes occurred.
- c. Give insight of other lean tools that can also be applied.
- d. Help to decide the person in charge for the implementation phase.
- e. Showing the relations between the information and material flow inside the

process.

- f. Gather the opinions from the expert.

2.2. Waste Identification

Waste identification is done based on the explanation of seven waste in distribution area developed by Hines [6]. These waste is generated from the seven waste in manufacturing and translated based on the common activities in distribution process. The seven waste in distribution developed by Hines are faster than necessary, waiting conveyance, processing, unnecessary motion, excess stock, and correction of mistakes.

2.3. Weighting waste

Waste identified will be ranking based on the importance level related to the total time of distribution process. The weighting is conducted using Borda Count Method tools based on questionnaires. Selected respondents were asked to give ranks of wastes identified. These ranks are the basic to measure weighted value of each waste. Waste with highest weighted value is considered as waste with high importance level.

2.4. Value Stream Analysis Tools

Weighted values of each waste will be used to select the most appropriate mapping tools to continue the identification of waste in details. VALSAT pictures the correlation between the type of mapping tools with type of waste. The mapping tools with the highest correlation value will be chosen to mapping the detailed process [7].

2.5. Total Operational Vehicle Effectiveness

TOVE index was composed by Villareal et al. as an operational measure to show level of effectiveness in operational distribution process. This measure converted the OEE lossess into lossess found in transportation sectors. Based on the principal of this measurement, an effective transportation process means that the vehicle used is highly utilised. It is because vehicle in distribution process needs high investments. TOVE value is affected by four efficiency factors which are administrative availability efficiency, operating availability efficiency, performance efficiency, and quality efficiency.

2.6. Quantification of Waste

Based on the waste identified the quantification in unit of time and money was made to show the company the effects generated from each of waste. Quantification in unit of time made in terms of daily and monthly wasted as well as quantification in unit of cost. There is no specific method used in quantifying these wastes only based on the secondary data and informations gathered from the discussion with the company side.

2.7 Root Cause Analysis and Setting Directions of Improvement

Root cause analysis made to identify the source of waste and conducted by using 5whys for each waste. Based on this analysis the direction of improvement is made so the strategy will be best suited for eliminating the waste. Setting the directions of improvement is made by focus group discussion with the company so we can also see the feasibility of applying the strategy suggested.

3. Research Findings

3.1 Big Picture Mapping

Information obtained from direct observation of the system depicted visually so the information and process flow can be easily understood and the waste contained in the distribution process can be identified. This mapping activity started from bookings made by the consumer to the operational process of the fuel delivery to the consumer (the gas station) as shown in Figure 1.

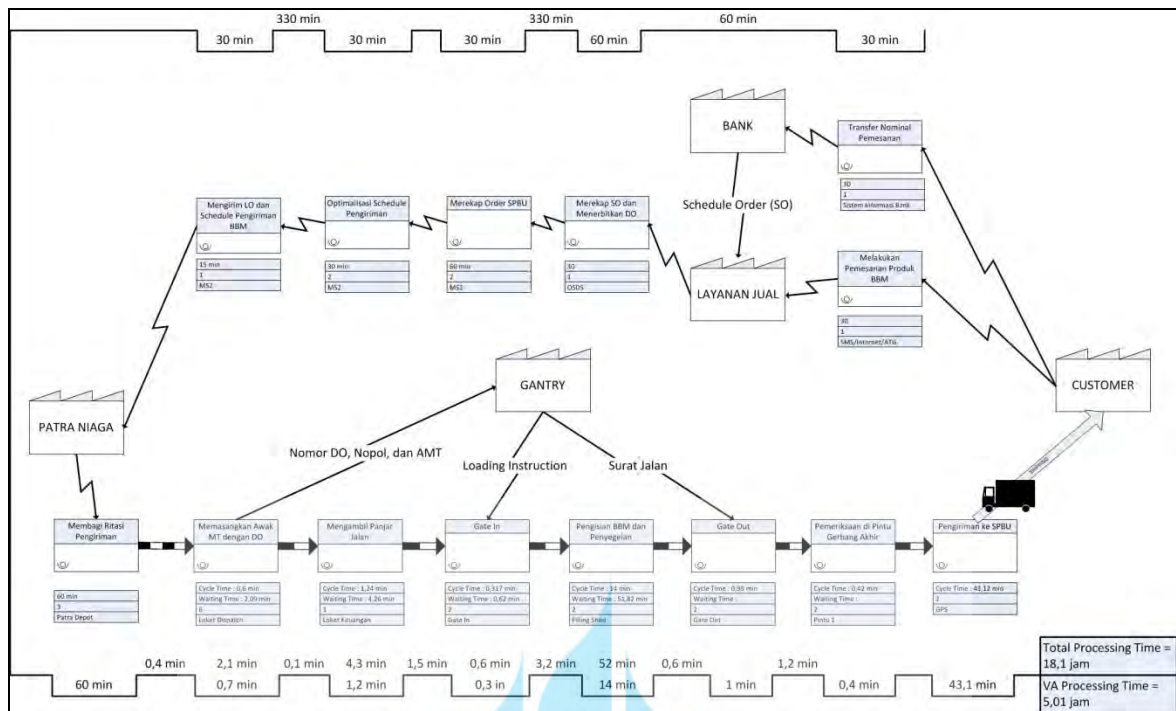


Figure 1 Value Stream Mapping of Current Condition

Flow of information and materials mapped based on information obtained from interviews related parties which are Layanan Jual Pertamina, Distribution Pertamina, and Patra Niaga. Time data for each activity obtained from direct measurement during the duration of fourth and fifth delivery shift (09:00 to 15:00). From the results of VSM and mapping with direct observation of the system, found a few things that can be classified as waste. Table 1 shows the findings of activities classified as waste within the context of the distribution.

Table 1 Results of Waste Identification

No	Type of Waste	Identification Result
1	<i>Faster Than Necessary</i>	Delivery orders placed earlier than the predetermined shift.
2	<i>Waiting</i>	Queue to the next process (happened in dispatch counter, finance counter, Gate In, and filling shed)
3	<i>Conveyance</i>	Using Door 1 (with more distance) as an exit gate
4	<i>Processing</i>	The dealing process between drivers and dispatch operator to determine the destination of sending.

No	Type of Waste	Identification Result
		Scheduling process is performed more than one times (first with MS2 by Pertamina then set again by Patra Niaga)
5	<i>Excess Stock</i>	Delivery Order waiting to be sent on each shift
6	<i>Correction of Mistake</i>	Loading process of each compartment that are not in accordance with Loading Instruction
		Taking the wrong way when delivering the product to the gas station

3.2 Weighting of Waste and Detailed Mapping

After obtained the types of waste that occurs in the system, the next step is to determine the weight for each type of waste is by using the Borda method. This method begins by giving questionnaires to the managerial parties associated with distribution (6 respondents). Respondents were asked to rank the importance of each type of waste. Scale of 1 indicates the highest level of interest and number 6 shows the lowest interest rate. Table 2 shows the results of the weight for each type of waste based on the results of the questionnaire.

Table 2 Weighted Value of Each Waste

Rank	Waste	Weighted Value
1	Processing	0.238
2	Waiting	0.23
3	Excess stock	0.159
4	Faster than necessary	0.135
5	Conveyance	0.119
6	Correction of mistakes	0.119

These weighted values will then be used to determine the type of detailed mapping will

be used to analyze the system further. The calculations are done using VALSAT (Table 3). Each type of waste has a value of correlation with certain maps. Mapping tools with the highest score is declared as the most appropriate map to be used. For the case of the distribution system, based on the calculation that the type of map 'Process Activity Mapping' is the most appropriate for use because it has the highest score is 6,016.

Table 3 VALSAT Calculation

Waste	Weighted Value	Process activity mapping	Supply chain response matrix	Production variety funnel	Quality filter mapping	Demand amplification mapping	Decision point analysis	Physical Structure
Faster than necessary	0.135	1	3		1	3	3	
Waiting	0.230	9	9	1		3	3	
Conveyance	0.119	9						1
Processing	0.238	9		3	1		1	
Excess stock	0.159	3	9	3		9	3	1
Correction of mistakes	0.119	1			9			
Overall structure		1	1	3	1	9	3	9
		6.016	3.905	1.421	1.444	2.524	1.810	0.278

3.3 Detailed Mapping

Mapping the process that takes place on the day of delivery is done by using the Process Activity Mapping (PAM). From the results of this mapping shows that the total time needed to perform all 47 activities in the delivery process execution is for 3.24 hours. But not all of the activity that takes place adds value to the entire process. Of 3.24 hours used, 63% classified as value added, 7% classified as non-value added, and 30% classified as non-value added but Necessary. This shows that the system is not utilizing the available time efficiently.

3.4 TOVE Measurement

Tove index is used to determine the level of vehicle utility used in the delivery of the Car Fuel Tank (MT). TOVE index measurement is done based on the use of tank cars while at preparing the shipment in Distribution Centre, shipment process on road, and unloading process in gas station in one day. Data used in the calculation is from the historical data as well as data gathered from field observations. Figure 2 shows the results of the TOVE calculation.

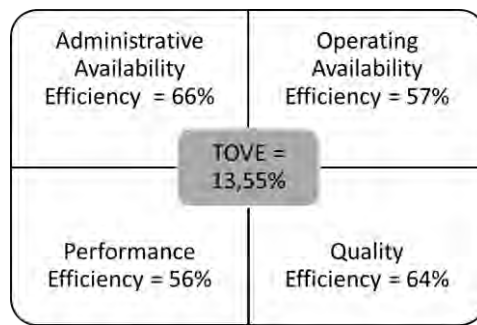


Figure 2 TOVE Calculation

3.5 Quantification of Waste

Quantification of the waste is done to determine the waste that occurs in terms of time. While for some types of waste can be substantial in terms of cost. But not all of these types of waste can be quantified. By quantifying waste is found, it can be seen much impact from these activities. Table 4 shows the summary results of the quantification of waste in the fuel distribution system.

Table 4 Quantification Summary

No	Type of Waste	Time Loss		Cost Loss	
		per day	per month	per day	per month
1	Conveyance	24,4 jam	733,2 jam	Rp 18,956,100.00	Rp 568,683,000.00
2	Processing	43,56 jam	1306,8 jam		
3	Waiting	340 jam	10200 jam	Rp 4,752,777.77	Rp 142,583,333.00
4	Vehicle Effectiveness	705 jam	21150 jam	Rp 51,725,785.70	Rp 1,551,773,571.00
TOTAL		2056 jam	61698 jam	Rp 75,434,663.47	Rp 2,263,039,904.00

4. Discussion

In the present study found a number of waste that occurs in a series of fuel distribution activities. This waste then successfully quantified in order to see the amount of losses incurred from such waste . From this it can be seen that the dissipation in the system is providing substantial financial losses for the company. On first sight, the value of this waste is relatively small so easily ignored. However after the accumulation, the value of this waste can no longer be regarded as small. For example, in Table 4 revealed that the loss of time due to the excessive time administrative services in one day 43.56 hours. That ammount of time is better utilized to do more deliveries. In addition, also found that the tank car utilization is not optimal so that PT Pertamina (Persero) affected financially because they still have to pay the rental fee for each tank car that does not do the delivery process.

Table 4 also stated that the working methods being used today made the company incurred a loss of Rp 75,434,663.00 in one day. That ammount can be more beneficial if allocated to other needs like use it to allocate automation system to minimize working errors and drivers' preference interrupted the process. The waste problem must be solved to prevent greater lossess. 5whys used to trace the root cause of the waste occured and based on that the direction of improvement will be composed.

5. Conclusion

From this research it appears that there are problems that occur in the fuel distribution system of PT Pertamina (Persero). Waste that occurs in the system shows that there are problems in the circuit system activity. By using the concept of lean distribution can be performed the identification and quantification of waste that occurs so it can be analyzed to determine the root cause.

Based on the root cause found and reffering to the rank of waste based on Borda method, the direction of improvement that need immediate realisation are problems related to scheduling process, dispatching process, waiting in filling shed, waiting in financial counter, and driver integration.

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**UNIT COST AND BREAK-EVEN POINT ANALYSIS OF DATA
COMMUNICATION COMPANY
CASE STUDY: PT XYZ**

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Abstract

Information and communication technology (ICT) has played an important role in the economic transformation of countries including Indonesia. For the year 2013, the International Data Corporation (IDC) predicts the technology will play an integral role in traditional sectors. Along with that, there will be significant impact in data communication network market industry, which eventually leads to market competition. One of major challenges of data communication network providers is maintaining the profitability of the company. There are two indicators to maintain the profitability of the company: unit cost and the break-even point.

The author conducted cost analysis at PT XYZ to find unit cost and break-even point. PT XYZ is one of major data communication network provider specialist for business enterprises since 1988. The framework that the author used is cost classification, cost allocation, unit cost calculation, cost behavior, and break-even calculation. Based on the framework, the author found the unit cost and the break-even point of each product. The author also found that all products were profitable except dedicated internet during the year 2012.

Keyword: *Unit Cost, Break-Even Point, Cost Analysis, Data Communication, Indonesia ICT*

UNIT COST AND BREAK EVEN ANALYSIS OF DATA COMMUNICATION COMPANY CASE STUDY: PT XYZ

INTRODUCTION

Information and communication technology (ICT) has played an important role in the economic transformation of countries including Indonesia. In November 2012, the rate of economic growth in Indonesia was very good predominantly because of the influx of foreign direct investment in ICT sector. For the year 2013, the International Data Corporation (IDC) predicts the technology will play an integral role in traditional sectors. ICT adoption among enterprises is expected to increase significantly in coming years. [1]

Along with that, there will be significant impact in data communication network providers market industry, which eventually leads to market competition. Recalled the price war happened in cellular telecommunication industry in early 2006 [2], it could also be happened in data communication network industry. One of major challenges of data communication network providers is maintaining the profitability of the company.

There are two indicators to maintain the profitability of the company: unit cost and the break-even point. Unit cost is the cost incurred of every unit of product. It helps the company to set proper price and earn profit. The break-even point is the number of units that must be sold for a company to break even –to neither earn a profit nor incur a loss [3]. In order to determine unit cost and break-even point, cost analysis should be conducted.

PT XYZ, A DATA COMMUNICATION COMPANY

This study conducted cost analysis at PT XYZ, Jakarta. PT XYZ is chosen because it has been one of major telecommunication network provider specialist of data communication (one of ICT segment) for business enterprises since 1988. It provides secured and premium connectivity between customer business' points throughout Indonesia.

PT XYZ has three types of product: terrestrial, VSAT, and internet. Terrestrial products provide connectivity to every customer's point through terrestrial (on-ground) infrastructure network. Terrestrial products are divided by technology used: Leased Line, Metro Ethernet, Leased Circuit, Packet Switched, Frame Relay, and IPVPN. Next, VSAT (Very Small Aperture Terminal) provides connectivity through satellite. Last, internet products provide connectivity to the international network. Internet products are divided into Dedicated Internet and Broadband Internet. The products are offered in bandwidth. **Bandwidth** is the transmission capacity of a network per unit time.

The objective of this study is to find the unit cost and break-even point of each product. The results are useful not only as evaluation for internal XYZ, but also as cost comparison and cost analysis model for every data communication company around the world, especially in Indonesia.

COST ANALYSIS

Cost analysis is the act of breaking down a cost summary into its constituents and studying and reporting on each factor. Cost analysis can also be interpreted as the comparison of costs (as of standard with actual or for a given period with another) for the purpose of disclosing and reporting on conditions subject to improvement [4].

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METHODOLOGY

Research Coverage

This study was carried out in PT XYZ, Jakarta. It analyzed costs incurred for one-year period from January 2012 until December 2012.

Framework

Initially, the costs incurred in PT XYZ will be classified. Based on Jiambalvo (2007), cost classifications in a manufacturing firm are divided into manufacturing costs and non-manufacturing costs. Manufacturing costs consist of direct material cost, direct labor cost, and manufacturing

overhead. Nonmanufacturing costs consist of selling cost and general-and-administrative cost. Because PT XYZ is a service-based company, the term of *manufacturing* will be replaced with *production*.

Next is cost allocation. It is the process of identifying, aggregating, and assigning costs to cost objects [5]. Typically, assumptions of cost driver are used to allocate the costs. The result of cost allocation is to find the total cost of each product. After that, unit cost is calculated. It is equal to total cost of each product divided by total units sold.

Afterwards, the cost behavior is determined. It divides the allocated costs into variable costs and fixed costs. Variable costs are costs that change in proportion to changes in volume or activity. Fixed costs are costs that do not change in response to changes in activity levels. Finally, break-even point is calculated as follow:

$$\text{Break Even Point} = \frac{\text{Total Fixed Cost}}{\text{Unit Selling Price} - \text{Unit Variable Cost}} \quad (1)$$

DATA COLLECTION AND ANALYSIS

Over 180,000 costs incurred with total IDR 1.2 trillion in year 2012. PT XYZ had cost structure as follow:

Table 1 – Cost Incurred in 2012 (million IDR) [6]

No	Cost Items	Amount	%
1	Production costs	648,229	52.2%
2	Marketing and public relation costs	26,520	2.1%
3	Employee costs	196,331	15.8%
4	Depreciations	277,024	22.3%
5	Maintenance costs	45,234	3.6%
6	General and administrative costs	45,847	3.7%
7	Training costs	2,686	0.2%

	Total cost of the company	1,241,871	100.0%
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Cost Classification and Cost Allocation

Since PT XYZ is a service-based company, it has no direct material cost. All depreciations and rent costs are categorized as overhead. Furthermore, assumptions are used to split particular cost. For instance, the cost of employee salary was split into production cost, marketing cost, and general & administrative cost; based on the employee ratio of each division. The result of cost classification is to understand the cost structure of the company. PT XYZ had production costs (86.1%), marketing costs (5.8%) and general & administrative costs (8.1%).

After that, the costs are allocated into each product. The cost driver of each cost should be determined. Interview with managers were conducted to precise the assumptions. For instance, transponders are used only for VSAT, while international backbone is for internet. Some costs are driven by bandwidth and some others are by networks (a complete single connection to a customer). For general costs, the cost driver is the revenue.

Table 2 – Cost Classification and Cost Allocation (million IDR)

NO	COST CLASSIFICATION			COST ALLOCATION								
	COST ITEMS	AMOUNT	COST DRIVER	TERRESTRIAL				VSAT		INTERNET		
				LL	ME	LC	PS	FR	IP	VS	DI	BI
A. Production Cost												
1.	Direct Labor Cost											
a)	Production Operational Employee Salary	10,069.0	Revenue	900.4	146.2	9.1	43.8	1,216.3	4,955.6	1,386.5	1,298.7	112.4
Total Direct Labor Cost		10,069.0		900.4	146.2	9.1	43.8	1,216.3	4,955.6	1,386.5	1,298.7	112.4
2.	Overhead											
a)	Communication Network											
	1)	Transponder Rent Cost	118,408.9	Transponder	-	-	-	-	-	97,382.8	20,695.2	330.8
	2)	Domestic Backbone Rent Cost	126,719.9	Bandwidth	48,365.6	4,227.4	180.1	7.2	2,944.7	15,951.0	-	54,177.8
	3)	International Backbone Rent Cost	59,112.5	Bandwidth	-	-	-	-	-	-	-	58,182.4
	4)	Lastmile Access Rent Cost	117,187.3	Network	3,425.3	1,187.5	65.4	887.8	19,061.9	83,779.9	-	6,719.8
	5)	Telephone Cost	3,375.5	Revenue	301.8	49.0	3.1	14.7	407.8	1,661.3	464.8	435.4
	6)	Other Communication Network Cost	7,620.1	Revenue	681.4	110.6	6.9	33.2	920.5	3,750.3	1,049.3	982.8
b)	Production Facility Rent Cost											
	1)	Device Rent Cost	1,895.5	Revenue	169.5	27.5	1.7	8.3	229.0	932.9	261.0	244.5

NO	COST CLASSIFICATION			COST ALLOCATION									
	COST ITEMS		AMOUNT	COST DRIVER	TERRESTRIAL						VSAT	INTERNET	
					LL	ME	LC	PS	FR	IP	VS	DI	BI
	2)	Device Room Rent Cost	70,761.9	Mixed	7,175.9	1,164.8	72.9	349.5	9,693.6	39,494.4	1,564.8	10,350.3	895.6
	3)	Office Building Rent Cost	2,814.6	Revenue	251.7	40.9	2.6	12.3	340.0	1,385.3	387.6	363.0	31.4
	4)	Transportation Rent Cost	9,233.9	Revenue	825.7	134.0	8.4	40.2	1,115.4	4,544.6	1,271.5	1,191.0	103.1
	c)	Concession Cost	50,318.4	Revenue	4,670.5	758.1	47.5	227.5	6,309.2	25,705.2	5,314.3	6,705.9	580.2
	d)	Utility	20,420.3	Revenue	1,826.1	296.4	18.6	88.9	2,466.7	10,050.1	2,811.9	2,633.8	227.9
	e)	Production Training	68.3	Revenue	6.1	1.0	0.1	0.3	8.3	33.6	9.4	8.8	0.8
	f)	Device Installation Cost	59,085.3	Network	1,500.3	520.1	28.6	388.9	8,349.1	36,695.8	7,757.0	2,943.3	902.1
	g)	Depreciations											
	1)	Depreciation of Network Infrastructure	266,574.9	Network	8,004.9	2,383.5	129.6	1,759.8	38,969.7	169,611.8	27,947.9	13,599.3	4,168.3
	2)	Depreciation of Office Tools	2,174.9	Revenue	194.5	31.6	2.0	9.5	262.7	1,070.4	299.5	280.5	24.3
	3)	Depreciation of Building	4,027.9	Revenue	360.2	58.5	3.7	17.5	486.6	1,982.4	554.6	519.5	45.0
	4)	Depreciation of Production Vehicle	200.3	Revenue	17.9	2.9	0.2	0.9	24.2	98.6	27.6	25.8	2.2
	h)	Production Maintenance	37,944.5	Revenue	2,747.3	4,273.9	27.9	133.8	3,711.1	15,120.1	7,625.0	3,962.5	342.9
	i)	Maintenance of Production Vehicle	88.1	Revenue	7.9	1.3	0.1	0.4	10.6	43.4	12.1	11.4	1.0
	j)	Other Production Maintenance	6,481.2	Revenue	579.6	94.1	5.9	28.2	782.9	3,189.8	892.4	835.9	72.3
	k)	Production Supervisory Salary	92,917.1	Revenue	8,308.9	1,348.7	84.4	404.6	11,224.2	45,730.2	12,794.6	11,984.5	1,037.0

NO	COST CLASSIFICATION		COST ALLOCATION										
	COST ITEMS		AMOUNT	COST DRIVER	TERRESTRIAL					VSAT	INTERNET		
					LL	ME	LC	PS	FR	IP	VS	DI	BI
	l)	Production Meeting and Transportation Cost	2,193.5	Revenue	196.2	31.8	2.0	9.6	265.0	1,079.6	302.0	282.9	24.5
	Total Overhead		1,059,625.0		89,617.3	16,743.6	691.5	4,422.9	107,583.1	461,910.7	168,730.1	197,136.6	12,789.2
Total Production Cost			1,069,694.0		90,517.7	16,889.7	700.6	4,466.8	108,799.5	466,866.3	170,116.6	198,435.3	12,901.5
B. Nonproduction Cost													
1.	Marketing Cost												
	a)	Marketing Activity Cost	25,519.0	Revenue	2,282.0	370.4	23.2	111.1	3,082.6	12,559.5	3,513.9	3,291.5	284.8
	b)	Public Relation Cost	1,001.2	Revenue	89.5	14.5	0.9	4.4	120.9	492.8	137.9	129.1	11.2
	c)	Office Building Rent Cost	603.1	Revenue	53.9	8.8	0.5	2.6	72.9	296.8	83.1	77.8	6.7
	d)	Depreciations											
	1)	Depreciation of Office Tools	861.3	Revenue	77.0	12.5	0.8	3.8	104.0	423.9	118.6	111.1	9.6
	2)	Depreciation of Building	863.1	Revenue	77.2	12.5	0.8	3.8	104.3	424.8	118.8	111.3	9.6
	3)	Depreciation of Marketing Vehicle	200.3	Revenue	17.9	2.9	0.2	0.9	24.2	98.6	27.6	25.8	2.2
	e)	Maintenance of Marketing Vehicle	88.1	Revenue	7.9	1.3	0.1	0.4	10.6	43.4	12.1	11.4	1.0
	f)	Marketing Employee Salary	42,169.2	Revenue	3,770.9	612.1	38.3	183.6	5,093.9	20,754.1	5,806.6	5,439.0	470.6
	g)	Marketing Meeting and Transportation Cost	868.6	Revenue	77.7	12.6	0.8	3.8	104.9	427.5	119.6	112.0	9.7

NO	COST CLASSIFICATION		COST ALLOCATION										
	COST ITEMS	AMOUNT	COST DRIVER	TERRESTRIAL						VSAT	INTERNET		
				LL	ME	LC	PS	FR	IP	VS	DI	BI	
	Total Marketing Cost			6,454.0	1,047.6	65.6	314.3	8,718.5	35,521.3	9,938.3	9,309.0	805.5	
2.	General and Administrative Cost												
	a)	G&A Activity Cost	Revenue	3,992.4	648.1	40.6	194.4	5,393.2	21,973.2	6,147.7	5,758.5	498.3	
	b)	G&A Meeting and Transportation Cost	Revenue	73.8	12.0	0.7	3.6	99.6	405.9	113.6	106.4	9.2	
	c)	Office Building Rent Cost	Revenue	53.9	8.8	0.5	2.6	72.9	296.8	83.1	77.8	6.7	
	d)	Depreciations											
	1)	Depreciation of Office Tools	Revenue	73.1	11.9	0.7	3.6	98.8	402.5	112.6	105.5	9.1	
	2)	Depreciation of Building	Revenue	77.2	12.5	0.8	3.8	104.3	424.8	118.8	111.3	9.6	
	3)	Depreciation of G&A Vehicle	Revenue	39.4	6.4	0.4	1.9	53.2	216.9	60.7	56.8	4.9	
	e)	Maintenance of Office Environment	Revenue	39.1	6.4	0.4	1.9	52.9	215.4	60.3	56.5	4.9	
	f)	Maintenance of G&A Vehicle	Revenue	17.3	2.8	0.2	0.8	23.4	95.4	26.7	25.0	2.2	
	g)	G&A Employee Salary	Revenue	4,576.3	742.8	46.5	222.9	6,181.9	25,186.7	7,046.8	6,600.7	571.1	
	Total General and Administrative Cost			8,942.6	1,451.6	90.9	435.5	12,080.1	49,217.7	13,770.3	12,898.5	1,116.1	
	Total Nonproduction Cost			172,177.3	15,396.6	2,499.2	156.4	749.8	20,798.6	84,739.0	23,708.6	22,207.5	1,921.6
	TOTAL COST OF THE COMPANY			1,241,871.3	105,914.3	19,388.9	857.1	5,216.6	129,598.1	551,605.2	193,825.1	220,642.8	14,823.1

Unit Cost Calculation

After the total costs for each product is determined, the unit cost of each product can be calculated as follow:

Table 3 – Unit Cost of Each Product (IDR)

No	Product	Total Cost (A) (million)	AbsoluteBandwidth Sold (B)	Unit	Unit Cost (C = A/B) (IDR)
Terrestrial					
1	Leased Line	105,914.3	104,843.1	MB/s	1,010,217
2	Metro Ethernet	19,388.9	9,164	MB/s	2,115,818
3	Leased Circuit	857.1	399,672	KB/s	2,144
4	Packet Switched	5,216.6	15,912	KB/s	327,840
5	Frame Relay	129,598.1	6,536,571.6	KB/s	19,827
6	IPVPN	551,605.2	34,577.3	MB/s	15,952,826
VSAT					
1	VSAT	193,825.1	4,196	MB/s	46,193,477
Internet					
1	Dedicated Internet	220,642.8	117,442	MB/s	1,878,731
2	Broadband Internet	14,823.1	1,878	MB/s	7,895,074
TOTAL		1,241,871			

Cost Behavior and Break-Even Point Calculation

In depth interview with managers was conducted to determine the cost behavior. Finally, the break-even point of each product can be calculated as follow:

Table 4 – Break-Even Point of Each Product

No	Product	Fixed Cost (A) (million IDR)	Variable Cost (B) (million IDR)	Break Even Point	
Terrestrial					
1	Leased Line	46,643.0	59,271.3	53,393	MB/s
2	Metro Ethernet	7,875.6	11,513.3	5,563	MB/s
3	Leased Circuit	410.8	446.2	151,121	KB/s
4	Packet Switched	2,281.6	2,935.0	8,229	KB/s
5	Frame Relay	58,597.3	71,000.7	2,884,482	KB/s
6	IPVPN	245,989.4	305,615.8	16,211	MB/s
VSAT					
1	VSAT	44,598.1	149,227.0	2,253	MB/s
Internet					
1	Dedicated Internet	81,819.4	138,823.4	121,988	MB/s
2	Broadband Internet	6,166.9	8,656.2	1,138	MB/s
TOTAL		494,382.3	747,489.0		

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CONCLUSION & RECOMMENDATION

The highest unit cost was VSAT due to the expensive rent of transponders. In conclusion, all products in PT XYZ are profitable except the Dedicated Internet. It incurred loss since the bandwidth sold was below the break-even point ($117,442 < 121,988$).

Based on the analysis, PT XYZ is recommended to boost the sales of Dedicated Internet until the break-even point (121,988 MB/s) or raise the price of Dedicated Internet above the unit cost (IDR 1,878,731 per MB/s) in order to improve company profitability. Furthermore, PT XYZ must **not** set prices below the unit cost.

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Selling Only for 0.001 Dollar per Product and You Get 7 Million Dollars: An Exploratory Research of Smartphone as the Best Distribution Channel for Software Products and a Potentially Competitive Marketing Channel

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Abstract

For the first time in history, comes the platform that revolutionizes the way people make and sell software products, the mobile smartphone platform. In the past, there only two platforms as the base of making and selling software products, that are the stand-alone desktop computer platform and networked, web and internet related platform. Both of these platforms are radically different from the smartphone platform, because sooner and not later, the latest platform is the only platform that most of the people in the world will have in their possession. The potential audience created by this new platform is very huge, as huge as the number of world population. This paper gives an overview of what has caused the platform to become a very lucrative selling platform for software products, in a uniquely subjective view point of the author. Some of the tips to make and market a successful smartphone application are explained from a quoted source. Because the author categorizes software products as the product of a dynamic industry, the author also gives a closer look at the principles of marketing in a dynamic industry, by quoting the principles exercised by top marketing consultants. This paper concludes with an opportunity of the platform being discussed, to be a competitive alternative marketing channel for other products besides the software industry products.

Keywords: *Smartphone, software platform, distribution channel, marketing channel*

1. Introduction

We could find smartphone in ordinary Indonesian people's possession only in the last two or three years, not in the last five years. It means, smartphone are still new to Indonesians, as it is also a new technology to all people in the world. I still remember vividly, the first time I saw an iPhone used in a classroom scenario. It was in 2010. Instead of bringing any of her course books, one of my students used an iPhone to help her finish one of her open book final term tests. She used her two fingers to zoom in, zoom out and rotating the electronic book in the smartphone, and once in a while she wrote down what she read from the electronic book in her answer sheet. At that moment, I didn't feel so excited about the new highly priced gadget that I saw, since the Internet connection of the device could be found in my USD 25 Internet modem, because

communication capabilities of the new gadget could be found in my USD 120 handset and because the computing capabilities of the smartphone are far below my USD 500 netbook computer. So, I didn't make any plan to buy one of the iPhone.

The Indonesian smartphone market was introduced to Android smartphone and Android powered tablet computer in late 2011. The technology-updated circles of my colleagues embraced the platform quickly and so did the parents and their small boys and girls in big cities. The Android powered mobile device provides an economical solution to the mobile computing and mobile gaming needs of professionals and small children. The price of Samsung mobile phone was about USD 500 to USD 600 when it first introduced to the market, while the price of low-end Android powered device (plus a separate Internet modem) was about USD 300. With the advent of Android, there is an economical mobile computer device, for those who have not have any desktop computer or any mobile computer. So, the Android powered smartphone and tablet device is the device of choice, for those who use computer to "consume" web content or to "consume" simple software application. But it is not the device of choice for those who "produce" content or "produce" complex and complicated software application. Because I am a "producer" (I am a lecturer and a lecturer produce content), I never want to spend another USD 300, just to get a low end computer that will not help me in producing content. When a friend of mine wanted to sell his used Android-based tablet for USD 100 in 2013, I said that for a low-end mobile "consumer" computer, I was willing to spend only USD 60.

This year, in the year of 2013, my long and winding longing for smart and mobile communication and computer device is fulfilled. The price of new Android-based 2-inch-wide smartphone has reached USD 60. Without any hesitation I bought the device and use my new smartphone to compose, send and receive email, to create and be reminded of task lists, to play games, to read books, to get updated prayer times, to listen to Qur'an recitations, to listen to music, to watch Internet films and videos, and to demonstrate finished software applications in the process of teaching Mobile Programming course in the Computer Science Faculty of Mercu Buana University. I never used my modem again, because my new smartphone has become the gateway to the Internet for itself and for my netbook, due to its "tethering" ability. I still use my old handheld phone, though. I used the phone to do voice conversation and to do texting, because my cellular phone number is for the GSM platform while my Android-based smartphone

communicates by using the CDMA platform. I also use my netbook to ~~produce~~ "content, because of its wider monitor screen and its higher processing power. If my handheld phone is broken, I am planning to buy a wider screen Android-based smartphone device, so I can completely replace my handheld to do voice conversation and to do texting. Also, if my netbook is not working anymore, I'm planning to buy a new ultrabook with a separate keyboard and mouse, so I can get the ~~producing~~" power of my netbook while getting a lighter backpack. In the future, I hope I will get the future smartphone plus the future ultrabook with the same price of my currently owned smartphone plus my old handheld plus my old netbook, which is not more than USD 680.

I did not buy my first smartphone early because the price of the device was too expensive for a second computing platform. The price was not too expensive for anyone who wishes to buy his or her first computing platform. With its current price, everybody will consider smartphone as a must-have device, even for a second computing platform. Because of the huge numbers of potential owners of the smartphone platform, I am interested to explore the potentials and the caveats of the smartphone platform, as a distribution channel and as target platform for software products. At the end of this paper, I will explore this platform as a new marketing channel, as an alternative to the already established channel.

2. Smartphone Platform: What is it? Why is it different?

From the view point of the user, mobile platform is different from desktop or notebook computer platform because the user of mobile platform is having an ~~always-on~~" device. The cause of this first special characteristic is twofold. First, the device is expected to receive incoming phone calls, so it has to be turned on all the time. Second, the device is very low power consuming device, so keeping it on at all times will not increase the electricity bill of the owner significantly. The second differencing characteristic of mobile device compared to desktop or notebook computer is that the mobile device is small sized, so it can be easily carried in the owner's pocket and the owner can reach it in one second. These two special characteristic make a smartphone device within easy reach of its user to access vast number of information. In other words, a smartphone makes ~~the whole word at the user's fingertips~~". With this device, the term ~~ubiquitous computing~~" finds its meaning in the true sense. The third and the most important

characteristic of this device, is the much lower price of the device compared to the desktop or notebook computer platform, but with much more capabilities compared to the traditional voice-and-texting-only mobile phone platform. With these characteristics, it can be inferred that sooner and not later, almost everybody in the modern era, will have the smartphone device.

Concerning the kind of software available to smartphone platform, there are several differences with the desktop or notebook computer platform. First, the user can obtain the software for smartphone platform without driving or walking to software store or even calling a sales representative. The software is available right on the device and the user can download it from online store, the minute the user needs to buy it. User can pay without using any credit cards, because the market for the software can charge user directly through the telecommunication service provider. The telecommunication company then charges the users through their phone bills. Second, because the amount of potential buyer of the software is very large, plus most of the software created for this platform is software that has low complexity, most of the software is sold for very low prices compared of those software sold for the desktop or notebook computer platform. There are even freely available software applications (zero-priced software) for users to download and use. As a direct consequence of this characteristic, software industry is less concerned about piracy in this platform compared to the desktop or notebook platform. While the consequence of zero-priced software application is that software industry are trying to make money by giving away free limited products but then putting charges for the full version product. For gamers, the software will charge the user so the user can “bypass” the hard-to-solve level and move to the next level.

If viewed from technical view points, software for smartphone platform available in three flavors. The first is standalone software that can be run independently after it is downloaded to user device. The second is web client software that is connected to a web server in order to give full functionality. The third is a web site that is browsed through a browser-based application. With this flexibility, the service that a software application can provide to user is not limited by the processing power of the smartphone, because a software application can be backed up by a back-end server. This capability is also one of the characteristics that make a smartphone really “smart”. A smartphone can recognize word utterances and give other sophisticated functionalities that are provided by the back-end server. The term cloud-computing also gets

some of its popularity from the intensive use of back-end server by smartphone platform, or in other words, all the limitation of a smartphone is extended and backed-up by cloud computing. The smartphone device also gives easy access to programmers to use and manipulate all the hardware sub devices, such as the touch screen, the microphone, the camera, the accelerometer, the compass, the global positioning system and the networking capabilities of the device. In Android-based smartphone platform, the programmers can even create application that respond to incoming email event or missed call event and application to access the email and other important user data in the phone. This kind of easy and integrated access to hardware devices and important data is not imaginable in the desktop or web platform programming.

I have illustrated before that in just three years, the price of smartphone has gone down from around USD 1000 to USD 60. With this very low price, each and everyone in this world, from old people to little children, will have their own smartphone in their hands. If the number of currently living people in the world is 7 billion, the number of people who have smartphone will soon reach 7 billion. It means that software designers and builders will have the market of 7 billion people for their software products. The biggest potential buyer in the history of software marketing is possible because of the smartphone platform. The huge potential market will certainly make the software sold for this platform will have the lowest price compared to software sold for other platforms. Software industry can sell each piece of software for 0.001 dollar and the industry will potentially get 7 million dollar for each of the software pieces, because 0.001 dollar times 7 billion people is equal to 7 million dollar!

3. Marketing Strategies for Smartphone Software Application

Software industry can be classified as a fast moving and dynamic industry. But different from hardware and microelectronics industry that is capital intensive, software industry is labor intensive. When we look at the smartphone platform as a new and developing platform for software, software development industry for this platform can be absolutely classified as fast moving, innovative and dynamic industry. For this kind of industry, one of the characteristic is that the companies involved must innovate or else they will die. Leading product in one moment can be obsolete overnight. For a fast moving and dynamic industry, Regis McKenna, a top American marketing consultant, suggested that the traditional marketing techniques are not

adequate. When he said about traditional marketing, he referenced about old techniques that rely heavily on advertising and focusing on getting bigger market share out of established market. For products that fall into the category of dynamic industry products, company has to make dynamic positioning for its product, its market and then itself (the corporate). The new cornerstones of positioning are (1) marketing should be dynamic, not static; (2) marketing should focus on market creation, not market sharing; (3) marketing should be a building process, not a promotional process; and (4) marketing should be qualitative, not quantitative. Much of the products developed by software industry are new products with no clear market share or even no market at the moment of production. The market has to be created, so much efforts has to be done in educating the customer, so they can be sure of the new software products and at ease when using the new software [1].

To do product positioning, McKenna [1] suggested four golden rules, which are:

1. Understanding the environment
2. Focusing on the intangibles
3. Finding the right targets
4. Experimenting and changing

Corporate positioning is based upon many factors, including management strength, corporate history, and even the personalities of the top executives. Corporate positioning sits at the top of the positioning hierarchy. Companies must position their products first. Next, the products must gain market recognition. Only then can companies build a solid corporate position. As the last of the positioning trio, corporate positioning reinforces each of the previous two. A strong corporate position can validate a company's market positioning and its product positioning. When a company establishes a strong corporate position, its other positions become stronger and more lasting. Sometimes, a corporate position can be established on the basis of just one or two key products, while is called "silver bullets" by McKenna.

For those who are planning to build new application for the smartphone platform, Michael Flarup [2] suggested to make several practical steps. First, he urged developers to make a unique application, either by being the first developer in a new product category or reinventing the existing category with something unique. To spin an existing category, he suggested to think creatively or using shortcut to mix categories and use all the feature of the multi-touch screen,

GPS and accelerometer to create unique experience for the user in the category, or to do something at the opposite of the leader in a saturated market. He explicitly pointed developers to think, plan and build with the intention to create something unique and to iterate these uniqueness early in the conceptual draft stage until the final marketing stage. For the marketing part, he proposed developers to make the product or the message of the product to move well in Twitter, the importance of catering to general blog and category-blog. In the final steps, Flarup [2] suggested to hype early and launch big.

4. Mobile Platform as a Competitive Marketing Channel

According to Mark Simmons [3], mobile marketing is witnessing a dramatic change and it can be expected to see companies this year continue to find innovative ways to leverage the channel. As the sales of smartphones and tablets continue to rise, it seems there's no end in sight to the popularity of these devices. This translates into nothing but opportunity for brands, marketers, publishers and advertisers. Mobile search will become prominent, because although search marketing has been around since the late 90s in some form or fashion, today's landscape is much more complex. Now advertisers have a number of products, tactics, and resources at their disposal. One tactic that is underused is mobile search. Mobile search offers the unique opportunity to connect with consumers at the moment of interest, at different times and in a geographically relevant fashion. This is an incredible opportunity that companies are just not taking advantage of.

Simmons [3] further explained that if company does not have a mobile site, now is the time to create one. He suggested that company should not put tremendous effort into main site only to have a poor mobile experience and lose traffic. According to Adobe, as quoted by Simmons, mobile traffic rose 100 percent as a percentage of all searches in 2012 and comprises 20 percent of all retail clicksOpens in a new window. The data mentioned in the site, suggests the need to adapt to the "new mobile customer." Further, Simmons suggested that companies should take the time to give this proper attention to building web site that can adapt well to all of the smartphone and mobile devices existed in the mobile device market.

5. Conclusion

The new and emerging Smartphone platform is indeed a very convincing platform for software targeting platform, software distribution platform and for mobile marketing. Some of the underlying reasons for the success of this platform is its flexibility and its “always-on” features, that make it the only computing and communication platform that follows its owner wherever the person goes. Another reason for its incredible adoption is the technological advances and software support that makes the platform gets better in a very fast pace from time to time. High competition in the smartphone producing industry makes the price of the platform gets lower and lower, so most of the people can afford it. Never before in history, that a computing platform is embraced by so many people in a very short time. Due to this fact, all the economic and technological benefits that have been demonstrated by its computing platform predecessors, have now come into existence in a more mobile and flexible form, to the majority of people living on earth.

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2.45 GHz bandpass filter design with FR-4 material

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Abstract

A bandpass filter based on square open loop resonator is designed at 2.45 GHz. To enhance the filter selectivity around the pass band two transmission zeros are introduced and also additional transmission zeros inserted apart from the pass and to guarantee the rejection there. In this study using substrate FR-4 material, because the material is cheap and easy to come by in Indonesia despite having a dielectric constant (ϵ_r) width is 4.4 to 4.8. Beside that, in this research use six pieces square open loop resonators that are implemented in microstrip technology. In the simulations results obtained by the filter bandwidth of 100 MHz, ie from 2.41 to 2.51 GHz frequency with an insertion loss of 7.4 dB. Transmission zeros at a frequency of 2.22 GHz, 2.55 GHz and 2.84 GHz. While the results of the transmission measurements showed that to 3 dB, obtained a bandwidth of 95 MHz is the frequency from 2.42 to 2.515 GHz with a center frequency of 2.467 GHz. Insertion loss of 8.2 dB and three zeros transmission of 2.2 GHz, 2.53 GHz and 2.8 GHz.

