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FOREWORD OF CHAIRMAN

We welcome you to the International Conference on Ethics of Business, Economics, and Social Science (ICEBESS 2016) held September 16th-17th, 2016 in Yogyakarta, Indonesia. As a direct response on the Global Risk Reports Series and Social Science Report, ICEBESS provides a highly competitive forum for reporting the latest research and ideas in various issues of ethics in Business, Economics, Social Sciences, and Humanities under multiple sub-themes. We are pleased to present the proceedings of the conference as its published record. ICEBESS 2016 is a beginning conference in the areas of both conceptual and empirical analysis of integrated social science challenges. Although it is only in early stage for creating new form of social science knowledge, it has already witnessed significant responses. ICEBESS 2016 received a record 80 submissions. The conference accepted 49 papers (52%). The authors of submitted papers come from various countries and regions. Authors of accepted papers are referred from 5 countries. The conference program represents the efforts of many people. We want to express our gratitude to Rector of Yogyakarta State University, Dean of Economics Faculty, the members of the Program Committee and the Senior Program Committee, and the reviewers for their hard work in reviewing submissions.

We also thank the invited speakers, Professor Chih-Cheng Chao (Former & Vice President Tunghai University, Taichung, & Senior advisor of the International Business Center in ITRI Taiwan), Professor Richard Chinomona, Ph.D, (School of Economic and Business Sciences University of the Witwatersrand Johannesburg), and Dr. Aly Abdel Moneim, (Al-Maqasid Institute, Indonesia Coordinator), for sharing their insights with us.

Finally, the conference would not be possible without the excellent papers contributed by authors. We thank all the authors for their contributions and their participation in ICEBESS 2016.

We hope that this program will further stimulate empirical and conceptual research in Social Science, and provide better views on the social science development.

Yogyakarta, September 16, 2016
Chairman of ICEBESS

Setyabudi Indartono

FOREWORD OF DEAN

By the grace of God Almighty, proceedings of ICEBESS (International Conference on Ethics of Business, Economics, and Social Science), which contain 51 articles can be issued on the scheduled time. This book is arranged as a summary of the international seminar results under the theme "Ethics of Business, Economics, and Social Science to Deal with Global Risk" held by Faculty of Economics, Universitas Negeri Yogyakarta. It is hoped that these proceedings can be beneficial to the parties who have actively participated in this international seminar, as well as for the general readers.

The international seminar organized by FE UNY is motivated by our desire to take part in building a solid world of economics, business, and social sciences to confront global risks, which is in accordance with the vision FE UNY. This theme represents FE UNY's commitment to participate in solving the problems of economics, business, and social science. These problems lately become a hot issue to discuss.

We recognize that the proceedings could not be realized without the tremendous support of many parties, especially the authors and the committee that had worked to review and compile. Our big gratitude goes to all those who have strived and participated in the preparation of these proceedings. We apologize for the errors and weaknesses you might notice in the product. I hope you will enjoy the conference and have a fruitful time during your stay in Indonesia.

Yogyakarta, September 16, 2016

Dean of FE UNY

Sugiharsono

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SUB THEME: ECONOMICS

**HOUSEHOLD POVERTY IN RURAL INDONESIA: A CASE STUDY
OF SENUJUH VILLAGE, WEST KALIMANTAN**

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Abstract

The purpose of this study was to describe household poverty in rural Indonesia by case study of one underdeveloped village in West Kalimantan Province. The study was conducted in Senujuh Village, Sejangkung Sub-district, Sambas Regency, West Kalimantan. There are 352 Households in Senujuh Village, with a sample of 80 poor households which find out based on the Simple Random Sampling from 105 household which listed as poor. The instrument of data collection used questionnaires and interviews. The study use Descriptive Statistics to describe the household poverty in rural area. The results showed that 53.8% head household had income between 25 – 50 USD per month per capita, 45% head household were not passed elementary school, 26.3% had 4 family members in one household, 41.3% had working days in between 11 – 15 days per month, 38.8% head household were 30 – 40 years old and 46.3% head household had loan in between 1 – 10 USD per month.

Keywords: Household Poverty, Kalimantan, Rural Poverty

INTRODUCTION

Poverty is a complex problem that faced by almost developing countries since many years ago. It is interlinked with many factors, such as education, employment, income, health, age, gender, natural resources, environment, political conditions and etc. According to Coudouel et al. (2002) poverty is the abilities or resources which have by households or individuals today to meet their needs. World Bank (World Bank, 2008) categorizes poverty into extreme poverty which is living less than US\$ 1.25 per day and moderate poverty which is living less than US\$ 2 per day. While, according to Indonesian Statistic Center, poverty defined as lack of economic ability to fulfill basic needs. So, poor people is the people who have average of monthly expenses below the poverty line (Statistics Indonesia, 2015).

Indonesia is one of the developing countries that has large number of poor population. According to the table above, in 2013, the number of poor population in Indonesia is around 28,553 million people. Which consist of urban poverty such as 10,634 million people and Rural poverty such as 17,919 million people. The total number of poverty in Indonesia decreased in 2014 become 27,727 million people, Urban poverty such as 10,356 million people and Rural poverty such as 17,371 million people. It decreased 0.5% of poverty in Indonesia from 2013. Meanwhile, in 2015 total number of poverty in Indonesia

increased to 28,513 million people which consists of urban poverty such as 10,619 million people and rural poverty such as 17,893 million people (Statistics Indonesia, 2016).

In Indonesia, rural poverty mostly happens in the remote area. Many villages in Indonesia are located in remote area, such as mountainous area, remote islands, forestry area and border area. They lack of access to the capital city, so the income distribution is not equal. Inequality of income distribution makes unequal development. Development in some of rural area is very slow. It makes the people in those area hard to get out of vicious cycle. The poverty condition is difference among one provinces to another provinces in Indonesia (see table 1).

Based on the table 1 (Village Development Index in Kalimantan 2014), it showed that the Village Development Index in West Kalimantan (49.85) is in the second lowest part after North Kalimantan (42.63). With the percentage of underdeveloped village in West Kalimantan such as 50.58 percent, developing village 48.22 percent and developed village only 1.20 percent from the total 1,908 villages. The average of Village Development Index in Kalimantan such as 52.41. In average, Kalimantan Island is underdeveloped in infrastructure condition. It is one of the important thing that should be concern in sustainable development. The economic structure of Kalimantan which is dominated by mining commodities and agricultural commodities needs to improve the infrastructure condition to stimulate development in non-raw materials sectors.

Senujuh village categorized as underdeveloped village in West Kalimantan Province based on the Village Development Index 2014 by Ministry of National Development Planning. Senujuh village is located in Sejangkung Sub-district, Sambas Regency, West Kalimantan Province, Indonesia. Most of the villagers cooking by the fire woods. Drinking water source is from the rain fed. The 85% of Senujuh villagers are farmer and 15% are labor. Their income per capita among 15 – 70 US\$ per month. Otherwise, national income per capita in Indonesia is 3,650 US\$ per year, which is around 340 US\$ per month. It is indicate that the villagers in Senujuh village live under the poverty line (Huruswati, 2012).

This research topic is important for development of Indonesia rural area in the future. Poverty in the rural area must be eliminated because the society in rural area also have same right with the society in the big city of Indonesia. The income distribution must be equal so poverty can be reduce. This research leads to poverty which is located in the rural area of West Kalimantan, Indonesia. Hopefully with this research could help the government to further increase its attention in establishing self-sufficient villages in rural area in Indonesia. With the development in the rural areas, are expected to be in the rural communities can get out of the vicious circle of poverty.

DEFINITION OF POVERTY & TYPES OF POVERTY

Poverty can be described in many ways based on the viewpoint of researchers or analyst. Every viewpoint of researchers will determine the understanding of poverty definition, how it was happened, factors of poverty and how to do poverty alleviation appropriately. In general, poverty defined as a condition of individual that lack or cannot fulfill their basic

needs. Poverty according Indonesia Statistical Center is an individual condition which has income per capita in month is not enough to fulfill a minimum basic needs. Minimum basic need is limit of expense per capita per month to fulfill food and non-food.

According to Todaro (2012), poverty can divided into two categories based on the characteristics, such as absolute poverty and relative poverty. While Sachs (2005) divided poverty into 3 classifications, such as extreme (absolute), moderate and relative. Poverty also divided based on the places, such as Rural Poverty and Urban Poverty. The characteristics of poverty in Rural area and Urban area will be have some differences. Perhaps the most valid generalizations about the poor are that they are disproportionately located in rural areas, that they are primarily engaged in agricultural and associated activities, that they are more likely to be women and children than adult males, and that they are often concentrated among minority ethnic groups and indigenous peoples. Data from a broad cross section of developing nations support these generalizations. We find, for example, that about two-thirds of the very poor scratch out their livelihood from subsistence agriculture either as small farmers or as low-paid farmworkers. Some of the remaining one-third are also located in rural areas but engaged in petty services, and others are located on the fringes and in marginal areas of urban centers, where they engage in various forms of self-employment such as street hawking, trading, petty services, and small-scale commerce.

POVERTY MEASUREMENT

Poverty measurement in every countries is different. It based on the standard of living and the poverty line in each country. But in general, according to Aline Coudouel (2002), there are three requirement in measure the poverty level such as:

1. Choose the relevant dimension and indicator of well-being.
2. Select a poverty line in order to classify household as poor or not.
3. Select a poverty measure that will used for reporting whether poverty in population as a whole or population subgroup only.

Indonesia Statistic Center measured the poverty based on the basic needs approach. With this approach, poverty is seen as an economic inability to meet the basic needs of food and non-food which is measured from the expenditure side. So the Poor is the population had an average monthly per capita expenditure below the poverty line. Food poverty line is the value of basic food consumption expenditure is equivalent to 2.100 kcal energy per capita per day. Non-food poverty line is the amount of money to meets the minimum needs of non-food items such as education, health, transportation, etc.

Income is a key concept in almost all definitions and studies of poverty; however, 'income' is an extremely difficult concept to define and measure. The term is sometimes used loosely to refer only to the main component of monetary income for most households – that is, wages and salaries or business income. Others use the term more widely to include all receipts including lump-sum receipts and receipts that draw on the household's capital. Much of the debate has centered on whether:

1. income should include only receipts that are recurrent (that is, exclude large and unexpected, typically one-off, receipts);
2. income should only include those components that contribute to current economic well-being, or extend also to those that contribute to future well-being;
3. If the measure of income should allow for the maintenance of the value of net worth (Canberra Group (2001) in (Pantazis, et al., 2006)).

METHODOLOGY

The study area of this research is located in Senujuh Village. Senujuh village is one of the 12 village in Sejangkung Subdistrict. Sejangkung subdistrict is located in Sambas Regency, West Kalimantan Province, Indonesia. In Senujuh village has 4 RT (Rukun Tetangga) which consist of 352 households.

Purposive Sampling is used for choose the study area and Stratified Random Sampling is used in determining sample size from the village. In this research, researcher apply the standard of error in collecting sample such amount 10%. Based on the data above, so the number of sample size that will used in this research can be known by this following calculation:

$$n = \frac{N}{1 + N(e)^2}$$
$$n = \frac{352}{1 + 352(0,1)^2}$$
$$n = 77,8$$

With: n = sample size

N = Number of Population

e = Standard of error (10%)

Based on the calculation of sample size by Slovin Formula above, so researcher use 80 Household to be used as respondents.

Variables that used in this study are poverty level that identified by the income level, ratio scale as the measurement, education level, family member, working days, age of head household and loan. The primary data of research variables will be carried out by questionnaire and interviews. The data will analyzed with descriptive statistics.

RESULT AND DISCUSSION

Descriptive Statistics

Descriptive statistics are used to describe the basic features of the data in a study. They provide simple summaries about the sample and the measures. In Senujuh village, there are 352 households, among 105 households were listed as poor in national census 2012. Most of the head households work as farmer, labor in palm tree factory or rubber factory and teacher.

Monthly Income

Based on the table (4.1) above, it shows that the minimum income per month is 8,25 USD, the maximum income per month is 100 USD and the average income per month in Senujuh village is 45.86 USD. Based on the survey results, 53.8% head of household had income between 25 USD – 50 USD, 16.2% had income between 50 USD – 75 USD, while 15% had income below 25 USD per month and another 15% had income more than 75 USD per month.

Education Level

In Senujuh village, based on the survey results, the minimum year of education head of household in this village is zero. It means, they are not pursued the basic education. The maximum education level head of household in Senujuh village is 12 years education (senior high school) while the average is only 4 years education (elementary school) (see table 4.1). Regarding to the data collection in Senujuh Village on March 2016, most of the head of household were not well educated. Based on the table above, 45% head of household did not pass elementary school or did not have any education background. While, 43.7% head of household have primary school background (6 years study), 8.8% have junior high school background (9 years study) and only 2.5% which have senior high school background (12 years study).

Family Member

Based on the results in table 4.1 (Descriptive Statistics), it shown that the minimum family member in Senujuh village was 2 persons, the highest number of family member was 7 persons and the average number of family members was 4 – 5 persons in one household. Based on field survey results, 26.3% household had 4 family members in their household, 22.4% household had 6 family members, 21.3% household had 5 family members. Then, 15% household in Senujuh village had 3 family members, 7.5% had only 2 family members which is the smallest household in this village and 7.5% household had was the biggest household with 7 family members.

Working Days

In the number of working days per month, the minimum working days head of household in Senujuh village was 0 days. It means, they did not have any job per month because of the elderly age. Maximum working days head of household in Senujuh village were 24 days and in average, head of household worked for 14 – 15 days per month (see table 4.1 Descriptive Statistics). Based on the table above, 41.3% head of household works 11 – 15 days per month. Head of household who included in this category mostly worked as a labor in palm tree production. They only can work maximum 15 days per month. It was the regulation from the company for the labor. They will go since 4 am early morning by walk together from Senujuh Village to the Palm Tree plantation and arrive around 6.30 am. They will come back around 2 pm and arrive home around 4 pm.

The second biggest percentage of working days in this study was 32.5% head of household worked for 16 – 20 days per month. Mostly, head of household who had working days in this category worked as labor in rubber plantation and also farmer who did an extra jobs. Then, number of working days below 5 days, 5 – 10 days and more than 20 days had the same percentage which was 8.8% of head of household.

Age of Head Household

From the results shown in table 4.1 (Descriptive Statistics), the youngest head of household in this village was 26 years old and the oldest was 71 years old. While, the average head of household was 46 years old. Based on the survey results, age of head household were categorized into groups. The categorization showed that 38.8% head of household were in between 30 – 40 years old. Then, 23.7% head of household were in between 51 – 60 years old, 17.5% in between 41- 50 years old, 13.8% in between 61 – 70 years old. While, the youngest head of household which under 30 years old only 3.7% and another 2.5% head of household in Senujuh village were elderly people which more than 70 years old.

Loan

The last variable in this study is monthly loan that taken by head of household. The minimum amount of loan was 0 USD, it means some of the household did not took any loan. The maximum amount of loan was 35 USD and the average amount of loan was 7.25 USD. Based on the survey results, it shown that 31.3% household in Senujuh village did not had any loan. They did not took any loan because of they did not have capability to pay back the loan and another reason is they did not need any loan. Around 25% household had loan below 5 USD, it used to daily consumption and borrowed from family or neighbor. Then, 21.3% household had loan in range 5 – 10 USD. Mostly, they took this amount of loan for daily needs and unconditional needs. 8.7% household had loan in between 20 – 25 USD, they used the money for make small store or constructed their house. 5% household had loan in between 10 – 15 USD for their daily needs or education needs. While, household which had loan in between 15 – 20 USD were only 3.7% and loan in between 25 -30 USD and more than 30 USD were only same 2.5% of household.

DISCUSSION

Poverty Condition in Senujuh Village

Senujuh Village is located along the left side of Small Sambas River, Sambas Regency, West Kalimantan Province. The ethnics in this village are mainly Malay and Javanese. The distance from Pontianak, the capital city of West Kalimantan is about 258 kilometers. The distance of Senujuh village from Capital city of Sambas Regency is about 34.7 kilometers. From Sambas city to Senujuh village, we need to cross the Small Sambas River by small boat also with our motorcycle. After crossed the river, we need to ride motorcycle on small concrete road, only 120 centimeters wide for about 17 kilometers. The main transportations in this village are motorcycle and small boat. The total population of Senujuh village is 1335

people, consist of 661 male and 671 female. There are 352 households in Senujuh Village. In Senujuh village only have one Elementary School, it does not have Junior High School and Senior High School. In this village have two small mosque. The distance to the nearest hospital is more than 23 kilometers and in the village also does not have Primary Health Center.

Poverty in West Kalimantan province were spreading in urban and rural area. In September 2015 until March 2016 the percentage of poor in rural area still bigger such as 303,060 people than in urban area such as 78,290 people. Poverty line of West Kalimantan in 2014 was 298,212 rupiahs per capita per month (22.51 USD) and in 2015 was 334,575 rupiahs per capita per month (25.25 USD). In March 2016, poverty line of West Kalimantan was increased to 347,880 rupiahs per capita per month (26.26 USD). Poverty line in West Kalimantan is the lowest poverty line compared with 4 others province in Kalimantan. While, in the percentage of poor people, West Kalimantan was the highest percentage with 381,350 people (7.87 percent). The highest poverty line in March 2016 was North Kalimantan such amount 513,614 rupiahs per capita per month (38.7 USD) (Indonesia Statistics West Kalimantan, 2016)

From the result of field surveys it shows the condition of household poverty in Senujuh Village, Sambas Regency, West Kalimantan Province. Based on the monthly income of head household, we categorized the household into 3 poverty category, such as extreme poverty, moderate poverty and nearly poor. There are two basic poverty line which used to categorized household into poverty category such as World Bank poverty line and Indonesia Statistics poverty line. World Bank categorizes poverty into extreme poverty which is living less than US\$ 1.25 per day and moderate poverty which is living less than US\$ 2 per day. While, Indonesia statistics had a poverty line according to the each Province. The poverty line in West Kalimantan for March 2016 was US\$ 26.26 per month. Based on the table 9 (Categories of Poverty in Senujuh Village), according to World Bank shows that 42.5% household lived in moderate poverty, 37.5% household lived as an extreme poverty and 20% household were in nearly poor condition. While, according to Indonesia statistics shows that 53.8% household lived in moderate poverty, 31.2% household lived in nearly poor condition and only 15% household that included into extreme poverty.

Most of the poor people in Senujuh village work as labor in Palm Tree Factory and Rubber Factory. Their income are derived from the number of working days. Therefore, increasing the number of working days will affect their income. However, the factory have regulation for the number of working days which is maximum 15 days of working per month. Then, they must do another job in the village such as farming, fishing or handyman to fulfill their needs. Labor in the palm tree factory can earn 5.7 USD per day but labor in rubber factory is less than that because of the price of rubber drop since few years ago. Most of the head of household who are more than 50 years old were not work anymore. They only work for few days in their small farm. Farming is a jobs that required strong physical and high effort, it can be done by people in productive age. Moreover, when people is over the productive age will be have less income because they physical condition was getting drop.

It becomes problem for the household that lead by elder people. They were not have good income from their activity, some of them cannot work anymore and only depend on subsidy from government and family. It was occurred because most of the head of household were not have high education level. So, when they were getting old they cannot do anything. More than 50% household in Senujuh village had loan in between 1 – 10 USD per month. They will take loan to support their farm, small store or other type of small investments, but some of them also took loan to fulfill their basic needs. The people in this village will took loan based on their ability to pay back. Based on the data, most of the villagers take loans from the debt collector, family and leasing. There is no cooperative in Senujuh village or nearby the village.

CONCLUSION

In this paper we describe the condition of household poverty in rural area of West Kalimantan using a sample of 80 household in Senujuh Village. We then apply descriptive statistics to describe and categorized the household poverty.

Poverty in Senujuh village was still high. In total, 30% of population are living under the poverty line, around 105 household from 352 household still live in poor condition. Based on the results (see table 9), around 40 - 50% head of household in Senujuh Village categorized as moderate poverty which had income between 26.3 – 60 USD per month. Monthly income of household in this village in between 25 – 50 USD such as 53.8%. Small incentives that earn by the people make the working days affect their average income. More than 50% head of household in Senujuh village were not well educated. 45% head of household not passed elementary school and 43.7% were had elementary school degree or 6 years of education. Based on the results, 26.3% household had 4 family members. Only 7.5% household which had big number of family members such as 7 members. The number of working days in average is between 11 – 15 days per month. Around 41.3% head of household had working days in between 11 – 15 days per month. Mostly, their work as a labor in Palm Tree Plantation. Age of head household in Senujuh village around 38.8% in between 30 – 40 years old. While, 2.5% head of household were above 70 years old or in elderly phase. Household in Senujuh village had which had loan in between 1 – 10 USD were about 46.3%. 2.5% household had loan more than 30 USD. While, 31.3% household did not have any loan.

However, this study has put fourth several suggestions for development in Senujuh village:

1. People need to increase the number of working days to increase their average income. Government should do intervention to factory to increase the number of working days.
2. Government should provide good infrastructure and service of education in this village or village nearby.
3. Government should give easy loan by providing cooperative in Senujuh village to make poor easy to access the financial institution.

4. Government should make development program to reduce the poverty in this village, especially related to the agriculture and fishery.
5. For the further researches, research area may be longer and have a wider sample, can include macroeconomics factors that may contribute to reduction of poverty rate.

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APPENDICES

Table 1. Village Development Index in Kalimantan 2014

Province	VDI 2014	Village Percentage according to Village Typology			Number of Villages
		Underdeveloped	Developing	Developed	
West Kalimantan	49.85	50.58	48.22	1.20	1.908
Central Kalimantan	51.32	40.86	58.44	0.70	1.434
South Kalimantan	56.44	20.92	78.17	0.91	1.864
East Kalimantan	56.37	23.17	74.31	2.52	833
North Kalimantan	42.63	71.14	28.19	0.67	447
Kalimantan	52.41	37.80	61.50	1.15	6.486

Source: Indonesia Statistics & Ministry of National Development Planning (2014)

Table 2. Descriptive Statistics

Variables	Minimum	Maximum	Mean
Monthly Income (USD)	8.25	100	45.86
Education (Year)	0	12	4
Family Member	2	7	4.6
Working Days (Monthly)	0	24	14.5
Age of Household Head	26	71	46
Monthly Loan (USD)	0	35	7.25

Table 3. Monthly Income

Range of Income	Frequency	Percent
< 25 USD	12	15
25 USD – 50 USD	43	53.8
50 USD – 75 USD	13	16.2
> 75 USD	12	15
Total	80	100

Table 4. Education Level

Education Level	Frequency	Percentage
Not Pass Elementary School	36	45
Elementary School	35	43.7
Junior High School	7	8.8
Senior High School	2	2.5
Total	80	100

Table 5. Family Member

Number of Family Member	Frequency	Percent
2	6	7.5
3	12	15
4	21	26.3
5	17	21.3
6	18	22.4
7	6	7.5
Total	80	100

Table 6. Working Days

Working Days/ Month	Frequency	Percent
< 5 Days	7	8.8
5 – 10 Days	7	8.8
11 – 15 Days	33	41.3
16 – 20 Days	26	32.5
> 20 Days	7	8.8
Total	80	100

Table 7. Age of Head Household

Age of Head Household	Frequency	Percent
< 30	3	3.7
30 – 40	31	38.8
41 – 50	14	17.5
51 – 60	19	23.7
61 – 70	11	13.8
> 70	2	2.5
Total	80	100

Table 8. Loan

Amount of Loan	Frequency	Percent
No Loan	25	31.3
< 5 USD	20	25
5 USD – 10 USD	17	21.3
10 USD – 15 USD	4	5
15 USD – 20 USD	3	3.7
20 USD – 25 USD	7	8.7
25 USD – 30 USD	2	2.5
> 30 USD	2	2.5
Total	80	100

Table 9 Categories of Poverty in Senujuh Village

Category	Poverty Line (World Bank)		Poverty Line (Indonesia Statistics)	
	Frequency	Percent	Frequency	Percent
Extreme Poverty	30	37.5	12	15
Moderate Poverty	34	42.5	43	53.8
Nearly Poor	16	20	25	31.2
Total	80	100	80	100

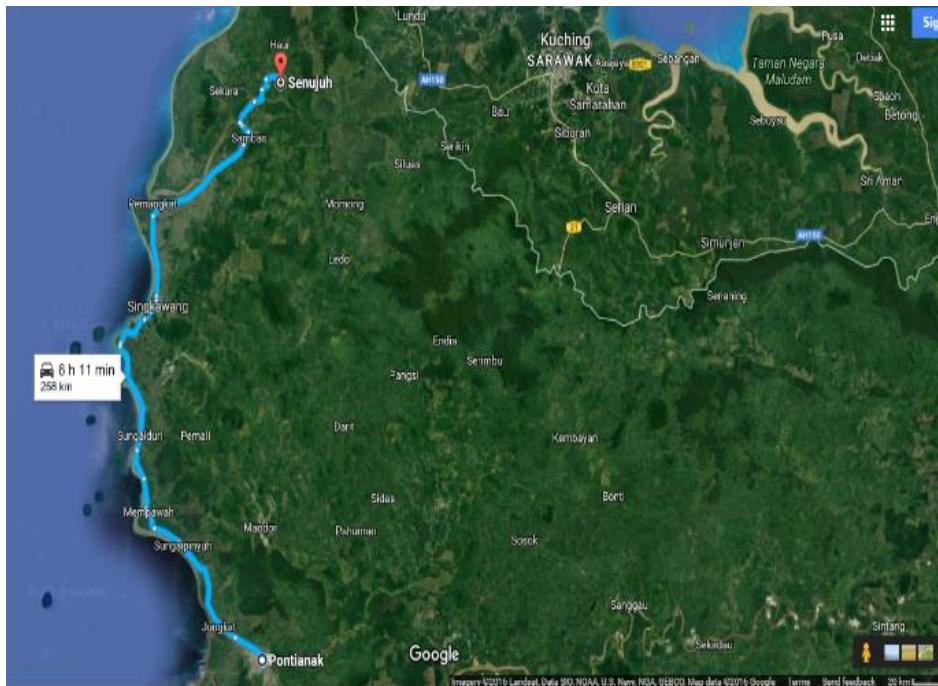


Figure 1 Distance from Pontianak to Senujuh Village

BUSINESS STRATEGY EVALUATION IN LOW CRUDE OIL PRICE ENVIRONMENT

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Abstract

Alpha-AA Company (AAA) is an upstream oil company operated in Indonesia for more than 90 years as part of Alpha-A Business Unit. When the global oil price has been declining since the end of 2014, the company has to change strategy to be able sustain in the business. The challenge situation also face by AAA despite of lower oil price is mature oil fields with declining production. The current situation has led to narrowing the company revenue margin since the lifting cost trend tends to increase meanwhile total oil production declines over time and oil price hit by global market condition. The fundamental issue nowadays is how the company minimizing the strategic gap exist in the current low oil price environment while keep seeking strategic competitiveness and above-average returns contribution to Government of Indonesia and Corporation. In the process of formulating strategy, the company will be verified through external and internal conditions. The result of external and internal conditions observations will be organized by the Strength Weakness Opportunity Threat (SWOT) analysis. Focus group discussion consisted of several experts was formed to discuss about the level of business strategy. In the low oil price condition, AAA should keep its competitive position using cost leadership strategy. Type of diversification of AAA is low level of diversification with dominant revenue from crude oil. The strategy should be able to answer the condition since global oil price is not something AAA could control. The strategy formulations are developed through hexagonal restructure framework.

Keywords: cost leadership, oil price, strategic management

INTRODUCTION

Alpha-AA Company (AAA) operates Omega production sharing contract (PSC) located in central Sumatra, Indonesia. Alpha operates with the partnership of Special Task Force for Upstream Oil and Gas Business Activities (SKK Migas) through PSC with contract that will end in 2021. As of end of December 2015 the average oil production in AAA is 285 million barrel oil equivalent per day (MBOEPD) came from areas of operations in Sumatra i.e. Metro, Delta, Papa, Lima and Bravo. The main office for AAA Operations is located in Romeo, and oil final terminal is located in Echo. AAA has been Indonesia's largest producer of crude oil which delivers approximately 35% of national production.

Delta, the largest field, has been using steam flooding technology to improve production since 1985 and is one of the world's largest steam flood developments. AAA continues to implement projects designed to sustain production, increase recovery and improve reliability from existing reservoirs. Historically, AAA has been contributing 14 billion barrels production up for Indonesia welfare as well as increasing total shareholder returns for the Alpha Corporation which is located in USA.

Year 2015 was a challenging year for Alpha Corporation and the entire oil and gas industry. Alpha Corporation achieved a 2.5% return on capital employed versus the 10.9% achieved in 2014. In light of difficult market conditions, Alpha Corporation took significant actions to reduce costs and improve net cash flow. It reduced capital and operating expenses through renegotiating contracts with vendors and suppliers, streamlining organizations to reduce employee and contractor workforce, deferring and canceling projects not economic at low prices, and selling nonstrategic and other assets. Even though the upstream business had a number of notable accomplishments during 2015 by the increase of Alpha Corporation worldwide net oil-equivalent production by 2%, it did not cope with the lowering of oil and gas commodity price.

Fluctuation in the price showed on the trend in benchmark prices for Brent crude oil, and West Texas Intermediate (WTI) crude oil as shown on the table below.

Table 1 Oil Price Comparison

Description	February 2016	Average 2015	Average 2014
WTI (Oil)	\$31 per barrel	\$52 per barrel	\$99 per barrel
Brent (Oil)	\$29 per barrel	\$49 per barrel	\$93 per barrel

In April 2016, Alpha Corporation announced a loss of US\$725 million for 2016 first quarter, compared with earnings of US\$2.6 billion in the 2015 first quarter. The decline merely impacted by a more than 35% decline in crude oil prices. Earnings for the upstream segment are closely aligned with industry prices for crude oil. Crude oil price is subject to external factors over which the company has no control, including product demand connected with global economic conditions, industry inventory levels, technology advancements, production quotas or other actions imposed by the Organization of Petroleum Exporting Countries (OPEC), actions of regulators, weather-related damage and disruptions, competing fuel prices, and regional supply interruptions or fears thereof that may be caused by military conflicts, civil unrest or political uncertainty. Any of these factors could also inhibit the company's production capacity in an affected region.

AAA Company, as one of subsidiaries to Alpha Corporation, has been gone through the same turmoil with the Corporation. Despite of lower oil price, the contribution from AAA is also influenced by mature oil fields and its production trend continues to decline. The current situation has led to narrowing the company revenue margin since the lifting cost trend tends to increase meanwhile total oil production declines over time and oil price extremely decrease. The objectives of the research is to address how AAA minimizing the strategic gap exist in the current low oil price environment while keep seeking strategic competitiveness and above-average returns contribution to Government of Indonesia and Corporation.

LITERATURE REVIEW

Business level strategy is a set of commitments and actions are integrated and coordinated to gain a competitive advantage by leveraging core competencies in specific product markets as explained by Hitt, Ireland & Hoskisson (2013). Factors to differentiate business level strategies are basis for customer value (cost and/or distinctiveness), and target market (broad and/or narrow market segment). Those factors will define five business strategies i.e. cost leadership, focused cost leadership, differentiation, focused differentiation and integrated cost leadership/differentiation. Adopted from Hitt, Ireland and Hockisson, AAA should use cost leadership based on view from competitive scope (broad target) and competitive advantage (cost). The target is the lower the better without sacrificing the safe operational standard. In term of corporate level strategy, AAA falls under low diversification with crude oil as dominant business. While Alpha Corporation has moderate to high level of diversification with related constraints product such as upstream, mid stream and downstream.

Wheelen & Hunger (2012) defines environmental scanning is the monitoring, evaluation, and dissemination of information from the external and internal environments to key people within the corporation. A corporation uses this tool to avoid strategic surprise and to ensure its long-term health. To formulate the business strategy, company has to do an environmental scanning to identify opportunities, threats, and its internal environment which was strength and weakness. According to Ireland, Hoskisson & Hitt, (2013), the environment divided into two factors i.e. external and internal factors.

External Factors

This part will evaluate condition outside company that affects the business. Oil and gas industry in Indonesia is regulated closely by government due to its criticality to support the country economic. Meanwhile, most of the oil and gas operators are subsidiaries from global corporation with headquarter outside Indonesia. Wheelen & Hunger (2012) explained that the environmental observation was the monitoring, evaluation and dissemination of information from the external and internal environments to key people within the corporation. The external environment consisted of three variables i.e. natural environment, social environment and task environment.

Other reference regarding external environment from Ireland, Hoskisson & Hitt (2013) defined firms understands the external environment by acquiring information about competitors, customers, and other stakeholders to build their own base of knowledge and capabilities. A firm's strategic actions are influenced by the conditions in the three parts (the general, industry, and competitors).

Porter's Five Forces

The Industry analysis will use Porter's Five Forces as a framework for analyzing industry development of business strategy formulation as shown on figure below. Based on Porter (1980), the analysis is divided into five factors i.e. threat of new entrants, threat of substitute

products, bargaining power of suppliers, bargaining power of buyers, and intensity of rivalry among competitors. Three of the five forces relate to the industry participants. The other two relate to the vertical participants – the suppliers and consumers.

The first force analyzes the ease of entry for new participants in the marketplace. If entry is easy, then this factor indicates a high level of competition. The second factor is the possibility of a new good or service coming onto the market and eroding sales of established products. The third factor evaluates the number and activity of a company's rivals. Obviously, the more established rivals, the greater the competition. However, a manager also needs to assess the likelihood that any one rival can dominate the market to the detriment of all the other participants. The fourth factor is the bargaining power of the industry suppliers. If there are few suppliers who provide a scarce resource, competition may get heavy for that resource, thus increasing costs and eroding profits. The fifth and final factor is the consumers' bargaining power. If the consumer has a strong bargaining position then this will drive down prices for the finished good and erode profitability.

All five competitive forces jointly determine the intensity of industry competition and profitability, and the strongest force or forces are governing and become crucial from the point of view of strategy formulation. The summaries of forces are as follows:

1. Threat of new entrants: High

High threat of new entrants meaning possibility of new players go into the industry is very limited due to economies of scale, high capital invested, low switching cost, complicated government regulations, environmental regulations, and technology (patent and copyrights).

2. Threat of substitute products: Low

It is low substitute products or services nowadays due to limited availability of commercial company take part on the renewable energy production. Even though there are a lot of varieties of renewable energy available in Indonesia that requires further exploration. Threat of substitute currently low, but it is likely to change in longer run. Type of substitutes products are geothermal, hydropower, solar and wind. Coal and nuclear are also considered as substitute product.

3. Bargaining power of suppliers: Low

Given the current oil price, the bargaining power of supplier is low due to low investment and on-going projects availability.

4. Bargaining power of buyers: High

Robust bargaining power of buyer powered reduction in the price when the supply of oil is abundant. Big country consumers may affect global demand. In this case, buyers bargaining power become increasing.

5. Intensity of rivalry among competitors: Medium

SKK Migas as a regulator plays significant roles in controlling competition among oil companies through Production Sharing Contract. Moreover, the oil price is determined by world commodity price which the oil company does not have direct control. The one that they can control is to have efficient and reliable operation to reduce the lifting cost.

External Factor Analysis Summary (EFAS)

According to Wheelen & Hunger (2012), External Factor Analysis Summary is one way to organize the external factors into the generally accepted categories of opportunities and threats as well as to analyze how well a particular company's management (rating) is responding to these specific factors in light of the perceived importance (weight) of these factors to the company. The EFAS of this research is shown on the table below.

Table 2 EFAS Analysis

No	External Factors	Weight	Rating	Weighted Score	Comment
OPPORTUNITY					
1	Increase energy demand	0.11	3	0.33	Well positioned
2	Oil and gas industry is still expected to generate state revenue	0.14	3	0.42	Lowering lifting cost
3	Attractive new investment commercial term for new concession	0.04	1	0.04	Questionable
4	High tech technology for deepwater and enhanced oil recovery	0.14	3	0.42	Own the technology
5	Partnering with other oil company	0.07	2	0.14	Future plan
THREAT					
1	Low oil price environment	0.11	4	0.44	Survival mode
2	Shifting to non-fossil energy	0.04	1	0.04	Future plan
3	Environmental issue	0.14	3	0.42	Important focus
4	Competition from other oil company	0.07	3	0.21	Well positioned
5	Approaching end of Rokan block contract	0.14	4	0.56	Major challenge
		1.00		3.01	

As indicated on EFAS summary, AAA total weight is 3.01 meaning the company strategy was slightly above average among the major oil operating companies in Indonesia.

Internal Factors

Internal factors were formed by the strength, and weaknesses of the internal factors of the company that would give certain benefit or loss in fulfilling the need of the company target market. The internal factors that will be assessed are organization structure, culture, value chain analysis and finance analysis. The data gathered based on in-depth interview, focus group discussion, and Corporation annual report.

Organization structure of AAA organization had gone through organizational transformational review as part of Alpha-A Business Unit Transformation. The new organization starts effective in second quarter 2016. This is to transform the organization into a flexible, efficient, sustainable and competitive with clear value proposition in the Alpha Corporation and the country the operation located. The background of the changes was to transform the current business that increase in operating cost, decrease in production, and change on the business environment climate. The previous organization was complex,

layered and geographically dispersed organization. The transformational organization is expected to have better support and align with the planned near and long term activity level.

Culture of the company should unite the ~3,000 employees the value way of work to support the company in a single platform. Value in Alpha is called the Alpha Way. The Alpha Way is used for all Alpha employees worldwide not only in Sumatra. The values are distinguished and guided the action.

Value chain of Alpha is focus only for upstream oil industry not cover mid stream and down stream. According to Porter (1980), every company is a group of activities which held to design, make, marketing, deliver and support the product. All of those activities can be drawn by using the value chain. The value chain of Alpha comprises of land acquisition, exploration, appraisal, development, and production. The difference between the competitors' value chain is the source of competitive lead. From the value chain activities of AAA, the influences of value creation in the income statement are price, cost and tax. Price and tax are two components that company could not control. Price is merely dictated by world market related with supply and demand of the crude oil in the market. Taxation is related with compliance to the government monetary term. The only thing that company could control is cost. Company should do its best to operate efficiently. Related with the value chain activities, some examples that could help reducing the cost are as follows minimize the carbon footprint, safeguard assets, optimize the drilling configuration, ensure pipeline operations, reduce maintenance costs, improve oil well planning, maintain lean operations, streamline event and field management.

Financial indicators shows that the company mission to provide above-average returns to the stakeholders are quite challenging based on stability/capital structure ratio analysis as shown below.

Table 3 Capital Structure Ratio

Financial Indicators	2015	2014	2013
Debt to Equity Ratio	14.2%	8.0%	2.3%
Debt Ratio (Debt to Asset Ratio)	20.2%	15.2%	12.1%
Interest Coverage Ratio	9.9	87.2	126.2
Return on Capital Employed (ROCE)	2.5%	10.9%	13.5%
Cash Dividends/Net Income (Payout Ratio)	174.2%	41.2%	34.9%

Stability/capital structure ratio showing that debt to equity ratio and debt ratio become higher in 2015 compare to 2014 and 2013. It means that the company need more debt to finance the projects/activities. On the interest coverage ratio, it showed that the company had more challenges in pay the interest of outstanding debt. 2015 ratio is lower than 2014 and 2013. It means that the more its debt expenses burden the company.

ROCE showed 2015 was much lower than 2014 and 2013. It means that company had challenged in 2015 to employ its capital effectively compare to 2014 and 2013. The higher ROCE indicates more efficient use of capital. The payout ratio in 2015 at 174.2% was much higher than 2014 and 2013. The payout ratio is a key financial metric to determine the sustanaibility of a company dividend payments. Ratio more than 100% indicates that the

company is paying out more in dividends than it makes in net income. Therefore, lower payout ratio is preferable to higher payout ratio.

Internal Factor Analysis Summary (IFAS)

According to Wheelen & Hunger (2012), IFAS is one way to organize the internal factors into the generally accepted categories of strengths and weaknesses as well as to analyze how well a particular company's management is responding to these specific factors in light of the perceived importance of these factors to the company.

Table 4 IFAS Analysis

No	Internal Factors	Weight	Rating	Weighted Score	Comment
STRENGTH					
1	Strong support from Corporation	0.10	4	0.40	Well positioned
2	Chevron Way culture	0.13	4	0.50	Well positioned
3	Experienced top management	0.10	2	0.20	Dedicated Leaders
4	Chevron international orientation	0.06	3	0.19	Company reputation
5	Capable employees	0.10	3	0.30	Average 18 years of service
WEAKNESS					
1	Mature field performance due to aging facility	0.10	4	0.40	Natural decline
2	Increase operation expense and lifting cost as an impact of operation complexity	0.13	4	0.50	Challenge to make it efficient
3	Integration of Corporate mandates integrate with local processes	0.10	3	0.30	Slow on the process integration
4	Decline production trend	0.06	4	0.25	Natural decline
5	Financial position	0.13	3	0.38	Low oil price
		1.00		3.41	

As indicated on IFAS summary above, AAA total weight is 3.41 meaning the company strategy was slightly above average compared to the strengths and weaknesses of others in the major oil operating companies in Indonesia.

METHODOLOGY

The methodology used qualitative method. The data are taken from secondary sources such as annual report, books, consultant reports, journals and company website. Also, interviews and focus group discussion were conducted to validate the data. Selected respondents for interview are Leadership level in AAA Company. The external environment data were taken from various journals and information from internet. While, the internal environment data are taken from internal reports of the company.

RESULTS

The research used the strategic management framework to close the strategic gap exist and determine how to close the gap. After external and internal environment were scanned. The next step is to analyze using SWOT, TOWS and hexagonal restructuring. Then, it could be

used to evaluate the strategies followed by the strategy implementation as shown on figure below.

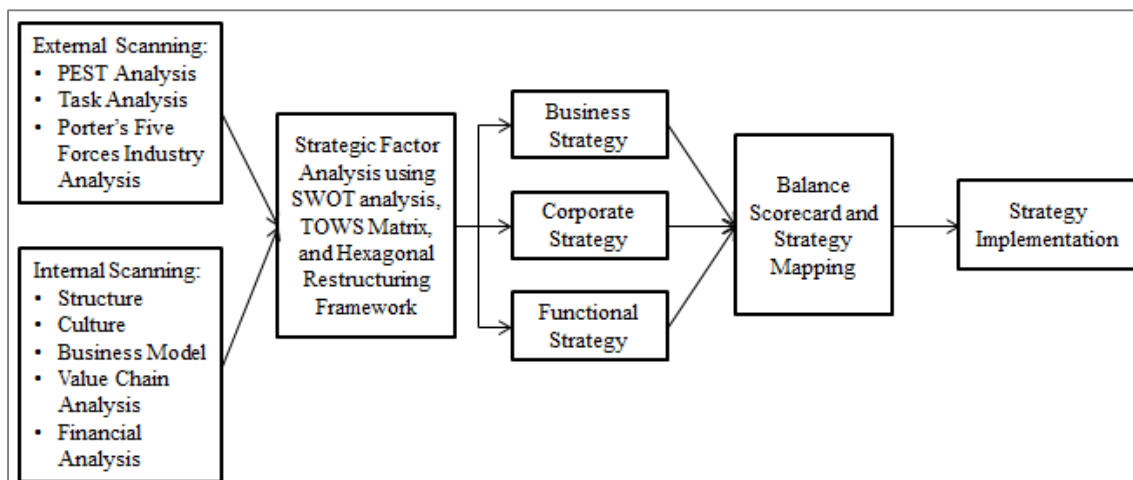


Figure 2. Research Framework

According to Wheelen & Hunger (2012), SWOT is an acronym used to describe the particular Strengths, Weaknesses, Opportunities, and Threats that are strategic factors for a specific company. The external environment consists of variables (Opportunities and Threats) that are outside the organization and not typically within the short-run control of top management. The internal environment of a corporation consists of variables (Strengths and Weaknesses) that are within the organization itself and are not usually within the short-run control of top management. These variables form the context in which work is done. They include the corporation’s structure, culture, and resources. Based on external and internal factor analysis the summary of SWOT table is shown below.

	Helpful To achieving the objective	Harmful To achieving the objective
Internal (attributes of the organization)	Strength <ul style="list-style-type: none"> • Strong support from Corporation • Alpha Way culture • Experienced top management • Alpha international orientation • Capable employees 	Weakness <ul style="list-style-type: none"> • Mature field performance due to aging facility • Increase operation expense and lifting cost as an impact of operation complexity • Integration of Corporate mandates integrate with local processes • Decline production trend • Financial position
External (attributes of the environment)	Opportunities <ul style="list-style-type: none"> • Increase energy demand • Oil and gas industry is still expected to generate state revenue • Attractive new investment commercial term for new concession • High technology for deepwater and enhanced oil recovery • Partnering with other oil company 	Threats <ul style="list-style-type: none"> • Low oil price environment • Shifting to non-fossil energy • Environmental issue • Competition from other oil company • Approaching end of Omega block contract

Figure 3 SWOT Analysis

Based on SWOT, EFAS, and IFAS, the company position in Grand Strategy Matrix can be determined as shown on figure below. Grand strategy matrix is a strategic tool to have insight of strategic planning options for company either in strong or weak competitive positions in industry experiencing either rapid or slow growth.

Table 5 Internal and External Factors

Internal Factors		External Factors	
Factors	Weighted Score	Factors	Weighted Score
Strengths	1.59	Opportunities	1.35
Weaknesses	1.83	Threats	1.67
Total Score	-0.24	Total Score	-0.32

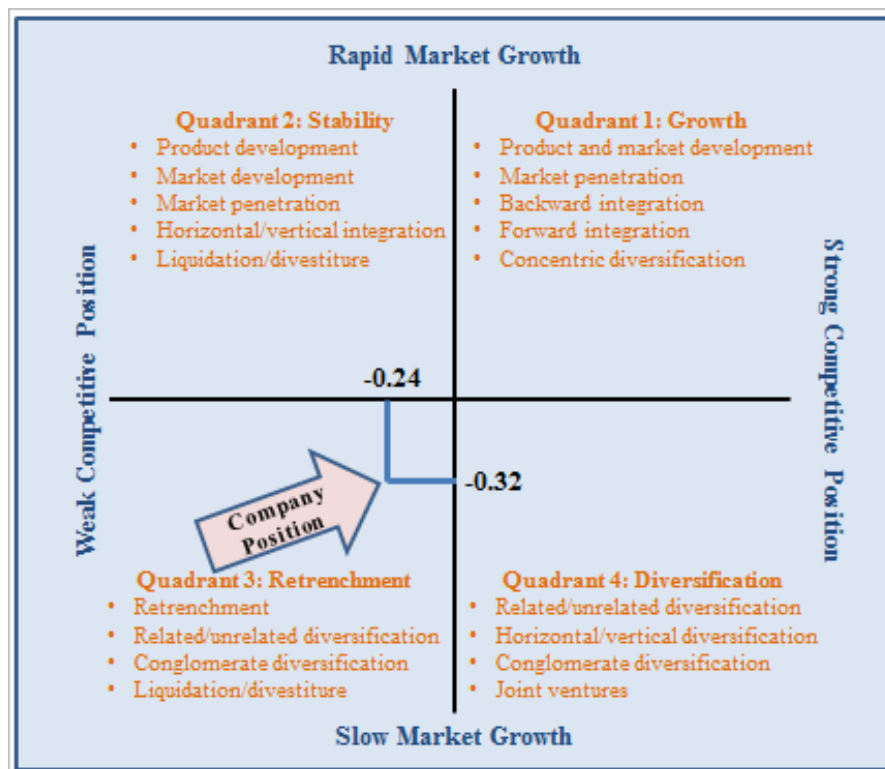


Figure 4 Grand Strategy Matrix

From the company position in SWOT matrix, the position can be interpreted as follows:

1. Oil price decline is still the biggest threat for AAA.
2. Aging facilities and operating cost increase impact the ability of AAA to generate more revenues.
3. Environmental issue related with minimizing carbon footprint is still a challenge effort.
4. Oil energy demand is still high in the market and oil company is still expected to generate more revenues to the country remain big opportunity to optimize the production.

5. The position is in quadrant 3 (retrenchment/turnaround).

The retrenchment/turnaround strategy is used when a company is experiencing profit stagnation, decline or other serious problems. It is an attempt to change the company's strategy in the hopes of reversing its fortunes. In order to turn a firm around, the company should change the direction of the company.

TOWS Matrix

The strategy options can be developed through TOWS matrix to show the company's strategy alternatives. The strategy options whether competitive or conservative can be also formulated. Based on Wheelen & Hunger (2012) there are four strategies in TOWS matrix. The TOWS matrix was developed based on SWOT analysis that was discussed on the previous section.

INTERNAL FACTOR (IFAS)		STRENGTH		WEAKNESS	
		S1	Strong support from Corporation	W1	Mature field performance due to aging facility
EXTERNAL FACTOR (EFAS)		S2	Chevron Way culture	W2	Increase operation expense and lifting cost as an impact of operation complexity
		S3	Experienced top management	W3	Integration of Corporate mandates integrate with local processes
		S4	Chevron international orientation	W4	Decline production trend
		S5	Capable employees	W5	Financial position
OPPORTUNITY		SO STRATEGIES		WO STRATEGIES	
O1	Increase energy demand				
O2	Oil and gas industry is still expected to generate state revenue	1	Sustain operational excellence to gain more oil (S1, S5, O1, O2)	1	Secure GOI approval on PSC extension for long term investment (W5, O2, O3)
O3	Attractive new investment commercial term for new concession	2	Invest capital for high grade projects (S1, S3, O3, O4, O5)	2	Reorganize organization capability to deliver higher revenue (W4, W5, O2)
O4	High technology for deepwater and enhanced oil recovery	3	Availability on organizational capability to execute high grade projects (S4, S5, O1)	3	Reduce operating expense in exploration, drilling, operation, maintenance, people cost (W1, W2, O2)
O5	Partnering with other oil company			4	Safeguard assets reality (W3, O1)
THREAT		ST STRATEGIES		WT STRATEGIES	
T1	Low oil price environment	1	Convince GOI for PSC extension by showing proven experience in E&P field (S1, S2, T4, T5)	1	Renegotiate existing contract to compensate low oil price (W5, T5)
T2	Shifting to non fossil energy	2	Minimize carbon footprint (S2, T3)	2	Intensify Lean Sigma as process improvement tool for various works/projects (W2, W3, T1)
T3	Environmental issue			3	Shut down low grade projects and shut off well with low profitability (W1, W4, T1, T3)
T4	Competition from other oil company			4	Partner with other company to explore non fossil energy sources (W4, T2, T4)
T5	Approaching end of Rokan block contract				

Figure 5 TOWS Matrix

Hexagonal Restructure Framework

Hexagonal restructure framework can be used as a tool in restructure the company in order to unleash the value. Company still has significant untapped potential to create value by improving the operations, restructuring their portfolios, managing the balance sheets, and improving the governance. Management can also take measures to ensure that current market valuations reflect current strategy and performance, as well as improvements over time. Hexagonal restructure framework can help the company to examine restricting opportunities. The framework uses six dimension hexagon analysis as follows.

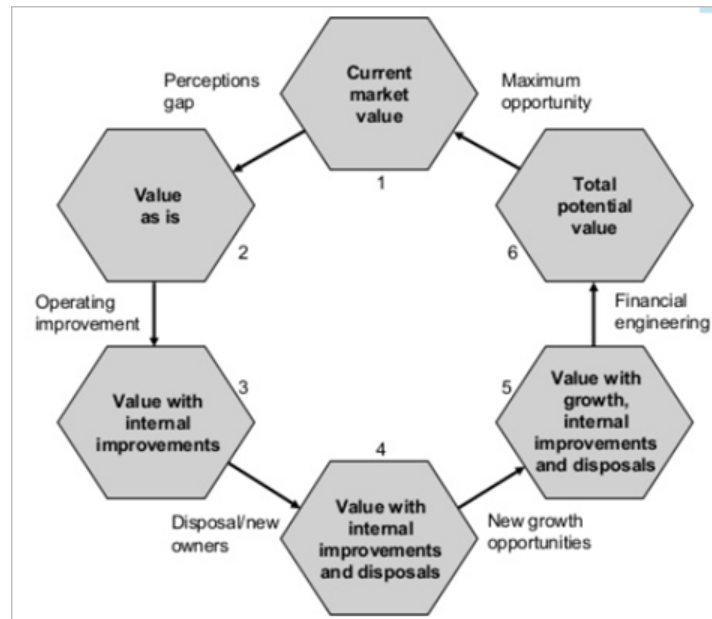


Figure 6 Hexagonal Framework

Current Market Value.

All the financial indicators in 2015 are not favorable compare to 2014 and 2013 as with the example shown on table 3 regarding Capital Structure Analysis Ratio. The ideal situation is targeting 2014 capital structure with payout ratio 41.2% with reason that the average oil price was US\$99 per barrel compare to 2013 with US\$108 per barrel.

Perception gap that need to address to boost better capital structure are as follows:

1. Operating expense increasing, production decreasing, changing business environment.
2. Organization and contracts in place set up to operate with different activity levels than what is currently planned in both the near term and long term outlooks.
3. Complex, layered, and geographically dispersed organization.

Based on TWOS matrix the gap could be addressed through alternatives as follows:

1. Reduce operating expense in exploration, drilling, operation, maintenance, people cost.
2. Intensify Lean Sigma as process improvement tool for various works/projects.
3. Shut down low grade projects and shut off well with low profitability.
4. Reorganize organization capability to deliver higher revenue.

Value As Is.

The payout ratio of 2015 was 174.5% meaning the sustainability of a company dividend payments is at risk since ratio more than 100% indicates that the company is paying out more in dividends than it makes in net income. It will become worst in 2016 if the company does not do anything. The Alpha Corporation total earning for 2015 was down 76% reduction compare to 2014. Based on first quarter 2016 financial report, the earning was minus US\$725 million was impacted by a more than 35% decline in crude oil price.

The effort is focused on improving free cash flow, lower cost structure with better pricing, work flow efficiency, and matching organization size to expected future activity level. This is to aim capital spending is coming down. Therefore, the company can achieve to have high return, shorter cycle projects and pacing longer cycle investment.

Downscoping is a strategic approach to restructuring, in this case some other means of eliminating activities that are unrelated to a company's core businesses. The impact of downscoping in short term is to reduce debt/cost and emphasize in strategic control. The expected outcome in the long term is higher performance organization.

As mention on TOWS strategy alternatives the downscoping can be carried out through reducing operating expense, process improvement through lean sigma, and shut down low grade projects. The elements that are identified as follows:

1. Consolidated and right sized infrastructures to be in line with the reduced activities such as convert Metro and Echo camps from residential camp to industrial camp only, close down golf course in Metro, Echo and half of golf course (9 holes) in Delta, relocate all expatriates to Romeo to enable closing expatriate school in Delta, shut down low profitability wells.
2. Revised internal policies to support activity reduction or cost savings such as housing policy (increase housing deduction for in-camp occupants), bachelor quarter policy (eliminate free meals at messhall and laundry services), in-camp transportation (eliminate in-camp shuttle bus service and taxi service for non operational activities), introduce rotator policy with new work schedule scheme and enable the employee to live in any location outside residential camp.

Value with Internal Improvements.

By consolidated and right sized infrastructure and revised internal policy, the value is decreasing in level of activities that resulted decreasing in organization capability to support it in term of number of employee, number of contractors, number of contracts.

Value with Internal Improvements and Disposal.

By having operating improvements, the expectation is to reduce level of cost spending and activities. There are also some activities that no longer supported by internal resources such as outsourcing Delta hospital, outsourcing water treating plant, outsourcing payroll activity, cancel outsourcing in facility management team supporting camp facilities due to camp occupants and activities reduction that is addressed by revising internal policy. On the

organization size, it is reduced by 25% and the new organization become more flexible with less reporting layer and higher span of control.

Value with Growth.

Since the Omega block PSC will end in 2021, decision to growth strategy will be known 2-year prior the contract end (2019). Based on TOWS strategy alternative, the strategy also include securing GOI approval on PSC extension for long term investment and convincing GOI for PSC extension by showing proven experience in E&P fields. These strategies will enable the company to open up opportunity for long term investment.

Company also withhold the obligation to safeguard the environmental requirement on carbon footprint reduction and compliance to law number 32 Year 2009 regarding Environmental Protection and Management. Company has commitment to meet standard environmental quality requirements and to follow abandonment and site restoration activities at the end of contract. The activities include but not limited to soil remediation and asset retirement strategy. This effort will support growth strategy to act as prudent operator.

Total Potential Value.

This value could not be determined at this point since the decision on growth strategy will depend on the milestone of GOI approval on PSC extension decision in 2019.

CONCLUSION

To conclude, AAA should be consistent in performing cost leadership strategy since the global oil price is not something that AAA could control. By having efficient operations, it will reduce the lifting cost and widened the revenue margin. In the implementation plan, the milestones are developed and key performance indicators are assigned to responsible person in charge. Alignment among the balanced scorecard with the actual will be monitored using the dashboard as performance measurement system which is interactive for strategy execution tracking.

AAA should clarify the strategy by adding the possibility whether the Omega block will be extended or not because it will change the business strategy from cost leadership to other strategy to prove that the company has all the features to be eligible as the prudent operator for next contract term (another 10 year extension).

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SOCIO-ECOLOGICAL APPROACH ALLEVIATING POVERTY AT COASTAL AREA IN MALANG (MULTI DISCIPLINE STUDY AN ANALYSIS OF ALLEVIATING POVERTY)

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Abstract

The purpose of this study is to determine the effect of socio-ecological approach in alleviating poverty in poor districts. Malang district has great tourism potential in improving the economy of their people. However, these coastal communities are poor still. Hence the. It is needed further study to improve the welfare of society based on a socio-ecological approach in poverty alleviation. It is proposed that making an attention to the geographical condition and giving skill and developing the community potential is important to alleviate poverty. Tourism object development based on environmental principles and ethics have to be an important attentions. Accordingly those community livelihood able to increased and thus the poverties are decreased.

Keywords: Socio-ecological approach, alleviating poverty

BACKGROUND

Poverty a problem in every country, usually it always happens in development country and this very serious problem in country like Indonesia and the other country. Poverty is not limited understanding to know economic, but also is failure to fulfill to base right and poverty different view multidiscipline. Because of this effect from limited access on society, for example economic, culture and condition of geography (Suryawati,200). Therefrom poverty Such as attention on national country and regional city. This must become to momentum and opportunity to create development decentralization. It have sensitive to development local problem. It just not social problem, is mention from social department as safety) for example prostitution, Street children, the disabled, and so on. The existence of this problem is closely related to poverty (Ahcmad,2013).

Socio-ecology is sub disciplinary focus on society. More broadly, it is an interdisciplinary and transdisciplinary and transdisciplinary study of the relationship between humans and their natural, social and built environments (Eko,1:2015). So in here socio-ecological, how we interact and caring to nature, which could cause damage to the natural and social problems. The effect of problems damage a nature and people can no fulfill on live, man must strive to improve and maintain a proper life in accordance with the state of nature and not destructive. Development that is needed not only welfare society, but how and what to consider in the environmental aspect, but this is rarely attention, therefore how to balance as between development and environment (A.sonny keraf:2006). If we try to maintain and take care of what was then no longer appears social problems. These social problems appear when people can no longer meet the needs of life every day, social problems that always exist both in the country of Indonesia and in other countries, it no longer stops

is the problem of poverty. Poverty is often the case and the percentage of the most widely according to Rusman Heriawan in the explanation of the results of the National Census released recently BPPS is Papua region where have reached the level of poverty at most reach 36.80 (viva.co.id, Senin, 21 Maret 2016).

Socio-ecology approach in poverty alleviation is indispensable why, because of doing a development, we should pay attention to the name of the environment. Where in a development environment is no longer considered, and it began at the time of the new order in which this might prioritize economic growth and no longer pay attention to the existing environment. Development projects are only pursuing economic growth targets and physical turned out to have an impact on the ongoing financial crisis, the political crisis, forcing the incumbent regime must step down. The achievement without of success in the political and economic stability process and get for the power. Regime governments who left the multidimensional crisis so severe. Not only the monetary and economic crisis, which we feel of the effect until now, but what is worse moral cries and ecological disaster on environment really pay attention. When deviant tendencies continue to ignore this sort, it is not impossible the life of all the inhabitants of this country growing passion. The lives of our children and grandchildren to great suffering because nature is not able to meet their basic needs (Eko:2015).

Indonesia is territory coastal resources is the center of tropical marine biodiversity of the richest in the world, where 30% of mangrove forests in Indonesia, 30% of coral reef in Indonesia, 60% of the consumption of protein derived from fish resources, 90% of the fish comes from coastal waters in a radius of 12 nautical miles from the coastline (DPK:2003). The potential can be developed in coastal areas, this includes three groups: 1) update of the Resource 2) resources can't be replaces 3) environmental services. To manage a coastal area, very necessary boundaries to be managed. Boundary coastal areas is envisaged on the basis of physical bio-geo, where these are considered factors need hydrological, ecological, social, and administrative. Delimitation begins by observing the natural features, range of coastal waters, and administrative purposes, after it set limits coastal plains towards the land and then from the mainland to the beach. It is necessary to obtain an interaction between land and sea components of the coastal areas to be managed. Lawrence (1998) to definition coastal area as transition between lands with sea includes coastal waters, tidal areas (boundary beach ebb and flow). Mainland where habitats and types of animals to adapt specifically to the unique environment. In addition, many natural resources resulting from the sea. Indonesia is a very rich country, especially for people living in coastal areas. This true view is not entirely.

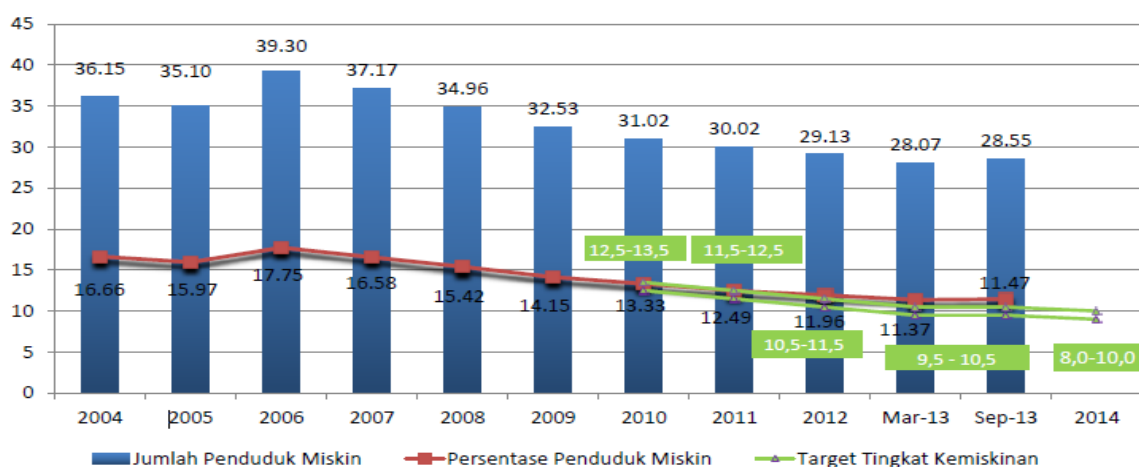
Coastal communities, most living are still below the poverty line. Most of them have a low level of education ((Faruhdin and Yulianto,2008). This condition can to improve social economic condition, especially costal community. This has caused investors who come to develop coastal areas, but the local community has not changed much, their condition would worsen. Why is like it, because the regional development coastal areas that are not environmentally friendly. Coastal communities are always live in uncertainty. Their comfort

and their everyday lives depend on the sea, which is influenced by weather conditions, weather or sea conditions in times of high tides, flooding is not uncommon the place them. Tsunami always as a threat of them but for them the sea is a friend and threats. By looking at such conditions, the coastal communities are at stake.

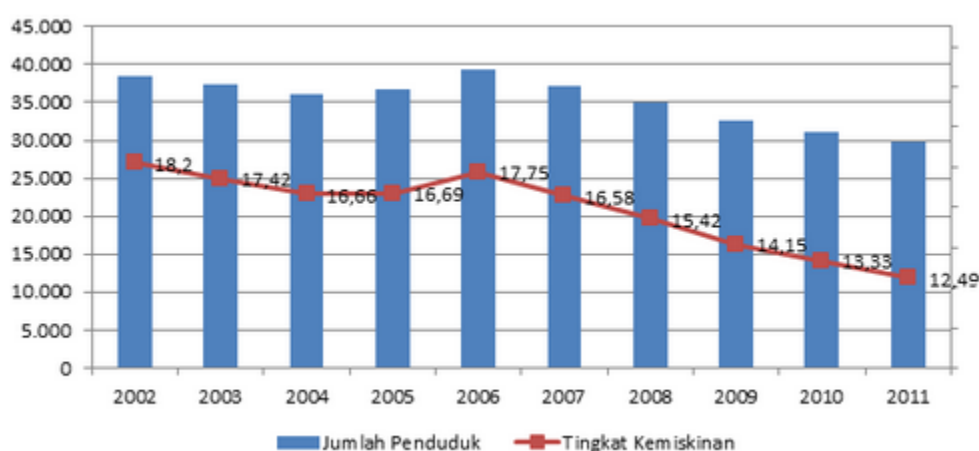
The environment Conditions or crises marine worries of grow ecology. Almost along the coast often happens defilement and sea water pollution, especially for coastal areas in poor ecosystem of coral and mangroves or other coastal plants that can serve as a deterrent tide had lots were full. Certainly every time the season was high tide sea water, and waves crashing of the waves of people's homes and roads because there is no more coastal plants to curb the tide. Again many mangrove forests are so bare caused by investors who converted land, whether for the benefit of industry, tourism or business property that, actually violated planning regulations in the marine area. Even more strangely, actually the act even allowed by local businessmen because they can increase revenue for the parties who hold authority or increase the number of local revenue (Eko:2015).

LITERATURE REVIEW

Poverty is happened a country that occurred in the country and this can to different into two that is poverty on national and regional. Where this poverty problem can be experienced by someone and community in a region. Usually problem of poverty appear can't fulfil life on basic necessities or primary needs is like food and clothing board. Usually this problem appear in society, they still simple life, and they have not permanent work so the income is still far below the standard. To meet the primary needs difficult, let alone secondary needs. But sometimes poverty also occur in a person or group of people who are already modern. Usually they can't meet because this is all needs, even for primary needs are met. But the needs are still unmet feel secondary (Sony,2015). That way we can see from the results of the design technocratic RPJMN 2015-2019, Bappenas. Which is targeted by the state budget in 2004-2014 was 9.0% -10.5% (2009-2014 RPJMN Revision: 8.0% -10.0%).



Since 2010 reduction of poverty in absolute it decreased by approximately 1 million poor people per year. The poverty rate in September 2013 amounted to 11.47% (in 2013 budget target of 9.5% to 10.5%). The increase of poverty rate from 11.37% in March 2013, they are due mainly because the inflation rate is higher than the target in the state budget. The impact is felt primarily due to rising prices of food staples as the impact partly because the fuel price hike in June 2013, and climate change. Government policies related to poverty alleviation still not right, which is related to the empowerment of poor people who really favor the poorest layers. Development policy and various poverty alleviation programs made by the government have not noticed characteristics of the area, for example, the availability of infrastructure including roads, irrigation, water supply, schools and services healthy. 2011 years the national poverty rate can be lowered to 12.49 percent from 13.33 percent in 2010 (BPS, 2011).

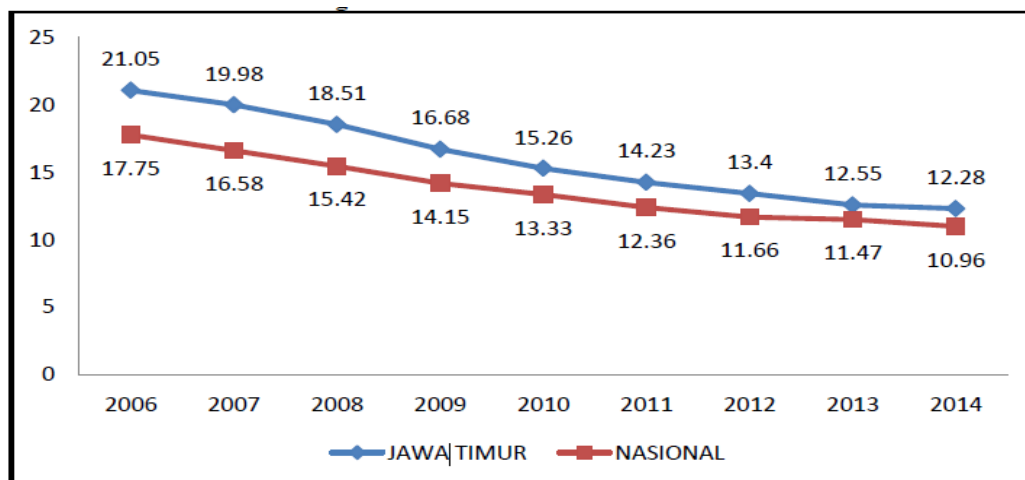


Poverty success in reducing in addition obtained increased economic growth quality and it have through three clusters of poverty reduction programs. The results obtained in 2011 the Cluster I, which is intended to reduce the burden of meeting the basic needs and to meet the basic needs of members of poor households through improved access to basic services are: (1) actual distribution and subsidies Raskin (2) health give services (JAMKESNAS) (3) providing scholarships planned for 4.7 million students. Meanwhile, the implementation of the Family Hope Program (PKH) in 2011 were conducted for 772,000 extremely poor households (RTSM) in 88 districts / municipalities in 20 provinces with quality increasing which has established coordination between programs based on family or household, like service healthy and poor scholarship. The implementation of the Cluster II program, empowering the public with service an independent PNPM program can execute in the district with 30,000 facilitators whose job placement assistance to the community and channeling aid directly to the public at a cost of 10.31 trillion coming from state and local budgets. Cluster III with the implementation give credit to society, for UMKM and cooperatives. (TNP2K, 2012). In addition to the activities aimed at improving access to basic services such as food, education, and health, in order to improve access to and ownership of

land / land for the poor, do well the arrangement of control, ownership, use and utilization of land (P4T). In 2011, land redistribution has done as much as 186,000 sector (Febri:2015).

Preposisi 1: conditions geography approach and observes existing areas in the empowerment of communities in poverty reduction are necessary in the notice. Skill and talents of the community especially the coastal zone communities.

Poverty in East Java area began in 2006 until 2014 East Java's poverty and national poverty tend to decrease. However, poverty in East Java province has always been above the national poverty. Thus, the problem of poverty in the province of East Java is the central issue, which means that economic development in East Java province should pay more attention to poverty reduction faster than National. Therefore thus be on the show data such as this brought graphic.



Sumber : BPS Provinsi Jawa Timur dan Nasional, 2014

If see above from the graphic, can conclude in 2006 years until 2014 poverty in east java and national poverty tend to decrease. However, poverty in East Java province has always been above the national poverty. Therefore the problem of poverty in the province of East Java is the central issue, which means that economic development in East Java province should pay more attention to poverty reduction faster than National. Research doing by Montgomery on Sumarto, Suryahadi and Arifianto (2004), he said that most of the poor are those who work in agriculture sector the where most people work in Indonesian. Nationally, the population of East Java majority (46.18%) have a livelihood in agriculture, the rest work in the trade sector (18.80%), services sector (12.78%) and industrial sector (12.51%). Someone who works in agriculture sector, it have many potation or the probability of being poor is greater than someone who is working in the agricultural sector. Otherwise, someone who worked in the government have a lesser chance of being poor. The ability of an individual or household out of poverty also depends on the income

earned from their work. Economic development is viewed on the availability of public goods spatially also needed to reduce poverty.

According Houghton and Khandker in World Bank (2009) concept of the poverty, is depraves in welfare. Base on definition it poverty can to see from other side. Fist seen from monetary side, where of measure the poverty can comparing revenue and expenditure individual with some specific restrictions, if they are under these limits, they are considered poor. This view of the next poverty is that poverty not only limited to monetary measures, but also include of nutrient poor as measured by checking whether the children's growth stunted. Other that poor of education, for example they use illiteracy indicator. Amartya Sen (1987) in World bank declare the welfare derived from the ability to function in society. Thus poverty emerged as a result of a person does not have sufficient capacity such as income, education, poor health, insecurity, low self-esteem or helplessness.

According Harniati in Wijanarko (2013), he can to classification of poverty base on three dimension:

1. Nature of poverty cause by nature resource quality and low human resource. Natural conditions and resources are low making production opportunities to low. Especially for the agricultural sector, the poverty that occurs due to the quality of the land and climate that do not support agricultural activity. All the regions in Indonesia, fertile land instead often found on the island of Java. While outside Java, lush natural resources are limited, it makes farmers are unable to cultivate when there is rain, this has resulted production can only be obtained once a years.
2. Culture of poverty, it is related to the attitude of a person or group in society who do not want to try to improve the level of life, despite efforts to fix than others who helped. This poverty can also be caused by some systems in the local tradition contribute and this make society poverty. For example a system of inheritance, so a family land ownership it become narrow.
3. Structural poverty, poverty are directly or indirectly caused by institutional arrangements or structures in society. Institutional arrangements or social structure here can be interpreted as an order of organization and rules of the game are applied.

World Bank (2008) calculates the level of poverty and the absolute number of poor people by using a single measure that is uniform for all countries. According to the World Bank development policy review (2014) a person who is said to be poor income is less than \$ US 1.25 every day. While the poverty line as measured by the size of the \$ US 2 have been also published in which more than 2 billion people living on less than this limit. US dollar used was US \$ PPP (Purchasing Power Parity) not exchange rate, the second limited on line Absolut of poverty. While BPS using two aspect, food and not eat. Food Poverty Line the minimum food expenditure, which is equivalent to 2100 kilocalories per capita every day. Basic commodity food is needs represented by 52 types of commodities (grains, tubers, fish, meat, eggs and milk, vegetables, legumes, fruits, oils and fats, etc.). Line non-Food Poverty is the minimum requirement for housing, clothing, education and health. Consumption

bundle represented by 51 non-food commodities in urban and 47 commodities in the village (BPS,2014).