Keyword: Bandpass filter, microstrip, square open loop resonator, WLAN, FR-4.

1. Introduction

Business development, management and environment in the world so quickly, especially Asia certainly had an impact on Indonesia. The development is also considering the effect on the telecommunications field telecommunications is no longer merely exchanging information but it has become our daily lifestyle. Development of telecommunications today's tends to wireless communication because it is faster than the development of communication using physical media. While the wireless telecommunications is certainly not immune to the use of frequency as a carrier of information. In the free air around us, there are many frequencies that carry information. So the development of today's telecommunications equipment need to select a specific frequency desired is called filters.

One kinds of the filters is bandpass filters. The use of bandpass filters in wireless

communication is required in the sender and the receiver as a bandpass filter is used to pass frequencies between f_1 and f_2 , and reject the signal whose frequency is smaller than f_1 or whose frequency is greater than f_2 . In realizing this purpose, there are many strategies have been implemented, for example, a filter with waveguide technology is most appropriate when associated with lowest transmission loss (insertion loss). Although in many types of applications of this technology has been abandoned, but in certain applications remain the first choice, such as large power applications or satellite applications. Filter by waveguide technology has the disadvantage of expensive and hard to make it so for mass production and is not cheap. As an alternative is the filter built in microstrip technology. The advantages of this technology are easy and inexpensive to make, especially for the production of large quantities.

In [1] shows an efficient procedure to calculate the coupling matrix as basis for introducing transmission zeros in the bandpass filter. In the previous publication [2], [3] and [4] for designing bandpass filters with transmission zeros, a very lossy microstrip based on FR4 is used.

2. Microstrip Technology

2.1. Microstrip Transmission Line

Microstrip transmission line as part of a planar transmission line, a transmission line that is the most important technique for the application of radio frequency (RF, radio frequency) and microwave, as well as for digital circuits with high speed (high speed digital circuits). The planar shape of the circuit can be produced in several ways: for example, by etching or by photolithographs and thin and thick film technology (thin-film and thick-film technology). As with the other transmission lines, planar transmission line could also be used to make certain components such as filters, coupler, transformer or power divider. The types of other planar transmission line is triplate (stripline) which is a coplanar transmission line.

If the planar transmission line types microstrip, Figure 1, are used at frequencies low enough that the type of wave propagates into quasi Transversal Electric Magnetic waves (as if TEM), this wave is the basic mode on the transmission line.

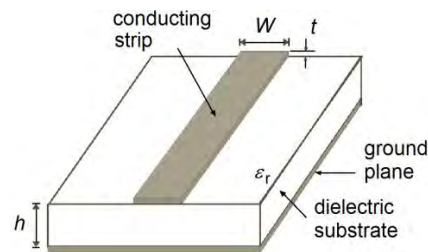


Fig. 1. Microstrip and its important parts.[5]

For the case of very thin metal strip ($t \rightarrow 0$), the effective permittivity wave impedance can be calculated by an expression Hammerstad and Jensen formulas, [5]

$$\epsilon_{r,eff} = \frac{\epsilon_r + 1}{2} + \frac{\epsilon_r - 1}{2} \left(1 + \frac{10}{u}\right)^{-a-b} \quad (1)$$

where $u = W/h$, and

$$a = 1 + \frac{1}{49} \ln \left[\frac{u^4 + \left(\frac{u}{52}\right)^2}{u^4 + 0,432} \right] + \frac{1}{18,7} \ln \left[1 + \left(\frac{u}{18,1}\right)^3 \right] \quad \text{and}$$

$$b = 0,564 \left(\frac{\epsilon_r - 0,9}{\epsilon_r + 3} \right)^{0,053}$$

The formula for computing the effective permittivity has an accuracy better than 0.2% for $\epsilon_r \leq 128$ the parameter and $0,01 \leq u \leq 100$. While wave impedance are

$$Z_0 = \frac{\eta}{2\pi\sqrt{\epsilon_{r,eff}}} \ln \left(\frac{F}{u} + \sqrt{1 + \left(\frac{2}{u}\right)^2} \right) \quad (2)$$

$$F = 6 + (2\pi - 6)e^{-\left(\frac{30,666}{u}\right)^{0,7528}}$$

Wave impedance calculation formula has an accuracy of better than 0.01% for $u \leq 1$ and 0.03% for $u \leq 1000$. With the acquisition of effective relative permittivity, wavelength transmission line can be calculated to be

$$\lambda_g = \frac{\lambda_0}{\sqrt{\epsilon_{r,eff}}} \tag{3}$$

Wheeler and Hammerstad give approximate expressions for calculating the microstrip width by known wave impedance Z_0 and relative permittivity ϵ_r as follows

For $u = W/h \leq 2$

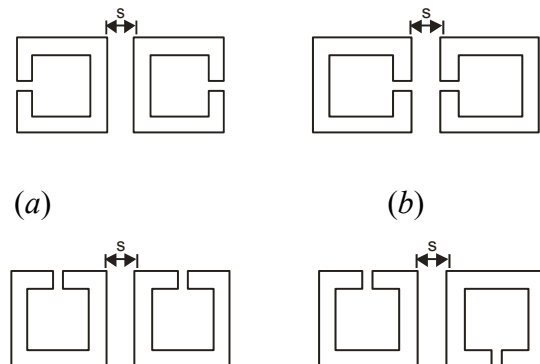
$$\frac{W}{h} = \frac{8e^A}{e^{2A} - 2} \tag{4}$$

with

$$A = \frac{Z_0}{60} \left[\frac{\epsilon_r + 1}{2} \right]^{0.5} + \frac{\epsilon_r - 1}{\epsilon_r + 1} \left[0.23 + \frac{0.11}{\epsilon_r} \right] \tag{5}$$

2.2. Type of Couplings

In designing bandpass filter, square open loop resonators are used. There are three types of couplings considered, the electric, magnetic, and mixed coupling, as shown in Fig. 2. The amount and type of each coupling can be obtained by adjusting the direction of orientation of each pair resonator as shown below.



(c) (d)

Fig. 2. Typical coupling structures of coupled resonators with (a) magnetic coupling, (b) electric coupling, (c) and (d) mixed coupling.

From the physical consideration, that the small distances will cause strong couplings and large distances lead to weak couplings. If resonators i and j are located close to each other, they will interact to each other. In the transmission characteristics we can observe two resonant points, the lower frequency f_1 dan the higher f_2 , so the normalized coupling coefficient can be calculated to

$$m_{i,j} = \frac{f_2^2 - f_1^2}{f_2^2 + f_1^2} \tag{6}$$

2.3. Coupling Matrix

Rhodes [6] introduced a folded configuration (folded configuration), which as an example is shown in Figure 3. Self-couplings s in the main diagonal represent the resonant frequency of each resonator. If the filter contains a cross coupling, the resonators can have different frequencies from the center frequency ω_0 . If the filter does not have a cross coupling, the element s in the main diagonal is 0, which means that all resonator tuned at the center frequency ω_0 . m is the main coupling of the input port (S) to the first resonator, then from the first to the second resonator, and further up on of the resonator to the N to the output port (L). Apart from that there is another cross coupling, which divided into the symmetric cross-couplings (xs), and asymmetric ones (xa).

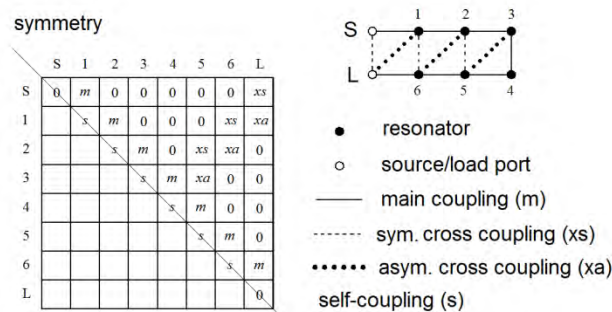


Fig. 3. Coupling matrix and schematic of the folded configuration.

By dividing the coupling coefficient by the fractional bandwidth (FBW), we obtain the normalized coupling coefficient m_{ij}

$$m_{ij} = \frac{M_{ij}}{FBW} \quad (7)$$

And from the element (S,1) or (6,L) in coupling matrix, we get the scaled external quality factors

$$q_{ei} = Q_{ei} \cdot FBW \text{ for } i = 1, n \quad (8)$$

3. Bandpass Filter Design

3.1. Specification 802.11b

Desired filter design based on reference [7], which is a product made bandpass filter from L-com BPF type 2400A, which can be considered to represent WLAN specifications bandpass filter, the filter specifications obtained are shown in Table 1.

Table 1. Bandpass filter design specifications. [7]

No.	Parameter	Specifications
1	<i>Center Frequency</i>	2448 MHz
2	<i>Bandwith</i>	100 MHz
3	<i>Insertion loss</i>	0.25 dB nominal
4	<i>Return loss</i>	≥ 15 dB
5	<i>Out of Band Rejection</i>	> 80 dB @ < 2000 MHz
		> 60 dB @ > 2700 MHz
6	<i>Impedance</i>	50 ohm

After determining the specifications of the filter that you want to be and also determine dielectric material used to make the prototype filter then the next step is to perform mathematical calculations to obtain the width of the resonator (equation 1-5) and wavelength of the resonator.

The study used side of square, a 11.3 mm, width of resonator 2 mm, half the wavelength ($\lambda/2$) 33 mm and 1.1 mm gap. These resonators are built based on a PCB of FR-4 with thickness of dielectric 1.6 mm. The substrate has the relativity of 4.4-4.8 and tangent loss of 0.02. By varying the distance between these resonators we can get the appropriate coupling coefficients.

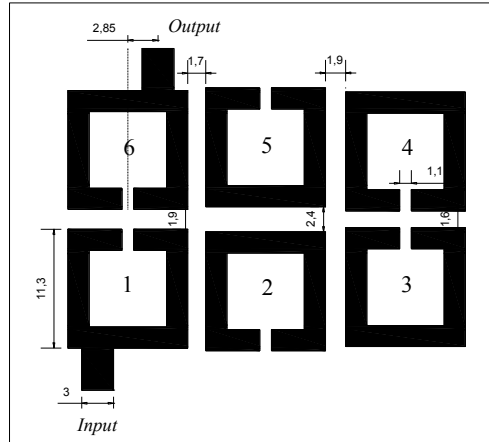
3.2. Coupling Matrix

Starting with calculating the the coupling matrix (CM) with the position of transmission zeros $\Omega_{23} = \pm 2$ and $\Omega_{23} = \pm 4$ we obtain the following coupling matrix, [1]

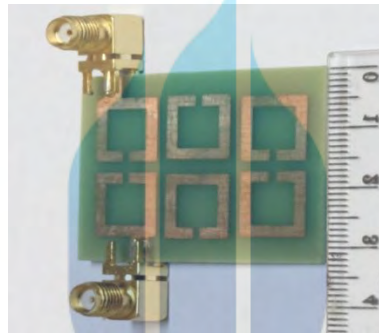
$$CM = \begin{bmatrix} S & 1 & 2 & 3 & 4 & 5 & 6 & L \\ S & 0 & -0.9986 & 0 & 0 & 0 & 0 & 0 \\ 1 & -0.9986 & 0 & 0.8364 & 0 & 0 & 0 & 0.0029 \\ 2 & 0 & 0.8364 & 0 & 0.5995 & 0 & -0.0779 & 0 \\ 3 & 0 & 0 & 0.5995 & 0 & 0.6438 & 0 & 0 \\ 4 & 0 & 0 & 0 & 0.6438 & 0 & 0.5995 & 0 \\ 5 & 0 & 0 & -0.0779 & 0 & 0.5995 & 0 & 0.8364 \\ 6 & 0 & 0.0029 & 0 & 0 & 0 & 0.8364 & 0 \\ L & 0 & 0 & 0 & 0 & 0 & 0 & 0.9986 \end{bmatrix}$$

From the matrix and eqs. (7) and (8) we get the coupling coefficients: $m_{12} = m_{56} = 0.8364$, $m_{23} = m_{45} = 0.5995$, $m_{25} = -0.0779$, $m_{16} = 0.0029$ and $m_{34} = 0.6438$.

The process leads to schematic shown in Fig. 4(a). A prototype based on this design is depicted in Fig. 4(b).



(a)



(b)

Fig. 4. (a) Schematic filter (all dimensions in mm) and (b) prototype filter.

Computer simulation with the software Sonnet v13 [8] gives the results in Fig. 5(dash line). The pass band is located at about 2.459 GHz with an insertion loss of 7.4 dB. This insertion loss is certainly much more than required in specification. The filter has an 3 dB bandwidth between 2.407 and 2.479 GHz, or about 72 MHz. Transmission zeros are very visible at the frequencies 2.22 GHz, 2.55 GHz, and 2.84 GHz. We don't see the sharp transition between pass band and stop band because FR-4 material has large loss tan (0.02).

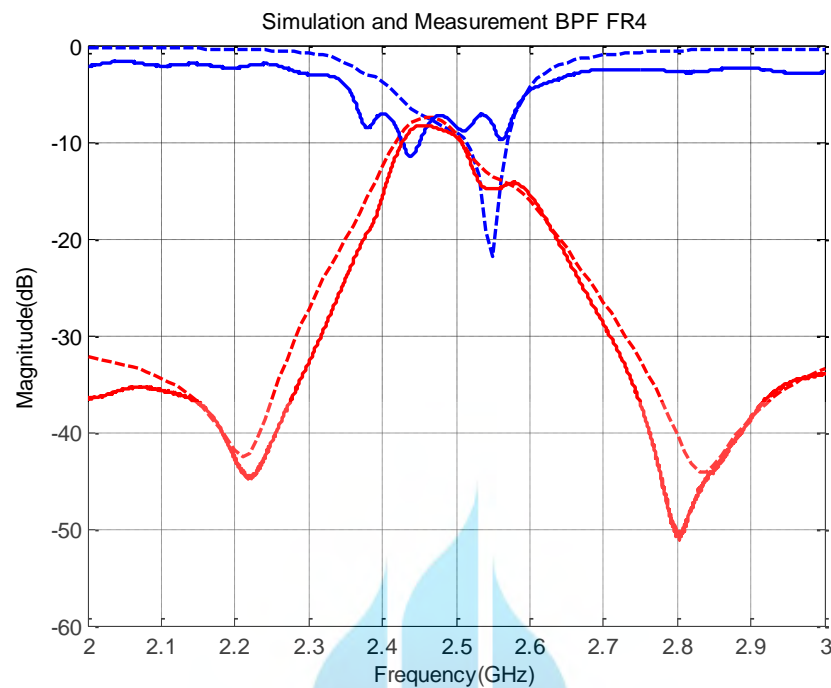


Fig. 5. Simulation (*dashed line*) dan measurement (*solid line*) result.

The measurement results (solid line in Fig. 5) shows an insertion loss of 8.2 dB and an 3 dB-bandwidth of 95 MHz in the frequency interval from 2.42 to 2.515 GHz, with a center frequency of 2.467 GHz. Shift bandwidth from initial specification is quite large in the amount of 0.013 GHz at the center frequency of the bandpass. Insertion loss obtained from the first filter of 8.2 dB, a value large enough to dampen the signals that pass through it. This is possible because of the dielectric loss and the conductor loss of the FR4 material type. Steepness of the filter are obtained from the filter is still gentle, despite already seen a 3-point frequency which gives the factors that forced zero transmission (transmission zeros) ie at a frequency of 2.2 GHz, 2.53 GHz, and 2.8 GHz. But the transmission zeros are obtained still has considerable value, the value is still far away approaching zero, this is because the FR4 material has a dissipation factor of 0.02.

VI. CONCLUSION

In the realization of the filter by using FR4 material obtained at 3 dB transmission factor, obtained a bandwidth of 95 MHz is the frequency from 2.42 to 2.515 GHz, a frequency shift of the initial specification is quite small, with a shift upward as far as the lower limit of the 20 MHz passband and 15 MHz at the upper limit of the passband. Filter insertion loss obtained with FR4 material of 8.2 dB, far from the expectations of 0.25 dB.

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The Difference of Financial Performance of Manufacture Companies Caused by the Implementation of ISO 9000

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Abstract

This research was motivated by a desire to prove the skeptical views about the benefits of ISO 9000 in manufacturing industries especially in Indonesia. The aim is to give more confidence to the industrialist who are implementing ISO 9000 (as an International Standard of Quality Management System), and who are being decided to implement. By examining financial performance through its ratio standard in the basic of financial assessment, of listed manufacturing companies in the Indonesia Stock Exchange, in the stage prior to ISO 9000 implementation, at the stage of struggling to implement, and at the stage of three years after the implementation. The first test using Mc Nemar, found that there is no significant impact of ISO 9000 to the financial performance before and after the implementation. But the second test using Cochran which comparing the trend generated by five years ratio of financial performance, between companies with more consistency and companies with less consistency in implementation of this International Standard, found the other way. The result of this study using Cochran test was concluded that all sample of companies with more consistency became more efficient and faster so that it will increase financial performance even though with speed and quantity are varies in each sample, and in vise versa. In addition, it was found that the companies with more consistency will gain more benefit from the implementation and companies with less consistency have to change their manner in order to have more benefit from the implementation of ISO 9000, unless it would not affecting in their financial performance. Hopefully this research will eliminates the doubts and skeptical views about the impact and benefit of ISO 9000 in financial performance, and provide useful input for further comprehensive research.

Keywords: ISO 9000, financial performance, quality, financial ratio

1. Introduction

Generally, in the world and in Indonesia in particular, there are tremendous growth of the number of companies that implement ISO 9000, these phenomena gives a lot of skeptical questions and opinions about the benefits of the implementation ISO 9000. Following with the emerge of various state's regulations and policies that lead to certification of ISO 9001 and forcing companies not their own necessity, but rather on the obligation (mandatory).

The first direct impact that occurs after implementation of ISO 9000 is increasing operating efficiency and better control in running the business, while the second impact is on other

dimensions such as customer, company image, tender requirements, sales and market share [1]. Wide results of several studies are varies greatly from the application of ISO 9000 which has been done previously [5], gives reason to investigate how well companies have really benefited through this certification.

This study aims to provide empirical answers more about the benefits of ISO 9000 implementation in the organization in connection with the company's overall performance means providing real profit in financial performance. The purpose of this study is: (1) Knowing the impact of obtaining the ISO 9000 certification and implementation of the improved financial performance. This result will enrich the literature of industries in Indonesia, and contribute to increased public confidence in using both national and international standards. (2) Knowing how the company's consistent and less consistent in implementing ISO 9000, by knowing the initial indicator that can be classified between group 1 and group 2. (3) Knowing the difference between the financial performances of the increasing trend of corporate group 1 with group 2 after a few years of implementing ISO 9000.

This study conducted on manufacturing companies listed on the Indonesia Stock Exchange.

2. Research Framework and Hypothesis

2.1. Research Framework

Implementation of the ISO 9000 standard which has been used by industry to produce something better for the organization came from improvements in key policy and strategic planning which will give effect to the processes within the organization, providing a structured way to obtain opportunities [2].

2.2.1. Implementation Stages

A manufacturing industry in implementing ISO 9000 will go through the stages over time which can be divided into 4 stages: pre-certification stage (T_{-1}), certification preparation stage (T_0), after a phase of certifications before re-certification audit stage (T_{+1} until T_{+3}) and after re-

certification stage is time to take off to the world class manufacturing (T_{+4} and forth) as shown in Figure 1.



Figure 1 Stages of ISO 9001 Certification

2.2.2. Effect of ISO 9000 Implementation to the Financial Performance

This study will examine how different improvements that occur after the implementation of ISO 9000 with a focus on quality will provide clear benefits and is reflected in the company's financial performance.

A. Management Process and Organization

Company's commitment to the application of this standard requires top management to establish planning and a strong foundation for the implementation and success of the implementation of ISO 9000, improvements in the aspects of legality and compliance with laws and regulations applicable local, improvements in documentation and control management (Clause 4.1. ISO 9001: 2008), the involvement of management and the growing leadership continue to be encouraged. Involvement of all employees without exception and continuous increase employee competency through training is also adequate for meeting the requirements. Capability in organizational development will have an impact on corporate image, market confidence, and open up new market opportunities, can be attributed to increased capital, liquidity, and growth.

B. Manufacturing Processes

Improvement in the manufacturing processes according to the requirements of ISO 9000 is an absolute must in accordance with the ISO 9000 philosophy which is emphasizes that good quality products produced only by a good quality process, process approach is one of quality management principles, thus the application of ISO 9000 will have an impact on the

improvement in efficiency, productivity, cycle time reduction, waste reduction and error, which will ultimately cut costs as seen in activity ratios and profitability ratios.

C. Marketing & Sales Processes

Fulfillment of the requirements of ISO 9000 ultimately brought the company indirectly on improving the performance of marketing and sales, a result of increasing customer confidence continues to expand, and this will provide increased sales and profits that encourage companies receivable trend, turnover, and trend of increasing the current ratio and quick ratio.

Of the three above processes associated with compliance with the requirements of ISO 9001 will ultimately have an impact in improving the company's financial performance, as illustrated in Figure 2.



Figure 2 Scheme Framework

2.3. Research Hypothesis

This study analyzes the financial performance differences arising from the implementation of ISO 9000, which has two ways, the first difference in financial performance before and after implementation (hypothesis 1), and then separate the company into two groups and then examine differences in financial performance between the two groups after the implementation of ISO 9000 (hypothesis 2).

2.4.1. Financial Performance Differences Before and After Implementation of ISO 9000

With pick up one of the five groups of ratios liquidity ratios, solvency, activity, profitability, and market value, assuming that ISO 9000 will affect the company's improved financial performance through the five ratios that represent each of them, then the hypothesis formulated as follows:

Hypothesis 1: There are differences in the increase of current ratio, inventory turnover, debt to total assets, net profit margin, dividend yield, before and after the ISO 9000 implementation.

2.4.2. Activity Ratios as Initial indicators of Company Consistency in Implementing ISO 9000

The changes are reflected in the annual financial statements can be said that the company implementers of ISO 9000 can be divided into 2 groups: the first group is companies that are consistently meet the conformance to all the clauses of ISO 9000 that can be seen in their continual improvement in their processes. Then, the second group is companies that are less consistent in the way they implementing ISO 9000, with characteristic such as, no continual improvement.

As clauses governing the mandatory requirements of the ISO 9000 implementers ranging from determining the vision and mission of the company, management commitment, procedures and workflow, traceability, management maturity, leadership, managing resources effectively and efficiently, prioritize process improvement, monitoring and control, as well as continuous improvement (continual improvement), the implementation of compliance with the requirements of ISO 9000 can be implemented consistently by implementers organization in carrying out the process of production and support processes by the first group of companies, or only done simply as a make-up course is usually done just before the audit alone, lack of commitment, lack of consistency, by the second group of companies. Efficiency and working time have proven acceleration of research [4] who found that the time-base directly increased efficiency after implementing ISO 9000 company and further improve the overall operating cycle after three years of certification; these results also suggested that the time base can be an indicator of efficiency and consistency of the company's seriousness in implementing ISO 9000. By calculating the linear trend equation for the five-year ($y=a+bx$) then can be propensity increases or decreases with respect to factor b, if the value of $b > 0$ then the uptrend line and vice versa.

ISO 9000 was developed based on the basic principles of quality management [4]. Conceptual and empirical foundation for the relationship between quality improvement and business performance well implemented in accordance with the basic theory. ISO 9000 requires companies to devise procedures to ensure that quality is measured continuously and the application of appropriate corrective action, this action is taken whenever there is a discrepancy occurs. As a result, the overall time required to fulfill customer orders in a certified company must be shorter than those in companies without ISO 9000 certificate. Therefore, we assume that the waiting time required to produce supplies of raw materials into finished or semi-finished products (i.e., average days in inventory/average inventory days) became shorter after the implementation of ISO 9000. Can also be applied in an equally firm certified but does not have the same commitment and consistency in its implementation can be seen from the initial indicators on the average days in inventory.

2.4.3. Trends Comparison of the Second Group Companies

Based on the assumptions above, we can easily distinguish between the two groups, referred to as the first group (group 1) is a manufacturing company earnestly and consistently implement ISO 9000, with the second group is a group of manufacturing companies who are not serious and not consistently apply the ISO 9000 (group 2), by assessing the average improvement of his days in inventory during a period of five years within T_{-1} to T_{+3} . And the separation of the first group (group 1) who have a tendency to improve and a second group who have a tendency to deteriorate (group 2), it is used as a starting point for the development of non-parametric associative hypothesis as follows:

Hypothesis 2: There are significant differences in the trend of improvement in current ratio, inventory turnover, debt to total assets, return on assets, earnings per share between manufacturing company improved its equitable (group 1) with a manufacturing company which worsened his equitable (group 2).

3. Methodology

This study uses two research approach to test the hypotheses, first is comparative before and after with research variables are the current ratio, inventory turnover, debt to total assets, net profit margin, and dividend yield, before and after implementing ISO 9001, while the second approach is comparative between two groups with variables the trend of current ratio, inventory turnover, debt to total assets, return on assets and earnings per share between the companies that are consistent with a company that does not consistently implement ISO 9000.

Data types of the variables used in this study were obtained from the financial statements of companies that transformed into financial ratios, mainly the ratio or percentage, the ratio of financial data is then transformed into nominal data/discrete, whereas financial ratio data for five years transformed into a linear equation.

3.1. Population and Sample

Samples were selected from the population of companies listed on the Indonesia Stock Exchange with the selection and sorting purposively in accordance with the objectives to be achieved and the availability data in the form of additional information obtained ISO 9001 certification by the company. This includes the selection of a purposive data availability of the company's financial statements prior to obtaining the certificate, prepared at the time of application, until three years after obtaining the certificate, so a total of 5 years of full financial statements are available.

Secondary data were obtained from a population of all companies listed on the Indonesia Stock Exchange until October 2012, 462 companies, then the company has been certified ISO 9001, and the date and month of the year according to the month and year of the date listed on the certificate of ISO 9001 was first acquired. Samples and the remaining 27 stay and meet the requirements of manufacturing companies only. The percentage of the sample is 5.84% of the total population, while the companies listed in IDX percent population sample of 153 companies is 17.65% of the population of companies listed in the Stock Exchange.

3.2. Data Analysis

Annual financial reports of listed companies in the Stock Exchange, and then processed into ratios were adjusted to the standard financial valuation of raw, each year the ratio is calculated and placed in the order of time ranging from T_{-1} to T_{+3} , so that there is as much 5 data for each ratio of T_{-1} to T_{+3} .

The ratio of the processed data are classified as the type of data this ratio can use parametric hypothesis test needs to be done yet before normality test on 27 sample firms by taking the data current ratio as the one that represents the overall data, if the results show that the chi-squared (χ^2) h count more greater than the table chi square (χ^2) t with degrees of freedom $df = interval - 1$, ($df = 6 - 1$), so df value is 5 and the error rate of 5%, then the data is not normally distributed, and vice versa.

Examining hypothesis 1, with choosing one of data financial ratio as a representative, then change the ratio to nominal and give mark Up is the value more than the previous year, and mark Down if the value less than the previous year. Using Mc Nemar Test is a non parametric comparative 2 samples [6], before and after implementation of ISO 9000, using this equation:

$$\chi^2 = \sum_{i=1}^k \frac{(f_o - f_h)^2}{f_h} \dots \dots \dots (1)$$

$k_i = 1$

f_o = frequencies observed in category I

f_h = expected frequencies under H_0 in category I

Examining hypothesis 2, with separating from 27 samples, the *uptrend line* from down *trend line* of average days in inventory, in the last 5 years (from T_{-1} until T_{+3}) obtained by draw a linier line from this equation ($y = a + bx$) which value of b positive means up *trend line* and b negative means down trend line.

Cochran hypothesis test is a non parametric comparative with (k) samples with nominal data and dichotomy frequencies between up trend line and down trend line [3]. Cochran Test uses this equation:

$$Q = \frac{(k - 1) [\sum_{j=1}^k G_j - (\sum_{j=1}^k G)]^2}{k \sum_{i=1}^N L_i - \sum_{i=1}^N L_i^2} \dots\dots\dots (2)$$

k = group of samples

G = frequency of the uptrend line

L_i = frequency of the uptrend line from group samples of k₁ + k₂ + k_j

4. Results

This study obtained two results of the testing of differences in financial performance before and after the application of ISO 9000, and the results of testing the difference between the company's financial performances that is consistent with the group of companies that are less consistent in applying ISO 9000.

Table 1. More Consistent Companies Group (Group 1)

No.	Corporate Code	b	No.	Corporate Code	b
1.	ADES	0.13	8.	PSDN	1.84
2.	AISA	12.22	9.	SMAR	4.07
3.	APLI	3.83	10.	SMGR	0.45
4.	DLTA	4.59	11.	TKIM	1.94
5.	GYDR	5.24	12.	TRST	11.03
6.	HDTX	1.78	13.	VOKS	27.83
7.	INDR	15.14			

4.1. Test Results of Hypothesis 1

Testing hypothesis 1, using the Mc Nemar Test by comparing the increase or decrease in financial ratios before and after the certification of ISO 9001 on 27 companies listed on the Stock Exchange showed no significant difference cause by this implementation and certification, as summarized in Table 3. From the five ratios were tested, each of which represents the liquidity ratios, solvability ratios, activity ratios, profitability ratios and market value ratios, all of them did not show differences due to the certification and implementation of ISO 9000, this result is in line with several previous studies despite using different methods and calculations.

Table 2. Less Consistent Companies Group (Group 2)

No.	Corporate Code	b	No.	Corporate Code	b
1.	AMFG	-21.25	8.	KAEF	-82.56
2.	BRAM	-1.99	9.	MLBI	-3.57
3.	BRNA	-7.45	10.	MYTX	-9.64
4.	BRPT	-11.48	11.	PAFI	-9.48
5.	IKBI	-32.35	12.	SMSM	-8.64
6.	INDF	-2.72	13.	STTP	-0.65
7.	INTP	-7.92	14.	UNIC	-0.11

Table 3. Summary of Testing Hypothesis 1

No.	Rasio	χ^2 (count)	Ho	Ha
1	Current Ratio	1.14300	accepted	rejected
2	Inventory Turnover	0.33300	accepted	rejected
3	Debt to Total Asset	3.00000	accepted	rejected
4	Net Profit Margin	2.00000	accepted	rejected
5	Devident Yield	0.07700	accepted	rejected

4.2. Test Results of Hypothesis 2

The results of comparative tests of hypotheses among companies that are consistent in the way they implementing ISO 9000 with the company that less consistent. Table 4 indicates that there are significant differences between the two groups on the financial performance ratio, before the certification until three years after certification. More details, that the consistent companies implementing ISO 9000 will increase gradually on improving its financial performance, in the future.

No.	Rasio	χ^2 (count)	H0	H1
1	Current Ratio	18,667	rejected	accepted
2	Inventory Turnover	9,455	rejected	accepted
3	Debt to Total Asset	19,200	rejected	accepted
4	Net Profit Margin	30,000	rejected	accepted
5	Devident Yield	8,000	rejected	accepted

Table 4. Summary of Testing Hypothesis 2

Several previous studies that examined the relationship between the implementation of ISO with financial performance, does not using measurement method like this, mainly by reviewing trends in a longer time, that's why a lot of the research ended with results in favor of the skeptical thoughts about the the implementation of ISO 9000 in improving company's financial performance.

4.3. Research limitations

This study uses 27 samples were not grouped by type of industry, which of course will give you an idea that would be more accurate if this research done this grouping, but to conduct a review of the companies listed on the Stock Exchange with a limited number of distribution, grouping based on the type of industry will actually reduce the amount of samples.

Testing hypothesis 1 has disadvantage of a lack of data used, and of the whole sample, the more companies got ISO 9001 certified prior to year 2000, at which time the global economic crisis and political turmoil that makes Indonesian stock market the situation had frozen some time, this is of course will affect the performance of all sectors that provide biased data to be obtained.

On testing the hypothesis 2 has limitations that are not performed in this study search other indicators for better understanding the state of the company and what has been done or what was not done, for the company can be classified into two groups, for example, if in addition the company also implemented ISO 9000 quality initiative such as TQM, six sigma, MBNQA, Lean System, Just in Time, etc, or with other ISO management system such as ISO 14000, ISO 18000 or ISO 22000 on food companies. Overview of the application of systems and methods that support as the next step of ISO 9000 will strengthen the indicators in the grouping decision.

5. Conclusion

Implementation of ISO 9000 requires strategy, planning and takes time to review the quality plan of the implementation and the necessary adjustments here and there to match the characteristics of each company. Planning and implementation requires competence, experience of management and employees together. We all knew that competence and experience takes time, as education

will not immediately get immediate results but will gradually evolve over time, the development of competence and experience will give good results in time. Training as part of improving employee competence in the understanding of ISO 9000 is continuously performed in conjunction with the application so that the results obtained will also slow depending on the speed of understanding the entire personnel. Implementation of ISO as a meta standard which means it can be applied to companies with any products and services at any scale, causing an ISO 9000 should be adaptable in diverse corporate cultures, this makes the implementation stage has its own characteristics, how the implementation of one company can not necessarily be applied exactly in the other company. With unique characteristic like this, the impact could not be obtained instantly felt, especially in financial performance.

Results of this study illustrate that the consistent companies in implementing ISO 9000 will have an increasing trend of financial performance in the next five-year, than companies that are inconsistent in its implementation. Means that companies that implement ISO 9000 cannot simply got certified automatically receive benefits in financial terms, but the commitment and consistency is needed in order to gradually learning about sustainable improvements can be realized in addition to just cut and reduce cycle time, waste, scrap, defects, and rework, innovation is needed not only product innovation but also innovation in the way of producing a product (processes) is required and should do, run out of innovation will lead to decline in motivation.

Companies that implement ISO 9000 simply as a compulsion as demanded by the other party (mandatory) will miss the commitment and consistency, which leads to vanity, it certainly would seem that the difference between the companies that really want to use ISO 9000 as a system that improves their internal processes, with the company that implement only as mandatory, is in the level of understanding of ISO 9000 implementation, number of training and number of employees which are competent to master ISO 9000, as the first group company will be very serious to make all employees become more competent, while the second group companies will feel discard time with the implementation of the training. With the limited gap competencies needed by employees of the company's actual competencies would carry out the implementation

of ISO 9000 with more consistent, and with the strong commitment and high motivation will also be getting better result.

6. Suggestion and Recommendation

It is expected that the results of this study will inspire further research for the academics with the expansion of the sample that is not only on the companies that are listed on the Stock Exchange alone but other companies are more numerous than are listed on the Stock Exchange, so they can better represent the final outcome research. With the limitations of the study as described before, was realized that further research needs to be done by considering manufacturing classification company based on capital scales, types of production, and many other classifications by the characteristics of the company, to strengthen the results of this study.

Further research using the data in the form of annual financial statements like these should consider a form of corporate organization in order to avoid bias due to the company's organizational model has subsidiaries will unify its financial statements include statements with a subsidiary of the parent company, thus making the data less sharp describing the condition of each subsidiaries. The use of annual financial reports (yearly) is also the end result of the company's condition only at the end of the year alone, to drive the research that will plot the company's financial condition suggested that more detail using data monthly or quarterly financial statements (quarterly) to obtain the number of more dots so it will be more accurate in obtaining linear trend line.

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Parallel Session C2:
Asian Studies and Environment



POLITICAL ECONOMY FORCES ON MEDIA BUSINESS MANAGEMENT

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Abstract

Political economy as a study originated in the eighteenth century partly to explain, justify, and support the acceleration of capitalism. Political economy can be defined as the science of wealth and deals with efforts made by man to supply wants and satisfy desires' (Palgrave: 1987). In the media industry, topics on political economy ranging from the structure of media ownership, control of media, to how media market forces operate. From this perspective, the media institution has to be considered like a part of the economic system, with close links to the political system. This article discusses recent trends in media business and technology which have increased the relevance of political-economy theory and research. Profit motive prompts the media to expand their scope of business to the level of monopolistic tendencies by implementing the corporate business practices to include: vertical integration, multi-nationalism, conglomeration, lateral integration, and diversification.

Keywords: political, economy, media

Introduction

The rise of media industry in the twentieth century led business to take a close look at the economics of communication. The result was research on everything from how to produce and market radio and television receivers to how to sell products to mass audiences. Research on factors affecting media content in a democratic society is also part of the study of political economy of media. The growth of a critical political economy was built in part on an effort to understand this process critically, for example, to connect mass marketing to wider economic and social processes and to criticize them from a range of humanistic values. Much of this work

was built on a Marxian framework, which served as the intellectual wellspring for most communist and socialist movements (Mosco, 1996). Political-economy theory emphasizes the interplay between the dynamics of media industries, economic structure, and the ideological content of media (McQuail 2000:82).

Political economy as a study originated in the eighteenth century partly to explain, justify, and support the acceleration of capitalism (Mosco, 1996:11). It rejected as inefficient and unproductive mercantilist policies that required strong state support.¹⁸ Political economy can be defined as the science of wealth and deals with efforts made by man to supply wants and satisfy desires' (*The New Palgrave: A Dictionary of Economics*, 1987:907)¹⁹. Most research in this field paid attention to the empirical analysis with topics ranging from the structure of media ownership, control of media, to how media market forces operate. From this perspective, the media institution has to be considered like a part of the economic system, with close links to the political system (McQuail 2000:82).

However, the further development of economics narrowed what was originally a broadly based discipline. As early as 1913, the original Palgrave noted that 'although the name political economy is still preserved, the science, as now understood, is not strictly political. It is not confined to relations between the government and the governed, but deals primarily with the industrial activities of individual men (Palgrave 1913:741).²⁰

Similarly, in 1948, the *Dictionary of Modern Economics* defined political economy as 'the theory and practice of economic affairs' and noted that the term applied to broad problems of real cost, surplus, and distribution. These questions were viewed as matters of social as well as individual concerns. With the introduction of utility concepts in the late nineteenth century, the emphasis shifted to changes in market values and questions of equilibrium of the individual firm.

¹⁸ **Mercantilism is an** economic philosophy and set of state policies that encouraged government action to build the country's wealth by increasing its reserves of precious metals. Mercantilism promoted state intervention to increase exports and limit imports in order to accumulate surpluses of gold. Mercantilist ideas guided European states in the early modern era up to the early nineteenth century, when the liberal ideology of free trade and limited government interference in commerce superseded it (Source: World History Glossary, onlocationeducation.net/world-history-glossary-m-r)

¹⁹ Eatwell, John, Milgate, Murray, and Newman, Peter (1987), *The New Palgrave: A Dictionary of Economics*, London: Macmillan in Vincent Mosco (1996), *The Political Economy of Communication*, p24.

²⁰ Palgrave, Sir Robert Harry Inglis (1913), *Dictionary of Political Economy*, Vol III, London: Macmillan and Co in Vincent Mosco, *The Political Economy of Communication: Rethinking and Renewal*, Sage Publication, 1996, p24.

Such problems no longer required a broad social outlook and there was no need to stress the political (Horton, 1948:110).²¹

Mosco (1996:25) thinks about political economy as the study of *–the social relations, particularly the power relations that mutually constitute the production, distribution, and consumption of resources.*” From this vantage point, the product of communication, such as newspapers, books, videos, films, and audiences, are the primary resources. This formulation has a certain heuristic value because it calls attention to fundamental forces and processes at work in the marketplace. It emphasizes the institutional circuit of communication products that links, for example, a chain of primary producers to wholesalers, retailers, and consumers, whose purchases, rentals, and attention are fed back into new processes of production. Moreover, political economy tends to concentrate on a specific set of social relations organized around power or the ability to control other people, processes, and things, even in the face of resistance (Mosco, 1996:25).

Media Business

According to Murdock and Golding (1977:37), the effect economic forces in mass media are not random, but

*–work consistently to exclude those voices lacking economic power or resources.... the underlying logic of cost operates systematically, consolidating the position of groups already established in the main mass-media markets and excluding those groups who lack the capital base required for successful entry. Thus the voices which survive will largely belong to those least likely to criticize the prevailing distribution of wealth and power. Conversely, those most likely to challenge these arrangements are unable to publicize their dissent or opposition because they cannot command resources needed for effective communication to a broad audience”.*²²

²¹ Horton, Byrne J. (1948) *Dictionary of Modern Economics*. Washington DC: Public Affairs Press.

²² Murdock, Graham and Peter Golding (1977). ‘Capitalism, Communication and Class Relations.’ Pp. 12–43 in *Mass Communication and Society*, edited by J. Curran, M. Gurevitch and J. Woolacott. London: Edward Arnold in Denis McQuail (2000), *Mass Communication Theory*, 4th Edition, Sage. p 82.

McQuail (2000:83) said that the core idea of political economic theory has not changed since earlier times, but the scope for application is much wider. He characterized the critical political-economic theory in the following propositions:

- a) Economic control and logic is determinant.
- b) Media structure tends towards concentration.
- c) Global integration of media develops.
- d) Contents and audiences are commodified.
- e) Diversity decreases.
- f) Opposition and alternative voices are marginalized.
- g) Public interest in communication is subordinated to private interests.

According to Burton (2005:6), political economy approach would be interested in four issues:

- a) The production of cultural goods by institutions;
- b) Regulation by those institutions and by government;
- c) Media text with reference to the relationship between representation and the conditions of production and consumption;
- d) Cultural consumption with relation to cultural and social inequalities.

In this regard, media institutions exist within a context of other powerful organizations (Burton, 2005:16).²³ Garnham (2000) makes a criticism of at least certain kinds of approach to media. He says that media studies tend to focus on things rather than the completely social process, which lies behind them. Media institutions may have particular qualities and a particular position within commerce, society, and culture.²⁴ However, they are not superior. Individuals and groups have recourse to the law in order to contain or even redefine what it is acceptable for the media to do. Government uses political and legal power to modify their sphere of operation. Education makes the media an object of study and may question its role. The police may act for

²³ Graeme Burton (2005). *Media and Society: Critical Perspectives*. McGraw-Hill,. P16

²⁴ Nicholas Garnham (2000). *Emancipation, the Media, and Modernity*. Oxford University Press in Graeme Burton (2005). *Media and Society: Critical Perspectives*. McGraw-Hill. p16.

the state in a similar process of containment. In short, the media interact with many institutions in society. However, the position of media neither dominant nor submissive in this interaction, and whatever influence media may have, this influenced is qualified and modified (Burton, 2005).

Several trends in media business and technology recently have increased the relevance of political-economy theory and research.²⁵

- 1) There has been growth in media concentration worldwide, with more and more power of ownership being concentrated in fewer hands and with tendencies for mergers (Murdock, 1990).²⁶
- 2) There has been a growing global 'information economy' involving an increasing convergence between telecommunication and broadcasting (Melody, 1990; Sussman, 1997).²⁷
- 3) There has been a decline in the public sector of mass media and in direct public control of telecommunication under the banner of 'deregulation', 'privatization', or 'liberalization' (Siune and Truetzschler, 1992; McQuail and Siune, 1998)²⁸

Media need profit from their operations, and the profit motive prompts the media to expand their scope of business to the level of monopolistic tendencies by implementing the corporate business practices, which have been a characteristic of many major media institutions in the world recently. The media business practices to include: vertical integration, multi-nationalism, conglomeration, lateral integration, and diversification (Burton, 2005:10-11).

²⁵ McQuail (2000), p83

²⁶ Graham Murdock (1990). "Redrawing the Map of the Communications Industries: Concentration and Ownership in the Era of Privatization". In Ferguson, M. (ed.). *Public Communication - The New Imperatives: Future Directions for Media Research*. Sage: London, pp 1-15.

²⁷ Melody, W. H. 1990. "Communication Policy in the Global Information Economy: Whither the Public Interest?" In *Public Communication: The New Imperatives. Future Directions for Media Research*, M. Ferguson (ed.) London: Sage 16-39. Gerald Sussman (1997). *Communication Technology, and Politics in the Information Age*, Sage in McQuail (2000). *Mass Communication Theory*. 4th Edition. Sage. p 83.

²⁸ Karen Siune & Wolfgang Truetzschler (1992) (eds) *Dynamics of media politics: broadcasts and electronic media in Western Europe*. London, Newbury Park: Sage and; Denis McQuail and Karen Siune (1998). *Media Policy: Convergence, Concentration and Commerce*. Euromedia Research Group. Sage.

- a) Vertical integration refers to the pattern of business ownership in which a company purchases or sets up other companies that relate to the core business. In particular, big media companies tend to try to control the process starting from production, distribution, retailing, to exhibition. This integrated power also gives such a media institution the power to cut one-sided deals with apparently independent makers of film and TV (Burton, 2005:10).
- b) Multi-nationalism relates to globalization and refers to the fact that the largest media companies do business in different countries, have links across national boundaries (co-productions), distribute product across different countries, and have manufacturing bases in different countries. This can make them more difficult to regulate, less easy to tax and generally more difficult to ‘challenge’ in national and cultural interests (Burton, 2005).
- c) Conglomeration refers to a tendency to purchase shares in other companies with similar businesses in order to meet competition and to dominate the media sector, which a given company is in.
- d) Lateral integration refers to a company move sideways, buying the controlling shares across different media.
- e) Diversification refers to another version of the lateral process in which a media company buys a business which has no relation with media industry.

It may be argued that these characteristics explained above are linked to economic drivers, which in turn may be summarized as seeking profitability, economies of scale, control of the market, and suppression of competition. All these commercial practices contribute to the superior market position and power of certain media organizations.

Nicholas Garnham (2000) produces the following definition of media organizations in relation to their economic activity:²⁹

- editorial model – in which individual goods are produced directly for the consumer (such as CDs)
- press model – in which goods are produced collectively but are also guaranteed repeat sales (such as newspapers)

²⁹ Nicholas Garnham (2000). *Emancipation, the Media, and Modernity*. Oxford University Press in Graeme Burton (2005). *Media and Society: Critical Perspectives*. McGraw-Hill. p16.

- flow model – in which a constant supply of goods is produced (as in broadcasting).

Such models reinforce the idea that media organizations are institutions of commerce, as much as creative sources, cultural enablers or part of a social.

Conclusion

- Recent trends in media business and technology have increased the relevance of political-economy theory and research.
- Profit motive prompts the media to expand their scope of business to the level of monopolistic tendencies by implementing the corporate business practices to include: vertical integration, multi-nationalism, conglomeration, lateral integration, and diversification.

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Higher Education Performance Dimensions: An Empirical Study In Faculty of Economic Mahasaraswati Denpasar University

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Abstract

Service quality is the main aspect that must be considered to win the competition. Higher education institution can not escape from the demands to always improve the quality of its services. In higher education sector has developed service quality measurement scale called HEdPERF. This measurement scale incorporates the academic components and aspects of the total service environment that experienced by the student. Numerous studies have been conducted to determine the dimensions of the HEdPERF but none of that have the same result.

The aim of this study is to determine the dimensions of HEdPERF that applied in Faculty of Economics, Mahasaraswati Denpasar University. Analysis techniques used in this study is factors analysis with a total sample of 95 respondents. The result of this study is different with previous studies. The results obtained are 9-dimensional that form HEdPERF there are, administration staff performance, academic staff performance, convenience, assurance, programmes issues, academic reputation, job access, understanding and empathy.

Keywords: service quality, HEdPERF, Higher education

1.Introduction

In this world global competition, an organization needs some competitive advantage to sustain. Service quality is the main aspect that must be considered to win the competition. Many experts assert that the most powerful force in marketing and business strategy to win the competition is service quality. Zeithaml and Bitner (1996, p.76) point out, —the issue of highest priority today involves understanding the impact of service quality on profit and other financial outcomes of organization.” Service quality also have essential role to achieve competitive advantage, and build customer loyalty. As Moore point out in Kayastha (2011), —An organization should give special attention to its service quality which can help organization to

differentiate itself from other organization, and result to long term competitive advantage”. Thats make service quality as a key strategic issue on management’s agenda.

Nowadays, higher education institution as one of the service organization can not escape from the demands to improve its service quality. It causes the role of service quality has received increasing attention. Higher education institution should ensure that all service encounters are managed to enhance consumer perceived quality. Measurement of quality in higher education is still a difficult issue, and most of the evaluation is focused on the tangible aspects. There is a consensus on the importance of service quality issues in higher education, the identification and implementation of the right measurement instrument is a challenge that practitioners who aim to gain a better understanding of the quality issues with an impact on student’s experiences face. Firdaus (2006) point out, ”it would seem rational to use a newly adapted measurement tool on the basis of previously identified determinants to evaluate not only the teaching component of tertiary institutions, but also to include aspects of the total service environment as experienced by the student”.

In view of that, Firdaus (2006) proposed HEdPERF (Higher Education Performance-only), a new and more comprehensive performance-based measuring scale that attempts to capture the authentic determinants of service quality within higher education sector. Numerous studies have been conducted to determine the dimensions of the HEdPERF but none of that have the same result. The aim of this study is to determine the dimensions of HEdPERF that applied in Faculty of Economics, Mahasaraswati Denpasar University.

2. Literature Review

Firdaus (2006) proposed a new and more comprehensive performance based measuring scale that attempts to capture the authentic determinants of service quality named HEdPERF. It was develop comprising a set of 41 items instrument that has been empirically tested for unidimensionality, reliability and validity using both axploratory and confirmatory factor analysis. The research findings identified six dimensions of HEdPERF that described as follows:

- a. Non-academic aspect : consist of items that are essential to enable student fulfil their study obligations, and it relates to duties carried out by non-academic staff.
- b. Academic aspect : the items that describe this dimension are solely the responsibilities of academics.

- c. Reputation : loaded with items that suggest the importance of items of higher learning institutions in projecting a professional image.
- d. Acces : consist of items that relate to such issues such as approachability, ease of contact, availability and convenience.
- e. Program issues : this dimension emphasizes the importance of offering wide ranging and reputable academic programmes/specializations with flexible structure and syllabus.
- f. Understanding : it involves items related to understanding student's specific need in terms of counselling in health services.

Wibisono (2010) applied 39 instrument of HEdPERF to measure the service quality at the Industrial Engineering, Catholic Parahyangan University. The research stated that HEdPERF is empirically tested for unidimensionality, reliability and validity but resulted seven dimensions of it. The dimensions of HEdPERF that Wibisono (2010) proposed are :

- a. Non-academic aspect relates to competencies and duties carried out by non-academic staff, and treatment given to the student.
- b. Academic aspect relates to responsibilities of academics and its relationship with student.
- c. Institution reputation relates to student's perception of the institution.
- d. Attention relates to staff's attention to the student.
- e. Student activity relates to student involvement in organization activities in order to repair, protection of student and appropriate service standards.
- f. Facilities relates to academic and recreational facilities.
- g. Location relates to ease of acces, lay out and good apperance.

Research of Ravichandran, et al (2012) among engineering colleges/institution wich are offering professional courses in Tiruchirappalli, Tamilnadu, India found that the 41 items as loaded in HEdPERF does not load as like the proposed original construct, instead they found a loading of eleven factors/dimensions.

3. Research Methodology

3.1 HedPERF Questionnaire

Data were collected by means of a structured questionnaire comprising the following components. The first section contained questions regarding student profile. The second section

consist of 40 items that adapted from original HEdPERF. All the items were presented as statements on the questionnaire with the same rating scale used throughout and measured on a seven point Likert type scale that varied from 1 = strongly disagree to 7 = strongly agree. The validity and reliability of the questionnaire were tested first to ensure it can be used in collecting data.

3.2 Sample

From 1.944 students of Economic Faculty Mahasaraswati Denpasar University in year 2012, there were 95 students being the respondent in this research. This number were obtained by using Slovin technique with alpha 0,10.

$$\frac{1944}{1+1944 \cdot 0,10^2} = 95 \quad (1)$$

3.3 Analysis Technique

Factor analysis will used in this study to identify the dimensional structure of HEdPERF. Of the 40 questions will be extracted in to factors that indicate the HEdPERF dimensions. Factor analysis can be performed if the result of the Kaiser-Meyer Oklin (KMO) value greater than 0,50 and Barlett's test produce significant value. Then each variable is feasible to analyze using factor analysis if the value of Anti-image Matrice above 0,50. Factor rotation will be done if the factors have not gained a clear main factors.

4. Result

4.1 Validity and Reliability

The instrument stated valid based on validity test using pearson correlation. Cronbach alpha value of 0.755 indicates that the instrument is reliable. These results show that the instrument is feasible to use in research.

4.2 Factor Analysis

KMO test showed a value of 0.859 and the results of Bartlett's test of sphericity was significant at 0.05. These results indicate factor analysis can be performed. Anti-image correlation produces a value above 0.50 means no items are discarded, in other words 40 items retained in the factor analysis.

Factor analysis conducted on the 40 items HEDPERF produce 9 factors, where the nine factors had Eigenvalues above one. The first factor is able to explain 43, 95% of the variation, the second factor can explain the variation of 5.91%, the third factor is able to explain the variation of 5.32%, the fourth factor explains 4.82% of the variation, the fifth factor explains 3.45% of the variation, the sixth factor explains 3.09% of the variation, the seventh factor explains 2.87% of the variation, the eighth factor explains 2.82% of the variation, and ninth factors explain 2.75% of the variation.

Table 1 Factor Analysis

	Loading Factor								
	1	2	3	4	5	6	7	8	9
Knowledge in course conten (x1)				0,784					
Caring and courteous(x2)				0,576					
Responding to request for assistance(x3)									0,778
Sincere interest in solving problem(x4)				0,543					
Positive attitude(x5)				0,754					
Good communication(x6)				0,684					
Feedback on progress(x7)					0,471				
Suifficient and convenient consultation(x8)	0,561								
Professional appearance(x9)					0,712				
Academic facilities(x10)							0,518		
Quality programmes(x11)					0,598				
Recreational facilities(x12)	0,623								
Class size (x13)						0,744			
Variety of programmes(x14)						0,765			
Flexible syllabus and structure(x15)						0,541			
Ideal campus location(x16)	0,637								
Reputable programmes(x17)							0,574		
Educated and experience academicians(x18)							0,617		
Easily employable graduates(x19)								0,668	
Sincere interest and soving problem(x20)	0,589								
Caring and individualize attention(x21)	0,608								
Efficient dealing with complaints(x22)	0,556								
Responding to request for assistance(x23)		0,473							
Accurate and retrievable records(x24)					0,556				
Promises kept(x25)		0,608							
Convenient opening hours(x26)		0,723							
Positive attitude(x27)		0,787							
Good communication(x28)		0,700							
Good procedure(x29)		0,640							

Feeling secured(x30)	0,707						
Service with reasonable time frame(x31)		0,586					
Equal treatment and respect(x32)		0,507					
Fair amount of freedom(x33)	0,684						
Confidentiality of information(x34)			0,525				
Easily contacted by telephone(x35)	0,592						
Counseling service(x36)	0,627						
Health service(x37)	0,491						
Student's union(x38)			0,661				
Feedback for improvement(x39)			0,758				
Service delivery procedures(x40)			0,805				

Table 1 shows the results of the factor analysis in terms of factor number, the variables loading on each factor and the variance explained by each factor. Can be seen from Table 1 that formed nine dimensions of HEDPERF. The first dimension is called convenience consists of variable x8, x10, x12, x16, x20, x21, x22, x30, x33, x35, x36, and x37. The variables relates with the provision of comfort to the students in touch with agencies. The second dimension is called administrative staff performance consists of variable x23,x25,x26,x27,x28,x29,x31, and x32. The variables relates with the ability of the administrative staff in serving students. Third dimension is called understanding consists of variable x34,x38, and x40. The variables relates with how far the institutions pay attention to the students aspirations. Fourth dimension is called academic staff performance. This dimension consists of variable x1,x2,x4,x5, and x6. The variables relates with the ability of academic staff in helping students achieve their academic abilities well. The fifth dimension is called assurance consists of variable x7, x9, x11, and x24. The variables relates with guarantees provided by the institution to the students on the education process they receive. The sixth dimension is called programmes issues consists of variable x13,x14, and x15. These variables related to the educational programs offered to students. The seventh dimension is called academic reputation consists of variable x17 and x18. These variables related to the academic reputation of the higher education institution. Eighth dimension containing only variable x19 that related to ease of the students in finding a job after graduate from the higher education institution. This dimension is called job access. Finally, the ninth dimension called empathy that is formed from the variable x3, this variable shows empathy of academic staff to students.

5. Conclusions and Recommendation

5.1 Conclusions

The validity and reliability of HEdPERF has been empirically tested in this research. Such valid and reliable measuring scale would be a tool that higher education institutions could use to improve service performance in the light of increased competition with the development of global education markets. From the study findings using factor analysis, it is inferred that a HEdPERF scale is not factor loaded as per the proposed original construct. The results obtained are 9-dimensional that form HEdPERF there are administration staff performance, academic staff performance, convenience, assurance, programmes issues, academic reputation, job access, understanding and empathy.

5.2 Recommendation

Services to students can not be ignored because the student is an asset to the higher education institution. Without students the institution means nothing. Nine dimensions of HEdPERF in this study is expected to assist the higher education institution in determining the forms of services provided to students. Great attention to service can have a positive impact for the higher education institution in its survival. Service not only the focus of companies that solely pursuing profit but should also be considered by the higher education institution that many who intend to follow education at the institution.

This study is limited to the findings of HEdPERF dimension using factor analysis. In term of future research areas, it may be worthwhile to develop different analysis model that can be used associated with HEdPERF. Further studies are expected able to find the dimensions of HEdPERF that simpler and standard, so that the higher education institutions can evaluate and improve their service quality to achieve competitive advantage .

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**THE INFLUENCING FACTORS IN IMPLEMENTING
FINANCIAL ACCOUNTING STANDARD FOR ENTITY WITH NO
PUBLIC ACCOUNTABILITY (SAK ETAP)**

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Abstract

Small and medium-sized enterprises (SMEs) constitute a major economic and business entity. Currently, Indonesian Government is shaping the competitiveness of SMEs so they can serve as the engine for national economy growth. Unfortunately, SMEs are still confronted with a wide-range of basic challenges, mainly their limited financial access from banking. The barrier to get bank loan is due to their financial reports have not met the Financial Accounting Standard for Entity with no Public Accountability (SAK ETAP).

This paper focused on analyzing the underlying influential factors in implementing SAK ETAP which include the owner/manager's characteristics proxied by level of education and business experience, information technology (IT) comprehension, self-efficacy, and personal innovative. The research is undertaken in Gianyar Regency. Total samples taken using proportional random sampling are 398 SMEs. The findings revealed that level of education, IT comprehension, self-efficacy and personal innovative significantly influence the decision to implement SAK ETAP; while business experience has no effect on the decision to implement SAK ETAP.

Keyword: SAK ETAP, SMEs, personal innovative, self-efficacy, level of education

1. Introduction

The development of Small and Medium-sized Enterprises (SMEs) is being a major concern by the government. The Indonesian Ministry of Cooperative and Small Business states that 99 percent or equals to 52.7 million of the business sectors constitute SMEs which spread out both in rural and urban area of Indonesia and place a great number of employments that is above 97 percent [10]. Additionally, the presence of SMEs in develop countries is up to 90 percent; hence able to reduce unemployment by 67 percent [1]. Thus, since the importance existence of SMEs can be viewed as the engine for national economy growth, more attention has to be paid on the development of SMEs.

Even though many efforts have been carried out by government, still SMEs are confronted by their basic problem that is the lack of financial access. As suggested by Teoh and Chong [16], the barriers faced by SMEs mainly due to lack of credit access and lack of formal business and social network access. Many of SMEs fail in proposing for a credit to banks. The key reason is that because SMEs do not have audited financial reports; consequently, bank will take a prudent reaction as they perceive SMEs are high-risk businesses [1]. Therefore, there is an importance for SMEs to adopt financial accounting standard for entity with no public accountability (SAK ETAP) in preparing their financial reports. If SMEs already comply with SAK ETAP then banks will give a positive response and be able to evaluate their business feasibility [18].

There are reasons of why SMEs have not adopted SAK ETAP yet, such the lack understanding of accounting itself, the complexities of accounting process, level of education and business experience of SMEs' owner/manager's has, and the assumption that it is not important to make financial reports under compliance of SAK ETAP which make them prepare their financial reports as it is [19]. Furthermore, the lack comprehension of accounting information technology, the high-cost to hire an accountant and to get accounting software make SMEs have to expense more compare to the benefit they have [15,14].

Similar problems faced by SMEs in Bali. According to Cooperative and SMEs Department there are 337,259 SMEs or equals to 99 percents SMEs scatter in Bali in 2012 [17]. Among them, only 1,200 SMEs are able to access capital credit. This is due to bank still perceives SMEs are unqualified for credit granted as they are still traditionally managed [4].

As a tourist destination, Gianyar Regency relies on SMEs sector for their local revenue. There are 116,557 or equals to 34.56 percent SMEs in Gianyar. The majority of the SMEs are in

jewellery (silver) sector, followed by accommodation, handicraft, paintings and mini markets. Among them, 45 percent of the SMEs produce export commodity which require greater capital to run their business. However, only 15 percent of those SMEs have credit access.

This research paper attempts to measure the influencing factors in implementing SAK ETAP inclusive owner/manager's characteristics proxied by level of education and business experience, IT comprehension, self-efficacy, and personal innovative. This research is worth to conduct because this topic is the first research carried out in Bali. Additionally, because there is a limited number of SMEs has access into credit as their financial reports have not complied with SAK ETAP yet.

2. Financial Accounting Standard for Entity with no Public Accountability (Standar Akuntansi Keuangan untuk Entitas Tanpa Akuntabilitas Publik – SAK ETAP)

Currently, Indonesian Accountant Association (Ikatan Akuntan Indonesia) has it issued financial accounting standard for entity with no public accountability (SAK ETAP) which in conformity with International Financial Reporting Standard (IFRS) for SMEs. The objective of this standard is to simplify the complexities of general financial standard to be applied by unlisted entity at Indonesian Stock Exchange Market or for non-financial entity [8]. The implementation of SAK ETAP is effective as per 1 January 2011.

The criteria of the entity with no public accountability set out by IAI [8] are (1) has no significant public accountability. An entity deems to have a significant accountability if (a) an entity has proposed for a registration or in the process of proposing a registration to capital market authority (BAPEPAM-LK) or other regulator to issue share in the capital market, and (b) an entity has a fiduciary asset for a group of people, for instance: bank, insurance company, broker, pension fund, investment bank; (2) does not issue financial reports for general purpose for external users. The external users include proprietor who does not involve in the entity management directly, creditor and credit rating agencies.

If the financial reports made have complied with SAK ETAP, then a full and explicit statement has to be made by the entity stating their compliance in their disclosure. Therefore, the audit will be conducted in conformity with SAK ETAP.

3. Small to Medium-sized Enterprises (SMEs)

The presence of SMEs worldwide is much greater in number than large entities [12] and play a pivotal role in the economic growth. Apparently, the development of SMEs in Indonesia places a great number of employments that is above 97 percent [10]. According to Indonesian Law nr.20 year 2008, micro enterprise classifies as an entity whose assets worth for the maximum of 50 million Rupiah exclude land, property and plant, and generates annual revenues of 300 million Rupiah; while small-sized enterprise is an entity whose assets value ranging from 50 to 500 million Rupiah exclude land, property and plant, and generates annual revenues of 300 million up to 2.5 billion Rupiah; and medium-sized enterprise's assets worth of 500 million up to 10 billion Rupiah with the annual revenues from 2.5 billion up to 50 billion Rupiah [17].

4. Owner/Manager's Characteristics

4.1. Level of Education

Education is a learning process to gain knowledge by way of formal and informal process [15]. Sariningtyas and Diah [15] suggest that owner/manager's ability and skill is determined by the formal education they have in which will influence their performance in preparing and using the financial information and management. Therefore, the higher level of education and the greater knowledge they able to demonstrate will make them into better problem solvers. Likewise, if the owner/manager has a higher education degree then there is a high probability in implementing SAK ETAP in preparing their financial reports. Thus, based on the preceding explanation, the hypothesis developed is:

H1: Education level possessed by the owner/manager influences the implementation of SAK ETAP

4.2. Business Experience

Experience can be achieved both from formal education, for instance at school; and non-formal process for instance training program. Business experience is measured by the leadership duration of the owner/manager in the entity. The longer the leadership period, the more experienced the owner/manager will be. An entity will apply SAK ETAP when the owner/manager is experienced and has a good understanding particularly in financial, accountancy, and economy. Therefore, based on the above explanation the hypothesis developed is:

H2: Owner/manager's business experience influences the implementation of SAK ETAP.

5. Information Technology (IT) Comprehension

Comprehension on accounting information system based on technology crucially perceived for business' owner/manager in performing their task to be efficient, effective and responsible in decision making [9]. Intensive information technology will be adopted when a greater understanding about the importance of technology in business life possessed by business' owner/manager [11]. Consequently, once IT has been adopted, the process in preparing financial information can be accelerated including the implementation of SAK ETAP in preparing financial reports. Sariningtyas and Diah [15] suggest that the implementation of SAK ETAP will experienced a rising up when the owner/manager has a better understanding of IT. Therefore, the hypothesis developed in this case is:

H3: IT comprehension influences the implementation of SAK ETAP.

6. Self-efficacy in Implementing SAK ETAP

According to Field [6] self esteem is the inner confidence of the aptitude they have. A low self-esteem person will never be able to do his task properly and even if he had he would never feel satisfied [13]. So as self-efficacy is required to decide whether to implement SAK ETAP in preparing financial reports. If the owner/manager has high assurance of the financial reports they prepared, then they will implement SAK ETAP. Based on the preceding explanation, the hypothesis developed is:

H4: Self-efficacy influences the decision to implement SAK ETAP.

7. Personal Innovative

According to Bhatti [2] personal innovative defines as one's desire to try new information system. Innovation drives productivity and performance of business; and therefore innovation can bring success for an entity [3]. An innovative owner/manager attempts to make new policy if they perceive that the policy will be of benefit to their entity. Hence, if an owner/manager views that by implementing SAK ETAP will be of benefit to them in term of financial access they will have, then obviously SAK ETAP will be adopted in preparing their financial reports. Based on the above explanation, the hypothesis developed is:

H5: Personal innovative influences the decision to implement SAK ETAP.

8. Research Design

8.1. Population and sample

Research conducted in Gianyar Regency with the underlying reason that about 34.56 percent of the total SMEs or equals to 116,557 SMEs in Gianyar. By using Slovin formula, total sample obtained in this study is 398 SMEs and sample taken by proportionally random sampling.

8.2. Data collection and variables measurement

Data collected by questionnaires and interviewed the owner/manager of the SMEs.

The measure of the variables developed as followed:

1. Level of education (X1) is the highest education level possessed by the owner/manager of the SMEs and is measured by dummy variables ranging from (1)elementary, (2)junior high school, (3)senior high school, (4)diploma, (5)under graduate and (6)post graduate level.
2. Business experience (X2) defines as the leadership duration of the owner/manager and is measured by categorical interval scale from (1)less than 1 year, (2)1 to 2 years, (3)3 to 5 years,(4)6 to 10 years, and (5)more than 10 years.

3. IT Comprehension (X3) defines as the level of IT comprehended by the owner/manager of the SMEs and is classified into categorical interval scale ranging from (1)very low, (2)low, (3)fair, (4)good, (5)better.
4. Self-efficacy (X4) defines as self-assurance to implement SAK ETAP.
5. Personal innovative (X5) defines as owner/manager's innovative to try a new system that is implementing SAK ETAP in preparing financial reports. Both variables self-efficacy (X4) and personal innovative (X5) classified into categorical interval scale ranging from (1)strongly disagree, (2)disagree, (3)neutral, (4)agree, (5)strongly agree.
6. Implementation of SAK ETAP (Y) defines as whether SAK ETAP has been implemented in the entity, and is measured by dummy variables that is (0)have not implemented SAK ETAP and (1)have implemented SAK ETAP.

8.3. Data Analysis

The validity and reliability of the questionnaires is tested prior to analyzing the data. Hypotheses are tested by logistic regression as the dependent variable is in categorical and the independent variables are a combination between metric and non-metric [7]. The equation of the logistic regression is as follow:

$$\ln \frac{y}{1-y} = \alpha + \beta_1 x_1 + \beta_2 x_2 + \beta_3 x_3 + \beta_4 x_4 + \beta_5 x_5 + \varepsilon \quad (1)$$

9. Research Findings

Validity and reliability have been tested to the questionnaires. Validity test obtained significant value below Cronbach Alpha (α) 0.05; while reliability value obtained above 0.70. This reveals that the questionnaires are valid and reliable for the purpose of this research.

The finding reveals that all independent variables tested, exclusive business experience, influence the decision to implement SAK ETAP in preparing financial reports. Based on the logistic regression test, significant value obtained for variable level of education, IT comprehension, self-efficacy and personal innovative is 0.00 lower than the Cronbach Alpha (α)

0.05. This means that H1, H3, H4 and H5 are accepted. Success factor of a business people depend on the considerable knowledge they have and being innovative. An innovative owner/manager attempts to update their knowledge and the latest technology. An intensive accounting information technology will be adopted when there is a greater understanding about the importance of technology in business life possessed by the owner/manager. Thus, when the owner/manager always updated their knowledge, being innovative, and has a high self-assurance then they will adopt SAK ETAP in preparing their financial reports. Even though, implementing a new system in the entity requires a lot of efforts, it is a real worth for the entity's development, as they will have better access to finance. Conversely, variable business experience does not influence the decision to implement SAK ETAP. Based on the logistic regression test, the significant value obtained is 0.186 higher than the Cronbach Alpha (α) 0.05. This means that H2 is rejected. Even though owner/manager is experienced, if they never updated their knowledge and they run their business as it is, they will never adopted SAK ETAP in preparing their financial reports.

10. Conclusion

This paper focused on analyzing the underlying influencing factors in SAK ETAP. Based on the logistic regression test, we conclude that level of education, IT comprehension, self-efficacy and personal innovative significantly influence the decision to implement SAK ETAP; while business experience has no effect on the decision to implement SAK ETAP.

11. Research Limitation

This research paper only analyzed variables of owner/manager's characteristics proxied by level of education and business experience, IT comprehension, self-efficacy, and personal innovative on the decision to implement SAK ETAP. Other variables should be taken into consideration for future research, for instance the internal factor of the entity such funding sources, business period and business sector.

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Appendix

UNIVERSITAS
MERCU BUANA

Table 1
Validity and Reliability

Variable	Pearson Correlation	Sig	Cronbach's Alpha
X3.1	0.787	0.000	0.759
X3.2	0.682	0.000	
X3.3	0.514	0.004	
X3.4	0.677	0.000	
X3.5	0.725	0.000	
X3.6	0.687	0.000	
X4.1	0.746	0.000	0.778
X4.2	0.785	0.000	
X4.3	0.802	0.004	
X4.4	0.848	0.000	

X4.5	0.719	0.000	
X4.6	0.414	0.023	
X4.7	0.607	0.000	
X4.8	0.441	0.015	
X4.9	0.474	0.008	
X5.1	0.937	0.000	0.928
X5.2	0.863	0.000	
X5.3	0.870	0.000	
X5.4	0.544	0.002	
X5.5	0.592	0.001	
X5.6	0.638	0.00	
X5.7	0.638	0.000	
X5.8	0.636	0.000	
X5.9	0.430	0.018	

Source: Data processed

Table 2
Logistic Regression

Variable	B	sig
X1	1.579	0.000
X2	0.390	0.186
X3	0.910	0.000
X4	1.874	0.000
X5	1.601	0.000
Constant	-26.638	0.000
-2 log likelihood (block 0)		237.005
-2 log likelihood (block 1)		122.723
Nagelkerke R ²		0.556
Homer and Lemeshow		0.942

Source: Data processed

Note:

- X1 : level of education
- X2 : business experience
- X3 : IT comprehension
- X4 : self-efficacy
- X5 : personal innovative

Implementation Of Public Relations Strategic Role After Application Of The Act No. 14/2008 About Public Information Disclosure At Public Relations And Protocol Bureau Of Regional Secretary Banten Province

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ABSTRACT

After the implementation the Act No. 14/2008 about Public Information Disclosure (UU Keterbukaan Informasi Publik – UU KIP), which is applied on 2010, we still need optimalization of public relations role and function, at government agencies. Public relations have strategic role in managing public information, because it become the main PPID as instructed by the legislation, so it needs comprehensive review in accordance with the characteristics of each government agencies. This research will review about how is implementation of public relations strategic role after the application the Act No. 14/2008 about Public Information Disclosure at Public Relations and Protocol Bureau of Regional Secretary Banten Province. This research use case study method with qualitative approach and in-depth interview with the key person from Regional Public Information Commission/KIPD Banten Province and Public Relations and Protocol Bureau of Regional Secretary, Banten Province.

The frameworks of thought refer to the concept which is developed by Broom and Dozier. There are four public relations roles: communication technician, expert prescriber, communication facilitator and problem solving facilitator. This research also review the public relations communication model aspects, which are refer to the model of public information communication, according to the concept from JE.Grunig and Hunt.

The result of research shows that public relations role which is applied by Public Relations and Protocol Bureau of Regional Secretary, Banten Province, dominantly to communication technician, expert prescriber and problem solving facilitator. And the communication model is more to public information communication model, accentuate to the honest communication and not tendencious. Both of them are supporting to the socialization process of the Act No. 14/2008 about Public Information Disclosure at government agencies. The public information communication model make the public relations role more dominant, persuasive and one way. Strategically, the public relations role at government agencies is supported by KIPD Banten Province. Together, they do socialization and solve the problems which are

arise in the public information management.

Key Words: public relations role, public information, Banten Province

Background

It needs two-ways communication in order to manage communication in organization, communication from internal to external and vice versa. Two-ways communication, needs to increase audience knowledge of the organization and its activities. So it needs strategically Public Relations (PR) practitioners role in internal and external organization communication.

In accordance with PR roles, including managerial communication and technician communication, it needs a standard competence. It needs to fulfill the main job and function of PR in organization. If the competence of PR is correct and spesific, the internal and external communication will be held effectively.

Not only for private or profit organizations, government organization also needs PR strategic role. Especially after the Act of Public Information Disclosure has been applied at 2010. There is mindset changing in bureaucracy after the Act of Public Information Disclosure has been applied. In the beginning, the bureaucracy structure is raw, structured by the rules, the main job and function, including the distribution of the authority, job, position from top to bottom. This will affect the information distribution process.

The information which is communicated to the external in UU KIP context is information which is characterized in specified condition. Of course this will make a little problem, because there is a shifting of the public sphere paradigm (there is a difference before and after the Act of Public Information Disclosure – Researcher), which is information is public domain. But in the fact, information is not like that anymore, because information could be excluded base on certain conditions, as required by the Act of Public Information Disclosure.

For PR practitioners, this condition will need special competence and role. Not only two roles

anymore, but there is another specific roles, including communication facilitator role and problem solver. That fact we can view from the result of researcher observation below, which is review several weakness aspect in managing public information. Start from the limitation of qualified resources in public relations skill. Also, there is a mechanism in transferring the expert human resources to the other division, which the replacement don't have any knowledge of main job and function in the new place. So it needs repetitive training.

There also another position in unit or position in the Regional Apparatus Work Unit (SKPD) which is slow in responding data or information requirement from Communication and Information Unit (Diskominfo) or Public Relations Bureau, related to information clarification requested by public. This will cause out of sync in coordination and communication. The IT system and information network between unit or SKPD still not optimum, in the other words, not fully integrated. (Source: interview resume and field observation by researcher, 2013)

In the fact, public information must be easily understandable by all public, which is including public service information and urban information (general statistic). Beside of that, there is document copy information, website for the latest data (update), old document through information request, public domain utilization, such as village, information distribution and creativity of information media production. Public information must be opened is information which is produced, stored, managed, distributed and received by public agency which is related with organizers of the state or other public agencies. That information is related to the public interest, according to the Act of Public Information Disclosure. (www.kip.sloka.or.id)

There are four types of information which should be opened. *First*, information which is provided and announced periodically, such as information about financial report or information about public agencies activities and performance. *Second*, information which is should to be announced, such as information that could threatening people's life and general order. For example, natural disasters or endemi.

Third, information which should be ready every time, such as public information list below

public agencies scope. *The last*, information which is obtained on request. These types of information should be provided and announced if there is request for it. (Source: UU KIP No. 14/2008)

According to Glen Broom, which is comprehensively review by David Dozier (Cornelissen, 2005: 159), structurally, public relations is an integral part of the organization, and not a separated function from management system. Public relations is one of management function which has role in maintaining and managing the company reputation.

Public relations officer should has ability to build good communication strategy in doing his/her role. Public relations responsible in maintaining harmonious relationship between the organization with its public, so public relations is a liaison for company with its public: internal and external.

Public relations also responsible to create and build the organization image. Beside of that, public relations has function to solve problems which are faced by organization that could be have negative effect for the organization's life.

There are several stage for public relations to manage information. He/she should define an issue, create plan and program, act and communicate, and evaluate program. The stages must be passed through by public relations with significant process and not as easy as reverse palm of hands.

To follow the stages, public relations have communication expertise and journalistic or usually we call it as communication technician. Public relations should operate also as expert practitioner. The main job is to define problem, develop the program, and fully responsible on the implementation. Beside of that, public relations must have ability to become communication facilitator or as sensitive listener and communication broker (liaison). Public relations must be able to collaborate with other manager to define and solve the problem. PR becomes tha part of strategic planning team. Collaboration and discussion start from the first problem to the

evaluation in final program.

Writer has done a research with the same theme and concept, at Diskominfo DKI Jakarta Province (2011). The result of research shows that public relations strategic role after the application of the Act Public Information Disclosure at Diskominfo DKI Jakarta Province, put public relations in problem solver facilitator and expert prescriber role. And the routine activities that built in the main job and function of Diskominfo, could be categorized in communication technician role. These differentiate with other province government, because the structure, main job and function of public relations is in Information Communication and Public Relations unit, in accordance to the Governor Rules, Government of DKI Jakarta Province, No. 88/2009. When research has been done in 2011, KIPD DKI Jakarta Province hasn't formed yet.

In this research, writer will research about the public relations strategic role after the application of UU KIP at Public Relations and Protocol Bureau, Regional Secretary, Banten Province. The reason is Regional Public Information Commission at that province has formed and become main model for other provinces in managing the public information. Various media have been used based on the various types of public. This is a little bit different with other provinces because the heterogeneity of the public not to high.

The formulation of problem is, How to Implement Public Relations Strategic Role After Application the Act of Public Information Disclosure at Public Relations and Protocol Bureau, Regional Secretary Banten Province. The purpose of the research is to know the implementation of public relations strategic role after application the Act of Public Information Disclosure at Public Relations and Protocol Bureau, Regional Secretary Banten Province on 2013.

Literature Review

In the literature review, there are several concepts which are researcher presents. Start with the definition of public relations. Dr. Rex Harlow in his book *—A Model for Public Relations Education for Professional Practices—*, which is published by International Public Relations Association (IPRA) 1978, stated: *“Public Relations is a special management function and*

support the training, maintaining relations between the organization and its public, related to communication activity, understanding, acceptance and collaboration; involving management in solving problem; supporting management in facing public opinion; supporting management in following and using the opportunity effectively; act as warning system in anticipating the using of research and good and ethic communication technic as the main media." (Cutlip, Center and Broom, 2006)

Next, there are four strategic main roles for public relations. They are:

1. Communication Technician

Public Relations as communication technician has communication and journalistic skill as the main requirements. The main job as communication technician are writing and editing *newsletter, news release, feature*, developing web content and handling media contact. This role usually arise when he/she communicate and implement program. Their job is only explaining new program or policy to stakeholders and press.

2. *Expert Prescriber*

Practitioner who operate as expert practitioner has main job is to define problem, develop program, and fully responsible for the implementation. This expert prescriber role will be seen by other people as position who have authority in determining how to do everything.

3. Communication Facilitator

Communication facilitator role for practitioner is become sensitive listener and fasilitator communication broker (liaison). PR act as liaison, *interpreter* and mediator between organization and its public. PR maintain two-ways communcation and facilitate conversation with removing obstacles in relations and maintain the communication chanell widely opened. The purpose is to give information for management and public to make decision for public interest. PR as communication fasilitator act as information source an official contact person between organization and its public. They facilitate interaction, arrange the agenda of discussion, resume and re-present point of view, ask for response, help to diagnose and improve communication quality. Communication fasilitator has liaison role between organization and its public.

4. Problem Solver Facilitator

When PR roled as problem solver, they collaborate with other manager to define and solve problem. PR become the part of strategic planning. Collaboration and discussion start from the first problem to the evaluation of final program. Problem solver practitioner support other manager in organization to apply PR in management process, which will be used to solve other problem in organization. Problem solver facilitator is in the management team because they have the expertise and skill in supporting other manager to avoid or solve problems. (Cutlip, Center and Broom, 2006)

Other literature review, is about public relations in government. Public relations in government is non politic. Public relations in government institution is formed to publish or promote their policy. They distribute information about policy periodically, plans, institution's work performance and give knowledge to public about rules and regulation and everything that related to public's social life. Beside of its outside function, public relations in government and politic must also have chance in giving advice and input to higher position about every information that needed and possibility of the public reaction to the agency decision; the applied one, will be applied and still in progress.

Along with the pressure of transparency from public, the function of public relations has been accepted long time ago. Several sources mentioned, public relations in government has been established first before the non government agency. Public relations in government and politic always relates to public opinion.

Public relations technique in government as same as public relations tehniqe in other fields. It is information distribution and communication. The main focus is the importance of government public relations role in modern society, in doing its activities and operations in various places and fields. Especially, the importance of public relations role in building country. Beside of that, it is important also to review public relations in other countries.

In doing that function, public relations in government need to do research about public opinion to the agencies. A lot of government agencies become main subject of politicians or political parties. Their point of view about government agencies policy is based on their political view.

A Public Relations Officers in government agencies don't have possibility in making decision and have to follow the rules. Except if in the organization, public relations has been positioned so he/she will know the decision and causes before it has been published. He/she will present or explain the difficulties that might be arise if the decision is published to public. He/she might give advice to solve problems that might be arise. He/she has to make plan of activities and he/she is the key person that fully responsible in doing the activities. (Cutlip, Center dan Broom, 2006)

Next, writer will review about the important theoretical contribution has been presented by Grunig and Hunt in PR management is to identify four types of practices based on practitioner work. Grunig and Hunt arranged four public relations communication model which is relevant as a tool to analyze government communication pattern. The first model is Press Agent or publicity model.

This model is more likely to press agent work and publicity with its activities in the last 19th century to the beginning of 20th century. Their role is very clearly; to get lot of publicity from everyone who become their client. This activity is more likely to propaganda because the information is distributed to public, that may be selective, distorted, and bias. The main purpose is to persuade public to do certain action. Press agent and publicity will use any techniques to achieve their goal, from conventional release to various publicity and event, to maximize the media coverage.

Second model which is developed by Grunig and Hunt is how PR has been practiced by big companies that dominated USA economy at the end of 19th century and beginning of 20th century. Their public information model refer to work by Ivy Lee and *"public be informed"* approach where the information is distributed outside by organization. This model is using one-

way communication like press agent model. The information is distributed from the company to its public. The purpose is to persuade, but more crucial; and this is the difference between this model with press agent model. There is no activity to push the receiver in this model. Public information model is based on honestly communication approach.

Third model is asymmetric two-ways model. This model is the PR type character in the middle of 1920's to 1950's and associated with practices by Edward L Bernays, which try to make the scientific base for communication. This model has several similarity with press agent model. The main difference is scientific persuasion which is applied in asymmetric two-ways model and manipulative publicity in press agent model. Communication in this model still one-way (asymmetric) from organization to public and is trying to persuade the receiver to do certain action, buy products or moral support for campaign. The purpose of communication is to change one type behaviour become another behaviour. There is no dialogue and communication with audience.

The next is symmetric two-ways model. It explains that this model is the part of communication model history in modern era. The main character of this model is organization is challenged to do direct dialogue with stakeholders, not only to persuade, but also listening, defining and the most important is adapting organization behaviour as the result of communication process. This model uses two-ways communication with the source and receiver in the same position. Symmetric two-ways PR must be held with honestly, two-ways, giving and receiving, focus on similarity to understanding between the communication maner. (Keith Butterick, 2012: 33)

Research Method

Type of research in this research is descriptive with qualitative approach. Descriptive method is research method of group of human, object, or condition, a system of mind or event at present. (Nasir, 1998: 63). The purpose from this descriptive research is to make description, picture systematically, factually and accurately about the fact, characteristic and relations between the phenomenons. The type of this research is descriptive and qualitative. Descriptive means not searching or explaining relations and not testing hypotesis. (Rakhmat, 2004: 25)

In this research, researcher use *case study method*. Generally, case study is a suitable strategy if the main question is "how" or "why". If the researcher only have little possibility to control phenomenons and if the main focus of the research is contemporer phenomenon in real life context. (Yin, 2003:1)

Data collection technique, start with primary data. It is in depth interview, including stage of defining public relations role in applying UU KIP at Public Relations and Protocol Bureau, Regional Secretary Banten Province. For the secondary data, researcher collect it from literature study support. Literature study is being done by learning, obtain a deep understanding and adopt theories or concepts from several books, magazines and other that related to the focus of research.

In order to support the interview, there are several key person. They are:

1. Mr. Epi Rustam S.Kom.,MM (Head of Aspiration and Public Information, Public Relations Bureau, Regional Government of Banten Province). Key person is the person who manage public information at Regional Government of Banten Province.
2. Mrs. Ai Dewi Suzana, SE., MSi (Head of Sub Division of Information Service and Network, Public Relations Bureau, Regional Government of Banten Province)
3. Mr. Dwi Yudo Siswanto, S.Kom, MMSI (Head of Information Communication, Transportation Ministry, Regional Government of Banten Province / Head of KIPD Secretariat, Banten Province). Key person works in two agencies, at Transportation Ministry and KIPD, has big role in supporting the jobs in KIPD.
4. Mr. Alamsyah Basri, ST (Head of KIPD Banten Province). Key person has main role in managing interaction process and facilitate the public information need from public to government.

The research focus of this research including the description of PR as a management function which is form and maintain the mutual relationship between agencies and public. Public relations has four roles:

Communication Technician : Public Relations as communication technician must have communication and journalistic skill as requirement. The job is writing and editing *newsletter*, *news release*, *feature*, developing web content and handling media contact.

Expert Prescriber: Practitioner as an expert prescriber will define problem, develop program, and fully responsible in the implementation.