Determinants of Poverty can be grouped into three which 1) Poverty as a factor of education: according to Todaro main source of economic growth and progress of the developed countries today are not only physical capital but human capital. A poor man who expects employment as well as high income, should have a high level of education. 2) Poverty due to health factors: health in a country as important as the distribution of income. In developing countries, life expectancy for people capable of quite high, while for poor people is far lower. The death rate of children in developing countries is still more than ten times higher than that found in rich countries. Death is generally caused by a variety of actual conditions is easily overcome, including millions of children unnecessarily died each year from dehydration caused by diarrhea. If the mortality rate of children in developing countries declined to a level similar to those in developed countries, more than 10 million children could be saved each year (Todaro, 2006). 3) Poverty due to infrastructure: where infrastructure leads to an increase in productivity for the factors of production. As the Lewis theory, Pareto optimal condition would be achieved if there is mobility of factors of production without barriers to economic growth (Jhingan in Sugiyanto, 2007). Areas that have high levels of mobility of production factors between regions low will lead to lower economic growth. Areas with high poverty rates showed that the factors of production in the regions concerned have a low inter-regional mobility. Seeing the poverty in East Java region, especially in the poor districts. It shows the third cluster from research of results (Febri Angelina:2015).

Shows three cluster is have category rich region which has low poverty rates with the poor level of 11.06%. High education index reached 81.74%, Good Road Infrastructure high reached 78.06%, which is high Clean Water Services reached 33.69%, ratio of Irrigation. Lower technical compared with the two clusters is equal to 89.04%. Electrical services were higher by 24.29%, while the infant mortality rate showed a low yield is 31.28%. Territories included in cluster 3 members is district Blitar, Kediri, Malang, Lumajang, Sidoarjo, Mojokerto, and city Kediri, Blitar, Malang, Pasuruan, Surabaya and Batu. Why this poor region has the lowest levels of poverty, because this area has a conducive of environmental, eastern Java where poor particularly area when viewed from the geographic location of poor region has a very good land potential and coast area. The location of region is considerable concern as well as in development we must consider the condition in area under construction. As well as calculate a location cities and settlements, should be considered and fully taken into account. But in fact the government, especially local government poor attention to the environment in doing a development, especially for the coastal zone. Coastal area has a lot of potential to be developed. In coastal area can development and construction, but we must to attention aspect of environment like environment principles. It is must to attention, because this becomes the handle and the demand for our behavior towards nature directly or behavior towards fellow human beings

that impact of particular nature. Moreover, these principles are also motivated by the ecological crisis is rooted in worldview and behavior of anthropocentrism.

It should be emphasize the principles of environmental ethics is primarily on two elements of the theory biocentrism and Eco centrism. First, the moral community is not only limited to the social community, it covers the whole ecological communities. Both human nature not only as a social being, but also the ecological beings. The second essential element characterizes almost all the principles of environmental ethics. It must attention like is respect of nature, Moral responsibility for nature, cosmic solidarity, caring of nature. Simply principles of living and harmony with nature, the principle of justice, the principle of democracy, and the principle of moral integrity (Sony:2010,166) In order to meet the basic needs of citizens, the steps necessary strategic and comprehensive. A comprehensive poverty reduction requires the involvement of stakeholders. The central government, local government, the business community (private sector), and the public are the parties that have the same responsibility towards poverty reduction.

Proposition 2: The indicator of poverty in Malang, cause of poor infrastructure that doesn't care to development in environment. Impact and principle is must suitable on principle and the etic of environment in development live.

Government has undertaken to reduce poverty through various programs in order to fulfill the basic needs of its citizens deserve. To increasing the socio-economic welfare of the poor, institutional strengthening of the socio-economic as well as implementing the accelerated development of underdeveloped regions in an effort to reach the people of Indonesia a prosperous, democratic, and fair. But overall these efforts have not maximized if without the support of other stakeholders. To support a comprehensive poverty reduction and realize the acceleration of poverty reduction formulated four key strategies. Poverty reduction strategies that include: 1) Improving social protection programs; 2) Improving access to basic services; 3) Empowerment of the poor as well; 4) Creating an inclusive development (Suriani,2011). In the government's poverty alleviation issues a subject the policy of which is contained in the presidential decree Based on Presidential Decree No. 15 of 2010 on the Acceleration of Poverty, has established the National Team to Accelerate National Poverty Reduction. National Team is an organization of coordination at the national level which will make coordination measures in an integrated manner to ensure do of traffic and control the implementation of poverty alleviation programs undertaken by various ministries / agencies can be accomplished according to plan. So that set basic policy related to poverty reduction include: 1) Policy in terms of goal-setting, the methods and the list of target households are the same for all social assistance programs; 2) Policy regarding the draft program in order to avoid duplication of assistance; 3) The policy related to controlling the implementation of the program for the efficient and effective; 4) Doing monitoring and evaluation to the impact of poverty reduction programs can be quickly identified and acted upon (<http://tnp2k.go.id/kebijakan/strategi-percepatan.html>).

Poverty can be a problem in the local scope, but can also be a problem national in scope. When the poverty experienced by a group of people in a particular area, and broad impact to the state, the poverty can be categorized as national in scope. For example, natural disasters such as earthquakes, tsunamis, landslides, volcanic eruptions, floods, mud flood in Sidoarjo, and so forth. Natural disasters can be devastating great an area, so that people living in the area would lose his family, his possessions, his home, and also livelihood. Circumstances like these that will ultimately lead to poverty in the national scope because it not only a burden to someone, but also a burden or problem for a prominent county developers and proponents of structural functionalism, among others, Talcott Parsons, Robert K. Merton, and Neil Smelter. This theory describes the changes that occur in a society that is based on several assumptions, namely:

1. Society must be analyzed as a unified whole and consists of several parts that interact with each other.
2. Parts of society are interconnected, there is a direct relation to nature but there are also reciprocal.
3. The existing social system is dynamic, the adjustment does not take much to change the system as a unified whole.
4. The perfect integration in the society never existed, and therefore in society always raised tensions and distortions. But tensions and distortions that will be neutralized through the process of institutionalization.
5. Change will slowly run as a process of adaptation and adjustment
6. Change is the result of an adjustment from the outside, raised by their differentiation and innovation
7. System is integrated through the ownership of the same values According to the theory of structural functionalism, society as a system has a structure consisting of many institutions that each institution has its own function. The structure and function, with varying complexity exist in every society, both in modern society as well as in the primitive society. For example, educational institutions, religious institutions, economic institutions, political institutions, the Institute for the family, social institutions, cultural Institutions, legal institutions. Institutions in society are interrelated to one another.

The institution also interact with each other, and the implementation of the respective institutions adjust to each other so that in society there will always be a balance. Sometimes imbalance will also appear, but this is only temporary, because if there is an imbalance, then the institutions that another party will be disrupted. Therefore, other institutions will soon seek to rebalance (Nanang,281:2011).

Social ecology and poverty to understand about this view, we should be ready to make a paradigm shift. Changes here are not just a way of life, perception and the way we think it should be changed tilapia. By looking at this then changes which paradigm not only in science but also in the shutter social, to analyze the occurrence of transportation cultural, the scientific paradigm into the scientific paradigm into the social paradigm, as a constellation of concepts, values, perceptions and practices shared by a communities, form

a particular which vision of reality which is the basis for how the community organizes itself (Eko,181:2015).

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SUB THEME: FINANCE

**STOCK PRICE MOVEMENT BEFORE AND AFTER ASEAN
ECONOMIC COMMUNITY IMPLEMENTATION**

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Abstract

The examination of stock prices movements after implementing ASEAN Economic Community in Indonesia Stock Exchange had been evaluated in this research. The data were collected before and after ASEAN Economic Community during period July 2015 to June 2016. Samples were divided into several sectors such as infrastructure, utility and transportation; consumption goods; chemical industry; industry; finance; trade, service, and transportation; mining; agriculture; and real estate and property. Paired sample T-Test was used as analysis tool and showed a significant movement in the stock prices between both periods due to the ASEAN Economic Community applied on all sectors.

Keywords: ASEAN Economic Community, Stock Price

INTRODUCTION

2016 is new chapter for ASEAN members, such as Indonesia, Malaysia, Thailand, Philippines, Singapore, Brunei Darussalam, Vietnam, Laos, Myanmar, and Cambodia, to implement the ASEAN Economic Community. Actually, ASEAN Economic Community has been agreed since 2003 in Bali during ASEAN Summit 9 event by declaring Bali Concord II, to establish ASEAN strengthen integration (Wangke, 2014). Initially, ASEAN is politic corporation, then develop in economic area as Preferential Trade Arrangement (PTA) and Free Trade Area (FTA). Currently, it has been prepared to be a stable region, prosperous, high competitive power and also become a single market and production base area in 2020 (Nurhayati, 2012). By developing ASEAN Economic Community, it will be integrated the free flow of goods and capital, services, investment, and professional labor (Valentina, Putera, and Suherlan, 2016).

The competitiveness of ASEAN can be improved by free investment, because of new investment and reinvestment will encourage and ensure a more dynamic economic development. It is also able to strengthen development and integration in Indonesia stock market, while investment of investor will be impacted by movement on stock market prices and it is an indicator of the economy stability (Alam and Dawood, 2014). Several conditions such as economic event, politic issue or something related with the market are able to be influenced by stock price. Economic growth also will be influenced by stock market due to the stock price reduction or less investor. According to this situation, this research had been

aimed to evaluate stock price movement before and after implementation of ASEAN Economic Community while no previous study has been conducted about same case.

ASEAN ECONOMIC COMMUNITY

ASEAN Economic Community, a realization of economic integration in Southeast Asian region, has four majors which focus on market unity and production base, high competition level in the economic region, distribution of economic development, and global economy integration (Baskoro, 2014). Even Indonesia is one of the largest Asia's market and the richest natural resources in Asia, but has not ready faced ASEAN Economic Community yet (Hasiholan, 2015).

ASEAN Economic Community is a program for ASEAN countries to further improve their economy quality, especially in trade sector. ASEAN is supported by free flow of goods, services, investment, a professional labor, and capital flows which freely and integrated in the Southeast Asian region. The purpose of ASEAN Economic Community is to establish integrated ASEAN countries in developing internationally on ideology, political, social, cultural, as well as peacefulness (Malau, 2014).

There is a term of ASEAN CIS (Collective Investment Scheme) in the stock market. It is a framework which allows the participants countries to offer stock market products with same standards to different countries in the South East region. Currently, only Singapore, Malaysia, and Thailand who had participated in ASEAN CIS cause of their active funding higher or equivalent to USD 500 million dollar. However, Indonesia is not being able to participate due to operational constraints, taxation, and others (Rudianto, 2016). When ASEAN CIS is implemented in Indonesia, so it needs to prepare earlier for overseas stock market products are not well sell inside, but to do otherwise.

STOCK PRICE

Stock market is an important role of economic sector in the government because as a facilitator for company funding to develop, to expand, to invest, and to increase working capitals (Permana, 2009). Investor who wants to invest in the stock market need to have a deeply considerations, one other thing is stock price while it can be influenced by internal and external environment (Deitina, 2011).

Eventually, the company's performance will be influenced by the stock price movement in the stock exchange. Consequently, it will impact for investor to be more careful to invest after implementing the ASEAN Economic Community. Several investment will be able to choose by investor. This is certainly impact in stock market investment demand which will impact also in stock price movement

Several factors such as economics and politics changes, internal and external company's problem either national, regional, or international will influence on stock price movement (Setyawasih, 2007). In other way, the implementation of ASEAN Economic Community will certainly influence the stock price movements also in Indonesia Stock

Exchange. The market is able to respond positively or negatively to the ASEAN Economic Community. Stock market is usually influenced by fundamental factor of company such as ROA, ROE, Book Value, DER, etc.

HYPOTHESIS DEVELOPMENT

Hypothesis can be developed by following term:

1. Hypothesis 1: the stock price movement changes before and after implementing ASEAN Economic Community on infrastructure, utility and transportation sector
2. Hypothesis 2: the stock price movement changes before and after implementing ASEAN Economic Community on consumption goods sector
3. Hypothesis 3: the stock price movement changes before and after implementing ASEAN Economic Community on chemical industry sector
4. Hypothesis 4: the stock price movement changes before and after implementing ASEAN Economic Community on industry sector
5. Hypothesis 5: the stock price movement changes before and after implementing ASEAN Economic Community on finance sector
6. Hypothesis 6: the stock price movement changes before and after implementing ASEAN Economic Community on trade, service, and transportation sector
7. Hypothesis 7: the stock price movement changes before and after implementing ASEAN Economic Community on mining sector
8. Hypothesis 8: the stock price movement changes before and after implementing ASEAN Economic Community on agriculture sector
9. Hypothesis 9: the stock price movement changes before and after implementing ASEAN Economic Community on real estate and property sector

METHODOLOGY

The data from Indonesia Capital Market Data (ICMD), annual report, and financial statement had been collected for further analysis which were published in Indonesia Stock Exchange and yahoo finance website. The samples were from all listed firms in Indonesia Stock Exchange (IDX) during July to December 2015 (Before ASEAN Economic Community implemented) and January to June 2016 (After ASEAN Economic Community implemented). The total samples were 89 companies from 9 sector companies, and Paired sample T-Test was used as analysis tools.

RESULTS

Based on table 1, the result shows the stock price movement changes significantly before and after implementation of ASEAN Economic Community on variable infrastructure, utility and transportation sector because p value (0.01) was lower than 0.05. It means the hypothesis 1 can be accepted. Another variable such as consumption goods; chemical industry; industry; finance; trade, service, and transportation; mining; agriculture; and real

estate and property, shows same condition with variable infrastructure, utility and transportation sector by p value less than 0.05. In another way, the stock price movement changes significantly before and after implementation of ASEAN Economic Community on all variables. Therefore, hypothesis 2 to 9 can be accepted.

Table 1. Paired sample T-test, before and after ASEAN Economic Community

No.	Variable	N Sample	Correlation	Sig.
1	Infrastructure, utility and transportation	7	0.946	0.001
2	Consumption goods	7	0.990	0.000
3	Chemical industry	5	0.998	0.000
4	Industry	4	0.996	0.004
5	Finance	9	0.975	0.000
6	Trade, service, and transportation	17	0.994	0.000
7	Mining	6	0.983	0.000
8	Agriculture	8	0.999	0.000
9	Real estate and property	26	0.995	0.000

The correlation values shows tend to 1 which represents strong correlation between before and after implementation of ASEAN Economic Community because the probability value less than 0.05 on variable infrastructure, utility and transportation; consumption goods; chemical industry; industry; finance; trade, service, and transportation; mining; agriculture; and real estate and property.

CONCLUSION

According to the data analysis result, it shows stock price movement changes significantly before and after implementing ASEAN Economic Community on infrastructure, utility and transportation sector; consumption goods sector; chemical industry sector; industry sector; finance sector; trade, service, and transportation sector; mining sector; agriculture sector; real estate and property sector. For future research, the samples data and period analysis should be more quantities and longer respectively, for more accurate analysis.

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THE PRACTICE OF MANDATORY DISCLOSURE IN INDONESIA: DETERMINANTS AND IMPACT

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Abstract

The primary objective of this research is to determine the factors that have association with mandatory disclosure and stock return. This research investigated 47 manufacturing companies listed in the Indonesia Stock Exchange in 2012. Mandatory disclosure in this research used items required to be disclosed under IAS 16 and IAS 17. The data analysis used the path analysis by setting two structural equation models. The research proved a significantly positive association of company age with mandatory disclosure in contrast to company size and company profitability. Moreover, company size, company profitability, and mandatory disclosure have a significant positive association with stock return.

Keywords: Stock Return, Mandatory Disclosure, Company Age, Company Size, Profitability

INTRODUCTION

Globalization drives investors to make investment and capital allocation decisions to many foreign companies. It is necessary for the investors to diversify their portfolio risk by investing their funds to the international markets. This then leads to a significant increasing number of investors that hold both equity and debt securities of foreign companies (Kieso, Weygandt, & Warfield, 2011). Globalization also provides benefits for the companies to raise funds. The companies have a lot of flexibilities to choose the place to issue equity and debt securities.

To make a good investment decision, investors need a relevant and faithful financial statement. This can be achieved if financial statements among companies in the world can be compared. Therefore, it is important to have a high quality international accounting standards used by countries in the world. The International Accounting Standard Board (IASB), as an international standard-setting organization, issued International Financial Reporting Standards (IFRS) that are used by most foreign companies. IFRS now have been already implemented by more than 12.000 public companies in over 100 countries (Tomaszewski & Showerman, 2010).

Indonesia as a member of the Group of Twenty (G20) has an agreement to converge its financial accounting standards into IFRS. Indonesia government agrees to move to IFRS due to several benefits that can be gained from using international standards. The benefits include: (i) the enhancing comparability of financial statements, (ii) the increasing global investments, (iii) the enhancing transparency and full disclosure, (iv) the reduce cost of capital, and (v) the increasing efficiency in preparing financial statements (Setianto, 2014).

Started from 1 January 2012, all foreign and domestic companies listed in the Indonesia Stock Exchange must implement IFRS in preparing financial statements.

The full disclosure of information is deemed necessary for the investors to make capital allocation decision. However, managements basically have an intention to maximize profit for their benefits. Managements as the preparers of financial statements have greater opportunities to achieve personal benefit, such as bonuses and incentives. To reach their goal, managements sometimes hide the information for the investors (Alanezi & Albuloushi, 2010; Darrough, 1993; Healy & Palepu, 2001). This situation will adverse the investors because there will be information asymmetry between the investors and companies. Therefore, the regulatory agencies have to force the companies to disclose the information at the minimal level with the purpose to reduce the information asymmetry between managements and investors (Cooke, 1989).

The implementation of IFRS helps the investors to have relevant and faithful information. IFRS requires the companies to enhance transparency by disclosing more qualitative and quantitative information to the investors. The extent of disclosure asked by IFRS closes to the extent of full disclosure so the level of information asymmetry will decrease (Cahyati, 2011). Previous study proved a negative correlation between the companies disclosing more information and the level of earning management (Bachtiar, 2003). Thus, the more the information disclosed by the companies is, the less the earning management occurred in the company will be.

The earning managements have occurred in Indonesia. Most of companies whose managements conduct earning managements in Indonesia usually have a low level of compliance to mandatory disclosure. PT Kimia Farma Tbk, for example, overstated its net income for IDR 32.668 billion. The managements of PT Kimia Farma TBK did not disclose the correct amount of net income which was only IDR 99.594 billion (Syahrul, 2002). Another example is PT Petromine Energy-the subsidiary of PT Bakrie & Brothers Tbk. This company enclosed the information regarding the purchase of fuel for IDR 1.37 trillion to AKR Corporindo, so the amount of cost of goods sold was understated (Maharani & Budiasih, 2016).

All those examples raise the importance of mandatory disclosure. Mandatory disclosure refers to the disclosure required by certain regulatory agencies (Popova, Georgakepoulos, Sotiropoulos, & Vasileinu, 2013). Mandatory disclosure is all aspects and information that must be published by the companies as a result of the rule of law, the rule of capital market, or the rule of accounting standards (Adina & Ion, 2008). It is still an issue that must be considered by the accounting standard board in Indonesia. Previous research found that the compliance to mandatory disclosure in Indonesia did not meet the criteria 100% compliance asked by Badan Pengawas Pasar Modal-Lembaga Keuangan (Bapepam-Lk) or Indonesia Financial Institution and Capital Market Regulatory Agency. The level of mandatory disclosure is only 72% in the manufacturing sector (Utami, Suhardjanto, & Hartoko, 2012) and 69% in the service sector (Prawinandi Suhardjanto, & Triatmoko, 2012).

Mandatory disclosure significantly affects the effectiveness of capital market (Akhtaruddin, 2005) that can increase if the companies provide complete information to the investors. Mandatory disclosure helps the companies to market their shares, to increase their reputation, and to reduce agency costs (Meek, Roberts, & Grey, 1995). It also has a significant effect on company value (Popova et al., 2013). In their research, company value was measured by stock return and they found a positive and significant effect of mandatory disclosure on the stock return. Therefore, mandatory disclosure will help the investors to predict the stock return they will get later. That finding provided a significant benefit because stock return in Indonesia is difficult to predict due to the fluctuation of share prices. The stock return of manufacturing sector in Indonesia decreased 70.63% in 2008 and then increased significantly for 55.29% in 2009 (Istiningrum & Suryati, 2014). Since stock return is not stable, more researches on the antecedents of stock return, such as company size, company profitability, and company mandatory disclosure should be conducted. Even though there has been a research regarding the association between mandatory disclosure and stock return, more researches should be conducted to get more consistent result about the impact of mandatory disclosure on stock return. It is due to the fact that most researchers focus only on the association between voluntary disclosure and share price anticipation of earnings or stock return (Hussainey, Schleicher, & Walker, 2003; Healy, Hutton, & Palepu, 1999; Inchausti, 1997).

Due to the importance of mandatory disclosure, the companies are expected to provide relevant and faithful disclosure. However, the decision to provide or not provide this information depends on some factors. Many researchers found that company characteristics significantly affect the extent of mandatory disclosure provided by the companies. Those company characteristics include: company size (Akhtaruddin, 2005; Ali, Ahmed & Henry, 2004; Benjamin, An-Yeung, Kwok, & Lau, 1990; Cooke, 1989; Wallace, 1987; Wallace & Naser, 1995), managerial type (Wallace, 1987), listing status (Cooke, 1989; Glaum & Street, 2003), industrial type (Cooke, 1989; Nasser, 1998), leverage (Malone, Fries, & Jones, 1993; Latridis, 2008; Owusu-Ansah & Yeoh, 2005), audit quality (Ahmed & Nicholls, 1994; Glaum & Street, 2003; Nasser, 1998), liquidity (Wallace, Naser, & Mora, 1994), profitability (Ali et al., 2004; Latridis, 1998; Nasser, 1998; Owusu-Ansah, 1998), company age (Owusu-Ansah, 1998), familiarity with IFRS (Abd-Elsalam & Weetman, 2003), company growth (Latridis, 2008), and foreign ownership (Bova & Pereira, 2012). However, many researches provided a number of different results that some of the company characteristics had no effect on the extent of mandatory disclosure. Those characteristics are company age (Glaum & Street, 2003; Owusu-Ansah & Yeoh, 2005); company size (Akhtaruddin, 2005; Owusu-Ansah & Yeoh, 2005), and profitability (Latridis, 2008; Owusu-Ansah & Yeo, 2005). Therefore, there are some research gaps for the influence of company age, company size, and company profitability towards mandatory disclosure. It is necessary to conduct a research regarding those three characteristics to get more consistent knowledge whether those factors influence mandatory disclosure.

Based on the above background, this research was conducted with an aim to determine the association of company size, company age, and company profitability with mandatory disclosure and stock return. These general aims are then divided into three specific objectives as follows: (i) to determine whether company size, company age, and company profitability individually associates with mandatory disclosure, (ii) to determine whether company size, company profitability, and mandatory disclosure individually associates with stock return, and (iii) to determine whether company size, company age, and company profitability affect mandatory disclosure and as a consequence affect stock return.

LITERATURE REVIEW

Mandatory Disclosure

Globalization enhances the awareness of investors to demand relevant and faithful information. The companies should provide the information asked by the investor so that they can easily raise capital to fund their operation. Disclosure is the tool that can be used by managers to provide information to the investors. It can be classified into mandatory disclosure and voluntary disclosure. Mandatory disclosure is a company's obligation to disclose a minimum amount of information in corporate reports (Owusu-Ansah, 1998). Adina & Ion (2008) added that mandatory disclosure refers to the aspects and information which must be published as a consequence of the existence of some legal or statutory stipulations, capital markets, stock exchanges commissions or accounting authorities regulations. Voluntary disclosure, meanwhile, is a provision of additional information when mandatory disclosure is unable to provide a true picture about company's value and managers' performance (Popova et al., 2013).

Managers have an intention to maximize their wealth. To achieve that purpose, managers often make a decision to gain net income in a short period and ignore the long term activities that maximize the investors' wealth (Wolk & Tearney, 2001). This can be done by the managers because they have more information than the investor (Healy & Wahlen, 2000; Scott, 2000). As a result, the manager behavior will adverse the investors. Mandatory disclosure, therefore, is important to reduce the information asymmetry between managers and investors. Since the information gap between managers and investors decreases, the agency costs can be minimized.

The audited financial statement is a primary resource that can be used by companies to disclose compulsory information to the investors (Chou & Gray, 2010; Marston & Shrikes, 1991). The items that are mandatory to be disclosed consist of a statement of financial position at the end of the period, a statement of comprehensive income for the period, a statement of changes in equity, a statement of cash flows, and notes. Notes include a summary of significant accounting policies and other explanatory information (Kieso et al., 2011). By disclosing those items, financial statement will be a high quality financial statement that can be used by the investors to understand and compare the information (Choi, 2005).

Stock Return

One of the purposes of this research is to determine the association of mandatory disclosure with stock return. Stock return is the income obtained from stock investment activities (Hartono, 2010). The government policies affect stock return (Samsul, 2008). One of the government policies is in terms of the requirement for the companies to have high compliance of mandatory disclosure. In addition, managers that have a good performance are more likely to disclose more complete information. By doing this, it is expected that markets will catch this good news and give a positive reaction characterized with the increase of stock prices (Inchausti, 1997). Disclosing more information also eliminates the information asymmetry between managers and investors so it is more likely that the stock price will increase. A previous research found a positive effect of the mandatory disclosure on the stock return (Popova et al., 2013). Based on the above arguments, the hypothesis is suggested as follows:

H₁ : Mandatory disclosure has a positive association with stock return.

Company Size

Company size is measured by the logarithm of total asset (Alanezi & Albuloushi, 2010; Bova & Pereira, 2012). Some big companies tend to disclose more information to the investors. Previous researches proved a positive association between company size and mandatory disclosure (Akhtaruddin, 2005; Barako, Hancock, & Izan, 2006; Cooke, 1989; Glaum & Street, 2003). The big companies have more human resources with accounting and finance backgrounds, so it is easier for them to provide mandatory disclosure and to produce a high quality financial statement. The variety in human resources also helps the big companies to manage the costs, compete with other companies, and raise fund. All these positive aspects will be disclosed by the big companies in their financial statement (Ahmed & Nicholls, 1994; Naser, 1998). The costs of providing the detailed information and the risks of competitive disadvantages are lower than the benefits the big companies gain (Arcay & Vazquez, 2005). Mandatory disclosure enables big companies to use the detailed information to make investment in acquiring fixed asset and in creating innovation (Ball & Foster's, 1984). In addition, the benefits gained by the big companies will be a threat for the small companies (Depoers, 2000). Compared to the small companies, the big companies tend to have more strategic position in the capital market (Singhvy & Desai, 1971). Based on the above arguments, the hypothesis is suggested as follows:

H_{2a} : company size has a positive association with mandatory disclosure.

Company size is a significant factor affecting stock return (Banz, 1981). Previous research found that company size had a positive association with stock return (Daniel & Titman, 1997; Farma, Kenneth, & French, 1995; Sugiarto, 2011; Widyastuti, 2007). Small companies tend to work inefficiently and ineffectively. As a consequence, the stock trading frequency of the small companies is not as good as the one in the big companies (Widyastuti, 2007). In addition, small companies tend to have stocks with low capitalization value. They only have

marginal capabilities so their stock price tends to be more sensitive to the economic change. Moreover, small companies face many difficulties to grow in an unhealthy economic condition (Sugiarto, 2011). Based on the above arguments, the hypothesis is suggested as follows:

H_{2b} : company size has a positive association with stock return

Company Age

Company age is measured by the length of the companies listed on the stock market (Alanezi & Albuloushi, 2010). The mature companies have more experiences in providing a high quality financial statement since they have already had knowledge regarding the type of information needed by the investors to make some capital allocation decisions. Thus, the longer the companies listed on the stock market, the more experiences the companies gain to meet the information asked by the investors, and the lower the costs to process and produce this kind of information (Owusu-Ansah, 1998). In addition, the mature companies are encouraged to provide complete information due to two reasons: (i) the need to have more investors, and (ii) the need to maintain reputation and credibility (Popova, et al., 2013). In contrast to the mature companies, the young companies often meet many obstacles in their process to provide complete information to the investors. Those obstacles include: (i) The lack of competitive advantages so they tend to restrict the provision of information, (ii) The high costs to get, process, and produce complete information, and (iii) The lack of track record so this creates difficulties for them to rely on public opinion (Owusu-Ansah, 1998). Based on the above arguments, the hypothesis is suggested as follows:

H₃ : Company age has a positive association with mandatory disclosure

Company Profitability

Company profitability is one of company characteristics playing an important role for the investors because the profitability shows the company performance (Alanezi & Albuloushi, 2010). Company profitability can be measured by return on equity which is the net income divided by total equity (Bova & Pereira, 2012). The high profitability generated by the companies will encourage managers to disclose more information because the managers expect to get high bonuses by disclosing more information (Inchausti, 1997). Moreover, companies with high profitability tend to provide complete information to show to the investors that they have good performances. Providing complete information makes the companies with high profitability easy to get fund from the investors (Kurniawan, 2013). Based on the above arguments, the hypothesis is suggested as follows:

H_{4a} : Company profitability has a positive association with mandatory disclosure.

Profitability is also included as the technique in fundamental analysis that can be used to predict the stock return. Most investors use the profitability ratio as the base to make a capital allocation decision. The companies that have high profitability means that those companies

perform well during the operation and their stock prices increase. As a result, stock return will increase (Kusumo, 2011). Previous research found a positive association of profitability towards stock return (Octora, Salim, & Petrolina, 2003; Dewi, 2008; Nugraha, 2005). The higher the profitability of the company, the higher stock returns that will be received by the investors. Based on the above arguments, the hypothesis is suggested as follows:

H_{4b} : Company profitability has a positive association with stock return.

METHODOLOGY

Research Model

The research model to test all hypotheses in this research is shown in Figure 1.

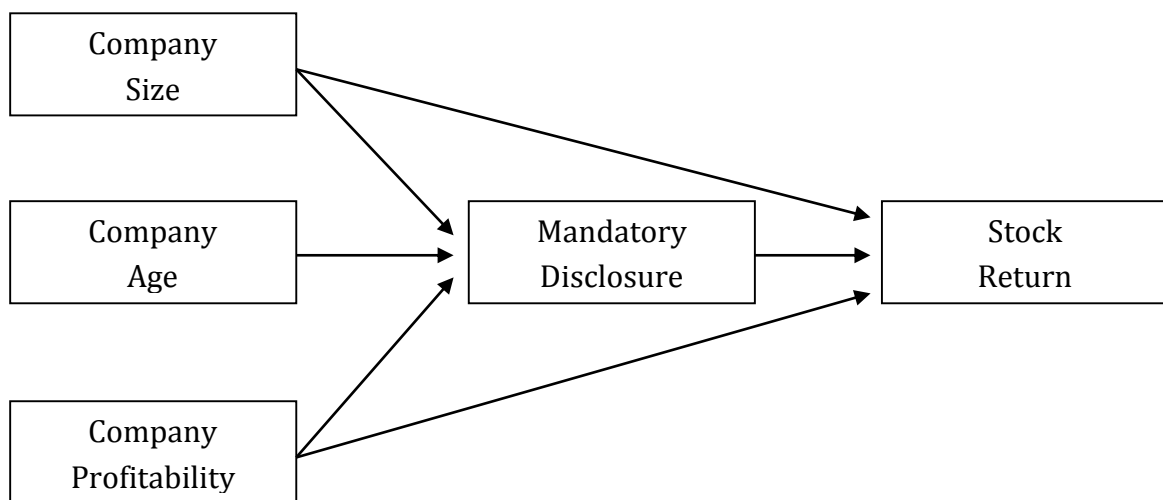


Figure 1. Research Model

Mandatory disclosure in this research means items required by IAS 16 (fixed asset) and IAS 17 (leasing) that must be published by the companies. IAS 16 was used in this research because of the high proportion of fixed assets used in the manufacture companies; whereas IAS 17 was used for being the standard that the manufacture companies had the lowest level of compliance (Utami et al., 2012). Table 1 shows the number of items in IAS 16 and IAS 17 that must be disclosed by the companies.

Table 1. Items of Disclosure in IAS 16 and IAS 17

IAS	Title	Number of Items
IAS 16	Fixed Assets	28
IAS 17	Leasing	21

Research Variables

Table 2 shows the type of variables and the operational definition of the variables used in this research.

Population and Sample

The population used in this research was manufacture companies as listed in the Indonesia Stock Exchange in 2012. The reasons why manufacture companies were chosen as the research population included: (i) the manufacture companies tend to disclose more information to the investors, and (ii) the manufacture companies need more funds to acquire fixed assets (Utami et al., 2012). Of 129 companies as the population, 47 companies were chosen as the sample of this research. The criteria used to choose the sample was (i) the company published financial statement for the year 2012, (ii) the company distributed cash dividend for the year 2012, and (iii) the company published data related to the research variables for the year 2012. The data was gathered from the 2012 financial statement published by each company. The reason of choosing the year 2012 as a research period is that the year 2012 is the first year of the IFRS implementation in Indonesia. It was interesting to determine the level of compliance to mandatory disclosure in the first year of the implementation of international standards.

Table 2. Research Variables

Variables	Type of Variable	Operational Definition
Stock Return	Endogenous Variable	$\text{Stock Return} = \frac{P_t - P_{t-1} + D_t}{P_{t-1}}$ while: P_t = current stock price P_{t-1} = previous stock price D_t = current cash dividend (Hartono, 2010; Popova et al., 2013)
Mandatory Disclosure	Endogenous Variable	$TI = \frac{TD}{M} = \frac{\sum_1^m d_i}{\sum_1^n d_i}$ while: TI = total disclosure index TD = total disclosure score M = maximum disclosure score of each company d = disclosure item i m = actual number of relevant disclosure items ($m \leq n$) n = number of items expected to be disclosed (Aljifri, 2008)
Company Size	Exogenous Variable	logarithm of total asset (Alanezi & Albuloushi, 2010; Bova & Pereira, 2012)
Company Age	Exogenous Variable	the length of the companies listed on the stock market (Alanezi & Albuloushi, 2010)
Company Profitability	Exogenous Variable	Net Income / Total Equity (Bova & Pereira, 2012)

Data Analysis

The data analysis used path analysis and IBM Statistics SPSS 19. Path analysis requires that data must meet these requirements: there is neither multicollinearity between independent variables nor heteroscedasticity, and data should meet normality and linearity assumptions. Afterwards, the model for path analysis was set. There were two structural equation models set based upon Sunyoto (2011) and Sarwono (2007) models as shown below:

$$\begin{aligned} \text{Disc} &= \beta_{\text{Disc Size}} + \beta_{\text{Disc Age}} + \beta_{\text{Disc Profit}} + \varepsilon_1 \\ \text{Return} &= \beta_{\text{Return Size}} + \beta_{\text{Return Disc}} + \beta_{\text{Return Profit}} + \varepsilon_2 \end{aligned}$$

with these additional information:

Size = Company Size
 Age = Company Age
 Profit = Company Profitability
 Disc = Mandatory Disclosure
 Return = Stock Return

The first structural equation model was developed to test H_{2a}, H₃, and H_{4a} regarding whether company size, company age, and company profitability individually had a positive association with mandatory disclosure. The second equation model was used to test H₁, H_{2b}, and H_{4b} regarding whether company size, mandatory disclosure, and company profitability individually had a positive association with stock return. The t-test was used to prove whether the research hypothesis was accepted or rejected. The research hypothesis is accepted if the value of significance is less than the value of alpha 0.05 (Sarwono 2007; Sunyoto 2011). Finally, the test to prove whether mandatory disclosure was an intervening variable was conducted using Sobel Test, a test to determine whether a mediator functions as an intervening variable between independent variable and dependent variable (Preacher & Leonardelli, 2006). The research hypothesis is accepted if the *t* value > *t* table = 1,65 (Ghozali, 2011). The *t*-value was calculated by using formulae:

$$sab = \sqrt{b^2sa^2 + a^2sb^2 + sa^2sb^2}; \quad t \text{ value} = ab/sab$$

with these additional information:

a = raw (unstandardized regression coefficient for the association between independent variable and mediator
 b = raw coefficient for the association between the mediator and the dependant variable
 sa = standard error of a
 sb = standard error of b
 sab = error standard for indirect influence (Ghozali, 2011)

RESULTS AND DISCUSSION**Descriptive Statistics**

Table 3 provides the information regarding the result of descriptive statistics for each variable. It can be seen from Table 3 that the mean of mandatory disclosure in manufacturing

companies is 62.40%. This means that the average of manufacture companies in the first year implementation of IFRS did not meet the criterion asked by Bapepam-Lk.

Table 3. Descriptive Statistics

Variable	N	Minimum	Maximum	Mean	Deviation Standard
Return	47	-0.90	3.55	0.1117	0.69568
Disclosure	47	0.44	0.85	0.6240	0.10666
Size	47	5.11	8.33	6.5713	0.72162
Age	47	2.00	36.00	20.5532	6.98697
Profitability	47	0.00	0.44	0.1621	0.10814

Assumption Test

The assumption tests were conducted to both the first and the second structural equation model. The first test was normality test that was conducted by using Kolmogorov-Smirnov Test. The result of normality test is shown in Table 4. It can be seen from Table 4 that the significance values for the first and the second structural equation model are higher than 0.05. Thus, normality assumptions are met.

Table 4. The Result of Normality Test

Unstandardized Residual	Asymp. Sig (2-tailed)
The 1 st structural equation model	0.649
The 2 nd structural equation model	0.241

The second test is heteroscedasticity test. The test was conducted using Park Test. Table 5 shows the result of heteroscedasticity test. As shown in Table 5, no heteroscedasticity for all structural equation models since each significance value is higher than 0.05

Table 5. The Result of Heteroscedasticity Test

LnU^2_i for each Structural Equation Models	Independent Variable	Significance
The 1 st Structural Equation Model	Size	0.334
	Age	0.608
	Profit	0.426
The 2 nd Structural Equation Model	Size	0.329
	Profit	0.076
	Disclosure	0.538

The third test is multicollinearity test. Table 6 shows the result of multicollinearity test. The tolerance values of each independent value for both the first and the second structural equation model were found higher than 0.10. In addition, the VIF value of each

independent value for both the first and the second structural equation model were less than 10. Therefore, it can be concluded that there are multicollinearity among independent variables in the first structural equation model and the second structural equation model.

Table 6. The Result of Multicollinearity Test

	Independent Variable	Tolerance	VIF
The 1 st structural equation model	Size	0.997	1.003
	Age	0.927	1.078
	Profit	0.925	1.081
The 2 nd structural equation model	Size	0.992	1.008
	Disc	0.964	1.037
	Profit	0.968	1.033

The last assumption test is linearity test conducted using Lagrange Multiplier Test. Table 7 shows the R^2 value for $Res_1 = b_0 + b_1 \text{ size}^2 + b_2 \text{ age}^2 + b_3 \text{ profit}^2$ and $Res_2 = b_0 + b_1 \text{ size}^2 + b_2 \text{ disc}^2 + b_3 \text{ profit}^2$. For the first structural equation model, the $R^2 = 0.003$ with the amount of data was 47, so the value of $x^2 = 47 \times 0.003 = 0.141$. This x^2 value was compared with the x^2 table at d_f 40 and α 0.05. The value of x^2 table was 55.76. Since the x^2 was less than the x^2 table, the linearity assumption for the first structural equation model was met. Then, for the second structural equation model, the $R^2 = 0.005$ with the amount of data was 47, so the value of $x^2 = 47 \times 0.005 = 0.235$. This x^2 value was compared with the x^2 table at d_f 40 and α 0.05. The value of x^2 table was 55.76. Since the x^2 was less than the x^2 table, the linearity assumption for the second structural equation model was met as well.

Table 7: Result of Linearity Test

Regression Model with Lagrange Multiplier	R^2
$Res_1 = b_0 + b_1 \text{ size}^2 + b_2 \text{ age}^2 + b_3 \text{ profit}^2$	0.003
$Res_2 = b_0 + b_1 \text{ size}^2 + b_2 \text{ disc}^2 + b_3 \text{ profit}^2$	0.005

Hypothesis Test: The First Structural Equation Model

The first structural equation model was used to test H_{2a} , H_3 , and H_{4a} regarding whether company size, company age, and company profitability individually had a positive association with mandatory disclosure. Table 8 provides information regarding the result of data processing for the first structural equation model.

The first structural equation model that can be set from Table 8 is:

$$\text{Disc} = 0.005 \text{ Size} + 0.231 \text{ Age} + 0.043 \text{ Profit} + 0.939$$

It can be shown from Table 8 that the beta value for size variable was 0.005 indicating that 0.5% variation in companies' mandatory disclosure was explained by the variation in the companies' size. However, this effect was not significant since the significance value was $0.963 > 0.05$. Therefore, the H_{2a} was rejected meaning that the company size has no

association with mandatory disclosure. The result supports the research by Alanezi & Albuloushi (2010), Aljifri (2008), Glaum & Street (2003), Owusu-Ansah & Yeo (2005), and Popova et al. (2013). The big companies usually have more human resources with accounting and finance qualifications. However, those human resources may not ready to face the convergence of IFRS in the first year of IFRS implementation in Indonesia. IFRS requires more information to be disclosed in the financial statement (Cahyati, 2011). IAS 16 regulates that it is better for the companies to value their fixed assets by using fair value rather than historical cost. This is due to the reason that fair value reflects the truth value of fixed assets in the date of financial statement. It is necessary for the companies to have human resources that have an ability to determine the fair value of the fixed assets. Having such kind of human resources is a complex task for the companies due to the high costs to train the employees or to rent the appraisals (Cahyati, 2011). In addition, the factor that influences Indonesia's companies to provide more disclosure in the beginning year of IFRS implementation was the time (Silviana, 2014). The human resources need more time to understand the IFRS since its paradigm is different from the previous accounting standard used in Indonesia (US GAAP). The IFRS is a principle-based standard, whereas US GAAP is a rule-based standard. The principle-based standard enables the companies to provide more relevant information that closes to the condition of the companies. However, this standard requires more professional judgments to gather the more relevant information. The companies' accountants need more time to understand and provide professional judgments, so they can provide more disclosure regarding the fixed asset controlled by the companies (Silviana, 2014).

Table 8. Result of the First Path Analysis

Variables	Standardized Coefficients (Beta)	t	Sig.	Explanation
Size	0.005	0.047	0.963	Not Significant
Age	0.231	2.177	0.032	Significant*
Profit	0.043	0.400	0.690	Not Significant
R	= 0.246			
R Square	= 0.061			
* α	= 0.05			

Table 8 reveals that the beta value for the age variable was 0.231 indicating that 23.1% variation in companies' mandatory disclosure was explained by the variation in the companies' ages. The effect was significant since the significance value was $0.031 < 0.05$. Therefore, H_3 was accepted indicating a positive association of company age with mandatory disclosure. The longer the companies are listed in the stock exchange, the more complete the mandatory disclosure provided to the investors will be. The result supports the research from Popova et al. (2013) and Owusu-Ansah (1998). The result can be explained by learning curve from Owusu-Ansah (1998) in Popova et al. (2013) illustrating that the mature companies get

used to mandatory disclosure and the level of compliance to mandatory disclosure increases over time.

Table 8 also shows that the beta value of profitability variable was 0.043 showing that 4.3% variation in the companies' mandatory disclosure is explained by the variation in the companies' profitability. However, this effect was insignificant since the significance value was $0.690 > 0.05$. Therefore, H_{4a} was rejected indicating that the company profitability has no association with mandatory disclosure. The result is consistent with the research from Akhtaruddin (2005), Aljifri (2008), Latridis (2008), Owusu-Ansah & Yeoh (2005), and Popova et al. (2013). The implementation of corporate governance in Indonesia requires the companies to be more transparent and disclose more information in their financial statement. There is a tendency in Indonesia that the companies with high and low profitability attempt to apply good governance by following the mandatory disclosure regulated in the accounting standard (Mintara, 2008). In addition, both companies with high and low profitability tend to provide more information. The high profitability companies are likely to disclose complete information because they want their good performance to be shown to public so that it will be easier to get fund from the investors (Kurniawan, 2013). The low profitability companies also attempt to provide more information because they will get penalized if they hide their poor performance (Popova et al., 2013).

Hypothesis Test: The Second Structural Equation Model

The second structural equation model was used to test H_1 , H_{2b} , and H_{4b} regarding whether mandatory disclosure, company size, and company profitability individually had a positive association with stock return. Table 9 provides information regarding the result of data processing for the second structural equation model.

Table 9: The Result of the Second Path Analysis

Variables	Standardized Coefficients (Beta)	t	Sig.	Explanation
Size	0.272	2.065	0.045	Significant*
Disc	0.237	1.769	0.084	Significant**
Profit	0.425	3.180	0.003	Significant*
R	= 0.508			
R Square	= 0.258			
* α	= 0.05			
** α	= 0.10			

The second structural equation model that can be set from Table 9 is:

$$\text{Return} = 0.272 \text{ Size} + 0.237 \text{ Disc} + 0.425 \text{ Profit} + 0.742$$

As shown in Table 9, the beta value for size variable was 0.272 indicating 27.2% variation in companies' stock return was explained by the variation in the companies' size. This effect was significant since the significance value was $0.045 < 0.05$. Therefore, the H_{2b} was accepted indicating a positive association of the company size with stock return. The

more assets controlled by the company, the higher the stock return that will be gained by the investors. The result supports previous research from Daniel & Titman (1997), Farma et al. (1995), Sugiarto (2011), and Widyastuti (2007). The big companies usually have more resources to conduct an operation efficiently and effectively. This condition raises the stock prices and increases the stock return.

Table 9 shows that the beta value for the disclosure variable was 0.237 indicating that 23.7% variation in companies' stock return was explained by the variation in the companies' mandatory disclosure. The effect was significant since the significance value was $0.084 < 0,10$. Therefore, H_1 was accepted showing that the company mandatory disclosure has a positive association with stock return. The higher the level of compliance to mandatory disclosure, the higher the stock returns will be gained by the investors. The result is consistent with the research from Healy et al. (1999) and Popova et al. (2013). The information asymmetry between investors and managers reduces due to the broad mandatory disclosure provided by the companies. This will maintain the reputation of the companies, so their stock prices increase followed by the increase of the stock return.

Table 9 also reveals that the beta value of profitability variable was 0.425 showing that 42.5% variation in the companies' stock return was explained by the variation in the companies' profitability. This effect was significant since the significance value was $0.003 < 0.05$. Therefore, H_{4b} was accepted indicating that the company profitability has a positive association with mandatory disclosure. The higher the profitability of the companies, the higher the stock returns will be gained by the investors. The result is consistent with previous research from Octora et al. (2003), Dewi (2008), and Nugraha (2005). The stock prices of the companies having high profitability tend to increase due to the good performance showed by the companies. In addition, companies with high profitability often distribute the dividend to the stockholders. As a result, the stock return increases

Sobel Test

The next test is to determine whether mandatory disclosure is a mediator: (i) between company size and stock return, (ii) between company age and stock return, and (iii) company profitability and stock return. Since H_{2a} was rejected, mandatory disclosure was not a mediator between company size and stock return. In addition, mandatory disclosure was not a mediator between company profitability and stock return because H_{4a} was rejected. Therefore, the only hypothesis that can be set is:

H_5 = company age has the indirect association with stock return through mandatory disclosure.

Figure 2 shows that the total indirect effect between company age and stock return through mandatory disclosure was $23.1\% + 23.7\% = 46.8\%$. Here, Sobel Test was conducted to determine whether this effect was significant. Sobel Test was appropriate to be used in this research since normality assumption for two structural equation models were already met as shown in Table 4. Table 10 shows the result of Sobel Test. The t-statistics was 0.9264

< t-table 1.96, so H_5 was rejected. This meant that mandatory disclosure was not a mediator between company age and stock return.

Table 10. Result of Sobel Test

Input	Sobel Test
a = 0.003	t statistic = 0.92640865
b = 0.937	Std. error = 0.0030343
$s_a = 0.001$	p-value = 0.35423365
$s_b = 0.962$	

The complete result of path analysis is shown at Figure 2.

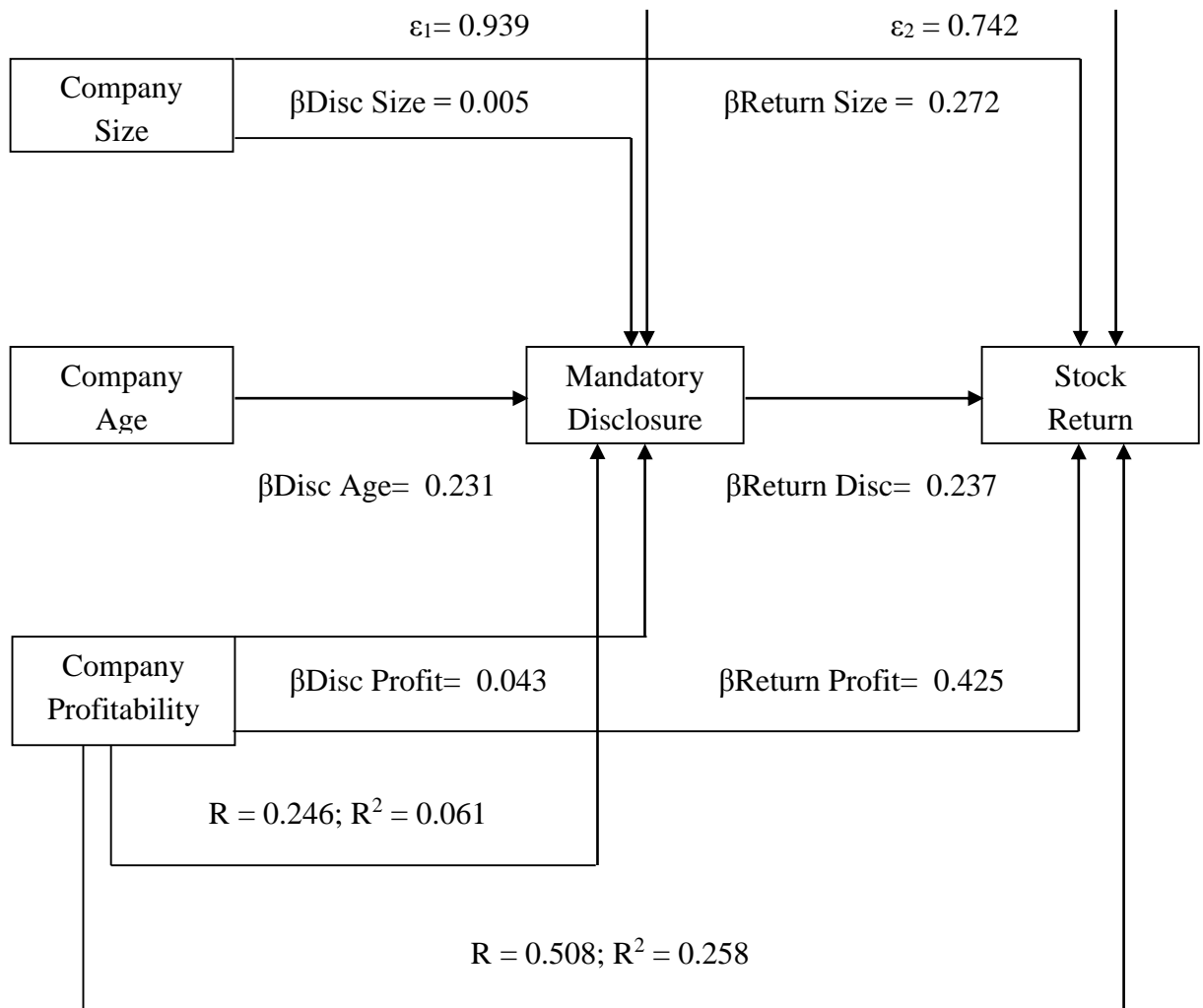


Figure 2. Result of Path Analysis – Two Structural Equation Model

CONCLUSION

Based on the research results, it was found that mandatory disclosure did not function as a mediator between independent variables including company size, company age, and company profitability and a dependent variable including stock return. It did because there was no association between company size and company profitability with mandatory

disclosure. Sobel Test also provided evidence that there was no indirect association between company age and stock return through mandatory disclosure, even though the statistical results proved that company age was significantly associated with mandatory disclosure and mandatory disclosure was significantly associated with stock return. Since mandatory disclosure directly affects stock return, it is necessary for the companies to disclose information as regulated by accounting standards in Indonesia. Then, company age is a significant factor affecting mandatory disclosure, so the investors can recognize the mature manufacturing companies listed at Indonesia Stock Exchange as the place to find complete and transparent information. In addition, since company size and company profitability directly have a positive association with stock return, the investors can recognize the big manufacturing companies and the high profitability manufacturing companies as the places to invest.

Some limitations are found in this research including: (i) the research was only conducted for one period of financial statements, so there is a possibility that the results do not reflect the level of compliance to mandatory disclosure in the implementation of IFRS. It is advised to lengthen a research period in the next research to get the more precise result regarding mandatory disclosure in IFRS implementation era, (ii) the number of samples used in this research was only 47 manufacturing companies, so there is a possibility that the results do not reflect the condition in manufacturing companies. It is advisable to increase the number of samples and to expand the scope of research to other industries, (iii) the subjectivity of providing score to determine whether the companies disclose the information or not is a matter of concern. Therefore, it is necessary to work together with the practitioners such as auditors to minimize the subjectivities.

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EFFECT OF LISTING AND DELISTING FROM LQ45 INDEX TOWARDS PRICE OF A STOCK: A STUDY FROM INDONESIA STOCK EXCHANGE

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Abstract

In Indonesia stock market, LQ45 is regarded as one of the main indices that attracts investor's attention to depict the overall stock market. The stock listed in LQ45 is always changing on 6-month basis based on the criteria regulated by PT Bursa Efek Indonesia. Some investors that want to invest in liquid stocks, however, only look for the stock in the LQ45 at the moment they want to invest. In this matter, the fluctuation of transaction can happen and affect the price of the stocks over time. It is hypothesized that listing on LQ45 have a higher price because of lower risk implied on the stocks and attract more demand in the stock. The hypothesis for delisting on LQ45 is conversely with the listing. This research is bounded by the time of stocks listing and delisting, which consists of stocks listed in February 2015 to July 2015, and also stocks delisted in the same period. To analyze the data, time series method is used. The price analyzed is one year before effective date of listing or delisting, and one year after the effective date of listing or delisting. Based on selected stocks that meet the criteria, listing of the stocks in LQ45 shows a not significant price increase compared to the pre-listing period. On the delisted stocks, the result is significant price drop, which put higher risk into delisted stocks. The conclusion is LQ45 index doesn't make the price of a stock increase by some margin but once the stock came out of the index, the price will go down. In short, it is crucial to keep an eye on the LQ45 index changes because it can gives insight for investor to make the trading timing right.

Keywords: investment, stocks, stock price, capital market, listing, delisting

INTRODUCTION

Indonesia Stock Exchange has been growing vastly since Pakto 1988 that changed Indonesia's financial markets and establishment of PT Bursa Efek Jakarta (now PT Bursa Efek Indonesia). As a result, stock indices have been one of the indicators in terms of stock price movement. In February 1997, LQ45 index was created. LQ45 stands for 45 stocks with highest liquidity with some criteria of selection

The LQ45 Index is evaluated regularly on 3 month basis. On every evaluation, there are changes in liquidity rank and every 2 evaluation period there will be a change in the structure of the index. The change in index structure means if there are new stocks having better liquidity than some of the existing ones, they will be added into the index for the next 6 months. Over time, the composition of LQ45 stocks changes because each company's financial performance changes. Every period of 6 months this composition is evaluated based on guidelines issued by PT Bursa Efek Indonesia and since August 2003 there always been stocks which are delisted from LQ45 because losing in one or more criteria and replaced by the stocks which meets the criteria. Those stocks which replace the incumbent

stocks are known as listed in LQ45, which the effect of this phenomenon will be researched here.

LITERATURE REVIEW

Prior to conducting this research, previous research related to this topic mainly focuses on stock exchanges and indices outside Indonesia. From S&P 500 case, the delisting from the exchange shows delisted stocks have lower cumulative return (Goetzmann, Gary, 1986). Observed variables are daily price, average return, daily volume and abnormal returns of delisted stocks, added with overall S&P 500 return.

On listed stocks, previous findings shows that the listing phenomenon have an effect tied to the duration that the stock listed. In S&P 500 case, the longer listed companies have lower post-listing return (Brown, 2012). The Fama-French portfolio management method is used in his research.

Study in LQ45 index have been conducted before measuring profitability of stocks in LQ45 based on earnings per share (EPS), debt to equity ratio (D/E) and current ratio (CR). The result is all of them has positive impact toward stock return and return on asset (RoA).

Generally, capital market is the market where bonds and stocks are traded for medium to long-term financing, hence the term capital which raise the money needed by a company. The traded bonds and stock is called securities. Those securities are issued on primary market. Primary market is where new issues are offered to public investors. Later on, the investors can trade those securities among themselves in the secondary market (Bodie, 2014).

On this paper, the stock used is a common stock. A common stock is a stock that have no special preference in either receiving dividends or in bankruptcy (Ross, 2010). In other words, common shareholders have the least priority in terms of dividend payment or liquidation when the company are going to be liquidated.

Price of Stock

Stock price, or the value of the stock is valued by several methods. The most popular method used for stock valuation are using zero growth, constant growth, and differential growth (Ross, 2010). In the market, the stock price movement may as well influenced by the trading volume. Generally, there are positive relationship between trading volume and magnitude of price change (Lin, 2015). Therefore, the activity on the market can really affects the price of a stock

Stock Listing

Cited from Investopedia, to be listed a stock should meet exchange's listing requirements and pay both the exchange's entry and yearly listing fees. A stock can also opt for primary listing, which defined as listing in the primary market of a country. In Indonesia, currently there is only one stock exchange, so listing in IDX is considered primary listing. The aim of

primary listing is also similar with listing in LQ45 which the companies might want to increase their liquidity and ability to raise capital from the investors.

Stock Delisting

According to Investopedia, stock delisting is defined as removal of a listed security from the exchange where the stock traded. The reasons for delisting include violating regulation and/or fail to meet specifications set by stock exchange. As LQ45 is only an index, not a whole market of stock exchange which in Indonesia is the IDX, the stocks delisted from LQ45 is still tradeable in the IDX but just not listed in LQ45 that is one of the benchmark index of the overall IDX performance.

Effective Date (of Listing/Delisting)

In the stock market, effective date itself means the day that the stocks can be start traded in, usually used in the companies that the stocks become available to trade in the initial public offering (IPO), according to Investopedia. . The effective date can be used to denote the date when the index come into effect (Ken, 2004).

LQ45 Index

Taken from the IDX website (www.idx.co.id) the LQ45 index is composed from 45 stocks that have the highest liquidity traded on the Indonesia Stock Exchange (IDX). The 45 stocks should passes through several selection criteria that issued and regulated by PT BEI and also market capitalization of LQ45 is taken into consideration.

Maintaining the Integrity of the Specifications

The measurements are deliberate, using specifications that anticipate your paper as one part of the entire proceedings, and not as an independent document. Please do not revise any of the current designations.

METHODOLOGY

Data Collection

For this research, the type of data used is secondary data. The data mainly consists of historical daily stock prices and volume traded starting from 1 year (243 working days) before listing or delisting at February 2015 until 1 year (243 working days) after listing or delisting. For the daily stock price the data used is the adjusted closing price. The daily adjusted closing price and trading volume data is gathered from Yahoo! Finance and Bloomberg. In addition, composite stock price (IHSG) are also included to measure relative volatility of each stocks to the market. The list of LQ45 stocks in the period of research are collected from sahamok website (www.sahamok.com/bei/lq-45)

Table 1 Listed stocks in LQ45 Index at February 2015

No.	Ticker Symbol	Company Name
1.	MPPA	PT Matahari Putra Prima Tbk.
2.	SILO	PT Siloam International Hospitals Tbk.
3.	SSMS	PT Sawit Sumbermas Sarana Tbk.

Stocks that are listed in LQ45 at February 2015 and never be listed 243 working days prior and delisted 243 working days after are included in this research. The following table shows the stocks meeting those criteria

The variables that are going to be analyzed is the stock price. Therefore the prices of those stocks, both the listed ones and the delisted ones are compiled for 243 working days before the effective date of changes in LQ45 composition (beginning in February 1, 2015) and 243 working days after the effective date.

Table 2 Delisted stocks from LQ45 index in February 2015

No.	Ticker Symbol	Company Name
1.	BDMN	PT Bank Danamon Indonesia Tbk.
2.	HRUM	PT Harum Energy Tbk.
3.	TAXI	PT Express Transindo Utama Tbk.

To observe the differences before and after the composition change which the stocks are getting listed or delisted, the means of 3 stock prices each day is calculated. In this case, the price of MPPA, SILO and SSMS each day are averaged. Then price at the days before the effective date and the days at and after the effective date is separated to make a 2 set of temporal data with equal number of samples. Similarly with the delisted stocks, the price of BDMN, HRUM, and TAXI for each day are averaged, then separated into before-after set of data. This is needed to observe the significance caused by the listing and delisting phenomenon.

Descriptive Statistics

Descriptive statistics used to describe the basic features of the data. It is basically summarizing the samples used in the analysis. In this case, the descriptive statistics used is the univariate analysis. As the name suggests, the univariate analysis only describing the distribution of the data over a single variable, in contrast with multivariate analysis. The univariate analysis in this research consists of central tendency (mean, mode, median) and dispersion (range, variance, and standard deviation).

Inferential Statistics

In this research, the aim is to determine whether the listing and delisting of the stocks is significantly affect the stock price, thus the method for analyzing the data is statistical method which best depicts the significance of the effect. The statistical method used are descriptive statistics and non-parametric inferential statistical method.

The inferential statistics to be used in the research is normality test and Wilcoxon signed-rank test. Normality test is the test conducted to decide whether the data is normally distributed or not. As most statistical tests is assuming that the data is normally distributed, the normality test is required for the first steps to determine the next required statistical tests. The normality test is grouped under non-parametric statistics because to test the normality the data is not required to meet the parametric statistics requirements.

In this case, the Shapiro-Wilk test is used to determine the normality of the data. The reason to choose Shapiro-Wilk other than the other normality test (e.g. Kolmogorov-Smirnov test) is because the sample size (n) is smaller than 2000 and among the other normality tests (i.e. Kolmogorov-Smirnov test, Lillefors test, Anderson-Darling test) the Shapiro-Wilk test is the most reliable normality test for all sample sizes (Razali, 2011). Based on that fact, the Shapiro-Wilk test should provide reliable results of data normality

Wilcoxon signed-rank test is used when there are two nominal variables and one measurement variable. This test is non-parametric test and is analogous to paired t-test and used if the distribution is not normally distributed (McDonald, 2014). The Wilcoxon signed-rank test will be used if the Shapiro-Wilk normality test conducted beforehand gives an output that denotes absence of normality in the sample.

DATA ANALYSIS

Listed Stocks

Table 3 Descriptive Statistics on LQ45 Listed Stocks

Sample	Mean	Median	Range	Variance	Std Dev
Pre-listed	5765.594	6062.093	2711.627	572416.1	756.5819
Post-listed	5807.607	6132.293	3048.317	874898.5	935.3601

Table 3 shows descriptive analysis conducted on listed stocks shows that the mean is slightly higher on post-listed period, as well as median. Range of data also higher in post-listed period. A greater variance is shown at post-listed period which translates to a higher standard deviation, therefore the post-listed days have a higher volatility.

Table 4 Test of Normality in Prelisted Period of LQ45 Listed Stocks

Tests of Normality

	Shapiro-Wilk		
	Statistic	df	Sig.
PRELISTED	.853	243	.000

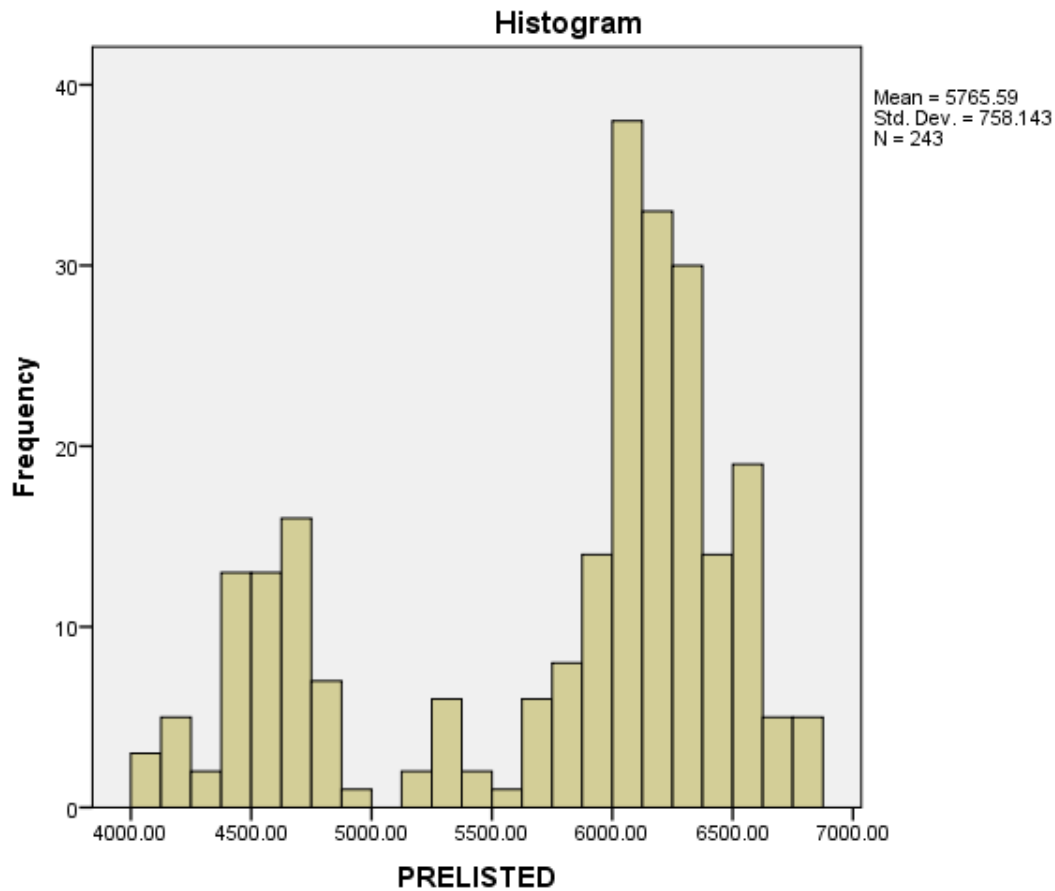


Figure 1 Histogram of Prelisted Period of LQ45 Listed Stock Prices

The test of normality table in Table 4 shows the p-value (shown as Sig. in the table) is $0.000 < 0.05$, so it is not a normally distributed data. Moreover, the data have a highly skewed histogram shown in Figure 1, particularly to the right edge of the graph. The left side of the graph also skewed, although not as pronounced as in the right. So, it is confirmed that the data is not normally distributed.

Table 5 Test of Normality in Prelisted Period of LQ45 Listed Stocks

Tests of Normality			
	Shapiro-Wilk		
	Statistic	df	Sig.
POSTLISTED	.872	243	.000

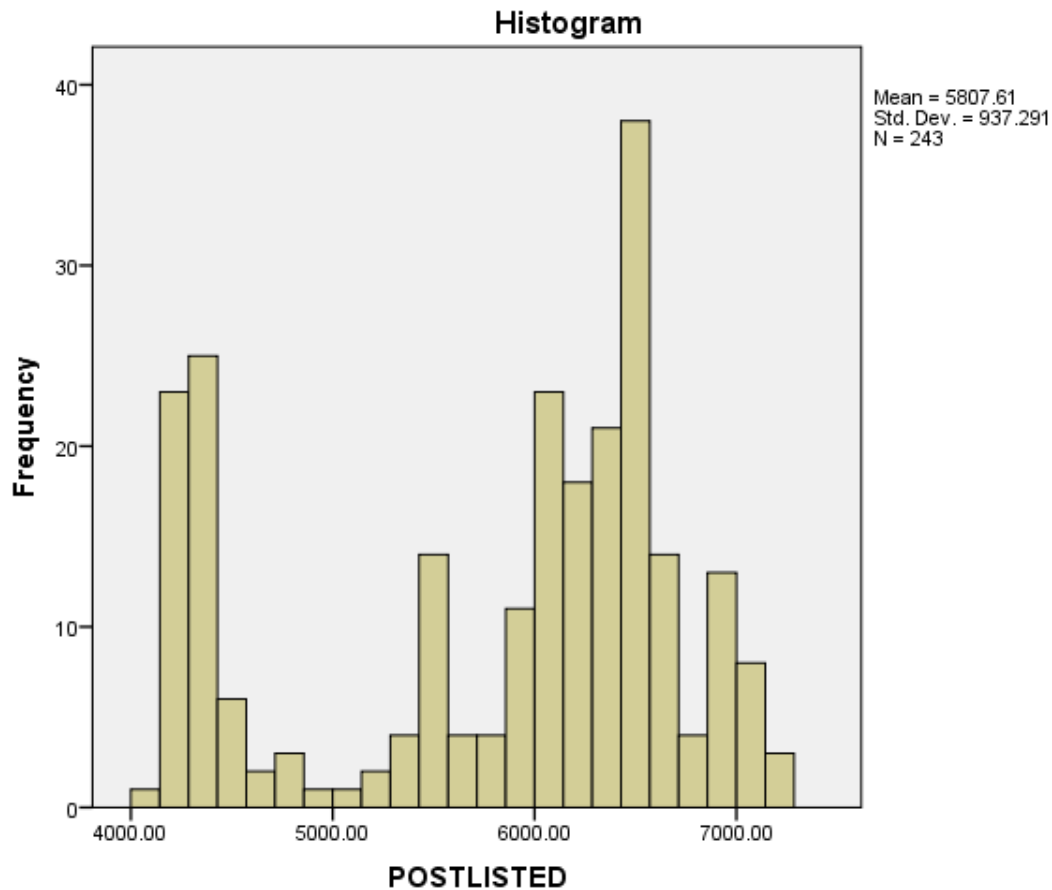


Figure 2 Histogram of Postlisted Period of LQ45 Listed Stock Prices

The post delisted prices in Table 5 shows the 0.000 p-value in the Shapiro-Wilk normality test. Hence, the normality of distribution at 95% confidence level is considered not normally distributed, which requires 0.05 p-value to be classified as normally-distributed data. Similarly, the histogram of the data distribution depicted in Figure 2 shows that the data for this set is heavily skewed to the right and left, making the non-normal distribution is happening on the data set.

Table 6 Wilcoxon Signed-rank Test Ranking for Listed LQ45 Stocks

		Ranks		
		N	Mean Rank	Sum of Ranks
POSTLISTED - PRELISTED	Negative Ranks	117 ^a	125.64	14700.00
	Positive Ranks	126 ^b	118.62	14946.00
	Ties	0 ^c		
	Total	243		

a. POSTLISTED < PRELISTED

b. POSTLISTED > PRELISTED

c. POSTLISTED = PRELISTED

The Wilcoxon signed-rank test ranks the 243 samples of the average price of pre-listed and post-listed stocks. In the ranking step shown at Table 6, it is shown that the

negative ranks (W-) which means post-listed price is lower than the pre-listed price in 117 days. The other 126 days shows a positive ranks (W+) which is an improvement in price level as the post-listed price is higher than the pre-listed ones, in the same date of year.

Table 7 Test Statistics for Listed LQ45 Stocks

Test Statistics ^a	
	POSTLISTED - PRELISTED
Z	-.112 ^b
Asymp. Sig. (2-tailed)	.911

a. Wilcoxon Signed Ranks Test

b. Based on negative ranks.

In the statistical test of Wilcoxon signed-rank test for the stock listing data, the z-value is -0.112, which in this method is based on the negative-ranked data. The p-value (shown in the table as Asymp. Sig (2-tailed)) is 0.911. With 95% confidence level, the test results that the null hypothesis is retained, which means that there is no difference in the median.

Delisted Stocks

Table 8 Descriptive Statistics on LQ45 Delisted Stocks

Sample	Mean	Median	Range	Variance	Std Dev
Pre-delisted	2441.228	2445.67	612.3363	19132.31	138.3196
Post-delisted	1819.964	1991.986	1615.519	190849.2	436.8629

Descriptive statistics for delisted stocks are shown in Table 8. The mean is lower in post-delisted period, with the similar behavior observed in median. The range is much higher on post-delisted stocks with more than twice as much as the pre-delisted period. The variance is also much higher in the post-delisted period, which standard deviation follows the same behavior as well. The difference is more than three times between pre- and post-delisted period.

Table 9 Test of Normality in Predelisted Period of LQ45 Delisted Stocks

Tests of Normality			
	Shapiro-Wilk		
	Statistic	df	Sig.
PREDELISTED	.978	243	.001

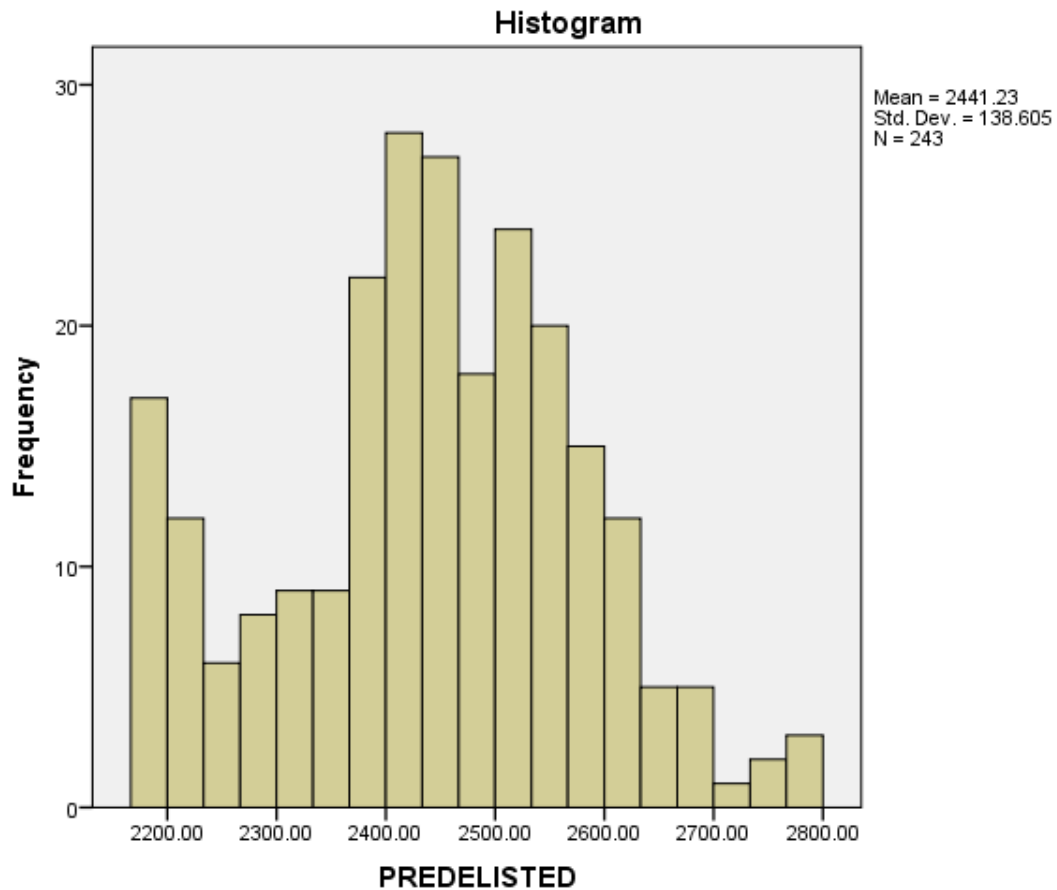


Figure 3 Histogram of Prelisted Period of LQ45 Delisted Stock Prices

The pre-delisted price shows a p-value of 0.001 as shown in Table 9, which is smaller than the requirement for normally distributed data at 0.05 on the 95% confidence level. The histogram in Figure 3 is skewed in the middle-left but goes high on the left edge of the histogram which makes the data is not normally-distributed.