Communication Facilitator: communication facilitator role for a practitioner is a sensitive listener and communication liaison. PR act as liaison, *interpreter*, and mediator between organization and its public. PR maintain two-ways communication and facilitate conversation while removing the difficulties in relationship and maintain to open the communication channel. The purpose is to inform the management or its public to make decision for both side.

Problem Solver Facilitator: when PR act as problem solver, they collaborate with other manager to define and solve the problem. PR become part of strategic planning team. Collaboration and discussion start from the first problem to final program evaluation.

The next research focus is about information and public information. Information is note, statement, idea, sign which contain value, meaning and message, data, fact and explanation could be seen, listened and read in various form and format based on the development of information technology and communication electronically or non electronic. Public information is information which is produced, stored, managed, distributed and or received by public agency that related to country or other government agencies, according to regulation and other information which is related to public interest.

Data analyze is being done through data simple mechanism into an easily readable form and interpreted based on data from in depth interview with key informan. So this research will be described and explained qualitative along with the research purpose. Data analyze technique in this research is based on trust degree criteria. It is triangulation technique. Triangulation is a technique to check validation of the data which still possible to use something outside the data, in order to check or as comparison to the data.

Result of Research and Data Analyze

Along with the development of information technology and public information era, at the end of 2012, SOTK Bureau of Public Relations and Protocol Regional Government of Banten has changed. They have Aspiration and Public Information Division to serve information request and Main Information Management and Documentation Official (PPID).

On 18th January 2013, position in SOTK has been occupied according to Decision of Governor of Banten No. 821.2/KEP.04-BKD/I/2013 with Dra.Hj.Sitti Ma'ani Nina, M.Si. as Head of Public Relations and Protocol Bureau. Generally, Public Relations and Protocol Bureau has main job to assist General Administration Assistant, Regional Secretary, Banten Province with training, coordinating, evaluating and formulating policy in public relations field, which also include public enlightenment, documentation and protocol. According to SOTK year of 2012, Public Relations and Protocol Bureau is divided to four division below :

1. Public Enlightenment Relations Division
2. Communication and Information Technology Development Division
3. Aspiration and Public Information Division
4. Protocol Division (source: www.humasprotokol.bantenprov.go.id)

The result of research of public relations strategic role after application of UU KIP at Public Relations and Protocol Bureau, Regional secretary Banten Province, show different role. Before reviewing about public relations strategic role, it needs to define the process and general activities which is done by Public Relations and Protocol Bureau, Regional Secretary, Banten Province after application of UU KIP. Start from result of interview with Mrs. Ai Dewi Suzana, SE, MSi (Head of Sub Division of Information Service and Network), Friday, June 14th, 2013, at Public Relations and Protocol Bureau, Regional Secretary Banten Province. She explained that Regional Government of Banten has applied UU KIP. Beside of that, main job and function of Public Relations Bureau as the main PPID, especially the relations to the readiness of staffs, mechanism of training before doing the legislation and socialization to each SKPD.

Next, writer will review public relations role from public information activity point of view. It starts from Communication Technician role. It focus in communication and journalistic skill as

main requirement. Interview has been done with Mr. Epi Rustam S.Kom.,MM (Head of Aspiration and Public Information Division), Monday, July 8th 2013, at Public Relations and Protocol Bureau, Regional Secretary, Banten Province. One of communication technician role which is done by Public Relations and Protocol Bureau, Regional Secretary, Banten Province is Media Relations. This activity focus in building good relationship with mass media by Public Relations, local, regional or national media, printed or non printed media. Public Relations and Protocol Bureau, Regional Secretary, Banten Province also has news room for media freely meet Regional Government of Banten. It also can be used for media to socialize all regional government policy. Socialize program is one of communication technician role, especially the relations to UU KIP.

Other activity that include in communication technician category is media monitoring. The main job is defining media to know problems, society complain, and what Public Relations and Protocol Bureau, Regional Secretary, Banten Province will do related to the decision maker.

He also explained about press room mechanism which is managed by Public Relations Bureau. That is one of communication technician role also. Press room also have part in supporting the decision making, especially in managing public opinion at mass media related to the news about regional government performance.

Public Relations and Protocol Bureau, Regional Secretary, Banten Province also manage regional government supporting activities or event, even just focus on the protocol matter, including to manage regional government publication media.

Communication technician role also overlap with communication facilitator role, where the communication technician become strategic activity. This is the effect of the application of UU KIP, which is change the regional government public relations become faster in their daily activity, and make Regional Government of Banten as a modeling province, especially in managing public information. This happen because beside of PPID, Public Relations Bureau also has its own unit who focus and specially manage public information.

Other public relations strategic role is *Expert Prescriber*. The function is as expert practitioner to define problem, develop program, and fully responsible for the implementation. This role need an experience public relations in managing public relations program. Especially in managing crisis, public relations of Regional Government of Banten become part of it, from arranging program and decision making.

On the other hand, expert prescriber also overlap with communication technician and facilitator role because public relations in Regional Government of Banten couldn't stand on one role. There are several roles in one time.

Other expert prescriber role is related to public relations strategic role at Regional Government of Banten after application of UU KIP. There are differences that arise relate to the implementation of UU KIP, especially that is related to public relations role and structure aspect, job description, and public relations activities. The implication of public relations strategic and technique, have strong relations with the existence of UU KIP. If in the beginning there is no good management for managing information, after UU KIP, organization structure automatically upgrading itself to the expected pattern from UU KIP. This happen not only from the structure only, but also from the information and human resources management.

After reviewing the result of interview with key person, researcher analyze that after the application of UU KIP, government agencies are developing themselves, especially information management process and human resources development. One of them is happen in Regional Government of Banten, Public Relations and Protocol Bureau, Regional Secretary, Banten Province. They have re-arrange their unit with creating Aspiration and Public Information Unit, with Head of Division as highest position after Head of Public Relations and Protocol Bureau.

If we review from its structure, the position of public relations is strategic, because it directly below Regional Secretary and directly interact with Governor. If we compare with other regional governments, public relations and protocol structure still inline with other unit, which is not

relevant and not strategic refer to researcher.

The ideal job description for organization public relations structure, better is integrated and stand alone, at the neck of organization structure and not to far from top management. This will give impact to the decision making process by top management, so public relations will be part and participate in organization agenda. Public relations should be in coalition dominant circle also. Coalition dominant as media for top management to meet, to make decision and to develop strategic program organization vision and mission, and automatically will impact to all public relations communication program in the organization.

For government organization which has uniqueness if we compare it to private organization or non government agency, of course public relations structure will give big impact in managing the organization reputation.

Reputation is how the stakeholders see the output or organization performance, which is continued from time to time. So if public relations in organization has limited power and not consistent in managing communication, it will make misperception and miscommunication between the organization and its public. Of course, this is not what we want.

There are various government agencies and type of information which could be shared to public. This is related to the main job and function of government to give service to public. So it needs functional and effective structure to serve information need of its public.

So, the next step from Regional Government of Banten is doing restructurization of its public relations unit accurately and strategically. Not only in order to follow the UU KIP, but also make Regional Government of Banten become one of province that have its own information management unit, completed with regional regulations, governor regulations, and governor decision announcement to maintain the application of the legislation. Beside of that, Regional Government of Banten become benchmark for other provinces to see the development and application of UU KIP since the last 2010. If we look at the structure management, regulation

management and the readiness of the human resources. Eventhough the human resources still not optimal yet, but the top management spirit to inspire other provinces in managing public information need to be followed.

From defining the public relations roles at Regional Government of Banten, we could identify that, generally, public relations activity is more likely to communication technician category, expert prescriber and problem solver facilitator. Those three roles become dominant if we look at the public relations activity.

Communication technician role is the common public relations technique which is done by amateur PR in managing the communication technique activity. Start from media relations, news room management, event management, protocol, public relations media management, website management and other supporting activity. As public relations in government, of course those activities are must to do because job description of public relations in government always relate to protocol, event management to web content management and other public relations media.

For more details about communication technician role: Media relations activity, press room management, news maker, media monitoring management, media coverage arrangement. Opinion management at mass media. Protocol management for leader and governor. Publication media management, website, electronic magazine and public relations magazine content.

Next, is expert prescriber role. This role specially manage public relations activity from its specialization and it has big responsibility, especially in information service, information distribution, ro reputation management. According to writer, reputation management is still being supported only from information management and public opinion. Eventhough the expert prescriber point of view is from opinion management aspect, but public relations role could be included to expert prescriber category, but not expert in other field or activity. For example, employee relations, consumer relations, community relations and other relations activities. Of course this is really different with private organization which is the public relations role not only media relations, but also employee relations.

More detail about expert prescriber explanation will be presented at Public Relations Bureau activities category in applying UU KIP, including: Public Relations and Protocol Bureau, Regional Secretary, Banten Province become main PPID according to the regulation. Act as information service coordinator and documentation management and information lawsuit coordinator. Sometimes, public is complaining and judging, so public relations have to manage complain. Be part of decision maker and opinion management in mass media. Top management support for providing facility, legality aspect in managing information. Province of Banten become modeling province for managing information. Program arrangement and program implementation which has been proposed at RPJM and MUSREMBANG. Be part of crisis management.

In those description, we could see also there is a collaboration between expert prescriber and communication technician. Problem solver facilitator more focus on collaboration between Public Relations Bureau with SKPD with their own duties. So, they need to collaborate, coordinate and supporting mechanism each other to apply UU KIP. With the clear system, problem solver facilitator will focus to support certain unit in solving problems from public complaining, such as about BOS, road, unit performance, etc. Eventhough there are a lot of complain but there is no difficulties in managing it, because they have public information management division.

To define problem solving facilitator are: To support the forming of legal law of application of UU KIP, as implication of application of UU KIP at regional. There is changing in SOTK, as implication of application of UU KIP, and also regional regulation and governor decision law. To facilitate problem solving for parties that need information with information mechanism and way.

Public Relations bureau become main PPID ex officio based on application of UU KIP. Public Relations Bureau be part of build planning management team. Doing information service to facilitate public problems. To facilitate three-month forum in order to make similarity of

perception about public information service mechanism. To support in increasing service infrastructure to regional or city.

To facilitate SKPD which is, not care about public information regulation. This happen under the regulation of the act (Undang Undang). After that each of SKPD doing the –full supporting”.

The three of public relations role really dominant and include in the category which has been presented before. There are integration of the three roles in public relations activity. This is really possible because the activities related each other. Communication facilitator role not too dominant and integrated with communication technician role.

This is the description: Become facilitator or to facilitate information distribution to leaders and all unit, to socialize UU KIP, to facilitate event, to coordinate with supporting PPID and SKPD, to monitor problems and its solution, and also the relations between SKPD with related unit.

Public Relations Bureau act as special official in managing public information. This communication facilitator role is really general but there is another synergy with other role. So, according to researcher analyze, is not as dominant role. Generally, there are several common things that support the application of public information management. They are spirit of open public information and also spirit of data transparency to public, it make the human resources follow the regulation. This could make Regional Government of Banten become benchmark for other provinces in managing public information. Beside of that, the support from top management for providing infrastructure, rules, regulation, such as regional rules, governor decision law, and others. But there is still problem, because there is overlapping with other regulations, such as Archives Regulation and Banking Regulation, which make Regional Government has conflict with other parties who want the information to be opened. So KIPD role very important to this matter. According to the resume of interview with KIPD, they mentioned that they receive lot of complain from public about the data that need to be opened. Beside of that, based on the regulation, Public Relations Bureau become the main PPID even the role is not too big. It suppose to be Communication and Information Unit but because they don't

have it, so PPID function is under Public Relations Bureau.

In the fact, that is an opposite from public relations theory because Public Relations Bureau and Communication and Information Unit have different impact and activities. Public Relations Bureau means the name and structure are existed, integrated and become one agency. But if we review it from the regulation, bureau has lower impact than unit. If the public relations function is in unit like other regional government, the role will be more strategic and ideal, even the name is not public relations.

The next analyze is related to the public relations strategic role with public relations communication model which is applied in Bureau of Public Relations and Protocol, Regional Secretary, Province of Banten. Generally, according to writer, public relations communication model which is applied is Public Information model. This communication model more focus on honestly aspect and one-way, with no tendency to do manipulation in audiens level. Generally, in post reformation government agencies, they apply public information model. Of course it different between pre-reformation, which is used to apply press agency model.

We could see the communication process generally also, from media, content and the purpose of the communication, it is public information model. In the future, if the communication pattern become effective, the public relations communication model could become two-ways symmetric communication model. This model wil become two-ways and the member of communication will have same level while communicating.

Conclusion and Suggestion

From the result of research, interview resume, the conclusion is how to implement public relations strategic role after the application of UU KIP at Public Relations and Protocol Bureau, Regional Secretary, Banten Province is consists of several things. *First*, the dominant role in Public Relations and Protocol Bureau, Regional Secretary, Banten Province is communication technician, expert prescriber and problem solving facilitator. Communication technician role dominated by media relations activity, press room management, website management, public

relations media management, protocol management, and press release writing. Expert prescriber role could be seen from public relations activity when Public Relations Bureau become the main PPID so it give impact to the more measureable public information management process. Also support from governor about regulation aspect, infrastructure to support the public information management. Also when Banten Province become national modeling province project for public information management. Problem solving facilitator has been done with the following activities, socialization process to SKPD and unit, and also be part of problem solving process together with SKPD and other related units in responding information request by public.

Second, in the communication process, Public Relations and Protocol Bureau applied Public Information Model, which more focus on honestly aspect, one-way communication model but with no tendency to manipulate. This could be seen from the communication media. They maximize the media, such as online media, website, Menara magazine (in house magazine) and the content management has been maximize the electronic magazine and other public relations media, direct or indirect, especially when socializing UU KIP. This public information communication model really support the public relations strategic role after the application of UU KIP at Public Relations and Protocol Bureau, Regional Secretary, Banten Province.

The suggestion will be, *first*, academic suggestion. With the application of UU KIP in Indonesia, it will become one special review for researchers and academicians, how communication and public relations strategic role are applied by public information manager in government agencies. So in the future, we need theoretic and applicative review, especially about how public perception about regional government role and function in communicating after the application of UU KIP. It also needs to do continuous research about the impact of UU KIP for information management in government agency.

Second, practical suggestion, including public information management at government agency. In the future, we need to focus in forming and training the human resources, more up to date, and maximize the communication tool effectively and efficient. This is related to the technical requirement based on UU KIP. It mentioned that the accurate and speed of information us the

main subject, so it needs competence human resources. It also needs to do integrated public relations training for all related units or SKPD.

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Curriculum Vitae



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Irmulan Sati T., SH, MSi, is a permanent lecturer in Public Relations at Faculty of Communication Science Mercu Buana University Jakarta (2000-now). Also as member of Indonesia Public Relations Association (PERHUMAS), speaker for public relations training, writer and researcher with specialist in corporate communication. From 2008-now, become a public relations practitioner specialist in higher education industry. Also initiator in Diversity Campaign Program with title Mercu Buana Festival, especially for senior high school student. More information can be contact in irmulansati@yahoo.co.id or irmulan@mercubuana.ac.id.

UNIVERSITAS
MERCU BUANA

**UNDERSTANDING THE DILEMMA OF WHISTLEBLOWER
ON ONE OF THE EPISODES OF „MATA NAJWA“
A SEMIOTIC APPROACH - INTERPRETIVE**

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Abstract

Do not be afraid to tell the truth, because the real truth would be revealed with or without us. This is a talkshow tagline as well as the final destination of this study. Based on the fact the rampant corruption in various organizations, only a few people who have the courage to report the violated ethics incident, corruption and fraud crimes. On the other hand, there are always various views about the whistle blower, as a hero or a traitor. This study focuses on a dilemma of whistle blowers related to their decision to report a criminal event. This study included in the non-mainstream paradigm, which uses a semiotic approach for analyzing the text in the form of a conversation between the host of a talkshow *Mata Najwa*; and three whistle blower interviewed guests. In addition to the main data in the form of the transcription of the interview, informants were triangulated with documents searchable online. Analysis focused on the content-related answers to the four stages of ethical decision whistle blower Ponemon. It is found out that all three informants representing the dilemma that happens on the internal and external whistle blowers. External Whistle blower receives lower compared to internal whistle blower. The disproportionate reporting about the whistle blower that exploits negative pressure will only make people do not have a bravery to blow his whistle.

Keywords: dilemma, whistle blower, semiotic, ethical decision making

1. Introduction

Since the Enron scandal, the public's attention to the cases of fraud has increased. Price Waterhouse Cooper, 2003, stated that in his global research, the average loss due to corporate crime totaled \$ 2,199,930. In America, the Association of Certified Fraud Examiners (ACFE) estimates that 6% of company revenue lost due to financial crime. Various cases of violations of

the law, moral codes flashed on a variety of organizations in both the realms of profit-making and non-profit oriented.

In a statement on Mata Najwa, 22 February 2012, Deputy Chairman of the Corruption Eradication Commission (KPK), said that there is an interesting tendency that the white-collar and organized crime, usually only being able to be dismantled by the one who is taking part of the crime or the person who knows the crime. It is rare that such case unfolded without any involvement of insiders. The insiders is called whistle blowers. Currently whistle blower is considered as a household term. It implies that there are actually a lot of good people who want to remain uphold morality aspect and advanced aspects of fairness and honesty. With courage, whistle blowers are often considered as a hero for their daring to fight against evil, sacrificing himself to protect the public from unethical business practices. Instead, whistle blowers are also viewed as a traitor, for leaking secret of organization and disloyal to the superior (Barnett, 1992). The case ‘congregated-corruption’ is everywhere, whether in public or private, at national and local levels of government. The question is how the response of the people around him, while knowing there is cheating? Why are not many people who dare to report the fraud that is around? Why the attitude occurs as permissive, indifference, omission occurred, and seem powerless? Based on this phenomenon, this research topic raised. This study is interesting because it aims to explore in depth the struggle of the individual in a state of dilemma when confronted with the facts surrounding the fraud, such as violations of ethics, moral or legal. This study is also expected to encourage the government's efforts to implement the whistle blower system that have been initiated by the KPK and The Witness and Victim Protection Agency (LPSK), and the Directorate General of Taxation. The Tax bribery case, Tommy Hendratno, monitored because of whistle-blower system since 2011 (Tempo, Friday, June 8, 2012).

2. The Theory of Positive Mood in the Dilemma to decide to blow the Whistle or not.

The decision to blow the whistle or not can be explained by the theory of decision-making whistleblower Ponemon, 1994 who develops ethical decision making of the Rest (1986), there are four stages to considered by person in deciding their moral behavior that are ethical

sensitivity, ethical reasoning, ethical intention and ethical behavior. Ponemon, adopted Rest model to explain the ethical decision making of the whistleblower, namely: First, recognize that there is something wrong is happening. Second, ethical judgment stage, that whistle blowing is an ideal moral decisions. Third, balancing phase, to balance the different values to formulate the decision to blow the whistle or not. Lastly, the final phase of the implementation phase chosen action, to blow the whistle or not.

3. Research Methodology

This is a non-mainstream research in interpretive paradigm. The research focused on a talk show on Metro TV that is ‘Mata Najwa’. A semiotic approach uses to analyze the form of a conversation between the host of a talkshow ‘Mata Najwa’; and three whistle blower interviewed guests. Data collected is done by linguistic recording. Observations is done by watching and listening to Mata Najwa The Whistle blower episode Wednesday 22nd February 2012 repeatedly. Data analysis performed in this study is a semiotic analysis of the narrative text. In addition to the main data in the form of the transcription of the interview, informants were triangulated with documents searchable online. Analysis focused on the content-related answers to the four stages of ethical decision whistle blower Ponemon

4. Results and Discussion

Systematically this section discusses the research focus that is the dilemma of whistle blower according to Ponemon theory which is preceded by a brief overview of the program of talk show Mata Najwa and demographic informants in order to obtain natural setting needed to understand the subject of this study. There is a woman and two men whistle blower interviewed in Mata Najwa show. They work in variety background. The woman, Mrs Simarmata is a former government officer in Internal Affairs Minsitry. Second whistleblower is a man, Sayuti Aulia, a teacher. The third, Agus Condro is an ex legislator from Indonesia Democracy Party.

From the transcription it is obtained a general overview of the whole episode of Mata Najwa February 22, 2012. In particular, it can be interpreted that this show has a special vision which is to motivate people not to be afraid to be a whistle blower. Negative phenomenon as a whistle blower, who often receives threats and pressure excavated from the three informants,

which is from their information, the three experienced various forms of pressures. However, they are whistle blower who dared to blow the whistle with consequences.

Informant Demography

Table 1. Informant Demography in Mata Najwa episode ‘Sang Whistleblower’

Description	Informan		
	Rotua Wendelyna Simarmata (RWS)	Sayuti Aulia (SA)	Agus Condro Prayitno (ACP)
Type of Whistle blower	Internal	External	Internal
Age	48	n.a	52
Sex	Female	Male	Male
Education	S1- veterenarian UGM, S2- UI, S3 UNPAD	n.a	FISIP UNS
Occupation	Government officer	English Teacher	Ex Senator
Organization Experiences	n.a	Chairman of Teacher care education movement	<ul style="list-style-type: none"> • DPC GMNI solo 1993 – 1995 • Korda GMNI Jateng DIY 1995 – 1997 • Vice DPC PDI Batang 1993 – 1998 • DPD PDIP Jateng 1996 – 2000 • Badiklatpus 2002 – now
Case	Corruption	Corruption	Collussion

Source: Episode Mata Najwa in Metro TV date and various related online source.

The three informants above respectively representing the grouping of the whistle blower according to Elias, 2008, that whistleblowing can occur from internal or external. RWS and ACP represent internal whistle blower, the whistle blower who knows directly the crimes because they are part of the organization's members, of the internal of the organization . The difference, RWS is not a party involved in the crime but the ACP is the one involved in the crime for accepting a bribe of Rp. 500,000,000 in the bribery scandal of BI governor. As for Suyuti Aulia (SA) she is an external whistleblower, not part of the organization, active in the struggle of teachers NGOs in Banda Aceh. Receiving information from other people, for example teachers who participated in the training, who suspect that the written schedule of 10 days training schedule but only to be conducted for 7 days. Based on the above demographic data can be inferred gender barrier to become whistle blowers. This realm denies the public's opinion on women. While the woman is described as having feminine as delicate, weak, flavorings, polite, timid (Hermawati, 2007). This fact supports the opinion of Dollar, Fisman and Gatti, 2001, that women have a high standard of ethical behavior and care for the common good. According to the records, according to the theory of psychology and sociology of deviance: the tendency of women is more law-abiding than men. It is concluded that women are often considered to be weak creatures that do not have the courage to fight crime, often as to be victims of crime themselves. Besides Simarmata, there is another career woman who works at the Ministry of Interior, such as whistle blower above, in the other case of whistle blower namely Siami. Siami, is a parents of a student at SDN Gadel 2, Surabaya reporting massive cheating during the exam, as a result she is bullied, insulted and cursed by the other parents' of the cheated students. She also suffered from severe alteration, extraordinary retaliation, that she was expelled from her village in Surabaya. The good intention to fight for honesty then end up with the unfortunate fate. Even so, a lot of supports flowing to strenghten Siamis' action. A social blog namely, *apa kabar Indonesia*, proclames Siami as one of the three figures who earned a "Whistle Blower of the Year".

In terms of age, the three respondents are all over 45 years. RWS has Employee's Register Number (NIP) 19650814.199703.2.001 (administrative court ruling document). The first four digits of data are birth rate, thus RWS was born in 1965, and is now 47 years old. ACP was born in 1960, now 52 years old. From online resource it is unsuccessful obtaining personal

information about SA, but from physical observations in the episode of Mata Najwa, SA was estimated to be over 50 years old. They have a rich age and experienced. ACP SA and active in the organization, while RWS data could be obtained, but as doctor of science degree in Padjadjaran University, RWS has a pretty good competence. This background if correlated to Kohlberg's theory of moral development is at the stage of post conventional. Moral development is personal characteristics influenced by conditional. It is seen that moral development thrive in harmony with the age, it can be assumed that the more age, the more experience a person will gain. The better moral progress can be measured by the defining issues test (DIT) (Rest, 1979), the better it can behave ethically (Trevino, 1986, and Youngblood, 1990).

Dilemma „The Whistleblower“: Yes – No – Yes – No

The discussion of this study focuses on uncovering how one behave when faced with the dilemmatic situation related to his decision to take as a whistle blower or not. With the reference to the concepts that presented by Ponemon (1994), also refers to the theory Moral Development of Rest, that ethical decision of a person is made through four stages, namely ethical sensitivity, ethical reasoning, ethical intention and ethical behavior.

- a. *Is there something wrong happened here?*. Dilemma of a whistleblower is usually preceded by a suspicion that something was wrong. something unusual. RWS, is an internal whistleblower because he reported the crime at the place where he works. Confessions obtained from informants imply psychological impact of money that can eliminate rationality to think clearly where the origin of money, should not be used. Defeated by desire to immediately realize the buried ideals. ACP has ordered a car when he learned that he will get some cash, and realize the order when the cheque book has been transferred to ready cash.
- b. *Ethical judgment*, is a process to assess whether the wrong decision considered to be ethical or not. That whistle blowing is an ideal moral decisions. This stage is the stage of moral issue, stating how much when someone does the act, if he is free to do the action, then it will result in a harm or benefit for others (Jones, 1991). How far someone realizes that something wrong is a crime that could harm others. The reactions of each of

whistleblower is different. There was no answer or a clear sign of the three informants about the dangers or bad consequences because of the crime of corruption.

- c. The phase of balancing the different values to formulate the consideration that intends to blow the whistle or not. The Dilemma to blow or not to blow the whistle of the informants are different influenced by economic considerations, social dilemmas, cries of conscience that can not be denied.
- d. The establishment of an understanding of the moral issue depends on individual factors (such as experience, ethical orientation and commitment to the profession) and situational factors (organizational ethical values). It is also learned that the courage of informant to blow the whistle because they actually have already calculated the risks.
- e. The final stage is the implementation stage of the chosen option, to blow the whistle or not. The three informants are the whistle blower who have finally choose to blow the whistle.

5. Conclusion, Implication and Limitation

The issue and the focus of the study that seeks to understand the dilemma of the whistle blower to decide to blow his whistle or not is answered in the study through the stages of ethical decision making whistle blower of Ponemon. This can be the basis for explaining the dilemma experienced by informants. This study finds the presence of internal and external whistle blowers. Both internal and external whistle blower received the same results by taking the pressure and threats as a consequence to blow the whistle. Semiotic analysis on studies that observed Mata Najwa interview talk show, concludes that information revealed during Mata Najwa program may trigger conflict in the community. The positive one is, the informant inspire the public. There are others who have the same dilemma and can learn from their courage and integrity to tell the truth against fraudulent behavior around them. On other side, exploitation of information about the harmful effects as the consequences of being a whistleblower makes people afraid to express the cheating occurs in their surroundings. Positive mood theory is able to explain this, that people with more experience and positive perception will have more courage.

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Designing Increasing Productivity With Analysis Value Stream Mapping in RTD (Ready To Drink) Line – PT.XYZ

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Abstract

The purpose of the research at PT. XYZ is to identify the overall activity using Value Stream Mapping (VSM) , Value Stream Analysis Tools and identify the cause of the loss and waste that exist during the production process and give priority to the improvement of using counter measure to reduce losses and waste there.

Based on the survey results revealed that the lead time of the previous process is 916 hours with the added value of time of 6.3 seconds. Then once it is made in the future there is an opportunity to reduce lead time for inventory reaches 25 %. Thus leads time be 706 hours. To be able to materialize that company should run activity plan that's been made, but it is expected the company is able to perform preventive maintenance activities more seriously so that the machine does not breakdown when the production process is underway and implement Standard Operating Procedures (SOP) are clear and provide training to operators as well as the company expected to be able to make improvements to facilities and work station layout to reduce waiting times.

Keywords: *Lean Manufacturing, Seven Waste, Value Stream Mapping (VSM).*

1. INTRODUCTION

In this study, a preliminary understanding of the actual overall depicted in Flowchart / VSM (Value Stream Mapping) . Selection of variants carried by Product Quantity Analysis (quantity products at the most) and waste identified in Seven wastes . For ease of memory, can be shortened to TIM WOOD (Transportation - Inventory - Motion - Waiting – Overprocessing - Overproduction - Defect) .

The purpose of this study is:

1. VSM manufacturing planning with systematic measures for both current conditions and future conditions.
2. Identify waste and problems that occur that affect the operation of its business.
3. Understanding waste and problems that occur so that appropriate action can be determined by improvement / kaizen as a continuous improvement tool.
4. By understanding the steps in the VSM in maintaining the continuity of the performance improvements that have been done so continuously improved its performance.

Assumptions :

1. The production process takes place as normal and there is no disruption or change the sequence of operations that affect the course of the production process.
2. No additional types of products and new machinery or equipment.

2. BASIC THEORITICAL

The production system is a system that uses all resources to transform inputs into desired outputs (Chase, et al 2002). While Operations Management (Operations Management) is the design, operation and improvement of the system that creates and produces the main products and services (Chase, et al 2002). A series of activities that produce value to a product or service. The fundamental difference is the product is physical (physical output) of a process and service is a process that is not touched (intangible process). Chase , et al (2002) argue that the functions of production management / operations . A company that has been seen that the Lean production

system will provide a good change to the business , will be compelled to try to carry out the implementation of this system in the company . Before performing the implementation , it is important to note some of the principles underlying the view to the application of Lean systems , namely (Gaspersz , 2007, p.4)

3. RESEARCH METHODOLOGY

The study was conducted in line with RTD (Ready To Drink) where the analysis of the quantity of product in the line is the largest for volume production during Q1 period (May-July 2013) in the application of company standards of product quality in order to satisfy consumer desires. Research carried out by the steps as there is flow chart presented below

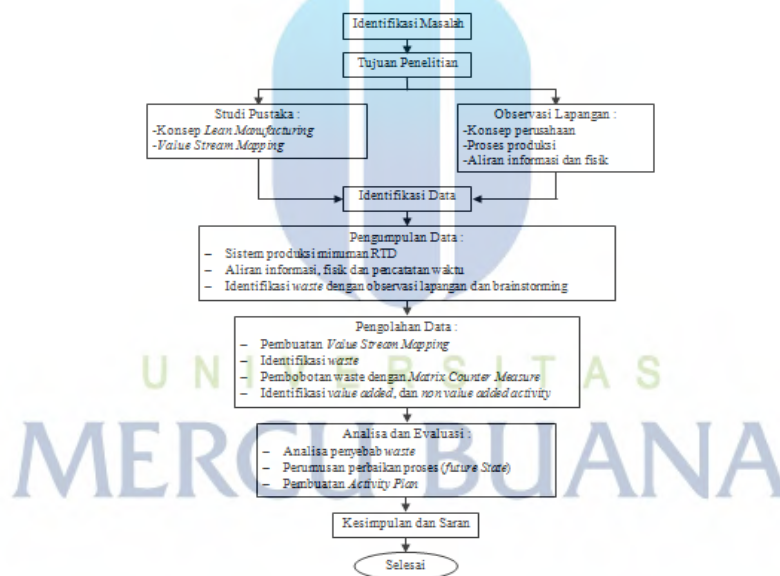


Figure 3.1 Diagram Research Steps

4. DATA COLLECTION AND PROCESSING

Clearly , the stage is divided into several steps as follows :

1. Depiction VSM
2. Brainstorming
3. Seven Weighting Waste

4. Selection of Major Waste
5. Proposed Repair / Improvement / Kaizen / Activity Plan

5. RESULTS AND ANALYSIS

From table RTD volume production during May - July 2013 pareto diagram will be made to determine the priority scale of seen the largest volume for implementing lean manufacturing at the plant RTD .

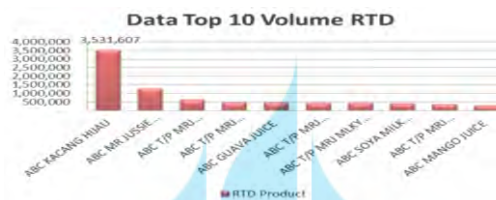


Figure 5.1. Pareto diagram RTD Volume Production

From the Pareto diagram can be seen that the volume of the largest ABC KH with volume reaching nearly 4 million liters in 3 months time. ABC KH is packed in TBA (Tetra Brick Aseptic) 250ml. Therefore next focus on the discussion and analysis that will be done is on the ABC KH TBA 250ml packaging. Recalculate the data retrieved by using a stop watch on line TBA 250ml while ABC KH .

Process	Taken information
Preparation	Cutting Pandan: 192kg/6 h/4 HC
	Ginger preparation :2 hrs/extraction: 30 min/2HC
	Sugar dillution: 2 h/3HC
	Bean preparation: 125 min/1HC
Blending	CT: 8.33detik/pcs
	Speed:7500 L/h
	Uptime: -
Sterelizer	No of line:1
	CT:8pcs/sec

	Speed:7000L/h
	Speed PM:56,000L/shift
Filling TBA 250ml	No of line:3
	CT:6.72pcs/sec
	Uptime:84%
	Speed:1013cs/h
	Speed PM: tetrapaper=194,496pcs/shift
Straw Applicator	No of line:3
	CT:8.78pcs/sec
	Speed:31590pcs/h
	Speed PM:straw=252720/shift
Packing	No of line:3
	CT:6.72pcs/sec
	Speed:1012.5cs/h
	Speed PM:carton=8013cs/shift
Inventory Night Shift	288 pallet
	Additional pallet R&D 288 pallet.
	HC=1
DC	@250ml: 24pcs/cases
	65K cs/week
	158cs/pallet

In the VSM images that have been made, we can see that the lead time in getting still very large when compared with the existing value added time. Lead time is 916 hours with value added timenya only about 6:27 seconds. Lead time that this happened because a lot of the inventory buildup found in the field.

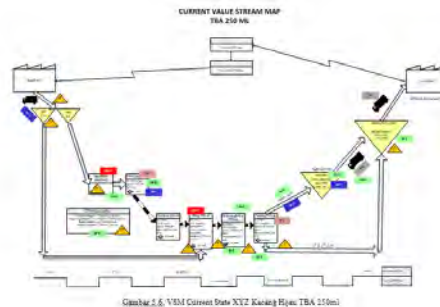


Figure 5.2 VSM Current State

Current state of VSM that have been made, obtained some potential waste can we mark with special symbols that can be seen in the map . The potential waste captured in the current state VSM maps are as follows :

Waste Waiting

1. QC checks (W - 1)
2. Waiting for the making of the road during the night shift . (W - 3)
3. Waiting for forklift transport . (W - 2)

Waste Inventory

1. Inventory straws which are outside the area (I- 5)
2. Inventory of empty pallets in the warehouse (I- 6)
3. Inventory of minor ingredient (I-9)
4. Inventory of raw material for the preparation of cooked green beans (I- 10)
5. Inventory peroxide in the filling area (I- 7)
6. Inventory box in the engine area straw applicator (I- 3)
- 7 . Inventory PM in the packing area (I- 2)
- 8 . Inventory due process incubasi (I- 1)

Waste Motion

1. Operator movement because supply materialy PM (M - 9)
2. The movement of the QC for taking samples in blending (M - 10)
3. Movement as preparation bean cook green area away from the filling area (M - 11)
4. Motion in the area because they have preparation of straw straws of different

places (M - 5 and M - 6)

5. Movement for taking an empty palette to packing area (M - 7)
6. FG loading movement of packing area to warehouse (M - 4)
7. Movement from the warehouse to the loading FG DC (M - 3)
8. Movement because doing double handling in DC (coming unloading , loading distribution) (M - 1)

Waste Overprocessing

1. Weighing additional ingredient for the adjustment (OPC - 1)
2. CIP interval (OPC - 2)

Waste Transportation

1. Transportation from DC to the customers (T - 1)
2. Transportation from the factory to the DC Warehouse (T - 2)

Waste Defect (Defect)

1. Adjustment in the presence of Blending (D - 1)
2. Any defect in the packing process (D - 2)

Of waste in the list above do was brainstorming to find improvement opportunities that can be done with careful consideration and input from the team and management .

Here are the results of brainstorming is done by taking inputs from various parts and see the company's ability to follow up on these suggestions .

Table 5.3 Kaizen Table of Current State Analysis

No.	Kaizen	PIC
1	Extend interval CIP	R&D, Prod, Eng, QA
2	Increase performance straw MC	Eng,Prod
3	Implementation kanban method to handling RM/ PM	Eng,Prod
4	Reduce adjustment work with find best formulation	QA,Prod
5	Improvement to check incoming material to reduce waste waiting	QA,Prod

6	Do automation to reduce human error	Eng,Prod
7	Replace location weighing ingredient to reduce lead time & waste motion	Eng,Prod,WH
8	Increase Quality Suplier (Suply Chain Review)	QA,Prod
9	Big truck to dedicate while night shift – to keep FG from RTD	WH,Eng,Prod
10	Use Warehouse in night shift	Log,Eng,Prod

Project prioritization can be done at the Counter Measure method. This method is a method of weighting is done based on criteria - specific criteria that are often considered in the running of a project. These criteria will be given scoring to assess which are the most influential or not influential on a prospective project that will be done.

Table 5.4. Criteria and Weighting Criteria

	1	2	3	4	5
Biaya	> 20jt	10jt-15jt	5jt-10jt	0jt-5jt	0
waktu	> 7bulan	6-7bulan	4-6bulan	2-4bulan	0-2bulan
Peluang keberhasilan	< 40%	41% - 50%	51% - 60%	61% - 70%	> 70%
Kebijakan manajemen	Keputusan SBT	Keputusan MDT	Keputusan SC	Mgt.Management	Saran Direksi
Impact	Tidak ada	Kurang	Sedang	Besar	Sangat besar

From the discussion with the company then prioritization results obtained are as follows:

Table 5.5 Counter Measure Prioritizing Kaizen

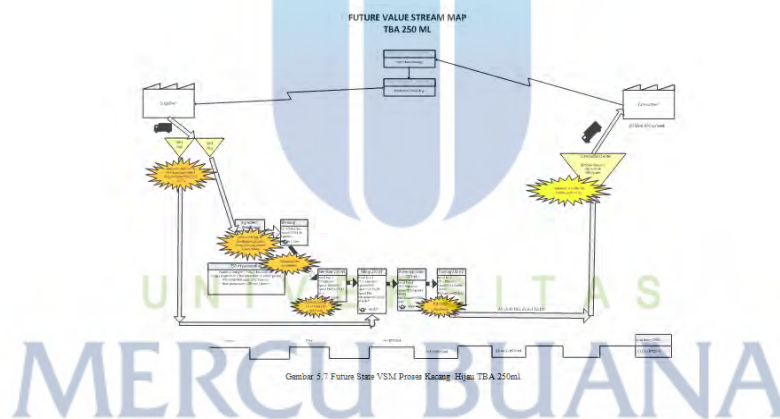
	Biaya Improvement	Waktu pengembangan	Peluang Keberhasilan	Kebijakan Management	Impact	SCORE Akhir	
1	Membentuk internal CI untuk bisa melakukan produksi lebih lama	3	4	4	3	3	56
2	Meningkatkan performansi mesin otomasi	2	5	3	2	2	43
3	Melakukan metode handling untuk handling material diBWA	5	4	3	4	4	69
4	Mengurangi jarak yang adjustment dengan mesin otomatis terak	3	3	2	2	4	50
5	Improvement pengemasan incoming material untuk meningkatkan marking	2	3	3	4	5	60
6	Melakukan automation untuk mengotomasi mesin laser	1	3	5	4	3	52
7	Membentuk timka pemeliharaan ingridient untuk mengurangi lead time dan waste motion	3	4	1	2	3	44
8	Meningkatkan kualitas supplier (Suply Chain Review)	1	1	1	4	5	46
9	Membentuk timka khusus untuk mengoptimasi FG berdasar di plant	2	3	5	3	5	63
10	Menggunakan Warehouse pada saat shift malam	2	1	3	2	2	35
	4	2	3	3	5		

The order of the results of the above matrix counter measure is as follows:

Table 5.6 Priority implementation of Kaizen

Implementation kanban method to handling RM/ PM	69
Big truck to dedicate while night shift – to keep FG from RTD	63
Improvement to check incoming material to reduce waste waiting	60
Extend interval CIP	56
Do automation to reduce human error	52


Of 10 improvement opportunities will only be implemented 5. It is intended that the implementation process will run smooth and the results of the improvement will be evident. While the rest will be saved for inclusion in the Project Hooper in purpose to reduce the lead time of the production process.



Of a future state VSM above, we can see a few kaizen burst of improvement ideas that we have previously prioritized. Furthermore, it appears also that the proposal eliminates storage for the night shift at the plant carried out. FG so each finished production will be directly transported to the DC. Under such circumstances seen a decrease in lead time from 916 hours to 706 hours, or there is a reduction of almost 25%.

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Parallel Session A3:
Management and Entrepreneur

UNIVERSITAS
MERCU BUANA

The Study of Mercu Buana University Entrepreneur Center Strategic Planning in Mercu Buana Entrepreneur Festival Event 2013 (EnFest 2013)

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BACKGROUND

The term of marketing communication is playing an important role in marketing. Today, new marketing strategies must have public relation marketing and marketing creativity. This strategy becomes a competitive advantage for marketers in selling their products or services in the market. With a good public relation and creativity enhancement, boosting up sales and profit is real.

Furthermore, the presence of today's advance electronic media gives extra facilities for marketing and communication people to be more flexible and creative. Available media such as internet, radio and television give broader options for marketer to create more interesting marketing program. Besides price and quality, branding is another key to success in selling the product. Customer loyalty is possible to be maintained through branding. Another element is intensive promotion and advertising program. It is one of the requirement to create customer loyalty. Event and exhibition are part of marketing communication concept which developed by sales and promotion unit to sell products or services to market.

To have a successful marketing effort, marketers must be able to use marketing promotion facilities such as poster, banner flyer, and Y banner. Promotion is considered as a way to reach a wider target and helping companies to provide detailed information about product or services to be sold.

Mercu Buana Entrepreneur festival (EnFest 2013) was a three days event that took place in FX mall building in the central main street of Jalan Jendral Sudirman. There were 40 student booths sells their creative items such as shoes, fashion cloth and foods. Students tried to make their booths as creative as possible to attract buyers. There are mall buyers who come to the mall for shoooping and buyers from adjacent universities in Jakarta. In addition 2000 students of entrepreneur classes from Mercu Buana also attened the event.

EnFest 2013 not only selling students product but also inviting some of successful entrepreneur to present their success recipe for student and visitor. There were students who attend the event to watch the seminars. They expecting to get the ideas of how to be a successful entrepreneur.

This event was so successful, it made me interested to study the marketing strategies used. To study the strategies , participants and officials were interviewed then we did some analysis and put them into this paper.

METHODOLOGY

This paper uses a case study methodology. The main idea is to identify marketing strategic problems and cases related with the event. Questions that should be analyse for this case is ~~–why”~~and ~~–how”~~. It is interesting because this event can organize large number of visitors and participants and how it could make them statisfy and happy to become a part of the event.

The technique for gathering the data was done through interview with people who directly involve with the event. Visitor and organizer were primary data and articles and books for secondary data. Another technique used is to do a direct observation into the event. Some standard questions were given to the respondents and we conducted further analysis for the research. STP (Segmentation, Target, and Position) and SWOT (Strength, Weakness, Opportunity and Threats) analysis were used to determined the result for this paper.

RESULT AND DISCUSSION

To analyse the event, we used STP (Segmentation, Target, and Position) and SWOT (Strength, Weakness, Opportunity and Threats) analysis method. STP analysis is a way to group market into a specific item. SWOT analysis is to find out the external and internal aspects related to the observation.

STP Analysis

A marketing strategy is based on expected customer behavior in a certain market. In order to know the customer and its expected buying behavior, a process of segmenting and positioning is needed. These processes are chronological steps which are dependent on each other. The dependency and relationship between these processes are analysed and studied to find the people behavior.

In the case of EnFest according to the official, students and entrepreneur communities of Mercu Buana University are the segmented target for the event. One of the requirements for entrepreneur students to pass entrepreneur class is to conduct a business based on their original ideas. It is inevitably that students take this opportunity in exercising their study requirement.

Reason for using FX mall for the event is because middle and upper level of income who have an extra money to spend would visit the mall. This is a perfect segmented market to sell students product. This segmented marketing target is willing to spend their money for additional items such as shoes and cloths.

EnFest 2013 was considered to be one of the biggest universities event in Jakarta. It positioned the event as an example for other local universities to accommodate entrepreneur students in presenting their ideas. Some of the universities are prefer to have event inside campus, this is one of the breakthrough for universities in Jakarta.

SWOT Analysis

The strengths for EnFest were a support from the institution and academic staf. They directly involved and participated as a speaker or visitor at the event. The number of booths and

compulsory attendance for entrepreneur class students also considered as a strength for the event. Students must create a small group have a booth and sell their products.

Less promotion and small area were the weaknesses for EnFest. Promotion through media such as internet and printed materials were not seriously maintained. It may be because the officials and participants who most of them were students did not have enough experiences as officials in a big event. Secondly, organization structure for EnFest was unclear. Responsibility and job description for officials were not clear and unwritten. They did what they were ordered and sometime they did not do the job well due to supervisor unavailability.

Creating larger and better organized entrepreneur festival for Mercu Buana University is one of the opportunities. This can be achieved by having a well planned organisation and marketing strategies. Other opportunity is to create an awareness for other Universities in Jakarta for conducting similar event. One of the official from EnFest mentioned that there is a growing interest for entrepreneur class to held a bigger and well organised event for Mercu Buana University's entrepreneur class.

Location is a threat. FX Mall is a prestigious shopping mall. Middle and higher income will go for shopping in that Mall. EnFest was intended for students. Students were lack of courage to display and sell their products or come to prestigious FX Mall.

EnFest was conducted by Entrepreneur Students Center from university. Prior to EnFest Entrepreneur Student Center has done two entrepreneur events in the last two years. There would need more experience for making such a big event. Experience officer and staf should involve in EnFest. This would make the EnFest more interesting and attention for people of Jakarta to come.

Events need more professional and people to involve, more people means better organisation. EnFest, as said by one of the official was lack of promotion. They did not have enough people to prepare and do an intensive promotion. Another issue is control and evaluation. Again this is due to minimum human resource lead to a minimum control.

Promotion is one of the important marketing strategy. EnFest 2013 could be better and more success if it well prepared and intently promoted. According to weakness and threat above the additional human resources and better marketing planning could cope with the problems.

The event occupied three floor of FX Mall, there were so many activities besides students booths such as, fashion show, Mercu Buana got talent, short movies and seminars with successfull entrepreneurs. There was a national top band called RAN, who was also invited by the organiser to enliven the event.

CONCLUSION

The event has taken place in FX Mall at Jalan Jend. Sudirman. We have interviewed the officials for primary data and dug out printed materials for secondary data. Conclusion for this are three main aspects involved in making the event successful; one is the pre event acitivities, second the event menagement and last the promotion long way before the events started.

Six months prior to the event, the organiser had been announcing the idea of having an entrepreneurial event outside the campus. Students from entrepreneur class were told and explained the idea by their lecturers. This process created an awareness among students so they were willing to participate in the event.

The promotion also taken very important part. In this strategy, entrepeneur unit of Mercu Buana University used its member to promote the event to the university students and their friends from other universities.

On the event, since the location was in the south of the city and on the time was on the weekend, so there were a lot of people come to the event and bought something from students booths.

In conclusion, with three strategies above, the event of Mercu Buana Festival was successfull and it proved that marketing communication combined with public relation activities can create such a brand awareness and sells more products.

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The Relationship between Religious Affiliations towards Consumer's Buying Decision: a case of "Halal" Cosmetics in Indonesia

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Abstract

With Islam being the second largest religion in the world after Christianity, it is a huge business opportunities for any cosmetic companies. The Muslim communities nowadays are more aware about Halal product, especially about Halal cosmetics and they show a higher understanding about Halal product. Even in Indonesia being the largest Muslim country there are many cosmetics manufacturers which do not aware with Halal products. These companies did not put a halal logo on their products and do not try to get the Halal certificate because these companies think that the most factor that influence customers in buying decision is the brand image itself. This research was conducted to examine the relationship between religious affiliations towards consumer's buying decision which approach to —Halal" cosmetics in Indonesia, Wardah Cosmetics, through marketing mix namely product, price, promotion and place as the influential variables. The target population for this study consisted of Muslim and Non-Muslim women in Indonesia during May to July 2013. 500 questionnaires were distributed to people who live in Indonesia by using Google Drive with only 225 final realised samples. The results revealed that marketing mix (product, price, promotion, and place 4P's) influence the customers' buying decision on Halal cosmetics. Furthermore, the product itself is a strong factor that can influence the customers to purchase Halal cosmetics. Hence, this study will assist people to satisfy consumers' need and want by producing Halal cosmetics products because the business sector of Halal product in Indonesia is still a few.

Keyword: *Halal cosmetic, buying decision, religious affiliation, and Halal logo.*

1. Introduction

No women without cosmetics. It is difficult to see women nowadays without cosmetics. Either going to school, work, shopping or even at home, cosmetic is their soul mate. With Islam being the second largest religion in the world after Christianity, it is a huge business opportunities for any cosmetic companies [1]. To capture this market, knowledge regarding

–Halal” has to be understood. Something is allowed to be consumed or used by Muslims according to Koran is Halal. Something is not is Haram.

To be recognized as Halal products and services, one has to get certification on the products and services. Once being certified, the –Halal” itself can be the best marketing tool for the company to promote the products or services, since around 86.5% of the EUA Muslim consumers want halal certification especially meat [2-4].

In regards to satisfaction, Non-Muslim customers who lived in a multi-religious social-environment like Indonesia, the largest Muslim country, are aware of halal products and its safety and are satisfied with it [5,6].

At this moment, there are only few researches in Indonesia examined the awareness of Muslim women towards halal cosmetics. Yet, there has never been a study on the strength of Halal logo on cosmetics and personal care products to generate buyers. Wardah Cosmetics (Halal) is the evident. Most of the Muslim's women in Indonesia move to Wardah Cosmetics, largely because of the "Islamic" advertisement and a frill of "Halal" [7]. For cosmetic, not only material used but also manufacturing procedure, storage packaging and logistics are accounted to be Halal [6]. All of these manufacturing procedures should comply with Indonesian halal standards, established by *Majelis Ulama Indonesia* (MUI). Therefore, for halal cosmetics products, the formulation and quality must totally comply with the Islamic requirements of LP-BPOM, Ministry of Health Indonesia. In every aspect of halal status, the MUI standard is included. MUI standard is the highest and most trusted standard in Indonesia. Hence, halal cosmetics in Indonesia should be clean, pure, nutritious, hygienic and healthy.

This research was conducted to examine the relationship between religious affiliations towards consumer's buying decision which approach to –Halal” cosmetics in Indonesia, and Wardah Cosmetics through marketing mix namely product, price, promotion and place as the influential variables.

2. Review of Literature

2.1. Marketing Mix

The expression of –marketing mix” was coined by James Culliton and popularized by Neil H. Borden while Jerome McCarthy first described marketing mix in terms of the 4P's [8].

2.2. Product

Product is something or anything that can be offered to a market for attention, acquisition, use, or consumption that might satisfy a want or need [9]. This includes the appearance, functionality and support or any non-tangibles that the customer will receive [8].

2.3. Price

Price is the amount of money charged for a product or service, or the sum of the values that consumers exchange for the benefits of having or using the product or service [9]. Since price generates revenue, hence it has to be considered carefully so that customers will buy in large numbers and produce a healthy profit for the retailer [8].

2.4. Place

Distribution channel is a set of interdependent in the process of making a product or service available for use or consumption by the consumer or business users [9]. Choosing a right place will have an impact on pricing and promotion decisions [8].

2.5. Promotion

Promotion means activities that communicate the merits of the product and persuade target customers to buy it [9]. Promotion represents all the communications that a marketer may use in the marketplace, including advertising, personal selling, sales promotions, atmospherics and public relations [8].

2.6. Consumer Buying Decision

Consumer buying decision refers to the buying behavior or final consumers – individuals and households that buy goods and services for personal consumption [9]. Once the customer is able to make a right choice after evaluating alternatives, customers makes a decision and purchases the type of product he/she thinks is more suitable [8].

3. Research Method

The target population for this study consisted of Muslim and Non-Muslim women in Indonesia during May to July 2013. 500 questionnaires were distributed to people who live in Indonesia by using Google Drive with only 225 final realised samples. Among 225 respondents, the majority women fell under 18-45 years old (86.66%) dominated by Muslims (60%). Approximately 53% of the respondents were employee and entrepreneur. Thirty-four percent of the respondents reported a monthly income between IDR 2,500,000 and IDR 7,500,000. Respondents who were students got their pocket money between IDR 1,000,000 and IDR 2,500,000. Thirty-four percent of the respondents were employees and entrepreneurs with monthly income in the range of IDR 7,500,000 and IDR 12,500,000.

Likert Scale was used to measure the independent variable product, price, place and promotion along with the customer buying decision. All the scale points were labelled ranging from 1 (“Strongly Disagree”) to 5 (“Strongly Agree”). To find out to what extent the independent variables (product, price, promotion and place) influence consumer buying decision, multiple regression were used after all the questionnaires being tested on the validity test through factor analysis and reliability through Cronbach Alpha with a cut-off point 0.7 [10]. SPSS version 20.0 was used to analyse the data.

3.1 Data Analysis

Table 1. Validity Test of Independent Variables

KMO and Bartlett's Test		
Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		.715
Bartlett's Test of Sphericity	Approx. Chi-Square	1509.256
	Df	78
	Sig.	.000

Table 2. Validity Test of Dependent Variables

KMO and Bartlett's Test		
Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		.711
Bartlett's Test of Sphericity	Approx. Chi-Square	692.205
	Df	10
	Sig.	.000

Before proceeding for factor analysis appropriateness of factor analysis is to be assessed. This can be done by examining adequacy through Kaiser Olkin (KMO) statistic. With KMO value greater than 0.5 is considered to be adequate [10]. From table 1 and 2 value of KMO is acceptable indicating that pattern of correlation are relatively compact and factor analysis can yielded distinct and reliable results. Bartlett test result is significant ($p < 0.0001$) represent that factor analysis is acceptable.

Table 3. Factor Loading and Cronbach Alpha

No	Statement	Factor	Cronbach
		Loading	Alpha
	Product		0.844
2	The quality of halal product I buy today is as good as can be expected	.663	
3	Too many of the products I buy are defective in some way	.920	
4	The ingredients has non-animal slaughtered.	.493	
5	During the manufacturing procedure there is no animal (that considered as Haram) involved in the procedure.	.920	
	Price		0.816
6	Most products I buy are overpriced	0.830	
7	Most prices are reasonable considering the high cost of doing business	0.462	
8	Business could charge lower prices and still be profitable	0.744	
9	Competition between companies keeps prices reasonable	0.830	
10	Most prices are fair	0.581	
	Promotion		0.926

11	Most advertising provides consumers with essential information	0.776	
12	Most advertising is very annoying	0.570	
13	Halal label on the product is very important.	0.774	
14	Halal product is advertised in Muslim way.	0.841	
15	The celebrity in Halal commercial is a strong figure of Muslim.	0.690	
	Place		0.875
16	The Halal cosmetics just sold in the current city.	0.659	
17	The Halal cosmetics just sold in the middle-upper mall.	0.726	
18	The Halal cosmetics only open the booth stand but not spread to all cosmetics shop.	0.741	
19	We cannot find the Halal cosmetics in remote area.	0.659	
20	Halal cosmetics can be found in any store.	0.451	
	Consumer Buying Decision		0.946
21	The Quality of Halal cosmetic is as good as foreign brand	0.937	
22	I buy Halal cosmetic recommended by my friends	0.938	
23	I buy Halal cosmetic product every month.	0.748	
24	I choose the Halal cosmetic products because my religion is Muslim.	0.974	
25	I choose the Halal cosmetic products because my family also uses it.	0.712	

Table 3 shows that the test of reliability using Cronbach Alpha for all variables were above 0.7 with question 1 was removed. Almost every question loaded a factor above 0.7, with

the lowest individual question loading a 0.451 meaning all exceeded the minimum standard of 0.4 [11].

A Multiple Linear Regression (MLR) analysis was conducted to investigate the influence of marketing mix toward the buying decision. The test of MLR assumption found expected patterns for non-violation of the assumptions and this result supports the use of MLR as an appropriate statistical analysis for this study. Table 4 and 5 provide the results of the MLR analysis. Based on the results in Table 4, it seems that simultaneously product, price, promotion, and place (marketing mix) influence the customer buying decision ($F = 125.389$; $df = 220$; $p = 0.0001$). Sixty-nine percent of the variation in consumer buying behavior is explained by Marketing mix. As indicated by the unstandardized coefficients (Table 5), product ($t = 5.435$, $p = .0001$, $b = .302$), price ($t = 5.613$, $p = .0001$, $b = .301$), promotion ($t = 4.545$, $p = .0001$, $b = .244$), place ($t = 2.294$, $p = .023$, $b = .111$) were found to exert a significant positive influence on customer buying decision. Lastly, the beta values of product seem to indicate as a more important predictor of customer buying decision of Halal cosmetic.

Table 3. Model Summary of Multiple Regression

	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics				
					R Square Change	F Change	df1	df2	Sig. F Change
1	.834 ^a	.695	.690	.25728	.695	125.389	4	220	.000

a. Predictors: (Constant), Place, Promotion, Price, Product

Table 4. Coefficients Analysis

Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.
		B	Std. Error	Beta		
1	(Constant)	.230	.165		1.392	.165
	Product	.302	.056	.313	5.435	.000
	Price	.301	.054	.308	5.613	.000
	Promotion	.244	.054	.232	4.545	.000
	Place	.111	.049	.123	2.294	.023

a. Dependent Variable: Decision

4. Discussion and Implication

Based on multiple regression analysis, the findings revealed that all marketing mix variables, that is, price, promotion, place and product affect customer's decision-making over Halal cosmetics. With an increasing demand for Halal products in Indonesia, Halal cosmetics are also included. Not only Muslim consumers are stick to Halal cosmetics and personal care, but Non-Muslims consumers are also impressed by the safety standards and high quality of cosmetics and personal care products. It shows that Halal cosmetics and personal care products are not only observed from the logo only, but more to the quality and safety standards contained inside it.

Currently, institutions like Majelis Ulama Indonesia (MUI) and LP-BPOM have put an effort to make Indonesia as a Halal hub, as well as a reference for Halal standard for Halal cosmetics. The religious and the culture background of the respondents have made them more aware about the importance of Halal in every aspect; include cosmetics and personal care products. Other external aspect such as ads/sales promotion efforts and side effects caused by the products have also a strong relationship with consumer's intention and usage to use Halal cosmetics and personal care products in Indonesia despite halal logo and marketing strategies are still not universally utilized in Indonesia.

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**KUALITAS *INTERNET REPORTING* SEBAGAI VARIABEL
MODERASI DARI *CORPORATE SOCIAL RESPONSIBILITY*
DISCLOSURE TERHADAP FIRM VALUE:
SEBUAH USAHA PENGEMBANGAN
CORPORATE SOCIAL RESPONSIBILITY DI INDONESIA**

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Abstract

The purpose of this study is to test internet quality reporting as a moderating variable of Corporate Social Responsibility Disclosure on firm value listed on the Indonesia Stock Exchange. The reason behind the selection of this topic are low awareness of companies in Indonesia in CSR disclosure, the limited amount of literatures, and also the variability from the previous results obtained in similar studies. In rapid technological developments, a number of stakeholders began looking for financial information through a variety of media, including the internet. The rapid dissemination of information to create a perception of greater public transparency. This action produces greater profits for investors that can help managers to maximize firm value. Hence, the Internet is expected to be encourage of the development of media disclosure of CSR in Indonesia.

This study uses an index derived from the checklist process the data with content analysis. The index is Corporate Social Disclosure Index (CSDI) which is a proxy of the extent of CSR disclosure. CSDI is taking indicators issued ASTRA. Meanwhile, the internet reporting measurement index derived and developed from previous studies.

This study uses 200 data company covering the year of 2012. Collection data was from company annual reports and website. The results showed that the index of corporate social responsibility disclosure has a positive influence on the firm's value, quality IR has a positive influence on the firm's value as well as interaction with the Internet reporting information Corporate Social Responsibility Exposure strengthen the positive impact of Corporate Social Responsibility Disclosure of information to the firm 's value.

Keyword:

Corporate Social Responsibility; CSR ; internet reporting; firm's value, exposure.

1. Introduction

1.1 Background

Corporate Social Responsibility (CSR) Disclosure is a demand that must be implemented by a company in the course of operation, especially since PP Pasal 74 was put into effect. This law requires companies engaged in mining and exploration of nature to fulfill its social responsibility.

At first, there are many companies refused PP Pasal 74, including Kadin and twenty other business associations. The refusal of these many business associates is quite alarming, and this supports Maksum and Kholis' assessment (2003) that awareness of corporate social responsibility in Indonesia is still quite low. During this time, website was chosen as a medium to express the company's financial statements as numbers of stakeholders began to seek financial information through a variety of media, especially the Internet. Through this medium, companies can publish information more quickly so as to create the perception of greater public transparency. In addition, this action is presumed to help managers to maximize firm value and generate greater profits for investors (Amyulianthy, 2010). Hence, the Internet is expected to be a driver of the development of media exposuresure of CSR in Indonesia.

Research on studies about the CSR disclosure on internet is still limited. Sulenta et al. (2004) tried to browse various websites that contain social and environmental disclosure. Other studies focus more on the disclosure of financial statements via the Internet, such as Oyelere et al. (2003), Andrikopoulus and D iakidis (2007), and Ismail (2002). Oyelere et al. (2003) showed that some of the determinants of financial statements are still traditional such as, firm size and ownership are supporting factors to make voluntary exposures in the financial statements of the internet (*internet financial reporting* -- IFR). As not many researchers revealed this issue was one of the reasons for this research.

1.2 Specific Objectives

The objectives of this study are to look at the influence of the Internet quality reporting (IR) on firm value, the influence of Corporate Social Responsibility Disclosure on firm value, and the role of the Internet Quality Reporting (IR) as moderating variables of Corporate Social Responsibility Disclosure influence on firm value.

2. Literature Review

Actually, there have been various attempts for developing CSR and can be widely applied in various countries. In a globalized world there has been a trend to also consider social activities as the public demands. Some indices in the equity markets contributed to the implementation of CSR in companies in the world. These indices encourage global investors such as pension funds and insurance companies that will only invest in companies that are included in the index referred to (Supomo, 2004).

However, the implementation of CSR in Indonesia still requires special attention. Basamalah and Jermias research (2005) suggests that the reason of reporting of social and environmental information of a company in Indonesia is strategical, not because of pure faith based awareness of corporate responsibility towards society. The motivation of Indonesian companies in CSR activities is usually to get a good reputation to maintain its existence (Basamalah and Jermias (2005). In addition, by presenting its social and environmental disclosures, companies can gain competitive advantage and manage powerful stakeholder groups, as well as to draw attention to the investment fund.

One media company that can be selected to disclose CSR is the internet. Via the internet it is expected that the implementation of CSR in Indonesia is more developed.

CSR disclosure through the internet could be expected to increase firm value, let alone professional financial analysts are more interested in the non-financial measures in the company's reports to assess the long-term performance of the company (Dempsey et al., (1997), Healy, et al., (1999)). Disclosure of the financial statements on the website will have an impact in reducing information asymmetry between management and investors in assessing the company's future earnings, because internet technology is considered as the pioneer in the advancement of financial reporting and accounting in the global era because of its versatility, interactivity and fast in delivering information (WWW, (1992), Beattie and Pratt, (2001) ; Debrecey and Dray, (2001), Jensen and Xiao, (2001)).

In line with excitement the application of *corporate governance* all over the world, Sacconi (2006) defined CSR as:

“Corporate Social Responsibility is a model of extended corporate governance whereby those who run a firm (entrepreneurs, directors and managers) have responsibilities that range from fulfilment of their fiduciary duties towards the owners to fulfilment of analogous fiduciary duties towards all the firm’s stakeholders”.

Anderson (1989) perceived CSR further ahead as business operation that is *reliable, sustainable, and profitable* based on ethics value, community, society and environmentally.

At least, there are five major benefits when companies practicing CSR. First, profitability and financial performance will be solid. Second, increased of accountability and positive appreciation of the community of investors, creditors, suppliers, and consumers. Third, increased of commitment, work ethic, efficiency and productivity of employees. Fourth, decreased of susceptibility and resistance to social turmoil surrounding communities as they are noticed and appreciated company. Fifth,

enhanced reputation, corporate branding, goodwill (intangible assets) and firm value in the long run. Kaplan and Norton (2004), and Kotler and Lee (2005) argue that this last advantage is the greatest value creator for the company than the tangible physical assets.

In empirical studies, some researchers have tried to express this in a variety of perspectives and with different methods. The researchers, among others Sulenta et al. (2004) who tried to browse various websites that contain social and environmental disclosure. Haniffa and Cooke (2005), Sembiring (2005), Chapple and Ucbasaran (Working Paper, University of Nottingham), and Sayekti (2006). Those researchers achieved mixed results.

Research on corporate information exposure and its effect on *firm value* have been expressed by several researchers, Glosten and Milgrom (1985) showed through their model of the relationship between *corporate disclosure* and information asymmetry. Their model shows the *information asymmetry* decreases when a level of corporate disclosure increases. Welker (1995) showed empirical evidence that is consistent with this research. His findings indicate that *information asymmetry*, as measured in *the bid-ask spreads*, market liquidity decreased, and increased when levels increased disclosure of financial statements.

Said et al. (2003) found, that companies implementing performance measures that are financial and non - financial in their compensation contracts, have an average value of return on assets (ROA) and market returns are high. Further research, Banker et al. (2000), indicates the presence of non - financial measures in the form of customer satisfaction has a significant relationship to the future financial performance.

Regarding disclosure on the Internet, Ismail (2002) mentions that by providing financial information on company website, users can search for, acquire, download and review the information at a low cost and fast time.

Cormier et al. (2008) mentions the homepage usability is that the firm may expose more information than traditional exposure, as it can make the relationship between management and stakeholders increasingly dynamic and interactive. Thus, the company is expected to provide disclosure about the composition of some aspects of the activity that will provide benefits to the stockholders. According to Zingale (2000), the influence of the media should not be ignored in the scope of economic and financial research.

3. Research Methods

3.1 Method of Data Collection

The data used in this study as the source of the data is in the 2012 Annual Report, the quality of data obtained from the internet reporting company's website and financial data from the Indonesian Capital Market Directory (ICMD) published by the Institute for Economic and Financial Research (ECFIN).

Samples that were taken and used in this study were from 200 companies listed on the Indonesia Stock Exchange from 2010 until 2012. The sample is a purposive sampling to obtain a sample that can represent the specified criteria.

3.2 Research Model

Testing of the quality of the internet as a moderating variable reporting of Corporate Social Responsibility Disclosure on the firm's value is as follows:

$$FV = \alpha + \beta_1 CSDI + \beta_2 IR + \beta_3 SIZE + \beta_4 ROI + \beta_5 CSDI * IR + \beta_6 SIZE * IR + \beta_7 ROI * IR \quad (3.1)$$

Where:

FV = the value of the company, measured by the ratio Q

CSD I = Corporate Social Exposure Index is based on ASTRA

(Astra International exposure category).

IR = internet reporting quality, measured by the index following

the assessment instruments conducted by Wiseman (1982), Cormier and Magnan (2003), Geerings et al (2003), Xiao et al (2004), Lai et al (2008) and Aerts et al (2007).

SIZE = measured by the natural logarithm of total assets

ROI = Return on Investment derived from profit after tax divided by total asset.

3.3 Data Analysis and Test Assumptions (OLS Test)

Procedures used in the multiple regression analyzes were conducted to see the role of the Internet as a moderating variable Reporting of Corporate Social Responsibility Disclosure Index (CSD I) the firm's value to the procedure Ordinary Least Square (OLS). Hypothesis testing was done by t-test with a view t-count and p-value. F test was also conducted to test the significance test of the regression coefficients together. While the statistical program used to assist the analysis of data is E-Views version 4 and SPSS version 16.0.

4. Results

4.1 Descriptive Statistics

The test results showed that the CSDI descriptive statistics of the 200 companies that processed the data in this study had an average of 0.503, with a maximum value of 0.833 CSR exposure. While the value of IR has an average of 44.621 and a maximum

value of 100.00. (See **Appendix TABLE1**). This could mean that CSR exposures by the company is not increase, though some companies already provide a satisfactory disclosure (above 0,80). Meanwhile, IR exposures by the company were varies. Some company have maximum score to exposure all information on their homepage/website, but some company didn't. It means, not all company use their websites to disseminates all informatioan to market.

4.2 Classical Assumption (BLUE) OLS Test

Before examining the hypothesis, we run the classical assumptions test to see if there is any breach of regression assumptions in this study. Conclusion that can be drawn from the test proves that the regression equation is acceptable because it has met the requirements and makes parameter underlying OLS estimators to be BLUE. (see **Appendix TABLE 2-3-4-5**). Similarly, the result of the plot to see the normality of the data Residual Error plot does not form a pattern. Only on testing multicollinearity VIF values have been obtained more than 10 to a variable size, so the treatment is done by removing the outliers of data as much as 65, so the sample changed from 200 to 135.

4.3 Hypothesis Testing Results

Based on the results of the processing and analysis of data using multiple regression and then test this hypothesis with the following results :

- Hypothesis 1 is accepted. Between corporate social responsibility disclosure index with the firm's value there is positive ($\beta_1 = 0.209504$) significantly (p value = 5 %) . This means that the index value of corporate social responsibility disclosure affected the firm's value.
- Hypothesis 2 is accepted. Between the internet reporting quality scores with the

firm's value there is positive ($\beta_2 = 0.133170$) significantly (p value = 5 %). This means reporting affected the quality of the internet *firm's value*.

- Hypothesis 3 is accepted. IR positive influence to strengthen the relationship ($\beta_4 = 0.020101$, p value = 10 %) between the value of corporate social responsibility disclosure index with the firm's value.
- To control variable SIZE, positive and significantly affected the firm's value, meaning the size of the company related to the company's flexibility and ability to manage resources and funds to get profit and drive the firm's value. This is in line with Naimah and Main, (2006) and Core et al . (1999).
- To control variable ROI, positive but do not significantly affect the firm's value, this is likely the cause of the company's profitability reflects the profit is not necessarily related to the value of the company. Because the company can take action overinvestment in which managers tend to waste cash flow to unproductive projects that could reduce the value of the company (Jensen, 1986; Stulz, 1988).

44 Evaluation of Adjusted R²

Because this is a regression equation with multiple variables that are more relevant to be evaluated is the value of Adjusted R². The value of adjusted R² is 0.426094. This value indicates that this model can explain the variation in the performance of the company amounted to 42.60%. To finance theory with the data is cross-sectional, the value is quite reasonable (Nachrowi & Usman, 2006).

45 Discussion of Results

In this section the discussion will describe the results of research based on the results obtained from the above data processing. Discussion of hypothesis testing conducted on this study about the role of the internet quality reporting as a moderating variable of the influence of financial condition information and information operations against the firm's value. Based on the research hypothesis testing table (see appendix Table 6-7), the three hypothesis of this study that proved significant. Discussion of each will be described below.

4.5.1 Influence of Corporate Social Responsibility Exposure on Firm's Value

The first hypothesis of this study states that the index of corporate social responsibility disclosure has a positive influence on the *firm's value*. This is because the exposure of financial statements will significantly reduce the information asymmetry between management and investors. With the assumption of Efficient Market Hypothesis, any information will assist investors in assessing the level of enterprise risk and estimate future profits, so as to have high accuracy in determining the true values of the company. This supports the research of Haniffa and Cooke (2005), Sembiring (2005), Chapple and Ucbasaran (Working Paper, University of Nottingham), and Sayekti (2006).

4.5.2 Influence of the Quality Reporting Internet on *Firm's Value*

The second hypothesis of this study stated that the quality of the IR has a positive influence on the firm's value. This is because the disclosure on the website will significantly reduce the information asymmetry between management and investors because internet technology is a versatile, interactive and fast in delivering information.

With the assumption of Efficient Market Hypothesis, IR useful in accelerating the dissemination of information to the market that assist investors in assessing the level of enterprise risk and estimate future profits, so as to have high accuracy in determining the true values of the company. This supports the research of Beattie and Pratt, (2001), D ebreceeny and Dray (2001) and Jensen and Xiao (2001) .

4.5.3 Role of the IR Moderation Relations Corporate Social Responsibility Exposure by *Firm's Value*

The third hypothesis states that Corporate Social Responsibility Disclosure information has a positive influence on the *firm's value* is reinforced by the presence of IR. Internet media presence will help facilitate the dissemination of information that analysts in conducting valuation, liquidity of the shares and also increase the interest of investors (Healy, Hutton and Palepu, 1999), so that the positive effect on the *firm's value*.

From the test results reporting internet interaction variables with Corporate Social Responsibility Disclosure information has a positive coefficient. This means that IR strengthen the positive influence of Corporate Social Responsibility Disclosure information on the firm's value. So IR is a variable that may moderate the relationship of Corporate Social Responsibility Disclosure information with the firm's value. This supports the research support of Said et al (2003) who stated by non - financial information disclosure on the companies website it will reduce the information asymmetry between managers and investors, thereby reducing information costs incurred investors.

5.5. Conclusions and Recommendations

5.1 Conclusion

In general, IR & Corporate Social Responsibility Disclosure statements have benefits that increase the firm's value, in addition to the obvious costs incurred related to the maintenance and development of IR. This study wanted to examine the effect of corporate social responsibility information on the *firm's value*. In addition, this study also examined the effect of internet quality reporting (IR) to the *firm's value* and role of IR as a moderating variable of the influence of corporate social responsibility information on the *firm's value*.

The sample in this study is the first 200 companies listed on the Stock Exchange of various industries. Once selected based on certain criteria, then the sample is available for examination reduced to 135. The sampling method used was non - probability, which aims sampling or purposive sampling. The data in this study is a secondary data such as financial reports are available on the JSE as well as the company's website with the observation year 2010-2012.

The data collected is processed by using a procedure Ordinary Least Square (OLS) regression using ordinary. Results of the analysis showed that:

1. Corporate social responsibility disclosure index has a positive influence on the firm's value. This is because the disclosure of financial statements will significantly reduce the information asymmetry between management and investors. With the assumption of Efficient Market Hypothesis, any financial or non- financial information to assist investors in assessing the level of enterprise risk and estimate future profits, so as to have high accuracy in determining the true values of the company. This supports the research of

Haniffa and Cooke (2005), Sembiring (2005), Chapple and Ucbasaran (Working Paper, University of Nottingham), and Sayekti (2006).

2. IR quality has a positive influence on the *firm's value*. This is because the disclosure on the website will significantly reduce the information asymmetry between management and investors because internet technology is a versatile, interactive and fast in delivering information. With the assumption of Efficient Market Hypothesis, IR useful in accelerating the dissemination of information to the market that assist investors in assessing the level of enterprise risk and estimate future profits, so as to have high accuracy in determining the true values of the company. This supports the research of Beattie and Pratt, (2001), Debreceny and Dray (2001) and Jensen and Xiao (2001).
3. Interaction with the Internet reporting of Corporate Social Responsibility Disclosure information has a positive coefficient. This means that IR strengthens the positive influence of Corporate Social Responsibility Disclosure information on the *firm's value*. So IR is a variable that may moderate the relationship of Corporate Social Responsibility Disclosure information with the *firm's value*. This supports the research support of Said et al (2003) who stated by non -- financial information disclosure on the companies website it will reduce the information asymmetry between managers and investors, thereby reducing information costs incurred investors.

5.2 Suggestions Research

Advice can be given through the results of this study are :

1. Expected that the development of an assessment instrument to measure the quality of IR and Corporate Social Responsibility Disclosure Index relevant product market and technology advances.
2. Propagated by taking a sample of companies in other industry sectors in order to obtain more comprehensive results.

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Appendix

Table 1
Descriptive Statistic
(n = 200)

Variable	Mean	Median	Std Deviation	Max	Min	Skewness
Q	42,335	5,211	296,253	3154,561	0,410	9,951
CSDI	0,503	0,521	0,157	0,833	0,146	-0,429
IR	44,621	44,480	23,206	100,00	0,000	0,050
SIZE	13,899	13,832	1,556	17,577	10,010	0,063
ROI	0,051	0,039	0,091	0,422	-0,283	0,506
CSDI-IR	22,014	19,692	13,347	65,504	0,000	0,424
SIZE-IR	628,473	609,639	347,158	1759,080	0,000	0,261
ROI-IR	2,357	1,350	4,968	23,727	-22,845	0,676

Table 2
Variance Inflation Factor
(n=200)

Variable	VIF
C	
CSDI	6,9851
IR	6,5266
SIZE	17,6033
ROI	9,1226
CSDI-IR	4,6774
SIZE-IR	2,4561
ROI-IR	1,0465

Table 3
Variance Inflation Factor
(n=135)

Variable	VIF
C	
CSDI	5,7650
IR	5,8791
SIZE	8,4819
ROI	7,6538
CSDI-IR	1,0117
SIZE-IR	2,9055
ROI-IR	1,2410

Table 4
Durbin Watson Test

VALUE OF DW	RESULTS
4-dl<DW<4	Tolak Ho, korelasi serial negatif
4-du<DW<4-dl	Hasil tidak dapat ditentukan
2<DW<4-du	Terima Ho, tidak ada korelasi serial
du<DW<2	Terima Ho, tidak ada korelasi serial
dl<DW<du	Hasil tidak dapat ditentukan
0<DW<dl	Tolak Ho, korelasi serial positif

Table 5
White Test Results
(n = 135)

<i>F-statistic</i>	0.468535	<i>Probability</i>	0.99022
<i>Obs*R-squared</i>	1.809.658	<i>Probability</i>	0.97701

Table 6
Regression Analysis Results
(n=135)

$$FV = \alpha + \beta_1 CSDI + \beta_2 IR + \beta_3 SIZE + \beta_4 ROI + \beta_5 CSDI * IR + \beta_6 SIZE * IR + \beta_7 ROI * IR + e$$

Variable	Hypothesis	Coefficient	t-statistic	p-value
C		0.325200	0.390104	0.2324
CSDI	+	0.209504	2.669178	0.0005**
IR	+	0.133170	2.834522	0.0022**
SIZE	+	0.358391	3.557933	0.0031**
ROI	+	0.010101	1.462129	0.5225
CSDI*IR	+	0.270157	13.598362	0.0095**
SIZE*IR	+	0.528509	5.494934	0.0052**
ROI*IR	+	0.138890	0.289948	0.3862
Adjusted R-squared	0.426094			
F-statistic	2.297.945			
Prob(F-statistic)	0.001780			

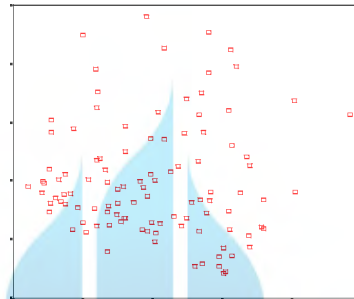
CSDI : indeks *corporate social responsibility disclosure* IR = skor kualitas *internet reporting*, SIZE = ukuran perusahaan, ROI = profitabilitas perusahaan, CSDI*IR = interaksi dari *corporate social responsibility disclosure* dan kualitas *internet reporting*, SIZE*IR = interaksi dari ukuran perusahaan dan kualitas *internet reporting*, ROI*IR = interaksi dari profitabilitas perusahaan dan kualitas *internet reporting*. nilai p value sudah 1 tail.

**signifikan 5% *signifikan 10%

Table 7
Hypothesis Results

	Hypothesis	Sig t	Coefficient	Direction/ Sign	Conclusion
H1	CSDI 4 Q	2.669178	0.209504	+	Signifikan (H ₁ diterima)
H2	IR 4 Q	2.834522	0.133170	+	Signifikan (H ₂ diterima)
H3	CSDI*IR4 Q	13.598362	0.270157	+	Signifikan (H ₃ diterima)

Figure 1
Data Residual Error



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Factors Affecting Customer Loyalty of E-Toll Card In Jakarta, Indonesia*

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Abstract

Highway, so far, is considered as one of the best solution to the traffic jam which creates the problem to the people and the environment in the big city like Jakarta . E-toll card is one of the alternative to enter highway in addition to pay in cash. However, there are some problems for the customer in using this facility. This research aims to analyze some factors influence customer loyalty through buying interest of using the e-toll card, namely: advertisement, easiness, beneficial and price.

The samples are taken based on the Slovin formula from the population of e-toll card users of PT CMNP Tbk for the route of Cawang - Tanjung Priok – Pluit, Jakarta, with 100 respondents. Incidental random purposive sampling is used as the approach, while the type of the research is quantitative descriptions analyzed by using Two Stages Path Analysis.

The result shows that advertisement, easiness, beneficial, price and buying interest significantly positive affect individually on customer loyalty. Buying interest contributes the biggest effect on customer loyalty, followed by easiness, advertisement, beneficial and price. All variables except price, significantly affect the customer loyalty at 5% level of significance.

Coefficient of determination (R^2) indicated that 48,8% of change in customer loyalty are caused simultaneously by all variable used in this research. While the remaining 51,6 % would be determined by other variables which have not been included yet in this research.

The influence on the customer loyalty is also shown by the calculation of direct, indirect and total effect of independent variables. Furthermore, customer loyalty is also influenced by the correlation among all independent variables used in this research.

In addition to increase the effect of independent variables of customer value, it is suggested that some other important independent variables should be explored for further research. It is expected that the results can be considered by the stakeholders in designing the increasing customer value.

Keywords: *E-toll card, customer loyalty, buying interest and two stage -path analysis*

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1. INTRODUCTION.

1.1. Background

Highway, so far, is considered as one of the best solution to the traffic jam which creates the problem to the people and the environment in the big city like Jakarta . E-toll card is one of the alternatives to enter highway in addition to pay in cash. Empirical data indicated that customers use e-toll inconsistently. Therefore, although e-toll card is designed for the convenience of the customers the successful of the highway program is still questionable due to the customer loyalty.

1.2. Problem Identification

E-toll card as an alternative to enter the highway is still competing with paying in cash. Therefore, the consumer was inconsistency of the customers in using e-toll card. Advertisement, easiness, beneficial, price and buying interest are considered to be able to influence customer loyalty in using e-toll. Moreover, the effects of those variables has not been measured so far. Therefore, this research concern with the various factors that may affect the customer loyalty in using e-toll card of Jakarta Urban Toll Road.

1.3. Problem Statement

Based on the background and problem identification, the problem formulation are:

- How is the effect of advertisement, easiness, beneficial and price of the e-toll influence individually and simultaneously on buying interest of customer?
- How is the effect of advertisement, easiness, beneficial, price and buying interest of the e-toll influence individually and simultaneously on customer loyalty?

1.4 . Objective of the study

This research aims to analyze some factors which influence customer loyalty through buying interest of using the e-toll card. Those factors are advertisement, easiness, beneficial and price.

2. LITERATURE REVIEW

Advertisement refers the approach used to attract the people to pay attention to product and services offered by the sellers. It is expected that they will interest, desire and decide to make an action to the product. Advertisement encourages people to talk about their wants and needs (Morrison 2007).

According Kotler and Armstrong (2001), advertisement must have three properties namely: meaningful i.e; (i) beneficial that make the product more desirable or more attractive to consumers, both (ii) credible (believable), consumers believe that the product will provide benefits as promised in the advertising message, and (iii) distinctive that is better than a competitor's brand advertising.

Easiness of application of e-card relates to the technology used by the customers who prefer to simple rather than complicated procedure. It must be easier without any difficulties unless people will not use it anymore since they feel that activities influence their performances (Jogiyanto, 2007).

Price is one of the important variables in the market, *ceteris paribus*, since it can affect customer's decision to buy a product. A low price is an important driver to improve marketing performance. However, in the psychological reasons, price is an indicator of the quality because it was designed as an instrument sales as well as a decisive instrument of competition (Ferdinand,2000). Meanwhile, Kotler and Armstrong (2008) mentioned that the price charged is the amount of money on a product or service, or the amount of the exchangeable value of the customer to obtain the benefits of having products or services.

Buying interest is part of the component behavior in consuming attitude which is the tendency of people to act before buying decision. It is a consumer behavior where consumers have a desire to buy a product, based on experience in selecting, using and consuming a product (Kinneer and Taylor, 2000: Kotler and Keller, 2003)). Moreover, it also a consumer repeat purchase for a commitment to a product (Kotler (2005)

Customer loyalty is the behavioral tendency to favor one product due to satisfaction with that product, its convenience or performance, or simply familiarity and comfort with that product. Consumer loyalty attracting the right customer, getting them to buy more and often, buy in higher quantity and bring more consumers to buy more consistently. The behavior of the consumers discussed widely and clearly by many authors (Shiffman and Kanuk, 2007, Blackwell and Engel,2006).

3. RESEARCH MODEL

Two stages–path analysis model is used to evaluate the effects of some variables on the customer loyalty in using highway e-toll card. In addition to direct effect of those

variables, it is also caused by intervening variable i.e. buying interest. The causal relationship between independent and dependent variable was investigated using SPSS version 19.00 software. (Sarwono 2007, Sunyoto 2011, Singarimbun 2007). The relationship of these variables are shown in **Figure 1**.

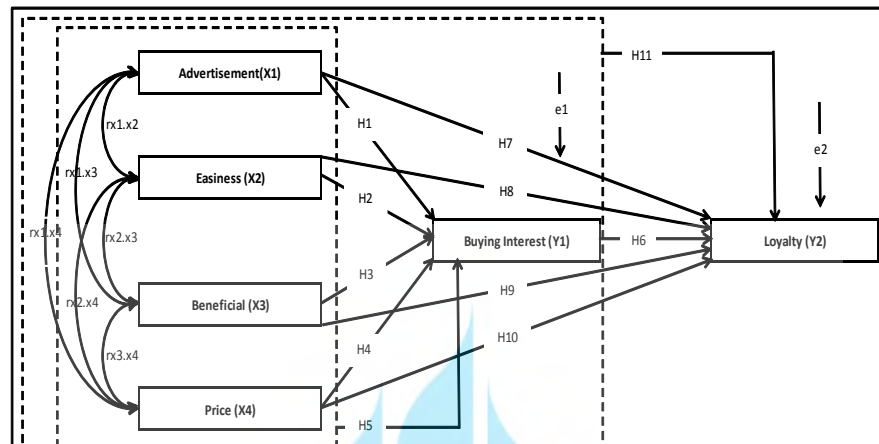


Figure 1: Factors affecting customer loyalty through buying interest

The relationship of the variables can be written in the following equations:

$$\text{Model 1: } Y_1 = \rho_{Y_1 X_1} X_1 + \rho_{Y_1 X_2} X_2 + \rho_{Y_1 X_3} X_3 + \rho_{Y_1 X_4} X_4 + \epsilon_1 \dots\dots(1)$$

$$\text{Model 2: } Y_2 = \rho_{Y_2 X_1} X_1 + \rho_{Y_2 X_2} X_2 + \rho_{Y_2 X_3} X_3 + \rho_{Y_2 X_4} X_4 + \epsilon_2 \dots\dots(2)$$

4. HYPOTHESES

Based on the variable relationship shown in Figure 1, there are 11 Hypotheses (Hs), i.e:

- H1, H2, H3 and H4 : predictors (advertisement, easiness, beneficial and price) individually has significant effect on buying interest of e-toll card.
- H5: predictors simultaneously have significant effects on buying interest
- H6, H7, H8, H9 and H10: predictors individually has positive and significant effect on consumer loyalty.
- H11: predictors simultaneously have significant effect on consumer loyalty.