Table 10 Histogram of Postdelisted Period of LQ45 Delisted Stock Prices

Tests of Normality			
	Shapiro-Wilk		
	Statistic	df	Sig.
POSTDELISTED	.887	243	.000

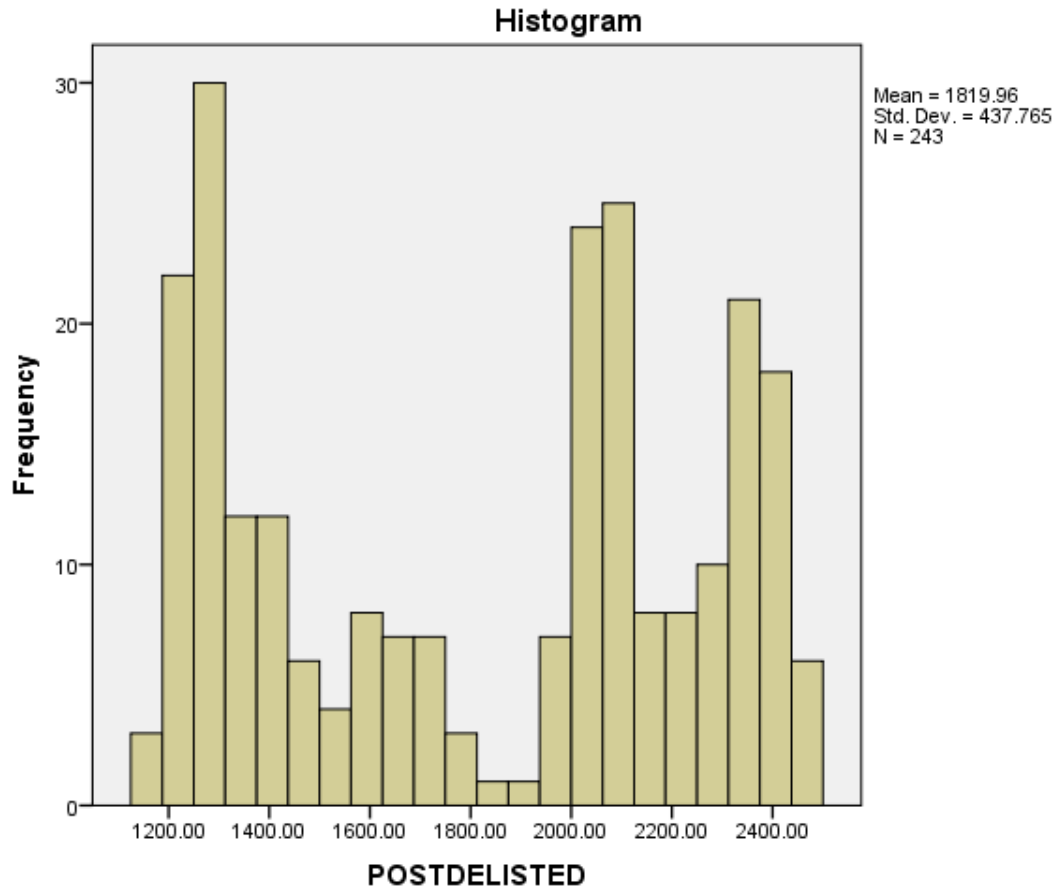


Figure 4 Histogram of Postdelisted Period of LQ45 Delisted Stock Prices

The post delisted prices shows the 0.000 p-value in the Shapiro-Wilk normality test. Hence, the normality of distribution at 95% confidence level is considered not normally distributed, which requires 0.05 p-value to be classified as normally-distributed data. Similarly, the histogram of the data distribution shows that the data for this set is heavily skewed to the right and left, making the non-normal distribution is happening on the data set.

Table 11 Wilcoxon Signed-rank Test Ranking for Delisted LQ45 Stocks

		Ranks		
		N	Mean Rank	Sum of Ranks
POSTDELISTED PREDELISTED	Negative Ranks	243 ^a	122.00	29646.00
	Positive Ranks	0 ^b	.00	.00
	Ties	0 ^c		
	Total	243		

- a. POSTDELISTED < PREDELISTED
- b. POSTDELISTED > PREDELISTED
- c. POSTDELISTED = PREDELISTED

Table 11 shows that all post-delisted average price on the same date is smaller than the pre-delisted level, from 243 days in the sample. The mean rank for the negative rank (W-) is 122 while the sum of ranks is 29646. The positive rank (W+) days when the post-delisted price is higher than the pre-delisted days is zero, and that means zero mean rank and zero sum of ranks. No ties are observed in this data set.

Table 12 Test Statistics for Delisted LQ45 Stocks

Test Statistics ^a	
	POSTDELISTED - PREDELISTED
Z	-13.514 ^b
Asymp. Sig. (2-tailed)	.000

a. Wilcoxon Signed Ranks Test

b. Based on positive ranks.

The Wilcoxon signed-ranked test statistics result for the delisted stock prices data shows that the Z-value is -13.514. The p-value (Asymp. Sig. (2-tailed)) in this set of data is 0.000 which means that with 95% confidence level, the null hypothesis is rejected.

The findings from the average stock prices in the LQ45 stocks listed in February 2015 shows that over the one full year after the effective date of listing, the stock price is affected slightly by the phenomenon, but not quite significant. Supported by the statistical method, it is safe to assume that the listing in LQ45 does not have a significant effect over the stock price.

The findings shows that delisting of a stock from LQ45 index could exert pressure to the price. On the whole year after the stocks went out of the index, on the same date in the year which usually triggers similar price behavior due to the annual cycle, none of them are going to exceed the pre-delisted prices. Therefore, it can be assumed that the delisting phenomenon from LQ45 index is significantly affect the stock prices over the course of a year price.

CONCLUSION

Listing of a stock in LQ45 index does have some slight difference to the price. However, the magnitude of change in price does not prove that listing in LQ45 could significantly affect the prices of a stock over the course of one-year price movement. On the other hand, removal of listing in LQ45 index does have a massive impact to the stock price over the course of a year price. The price decline is significant with no price above the pre-delisting days on a specific date.

Based on the result of research, it is advised for investors to look out the LQ45 composition regularly. The investment in LQ45 stocks that are delisted could net a negative impact towards investor's portfolio because of declining prices. On the other hand, the stocks that are not listed in LQ45 index before could make similar price behavior over the course

of time, so LQ45 listing in terms of stock price does not have power to significantly stable the prices more than before listing.

This research is also only based on price movement. Future research could include other variables in the stock trading based on investor's perspective such as return, volume of trading, or volatility. Also, the field of research is not only limited in LQ45 index. Upcoming research can observe the similar variable over the different index e.g. SRI-KEHATI Index, sectoral indices, or Jakarta Islamic Index.

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FINANCIAL ASSESSMENT OF ALCO ENGINE RESTORATION

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Abstract

Crude oil produced from several PT. XYZ fields in Riau will be sent to Gathering Stations and then collected to Dumai storage tank before lifted to Offtakers. It came from domestic and also from International such as Japan, China, Russia and other countries. Shipping pump with 2400 HP capacity and consist of 4 units which used to support daily lifting activities. Crude oil lifting average is around 120 MM BOPY. At the one moment and condition, there is possibility to lift it with 4 unit engine running. Surprisingly in 2015, one-unit shipping pump was damaged. In this thesis, Author firstly do SWOT analysis to take information from an environmental analysis and separate it into internal and external issues. In deeply assessment, Author also assesses the financial aspect by Capital Budgeting analysis and risk management. Furthermore to meet the crude oil demand from buyers and to meet crude oil quotas target as one of Production Sharing Contract of Government Indonesia. By this condition, there are some efforts to put ALCO engine back to run by generating several alternatives. Hopefully the selected alternative will be the best solution with consider contract expiration in 2021.

Keyword: Risk Analysis, financial analysis, Offtakers, NPV, depreciation, SWOT.

INTRODUCTION

PT XYZ was active for over 90 years and operated 90 fields in Sumatra. XYZ Sumatra operates 2 production Sharing Contract areas that consist of Rokan PSC area which expired in August 2021 and Siak PSC area which has been handed over to Government in November 2013.

XYZ is searching for new oil and natural gas reserves from central Sumatra to offshore East Kalimantan and continues to innovate with new technologies that are used to sustain and enhance production from existing reservoirs. XYZ is located in scattered Sumatra areas which were placed in four cities i.e. Rumbai, Minas, Duri and Dumai. Crude oil from Sumatra production fields is transported to Dumai through a pipeline system extending some 600 km, and reaches a tank farm with a storage capacity of 5.1 million barrels. From the tank farm, oil is pumped to the Pertamina refinery and oil tankers at Dumai Wharf. Using high-capacity pumps, Dumai Wharf can load four tankers simultaneously.

HydroCarbon Transportation Team is located in scattered area. There are two main stream business in crude oil and gas production. The first is focused on crude oil transportation from Gathering Station (GS) to HCT's storage tank in Duri or directly transferred to Dumai storage tank for north area which counted by primary meter. And then continue to sell it to buyer such as Pertamina UP2, Domestic and International vessel thru 24", 30" and 36" of loading line. Custody Transfer in the oil and gas industry refers to the transactions involving transporting physical substance from one operator to another. This

includes the transferring of raw and refined petroleum between tanks and tankers; tankers and ships and other transactions. Custody transfer in fluid measurement is defined as a metering point (location) where the fluid is being measured for sale from one party to another. During custody transfer, accuracy is of great importance to both the company delivering the material and the eventual recipient, when transferring a material.

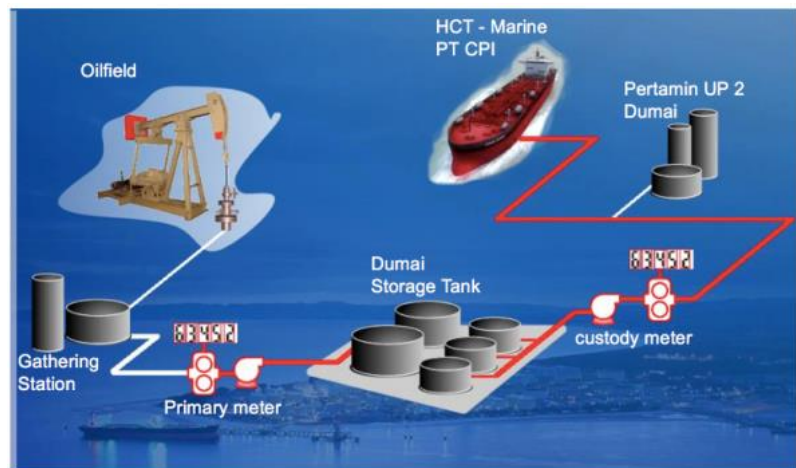


Figure 1.1 Crude Oil Lifting Schematic

The majority of PT. XYZ's Sumatran production in 2014 came from fields in the Rokan PSC. Duri, the largest field, has been using steam flooding technology to improve production since 1985 and is one of the world's largest steam flood developments. In 2014, steam injection was deployed in 70 percent of the field.

In the high demanding of crude oil situation made HCT Dumai as end point of Heavy oil and Light crude oil storages do lifting to Off takers such as PT. Pertamina Unit 2, Domestic and International vessels with yearly average crude oil shipment is 121 MM BOPY with daily average shipping is approximately 2-3 Offtakers per day.

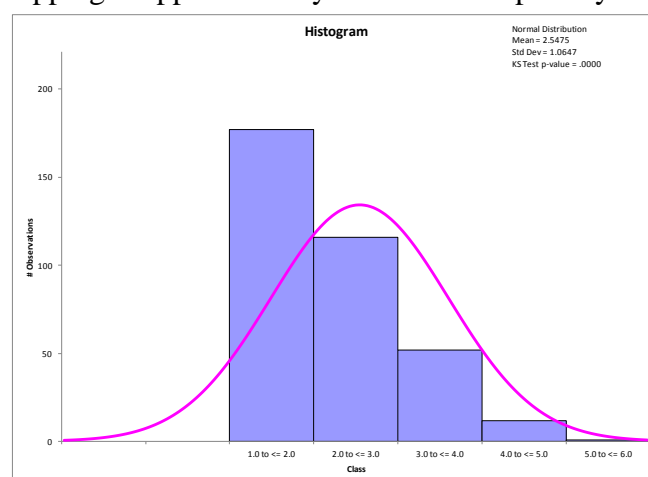


Figure 1.2 Daily Average Shipping

As shown as the graph, there will be over 60 days where more than two-unit pump are being used. It means that shipping pump used for loading to Offtakers with 2.5 shipments per day, with loss on one shipping pump, crude oil lifting operation will have problem.

Shipping pump which driven by diesel engine with capacity 2,400 HP 16-251 type was fabricated by Fairbank Morse as American Locomotive (ALCO) engine in 1958. In doing to support lifting activities in Sumatera Operation, XYZ has been installed four units at Dumai and 2 units at Duri.

In 2014, there is any incident happened during normal lifting activities where one of four units shipping pump at Dumai was stopped running due to overheat, lead to stucked and cracked at several point between crankshaft and engine block. And as the result the upper block engine and crank shaft were worn out.

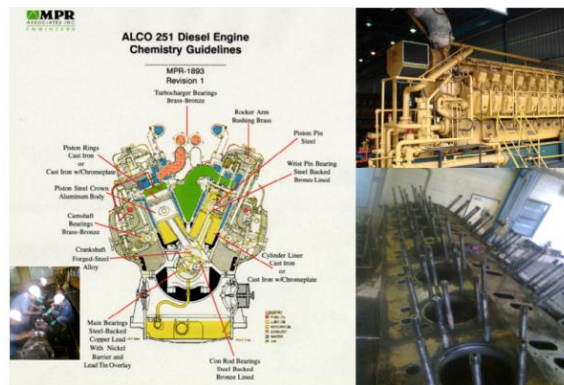


Figure 1.3 ALCO 251 Diesel Engine

Root Cause Analysis (RCA) has been conducted with involving multi team such as Maintenance, Operation and Engineering. The methods to analysis this caused is using 'Why Tree'. There are three system root cause have been identified, the first is their have not got proper trouble shooting training in detail, the second one is no periodic refreshing training for ALCO engine SOP and the last is original product was not including warning system.

Surprisingly since 2002, there was loosed connection between XYZ and authorized distributor from FairBank Morse to order original parts and as a partner Subject Master Expert (SME) in engine troubleshooting.

Another challenge is to consider Rokan block will be expired in 2021, with limited investment to expand their business in crude oil and gas industry and also depreciation term in Production Sharing Contract (PSC).

Not only losing the authorized contact, but also crude oil production will become decline in year to year (see Figure 1.4)

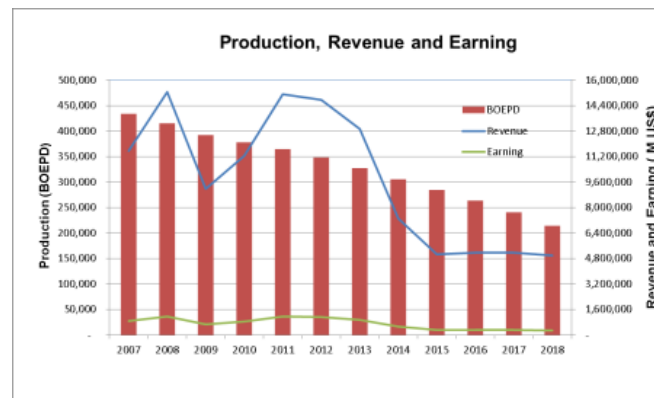


Figure 1.4 Crude Oil Production Profile

In addition number of lifting and total crude oil lifted in recent year tends to decline and will be shown on the graphic in figure 1.5.

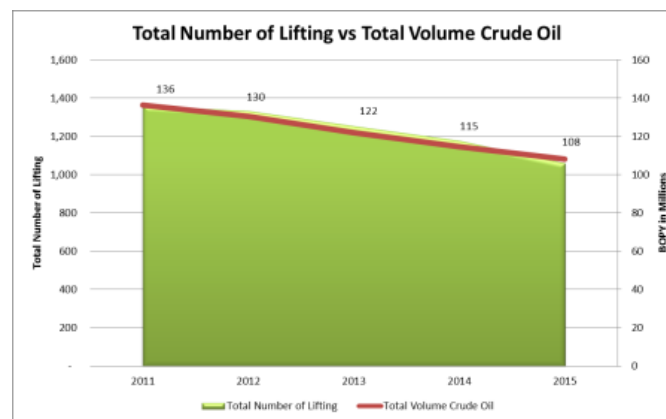


Figure 1.5 Total Number of Lifting vs Total Crude Oil Generated Yearly

Considering the issue explained before, there are several questions which will be answered in this final project.

1. Do the engine problem affect to CHEVRON activities ?
2. What efforts need to be done ?
3. What possible risks will appear to the solution ?
4. What kind of recommendation can be given if ALCO engine back to put in service ?

THEORETICAL FRAMEWORK

Since one of four units of ALCO engine at Dumai is already broken due to overheating and lead to some major parts worn out. Nowadays, considering the crude oil demand from Pertamina UP2 and Offtakers is highly, it makes XYZ have to make decision whether ALCO engine will put in service or not. In addition to crude oil production was declined as per forecast for XYZ Sumatera. A SWOT analysis conducts before to understand the business and feed more information to do the problem analysis.

To enrich the information, author is also analysed the Financial analysis by using Net Present Value (NPV) and Depreciation cost until Siak Block end of contract in 2021. And also decision tree will be explained in this thesis. Project risk management is involved with identifying, analysing, and responding to risk so it can prevent the problem happened in the future.

In the end, there is a need for a reliable way to make effective and consistent business decisions or choices to ensure that resources are used effectively.

With the root problem developed, then could be organized some alternative solution. This framework was done to get a better decision making to gain its goal that supports business objectives of HydroCarbon Transportation Operating Unit. The conceptual of this final project is shown as figure 2.1.

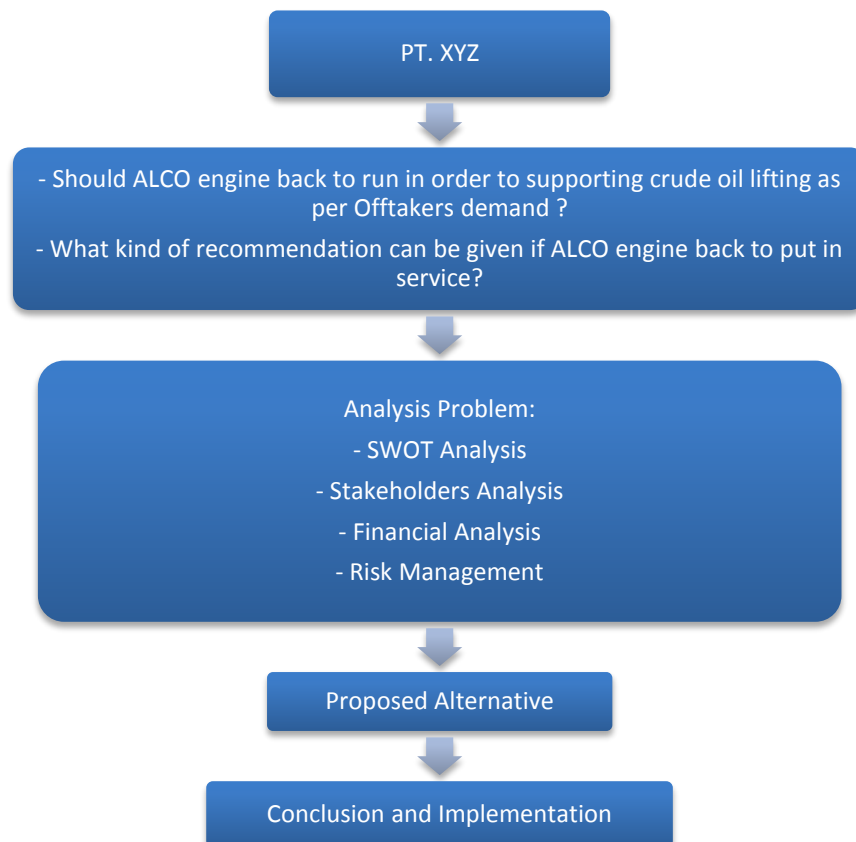


Figure 2.1 Conceptual Framework

	Helpful to achieve the objective	Harmful to achieving the objective
Internal Origin Attributes of The Organization	Strengths: <ol style="list-style-type: none"> 1) As a lifting equipment to sell crude oil to Offtakers 2) Standard Operating Procedure to operate ALCO engine is available 3) Preventive maintenance program inspection results are available 4) Safety procedure is available 	Weaknesses: <ol style="list-style-type: none"> 1) Aging conventional diesel engine since 1958 2) Lost of Manufacture contact as SME 3) Limited tools analysis 4) Lack of Operation knowledge of ALCO engine
External Origin Attributes of The Environments	Opportunities: <ol style="list-style-type: none"> 1) Supports from stakeholders 2) Increasing reliability and availability of ALCO engine 3) Replace the aging unit with the new one 4) Improve competency of Operator ALCO engine 	Threats: <ol style="list-style-type: none"> 1) Expiration of PSC contract 2) Imitation material spare part at market 3) Limited distributor of ALCO engine 4) Crude oil price is going down

Figure 3.1 SWOT Analysis of ALCO engine as lifting equipment

ANALYZE

Based on the demanding of crude oil trending nowadays and from daily average shipping is approximately 2-3 Offtakers per day although this condition is rarely happened. However due to 75% ALCO engine available, it won't be significant impact to the operations as far as if have good coordination and better vessel arrangement to lift crude oil at Dumai Terminal with Commercial team in order to avoid all the engines running at the same time. Otherwise, it is possible to get claim from Offtakers and possible to loss of production opportunity.

The SWOT analysis is used to analysis the ALCO engine replacement in the HydroCarbon Transportation Unit. The SWOT analysis help to decide if and how should do to response to the lifting trending, managing shipping pump integrity, and deal with changes in the end of PSC contract.

XYZ will deliver crude oil to Offtakers with approximately 122 MM barrel crude oil in yearly average. By this condition, there are many stakeholders will take a part of any decision regarding lifting activities (see Figure 3.2).

For that reason, there are some alternatives have been developed to put ALCO engine back to operation in order to support business continuity. The calculation number in this thesis has been modified.

Stakeholders	Level of Influences	Level of Interest	Why they consider a win-their drivers?	What do we need/seek from them	How to engage/gain their support?
GM HCT Operations (Decision Executive)	High	High	<ul style="list-style-type: none"> • Optimum lifting • Operation Excellence • Reduce OPEX and CAPEX 	<ul style="list-style-type: none"> • Decision on the Operation strategy 	<ul style="list-style-type: none"> • Closely communication and regularly • Gather and provide enough data in order to decide operation strategy
DRB members	High	High	<ul style="list-style-type: none"> • Optimum lifting • Operation Excellence • Reduce OPEX and CAPEX 	<ul style="list-style-type: none"> • Give valuable input to Decision Executive 	<ul style="list-style-type: none"> • Closely communication and regularly • Gather and provide enough data in order to decide operation strategy
Commercial Team	High	High	<ul style="list-style-type: none"> • Optimum lifting • Meet GOI quota target 	<ul style="list-style-type: none"> • Manage Lifting schedule 	<ul style="list-style-type: none"> • Closely communication an regularly
CUSA	Low	Medium	<ul style="list-style-type: none"> • Optimum lifting 	<ul style="list-style-type: none"> • Manage Lifting schedule 	<ul style="list-style-type: none"> • Closely communication
SLO	High	High	<ul style="list-style-type: none"> • Optimum lifting • No Loss of Production Opportunity 	<ul style="list-style-type: none"> • Support on Operation matter • Curtailment process 	<ul style="list-style-type: none"> • Closely communication and regularly
HO	High	High	<ul style="list-style-type: none"> • Optimum lifting • No Loss of Production Opportunity 	<ul style="list-style-type: none"> • Support on Operation matter • Curtailment process 	<ul style="list-style-type: none"> • Closely communication and regularly

Figure 3.2 Stakeholder Analysis

Alternative #1 Replace with the new one

This alternative is come up from Management to rejuvenate the aging equipment where the ALCO engine was installed since 1958. Thus the preferred analysis is using capital budgeting whether it will be profitable or not. Assume one-unit engine will have opportunity to get the revenue as much as crude oil lifted or COPQ (Cost of Poor Quality) approximately \$ 776,780 per year with declining rate 8% per year to year. NPV can be calculated by using Monte Carlo simulation with consider the crude oil price in range \$40 - \$90/bbls.

Table 3.1 Revenue or COPQ

	2015	2016	2017	2018	2019	2020
COPQ	\$ 776,780.82	\$ 714,638.35	\$ 657,467.29	\$ 604,869.90	\$ 556,480.31	\$ 511,961.89

Table 3.2 Financial Analysis Alternative #1

Assumptions	2015	2016	2017	2018	2019	2020
Year						
Investment	\$ -1,170,085					
Revenue	0	\$ -	\$ 657,467.29	\$ 604,869.90	\$ 556,480.31	\$ 511,961.89
Base Oil Price	\$ 50.70					
Estimated additional production/Mbbls/ year		15,321				
- Expense (excluding depreciation and interest)	\$ 1,170,085	\$ 1,687,513	\$ 217,513	\$ 217,513	\$ 217,513	\$ 217,513
Earning before depreciation, interest, and taxes (EBDIT)	(1,170,085)	(1,687,513)	421,515	370,393	323,361	280,091
- Depreciation		\$ 969,165	\$ 581,499	\$ 348,900	\$ 209,340	\$ 125,604
Earning before interest, and taxes	(1,170,085)	(2,656,679)	(159,984)	21,494	114,021	154,487
- Taxes (rate, T = 40%)	(468,034.07)	(1,062,671.49)	(63,993)	8,597	45,608	61,795
Net operating profit after taxes	(702,051)	(1,594,007)	(95,990)	12,896	68,413	92,692
+ Depreciation		\$ 969,165	\$ 581,499	\$ 348,900	\$ 209,340	\$ 125,604
Operating cash flows	(702,051)	(624,842)	485,509	361,796	277,752	218,296
Discount rate	10%					
Year	0	1	2	3	4	5
PV(CF)	(702,051)	(624,842)	485,509	361,796	277,752	218,296
S PV(CF)	(702,051)	(568,038)	401,247	271,822	189,709	135,545
		Max	Min	Mean	St Dev	
Oil Price		1.5	0.8	1.14	0.12	0.972
		\$ 76.05	\$ 40.00			\$ 49.28
Project Cost Efficiency		1.2	0.5	0.85	0.12	0.951
Save Margin \$15/bbls	\$ 15.00	\$ 61.05	\$ 25.00			\$ 36.43
<i>Normal distributed assumed</i>						
Calculate NPV						
Year	2015	2016	2017	2018	2019	2020
Revenue	\$ -	\$ -	\$ 639,028.84	\$ 587,906.53	\$ 540,874.01	\$ 497,604.09
Operating Cash	\$ (667,668.45)	\$ (594,240.48)	\$ 461,731.40	\$ 344,076.94	\$ 264,149.49	\$ 207,605.03
Net Cash Flow	\$ (667,668.45)	\$ (540,218.62)	\$ 381,596.20	\$ 258,510.10	\$ 180,417.66	\$ 128,906.39
NPV	\$ (258,456.73)		Prob to lose (NPV<0)		79%	

Risk Assessment

Based on Risk Matrix guide which the possibility design and operating failure that either contain the hazard or otherwise need to define safe guard to prevent the exposures that can result in harm.

Table 3.3 Risk Assessment Alternative #1

Location: Pump House		Unit: ALCO Engine	Study Date:					
Section/Node No.:		P&ID Title: Description: Purchase The New One	P&ID Rev. Date:					
			CR No:					
WHAT IF ?	POTENTIAL CONSEQUENCES	EXISTING SYSTEMS & PROCEDURES (SAFEGUARDS)	NO.	S	L	R	SHEA	ADDITIONAL CONSIDERATIONS
The existing pump is not matched with new engine due to miss engineering design	Possible loss of production opportunity since the engine downtime is longer than expected. The pump can not be operated and support lifting activities.	Engineering design and guideline, Quality Assurance Check, Constructability review	1	4	4	7	Asset	Manage risk
Too much modification between engine and pump, such as exhaust system, cooling system, etc.	Delay project and possible loss of production opportunity to lifted crude oil to Offtakers. Possible over run budget project.	Engineering design and guideline, Quality Assurance Check, Constructability review, Project Control involvement	2	4	3	6	Asset	Consider to have discussion with SME of the new engine manufacture.
Longer procurement time	Delay project and possible loss of production opportunity to lifted crude oil to Offtakers	Procurement team involvement in early phase, Refer to PTK 007, Monitor procurement progress by regularly engagement Procurement team	3	4	3	6	Asset	Consider to do appropriate selection tender process, whether will use Direct Appointment or Direct Selection or Open Tender.
Operator not familiar with the new engine	Miss operated and possible engine will stopped running well. Possible loss of production opportunity.	Perform training and socialization new SOP in how to operate the new engine.	4	4	3	6	Asset	Consider the new SOP has been socialized to the Operator Pump House.

Alternative #2 Repair the engine with new major parts

Table 3.4 Financial Analysis Alternative #2

Assumptions	2015	2016	2017	2018	2019	2020
Year						
Investment	\$ -1,044,418					
Revenue			\$ 657,467.29	\$ 604,869.90	\$ 556,480.31	\$ 511,961.89
Base Oil Price	\$ 50.70					
Estimated additional production/Mbbls/ year		15,321				
- Expense (excluding depreciation and interest)	1,044,418	553,735	217,513	217,513	217,513	217,513
Earning before depreciation, interest, and taxes (EBDIT)	(1,044,418)	(553,735)	488,865	432,354	380,365	332,535
- Depreciation		\$ 465,387	\$ 279,232	\$ 167,539	\$ 100,524	\$ 60,314
Earning before interest, and taxes	(1,044,418)	(1,019,123)	209,632	264,815	279,841	272,221
- Taxes (rate, T = 40%)	(417,767)	(407,649.09)	83,853	105,926	111,937	108,888
Net operating profit after taxes	(626,651)	(611,474)	125,779	158,889	167,905	163,332
+ Depreciation		465,387	279,232	167,539	100,524	60,314
Operating cash flows	(626,651)	(146,086)	405,012	326,428	268,428	223,647
Discount rate	10%					
Year	0	1	2	3	4	5
PV(CF)	(626,651)	(146,086)	405,012	326,428	268,428	223,647
S PV(CF)	(626,651)	(132,806)	334,720	245,251	183,340	138,867
		Max	Min	Mean	St Dev	
Oil Price		1.5	0.8	1.14	0.12	1.074
		\$ 76.05	\$ 40.00		\$ 54.47	
Project Cost Efficiency		1.2	0.5	0.85	0.12	0.853
Save Margin \$15/bbls	\$ 15.00	\$ 61.05	\$ 25.00			\$ 37.91
<i>Normal distributed assumed</i>						
Calculate NPV						
Year	2015	2016	2017	2018	2019	2020
Revenue	\$ -	\$ -	\$ 706,378.03	\$ 649,867.79	\$ 597,878.37	\$ 550,048.10
Operating Cash	\$ (534,347.33)	\$ (124,568.23)	\$ 345,354.92	\$ 278,346.64	\$ 228,889.87	\$ 190,704.15
Net Cash Flow	\$ (534,347.33)	\$ (113,243.85)	\$ 285,417.29	\$ 209,125.95	\$ 156,334.86	\$ 118,412.28
NPV	\$ 121,699.20		Prob to lose (NPV<0)		3%	

Risk Assessment

Table 3.5 Risk Assessment Alternative #2

Location: Pump House	Unit: ALCO Engine	Study Date:						
Section/Node No.:	P&ID Title:	P&ID Rev. Date:						
	Description: Repair the engine with new major parts	CR No:						
WHAT IF ?	POTENTIAL CONSEQUENCES	EXISTING SYSTEMS & PROCEDURES (SAFEGUARDS)	NO.	S	L	R	SHEA	ADDITIONAL CONSIDERATIONS
Longer procurement time	Delay project and possible loss of production opportunity to lifted crude oil to Offtakers	Involve Procurement team in early phase, Refer to PTK 007, Monitor procurement progress by regularly engagement Procurement team	1	4	3	6	Asset	Consider to do appropriate selection tender process, whether will use Direct Appointment or Direct Selection or Open Tender.
Major parts damage during delivery handling (miss handling)	Parts will be broken and possible loss of production opportunity to lifted crude oil to Offtakers	Follow delivery handling procedure, Use proper equipment or tools	1	4	4	7	Asset	Manage risk

Alternative #3 Repair the engine with recondition major parts

Table 3.6 Financial Analysis Alternative #3

Assumptions	2015	2016	2017	2018	2019	2020
Year						
Investment	\$ -1,077,230					
Revenue		\$ 238,212.78	\$ 657,467.29	\$ 604,869.90	\$ 556,480.31	\$ 511,961.89
Base Oil Price	\$ 50.70					
Estimated additional production/Mbbls/ year		15,321				
- Expense (excluding depreciation and interest)	1,044,418	553,735	217,513	217,513	217,513	217,513
Earning before depreciation, interest, and taxes (EBDIT)	(1,044,418)	(320,313)	426,733	375,193	327,777	284,154
- Depreciation		\$ 114,674	\$ 298,154	\$ 178,892	\$ 107,335	\$ 64,401
Earning before interest, and taxes	(1,044,418)	(434,987)	128,580	196,301	220,442	219,752
- Taxes (rate, T = 40%)	(417,767)	(173,994.87)	51,432	78,521	88,177	87,901
Net operating profit after taxes	(626,651)	(260,992)	77,148	117,781	132,265	131,851
+ Depreciation		114,674	298,154	178,892	107,335	64,401
Operating cash flows	(626,651)	(146,318)	375,301	296,673	239,600	196,253
Discount rate	10%					
Year	0	1	2	3	4	5
PV(CF)	(626,651)	(146,318)	375,301	296,673	239,600	196,253
S PV(CF)	(626,651)	(133,016)	310,166	222,895	163,650	121,857
		Max	Min	Mean	St Dev	
Oil Price		1.5	0.8	1.14	0.12	0.980
Project Cost Efficiency		\$ 76.05	\$ 40.00	0.85	\$ 49.68	0.884
Save Margin \$15/bbls	\$ 15.00	\$ 61.05	\$ 25.00			\$ 37.44
<i>Normal distributed assumed</i>						
Calculate NPV						
Year	2015	2016	2017	2018	2019	2020
Revenue	\$ -	\$ 233,422.64	\$ 644,246.48	\$ 592,706.76	\$ 545,290.22	\$ 501,667.00
Operating Cash	\$ (553,890.01)	\$ (129,328.77)	\$ 331,724.82	\$ 262,226.01	\$ 211,780.09	\$ 173,465.63
Net Cash Flow	\$ (553,890.01)	\$ (117,571.61)	\$ 274,152.74	\$ 197,014.28	\$ 144,648.65	\$ 107,708.51
NPV	\$ 52,062.57		Prob to lose (NPV<0)		4%	

Risk Assessment

Table 3.7 Risk Assessment Alternative #3

Location: Pump House	Unit: ALCO Engine	Study Date:						
Section/Node No.:	P&ID Title:	P&ID Rev. Date:						
	Description: Repair the engine with recondition major parts	CR No:						
WHAT IF ?	POTENTIAL CONSEQUENCES	EXISTING SYSTEMS & PROCEDURES (SAFEGUARDS)	NO.	S	L	R	SHEA	ADDITIONAL CONSIDERATIONS
Major parts damage during delivery handling (miss handling)	Parts will be broken and possible loss of production opportunity to lifted crude oil to Offtakers	Follow delivery handling procedure, Use proper equipment or tools	1	4	4	7	Asset	Manage risk
Longer delivery time since the major parts will be repaired at engine manufacture which is located at outside Indonesia	Delay project and possible loss of production opportunity to lifted crude oil to Offtakers	Refer to PTK 007	2	4	5	8	Asset	Manage risk

Alternative #4 Restore the engine with utilizing unused existing major parts

Table 3.8 Financial Analysis Alternative #4

Assumptions	2015	2016	2017	2018	2019	2020
Year						
Investment	\$ 304,513					
Revenue	77678.082	\$ 714,638.35	\$ 657,467.29	\$ 604,869.90	\$ 556,480.31	\$ 511,961.89
Base Oil Price	\$ 50.70					
Estimated additional production/Mbbls/ year		15,321				
- Expense (excluding depreciation and interest)	1,044,418	553,735	217,513	217,513	217,513	217,513
Earning before depreciation, interest, and taxes (EBDIT)	(960,962)	214,063	488,861	432,351	380,362	332,532
- Depreciation						
Earning before interest, and taxes	(960,962)	214,063	488,861	432,351	380,362	332,532
- Taxes (rate, T = 40%)	(384,385)	85,625.25	195,544	172,941	152,145	133,013
Net operating profit after taxes	(576,577)	128,438	293,317	259,411	228,217	199,519
+ Depreciation						
Operating cash flows	(576,577)	128,438	293,317	259,411	228,217	199,519
Discount rate	10%					
Year	0	1	2	3	4	5
PV(CF)	(576,577)	128,438	293,317	259,411	228,217	199,519
S PV(CF)	(576,577)	116,762	242,411	194,899	155,875	123,886
		Max	Min	Mean	St Dev	
Oil Price		1.5	0.8	1.14	0.12	1.074
		\$ 76.05	\$ 40.00		\$	54.47
Project Cost Efficiency		1.2	0.5	0.85	0.12	0.737
Save Margin \$15/bbls	\$ 15.00	\$ 61.05	\$ 25.00			\$ 39.64
<i>Normal distributed assumed</i>						
Calculate NPV						
Year						
Revenue	\$ 83,456.35	\$ 767,798.45	\$ 706,374.58	\$ 649,864.61	\$ 597,875.44	\$ 550,045.41
Operating Cash	\$ (425,004.68)	\$ 94,673.72	\$ 216,208.71	\$ 191,216.04	\$ 168,222.79	\$ 147,068.99
Net Cash Flow	\$ (425,004.68)	\$ 86,067.01	\$ 178,684.88	\$ 143,663.44	\$ 114,898.43	\$ 91,318.27
NPV	\$ 189,627.36		Prob to lose (NPV<0)		3%	

Risk Assessment

Table 3.9 Risk Assessment Alternative #4

Location: Pump House	Unit: ALCO Engine	Study Date:						
Section/Node No.:	P&ID Title:	P&ID Rev. Date:						
	Description: Restore the engine with utilizing unused existing major parts	CR No:						
WHAT IF ?	POTENTIAL CONSEQUENCES	EXISTING SYSTEMS & PROCEDURES (SAFEGUARDS)	NO.	S	L	R	SHEA	ADDITIONAL CONSIDERATIONS
The major parts dimension are out of tolerance.	Possible loss of production opportunity since the engine downtime is longer than expected. The pump can not be operated and support lifting activities.	Engineering design and guideline, Quality Assurance Check, Constructability review	1	4	4	7	Asset	Manage risk
Major parts damage during delivery handling from Duri to Dumai by land transportation (miss handling)	Parts will be broken and possible loss of production opportunity to lifted crude oil to Offtakers	Follow delivery handling procedure, Use proper equipment or tools	2	4	4	7	Asset	Manage risk
The unused existing major parts specification are not matched (shaft bending or etc)	More downtime, Possible loss of production opportunity to lifted crude oil to Offtakers.	Do assesement the engine and refer to engine specification manual book	3	4	5	8	Asset	Manage risk
Reliability of engine will decrease	Need additional maintenance cost, Possible engine suddenly stuck and disturb lifting activities, Loss of Production Opportunity	PM schedule was established and implemented, SERIP - ORD implementation	4	4	3	6	Asset	Consider to perform PdM task

The financial analysis side is also important to make the right decision. Based on NPV calculation below for each alternative which considering decline rate of crude oil 8% per year. NPV is used to determine the profitability of investment.

The summary of NPV calculation can be shown on the following table:

Table 3.10 NPV summary

I. COST OF PURCHASE NEW ENGINE	\$ -169,442
II. COST OF PURCHASE MAJOR PARTS ONLY	\$ 346,742
III. COST OF RECONDITION MAJOR PARTS	\$ 269,616
IV. COST OF UTILIZE UNUSED EXISTING MAJOR PARTS	\$ 666,744

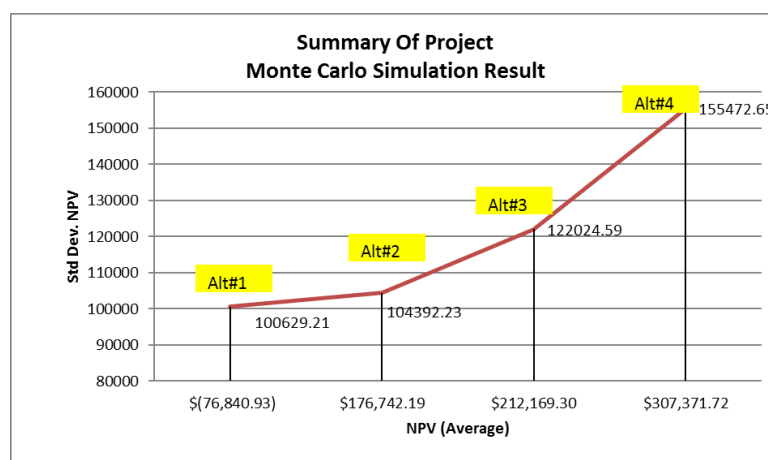


Figure 3.3 SWOT Analysis of ALCO engine as lifting equipment

CONCLUSION AND IMPLEMENTATION PLAN

Business issue that happens in managing integrity of Shipping pump in order to meeting the GOI quotas has been analyzed by financial analysis, monte carlo simulation and risk assessment.

According to the best alternative as per financial assessment above, the selected alternative is restoring the engine with utilizing unused existing major parts which have the highest NPV.

ALCO engine restoration by utilizing unused existing major parts is proposed to be executed which has considered contract expiration in 2021. In other side, refreshing training will be scheduled to shipping pump operator and manage the OEM spare part needs. Hopefully this incident will not happen again in the future. The implementation of this business solution is planned using PDCA cycles that provide with continuous improvement as follows:

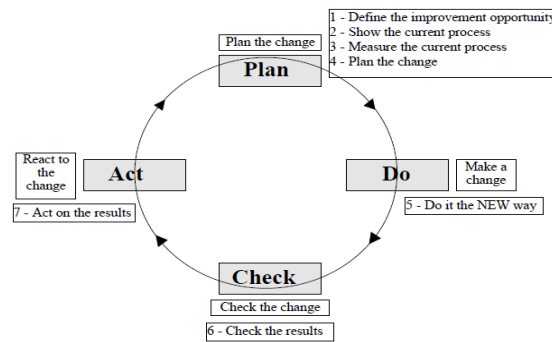


Figure 4.1 PDCA Cycle for Implementing Improvement

1. Plan

The “Plan” process establishes objectives, targets, controls, processes and procedures for the program to deliver results in accordance with an organization’s overall policies and objectives.

Some recommendations have been generated by RCA which will be described on the following:

Table 4.1 Planning Phase

<p>What is the improvement being sought?</p>	<p>Objective: Maintain the integrity and availability ALCO engine to prevent the demurrage costs which caused by catastrophic accidents which generated high operational to repair it. With the several considerations, hopefully the ALCO engine will back to run in order to supporting crude oil lifting as per customer demand.</p>
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What is the current process?	The selected alternative has been selected. With the several risks management and consideration. So far they have standard operating procedure (SOP) in how to operate the engine of shipping pump but since the organization changed in internal HCT, there is no performed refreshing training to new operator who responsible it, so the new operator have limited knowledge and experiences.
Measure indicator	Number of Worst Actor Identification as part of SERIP (Surface Equipment Reliability and Integrity Procedure) will be tracked in quarterly. Number of Availability of ALCO engine shipping pump is also tracked monthly.
Select change	The proposed change is to utilize unused existing Major parts replacement. Replacement will be planned to execute in Q2 - 2015 until 2016.

2. Do

The ALCO engine replacement will be well planned by several considerations in order to back running the operation to fulfil the customer demand. The following are comprehensive assessment performed:

- Dumai shipping pump availability vs operation usage
- Duri shipping pump capacity review as known as the unused ALCO engine
- Review Engine specification
- Spare part preparation strategy
- Operation and Maintenance Training

Table 4.2 Implementing Phase

Implement the Method	Coordinate with HCT operation Duri regarding Duri's shipping pump capacity review and maintenance team to have detail engine specification ALCO engine at Duri and Dumai. Coordinate with material team to request the OEM parts. Coordinate with Engineering team as SME for project replacement.
Progress plan	Engineering has contacted and discussed with ALCO engine manufacture regarding this issue. Maintenance team has been conducted measurement and verification data of ALCO engine especially for broken parts (crankshaft and bare block) Start to execute the selected project in Q4 2015. Monthly project and backlog monitoring.

3. Check

From the RCA result there are several action items to be implemented in order to prevent same incident happened in the future. It can be determined in WAIR (Worst Actor Identification Resolution) which is frequently monitoring work order issued regarding ALCO engine problem. The availability and reliability report are also reported and monitored.

Table 4.3 Studying Phase

Evaluate the change	<p>Process: Provide appropriate refresher training for Operator, provide checklist of activities sequence refer to the SOP, Improve interconnected safety pre-starting and shutdown system between priming pump and ALCO engine.</p> <p>Check the load and unload test engine after overhaul to ensure the engine running smoothly. Check the engine condition regularly as the manufacture recommendation.</p> <p>Outcome: percentage of availability and reliability of ALCO engine shipping pump, frequency of ALCO engine problem.</p>
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4. Action

Ensure the measurement and verification for critical parts of ALCO engine are within tolerance before executing the project. Furthermore the spare part management will be improved will help reduce unwanted downtime. And the other important thing is Operator capability will affect directly to reliability. By doing the right operation and maintenance to the ALCO engine until contract expired in 2021 as the PSC to meet the yearly target lifting from Government of Indonesia.

Table 4.4 Action Phase

Adopt or modify the change plan	Collecting lesson learn from RCA and project lock-back.
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The PDCA method for this final project detailed as bellow;

Table 4.5 PDCA Method Application

	No	Activities	2015			2016
			Q2	Q3	Q4	Q1
Plan	1	Refreshing Training				
		- Re-develop QSOP and update				
		- Trained new Operator Shipping pump				
Plan	2	Setup the overhaul schedule of ALCO engine				
		- Approved budget				
		- Resources availability				
Do		- Purchase parts				
	3	Do comprehensive assessment to unused parts of ALCO engine				
		- Dumai Shipping pump availability vs operation usage				
		- Duri Shipping pump capacity review				
		- Review engine specification				
		- Review engine specification				
Do	4	Engineering review				
		- Scope of work				
		- Spare part preparation strategy				
		- Cost estimate, material and schedule				
		- Procurement process				
Check	5	Overhaul the engine				
	6	Project milestone				
Check	7	Unload and Load test engine				
	8	Lesson learn and lookback				
Action						

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DYNAMIC RELATIONSHIP BETWEEN INTELLECTUAL CAPITAL AND COMPANY'S FINANCIAL PERFORMANCE

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Abstract

The purpose of this study was to determine the dynamic relationship between intellectual capital and company's financial performance. This study used two independent variables. The two independent variables were VAICTM and ROGIC measured by using Pulic's Model. The dependent variables was company's financial performance measured by ROE and EPS. Moreover, population on this study consisted of all listed companies in Indonesia Stock Exchange during 2013. Companies in the financial sector were excluded from the study. However, the samples were 53 companies. These samples were chosen by purposive sampling criterions. Partial least square was used for analyzing the data. The result showed that VAICTM was positively related to company's financial performance. In the future, VAICTM was also related to company's financial performance, positively. However, in the future time, ROGIC was not significance toward financial performance.

Keywords: Value Added Intellectual Coefficient, Rate of Growth of Intellectual Capital, Company's Financial Performance, Partial Least Square

INTRODUCTION

We are now in globalization era. The all existed companies in this global are intensively competed to win in the world market. Using tangible asset as the only strategy to win a competition is now left behind. Many companies have changed their strategy to optimize the usage of intangible assets to win a competition the global market. The growth of science and technology is increasingly rapidly make the company had to adjust to all forms of development of knowledge and technology. Application of technology and knowledge to the output produced by the company is expected to make the company survive and make it a force to master the market. One factor not to be ignored by many companies is the intellectual capital or the Intellectual Capital (IC).

Financial performance is used to assess the financial condition and achievements of the company with the most commonly measure. The measurements commonly used are ratio and index. Both connect two financial data between one another (Sawir, 2005). One ratio that is often used as an analysis tool is a profitability ratio that concerns the company's ability to earn a profit. Determining the size of the high profitability of the company may be observed using several of ratios which can be an important indicator, such as Return on Equity (ROE) and Earnings per Share (EPS).

ROE shows the return on the shareholders' money that is in terms of accounting. The higher the ROE the results of a company then the company's financial performance will be the better. According to Syamsuddin (2009), EPS is a ratio that describes the amount of rupiah gained for each share of common stock. EPS is one of the conditions required in the

disclosure of financial statements. EPS provides a profitability measure that combines decisions from operating, investing, and financing (Stikney and Weil, 1997 in Tan et al., 2007). The larger the value, the greater EPS is ready to share the company's profits to the shareholders of each share outstanding.

Various means will be made by the company in order to maintain and increase profitability, such as by utilizing IC. Knowledge and technology are applied to the output of the company should be tailored to each company. Such an adjustment should look at various aspects, especially on their financial capabilities for investment in knowledge and technology will be spending a lot of fund and a long time. In Indonesia, there are still many companies that do not apply the knowledge and technology as a form of investment in the present and future that will impact on the increase in corporate profits. This is evidenced by the number of products in the country which can be considered not to have high competitiveness when compared with similar output outside companies.

According to Bontis (2000), the researchers identified the IC involves three main components, namely human capital, structural capital and customer capital. Measurement IC can use methods of non-monetary and monetary methods. One monetary method is a model developed by Pulic in 1997 of Value Added Intellectual Coefficient (VAICTM). The result will show how much the use of IC of a company. Additionally Rate of Growth Intellectual Capital (ROGIC) is a growth rate of VAICTM that can be used to measure the IC.

In Indonesia, the financial sector generally still distributes their funds in financial assets, so it will be difficult to assess the effect of intellectual capital on its financial performance. Cross section data will be helpful in terms of adequate observation unit. Research conducted by Kusdiat (2012) with a sample of companies listed property sector on the Stock Exchange concluded that IC and ROGIC not affect the performance of the company both the present and the future. Ulum (2008) took samples of banking companies listed on the Stock Exchange conclude that IC affects the financial performance of both the present and the future, but ROGIC no effect on future financial performance. Firer and Williams (2003), which examines the companies listed on the Johannesburg Stock Exchanges could not find a strong relationship between intellectual capital with profitability, but the overall physical capital into an influential factor. Belkaoui (2003), Chen et al., (2005), and Tan et al., (2007), who studied in the US, Taiwan, and Singapore concluded that intellectual capital has positive effect on company performance. Based on the above background, this study aims to determine the effect of IC on the financial performance of the company.

LITERATURE AND HYPOTHESIS

In March 2015 there were 511 companies listed on the Indonesia Stock Exchange (IDX), which is divided into ten sectors. 2013 is the right year for research in 2015. This is because in this study using the future financial performance that the financial performance in 2014. If VAICTM 2014 will examine the future financial performance should use the data in 2015 when the data of the year not yet available.

Performance is a picture of achievement in the company's operational activities. The achievement can be related to various aspects such as financial aspects, marketing aspects, aspects of fund raising and disbursement of funds, technological aspects, as well as aspects of human resources (Jumingan, 2006).

Performance can be defined as the achievements of companies in a given period which reflects the level of health of the company (Sukhemi, 2007). The financial performance of the company can be seen through the financial statements. According Munawir (2000), the financial statements is an important tool to obtain information related the financial position and the results that have been achieved by the company. Financial ratios into data analysis tools are most commonly used in the financial world. The results of the analysis of financial ratios will have meaning when they are associated with a certain standard. Four kinds of ratio analysis is standard in the industry average, most companies excel, historical data, and budget and realization (Mardiyanto, 2009). One aspect of financial interest to be measured is a profitability ratio that is a ratio showing a group of combination of the effect of liquidity, asset management, and debt on operating results "(Brigham & Houston, 2013).

Measurement of profitability can use ROE and EPS. ROE measures the amount of profit that can be produced by the company to any shareholder capital invested. This ratio indicates the strength of earnings from the investment book value of shareholders and can be used as a comparison between two or more firms in an industry continually (Van Horne, 1989 in Tan et al., 2007). EPS is a ratio showing how much capability per share profit (Syafri, 2008).

The management company should know the importance of using intellectual capital in order to increase profits or income. Intellectual capital is the information and knowledge that is applied in the work to create value (Williams, 2001). According to Stewart (1997), intellectual capital is a concept that refers to capital related intangible capital with the knowledge and human experience and the technology used.

Perspective intellectual capital or intellectual capital (IC) according Bontis (1998), describes the company's intangible assets can be classified into three main categories: human capital, structural capital, and customer capital. Stakeholder theory explains that every management in an organization have the obligation to perform activities that are considered important by stakeholders (Ulum, 2009). Stakeholders have a right to all the information that should they get even though they may not use such information or can not directly play a role in such information (Ulum, 2009).

Resource-Based Theory (RBT) by Nothnagel (2008), said that the company has the resources to make the company has a competitive advantage and be able to direct the company has good long-term performance. Resources are scarce and valuable can be directed to create a competitive advantage.

There are different methods of measuring IC. One method is to VAIC™ measurement IC developed by Pulic in 1997. Key of Pulic models is to treat labor as an entity of value creation (value creating entity) and not examined as costs. The Excellence

of VAIC™ method is data required is relatively easily obtained from various sources and types of companies. ROGIC was a growth rate of three components, namely VAIC™ VACA, VAHU, and STVA.

Hypothesis

Utilization of IC can improve the effectiveness and efficiency. Effectiveness involves time to produce the firm's output becomes shorter. Efficiency concerns the costs incurred by the company to produce the output can be suppressed or smaller. Increasing the effectiveness and efficiency will affect profits. When profit rises and grows, it will foster the confidence of investors and potential investors. The trust will attract investors to invest to the company so that the financial performance will increase.

It is desired by all stakeholders. As postulated in Resource Based Theory, which states that the company has the resources that make it have a competitive advantage and were able to direct in order to have a good long-term performance, the hypothesis is:

H_{a1}: Intellectual Capital proxied by VAIC™ has positive influence on the financial performance of the Company.

The positive influence of intellectual capital not only on financial performance of the present situation but also the future financial performance of the company. Utilization of intellectual capital will be able to maximize the effectiveness and efficiency of the company. Through increased earnings, the company will be able meningkatkan financial performance. Investor confidence will be higher if the company continues to explore and exploit the IC as well as possible. The company will continue to maintain and even improve its financial performance both in the present and the future so that investors will believe in the company not only the present but also the future. Based on this, the hypothesis structured as follows:

H_{a2}: Intellectual Capital proxied by VAIC positive effect on the Company's future financial performance.

Companies that have implemented good intellectual capital will get a good financial performance also through earnings growth, then so does the rate of growth of intellectual capital or ROGIC. Companies that have gained increased profit and financial performance increased as well, will tend to maintain and even increase the profits in the future. Improved financial performance through increased profit this will be done by increasing the growth of intellectual capital. Hypotheses are constructed are:

H_{a3}: Intellectual Capital proxied by ROGIC positive effect on the Company's future financial performance.

RESEARCH METHODS

Types of research

The approach used in this research is quantitative approach using data-shaped figure in the statistical analysis. The dependent variable in this study using a proxy Financial Performance indicators Return on Equity (ROE) and Earnings Per Share (EPS). ROE measures the amount of profit that can be produced by the company to any shareholder capital invested. (Van

Horne, 1989 stated in Tan et al., (2007). Return on Assets (ROA) was not used because, according to Tan et al., (2007) the company's assets are used to obtain VACA (in the calculation VAICTM), so that the selected ROE in order to minimize the possibility of multicollinearity. ROE can be formulated as follows:

$$\text{ROE} = \frac{\text{Laba bersih}}{\text{Ekuitas biasa}}$$

Or,

$$\text{Return on Equity} = \text{Net Income} / \text{Shareholder's Equity}$$

According to Syamsuddin (2009), EPS is a ratio that describes the amount of rupiah gained for each share of common stock.

$$\text{EPS} = \frac{\text{Laba bersih}}{\text{Jumlah saham beredar}}$$

Or,

$$\text{Earnings per share (EPS) ratio} = \frac{\text{Net income} - \text{Preferred dividend}}{\text{Weighted average number of shares outstanding}}$$

The independent variables in this study were proxied by the Intellectual Capital Value Added Intellectual Coefficient (VAICTM) and Growth Rate of Intellectual Capital (ROGIC). VAICTM is a model that is designed to provide information about the value creation efficiency of tangible assets (tangible assets) and intangible assets (intangible assets) owned by the company and developed in 1997.

Calculation Pulic, VAICTM begins by calculating Value Added (VA).

$$\text{VA} = \text{OUT} - \text{IN}$$

OUT is the output, the total sales and other revenues. IN is the input that is a load sale and other expenses cost (other than personnel expenses).

$$\text{VACA} = \text{VA} / \text{CE}$$

VACA (Value Added Capital Employed) is the ratio of MVA to CE. CE is Capital Employed: available funds (Equity).

$$\text{VAHU} = \text{VA} / \text{HC}$$

VAHU (Value Added Human Capital) is the ratio of VA to Human Capital (HC) or in personnel expenses.

$$\text{STVA} = \text{SC} / \text{VA}$$

STVA (Structural Capital Value Added) is the ratio of the Structural Capital (SC) against the VA. SC is calculated from VA minus HC.

$$\text{VAIC}^{\text{TM}} = \text{VACA} + \text{VAHU} + \text{STVA}$$

ROGIC can be gauged from the growth VACA: $RVACA = VACA_t - VACA_{t-1}$
 Then calculate the growth of VAHU : $RVAHU = VAHU_t - VAHU_{t-1}$
 Next calculate growth of RSTVA : $RSTVA = STVA_t - STVA_{t-1}$
 The latter can be calculated ROGIC : $ROGIC = RVACA + RVAHU + RSTVA$

Time and Place of Research

This research was conducted at the company that has been and still is listed on the Stock Exchange in addition to the financial sector period of 2013. The data used was data Indonesian Capital Market Directory (ICMD) published in www.idx.co.id. Data retrieval was conducted in March 2015 until April 2015.

Population and Samples

The populations in this study are all companies that have been and are still listed in the Indonesia Stock Exchange in addition to the financial sector period of 2013. The sampling technique in this research is purposive sampling with criteria: 1) the company in addition to the financial sector which publishes full financial statements during the period of observation and financial statements in the currency of Indonesia. 2) The company in addition to the financial sector is not doing turn of the board of commissioners and board of directors during the observation period. 3) The company in addition to the financial sector are not doing mergers and acquisitions in the period of observation. Then come the number of samples used in this study are 53 financial statements.

RESULT AND DISCUSSION

Descriptive Statistics

The following table shows the descriptive statistics of the variables VAICTM along with its components.

Table 1. Descriptive Analysis of VAICTM

	N	Min	Max	Mean	Stdev
VACA	53	-0,09233	4,068815	0,518771	0,647386
VAHU	53	-0,31873	21,86336	3,307531	3,588706
STVA	53	-0,13566	4,137439	0,572310	0,415157

The mean value is equal to 0.518771 VACA indicators which show that the assets of the company are able to provide added value amounted to 0.518771 times the value of the assets held. The value of the indicator amounted to 3.307531 VAHU which means that any salary payments amounting to Rp1 will be able to create added value amounted to 3.307531 times. STVA indicator value of 0.57231 means that structural capital can provide added value to the company's 57.231%. The highest value is an indicator VAHU which means that

out of the three indicators, VAHU represented by employees, an indicator that contributed most to create added value.

The following table shows the descriptive statistics of variables of Financial Performance.

Table 2. Descriptive Analysis of Financial Performances

	N	Min	Max	Mean	Stdev
ROE	53	-0,00367	0,399815	0,117074	0,090840
VAHU	53	-58,28000	17,621000	445,064057	2333,861646

The mean value of 0.117047 ROE shows a company's ability to produce a profit of 11.7047% for every rupiah of funds invested shareholders. The mean value of 445.064057 EPS, indicating a substantial profit companies that are ready to share to the shareholders of each shares outstanding amounted Rp445,064057.

Outer Test Model

This study assumes a formative construct an indicator which is not correlated to the size of the internal consistency reliability (Cronbach alpha) are not required to test the reliability of the formative construct (Ghozali, 2008).

Outer Test Model Hypothesis 1

Table 3. Outer Weight Hypothesis 1

	Original Sample (O)	Sample Mean (M)	Standard Deviation (STDEV)	Standard Error (STERR)	T Statistic (O/STERR)
EPS _t < PERF	0,3016	0,2886	0,1761	0,1761	1,7125*
EPS _t <- PERF	0,8490	0,8334	0,1081	0,1081	7,8557*
STVA <- VAIC	0,4254	0,4287	0,0429	0,0429	9,9136*
VACA <- VAIC	0,2443	0,2267	0,1079	0,1079	2,2641*
VAHU <- VAIC	0,5432	0,5367	0,0490	0,0490	11,0883*

The table above shows the results of statistical variables forming T VAICTM independent variables and the results of statistical variables forming T dependent variable Financial Performance. VACA indicator has a value of t statistic of 2.2641. Indicators VAHU_t subset of the statistics has a value of 11.0883. STVA indicator has a value of t statistics 9.9136. VAHU that have contributed most. ROE indicator has a value of t statistic of 7.8557 which means that ROE provides significant values above t table. EPS indicator has a value of 1.7125, which means significant because of the above t table of 1.675. The test results indicate that the outer model all indicators declared eligible explained construct.

Outer Test Model Hypothesis 2

According to the table 4, three indicators forming VAICTM has a value t statistically significant or above t table which means the three indicators worth to explain the construct.

VACA indicator has a value of 2.0721. VAHU indicator has a value of 2.0907. STVA indicator has a value of 2.2256. On the financial performance of companies dependent variables, indicators ROE_{t+1} has a value of 3.4252 statistically significant ROE_{t+1} provides significant values above t table. Indicators EPS_{t+1} has a value of 0.3364 which means insignificant because under t table of 1.675. The results of testing the outer model that does not significantly affect the results of the testing of inner models. Its influence can be seen in the results of the coefficient of determination or R square and T values between variables statistically low.

Table 4. Results of Outer Weight Hypothesis 2

	Original Sample (O)	Sample Mean (M)	Standard Deviation (STDEV)	Standard Error (STERR)	T Statistic (O/STERR)
$EPS_{t+1} < PERF_{t+1}$	0,0958	0,2849	0,2849	0,3364	0,0958
$EPS_{t+1} <- PERF_{t+1}$	0,9629	0,8712	0,2811	0,2811	3,4252*
$STVA < VAIC$	0,3762	0,3881	0,1690	0,1690	2,2256*
$VACA < VAIC$	0,5204	0,4646	0,2512	0,2512	2,0721*
$VAHU < VAIC$	0,3894	0,3590	0,1862	0,1862	2,0907*

Outer Model Test Hypothesis 3

The table 5 shows the two indicators forming ROGIC not show significant results that RVACA RSTVA by 0.0322 and 1.25. These results suggest that RVACA and RSTVA is not worth explaining construct. Indicators forming the future financial performance that is ROE_{t+1} and EPS_{t+1} each showed a significant result. Indicators ROE_{t+1} has a value of 2.3022 t statistics and indicators EPS_{t+1} has the value t statistic of 1.8103. Testing outer model 3 indicators were not significantly so that will have an impact on the outcome of the inner workings of the model, the low value of the coefficient of determination (RSquare) and value t statistics among variables.

Table 5. Result of Outer Weight Hypothesis 3

	Original Sample (O)	Sample Mean (M)	Standard Deviation (STDEV)	Standard Error (STERR)	T Statistic (O/STERR)
$EPS_{t+1} < PERF_{t+1}$	0,5652	0,4198	0,3122	0,3122	1,8103*
$EPS_{t+1} <- PERF_{t+1}$	0,6528	0,7013	0,2836	0,2836	2,3022*
$RSTVA <- ROGIC$	0,2429	0,2517	0,1943	0,1943	1,2500
$RVACA <- ROGIC$	0,0122	0,1589	0,3794	0,3794	0,0322
$RVAHU <- ROGIC$	0,7849	0,6170	0,3686	0,3686	2,1293*

Inner Model Test

The original value would show the predicted sample is positive or negative. Results of t is statistically greater than t table (1.675), showing that the hypothesis can be accepted. The table shows that $VAIC^{TM}$ positive and significant impact on the financial performance of companies with the original sample values of 0.5052 and 4.9969 for statistical t greater than

t table of 1.675. VAICTM positive and significant effect on the performance of the company's financial future with the original sample values of 0.288 and 2.342 for T statistically greater than t table of 1.675. ROGIC negative and not significant to the company's future financial performance is not due to the results of the original value of -0.1784 sample which showed a negative direction and results of T statistics show a smaller value than t table (1.4531 <1.675). Results T statistic that less than t table would indicate that ROGIC not yet have an important role in the company indicate that the contribution of the future financial performance of companies listed on the Indonesia Stock Exchange in 2013 was still dominated by the use of tangible assets are physical assets and financial assets.

Table 6. Inner Weight Result

	Original Sample (O)	Sample Mean (M)	Standard Deviation (STDEV)	Standard Error (STERR)	T Statistics (O/STERR)
ROGIC -> PERF _{t+1}	-0,1784	-0,1805	0,1228	0,1228	1,4531
VAIC -> PERF	0,5052	0,5415	0,1011	0,1011	4,9969*
VAIC -> PERF _{t+1}	0,2880	0,3075	0,1230	0,123	2,3420*

Each test models powered by the coefficient of determination. Based on table 7, the variable of VAICTM was able to explain the company's financial performance variable of 0.2569 or 25.69%. Variable of VAICTM was able to explain the company's financial performance variables the future of 0.1076 or 10.76%. ROGIC was able to explain the company's financial performance variables the future of 0.0232 or 2.32%. Evaluation inner models also performed with Q-square predictive analysis relevant. Results Q-square greater than 0 was equal to 0.2169 indicates that the model had predictive relevance.

Table 7. The results of the R-square and Q-square

Model	Original Sample (O)	Sample Mean (M)
VAIC -> PERF	0,2569	0,2169
VAIC -> PERF _{t+1}	0,1076	
ROGIV->ERF _{t+1}	0,0232	

Discussion

Testing with the processing of the data showed that VAICTM the company's financial performance had a significant relationship with the value of t statistic of 4.9969 (above 1,675). Hypothesis 1 had the R-square value of 0.2569, which means that the power of intellectual capital presented by VAICTM was able to explain the financial performance of the company amounted to 25.69%, while the remaining 74.31% was explained by other

variables outside of research. Based on these explanations, the first hypothesis can be accepted.

The results of this study demonstrated conformity to the research conducted by Tan et al., (2007) that all the indicators had significant value. That was different from research conducted by Tan et al., (2007) that the study used two indicators of the company's financial performance of ROE and EPS for both indicators which was already able to explain the construct. The most contributed indicators VAICTM was VAHU. Human capital is represented by employees that showed that firms in Indonesia listed in the Indonesia Stock Exchange in 2013 had been successfully used and maximized the knowledge, creativity, expertise, as well as employees in the power of thought to create added value so as to improve the financial performance of the company. Companies that successfully maximizes VAHU in creating meaningful financial performance demonstrated the ability of management to manage the company so as to provide profits for shareholders.

This study was not consistent with research done by Kusdiat (2012) which stated that intellectual capital has no significant effect on the financial performance of the company, but this study was consistent with the research conducted by Firer and Williams (2003), Belkaoui (2003), Chen (2005), and Ulum (2008).

VAICTM and the company's future financial performance had a significant relationship with the value of t statistic of 2,342 (over 1,675). Hypothesis 2 had the R-square value of 0.1076, which means the power of intellectual capital presented by VAICTM was able to explain the company's future financial performance of 10.76% and the remaining 89.24% was explained by other variables outside the study. Based on these explanations, the second hypothesis can be accepted.

The results of this study are consistent with research done by Tan et al., (2007). All indicators forming VAICTM are able to explain VAICTM but on future financial performance variables, only value ROE_{t+1} significant to explain the variables. STVA is an indicator that can provide the greatest contribution in creating added value to the company's future financial performance. This means structural capital contributed in the formation of future financial performance. Although human capital can be utilized to maximize the financial performance now but a more prominent role for the company's future financial performance was still displayed with structural management of capital.

This study is also consistent with research done by Firer and Williams (2003), Belkaoui (2003), Chen (2005), and Ulum (2008) which stated that intellectual capital had positive effect on the performance of the company's financial future, but the study was not in line with research conducted by Kusdiat (2012) which stated intellectual capital did not significantly influence the company's future financial performance.

Test with the processing of the data showed that ROGIC the future financial performance of companies had no significant relationship with the value of t statistic below 1.4531 t table (below 1,675). Hypothesis 3 have an R-square value of 0.0232, which means that the power of intellectual capital presented by ROGIC was only able to explain the company's future financial performance of 2.32% and the remaining 97.68% is explained by

other variables outside the study. Based on this explanation, the third hypothesis was rejected.

Research carried out by Tan et al., (2007) claimed that if the intellectual capital affects the performance of the company's financial future, the average growth in intellectual capital (ROGIC) will also have an influence on the performance of the company's financial future, it could mean that the third hypothesis is a confirmation of the hypothesis second. In fact, that occurred at different pitches to previous theories. Based on test using PLS, companies listed on the Indonesia Stock Exchange in 2013 had not been up to take advantage of the company's intellectual assets. Firms in Indonesia are still likely to pay more attention to financial gain or short-term gains shown in the value of t statistical indicators forming the future financial performance that is ROE_{t+1} and EPS_{t+1} are respectively 2.3022 and 1.8103.

Unlike the indicator forming ROGIC, only one indicator that has a value that was statistically significant t RVAHU at 2.1293. This means that although the overall rate of growth of intellectual capital (ROGIC) did not affect the company's future financial performance, the growth rate of human capital remains utilized by the company for future financial gains. The results showed that the two indicators forming ROGIC RVACA and RSTVA showed the results statistically insignificant t. This is because the results of the data obtained from the calculation VACA or RVACA growth and growth STVA or RSTVA on years of observation was fairly small or low. Based on these explanations, the third hypothesis is rejected. This study was consistent with research done by Ulum (2008) and Kusdiat (2012), which stated no ROGIC influence on the performance of the company's financial future. In contrast to research conducted by Chen (2005) and Tan et al., (2007) which stated that the intellectual capital had positive effect on future financial performance.

CONCLUSION

The results showed that: (1) Value Added Intellectual Coefficient had positive effect on the company's financial performance as evidenced by statistically significant t value of 4.9969 which was greater than t table 1.675. The value of the original sample was 0.5052, which means it had a positive direction. (2) Value Added Intellectual Coefficient had positive effect on the company's future financial performance, as evidenced by statistically significant t value is 2,342 bigger than t table 1.675. The value of the original sample was 0.288, which means it had a positive direction. (3) The level of intellectual capital growth negatively affected the company's future financial performance, as evidenced by the value of t statistic was 1.4531 which was smaller than t table 1.675. The value of the original sample was -0.1784, which means it had a negative direction.

Based on the research results, for further research is recommended to add the sample more and using study period longer in order to obtain better results. Investors are expected to consider the use of intellectual capital as a determinant in making decision when they want to invest their money or not, because the intellectual capital began to be counted as one of the factors that affect the company's financial performance of both the present and the future. Also. It is expected that further research can change the size of the indicator variable,

for example, variable indicator of intellectual capital can be put on EVA, balanced score card, etc. Model of predictions for future financial performance could use a longer period such as two or three years or more years so that it can give the accuracy of prediction of intellectual capital to the company's future financial performance.

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SUB THEME: HUMAN RESOURCE MANAGEMENT

**PERFORMANCE BASED PAY MANAGEMENT AS A
DETERMINANT OF EXTRINSIC AND INTRINSIC JOB
SATISFACTION**

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Abstract

Recent studies about workplace compensation reveal that the ability of management to appropriately implement performance based pay may have a significant impact on job satisfaction. Although this correlation is significant, the role of performance based pay management as an important determinant has been given less attention in workplace compensation research literature. Therefore, this study was undertaken to investigate the correlation between performance based pay management and job satisfaction. Survey questionnaires were employed to collect data from employees at fire and rescue organizations in Malaysia. The outcomes of SmartPLS path model analysis showed two important findings: first, performance based pay management was an important determinant of job satisfaction. Second, specific components of performance based pay management: (1) communication, participation and performance appraisal were important determinants of extrinsic job satisfaction, (2) communication, and performance appraisal were important determinants of intrinsic job satisfaction, and (3) participation was not important determinant of intrinsic job satisfaction in the studied organization. Further, this study provides discussion, implications and conclusion.

Keywords: Performance based pay, management, job satisfaction, SmartPLS

INTRODUCTION

Pay system is often viewed as an important function of human resource department where human resource managers carry out important duties and responsibilities to plan and implement financial and non-financial rewards to employees who work in different job levels and categories (Ismail, Mohammad Fuad, Aimi, Hasan Al-Banna, Rashidi, 2014; Ismail, Anuar, Haron & Kawangit, 2015; Milkovich et al., 2014). Traditionally, in the early development of organizations, many employers design job based pay as a mean to allocate various rewards based on employees' job structures such as seniority, length of service and work classifications (Ismail et al, 2014; Ismail & Zakaria, 2009; Markova & Ford, 2011). Although this pay system may help organizations to achieve their goals, many scholars view that it is most appropriate for small-medium organizations that operate in domestic, stable and less competition environments (Aaron, Harris, McDowell & Cline, 2014; Baule & Soost, 2016).

Rapidly development and transformation of small-medium organizations to become global organizations have motivated employers to shift their compensation paradigms from a traditional job based pay to performance based pay in order to achieve their strategies and goals. Under this new pay system, employers have allocated extra reward based on employees' performance such as merit, skills, knowledge, competency and/or productivity (Ismail & Zakaria, 2009; Cloutier, Morin & Renaud, 2013; Osterloh, 2014). Many researchers recognize that the implementation of this pay system brings more positive impacts than job based pay because it may strongly attract, motivate and retain high performing employees to improve job efficiency and productivity, as well as maintain and enhance organizational competitiveness in an era of globalization (Ahmad & Scott, 2015; Auh & Menguc, 2013).

A review of the recent literature pertaining to workplace compensation highlights that competent management is an essential factor to enhance the effectiveness of performance based pay in successful organizations. Competent management often emphasize on three management techniques: communication, participation and performance appraisal (Anuar, Ismail & Abdin, 2014; Salim, Roszaide, Ismail & Yusoff, 2015). Surprisingly, extant studies about pay for person reveal that the capability of management to appropriately implement communication, participation and performance appraisal in determining pays based on performance may have a significant impact on employees' outcomes, especially job satisfaction (Appelbaum, Louis, Makarenko, Saluja, Meleshko & Kulbashian, 2013; Khan, Karim & Jan, 2014; Malik, 2013).

Even though the nature of this relationship has been investigated, the role of performance based pay management as an important determinant has not been thoroughly explained in the workplace compensation research literature (Anuar et al., 2014; Ismail et al., 2011; Ismail et al., 2014). Therefore, this situation motivates the researchers to further discover the nature of this relationship. Specifically, this study aims to answer twofold objectives: first, to assess the correlation between performance based pay management and job satisfaction. Second, to assess the correlation between specific components of performance based pay management (i.e., communication, participation and performance appraisal) and job satisfaction.

LITERATURE REVIEW

Performance based pay management consists of three important dimensions: communication, participation and performance appraisal. First, communication is broadly defined as an employer openly and honestly delivers the information about performance based pay to its employees (Ismail et al., 2014; Milkovich et al., 2014; Salim et al., 2015). Second, participation is generally interpreted as management and employees at different hierarchical levels and categories involving in decision-making, information-processing and/or problem-solving activities related to the design and implementation of performance based reward system (Salim et al., 2015; Shaed, Ishak & Ramli, 2015).. Third, performance appraisal is commonly defined as a cyclical process whereby employers assess employee

performance based on formal appraisal methods and outcomes of this appraisal will be used to allocate rewards based on different levels of employee performance (Ismail, Nur Asilah & Mohamad Rahmad, 2016). While, job satisfaction is mostly defined as individual attitudes toward their working conditions and working environments (Fiorillo & Nappo, 2014; Ismail, Adnan, Awang, Rani & Ismail, 2015; Marasi & Ford, 2016; Joung, Goh, Huftman, Jessica & Surlis, 2015). as well as positive emotional response of employees to their jobs conditions (Bednarska & Szczyt, 2015; Chatzoudes, Chatzoglou & Vraimaki, 2015; Dierendonck, 2015). In the context of workplace compensation, high or low levels of employees' job satisfaction is strongly affected by performance based pay management (Ismail et al., 2014; Jackson, Rossi, Hoover & Johnson, 2012).

Relationship between performance based pay management and employee behavior is consistent with the notion of organizational behaviour theory. For example, Adams' (1963) Equity Theory explains that if an individual views that outcomes that he/she receive equitable with his/her contribution (e.g., effort and/or merit) this may invoke positive actions. Besides that, Lawler's (1971) Discrepancy Theory suggests that if an individual feels that outcomes that he/she receive fulfil his/her expectations (e.g., contribution and/or effort) this may result in positive behaviour. Further, Lazear and Rosen's (1981) Tournament Theory describes that if an individual perceived that if pay differentials are provided based on individual merit this may invoke positive behavior (Han, Ken & Lee, 2015; Milkovich et al., 2014; Pepper & Gore, 2015). The notion of these theories has gained strong support from performance based pay research literature.

For example, several extant studies were conducted using direct effects model to evaluate performance based pay in different organizational settings, such as perceptions of 20,000 employees from electronic component manufacturing organizations of Singapore and China (Malik, 2013), 331 employees of Malaysian private institutions of higher learning (Anuar et al., 2014), 98 Indian business executives in India (Yadav & Rangnekar, 2015), 22,547 employees from 48 European countries (Pacheco & Webber, 2016). These studies reported two important findings: first, the ability of management to appropriately implement performance based pay had enhanced employees' job satisfaction. Second, the ability of management to appropriately practice the specific components of performance based pay i.e., communication, participation and performance appraisal had enhanced employees' extrinsic job satisfaction and intrinsic job satisfaction in the respective organizations (Anuar et al., 2014; Malik, 2013; Pacheco & Webber, 2016; Yadav & Rangnekar, 2015). Thus, it was hypothesized that:

1. H1: There is a positive relationship between performance based pay management and job satisfaction.
2. H2: There is a positive relationship between performance based pay management and extrinsic job satisfaction.
3. H3: There is a positive relationship between performance based pay management and intrinsic job satisfaction.

RESEARCH METHODOLOGY

A cross-sectional research design was employed because it allows the researchers to integrate the performance based reward literature and the actual survey as main procedure to collect data for this study. This data collection procedure may help the researchers to gather accurate data, decrease bias and increase quality of data being collected (Cresswell, 1998; Sekaran & Bougie, 2010). This study was conducted at Malaysian fire and rescue departments. At the early stage of this study, telephone interview method was conducted involving five officers who had working experience of more than 10 years in the organizations. The information gathered from the interview method helped the researchers to understand the nature and features of performance based pay management, and job satisfaction, as well as the relationship between such variables in the organizations. Next, the information gathered from the participants was used to improve and verify the content and format of the survey questionnaire for an actual research. Further, a back translation technique was employed to translate the survey questionnaires; thus, there are English and Malay versions in order to increase the validity and reliability of research findings (Cresswell, 1998; Sekaran & Bougie, 2010).

The survey questionnaire consists of four major parts: first, communication had 4 items adapted from performance based pay management literature (Anuar et al., 2014; Singh, 2009; Milkovich et al., 2014). Second, participation had 3 items adapted from performance based pay management literature (Brown, Hyatt & Benson, 2010; Ismail et al., 2011; Milkovich et al., 2014). Third, performance appraisal had 3 items adapted from performance based pay management literature (Ismail et al., 2011; Milkovich et al., 2014). Four, extrinsic job satisfaction had 3 items and intrinsic job satisfaction had 3 items adopted from the Warr, Cook and Wall's (1979) job satisfaction scale. All these items were measured using a 7-item scale ranging from "strongly disagree/dissatisfied" (1) to "strongly agree/satisfied" (7). Demographic variables were used as controlling variables because this study emphasizes on employee attitudes.

A purposive sampling technique was utilized to collect 155 survey questionnaires from employees of the studied organizations. This sampling technique was used because the management of the organization had not given the list of registered employees to the researchers and this situation could not allow the researchers to apply a random technique in choosing respondents for this study. The participants gave their consent prior to answering the survey questions, and it was done on a voluntary basis.

The SmartPLS package was used to assess the survey questionnaire data because it may provide latent variable scores, avoid small sample size problems, estimate every complex model with many latent and manifest variables, hassle stringent assumptions about the distribution of variables and error terms, and handle both reflective and formative measurement models (Henseler & Chin, 2010; Ringle, Wende & Will, 2005). The procedure of analysing data is: first, SmartPLS path model was employed to assess the path coefficients for the structural model using the standardized beta (β) and t statistics. The value of R^2 was used as an indicator of the overall predictive strength of the model. The value of R^2 is

interpreted as follows; 0.19 (weak), 0.33 (moderate) and 0.67 (substantial) (Henseler & Chin, 2010; Chin, 2001). Second, an additional assessment of model fit in PLS analysis was carried out to test predictive relevant using blindfolding (Q^2 statistic). According to Chin (2001), the Q^2 statistic is a jackknife version of the R^2 statistic. It represents a measure of how well observed values are reconstructed by the model and its parameter estimates. A model with Q^2 greater than zero is considered to have predictive relevant. The value of Q^2 is considered as follows: 0.02 (small), 0.15 (medium), and 0.35 (large) (Hair, Hult, Sarstedt & Ringle, 2014).

RESULTS

The majority of respondents of this study were males (80%), aged from 25 to 34 years old (45%), Malaysia Certificate of Education holders (67%), clerical and support staff (69%), working experiences from 5 to 14 years (38%), monthly salary between Malaysian Ringgit 1000 and 2499 (47%), and married employees (74%).

Table 1 shows the factor loadings and cross loadings for different constructs. The correlation between items and factors had higher loadings than other items in the different concepts; and the loadings of variables were greater than 0.70 in their own constructs in the model, and these values are considered adequate (Henseler & Chin., 2010). Overall, the validity of the measurement model has met the criteria. Meanwhile, the values of composite reliability for all constructs were greater than 0.80, indicating that the instrument used in this study had high internal consistency (Henseler & Chin., 2010; Nunally & Bernstein, 1994).

Table 1 - The Results of Factor Loadings and Cross Loadings for Different Constructs, and Composite Reliability

Construct	No. Of Item	Cross Factor Loading					Composite Reliability
		1	2	3	4	5	
1. Communication	4	0.753 to 0.809					0.859
2. Participation	3		0.782 to 0.867				0.863
3. Performance Appraisal	3			0.706 to 0.859			0.829
4. Extrinsic Job Satisfaction	3				0.801 to 0.869		0.884
5. Intrinsic Job Satisfaction	3					0.753 to 0.812	0.825

Table 2 shows the results of convergent and discriminant validity analyses. All concepts had the values of AVE larger than 0.5, indicating that they met the acceptable

standard of convergent validity (Barclay et al, 1995; Fornell & Larker, 1981). Besides that, all concepts' values of AVE in diagonal were greater than the squared correlation with other concepts in off-diagonal, signifying that all concepts met the acceptable standard of discriminant validity (Henseler & Chin., 2010; Yang, 2009).

Table 2 - The Results of Convergent and Discriminant Validity Analyses

Construct	AVE	1	2	3	4	5
1. Communication	0.604	0.777				
2. Participation	0.677	0.412	0.823			
3. Performance Appraisal	0.619	0.418	0.434	0.787		
4. Extrinsic Job Satisfaction	0.717	0.514	0.438	0.477	0.847	
5. Intrinsic Job Satisfaction	0.611	0.423	0.321	0.464	0.665	0.781

Table 3 shows the results of variance inflation factor and descriptive statistics. The means for all constructs ranged from 4.9419 to 5.2280 signifying that majority of respondents perceived that the levels of communication, participation, performance appraisal and job satisfaction ranged from high (4) to highest level (7) in the organizations. Meanwhile, the values of variance inflation factor for the relationship between the independent variable (i.e., communication, participation and performance appraisal) and the dependent variable (i.e., job satisfaction) were less than 5.0, signifying that the data were not affected by serious collinearity problem (Hair et al., 2014). These results further confirmed that the instrument used in this study has met the acceptable standards of validity and reliability analyses.

Table 3 - The Results of Variance Inflation Factor and Descriptive Statistics

Construct	Mean	Standard Deviation	Variance Inflation Factor	
			4	5
1. Communication	5.1871	.64629	1.317	1.317
2. Participation	4.9419	.64033	1.339	1.339
3. Performance Appraisal	5.1118	.64385	1.347	1.347
4. Extrinsic Job Satisfaction	5.0495	.67505		
5. Intrinsic Job Satisfaction	5.2280	.53012		

Table 4 shows that the inclusion of performance based pay management in the analysis explained 40 percent of the variance in job satisfaction. In terms of predictive strength of this model, it provides a moderate support for the overall model (Hair et al., 2014). Specifically, the results of testing the research hypothesis showed that performance based pay management was significantly correlated with job satisfaction ($\beta=0.636$;

$t=14.253$), therefore H1 was supported. This result confirms that performance based pay management is an important determinant of job satisfaction.

Table 4: The Outcomes of Testing H1

Structural Path	Path Coefficient	R ²
H1: Performance based Pay Management and Job Satisfaction	$\beta=0.636$; $t=14.253^*$	0.404

Note: Significant at $* > 1.96$

As an extension to the testing of the research hypotheses, a test of predictive relevance for the reflective endogenous latent variable was further conducted using Blindfolding procedure. The result of this test show that the value of Q² for job satisfaction was 0.207, indicating that it was greater than zero for the reflective endogenous latent variable. This result has predictive relevance. In terms of explanatory power, the Q² value for extrinsic job satisfaction was greater than 0.15 (Hair et al., 2014), showing that it had medium predictive relevance.

Table 5 shows that the inclusion of performance based pay management in the analysis explained 38 percent of the variance in extrinsic job satisfaction. In terms of predictive strength of this model, it provides a moderate support for the overall model (Hair et al., 2014). Specifically, the results of testing the research hypothesis showed that communication was significantly correlated with extrinsic job satisfaction ($\beta=0.328$; $t=4.300$), therefore H2a was supported. This result confirms that communication is an important determinant of extrinsic job satisfaction. Second, participation was significantly correlated with extrinsic job satisfaction ($\beta=0.194$; $t=2.307$), therefore H2b was supported. This result confirms that participation is an important determinant of extrinsic job satisfaction. Third, performance appraisal was significantly correlated with extrinsic job satisfaction ($\beta=0.256$; $t=3.579$), therefore H2c was supported. This result confirms that performance appraisal is an important determinant of extrinsic job satisfaction.

Table 5: The Outcomes of Testing H2 (H2a, H2b and H2c)

Structural Path	Path Coefficient	R ²
H1: Communication → Extrinsic Job Satisfaction	$\beta=0.328$ ($t=4.300$)*	0.377
H2: Participation → Extrinsic Job Satisfaction	$\beta=0.194$ ($t=2.307$)*	
H3: Performance Appraisal → Extrinsic Job Satisfaction	$\beta=0.256$ ($t=3.579$)*	

Note: Significant at $* > 1.96$

As an extension to the testing of the research hypotheses, a test of predictive relevance for the reflective endogenous latent variable was further conducted using Blindfolding procedure. The result of this test show that the value of Q² for job satisfaction was 0.243, indicating that it was greater than zero for the reflective endogenous latent

variable. This result has predictive relevance. In terms of explanatory power, the Q^2 value for extrinsic job satisfaction was greater than 0.15 (Hair et al., 2014), showing that it had medium predictive relevance.

Table 6 shows that the inclusion of performance based pay management in the analysis explained 29 percent of the variance in intrinsic job satisfaction. In terms of predictive strength of this model, it provides a weak support for the overall model (Hair et al., 2014). Specifically, the results of testing the research hypothesis showed that communication was significantly correlated with intrinsic job satisfaction ($\beta=0.261$; $t=3.634$), therefore H3a was supported. This result confirms that communication is an important determinant of intrinsic job satisfaction. Second, participation was significantly correlated with intrinsic job satisfaction ($\beta=0.072$; $t=0.923$), therefore H3b was supported. This result confirms that participation is an important determinant of intrinsic job satisfaction. Third, performance appraisal was significantly correlated with intrinsic job satisfaction ($\beta=0.325$; $t=3.698$), therefore H3c was supported. This result confirms that performance appraisal is an important determinant of intrinsic job satisfaction.

Table 6: The Outcomes of Testing H3 (H3a, H3b and H3c)

Structural Path	Path Coefficient	R ²
H1: Communication → Intrinsic Job Satisfaction	$\beta=0.261$ ($t=3.634$)*	0.286
H2: Participation → Intrinsic Job Satisfaction	$\beta=0.072$ ($t=0.923$)*	
H3: Performance Appraisal → Intrinsic Job Satisfaction	$\beta=0.325$ ($t=3.698$)*	

Note: Significant at $* > 1.96$

As an extension to the testing of the research hypotheses, a test of predictive relevance for the reflective endogenous latent variable was further conducted using Blindfolding procedure. The result of this test show that the value of Q^2 for intrinsic job satisfaction was 0.150, indicating that it was greater than zero for the reflective endogenous latent variable. This result has predictive relevance. In terms of explanatory power, the Q^2 value for intrinsic job satisfaction was equal with 0.15 (Hair et al., 2014), showing that it had medium predictive relevance.

DISCUSSION AND CONCLUSION

The findings of this study generally show that performance based pay management has been an important determinant of job satisfaction. In particular, specific components of performance based pay: (1) communication, participation and performance appraisal have been important determinants of extrinsic job satisfaction, (2) communication, and performance appraisal have been essential determinants of intrinsic job satisfaction, and (3) participation has not been an important determinant of intrinsic job satisfaction in the studied organizations.

In the context of this study, management has implemented performance based pay according to the policies and rules as established by their stakeholders. Majority of the respondents perceived that the levels of performance based pay management, communication, participation, performance appraisal, extrinsic job satisfaction and intrinsic job satisfaction are high. This situation generally explains that management of performance based pay may enhance job satisfaction. Specifically, implementation of communication, participation and performance appraisal may enhance extrinsic job satisfaction, as well as implementation of communication, and performance appraisal may enhance intrinsic job satisfaction. Conversely, implementation of participation may not lead to higher intrinsic job satisfaction in the organizations.

This study provides three important implications: theoretical contribution, robustness of research methodology, and practical contribution. In terms of theoretical contribution, the findings of this study confirm that performance based pay management has been an effective determinant of job satisfaction. While, specific components of performance based pay that are communication, (1) participation and performance appraisal have been essential determinants of extrinsic job satisfaction, and (2) communication and performance appraisal have been effective determinants of intrinsic job satisfaction in the organizations. This result also has supported and broadened studies by Malik (2013), Anuar et al. (2014), Yadav and Rangnekar (2015), and Pacheco and Webber (2016).

On the contrary, participation has not been an important determinant of intrinsic job satisfaction in the organizations. A thorough review of the interview outcomes shows that this result may be affected by external factors: first, the majority respondents have different personal and service backgrounds and these differences may create different values and judgments among respondents about the importance of participation style in managing performance based pay. Second, as a uniformed organization, the organizations use tall structures, centralized decision making, strict standard operating procedures and high power distance in the interaction among different ranks and positions. This organizational situation may decrease the freedom of employees to implement participative decision making in performing daily job. These factors may lead to reduced effectiveness of participation style in managing performance based pay models of the organizations.

In regard to the robustness of research methodology, the survey questionnaire used in this study satisfactorily met the criteria of validity and reliability analyses. This situation could lead to accurate and reliable research findings.

With respect to the practical contribution, the findings of this study can be used as guidelines by practitioners to improve the management of performance based pay in their organizations. This intention may be achieved if management focuses on the following matters: first, monetary and non-monetary payments for high performers should be adjusted according to the current national cost of living and organizational expectations in order to motivate high performers support their organizations' goals. Second, leaders' mentor and coach should be encouraged to upgrade the capability of middle and junior managers in handling and solving employees' complaints and demands. Third, cooperation between

organization and university in education and training should be held in helping employees to upgrade their new competencies and career prospects. Finally, succession plan should be well-designed and implemented at top and middle management levels in order to determine talented and competent managers are hired to fulfil important and higher positions in organizations. If these suggestions are given more attention, this may stimulate employees to accept and appreciate the performance based pay goals.

This study has several limitations. First, a cross-sectional research design used in this study may not capture causal connections between the variables of interest. Second, the outcomes of SmartPLS path model analysis did not measure the relationship between specific indicators for the independent variable and dependent variable. Third, the sample of this study is limited to uniformed employees at one defence and security organizational sector. Fourth, this study only measures a direct relationship between the independent variable and the dependent variable without examining the interference of other factors such as respondent characteristics in this transaction. Finally, this study uses a non-probability sampling technique to collect survey questionnaires from respondents and this may expose to the response biases. If these limitations are strongly considered, a better finding may be exposed for future research.

This study provides several suggestions that may be used to improve future research in this field: first, several organizational and personal characteristics should be further discovered, whereby this may show meaningful perspectives in understanding how individual similarities and differences affect the implementation of performance based pay by the organizations. Second, other research designs (e.g., longitudinal studies) should be utilized to collect the data and describe the patterns of change and the direction and magnitude of causal relationships amongst variables of interest. Third, to fully understand the effect of performance based pay on employee outcomes, more varied organizations need to be involved. Fourth, a larger sample size should be collected in order to better characterize the studied population. Finally, other specific elements of employee outcomes such as job performance, turnover, motivation and ethics need to be considered as important outcomes of performance based pay. The importance of these issues needs to be further discovered in future research.

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THE ROLE OF INDIVIDUAL, MANAGER, AND EXECUTIVE IN EMPLOYEE ENGAGEMENT: CASE OF INDONESIA CENTER FOR SUSTAINABLE DEVELOPMENT BANDUNG

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Abstract

The purpose of this research is to identify factors that influence level of employee engagement in a consultant company named Indonesia Center for Sustainable Development Bandung. Researcher collected the data using ethnography method with two main tools that are in-depth interview and participant observation. The Domain Analysis by Spradley (1979) is used as the data analysis method to interpret the influential factors of employee engagement based on BlessingWhite (2011) theory. The researcher concluded that the most influential factor of employee engagement is manager that have specific tool to increase the engagement level by using “constructive bullying” approach. In addition, “client-server” relationship is the significant factor to improve employee engagement level. This research only focused on strategies of ICSDB in building employee engagement and did not discuss the measurement of employee engagement level. It also evaluated the existing theory of employee engagement that can be useful to enrich the understanding contextually. Based on several researches on employee engagement has been done, there is still few research done in a consultant company. Therefore, this study seeks to use a newly established consultant company as the research object that is still rarely done by other researchers.

Keywords: Consultant, Employee Engagement, Qualitative Research

INTRODUCTION

Background

The world today is faced with the advancement of science and technology that lead to the weakening of the boundaries between countries. Globalization in the modern era cannot be denied has entered into all aspects of human life ranging from education, economy, politics, and religion. The economy is one area that is affected by globalization with highly significant. Globalization is forcing companies to create a global strategy to gain competitive advantages in order to win the global competition (Iancu, 2014). To meet this challenge, the company should be able to optimize all of its resources including human resources, physical resources, and organizational resources (Senge, 1996). Human resource is the most valuable asset that all members of the company should be well integrated to work together to achieve corporate goals (Armstrong & Murlis, 2004). One part of the human resource that is very important is employee engagement because it is very influential on employee satisfaction and employee performance in the company (Karatepe, 2011).

ICSDB (Indonesia Center for Sustainable Development Bandung) is a newly established consulting company that runs sustainable programs such as community development, corporate social responsibility, etc. that become a bridge for governments,

companies, and communities to achieve common prosperity. Generally ICSDB has two core activities, namely training and research. In training activities, ICSDB provides seminars and training to companies or parties who need information about community development, corporate social responsibility, conflict management, etc. ICSDB also conducts research that requires them to go to the field to gather the information needed from particular community that ultimately ICSDB will provide recommendations of sustainable development program based on the results of the research to the client that they are working together. In some cases, the ICSDB also makes the process of implementation of the proposed program to the client and evaluates the programs that have been implemented also provides reports of the implementation of the program to the client.

Research Objectives

Based on the problem statements that are already explained above, this research tries to achieve some objectives as described below:

1. To know and understand what efforts or strategies have been made by the Indonesia Center for Sustainable Development Bandung in building employee engagement.
2. To identify the factors those affect the level of employee engagement in the Indonesia Center for Sustainable Development Bandung.

Research Limitation

This research only discussed and identified the strategies that have been taken by the ICSDB in building employee engagement within the organization. This research did not discuss the measurement of the level of employee engagement in the ICSDB. In addition, the research object of the study also becomes the limitation. The research was only performed in ICSD Bandung and was not conducted in ICSD Jakarta that already well established.

LITERATURE REVIEW

Employee Engagement

Employee engagement is a deep sense of belonging to a job or organizations, by which they are motivated and able to devote their best abilities to help organizations to achieve success through a variety of tangible benefits for organization and individuals inside the organization (MacLeod, David, & Clarke, 2009). Engagement in this case is not only limited in term of the job or the organization, but it is also about the emotional bonding and even more to all aspect in the organization including other employees, clients, partners, suppliers and all stakeholders of the company. In general employee engagement within the company can be seen from the commitment of employees to achieve organizational goals and implement the company's values in daily life in the organization. In the end, employees who have an engagement to these organizations are able to create prosperity for the organization, which in turn will positively affect the well-being of employee itself (MacLeod, 2009).

Influential Factors of Employee Engagement Level

BlessingWhite classified the factors that can influence the level of engagement in a company in their report on 2011. These factors come from the aspect of individuals, managers, and executives. These three aspects are the roles within the company that play a direct role in creating employee engagement within the company. Therefore, these roles become a determinant factor in the development of employee engagement in a company.

Individuals (ownership, clarity, and action)

Based on the results of research conducted by BlessingWhite (2011), there are three roles that make individual significantly influence the level of engagement, namely *ownership*, *clarity*, and *action* (BlessingWhite, 2011). The employees of the company should already have a sense of ownership to the organization. The ownership certainly will greatly influence the level of employee engagement. The sense of ownership to the company is an early stage of engagement which in turn it will become an engagement to the company. An employee cannot be engaged with the company if he does not have a sense of belonging. Ownership became a determining factor in employee engagement because of the assumption that employees come to the organization with unique motivators, interests, and talents (BlessingWhite, 2011).

An employee must be able to determine and identify anything they want achieve in the organization. They should really understand his desires, what he wants to achieve, and what the final goals he wants in the organization. In addition, an employee must also know which direction the organization is going to be taken. Those aspects named as *clarity*. After an employee clarifies all aspects above, he must be able to perform an action to achieve both ownership and clarity. They should have the initiative to develop their skills, achieve their core values, and identify how to use their abilities in achieving organizational goals (BlessingWhite, 2011).

Manager (coaching, relationships, and dialogue process)

The first factor that make managers can influence the level of engagement in a company is because they have coaching function. Coaching can improves employee engagement level because in the process of coaching a manager helps employees to achieve their organizational as well as personal goals and ultimately improve the quality of the engagement of the company (BlessingWhite, 2011). The understanding of each team member's unique interests, talents, and aspirations is the driver to build employee engagement based on coaching role (BlessingWhite, 2011). In the end, the managers keep the conversation going by offering feedback, course improvement, and progress opportunities to ensure high achievement. All of those will form the engagement especially for the employees as well as the managers. The ability of managers to build relationship also greatly affects the level of employee engagement. The more employees feel they know their managers as people, the more engaged they're likely to be (BlessingWhite, 2011). In some regions, the relationship between employees and managers has greater impact on

engagement than coaching ability of managers. Managers have to remove the veil of their position or title and become known to employees. This may not mean they become good friends, but this means that a manager must perform its role to share personal motivation for work, challenges, strengths and weaknesses, and the reason they came to the organization and why they choose to stay.

Executive (trust, communication, and culture)

The most important factor for an executive in building employee engagement is *trust*. Although in the previous factors of managers have been described that there is a tendency of employees to more trust more their managers than to the executives, in fact the trust in executives can have greater impact than the trust given by an immediate manager (BlessingWhite, 2011). The ability of executives in directing the employees is also fundamental factor in building employee engagement. This is because a clear direction given by the executives will align the employees' interests with the company's goal to strengthen the engagement of the employees. The engagement will not happen if the definition of success and the company's direction is not defined clearly. Therefore, the engagement will be improved if the executives could be able to give a clear communication strategy to build confidence in the workforce within the company (BlessingWhite, 2011). The next influential factor of employee engagement is the culture of the organization. The executives could improve the employee engagement by shaping the culture of the organization because it has impact on the level of engagement within their company. In their research, BlessingWhite (2011) likens the corporate culture as the waves. If the wave rises, all the boats will rise too. The corporate culture is formed from the words and actions undertaken by all leaders in the company collectively.

METHODOLOGY

Research Method

This research uses ethnographic research method to describe the factors that influence employee engagement in Indonesia Center for Sustainable Development Bandung (ICSDB). Ethnography is the study of a culture or cultures that a group of people share (Van Maanen, 1995). Ethnography is not only used for investigate ethnic communities but also can be used for investigate organization as well as specific events. In the ethnographic method, there are two major tools to obtain data which are participant observation and in-depth interview (Schutt, 2014). The informant is a major source in the primary data collection in this study. Given that the ICSDB team members number only seven people so all members of the team are the key informants in this study.

Data Analysis Method

The data analysis method used in this research is Domain Analysis which is a qualitative analysis method based on the theory developed by Spradley (1979, in Leech and

Onwuegbuzie, 2007). The researcher decided to use the domain analysis method because it is the most commonly method used in the data analysis of qualitative and ethnographic research. Domain analysis is useful to identify the larger units of cultural knowledge that is called domain (Spradley, 1979). This method was developed from the belief that the symbol is an important aspect in communicating cultural meaning. Spradley (1979) stated in his book, these symbols have three elements: the symbol itself called the *cover term*, one or more referents called *included term* or collected data, and the relationship between symbol and referent called *semantic relationship*. The following figure shows the illustration of domain analysis method in this research:

Table 3.2 Domain Analysis Components

DOMAIN	COVER TERM	VARIABLE
Influential factor of employee engagement in ICSDB	Individual	Ownership
		Clarity
		Action
	Managers	Coaching
		Relationship
		Dialogue Process
	Executives	Trust
		Communication
		Culture

RESULTS

Individual Role

Ownership

Almost all members of ICSDB are people who love freedom and do not like to be bound to the rules, organization, or a system that requires them to comply with existing systems. It can be seen from the observation and direct information from several parties such as managers and executive. For example, in ICSDB they do not have SOPs that regulates them about what time they should come to the office. At first glance it appears that they do not have ownership to the ICSDB because they can freely come to the office whenever they want. However, if we do a deeper observation it would appear that they are people who are engaged to the ICSDB. An ICSDB executive stated, "*Mereka adalah orang lepasan, tetapi mereka mau mengikatkan diri di dalam ICSDB.*" The form of ownership is showed by ICSDB members in their actions when they are binding themselves to this organization. They understand that out there they will not find a company that could understands their character like ICSDB. The action of ICSDB members in binding themselves to the organization is a form of engagement that they have for this organization. They realized that ICSDB is able to be a place for their hobbies and passions not only for their job. One proof of the

engagement through the ownership occurred when they are offered with a new job in a larger company by the executive of ICSDB. However, all refused to take this opportunity and still choose to stay in ICSDB with the main reason that they have committed themselves and create engagement in this organization.

Clarity

Just like a loving relationship, an engagement would not be happened if there is no understanding each other. Each individual understand that their position in ICSDB is to provide benefits to the society not to make money. They are aware that this organization is not profit oriented so that they will not to get regular salary from it. Clarity is indirectly become a filter for people who want to work in ICSDB. If they do not agree to work in non-profit oriented organization, then they will try to find another job. Therefore, it can be said that the employee who still stay in ICSDB are those who already have an engagement and accept the value to be achieved by ICSDB. Based on the results of research finding, clarity in ICSDB is also a key factor in creating engagement at the individual level. This is due to the final stage of individual engagement is do an action. Without having clarity in understanding the company's goals and personal desires, an employee in ICSDB will not have a clear direction to perform actions within the company. The members of ICSDB have realized that their organization value is "*to create social prosperity and not to make money.*" Therefore, in the next step they are able to perform an action to meet these objectives by having a second job outside the organization, which could give them more income.

Action

Based on the previous explanation about clarity factor, all team members in ICSDB clearly understand that their role in the organization is not to make money or profit oriented, but to contribute to the community. It has become value and goal to be achieved by ICSDB. Therefore, all team members in ICSDB have taken action to achieve these goals. Currently, all members ICSDB already have a second job outside the organization to earn income to support their family needs. They do this action because they have clarity on the organization's goals and values. They do not want to make ICSDB as a place to gain their main income because it can eliminate the company's values and goals. ICSDB is an organization that does not have SOP (standard operating procedure), but they had seriousness and a high level of morale in doing their job. This was proven from the way they work as a consultant. Unlike the other consultants who work under the contract, ICSDB work based on the needs of society, not based on the contract with the client. In general, a consultant working on the project for the time specified in the contract. After time in the contract agreement is up then the project will be ended and there is no follow up anymore. This is very different with the ICSDB. They run the program which is not limited by contractual agreement, but according to the needs of society. If in the project contract only lasts for one month, while people still need the guidance then ICSDB would continue their work programs until the community can run the program by themselves. This also happens

when people can run the development program less than one month, the program will also be completed for less than 1 month even the agreement in the contract is lasting for 1 month. They do this action because they understand clearly that their organization is non-profit oriented.

The next indicator that ICSDB members have good action to achieve their goals in their job can be seen from their enthusiasm. When they do the work, they are often carried away and drowned in the work even forget about the time. This is because they do their work with happiness. One proof of this aspect is the existence of several programs that take longer than the time which is already agreed in the contract. They still continue the program even the contract is up. One of the easiest things to be identified is that they still maintain communication with people they have known when they were doing work in various rural areas. Sometimes, they also often get a telephone call from people they meet during their projects in various regions in Indonesia. This proves that they were never really loss contact from their job, even they already finished it for long time before.

Manager Role

Coaching

The goal of manager's role of coaching in ICSDB is to help employee achieve organizational goals and their personal desires. This is because engagement cannot be achieved if the employee cannot achieve organization's goals and their personal desires. One case for the example is when there was a member who was still finishing his master education. The manager realized that he has a personal desire that must be achieved which he has to finish his master. Therefore, one form of coaching that was done is to give time for him to focus on his thesis and do not involve him intensively in the project because it can disturb his personal achievement. The second case is about company financial lending policies. Manager and executive are aware that every employee in ICSDB cannot depend on project-based salary given by ICSDB. While on the other hand, the employee must also support their family needs. Therefore, the executive encourages the employees to make a side business to earn additional income. In the end, they made the company's policy to provide capital loans for the employees who want to open a business. This step was taken to bring together the point of employee engagement which is the company goals and the employee's personal desires.

Relationship

Manager is the most influential actor in ICSDB because they have role as a bridge between the executive and team members as individuals. The researcher saw a very dominant person in the organization that is very influential in building engagement, namely Preto who have position as Program Director. He is a dominant person who can build a pleasant work atmosphere. As a manager, he has the responsibility to maintain and improve the engagement among each team member. Therefore, he and several team members of ICSDB run a tool to create the emotional relationship between the team members through *constructive bullying*.

It is a form of communication that is most often found in ICSDB. Constructive bullying has a function to create a strong mentality because their job is to deal with people who they have never met and knew before in the society. They said, "Knowledge can be learned, but the mentality is hard to be obtained." In this way they can get a team member who has a strong mentality and is able to face variety of threats. Sometimes it also results a negative effect in the team because not all team members can accept this system. This is the important role of a manager to recognize each member so that he is able to measure the level of bullying.

Based on the observations that have been done, it can be seen that the social network in ICSDB refers to one person, namely Preto the program director. It is proven from the pattern of their social interaction that makes the researcher able to conclude that Preto is the most dominant actor in this organization. Preto ever conducted a little experiment with self-silencing attitude and did not say anything for a day to see the response of the other team members. As a result, all members of the team on that day followed to be silent and the atmosphere becomes cooler than usual. This is proof that the role of manager is crucial in building interpersonal relationships in ICSDB. The next finding about the relationship that can influence the level of employee engagement in ICSDB is the existence of "*client-server relationship*." The researcher saw a very close interpersonal relationship between ICSDB and their developed society. In fact, sometimes some representatives of the community came to ICSDB office to visit the team. The researcher has attended the election of the chairman of the Koperasi Nurkayana which is one result of the development programs by ICSDB in Pangalengan. At the end of the session on that day, the new chairman replaced the old chief named Sino. At that moment, the researcher saw the whole thing in the room from one side of the room. At that moment the researcher saw Sino shed tears and hug Preto as a program director at ICSDB. I saw that it was a very positive sign that shows ICSDB closeness with the community. They have given a very high dedication to Pangalengan region so as to create an emotional connection that is very close to the people.

Dialogue Process

Based on the results of participant observation and in-depth interview, the most dominant role of dialogue process in ICSDB is to keep the level of engagement that has been built. A manager in ICSDB should conduct dialogue process when there is indication of an employee that began to lose their engagement. The case example is when there was an employee who began to leave many responsibilities given to him. All ICSDB members and executive consider the performance of the employee is already very bad. At that moment the manager's role in ICSDB is to conduct dialogue process towards that unengaged employee. Based on research, there are two types of approaches used in conducting dialogue process in ICSDB they are group approach and personal approach. One of communication culture built on ICSDB is a group discussion including the discussion about the decreasing of employee performance. The purpose of this approach is to encourage the unengaged employee to improve himself. However, this strategy did not work and the manager must also use a

personal approach. Overall, a formal dialogue process in ICSDB was done to maintain engagement or solve problems related to engagement.

Executive Role

Trust

One example of *trust* factor in ICSDB is autonomy. ICSDB manager is given an authority by executives to manage their organizations independently and must not follow the ICSD Jakarta. The entire operational activities in ICSDB are regulated by the manager and the individuals within it and are not affected by the policy of ICSD Jakarta. This is because the ICSD executives had given the sense of confidence to the ICSD Bandung members. The ICSDB members are allowed to use the various facilities provided by companies such as cars, motorcycles, computers, etc. In fact, they were allowed to stay in office. Currently there are 3 ICSDB members who lived in the office building. Mutual trust is an aspect that is highly valued in ICSDB. This is because one of the company's cultures to be built in ICSDB is honesty. Honesty is able to create trust among executives, managers, and individuals in ICSDB.

Communication

One of the most important communication role of the founders of ICSDB is transfer the knowledge and values that must be kept by each member of the team. The values given by the founders are deeply embedded in the hearts of each individual. The founders of ICSDB regarded as being highly meritorious and highly respected by every individual. This is most noticeable when we compare the team atmosphere when there is no executive and when there is one in the forum. If in a forum there is no executive, the atmosphere will be very free and crowded, but if the founder is coming then the atmosphere will be calm and when the founder spoke then all members will be instantly silent and listen carefully. This is where the researcher sees a big tribute to the founder or executive in ICSDB. In the end, the communications conducted by the executive ICSDB was instrumental in keeping the engagement level within the organization remained high through the company's vision and values that strongly and consistently transferred to the employees.

Culture

ICSDB has a principle that "work should not disrupt their games". This principal becomes one of the ICSDB culture. They consider that the workplace is a playground¹ for their hobbies. However, with all the freedom, they still hold the principle that "Our work is playing, but we are not playing around." Although they assume that the work is game, but they are never playing around with their work. ICSDB always find a game that is fun to do in the middle of their work. This game according to researcher point of view is their way to relieve boredom and reduce the sense of missed to the families they left at home. Sometimes

¹*Playground* is also the name of the chat room for the ICSDB team members.

the games serve as one of the tools for doing ethnography research. They often invite local people to play bridge with them. One of the strength of ICSDB team is they can always find a way, or a game that could make them enthusiastic to do a job.

DISCUSSION & CONCLUSION

Finally, the researcher concluded that there are several factors that influence the employee engagement level in ICSDB based the theory of employee engagement by BlessingWhite (2011) that are factors that come from individuals, managers, and executives. All of these factors can be found in ICSDB. However, there is one that become the most dominant factor that determine the level of employee engagement in ICSDB namely *manager*. Manager in ICSDB can be interpreted as a program director that is responsible to manage all team members in ICSDB. From this dominant factor, there is derivative result namely strategic efforts that directly influence the level of engagement in ICSDB. This strategy was used as the major tool to create employee engagement in ICSDB namely *constructive bullying*. Constructive bullying is a very effective communication way to build employee engagement especially in organizations that have a high level of flexibility such as ICSDB. For the ICSDB, bullying is a form of recognition given by co-workers. This is because constructive bullying can only be conducted on people who already familiar with them and have relatively close interpersonal relationship. If an employee in ICSDB isn't bullied, then he will feel to be ignored and isn't considered as part of the team. This is also felt by the researcher, I really feel very strong emotional engagement when ICSDB manager bullied me that in the end made me feel as part of the team. This is the role of constructive bullying in building engagement that originated from a form of recognition that considers us as part of the team. The manager said, "If you cannot accept for be bullied, then you're not ready yet to be part of the team."

The next dominant factor in driving engagement is a "client-server" relationship. ICSDB all members agreed that one of the factors that make them still stay in ICSDB is because they already have an emotional engagement with their developed community. This is supported by a study stating that the employee who interacts directly with a client or customer will have a higher level of engagement (BlessingWhite, 2011). This theory has been proven by the research finding in this study. The researcher saw that the client-server relationship is one of the main reason why they still stay at their current job until now. This is of course in line with the concept of ethnographic research methods that seek to immerse ourselves in the community that builds the highest achievement is the creation of emotional engagement between ICSDB members as researchers and the society.

ICSDB is expected to strengthen the individual factor in building employee engagement within this organization. The individual is expected to develop themselves, especially to improve self-confidence and be more proactive in carrying out their work as a professional organization. So far individuals in ICSDB had been given freedom to be creative in accordance with their interests and abilities. This could be a weakness and the strength of ICSDB as well. The negative impact of this system is a variation in the work

standard. This will probably make their work results difficult to be compared between individuals within ICSDB because their work based on each interests and characteristics. However, it could be strength for ICSDB if they can develop this system more academically or scientifically so the work process can be more structured by presenting the research results from various viewpoints of the individuals in ICSDB.

The researcher also still has not saw the *ownership* variable in individual factor. It is undoubted that interpersonal relationships and engagement of ICSDB members is very strong among them. However, a strong relationship does not ensure they have a strong engagement towards ICSDB itself as an organization. This can be explained by the history of the ICSDB. ICSD Bandung was established after the existence of a group of some people who concerned in community development activities. This of course affects the engagement pattern in ICSDB that lead to a kind of engagement that only occurs among the members rather than to the organization itself. This kind of engagement of course has its advantage and disadvantage. The advantage is the emotional bonding that already created will be stronger because it is not limited by the status of the organization. In other words, they will sustain to have a strong engagement even though they were in the social interaction outside ICSDB such as family, education, etc. On the other hand, this kind of engagement will lead to dependency interaction. It is because of this engagement only focuses on human interaction in the organization and doesn't happen for the organization itself. In the end, when the interaction patterns leads to separate itself from the interaction of the organization then ICSDB will be abandoned by its members. Therefore, they need a balance between engagement that comes from the interaction between people in ICSDB and the interaction between humans and ICSDB itself.

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PATIENT SATISFACTION ANALYSIS IN HASAN SADIKIN HOSPITAL AT PEDIATRIC DEPARTMENT BY COMPARING IPA AND THREE FACTOR ANALYSIS

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Abstract

Patient satisfaction is one of several factor of successful business in a hospital. This research chooses the service industry on health care institution in hasan sadikin hospital at Bandung, Indonesia. Hasan sadikin hospital wants to improve their service to get more satisfaction from the patient as the one of several aspect to get the International Accreditation from Joint Commission International (JCI) that responsible for determining and assessing the performance standards of health care providers. Researcher will be focused on service given by resident in pediatric department to the patient in class three. This research used several theoretical , first Revised Importance – Performance Analysis (IPA), As theoretical has shown, revised IPA using regression analysis and dummy variable asses attribute-level performance and overall satisfaction has asymmetric relationship. Second is Kano Model that stated suggest research in customer satisfaction of quality categorized into three; basic factor, performance factor, and excitement factor. With IPA and Kano Model, performance and importance attribute of basic and excitement factor is nonlinear and asymmetric. Then attribute importance can be interpreted as the function of performance. The result of this research are; Basic factor that must be present are; “Response Speed” “Response Attitude” “Hospitality” “Medical Info” “Neatness” and “Needs Understanding” The attribute that categorized as excitement factor are; On schedule, asking opportunity, diagnosis accuracy, accessibility, and two way communication.

Keyword: Importance – Performance Analysis, Service Quality, Satisfaction, Hospital

INTRODUCTION

The rapid technological developments make health care is not only made by the government or private, but educational institutions engaged in the health sector can also have health care institution that can be enjoyed by the local community. One of which is Hasan Sadikin Hospital, Bandung, Indonesia. Researcher will choose only one department which is pediatric department.

In this research, researcher will choose only one department that is pediatric department, this department have four class of patient, first is Very Important Person (VIP), class one, class two and class three. VIP patient and class one serve only by a specialist doctor and senior nurse, while class two and class three serve by a specialist doctor, resident, senior nurse and nurse student. In class two and class three most of the time they served by the resident, the specialist doctor only comes at a certain time. Then this research will focus on the service given by resident

An effective method to set priorities of satisfaction is by knowing the performance level of Hospital (performance level of resident) and the importance of the patient, this method is called as Importance-Performance Analysis (IPA). By knowing this two dimension then combined into matrix allow the hospital to identify the key drivers of satisfaction, to formulate improvement priorities and find an area of disadvantages (Matzler K. B., 2004). Knowing the priorities will be very helpful in deciding how to allocate the scarce resources in order to maximize the patient satisfaction and efficient in cost.

With IPA model and Kano model we will find three categories of satisfaction ; basic factor, performance factor and excitement factor (Anderson, 1994; Mittal, 1998). In Kano's model of customer satisfaction, performance and importance are nonlinear and asymmetric, then the importance attribute can be interpreted as the function of performance. Basic factor is critical when performance is low, but satisfaction will decrease when performance is high, patient will dissatisfy when basic factor not present, and the patient will not be excited when basic factor are present (Kano, 1984). Then excitement factor plays as the opposite of Basic Factor. it will play an important factor when performance is high and unimportant when performance is low, patient will be very satisfied when excitement factor is present and will not dissatisfy when excitement factor not present (Kano, 1984). We can improve both basic factor and excitement factor to improve the service quality of hasan sadikin hospital then get the patient satisfaction.

THEORITICAL FRAMEWORK

Importance – Performance Analysis

Importance – Performance Analysis was first introduced by Martilla and James in 1977 to measure customer satisfaction of product or services. Data from satisfaction survey recognized into two component ; first the importance service or product to a customer and second the performance of service or product (Martilla, 1977). Performance is measured as the patient rate each attribute on its performance of the service, the attribute is measured as the self-stated importance of item as the same form of a performance by the patient. The mean of the result in performance and importance divided into the matrix into four quadrants. The vertical axis is the mean of importance and the horizontal axis is mean of performance.

There are two assumptions regarding the traditional Importance – Performance Analysis ; First is attributed performance and importance are independent and the second is attributed performance has a linear and symmetric impact on overall performance (Matzler K. B., 2004).

The four quadrants in importance-performance analysis are characterized as (Martilla, 1977):

1. Quadrant I, Keep up with the good work - high importance, high performance: it is competitive advantage and major strength for the hospital. Should maintaining this attribute
2. Quadrant II, Concentrate here - high importance, low performance: need attention from hospital to get improvement and this is major weakness of hospital.

3. Quadrant III . Low priority - low importance low performance: hospital should not made any improvement on this quadrant
4. Quadran IV Possible overkill - low importance, high performance: indicate that business resources committed to these attributes would be overkill and should be deployed elsewhere”.

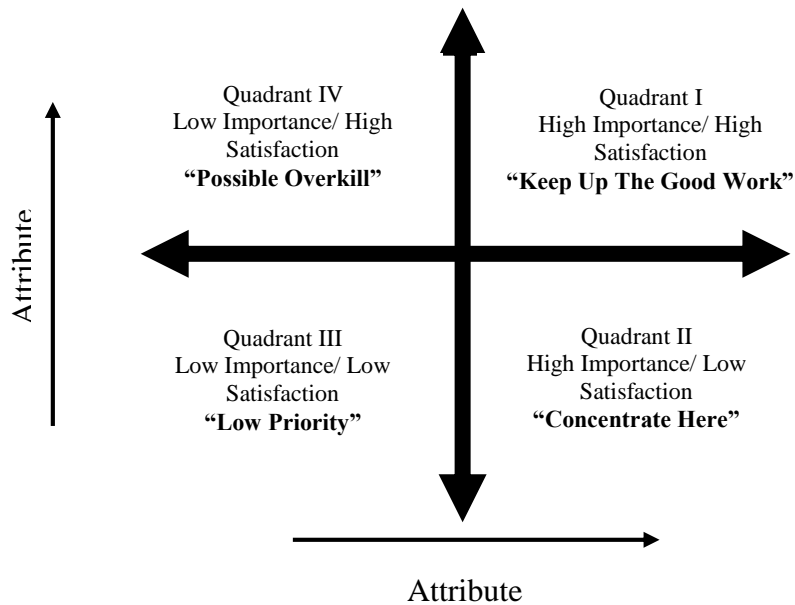


Figure 1: Matrix Importance Performance Analysis

Kano Model

Kano model is one theory of customer satisfaction model by Professor Narioki Kano to classify service/product based on customer perceived and the effect on customer satisfaction. This model/theory is useful to identify whether the service/product is good enough or better.

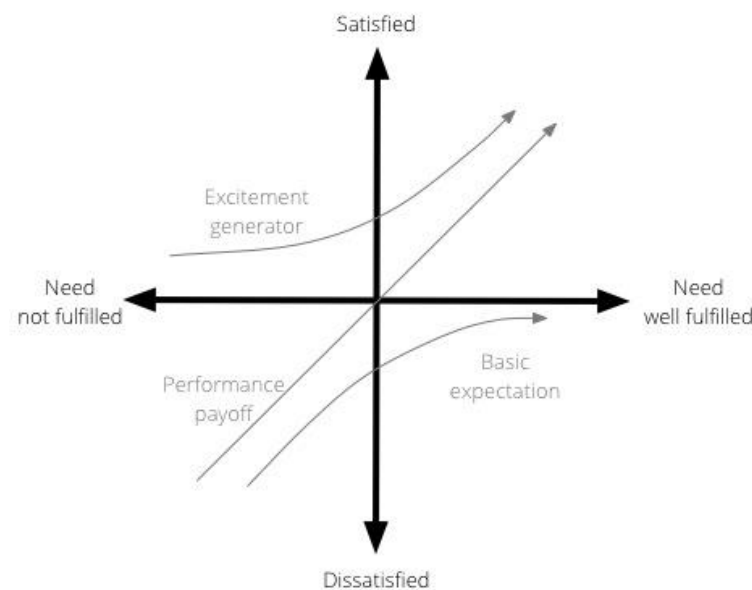


Figure 2: Kano Model

Kano Model of customer satisfaction divided into three categories, (Kano, 1984) ; Basic Factor, performance and Excitement factor (figure 2). Basic factor is critical when performance is low, but satisfaction will decrease when performance is high, the patient will dissatisfy when basic factor not present, and the patient will not be excited when the basic factor is present. Then excitement factor plays as the opposite of Basic Factor. it will play an important factor when performance is high and unimportant when performance is low, the patient will be very satisfied when excitement factor is present and will not dissatisfy when excitement factor not present. Performance attribute is those which if these attribute fulfilled then the customer will be satisfied and if these attributes does not fulfil then the customer will be dissatisfied.

METHODOLOGY

This research, patient satisfaction was measured to know are the Basic Factor and Excitement factor that needed to get the highest satisfaction of patient in Class three of pediatric department. A standardized questionnaire was used to measure attribute performance and importance of service given by the resident. This questionnaire used liked scale 1 (extremely dissatisfied) – 5 (extremely satisfied) for performance attribute and 1 (extremely importance) – 5 (extremely unimportance). Researcher also uses in-depth interview with the respondent to get closer with them and make sure that the data is valid.

DISCUSSION

Here is the Analysis of knowing what are the Three Factors of patient on Pediatric Department in Hasan Sadikin Hospital that needed to get highest satisfaction. With this tools, Hasan Sadikin Hospital can control the use of resource based on the level of importance of their service. Below is step by step result of knowing the basic and excitement factor of Padiatric Department in class III of Hasan Sadikin Hospital;

As the result of questionnaire, the data will be coded as 0 and 1. Only the result of performance attribute questionnaire will be coded. The result will coded as Low and High group. For low group, Result of questionnaire that coded as 0 are all result of patient's answer with answer 4 and 5 of each question on questionnaire. Result of questionnaire that coded as 1 are all attribute that answered as 1 and 2. For group of High the coding process will be vice versa with Low group. The answer of questionnaire that 1 and 2 will be coded as 0 and 4 and 5 will be coded as 1.

The data that have been coded it will be processed on statistic application that's SPSS. The data will processed with tools of Regression Linear. Data are conducted into regression linear with total performance as the dependent variable and "Low" variable as the independent and repeat the same step for "High" variable. Below the result of regression analysis with SPSS for each attribute of Low group and High group.

Tabel 1. Anova of High Group

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	1194,693	12	99,558	29,957	,000 ^b
	Residual	96,378	29	3,323		
	Total	1291,071	41			

a. Dependent Variable: OverAllPerf

b. Predictors: (Constant), High12, High7, High6, High4, High2, High5, High1, High10, High8, High9, High3, High11

Tabel II Correlation of High Group

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
1 (Constant)	21,649	2,294		9,436	,000
High1	3,466	1,273	,245	2,723	,011**
High2	4,147	1,093	,279	3,796	,001*
High3	1,239	1,237	,083	1,002	,325(ns)
High4	3,032	,825	,240	3,673	,001*
High5	2,198	1,064	,128	2,065	,048*
High6	3,180	,895	,225	3,551	,001*
High7	-2,750	1,530	-,146	-1,798	,083***
High8	4,036	,780	,343	5,174	,000*
High9	3,605	1,200	,228	3,005	,005*
High10	2,271	,819	,185	2,774	,010*
High11	2,660	1,695	,168	1,569	,128(ns)
High12	7,244	2,286	,278	3,169	,004*

a. Dependent Variable: OverAllPerf

b. *: Sig <= 0,01 *:

** : Sig <= 0,05

*** : Sig <= 0,1

(Ns) : Sig Not Significant

Two table above are the result of regression process with SPSS. The first table with the name "ANOVA" to see Significant, the mean of Sig. This analysis is to see how the relationship between independent and dependent variable. It will be linear relationship or there is a relationship between dependent variable and independent variable If the result of sig is lower than 0,05 and it is means constant or no relationship between dependent variable and independent variable. The result of this analysis for High group is 0,000 it is means that there is a relationship between dependent variable and independent variable.

The next analysis is to see the significantion of each attribute from High group, the result is that there is two variable that not significant, with the name of attribute is response attitude and needs understanding. It is means that these attribute can not represent the population, but it still can be represent all population if the Low group have a significantion at least 0,1. The next is the result of Low group.

Tabel 3. Anova of Low Group

ANOVA ^a						
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	957,088	12	79,757	6,925	,000 ^b
	Residual	333,984	29	11,517		
	Total	1291,071	41			

a. Dependent Variable: OverAllPerf

b. Predictors: (Constant), Low12, Low10, Low5, Low4, Low7, Low2, Low1, Low8, Low11, Low3, Low9, Low6

Tabel 4. Corefficient of Low Group

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
1 (Constant)	53,203	,684		77,757	,000
Low1	1,398	2,705	,065	,517	,609(ns)
Low2	-8,163	1,836	-,432	-4,446	,000*
Low3	-10,203	3,462	-,474	-2,947	,006*
Low4	1,000	4,799	,027	,208	,836(ns)
Low5	4,203	5,918	,116	,710	,483(ns)
Low6	-5,203	3,462	-,275	-1,503	,144(ns)
Low7	-7,439	3,211	-,286	-2,317	,028**
Low8	-3,163	1,836	-,213	-1,723	,096***
Low9	6,805	6,542	,187	,040	,307(ns)
Low10	-3,837	5,138	-,106	-,747	,461(ns)
Low11	-4,602	2,705	-,244	-1,701	,100***
Low12	-8,203	3,462	-,315	-2,370	,025**

a. Dependent Variable: OverAllPerf

b. *: Sig <= 0,01 *:

** : Sig <= 0,05

*** : Sig <= 0,1

(Ns) : Sig Not Significant

Above the result of regression process of Low group based on performance attribute. Based on table "ANOVA" the result of overall significant of Low group of performance is 0,000 it is lower than 0,05. Then we can conclude that there is a relationship between dependent variable and independent variable. The next step is to see the significant of each attribute, there six attribute that not significant with the name of attribute are On Schedule, Asking opportunity, Diagnosis accuracy, Medical Info, Two way communication and Neatness. The other attribute is still on a significant with maximum significant number is 0,1.

This number of significant means how that's attribute can be asked to other respondent, it is can be represent all population if the number of significant below 0,1. But as long as one of the attribute on Low group and High group for each attribute is significant, researcher assume that these attribute is significant. In this research, all attribute is on significant, which is means this result can represent all population on Pediatric Department of Hasan Sadikin Hospital. This analysis want to know what are basic factor and excitement factor for Resident Doctor in Pediatric Department of Hasan Sadikin Hospital. Below is the figure of Basic Factor and Excitement factor for resident doctor in Pediatriv Department of Hasan Sadikin Hospital;

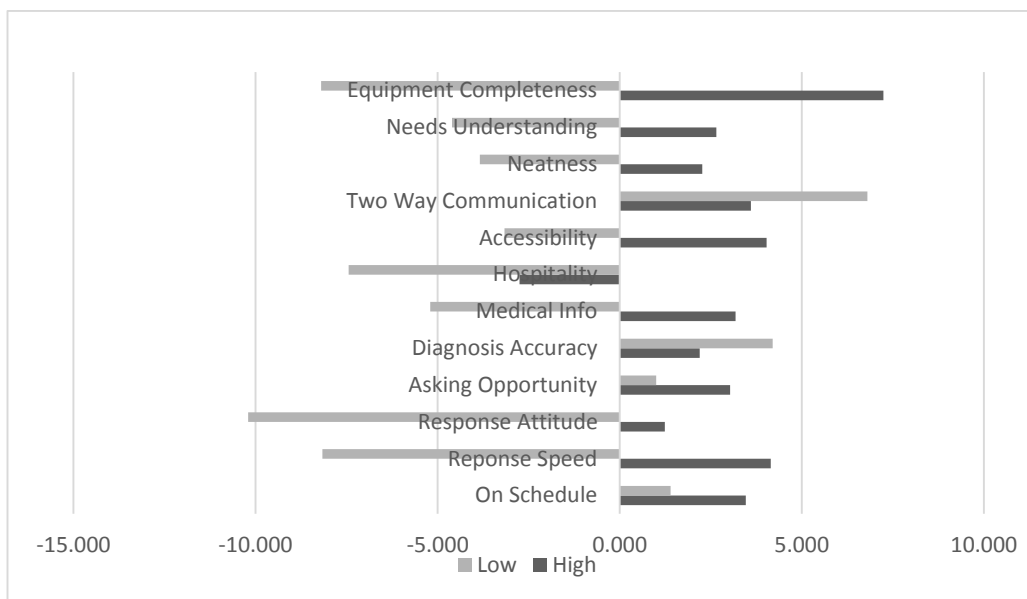


Figure 3: The asymmetric impact of attribute-level performance on overall satisfaction.

The figure above represent the asymmetric impact of attribute-level performance on overall satisfaction and based on this figure we can see the basic factor and excitement factor of pediatric department, to know the basic factor, it seen from the taller axis of Low attribute. In gaining this figure, researcher used “B” value on Correlation table of Low group and High group as the value for determining the Basic and excitement factor. this “B” value is the dummy variable

From the figure above, the basic factor of Resident Doctor on Hasan Sadikin Hospital are; Response speed, Response attitude, medical info, hospitality, neatness, needs understanding and equipment completeness. The attribute that categorized as excitement factor are; On scedule, asking opportunity, diagnosis accuracy, accesability, and two way communication. The result of this analysis is Hasan Sadikin Hospital should fulfill the basic factor to made patient in class III of pediatric department not dissatisfied with the service that given by resident doctor. To get more satisfaction from patient, hasan sadikin hospital can improve the excitement factor that mentioned before. As mentioned before that basic factor is a factor that “must be” present to get patient satisfaction, when this attribute not fulfilled patient will dissatisfied. Excitement factor is an attribute that when it is not fulfilled patient will not fee

With importance-performance analysis tools, the researcher would make a matrix of importance-performance analysis. The result of this IPA can be used as how to treat each patient in pediatric department. But the result of this IPA is only used for a patient that have data record at Hasan Sadikin Hospital or at least have ever come to this department.

As the first step is recording the result of a questionnaire to Microsoft excel. The result of the questionnaire is a likert scale from 1-5. The result of each respondent’s average of all question on both performance (1(very dissatisfied) – 5 (Very satisfied)) and importance

(1(very not importance) – 5 (Very importance)) is grouped as satisfied patient if the result is $> 3,5$ and grouped as dissatisfied patient if the average of all question is less than or same with $3,5$. Then look for average of each attribute performance and importance for satisfied patient and dissatisfied patient.

Table 6. Average of Attribute Performance and Importance of Satisfied Patient

Attribute	Performance	Importance
On Schedule	3,944	4,6
Reponse Speed	3,972	4,625
Response Attitude	4,333	4,65
Asking Opportunity	4,194	4,2
Diagnosis Accuracy	4,5	4,6
Medical Info	4,111	4,675
Hospitality	4,638	4,6
Accessibility	3,861	4,575
Two Way Communication	4,416	4,5
Neatness	4,25	4,025
Needs Understanding	4,416	3,4
Equipment Completeness	4,694	4,475
Grand Mean	4,277	4,410

The table 6 is a table of each average of attribute performance and importance based on the result of each respondent's answer with the average of all question $> 3,5$. From that's data researcher will make the matrix of the Satisfied patient. Performance as y-axis and Importance as the x-axis. The matrix will explain which attribute need to be concern for Hasan Sadikin Hospital to give higher satisfaction from patient who have been feeling satisfied with resident doctor.

Based on Figure above (Figure VI) in Matrix IPA of Satisfied Patient, it looks that to get the higher satisfaction from patient on class II and class III are by improving the quality service of resident especially on Medical Info, On Schedule, Response Speed, and Accessibility, as the figure above, these attribute are on quadrant III (Concentrate Here). This attribute should be a concern for Hasan Sadikin Hospital in treating the patient in Pediatrics department. This factor is a factor of the major weakness of service by a resident in pediatric department, but this attribute is the most importance factor to get patient satisfaction. Then, when treating the satisfied patient, the resident doctor should concern on this factor. As the note, Hasan Sadikin Hospital can identify the satisfied patient and dissatisfied patient after the patient's second visit to this department.

The attributes that needed to be stable are Response Attitude, Two-way communication, diagnosis accuracy, hospitality, equipment completeness, these attributes are in quadrant I (Keep Up the Good Work). This factor represents the major strength of resident in servicing the patient in pediatric department. Maintaining this factor is importance because the attribute in this quadrant is a factor with a competitive advantage.

Response attitude, two-way communication, diagnosis accuracy, hospitality, and equipment completeness is a factor with a high importance and it has high performance.

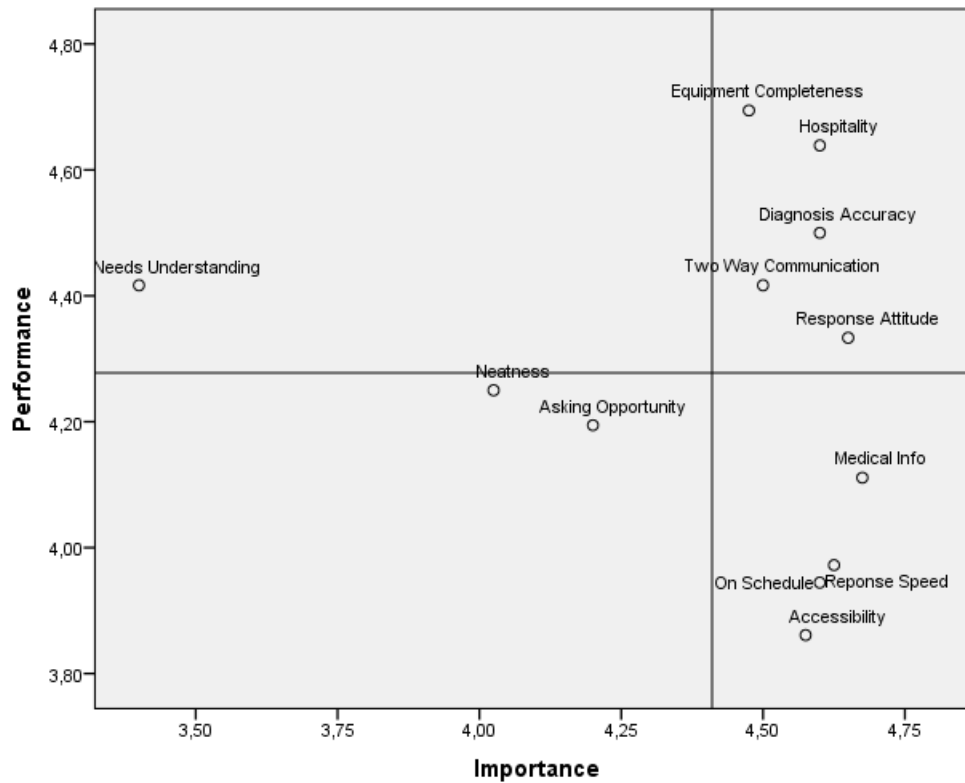


Figure 4. Matrix IPA of Satisfied Patient

There are two attributes that included as lowest priority or this attribute is in quadrant III that is neatness and asking opportunity. This attribute has lowest importance and resident also perform on lower service. Improving this attribute will meaningless for patient's marking on resident performance. Then Hasan Sadikin Hospital can reduce the use of the resource in this attribute.

Attribute that not importance and possible overkill for the satisfied patient are Needs Understanding, these attributes are in quadrant IV (Possible overkill). This attribute has high performance by resident, resident performs too good and according to the patient, it is not importance. Lossing the attribute on this quadrant will be fine for patient and it will be better to lose it, because with losing this attribute, resident can focus on attribute that has high importance and resident still have low performance (quadrant II)

Improving the service quality of resident doctor is needed to get higher satisfaction from the patient, choose the best attribute that indeed needed to improve, can reduce the use of the limited resource that owned by Hasan Sadikin Hospital. Grouping how to treat patient also needed to reduce the use of limited resources the category of this grouping is by the patient who have been satisfied and the patient who have been dissatisfied. The analysis above is the group of satisfied patient, and below is attribute needed to improve based on patient who dissatisfied with the service given by resident in Hasan Sadikin Hospital.

Table 7 is mean and grand mean of each attribute performance and importance based on a patient answer on questionnaire with an average of all question is Less than or same with 3. The next step after getting these table is created the matrix of importance – performance analysis. The result of performance mean as y – axis and importance mean as an x – axis. The grand means as the gap of the matrix. Below the result of matrix of Importance – Performance Analysis of Dissatisfied Patient.

Table 7. Average of Attribute Performance and Importance - Dissatisfied Patient

Attribute	Performance	Importance
On Schedule	3,5	4
Reponse Speed	3,666667	4
Response Attitude	3,166667	3
Asking Opportunity	3,5	4
Diagnosis Accuracy	3,666667	2
Medical Info	3,333333	3
Hospitality	3,333333	3
Accessibility	2,666667	3,5
Two Way Communication	3	1,5
Neatness	3	3
Needs Understanding	3,5	3
Equipment Completeness	4,166667	3,5
Grand Mean	3,375	3,125

The figure 5 mentioned the result of conducting matrix of importance – performance analysis for a Dissatisfied patient on class II and class III of Pediatric Department. Hasan Sadikin Hospital should concern on an attribute that located in Quadrant II (Concentrate Here) with the attribute are ; Accessibility. The attribute that needed to improve for the dissatisfied patient is accessibility, according to this result, Hasan Sadikin Hospital should concern to this attribute because this factor is the major weakness of resident in treating the patient.

The attribute that should be Keep Up the Good Work or attribute that mentioned on Quadrant I are; Equipment Completeness, Response Spees, Asking Opportunity and On Schedule. Based on this result, resident and Hasan Sadikin Hospital should maintain this attribute because this quadrant is the major strength in servicing the dissatisfied patient when this attribute is not maintained it will have the opportunity to become the factor on quadrant II and the last they will be very dissatisfied.

Factor or attribute that needs to overkill or attribute mentioned on Quadrant IV are ; Diagnosis Accuracy and Needs Understanding. This attribute has too good performance and too low importance for the patient in pediatric department. It will be better to not concern in this attribute because it will be meaningless for the patient. Resident and Hasan Sadikin Hospital can leave this attribute and it will be better to concern to the factor on Concentrate here group on quadrant II and maintaining the attribute on quadrant I.

The Last attribute that mentioned on Quadrant III or Lower priority is Hospitality, Response Attitude, Neatness, Medical Info, and Two-Way Communication. Resident do not do good in this lowest attribute, and patient also feel it is not importance for them, then it should be not the concern for resident and have the lowest priority. They can throw this attribute from their concern. Focusing on this attribute will be meaningless when they improve it will become the factor on quadrant IV (possible overkill).

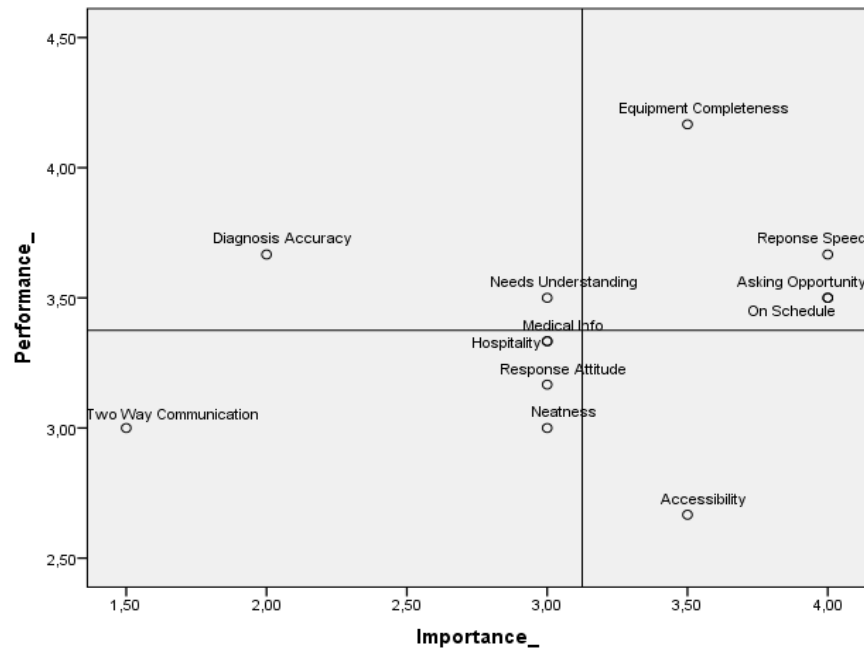


Figure 5. Matrix of Importance - Performance of Dissatisfied Patient

Hasan Sadikin Should be a concern to an attribute on Quadrant II and reduce the resource on Quadrant III and IV. Improving the factor on quadrant II and maintaining the factor on quadrant I will be meaningful and they can focus on their improvement. Not to concern on quadrant III and IV can be alternative to focus on a factor located in quadrant I and II. As the note, this analysis can be used only for the patient that at least have ever come and recorded in this department. It is only used for the patient that ever serviced to categorize which in a satisfied patient or dissatisfied patient.

As the result of the analysis of patient satisfaction in Pediatric Department, here the comparison of each the result. Below is table of comparison between IPA and Three-factor analysis.

CONCLUSION AND RECOMMENDATION

As theoretical foundation, Importance – Performance Analysis is a tools to set a priority for improvement and distribute resource allocation (Deng, 2007). The theory of Three Factor Analysis indicates the relationship between attribute performance and importance is non-linear. With three factor analysis, managerial can concern on which factor should be must

present to get minimum satisfaction from customer and which factor should management improve to get highest satisfaction from patient.. To get more satisfaction from patient in pediatric department Hasan Sadikin Hospital can improve the factor in excitement factor with the note that basic factor have been fulfilled. Filling the excitement factor without filling the basic factor will be meaningless for the patient.

Patient that ever treated in a service industry are grouped into two, some of them feel that they have satisfied and some of them did not. Servicing in two ways will be impacted, Importance – Performance Analysis dividing patient into two, satisfied patient and dissatisfied patient, as mentioned in analysis chapter the factor that needed to improve for patient who have been satisfied and dissatisfied are strongly different. To get the point of how to serve them, managerial can do record process in their first meet in this department and deciding in which group that's patient are categorized. In their second visiting, managerial will know how to treat the patient based on the result of the record process and IPA for satisfied patient and IPA for dissatisfied patient.

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RELATIONSHIP BETWEEN LEADER-MEMBER EXCHANGE, JOB SATISFACTION AND ORGANIZATIONAL COMMITMENT: THE MEDIATING EFFECT OF DISTRIBUTIVE JUSTICE

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Abstract

The aim of this study is to measure the relationship between leader-member exchange, job satisfaction and organizational commitment. The outcomes of Statistical Package for Social Science (SPSS) model analysis confirmed that distributive justice does act as an important mediator in the relationship between leader-member exchange, job satisfaction and organizational commitment. Furthermore, implications of this study to training practices and theory, methodological and conceptual limitations, as well as direction for future research are also discussed in this article.

Keywords: distributive justice, job satisfaction, leader-member exchange organizational commitment

INTRODUCTION

Leader-member exchange is one important aspect of leadership studies where it refers to formal and/or informal exchange relationship between manager and subordinates over certain period of time within a particular unit or whole organization to achieve their organization objectives in an era of competitive and challenging environments (Hassan & Chandaran 2005; Wang et al. 2005). (Northouse 1997).

A review of the recent literature connecting to workplace leader-member exchange highlights that high quality relationship between managers and subordinates may give a significant impact on workplace justice especially distributive justice (Bhal & Ansari 2007; Tansky 1993; Hassan & Chandaran 2005). In an organizational behavior perspective, distributive justice is often referring to “perceived fairness of the results received by a person from the organization where the results can be distributed on an equal basis, or contributions and individual needs determine the reasonableness through comparison with others” (Prahast et al. 2015).