5. RESEARCH METHODOLOGY

Customers are allowed to use the highway by paying the cost either in cash or by using the e-toll card. This research is categorized as a descriptive quantitative analysis which measures the particular connection or power relationship between the variables.

The research approach used Incidental Random Purposive Sampling and select 100 samples from users of the highway supervised by PT Cipta Marga Nusaphala which based on Slovin method (Umar, 2004, Sugiono, 2008, Singarimbun et al 2007).

Each predictor will be determined by the following dimensions. Advertisement determined by the attention, interest, desire and action of the customer. The easiness indicated by easy to learn, easy to understand, easy to use and easily become proficient. Beneficial based on productivity, effectiveness and efficiency. Price indicated by the comparability, competitiveness and suitability. Buying interest determined by looking for information, consideration and desire to have. While customer loyalty determined by repeat buying, purchase between the line, product retention, recommendation.

6. RESULTS AND ANALYSIS.

6.1. Model 1

Effect of the individual predictor on buying interest shown in **Table 1** below:

Table 1: Regression Coefficient Model 1

Coefficients ^a							
Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
	B	Std. Error	Beta			Tolerance	VIF
1 (Constant)	3.413	4.173		.818	.416		
Advertisement	.266	.052	.379	5.064	.000	.810	1.234
Easiness	.220	.076	.231	2.904	.005	.719	1.392
Beneficial	.250	.050	.377	5.021	.000	.804	1.244
Price	.050	.075	.046	.668	.506	.969	1.032

a. Dependent Variable: Buying Interest

Substructure Equation Model 1: $Y_1 = 0.379X_1 + 0.231X_2 + 0.377X_3 + 0.046X_4$

The t-value of each predictor (except price) is greater than t-table (1.984) which indicate that there is a positive relationship between those variables and buying interest at 1% level of significance. It means H1, H2 and H3 is accepted respectively. Thus, increase in the individual predictor will increase the buying interest of e-toll. Advertisement is the highest contributor in increasing buying interest, then followed by beneficial and easiness.

Simultaneous effect of the predictors on buying interest shown in **Table 2**. R^2 of 56.9% reveals that all predictors are able to explain their effect on buying interest. While the remaining of 43.1% would be explained by other variables which have not been included yet.

Tabel 2. Coefficient of determination (R²) Model 1

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.754 ^a	.569	.551	2.408

Moreover, **Table 3** shows that F-value (17.651) greater than F-table (2.476) which reveals that Hypotheses 11 is accepted. Thus, all predictors simultaneously affect customer loyalty.

Tabel 3. Analysis of Variance Model 1

ANOVA ^b						
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	1363.042	5	272.608	17.651	.000 ^a
	Residual	1451.798	94	15.445		
	Total	2814.840	99			
a. Predictors: (Constant), Buying Interest, Advertisement, Easiness, Beneficial, Price						
b. Dependent Variable: Loyalty						

6..2 Model 2

Effect of individual predictor on the customer loyalty is shown in **Table 3** below.

Tabel 4: Regression Coefficient Model 2

Coefficients ^a								
Model		Unstandardized Coefficients		Standardized Coefficients		Collinearity Statistics		
		B	Std. Error	Beta	t	Sig.	Tolerance	VIF
1	(Constant)	.885	6.836		.130	.897		
	Advertisement	.202	.097	.194	2.096	.039	.638	1.568
	Easiness	.294	.129	.208	2.277	.025	.660	1.515
	Beneficial	.184	.091	.187	2.017	.047	.635	1.574
	Price	.059	.123	.036	.477	.634	.965	1.036
	Buying Interest	.432	.167	.291	2.580	.011	.431	2.319

a. Dependent Variable: Loyalty

$$\text{Equation Model 2: } Y_2 = 0.194X_1 + 0.208X_2 + 0.187X_3 + 0.036X_4 + 0.291X_5$$

The t-value of each predictors (except price) is greater than t-table (1.984) which indicates that there is a positive effect of those predictor on customer loyalty at 5% level of significance. It means H6, H7, H8 and H10 is accepted respectively.

Moreover, R^2 of 48.4% in **Table 4** tell us that all predictors are able to explain their effect on buying interest. While the remaining 51,6 % would be determined by other variables which have not been included yet in this research.

Table 5. Coefficient of determination (R^2) Model 2

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.696 ^a	.484	.457	3.930

- a. Predictors: (Constant), advertisement, easiness, beneficial, price and buying interest
- b. Dependent Variable: Loyalty

F-value (17.651) greater than F-table (2.467) in **Table 5** indicates that Hypotheses 11 is accepted. It means that all predictors simultaneously affect customer loyalty .

Table 6. Analysis of Variance Model 2

ANOVA ^b						
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	1363.042	5	272.608	17.651	.000 ^a
	Residual	1451.798	94	15.445		
	Total	2814.840	99			

a. Predictors: (Constant), Buying Interest, Advertisement, Easiness, Beneficial, Price
 b. Dependent Variable: Loyalty

Results of Two Stages Path Analysis in Model 1 and Model 2 are illustrated in **Figure 2**.

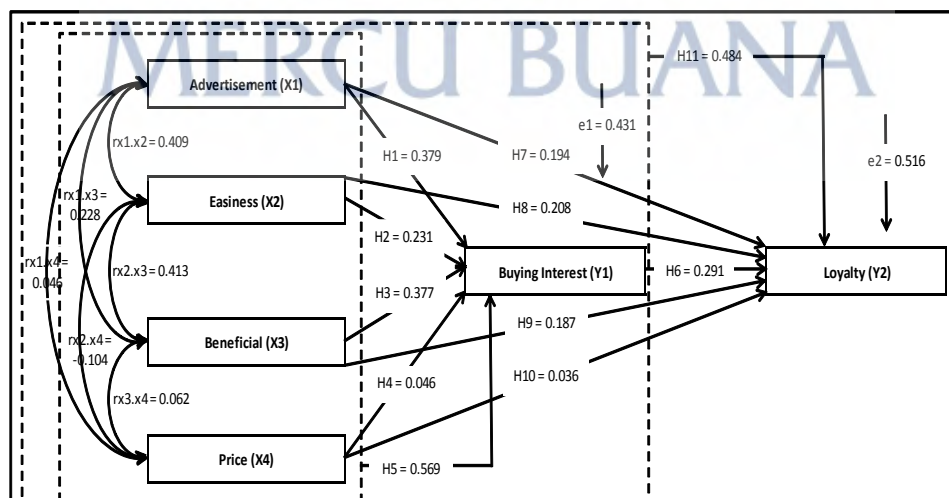


Figure 2: Effect of independent variables on customer loyalty

Correlation among variables and calculation of effect of the predictors on the dependent variables are shown in Table 7 and Table 8 respectively.

Table 7. Dimension Correlation of the Variables

Variable	Variable	Buying Interest (Y1)			Loyalty (Y2)			
	Dimension	Looking for information	Consider	Desire to have	Repeat	Purchase between the lines	Immunity on competitor product	Recommendation
	Dimension							
Advertisement (X1)	Attention	.321**	.292**	.458**	.260**	.218*	.204*	.367**
	Interest	.313**	.240*	.289**	.349**	.196	.307**	.430**
	Desire	.417**	.308**	.298**	.242*	.377**	.389**	.361**
	Action	.403**	.280**	.259**	.170	.245*	.262**	.242*
Easiness (X2)	Easy to learn	.405**	.174	.115	.174	.175	.184	.126
	Easy to understand	.158	.394**	.416**	.179	.264**	.239*	.286**
	Easy to use	.336**	.183	.262**	.224**	.469**	.283**	.326**
Beneficial(X3)	Easily become proficient	.229*	.205*	.300**	.168	.268**	.313**	.447**
	Effective	.181	.363**	.505**	.274**	.327**	.268**	.307**
	Productive	.357**	.362**	.417**	.369**	.306**	.418**	.298**
Price(X4)	Efficient	.145	.359**	.527**	.288**	.300**	.323**	.384**
	Suitability price	.201*	-.152	.092	.211*	.061	.070	-0.038
	Affordability	.194	-.022	.128	.205*	.125	.095	.045
Buying interest (Y1)	Comparison of price level	.128	-.116	-.144	-.031	-.047	-.098	-.198*
	Looking for information				.322**	.331**	.443**	.497**
	Consider				.106	.262**	.383**	.453**
	Desire to have				.406**	.401**	.354**	.440**

The above results in Table 7 indicate that the strong dimension correlation contribute the magnitude effect of predictors on dependent variables.

Table 8. Effect of independent variables on dependent variable

Model	Hypothesis	Effect of Variable	Causal Influence		Residual	Total
			Direct	Indirect Through Y1		
1	H1	X1 ke Y1	0.379			0.379
	H2	X2 ke Y1	0.231			0.231
	H3	X3 ke Y1	0.377			0.377
	H4	X4 ke Y1	0.046			0.046
	H5	X1, X2, X3, X4 to Y1	0.569		0.431	1
2	H6	Y1 ke Y2	0.291			0.291
	H7	X1 ke Y2	0.194	$(0.379 \times 0.291) = 0.110$		0.194
	H8	X2 ke Y2	0.208	$(0.231 \times 0.291) = 0.067$		0.208
	H9	X3 ke Y2	0.187	$(0.377 \times 0.291) = 0.109$		0.187
	H10	X4 ke Y2	0.036	$(0.046 \times 0.291) = 0.013$		0.036
	H11	X1, X2, X3, X4 to Y2	0.484		0.516	1

Source : SPSS ver.19.00

The results in **Table 8** prove that Two Stages Path Analysis give indirect effect of the predictors on the dependent variable through intervening variable. Consequently, the total effect obtained from direct effects and indirect effects.

6. CONCLUSION AND RECOMMENDATION

1. Advertisement, easiness, beneficial and buying interest had a positive effect significantly on the customer loyalty. Magnitude of the effect of each independent variable and correlation among variables are varied.
2. Two stages path analysis able to find the effect on customer loyalty which are derived from the direct affect and indirect effect which obtained from intervening variable.
3. The effect on the customer loyalty are also caused by the strong correlation among variables except price.
4. It is expected the results can use as the policy recommendation for the successful of the highway. Management should increase the positive effect of predictors. Special treatment of the insignificant effect of price should be undertaken.
5. For further research, it is suggested to include many other important variables which have not been studied in this research in assessing the customer loyalty.

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Parallel Session B3:
Green Economy and Business



UNIVERSITAS
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EMOTIONAL INTELLIGENCE AND AUDIT QUALITY

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Abstract

The purpose of this study is to examine the effect of the knowledge structure and professionalism on audit quality with emotional intelligence as an intervening variable. This study is a survey on the public accounting firm in South Jakarta. The population in this study is the auditor who works in public accounting firm in South Jakarta. The sample is taken by using a random sampling method. Questionnaires had been distributed to 100 auditors, but only 95 questionnaires were returned. SEM (Structural Equation Modeling) with LISREL 8.7 program was used to analyze the data. The results show that emotional intelligence significantly has the positive effect on audit quality. In contrast, we find that neither knowledge structure nor professionalism has significant effect on audit quality. We also find that neither knowledge structure nor professionalism has significant effect on emotional intelligence.

Keywords: *Knowledge structure, Professionalism, Emotional intelligence, Audit quality*

1. Introduction

One of the benefits of public accounting services is to provide an accurate and reliable information for decision-making purposes. Audited financial statements by a public accountant are more trustworthy than unaudited financial statements

Great reliance from the use of audited financial statements and other services provided by the public accountant is what ultimately require public accountant to pay attention to its audit quality. The questions arise from the public about the audit quality due to the occurrence of many scandals involving public accountant both abroad and within the country. Since the disclosure of the case of Enron, Xerox, WorldCom, Kimia Farma, Lippo Bank, there were critics from government and other interested parties about audit quality. These criticisms are giving a signal that indicates a dissatisfaction with the quality of audit services provided by the public accountant profession. The pressures arise from public to oversee the work of public accountants

and there were demands for improving the quality of public accounting audit. Enron, large companies engaged in energy trading, is known in manipulating the financial statements to record profit of \$ 600 million when the company suffered losses. Manipulation is done in order to benefit the company's stock remains attractive to investors. Similar accounting scandals also occurred in the case of WorldCom, the second largest computer service companies in the USA, company's internal accountants have recorded a fatal amount of U.S. \$ 3.9 billion expenditure as revenue.

In Indonesia there are cases of Kimia Farma and Lippo Bank that has involved firms that had been believed to have a high quality audit. The case originated from the detection of manipulation in the financial statements. Based on Bapepam (Indonesian SEC) investigation, noted that the firm that audits the Kimia Farma's financial statements has followed applicable audit standards, but failed to detect the fraud. In addition, the firm is also proven to help the management to commit fraud. (Tempo Interactive, October 3, 2002)

This study aims to obtain empirical evidence of the influence of knowledge structure and professionalism on audit quality with emotional intelligence as an intervening variable. Specifically research questions are as follows :

1. Does knowledge structure affect audit quality?
2. Does knowledge structure affect the emotional intelligence?
3. Does professionalism affect audit quality?
4. Does professionalism affect emotional intelligence?
5. Does emotional intelligence affect audit quality?

2. Literature Review and Hypothesis

Cognitive Theory

Kerch and Krutchfield (1983) in Maryani and Ludigo (2001), says that attitude is a state in man that moves to action, accompanying people with certain feelings in response to objects that are formed on the basis of the experiences. Attitude in a person would be a hue or color of the person's behavior.

Behavior theory can explain auditors performance which is measured by accountability and professionalism. The auditor with high accountability and high professionalism, will contribute to a better audit quality.

Audit Quality

De Angelo (1981) defines audit quality as the probability that the auditor will find and report violations of the accounting system with the knowledge and expertise of the auditor while reporting violations depend on the auditor's encouragement to disclose violation. This encouragement will depend on the auditors independence.

Emotional Intelligence

Salovey and Mayer in Stein and Book (2002) defines emotional intelligence as the ability to recognize, reach and evoke feelings in order to assist thought, to understand the feelings and its meaning, and a sense of control in a manner that fosters intellectual emotion.

According to Hartini, Machrus, Suminar, and Handoyono (2001) emotional intelligence is as emotional skills that include the ability to recognize emotions themselves and others, distinguish types of emotions and use them to control their own thoughts and behavior.

Prior Research

Choo and Trotman (1991) examined the relationship between knowledge structure and auditors decision. They found that more experienced auditors find items that are not common compared to inexperienced auditors.

Deis and Giroux (1996) found that audit duration, audit period, auditor's experience and review of the third party are a determinant of audit quality. Hidayat (2011) revealed that the auditor accountability factors, motivation and social obligations, have positive and significant impact on the quality of individual auditors.

Faisal, Nariyah, Yahya (2012) examined the effect of competence, independence, and professionalism on audit quality with emotional intelligence as a moderating variable, the results show that the competence, independence, and professionalism jointly have a significant positive effect on audit quality but only the competence has affect positively the audit quality.

The Effect of Knowledge Structure on Audit Quality

Ashton et al (1988, 108) states that the role of knowledge structure is highly relevant in the audit because knowledge is developed by the auditor through experience and previous knowledge of the client's situation so that it can influence auditors perceptions about the statement and the need to collect

and interpret evidence of a statement. Highly educated auditors, which are obtained through a process of education, will have a broader view about various things. This leads to our first hypothesis :

H1 : Knowledge structure has a positive effect on audit quality.

The Effect of knowledge Structure on Emotional Intelligence

Previous experience and knowledge gained through the educational process. In the educational process auditors gain emotional knowledge which is the ability to understand the emotions of self and others, managing emotions and can express emotions appropriately so it can adapt to the environment encountered. This leads to our second hypothesis :

H2 : Knowledge structure has a positive effect on emotional intelligence.

The Effect of professionalism on Audit Quality

Dies and Giroux (1992) states that in the strength of the conflict, the client can press the auditor to violate professional standards. A healthy clients financial condition can be used as a tool to suppress the auditor by changing the auditor. Dedication on profession is reflected from auditors dedication on professionalism by using the knowledge and skills possessed. Work is defined as a destination, not just as a means to an end. This leads to our third hypothesis :

H3 : Professionalism has a positive effect on audit quality

The Effect of Professionalism on Emotional Intelligence

Professionalism is a quality, attitude and responsible behavior that should be owned by those who perform certain professions with the expertise and skills. In fact in doing his job, on the one hand the auditor must consider the credibility and profession ethics, but the other hand auditor must also face pressure from clients in a variety of decision-making. If the auditor is not able to resist pressure from clients such as personal stress, emotional or financial stress, the competence and professionalism in which they are already possessed has been reduced and it can affect the quality of the audit. Dealing with various pressure, public accountants should have a control or emotional intelligence in themselves.

H4 : Professionalism has a positive effect on emotional intelligence

The Effect of Emotional Intelligence on Audit Quality

Patton (1998) suggests emotional intelligence as the ability to know the emotions effectively to achieve the goals, and build productive relationships and can achieve success. An auditor should have the emotional intelligence to be able to deal with various pressures from clients in a variety of decision-making that can affect the quality of the audit..

H5 : Emotional intelligence has a positive effect on Audit Quality

3. Research Method and Data

Our research is a causal research. Variables in this study are knowledge structure and professionalism as independent variables, while the dependent variable is audit quality, and emotional intelligence as an intervening variables.

This study is measured using an instrument developed by the researchers based on the definition. Knowledge structure's instrument consists of 5 indicators (remember, predict, explain, formulate opinions, experience and knowledge). Professionalism instrument consists of 7 indicators (quality, attitude and responsible behavior, and independent). Emotional intelligence Instrument comprises 5 indicators of emotional intelligence (self-control, motivation, and empathy). Instrument comprises six indicators of audit quality (skill, integrity, objectivity, and independent).

Population and Research Sample

Population of this research is the firm auditors working in South Jakarta area. Respondents in this study are public accountants in public accounting firm where he runs the audit. The sample is taken by using simple random sampling. Sample is taking directly from a population of 83 Public Accounting Firm (KAP) in South Jakarta area at random, KAP is willing to assist in this study were 10 KAP.

Data Analysis

Researchers used statistical analysis with the help of Structural Equation Modeling (SEM), to measure the effect of the independent variables and the dependent variable to test the hypothesis. This analysis is used to accept or reject the hypothesis. The statistical analyzes used were descriptive statistics, test data quality (validity and reliability), and analysis of Structural Equation Modeling (SEM).

4. Results and Analysis

A. Respondent Characteristics

Tabel 1
Description of Respondents

	Akuntan Publik (n = 95)
Gender : - Male - Female	49 (51,6%) 46 (48,4%)
Age: - < 26 year old - 26 – 35 year old - 36 – 45 year old	64 (67,4%) 23 (24,2%) 8 (8,4%)
Working age : - < 2 year - 2 – 4 year - 5 – 6 year - 7 – 10 year	50 (52,6%) 38 (40%) 4 (4,2%) 3 (3,2%)
Position : - Junior - Senior - Manager - Partner	49 (51,6%) 4 (4,2%) 3 (3,2%) 1 (1,0%)

B. Validity and Reliability Test

Validity test results show that the structure of knowledge, professionalism, quality audit and emotional intelligence are valid. Based on the reliability test results concluded that the instrument for each variable research is reliable, because the Cronbach's alpha values of all variables in the test has a value > 0.60.

C. Hypothesis Test Results

a. The Effect of Knowledge Structure on Audit Quality

The results of this research note t value $0.065 < 1.96$ is not significant at the 5% alpha. Thus the first hypothesis stating a positive effect on the structure of the knowledge audit quality is not acceptable, there is no significant effect of knowledge structure level on audit quality because the auditor does not have a good knowledge of the structure and the lack of experience that does not produce good quality audit.

Results of this study do not support the results of research conducted by Choo and Trotman (1991) which mentions the relationship between the knowledge structure and auditors decision. Decisions made by experienced auditors will produce a good quality of audit reports.

b. The Effect of Knowledge Structure on Emotional Intelligence

The results demonstrated the value of $t\ 1.48 < 1.96$ is not significant at the 5% alpha. Thus second hypothesis is not accepted, then the level of knowledge structure of an auditor does not significantly influence their emotional intelligence because the auditor does not have the ability to understand the emotional intelligence.

c. The Effect of professionalism on Audit Quality

The results indicated the value of $t\ 0.13 < 1.96$ is not significant at the 5% alpha. Thus the third hypothesis is not accepted, then the level of professionalism of an auditor does not have a significant effect on the audit quality because auditors do not have a good quality profession so auditor does not produce good quality audit. This is consistent with Faisal, Nariyah, and M. Rizal (2012) which states professionalism has no effect on audit quality.

d. The Effect of professionalism on Emotional Intelligence

The results showed $t\ 1.54 < 1.96$ is not significant at the 5% alpha. Thus the fourth hypothesis is not accepted, then the level of professionalism of an auditor does not significantly influence their emotional intelligence because the auditor can not control his emotional intelligence while doing his profession. The results are inconsistent with Wahyudi (2006) which proves the influence of professionalism components simultaneously which includes devotion to the profession, social obligations, self-reliance, confidence in the profession, and the relationships among peers on the materiality level of financial statements examination.

e. The Effect of Emotional Intelligence on Audit Quality

Results of this study demonstrate the value of $159.02 > 1.96$ is significant at the 5% alpha. Thus the fifth hypothesis is received, there is a significant effect of emotional intelligence on audit quality. This is consistent with the results of research conducted Huda (2007) states that

emotional intelligence and spiritual intelligence influence on the performance of auditors resulting in a qualified audit report.

5. Conclusion

The results reveal that emotional intelligence significantly has the positive effect on audit quality. In contrast, we find that neither knowledge structure nor professionalism has significant effect on audit quality. We also find that neither knowledge structure nor professionalism has significant effect on emotional intelligence.



Balanced Fund Performance Analysis Using Sharpe, Treynor and Jensen (Evidence Indonesia 2009 – 2012)

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Abstract

The purpose of the mutual fund performance analysis is to provide an information to investors in choosing a mutual fund as an investment option with respect to the risk and rate of return that owned by the mutual fund.

Analysis was performed on fifteen Balanced Fund that routinely issued NAV per unit, during the year 2009 – 2012 using *Sharpe, Treynor and Jensen*.

Based on data analysis results, in 2009, *Pratama Berimbang* Mutual Fund has a better performance than composite index performance using Treynor. In 2010 mutual fund performance was no better than composite index either by using *Sharpe, Treynor, and Jensen*. In 2011, even though mutual fund performance was better than composite index performance using *Sharpe and Jensen* but no mutual funds that have a positive performance. Mutual fund performance of *Dana Kersa Angrek, Bahana Dana Infrastruktur and Semester Dana Maxima* was better than composite index performance using *Treynor*.

Keyword : *Mutual Funds, Composite Index, Sharpe, Treynor and Jensen*

Background

The capital market is one of the funding sources of stable long-term development. For businesses, capital markets provide an attractive alternative source of funding through fundraising possibilities. On the other hand, for the owners of the funds, the capital market is an investment option with a higher relative risk than deposits or savings accounts but provide a larger return. A wide range of options investment in the capital markets with different risk and return as well. Various efforts were made to minimize the risk, but investors can still earn a larger return. One of the efforts is to create a portfolio that combines multiple high-risk financial

instruments and has a high return with financial instruments that have a low risk and has a low return, with hopes of an owned portfolio can provide a satisfactory return to investors. This fact makes some finance company engaged in creating products that we are familiar with, mutual funds. Advantages of mutual funds is given higher returns than time deposits or savings typically stages, the relative risk is more acceptable. There are different types of mutual funds, money market mutual funds, fixed income funds, equity funds and balanced fund that are tailored to the characteristics of each investor because each of mutual fund also have characteristics and different levels of risk. Many mutual funds that exist in Indonesia are managed by the company and different investment managers, so investors need to assess properly which mutual funds should be selected. The selection of investment instrument mutual funds are very different from saving money in a bank, time deposits or savings phase, because of the risk that will be borne by the investor when investing in mutual funds.

Based on the above, the authors are interested in performing an analysis of the performance of mutual funds, so it can be a reference for the general public who want to invest in mutual funds.

In conducting the analysis, the researchers will use several methods to measure the performance of mutual funds. There are three methods of measuring the performance of mutual funds by including the elements of risk that is often used, those are *Sharpe*, *Treynor*, and *Jensen methods*. Referring to the above problems, the authors are interested in conducting research and chose the title: "Balanced Fund Performances Analysis Using *Sharpe*, *Treynor* and *Jensen*."

Problem Identification

To avoid widening the discussion, the authors provide limits in assessing the performance of the Fund. The balanced funds were selected, as the Fund is the most flexible in making adjustments to each cycle. The research periods were taken from 2009 - 2012.

Problem Question

Based on the background above, the subject matter that can be formulated is:

1. Whether the Balanced Fund performance using *Sharpe*, *Treynor* and *Jensen* is better than market performance (CI) during the period 2009 - 2012?
2. How is the Balanced Fund performance using *Sharpe*, *Treynor* and *Jensen* during the period 2009 - 2012?

Research Objectives

The purpose of this study is:

1. To find out whether the Balanced Fund performance using *Sharpe*, *Treynor* and *Jensen* is better than market performance (Composite Index) during the period 2009 - 2012?
2. To find out how is the Balanced Fund performance using *Sharpe*, *Treynor* and *Jensen* during the period 2009 - 2012?

Basis Theory

Capital Market

According Husnan (2004), Capital Market is defined as the market for various financial instruments (securities) that can be traded long-term, either in the form of debt or equity capital, both published by government, *public authorities*, and private companies.

According Jogiyanto (2008), Capital Markets is a means to improve the company's long-term needs by selling stock or bonds issued.

Capital markets function is to provide facilities in transferring the funds from *lender* to the *borrower*. While the finance function is to provide the necessary funds Borrowers and lenders without having to be directly involved in the ownership of real assets necessary for these investments (Husnan, 2003).

Instruments in the capital market, among others, are as follows:

1. Stock, certificate of ownership is part of the company.
2. Bonds, are debt securities issued by companies to raise capital from the public. Usually has a term of more than one year and certain interest rate.
3. Mutual Funds, is a vessel to collect funds from public investors to invest in a portfolio of securities by the Investment Manager.

Mutual Funds

Mutual fund is a vessel to collect funds from public investors to be invested in a portfolio of securities by the Investment Manager (Fakhrudin, 2008).

Mutual funds have several characteristics (Manurung, 2008): first, the collection of funds and the owners. The owners are various parties that invest or put the funds into mutual funds with

different variations. Second, invested in securities, Well-known as an investment instrument. Third, mutual funds managed by the investment manager. Fourth, mutual fund is a medium-and long-term investment instruments. Fifth, mutual funds are the risky investment products.

According to Kiyoshi Watari (2008), *Mutual fund is a company that invests in a diversified portfolio of securities*. Investment portfolio of mutual funds can consist of a variety of securities instruments such as stocks, bonds, money market instruments, or a mixture of the above instruments. Kiyoshi Watari (2008) considers mutual funds as the *Greatest Investment Ever Invented*. For many investment observers, the idea to collect financial resources (funds) that are owned by individuals under the direction of a professional investment manager who subsequently diversified extensively so that at the edges will greatly benefit the individual, regarded as one of the most phenomenal ideas in the twenty-first century.

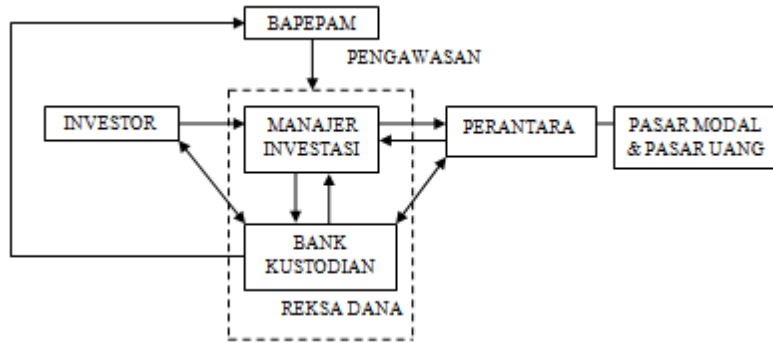
Various types of fund

In terms of Bapepam regulations, mutual funds in Indonesia is divided into five (5) categories, as follows :

1. Money Market Funds are defined as funds that invest 100% in money market securities.
2. Fixed Income Fund is a mutual fund that invests at least 80% of the portfolio and manages it into debt securities.
3. Equity Fund is a mutual fund that invests at least 80% of the portfolio and manages it into equity securities (stocks).
4. Balanced Fund is a mutual fund that invests in equity securities and debt securities that have good flexibility in the selection of investments (stocks, bonds, deposits, or other securities) as well as the composition of its allocation.
5. Protected Fund is a mutual fund that will protect customers 100% principal investment at maturity.

Mechanism of Mutual Funds

The working mechanism of mutual funds as below :



Sources: Eko Priyo Pratomo and Ubaidullah Nugraha 2005.

Risk and Beta

Risk is the chance that the probability of the results received was different than expected (Fakhrudin, 2008). Risks can be divided into two types (Jogiyanto, 2006) :

a. Risk that can be diversified

This risk can be referred to as company risk or specific risk or unique risk or unsystematic risk. Because of this risk is unique to a firm, which is a bad thing happening in a company may be offset by the good things happening in other companies. This risk can be eliminated by forming portfolios.

b. Risks that cannot be diversified

This risk can be referred to as market risk or the risk of common or systematic risk. This risk occurs because of things beyond the company's activities, such as inflation, recession, and others. This risk cannot be eliminated by portfolio.

Risk that can be diversified and cannot be diversified, can be added together and the result is referred to as Total Risk.

Beta by Jogiyanto (2006) is a measure of systematic risk of a securities or portfolio relative to the market risk. According Husnan (2008), beta is the sensitivity of the profit return to changes in market conditions. Beta is a regression coefficient between the two variables, The Excess Return of Market Portfolio and The Excess Return of Stock.

Beta is the sensitivity of the particular stock's return to changes in market conditions can be divided into three types (Nur Fauziah, Budi Astuti, and Sri Mulyati, 2007):

1. $B > 1$, the stock with a beta greater than one is called Aggressive Stocks. If the rate of return of the market portfolio changes by $x\%$ (above or below), then the rate of profit shares will change in the same direction (linearly) by greater than $x\%$.
2. $\beta = 1$, the stock with beta are equal to one it means that the rate of return of the market portfolio is linearly proportional to the changes rate of return of the stock's. The stock's held $\beta = 1$ will form the Security Market Line (SML) which states the relationship between Beta (risk) by a margin.
3. $B < 1$, the stock with a Beta of less than 1 is called defensive stocks. If the rate of return of the market portfolio changes by $x\%$, then the rate of profit shares will change in the same direction (linearly) by less than $x\%$.

The greater the Beta of a stock, it will be increasingly greater levels of expected benefits.

Mutual Fund Performance and Benchmark Performance

Mutual funds performance that include of equity funds, fixed income funds and a balanced fund is a measure of the work ability or achievements of the Investment Manager that calculated from the Net Asset Value (NAV) per unit of which is the observation data. The best mutual fund performance is obtained based on the measure used by certain methods.

Benchmark performance is used to measure the performance of mutual funds managed by the investment manager whether it is outperform or underperform from market performance according to the type of mutual fund that observed. Measurement is used to compare the performance of the market with the performance of equity funds, fixed income funds and a balanced fund based on the method of measurement used. Composite Index performance which is one of the benchmark of the equity funds is the difference between the composite index later this month and the composite index of the previous month divided by the composite index of the previous end month.

Mutual Fund Performance Measurement using Sharpe, Treynor and Jensen

Sharpe method

Sharpe performance measurement method based on the risk premium. Risk premium is the difference between the averages performance generated by the Fund with an average risk-free investment performance. Furthermore, the standard deviation divided risk premium that a risk

fluctuations. Investment is assumed to be risk-free interest rate of Bank Indonesia Certificates (SBI)

Treynor method

Mutual fund performance measurement using *Treynor* method is also based on risk premium, as Sharpe. However, the method is using beta divider (β) which is in the CAPM concept is a systematic risk. *Systematic risk* is the risk of fluctuations in the market risk. Equation of performance measurement with *Treynor* method is to divide the average excess return on a mutual fund with a beta certain period of mutual funds in a given period.

Jensen method

Mutual fund performance measurement using the method of *Jensen* as well as the measurement method is based on the development of Treynor *Capital Asset Pricing Model (CAPM)*. *Jensen* measurement method is based on the performance of the Investment Manager is able to provide performance above market performance in accordance with its risk, by looking at the difference between the returns of mutual funds against the risk-free return.

Hypothesis

The hypothesis of this study is the differences Balanced Fund performance using *Sharpe*, *Treynor* and *Jensen* performance Composite Index in 2009-2012.

Research Methods

The method used in this research is descriptive quantitative research. Variables in use, variable operationalization and measurement scale as follows:

1. Mutual Fund Performance is the difference between the net asset value final (NAK) and the net asset value original (NAW) divided by the net asset value original (NAW), with a ratio measurement scale.

$$Performance_{RD} = \frac{NAK - NAW}{NAW} \quad (1)$$

2. Composite Index Performance, is the difference between the composite index later this month (IHS G_t) and the composite index of the previous month (IHS G_{t-1}) divided by the composite index of the previous end month (IHS G_{t-1}), with a ratio measurement scale.

$$Performance_{IHS\mathit{G}} = \frac{IHS\mathit{G}_t - IHS\mathit{G}_{t-1}}{IHS\mathit{G}_{t-1}} \quad (2)$$

3. The risk free rate, the interest rate is protected by Bank Indonesia Certificate (SBI), with a ratio measurement scale.
4. Market Risk / Systematic Risk, is the sum of the multiplication between the proportions of securities I against beta a share, with a ratio measurement scale.

$$\beta_p = \sum_{i=1}^n (x_i * \beta_i) \quad (3)$$

Of 164 Balanced Fund registered with Bapepam, 15 samples Balanced Fund were taken that routinely issued NAV per unit during the year 2009 - 2012, as below :

Table 1.

List of active Balanced Fund in the year 2009 - 2012

No.	Types of Balanced Fund	Effective Date
1	Batavia Dana Dinamis	19-May-02
2	Danakersa Anggrek	5-Jul-96
3	Garuda Satu	27-Dec-96
4	Mandiri Investa Aktif	26-May-03
5	Panin Dana Unggulan	13-Jun-05
6	Reksadana First State Multistrategy Fund	11-Aug-05
7	Pratama Berimbang	12-Feb-04
8	Reksadana SAM Dana Berkembang	29-Oct-97
9	Semesta Dana Maxima	7-Oct-04
10	Simas Satu	22-Dec-00
11	Reksadana Bahana Kombinasi Arjuna	28-Mar-05
12	Reksadana Prospera Balance	2-Dec-03
13	Bahana Dana Infrastruktur	21-May-97
14	Reksadana Maestro Berimbang	29, 1996
15	Reksadana AAA Balanced Fund	8-Jun-04

Sources: Secondary data is processed (Bapepam Fund Statistics 2012)

Secondary data were obtained, and then analyzed the performance based on *Sharpe*, *Treynor* and *Jensen*.

a. *Sharpe* method

In the use of *Sharpe*, Mutual Fund performance is calculated based on the ratio of risk premium to standard deviation is as follow :

$$S_{RD} = \frac{Performance_{RD} - Performance_{RF}}{\sigma} \quad (4)$$

S_{RD} = *Sharpe* Value Ratio

$Performance_{RD}$ = average performance of mutual fund for certain sub-periods

$Performance_{RF}$ = average risk-free investment performance for certain sub-periods

ζ = standard deviation of mutual fund for certain sub-periods

b. *Treynor* methods

In the use of *Treynor*, mutual fund performance is calculated by observing the market fluctuations, as follows :

$$T_{RD} = \frac{Performance_{RD} - Performance_{RF}}{\beta} \quad (5)$$

T_{RD} = *Treynor* value ratio

$Performance_{RD}$ = average performance of mutual fund for certain sub-periods

$Performance_{RF}$ = average risk-free investment performance for certain sub-periods

β = slope of the linear regression line equation results

c. *Jensen* method

This method of measurement to assess the performance of the Investment Manager whether is able to provide appropriate performance above the market performance according to its risk, as follows:

$$(Performance_{RD} - Performance_{RF}) = \alpha + \beta x (Performance_P - Performance_{RF})$$

α = the value of the intersection Jensen

$Performance_{RD}$ = mutual fund performance

$Performance_{RF}$ = risk-free investment performance

p = market performance

β = slope of the linear regression line equation results

Then, test the performance on average Balanced Fund on each method *Sharpe*, *Treynor* and *Jensen* each year during 2009 - 2012 using compare mean one sample t test

Results

From the Balanced Fund performance calculation using *Sharpe*, *Treynor* and *Jensen* as in Table 3, Table 4 and Table 5 in the Appendix, then testing the performance of the average Balanced Fund on each method *Sharpe*, *Treynor* and *Jensen* each year during 2009 - 2012 that compared with the performance of the composite index by using compare mean one sample t test, as below:

Table 2.
Test results average Balanced Fund Performance

Methods	Year	Performance Average	Composite Index Performance	Significance	Conclusion
Sharpe	2009	-0.558653	-0.91413	0.136	Non Significant
	2010	-0.606659	-0.70309	0.600	Non Significant
	2011	-1.107408	-2.50036	0.000	Significant
	2012	-0.801516	-0.66443	0.519	Non Significant
Treynor	2009	-0.034411	0.08276	0.000	Significant
	2010	-0.064718	-0.06035	0.947	Non Significant
	2011	0.05066	0.22119	0.277	Non Significant
	2012	-0.147071	0.94725	0.002	Significant
Jensen	2009	-0.016779	-0.03323	0.046	Non Significant
	2010	-0.020225	-0.01634	0.755	Non Significant
	2011	-0.042901	-0.08292	0.000	Significant
	2012	-0.034809	-0.04672	0.476	Non Significant

Sources: Data were analyzed

From the above results :

1. Analysis of Performance Evaluation of Mutual Funds in 2009

Mutual fund performance in 2009 was better than composite index performance using *Treynor*, meaning that the changes to mutual fund return to the market return better than the composite index return.

It was achieved by *Pratama Berimbang* (0.11259).

2. Analysis of Performance Evaluation of Mutual Funds in 2010

Mutual Fund Performance in 2010 was no better than the composite index performance either by using *Sharpe*, *Treynor*, and *Jensen*.

3. Analysis of Performance Evaluation of Mutual Funds in 2011

Although the Mutual fund Performance in 2011 better than the composite index performance using *Sharpe* and *Jensen*, but no mutual funds that have a positive performance.

4. Analysis of Performance Evaluation of Mutual Funds in 2012

Mutual Fund Performance in 2012 better than composite index performance using *Treynor*, meaning that the changes to mutual fund return to the market return better than the composite index return.

It was achieved by mutual *Dana Kersa Anggrek* (7.26274), *Bahana Dana Infrastruktur* (1.77091), and *Semesta Dana Maxima* (1.03660).

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**ANALYSIS OF FISCAL AUTONOMY IN DISTRICTS AND CITIES
IN THE CENTRAL JAVA PROVINCE
BASED ON REGIONAL FINANCIAL INDEPENDENCE RATIO**

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ABSTRACT

Fiscal autonomy is a local financial capacity to finance the needs independently and does not depend on the Central Government. One measure can be used is the Regional Financial Independence Ratio. The Regional Financial Independence Ratio is a ratio that shows the ability of local government to finance its own activities of governance, development and services to the people who have paid taxes and levies as a source of income required by The Regional Government. The Regional Financial Independence Ratio is measured by comparing the local Revenue (PAD) with the help of Central / Provincial Government and Regional Debt.

The analysis conducted in this research is using the Regional Financial Independence Ratio. The research use descriptive comparative research method. The data processing was carried out using the tools of comparative tables. The research found that there are three (3) regions in Central Java which are able to achieve regional financial self sufficiency ratio above 25% (twenty five percent, they are the City of Semarang, Surakarta and Tegal. It means that the three regions is really began reaching consultative stage, that is the stage where the central government intervention has begun to diminish and more on advisory because the region is considered able to implement regional autonomy.

Keywords: *Fiscal Autonomy, Local Revenue (PAD)*

1. Background

In carrying out its economic activities, organizations or government agencies require accounting services for supervision and to produce financial information which will be used in economic decisions. However, because of the nature of the government agencies is different with the nature of a company which focused on profit, then the nature of government accounting is different from the nature of the company accounting. With the accounting of government, the government should have a mature plan for the purpose aspired in accordance with the implementation of government accounting in Indonesia.

Based on this conditions, it promote the rising of the demand that the authority of the central government can be decentralized to the Regional Government. To overcome this, then it is stipulated the Act No. 22 Year 1999 jo Act No. 32 Year 2004 on Regional Government and Act No. 25 Year 1999 jo Act No. 33 Year 2004 on Financial Balance between Central and Regional Government which shall authorize or autonomy, tangible and accountable to local governments in proportion. This is implemented by regulation, distribution and utilization of national resources, and financial balance between central and regional democratically, community participation, distributive justice, and considering the potential and diversity of the region, particularly to regional government and city government. The purpose of financial administration in the implementation of regional autonomy is to improve people's welfare, equity and social justice.

The fiscal decentralization is a major component of the decentralized implementation of regional autonomy and is purposed to mark the start of a new phase in the development of the region and its people in managing resources / all potentials for the welfare and development of the region. With regional autonomy, the authority of regional government will be even greater so that its responsibility will also increase. Therefore there are several aspects that must be prepared, including human resources, financial resources, facilities and infrastructure of the region. Financial aspect is one of the basic criteria to measure the real capabilities of the region to manage the region. The capability of the region in question is the extent to which regions can manage their own financial resources to fund the financial needs of the region without having to rely on aid and subsidies from the central government. The capability of regional governments to manage finances is reflected in the Regional Budget (APBD) which describes the capability of

local government to finance the implementation of development tasks, as well as equity and justice by developing the whole potential of each region.

e) **Research Problems**

Considering of the background which outlined above, the researchers interested in formulating problem in this study are:

- b) How does the condition of the regional financial independence ratio at district and city in the province of Central Java?
- c) How does the pattern of relationship between the central government with district and city in the province of Central Java?

3. Literature Study

According to the Indonesian Government Regulation No. 58 of 2005 on Regional Financial Management in the general provision states that "Regional finance is all the regional rights and obligations in respect of the enforcement of regional government which can be valued in money including all forms of wealth of the region". According to Halim (2007), regional finance can be defined as "all the rights and obligations which can be valued in money, as well as everything in the form of money or goods which can be used as regional wealth to the extent that it has not been owned by the State or higher region as well as other parties in accordance with the provisions / regulations in force". The objective of regional financial in the autonomy is to ensure the availability of regional finance to finance the regional development, the development of financial management which meets the principles, norms, and standards and to increase the local revenue (PAD) creatively through the planned, systematic, sustainable, effective and efficient efforts.