Interestingly, a careful observation of the successful organization reveals that relationship between leader-member exchange and distributive justice may lead to an enhanced work outcomes, especially job satisfaction (Hassan & Chandaran 2005; Bhal & Ansari 2007; Baron & Kenny 1986) and organizational commitment (Lee 2000; Bhal & Ansari 2007). Job satisfaction refers to individual’s attitude while working in an organization derived from feeling of satisfied of various factors such as leader, co-workers, pay, benefits and job procedures (Hassan & Chandaran 2005; Prahast et al. 2015). Organizational commitment is defined as individual’s attachment to an organization with considerable efforts and strong desire to remain in the organization (Cogliser et al. 2009; Dienesch &

Liden 1986; Scandura & Graen 1984). In the context of leadership of managers in the workplace, subordinates who perceived justice has been practices in resources available and rewards distribution will be more satisfied and committed in their works.

Within a workplace leader-member exchange model, many scholars think that leader-member exchange, distributive justice, job satisfaction and organizational commitment are different, but highly interconnected concepts. For example, the ability of leaders to appropriately implement high quality exchange with followers will strongly invoke their followers' feelings of distributive justice. As a result, it may lead to an enhanced job satisfaction (Hassan & Chandaran 2005; Bhal & Ansari 2007; Baron & Kenny 1986) and organizational commitment (Lee 2000; Bhal & Ansari 2007). Nevertheless, the nature of the relationship is significant, little is known about the mediating effect of distributive justice in leader-member exchange research literature. Thus, this situation inspires the researchers to fill in the gap of literature by quantifying the mediating effect of distributive justice in the relationship between leader-member exchange and work outcomes (i.e., job satisfaction and organizational commitment).

LITERATURE REVIEW

Relationship between Leader-Member Exchange and Distributive Justice

Leader-member exchange explains the relationship between managers and subordinates involves three important elements, 1) exchange of each other's motives, resources and attitudes to produce mutual role between them, 2) develop and maintain the mutual trust, loyalty and respects and 3) transform mutual commitment into organization's objectives accomplishment (Graen & Scandura 1987). With those three elements, it will produce high quality of relationship between managers and subordinates. The relationship between manager and subordinates has been proven to be important factor for distributive justice. (Karim 2011). In organizational context, if subordinates and manager are in good quality relationship in an organization, then they will perceive justice has been practices by managers in outcome allocation

Previous studies confirmed that leader-member exchange is a positive predictor of distributive justice studies based on few samples such as 154 multi-level managers in Malaysia voluntarily (Hassan & Chandaran 2005), a group of 75 non-union employees of Fortune 100 company (Tansky 1993), 106 employees of six public sector organizations situated in Quetta, Pakistan (Karim 2011).

Relationship Leader-Member Exchange, Distributive Justice and Work Outcomes

The mediating role of distributive justice in the leader-member exchange model gained strong support from the notion of distributive justice theory. First, Adam's (1965) equity theory mentions that employees' satisfaction could be justified when they retain they retain the balance between the inputs such as effort, loyalty and sacrifice to the organization and the rewards they received as returns. Second, Leventhal's (1976b) justice judgment model suggests the importance of allocation of outcomes must be justified with specific criteria and

well understood by the employees. Finally, Thibaut and Walker (1975)'s control theory stated that when employees tend to perceive justice when they are involved in decision making process, regardless of the outcomes whether favorable to themselves or not. The notion of justice theories promotes that fairness in outcome allocations as an important factor that motivate positive employees' behaviors.

For instances, several recent studies that were conducted using mediating effects model to examine distributive justice based on different organizational settings, such as perceptions of 295 IT professionals in India (Bhal & Ansari 2007), 154 employees of four Malaysian companies (Hassan & Chandaran 2005) and 250 employees served two Southern Virginia hotels (Lee 2000). Outcomes of these studies revealed that the ability of managers to practice high quality relationship with their subordinates had invoked subordinates' feelings of distributive justice. As a result, it could lead to higher job satisfaction (Hassan & Chandaran 2005; Bhal & Ansari 2007; Baron & Kenny 1986) and organizational commitment (Lee 2000; Bhal & Ansari 2007). Therefore, it was hypothesized that:

H1: Distributive justice positively mediates the relationship between leader-member exchange and job satisfaction.

H2: Distributive justice positively mediates the relationship between leader-member exchange and organizational commitment.

METHODOLOGY

This study applied a cross-sectional method which combine few steps; leadership research literatures exploration, in-depth interview, pilot study and actual survey for the purpose of data collection and analysis. According to (Creswell (2014) and Sekaran & Bougie (2015), by applying those procedures (literature exploration, in-depth interview, pilot study and actual survey) benefited this study in term of improving the inadequacy of single method and the capability of getting high quality data which accurate and less bias (Ismail, Guatleng, et al. 2009; Ismail, Girardi, et al. 2009; Ismail, Ibrahim, et al. 2009). First of all, based on leadership literatures, researcher prepared semi-structured interview questions for the scheduled in-depth interview. It covered four major issues: 1) features of leader-member exchange in leadership practice, 2) features of distributive justice, 3) features of job satisfaction and 4) features of organizational commitment. Second, in-depth interview was conducted for the researcher to find out the nature and characteristics of leadership style mainly from the leader-member relationship aspects, distributive justice, job satisfaction and organizational commitment, as well as the relationship between those variables involved in this research as being daily practiced in the organization. Thus, the information collected from the interview was properly recorded, categorized according to the research variables, and compared to the related literature review in order to obtain a clear understanding of the particular phenomena under study and put the research results in a proper context. This process which known as triangulated process with the outcomes of this process were used as a guideline to establish the content and format of survey questionnaires for a pilot study. Third, pilot study was conducted where views from respondents were used for the

verification of the format and content of questionnaires to be distributed for the actual survey. Finally, a back translation technique was used to translate the survey questionnaires into English and Malay Languages as to increase the validity and reliability of research findings of this study (Sekaran & Bougie 2015; Creswell 2014; Peng 2013).

The survey questionnaire was divided into five sections. First, leader-member exchange consisted of 13 items adapted from Dionne (2000). Second, distributive justice was measured by 7 items adapted from justice literature (Lee 2000). Third, job satisfaction's section listed 7 items adapted from Murray (1999). The fourth section was to measure organizational commitment based on 8 items adapted from Guchait (2007). All items are to be rated based on 7-item scale ranging from "strongly disagree/dissatisfied" (1) to "strongly agree/satisfied" (7). The questionnaires ended with demographic background questions and since this study was about measuring employees' attitude therefore information gathered will be used as the control variable for this study.

The unit analysis for this study is employees who served one municipal office in east Malaysia and the name of this office remains anonymous for some confidential reason. The researcher managed to obtain permission for conducting this study there and distributed survey questionnaires to 200 management and non-management employees based on probability sampling technique. Out of 200 respondents, 120 were identified as working questionnaires and further be analyzed by using inferential statistics. This number has met the minimum number rule for probability sampling technique.

Table 1: Respondents' Profile (N=120)

Characteristics	Sub-Profile	Frequency	Percentage
Gender	Male	65	54.2%
	Female	55	45.8%
Age	Below 20 years old	5	4.2%
	20 – 29 years old	53	44.2%
	30 – 39 years old	18	15.0%
	40 – 49 years old	29	24.2%
	50 – 59 years old	15	12.5%
	60 years old and above	0	0
Years of service	Less than 1 year	32	26.7%
	1 – 2 years	15	12.5%
	3 – 4 years	20	16.7%
	5 years and above	53	44.2%
Level of education	LCE/ SRP/ PMR	15	12.5%
	SPM	54	45.0%
	STPM	16	13.3%
	Diploma	27	22.5%
	Bachelor Degree	8	6.7%
	Others	0	0

Note:

STPM : Sijil Tinggi Persekolahan Malaysia/ Malaysian Higher School Certificate

SPM : Sijil Pelajaran Malaysia/ Malaysian Certificate of Education

All data were collected through questionnaire were analysed using a Statistical Package for Social Science (SPSS) version 20.0. The process begins with exploratory factor analysis to assess the validity and reliability of the measurement scale (Hair et al., 2006; Ismail et al., 2012; Nunnally & Bernstein, 1994). Factor analysis was done for all items representing the research variables followed by Kaiser- Mayer-Olkin Test (KMO), Bartlett's Test of Sphericity (BTS), eigenvalue, variance explained and Cronbach alpha (α).

RESULT

Table 1 shows respondent profile, the majority of respondents were male (54.2%), ages between 20 to 29 years (44.2%) with 5 years or more working experience (44.2%) and holds Malaysian Certificate of Education (SPM) (45.2%).

Table 2 shows the validity and reliability analysis results for all items. All items have scored the value of factor loading the value of Cronbach alpha more than 0.63 indicating that the acceptable standard of reliability has achieved (Nunnally & Bernstein 1994).

Table 2: The Validity and Reliability Analysis for the Measurement Scale

Variables	No. of items	Factor loadings	Alpha reliability
Leader-member exchange	6	0.39 – 0.68	0.84
Distributive justice	7	0.42 – 0.85	0.87
Job satisfaction	3	0.36 – 0.45	0.72
Organizational commitment	3	0.35 – 0.38	0.74

Table 3 shows the results of descriptive statistics and Pearson correlation analysis for the variables. Mean value for all variables were ranged between from 5.44 to 5.54, signifying that the leader-member exchange, distributive justice, job satisfaction and organizational commitment are ranging from high (5.44) to highest level (5.54). The correlation coefficients for the relationship between independent variable (leader-member exchange), mediating variable (distributive justice) and dependent variable (i.e., job satisfaction and organizational commitment) were less than 0.9, indicating the data was not affected by serious collinearity (Hair et al. 2006).

Table 3: Descriptive Statistic and Pearson Correlation Analysis

Variable	Mean	Standard Deviation	Pearson Correlation			
			LMX	Distributive justice	Job satisfaction	Organizational Commitment
Leader-member exchange (LMX)	5.44	0.71	(1)			
Distributive justice	5.49	0.68	0.61(**)	(1)		
Job satisfaction	5.54	0.64	0.67(**)	0.61(**)	(1)	
Organizational commitment	5.54	0.6	0.62(**)	0.67(**)	0.64(**)	(1)

Note: **p<0.01

Table 4 shows the results of direct effect analysis. First, leader-member exchange significantly correlated with job satisfaction ($\beta = 0.655$, $p < 0.001$). Second, leader-member exchange was found also significantly correlated with organizational commitment ($\beta = 0.621$, $p < 0.001$). therefore, leader-member exchange is important antecedent for job satisfaction and organizational commitment in the organization.

Table 4: Results for Direct Effect Model Analysis

Independent Variables	Dependent Variable	
	Job satisfaction	Organizational commitment
Leader-member exchange	0.655	0.621
R	0.674	0.638
Adjusted R ²	0.431	0.38
F	19.000 ***	15.564***
Note: *p<0.05, **p<0.01, ***p<0.001		

Table 5 displays the result for mediating model testing model. First, leader-member exchange and distributive justice were positively and significantly correlated with job satisfaction ($\beta = 0.318$, $p < 0.001$) where distributive justice is fully mediate the relationship between two variables. Second, leader-member exchange and distributive justice were positively and significantly correlated with organizational commitment ($\beta = 0.469$, $p < 0.001$) where distributive justice acts as the mediator in the studied organization.

Table 5: Results for Mediating Model Analysis

Variables	Dependent Variable (Organizational Commitment)	
	Leader-member exchange	0.463
Distributive justice	0.318	0.469
R	0.719	0.737
Adjusted R ²	0.492	0.519
F	20.172 ***	22.405***

Note: *p<0.05, **p<0.01, ***p<0.001

DISCUSSION AND IMPLICATION

The findings of this study exposed that distributive justice acts as a mediating variable in the relationship between leader-member exchange, job satisfaction and organizational commitment in the studied organization. In the organizational contexts, managers give priority on the relationship between them and subordinates because it is considered important in supporting the organization objectives accomplishment. Leader-member exchange is one aspect of leadership in which manager has to deal with in strategic human resource management in ensuring positive subordinates outcomes such as satisfaction and

commitment. Therefore, the perception of fairness practice by managers on resources allocation and rewards distribution within the organization could be as a mean to generate positive work outcomes such high commitment and satisfaction of the individuals in an organization.

This study provides three major contributions: theoretical contribution, robustness of research methodology and practical contribution. For the theoretical contribution, the results of this study expose an important finding which is distributive justice mediates the leader-member exchange on work outcomes (i.e., job satisfaction and organizational commitment). These findings are consistent with previous studies by Bhal & Ansari (2007), Hassan & Chandaran (2005) and Lee (2000). Concerning the robustness of research methodology, the survey questionnaire adapted for data collection in this study has confirmed the acceptable standards of the validity and reliability test. Therefore, it could benefit in getting the accurate and reliable research finding.

From the practical contribution perspective, the findings of this study may become the guideline for the managers to anticipate the effective mechanisms in term of relationship wise between all individuals in the organization as they contribute to the organization's success. In order to achieve it, there are two suggestions; first, the managers should have proper knowledge and training in order to practice good leader-member relationship because it could lead to better perception of justice from the subordinates towards the organization. Second, since perception on justice could also triggers other related fairness issues in the organization, therefore proper management with positive attribute and attitude from managers are very much expected to avoid any further problems.

CONCLUSION

This study tested a theoretical framework derived from the thorough reviews on leadership literature specifically on leader-member relationship in an organization. For measurement of scale purposes, the researcher believes that the validity and reliability standard requirements has been met satisfactorily. The results from hierarchical regression analysis confirm that distributive justice play the mediator role in the relationship between leader-member exchange and subordinate attitudinal outcomes (i.e., job satisfaction and organizational commitment within the context of the organization of this study. The findings of this study also found to support and broaden the previous literature particularly took place in Western and non-Western countries. In conclusion, the capability of managers to maintain quality leader-member relationship in running day-to-day operation will give impact to subordinates' satisfaction and commitment towards the organization. Therefore, this could lead to the success of the organization to achieve their objectives and targets in this new era of challenging and competing environment.

Nevertheless, this research must also acknowledge some limitation. First, this study employed cross-sectional research design where data gathered during the research were for one specific time within the period of study and did not include the development issue and causal correlation between the variable of this study. Second, this study focus on the leader-

member relationship and did not include another important element of leadership such style of leadership being adopted by the managers. Third, this study may not be generalized to other kind of organization since data was collected from one municipal council office only. Finally, the usage of probability sampling technique applied may also decrease the ability of generalization of the results of this study.

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THE IMPLICATION OF HEALTH SERVICE QUALITY TOWARDS PATIENT OVERALL SATISFACTION AND THE IMPACT OF SOURCES OF EXPECTATION TO THE OVERALL EXPECTATION

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Abstract

This paper aimed to explore the service quality using the variables which were identified by dagger, et al. (2007) in Hierarchical Model of Health Service Quality and probed its interaction to the patient satisfaction in Mutiara Bunda Women and Child Hospital Salatiga. The SERVQUAL method was employed as the mean to evaluate the service quality. Additionally, the sources of expectation were also being investigated to see how the patients set their initial expectation. The quantitative method would be used through a questionnaire to the patient in the hospital. The result indicated that the perception-expectation gap of health service quality in some extent significantly contributed to the overall satisfaction. The previously-determined sources of expectation also significantly contributed in shaping the overall expectation of patient. This research would contribute to the academical and practical realm in investigating the connection between service quality and customer satisfaction in the health care service industry. Furthermore, this research exhibited the novelty in which the new variables were applied in assessing the service quality by finding out the gap score. This would also increase the awareness of the hospital to improve the service quality in order to improve patient satisfaction which would lead to loyal patient cultivation.

Keywords: expectation, health care, satisfaction, service quality.

INTRODUCTION

Understanding the service quality and the customer satisfaction have been considered as a significant thing to develop the service improvement strategies. Considering the nature of health care, it encourages the patient to demand the highest quality as possible. Thus, understanding their needs, expectation, and perception is essential (Drain, 2001). Similar to the majority of service product, many studies also mentioned that in health care setting, healthcare quality and patient satisfaction have attracted extra attention in recent years. Health care quality is applied to explain which service aspects that need to be modified in order to improve customer satisfaction (Jackson and Kroenke, 1997). The satisfaction of the patient is the proper indicator to identify and measure the quality of a healthcare service provider. A number of researches have been undertaken to investigate the level of service quality in some service industries. However, the investigation to assess the service quality in health care provider with the context-specific variables is still lacking.

In this paper, Mutiara Bunda Women and Children Hospital in Salatiga, Central Java becomes the object of the research. Salatiga is a small town in Central Java which is located in between Semarang and Surakarta. As cited from the official website of the government of

Salatiga, the total area of this town is 56.781 KM². Additionally, the total population as per the official website of the governmental statistic institution in 2014 is accounted to be 181.193 people. This town lies about 50 KM away from Semarang, which is the capital city of Central Java. Mutiara Bunda Women and Children Hospital itself is the only hospital which operates specifically for Women and Children. However, there are several general hospitals and medium-sized clinics which are owned by the government and private that give the health care service to the inhabitant in Salatiga. Due to its reputation, this hospital successfully brings in the patients from inside Salatiga as well as some cities around it. There are also many patients who are originated from Semarang, Surakarta, Yogyakarta, and many more coming to this hospital to use the service of this hospital.

The purpose of this article is to explore the perceived service quality of Mutiara Bunda Women and Children Hospital in Salatiga based on the model which has been established in previous studies. The service quality is measured by applying SERVQUAL methodologies in which the gap score of each dimension is calculated. Furthermore, it probes the effect of the perceived service quality to the satisfaction of the patient in this hospital. In addition, the sources of expectation are also being explored in order to understand how patient shape their expectation before using the service of the hospital.

LITERATURE REVIEW

A number of previous findings have been largely acknowledged in measuring the level of service quality. However, those research are mainly focused on developing the generic service quality model. Relatively few studies have zeroed on the development of context-specific service quality models, in spite of the service quality evaluations are likely to rely on the context (Babakus & Boller, 1991); (Carman, 1990); (Dabholkar, Thorpe, & Rentz, 1996). In particular, research has not directly investigated how patient assess the health service quality (Dagger, Sweeny, & Johnson, 2007). In this particular research, it is needed to construct a novel model which will explain the way patient assess the service in the hospital.

Perceived Service Quality

The perception of service quality is defined as the judgment of, or impression about, the superiority and excellence of a service provider (Dagger, Sweeney, Johnson, 2007). The greatly-used proposition about service quality stated that the perception of service quality is resulted from the discrepancy between the expectation and the actual service performance (Parasuraman, et al, 1985). Several service quality models have been utilized in health care setting and frequently reported in the literature (Rashid & Jusoff, 2009). The model of finding the gap between expected service offerings and perceived service which is experienced by the customer is called as SERVQUAL. SERVQUAL is being used as a tool to measure service quality in nearly all service industry (Bayraktarogulu & Atrek, 2010). In the previous study by Parasuraman, et al 1985, the model of perceived service quality contains the comparison between expectation and perception between ten key determinants,

namely access, communication, competence, courtesy, credibility, reliability, responsiveness, security, tangibles, and understanding. Those ten key determinants, however, are made based on the general service industry. Thus, the context-specific variables in measuring the perceived service quality in health care setting need to be developed.

In the chiefly-used model of perceived service quality by Parasuraman, et al, 1985, it is stated that customer also uses the expectation as the base of evaluating the service quality. In the relating article, there are three sources of expectation which are the word of mouth, personal needs, and the past experience.

Model of Health Service Quality

In the healthcare sector, there is an urgent need for differentiation and standardization of the definitions and constructs for satisfaction and perceived health service quality and their adoption in all future health services research (Gill & White, 2009). Even though the five dimensions of service quality, namely tangibles, reliability, empathy, responsiveness, and assurance, has been widely used to measure service quality, but it obtains criticism of its ability to measure quality in every service industry (Buttle, 1996). According to the nature of health care service delivery, the satisfaction of patient is not only influenced by the medical outcome of the service but also the structure and the process of the service delivery (Donabedian, 2005). Health service quality is an important determinant of health service satisfaction (Dagger, et al, 2007). The research which is done by Dagger, et al 2007, has developed and validated a multidimensional scale to measure the service quality of health care service. This previous research is also studied to predict the scale's implication to the service satisfaction.

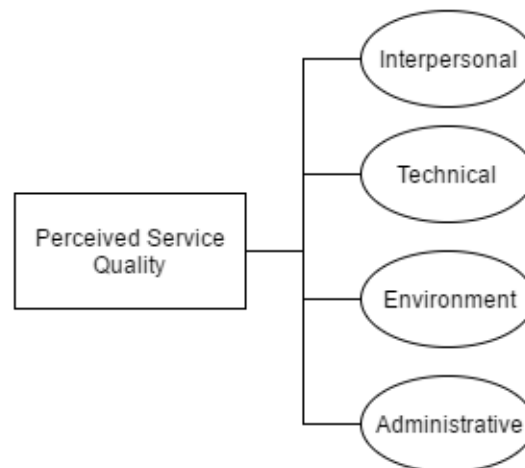


Figure 1. Perceived service quality model by Dagger, et al (2007)

The model showcases that the dimensionalities which play a role in determining perceived service quality are *interpersonal*, *technical*, *administrative*, and *infrastructure*. Below is the explanation of each dimension.

Further, the dimensions are elaborated into sub-dimensions that build up each dimension. The service quality instrument developed in this study can be used to monitor and improve the quality of service delivered to customers (Dagger and Sweeney, 2006).

Table 1. Explanation of dimensions of health service quality

Dimension	Explanation
Interpersonal	The quality of communication that patient has with the staffs in the hospital, including with the doctors, medical staffs, and non-medical staffs.
Technical	The excellence of the medical and non-medical staffs to perform the medical service.
Administrative	The administrative aspect covers the level of easiness from the admission process, set of regulations, and process and procedures of check out.
Infrastructure	The patient's evaluation of availability and quality of hospital facilities like the medical equipment, the infrastructure of the hospital, the building, layout, and another facilities that are being perceived to be able to contribute to the well-being of patients in the hospital.

Technical quality is also mentioned in the previous study as the component in building up the service quality. In the context of health care, technical quality is described on the basis of the technical accuracy of the medical diagnoses and procedures or the fulfillment of professional specifications (Lam, 1997). An example is given for the technical quality such as the clinical and operating skills of the doctors, the nurses' familiarity with the administrations of medicines and the laboratory staffs' expertise in doing the blood test (Tomes & Ng, 1995).

However, due to the lack of knowledge and expertise about the medical aspect of the patients, this aspect does not become the useful variable in describing how the patient assess the service quality of the hospital (Bowers, Swan, & Koehler, 1994).

Besides the technical quality, there is a functional quality which describes the way or manner of how the customer receives the technical quality (Seth, Deshmukh, & Vrat, 2005). In health care condition, patients usually rely on functional aspect rather than technical aspect in assessing the quality of the service which is given (Bowers, Swan, & Koehler, 1994).

Service Quality and Customer Satisfaction

The service quality is a measure of how well the service level delivered matches customer expectation (Lewis & Booms, 1983). Customer satisfaction is the customer's feeling that a product/service has met or exceeded his/her expectations (Olajide, 2011). Customer satisfaction is a short-term, transaction-specific measure, whereas service quality is an

attitude formed by long-term, overall evaluation of performance (Hoffman & Bateson, 1997). The view of the customer, or the view of the patient is crucial to monitor and improve the service quality (Badri & Attia:Ustadi, 2009). There are two prevailing arguments regarding service quality, those discuss which one influences another. Bolton and Drew, (1991) suggested that customer satisfaction as a service quality antecedent. While, Antreas and Opoulos, 2003; Cronin and Taylor, 1992; Spreng and MacKoy, 1996 argues that service quality as a customer satisfaction antecedent. Overall, both models have agreed that there is a strong relationship between the service quality and the customer satisfaction. Improvement in service quality will lead to customer satisfaction, customer retention, and positive word of mouth (Boulding *et al.* 1993; Reichheld and Sasser, 1990).

Sources of Expectations

In the study conducted by (Parasuraman, et al, 1985), the expectation of consumer cannot be isolated with the effect of word of mouth, past experience, and personal needs. customer expectations are beliefs about service delivery that serve as standards or reference points against which performance is judged. Because customers compare their perceptions of performance with these reference points when evaluating service quality (Zeithmal, Bitner, & Gremler, 2013). In the book of services marketing by Zeithmal, Bitner, and Gremler, the explanation of each source of expectation is listed below,

Table 2. Explanation of source of expectation by Zeithmal, Bitner, and Gramler

Sources of expectation	Explanation
Word of Mouth	Personal and sometimes non-personal statements made by parties other than the organization convey to customers what the service will be like and influence both predicted and desired service.
Personal Needs	Conditions which are essential to the physical or psychological well-being of the customer. Personal needs can fall into many categories, including physical, social, psychological and functional.
Past Experience	The customer's previous exposure to service that is relevant to the focal service. The service relevant for prediction can be previous exposure to the focal firm's service.

The importance of word of mouth in setting expectation is well documented (Davis, Gultinan, & Jones, 1976); (George & Berry, 1981). In addition to those variables, the new variable is brought to this construct, which is hospital image and reputation. This variable is generated through the focused group discussion for this research. Image and reputation explained how the external party perceives the hospital.

Proposed Model

This research proposed a linear model which investigated the impact of a set of components representing the service quality to the patients' overall satisfaction. In this case, the service quality was calculated using the model of SERVQUAL in which the gap between expectation of service and perception about the service was calculated to operationalize the score of service quality. The proposed model hypothesized that each dimension of service quality could significantly describe the variation of the patient satisfaction, as the independent variable.

In addition, the source of expectation possessed by the patient was also examined. As the four sources of expectations had already been identified in previous consideration, then this research would probe the impact of each on the overall expectation. The four sources of expectation were served as the predictors, while the overall expectation was set as the independent variable. It is hypothesized that all four of sources of expectation significantly affected to the overall expectation.

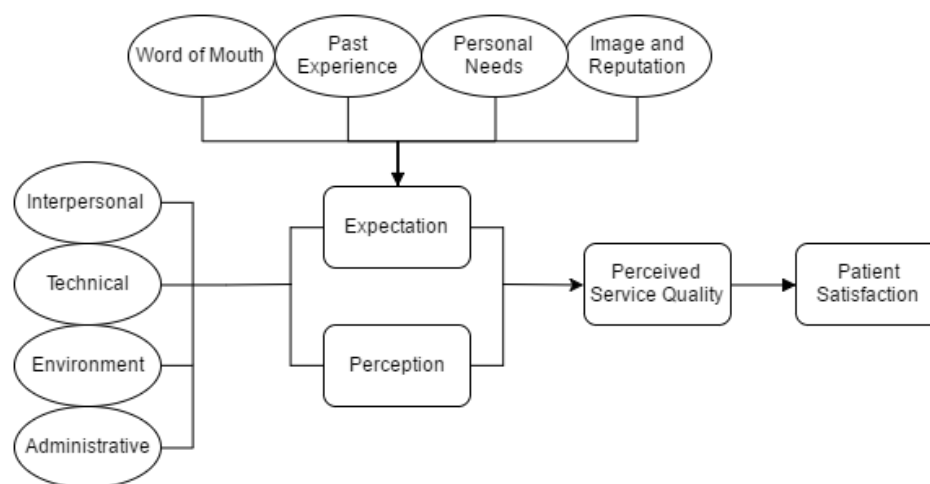


Figure 2. Proposed model

METHODOLOGY

The aim of this research was mainly to investigate the assessment of patient perceived service quality and its effect on the patient satisfaction in Mutiara Bunda Women and Children Hospital Salatiga. There was also a secondary purpose which was to investigate the sources of expectation of patient in this hospital.

Focused Group Discussion

In the initial stage of conducting the research, a focused group discussion was held. The discussion consisted of the researcher, the owner of the hospital, hospital's employee, as well as the patient. The main purpose of this discussion was to confirm whether the findings in the previous studies which become the cornerstone of this research were applicable in the particular setting of Mutiara Bunda Women and Children Hospital. Moreover, the group

discussion was also expected to give extra information which could enhance the level of specificness of this research to the research object. From this discussion, an additional source of expectation was identified and applied in this research. The additional variable in determining the source of expectation was *hospital image and reputation*.

Questionnaire Distribution

The questionnaire was used to solicit the data from patients. The data that were used in the analysis solely came from the distribution of the questionnaire. In this research, the questionnaire was distributed to the inpatient as well as the outpatient in the gynecology department of Mutiara Bunda Women and Children Hospital. The gynecology department was chosen as the object as this hospital was mainly delivering the health service for maternity and women's health problem. In distributing the questionnaire, non-probability sampling with purposive sampling method is applied. It means that the respondent characteristic is specified previously, that is the patient who uses the service in the department of gynecology only. The questionnaire was administered to 100 respondents and all of those were eligible for further analysis.

In the first part of the questionnaire, some questions asking about the background of respondents were given. The respondent needed to indicate their age group, educational background, and the level of income. This part of the questionnaire were aimed to explore the profile of the respondents.

The service quality questionnaire was constructed based on the statements used in the previous study of Dagger, et al, 2007. Those statements were gathered and adopted from Brady and Cronin 2001; Rust and Oliver 1994; McDougall and Levesque 1994; and Dagger, et al 2007. All of the statements belong to the four dimensions of perceived service quality of Dagger, et al, 2007, which were *interpersonal, technical, infrastructure, and administrative*. However, several adjustments in the statement were made based on the previous focused group discussion and observation in order to align them with the actual circumstance of the research object.

As this research needed to find out the gap score, between expectation and reality, of each statement, then all of the statements were transformed into two sorts of question. The first question was aimed to assess the level of expectation the patient had before receiving any service, in which the respondents were asked to give a score (1 to 5) for each statement. In the other question, the respondents were asked to assign a score (1 to 5) for each statement which showed their level of perception towards service after the service encounter. In the final part, the two items of questions, which were adopted from Bitner and Hubert (1994), were given to measure the overall satisfaction of the patient towards the service of the hospital. In this part, respondents were also asked to rate the overall satisfaction (1 to 5) that reflected their feeling towards all services they had received.

Beside the service quality, a number of questions that had a purpose of investigating the sources of expectation of patient in this hospital were also created. The questions were built through the observation and focused group discussion. Four set of questions were aimed

to measure the effect of four indicated sources of patient's expectation to the overall patient's expectation. Respondents were asked to give the rating (1 to 5) to each statement in this section. The rating reflected how strong the respondent thought about the impact of each statement to their expectation. Four indicated sources of expectation were the *word of mouth*, *personal needs*, *past experience*, and *image* which was resulted from the focused group discussion. In the final part of this questions, the respondent was asked about the extent to which they had an expectation before using the service of this hospital. In this single question, respondent would assign a range of score from 1 to 5, which indicated how high their expectation towards the services.

Data Analysis

A pilot test of thirty respondents was undertaken to examine the validity as well as reliability. Validity tests how well a developed instrument gauges the particular concept which is supposed to measure. The question is considered as valid when the coefficient of validity exceed the r-table (0,361). The result of validity test indicated that all of the questions were valid. Next, to examine the internal consistency reliability in regards to the scores obtained from the scales, the Cronbach's alpha coefficient was calculated. The Cronbach's alpha was calculated for a set of variables indicating the sources of expectation (12 items with $\alpha=0,802$), the set of variables reflecting the expected service (22 items with $\alpha=0,928$), and a set of variables representing the perceived service (22 items with $\alpha=0,950$). As the coefficient for all of the set of variable is greater than 0,7, thus it can be considered that all variables were reliable

Table 3. Profile of respondent

Age	
<=20 years old	4%
21-30 years old	53%
31-40 years old	35%
>=41 years old	8%
Education Level	
Elementary School or less	2%
Junior high school	4%
Senior High School	24%
Undergraduate	66%
Postgraduate	4%
Income Level	
<IDR 2.000.000	32%
IDR 2.000.000-IDR6.000.000	54%
IDR6.000.0001-IDR10.000.000	8%
>IDR10.000.000	6%

In analyzing the data, Microsoft excel and SPSS 13 were utilized. The Microsoft Excel used to recapitulate the data obtained from the questionnaire and find out the gap score in the service quality. This software was also employed to examine the profile of respondent. SPSS 13 was used to do the regression analyses and paired T-test. The regression analyses which was employed in this research was multiple regression. This technique was utilized to search the contribution of two or more independent variables to a dependent variable. While paired T-test was undertaken to test the significant difference between two means of expectation and perception of service.

RESULTS

From the total of 100 respondents who completely filled out the questionnaire, all of them were women as the research was conducted in gynecology department. The result of respondent background is depicted in the table 3.

The result of the respondent profile as shown in the table above could describe the market segmentation of this hospital. From the result above, the hospital mainly delivers the health services to women with age between 21-30 years old, with the educational background of undergraduate, and have come between IDR 2.000.000 – IDR 6.000.000.

The calculation of gap score of the service dimensions indicated that there was a quality gap in every dimension of health service quality.

Table 4. The value of each dimension of health service quality

Dimensionalities	Expectation Means	Perception Means	(PM-EM)
Interpersonal Quality	4,1380	3,936	-0,2020
Technical Quality	4,4733	4,030	-0,4433
Infrastructure Quality	4,1900	3,800	-0,3900
Administrative Quality	4,3600	3,825	-0,5350

PM : Perception means ; EM : Expectation means

From the table above, patients' biggest expectation is accounted in the technical quality dimension. It means that the patients put the expertise of the medical staffs and the way they conduct the medical treatment in the first place. While, on the perception side, the biggest score is notable in the dimension of technical quality as well. It indicates that from all dimensions, the patients think that during the services delivery, the technical quality of this hospital is the most appreciated among the others. The smallest score is shown in infrastructure quality which means that the patients perceived this dimension lower than other dimensions. The largest gap was indicated in administrative quality (-0,5350). While the smallest gap was shown in interpersonal quality (-0,2020). The larger gap meant the more discrepant the services was fit to the patient's initial expectation.

The t-test is then conducted to probe whether there is a significant different between the expectation and perception in terms of interpersonal, technical, infrastructure, and administrative.

Table 5. T-test result of expected and perception of service quality

Dimensionalities	Mean	Std. Deviation	Std. Error Mean	95% Confidence Interval of Difference		t-value	df	sig
				Lower	Upper			
Interpersonal Quality	0,202	0,48032	0,04803	0,10669	0,29731	4,206	99	0,00
Technical Quality	0,44333	0,53404	0,0534	0,33737	0,5493	8,302	99	0,00
Infrastructure Quality	0,39	0,57516	0,05752	0,27588	0,50412	6,781	99	0,00
Administrative Quality	0,355	0,64628	0,06463	0,40676	0,66324	8,278	99	0,00

The outcome of the test showed that there was a statistically significant different between the patient's expectation and perception towards service in Mutiara Bunda Women and Children Hospital. This was referred by the significance value ($p < 0,05$) in every dimension of health service quality.

After the health service quality is calculated by finding the gap score in all of the health service quality dimensions, the next test was conducted. The multilinear regression was employed to see the impact of the gap of health service dimensions to the overall satisfaction of the patient.

Table 6. Multiple linear regression of service quality dimensions gap score and patient overall satisfaction

Predictors	Dependent Variable : Overall Satisfaction	
	Standardized Coefficient : Beta	Sig.
Health Service Quality Dimensions		
Interpersonal	0,413	0,000
Technical	0,178	0,111
Infrastructure	0,010	0,922
Administrative	0,233	0,042
$R^2 = 0,522$; Sig=0,000		

As it is observable in the table, the health service quality dimensions measured by SERVQUAL methodology is able to explain 52,2% of the variation in the overall satisfaction. The combination of overall four dimensions of health service quality significantly impacts to the patient overall satisfaction. The remaining 47,8% can be explained by the other variables beyond those four dimensions of health service quality as indicated in this research.

Partially, interpersonal quality and administrative quality are the ones which significantly contribute to the patient overall satisfaction. This is indicated by the significance value which is less than 0,05 ($p < 0,05$). However, the other two dimensions, namely technical and infrastructure do not significantly contribute to the patient overall satisfaction with $p > 0,05$. As mentioned in the table above, interpersonal quality obtains the beta value of 0,413 or 41,3%. That value is the biggest beta value among the others, which means that interpersonal quality contributes the most to the overall satisfaction.

The second part of this research is about the sources of expectation and its relationship with the overall expectation of the patient. This table shows how strong each source of expectation contributed in overall expectation of patient as well as the efficacy of overall variables in explaining the patient's overall expectation.

Table 8. Multilinear regression for sources of expectations and the overall expectation

Predictors	Dependent Variable : Overall expectation	
	Standardized Coefficient : Beta	Sig.
Sources of Expectation		
Word of Mouth	0,204	0,019
Personal Needs	0,251	0,014
Past Experience	0,040	0,666
Image and Reputation	0,353	0,000
$R^2 = 0,428$; Sig=0,000		

The result of the research showed that the overall set of sources of expectation have a significant contribution to shaping the overall expectation of patient. The combination of four variables of the sources of expectation is able to explain 42,8% variability in patient's overall expectation.

Three of the variables are significantly contributing to the overall satisfaction, they are the word of mouth, past experience, and image and reputation of the hospital ($p < 0,05$). While, the past experience is accounted to do not have any significant contribution to the overall satisfaction. The biggest contribution to overall expectation is shown by the image and reputation of the hospital (35,3%).

CONCLUSION

The research confirmed that there was a need to distinguish the construct in measuring the perceived service quality and patient satisfaction in health service (Gill & White, 2009). The technical quality which includes the medical outcome as the nature of health care service was not the only dimension to determine the patient satisfaction. The structure and process of service delivery influenced to the patient satisfaction as well (Donabedian, 2005).

From the result of the research, there was a gap in each health service quality dimension which pointed out the lack of ability of the hospital in fulfilling the patient expectation towards the service in several aspects. However, the calculated gap scores of the services of Mutiara Bunda Women and Children Hospital showed a small value (less than 1,00). It inferred that the service quality that was given by the hospital did not highly deviate from the initial expectation of patient. The gap values revealed the priorities of service improvement which had to be undertaken by this hospital. The technical quality, in this case, had the largest gap score among the others, thus the improvement in this aspect was a priority. It was observable which aspect from the health service quality that obtained more expectation from the patient by evaluating the expectation mean of each dimension. Technical quality becomes the dimension which patient put as a priority. Additionally, to evaluate which aspect had been well-performed by the hospital and appreciated better by the patient, it is observable in perception mean of each dimension. The score of technical quality also appeared as the highest score of perception. It meant that the technical quality was the dimension that was most expected by the patient, as well as the dimension which the patient perceived as the best.

In modeling the impact of health service quality using the SERVQUAL method—gap between expectation and perception—the explanatory capacity of the newly-proposed model was relatively high in explaining the variation of patient satisfaction. The service quality instrument developed in this study can be used to monitor and improve the quality of service delivered to customers (Dagger&Sweeney, 2006). The result confirmed that improvement in service quality will lead to customer satisfaction (Boulding *et al.* 1993; held and Sasser, 1990). Nevertheless, not all of the dimensions were significantly impacted to the patient satisfaction. There were two out of four dimensions which significantly contributed to the patient satisfaction, specifically interpersonal and administrative quality. The insignificant influence of technical quality to the overall satisfaction is aligned with the previous study which stated that the lack of knowledge about medical things of the patient makes them hard to assess the quality of technical aspect. Thus, the technical aspect is not a meaningful variable in determining the satisfaction of patient (Bowers, Swan, & Koehler, 1994).

In term of the source of expectation, the research also inferred that set of determined sources of expectation was significantly contributed to the patient overall satisfaction. The capability of the sets of sources of expectation in explaining the variation of patient's overall expectation was also considerable. Word of mouth, personal needs, and reputation of the hospital were accounted for the significant contribution to patient's overall satisfaction. This result was confirmed As the fact that patient has shaped a particular expectation towards the services, thus this hospital are required to control the expectation of patient in order to be able to fulfill them. This sort of action has to be conducted as the expectation is the essential factor for patient in judging the service quality (Zeithmal, Bitner, & Gremler, 2013).

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STRATEGY SELECTION TO REDUCE WORK ORDER ACTIVE IN MAINTENANCE TEAM USING SMART METHOD

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Abstract

Electrical department team in PT.NYZ had main responsibility to maintain continuity of electric power supply in Sumatera operation. Electrical department provide supply electricity to producer wells, office and housing. To support its daily operation the team consist of two department, operation and maintenance team. Maintenance team is responsible for preventive maintenance (PM), predictive maintenance (PdM) and corrective job. Maintenance activities of transmission and distribution lines without shutdown the energize line called Hot Line Work. With hotline work activities could prevent production loss during maintenance job. Based on Computerized Maintenance Management System data in 2015 there were 432 work order active in electrical maintenance team. Work orders active are number of active work orders in open status at the end of the month and not shutdown classification, 278 of 432 work order active are under maintenance power line team. In this study we propose alternatives to reduce work order active in power line team.

In this study fish bone diagram and pareto chart is applied to analyze the problem and find the root of problem. Simple Multi Attribute Rating Technique (SMART) used in decision making process. SMART is used in this study because with this method allow complex problem to be decomposed into sets of simpler judgment. This simplicity influences directly on the understanding of the decision maker about the process used in the solution of the problem since the decision making process involving many decision makers from various background. The TOWS matrix is used in alternative generation. Brainstorming tool is used in attribute identification. Interval scale form is used in measuring the weight of attribute and attribute value to each alternative.

From TOWS matrix there were four (4) alternatives generated. Alternative 1: Purchase new bucket truck by PT.NYZ and operator of bucket truck from PT.NYZ employee. Alternative 2: Purchase new bucket truck by PT.NYZ and the operator of bucket truck provided by labor contract. Alternative 3: Contract out bucket truck using lump sum type contract and the operator of bucket truck from PT.NYZ employee. Alternative 4: Contract out bucket truck and operator using work unit rate type contract.

From the study result alternative 3 was chosen as the selected alternative. The consideration from decision makers are: safety aspect, with alternative 3 operator for bucket truck will provided from PT.NYZ employee and this work categorized on high risk job; from sensitivity analysis the alternative 3 is the robust; availability in market and permit administration that currently as the main issue, with contractor provide the bucket truck including maintenance and permitting with lump sum type contract it could improve availability of bucket truck and reduce number of work order active in power line maintenance team.

Keywords: Decision, Hot Line Work, Simple Multi Attribute Rating Technique, Work Order Active, Bucket Truck, contract

INTRODUCTION

To maintain a reliable and safety in operation for providing electricity maintenance activities should be do regularly based on time schedule. There are two approaches in maintenance strategies: corrective maintenance and preventive maintenance (Nakagawa, 2005), (Hilber et al., 2007:1675-1682). Corrective maintenance is conduct based on equipment failure in field.

Different from corrective maintenance, preventive maintenance is maintenance activities to prevent the equipment run to failure. Preventive maintenance can be divided into time based maintenance and condition based maintenance (Lehtonen, 2006). Time based maintenance use regular and scheduled intervals based on service history of equipment (Li, Brown, 2004:439), while condition based maintenance is refer to the condition and state of equipment when fall below acceptable standard.

Electricity has been playing an important role in all industry sectors, from small home industry until large scale manufacture industry. Electricity is also included as one of the vital role in oil and gas industry. In PT.NYZ, has electrical department that accountable in generating power and steam, also delivering electricity to more than 7,000 producer wells with 350,000 BOPD (barrel oil per day) throughout 3,000 km long of overhead lines with various voltage levels. The lines are divided into transmission (44 kV, 115 kV & 230 kV) and distribution (4.16 kV & 13.8 kV). All of production facilities are connected to distribution lines that have dynamic change based on requirement of customer and maintenance team.

In transmission and distribution line point of view, corrective and preventive activities require resources to conduct maintenances. Maintenance activities could be performed during offline or energized condition that is named Hot Line Work (HLW). The easiest and safest way to conduct maintenance in distribution line is by opening the feeder breaker to disconnect power, but it will cause production loss from hundreds of tied-in wells. That's why power line maintenance team conducts Hot Line Work for maintenance in transmission and distribution line system.

First Hot Line Work was conducted on 1977 and many improvements on safety have been implemented ever since. The main hazard in this work is arc-flash: electrical explosion that is resulted from a low impedance connection to ground or another voltage phase in an electrical system. And for activity above ground the additional hazard is falling due to gravity. Since this activities need high skill and competency, safety is the highest priority in executing the job safely in order to eliminate minor and major injuries even fatality for the worker. As pioneer in hotline work in PT.NYZ as well as in Indonesia, electrical department has been continuously evaluating and improving Hot Line Work which currently adopted as industrial practice by managing expertise through personnel qualification evaluation and certification.

In 2015, performance indicator of operational metric shows transmission and distribution line is not reliable, is measured based on outage occurred on each length of transmission and distribution line. Production loss that is caused by this outage also

measured in operating matrix scorecard. In 2015 the production loss is higher than original plan or target.

Based on Computerized Management Maintenance System (CMSS) data on December 2015 WO active in power line team were 278 work orders it's about 64% from total active work order in maintenance team. Work orders active are number of active work orders in open status at the end of the month and not shutdown classification. Key performance indicator for maintenance metric in electrical department was to reduce WO active 20% from baseline in the January 2016. With this condition trending of WO active is increasing 83 WO from 349 WO in January to 432 WO in December 2015 (increase about 24%). In this study will analyze high number of WO active in power line maintenance team on 2015 and find alternative solution for this problem. High number of work order active also contributes for high production loss in 2015

In this study fish bone diagram and pareto chart is applied to analyze the problem and find the root of problem. Simple Multi Attribute Rating Technique (SMART) used in decision making process. SMART is used in this study because with this method allow complex problem to be decomposed into sets of simpler judgment. This simplicity influences directly on the understanding of the decision maker about the process used in the solution of the problem since the decision making process involving many decision makers from various background. The TOWS matrix is used in alternative generation. Brainstorming tool is used in attribute identification. Interval scale form is used in measuring the weight of attribute and attribute value to each alternative.

REVIEW OF LITERATURE

Fish Bone Diagram

Fishbone or Ishikawa diagram has purpose tto help teams push beyond symptoms to uncover potential root causes, to provide structure to cause identification effort and to ensure that a balanced list of ideas has been generated during brainstorming or that major possible causes are not overlooked. (Michael L George, 2005 : 146)

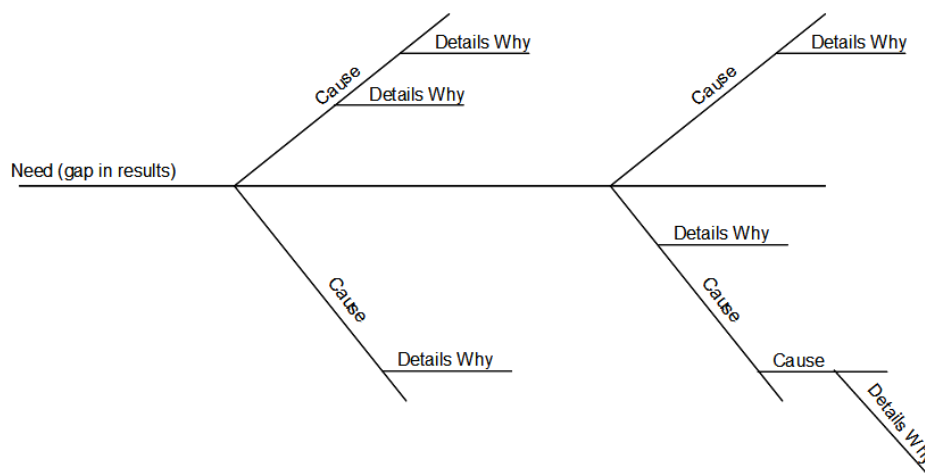


Figure 1. Fishbone diagram

Cause and effect diagram will identify a variety of potential causes of the effects or problems, and analyze the problem through brainstorming sessions. The problem will be split into a number of categories related, including human, material, environment, measurement, method, and machine. Each category has causes that need to be elaborated through brainstorming sessions

Pareto chart

A Pareto diagram is a simple bar chart that ranks related measures in decreasing order of occurrence. The principle was developed by Vilfredo Pareto, an Italian economist and sociologist who conducted a study in Europe in the early 1900s on wealth and poverty. He found that wealth was concentrated in the hands of the few and poverty in the hands of the many. The principle is based on the unequal distribution of things in the universe. It is the law of the "significant few versus the trivial many." The significant few things will generally make up 80% of the whole, while the trivial many will make up about 20% (PQ system, 2016).

Simple Multi Attribute Rating Technique (SMART)

SMART has been widely applied because of its relative simplicity and transparency, which means that decision makers from many different backgrounds can easily apply the method and understand its recommendations. Although SMART may not always capture all the detail and complexities of a decision, it can be an excellent method for illuminating the important aspects of the problem and how they relate to each other (Goodwin et. al., 2010 : 33-34).

Using SMART method, the performance of each alternative is expressed in grades on a numerical scale, which is evaluated through a direct-rating procedure. In practical applications the grades are typically interpreted as category labels (such as cheap, somewhat more expensive, more expensive, etc, or excellent, good, fair, unsatisfactory) (Makowski, 2001).

Simplicity of the questions done to the decision maker and the easiness of the analysis that it is done on the answers are the great advantage of SMART. This simplicity influences directly on the understanding of the decision maker about the process used in the solution of the problem. However, this simplicity presents a cost that consists in the simplifications done for the problem, through the hypotheses of linearity of the one-dimensional utility functions and of independence additivity (Filho, et. al., 2005).

Guidance for using SMART based on Goodwin and Wright as below :

1. Stage 1: identify the decision maker (or decision makers)
2. Stage 2: identify the alternative course of action
3. Stage 3: identify the attributes that are relevant to the decision problem
4. Stage 4: for each attribute, assign values to measure the performance of the alternatives on that attribute

5. Stage 5: determine a weight for each attribute. This may reflect how important the attribute is to the decision maker
6. Stage 6: for each alternative, take a weighted average of the values assigned to that alternative.
7. Stage 7: make a provisional decision
8. Stage 8: perform sensitivity analysis to see how robust the decision is to change in the figures supplied by the decision maker (Goodwin et. al., 2010: 34).

Based on literature book of Paul Goodwin, There are essentially two approaches to the problem: mathematical and behavioral aggregation (although the approaches can be combined). Mathematical aggregation, which we will discuss first, involves techniques such as the calculation of a simple average of the judgments of the individual group members. In behavioral aggregation a group judgment is reached by members of the group communicating with each other either in open discussion or via a more structured communication process. There are a number of advantages to be gained by using mathematical aggregation to combine the judgments of the individual members of a group. In particular, the methods involved are relatively straightforward. This means that the more complex and time-consuming procedures of behavioral aggregation are avoided. Moreover, the group members do not have to meet. Their judgments can be elicited by telephone, post or computer and therefore the influence of dominant group members is avoided (Paul Goodwin, 2004: 309-310).

Table 1 Expert Focus Group Discussion (Number = 5)

Years of Experience	Number
<= 5 years	0
6 – 10 years	0
11 – 15 years	0
16 – 20 years	2
21 – 25 years	1
> 25 years	2
<i>Last Position</i>	<i>Number</i>
Team Leader Line Maintenance	2
Team Leader Planning & Support	1
Team Manager Maintenance	2

RESEARCH METHODOLOGY

There were several steps in this study. Firstly, literature are reviewed to explore what decision analysis is going to be used. Fish bone diagram is used to analyze and identify the problem, and then SMART method is used in decision analysis process. Each steps of SMART method will be combined with other tools to ease and facilitate the process. The TOWS matrix is used in alternative generation. Brainstorming tool is used in attribute identification. Interval scale form is used in measuring the weight of attribute and weighted value to each alternative. The methodology flow chart shown on figure 2.

Data collection methods in this study are using interview, field observation and Focus Group Discussion. People involve were representative from cross functional department. From Electrical department involve Team Manager Maintenance South, Team Manager Maintenance North, Team Leader Power line Maintenance South, Manager Maintenance and Team Leader Planning & Support. The expert parties involved on the FGD session is shown on Table 1.

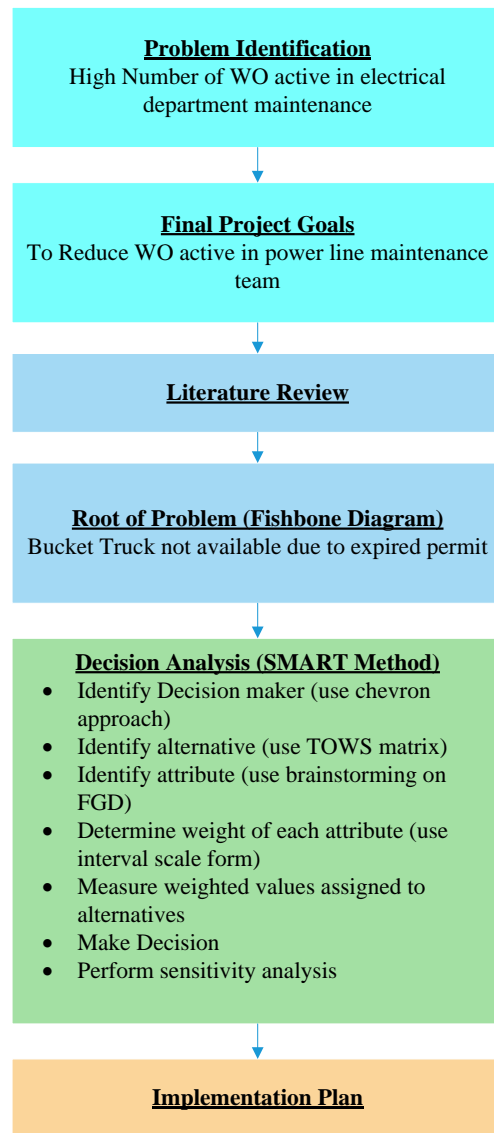


Figure 2. Methodology Flow Chart

FINDINGS AND DISCUSSION

From Fishbone diagram and pareto chart, we could conclude the roots of problem high number of WO active in power line maintenance team were bucket truck was not available due to expired permit. Based on TOWS matrix, there are four options of strategy could be used to solve the problem.

The SO strategy (maxi-maxi) is strategies that use the internal strengths to take advantage of external opportunities. Electrical department strength as the expertise to use bucket truck for hotline work method and the opportunity is power load forecast it's still same for next 5 years. To maximize the strength and opportunity Electrical department should keep the number of bucket truck by purchase new bucket truck and operator using PT.NYZ employee to maintain competency people that had expertise for operate bucket truck.

The ST strategy (maxi-mini) is utilization of the strengths in order to avoid or reduce the effects of external threats. To fulfill this strategy Electrical department could purchase new bucket truck and the operator of bucket truck provided by labor contract, that training and development for operator under responsibility Electrical Department.

The WO strategy (mini-maxi) aim at reducing internal weaknesses by taking advantage of external opportunities. To fulfill this strategy Electrical department could create new contract based on lump sum contract for bucket truck. The operator of bucket truck still PT.NYZ employee. The advantage of lump sum contract the payment to contractor is same every month not depend on number of job, permit administration and bucket truck maintenance under contractor responsibility

The WT strategy (mini-mini) is strategy to minimize weakness and threat. To fulfill this strategy electrical department could create new contract based on work unit rate contract for bucket truck and operator. With this strategy if PT.NYZ permits expired in 2021 to operate Rokan block, all bucket truck asset and severance of bucket truck operator become contractor responsibility.

Attribute used on this study is generated from Focus Group Discussion using brainstorming. For benefits group, the attributes are safety, service quality, availability and market attractive. For cost group, the attributes are operating cost and severance cost. After attribute identified, the next step is assigns value to measure the performance of the alternatives on that attribute. Cost attributes are counted based on the cost required for each alternative from 2017 until end of Production Sharing Contract Expiration in 2021. For benefit attributes, since this decision involve groups of individuals, interval scale form is used and mathematical aggregation is used to calculate it.

Total benefit value and total cost of each alternative is compared to make provisional decision. Decision Makers agreed to conduct two times comparison. First is comparing all alternatives using total benefit of 3 attributes (safety, service quality and availability) with total cost. Chart comparison of 1st measurement is shown in Figure 3.

From the figure 3 above the highest total benefit is alternative 3, with value of benefit is 90.69 but total cost needed is higher than others about Rp 38.4 billion. Based on the data of value benefit from alternative-1, attribute safety and service quality got the highest point, it means with alternative-1 Electrical department could control safety and service quality because still used PT.NYZ employee that training and competency under Electrical department control.

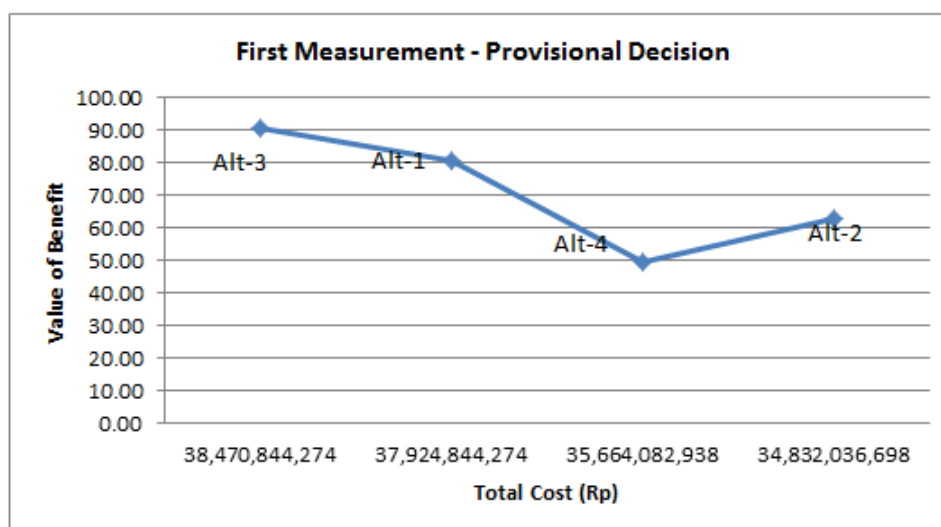


Figure 3. First Measurement – Provisional Decision

Alternative 2 - purchase new bucket truck and adding the operator of bucket truck provided by labor contract – based on the figure 3.5 as the third with total benefit point is 62.75 with total cost about Rp. 34.8 billion. The total operating cost is the lower between alternative 1, 3 and 4. Attribute safety and service quality got the highest point because the two attributes still could control by Electrical department since the operator training and people development for employee contractor still under control Electrical department.

Alternative 3 - create new contract for bucket truck based on lump sum contract and operator using PT.NYZ employee – based on the figure 3.5 as the first with total benefit point is 90.69. The point is almost same with alternative 1 with difference about 10 point. Total cost required about Rp. 38.4 billion. Attribute safety and availability got the highest point for alternative. With this alternative strategy bucket truck administration for permit and maintenance under contractor responsibility it's should increase availability of bucket truck and maintain safety aspect since using PT.NYZ employee.

Alternative 4 - Contract out bucket truck and operator using work unit rate type contract – based on the figure 3.5 as the fourth with total benefit point is 49.16. Total cost required about Rp. 35.6 billion. Attribute availability got the highest point. With this alternative strategy bucket truck administration for permit and maintenance under contractor responsibility but Electrical department need to ensure skill and competency for operator since it's provided by contractor.

On figure 3 blue lines is efficient frontier. The choices for the alternatives depend on relative weight the decision maker attached to the cost and benefit. If the decision maker concern about benefit should choose alternative 3. If decision maker concerned about cost should choose alternative 2. Alternative 1 should be the intermediate choice, the cost lower than alternative 3 but only different 10 point for value of benefit.

Based on above condition decision makers agreed to decide alternative 3 as the decision with consideration as below:

1. The cost for alternative 3 is different about Rp.540 million compare with alternative 1

2. Alternative 3 has highest benefit value compare with alternative 1,2 and 4
3. With alternative 3 availability of bucket truck could improve, since maintenance and permit administration handled by contractor.
4. Electrical department could maintain safety and service quality aspect since using PT.NYZ employee as operator

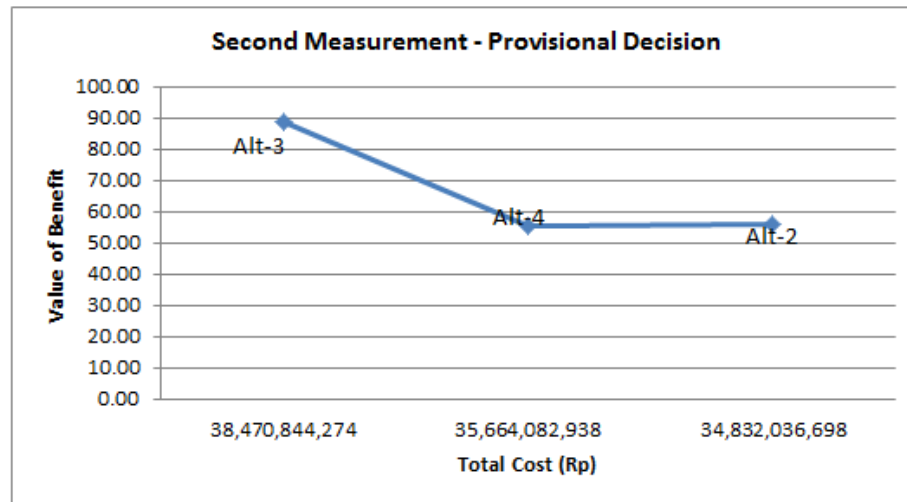


Figure 4. Second Measurement – Provisional Decision

The different with first measurement it considers market attractive. Adding attribute market attractive and exclude alternative 1. Based on figure 3.6 alternative 3 got the highest point for value benefit with 88.95 its different 32.75 point compare with alternative 2 as the lowest. Total operating cost needed is about Rp.38.4 billion.

Alternative 2 - purchase new bucket truck and adding the operator of bucket truck provided by labor contract – based on the figure 3.6 as the third with total benefit point is 56.2 with total cost about Rp. 34.8 billion. The total operating cost is the lower between alternative 3 and 4. Attribute market attractive as the lowest point compare with other alternatives since contractor only got handling fee.

Alternative 3 - create new contract for bucket truck based on lump sum contract and operator using PT.NYZ employee – based on the figure 3.6 as the first with total benefit point is 88.95. Total cost required about Rp. 38.4 billion. Attribute safety, service quality, availability and market attractive as the highest point compare with other alternatives. Since this contract using lump sum type there were clarity to contractor for provided bucket truck, PT.NYZ will paid contractor fixed every month to contractor remember it's very rare in market for bucket truck.

Alternative 4 - Contract out bucket truck and operator using work unit rate type contract – based on the figure 3.6 as the second with total benefit point is 55.33. Total cost required about Rp. 35.6 billion. Attribute market attractive as the second compare with alternative 2 and 3. With this unit rate contract, contractor got job based on work order by PT.NYZ. The invoice payment to contractor every month depend on number of job could contractor finished at the end of the month.

The decision makers agree to choose alternative 3 as decision. With consideration alternatives 3 got the highest point for attribute availability, safety, service quality and market attractive. The different cost between alternative 3 and alternative 2 as the lowest operating cost was not significant about Rp.2.5 billion for 5 years contract.

CONCLUSION

Based on business issue that already described in this paper there were high numbers of work order active in Power Line maintenance team. By using fish bone diagram and pareto chart, the root of problem was bucket truck was not available due to expired permit.

In this final project SMART method used to find the alternative and solution to face this problem. This decision analysis process involves many decision makers that are group in focus group discussion. From TOWS matrix there were four (4) alternatives generated. Alternative 1: Purchase new bucket truck by PT.NYZ and operator of bucket truck from PT.NYZ employee. Alternative 2: Purchase new bucket truck by PT.NYZ and the operator of bucket truck provided by labor contract. Alternative 3: Contract out bucket truck using lump sum type contract and the operator of bucket truck from PT.NYZ employee. Alternative 4: Contract out bucket truck and operator using work unit rate type contract.

Alternative 1 was in third place for operating cost about Rp 37,9 billion and in second place for total benefit with 80.44 point. Alternative 2 was in first place with operating cost about Rp 34.8 billion (the lowest cost) and in third for total benefit with 62.75 point. Alternative 3 was in place fourth for operating cost about Rp 38.4 billion (the highest cost) and in first place for total benefit with 90.69 point. Alternative 4 was in second place for operating cost about Rp 35.6 billion and in fourth place for total benefit with 49.16 point.

From the study result alternative 3 was chosen as the selected alternative. The consideration from decision makers are: safety aspect, with alternative 3 operator for bucket truck will provided from PT.NYZ employee and this work categorized on high risk job; from sensitivity analysis the alternative 3 is the robust; availability in market and permit administration that currently as the main issue, with contractor provide the bucket truck including maintenance and permitting with lump sum type contract it could improve availability of bucket truck and reduce number of work order active in Electrical department.

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EVALUATION OF CORPORATE SOCIAL RESPONSIBILITY PRACTICE; CASE STUDY OF STAR ENERGY GEOTHERMAL (WAYANG WINDU) LIMITED IN PANGALENGAN, INDONESIA

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Abstract

This paper aims to evaluate the CSR practices of Star Energy (Wayang Windu) Limited (SEGWWL) due to the news reporting several protests from local people that blamed the Company for the disaster happened back in the end of 2015. Since it is believed that one of the benefits from CSR practices is a good relationship with local people, the protests clearly indicated something wrong with the system of the Company. Qualitative method, using participant observation approach to several informants would be used to get more information about the issue. The result indicated a gap between the people's perspective and what the Company wants regarding the CSR practices and some problems were found regarding the system within the practices. Strengths, Weaknesses, Opportunities, and threats (SWOT) analysis used to assess how well the Company performed its CSR practices resulting in slightly above average. Finally, using TOWS analysis, the research would be able to give some strategies recommendation for the Company, which is to empower Nurkayana UMKM Cooperative to do several things that the Company could not do directly, to make another Community Development program, and to make a periodical and sudden supervision to know how the program is currently running.

Keywords: Corporate Social Responsibility, Empowerment, Local Community, Star Energy, Sustainability

INTRODUCTION

Indonesia is the biggest country in South East Asia with a rich natural resources and human resources. However, Indonesia still considered as a developing country because several factors such as low quality in education, low productivity, and high unemployment rate, etc. To develop the country better, and also as a result of being a member of United Nations, Indonesia set Millennium Development Goals in 2000, along with other 188 country. Millennium Development Goals (MDGs) are the world's time-bound and quantified targets for addressing extreme poverty in its many dimensions-income poverty, hunger, disease, lack of adequate shelter, and exclusion-while promoting gender equality, education, and environmental sustainability (United Nation, 2001). In order to reach these goals, Government encouraged private sectors to help them.

Basically, the National development is not a responsibility of the government only but also the society of it and also private sector in the form of corporate as well, to be involved either directly or indirectly in putting efforts of developing the society. The government tried to encourage private sector to participate in developing the country by using the method of Public Private Partnership (PPP). This method came as the result of

limited budget from government while the development should keep on going. This method invites private sector to develop the country together with the government.

All of those laws and decision from government lead to one thing, which is encouraging private sector to participate in developing the country along with the government. One of the famous ways to do this, as mentioned in the law, is by applying corporate social responsibility (CSR). Basically, CSR is not a burden for a corporate, but it should be interpreted as an effort from a corporate to adapt with the social life of its society, establish a mutual trust between the corporate and the society. CSR program can reach their target, which is the society more correctly compared to the government since corporate in Indonesia were separated in every part of this country and therefore each corporate will know the needs of the local society better than the government program, which used the equality model. CSR finally can be used as a benchmark for National development which is contextually follows the pattern of cultures and also life of Indonesian society.

At the end, CSR is not a specter or scourge for a corporate, but it is an answer to develop society trust towards the corporate and sustainability of local community economic. In principle, CSR is an embodiment of business ethic from a corporate, in where the corporate act ethically in doing their business, then the practice of CSR program is a need and also part of an effort to increase the trust from corporate towards its stakeholder. Inevitably, corporate and society is an 'organic' bond of solidarity and formed into a mechanism of solidarity unified in the relationship of mutual need (Rudito & Famiola, CSR (Corporate Social Responsibility), 2013).

CSR evaluation could be quite challenging to be learned and discussed because of the look at the current condition in Star Energy Geothermal (Wayang Windu) Limited (SEGWL). Back in 2015, there was news about an explosion of a pipe belongs to the Company. The Company claimed that the explosion is caused by a landslide around the area (detik, 2015). Meanwhile, several communities blame the Company, stating that it is their activity that caused the landslide (galamedianews, 2015). Several years before, approximately in 2009, people around where the company operates their business, sent a protest to the company because there is an explosion. The local people were annoyed and angry, stated that the company did not tell and socialize their activity well to them (detik, 2009). These news and statement from local society and local people showed that there is a problem regarding the business operation done by the company. Although there is no exact benefit a company could get from CSR practice, it is well-known that one of the benefits is a trust, other than helping to develop country. These protests showed that mutual respect has not been reached between the company and the people around the area.

LITERATURE REVIEW

Corporate Social Responsibility (CSR) is a continuous commitment by business to behave ethically and contribute to the economic growth and development while improving the life quality of the workforces and their families as well as the local community and society (Holme & Richard, 2010). CSR basically is a need for corporate to be able to interact with

local community as a form or representation of society as a whole (Rudito & Famiola, CSR (Corporate Social Responsibility), 2013). CSR covers the relationship between corporations or organizations with societies which they interact with. It also includes the responsibilities that are inherent on both sides of these relationships. CSR defines society on many levels to include all stakeholder and constituent groups that maintain an ongoing interest in the organization's operations (Werther & Chandler, 2006). CSR practices were separated into two kinds in general, inside CSR and outside CSR. Inside CSR is a company responsibility towards their employees, from their working balance until their families. While outside CSR is a practice of CSR where company give or do something for their environment. This form comes in many forms, from the simplest one like charity, until the most complex, which is community development.

Community development is an activity of developing society or community which is done systematically, well-planned, and directed to enlarge the access to the society in order to reach a better social, economic, and quality of life condition compared to the previous development program (Budimanta & Rudito, 2004). Essentially, community development is a process of socio-cultural adaptation which is done by industry, government, and local region towards the life of local community (Rudito, Prasetijo, & Kusairi, Akses Peran Serta Masyarakat, 2003). The United Nations defines community development as "a process where community members come together to take collective action and generate solutions to common problems. Community wellbeing (economic, social, environmental and cultural) often evolves from this type of collective action being taken at a grassroots level. Community development ranges from small initiatives within a small group to large initiatives that involve broader community.

Mursitama (2011) said that an effective community development should be a long-term endeavor well-planned inclusive and equitable holistic and integrated into a bigger picture initiated and supported by community members and resulting as benefit to the community grounded in experience that leads to the best practices. Community development is a grassroots process by which the community becomes more responsibly organized and planned, together develop healthy lifestyle options, empower themselves, reduce poverty and suffering, create employment and economic opportunities, achieve social, economic, cultural, and environmental goals.

Star Energy CSR

Star Energy was established in 2003 as an independent energy company, with its base of operations in Indonesia. (Star Energy, 2012). Before Star Energy, the Company's name was Magma Nusantara Limited Corporation. Since 2004, 100% of the shares have been owned by Star Energy. Star Energy is a company founded under the laws of the British Virgin Islands and established as a permanent business entity in Indonesia. The Company operates the utilization of geothermal potential through a joint operation contract with PT. Pertamina Geothermal Energy (Star Energy (Wayang Windu) Limited, 2011). They currently have

several office and operational area. One of their operational area is located in Wayang Windu area, Pangalengan, West Java.

Today, the Company has several programs for their CSR practices. The scope of CSR practices of The Company can be separated into five fields or topics. They are education, health, environment, infrastructure, and economic. For educational field, The Company provides scholarship for students, mainly local students in Pangalengan. The scholarship was given for students in junior high school and will be continued until they become a university graduate. They give chance for these students to work for them in the future by preparing and helping them with scholarship. In medical or health field, The Company built a Posyandu (Pos Pelayanan Terpadu) in the area to help poor people and people in general to be able to check their healthiness. For environmental field, The Company made waste bank or rubbish bank and a hydroponic cultivation by cooperating with the local school near The Company located.

For economical field, the main program from The Company was through Nurkayana UMKM Cooperative which was built in 2010. This UMKM is managed by local people and their main job is to help local entrepreneur whose are their member to become better and more profitable. They provide training, loan and saving, and several other helps in order to make the member become better, mostly in financial condition and entrepreneurial skills. Today there are 23 members of this cooperative. This cooperative function is actually not only to help local entrepreneur but they also become the main stakeholder between local people and The Company as well. Last, for the infrastructure, The Company cooperates with local governments. Each village should discuss their need before discussing it together with the other villages government in a meeting with MUSPIKA (Musyawarah Pimpinan Kecamatan) which is consisted of Police Department, district's government, and the local military force. After every village's government agree with the meeting result on what they can improve, they will invite The Company and discuss the result with them. After this discussion then The Company will allocate each village budget to help them improve their chosen infrastructure. Half of the money will be given to the government in the beginning of the project and the other half will be given after the project is done. The result then will be evaluated by The Company.

METHODOLOGY

Author used qualitative method, with participant-observation approach using interview guidelines. There will be two type of informants, key or primary informants and secondary or common informants. Key informants used to collect the data needed while common informants used to clarify the data gathered from key informants. To determine whose are the key informants, author find the intersection between stakeholder rank of the company and the CSR ring which is determined from the Environmental Impact Assessment (EIA). These data are secondary data which is collected from the company. These informants included people from the company as well, beside the people from community.

The problem found after comparing and merging the observation and interview result with all of the informants. Then, SWOT (strengths, weaknesses, opportunities, threats) analysis was done in order to know how well the Company has dealt with current situation and how well it has performed its CSR practices. TOWS Matrix was made to find the solution and recommendation for the company. The matrix would determine some alternative strategies for the Company. Author then will choose some of them as recommendation for the Company.

Results

After doing participant observation using interview guidelines, author found several gaps that indicating there are problem within the CSR practices of the Company. From Table 1, it can be seen that there are some gaps in the system. These gaps lead to one big problem, which is lack of supervision from the Company on their own system.

Table 1. Gap Analysis

Current condition based on participant observation with interview guidance by the author	GAP	Ideal condition based on The Company
Many people don't know the contribution of The Company.	If the program was decided after meeting, how come there are many people don't know about the project?	The infrastructure improvement proposal from the village was made from the meeting with every element and approved after another meeting with The Company.
Some people, especially who lives in non-buffer village, still don't know what kind of company SEGWWL is.	There is a missing link because if The Company claimed they have socialized the activity, either via government or not, the people should know at least what kind of company they are.	Every time company wants to do an activity, like drilling or mobilization, The Company will give the information via letter to chief of villages and the copy letter were given to the head of RW. So company always socializes to the people every activity that we do.
Many people still think that the CSR is a gift from the Company as the consequence of their existence.	Different perspective on the CSR program.	The Company wants the people know that they have to take care and make a good use of what the company has given.

Situation Analysis

Situation analysis consists of Strengths, Weaknesses, Opportunities, and Threats (SWOT) Matrix, External Factor Analysis Summary (EFAS) and Internal Factor Analysis Summary (IFAS) table, and Strategic Factor Analysis Summary (SFAS) table.

Table 2 shows the factors within SWOT analysis. Based on the Table.2, the strengths of the CSR programs from the Company are their sustainable programs, the main stakeholder which is Nurkayana UMKM Cooperative, and their flexibility to change the program depends on the need. Their mean weakness is the lack of supervision. There are some others like lack of socialization, but the lack of supervision is the root cause for other weakness within the system. The Company has several opportunities which are the local people,

Nurkayana UMKM Cooperative, high school students, local tourisms, and the existence of other big companies in the area. These factors would then weighted and scored to know how well the Company has performed their CSR.

Table 2. SWOT Matrix

Strengths	Weaknesses
<ol style="list-style-type: none"> 1. Sustainable program 2. Main stakeholder around local people 3. Flexible 	<ol style="list-style-type: none"> 1. Lack of supervision to the programs
Opportunities	Threats
<ol style="list-style-type: none"> 1. Local People 2. Nurkayana UMKN Cooperative 3. High school student 4. Local tourisms 5. Existence of other big companies 	<ol style="list-style-type: none"> 1. Local people 2. NGO 3. Government 4. Bad name around local people 5. Chance of corruption in the system 6. Outsiders

Table 3. EFAS Table

External Factors	Weight	Rating	Weighted Score
Opportunities			
Local people	0.12	3.0	0.36
Nurkayana UMKM Cooperative	0.25	4.0	1.00
High school student	0.02	1.0	0.02
Local tourisms	0.05	1.0	0.05
Existence of other companies	0.03	1.0	0.03
Threats			
Local people	0.12	3.0	0.36
NGO	0.07	2.0	0.14
Government	0.10	3.5	0.35
Bad name around local people	0.10	2.5	0.25
Chance of corruption	0.12	1.5	0.18
Outsiders	0.02	1.2	0.024
Total	1.00		2.764

The highest weight for external factor here is Nurkayana UMKM Cooperative. It is because they hold a very important role since they become the connection between The Company and the local people. This factor also get a high rating which means The Company deal very well with this factor. This can be seen since The Company makes a periodical evaluation with the Cooperative and the Cooperative gives report periodically to The Company.

As for the second most important factors are local people and chance of corruption. Local people, both as an opportunity and a threat hold the second important role because it is company's target to make a good relationship with them. So this factor should get a high attention from The Company. Their perspective really matter. Today, The Company deals with this factor just in average. They don't do a periodical supervision to people about their perspective or to find out whether the program has been socialized to the people. On the other side, they also always considered this factor before making a program. For the chance for corruption, it is actually something important that The Company should start to find out. However, no information regarding The Company efforts to find out about this chance seeing the lack of supervision and evaluation. Therefore this factor got a low rating. High school student got the lowest weight and rating since this factor is not the first priority for now and The Company also does not have a specific plan about it.

The total weighted score for external factor is 2.764 which mean The Company performs a little under average in this field. This means The Company has not responded well yet to their external factors.

Table 4. IFAS Table

Internal Factors	Weight	Rating	Weighted Score
Strengths			
Sustainable program	0.15	3.0	0.45
Main stakeholder in local people	0.30	4.0	1.20
Flexible	0.25	3.0	0.75
Weakness			
Lack of supervision	0.30	3.0	0.90
Total	1.00		3.30

The highest weight for internal factor is the main stakeholder from The Company in the local people. They are Nurkayana UMKM Cooperative management. This factor became the most important factor because they positioned between local people and The Company. They can see both perspective and they can connect both parties. They also get a high ranking because The Company deals with this factor very well. There is a periodical report and evaluation with this factor.

Lack of supervision also has the same weight. This is because this factor could lead to many problems so The Company should pay attention to this factor. However it can't be said that company has dealt with this factor very well. Even though there is supervision once in a while, The Company should increase and improve both the scale and the system. Sustainable program has the lowest weight because that factor is only a goal that company try to achieve in every their project. Therefore, every system now can be said quite sustain even with some periodical improvement after certain evaluation. The Company also pays a fair attention since it is their goal. The total weighted score for internal analysis is 3.30. The score is a little above the average. This means that The Company is responding quite well on these current factors in internal environment.

After assessing both external and internal analysis, some factors from both analyses were chosen into strategic factor analysis. SFAS Matrix summarizes an organization's strategic factors by combining the external factors from the EFAS table with the internal factors from the IFAS table (Wheelen & Hunger, 2012). The choices were made based on the importance of the factors.

Table 5. SFAS Table

Strategic Factors	Weight	Rating	Weighted Score	Duration		
				S	I	L
S1 O2 Nurkayana UMKM Cooperative	0.30	4.0	1.20			X
S2 Flexible	0.15	3.0	0.45			X
W1 Lack of supervision	0.20	3.0	0.6	X	X	
O1 T1 Local people	0.20	3.0	0.6		X	X
T5 Chance of corruption	0.15	1.5	0.225		X	
Total	1.00		3.075			

From the SFAS table it can be seen that Nurkayana UMKM Cooperative is the factor with highest weight. It is because they can be used to help The Company in many other programs and also hold important role in connecting The Company to local people. Company's ability of being flexible to the change and the threat of corruption chance are the lowest factor in SFAS analysis. Flexibility because it is not as important as the other factor while the chance of corrupt can be solved by solving the weakness which is lack of supervision.

The total of weighted score of SFAS analysis of CSR practices from SEGWWL is 3.075. This means the performance of CSR practices from SEGWWL in Pangalengan is slightly above average. It is categorized as good but there are still many spaces that can be improved to be better.

Generating Alternative Strategies

To generate some alternative strategies for The Company to overcome their problem, author used TOWS analysis matrix as the main tool. The TOWS Matrix illustrates how the external opportunities and threats facing a particular corporation can be matched with that company's internal strengths and weaknesses to result in four sets of possible alternative strategies. This is a good way to use brainstorming to create alternative strategies that might not otherwise be considered (Wheelen & Hunger, 2012). The results of the TOWS Matrix (see Appendix A) are:

1. The Company can empower and used Nurkayana UMKM Cooperative to do more things than what they are currently doing. For now, Nurkayana UMKM Cooperative is undoubtedly the best program from Star energy due to its good empowerment and sustainability, despite the fact that some local people see them as the Company's helper and therefore there is some kind of jealousy from it because the Company periodically gives the Cooperative money to help them in developing the program. They also hold a very important role because they are positioned in the middle of the people and the Company. This position make them be able to reach and interact with local people directly. They can help to socialize the Company's program; help to synchronize the perspective from both parties, and supervise the Company's program indirectly by interacting with local people.
2. Make periodical and sudden supervision. One of the threats fom the system is the corruption chance and it can be minimized by doing supervision, both periodical and sudden supervision. This is also done to make sure that the program is running well and people know what necessary from the program so they can feel the Company's contribution.
3. Make another Community Development program which will have a different type from Nurkayana UMKM Cooperative and in a different area. Later, this community could help the Company to socialize and supervise the program in non-supporting village, since the

people from non-supporting village are the most ignorance people regarding Company's program. They can help to monitor the program and improve the certain area as well.

DISCUSSION & CONCLUSION

Star Energy Geothermal (Wayang Windu) Limited is currently performing their CSR program slightly above the average. This means they have performed well but there are still a lot of spaces to be improved to make the practices better and to overcome the problem. From analysis of alternative strategies using TOWS Matrix, the best recommendations for the Company are empower Nurkayana UMKM Cooperative, make a new supervision system, and make another Community Development program. These programs hopefully can help the Company to overcome their problems and improve their CSR practices.

This research could provide recommendation for the CSR practices of the Company to overcome the problems they are facing. With a better practice, the conflict between local people and the Company could be minimized and the Company can start to gain trust from the people. The Company could also get a good name and become example for other Company who face similar problems in an area with similar culture with Pangalengan. The better CSR practices done, the better it is for National Development. Government will be helped since Company has a better insight towards the culture of a certain area.

The research however, was only done in a specific area, which is Pangalengan; time, which is from 2014 to 2016; and Company, which is Star Energy in Pangalengan. Different results could occur if a research was done in different area, time, and Company. There is also a possibility where the recommendation will not be used by the Company, since they hold the final decision on whether to use the recommendation from this research or not. Future result can be done using quantitative method and cultural analysis for a better and more specific recommendation.

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Appendices

TOWS Matrix

Internal Factors External Factors	Strengths 1. Sustainable Programs 2. Nurkayana UMKM Cooperative existence 3. Flexible to change (adaptable)	Weaknesses 1. Lack of Supervision
Opportunities 1. Local people 2. Nurkayana UMKM Cooperative 3. High school student 4. Local tourisms 5. Existence of other companies	Strengths-Opportunities Strategies S2-O1: Nurkayana UMKM Cooperative can be asked for helping The Company in many aspects such as socialize the program, reporting people perspective, and help The Company to build a good relationship with the people. S2-O3: Nurkayana UMKM Cooperative can make a program regarding high school student as the preparation for the future. S1-O4-O5: Make a new sustainable program either for local tourisms or a program cooperated with other companies or even by combining both.	Weaknesses-Opportunities Strategies W1-O2: Nurkayana UMKM Cooperative could help The Company to supervise their programs, especially those in the form of a charity, such as infrastructure development. W1-O1: With a good socialization, local people could help to monitor the project.
Threats 1. Local People 2. NGO 3. Government 4. Bad name around local people 5. Chance of corruption 6. Outsiders	Strengths-Threats Strategies S2-T1-T4-T6: Nurkayana UMKM Cooperative can help to synchronize the people perspective so that it is the same with The Company's perspective and maintain good relation between these two parties. They also can help to get to know the outsiders culture or behavior and help the company to make the best program out of it. S2-T3-T5: Nurkayana UMKM Cooperative can help to find out the corruption issue and supervise government work by asking related question to local people. S1-S3-T1-T2: Make a new sustainable program by involving another element of local people. Bad labeling should be deleted and start to use objective perspective.	Weaknesses-Threats Strategies W1-T1-T2-T6: Involve local people in supervising the project. At least make sure that they know there is a project from The Company to the people in Pangalengan. W1-T5: Improve supervision so that the chance to corruption can be minimized.

THE INFLUENCE OF WORK FAMILY CONFLICT AND WORK FAMILY SYNERGY TO EMOTIONAL EXHAUSTION AND LIFE SATISFACTION AND THEIR INFLUENCE TO PERFORMANCE

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Abstract

This research explores the influence of work family conflict and work family synergy to emotional exhaustion and life satisfaction and their influence to performance. Understanding about work family conflict and work family synergy will enable the managers to better manage those aspects, so the manager will benefit from better performance of any employee in the organization. Questionnaires were distributed to multiple target respondents of diverse backgrounds that include lecturers and university employees, government employees, employees of a restaurant, employees of small and medium businesses, and employees of a manufacturing business. A total of 350 questionnaires were distributed and the returned questionnaires that can be processed as many as 269 questionnaires. This study found several findings. First, work family conflict has positive influence to emotional exhaustion and negative influence to life satisfaction. Second, work family synergy has negative influence to emotional exhaustion and positive influence to life satisfaction. Third, emotional exhaustion has negative influence to performance. Fourth, life satisfaction has positive influence to performance.

Keywords: work family conflict, work family synergy, life satisfaction, emotional exhaustion, performance

INTRODUCTION

Work family conflict is a common phenomenon for an employee. This phenomenon can not be avoided since basically people has dual roles: their roles at home and also their roles in their office. Since people has to perform well in both roles, sometimes it is hard for them to separate their personal lives and their duties in their office, so there comes a conflict that is called work family conflict.

Besides the negative implication of work family conflict, there is a more positive term called work family synergy. Work family synergy happens if there is a balance between home and office. People gets support from their family to work well and also gets support from their office to perform well at home. If this happens, people will perform well both at home and in their office.

A more complete understanding about the antecedents and consequences of work family conflict and work family synergy will enable the managers to better manage those aspects. If they can manage them well, the manager will benefit from better performance of any employee in the organization. This research explores the relationship among work family conflict, work family synergy, emotional exhaustion, life satisfaction, and performance.

MAIN TEXT

Work Family Conflict and Work Family Synergy

Everyone who works certainly has dual roles. An employee has an equally important role both at home and in the office. A woman, in addition to being a good employee must also perform very well as a wife and a mother. A man, in addition to be a good employee must perform his role as a father and the head of the family as well. The burden in each role is not easy. Sometimes the demands of the job require an employee to bring office work home, which would interfere with his/her role at home as a father/mother or husband/wife. Sometimes the problem from home is carried over to the office, thereby disrupting the process of employee duties. Since every role demands high performance, not infrequently comes certain role conflict called work family conflict.

Basically the existence of work family conflict has these following three elements: time (i.e. when the time required for one element reduce the available time for another element), the problem (i.e. when problems arise in one element affects the other elements), and behavior (i.e. the unparalleled behavior between two elements).

Related to time, if an employee is spending too much time in the office until he/she can not perform its role as a mother/wife properly, this can cause problems at home. Likewise, if an employee has too much burden of at home (e.g. child care or care of the elderly), his/her responsibilities in the office could be disrupted.

Besides that, high performance demands can make employee stress in the office. The stress at work can then be carried home and create new problems at home. Likewise, if an employee is experiencing stress in at home, his/her performance in the office could be disrupted.

Related aspects of behavior, work family conflict occurs because of unfit between behavior at home and in the office. For example, an employee who became a supervisor and his supervisor duty demands to be firm and hard on subordinates, he or she could do the same thing at home because he/she is affected by the habits in the office, even though the family wants a compassionate father/mother.

Based on the research in this field, the researchers concluded that there are at least three things that make the effect of work family conflict is different for each person. The first is the personal factors which include the abilities, interests, personality, and individual aspirations. Every individual has different personal characteristics. These different personal characteristics will affect how he/she responds to conflict/different pressures. This causes some individuals are more susceptible to work family conflict than other individuals.

The second factor includes family situation, role of parents, culture, and the religion of a person. An employee who comes from a family that tends to understand each other harmoniously with other family members will not vulnerable to work family conflict. On the other hand, people who do not live their religion well, are more vulnerable to work family conflict.

Specific situation can be conducive working environment and friendly working environment. A conducive working environment occurs when the relationship among

employees and between employees and boss is good, then the employee will be less likely to be vulnerable to work family conflict. On the other hand, when there is a harsh working environment, this will tend to suppress emotions so that the possibility of work family conflict may occur.

Related to aspects discussed above, basically every employee will try to maintain a balance between work life and personal life (Vallone & Donaldson, 2001). If the balance is reached, then an employee will be able to perform well both in the office and at home. If the balance can not be achieved, performance in the office or at home can be disrupted, which in turn will hurt the company in the long run because the employee is not performing optimally

Such dynamics in the work described in the context of the conflict perspective (Parasuraman & Greenhaus, 2002). This perspective explains that the responsibilities and demands at home and in the office will not be compatible, so that the higher demands in one role will interfere with other roles. Thus, the job demands that are too high can interfere with an employee's role at home and demands at home that are too high can also interfere with a person's job in the office.

This view is also rooted in scarcity hypotheses (Parasuraman & Greenhaus, 2002) which states that everyone has limited energy and time. Individuals who underwent dual roles will certainly experience a conflict between the roles. Thus, work family conflict would arise if an employee is unable to separate his role in office and at home. If the office affairs are brought home or vice versa if home affairs are brought to office, this will foster work family conflict.

In addition to the term work family conflict that has negative meaning, the relationship between personal life and office life can also has a positive meaning. This is called work family synergy. Work family synergy is a synergy between an employee's personal conditions at home and in the office (Beutel, 2010). This synergy will arise if an employee is experiencing a positive emotional state at home and then it is brought to the office, resulting in good performance. This can also occur if an employee is experiencing positive emotions in the office and bring positive emotions home, so that the employee can carry out his/her role at home very well. Some researchers conduct research on work family conflict and work family synergy, and generally examine the effects of these two variables on performance and intention to quit the job.

Research on Work Family Conflict and Work Family Synergy

WRITER	YEAR	RESEARCH SETTING	INDEPENDENT VARIABLES	DEPENDENT VARIABLES	RESULT
Lin	2013	Employees from various organizations	Job demand	Work family conflict (WFC)	Job demand has positive influence to WFC.
Zhang	2012	Employees from various organizations	Work interfere with family conflict (WIF) Family interfere with work conflict (FIW)	Emotional exhaustion Affective commitment Intention to leave Life satisfaction	WIF has positive influence to emotional exhaustion and affective commitment. FIW has positive influence to intention to leave and has negative influence to life satisfaction and affective commitment.
Beutel	2010	Entrepreneurs	Work schedules	Work interfere with family conflict (WIF) Family interfere with work conflict (FIW) Work Family synergy (WFS)	Work schedules correlates with WIF and WFS.
Beutel	2010	Employees have children under 18 years	Work Family synergy (WFS)	Job satisfaction dimension	WFS has positive influence to job satisfaction dimensions.
Porter & Ayman	2010	Hospital employees	Job flexibility Work family conflict	Intention to leave	Job flexibility has negative influence to WFC. WFC has positive influence to intention to leave.
Thanacoody, <i>et al.</i>	2009	Hospital nurse	Work family conflict (WFC)	Job burnout	WFC has positive influence to job burnout.

WRITER	YEAR	RESEARCH SETTING	INDEPENDENT VARIABLES	DEPENDENT VARIABLES	RESULT
Beutel & Berman	2008	Employees from various organizations	Job demand	Work family conflict (WFC)	Job demand has positive influence to WFC.
Boyar, <i>et al.</i>	2008	University employees	Job demand Home demand	Work interfere with family conflict (WIF) Family interfere with work conflict (FIW)	Job demand has positive influence to WIF. Home demand has positive influence to FIW.
Maazerolle, <i>et al.</i>	2008	Athletic trainer	Long working hours Out of town assignment	Work family conflict	Long working hours and out of town has positive influence to work family conflict.
Beutel	2008	Entrepreneurs	Work family conflict (WFC) Work-family synergy (WFS) Work pressure (WP)	Work satisfaction Life satisfaction	WFC has negative influence to work and life satisfaction WFS has positive influence to work and life satisfaction. WP has positive influence to WFC and has negative influence to WFS.
Fu & Shaffer	2001	Administrative staff	Role conflict Role overload	Work family conflict (WFC)	Role conflict and role overload have positive influence to WFC
Carlson & Kackmar	2000	Employees	Role ambiguity Role conflict Time demand Involvement	Work interfere with family conflict (WIF) Family interfere with work conflict (FIW)	Work time demand and FIW has no influence to job satisfaction. Family satisfaction does not be influenced by family involvement or by family time demands.
Aryee, <i>et al.</i>	1999	Employees from various organizations	Work interfere with family conflict (WIF)	Life satisfaction Family satisfaction Job satisfaction	WIF has negative influence to life satisfaction and family satisfaction.

WRITER	YEAR	RESEARCH SETTING	INDEPENDENT VARIABLES	DEPENDENT VARIABLES	RESULT
			Family interfere with work conflict (FIW)		FIW has negative influence to job satisfaction.
Boles	1997	Salesperson	Work family conflict (WFC) Emotional exhaustion Job satisfaction	Intention to leave	WFC has positive influence to emotional exhaustion and has negative influence to job satisfaction. Emotional exhaustion has positive influence to intention to leave. Job satisfaction has negative influence to intention to leave.

Consequences of Work Family Conflict

There are several things that could be the consequences of work family conflict. This study focuses on two variables: emotional exhaustion and life satisfaction. Emotional exhaustion is basically a fatigue in a person's emotions. Someone who experienced emotional exhaustion will usually feel tired psychologically. Life satisfaction associated with the individual assessment of the quality of life in general.

Work family conflict would arise if the role demands in the office or at home interfere with a person's role in any other position. High performance demand in office can disrupt a person's role at home. Therefore, it is stated that basically work family conflict is a negative thing. It is based on conflict perspective which states that the interests from the office and the interests at home are not compatible and can not support each other. Demands that are too big in the office will interfere with the role of a person at home

Scarcity hypotheses also confirms this. Basically people has a limited capacity, so he/she will have limitations in performing its role both in the office or at home. If a person receives a lot of pressure at work, their role at home may be disrupted. If this is the case, one's life satisfaction will decline and emotional exhaustion will increase. Therefore, we formulate two hypotheses as follows:

H1: Work family conflict has positive influence to emotional exhaustion.

H2: Work family conflict has negative influence to life satisfaction.

Consequences of Work Family Synergy

The existence of work family synergy opposites with work to family conflict or family to work conflict. Work family synergy has more positive connotation. In work family synergy, there is a synergy between home and office. An employee will get support from home to work better, and also get support from office to perform at home better. Thus, the higher the work family synergy will result in the decrease of emotional exhaustion, and increase in life satisfaction. Therefore, we formulate two hypotheses as follows:

H3: Work family synergy has negative influence to emotional exhaustion.

H4: Work family synergy has positive influence to life satisfaction.

Antecedents of Performance and Intention to Leave

This research argues that emotional exhaustion and life satisfaction will affect a person's performance. The higher the emotional exhaustion, the performance will decline. The higher the life satisfaction job performance will be higher. Therefore, we formulate two hypotheses as follows:

H5: Emotional exhaustion has negative influence to performance.

H6: Life satisfaction has positive influence to performance.

RESEARCH METHODS

Respondents and data collection methods

Questionnaires were distributed to multiple target respondents of diverse backgrounds that include lecturers and university employees, government employees, employees of a restaurant, employees of small and medium businesses, and employees of a manufacturing business. A total of 350 questionnaires were distributed and the returned questionnaires that can be processed as many as 269 questionnaires.

Table 1. Respondents Demographic

		Frequency	%
Gender	Male	192	71.4
	Female	77	28.6
Age	Average 39.4 years		
Education	Junior high school	21	7.8
	Senior high school	137	50.9
	1 year diploma	5	1.9
	3 year diploma	25	9.3
	Bachelor	47	17.5
	Master	34	12.6
Job tenure	Average 13.5 years		
Company type	Government employees	36	13.4
	Lecturers	29	10.8
	University employees	90	33.5
	Restaurant employees	16	5.9
	Small business employees	49	18.2
	Sales force from beverage employees	49	18.2

Variables, operational definition, and measurement

The study started with designing research instruments. This study used previous questionnaires from previous researchers and then adapted the questionnaires to the research setting in Indonesia.

Work family conflict is an issue that arises because of the burden on the job is brought home. This variable was measured using an instrument developed by Netemeyer *et al.*, (1996) which was adapted to the research context. Work family synergy is the condition of mutual support between home and office. This variable was measured using an instrument developed by Beutell *et al.* (2008).

Life satisfaction is the satisfaction that someone feels about the current living conditions. This variable was measured using an instrument developed by Diener *et al.* (1985) which was then adapted to the research context. Emotional exhaustion is an emotional fatigue experienced by individuals during their working life. This variable was measured using an instrument developed by Maslach and Jackson (1981).

Performance is the achievement of a person on the job according to his/her job description. This variable was measured using instruments of in-role performance developed by Williams and Anderson (1991).

Testing instrument validity and reliability

Factor analysis was used to test the validity of the items and statements followed by calculating the value of reliability (alpha) for each variable. An item will be preserved (not dropped) if the loading factor equal to or greater than 0.5 with reference to the guidelines set by Comrey and Lee (1992) as quoted Tabachnick and Fidell (1996) which states that the criterion of 0.5 has the ability to explain less over 30% of variance.

After testing the validity, the questionnaire reliability will be measured with Cronbach's Alpha value. The questionnaire revealed reliable if it meets the criteria of reliability expressed by Nunnally (1967) as quoted by Churchill (1979) which is a measure of reliability of 0.50 or 0.60 can already be considered adequate for an exploratory study, although still in the category of low reliability.

To ensure that the items are already prepared can be understood by respondents, reseracher conducted face validity tests involving 5 employees. This face validity is to make sure that the instruments developed to ensure can be understood by respondents.

Factor analysis for the variables work family conflict and work family synergy was based on 2 distinct variables with varimax rotation. The result of validity test is presented in table 2. These results indicate that there is one item to work family conflict and one item for family work synergy invalid because the value of factor loading <0.5.

Table 2. Factor Analysis for Work Family Conflict and Work Family Synergy

KODE	STATEMENT	FACTOR LOADING	
WFC1	The demands of my work interfere with my home and family life.	0.590104	
WFC2	The amount of time my job takes up makes it difficult to fulfill family responsibilities.	0.819266	
WFC3	Things I want to do at home do not get done because of the demands my job puts on me.	0.843625	
WFC4	My job produces strain that makes it difficult to fulfill family duties.	0.824413	
WFC5	Due to work-related duties, I have to make changes to my plans for family activities.	<0,5	
WFS1	More energy to do things with family because of job		0.637915
WFS2	Being in better mood at home because of job		0.777593
WFS3	More energy to do job because of family/personal life		0.821971
WFS4	better mood at work because of family/personal life		0.802989
WFS5	My family always encourage me to work well.		<0,5
WFS6	My office always reminds me the importance of family time besides office time.		<0,5

Factor analysis performed for the variable performance was conducted as a single variable. The result of validity test is presented in table 3. These results indicate that all items are valid for this variable.

Table 3. Factor Analysis for Performance

CODE	STATEMENT	FACTOR LOADING
KIN1	Adequately completes assigned duties.	0.732916
KIN2	Perform tasks that are expected of me.	0.766927
KIN3	Engages in activities that will directly affect my performance evaluations.	0.665551
KIN4	Fails to perform essential duties (R).	0.59958
KIN5	Fulfills responsibilities specified in job description.	0.766543
KIN6	Meets formal performance requirements of the job.	0.782363
KIN7	Neglects aspects of the job I am obliged to perform (R).	0.763772

Factor analysis for the variables life satisfaction was based on one variable. The result of validity test is presented in table 4. These results indicate that all items are valid for these variables.

Table 4. Factor Analysis for Life Satisfaction

CODE	STATEMENT	FACTOR LOADING
LS1	In most ways my life is close to my ideal.	0.657474
LS2	The conditions of my life are excellent.	0.695291
LS3	I am satisfied with my life.	0.7948
LS4	So far I have gotten the important things I want in life.	0.671952
LS5	If I could live my life over, I would change almost nothing.	0.556614

Factor analysis performed for the variables emotional exhaustion was conducted as a single variable. Below is the result of validity test. These results indicate that all items are valid for this variable because the entire value of factor loading > 0.5.

Table 5. Factor Analysis for Emotional Exhaustion

CODE	STATEMENT	FACTOR LOADING
EH1	I feel emotionally drained from my work	0.696125
EH2	I feel used up at the end of the workday	0.605842
EH3	I feel fatigued when I get up in the morning and have to face another day on the job Working with people all day is really a strain for me	0.817027
EH4	I feel frustrated by my job	0.793029
EH5	I feel I'm working too hard on my job Working with people directly puts too much stress on me	0.644195

Having tested the validity, reliability testing is carried out for each variable. The reliability calculation is done by calculating Cronbach alpha values for each variable. In the following table it appears that all variables meet reliability criteria Cronbach alpha values above 0.6.

Table 6. Reliability Testing

VARIABLE	ALPHA
Work family conflict	0.884426849
Work family synergy	0.81474993
Emotional exhaustion	0.763214389
Life satisfaction	0.739331115
Performance	0.851402913

RESULT AND DISCUSSION

Once the data has been tested and it is declared valid and reliable, the analysis can be continued to test the research model. Testing research model using values fit that can be calculated on the basis of existing research model. The following table shows the values of absolute fit measures, incremental fit measures, and parsimonious fit measure. Results of testing the model by looking at the absolute values of fit indicates that, in general, do not have a model of goodness of fit is good, so the hypothesis testing can not be done with existing models.

Table 7. Goodness of Fit Test

ABSOLUTE FIT	CRITERIA	FIT VALUE	DESCRIPTION
Chi square; df; probability	Not significant (Hair et al., 1998)	54,1; <0,01	Not Good
GFI	>0,9 (Hair et al., 1998)	0,931	Good
RMR	<0,08; upper limit <0,1 (Arbuckle, 2005)	0,012	Good
RMSEA	<0,08; upper limit <0,1 (Arbuckle, 2005)	0,254	Not good
INCREMENTAL FIT			
NFI	>0,8 (Hair et al., 1998)	0,801	Good
CFI	>0,8 (Hair et al., 1998)	0,804	Good
PARSIMONIOUS FIT			
CMIN/DF (subject to sample size)	1 – 2 over fit 2-5 liberal limit (Arbuckle, 2005)	18,2	Not good

From the fit values from table 7, it is concluded that the fit requirement can be fulfilled since more standard are fulfilled, so the hypotheses can be tested based on the existing model. Table below describes the result.

Table 8. Hypothesis Testing

HYPOTHESES	Estimate	S.E.	C.R.	P	Label
Work family conflict has positive influence to emotional exhaustion	0.455	0.063	7.204	***	Hypotheses supported
Work family conflict has negative influence to life satisfaction	-0.171	0.067	-2.546	0.011	Hypotheses supported
Work family synergy has negative influence to emotional exhaustion	-0.327	0.066	-4.991	***	Hypotheses supported
Work family synergy has positive influence to life satisfaction	0.466	0.071	6.596	***	Hypotheses supported
Emotional exhaustion has negative influence to performance	-0.365	0.074	-4.908	***	Hypotheses supported
Life satisfaction has positive influence to performance	0.382	0.074	5.139	***	Hypotheses supported

The first hypotheses “work family conflict has positive influence to emotional exhaustion” is supported ($\beta=0,455$; $p<0,05$). This confirms that when someone has conflict about the job, he/she will have a quite heavy burden. This will cause someone to suffer emotional exhaustion. So the higher the work family conflict, the higher the emotional exhaustion will be.

The second hypotheses “work family conflict has negative influence to life satisfaction” is supported ($\beta=-0,171$; $p<0,05$). Having incompatible role at home and office will reduce someone’s life satisfaction. He/she will not be able enjoy his/her life since the work family conflict ruins his/her life satisfaction

The third hypotheses “work family synergy has negative influence to emotional exhaustion” is supported ($\beta=-0,327$; $p<0,05$). When someone experience support from home to work well and also get support from office to perform well at home, he/she will be happier at work. The happier the employee, the less emotional exhaustion will be.

The fourth hypotheses “work family synergy has positive influence to life satisfaction” is supported ($\beta=0,466$; $p<0,05$). When someone has support from family to work well and get support from office to perform well at home, he/she will be satisfied with his/her life.

The fifth hypotheses “emotional exhaustion has negative influence to performance” is supported ($\beta=-0,365$; $p<0,05$). This research found that an employee’s emotional fatigue can not perform well, so the higher the emotional exhaustion, employee performance will be lower.

The sixth hypotheses “life satisfaction has positive influence to performance” is supported ($\beta=0,366$; $p<0,05$). When someone has greater life satisfaction, someone will perform better. This happens since satisfied people will use his/her best energy in his/her work.

CONCLUSION

This research explores the influence of work family conflict and work family synergy to emotional exhaustion and life satisfaction and their influence to performance. Questionnaires were distributed to multiple target respondents of diverse backgrounds that include lecturers and university employees, government employees, employees of a restaurant, employees of small and medium businesses, and employees of a manufacturing business. A total of 350 questionnaires were distributed and the returned questionnaires that can be processed as many as 269 questionnaires.

This study found several findings. First, work family conflict has positive influence to emotional exhaustion and negative influence to life satisfaction. Second, work family synergy has negative influence to emotional exhaustion and positive influence to life

satisfaction. Third, emotional exhaustion has negative influence to performance. Fourth, life satisfaction has positive influence to performance.

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SUB THEME: MARKETING

INFLUENCING FACTORS OF FOREIGN TOURIST BEHAVIORAL INTENTION. THE CASE OF BANDUNG CITY.

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Abstract

Most studies about tourist behavioral intention have been conducted using service quality, satisfaction, and perceived value as the influencing factors. In this study, the roles of brand (destination) image and alternative attractiveness are also examined as ones of influencing factors of tourist behavioral intention besides service quality, satisfaction, and perceived value. The respondents of the survey consist of 391 foreign tourists who visited Bandung City between the month of January 2015 and July 2016. A multiple linear regression analysis was carried out to examine the relationship among variables. The result confirms the significant effect from service quality, satisfaction, perceived value, destination image, and alternative attractiveness toward behavioral intention. The current state and the strength of each variable's influences are discussed. With these findings, the stakeholders of tourism destination, especially the government of the Bandung City can understand and focus to improve the attributes of Bandung City which need more attention to influence the foreign tourist behavior. Managerial implications and suggestions for further studies are provided.

Keywords: Behavioral Intention, Destination Image, Tourism Marketing.

INTRODUCTION

Travel and tourism is one of the world highest industries with consistent year-on-year growth. In its publication titled *Tourism Towards 2030*, UNWTO (2011) forecasted the number of Foreign Tourist arrival will be increased 3.3% per year from 2010 to 2030. UNWTO (2011) also forecasted that in 2030 South-East Asia will be the fourth highest most visited region, right after North-East Asia, Mediterranean Europe, and Western Europe. In Indonesia, the Ministry for Tourism claimed that the growth of tourism sector in Indonesia was 7.2% by 2014, surpassed world tourism growth which is 4.7%. However, foreign tourist arrival in Indonesia is still lagging behind Malaysia, Thailand and Singapore despite of larger and more diverse area of Indonesia.

Bandung City is the capital of West Java and the third largest city in Indonesia (Tarigan et.al, 2016). In 2015, the Minister of Tourism declared Bandung City as one of main destinations in Indonesia. One of the missions of tourism government in Bandung City is to develop Bandung City as competitive tourism destination nationally and internationally. Since 2013, Ridwan Kamil as the new city major has tried to bring Bandung City back to its identity. The revitalization of the city parks and the old western buildings has been done to strengthen the image Bandung City as Kota Kembang and Paris Van Java. Bandung City has

improved diverse combination of destinations spread all over the city that can attract more foreign tourist arrival in order to reach the goal of Bandung City as one of the popular international city in the world.

In this globalization era, people can get the information easily, including the information about the destination. The emerging of new destinations/competitors in the market makes a tourism destination -in this case Bandung City- has to find the best way to win more tourists from other tourism destinations (Konecnik, 2002), especially for being more responsive for the needs in the tourism business to maintain the sustainability (Lee, Petrick, & Crompton, 2007). In other word, understanding the tourist behavioral intention is important in the competitive tourism industry.

This study aims to examine the role of service quality, satisfaction, perceived value, destination image, and alternative attractiveness as the predicting role of foreign tourist behavioral intention. Besides, this study also discusses the current state of variable in order to give the overview of tourism condition of Bandung City from the foreign tourist perception.

LITERATURE REVIEW

Behavioral Intention

Warshaw and Davis (1985) describes behavioral intentions as the degree to which a person has formulated conscious plans to perform or not perform some specified future behavior. The behavioral intention is formed since individual says positive things about destination and come back to visit the place again (Tian-Cole, Crompton & Willson, 2002). Chen and Chen (2010) states that the loyalty has important role as the key component for the sustainability of a company. Measuring behavioral intention can provide better understanding of tourist retention (Giraldi and Cesareo, 2014).

Service Quality

Service quality is perhaps the most discussed topic in service marketing (Choi et.al, 2004). It is believed that in tourism, the good service quality leads to positive word of mouth, referral and repeat visit which affect the financial performance to the player in tourism industry (Zabkar et.al, 2010). Service quality shows the overall impression of customer toward service provided by an organization (Park, Robertson & Wu, 2004).

The studies about the relationship between service quality and behavioral intention have been conducted in recent years. Baker and Crompton (2000), who conducted the research on 369 visitors of annual festival in the historic downtown business district, found that service quality has positive impact toward behavioral intention. The similar finding is also found in other studies conducted by Cronin, Brady, and Hult (2000), Choi et.al (2004, and Zabkar et.al (2010). Thus, the author proposes:

H1: Service quality has significant influence toward tourist behavioral intention.

Satisfaction

Satisfaction is a consumer's overall feeling resulting from comparing service performance outcome and expectation (Kotler, 2000). Based on Crosby et.al, (1990), satisfaction defined as an emotional state of a customer resulting from the interaction with service provider. Oliver (1980) described satisfaction as a cognitive comparison between expectations to actual experience of consumption activity. He later explains the satisfaction as disconfirmation paradigm, where the customer makes a post-purchase comparison between pre purchase expectations and actual service received.

Numerous studies show that consumer satisfaction leads to favorable outcome such as higher profit, positive word-of-mouth and consumer's loyalty (Choi et.al 2004). Many studies have been conducted to discuss about the relationship between satisfaction and behavioral intention. In a study conducted by Cronin, Brady, and Hult (2000) on 1944 respondents in spectator sports, participation sport, entertainment, health care, long distance carriers, and fast food industries scope, satisfaction has positive impact as the antecedent variable toward behavioral intention. The similar result is also found in the studies conducted by Choi et.al (2004), Park et.al (2004), Zabkar et.al (2010), Jen, Tu, and Lu (2011), Meng, Liang, and Yang (2011), and Wu (2014). Based on those previous studies, the author proposes:

H2: Satisfaction has significant influence toward tourist behavioral intention.

Perceived Quality

Zeithaml (1988) identifies four definitions of a value from the literature studies, these definitions are: a.) Value is low price; b.) Value is whatever I want in a product; c.) Value is the quality I get for the price I pay, and; d.) Value is what I get for what I give.

Park, Robertson, and Wu (2004) then described the value as consumer's overall assessment of a product or service that has been identified as the important variable of behavioral intention and it is based on what is given and what is received. Perceived value has an important role in determining behavioral intention since it integrates consumer's perception between benefit and cost (Jen, Tu, & Lu, 2011).

Perceived value often discussed in the same studies along with service quality and satisfaction. In a study conducted by Cronin, Brady, and Hult (2000), together with service quality and satisfaction, the perceived value has positive impact as the antecedent toward behavioral intention. It has similar result on other studies conducted by Choi et.al (2004), Park et.al (2004), Jen, Tu, and Lu (2011), and Meng, Liang, and Yang (2011). Thus, the following hypothesis is proposed:

H3: Perceived value has significant influence toward tourist behavioral intention.

Destination Image

An image is a set of beliefs, ideas, and impressions that a person has of an object (Barich and Kotler, 1991). Keller (1993) described brand image as perceptions about a brand as reflected by the brand association held in consumer memory. In the context of tourist

destination, Lawson and Baud-Bovy (1977) described destination image as an expression of all objective knowledge, impressions, prejudice, imaginations, and emotional thoughts that an individual has of a specific object or place.

Bigne, Sanchez and Sanchez (2001) described the destination image as the subjective interpretation of reality made by the tourist. Gartner and Hunt (1987) also stated destination image can be defined as impressions that person hold about a state which they do not reside. In a study conducted by Park et al (2004) on 592 passengers in Korean airline industry, the image has relatively high positive effect toward behavioral intention. The same positive impact is also found in the study conducted by Wu (2014) who observed 470 visitors of Casino X in Macau. Nevertheless, a study conducted by Meng, Liang, and Yang (2011) on 906 tourists in Taiwan cruise ship found that the image does not have significant impact toward behavioral intention. Based on the previous studies, the author proposes:

H4: Destination image has significant influence toward tourist behavioral intention.

Alternative Attractiveness

Alternative attractiveness can be described as the customer's likely satisfaction toward alternative (Ping, 1993). Ping (1993) suggests that unavailability of alternative attractiveness can give the favorable situation for a destination to defend its tourist. In other word, if a tourist unaware of the attractiveness of alternative or find the alternative is less attractive, they tend to stay in the current relationship with current destination (Patterson and Smith, 2003).

Some studies have found that alternative attractiveness has negative impact toward behavioral intention. Those studies are conducted by Bansal, Irving, and Taylor (2004) on 356 auto-repair customers; Yim, Chan, and Hung (2007) on 450 hair salon visitors; and Jen, Tu, and Lu (2011) on 747 passengers in Taiwan coach industry. Thus, the author proposes:

H5: Alternative attractiveness has significant influence toward tourist behavioral intention.

METHODOLOGY

To carry out this study, a questionnaire was created in the form of online and offline/direct survey. The questionnaire was consists of 34 items which were constructed from various studies to measure each variable. The questions for service quality consist of 10 items that all were designed by Zabkar et.al (2010). For satisfaction, there are 6 questions are adapted from Jen, Tu, and Lu (2011), Cronin, Brady and Hult (2000) and Zabkar et.al (2010). The questions for perceived value consist 5 items and are adapted from Park et.al (2004) and Boo et.al (2009). For destination image, the author adapts the 4 questions from Park et.al (2004) and Wu (2014). And for alternative attractiveness, the author conducts 5 questions adapted from Wu (2011) and Patterson and Smith (2003). The studies conducted by Zabkar et.al (2010) and Patterson and Smith (2003) also contributes in shaping 4 questions for behavioral intention. All attributes in section four are measured using 5-point Likert scale where 1 = Strongly Disagree and 5 = Strongly Agree.

The respondent for this study is the foreign tourist who travels to Bandung City with tourism purpose with minimum age of 14 years old. The data collection was done in 8 (eight) weeks through face-to-face survey and online survey. From the total of 391 responses, 172 responses come from online survey and 219 responses come from face-to-face survey. The face-to-face survey was done in various types of destinations in Bandung City such as parks, malls, hotels, and other public areas in Bandung City. The online survey was done by distributing the link address to relative abroad, tourist agents, and to the previous face-to-face survey respondent through a thank you card made by the authors. Multiple linear regression analysis was performed to process and analyze the data. Data analyses are processed by using SPSS software version 23 for Windows.

RESULT

Respondent's Demographic and Travel Characteristic Profile

The demographic and travel characteristic of respondents are presented respectively in Table 1.

Table 1. Respondent's Profile

Variable	Number	Percentage
Gender		
Male	175	44.8%
Female	216	55.2%
Age		
<= 20	47	12%
21-30	183	46.8%
31-40	97	24.8%
41-50	46	11.8%
51-60	15	3.8%
>60	3	0.8%
Country of Origin		
Malaysia	45	11.5%
United Kingdom	30	7.7%
Singapore	27	6.9%
China	26	6.6%
United State of America	23	5.9%
Others (small percentages)	240	61.4%
Travel Budget		
Less than or equal to \$ 1,000	236	60.4%
\$1,001 – 2,000	79	20.2%
\$2,001 – 3,000	42	10.7%
\$3,001 – 4,000	19	4.9%
\$4,001 – 5,000	10	2.6%
Over \$5,000	8	1.3%
Travel Companion (Multiple Responses)		
Alone/Single Traveler		
With Family	80	18.1%
With Friends	151	34.2%
	211	47.7%

Current State of Variables

The data summary contains the mean of the independent variables and a dependent variable. The independent variables are service quality, satisfaction, perceived value, destination image, and alternative attractiveness. Meanwhile, the dependent variable is behavioral intention. The result can be seen on Table 2. The variable with the highest mean is satisfaction which has score 3.545, followed by destination image with mean score 3.435, behavioral intention with mean score 3.403, service quality with mean score 3.381, alternative attractiveness with mean score 3.358, and then followed by variable which has the lowest mean, perceived quality (3.276).

Table 2. Data Summary

No	Variable	Mean
1	Service Quality	3.381
2	Satisfaction	3.545
3	Perceived Value	3.276
4	Destination Image	3.435
5	Alternative Attractiveness	3.358
6	Behavioral Intention	3.403

Although all variables are in good state, there some attributes which have the average below neutral that can be seen on Table 3.

Table 3. Attributes with Low Average

No	Attributes	Mean
1	Service Quality: Accommodation	2.96
2	Behavioral Intention: Revisit	2.97

Multiple Regression Analysis

To identify the influence between independent variables toward dependent variable, a multiple regression analysis was performed. The model was first tested with validation testing and pass, followed by normality, heteroscedasticity, linearity, autocorrelation, and multicollinearity test. After pass all the pre-test, the multiple regression analysis is performed and the result is shown on Table 4.

Table 4. T-Test Result

Variable	t	df	t-table	Sig.	Result	Hypothesis Testing
SQ	3.104	295	±1.968	.002	Significant	H1 is accepted
SAT	6.030	295	±1.968	.000	Significant	H2 is accepted
PV	2.166	295	±1.968	.031	Significant	H3 is accepted
DI	7.333	295	±1.968	.000	Significant	H4 is accepted
AA	-2.516	295	±1.968	.012	Significant	H5 is accepted

Based on the table, we can see that all independent variables have significant influence toward behavioral intention since the significances are all below 0.05 and their t

score is outside the range of t-table (-1.968 to +1.968). To construct the formula and know the strength of each influence, we can use the score of B in the table 5.

Table 5. Regression Coefficient

Variable	Unstandardized Coefficients	
	B	Std. Error
(Constanta)	.118	.121
SQ	.186	.060
SAT	.353	.059
PV	.101	.047
DI	.391	.053
AA	-.057	.023

DISCUSSION & CONCLUSION

The Interpretation of Finding

The coefficient of independent variables shows the strength of influence. The constant value is 0.118. So, if Behavioral Intention (BI) is not affected by other independent variables, the Behavioral Intention (BI) score is 0.118.

The regression coefficient of Service Quality (SQ) is positive. It means Service Quality (SQ) has positive effect toward Behavioral Intention (BI). The value 0.186 means for every accretion of 1 (one) point of Service Quality (SQ), it causes the point of Behavioral Intention (BI) increases 0.186, vice versa. This result supports H1 which says "H1: Service quality has significant influence toward tourist behavioral intention".

The regression coefficient of Satisfaction (SAT) is positive. It means Satisfaction (SAT) has positive effect toward Behavioral Intention (BI). The value 0.353 means for every accretion of 1 (one) point of Satisfaction (SAT), it causes the point of Behavioral Intention (BI) increases 0.353, vice versa. This result supports H2 which says "H2: Satisfaction has significant influence toward tourist behavioral intention".

The regression coefficient of Perceived Value (PV) is positive. It means Perceived Value (PV) has positive effect toward Behavioral Intention (BI). The value 0.101 means for every accretion of 1 (one) point of Perceived Value (PV), it causes the point of Behavioral Intention (BI) increases 0.101, vice versa.

The regression coefficient of Destination Image (DI) is positive. It means Destination Image (DI) has positive effect toward Behavioral Intention (BI). The value 0.391 means for every accretion of 1 (one) point of Destination Image (DI), it causes the point of Behavioral Intention (BI) increases 0.391, vice versa.

The regression coefficient of Alternative Attractiveness (AA) is positive. It means Alternative Attractiveness (AA) has negative effect toward Behavioral Intention (BI). The value -0.057 means for every reduction of 1 (one) point of Alternative Attractiveness (AA), it causes the point of Behavioral Intention (BI) decrease -0.057, vice versa.

From the formula, it can be known that destination image has the highest positive effect (0.391) toward behavioral intention, followed by satisfaction (0.353), service quality

(0.186), and perceived value (0.101). It can also be known that alternative attractiveness (-0.057) has negative effect toward behavioral intention.

From five independent variables and one dependent variable, all is in a good state since their mean scores are all above the neutral score. While in other hand, there is one attribute of service quality which has low mean score, that attribute is quality of accommodation in Kota Bandung. Based on the answer from the open question, most respondents concern about the lack of public transportation in Bandung City. One more attribute which has low mean score comes from behavioral intention variable. The authority must concern with this attribute's state since it is the part of behavioral intention which can affect the number of tourist arrival to the destination.

Managerial Implication

Based on the result of the analysis, it is known that the variable which has highest influence toward foreign tourist behavioral intention is destination image. Beside it has the highest influence, the destination image is also important since the mean score for alternative attractiveness is good, which means the foreign tourist agree with the attractiveness from other cities/destinations. So the first recommendation for stakeholders is for government to develop catchier and stronger image of Bandung City so the tourist can easily capture the image Bandung City in their mind and can differentiate Bandung City from other cities.

The three most mentioned words from the tourist about Bandung City are "historical", "beautiful", and "friendly". So the next recommendations are for the government to maintain the longevity and the esthetical side of historical building, to manage the city's urban planning with esthetical city view such as parks, trees, flowers and unique architecture, and also for government, tourist entrepreneurs, and local people to maintain their hospitality and friendliness toward the foreign tourist.

The lowest mean score attribute from overall independent variable attributes is on the accommodation of Bandung City. Regarding to the respondent's answers and concerns, the government need to increase the quality of public transportation, add the number of public transportation, provide more complete route of public transportation, and provide information center for the foreign tourist to look for tourism information. Furthermore, the better traffic system to free the traffic jam and the existence of certain regulation that can control the number of vehicles on the road also become some suggestions from the tourist to the government.

Further Research

For further research, there some of suggestions that the author wants to give. First, this study is specifically studying on foreign tourist only and it cannot be generalized to present the domestic tourist population. The further research which also studies about the influencing factors of the domestic tourist behavioral intention will enriches the findings. Moreover, it can also provide more comprehensive picture of tourism industry in Bandung City.

Second, this study finds that the destination image has high influence toward foreign tourist behavioral intention. In recent years, many researches are already conducted to study about the image of the city or the destination all over the world. It would be useful if the further research studies more about the destination image of Bandung City. It can use many type of image as influencing factors of tourist behavioral intention, such as organic image, induced image, and complex image.

Third, the current study uses the questionnaire in English version. One of the most foreign tourists who come to Bandung City is from China. And not many of them can speak English. This case is same for the tourist from Japan and Middle East. So it is important to develop the other version of questionnaire in various languages.

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COSTING, WILLINGNESS TO PAY, AND PRICING IN FREIGHT FORWARDING BUSINESSES: A CASE STUDY IN PT CIPTA EKSPEDISI PERWIRATAMA

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Abstract

With the growing and advancement of trades, freight forwarder needs will be considerably increased. One of many freight forwarder in West Java is PT Cipta Ekspedisi Perwiratama. The company has only been running since November 2015 with its main service is transporting lifebirds and feedmill with trucks. The current pricing formula in PT Cipta Ekspedisi Perwiratama is profitable for maximum distance is 200 km and their current profitability is 0.7%. The objective of the paper is to find the new pricing policy for the company in order to increase company profitability. The conceptual framework is the new pricing policy made from total cost analysis and percentage of profit margin with take into consideration of customer value proposition and competitive advantage. The methodology used quantitative and qualitative. The total cost are from company latest operating cost data and calculated with traditional costing method. Qualitative method were conducted to analyze the competitor and customer value proposition. Researcher had interviewed six competitors and one customer. The findings of the research is the running cost contributes 60% for total vehicle operating cost since the diesel cost contributes 46%. Out of 48 routes, 15 routes are not competitive. The highest loss is Rp842.767 meanwhile the highest profit is Rp1.319.248. The customer value proposition is pricing, quality, performance, discount, insurance, and comfort. Their willingness to pay is from previous allocation budget for freight forwarder. PT CEP is not competitive since the loss are too many even though both negotiated and list prices are cheaper than competitors. Recommendations for PT CEP is both negotiated and list prices can be using with the provision of cutting overhead costs.

Keywords: Customer Value Proposition, Competitive Advantage, Costing, Pricing, Willingness to Pay

INTRODUCTION

An item has a value according to place and time if the goods are moved from one place to another. In this case, using transportation creates goods or commodities useful according to time and place. (Salim, 2012) Each company requires transportation services vary. For land transportation, trucks appear to offer a lower cost than by train because it can serve door to door service. This makes the emergence of transport services companies introduction of goods by truck, which is commonly known as freight forwarding services. (Gunawan, 2015)

There are many expedition companies in West Java, one of them is PT Cipta Ekspedisi Perwiratama. PT Cipta Ekspedisi Perwiratama was built 5 years ago but it was officially run in July 2015 because of some problems. The current services is life birds and feedmill and in a couple month they will expand for carcass delivery services. PT CEP has many competitors since feedmills are delivered diesel and fuso. Almost all freight forwarder

use both trucks for their services. The difference is that many competitors mostly using list pricing for their customers rather than pricing equation and negotiation for customers. Since PT CEP is a new comer, they are trying to compete by giving cheap prices for customers because they think that price is the one always attract customer and accept all customers routes, but in the same time the costs are very high. Each customer have many delivering areas for their clients, which makes the total cost and profit for each OD are varies.

The purpose of this research is to evaluate pricing policy for PT CEP by analyzing total vehicle operating cost, customer value proposition, willingness to pay, and competitors offerings. The importance of this research is to be a references for both freight forwarder new comer and existing forwarders. This research also can be a reference for a company to decide having their owned truck for transporting goods or using a third party.

LITERATURE REVIEW

Costing is the process of identifying, calculating and recording every item of expenditure incurred in the purchase or hire of goods vehicles, in maintaining them, in running them and in supporting the administrative and management functions necessary to control their use. The four basic elements of vehicle operating costs are standing costs, overhead costs, running costs, and total operating costs. (Lowe, 1989)

Fixed cost elements are licences, vehicle insurance, driver's wages and other related costs, rent and rate on premises, interest on capital employed, depreciation, and interest on capital employed. Overheads can be divided into 7 categories, there are management, office and administration, workshops and stores, branch depots, sales and publicity, auxiliary fleet, professional services. Running cost elements are fuel costs, tyre costs, maintenance costs, and lubricants. Total vehicle operating costs is the combination of all the costs into a final figure which forms the basis for assessing vehicle revenue earning and profit performance and for assessing individual rate quotations, job or contract quotations, scales of charges or for determining the value of a particular level of delivery service. (Lowe, 1989) Profit is the narrow margin between the two financial enemies, increasing costs and declining revenue (Lowe, 1989). Pricing mechanism (Osterwalder & Pigneur, 2010) is divided into two fixed menu pricing, a predefined prices are based on static variables and dynamic pricing, prices that change based on market conditions.

According to (Kerin & Czepiel, 2012) competitive marketing strategies are the most important when a firm position their strengths against competitors' weaknesses or a choose positions that has no threat to competitor. A firm requires a strategist about competitors' strengths and weaknesses as about customers' needs or the firm own capability. The objective of competitor analysis is to know and to be able to think like competitor so the firm's competitive strategy can consider competitors' likely actions and responses.

Customer can switch from one to other company because of the customer value proposition. Customer value proposition solves the customer's problem and satisfy the customer. The key elements of customer value proposition are newness, performane, customizaion, getting the job done, design, brand, price, discount, risk reduction, ease of

access, convenient and usefulness (Osterwalder & Pigneur, 2010). The willingness to pay is the maximum price that an individual is willing to accept to pay for some good or service (Breidert, 2005).

METHODOLOGY

Interview and data collection such as current pricing list, cashflow, and current vehicle operating are gathered from PT CEP. A survey had been conducted for PT CEP's customer and competitors offerings are using secondary data from their websites. After the data gathered, the research will analyze the data to figure out what the best solution to solve the problem. In this research, there are two solutions to solve the problem of the company, calculating the vehicle operating cost and analyzing the pricing strategy. These solutions chosen because the company confused with their current high vehicle operation cost and pricing strategy. Below is the conceptual framework for this research

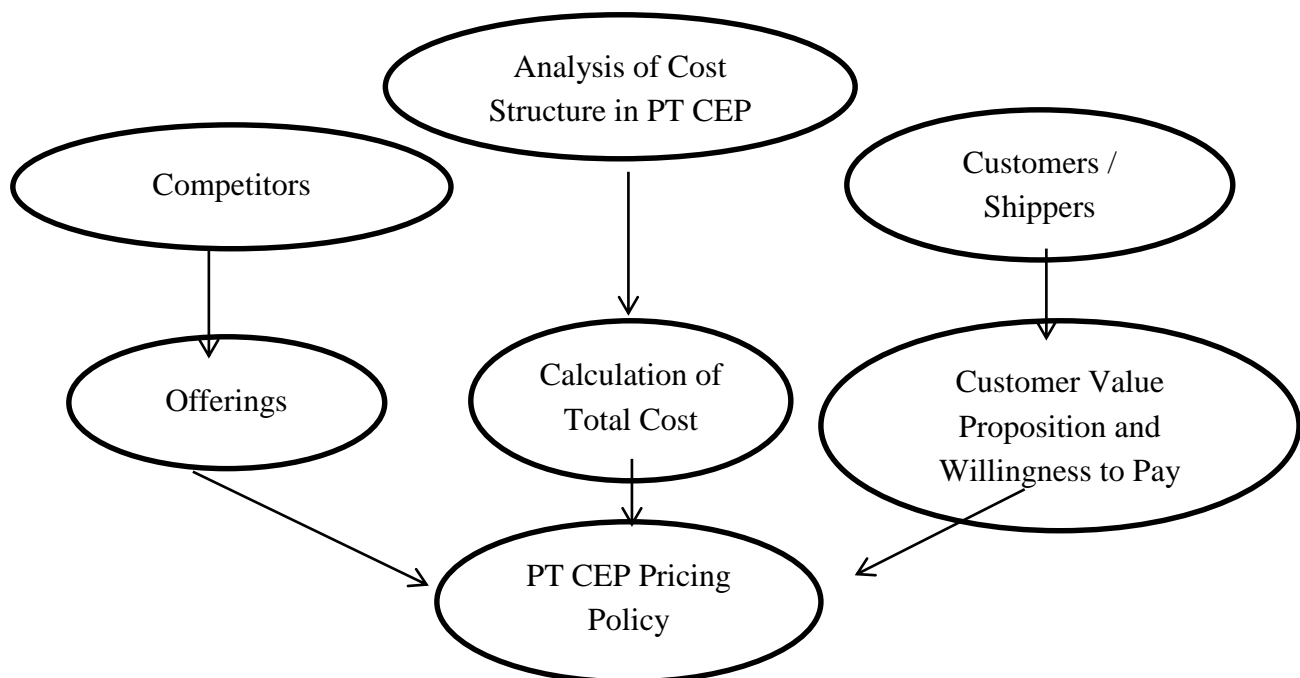


Figure 3.1 Conceptual Framework

Pricing policy is not only made just because of cost structure in the company. The company also have to know about competitors offerings. Customers or shippers are also one important things to be considered. The company have to analyze customer's value proposition and willingness to pay in order to get information about what customers wants and why customers should choose the freight forwarder. In order to make the pricing policy, not only total cost is calculated but also competitor and customer analysis should be taken into account simultaneously.

Data Analysis and Results

Fixed Costs

The actual equation for fixed cost :

$$\text{Fixed Costs} = \text{Licences} + \text{Vehicle Insurance} + \text{Driver's Wages} + \\ \text{Rent and Rates on Premises} + \text{Interest on Capital Employed} + \\ \text{Depreciation of the Vehicle}$$

Because of the company has only employee wages, the equation would be :

$$\text{Fixed Costs} = \text{Employee Wages} + \text{Depreciation}$$

Because there are 381 ODs, Fixed costs for each OD is Rp55.381

For F 8808 WX is the truck which has depreciation, the total fixed costs for F 8808 WX is Rp55.381 + Rp183.714 = Rp239.195

Other trucks had same fixed cost, which is Rp55.831. Since the current fixed cost element is only employee wages, there is a possibility for PT CEP having its fixed cost increased because of the apperance of other truck depreciation or other fixed costs elements. The trucks are installed for four years, so that three years from now PT CEP will have its fixed cost increased.

Overhead Costs

$$\text{Overhead Costs} = \text{Management Cost} + \text{Office and Administration Cost} + \\ \text{Wordkshops and Store Cost} + \text{Branch Depots Cost} + \text{Sales and Publicity Cost} + \\ \text{Auxiliary Fleet} + \text{Professional Services Cost}$$

$$\text{Total Overhead Costs for PT CEP} = \text{Management} + \text{Asses Purchasing} + \\ \text{Office and Administration Costs} + \text{Tax} + \text{Installment costs}$$

The overhead costs without installment cost is Rp234.607. This number is for F 8808 WX only. Other trucks overhead costs has to add the installment cost. The highest overhead cost is Rp 720.183 for F 8466 WY because it has the most expensive installment. Since the trucks are still in installment period, the overhead cost are hard to reduce because installment costs must pay for every month for four years. The gap between F 8808 WX with other truck that has the smalles installment is Rp60.905. If all trucks installment are already paid off, it is possible to reduce the overhead cost.

Running cost

The original equation :

$$\text{Running Costs} = \text{Fuel cost} + \text{Tyre cost} + \text{Maintenance cost} + \text{Lubricants}$$

Since PT CEP

$$\text{Running Costs for PT CEP} = \text{Maintenance Cost} + \text{Package cost} + \\ \text{Unloading Cost} + \text{GPS}$$

The running cost is vary for each truck and OD (origin – destination).One example for running cost is the Agrofood – Bekasi F 8054WZ for 8.000 kg with the maintenance cost

of Rp352.464, package cost of Rp225.000, GPS cost of Rp2.778, and unloading cost of Rp0.

$$\text{Running cost} = \text{Rp}352.464 + \text{Rp}225.000 + \text{Rp}2.778 = \text{Rp}580.242$$

The package cost systems help company to manage how much money that should be issued per day. From the average of all package routes, the cost consists of 46% of diesel fuel, 25% driver's wages, 4% driver's meal, 3% civilian cost, and 22% of toll fee. The running costs average calculation has 75% spent on package cost, 23% from maintenance cost. F 8808 WX Agrofood – Ciamis has the highest running cost because of F 8808 WX truck has the highest maintenance cost and highest package cost. As the distance is getting further, the fuel cost and driver's wages are getting higher. The toll fee and civilian cost is optional. If PT CEP wants to choose the route that has a toll, the toll fee is higher.

PT CEP also rents five trucks to help them delivery. The rented trucks costs Rp1.446.923 for each truck and all rented truck cost the same. The different in each running costs that use the rented truck is only the unloading cost. The highest running cost that using the rented truck is F 8961 WV Agrofood Sukaluyu. The advantages for using the rented truck is that PT CEP does not have to pay package cost, maintenance cost, and GPS subscription. However, some OD that were using rent truck has higher cost.

Total Vehicle Operating Costs

$$\text{Total Vehicle Operating Costs} = \text{Fixed Costs} + \text{Overhead costs} + \text{Running costs}$$

The vehicle operating cost is vary for each truck and OD. One example for total vehicle operating cost is Agrofood – Bekasi F 8054 WZ for 8 tons with the fixed cost of Rp55.381, overhead cost of Rp568.107, and running cost of Rp580.424.

$$\text{Total Vehicle Operating Costs} = \text{Rp}55.381 + \text{Rp}568.107 + \text{Rp}580.424 = \text{Rp}1.203.730$$

Based on average total cost for each routes, the highest contributor is running cost by 60%, and from average total cost for each car plate is also running cost for 65%. The highest total vehicle operating cost is the route from Agrofood to Ciamis and Tasik which are the routes that has the highest running cost. Trucks are depended on fuel price and driver's wages for delivering. So as the distance are getting further as the running cost than the total vehicle operating cost is getting higher. The smallest contributor is fixed costs which is only 4% from both average type and overhead costs only contributed for 35% and 31%.

Competitor Offerings

This research took six samples of freight forwarder. The companies were chosen because of the availability of the data. Competitors analysis are based on route comparison, pricing comparison, and competitors competitive advantage comparison.

Route Comparison

Six competitors are PT Indoline freight services, PT Nusa Dharma Eksperindo, Arjuna Cargo, Putri Agung Mandiri Transporter, Ekspedisiscepat, and Cahaya abadi Express. There are 48 routes compared due to the comparison with PT Cipta Ekspedisi Perwiratama.

the most competitive competitor is PT NDE, ekspedisicepat and CV PAM with 47 routes. They only do not deliver to Cilegon. The most least competitive is PT Indoline because they do not deliver to Cianjur, which is it can give PT CEP an advantage because PT CEP is based on Cianjur.

Pricing Comparison

To analyze pricing comparison, the price of each competitors routes are compared with PT Cipta Ekspedisi Perwiratama. Competitors prices are collected from their website. The reason of pricing comparison is to decide which routes are competitive and non-competitive routes with PT CP prices with the result of helping pricing policy decision. The pricing comparison is divided into Colt Diesel and Fuso pricing, and for PT CEP there are two kind of pricing, which are negotiation and fixed price. Both negotiation and fixed are compared with competitors. The total routes that had been compared is 48. The company that is the most competitive for Colt Diesel and Fuso is overall PT Indoline, however because of PT Indoline does not deliver to Cianjur, PT CEP has the biggest advantage. The most expensive prices for Colt Diesel is PT NDE which have 37 routes that has the most expensive price, meanwhile Arjuna Cargo is the most expensive for Fuso with 37 routes. PT CEP is the cheapest for 24 colt diesel routes with negotiation price meanwhile 20 fuso routes with fixed price.

Strenghts and Weaknesses Comparison

Strenghts and weaknesses are used to compare each competitors with the result that PT CEP can position its strenghts and weaknesses for future action and company development. , the competitor that has the biggest strenghts is PT Indoline Freight Services, especially because of the ISO for quality. For the marketing strategy, all competitors have their own online channels which helps the company get customers from everywhere. PT Cipta Ekspedisi Perwiratama is lacked of marketing strategy. They does not have a marketing team yet until now. Their channels is still by mouth to mouth or meeting with the customers by face to face. Most of the competitor has insurance service which shows that they want the customer to feel safe delivering their goods with company services. Since PT Cipta Ekspedisi Perwiratama realize that they are a new commmer, they tried to give flexible prices to customers by having the pricing calculation from the index number, weight, and distance so that the customer can adjust the goods weight with the final price.

Customer Value Proposition and Willingness to Pay

According to (Osterwalder & Pigneur, 2010), there are 11 keys elements for customer value proposition. Researcher had tried to contact four customers but the only company that has a respond is PT Agrofood. Researcher also had tried visitting feedmill factory in Bandung and Bogor area but they deliver by company-owned truck. Some feedmill companies also had been calling but they do not like to do the interview. PT Agrofood does not like an interview by phone, so they want me to list all the question then they filled in the question by email.

PT Agrofood, which is the two years customer and PT CEP loyal customer. Based on the survey, the company use the service for feedmill only. They use the service because they do not have any transportation to deliver the feedmill to their clients. PT Agrofood budget is Rp30.000.000 for using freight forwarder. Since the willingness to pay is from allocated budget, the company sample in this research is choosing a freight forwarder from company budget. If customer value proposition and willingness to pay results are combined, the first thing that customer wants from a freight forwarder is price. Since customer does not have unlimited budget, they tend to choose the cheaper ones, which means freight forwarders have to compete with their pricing in order to compete each other.

Pricing Policy

The current pricing policy formula :

$$\text{Index price (0,7)} \times \text{Weight (In kg)} \times \text{Distance}$$

The index for pricing formula is came statistically from the comparison from prices that customers want. The distance for the formula is calculated based on round-trip from customer's place, not from Cianjur. Since customer wants the price lower, therefore PT CEP give an opportunity for customers to negotiate the prices. That is why PT CEP has two pricing mechanism, list pricing and negotiated pricing.

PT CEP has two competitive routes with only using negotiated prices, one competitive route with list prices, 15 not competitive routes, and 30 competitive routes with both pricing. The reason why there are many competitive routes is because PT CEP prices are below competitors. There are 11 routes that has profits from both pricing, seven routes that gains profit from list pricing only, 12 routes that are not profitable with both pricing. Other routes have some ODs that have mixed profit and loss from both pricing.

PT CEP can try to reduce overhead cost and maintenance cost since fixed cost will be constant in the future plan and package cost in running cost is hard to cut. Overall from the pricing analysis, if PT wants to keep continue using negotiated prices, some of the prices have to be increased in order to cover the total cost. PT CEP also can switch to list prices for some OD that has a large gap within competitor. PT CEP can dominate Cianjur route because of chicken farms who need feedmills are mostly in Cianjur meanwhile the strongest competitor, PT Indoline, does not have a route to Cianjur.

Since the previous pricing analysis are from current routes in CEP, some routes that only served only by competitors have to analyze. The purpose of the analysis is to be a references, decision making for PT CEP to expand the routes and showing PT CEP competitiveness. The pricing calculation is list prices only since PT CEP does not have the negotiated prices. The weight for the analysis is 8.000 kg to see the minimum price and 10.000 kg to see the maximum price given. Sample routes are taken from competitor's pricelist. The routes samples were chosen by the distance for round trip. With fixed price equation, PT CEP is competitive for maximum distance is around 376 km. PT CEP should not give list prices to the routes than the maximum competitive distance since competitors have better company strenghts are their prices are not depended on weight. PT CEP can have

negotiated prices for those routes that are more than 376 km with a provision of the prices are covered up the total vehicle operating costs.

DISCUSSIONS AND CONCLUSIONS

The total vehicle operating cost in PT CEP is varies depended on costs in each OD. The highest contribution for total operating cost is came from running cost with an average 60%. PT CEP is hard to decrease the running cost because the highest contributor for running cost is 76% from package cost which consists of 46% from diesel cost and 25% from driver's wages. As the round trip distance is getting further, the fuel cost and driver's cost is getting higher. There is a possibility for PT CEP to reduce running cost if the diesel fuel cost is decreasing and PT CEP can cut the maintenance cost. The lowest contributor for total vehicle operating cost is fixed cost with 4%. Fixed cost cannot be reduced since it consists of employee wages and depreciation. Overhead costs contributes 36%. What makes the overhead cost high is because of installment cost and purchasing asset cost. There is a possibility for purchasing cost can be decreasing for future months because of PT CEP had settled for almost one year. Installment cost cannot be decreased until the it has been paid off. If the installment has finished, fixed cost will be increasing because of depreciation cost for each car plate.

PT CEP can cover the OD by rented other company's trucks. There is no need of paying installment cost other running costs elements since the trucks are not theirs. However, since the calculation shows that the total vehicle cost with rented truck is higher than original total cost, the profit is smaller. If PT CEP does not want to buy more trucks, it is better PT CEP rented from others so that all customers order are fulfilled.

Based on survey result with PT CEP's customer, the customer value propositions are price, quality and performance, discount, alleviates risk, comfortness and easiness. Customer willingness to pay is based on company allocated budget for freight forwarder. If customer willingness to pay and customer value propositions are combined, the first thing what a customer wants from a freight forwarder is prices.

After analyzing competitor offerings by comparing each company routes, prices, and strenghts weaknesses, the strongest competitor is PT Indoline. Besides PT Indoline has better strenghts because of ISO, PT Indoline's prices are not depended on weight distance equation and also give cheaper prices than PT CEP. Other competitors almost have the same routes number with CEP but they do not win because of pricing. They have better marketing strategy than PT CEP. They already have their owned-websites which is a big advantage because of technology, especially internet is trending now. They can attract customer with their websites by showing their company strenghts and prices. Some of them even have a fast respond with online chatting so customer does not have to spend money on calling the frieght forwarder. Some competitors also have insurance service so customer does not have to worry about their goods.

Overall with the current total vehicle operating cost, negotiated prices are not always profitable. Some of list prices are higher than negotiated even though the profits are higher.

With current pricing equation, PT CEP is still competitive with list pricing mechanism until around 376 km. There is a chance for PT CEP to expand the routes with negotiated prices but with a provision of the prices are covered total vehicle operating costs.

Limitations

This research is conducted in period January to August 2016. The research is focusing in costing, pricing, customers value proposition and willingness to pay. The competitors data is limited to pricing, routes, strengths, and weaknesses from their websites. Costing data is limited from November 2015 to April 2016 cashflow and pricing data is from April only. Customer value proposition and willingness to pay limited only to one PT CEP customer since others cannot be interviewed nor surveyed.

Future Research

Routes that PT CEP does not have but some samples of competitors have. PT CEP currently has 48 routes and mostly to Cianjur. Since the trucks for delivering feedmills is the regular colt diesel and fuso, those trucks can deliver many goods except lifebirds and frozen food. PT CEP can expand their business by delivering other goods or a truck rented. Since there are only six competitors in this research, PT CEP can make a research with more competitor sample. There are many competitors that deliver their routes even to outside java. PT CEP might learn about managing their routes.

The reason of competitors list prices. Six competitors in this research are using list prices. PT CEP to research why they choose list prices rather than negotiated. It would be better if PT CEP find a competitor that is using negotiated prices so that PT CEP can compare two kinds of competitor.

The relation between fuel consume and routes for PT CEP trucks. This research only analyze the fuel consume and routes for pricing and costing generally. Every routes have different street structure which affects the speed of the truck and in the end it will affect fuel consume. PT should make a research about the relation between fuel consume and routes in order to make a decision for cutting package cost budget and pricing.

Managing maintenance cost for PT CEP trucks. PT CEP should make a research about managing maintenance cost since the maintenance cost for each trucks are different. Even maintenance cost for 8808 WX is Rp746.021 while 9131 WB is Rp189.103. PT CEP should analyze and learn why is the maintenance cost of some trucks are higher.

The difference between feedmill company that is using their owned-trucks and freight forwarder. Researcher had searched and went to some feedmills company and they deliver the feedmills by their truck. Since PT CEP currently deliver feedmills more than life birds and the number of customer is increasing, PT CEP should make a research why there are still feedmill company that deliver feedmills by themselves.

Marketing strategy for feedmill and lifebirds freight forwarder. PT CEP currently does not have a marketing team. General manager is the one who find customer by meeting with them and mouth to mouth strategy. Considering from this research results that all

competitors have online marketing strategy, PT CEP should make a research is it important for freight forwarder to have an online marketing strategy, such as advertising in social media, having a social media account, or even having a website so that customer can interact or ask some questions using the internet.

The importance of parking lot location

Since PT CEP has only one parking lot located in Cianjur, PT CEP should conduct a research about parking lot outside Cianjur, such as in Bekasi since there are many factories there, or even Serang or Tangerang. Current PT CEP pricing is using distance from customer place, not from Cianjur, meanwhile the truck parking lot is in Cianjur. If PT CEP wants to expand the routes, PT CEP should consider having other parking lot for the trucks since the number of trucks is increasing.