Regional Revenue and Expenditure Budget is one of the policy instruments used as an instrument to improve public services and people welfare in the region. The main task of the budget is to control fiscal activities, evaluate previous actions and finding out future government programmes. Regional budgets occupy a central position in the development of capabilities and effectiveness of regional government. According to Bastian (2006) the Regional Revenue and Expenditure Budget is "the embodiment of the regional government work plan in the form of units of money for a period of one year and oriented to public welfare". While based on Minister

of Internal Affairs Decree No. 29 Year 2002, "Regional Revenue and Expenditure Budget (Budget) is an annual financial plan of the region defined by Regional Regulation on Regional Revenue and Expenditure Budget".

The regional financial independence ratio as stated by Bastian (2005), is a ratio that indicates the capability of regional government to finance its own activities of governance, development and services to the people who have paid taxes and levies as a source of required regional revenue. This is indicated by the size of the local revenue (PAD) compared to the revenue derived from other sources, such as central government grants or loans.

$$\text{Independence Ratio} = \frac{\text{Total of local Revenue}}{\text{Central Government Grants / Loans}}$$

The relationship pattern between the Central and the Regions in the implementation of regional autonomy and its relation to the financial capacity of the region according to Paul Hersey and Kenneth Blanchard in Halim (2001) can be explained as follows:

1. Instructive relationship Pattern: In this relationship pattern the Central Government have a more dominant role than the independence of the region, so that the government is giving instructions to the region.
2. Consultative relationship pattern: This pattern occurs when the intervention of the Central Government has began to decrease and more on advisory because the region is considered a little more capable to implement regional autonomy.
3. Participatory relationship pattern: The pattern in which the role of the central government has wane given the level of independence of the autonomy region concerned is capable to carry out the affairs of autonomy approach, in which the role of the Central Government consultation switch to participative role.
4. Delegative relationship pattern: In this pattern, The central government intervention is no longer exist because the region has completely capable and independent in implementing regional autonomy. Central Government has been convinced and ready to delegate the financial autonomy to local government.

The Pattern of central and local government relations and level of independence and fiscal capacity can be presented as matrix in table 1 below.

Table 1: The pattern of Central and Regional Government Relationship

Financial capability	independence ratio (%)	Relationship patterns
Very low	0-25	Instructive
Low	> 25-50	Consultative
Moderate	> 50-75	Participative
High	> 75-100	Delegation

Source: Halim (2001)

4. Research Methods

The research method used by the researcher is descriptive quantitative research method, which means collect, process, interpret and compare the data obtained based on numbers which is purposed to make a systematic description, factual, and accurate information on the facts and the properties of the object of research is processed and analyzed. The data used in this study is the data of Regional Revenue and Expenditure Budget realization report of the District and City Government in Central Java province from 2005-2009 were obtained from EPIKD Directorate, Directorate General of Fiscal Balance, Ministry of Finance of the Republic of Indonesia.

5. Research Results and Analysis

Based on data local revenue (PAD) and Central /Provincial Grant and Regional Debt, Researchers conduct the calculation of Regional Financial Independence Ratio which is shown in the table 2 below:

Table 2: Calculation of Regional Financial Independence Ratio in Central Java Province

No.	District/City Name	Fiscal Year				
		2005	2006	2007	2008	2009
1.	Banjarnegara District	10.85%	9.08%	7.67%	7.64%	9.29%
2.	Banyumas District	14.09%	12.63%	12.60%	12.36%	12.78%
3.	Batang District	9.08%	8.08%	6.56%	8.24%	7.78%
4.	Blora District	8.96%	7.60%	7.02%	7.47%	7.39%

5.	Boyolali District	14.32%	10.90%	10.73%	9.24%	9.10%
6.	Brebes District	8.39%	7.20%	8.45%	8.83%	9.04%
7.	Cilacap District	15.03%	10.43%	8.68%	10.48%	11.19%
8.	Demak District	6.31%	7.29%	6.03%	7.15%	7.39%
9.	Grobogan District	10.16%	7.40%	7.60%	7.77%	9.97%
10.	Jepara District	15.99%	11.60%	10.29%	10.65%	10.42%
11.	Karanganyar District	10.72%	9.53%	9.77%	8.91%	9.68%
12.	Kebumen District	7.92%	15.52%	7.86%	7.63%	7.85%
13.	Kendal District	12.35%	13.49%	13.71%	12.21%	10.43%
14.	Klaten District	6.54%	4.90%	5.16%	5.70%	5.59%
15.	Kudus District	15.98%	12.02%	9.30%	11.63%	10.06%
16.	Magelang District	13.80%	11.01%	10.48%	10.51%	9.64%
17.	Pati District	15.22%	11.60%	9.72%	10.00%	11.03%
18.	Pekalongan District	10.27%	7.21%	8.20%	9.18%	9.50%
19.	Pemalang District	12.01%	10.49%	9.29%	10.19%	11.12%
20.	Purbalingga District	13.83%	10.90%	9.93%	11.24%	12.72%
21.	Purworejo District	8.82%	6.58%	7.52%	7.69%	8.95%
22.	Rembang District	11.51%	9.55%	9.03%	9.30%	10.77%
23.	Semarang District	18.02%	14.68%	12.10%	12.31%	13.09%
24.	Sragen District	13.09%	9.85%	9.55%	9.92%	10.53%
25.	Sukoharjo District	9.78%	9.25%	7.37%	6.51%	7.11%
26.	Tegal District	12.98%	9.45%	9.82%	7.85%	9.16%
27.	Temanggung District	9.12%	7.84%	7.15%	7.42%	8.22%
28.	Wonogiri District	8.19%	8.21%	7.51%	7.50%	7.36%
29.	Wonosobo District	8.11%	7.11%	7.49%	7.06%	7.27%
30.	Magelang City	19.55%	15.38%	12.35%	13.12%	14.33%
31.	Pekalongan City	9.67%	8.30%	8.54%	8.56%	8.81%
32.	Salatiga City	18.95%	14.30%	13.58%	11.50%	16.65%
33.	Semarang City	33.61%	28.23%	25.48%	28.76%	25.06%
34.	Surakarta City	25.91%	20.22%	17.86%	16.26%	16.25%
35.	Tegal City	25.50%	20.93%	22.48%	22.51%	27.18%

In view of the analysis of each districts and cities above and considering the figure of regional financial independence ratio of district and city in the province of Central Java below, it can be seen that there are three (3) regions which are capable to achieve financial self sufficiency ratio of the area above 25% (twenty five percent) they are the City of Semarang, Surakarta and Tegal. Based on the table of Relationship Pattern between Central and Local Government for the three regions actually began to reach the consultative stage, the stage where the Central Government intervention has begun to diminish and more on advisory because the area is considered a little more able to implement regional autonomy.

The Semarang City independence regional financial ratio has reached consultative stage in 2005 until 2009. This was resulted as of Semarang is the capital of Central Java province, where Semarang is the economic center in Central Java thus indirectly the local Revenue in Semarang is higher than other districts and cities in Central Java.

Surakarta independence regional financial ratio in 2005 has reached the consultative stage but in 2006 until 2009 the ratio of the Surakarta City continues to decline so be instructive stages. This is due to a change in investment policy refers to the implementation (implementation approach) were selected for RPJMD of 2008-2013 ie regional development and empowerment of rural communities, through the formulation of the motto "Bali Ndeso Mbangun Deso". In this regard, the village became the main orientation for development activities in Central Java for period 2008-2013. The changes resulted in the number of regional debt and grant from provincial / central government continues to increase which directly resulted in the decrease of the regional financial independence ratio.

Development and investment in Surakarta City is carried on the batik industry to be one of the typical industrial of Solo. Industry and trading centers of batik are among others located in Laweyan and Kauman. Klewer market as well as some other traditional batik markets became one of the batik trade center in Indonesia. Trade in Solo under the authorities of the Department of Industry and Trade. Business center in Solo is located along the Slamet Riyadi street. Some banks, hotels, shopping malls, international restaurants, and entertainment up to tourist

destinations located along the main streets. On the Sunday morning, Slamet Riyadi street specifically closed to motor vehicles (Solo Car Free Day) as part of the government's regulation to reduce pollution. There are several modern shopping malls in Solo such as Solo Square, Solo Grand Mall (SGM), Paragon Solo, Solo Center Point (SCP), Singosaren Plaza, Megaland Solo, Luwes. Solo also has several factories that employ large numbers of employees, among others Sritex, Konimex, and Jamu Air Mancur. In addition there are many other factories in the industrial zone of Palur.

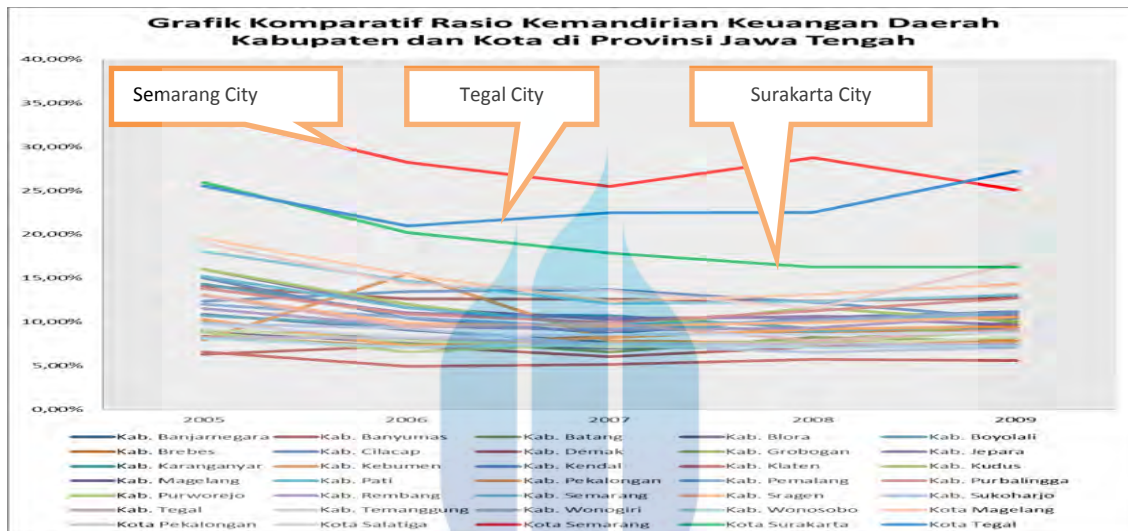
For Tegal City, in 2005 has reached the consultative stage but in 2006 to 2008 the ratio was decreased back to instructive stage and in 2009 the ratio was increase and reached back to the consultative stages. This is due to policy changes that refers to RPJMD of Central Java province that began in 2005 to further promote development and investment. Trade and services is a major sector of the economy of the city of Tegal. The city became a place of processing and marketing of the end products of the west part region of Central Java. Small and medium business entities which have fairly rapid progress are in the area of home-based metal industry in Cempaka street region, and Tegalan batik industry in the village Kalinyamat. To support the rate the economy, the Tegal government has built Business Promotion and Information Center (PPIB).

Investment climate is good enough to invite a lot of outside region investors to invest in the city. So it is not surprisingly, within a period of 5 years since 2001, the City of Tegal has established several shopping malls such as Pacific Mall, Rita Mall, Dedy Jaya Plaza, Marina Plaza, and the Moro wholesale center. However, due to the economic crisis that occurred, several shopping centers became out of business, including Marina Plaza, Moro and Dedy Jaya which is almost bankrupt. Even so, the level of the economy of Tegal community is very consumerist where this is evidenced by there are many companies that invest and reach success in Tegal.

This resulted in increased share of central granting (fund balance) and the amount of regional debt of Tegal City increase which resulting in the ratio has decreased in 2006 until 2008. In 2009 the share of central granting increased (fund balance) and the amount of the debt received by the Tegal City began to decline, which resulting in the ratio of the regional financial independence in 2009 has increased again.

Whereas in other regions, the fiscal autonomy conditions are still at the stage of instructive that is role of the central government is more dominant than the independence of local government. That is because in these areas have not been managing their regional potential and dependence on the central government is still very high. To increase the Fiscal Autonomy, it is required a sustained strategy and planning for improving the local revenue.

Figure 1: The Regional Financial Independence Ratio Of Districts and Cities in Central Java Province



Based on the explanation above, it can be said that the fiscal autonomy of a region is determined by the courage of a local government to develop the region. A few things that can be carried out for example are by opening the doors of investment to the region, increasing the amount of labor, and increasing the amount of revenue from the tax sector and regional levies and other sectors which can be used to increase regional revenue. It is needed by a region as a support to national development which is the quality of development is not only their physical and infrastructure only, but also the development of qualified human resources who possess the competitiveness and educated. On the other hand, the central government should continue to provide guidance in planning of national development so that it can be realized that the actual Fiscal Autonomy in which a region is no longer relying solely to the central and can be self sufficient in managing its finances.

6. Conclusion

Based previous analysis, it can be concluded as follows:

1. The analysis showed that the relationship patterns between the Central Government and the District and City Government in Central Java province in general is Instructive, which means that the district and city government in the province of Central Java are still very dependent on the central government in management of their financial. This is due to the small amount of local revenue (PAD) compared with their Central Government Grant and Regional Debt. The District and City Government in the province of Central Java need to increase the resources and potential of the region through the optimization of local revenue (PAD). This can be carried by increasing revenue from Local Taxes and Levies which are still very open to be improved. The Law No. 28 Year 2009 on Regional Tax and Levies states that the area can be as wide as possible to make regulations on Regional Taxes and Levies to increase revenue, and also by the transfer of Land and Building Tax (PBB) and the Levies of Transfer of Rights on Land and Building (BPHTB) for Rural and Urban areas which its management have began to gradually transferred from 2011 until 2013. It can support the regional government in financial management area toward independence.
2. Regional Financial Independence ratio reached a low limit or the consultative stage is the City of Semarang in 2005 until 2009, the City of Surakarta in 2005 and the City of Tegal in 2005 and 2009. This is caused due to high local revenue (PAD) in the three regions which is caused by investment and the increase in the amount of revenue from their local taxes and levies. The District and City Government in Central Java province shall continue to strengthen medium-term and long-term policies, increasing investment and regional capacity, so that the potential of each region can be best utilized in the implementation of fiscal autonomy.

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Number of Risk Factors and Underpricing: A Case of Indonesian Initial Public Offerings

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Abstract

This study examines whether number of risk factors, use of proceeds for investment, size of issue and the level of ownership retained affect the uncertainty of initial return of firm making Initial Public Offerings (IPOs). These four factors could serve as signal of firm quality in the case of IPO.

A sample of 290 Indonesia IPOs that went public between 1989 and 2005 in Indonesian capital market were examined. Univariate and multivariate tests are used to test the hypotheses.

This study finds that the number of risk factors is positively related to the level of underpricing. The level of ownership retention has negative but insignificant relationship with the level of underpricing. IPOs that use the funds for investment or expansion purposes are less underpriced than their counterparts that use the funds for operating purposes. Similar to previous studies, size of issue is negatively related with the level of underpricing.

Keywords: *Number of Risk Factors, Ownership Retention, Underpricing, IPO.*

1. Introduction

Prior to making initial public offering (IPO), a company shall provide prospectus. It provides information about many aspects about the issuing firm that contain amongst others a brief history of the firm's business, information related to past financial performance, ownership details, use of proceeds, and the risks associated with the investment. However, very little is known about how useful prospectus information is to investors in their decision to invest in an individual IPO. Recent evidence in [36], that earnings management prior to going public is related to long-run underperformance, could further erode the investor's confidence in the value of the information contained in the prospectus, because it shows that firms could resort to window dressing prior to going public.

Positive initial returns or underpricing of initial public offers of equity securities is a general phenomenon and is considered as one anomaly in IPO setting [32]. [28] assert that underpricing is a world-wide phenomenon and not specific to one equity market or to a particular time-period. In this paper we focus not on the reasons for the existence of underpricing, but on identifying the factors associated with its magnitude given the available information before the public offer in particular non-accounting information.

There have been extensive studies exploring the variables that could explain the variation of underpricing. These include, amongst other, the level of debt, year of operation, size, the prestige of underwriter or auditor, gross proceed, number of risk factors mentioned in the issue prospectus, use of proceed from the issue, the portion of ownership retained by the issuers, or market condition. Yet, the success of examining the factors that affect underpricing depends on the success in selecting the proxies [3].

This study focuses two variables, namely number of risk factors mentioned in the issue prospectus, the portion of ownership retained by the issuers. In addition it also examines the use of proceed from the issue for investment or expansion purposes, and the size of the issue. Number of risk factors is expected to have positive relationship with underpricing. Ownership retention is predicted to have negative correlation, use of proceeds for investment (expansion) is expected to have negative relationship, and size of issue is predicted to have negative relationship. The results of the study confirm the predicted sign as have been reported in previous study except for the ownership retention.

2. Literature Review and Hypotheses Development

A number of signals have been identified empirically to be associated with the level of riskiness of the IPO and thus the level of underpricing. The associated factors can be classified into ex ante factors and ex post factors. Since ex post factors can only be identified after the offer, it is arguable that the ex ante factors are more representative in determining the level of underpricing.

The literature suggest that there are several reasons regarding the underpricing of IPOs. The literature is mainly divided into two major categories, namely underpricing due to asymmetric information and underpricing due to factors other than asymmetric information [33]. The information asymmetry theory surrounding firm value implies that greater uncertainty amplifies IPO mispricing ([4], [32]). However, uncertainty without the initial market

imperfection would not warrant persistent average underpricing as such. There is a large block of empirical studies that documents a positive relationship between initial return and proxy measures for uncertainty.[16]categorize uncertainty and their corresponding proxy measures into: (1) issuing firm attributes, (2) offer characteristics, (3) prospectus disclosure, (4) third-party certification, and (5) after-market characteristics. This study focuses on the first three characteristics.

2.1 Number of Risk Factors and Underpricing

Previous studies seem to largely ignore the importance of the number of risk factors available at the issue prospectus as one of important variable in assessing the riskiness of an IPO. Although there seems to be no existing theory on how the information about the number of risk factors is related to the level of underpricing in IPO, one should be aware that looking at the potential risk inherent to the issuing firm is merit attention.

The Indonesian capital market governing body (Bapepam-LK) requires firm to disclose the risk faced by the firm, either internal or external to the firm under Bapepam-LK's Decision number 23/PM/1991. This requirement is stated in the guidance on the form and content of prospectus in response to the Ministry of Finance's decision Number 1548/KMK.013/1990 concerning Capital Market. Bapepam-LK has explicitly mentioned on the requirement that issuing firm should disclose it analysis on risk factors. The issuing firm should analyze, among others, risk related to competition, raw material, other countries and international regulations, or government policy.

Previous studies have examined the importance of risk factors as the determinant of underpricing ([6], [7], [13], [11],[39]). Yet, the findings seem to contradict with the expectation. [6] finds negative and significant relationship between number of risk factors and underpricing on a sample of 420 IPO firms that went public in the USA for a period of 1976-1985. Similar finding is reported when they examine 741 US IPOs that went public during 1975-1985[13]. This finding is also supported by [39] who examine Malaysian IPOs. [7], however, find negative but insignificant relationship between number of risk factor and the level of underpricing of 180 IPOs that went public in Canada for periods of 1984-1987.[11] interestingly reports positive relation between number of risk factors and the level of underpricing in Indonesia IPOs.

Following theoretical argument and empirical research of [11], this study predicts that the level of underpricing of Indonesian IPO firms will be positively related to the number of risk factors. This prediction leads to the following hypothesis.

H₁ The number of risk factors is positively related with the degree of underpricing

2.2 Retained Ownership and Underpricing

Firm will face problem associated with asymmetric information when approaches the public capital market for the first time. This affects the initial valuation and the size of initial return, i.e., underpricing. Two factors work to mitigate such risks. First, the process itself is strictly supervised by regulator, i.e., Bapepam-LK, who defines a wide range of disclosure requirements. The second mitigating factor is the ability of the new firm to signal its quality to the market that could be in terms of accounting or non-accounting information.

The percentage of shares retained by the entrepreneurs making an IPO can convey information about the quality of the IPO [26]. They assert that the greater the percentage of ownership retained by the issuers the higher is the quality of the IPO. Thus, ownership retention could serve as a signal of information about the future prospects of the firm. [9], [1], and [38] show that the level of underpricing could be used as a signal of IPO quality via the level of ownership retained by the initial owners.

The structure of the equity ownership immediately after the IPO would be of the principal sources of agency risks relates. Original owners holding high percentage of equity retained could be interpreted as a positive signal in that present owners do not want to dilute their ownership significantly. Empirical evidence seems inconclusive on relationship between retained ownership and underpricing. For example, while [12] and [25] find negative and significant relationships between the level of ownership retention and the degree of underpricing, [17] and [24] find a significant positive relationship. Studies using Indonesian IPO relating to retained ownership have been inconclusive. [10] examines 179 Indonesian IPO firms that went public for the period 1989-1997 and reports the level of ownership retention has positive relationship with the first 15 days initial returns. [35] do not find any variable to be significantly related to the level of underpricing.

Thus, consistent with previous studies, the following hypothesis is proposed.

H₂ *The proportion of retained ownership is negatively related to the degree of underpricing*

Two control variables were examined, namely the intended use of the proceeds from the issue and the size of the issue. We argue that the intended use of funds generated from the issue could serve as a signal for the quality of an IPO. There are two major components in the plan of utilization of proceeds that can be identified, namely for capital expenditure and operating expenditure. In the case of an IPO in Indonesia, capital expenditure can be shaped into two components, namely the purchase of machinery (investment purposes) and business expansion. While operating expenditure could be in the form of strengthening working capital or paying debt.

If the proceeds are used for capital expenses, such action can be considered as direct costs for companies, where for a low quality company it could be very costly to do so [38]. For companies with good quality, capital expenditure can be regarded as an effort to improve the quality of the company by increasing production capacity. If the proceeds are used for investment purposes, investors can assume that the quality of the company is good, so it should have a low level of underpricing. That is, there is an inverse relationship between the use of IPO proceeds for investment and the level of underpricing. [19] find that the use of IPO proceeds for investment is negatively related to the level of underpricing in Korea. [29] uses the number of the utilization of proceeds and found a negative relationship with the level of underpricing, but does not explicitly explain whether the use of these funds for investment or not.

Referring to the review of the above arguments, it is predicted that there is an inverse relationship between the use of funds for investment (capital expenditure) and the level of underpricing. In this study the model dummy variables used to measure the cost of capital expenditure where the company will be a score of 1 if the IPO is used partly for the purposes of investment and zero otherwise.

Previous studies seem to agree that the size of the issue is negatively related with the level of underpricing. [32] argues that large IPO size is perceived to be less risky than small IPO size. Large IPO is also associated with high quality IPO and thus less risky which will lead to lower return. The issue size appears to be consistently and negatively related to the degree of underpricing ([12],[5],[10] also finds negative relationship in his study of Indonesia IPOs from 1989-1996.

To summarise, a large number of empirical studies have found an inverse and significant relationship between IPO size and the degree of initial excess returns. Accordingly, it is expected that the size of the IPO is negatively related to the degree of underpricing.

3. Research Method

The population of the study cover all Indonesian IPO firms over the period 1989 to 2005. During the periods of analysis, there were 378 IPOs and after the selection criteria are applied, 290 IPOs satisfy the criteria.

4. Findings and Discussion

As mentioned in the sample determination, there were 290 firms satisfying the selection criteria. These 290 firms represent about 83% of the population, that is, firms making IPO for the periods 1989-2005. Table 1 presents the descriptive statistics of the variables examined in this study. The average initial return, calculated as the percentage difference between the first day closing price and the offering price, is 22.89%. This indicates that on average the issuing is underpriced almost a quarter of their offering price.

Table 1 Descriptive Statistics of Variables

Variable	Mean	Median	Standard Deviation	Minimum	Maximum
Initial Return (%)	22.89	7.14	47.45	-32.56	480.00
Number of Risk Factors	7.20	7.00	3.21	1	24.00
Ownership (%)	76.21	77.04	10.07	45.96	97.37
LnGP	24.69	24.60	1.23	22.11	30.22

Out of 290 firms, 29 firms are overpriced, 34 firms with closing price unchanged, and the rest 237 or 81.72% experience underpricing. This figure is considered high when compared to some Indonesian studies which show an underpricing level of around 10%. For example, [31] documents an underpricing of 9.00%. One company was underpriced by as much as 480%, which is considered to be extraordinary and the highest overpricing is 32.56%. Overall, this finding confirms that on average Indonesia IPO is underpriced.

As shown in Table 1, the number of risk factors ranges from 1 to 24 with an average of 7.20. Looking at the standard deviation of 3.21, we may argue that most of the issuing firms have relatively similar number of risk factors indicated in the issued prospectus. A close examination

of the risk factors indicates that competition, exchange rate fluctuation, and government regulation are the most frequently cited. This implies that most of the issuing firm perceived that exchange rate is a risk that needs to be carefully look after.

The average ownership retention is 76.21% with a minimum of 45.96% and maximum of 97.37%. The average of ownership retention is comparable to [10], or [7] of Canadian IPOs or [37] of US IPOs. A maximum ownership retention of 97.37% means that there is a firm that sells only very small fraction of ownership, i.e., only 2.63% of the total outstanding shares. This figure is interesting given that the issuers do not disperse their ownership an indication, *ceteris paribus*, of high level or high quality firm.

The size of the issue varies significantly, from the lowest of IDR4 billion to the largest of IDR13,365 billion. The mean size of the issue is IDR52.80 billion. Not reported in Table 1, out of 290 sample firms, there are 85 firms or 29.31% use the proceeds of the offering for non-expansion related activities. In other words, 205 firms dedicate the proceeds for expansion or investment purposes.

4.2 Results and Discussion

The results of regression analysis is presented in Table 2. As can be seen, the coefficients of all variables are as expected. Number of risk factors is positively related to the level of underpricing, the level of ownership retained of the issuers, use of proceed for investment or expansion purposes, and the size of the issue are negatively related to the level of underpricing

Table 2 Results of Regression Analysis (dependent variable is initial return, independent variables are number of risk factor, retained ownership, use of proceeds, and size of IPO)

Variable	Predicted sign	Coefficient	t-value	R ² (Adj.R ²)
Intercept		2.5707	4.3336***	7.905 (6.613)
Number of Risk Factors	+	0.0312	3.2906***	F=6.116
Retained Ownership	-	-0.3501	-1.2327	(p=0.000)
Use of Proceeds	-	-0.1027	-1.7244**	
IPO Size	-	-0.0902	-3.6990***	

***, **, and * denote significant at 1%, 5% and 10%, respectively

The results shown in Table 2 indicate that three hypotheses are accepted. The study finds that number of risk factor is positively related to the level of underpricing. This positive correlation is as expected and thus accepts the hypothesis that the higher the number of risk

factors exhibited in the issue prospectus the higher is the degree of underpricing. The finding reported here is in contrast to with [6], [13] and [39].

We noted here that there is one important implication of the positive correlation between the number of risk factors depicted in the issue prospectus and the level of underpricing. Investors in IPO market would perceive that firms exhibiting more number of risks factors are more risky than those with less number of risk factors. This has made them to demand higher expected return as indicated by, on average, higher level of underpricing. So, the trade-off between risk and return in the case of number of risk factors and initial return in IPO markets is evidenced.

To check whether firms with higher number of risk factors significantly have higher level of underpricing, the sample is divided into two groups based on the median value of number of risk factors. As shown in Table 3, the mean initial return of firms with highernumber of risk factors is significantly higher than the initial returns of firms with lower number of risk factors. The mean initial return of firms with higher number of risk factors is 33.21%, whilst for firms with lower number of risk factors is 12.57%, supporting the initial findings of positive correlation.

Ownership retained by the issuers does not affect significantly the level of underpricing although the coefficient is in the predicted sign. This finding does not support [26] who argue that issuers of high quality firms will use the ownership proportion as a signal of good future prospect. Potential investors will assign this firm with higher expected return because issuers are perceived to have good prospect. A high percentage of equity retained by the original owners could be interpreted as a good and positive signal, in that present owners do not want to dilute their ownership significantly.

The finding reported here is similar as reported in [31] and [35]. This negative relationship is merit for attention, because investors would perceive that firms sell more portions of shares in the IPO market will be judged to have better quality compared to those that sell less portions of shares.

To ascertain that this negative correlation is not a coincident, the t-test for men difference is performed by dividing the sample into two groups based on the level of ownership retention. The mean underpricing of firms with lower ownership retention is 26.47%, whilst mean underpricing of firms with higher level of ownership retention is 15.75% (Table 3). This finding does support

initial finding of a negative correlation between the level of ownership retention and the level of underpricing. However, given there is no significant relationship, the second hypothesis cannot be accepted. Thus, higher level of ownership retention does not affect negatively the level of underpricing.

The use of fund generated from the IPO for investment and/or expansion purposes is found to be negatively related to the level of underpricing. Table 2 shows that this variable has negative and significant effect on the level of underpricing. The result of univariate test does support the regression analysis (Table 3). Thus, it can be concluded that IPO firm that uses the fund for mainly investment and/or expansion purposes will be judged to be high quality firm so it must be related with less risk and consequently less underpriced than its counterpart that uses the funds for supporting its operational expenses.

Similar to previous studies, the study finds that larger IPO firms in terms of the size of the issues, measured as the gross proceeds, will be judged as high quality and less risky than smaller IPO firms. The finding reported in Table 2 shows that the coefficient is negative and is significant. The univariate test also confirm the results reported in Table 2, that larger IPOs are less underpriced than smaller IPOs. The mean initial return for larger IPOs is 15.73%, while smaller IPOs has a mean of 30.04% ($t=2.5935$). Thus, it is almost certain that smaller IPOs are perceived to be riskier than larger IPOs so that investors demand higher expected returns.

Table 3 Results of Univariate Tests on Mean Difference Number of Risk Factors, Retained Ownership, Use of Proceeds, and Size of IPOs

Variable	Mean	Mean Difference	T-value (one-tailed)
Lower number of risk factors	0.1257		
Higher number of risk factors	0.3321	-0.2064	-3.7891***
Lower retained ownership	0.2647		
Higher retained ownership	0.1575	0.0717	1.2882
Non Expansion/investment use of proceeds	0.3036		
Expansion/investment use of proceeds	0.1979	0.1057	-1.7323**
Smaller IPO size	0.3004		
Larger IPO size	0.1573	0.1431	2.5935***

***, **, and * denote significant at 1%, 5% and 10%, respectively

5. Conclusions, Limitations, and Direction for Future Studies

As predicted, the study documents that the number of risk factors is positively related to the level of underpricing. Secondly, it does not find support that the level of ownership retention negatively related to the level of underpricing. IPO firms that uses the fund generated from the issue for investment or expansion purposes are less underpriced than those that use the fund for operational purposes. Larger IPOs are underpriced less than smaller IPOs.

This study has two limitations. First, it does not control for the effect of inflation on the gross proceeds from the issue. The results of the study may be sensitive with the level of inflation or the fluctuation of Indonesian Rupiah's exchange rates as the period of analysis include the years where economic crisis hit Indonesia during 1997-2000. Future study may take into account the effect of inflation on the level of underpricing. The second limitation relates to the unit analysis. This study does not differentiate the sample based on a number of classifications, such as industry membership, year of IPO or performing portfolio analysis or differentiate between pre and post economic crisis. Thus, future study may analyze by comparing whether industry membership could differentiate the level of underpricing after controlling for the number of risk factors.

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Parallel Session C3: Asian Studies and Environment



UNIVERSITAS
MERCU BUANA

FEASIBILITY STUDY OF SAMARINDA SEBERANG, LOA JANAN ILIR, AND PALARAN AS SATELITE CITY^{1,2}

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ABSTRACT

Samarinda city as the capital of the province of East Kalimantan increasingly crowded and jammed with accretion 3500-4000 vehicles per month. Therefore need a sub-district to supports Samarinda Seberang, Loa Janan and Palaran Ilir. Descriptive and inferential analysis equipped with a Focus Group Discussion-Delphi Engineering and Structural Equation Model (SEM) was carried out with consideration of the feasibility of three satellite cities are: First, the assumption of rising land value, secondly, the influence of selected variables simultaneously to the core of sustainable satellite city, and third, the dominant dimension to realize the satellite city. Results of Focus Group Discussions (FGD) revealed five items concern the public and 10,000 ha of vacant land used as a satellite city, the land for the benefit of price increases in the interests of governments, developers, and communities, each of which is approximately Rp 16.3 trillion. Hypothesis testing, with $R^2 = 0.425$; t value $(6.78) > 2$ and socio-economic factors have contributed significantly to the creation of satellite city. Dimensions of the test concluded that economic factors (FE2) and sustainable satellite city (KSB7) be a priority in a comprehensive planning and design. The research concludes that the former third district to be viable satellite city to support the overall development of the city of Samarinda, and recommended to draw up a blue print plans.

Key words: **Feasibility, Benefid, Blue Print Detail Planning**

I. INTRODUCTION

1.1 Background of Research

Samarinda is the capital city of East Kalimantan province that consists of 6 districts with 727 500 population (BPS, 2011), it has a strategic function as a growth center of province, center of commerce, regional services government and social scale. As the city of "services, industrial, commercial, and residential environmentally sound" the rapid development in Samarinda. However, the swift of development which concentrated to the center of city, create Samarinda city such populous and often with

traffic jamming. According to Department of Transportation, the number of vehicles in 2011 as many as 483,178 unit with the number of vehicles with two-wheel 338,559 unit, and four-wheel 144,619 unit by increments of 3,500 up to 4,000 per month. The dynamics of Samarinda city as the capital it would require the support of the surrounding area to support the development of cities such as Samarinda Seberang district, sub-district Palaran Loa Janan Ilir. For that, we need to study the feasibility of an idea to get as Satellite city to advocates Samarinda city.

1.2. The Purposes of Research

The objectives of research was to determine: (1) description of the feasibility of Samarinda Seberang districts, Loa Janan Ilir, and Palaran as satellite cities, (2) the effect of the simultaneous existence of the core city and the level of existence of social factors, economics, political economy, land, cultural history and environmental systems, and (3) the dimensions of the dominant formation satellite cities.

II. LITERATURE REVIEW

2.1. City

City is defined as a group of people in a certain minimum number, life and living together in a given geographical area, Economical and individualistic (BKAKSI, 1969). Law No. 26 In 2007, the city was a major area that has non-agricultural activities in the area as a function of the composition of urban settlements, the concentration and distribution of government services, social services and economic activities.

2.2. New City

According to Loyd Rodwin, New city is a city or cities that are planned, established and then developed in thoroughgoing after the city or that before other cities have grown and developed. In general, factors that influential and determine development and growth of new cities include: (1) Social factors among others i.e. factor of population and social life quality's, (2) economic factors include business activities, and political economy.

2.3. Satellite City

Satellite city is a small city on the edge of a large city which, although a self-sufficient community, the majority of the population dependant to the big city. Typically residents are commuting satellite city of the big cities. Satellite city is one kind of a new city.

2.4. Land Is Determinants Factor

Land is one of determinants key of the needs of development of the satellite city. Satellite city be judged when in the core city indicate their needs such population density. In contrast, development plan of the satellite city reasonable if various factors such as economic, socio-cultural, political, physical factors such as basic infrastructure which possible develop the quantity and quality that relatively similar and may even be better than those that available in the nucleus city. Believed that the price of land in the nucleus city is extremely expensive than in the area of satellite city development plan. This implies that if the plan area of satellite city development can be realized, then there will be an increment in land prices in the context significant. In the context of land denomination, a land price depends on the quality of the building on it.

a) Increment of Land Rise because of Increment of other Goods Rose.

Originally, price of P_1 in Q_1 , because the price of other goods rises, the purchasing potency get off, the number of goods demands falls into $Q - 2$. To maintain or restore in order to the number of transactions back into Q_1 offered (initially) to the buyer must be willing to boost the price to P_2 , (see Figure 1).

b) Increment Land Price Due to Accretion of Land Demand

Initially an equilibrium at price P_1 the sum of balance Q_1 because of curve number of Demand changed from D_1 to D_2 because of growth population, then in Q_1 , the equilibrium price increases from P_1 to P_2 , (see Figure 2).

c) Increment Land Price Due to Reduction of Land Supply

Initially, the price of P_1 , the sum of balance in Q_1 in line with the development, time to time the land is used for various purposes such as residential, office and others, so supply turn out decreases, or going "Shift" Supply curve from S_1 to S_2 so that the equilibrium price liven up from P_1 to P_2 , (see Figure 3).

d). Increment Land Price Due to the Policy of Development

Formerly the price of P_1 , the equilibrium quantity Q_1 . Because policy of existing land use policies on or around the site there will be a "Ship Demand" from D_1 to D_2 , the equilibrium price liven up from P_1 to P_2 , (see Figure 4).

Fig 1. Increment Land Price due to Fig 2. Increment Land Price due to

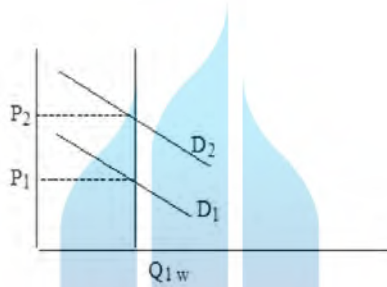
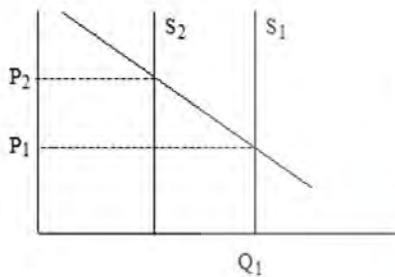
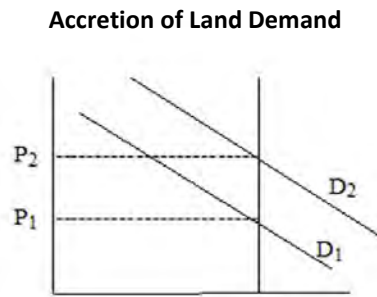
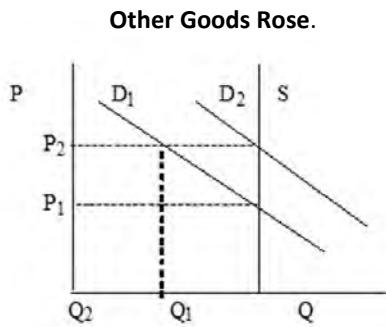


Fig 3. Increment Land Price due to Fig 4. Increment of Land Price due to

Reduction of Land Supply Policy of Development

III. RESEARCH METHODS

3.1. Research Analysis Approach

This research uses qualitative and quantitative approaches (Hesse, 2010), with implementing of descriptive and inferential methods, which is be equipped with a Focus Group Discussion-Delphi Technique. The researcher used Structural Equation Model analysis to observe significance level of the establishment of new sustainable satellite city. Using SEM test (LISREL 8.7), obtained estimates indicators of each dimension and the dominant variable determining the formation of the draft act suburbs. To observe significance level between the main variables can be discern from the results of the structural equation, the value of the relationship path diagram (Ghozali, 2008).

There are three feasibility concerns of establishment of satellite city i.e. firstly, the assumption of rising land value, secondly, the influence of selected variables simultaneously to the satellite city, and thirdly, the dominant dimension to realize the satellite city. The research model is observed in Figure 5.

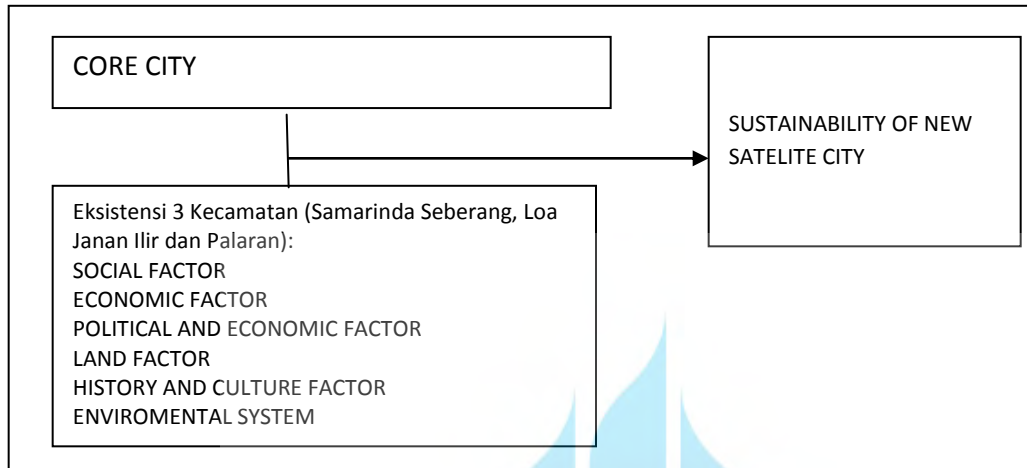


Fig 5. The Influence of Nucleus Model Cities and the Existence of Samarinda Seberang District, Loa Janan Ilir, and Palaran.

Research hypothesis: There are influences Nucleus Cities and the existence of sub factors (Samarinda Seberang, Loa Janan Ilir, and Palaran) towards formation of Satellite City.

3.2. Structural Equation Model

$$KSB = \gamma FS + \gamma FE + \gamma PE + \gamma FL + \gamma SB + \gamma SL + \gamma KI + \delta 1 \dots(1).$$

Notation of Structural Equation Modeling

No	Notasi	Keterangan
1	FS	Variabel Eksogen/ Laten Faktor Sosial
2	FE	Variabel Eksogen/ Laten Faktor Ekonomi
3	PE	Variabel Eksogen/ Laten Politik Ekonomi
4	FL	Variabel Eksogen/ Laten Faktor Lahan
5	SB	Variabel Eksogen/ Laten Sejarah dan Budaya
6	SL	Variabel Eksogen/ Laten Sistem Lingkungan
7	KI	Variabel Eksogen/ Laten Kota Inti
8	KSB	Variabel Endogen / Laten Kota Satelit Baru Berkelanjutan
9	Γ (gamma)	Hubungan langsung variable eksogen terhadap variable endogen
10	Z (Zeta)	Kesalahan dalam persamaan yaitu antara variable eksogen dan/ atau endogen terhadap variable endogen
11	Λ (Lamda)	Hubungan antara variable laten eksogen ataupun endogen dengan indikatornya
12	E (error)	Error

IV. RESULTS AND DISCUSSION

4.1. Results of Focus Group Discussions (FGD)

Group discussions held in the District Palaran dated 28 April 2012, invited the various components of society. Groups Discussion Focus can be observed in Figure 6, which is followed by grouping of the dominant themes analysis by the attention of each of stakeholders. The dominant themes arranged in a matrix table, a tabulation of the themes of the focus group discussion item on sustainable suburbs feasibility study, which can be seen in Appendix 2. From appendix 2 through the 20 items of discussion there are 5 items that have a percentage frequency greater than 50 percent i.e. infrastructure (61.5%), the importance of satellite city (53.8%), the potential of satellite city establishment (84%), sustainable planning of satellite city (61.5%), and well-organized of the satellite city (53.8%).