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APPENDICES

APPENDIX A

Total Cost, Fixed Price and Negotiated Price Mechanism

OD	Car	Weight	Total Cost	Current Profit	Negotiated Price	Fixed Price	Profit with fixed price
Agrofood - Bekasi	F 8054 WZ	8000	Rp1.203.730	-Rp763.730	Rp440.000	Rp392.000	-Rp811.730
		9000	Rp1.203.730	-Rp708.730	Rp495.000	Rp441.000	-Rp762.730
	F 8466 WY	8000	Rp1.146.083	-Rp706.083	Rp440.000	Rp392.000	-Rp754.083
	F 9195 WB	8000	Rp896.167	-Rp456.167	Rp440.000	Rp392.000	-Rp504.167
	F 9197 WB	8000	Rp1.215.214	-Rp495.214	Rp720.000	Rp392.000	-Rp823.214
			Rp1.002.214	-Rp562.214	Rp440.000	Rp392.000	-Rp610.214
	F 9179 WB	8000	Rp874.866	-Rp434.866	Rp440.000	Rp392.000	-Rp482.866
		9000	Rp949.866	-Rp454.866	Rp495.000	Rp441.000	-Rp508.866
	F 9201 WB	8000	Rp989.780	-Rp549.780	Rp440.000	Rp392.000	-Rp597.780
	F 8476 WZ	8000	Rp1.065.978	-Rp625.978	Rp440.000	Rp392.000	-Rp673.978
			Rp1.065.978	-Rp345.978	Rp720.000	Rp392.000	-Rp673.978
	F 9131 WB	8000	Rp1.022.669	-Rp582.669	Rp440.000	Rp392.000	-Rp630.669
F 9181 WB	8000	Rp928.863	-Rp433.863	Rp495.000	Rp392.000	-Rp536.863	
	8000	Rp928.863	-Rp488.863	Rp440.000	Rp392.000	-Rp536.863	
Agrofood - Ciamis	F 8054 WZ	8000	Rp2.235.730	Rp644.270	Rp2.880.000	Rp3.091.200	Rp855.470
	F 8466 WY	8000	Rp2.001.083	Rp1.046.917	Rp3.048.000	Rp3.091.200	Rp1.090.117
		6000	Rp1.758.588	Rp401.412	Rp2.160.000	Rp2.318.400	Rp559.812
	F 9182 WB	8000	Rp2.880.000	Rp0	Rp2.880.000	Rp3.091.200	Rp211.200
			Rp1.985.588	Rp1.062.412	Rp3.048.000	Rp3.091.200	Rp1.105.612
	F 9195 WB	8000	Rp1.928.167	Rp1.119.833	Rp3.048.000	Rp3.091.200	Rp1.163.033
	F 8476 WZ	6300	Rp2.097.978	Rp170.022	Rp2.268.000	Rp2.434.320	Rp336.342
	F 8808 WX	6000	Rp2.253.669	Rp626.331	Rp2.880.000	Rp3.091.200	Rp837.531
		8000	Rp2.480.669	-Rp320.669	Rp2.160.000	Rp3.091.200	Rp610.531
F 9181 WB	8000	Rp1.960.863	Rp1.087.137	Rp3.048.000	Rp3.091.200	Rp1.130.337	
Agrofood - Cikalong	F 8054 WZ	8000	Rp1.528.730	-Rp360.730	Rp1.168.000	Rp1.288.000	-Rp240.730
	F 9192 WB	8000	Rp1.163.549	-Rp235.549	Rp928.000	Rp1.288.000	Rp124.451
Agrofood - Cipanas	F 8054 WZ	8000	Rp1.434.730	-Rp402.730	Rp1.032.000	Rp840.000	-Rp594.730
	F 8466 WY	8000	Rp1.377.083	-Rp345.083	Rp1.032.000	Rp840.000	-Rp537.083
	F 9182 WB	8000	Rp1.175.053	-Rp143.053	Rp1.032.000	Rp840.000	-Rp335.053
	F 9192 WB	8000	Rp1.215.549	-Rp183.549	Rp1.032.000	Rp840.000	-Rp375.549
			Rp1.127.167	-Rp79.167	Rp1.048.000	Rp840.000	-Rp287.167
	F 9195 WB	8000	Rp1.127.167	-Rp95.167	Rp1.032.000	Rp840.000	-Rp287.167
			Rp1.594.891	-Rp562.891	Rp1.032.000	Rp840.000	-Rp754.891
	F 9196 WB	8000	Rp1.233.214	-Rp201.214	Rp1.032.000	Rp840.000	-Rp393.214
	F 9179 WB	8000	Rp1.674.866	-Rp642.866	Rp1.032.000	Rp840.000	-Rp834.866
	F 9201 WB	8000	Rp1.215.780	-Rp183.780	Rp1.032.000	Rp840.000	-Rp375.780
	F 8476 WZ	8000	Rp1.296.978	-Rp264.978	Rp1.032.000	Rp840.000	-Rp456.978
	F 8808 WX	8000	Rp1.679.669	-Rp647.669	Rp1.032.000	Rp840.000	-Rp839.669
	F 9131 WB	8000	Rp1.253.669	-Rp221.669	Rp1.032.000	Rp840.000	-Rp413.669
Rp1.159.863			-Rp111.863	Rp1.048.000	Rp840.000	-Rp319.863	
F 9181 WB	8000	Rp1.159.863	-Rp127.863	Rp1.032.000	Rp840.000	-Rp319.863	
		Rp1.159.863	-Rp127.863	Rp1.032.000	Rp840.000	-Rp319.863	
Agrofood - Cugenang	F 8054 WZ	8000	Rp1.488.730	-Rp480.730	Rp1.008.000	Rp1.028.160	-Rp460.570
	F 9192 WB	8000	Rp1.265.549	-Rp257.549	Rp1.008.000	Rp1.028.160	-Rp237.389
			Rp1.265.549	-Rp273.549	Rp992.000	Rp1.028.160	-Rp237.389
	F 9195 WB	8000	Rp1.177.167	-Rp169.167	Rp1.008.000	Rp1.028.160	-Rp149.007
			Rp1.161.167	-Rp169.167	Rp992.000	Rp1.028.160	-Rp133.007
	F 9196 WB	8000	Rp1.568.767	-Rp560.767	Rp1.008.000	Rp1.028.160	-Rp540.607
	F 9199 WB	8000	Rp1.219.012	-Rp211.012	Rp1.008.000	Rp1.028.160	-Rp190.852
	F 9201 WB	8000	Rp1.269.780	-Rp261.780	Rp1.008.000	Rp1.028.160	-Rp241.620
	F 9131 WB	8000	Rp1.287.669	-Rp279.669	Rp1.008.000	Rp1.028.160	-Rp259.509
F 9181 WB	8000	Rp1.159.863	-Rp151.863	Rp1.008.000	Rp1.028.160	-Rp131.703	
Agrofood - Jasinga	F 8054 WZ	8000	Rp1.538.730	-Rp258.730	Rp1.280.000	Rp1.070.720	-Rp468.010
	F 9201 WB	8000	Rp1.319.780	-Rp39.780	Rp1.280.000	Rp1.070.720	-Rp249.060
	F 8054 WZ	8000	Rp1.416.730	-Rp696.730	Rp720.000	Rp711.200	-Rp705.530

OD	Car	Weight	Total Cost	Current Profit	Negotiated Price	Fixed Price	Profit with fixed price
Agrofood - Karawang	F 8466 WY	8000	Rp1.359.083	-Rp639.083	Rp720.000	Rp711.200	-Rp647.883
	F 9195 WB	8000	Rp1.109.167	-Rp389.167	Rp720.000	Rp711.200	-Rp397.967
	F 9196 WB	8000	Rp1.550.767	-Rp830.767	Rp720.000	Rp711.200	-Rp839.567
	F 9131 WB	8000	Rp1.235.669	-Rp515.669	Rp720.000	Rp711.200	-Rp524.469
	F 9181 WB	8000	Rp1.141.863	-Rp421.863	Rp720.000	Rp711.200	-Rp430.663
Agrofood - Samolo	F 8054 WZ	9000	Rp1.393.730	-Rp331.730	Rp1.062.000	Rp1.360.800	-Rp32.930
	F 9131 WB	9000	Rp1.212.669	-Rp150.669	Rp1.062.000	Rp1.360.800	Rp148.131
Agrofood - Sukaluyu	F 8054 WZ	10000	Rp1.503.730	-Rp423.730	Rp1.100.000	Rp1.568.000	Rp64.270
			Rp1.446.083	-Rp346.083	Rp1.100.000	Rp1.568.000	Rp121.917
	F 8466 WY	10000	Rp1.446.083	-Rp366.083	Rp1.080.000	Rp1.568.000	Rp121.917
			Rp1.173.588	-Rp73.588	Rp1.100.000	Rp1.568.000	Rp394.412
	F 9182 WB	10000	Rp1.173.588	-Rp93.588	Rp1.080.000	Rp1.568.000	Rp394.412
			Rp1.284.549	-Rp184.549	Rp1.100.000	Rp1.568.000	Rp283.451
	F 9192 WB	10000	Rp1.196.167	-Rp116.167	Rp1.080.000	Rp1.568.000	Rp371.833
	F 9196 WB	10000	Rp1.637.767	-Rp537.767	Rp1.100.000	Rp1.568.000	-Rp69.767
			Rp1.637.767	-Rp557.767	Rp1.080.000	Rp1.568.000	-Rp69.767
	F 9197 WB	10000	Rp1.302.214	-Rp202.214	Rp1.100.000	Rp1.568.000	Rp265.786
			Rp1.302.214	-Rp222.214	Rp1.080.000	Rp1.568.000	Rp265.786
	F 9179 WB	10000	Rp1.251.331	-Rp151.331	Rp1.100.000	Rp1.568.000	Rp316.669
	F 9199 WB	10000	Rp1.238.012	-Rp138.012	Rp1.100.000	Rp1.568.000	Rp329.988
			Rp1.238.012	-Rp158.012	Rp1.080.000	Rp1.568.000	Rp329.988
	F 9201 WB	10000	Rp1.284.780	-Rp184.780	Rp1.100.000	Rp1.568.000	Rp283.220
			Rp1.284.780	-Rp204.780	Rp1.080.000	Rp1.568.000	Rp283.220
	F 9202 WB	10000	Rp1.306.687	-Rp226.687	Rp1.080.000	Rp1.568.000	Rp261.313
			Rp1.306.687	-Rp206.687	Rp1.100.000	Rp1.568.000	Rp261.313
	F 8476 WZ	10000	Rp1.748.669	-Rp648.669	Rp1.100.000	Rp1.568.000	-Rp180.669
			Rp1.748.669	-Rp668.669	Rp1.080.000	Rp1.568.000	-Rp180.669
	F 8808 WX	10000	Rp1.748.669	-Rp648.669	Rp1.100.000	Rp1.568.000	-Rp180.669
			Rp1.748.669	-Rp668.669	Rp1.080.000	Rp1.568.000	-Rp180.669
	F 9131 WB	10000	Rp1.322.669	-Rp222.669	Rp1.100.000	Rp1.568.000	Rp245.331
		10000	Rp1.322.669	-Rp242.669	Rp1.080.000	Rp1.568.000	Rp245.331
F 9181 WB	10000	Rp1.228.863	-Rp148.863	Rp1.080.000	Rp1.568.000	Rp339.137	
		Rp1.228.863	-Rp128.863	Rp1.100.000	Rp1.568.000	Rp339.137	
F 9211 WB	20000	Rp1.300.071	Rp899.929	Rp2.200.000	Rp3.136.000	Rp1.835.929	
Agrofood - Sukaluyu (Rent)	F 8961 WV	18150	Rp1.882.110	Rp114.390	Rp1.996.500	Rp2.845.920	Rp963.810
Agrofood - Tanjungsari	F 8054 WZ	8000	Rp1.330.730	-Rp770.730	Rp560.000	Rp648.480	-Rp682.250
		10000	Rp1.330.730	-Rp190.730	Rp1.140.000	Rp810.600	-Rp520.130
	F 9182 WB	8000	Rp1.080.588	-Rp520.588	Rp560.000	Rp648.480	-Rp432.108
	F 9197 WB	8000	Rp1.129.214	-Rp569.214	Rp560.000	Rp648.480	-Rp480.734
	F 9181 WB	8000	Rp1.055.863	-Rp495.863	Rp560.000	Rp648.480	-Rp407.383
Agrofood - Tasik	F 8054 WZ	8000	Rp2.005.730	Rp722.270	Rp2.728.000	Rp3.012.800	Rp1.007.070
			Rp2.005.730	Rp706.270	Rp2.712.000	Rp3.012.800	Rp1.007.070
	F 9192 WB	8000	Rp1.786.549	Rp925.451	Rp2.712.000	Rp3.012.800	Rp1.226.251
	F 9195 WB	8000	Rp1.698.167	Rp1.013.833	Rp2.712.000	Rp3.012.800	Rp1.314.633
	F 9196 WB	8000	Rp2.139.767	Rp572.233	Rp2.712.000	Rp3.012.800	Rp873.033
	F 9197 WB	8000	Rp1.804.214	Rp923.786	Rp2.728.000	Rp3.012.800	Rp1.208.586
	F 9179 WB	8000	Rp1.836.082	Rp891.918	Rp2.728.000	Rp3.012.800	Rp1.176.718
	F 9199 WB	8000	Rp1.740.012	Rp987.988	Rp2.728.000	Rp3.012.800	Rp1.272.788
			Rp1.740.012	Rp971.988	Rp2.712.000	Rp3.012.800	Rp1.272.788
	F 9201 WB	8000	Rp1.786.780	Rp925.220	Rp2.712.000	Rp3.012.800	Rp1.226.020
	F 8476 WZ	8000	Rp1.867.978	Rp860.022	Rp2.728.000	Rp3.012.800	Rp1.144.822
			Rp1.867.978	Rp844.022	Rp2.712.000	Rp3.012.800	Rp1.144.822
	F 8808 WX	8000	Rp2.250.669	Rp461.331	Rp2.712.000	Rp3.012.800	Rp762.131
	F 9131 WB	8000	Rp1.824.669	Rp903.331	Rp2.728.000	Rp3.012.800	Rp1.188.131
8000		Rp1.824.669	Rp887.331	Rp2.712.000	Rp3.012.800	Rp1.188.131	
F 9181 WB	8000	Rp1.730.863	Rp981.137	Rp2.712.000	Rp3.012.800	Rp1.281.937	

OD	Car	Weight	Total Cost	Current Profit	Negotiated Price	Fixed Price	Profit with fixed price
Agrofood - Garut	F 8466 WY	8000	Rp1.764.083	Rp387.917	Rp2.152.000	Rp2.956.800	Rp1.192.717
	F 9201 WB	8000	Rp1.602.780	Rp549.220	Rp2.152.000	Rp2.956.800	Rp1.354.020
Agrofood - Nyalindung	F 8466 WY	9000	Rp1.741.083	-Rp202.083	Rp1.539.000	Rp1.625.400	-Rp115.683
Agrofood - Wanaraja	F 8466 WY	8000	Rp1.764.083	Rp387.917	Rp2.152.000	Rp2.923.200	Rp1.159.117
	F 9192 WB	8000	Rp1.602.549	Rp549.451	Rp2.152.000	Rp2.923.200	Rp1.320.651
	F 9195 WB	8000	Rp1.514.167	Rp637.833	Rp2.152.000	Rp2.923.200	Rp1.409.033
	F 9196 WB	8000	Rp1.955.767	Rp212.233	Rp2.168.000	Rp2.923.200	Rp967.433
			Rp1.955.767	Rp196.233	Rp2.152.000	Rp2.923.200	Rp967.433
	F 9197 WB	8000	Rp1.620.214	Rp547.786	Rp2.168.000	Rp2.923.200	Rp1.302.986
	F 9179 WB	8000	Rp1.567.866	Rp584.134	Rp2.152.000	Rp2.923.200	Rp1.355.334
			Rp1.567.866	Rp600.134	Rp2.168.000	Rp2.923.200	Rp1.355.334
	F 9199 WB	8000	Rp1.556.012	Rp595.988	Rp2.152.000	Rp2.923.200	Rp1.333.933
	F 9201 WB	8000	Rp1.556.012	Rp595.988	Rp2.152.000	Rp2.923.200	Rp1.367.188
			Rp1.556.012	Rp611.988	Rp2.168.000	Rp2.923.200	Rp1.367.188
	F 8476 WZ	8000	Rp1.683.978	Rp468.022	Rp2.152.000	Rp2.923.200	Rp1.239.222
F 9131 WB	8000	Rp1.640.669	Rp527.331	Rp2.168.000	Rp2.923.200	Rp1.282.531	
		Rp1.640.669	Rp511.331	Rp2.152.000	Rp2.923.200	Rp1.282.531	
F 9181 WB	8000	Rp1.546.863	Rp605.137	Rp2.152.000	Rp2.923.200	Rp1.376.337	
Agrofood - Bogor	F 9182 WB	8000	Rp1.108.588	-Rp308.588	Rp800.000	Rp575.680	-Rp532.908
		10000	Rp1.068.588	Rp131.412	Rp1.200.000	Rp719.600	-Rp348.988
	F 9197 WB	8000	Rp1.377.214	-Rp777.214	Rp600.000	Rp575.680	-Rp801.534
		9000	Rp1.157.214	-Rp77.214	Rp1.080.000	Rp647.640	-Rp509.574
		10000	Rp1.157.214	Rp42.786	Rp1.200.000	Rp719.600	-Rp437.614
			Rp1.157.214	-Rp557.214	Rp600.000	Rp719.600	-Rp437.614
	F 9179 WB	8000	Rp1.056.866	-Rp336.866	Rp720.000	Rp575.680	-Rp481.186
		10000	Rp1.104.866	Rp95.134	Rp1.200.000	Rp719.600	-Rp385.266
	F 9199 WB	8000	Rp1.048.012	-Rp328.012	Rp720.000	Rp575.680	-Rp472.332
	F 8476 WZ	8000	Rp1.220.978	-Rp260.978	Rp960.000	Rp575.680	-Rp645.298
	F 9181 WB	8000	Rp1.058.863	Rp221.137	Rp1.280.000	Rp575.680	-Rp483.183
			Rp1.263.863	-Rp463.863	Rp800.000	Rp575.680	-Rp688.183
9000	Rp1.103.863	-Rp248.863	Rp855.000	Rp647.640	-Rp456.223		
Agrofood - Gunung Guruh	F 9182 WB	8000	Rp1.063.588	Rp296.412	Rp1.360.000	Rp1.388.800	Rp325.212
	F 9195 WB	8000	Rp1.179.167	Rp180.833	Rp1.360.000	Rp1.388.800	Rp209.633
	F 9199 WB	8000	Rp1.290.012	Rp69.988	Rp1.360.000	Rp1.388.800	Rp98.788
Agrofood - Setu	F 9182 WB	8000	Rp953.588	-Rp513.588	Rp440.000	Rp144.480	-Rp809.108
	F 9196 WB	9000	Rp1.337.767	-Rp842.767	Rp495.000	Rp162.540	-Rp1.175.227
	F 9197 WB	9000	Rp1.002.214	-Rp507.214	Rp495.000	Rp162.540	-Rp839.674
Agrofood - Haur Wangi	F 9192 WB	8000	Rp1.204.549	-Rp244.549	Rp960.000	Rp1.680.000	Rp475.451
	F 9197 WB	8000	Rp1.222.214	-Rp262.214	Rp960.000	Rp1.680.000	Rp457.786
Agrofood - Haur Wangi (Rent)	F 8906 WY	8000	Rp1.736.910	-Rp776.910	Rp960.000	Rp1.680.000	-Rp56.910
	F 8675 WW	8000	Rp1.736.910	-Rp776.910	Rp960.000	Rp1.680.000	-Rp56.910
Agrofood - Jamali	F 9192 WB	8000	Rp1.163.549	-Rp235.549	Rp928.000	Rp936.320	-Rp227.229
Agrofood - Sukabumi	F 9192 WB	8000	Rp1.267.552	Rp92.448	Rp1.360.000	Rp1.288.000	Rp20.448
	F 9201 WB	9000	Rp1.316.780	-Rp2.780	Rp1.314.000	Rp1.449.000	Rp132.220
	F 8808 WX	8000	Rp1.613.669	-Rp597.669	Rp1.016.000	Rp1.288.000	-Rp325.669
	F 9131 WB	10000	Rp1.307.669	Rp152.331	Rp1.460.000	Rp1.610.000	Rp302.331
Agrofood - Cilegon	F 9195 WB	8000	Rp1.406.167	Rp273.833	Rp1.680.000	Rp1.556.800	Rp150.633
Agrofood - Depok	F 9195 WB	8000	Rp971.167	-Rp491.167	Rp480.000	Rp473.760	-Rp497.407
Agrofood - Citarum	F 9196 WB	10000	Rp1.637.767	-Rp557.767	Rp1.080.000	Rp1.974.000	Rp336.233
	F 9199 WB	10000	Rp1.238.013	-Rp158.013	Rp1.080.000	Rp1.974.000	Rp735.987
	F 8476 WZ	10000	Rp1.365.978	-Rp285.978	Rp1.080.000	Rp1.974.000	Rp608.022
	F 8808 WX	10000	Rp1.748.669	-Rp668.669	Rp1.080.000	Rp1.974.000	Rp225.331
	F 9181 WB	10000	Rp1.228.863	-Rp148.863	Rp1.080.000	Rp1.974.000	Rp745.137
			Rp1.410.071	Rp789.929	Rp2.200.000	Rp3.948.000	Rp2.537.929
20000	Rp1.410.071	Rp749.929	Rp2.160.000	Rp3.948.000	Rp2.537.929		

OD	Car	Weight	Total Cost	Current Profit	Negotiated Price	Fixed Price	Profit with fixed price
	F 9212 WB	20000	Rp1.433.390	Rp766.610	Rp2.200.000	Rp3.948.000	Rp2.514.610
Agrofood - Citarum (Rent)	F 8675 WW	20000	Rp1.896.910	Rp263.090	Rp2.160.000	Rp3.948.000	Rp2.051.090
Agrofood - Sunda Kelapa	F 9212 WB	16000	Rp1.133.390	Rp306.610	Rp1.440.000	Rp1.180.480	Rp47.090
Agrofood - Cikarang Pusat	F 9197 WB	8000	Rp1.002.214	Rp157.786	Rp1.160.000	Rp464.800	-Rp537.414
Agrofood - Mariwati	F 9199 WB	8000	Rp1.223.012	-Rp175.012	Rp1.048.000	Rp460.320	-Rp762.692
Agrofood - Purwakarta	F 9197 WB	8000	Rp1.427.216	-Rp307.216	Rp1.120.000	Rp983.360	-Rp443.856
Pokpan - Cikembar	F 8054 WZ	8000	Rp2.128.730	Rp287.270	Rp2.416.000	Rp1.288.000	-Rp840.730
	F 9182 WB	8000	Rp1.878.588	Rp537.412	Rp2.416.000	Rp1.288.000	-Rp590.588
	F 9179 WB	8000	Rp1.734.866	-Rp262.866	Rp1.472.000	Rp1.288.000	-Rp446.866
		10000	Rp1.924.866	Rp1.095.134	Rp3.020.000	Rp1.610.000	-Rp314.866
	F 9197 WB	10000	Rp1.827.214	-Rp531.214	Rp1.296.000	Rp1.610.000	-Rp217.214
	F 9199 WB	10000	Rp1.863.012	Rp1.156.988	Rp3.020.000	Rp1.610.000	-Rp253.012
F 9202 WB	8000	Rp1.931.687	-Rp459.687	Rp1.472.000	Rp1.288.000	-Rp643.687	
Pokpan - Jebrod	F 9201 WB	10000	Rp1.689.780	Rp350.220	Rp2.040.000	Rp2.184.000	Rp494.220
Pokpan - Jebrod (Rent)	F 8140 WS	10000	Rp1.736.910	Rp123.090	Rp1.860.000	Rp2.184.000	Rp447.090
Pokpan - Sukaresmi	F 8466 WY	10000	Rp1.971.083	-Rp111.083	Rp1.860.000	Rp1.960.000	-Rp11.083
	F 9201 WB	9000	Rp1.809.780	-Rp135.780	Rp1.674.000	Rp1.764.000	-Rp45.780
Pokpan - Sagaranten	F 8466 WY	9000	Rp1.971.083	Rp746.917	Rp2.718.000	Rp2.860.200	Rp889.117
Pokpan - Campaka	F 9182 WB	5000	Rp1.658.588	Rp76.412	Rp1.735.000	Rp2.049.600	Rp391.012
		8000	Rp1.928.588	Rp727.412	Rp2.656.000	Rp2.049.600	Rp121.012
	F 9179 WB	9000	Rp1.874.866	Rp1.113.134	Rp2.988.000	Rp2.305.800	Rp430.934
	F 9199 WB	8000	Rp1.913.012	Rp742.988	Rp2.656.000	Rp2.049.600	Rp136.588
Pokpan - Cirenghas	F 9182 WB	8000	Rp1.878.588	Rp537.412	Rp2.416.000	Rp2.027.200	Rp148.612
		9000	Rp1.931.687	-Rp275.687	Rp1.656.000	Rp2.280.600	Rp348.913
	F 9202 WB	10000	Rp1.931.687	Rp1.128.313	Rp3.060.000	Rp2.534.000	Rp602.313
		8000	Rp1.836.082	-Rp364.082	Rp1.472.000	Rp2.027.200	Rp191.118
Pokpan - Cipanas	F 9192 WB	9000	Rp1.709.552	-Rp35.552	Rp1.674.000	Rp1.688.400	-Rp21.152
		9000	Rp2.022.767	-Rp348.767	Rp1.674.000	Rp1.688.400	-Rp334.367
	F 9196 WB	10000	Rp2.062.767	-Rp202.767	Rp1.860.000	Rp1.876.000	-Rp186.767
		9000	Rp1.180.011	Rp493.989	Rp1.674.000	Rp1.688.400	Rp508.389
	F 9199 WB	9000	Rp1.623.012	Rp50.988	Rp1.674.000	Rp1.688.400	Rp65.388
		10000	Rp1.663.012	Rp506.988	Rp2.170.000	Rp1.876.000	Rp212.988
			Rp1.663.012	Rp196.988	Rp1.860.000	Rp1.876.000	Rp212.988
Pokpan - Ciranjang	F 9202 WB	8000	Rp1.771.167	-Rp203.167	Rp1.568.000	Rp1.859.200	Rp88.033
		5000	Rp1.811.687	Rp668.313	Rp2.480.000	Rp1.162.000	-Rp649.687
		7000	Rp1.831.687	-Rp95.687	Rp1.736.000	Rp1.626.800	-Rp204.887
		8000	Rp1.336.752	Rp1.319.248	Rp2.656.000	Rp1.859.200	Rp522.448
		9000	Rp1.931.687	Rp858.313	Rp2.790.000	Rp2.091.600	Rp159.913
Pokpan - Cianjur	F 9195 WB	8000	Rp1.521.167	-Rp97.167	Rp1.424.000	Rp1.713.600	Rp192.433
		7000	Rp1.681.687	Rp54.313	Rp1.736.000	Rp1.713.600	Rp31.913
		7500	Rp1.681.687	-Rp159.187	Rp1.522.500	Rp1.713.600	Rp31.913
Pokpan - Cibeber	F 9197 WB	9000	Rp1.787.214	Rp201.786	Rp1.989.000	Rp1.927.800	Rp140.586
		7000	Rp1.831.687	-Rp95.687	Rp1.736.000	Rp1.713.600	-Rp118.087
Pokpan - Sukaluyu	F 9179 WB	9000	Rp1.251.331	Rp548.669	Rp1.800.000	Rp1.666.000	Rp414.669
		7000	Rp1.306.687	Rp1.171.313	Rp2.478.000	Rp2.142.000	Rp835.313
		10000	Rp1.306.687	-Rp226.687	Rp1.080.000	Rp1.666.000	Rp359.313
			Rp1.306.687	-Rp206.687	Rp1.100.000	Rp1.666.000	Rp359.313
Pokpan - Sukamaju	F 9197 WB	8000	Rp1.877.214	Rp602.786	Rp2.480.000	Rp1.926.400	Rp49.186
Pokpan - Nagrak	F 9179 WB	8000	Rp1.874.866	-Rp402.866	Rp1.472.000	Rp1.646.400	-Rp228.466
Pokpan - Cilaku	F 9201 WB	10000	Rp1.709.780	Rp290.220	Rp2.000.000	Rp2.268.000	Rp558.220
Pokpan - Cibadak	F 9202 WB	8000	Rp1.875.687	Rp572.313	Rp2.448.000	Rp1.579.200	-Rp296.487

OD	Car	Weight	Total Cost	Current Profit	Negotiated Price	Fixed Price	Profit with fixed price
Comfeed Japfa - Cianjur	F 8476 WZ	10000	Rp1.560.978	-Rp310.978	Rp1.250.000	Rp1.876.000	Rp315.022
	F 9196 WB	10000	Rp1.858.891	-Rp608.891	Rp1.250.000	Rp1.876.000	Rp17.109
Gold Coin - Haur Wangi	F 9192 WB	6500	Rp1.569.549	-Rp269.549	Rp1.300.000	Rp1.624.000	Rp54.451
Gold Coin - Ciranjang	F 9201 WB	9000	Rp1.569.780	Rp230.220	Rp1.800.000	Rp1.915.200	Rp345.420
Gold Coin - Saguling	F 9179 WB	7000	Rp1.569.549	-Rp269.549	Rp1.300.000	Rp1.624.000	Rp54.451
Japfa - Sukaraja	F 9202 WB	8000	Rp1.601.687	-Rp257.687	Rp1.344.000	Rp1.702.400	Rp100.713
Sinta - Jangari	F 9199 WB	10000	Rp1.133.012	-Rp183.012	Rp950.000	Rp1.414.000	Rp280.988

APPENDIX B

Prices Comparison

Colt Diesel (Max 10000 kg)	Agrofood (Bekasi) - Bekasi	Agrofood (Bekasi) - Ciamis	Agrofood (Bekasi) - Cikalong (Cianjur)	Agrofood (Bekasi) - Cipanas (Cianjur)	Agrofood (Bekasi) - Cugenang (Cianjur)	Agrofood (Bekasi) - Jasinga (Bogor)	Agrofood (Bekasi) - Karawang	Agrofood (Bekasi) - Samolo (Cianjur)	Agrofood (Bekasi) - Sukaluyu (Cianjur)	Agrofood (Bekasi) - Setu (Jakarta)	Agrofood (Bekasi) - Haur Wangi (Cianjur)
Negotiation Price	Rp440.000 - Rp720.000	Rp2.160.000 - 3.048.000	Rp928.000 - Rp1.168.000	Rp1.032.000 - Rp1.048.000	Rp992.000 - Rp1.280.000	Rp1.280.000	Rp720.000	Rp1.062.000	Rp1.080.000 - Rp1.100.000	Rp440.000 - Rp495.000	Rp960.000
Fixed Price	Rp392.000 - Rp490.000	Rp3.091.200 - Rp3.864.000	Rp1.288.000 - Rp1.610.000	Rp840.000 - Rp1.050.000	Rp1.028.160 - Rp1.285.200	Rp1.070.720 - Rp1.338.400	Rp711.200 - Rp889.000	Rp1.209.600 - Rp1.512.000	Rp1.254.400 - Rp1.568.000	Rp144.480 - Rp180.600	Rp1.680.000 - Rp2.100.000
Competitor											
PT Indoline	Rp500.000	N.A	N.A	N.A	N.A	Rp650.000	Rp500.000	N.A	N.A	Rp600.000	N.A
PT NDE	Rp1.700.000	Rp3.000.000	Rp2.400.000	Rp2.400.000	Rp2.400.000	Rp1.500.000	Rp1.700.000	Rp2.400.000	Rp2.400.000	Rp1.500.000	Rp2.400.000
CV PAM	Rp1.600.000	Rp2.990.000	Rp2.390.000	Rp2.390.000	Rp2.390.000	Rp1.490.000	Rp1.690.000	Rp2.390.000	Rp2.390.000	Rp1.490.000	Rp2.390.000
Arjuna Cargo	Rp1.620.000	N.A	Rp2.160.000	Rp2.160.000	Rp2.160.000	Rp1.620.000	Rp1.620.000	Rp2.160.000	Rp2.160.000	Rp1.260.000	Rp2.160.000
Ekspedisiscepat	Rp900.000	Rp3.000.000	Rp2.400.000	Rp2.400.000	Rp2.400.000	Rp1.150.000	Rp1.500.000	Rp2.400.000	Rp2.400.000	Rp975.000	Rp2.400.000
CAE	Rp1.150.000	N.A	Rp1.800.000	Rp1.800.000	Rp1.800.000	Rp1.150.000	Rp1.150.000	Rp1.800.000	Rp1.800.000	Rp850.000	Rp1.800.000
Colt Diesel (Max 10000 kg)	Agrofood (Bekasi) - Tanjungsari (Bogor)	Agrofood (Bekasi) - Tasik	Agrofood (Bekasi) - Garut	Agrofood (Bekasi) - Nyalindung (Sukabumi)	Agrofood (Bekasi) - Wanaraja (Garut)	Agrofood (Bekasi) - Bogor	Agrofood (Bekasi) - Gunung Guruh (Sukabumi)	Agrofood (Bekasi) - Sunda Kelapa	Agrofood (Bekasi) - Cikarang Pusat	Agrofood (Bekasi) - Mariwati (cianjur)	Agrofood (Bekasi) - Purwakarta
Negotiation Price	Rp560.000 - Rp1.140.000	Rp2.152.000 - Rp2.728.000	Rp2.152.000	Rp1.539.000	Rp2.152.000 - Rp2.168.000	Rp600.000 - Rp1.280.000	Rp1.360.000	N.A	Rp1.160.000	Rp1.048.000	Rp1.120.000
Fixed Price	Rp648.480 - Rp810.600	Rp3.012.800 - Rp3.766.000	Rp2.956.800 - Rp3.696.000	Rp1.444.800 - Rp1.806.000	Rp2.923.200 - Rp3.654.000	Rp575.680 - Rp719.600	Rp1.388.800 - Rp1.736.000	Rp590.240 - Rp737.800	Rp464.800 - Rp518.000	Rp460.320 - Rp575.400	Rp983.360 - Rp1.229.200
Competitor											
PT Indoline	Rp650.000	N.A	N.A	Rp850.000	N.A	Rp650.000	Rp850.000	Rp600.000	Rp500.000	N.A	Rp600.000
PT NDE	Rp1.500.000	Rp3.000.000	Rp2.800.000	Rp2.400.000	Rp2.800.000	Rp1.500.000	Rp2.400.000	Rp1.500.000	Rp1.700.000	Rp2.400.000	Rp1.900.000
CV PAM	Rp1.490.000	Rp2.990.000	Rp2.490.000	Rp2.390.000	Rp2.790.000	Rp1.490.000	Rp2.390.000	Rp1.490.000	Rp1.690.000	Rp2.390.000	Rp1.890.000
Arjuna Cargo	Rp1.620.000	N.A	N.A	Rp2.160.000	N.A	Rp1.620.000	Rp2.160.000	Rp1.260.000	Rp1.620.000	Rp2.160.000	N.A
Ekspedisiscepat	Rp1.150.000	Rp3.000.000	Rp2.800.000	Rp2.400.000	Rp2.800.000	Rp1.150.000	Rp2.400.000	Rp975.000	Rp975.000	Rp2.400.000	Rp1.750.000
CAE	Rp1.150.000	Rp2.650.000	N.A	Rp1.250.000	N.A	Rp1.150.000	Rp1.250.000	Rp1.150.000	Rp1.150.000	Rp1.800.000	N.A

Colt Diesel (Max 10000 kg)	Agrofood (Bekasi) - Jamali (Cianjur)	Agrofood (Bekasi) - Sukabumi	Agrofood (Bekasi) - Cilegon	Agrofood (Bekasi) - Depok	Agrofood (Bekasi) - Citarum (Bandung)	Pokpan - Sagaranten (sukabumi)	Pokpan - Campaka	Pokpan - Cirenghas (cianjur)	Pokpan - Cipanas (Cianjur)	Pokpan - Ciranjang (cianjur)	Pokpan - Cianjur
Negotiation Price	Rp928.000	Rp1.016.000 -	Rp1.680.000	Rp480.000	Rp1.080.000	Rp2.718.000	Rp1.735.000 -	Rp1.472.000 -	Rp1.674.000 -	Rp1.736.000 -	Rp1.424.000 - Rp1.736.000
Fixed Price	Rp936.320 - Rp1.170.400	Rp1.288.000 -	Rp1.556.800 -	Rp473.760 - Rp592.000	Rp1.579.200 -	Rp2.542.400 - Rp3.178.000	Rp2.049.600 -	Rp2.027.200 -	Rp1.500.800 -	Rp1.859.200 -	Rp1.713.600 - Rp2.142.000
Competitor											
PT Indoline	N.A	Rp850.000	Rp900.000	Rp1.100.000	Rp1.100.000	Rp1.600.000	Rp1.850.000	N.A	N.A	N.A	N.A
PT NDE	Rp2.400.000	Rp2.400.000	N.A	Rp1.500.000	Rp2.500.000	Rp4.800.000	Rp2.900.000	Rp4.800.000	Rp4.800.000	Rp4.800.000	Rp4.800.000
CV PAM	Rp2.390.000	Rp2.390.000	N.A	Rp1.490.000	Rp2.490.000	Rp4.600.000	Rp4.700.000	Rp4.600.000	Rp4.600.000	Rp4.600.000	Rp4.600.000
Arjuna Cargo	Rp2.160.000	Rp2.160.000	N.A	N.A	Rp2.160.000	Rp3.780.000	Rp3.780.000	Rp3.780.000	Rp3.780.000	Rp3.780.000	Rp3.780.000
Ekspedisicepat	Rp2.400.000	Rp2.400.000	N.A	Rp1.100.000	Rp2.500.000	Rp3.800.000	Rp3.900.000	Rp3.800.000	Rp3.800.000	Rp3.800.000	Rp3.800.000
CAE	Rp1.800.000	Rp1.250.000	Rp1.900.000	Rp1.100.000	Rp2.250.000	Rp2.150.000	Rp3.150.000	Rp2.700.000	Rp2.700.000	Rp2.700.000	Rp2.700.000
Colt Diesel (Max 10000 kg)	Pokpan - Cikembar (sukabumi)	Pokpan - Jebrod (cianjur)	Pokpan - Sukaresmi (Cianjur)	Pokpan - Sukaluyu (Cianjur)	Pokpan - Sukamaju (Cianjur)	Pokpan - Nagrak (sukabumi)	Pokpan - Cilaku (Cianjur)	Pokpan - Cibadak (Sukabumi)	Comfeed Japfa (serang)-Cianjur	Gold Coin - Haur Wangi (Cianjur)	Gold Coin - Ciranjang (Cianjur)
Negotiation Price	Rp1.472.000 -	Rp2.040.000	Rp1.674.000 -	Rp1.100.000 -	Rp2.480.000	Rp1.472.000	Rp2.000.000	Rp2.448.000	Rp1.250.000	Rp1.300.000	Rp1.800.000
Fixed Price	Rp1.288.000 -	Rp1.747.200 -	Rp1.568.000 -	Rp1.904.000 -	Rp1.926.400 -	Rp1.646.400 - Rp2.0580.000	Rp1.814.400 -	Rp1.579.200 -	Rp1.500.800 -	Rp1.624.000 -	Rp1.702.400 - Rp2.128.000
Competitor											
PT Indoline	Rp1.600.000	N.A	N.A	N.A	N.A	Rp1.600.000	N.A	Rp1.600.000	N.A	Rp2.400.000	Rp2.400.000
PT NDE	Rp4.800.000	Rp4.800.000	Rp4.800.000	Rp4.800.000	Rp4.800.000	Rp4.800.000	Rp4.800.000	Rp4.800.000	Rp4.300.000	Rp2.400.000	Rp2.400.000
CV PAM	Rp4.600.000	Rp4.600.000	Rp4.600.000	Rp4.600.000	Rp4.600.000	Rp4.600.000	Rp4.600.000	Rp4.600.000	Rp4.100.000	Rp2.390.000	Rp2.390.000
Arjuna Cargo	Rp3.780.000	Rp3.780.000	Rp3.780.000	Rp3.780.000	Rp3.780.000	Rp3.780.000	Rp3.780.000	Rp3.780.000	N.A	Rp2.160.000	Rp2.160.000
Ekspedisicepat	Rp3.800.000	Rp3.800.000	Rp3.800.000	Rp3.800.000	Rp3.800.000	Rp3.800.000	Rp3.800.000	Rp3.800.000	Rp4.150.000	Rp2.400.000	Rp2.400.000
CAE	Rp2.700.000	Rp2.700.000	Rp2.700.000	Rp2.700.000	Rp2.700.000	Rp2.150.000	Rp2.700.000	Rp2.150.000	Rp2.900.000	Rp1.800.000	Rp1.800.000

Colt Diesel (Max 10000 kg)	Pokpan - Cibeber (Cianjur)	Gold Coin - Saguling (Bandung)	Japfa (serang) - Sukaraja (sukabumi)	Sinta (Bogor) - Jangari (Cianjur)	Agrofood (Bekasi) - Bekasi	Agrofood (Bekasi) - Ciamis	Agrofood (Bekasi) - Cikalong (Cianjur)	Agrofood (Bekasi) - Cipanas (Cianjur)	Agrofood (Bekasi) - Cugenang (Cianjur)	Agrofood (Bekasi) - Jasinga (Bogor)	Agrofood (Bekasi) - Karawang
Negotiation Price	Rp1.736.000 - Rp1.989.000	Rp1.596.000	Rp1.344.000	Rp950.000	N.A	N.A	N.A	N.A	N.A	N.A	N.A
Fixed Price	Rp1.456.000 - Rp1.820.000	Rp1.691.200 - Rp2.114.000	Rp1.702.400 - Rp2.128.000	Rp1.131.200 - Rp1.414.000	Rp490.049 - Rp980.000	Rp3.864.386 - Rp7.728.000	Rp1.610.161 - Rp3.220.000	Rp1.050.105 - Rp2.100.000	Rp1.285.328 - Rp2.570.400	Rp1.338.533 - Rp2.676.800	Rp889.088 - Rp1.778.000
Competitor											
PT Indoline	N.A	Rp2.500.000	N.A	N.A	Rp750.000	N.A	N.A	N.A	N.A	Rp900.000	Rp750.000
PT NDE	Rp4.800.000	Rp2.500.000	Rp4.300.000	Rp3.900.000	Rp2.700.000	Rp4.300.000	Rp3.500.000	Rp3.500.000	Rp3.500.000	Rp2.500.000	Rp2.700.000
CV PAM	Rp4.600.000	Rp2.490.000	Rp4.200.000	Rp3.700.000	Rp2.600.000	Rp4.390.000	Rp3.590.000	Rp3.590.000	Rp3.590.000	Rp2.590.000	Rp2.790.000
Arjuna Cargo	Rp3.780.000	Rp2.160.000	N.A	Rp3.780.000	Rp3.000.000	N.A	Rp4.800.000	Rp4.800.000	Rp4.800.000	Rp3.000.000	Rp3.000.000
Ekspedisicepat	Rp3.800.000	Rp2.500.000	Rp4.250.000	Rp3.550.000	Rp1.300.000	Rp4.300.000	Rp3.500.000	Rp3.500.000	Rp3.500.000	Rp1.500.000	Rp2.300.000
CAE	Rp2.700.000	Rp2.250.000	Rp2.350.000	Rp2.950.000	Rp1.900.000	N.A	Rp2.900.000	Rp2.900.000	Rp2.900.000	Rp2.600.000	Rp1.900.000
	Agrofood (Bekasi) - Bekasi	Agrofood (Bekasi) - Ciamis	Agrofood (Bekasi) - Cikalong (Cianjur)	Agrofood (Bekasi) - Cipanas (Cianjur)	Agrofood (Bekasi) - Cugenang (Cianjur)	Agrofood (Bekasi) - Jasinga (Bogor)	Agrofood (Bekasi) - Karawang	Agrofood (Bekasi) - Samolo (Cianjur)	Agrofood (Bekasi) - Sukaluyu (Cianjur)	Agrofood (Bekasi) - Tanjungsari (Bogor)	Agrofood (Bekasi) - Tasik
Negotiation Price	N.A	N.A	N.A	N.A	N.A	N.A	N.A	N.A	Rp1.996.500 - Rp2.200.000	N.A	N.A
Fixed Price	Rp490.049 - Rp980.000	Rp3.864.386 - Rp7.728.000	Rp1.610.161 - Rp3.220.000	Rp1.050.105 - Rp2.100.000	Rp1.285.328 - Rp2.570.400	Rp1.338.533 - Rp2.676.800	Rp889.088 - Rp1.778.000	Rp1.512.151 - Rp3.024.000	Rp1.568.156 - Rp3.136.000	Rp810.681 - Rp1.621.200	Rp3.766.376 - Rp7.532.000
Competitor											
PT Indoline	Rp750.000	N.A	N.A	N.A	N.A	Rp900.000	Rp750.000	N.A	N.A	Rp900.000	N.A
PT NDE	Rp2.700.000	Rp4.300.000	Rp3.500.000	Rp3.500.000	Rp3.500.000	Rp2.500.000	Rp2.700.000	Rp3.500.000	Rp3.500.000	Rp2.500.000	Rp4.300.000
CV PAM	Rp2.600.000	Rp4.390.000	Rp3.590.000	Rp3.590.000	Rp3.590.000	Rp2.590.000	Rp2.790.000	Rp3.590.000	Rp3.590.000	Rp2.590.000	Rp4.390.000
Arjuna Cargo	Rp3.000.000	N.A	Rp4.800.000	Rp4.800.000	Rp4.800.000	Rp3.000.000	Rp3.000.000	Rp4.800.000	Rp4.800.000	Rp3.000.000	N.A
Ekspedisicepat	Rp1.300.000	Rp4.300.000	Rp3.500.000	Rp3.500.000	Rp3.500.000	Rp1.500.000	Rp2.300.000	Rp3.500.000	Rp3.500.000	Rp1.500.000	Rp4.300.000
CAE	Rp1.900.000	N.A	Rp2.900.000	Rp2.900.000	Rp2.900.000	Rp2.600.000	Rp1.900.000	Rp2.900.000	Rp2.900.000	Rp2.600.000	Rp4.400.000

	Agrofood (Bekasi) - Garut	Agrofood (Bekasi) - Nyalindung (Sukabumi)	Agrofood (Bekasi) - Wanaraja (Garut)	Agrofood (Bekasi) - Bogor	Agrofood (Bekasi) - Gunung Guruh (Sukabumi)	Agrofood (Bekasi) - Setu (Jakarta)	Agrofood (Bekasi) - Haur Wangi (Cianjur)	Agrofood (Bekasi) - Jamali (Cianjur)	Agrofood (Bekasi) - Sukabumi	Agrofood (Bekasi) - Cilegon	Agrofood (Bekasi) - Depok
Negotiation Price	N.A	N.A	N.A	N.A	N.A	N.A	N.A	N.A	N.A	N.A	N.A
Fixed Price	Rp3.696.369 - Rp7.392.000	Rp1.806.180 - Rp3.612.000	Rp3.654.365 - Rp7.308.000	Rp719.671 - Rp1.439.200	Rp1.736.173 - Rp3.472.000	Rp180.618 - Rp361.200	Rp2.100.210 - Rp4.200.000	Rp1.170.517 - Rp2.340.800	Rp1.610.161 - Rp3.220.000	Rp1.946.194 - Rp3.892.000	Rp592.259 - Rp1.184.400
Competitor											
PT Indoline	N.A	Rp1.300.000	N.A	Rp900.000	Rp1.300.000	Rp800.000	N.A	N.A	Rp1.300.000	Rp1.300.000	Rp900.000
PT NDE	Rp4.200.000	Rp3.500.000	Rp4.200.000	Rp2.500.000	Rp3.500.000	Rp2.500.000	Rp3.500.000	Rp3.500.000	Rp3.500.000	N.A	Rp2.500.000
CV PAM	Rp4.290.000	Rp3.590.000	Rp4.290.000	Rp2.590.000	Rp3.590.000	Rp2.590.000	Rp3.590.000	Rp3.590.000	Rp3.590.000	N.A	Rp2.590.000
Arjuna Cargo	N.A	Rp4.800.000	N.A	Rp3.000.000	Rp4.800.000	Rp2.520.000	Rp4.800.000	Rp4.800.000	Rp4.800.000	N.A	N.A
Ekspedisicepat	Rp4.200.000	Rp3.500.000	Rp4.200.000	Rp1.500.000	Rp3.500.000	Rp1.350.000	Rp3.500.000	Rp3.500.000	Rp3.500.000	N.A	Rp1.400.000
CAE	Rp4.400.000	Rp2.700.000	N.A	Rp2.600.000	Rp2.700.000	Rp1.950.000	Rp2.900.000	Rp2.900.000	Rp2.700.000	Rp2.900.000	Rp2.600.000
	Agrofood (Bekasi) - Citarum (Bandung)	Agrofood (Bekasi) - Sunda Kelapa	Agrofood (Bekasi) - Cikarang Pusat	Agrofood (Bekasi) - Mariwati (cianjur)	Agrofood (Bekasi) - Purwakarta	Pokpan - Cikembar (sukabumi)	Pokpan - Jebrod (cianjur)	Pokpan - Sukaesmi (Cianjur)	Pokpan - Sagaranten (sukabumi)	Pokpan - Campaka (Bandung)	Pokpan - Cirenghas (cianjur)
Negotiation Price	Rp2.160.000 - Rp2.200.000	Rp1.440.000	N.A	N.A	N.A	N.A	N.A	N.A	N.A	N.A	N.A
Fixed Price	Rp1.974.197 - Rp3.948.000	Rp737.873 - Rp1.475.600	Rp581.058 - Rp1.162.000	Rp575.457 - Rp1.150.800	Rp1.229.322 - Rp2.458.400	Rp1.610.161 - Rp3.220.000	Rp2.184.218 - Rp4.368.000	Rp1.960.196 - Rp3.920.000	Rp3.178.317 - Rp6.356.000	Rp2.562.256 - Rp5.124.000	Rp2.534.253 - Rp5.068.000
Competitor											
PT Indoline	Rp1.500.000	Rp850.000	Rp750.000	N.A	Rp850.000	Rp2.400.000	N.A	N.A	Rp2.400.000	Rp3.100.000	N.A
PT NDE	Rp4.000.000	Rp2.500.000	Rp2.700.000	Rp3.500.000	Rp3.000.000	Rp6.000.000	Rp6.000.000	Rp6.000.000	Rp6.000.000	Rp6.500.000	Rp6.000.000
CV PAM	Rp4.090.000	Rp2.590.000	Rp2.790.000	Rp3.590.000	Rp2.919.000	Rp5.800.000	Rp5.800.000	Rp5.800.000	Rp5.800.000	Rp6.300.000	Rp5.800.000
Arjuna Cargo	Rp4.200.000	Rp2.520.000	Rp3.000.000	Rp4.800.000	N.A	Rp7.800.000	Rp7.800.000	Rp7.800.000	Rp7.800.000	Rp7.200.000	Rp7.800.000
Ekspedisicepat	Rp4.000.000	Rp1.350.000	Rp1.350.000	Rp3.500.000	Rp2.450.000	Rp5.600.000	Rp5.600.000	Rp5.600.000	Rp5.600.000	Rp6.100.000	Rp5.600.000
CAE	Rp2.900.000	Rp1.950.000	Rp1.900.000	Rp2.900.000	N.A	Rp5.200.000	Rp5.400.000	Rp5.400.000	Rp5.200.000	Rp5.400.000	Rp5.400.000

	Pokpan - Ciplanas (Cianjur)	Pokpan - Ciranjang (cianjur)	Pokpan - Cianjur	Pokpan - Cibeber (Cianjur)	Pokpan - Sukaluyu (Cianjur)	Pokpan - Sukamaju (Cianjur)	Pokpan - Nagrak (sukabumi)	Pokpan - Cilaku (Cianjur)	Pokpan - Cibadak (Sukabumi)	Comfeed Japfa (serang)-Cianjur	Gold Coin (Bekasi) - Haur Wangi (Cianjur)
Negotiation Price	N.A	N.A	N.A	N.A	N.A	N.A	N.A	N.A	N.A	N.A	N.A
Fixed Price	Rp1.876.187 - Rp3.752.000	Rp2.324.232 - Rp4.648.000	Rp2.142.214 - Rp4.284.000	Rp1.820.182 - Rp3.640.000	Rp2.380.238 - Rp4.760.000	Rp2.408.240 - Rp4.816.000	Rp2.058.205 - Rp4.116.000	Rp2.268.226 - Rp4.536.000	Rp1.974.197 - Rp3.948.000	Rp1.876.187 - Rp3.752.000	Rp2.030.203 - Rp4.060.000
Competitor											
PT Indoline	N.A	N.A	N.A	N.A	N.A	N.A	Rp2.400.000	N.A	Rp2.400.000	N.A	N.A
PT NDE	Rp6.000.000	Rp6.000.000	Rp6.000.000	Rp6.000.000	Rp6.000.000	Rp6.000.000	Rp6.000.000	Rp6.000.000	Rp6.000.000	Rp6.500.000	Rp3.500.000
CV PAM	Rp5.800.000	Rp5.800.000	Rp5.800.000	Rp5.800.000	Rp5.800.000	Rp5.800.000	Rp5.800.000	Rp5.800.000	Rp5.800.000	Rp6.300.000	Rp3.590.000
Arjuna Cargo	Rp7.800.000	Rp7.800.000	Rp7.800.000	Rp7.800.000	Rp7.800.000	Rp7.800.000	Rp7.800.000	Rp7.800.000	Rp7.800.000	N.A	Rp4.800.000
Ekspedisiscepat	Rp5.600.000	Rp5.600.000	Rp5.600.000	Rp5.600.000	Rp5.600.000	Rp5.600.000	Rp5.600.000	Rp5.600.000	Rp5.600.000	Rp5.800.000	Rp3.500.000
CAE	Rp5.400.000	Rp5.400.000	Rp5.400.000	Rp5.400.000	Rp5.400.000	Rp5.400.000	Rp5.200.000	Rp5.400.000	Rp5.200.000	Rp5.350.000	Rp2.900.000
	Gold Coin - Ciranjang (Cianjur)	Gold Coin (Bekasi) - Saguling (Bandung)	Japfa (serang) - Sukaraja (sukabumi)	Sinta (bogor) - Jangari (Cianjur)							
Negotiation Price	N.A										
Fixed Price	Rp2.128.212 - Rp4.256.000	Rp2.114.211 - Rp4.228.000	Rp2.128.212 - Rp4.256.000	Rp1.414.141 - Rp2.828.000							
Competitor											
PT Indoline	N.A	Rp1.500.000	N.A	N.A							
PT NDE	Rp3.500.000	Rp3.500.000	Rp6.500.000	Rp6.000.000							
CV PAM	Rp3.590.000	Rp3.590.000	Rp6.300.000	Rp5.800.000							
Arjuna Cargo	Rp4.800.000	Rp4.800.000	N.A	Rp7.800.000							
Ekspedisiscepat	Rp3.500.000	Rp4.000.000	Rp5.800.000	Rp2.000.000							
CAE	Rp2.900.000	Rp2.900.000	Rp5.150.000	Rp5.500.000							

THE EFFECT OF ONLINE CONSUMER REVIEW TOWARD PURCHASE INTENTION: A STUDY IN PREMIUM COSMETIC IN INDONESIA

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Abstract

Today there is an increase in the number of Internet users as well as the growth of the cosmetics industry in Indonesia. As the online review becomes the emerging source to search the information of product, so the research about online consumer review was conducted. The purpose of this study is to examine the effect of online consumer review towards consumer purchase intention of premium cosmetic in Indonesia. There are four independent variables (source credibility, review quality, review quantity, and review valence) to examine the effect of online consumer review toward purchase intention. A quantitative method was used in this research by spreading online questionnaire to 400 Indonesian youth females aged 15-29 years old. The questionnaire used 5 Likert scale. The data was analyzed by Multiple Regression Analysis and processed by using SPSS 23 to know the effect of each independent variable to dependent variable. The author found that source credibility, review quality, review quantity, and review valence has positive and significant impact to purchase intention). By knowing the role of online consumer review on purchase intention, the premium cosmetic company may consider online consumer review as a cost-effective marketing strategy that in return can create more sales.

Keyword: electronic word of mouth, online consumer review, purchase intention, premium cosmetic

INTRODUCTION

Nowadays, the numbers of internet users over the world experience the positive growth. Indonesia is no exception. At 2014, there are about 83.7 million people as active internet user according to *kominfo.go.id*. While in 2015, *We are Social's* survey released report about the numbers of active internet users in November 2015 that reached 88.1 million people from total number 255.5 million populations in Indonesia.

Recently, e-WOM seems to have a bigger influence than traditional word of mouth due to the rapid growth of internet user and platform availability in spreading the information (Beneke et al., 2015). Cited from *www.frobes.com*, online consumer review becomes more important in 2015 for business, proved by the increasing of consumer who read online review, followed by 88% of consumers are having trust to review they read. Classified as one type of e-WOM, online consumer reviews can be said as emerging marketing communication and advertising that plays a role in the consumer purchase process to identify and evaluate the product they need. In this study, online consumer review will focus on premium cosmetic (skin care and color) due to the projection that premium cosmetic in Asia

will rise and exceed the mass cosmetic. Generally, online consumer review could be very useful for other consumers or could be just disfigure about certain product. People could write a positive or negative article about certain product and there is no reliable standard of it. It makes the review content in highly diverse which may lead consumer in difficulties to find useful and credible information.

The purpose of this study is to discover the effect of online consumer review on purchase intention toward premium cosmetic in Indonesia. For practical implication, it is important for premium cosmetic companies to understand the effect of online consumer review to widen their product information. Online consumer review can be a very cost effective marketing strategy that can create more purchase intention. This research will also contribute academically in enriching the studies of e-WOM related to purchase intention specifically in premium cosmetic industries.

LITERATURE REVIEW

Consumer Buying Decision Process

Consumer buying decision process is a complex process experienced by consumer with evolves the stages from recognize the problem about the brand until select the product that solves the problem (Hawkins, Best, & Coney, 2007). Kotler (1997) proposed the 5 stages of consumer buying decision process which consist of problem recognition, information search, evaluation of alternatives, purchase decision, and post purchase evaluation. In this study, the researcher focuses only on the stage information search and evaluation of alternatives because e-WOM plays a role in stage information search and has an influence in purchase intention.

Electronic Word of Mouth

According to Hennig-Thurau et al. (2004) e-WOM is a form of positive or negative statement about product or service, shared by consumer to other consumer via online platform. By having information about certain product or service, consumer could get a clearer point of view (Forman, Ghose, & Wiesenfeld, 2008).

Online Consumer Review

Almana & Mirza (2013) concluded consumer review as a part of e-WOM. Online consumer reviews can be translated into experienced-consumers' feedback and recommendation toward particular product and service that can embrace potential consumer to make a purchase intention (Khammash, 2008). According to Park, Lee, & Han (2007), consumers who wrote online review acted as information agent because they gave information and acted as recommender, they gave recommendation based on previous usage experience. In this research, the concept of online consumer review will be viewed through source credibility, review quality, review quantity, and review valence as independent variables.

Source Credibility

According to Lopez & Sicillia (2004), source credibility is consumer's perception about the credibility of the message source. It must be competent, believable and trustworthy for the readers, because it is considered as important aspect (Cheung, Lee, & Rabjohn, 2008). Based on the previous study which belongs to Bataineh (2015), source credibility is important things to the consumers in the process of receiving information. High level of credibility will result into higher purchase intention, otherwise, low level of credibility will have lower purchase intention.

H1: There is significant relationship between source credibility to purchase intention in premium cosmetic

Review Quality

High quality review is a review that contains objectivity and logical reasons, delivers understandable, sufficient and relevance information about related product and service (Park, Lee, & Han, 2007). According to Petty & Cacioppo (1984), understandable and objective information are stronger and more effective than emotional and subjective information. Park Lee, & Han (2007) said that the quality of a review, will gave a huge impact on consumer purchase intention. Another research also explained that clear information will help consumer to evaluate the product which may continue in creating the purchase intention (Bataineh, 2015)

H2: There is significant relationship between review quality to purchase intention in premium cosmetic

Review Quantity

According to Bataineh (2015), consumer tends to see the amount of review of particular product to know whether the product is popular and valuable or not. One of the factors that affects customer decision to buy the product or service is the amount of information customer received (Lee, Park, & Han, 2008). Park et al. (2007) stated that the more reviews number on a product indicates the more people have bought that product and it helps the potential consumer in consumer decision process. According to Park, Lee, & Han (2007), people consider whether the product is popular or not is bases on the amount of review. The level of purchase intention will increase along with the number of online consumer review (Park, Lee, & Han, 2007).

H3: There is significant relationship between review quantity to purchase intention in premium cosmetic

Review Valence

Review valence is defined as positive or negative statement occurred in particular product review (Cheung & Thadani, 2012). Lopez & Sicilia (2014) stated that valence will be combined by consumer to get the product evaluation. Park & Lee (2009) also explained that review valence gives a contribution in influencing consumer purchase decision. Cheung &

Thadani (2012) showed that valence is considered as persuasive effect because consumer purchasing decision depends on the type of information provided whether the review of particular brand is a positive review or negative review. If the positive review is more than the negative one, the level of purchase intention will increase toward particular brand (Doh & Hwang, 2009).

H4: There is significant relationship between review valence and purchase intention in premium cosmetic

Purchase Intention

Purchase intention is a part of consumer buying decision process. This process appeals as the result of the way consumer search and evaluate the product information. Purchase intention can be defined as the probability of consumer will purchase particular product (Fazli, Sam, & Tahir, 2009).

METHODOLOGY

This research gathered primary data by spreading the online questionnaire to 400 Indonesian youth female aged 15-29 years old. Slovin formula was used to determine the sample with error term (e) of 0.05. The questions of each variable used Likert five-point scales where is scale 1 means Strongly Disagree and scale 5 means Strongly Agree. The author used face validity and Pearson Correlation with SPSS 23 in order to validating the data while for the reliability the author used Cronbach's Alpha. Data will be analyzed further by using Multiple Regression Analysis and processed by SPSS 23.

RESULTS

Respondents' Profile

Table 1 shows that respondents who have searched for premium cosmetic online review mostly came from age 20-24 (71%), college student (76%) and came from Bandung and Jakarta (42% and 30%). It means this group is the most potential group to market premium cosmetics in terms of their interest in viewing premium cosmetic online review. College students start to pay more to beautify themselves with the branded one, so they start to look online review to determine which premium cosmetic is suitable and reduce the risks of purchasing premium cosmetic. Youth females who live in Bandung and Jakarta put more interest in premium cosmetic products because Bandung and Jakarta are a big city of beauty trend in Indonesia.

The highest percentage of respondents spent between IDR 100,000 – IDR 500,000 at 50% followed by respondents who spent IDR 500,001 – IDR 1,000,001 at 45%. This results support the research that premium cosmetic is growing related to the rising spending aspiration of middle to high end class In Table 1, we can see that respondents mostly buy the premium cosmetic product once in 1-3 months which represented 40% from total respondents.

Table 1. Respondents' Profile

Criteria	Frequency	Percent
Demographic Profile: Age		
15-19 years old	87	22%
20-24 years old	284	71%
25-29 years old	29	7%
Demographic Profile: Occupation		
Student	51	13%
College student	303	76%
Housewife	10	3%
Employee	28	7%
Others	8	2%
Demographic Profile: Domicile		
Bandung	169	42%
Semarang	35	9%
Surabaya	15	4%
Yogyakarta	31	8%
DKI Jakarta	120	30%
Others	30	8%
Purchasing Behavior: Premium Cosmetic Spending		
< IDR 100000	0	0%
IDR 100000 - IDR 500000	201	50%
IDR 500001 - IDR 1000000	179	45%
> IDR 1000001	20	5%
Purchasing Behavior: Frequency Buying Premium Cosmetic:		
less than once a month	77	19%
once in 1-3 months	162	41%
once in 4-5 months	103	26%
once in more than 5 months	58	15%
Review Behavior: Frequency of reading/viewing review every time you search product's review		
1-3	162	41%
4-6	181	45%
>6	57	14%
Review Behavior: Channel of reading / viewing review		
Website e-commerce	220	
Youtube	286	
Social Media	230	
Blog	187	
Forum	47	
Review Behavior: Time of reading / viewing review		
Every time new product is released	300	
Before choosing the brand (ex: I know I want to buy mascara, but I don't know which brand I have to buy)	387	
Other	42	

Table 1 show that respondents read/viewed the premium cosmetic review about 4-6 times with 45% of total respondents. This result proved that respondent knew the existence and interest to read online review. For the channel of reading/viewing review and time of reading/viewing review, the respondents may choose multiple platforms to obtain premium cosmetic review. The data shows that Youtube is the most favorite channel with 286 respondents due to video might be more interesting to look at. Then, about 387 respondents

read/viewed the premium cosmetic review every time before they chose the products. This happens because the respondents want to know the right one within many good brands. Besides, premium cosmetic product is not cheap as well, so they want to decrease the risk by reading/viewing the premium cosmetic review.

Validity and Reliability Test

Table 2. Table of Validity Result

Validity Test Result									
	SC	QUAL		QUAN		VAL		PI	
SC1	0.824	QUAL1	0.77	QUAN1	0.864	VAL1	0.834	PI1	0.879
SC2	0.861	QUAL2	0.792	QUAN2	0.825	VAL2	0.717	PI2	0.739
SC3	0.85	QUAL3	0.698	QUAN3	0.818	VAL3	0.654	PI3	0.879
SC4	0.64	QUAL4	0.918	QUAN4	0.812	VAL4	0.751	PI4	0.652
		QUAL5	0.797					PI5	0.812
		QUAL6	0.636						

The author used Pearson Correlation to test the validity for each variable. From the result, it showed that all of the questions for each variable were valid because the r-calculation was bigger than r-table at 5% error term (0.361).

Table 3. Table of Reliability Test

Reliability Test Result		
Variables	Cronbach's Alpha	N of Items
SC	0.804	4
QUAL	0.865	6
QUAN	0.832	4
VAL	0.731	4
PI	0.834	5

Cronbach Alpha was used to test reliability. From the table 3, it can be concluded that all of the variables were reliable due to the values of each variable were greater than 0.7.

Descriptive Statistic

Table 4. Descriptive Statistic

Source Credibility		Mean	Overall Mean
I believe that people who left review about product of particular premium cosmetic brand is trustworthy		3.80	
I believe that people who left review about product of particular premium cosmetic brand is reliable		3.75	3.90
I believe that people who left review about product of particular premium cosmetic brand is credible		3.90	
I believe that people who left review experienced in using product of particular premium cosmetic brand		4.16	
Review Quality		Mean	Overall Mean
Review about product of particular premium cosmetic brand is clear		3.84	
The reviewers gave detail information about particular premium cosmetic product		3.61	3.89
The information about product of particular premium cosmetic brand is relevant with my search		4.09	
Review about product of particular premium cosmetic brand is objective		3.68	

Review about premium cosmetic product is understandable	3.94	
The online review of particular premium cosmetic product is helpful	4.17	
	Review Quantity	Mean Overall mean
The information quantity of product from particular premium cosmetic brand review is large	3.73	
Large number of reviews indicates that the product of particular premium cosmetic brand is popular	4.28	
Large number of reviews indicates that the product of particular premium cosmetic brand has good quality	3.92	3.96
The information quantity about product of particular premium cosmetic brand is sufficient to satisfy my needs of searching the information	3.91	
	Review Valence	Mean Overall Mean
Negative reviews decrease my interest towards the product	3.85	
Many negative reviews make me choose to seek another premium cosmetic brand	3.99	3.81
Reviewers positively evaluate the product of particular premium cosmetic brand	3.62	
In general, reviewer recommend the product of particular premium cosmetic brand	3.79	
	Purchase Intention	Mean Overall Mean
After seeing video about premium brand cosmetic review, my intention to purchase the brand is high	4.01	3.92
After reading particular premium cosmetic brand review, my intention of purchase the brand is high	3.95	
I am willing to purchase the product after reviewing the related premium cosmetic brand	3.92	
In the future, I will consider the product discussed in the online reviews/comments as my first choice	3.89	
I intend to continue purchasing the product of particular premium cosmetic brand based on online review	3.84	

Note: 1= Strongly disagree to 5= Strongly agree

Table 4 concludes that all of the statements in the source credibility, review quality, review quantity, review valence were good because each statement had the mean bigger than 3.00 (neutral) and also supported with the value of overall mean which is 3.90, 3.89, 3.96, 3.81, and 3.92. On the other words, the respondents mostly agreed with the statement given.

Classical Assumption Test

Table 5. Autocorrelation Test

Model	Durbin-Watson	dL	dU	4-dU	4-dL
1	1.972	1.81574	1.85612	2.14388	2.18426

Since the result of Durbin Watson was 1.972, and the value is between dU and 4-dU, so there was no autocorrelation in the data and the data passed the autocorrelation test.

Table 6. Multicollinearity Test

		Coefficients ^a	
Model		Collinearity Statistics	
		Tolerance	VIF
	(Constant)		
1	SC	.547	1.828
	QUAL	.468	2.138
	QUAN	.604	1.655
	VAL	.757	1.321

Seen from the Table 6, the data pass the multicollinearity test because all of the independents variables had tolerance value between 0.10 till 0.90 and VIF value below than 10.

Table 7. Normality Test

		Standardized Residual
N		400
Normal Parameters ^{a,b}	Mean	.0000000
	Std. Deviation	.99497484
Most Extreme Differences	Absolute	.037
	Positive	.037
	Negative	-.029
Test Statistic		.037
Asymp. Sig. (2-tailed)		.196 ^c

a. Test distribution is Normal.

b. Calculated from data.

c. Lilliefors Significance Correction.

Table 7 shows the data had normal distribution because the result of Kolmogorov-Smirnov's result said that the test distribution is normal. So the data pass the normality test.

Table 8. Heteroscedascity Test

Model	Sig.
(Constant)	.129
SC	.750
QUAL	.294
QUAN	.383
VAL	.643

a. Dependent Variable: ABRES

Based on the Table 8, it can be seen that all of the significant values of each independent variable were bigger than 0.05. It means that the data were homoscedasticity or no heteroscedasticity. Thus the data passed from heteroscedasticity test.

Table 9. Linearity Test

		Sum of Squares	df	Mean Square	F	Sig.
PI*SC	Deviation from Linearity	24.615	67	.367	1.203	.150
PI*QUAL	Deviation from Linearity	58.099	190	.306	1.214	.085
PI*QUAN	Deviation from Linearity	27.672	92	.301	.905	.712
PI*VAL	Deviation from Linearity	24.288	69	.352	1.072	.340

Based on Table 9, the sig. value of all variables was bigger than 0.05, it means that this model shows the linearity relationship between independent variable and dependent variable.

MULTI REGRESSION RESULT

Table 10. Regression Result

Model Summary^b

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.750 ^a	.562	.558	.459599

a. Predictors: (Constant), VAL, SC, QUAN, QUAL

b. Dependent Variable: PI

ANOVA^a

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	107.182	4	26.795	126.854	.000 ^b
	Residual	83.436	395	.211		
	Total	190.618	399			

a. Dependent Variable: PI

b. Predictors: (Constant), VAL, SC, QUAN, QUAL

Coefficients^a

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	.117	.160		.730	.466
	SC	.199	.045	.199	4.421	.000
	QUAL	.323	.052	.301	6.178	.000
	QUAN	.180	.044	.175	4.078	.000
	VAL	.307	.043	.275	7.197	.000

a. Dependent Variable: PI

From the result of the Table 10, the regression model is:

$$PI = 0.117 + 0.199 SC + 0.323 QUAL + 0.180 QUAN + 0.307 VAL$$

Table 9 shows the value of coefficient of determination or R square was 0.562. It means that all of the Source Credibility, Review Quality, Review Quantity, and Review Valence can explain the purchase intention by 56.2%, while the remaining 43.8% (100% - 52.6%) is explained by other factors outside the model.

For F test, Table 9 shows that the sig. value in Anova table were 0.000. Since the sig. value is < 0.05, it indicates that all the independent variables have significant simultaneously toward dependent variable. For T test, Table 9 shows that all of the sig. value of each independent variable was 0.000. Since the all of the sig. values were < 0.05, it implies that each independent variable have significant effect to dependent variable partially. Besides, all of independent variables showed positive sign seen from t value.

Source Credibility

In this study, H1 stated that there is significant relationship between source credibility to purchase intention in premium cosmetic. The result showed that source credibility (SC) had a significant influence to the purchase intention with positive direction with coefficient or β was 0.199 and sig. value was 0.000. It means that every 1 unit increment of source credibility will also increase the purchase intention as much 0.199 point. Thus, the findings offer

support to accept H1. This significant and positive relationship supports previous research on Bataineh (2015) which states that there is an effect of source credibility on purchase intention. If a message source has high credibility, then consumers will trust the message contents so that credibility is how much that message reflects the reality on the consumers' evaluation. Based on the results, consumers believe that a person who provides a review is someone who has had experience in using premium cosmetic. It also results into the higher source credibility, the higher purchase intention toward premium cosmetic.

Review Quality

In this study, H2 stated that there is significant relationship between review quality to purchase intention in premium cosmetic. Table 9 showed that review quality (QUAL) had a positively significant influence to the purchase intention with sig. value 0.000 and the coefficient value or β was 0.323. It implies that every 1 unit increment of review quality will also increase the purchase intention as much 0.323. Thus, the findings offer support to accept H2. Review quality becomes the most influent variable that affects the purchase intention. Review quality be very important because consumers want to minimize the risk when selecting premium cosmetic considering that the price is quite expensive compared to drugstore cosmetics. This result supports previous study from Park, Lee, & Han (2007) and Bataineh (2015) who said that there is a significant impact of review quality toward purchase intention. In addition, the higher the quality of review, the higher consumer intentions to purchase cosmetic products reviewed.

Review Quantity

In this study, H3 stated that there is significant relationship between review quantity to purchase intention in premium cosmetic. Table 9 shows that review quantity had a positive and significant influence to consumer purchase intention with coefficient value or β was 0.180. It indicates that every 1 unit increment of review quantity will also increase the purchase intention as much 0.180. Thus, the findings offer support to accept H3. This result proves that the more amount of the reviews about a product of a particular brand shows that a more people have used the product. The highest results of the review quantity questionnaire also showed that the more reviews, the more popular the product is in community. This shows that the Indonesian people, especially youth female are more likely to follow something popular. The significant and positive result supports the previous study from Park, Lee, & Han (2007) who said that the purchase intention will increase along with the number of online consumer review.

Review Valence

In this study, H4 stated that there is significant relationship between review valence to purchase intention in premium cosmetic product. Table 9 shows review valence (VAL) result 0.307 in the coefficient value or β . It implies that every 1 unit increment of review valence will also increase the purchase intention as much 0.307. Thus, the findings offer support to

accept H4. This result supports the previous study that mentioned review valence has a significant effect on consumer purchase intention (Doh & Hwang, 2009). Review valence depends on whether the review is positive and gives recommendation or the review is negative. The positive review which ends on the recommendation will make an increasing of purchase intention. On the contrary, the negative review will lower the purchase intention and the consumer will seek a review of another brand product which gives positive review that will increase the purchase intention toward the premium cosmetic reviewed.