4.2. Estimated Assumptions of the Increment Price Sector

According to Aima (2012), the land price depends on the quality of the existing buildings on it. As an illustration of land price of nucleus city as a Centre City in Samarinda and Samarinda Seberang District, Subdistrict Loa Janan Ilir and District Palaran in appendix 3.

The price of fallow land in the Palaran district and Samarinda Seberang district is Rp 10.000/m². Believed that if fallow land has become a satellite city of the region, the increment of land will fabulous at least to Rp 500.000/m². When the two sub districts, Palaran and Samarinda Seberang available 10,000 ha this can be used as the satellite city, the benefit due to price increment of approximately Rp 49 trillion. Assuming the benefits distributed equally among the government, developers, and communities, and then each party will benefit approximately Rp 16.3 trillion. When Palaran district used as a first phase of Satellite City development, a strategic infrastructure that is already available include the Port, dockyard, and other infrastructure.

4.3. Hypothesis Testing

Research hypothesis: There are influences Nucleus Cities and the existence factors of Samarinda Seberang, Loa Janan and Palaran Ilir toward establishment of Satellite City. The result of simultaneous analysis is significant and obtained $R^2 = 0.425$ with $p = 0.002$ and t value $(6.78) > 2$. However, based on the regression coefficients only socio-economic factor that have $P < 0.05$. That concluded all of existing predictors, socio-economic only factor that have contributed significantly to the creation of satellite city.

4.4. Test of Dominant Variable Dimensions

From test of dominant variable dimensions; that elaborate from 8 research variables, we can be observed that correlation dimension most strongly and a priority in the blueprint process of urban planning and master plan development of Satellite City. Dimensions outside of results test be refer to examined in more detail, be obtained in the schematic below.

Tabel 1

Matrix Test of Variable Dimension of Economic Factors

VARIABLE	SUSTAINABLE SATELIT CITY					
	D / D	KSB 1	KSB 2	KSB4	KSB 5	KSB7
EKONOMIK FAKTOR (PE)	FE1	0,149	0,057			
	FE2			0,135	0,177	0,254

V. CONCLUSIONS AND RECOMMENDATIONS

5.1. CONCLUSIONS

The results draw some conclusions i.e.

1.Focus Group Discussion Results that integrated to Delphi method and SWOT analysis, found that the excited of society's towards the existence of satellite city in of Samarinda Seberang, Loa Janan Ilir, and Palaran districts. Five items of main concern are infrastructure, the importance of satellite city, the potential establishment of satellite city, planning sustainability Satellite City, and organized satellite cities.

2.Assuming that 10,000 ha available land that can be used as the satellite city, the benefits resulting from the increment of land prices could reach estimated Rp 49 trillion, and if distributed equally among governments, developers, and communities, each party will collect \$ 16.3 trillion.

3. The results of hypothesis analysis $R^2 = 0.425$ with social factor $p < 0.05$ which means that social factors have a significant contribution toward creation of satellite city. If Palaran District be the first phase of development area, several existing strategic infrastructure include Port, dockyard, and other infrastructure.

5.2. Recommendation

Results of Dimensions Test, variable FE1 and FE2 is the strongly dimensions of relationship; levels of investment and business activity is strongly correlated with the variable KSB7, KSB5, KSB4, KSB1 & KSB2, the levels of water availability, the level of business center development, undemanding industry, sustainability development of satellite city, and therefore recommended as the basis of establishment of the preparation of blue print or master plan of urban planning and development of satellite City.

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Lampiran 1. Peta Lokasi Rencana Kota Satelit



Lampiran 2. Land Price Comparison

No	Sub District	Main Road (Rp juta/m ²)	Small Road (Rp juta/m ²)	Vacant Land (Rp juta/ha)
1	City Centre of Samarinda	20	4	200
2	Palaran	3	1	100
3	Samarinda Seberang	5	1	100
4	Loa Janan Ilir	2	1	Not Available

Source: Interview to Samarinda's City member

Lampiran 3. Rincian analisis dengan menggunakan LISREL

Hasil analisis dengan LISREL: Goodness of Fit Statistics, Degrees of Freedom = 0, Minimum Fit Function Chi-Square = 0.0 (P = 1.00), Normal Theory Weighted Least Squares Chi-Square = 0.00 (P = 1.00), The Model is Saturated, the Fit is Perfect ! Jadi model Kota Satelit berkelanjutan secara structural adalah fit dengan data yang ada di kota Samarinda. Dengan persamaan structural:

$$KSB = \gamma KI + \gamma FS + \gamma FE + \gamma PE + \gamma FL + \gamma SB + \gamma SL + \zeta_1$$

$$KSB = 0.29*KI - 2.22*FS + 1.94*FE - 0.51*PE - 0.28*FL - 1.93*SB + 3.42*SL$$

Errorvar.= 53.33, R² = 0.22

$$(0.26) \quad (0.70) \quad (0.86) \quad (0.52) \quad (0.57) \quad (1.21) \quad (1.76) \quad (7.86)$$

$$1.14 \quad -3.18 \quad 2.25 \quad -0.99 \quad -0.49 \quad -1.59 \quad 1.94 \quad 6.78$$

The Impact of Dividends on The Company's Future Earnings Predictability

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Abstract

This study aimed to examine the effect of dividend distribution to the extent the company's future earnings Predictability. Predictability level of future earnings is measured by the level of stock prices informativeness using Future Earnings Response Coefficient (FERC). FERC is the result of regression of current stock returns with the company's future profits. The sample used in this study were 212 observations consisting of 78 companies for 3 years. The study period is 2009 to 2011. The data analysis technique used was moderated regression analysis.

Results of this study indicate that the dividends shown significant positive effect on FERC. Dividend distribution in this study is proven to increase the level of stock prices informativeness so current stock return obtained by investors proved more closely related to future earnings of the company. The higher value of the dividends would increase the ability of investors to predict future earnings of the company. These results indicate that the dividend is one of the important information that investors use to assess the ability of the company in the future.

Keyword: *FERC, dividend, stock return, predictability of future earnings.*

1. Introduction

The extent to which the information in the financial statements and annual reports can provide benefits for investors in predicting the performance of the company, it is interesting to study. FERC is one method that can be used to predict future performance of the company. FERC is a continuation of the ERC which is a coefficient that indicates the magnitude of the market response to earnings announcements in the same period. While FERC is the relationship between current returns and profits earned subsequent period by adding several other control variables.

Various information contained in the financial statements have been shown to be used for the basis of investment decisions. Ball and Brown (1968) find that investors respond to the

information content of a company's financial statements are reflected in the price of securities. One of the information frequently tested their effects on the reaction of investors is dividend. Dividend is one of the advantages to be gained by the investor in the form of distribution of profits to shareholders is proportional to the number of shares held by each investor. Information in the recognition and payment of profits or dividends also play an important role as a measure or assessment of the company's expected return. As one of the important factors in investing, information regarding the dividend should be very response by investors.

As a factor that is an important consideration in investing, dividend predicted has a close relationship with the FERC. Research on the relationship between dividends and stock price informativeness as measured by the FERC is still very rare. One study conducted by Hanlon, Meyrs, and Shevlin (2007), which examines the relationship between dividend information to FERC on companies in the United States. They proving that the dividends shown to be significantly associated closely with FERC. These findings prove that the dividend can strengthen the relationship between current returns and future earnings of the company. The conclusion of this study is that information on the dividend can be used as a factor that strengthens the position of stock returns to predict the company's future earnings as measured by the FERC.

In Indonesia, research on the FERC is still very rare. Fitriani (2009) examined the relationship between changes in the segment information to the FERC . Meanwhile, Istianingsih (2011) tested on stock price informativeness as measured by FERC associated with ownership of intellectual capital. However, research on dividend information and FERC throughout the authors' knowledge, have not been found. Dividends and the prediction of future earnings thus become a very important issue for making investment decisions. How does the rate of dividend distribution information Predictability future earnings as measured by FERC is an issue that is important and interesting research to be tested in Indonesia.

This study aims to examine whether information regarding the distribution of dividends affect the ability of stock returns to predict future earnings of the company. Prediction of future corporate earnings in this study was measured by FERC following Hanlon, Meyrs, and Shevlin (2007). The sample was manufacturing company in 2007 until 2009. The result is expected to be useful as a reference for future studies related to FERC and the literature for academics and practitioners to further investigate the effect of dividends on Future Earnings Response

Coefficient (FERC), especially in manufacturing companies in Indonesia. In addition, the results of this study are also expected to provide an overview of the benefits of a dividend for the prediction ability of the company in the future so that it can be one consideration for management in the dividend distribution decisions. For investors, the results of this study are expected to be one of the information that can be used to predict the ability of the company in the future based on dividends earned.

2. Literature Review and Hypothesis Development

2.1. Agency Theory

Agency theory explains that the interests of managers and shareholders' interests are often in conflict, so that could cause a conflict between them (Jensen and Meckling, 1976). This occurs because the manager was trying to put his personal interests that are not in accordance with the wishes of shareholders in which the interests of corporate managers can add costs that reduce corporate profits. The decline in corporate profits has also decreased shareholder acceptance. Conflicts can be reduced by the presence of a control or monitoring mechanisms so as to align these interests. Monitoring mechanism raises the cost of agency (Agency Cost). One of the efforts made to reduce the agency costs is the payment of dividends that can be bonded to the manager. Division of dividends to investors can make the shareholders get additional income other than capital gains. Dividend shareholders have also made a certainty of income (Crutchley and Hansen, 1989).

2.2. Signalling Theory

Signalling theory is beside on the assumption that information is not equally available to all parties at the same time, and that information asymmetry is the rule. Information asymmetry can result in very low valuations or a suboptimum investment policy. Signalling theory states that corporate financial decisions are signals send by the company's managers to investors in order to shake up these asymmetries.

Signalling theory explains that the information on dividends paid, is used by investors as a signal of the company in the future. Dividend changes signal can be seen from the reaction of stock prices. Dividend increase will make the market react positively (supports dividend signaling theory) when the market tends to interpret that the increase in dividend is considered as

a signal about the company's prospects brighter future, and vice versa if the market will react negatively dividend decrease, which is considered as a signal that is less good about future prospects of the company.

2.3. FERC

FERC is the relationship between returns of this year with earnings next year which shows the stock price informativeness, Istianingsih (2011). Tucker and Zarowin (2006) find evidence that income smoothing is used to improve the informativeness of past earnings and profits now, on earnings and cash flow in the future. These findings obtained by testing Future Earnings Response Coefficient (FERC), the association between current stock returns and future year earnings (and cash flow) for the company with different levels of alignment .

Proxies are used to see the ability to predict the stock market for future profit is Future Earnings Response Coefficient (FERC). Ceteris paribus, with disclosure, investors will have a better ability to predict earnings, then will be reflected in stock prices, which can better anticipate future earnings, then it will result in a higher FERC. This study uses a model of stock price informativeness, where the level of future earnings Predictability can be expected from the results of the regression coefficients between current stock returns and earnings next period following the study by Ettredge et al., (2005).

2.4. Dividend and FERC

Dividends are a form of distributed profits to shareholders. Hanlon, Meyers, and Shevlin (2007), which examines the relationship between dividend information to FERC on companies in the United States, proving that the dividends shown to be significantly associated closely with FERC. These findings prove that the dividend can strengthen the relationship between current returns and future earnings of the company. The conclusion of this study is that information on the dividend can be used as a factor that strengthens the position of stock returns to predict the company's future earnings as measured by the FERC. If the dividend information is absorbed by the investor, then this will be reflected in the stock price so that there will be movement of stock prices. The movement of stock prices will lead to the return for shareholders. Predicted this dividends information will make the current returns obtained by investors will be closely linked to the company's future profits. Thus the higher dividend will be more informative the stock

prices, and the more accurate prediction of future earnings are measured using the FERC. Therefore, this fieldwork propose the following hypothesis :

H1: Dividends have a positive influence on the level of future earnings Predictability is measured by FERC

3. Research Method

3.1. Population and Sampling Techniques

The population of the study are manufacturing companies that was listed on the Indonesian Stock Exchange (IDX) in 2006-2010. Sample selection at manufacturing companies because relatively large amount compared to other industries. In addition, the selection of specific samples only in the industry is expected to provide a more specific analysis of the characteristics associated with the industry. Due to the earnings and stock returns variables data required future earnings and profit a year earlier, the company data samples used are taken from the 2006 financial statements until 2010. Method of sample selection in this study was purposive sampling, based on the following criteria:

- a. Companies listed on IDX since a minimum of 2006 and not doing mergers and acquisitions.
- b. Companies publish the audited financial statements in a consistent and complete from 2006 until 2010 with financial reporting period ending each December, 31.
- c. Company's financial statements using the Rupiah currency.
- d. The Company has stock price data in the observation period for 12 months starting from April 1 to March 31 next year.

3.2. Variables and Operational Definitions

3.2.1. Dependent variable (FERC)

Dependent variable in this study is that the relationship between FERC return this year with earnings next year which shows the stock price informativeness. FERC basic model used in this study, was developed by Collins, Kothari, Shanken and Sloan (CKSS, 1994) and has been used in research by Meyrs and Lundholm (2002), Ettredge et al, (2005) and Istianingsih (2011) through the following equation:

$$R_t = a_0 + b_0 E_{t-1} + b_1 E_t + b_2 E_{t+1} + b_3 R_{t+1} + e \dots \dots \dots (1)$$

where :

R_t : annual stock return for the year t, which is calculated for 12 months ended March 31.

E_t : earnings before extraordinary items in year t, divided by the market value of equity end of March.

E_{t-1} : earnings extraordinary before items in year t-1, divided by market value of equity end of March

E_{t+1} : earnings before extraordinary items in year t +1, divided by the market value of equity end of March .

3.2.2. Independent variable (Dividends)

Dividends in this study was defined as the portion of the distribution of profits to shareholders from a company proportionally according to the number of shares held by each owner (Stice et al., 2004). This variable is measured by the amount of the dividend payout ratio: Dividend Payout Ratio = Cash Dividends / Net income

3.2.3. Control Variables

This study uses four variables that control the growth rate, size of company, earnings persistence, and earnings volatility. Four variables were included in this study because in previous studies proved influential on the relationship between the return current with future earnings (Ettredge et al, 2005; Tucker and Zarowin, 2006; Orpurt and Zang; 2009). Rate of growth measured by sales growth rate which is the rate of growth of net revenues.

$$GROWTH = ((SALES_t - SALES_{t-1}) / SALES_{t-1})$$

SALES_t = net sales in year t

Earnings persistence is measured by a dummy variable with a value of 1 for firms that have negative earnings next year, and 0 otherwise. Firm size was measured by using a proxy logarithm of market capitalization of the company. Earnings volatility measured by the standard deviation of earnings before interest and taxes of year t - 1 to year t +1.

3.3. Data Analysis Techniques

The data used in this study is a secondary data derived from the financial statements of the company. Data analysis using moderated regression analysis. To test the hypothesis, the research model used as follows:

$$R_t = \alpha_0 + \alpha_1 E_{t-1} + \alpha_2 E_t + \alpha_3 E_{t+1} + \alpha_4 R_{t+1} + \alpha_5 \text{DIV} + \alpha_6 \text{SIZE} + \alpha_7 \text{VOLA} + \alpha_8 \text{PERSIS} + \alpha_9 \text{GROWTH} + \alpha_{10} \text{DIV} * E_{t-1} + \alpha_{11} \text{DIV} * E_t + \alpha_{12} \text{DIV} * E_{t+1} + \alpha_{13} \text{DIV} * R_{t+1} + e \dots \dots \dots (2)$$

where:

R_t , R_{t+1} , E_t , E_{t-1} , and E_{t+1} are the variables that have been described in equation 1.

DIV : Dividends, measured by cash dividends divided by net income.

Growth : growth of the company, measured by sales of year t minus sales year y-1 divided by sales year t-1.

Persis : earnings persistence, measured by a dummy variable with a value of 1 for companies with negative earnings next year, and 0 otherwise .

Size : log firm size measured by total assets.

Vola : Earnings volatility, measured by the standard deviation of earnings before interest and taxes from year t - 1 to year t +1.

To prove the hypothesis of the study, the coefficient of the regression results for α_{12} should be positive and significant.

4 . Empirical Results

Based on the sample selection criteria are specified, the results obtained can be used as a company that a sample of 78 companies during the 3 years of observation so that the final sample is as much total 212 observations. Here is a table of descriptive statistics of the study variables.

Table 1 presents the descriptive statistics of test results the main variables in the study. Average of the sample companies distribute dividends in small amounts because the value is close to the minimum value. However, the average acquisition return year t and earnings year t+1 high enough as it approaches the maximum value. This result is interesting to be tested further by considering only a small dividends, the company is able to achieve higher future earnings and current investors earn high returns.

After the test the basic assumptions and the classical assumption, the result that the normality test data used normally distributed, whereas the classical assumption test concluded there is no autocorrelation, heteroscedasticity, and multicollinearity. Thus the regression model used in this study feasible for use in estimating the research hypothesis as free from the possibility of bias.

Table 1. Descriptive Statistics

	N	Minimum	Maximum	Mean	Std. Deviation
DIV	212	-4.4966	4.4430	1.9791	5.5713
Growth	212	-9.0769	5.3394	4.5325	3.7418
PERSIS	212	0	1	.17	.378
Et-1	212	-3.12	9.96	1.83	1.10
Et	212	-3.12	1.13	0.259	1.14
Et+1	212	-3.12	1.13	0.357	1.49
Vola	212	3.3056	2.7753	1.6712	1.4838
Size	212	1.0544	1.3949	1.1926	1.5402
Rt	212	-2.8327	5.6650	4.3745	1.6519
Rt+1	212	-3.4545	5.6650	4.5569	1.7488
Valid N (listwise)	212				

Meanwhile, the results of ANOVA test (F test) in Table 2 show significant results. This means that between the data and the model fit so that it can be used to interpret the results of further testing of the hypothesis test.

Table 2. ANOVA^b

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	16.154	12	13.180	8.117	.000 ^a
	Residual	29.681	199	.149		
	Total	16.835	211			

Table 3 presents the results of the t test were used to analyze the results of testing the research hypothesis. Focus of this study is the result of the regression coefficient of the interaction variable between dividends and future earnings of the company. The test results indicate that the variable coefficient DIV * Et +1 is positive (9.9894) and significant (0.004) at the alpha level of 5%. Thus in this study, dividends proved significant positive effect on the

informativeness of the stock price reflects the company's future earnings predictions. The higher the dividend payment, the higher the predictive power of future earnings as measured by the FERC.

The results are consistent with the results obtained by Hanlon, Meyers, and Shevlin (2007), which examines the relationship between dividend information to FERC on companies in the United States. It is proving that the dividends shown to be significantly associated closely with FERC.

Table 3. Multiple Regression Test Results

Model	Unstandardized Coefficients		Standardized Coefficients	T	Sig.
	B	Std. Error	Beta		
1 (Constant)	.144	.682		.211	.833
Et-1	-5.5243	.000	.000	-.056	.955
Et	-2.1155	.000	.000	-.203	.839
Et+1	-5.7588	.000	-.003	-.887	.376
DIV	-.3576	.055	-.007	-6.529	.000
Growth	.008	.010	.001	.772	.441
PERSIS	.010	.078	.000	.134	.894
Vola	-8.4911	.000	-.001	-.785	.433
Size	-.007	.058	.000	-.122	.903
DIV*Et-1	-9.0843	.000	-.011	-1.380	.169
DIV*Et	-2.1200	.000	-.003	-.452	.652
DIV*Et+1	9.9894	.000	.020	2.890	.004
DIV*Rt+1	13.651	.013	1.000	1024.301	.000

Results of testing this hypothesis is strongly supported by the results of testing the predictive power of the independent variable in this study. Table 5 shows that the adjusted R square value is 1. This means the dividend and the other independent variables in our model, so perfect in predicting the FERC.

Table 5. Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	1.000 ^a	1.000	1.000	.38619968382

5. Conclusion

This study aimed to test the predictions of future earnings based on the company's acquisition of dividends. Prediction of future earnings measured by FERC, which is the relationship between the current return and future earnings. The test results showed that the dividends shown significant positive effect on FERC. The results are consistent with the findings of Hanlon, Meyers, and Shevlin (2007), examines the relationship between dividend information to FERC on companies in the United States. The higher the dividend distribution is proven to increase the predictability of future earnings using the informativeness of current stock price. Dividend can be used as a factor that strengthens the position of stock returns to predict the company's future earnings as measured by the FERC.

Implications of this research for practitioners in capital markets and the management of the company in order to give more attention to the distribution of dividends for investors in Indonesia. Dividend distribution in Indonesia, although the average is still small in number, proved to increase the informativeness of the stock price to predict the future earnings of the company.

The results could be useful for similar studies in the future, taking into account some of the limitations of these studies. Firstly, the sample used in this study is limited to manufacturing firms that generalize the findings and recommendations of this study can not be applied to an object of research beyond the manufacturing company. For further research can focus on other types of companies or to expand the scope of the research object so that the sample into more research. In addition, this study did not consider other events that have economic consequences, such as change in accounting policy. The events that led to the economic consequences resulting FERC produced is not good enough because of the compounding effect. Need additional data to calculate a longer FERC and expanded its industry, as well as considering the various economic

factors that can affect the market reaction. Lastly, some of control variables that may also affect the FERC, in addition to the dividend, the company's growth, earnings persistence, firm size, and earnings volatility is not included in the regression model, thereby reducing the predictive power of the model used in this study. Further research may add other variables that affect FERC such as, implementation of good corporate governance, information of corporate social responsibility, or other information for the results obtained can be varied.

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Analysis The Effect of Price Perception and Brand Image to Purchase Decision

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Abstract

The purpose of this study is to find out the factors which influence the purchase decision of GS Automotive product PT. Astra Otoparts, Tbk. PT Astra OtopartsTbk is Indonesia's foremost automotive component company producing and distributing spare parts for both two wheelers and four wheelers. The method of data gathering on this study by doing survey and distributing the questioner to the consumers who buy the product from Astra Otoparts'authorized dealers. The questioner was distributed by Accidental sampling method. The result from partial analysis show that the price perception and the brand image influence the purchase decision. From simultaneous analysis, it was obtained that price perception and brand image together influence the purchase decision. The conclusion of this study is in order to be able to influence purchase decision, company should focus on the selling price that is not to far from the price of the competitors and also maintain the superiority of the brand image. From the dimension correlation analysis, it was obtained that the price quality scheme dimension in price perception variable has the strongest correlation with purchase decision variable and the uniqueness of brand association dimension in Brand Image variable has the strongest correlation with purchase decision variable. By this result means that PT. Astra Otoparts has to create uniqueness in their product which give additional value to consumer. Key word : Price perception, brand image, purchase decision, GS Automotive Battery.

The Use of PDM Workgroup as Engineering ERP System

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Abstract

Product Data Managements software to manage product data and process-related information in a single, centralized system can be use for works efficiency. PDM tracked and controlled product's data in which related to specification of product, manufacture specification and raw material required, computer-aided design (CAD) data, models, parts information, manufacturing instructions, requirements, notes and documents. One of cheap and simple PDM software is PDM workgroups from SolidWorks winch is already integrated with the SolidWorks CAD system package. Since this CAD editor's licence already included in SolidWorks CAD package PT.WNT try to use this system as data exchange system between engineering and other departments. A lot of benefits gained from this system but some drawbacks still happened and need further attentions. Implementation of this system creating good impact in engineering team but fail to fulfill their expectation of smooth data interaction with other departments. But like implementation failure from most of any ERP system, nothing can run smoothly without full support from management and careful planning.

Keyword: *ERP, PDM, Product data management, PDM implementation.*

1. Introduction

An up to date and easy data exchange are vital activity for an engineering or manufacturing company to accelerate intern department activities. Due to copyright and piracy issues, many company keep their design data very secretly, in other hand this create another problems that will slower process that need quick data information updated requested from another department. PDM could facilitate this condition by its virtual vault that accessible everywhere by any authorized person in and outside engineering department. PDM will

manage revision, project life cycle, act as a data manager and data keeper at one time so we can always have fresh data without a doubt and we can free from worried of erased files or unauthorized edited files. PDM will reduce manual data entry which will reduce chance of human error.

Bill of materials, 3D files, detailed drawings, certification document, calculation file and any related data can be easily stored in PDM and easily download by any authorized user directly in their desk. One of cheap yet powerful PDM software is PDM workgroup from DassaultSystemes. This software already include in Solidworks standard package and can be use up to 10 users with good safety vault, friendly interface and easy to use. For a good implementation result, careful planning and full management support are required especially when it comes to culture change issues. This paper will describe a case taken from PT.WNT in implementing PDMworkgroup as their engineering's ERP system with it's probems and bennefit.

2. Literature Review

2.1. Enterprise Resource Planning

The papers should be submitted in the form of an electronic document only in `_.doc` or ERP stand for Enterprise Resource Planning is an integrated information system built on a centralized database and having a common computing platform that helps in effective usage of enterprise's resource and facilitates the flow of information between all business function of the enterprise (Ray, Rajesh (2011)).

In ERP database from all departments collected in a single database system for entire company which provide several advantages:

- a. No data duplication: A data can't be entered twice by different user because all of data recorded will required some proper authorization.
- b. Standardization of data: Standard from provide by system to avoid miss typing during creating or data input.
- c. Data tracking: ERP also creating historical data during product life cycle so everything can be easily tracked.

2.2. Product Data Management

2.2.1 Definition

PLM (Product Lifecycle Management) is a mechanism to identify and to structure all of processes involved in the product's development and operation and all of processes involved in the processes (IvikaCmkovic ,2003).

PDM is part of PLM (product lifecycle management) that primarily used by engineers that focused on managing, control, and tracking the creation, change and archive of all information related to product (Iambert M Surhone, Mariam T Tennoe, Susan F Henssonow, 2010)

PDM is an engineering discipline that include different methods, standards and tools to managing product data during product's entire life cycle (IvikaCmkovic ,2003)

Product data management (PDM) is software to manage product data and process-related information in a single, centralized system. PDM tracked and control product's data in which related to specification of product, manufacture specification and raw material required, computer-aided design (CAD) data, models, parts information, manufacturing instructions, requirements, notes and documents

2.2.2 Benefits of PDM

Project managers, engineers, sales people, buyers, and quality assurance teams will take advantages from the PDM's knowledge management and reporting capabilities which allow companies to:

- Find the correct data quickly
- Improve productivity and reduce cycle time
- Reduce errors and costs cause by errors
- Improve value chain harmonization
- Meet business and regulatory requirements
- Optimize operational resources
- Facilitate collaboration between global teams
- Provide the visibility needs for better business decision-making

2.2.3 PDM Workgroup

The SolidWorks PDM consist of two system categories, PDM Workgroup and PDM Enterprise. Workgroup PDM application is project data management software that runs inside the SolidWorks environment or as a standalone application. Workgroup PDM controls projects with procedures for check out, check in, revision control and other administration tasks. PDM workgroup effective to use in small group user up to 10 licences.

Enterprise PDM focused for larger organizations with up to 500 users on a single server and more needs than just basic file management and also fully integrated with Windows Explorer. This means both SolidWorks CAD and non-CAD users can navigate within the vault just like a regular Windows folder.

a. SolidWorks PDM capabilities :

- Collaborate across multiple offices, multiple time zones and even multiple continents.
- Ensure to have immediate access to latest data available.
- Save time and simplify searching through files and designs for the right data.
- Streamline workflows, improve performance and cut costs.

b. PDMworkgroup user :

- User : If the Workgroup PDM administrator has created a project and given you access to the project, you can begin managing the project documents with Workgroup PDM using a client.
- Administrator : As administrator, you are responsible for setting up the projects, user accounts, and so on in the Vault Admin tool.

c. PDM workgroup system structures :

- Vault :The vault is a folder or directory (usually on a server) where projects and documents are stored. The vault service is software that controls access to the vault through Workgroup PDM. The vault and vault service are installed and maintained by a vault administrator. Users store documents in the vault by means of Workgroup PDM clients

- Vault administration :In addition to installing the vault, the vault administrator uses VaultAdmin to create users and projects, specify revision and lifecycle schemes, and establish global settings.
- Client : After the administrator establishes projects and user accounts, users can check documents in and out, change revision and lifecycle status, and generate reports. The client runs inside SolidWorks or within SolidWorks Explorer.
- Documents :Documents are stored in a vault. Users check documents out of the vault, and the documents are copied to the user's local work space. Modified documents are checked back in, typically incrementing the revision level
- Ownership :To check a document out of the vault, the document must not have an owner. The user who checks a document out becomes the owner. Only the owner of a document can check the document into the vault, but ownership does not imply read/write status, nor does it guarantee eligibility to check the document in (if the lifecycle status prevents it, for example). Only one user at a time can be the owner of a document.

d. PDM Workgroup licenses :

- Contributor license: License for user that involved in projects approval and not involved in designing (not using SolidWorks).
- Viewer licence : License for user who can only view and download the data like administrator, purchasing dept., production dept., etc.
- Cad Editor : License for user that involved in designing (using SolidWorks).

3. Research Methodology

During research for this paper we use direct observation and FGD to collect related information. Direct observation method used to observe users activities and by directly involved in a small project allowed by observed company. Focus group discussion used to dig more information from users about their experiences with the system and their expectation for the system.

4. Implementation Case at PT. WNT

4.1. Early Problems to Use PDM

PT.WN start their PDM implementation in early 2006 as SolidWorks software introduced as engineering design software at PT.WN. PDM is a free add-ins application integrated in Solidworks design system, so PT.WN decided to use this application to manage and store their engineering data. With this application engineering data becomes neat, safe, reliable and always update. PDM manage drawing revision and storage, project lifecycle sequence. Before this system applied most of engineering data manage manually by designer and stored by engineering admin as a paper job.

4.2. PDM Implementation in Engineering Dept.

PDM system are use by Mechanical designers in Engineering department. Before system applied, each designer work for a project (big or small) independently with less interaction with other designer.

a. Working condition before PDM :

- One man show, one person one project.
- Longer project lifecycle. Takes longer time to finish the project while other designer might be jobless.
- High possibility of data loss or accidentally erased.
- Less interaction and teamworks.
- Difficult data exchange need to copy large file to USB disk or upload to server wich will takes time.

–It sounds simple that everybody keeps their own assemblies on their local hard drives while they work on them and then they copy them up to a network drive for the boss to look at when they are done. But if you do it that way, you start running into all sorts of problems, like production files getting overwritten by accident, or people loosing work on their local PC when their hard drive crashes, and keeping track of all the different versions of a design.” (Jay Thompson, 2012)

b. Working condition after PDM :

- No need to copy files to USB disk.
- More interaction and teamworks.
- One project can be done by several designer.
- Shorter project life cycle.
- High data safety dan protection by PDM vault.
- Teamwork and brainstorming culture incerased.

PDM create a virtual vault in central server to store and lock engineering data. This vault will ensure the validity and safety of data, any revision can only made by approval from administrator and only downloadable to approved user.

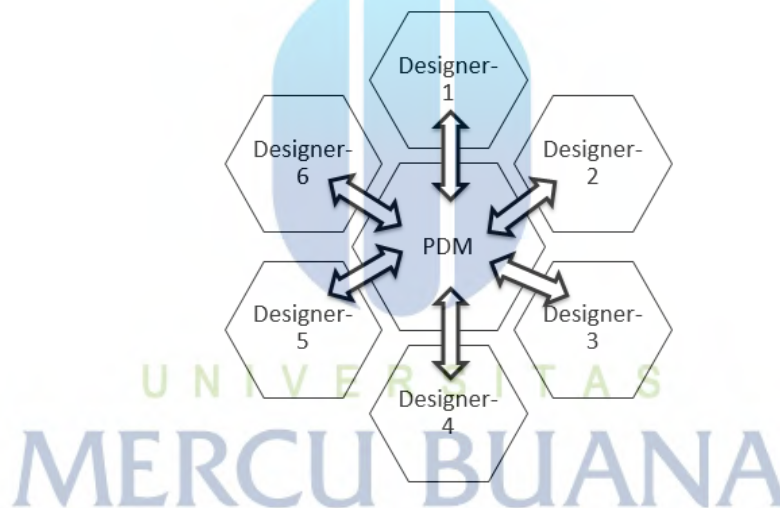


Fig 1. PDM working structure

c. Benefits :

- All revisions well recorded.
- Less chance of accidentally erased or edited data.
- Data exchange among designers without worried for data being edited by other designer.
- Higher data security
- Any differences between file in the Vault and local folder will easily recognize.

d. Drawbacks

- PDM will automatically update the revision every time files re-checked in by designer.
- Conflict often occurred when updating systems to a latest version.

4.3. PDM Implementation for Data Exchange Inter-departments

Before implementation of PDM, detailed drawing and other supporting documents are distributed to Production Planning (PRP) manually. Document distribution meeting will held between engineering and PRP to explained design revision and to remove obsolete file from their documents storage. PRP will then distribute any related documents to other department.

a. Working condition before PDM :

- Paper files.
- Frequent quality dan quantity errors in production.
- Frequent checking errors.
- Frequent purchasing errors.
- CNC data has to be generated manually.

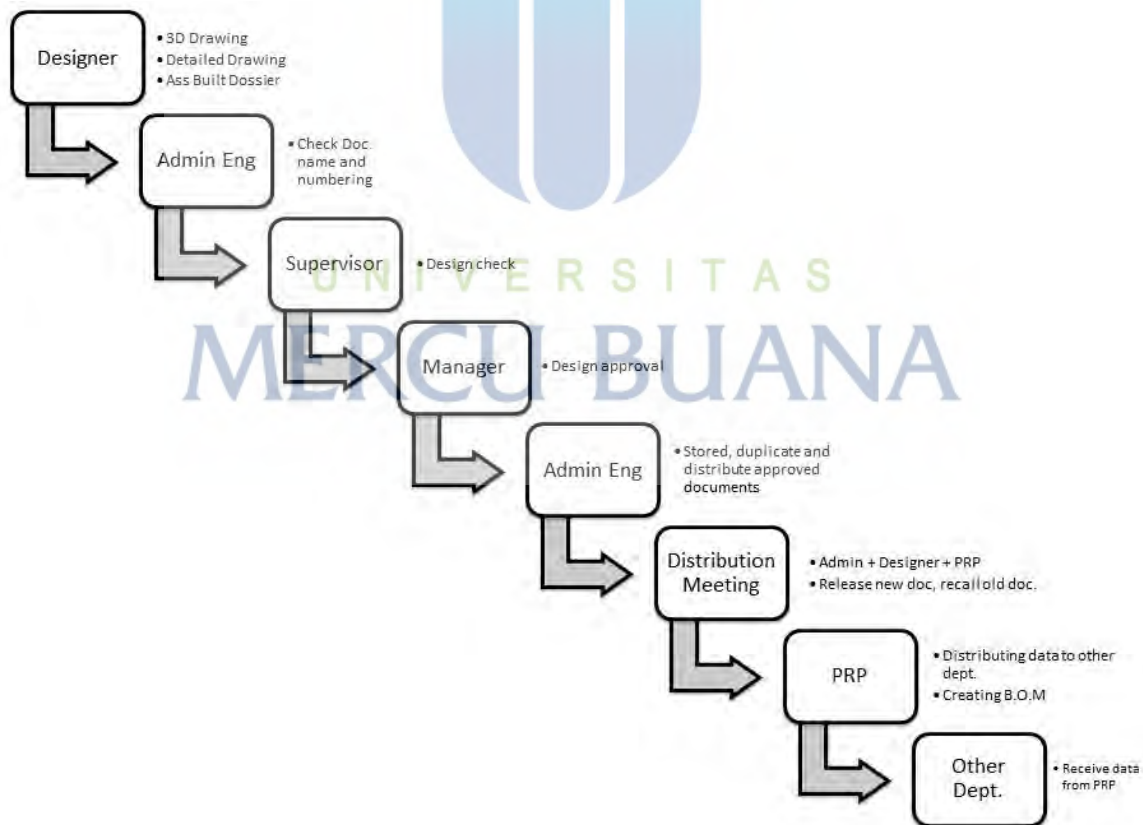


Fig2.PT.WTN engineering data workflow before PDM

To release a new drawing (i.e: small project consist of only 10 drawings/parts) will takes time approximately for 2 hours.

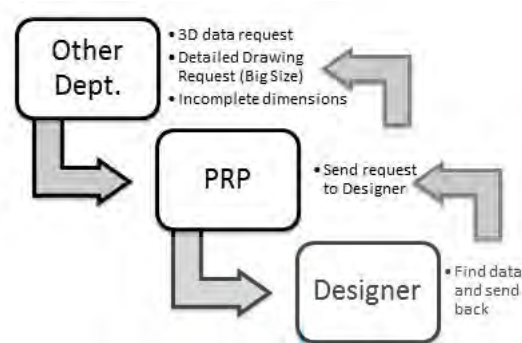


Fig3.PT.WTN data request workflow

If any problems or data required by other departments, the workflow to gain that data will take 16 minutes. PDM software installed in every department with some restriction and only accessed by authorized user. This will allow them to download any files they need directly from PDM without any permit to edit or removing the files.

b. Working condition after PDM :

- Any required file can be directly downloaded from PDM.
- Reduce errors of revision released.
- Data available is the most updated and official.
- Support *paperless* systems, any notification informed by email.
- No need special meeting for update design documents.
- Reduce mistakes of using wrong data.
- One P.I.C for each department will be grant and authorize to operate the system to ensure data securities.

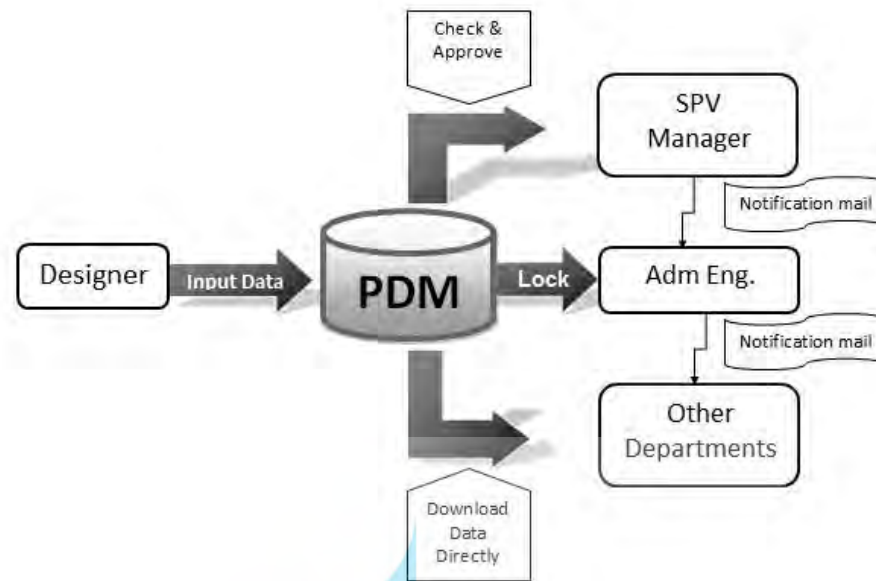


Fig4.PT.WTN engineering data workflow with PDM

To release a new drawing (i.e: small project consist of only 10 drawings/parts) will takes time approximately for 47 minutes compare to 2 hours by manual system and onlu takes 6 minutes for other departments to clear any unclear information and documents.

4. Implementation Timeline

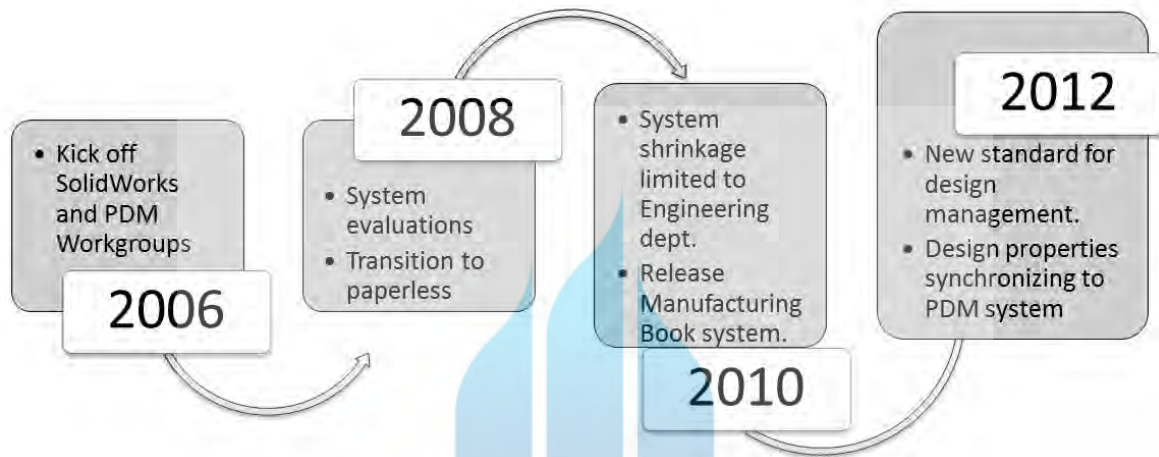
During implementation of this application since 2006, many problem has occurred. Ideal condition still unobtainable, many problem of wrong drawing released by production planner to manufacturer still happened. Some data that accessed by other departments still confusing and not clearly described.

By the years of 2008, Nicolas baraal an apprentice college from France held some research for this system. Nicholas has succed to found the source of the problems and make some changes to optimized the sytem. With some feedbacks from Nicholas PT.WN also starts to implement paperless system where some datas are available to download directly by other department.

In 2010 system implementation got shrinkage just for internal engineering used only. This step should be taken due to some problems occurred in PDM system and resignation of system P.I.C from other departments. And release manufacturing book to control engineering data that

released to other department. At this stage work process are flow back as before PDM system implemented but less paper to print that change into pdf files distribution.

Cause of the conflict in PDM system then known because of inconsistent parameter that input in drawing properties. Early 2011 engineering department release new standard in project properties, consist of rule of naming, numbering, drawing template and also release automatic template for drawing properties. This new standard has solved problems in PDM.



Pic 5. PDM implementation timeline.

4.1 *Problems during implementation of PDM system :*

- Fail of culture change.
- Provider unable to solved software update's conflict.
- No full support from management.
- Complicated and inconsistency of design properties.
- No training provided.
- Only rely to one P.I.C, no back up.
- No clear guidance for designer in createing their design's properties, differences of capital letter and non capital will create different input in PDM.

4.2 *Solving action taken for those problems above :*

- Srinked the use of PDM to internal engginering department only.
- Release Manufacturing Book System to control any design item and any changes for other departments guidance.

- Creating design template as references for every designer to ensure smooth synchronization to PDM.

4.3 *Benefits*

- Ensure user to have valid and most update data.
- Less paper to waste.
- Data can be downloaded anytime needed, no need to wait for engineers to help.
- CNC data can be generated automatically by using data from 3D model.
- Save working hour.
- Reduce typing/input error for creating B.O.M.

4.4 *Drawbacks*

- More manpower or more workload for appointed P.I.C
- Investment on new hardware, manpower and training.

5. Conclusions

- PDM workgroup is a strong product management system for small enterprise with up to 10 users.
- As any other ERP system, failure of implementation because of indiscipline, resistant to change and weak support from management.
- Full supports and teamworks from all departments required for optimum results and benefits gained.

6. Suggestions

- For a fully automatic and paperless system, upgrading to PDM enterprise will be a good alternatives, approval notification mails will send automatically by PDM enterprise system but this will required higher cost.
- Culture change from manual to paperless system must be supported by all management line up.

- Template to ensure similarity data input in order to have smooth synchronized SolidWorks data to PDM workgroup.

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