DISCUSSION AND CONCLUSION

The aim of this study is to examine the effect of online consumer review to purchase intention in premium cosmetic product. The result of this research found that all of the independent variables (source credibility, review quality, review quantity and review valence) has significant and positive relationship toward consumer purchase intention. Review quality became the most influence variable that affects purchase intention, followed by review valence, source credibility, and review quantity. Thus, all hypothesizes can be accepted.

For practical implication, company should involve in monitoring the spread of online review. This could be also the opportunity for company to do the data mining. Companies can improve themselves if there are a lot of negative reviews spread online and create a brand recovery strategy to mitigate the negative review. In addition, since the review quality have the biggest influence in consumer purchase intention, company could utilize the existing review which had good quality and positive review as a part of company's business communication.

This study is focusing on youth female who also have an experience in reading/seeing the premium cosmetic as the limitation. Also, 5% of margin error is used in this study. As the improvement of this study, future research should focus in some issues. It is highly recommended for future research to adding another variable in the model. Variable such as attractiveness might have influence in purchasing intention. Other variable that might be included in further research is prior knowledge, and attitude. Future research could also to take settled career and mature woman who have bigger disposable income as the respondent.

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THE IMPACT OF CELEBRITY AND NON-CELEBRITY ENDORSER CREDIBILITY IN THE ADVERTISEMENT ON ATTITUDE TOWARDS ADVERTISEMENT, ATTITUDE TOWARDS BRAND, AND PURCHASE INTENTION

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Abstract

In this highly competitive era, consumers can be exposed to large volume of advertisement. Hence, the concept of celebrity endorsement is commonly used to help advertisement stands out from the surrounding media clutter in the communication process. Numerous researchers have proved empirically the effectiveness and the positive influence of the celebrity endorsement in advertising. However, the use of celebrity endorsers can also inflict several potential disadvantages. As an alternative, the use of non-celebrity endorsers as unknown individual should also be considered since they will consequently intensify the focus on the product, give a chance for high degree of control for company, cost advantage as well as possibility to have a better fit between the product and endorsers. Therefore, this research is undertaken to analyze the impact of celebrity and non-celebrity endorser credibility – attractiveness, trustworthiness and expertise in the advertisement with respect to attitude toward advertisement, attitude toward brand, and purchase intention of Indonesian consumers, particularly city of Bandung and Jakarta. A questionnaire was distributed to 384 women in Bandung and Jakarta; a pilot study was conducted for the questionnaire improvement. Multiple regression analysis is applied to analyze the relationship between the variables. This paper describes that celebrity endorser is perceived to be more attractive while non-celebrity is perceived to be more trustworthy and expert in significantly influencing consumer's attitude toward advertisement, brand, and purchase intention. This result is in the consequence of several potential disadvantages of using celebrity endorsement which have been mentioned above.

Keywords: Attitude toward Advertisement; Attitude toward Brand; Celebrity Endorsement; Non-Celebrity Endorsement; Purchase Intention

INTRODUCTION

Consumers can be exposed to large volume of advertisements in this highly competitive era. The number of advertisement which exceeds the acceptance level of a consumer in an editorial media vehicle is considered as clutter and is frequently perceived as an undesirable phenomenon both for advertisers and consumers (Ha L. , 1996). Consumers will pay less attention to advertisements in a cluttered media environment because they will be irritated by the advertisements and subsequently avoid the ads altogether. Other than that, the excessive amount of advertisements presented will lead to the inability of consumers to remember the ads due to their limited memory capacity (Ha & McCann, 2008). Therefore, advertisers should pay attention to their advertising strategies that must be able to capture consumer's attention and influence their buying decision. Celebrity endorsement such as actors, actresses, entertainers and athletes as one of major advertising strategies is commonly

used for promotional activities. A celebrity is a person who has a salient profile and owns a substantial degree of public fascination and influence in daily media (Asad, Hayat, & Mehmood, 2013). It is affirmed by (Muda, Musa, & Putit, 2012) that celebrity can help advertisement stand out from the surrounding media clutter by cutting off excess clutter in the communication process thus the communicative capability is improved.

However, there are also several potential risks involved of using celebrity endorsement. Celebrity endorsement can inflict high risk and 'no gain' situations such as the 'scandals' surroundings celebrities like Michael Jackson, Kate Moss, Britney Spears, Paris Hilton due to the limited control over the celebrity's persona by the company (Roozen & Claeys, 2010) and also celebrity's future behavior (Till & Shimp, 1998). It is also stated by Till & Shimp (1998) that any negative information which is produced by the celebrity's private actions will negatively affect the company, perception of consumers about the celebrity and also the endorsed brand. Moreover, empirical studies have found that the existence of celebrity can attract consumers to watch the advertisement but consumers will fail to notice the brand which being promoted because they focus on the celebrity (Erdogan, 1999).

Consequently, the trend of using non-celebrity advertising is growing due to the negative effect of celebrity endorsement which could damage the brand image (Saeed, Naseer, Haider, & Naz, 2014). According to (Prieler, Kohlbacher, Hagiwara, & Arima, 2010), non-celebrities persons are used in the advertisement in order to keep away the negative effect of celebrity endorsement. Non-celebrity is an individual who isn't well-known, chosen by company based on the demographics of existing target market (Rodriguez, 2008). As an alternative, companies can create their own endorsers i.e. a created spokesperson using not so well-known individuals in order to give a chance for high degree of control (Roozen & Claeys, 2010) cost advantage and also possibility to have a better fit between the product and endorsers (Erdogan, 1999); (Tom, et al., 1992).

Numerous researches have proved empirically the effectiveness and the positive influence of the endorsement by the celebrities in advertising, specifically on endorser's credibility, message reminder, announcements approval and purchase intention (Menon, 2001); (Pornpitakpan, 2003); (Pringle & Binet, 2005); (Roy, 2006). Besides the fact of their potential advantages, using celebrity endorsement can cause several potential risks as mentioned above. All of those arguments lead us to notice that the use of non-celebrity can be also another option which should be considered seriously. Choosing the right endorser is both a crucial and risky decision, thus it is needless to argue that effectiveness of both celebrity and non-celebrity endorsement is well worth to be further analyzed.

However, the previous studies regarding the impact of celebrity and non-celebrity endorsement have been conducted in different countries and consumer groups. The studies in Indonesia about that topic are still limited, thus this research may generate different result from the earlier study which can be considered for advertisers for further improvement. The credibility of endorsers were considered as an important factor which might impact consumer's purchase intention and attitudes toward advertising Therefore, this research aims

to find out the impact of credibility dimensions of celebrity and non-celebrity endorser – attractiveness, trustworthiness, and expertise on attitude towards advertisement, attitude towards brands, and also purchase intention of Indonesian consumers, particularly city of Bandung and Jakarta. Moreover, the result of this research can reveal which attributes of celebrity and non-celebrity that most influence the attitude toward advertisement, brands, and also purchase intention that will provide strategic advantage about selecting the right endorsers.

LITERATURE REVIEW

Endorsements as Part of Advertising Strategy

Endorsements are used to grab attention to the product since the endorsers can transfer its characteristics onto the product and if the target consumers like or aspire to have the endorser's characteristics, they would like to purchase the product of service (Byrne, Whitehead, & Breen, 2003). When choosing an endorser, advertisers can either choose a celebrity or created spokesperson (Tom, et al., 1992). According to (van der Waldt, van Loggerenberg, & Wehmeyer, 2009), there are two kinds of created spokesperson; either real (unknown) people acting out or animated / imaginary roles. In this study, the real people is considered as the created endorsers and called as non-celebrity endorsers.

Celebrity Endorsement

According to McCracken (1989), "A celebrity endorser is a person who enjoys the public recognition and who uses this recognition in the name of goods while appearing with this one in advertising". Celebrities are frequently used by companies because they can easily escalate the brands of the company as well as save resources in building credibility by transferring their values to the brand (Byrne, Whitehead, & Breen, 2003). Other than that, due to the attractive and pleasant qualities of celebrity, consumers will associate the brand with their favorite celebrity that make the advertising more effective (Atkin & Block, 1983). It is stated by (Dyer, 1986), that celebrity is one of the most effective tools to gain consumer's attention and get him or her to interpret the appropriate message in a limited amount of time and space.

Non-Celebrity Endorsement

"A non-celebrity is a person who, prior to placement in the campaign, has no public notoriety but appears in an advertisement for the product" (Menon, 2001). Non-celebrity endorsers as unknown person will consequently intensify the focus on the product or brand endorsed rather than on the endorsers themselves because they are usually more representative for the targeted market compared to the celebrity endorsers (Brett, Wentzel, & Tomczak, 2008). The non-celebrity credibility became the main asset in order to increase advertising effectiveness and also leads more positive attitudes than celebrity (Gaied & Rached, 2010)

The Source Credibility Model

In the literature, two general models are often used to analyze celebrity endorsement: the source credibility model and the source attractiveness model. The Source Credibility Model was found by Hovland et. al (1953) while The Source Attractiveness Model was proposed by McGuire (1985) which mainly based on four dimensions, namely “familiarity”, “likability”, “similarity”, and “attractiveness”. A source is a person or an organization disseminating a message (Gaied & Rached, 2010). According to Hovland et al (1953), the Source Credibility Model fundamentally states that the effectiveness of a message depends on perceived level of expertise and trustworthiness of an endorser or the source. Therefore, two fundamental dimensions of source credibility are expertise and trustworthiness. Besides those two dimensions, it is stated that attractiveness of the source is also accepted as a dimension of credibility (Ohanian, 1990). The source familiarity, likability and similarity were not used in this research. Hence, there are three dimensions of source credibility: ‘Attractiveness’, ‘Trustworthiness’ and ‘Expertise’ which described as follow:

Attractiveness

Attractiveness is the stereotype of positive associations to a person and not only involves physical attractiveness but also the other characteristics such as personality and athletic ability (Erdogan, 1999). When consumers feel that there is something in common between them and the endorser, they will find the endorsers as attractive. Attractive endorsers are more successful in changing beliefs (Ohanian, 1990). Perceived attractive endorsers are more likely to lead to the purchase intention (van der Waldt, van Loggerenberg, & Wehmeyer, 2009). The attractive characters in the advertisement induce a more favorable attitude towards the advertising and a high purchasing intentions (Petroshius & Crocker, 1989).

Trustworthiness

Trustworthiness is “the honesty, integrity, and believability of an endorser” (Erdogan et al, 2001). Trustworthiness refers to level of confidence that consumers have regarding the validity of assertions communicated by the endorser (Ohanian, 1990). It becomes important to choose the endorsers with high level of trustworthiness, honesty, and affinity which would further enhance the advertisement (Shimp, 2003). Celebrity are perceived to be more expert and trustworthy than non-celebrity. However, it was stated that attractiveness and trustworthiness of celebrity are not related to the purchase (Ohanian, 1990). On the other side, Pornpitakpan (2003) stated that all of three credibility dimensions were positively related to the purchase intention.

Expertise

Expertise refers to the degree to which the endorser is perceived to have the adequate knowledge, experience or skills to promote the product (van der Waldt, van Loggerenberg, & Wehmeyer, 2009). It’s not important whether the endorser own an expertise or not as long

as consumers perceived it to be so (Erdogan, 1999). According to Ohanian (1990), expertise was significantly related to purchase and the best assessment of the endorser's expertise level is the knowledge about product. If the endorser has more knowledge about the product, it will lead to positive attitude toward the brand (Chan et al, 2013). Celebrities are perceived to have more expertise than the created spokesperson (van der Waldt, van Loggerenberg, & Wehmeyer, 2009).

Attitude towards Advertisement (AAD)

It was found that endorser credibility has an impact on the Attitude towards Advertisement (AAD) (Lafferty & Newel, 2000). Therefore, the AAD would be one of the dependent variables in this study. Attitude towards Advertisement (AAD) refers to the behavior of the audience towards the advertising (Bauer & Greyser, 1968) which can be represented through consumer's favorable or unfavorable reaction towards a particular advertisement (Mackenzie and Lutz, 1989). The cognitive ability towards the advertising of consumer would be reflected in their thoughts and feelings which subsequently will influence their attitude towards advertising. Hence, the consumers' attitude toward advertising became one of the influential indicator for measuring advertising effectiveness (Mehta, 2000); (Mackenzie and Lutz, 1989).

Attitude towards Brand (AAB)

Attitude towards brand (AAB) is defined as an "individual's internal evaluation of the brand." (Mitchell & Olson, 1981). Attitude toward brand is a predisposition to responds in a favorable or unfavorable way to a particular brand after the individual has been shown the advertising stimulus (Phelps & Hoy, 1996). The earlier studies stated that AAD and AAB are not considered as one variable since they are different from each other and had been used as separated variables (e.g. (Goldsmith & Newell, 2000)).

Purchase Intention

Purchase intention would be one of dependent variables since it is claimed by (O'Mahony & Meenaghan, 1998) that endorsers' credibility had the greatest impact on the purchase intention. Purchase intention is personal behavioral tendency to a particular product or brand (Bagozzi & Burnkrant, 1979) and the probability a customer will purchase a particular product (Fishbein & Ajzen, 1975); (Dodds, Monroe, & Grewal, 1991) (Schiffman & Kanul, 2000). Intentions are different with attitudes. TV commercials, newspaper or magazine advertisings can be used to push the exposure rate of a product and the brand attitude and knowledge of consumers in order to increase the purchase intention (Miciak & Shanklin, 1994).

Theoretical Framework and Research Hypothesis

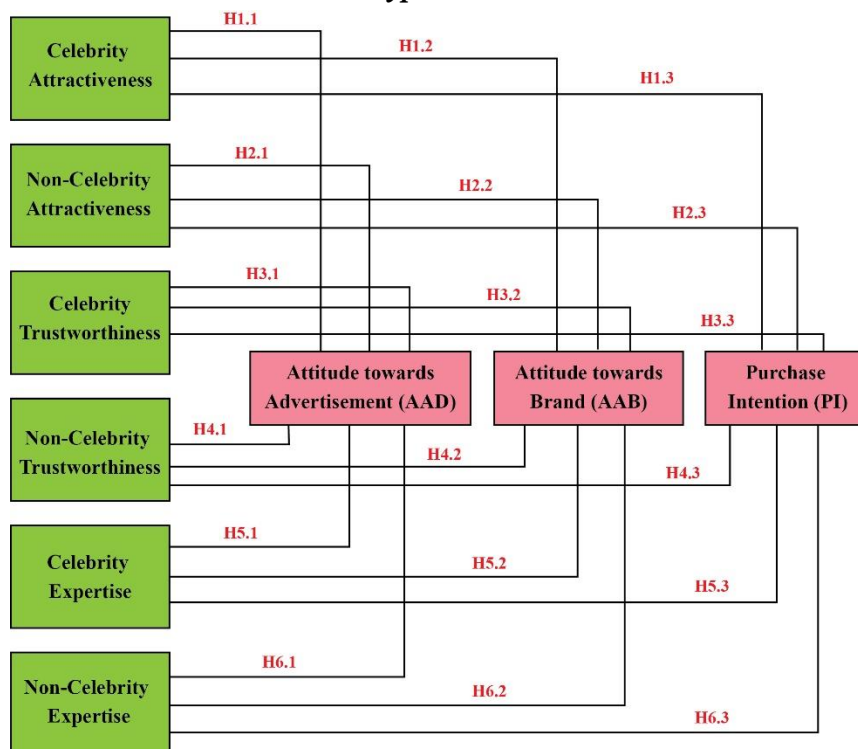


Figure 1 Theoretical Framework

Based on the literature review and the research objectives, the research hypotheses are constructed as follows:

H1: Celebrity Attractiveness has a significant impact on:

H1.1 the attitude toward advertising

H1.2 the attitude toward brand

H1.3 purchase intention

H2: Celebrity Trustworthiness has a significant impact on:

H2.1 the attitude toward advertising

H2.2 the attitude toward brand

H2.3 purchase intention

H3: Celebrity Expertise has a significant impact on:

H3.1 the attitude toward advertising

H3.2 the attitude toward brand

H3.3 purchase intention

H4: Non-Celebrity Attractiveness has a significant impact on:

H4.1 the attitude toward advertising

H4.2 the attitude toward brand

H4.3 purchase intention

H5: Non-Celebrity Trustworthiness has a significant impact on:

H5.1 the attitude toward advertising

H5.2 the attitude toward brand

H5.3 purchase intention

H6: Non-Celebrity Expertise has a significant impact on:

H6.1 the attitude toward advertising

H6.2 the attitude toward brand

H6.3 purchase intention

METHODOLOGY

Sampling

This research applied non-probability sampling which is purposive sampling method. According to purposive sampling method, the criteria of respondents should be women aged 16-30 years old who live in Bandung or Jakarta. In determining the sample size for this research, the researcher refers to Sekaran (2003) that stated if the population of the study exceeds a million with the level of confidence 95% and margin error of 5%, sample of 384 respondents would be enough to represent the population. Hence, 384 women were targeted as the respondent for this research.

Data collection

Data is collected from both primary and secondary sources. Primary data was collected using quantitative method by distributing self-administered online questionnaire to the targeted respondents during July 2016. Pilot study was conducted to 30 people for the evaluation of questionnaire and also further improvement before the questionnaire was fully distributed. Meanwhile, secondary data was obtained through journals, textbooks, and also online resources which can be used to develop the hypothesis.

Questionnaire Design

Before filling out the survey, respondents were exposed to two pieces of advertisements. The videos of both advertisements were featured in the second section of questionnaire and the respondents were asked to watch the videos since the entire questions would be refer to those videos. In addition, some scenes in both videos were also presented in form of picture in every section of questionnaire so that the respondents would able to keep those advertisements in their mind while filling out the questions. Pantene' shampoo advertisement which employed celebrity endorser was selected. The other selected advertisement was a testimonial advertising of 'Dove' shampoo which featured three 'regular' women as non-celebrity endorsers. Both type of endorsers played a different role in conveying the messages in those advertisement although both of them were jointly

explaining the benefits and their experiences of using the product. Raline Shah in 'Pantene' advertisement act as celebrity endorser as well as brand ambassador of Pantene while the 'regular' women in 'Dove' advertisement act as typical ordinary user.

In terms of advertised products, the researcher decided to opt similar type of product which is hair fall shampoo. The researcher wished to eliminate any possible effect of brand familiarity and brand loyalty that might have been existed and varied in the mind of respondents. Hence, the researcher decided to choose shampoo product category which included in Fast Moving Consumer Goods (FMCG) that generally requires low level of involvement. According to Petty et al (1983), a person will not expend the effort or engage in any extensive thought to think about the product-relevant arguments in the advertisement, but may instead focus on the attractiveness, credibility, or prestige of the product's endorser (peripheral route) when considering low involvement product.

The factor such as brand familiarity, brand loyalty and price of both advertisement were assumed to be equal. In the beginning of the questionnaire, it has been also emphasized that for the importance of the research the respondent was asked to put herself as an individual who has never watched both presented advertisements and never recognized about both brands in the advertisements. The price of both products in the advertisements are assumed to be equal.

Measurement Instrument

The questionnaire of this study used Multiple Choice scale for the first section which measured the demographic variable as much as five items while the rest of the sections used a seven-point Likert scale ranging from 1: "Strongly Disagree" to 7: "Strongly Agree". In this study, in order measure endorser's credibility, Ohanian's (1990) scale was used for both celebrity and non-celebrity endorsers since Ohanian (1990) stated that the scale can be applied beyond the use of celebrity spokespersons. It can be applied effectively in choosing the most appropriate 'average consumer' as a spokesperson. Therefore, the dimensions of source credibility were measured using six sub-variables, namely celebrity attractiveness, non-celebrity attractiveness, celebrity trustworthiness, non-celebrity trustworthiness, celebrity expertise, and non-celebrity expertise as the independent variables. Attitude towards Advertisement (AAD) would be measured using four sub-variables adapted from the previous research of Ling, Piew & Chai (2010) while Attitude towards Brand (AAB) was measured using the scale of Mackenzie & Lutz (1989) which consists of three pairs of descriptive words. The last dependent variable, namely Purchase Intention (PI) would be evaluated using the scale of Batra & Ray (1986).

RESULTS

Demographic Profile of Respondents

The table 1 indicates that the respondents aged of 21-25 years old dominated with the percentage of 71.9%. Other than that, majority of respondents were found to reside in Bandung with the percentage of 82.6%. In terms of education background, it can be seen

that Diploma Degree with the percentage of 70.3% has the highest frequency among the other education level. These results are in consequence of the survey distribution which mainly distributed among high school and college students in Bandung in order to support young population who have been claimed to be heavily influenced by celebrity endorsers (Bush, Martin and Bush, 2004; Stanton, Currie, Oei, and Silva, 1996; Atkins and Block, 1983).

Table 1. Demographic Profile of Respondents

	Classification	Frequency (n)	Percentage (%)
Age	16-20	99	25.8
	21-25	276	71.9
	26-30	9	2.3
City of Residence	Bandung	317	82.6
	Jakarta	67	17.4
Education Background	Middle School	56	14.6
	High School	43	11.2
	Diploma Degree	270	70.3
	Bachelor Degree	8	2.1
	Master Degree	7	1.8

Validity and Reliability Test

All indicators for each variable were tested for its validity and reliability. Researcher used Kaiser-Meyer-Olkin (KMO) score and factor loading to test its validity of each indicator. The factor loading of each item of indicator must be above 0.5 and KMO score of each variable should be ≥ 0.5 to be regarded as valid. Meanwhile, in order to test the reliability of each variable, the Cronbach's Alpha test is used where the result should be more than 0.6 to be regarded as reliable. The validity and reliability test of endorser's credibility showed that all of the constructs within that variable were qualified to be included for the regression test since the factor loading of each construct is higher than 0.5 and the score of KMO reached 0,904. For the reliability test, Endorser's Credibility variable was considered as reliable as the Cronbach's Alpha score was 0.932.

The variable of Attitude toward Advertisement also managed to result KMO score at 0.818 and its entire factor loading was also found above 0.5. These results indicate that each construct within that variable supported the variable as on component and can be further examined. In terms of its reliability, Attitude toward Advertisement passed the reliability test since the Cronbach's Alpha was 0.911. Other than that, Attitude toward Brand and Purchase Intention were also considered as valid since their KMO score are 0.754 and 0.5, respectively and their entire factor loading exceeded 0.5. The Cronbach's Alpha score of both variables exceeded 0.6 with the score for Attitude toward Brand was 0.870 and the

score for Purchase Intention was 0.895. To sum up, it can be concluded that the entire variables passed the validity and reliability test and can be further analyzed.

Relationship between Independent Variables and Dependent Variables

The hypothesis which were presented in the theoretical framework would be tested using multilinear regression. Regression is used to analyze the influence factors have to other variables. According to the framework, there are six regression models which will be analyzed. The hypothesis testing would be conducted on each model through classical assumption test and then followed by multiple linear regression. Classical assumption test was performed on each regression model in order to determine the validity of the regression. The classical assumption test consist of several tests, namely normality test using Kolmogorov-Smirnov Lilliefors correction; multicollinearity test using Variance Inflation Factor (VIF) and tolerance value and heteroscedasticity test using Spearman's rank correlation. According to the result, it can be concluded that the data of entire models have passed all the classical assumption test and can be further analyzed using multiple linear regression.

Table 2 Relationship between Independent Variables to Dependent Variable of Model 1 and Model 2

Model	Dependent Variable	Independent Variable	ANOVA		Coefficient			Hypothesis
			F	Sig.	Beta	Sig.	R ²	
1 st	Attitude towards Advertisement (AAD)	Celebrity Attractiveness	123.137	0.000	0.404	0.002**	0.493	H1.1
		Celebrity Trustworthiness			0.986	0.000***		H2.1
		Celebrity Expertise			0.489	0.000***		H3.1
2 nd	Attitude towards Advertisement (AAD)	Non-Celebrity Attractiveness	113.860	0.000	-0.070	0.529	0.473	H4.1
		Non-Celebrity Trustworthiness			1.145	0.000***		H5.1
		Non-Celebrity Expertise			0.640	0.000***		H6.1

Table 2 indicates that based on the significance level table, it can be seen that the entire independent variables of both models strongly influence (***) the dependent variable although Celebrity Attractiveness was found to have lower significance level (*) compared to the other variables. However, Non-Celebrity Attractiveness showed its significance level of 0.529 which indicates that Non-Celebrity Attractiveness has no significant influence on Attitude towards Advertisement. The negative beta coefficient of Non-Celebrity Attractiveness indicates that every increase of Non-Celebrity Attractiveness value and the other two variables are remained constant will decrease the Attitude toward Advertisement as much as 0.070 but not significantly, since its significance level was higher than 0.05.

Other than that, Non-Celebrity Trustworthiness has the biggest influence on Attitude toward Advertisement ($\beta=1.145$, $p=0.000$) and followed by Celebrity Trustworthiness ($\beta =0.986$, $p=0.000$). Those results above are contrary with the previous research of Bhatt, Jayswal, and Patel (2013) concluded that trustworthiness and expertise of celebrity endorser have no significant impact on Attitude toward Advertisement while attractiveness was found to significantly influence.

Table 3 Relationship between Independent Variables to Dependent Variable of Model 3 and Model 4

Model	Dependent Variable	Independent Variable	ANOVA		Coefficient			Hypothesis
			F	Sig.	Beta	Sig.	R ²	
3 rd	Attitude towards Brand (AAB)	Celebrity Attractiveness	75.682	0.000	0.386	0.000***	0.374	H1.2
		Celebrity Trustworthiness			0.278	0.000***		H2.2
		Celebrity Expertise			0.212	0.001**		H3.2
4 th	Attitude towards Brand (AAB)	Non-Celebrity Attractiveness	72.788	0.000	-0.016	0.790	0.365	H4.2
		Non-Celebrity Trustworthiness			0.516	0.000***		H5.2
		Non-Celebrity Expertise			0.218	0.001**		H6.2

Table 3 presents the result of multiple linear regression performed on the Model 3 and Model 4. All dimensions of both endorsers credibility in Model 3 and Model 4 have a strong impact (***) on Attitude toward Brand except for the Non-Celebrity Attractiveness which is found to have significance level above 0.05. Hence, it can be stated that Non-Celebrity Attractiveness has no significant impact on Attitude toward Brand which rejected the hypothesis H4.2. Meanwhile, Celebrity Expertise and also Non-Celebrity Expertise are perceived to have a lower significant impact (**) on Attitude toward Brand compared to the other variables in both models. Looking at the beta scores table, it can be seen that Non-Celebrity Trustworthiness is the most influential variable on Attitude toward Brand ($\beta=0.516$, $p=0.000$) and followed by Celebrity Attractiveness ($\beta=0.386$, $p=0.000$). This finding is conflicting with the previous research of Bhatt, Jayswal, and Patel (2013) celebrity endorser respectively while attractiveness was not playing any significant role. It can be summarized that H1.2, H2.2, H3.2, H5.2 and H6.2 are confirmed.

Based on table 4, it can be seen that only Celebrity Trustworthiness and Non-Celebrity Trustworthiness which were found to have strong influence (***) towards Purchase Intention while Celebrity Attractiveness has a lower significant value ($p=0.017$ (*)). Sertoglu, Catli, Korkmaz (2014) argued that perceived attractiveness, trustworthiness, expertise of both celebrity endorser and created spokesperson significantly influence the purchase intention. However, the finding obtained from Model 5 and Model 6

presented a different result. It was found that Celebrity Expertise, Non-Celebrity Attractiveness, and Non-Celebrity Expertise generated a significant value above 0.05 which indicates that these three independent variables have no significant impact on Purchase Intention. Instead, these results are in line with the findings of Gupta, Kishore, Verma (2015) which claimed that attractiveness and trustworthiness of a celebrity endorser have a significant impact on consumer purchase intention while expertise of celebrity endorser does not impact significantly. In terms of beta coefficient, it can be concluded that Non-Celebrity Trustworthiness is the most influential variable toward Purchase Intention ($\beta=0.177$, $p=0.000$) followed by Celebrity Trustworthiness ($\beta=0.176$, $p=0.000$). This also proves Gupta(200)' s finding that trustworthiness of celebrity endorser should be the most crucial factor in making a choice of celebrity endorsers followed by attractiveness and expertise. Summing up the analysis above, the hypothesis H1.3, H2.3 and H5.3 are supported whereas hypothesis H3.3, H4.3, and H6.3 are rejected.

Table 4 Relationship between Independent Variables to Dependent Variable of Model 4 and Model 6

Model	Dependent Variable	Independent Variable	ANOVA		Coefficient			Hypothesis
			F	Sig.	Beta	Sig.	R ²	
5 th	Purchase Intention	Celebrity Attractiveness	48.556	0.000	0.077	0.017*	0.277	H1.3
		Celebrity Trustworthiness			0.176	0.000***		H2.3
		Celebrity Expertise			0.026	0.375		H3.3
6 th	Purchase Intention	Non-Celebrity Attractiveness	34.430	0.000	-0.009	0.760	0.214	H4.3
		Non-Celebrity Trustworthiness			0.177	0.000***		H5.3
		Non-Celebrity Expertise			0.051	0.103		H6.3

DISCUSSION AND CONCLUSION

Based on the result above, it can be concluded that almost all dimensions of celebrity and non-celebrity endorser credibility have a positive significant impact on the Attitude toward Advertisement, Attitude toward Brand and Purchase Intention. It was found that Non-Celebrity Attractiveness does not significantly influence ($p>0.05$) the entire dependent variables. In terms of beta coefficient, the entire beta coefficient of Non-Celebrity Attractiveness were found to be negative. It indicates that the relationship between Non-Celebrity Attractiveness and all dependent variables are inversely related which means every increase of attractiveness of non-celebrity will reduce the impact towards the dependent variables. Therefore, this study resulted a very important point to be notice that it is unnecessary for advertisers to consider the attractiveness of non-celebrity in the endorser

since it will not significantly impact the advertising effectiveness. Moreover, endorser who perceived to be more attractive might lead consumers fail to notice the brand being promoted because they tend to be more focus on the endorser.

The results also shows that Celebrity Expertise and Non-Celebrity Expertise do not have any significant impact towards Purchase Intention which are contrary with the findings from previous research of Sertoglu, Catli, Korkmaz (2014) stated that perceived attractiveness, trustworthiness, expertise of created spokesperson can influence the intention to purchase in a significantly positive way and findings from Ohanian (1991) which concluded that expertise of celebrity spokesperson was found to have significant impact on purchase intention. Moreover, based on the descriptive analysis on this study, it can be stated that larger group of respondents believed that non-celebrity endorsers were perceived to be more trustworthy in conveying statement in ads compared to celebrity endorser. This is in line with the literature regarding the potential overexposure effect of celebrity endorser. It was claimed by Solomon et al (2002) that overexposure may induce a general perception of consumers that celebrities endorse many brands only for the motive of money. Hence, the result that Non-Celebrity Trustworthiness is found to have biggest influence on Attitude toward Advertisement, Attitude toward Brand, and Purchase Intention are plausible. This can be another major finding which can be considered by advertisers. Meanwhile in terms of type of endorser, celebrity endorser is perceived to be trustworthy in generating Attitude toward Advertisement and Purchase Intention while the attractiveness of celebrity endorser has a more significant impact on Attitude toward Brand.

Limitations of the Study and Directions for Future Research

There are some certain limitations in this study which may provide direction for future research. Some of the key areas for future research are describes as follow:

1. The data obtained was limited to women aged 16-30 years old who live in Bandung and Jakarta, Indonesia. A study may be conducted in another city or country with another group age in order to gain more comprehensive view of consumer perception.
2. This research is limited to certain advertisement and product. Future research may investigate the impact of celebrity and non-celebrity endorser credibility with varying level of advertisement and product.
3. Future research may develop this study by evaluating the relationship between Attitude toward Advertisement, Attitude toward Brand, and also Purchase Intention which are not discussed in this study.

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INFLUENCE OF BRAND ASSOCIATION TOWARD BRAND LOYALTY OF WEIDENMANN

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Abstract

In today's business world, every company must be able to deliver a brand with a good brand association. The company will be difficult to survive if it does not have a positive association in their consumer's mind. The purpose of this study is to examine the relationship between brand association and brand loyalty of a brand. Consumers will be more loyal to a brand that delivers a product that suits their needs and desires. This study want to check the effect of brand association components which are brand attributes, brand benefits, and brand attitudes to the brand loyalty. Brand that chosen for this study are Weidenmann which is an Indonesia local footwear brand from Bandung that manufactured by PT. Sugih Jaya. Weidenmann has a problem to maintain and compete in Indonesia market especially with international brand that make Weidenmann loses their consumer's loyalty. To reach the research objectives, this paper use three methods in collecting the data which are questionnaire, interview, and observations. There were 100 respondents which are consumers of Weidenmann in Bandung involved in this research. Data analysis process was analyze using multiple regression analysis performed in SPSS. According to the results, brand attribute, brand benefit, and brand attitude positively influence brand loyalty of Weidenmann with brand attribute as the most influential factor. This study provides insightful understanding of consumer's brand loyalty toward the brand of Weidenmann and create new idea for Weidenmann brand association to compete in the market. As a result of the analysis, the author recommend Weidenmann to develop the brand attribute of the shoes and improve the durability and comfort of the shoes which is the strength of Weidenmann based on consumer opinion.

Keywords: brand association, brand loyalty, local brand, small and medium enterprise

INTRODUCTION

Since 1980, footwear industry in Indonesia is growing and develop rapidly with the arrival of foreign investment which specialized and focused in producing footwear. The growth and development of the footwear industry run more smoothly because it also supported by the efforts of Indonesia government that wants to maintain and increase the economic growth in Indonesia and footwear industry can be an important thing to help and make this economic growth growing rapidly. Another factor that support the growth and development of footwear industry is because this industry is one of the industry that requires quite a lot labor or work forces, but the cost of hiring labor or work forces in Indonesia is relatively low compared with other countries, so that footwear industry in Indonesia draw interest from many people. In early 1990, Indonesia government use this opportunity to develop footwear industry in Indonesia by help and motivate many entrepreneurs to initiate a business in footwear industry especially in the form of small and medium enterprise (SME). This government movement is succeed and able to attract many entrepreneurs to start business in

footwear industry and able to create many local brand that still exist until now such as Pakalolo, Max Barens, GATS, YongkiKomaladi, and Weidenmann. But at the present time, some local footwear brand especially the small and medium enterprises (SME) are less attractive to the market, and only a few large scale brands of local footwear are still in demand by the market. Many local footwear brands have a difficulty to compete with many international brand and the market are prefer to choose international brand. In order to survive in the market and to compete with international brand, the small and medium local footwear brands must have a value added or competitive advantage that are not owned by other brands and can make them able to compete with international brand. PT. Sugih Jaya is one of the company that work in footwear industry especially men's shoes and they manufacture men's shoes with Weidenmann as it brand. This company already running for about 25 years and Weidenmann brand already well known by people in Indonesia. PT Sugih Jaya is include in some local footwear company that have difficulty to compete with international brand. PT. Sugih Jaya's brand, Weidenmann, experience decreases in sales and less attractive to Indonesia market.

The decreases in sales of a brand usually caused by poor brand association and lack of brand loyalty of the consumers. Aaker (1991) define brand association as anything that linked in people memory about a brand. Keller (2013) define brand association as informational node link to the brand node in memory and contain the meaning of the brand for the customers. Therefore, it can be concluded that brand association is everything that related about a brand that lie in consumer's memory. On the other hand, Aaker (1991) stated that brand loyalty symbolizes a constructive mind set toward brand which leading to a constant purchasing of the brand by the consumer. According to Kaynak, Salman, and Tatoglu (2007), brand loyalty is the core of brand equity that show a measure of attachment that a consumer has to a brand. From these definitions, brand loyalty can be concluded as a symbol of consumer's commitment to the brand which is showed by a positive feelings toward the brand that caused the consumer to purchase the brand constantly. Therefore, a preliminary research been conducted to find out people's opinion about Weidenmann and factors that affect this brand to survive in the market. In the implementation of preliminary research that conduct to 30 people, it found an unusual phenomenon occurring in Weidenmann brand shoes. According to Aaker (1991), positive brand association will create positive brand loyalty toward the brand. But, even though brand association of Weidenmann shoes is positive, the brand loyalty of consumer toward Weidemann shoes is rather low. This result is contrary with Aaker because it found that positive brand association from the consumers doesn't create a positive brand loyalty of Weidenmann shoes. Based on the research, PT. Sugih Jaya which manufacture Weidenmann need to learn and know about brand association of Weidenmann in order for them to be able to maintain and compete in the market because the value added and the competitive advantage can be made in the form of brand attributes and brand benefits which is a part of brand association. According to Keller (2013), brand, product or model, price, and quality are including in brand attributes and brand benefits. So, PT. Sugih Jaya need to know how much influence these factors have

for increasing sales because brand association has a close relationship with brand loyalty which is an indicator of number of demand by market. This company also need to observe other factors that become the reason for costumers for buying a shoes and if they able to learn and understand about it, it will increase the loyalty of their customers and will increase the sales.

The objective of this research are to find the brand association and brand loyalty that Weidenmann have at the moment. To find the brand association and brand loyalty of Weidenmann, the author use questionnaire and analyze the consumer's perception related to these variables. Another objective in this research is to find the influence of brand association toward the brand loyalty of Weidenmann. To answer this research question, the author use multiple regression analysis to measure the influences.

LITERATURE REVIEW

Brand Association

Brand association is anything linked in memory to a brand (Aaker D. A., 1991). Brand association also can be defined as the other informational node link to the brand node in memory and contain the meaning of the brand for customers (Keller, 2013).

Based on Keller (2013), brand association consist of:

1. Brand attributes

Brand attributes is a descriptive features that characterize a product or service. Brand attributes can be in a form of product related and non-product related. Product related attributes directly related to the product such as model and color of the product. On the other hand, non-product related attributes dealing with external aspects regarding the use of the product, such as:

- a. Price
- b. User imagery and usage imagery
- c. User imagery relate to the type of individual or organization that uses the brand. Usage imagery can be related to time when using the product, the location of using the product, and the type of event when using the product
- d. Brand personality
- e. Brand personality is everything that want to be displayed by the company regarding the involved brand.
- f. Feelings and experiences
- g. Feelings is the response and emotional reaction of consumers to the brand.

2. Brand benefits

Brand benefits is personal value and meaning that consumers attach to the product or service attributes.

3. Brand attitudes

Attitude toward a brand, or brand Attitude, is another key component for valuing a brand's equity. Brand attitudes is consumer's overall evaluations of a brand (Mitchell & Olson, 1981).

Brand Loyalty

Brand association represents the bases for purchase decisions and brand loyalty (Aaker D. A., 1991). Brand association reflects consumer perceptions of the brand (Keller, 2013). It means that brand association is the basis of brand loyalty that reflects consumer perceptions about a particular brand. In accordance to Keller (2013), one of the benefits of having positive brand association is brand loyalty.

Brand loyalty symbolizes a constructive mind set toward brand that leading to constant purchasing of the brand over time (Aaker D. A., 1991). Brand loyalty represents a commitment of the consumer to the brand which makes it as an intangible asset that reflects the company's price of the product or service (Schiffman & Kanuk, 2010). According to Schiffman and Kanuk (2010), brand loyalty consist of:

1. Attitudinal measures

Attitudinal measures concerned with consumers' overall feelings about the product and the brand, and their purchase intentions (Schiffman & Kanuk, 2010).

2. Behavioral measures

Behavioral measures are based on observable, factual behaviors regarding the brand, such as quantity purchase, purchase frequency, and repeated buying (Schiffman & Kanuk, 2010).

Brand Resonance Model

Brand resonance model describes how to create intense, active, loyalty relationships with customer (Keller, 2013). It means that brand resonance describes how to create an active and loyal relationships with consumers.

Stages in brand resonance model (Keller, 2013):

1. Ensure brand identification of the consumer and the brand associations in consumers' minds adapted to a class of products, product use, and the needs of consumers.
2. Create the meaning of the brand in the minds of consumers by connecting the real brand association with unreal brand association.
3. Generate consumer response about the brand as desired by the company.
4. Changing consumer response about the brand to create brand resonance, and a loyal and active relationship with the consumer.

Theoretical Framework

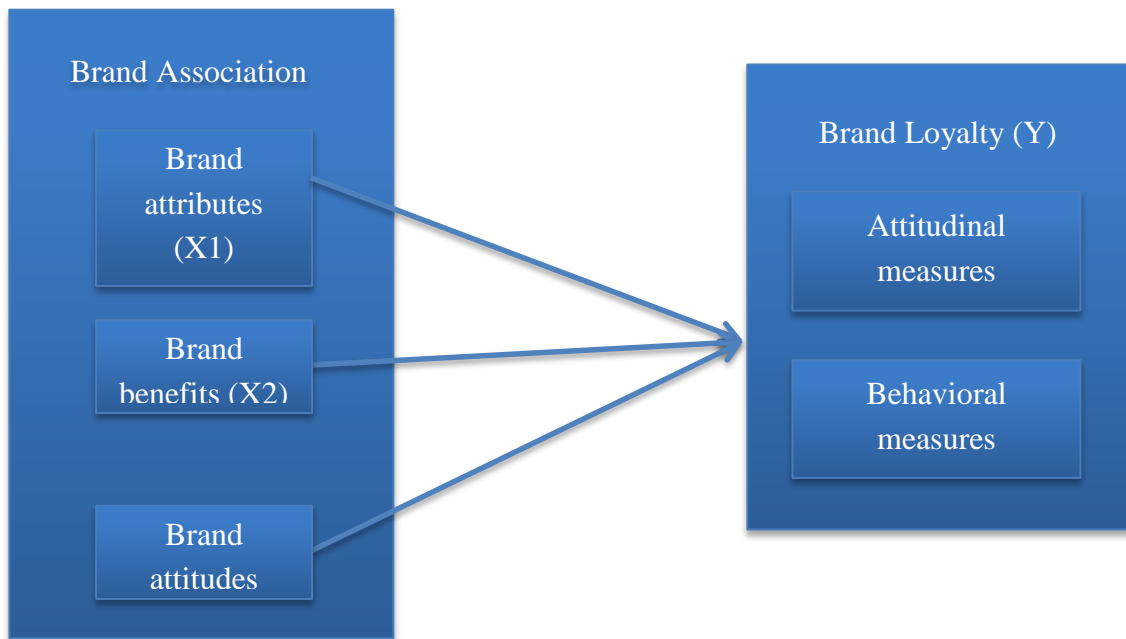


Figure 1. Theoretical Framework

H1: Brand attributes positively influences brand loyalty

H2: Brand benefits positively influences brand loyalty

H3: Brand attitudes positively influences brand loyalty

METHODOLOGY

The method that used for this paper is a survey method by taking sample from population and using quantitative methods, which is by collecting data through questionnaires. Based on the objectives, this research is applied research, because this research aims to solve and fix specific problems being experienced by the company. According to Sekaran and Bougie (2010), applied research is specifically aimed at solving a currently experienced problem. Based on the data analysis technique, the type of research is descriptive research and verification research, because it aims to illustrate the relevant aspects of the phenomenon or to determine the characteristic of the variables that examined in the situation by collecting data (Sekaran & Bougie, 2010). Population in this research is man that live or occupy in Bandung. Bandung is chosen because it considered to be able to represent the population and because the Weidemann shoes manufactured in Bandung, and the distribution of Weidenmann shoes is mostly in Bandung. The number of population taken from the latest sales data of Weidenmann shoes in Bandung. The sampling technique that used for this study is nonprobability sampling with using the judgment sampling or purposive sampling because there are certain criteria that needed for the sample. The sample of population for this study is men who lives in Bandung and have buy or use Weidenmann shoes. Slovin's formula sampling technique being used to determine the number of sample in the research. Data analysis process was analyze using multiple regression analysis performed in SPSS.

Operationalization Variable

There are two variables in this study, which are:

1. Independent Variable

The independent variable in this study is the component of brand association which are brand attributes, brand benefits, and brand attitudes

2. Dependent Variable

The dependent variable in this research is brand loyalty.

Data Analysis Procedure

To find the brand association and brand loyalty of Weidenmann or to answered research question number one and two, researcher used descriptive analysis method based on the results of the questionnaire that been filled by respondents. Values of response that obtained from the questionnaire will be measured by Likert scale. Second analysis, the data will be analyze to find the effect of brand association toward brand loyalty of Weidenmann. This analysis will using multiple regression statistical method using SPSS to examine the effect of independent variable toward the dependent variable.

DATA ANALYSIS AND RESULT

To convert the quantitative data into qualitative data in questionnaire, researcher doing weighting to the data by determining the highest and the lowest score, then divided the score by five level of scale interval (Simamora, 2008), the weighting scale obtained as follows:

$$RS = \frac{m-n}{b}$$

RS = Range of scale

m = Highest scale = 5

n = Lowest scale = 1

b = Number of interval = 5

$$RS = \frac{5-1}{5}$$

$$RS = 0.8$$

Based on these results, the results of grouping the average value can be seen in table 1.

Table 1. Average value group

Average Value	Description
1 - 1,8	Statement perceived very negatively
> 1,8 - 2,6	Statement perceived negatively
> 2,6 - 3,4	Statement perceived neutral
> 3,4 - 4,2	Statement perceived positively
> 4,2 - 5	Statement perceived very positively

The next step is to calculate the average score is from the statement contained in the questionnaire, and then interpret the results in accordance with the results of the average value grouping.

From the questionnaire analysis result, all of the brand association variable have a positive reception by the respondents. Brand attitude is the highest compared to brand attribute and brand benefit with average of 4.08. While brand attributes and brand benefits also perceive positively with a value of 3.79 and 4.03 respectively. Moreover, Weidenmann brand loyalty also positively perceived by the respondents with average value of 3.80.

Table 2. Significance test results regarding influence of independent variables toward dependent variables

Coefficients^a

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
1 (Constant)	-.051	.231		-.219	.827
Brand Attribute	.521	.125	.418	4.162	.000
Brand Benefit	.277	.112	.262	2.482	.015
Brand Attitude	.203	.084	.223	2.411	.018

a. Dependent Variable: Brand Loyalty

Table 2 shows the significance value of each independent variable. All three independent variables give significant effect towards independent variable (brand loyalty), brand attribute (.000), brand benefit (.015), and brand attitude (.018). The overall result shows that brand attribute, brand benefit, and brand attitude are significantly influence and related to brand loyalty of Weidenmann.

This results in a multiple regression calculation equation is:

$$Y = -0.051 + 0.521 X_1 + 0.277 X_2 + 0.203 X_3 + e$$

With:

Y = brand loyalty shoes Weidenmann

X₁ = brand attributes Weidenmann shoes

X₂ = brand shoes Weidenmann benefits

X₃ = brand shoes attitudes Weidenmann

e = error

Table 3. Coefficient determination test results

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.835 ^a	.697	.688	.41295

a. Predictors: (Constant), Brand Attitude, Brand Attribute, Brand Benefit

The result of the coefficient of determination (R^2) test is R square value is 0.697, which means the brand association (X) consisting of brand attributes (X1), brand benefits (X2), and brand attitudes (X3) has the effect of 69.7% on brand loyalty (Y). While the remaining 30.3% is explained by other variables.

CONCLUSION AND RECOMMENDATION**Conclusion**

- 1 Respondents have a positive perception about brand association and brand loyalty of Weidenmann shoes.
- 2 Brand attributes, brand benefits, and brand attitudes have an influence 69.7% on brand loyalty Weidenmann shoes.
- 3 Brand attributes have the greatest influence on brand loyalty of Weidenmann

Recommendation

- 1 Improve Weidenmann brand attributes because it is the most influential component of brand association to improve the loyalty
- 2 Develop a more comfortable and durable shoes which is the strength and excellence of Weidenmann

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EFFECTIVENESS OF ENTREPRENEURSHIP-PROJECT BASED LEARNING MODEL TO IMPROVE CREATIVITY USING HOLISTIC PERSPECTIVE (THE FOUR P'S)

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Abstract

Creativity is important for a developing country as catalyst for prosperity but the strategy for creativity development and measurement is an imperative problem for many universities in Indonesia. The research concerned here had the objective of testing the effectiveness of a model of entrepreneurship project-based learning (Entp-PBL) designed to improve creativity in the class of entrepreneurship using Rhodes' holistic perspective on creativity (four P's model). The research used the pretest-posttest control group design involving eighty-three randomly-selected university students forming and randomly distributed into the experimental and control groups. Inferential statistical analysis was used to observe the significance in the difference of the final mean score for creativity. The research results indicate that, on the whole, the Entp-PBL model improves creativity more effectively compared to a conventional model and it shows varying degrees of significance for the various creativity-forming dimensions. Pedagogic implications of the findings related to each dimension have been discussed and followed with recommendations for strategies in improving each creativity dimension.

Keywords: creativity, entrepreneurship, project-based learning, four P's

INTRODUCTION

Indonesia as a nation becoming a member of the Asean Economic Community is in need of many creative entrepreneurs. Asia society partnership for global learning (2012) recommends giving importance to creativity training. Creativity is a machine of cultural evolution (Runco, 2004). Creativity and entrepreneurship are closely related. Education in entrepreneurship plays a part in changing the attitude of the younger generation (Nelson & Johnson, 1997). Universities have become the hope for the birth of creative entrepreneurs but the majority of graduates (83.18%) still become job seekers because of their low levels of creativity (Didi Purwadi, Berita Pendidikan 2011).

Entrepreneurship as an academic subject is still relatively new for the majority of universities with a learning system oriented to students' quick graduation with a high IP (*indeks prestasi* 'grade point average') and their quick employment. It is realized that creativity is important in entrepreneurship but the pedagogical model for its development still becomes the most imperative challenge in education. Pujiriyanto (2013) finds in university learning the occurrence of domination by theory with a composition of 57% for theory and 43% for practice. Creativity is responded to with quite a reactive attitude but it is packaged and taught theoretically. This phenomenon is not only happen in Indonesia.

According to Kakouris et. al., (2016) the European Commission mapped the ongoing provision of entrepreneurial courses through a survey in more than 600 higher education institutes across Europe. The survey found that entrepreneurial courses were primarily based on traditional lectures supplemented by case studies and practitioners visits in class. Creativity is not fit to be taught mostly theoretically with the theory and the practice separated from each other; instead, they should be in the cyclical unity of the wheel of learning (Boyyet & Jimmie, 1998) with the teaching providing considerable opportunity for practice (Carter & Collison, 1999). Creativity teaching requires techniques that differ from merely presenting declarative materials (Clary et al., 2011; Haring-Smith, 2006). Entrepreneurship learning needs to focus on the learning process rather than the learning material (Lane, et. al., 2011). Creativity is indeed a dilemma as material which is difficult to teach (Lautenschläger & Haase, 2011). Creativity is complex in nature and there is no consensus about it yet in the field of psychology. A single definition does not sufficiently cover the concept of creativity (Hasirci & Demirkan, 2003) but creativity could be learned and implanted (Tsai, 2014).

An innovative approach is needed in creativity development. The strategy of project-based learning (PBL) has been admitted by many to be potential and fitting for creativity development. Ravitz et al. (2011) mention that PBL significantly develops twenty-first century skills. Wurdinger & Qureshi (2015) state that PBL effectively improves creativity.

The still minimum amount of information about the best practice in PBL application causes reluctance to apply it and tendency to keep using a conventional model. PBL is still often interpreted very openly according to the radical constructivist, not yet designed systematically with comprehensive creativity measurement. All this time creativity testing starts from different definitions, constructs, and theories. There is a contradiction concerning the effect of creativity-oriented learning, namely, being specific or general in nature (Cropley & Cropley, 2008). The testing has been dominated by the Torrance Test of Creative Thinking, which has the weakness of having a scoring system that is claimed to be objective while basically it is subjective by depending on the test scorer's consideration. Rhodes (1961) puts holistic perspective on creativity called the four p's (or 4 P's) with p representing the four dimensions of creativity, namely, person, process, press, and product, acknowledged as essential components (Runco, 2004; Hasirci & Demirkan, 2003, 2007). The 4 P's model is one of the ways to organize research on creativity (Kaufman & Sternberg, 2007); it is able to unite various views on creativity and is useful that way (Hasirci & Demirkan, 2003). Batey & Furnham (2006) considers that the 4 P's model is beneficial and it makes synthesis easier. Freiberg Hoffmann et. al., (2014) states that creativity measurement requires a multi-dimensional approach and the four-dimensional approach is such an approach.

According to exposition, there are three main problems, namely, 1) creativity is not yet developed through the right learning strategy, 2) the measurement of creativity requires a comprehensive approach, and 3) the potential of the project-based learning for creativity development needs to be proven empirically. The research concerned here had the objective

of testing the effectiveness of the Entp-PBL model to improve creativity using holistic perspective (the four P's)..

METHOD

The pretest-posttest control group experimental design was applied. The experimental group applied the Entp-PBL model while the control group used the conventional (expository) model that had been applied all the time. An equality test using pretest data ascertained that the two groups had equal initial creativity. The pretest scores for the dimensions of the product, namely, the four p's, were obtained by evaluating the creative idea and the sketch of the product to be made.

Participants

The research population consisted of 166 students of a study program who attended a class of entrepreneurship in the academic year of 2013/2014 at UNY (*Universitas Negeri Yogyakarta* 'State University of Yogyakarta'). The sample was taken randomly by using as basis a formula by Yamane (1967) finally indicating that a sample taken from a population of 166 individuals with a 90% degree of trustworthiness was at the minimum 38% of the population. The researcher randomly took 50% of the population as sample and the eighty-three students making the sample were randomly distributed into the experimental and control groups. The experimental group had a membership of forty-one students consisting of twenty-two males and nineteen females with ages averaging 21.02 years (SD=0.72) and the control group had a membership of forty-two students consisting of sixteen males and twenty-five females with ages averaging 20.93 years (SD=0.78).

Procedure

The Entp-PBL model refers to the model of Gregory and Chapman (2007) with the working procedure as follows: (1) exploration, (2) implementation, (3) realization, (4) presentation, and (5) reflection. The students completed a project through the phases of generating, planning, and producing. The learning scenario of the experimental group consisted of 1) making work groups of three to four individuals, 2) signing learning contracts and studying students' guide book, 3) exploring the environment for creative ideas, 4) choosing an idea to be used as project topic and constructing a project design, 5) developing the idea, 6) realizing/actualizing the idea into a sketch/prototype as creative product, 7) presenting the product in front of a team of judges, and 8) making a reflection together. At the end of the learning time, a posttest was administered to both groups. The project took eight weeks to accomplish, conforming to class schedule with the two groups placed in different locations.

Research Instruments

A creativity evaluation instrument was developed from relevant theories. The dimension of creative person (P1) was with the following indicators: (1) curiosity/extroversion (X1), (2) responsiveness/agreeableness (X2), (3) openness to new experience (X3), (4) risk-taking courage (X4), (5) sensitivity to problems (X5), and (6) self-confidence (X6) (Batey &

Furnham, 2006; Guilford, 1950; Lowenfeld, 1962; Torrance, 1966). Through a validity test on the P1 scaled items in the evaluation instrument by using Pearson's Product Moment coefficient of correlation, twenty-five out of sixty items were found valid with $r_{\text{obtained}} > r_{\text{table}}$, (which was 0.361), $\alpha=0.05$, $N=30$, and Cronbach's Alpha coefficient of reliability of $0.73 > r_{\text{table}}$ (which was 0.71). When the Alpha coefficient is greater than 0.70, the item concerned is acceptable (Hatcher, 2013). The twenty-five statement items with a scale of 1 to 4 were found to be representative of all the indicators with answer scores of 1=inappropriate, 2=moderately appropriate, 3=appropriate, and 4=very appropriate.

The dimension of creativity-encouraging environment/press (P2) was with the following indicators: (1) involvement and participation in the family (X7), (2) openness of parents' attitude (X8), (3) freedom in exploring (X9), (4) participation and cooperation (X10), (5) openness of the lecturer's (university teacher's) attitude (X11), and (6) freedom in taking initiatives (X12). This dimension as variable was derived from the view of (Karakaya & Demirkan, 2015; Amabile, 1995; Sawyer, 2015; Amabile & Gryskiewicz, 1989). Through a validity test on the P2 scaled items by using Pearson's Product Moment coefficient of correlation, twenty-eight out of sixty items were found valid with $r_{\text{obtained}} > r_{\text{table}}$ (which was 0.361), $\alpha=0.05$, $N=30$, and Cronbach's Alpha coefficient of reliability of $0.84 > r_{\text{table}}$ (which was 0.71). The twenty-eight statement items with a scale of 1 to 4 were found to be representative of all the indicators. The criteria for answer scores are as previously above: 1=inappropriate, 2=moderately appropriate, 3=appropriate, and 4=very appropriate.

The dimension of the creative process (P3) refers to creative thinking ability (also known as divergent thinking) covering the aspects of (a) fluency (X13), (b) flexibility (X14), (c) originality (X15), and (d) elaboration (X16) (Guilford, 1967). All four are cognitive aspects related to the creative thinking process (Freiberg Houffman et. al., 2014). Creativity is a mental process for the formation of something new, different, and original based on preexisting elements (Hurlock 1992; Mednick, 1962). The verbal creativity test used in this case adopted Utami Munandar's standardized test, reconfirmed to be already sufficiently valid and reliable with the respective values of 0.4037 and 0.897. It was administered within a controlled time length, covering testing about word beginnings, composing words, forming three sentences, usual characteristics, unusual uses, and what results.

The dimension of creative product (P4) contains three elements, namely, novelty, effectiveness, and ethicality (Hurlock 1992; Mednick, 1962). A creative product is concerned with a product quality determined by an observer (Amabile, 1982: 1983a). A creative product should be observable and present a new construction (Roger, 1954). The creative product evaluation used an evaluation rubric covering the following elements: (1) newness/novelty (X17), (2) originality/uniqueness (X18), (3) problem solving (X19), and (4) elaboration and synthesis (X20). The creative product evaluation rubric was developed with theoretical constructs (as conceptual criteria) as basis and the evaluation used consensual criteria involving two experts. The evaluation rubric covered the four aspects

with a scale range of 0-25 so that the minimum score was 0 and the maximum score was 100.

The indicators of each valid and reliable creativity dimension were tested to see whether the theories forming each indicator were fitting and consistent ones and were conceptions of appropriate unidimensionality. The tryout subjects were 128 students outside the research population. The fit between the data and the result of measurement was tested by using Confirmatory Factor Analysis (CFA) with the program of LISREL 8.5. The data analysis requirements were fulfilled with the Q plot of standardized residual (with normal quartiles) of each creativity dimension (of the first order) and creativity construct (of the second order) being found normal. The criteria for Goodness of Fit Indices (GFI) used were absolute in nature; they were 1). Chi-Square Statistics, 2). Significance Probability, 3). Root Mean Square Error of Approximation (RMSEA); and 4). Goodness of Fit Index (GFI). The value of $t_{obtained}$ for every dimension > 1.96 . The CFA results presented in Table 1 indicate a good fit with the construct model.

Table 1: Goodness of Fit of The Creativity Construct Evaluation Model

Goodness of fit index	Dimension					Creativity	Cut-of value
	Person (P1)	Press (P2)	Process (P3)	Product (P4)			
Chi Square (χ^2)	7.17	11.96	1.17	2.98	132.62	The smaller is better	
Sig. probability	df=9	df=7	df=2	df=2	df=163	≥ 0.05 is good	
RMSEA	0.62	0.10	0.56	0.225	0.961	≤ 0.08 is Goodfit	
GFI	0.000	0.075	0.000	0.062	0.000	≥ 0.90 is Goodfit	
CR	0.982	0.970	0.995	0.988	0.905	≥ 0.7 is reliable	
AVE	0.877	0.871	0.956	0.963	0.853	≥ 0.5 is reliable	

Note: RMSEA=root-mean-square error of approximation; GFI=goodness of fit index; CR=composite reliability; AVE=average variance extracted

The loading factor (for convergent validity) of at least 0.50 and ideally 0.7 in value is sufficiently powerful to account for the latent constructs (Hair et. al., 2006; Imam & Fuad, 2008). The creativity construct model and its loading factor value could be seen in Figure 1.

Data analysis

The data analysis was descriptive and it was to describe the mean, SD, and gain score obtained for each dimension. The inferential statistics method of the independent t-test was used to test the difference in posttest mean score of the groups with the program of SPSS 22. The interpretation of the results of the test on difference in mean score for each dimension paid attention to the loading factor of the creativity construct model formed.

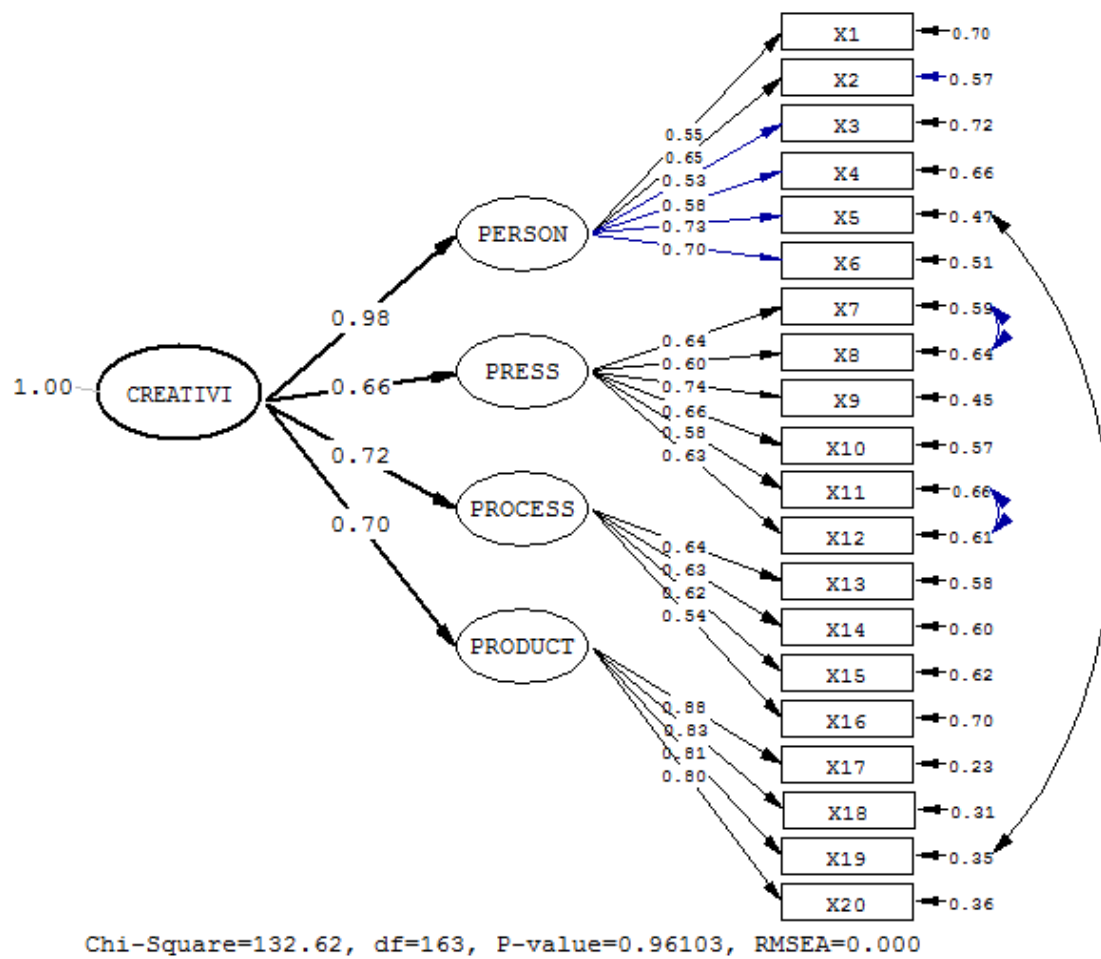


Figure 1: Creativity construct evaluation model

Table 1: Results of T-Test on Pretest Scores of The Experimental and Control Groups

Dimen- sion	df (N- 2)	Mean of pretest		SD of pretest		0.05. Level	$t_{obtained}$	t_{table}
		Experime nt group	Control group	Exp. Group	Control Group			
P1	81	85.31	86.70	7.55370	5.31255	0.335	-0.970	1.989
P2	81	93.51	99.69	8.86273	6.83449	0.105	-1.641	1.989
P3	81	77.34	70.05	18.04662	20.11667	0.086	1.737	1.989
P4	81	41.10	42.14	8.25471	9.69931	0.599	-.528	1.989

RESULT

The requirements for analysis of normality were fulfilled with one-sample Kolmogorov-Smirnov test and the test of homogeneity was done with Levene's Test of Equality Variances. The data were found to have normal distribution and to be homogenous with $p > 0.05$ for each dimension. Before treatment, an equality test was applied to ascertain that the two groups had equal initial creativity and the results are presented in Table 1.

Results of the independent t-test in Table 1 show that $t_{obtained}$ of each creativity dimension is located in the area of values between -1.989 and +1.989, which means that there was no initial difference in creativity between the experimental group and the control group. Pretest and posttest results of the two groups give the difference in the gain score obtained as presented in Table 2.

Table 2: Comparison in Gain Score Between The Experimental and Control Groups

Dimension	Experiment group			Control group		
	Pre Test	Post Test	Gain Score	Pre Test	Post Test	Gain score
P1	85.32	87.73	2.42	86.70	85.65	- 1.05
P2	93.51	98.95	5.44	99.69	96.68	- 3.01
P3	77.34	156.71	79.37	70.05	125.43	55.38
P4	41.10	57.32	16.22	42.14	47.62	5.48

The independent t-test significantly indicated difference in creativity score between the experimental group and the control group concerning the P3 and P4 dimensions as presented in Table 3.

Table 3: Results of the Independent Sample T-Test on the Two Groups

Dimension	df (N-2)	Mean posttest		Standard of deviation		0.05. level	$t_{obtained}$	t_{table}
		Experiment	Control	Experiment	Control			
P1	81	87.73	85.65	6.67063	7.83199	0.195	1.307	1.989
P2	81	98.95	96.68	7.16659	5.69075	0.055	1.948	1.989
P3	81	156.71	125.43	34.62748	25.75887	0.00	4.677	1.989
P4	81	57.32	47.62	10.43417	10.60592	0.00	4.198	1.989

DISCUSSION.

The discussion here places each dimension in its own position. It is important to distinguish the discussion into those of respectively creative product, creative process, creative person, and creative press/place (Kaufman, 2009).

In relation with the P1 dimension, it was found that $t_{\text{obtained}}=1.307$, which was within the area of acceptance between -1.989 and 1.989, and $p=0.195>0.05$, with $df=81$. It means that there is no significant difference in P1 dimension score between the experimental group and the control group. The creative person is influenced by personality, intelligence, knowledge, thinking style, and motivation (also called the big five) (Sternberg & Lubart, 1995). Individual factors strongly correlating with creativity are, among others, emotional intelligence, divergent thinking, openness to new experience, creative personality, and intrinsic motivation (Da Costa et. al., 2015). A basic personality with interest in, attraction to, or curiosity in matters outside oneself (or extroversion) and with openness to new experience plays a part in the formation of a creative person (Sun & Jin, 2009). Openness in attitude is one of the three superfactors able to determine the characteristics of a creative personality, the superfactors being extroversion (E), neuroticism (N), and psychoticism (P) (Eysenck, 1993). According to the model construct, the indicator *openness to experience* (X3) has the smallest value of loading factor, namely, 0.53. According to Martindale (2007), potential for creativity and primordialism in thinking are closely related to openness in attitude. In the context of the research, primordialism as background is assumed to influence openness in attitude towards new experience.

In relation with the P2 dimension, it was found that $t_{\text{obtained}}=1.948$, which was within the area of acceptance between -1.989 and 1.989, and $p=0.055>0.05$, with $df=81$. It means that there is no significant difference in score for the P2 dimension between the experimental group and the control group. A strategy that could form a creative environment is to provide active, constructivist, and collaborative learning and opportunities for improvisation (Sawyer, 2015). The system model theory explains that creativity is formed by the role of, among others, the people involved during the attainment of success (Csikszentmihalyi, 1999). A model figure, collaboration, a feeling of psychological security, the culture in the campus, and the university teacher's way in interacting are influential contextual factors (Jiafang, 2014). The most effective strategy for creativity teaching is to change the way the learning is conducted (Sawyer, 2015). According to the model construct, the manifest indicator freedom in exploring (X9) has the greatest value of loading factor, namely, 0.74. The Ent-PBL model is better than a conventional model in giving freedom in exploring, obtaining a gain score of 5.44 while the situation with the conventional model is, conversely, distorted with the attainment of a gain score of -0.31. The formation of a creativity-encouraging environment is a process of multi-level transformation. Amabile (1995) mentions that key people in the circles of the family and society have a share in giving influence. In view of the primordial background, the formation of a creative environment not only receives influence from the learning model and the campus culture but also needs to reach a transformation in the circles of the family and society.

In relation with the P3 dimension, it was found that $t_{\text{obtained}}=4.677$, which was outside the area of acceptance between -1.989 and 1.989 , and $p=0.005<0.05$, with $df=81$, so that there is a significant difference in score for the P3 dimension between the experimental group and the control group. The Entp-PBL model is effective in stimulating students to find and generate many ideas and simultaneously to also compare, evaluate, develop, and actualize them and, therefore, also effective in stimulating the dual thinking process. Sowden et.al., (2015) states that thinking creatively involves two thinking processes (or is a dual-mode process), namely, the process of generating ideas (a generative process) and the process of improving, evaluating, and selecting ideas (an evaluative process). One who generates many ideas becomes significantly creative (Da Costa et. al., 2015). The creative process refers to the divergent and convergent thinking abilities (Guilford, 1967; Hennesey & Amabile, 2010). The creative process is initiated with a divergent thinking process and it has four stages, namely, (1) problem identification, (2) idea generation, (3) idea evaluation and selection, and (4) implementation plan construction (Karimi et. al., 2016). Creative thinking is the ability to generate many ideas and is simultaneously a mental challenge. At the time of generating many ideas, an associative thinking process occurs. Original ideas are products of a system that generates ideas and a control system evaluating various ideas (Mayseless et.al., 2015). The model shows that the manifest indicator fluency (X13) was the most explanatory with the greatest loading factor of 0.83. The indicator fluency refers to the ability to generate many ideas. It is supported and strengthened by Runco et. al., (2011), who regards fluency originality as key to creativity (to true creativity, that is) because the more the ideas, there is a chance for one to become increasingly more creative. Compared to a conventional model, the Entp-PBL model more effectively facilitates university students in generating many ideas and simultaneously also evaluating and comparing them and making a decision concerning which idea is the best as project theme.

In relation with the P4 dimension, it was found that $t_{\text{obtained}}=4.198$, which was outside the area of acceptance between -1.989 and 1.989 , and $p=0.000<0.05$, with $df=81$. There is significant difference in score for creativity in the P4 dimension between the experimental group and the control group. According to Hasirci and Demirkan (2003), the process and the product occurring in a creative environment correlate highly with each other while Kaufman (2009) states that a product is the final result of a creative process influenced by the environment. The Entp-PBL model, besides facilitating the dual thinking process, is also able to form a creative environment and thus encourage the generation of creative products. What about the personality factor? Individual factors contributed 2% to the variance in actual creativity with $r=14$, which was under the average in social psychology with $r=21$ (Da Costa et. al., 2015). However, it is realized that the evaluation of a creative product is very much influenced by an agreement among experts with varying degrees of experience as well as varying methods of evaluation (Kaufman, et. al., 2008; Horn & Salvendy, 2006a). Lu Chia & Luh (2012) find that the use of Consensual Assessment Tool (CAT) in evaluation by non-experts is in fact higher in interreliability. In the future, the involvement of non-experts (or mere users) is worth considering to improve the credibility of the evaluation.

CONCLUSION

The Entp-PBL model is able to improve the scores for all creativity dimensions and differ significantly in the P3 and P4 dimensions compared to the conventional model. The Entp-PBL model is able to facilitate the dual thinking process encouraging the generation of creative ideas. The creative process encourages the actualization of creative products that are environmentally influenced. The Entp-PBL model positively develops the P1 and P2 dimensions while the conventional model distorts them instead. The development of the P1 and P2 dimensions through the Entp-PBL model appears to require a relatively long process in targets having a background of primordialism. Creativity is influenced by various factors and it is complex in nature. The research has given the understanding that the Entp-PBL model, by providing freedom in exploring, in a structured and systematic way and in clear directions, with a holistic perspective approach, could give information that is beneficial to creativity development strategies.

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FACTORS INFLUENCING COSMETICS PURCHASE INTENTION IN INDONESIA BASED ON ONLINE REVIEW

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Abstract

Indonesia is identified as one of five emerging markets with the best middle class potential that spend more on discretionary spending, such as cosmetic. At the same time, Indonesia's Internet penetration, which is currently reaching 102.8 million users, has been shaping new lifestyle and preference of Indonesians. The way of consumers search for others' recommendations has dramatically changed and now consumers rely heavily on online reviews (e-WOM). eWOM has been examined by prior studies, but consumers purchase intention based on online review specifically in cosmetic products in Indonesia has not been studied. This paper aims to study factors influencing consumers purchase intention based on online reviews. The marketing implication of this study is to provide information for cosmetic industries in Indonesia to advance their marketing communication strategy through eWOM. The result indicated that the most significant factors influencing purchase intention of cosmetics is argument quality, followed by source credibility, quantity of review, valence, perceived usefulness of review and review valence. Cosmetics marketers should create relation with beauty enthusiasts and deliberately choose right reviewer who has expertise and good reputation in cosmetics field, educate and share the knowledge with them in order to gain positive impact in reviews and maintain the company's products information among consumers well.

Keywords: eWOM, cosmetic industry, Indonesia, online review, purchase intention

INTRODUCTION

Grooming is the current trend in Indonesia, especially for people in productive age who are consumers of social media. Social media creates a push in people's lives to show their success to other people through social media platform. People tend to be narcissistic and want to look at their best in any occasion, including in their social media life (Fishwick, 2016). People start putting on make-up for daily activity and going through skin care regimes to improve their appearances and boost their self-confidence. This trend of grooming, eventually lead to the increase of cosmetics demand in Indonesia.

Currently, Indonesia is enjoying its high GDP growth and experiencing new waves of the younger generation climbing up the social-economic ladder to enter the Middle Class. The country is enlisted as one of five emerging markets with the best middle class potential (Hodgson, 2015). With 17.3 million of middle class, Indonesian middle class households will have considerably more room for discretionary spending and give reason to be optimistic about the future market condition. The country's middle class will expand to around 20 million households by 2030, which will create a valuable market base to drive demand and sales in the country (Eromonitor, 2015).

Both social media pressure and the rise of the middle class (at a rate of 7 million a year) in Indonesia are directly linked with the increase in consumption for cosmetics purchase. The increase in cosmetic demand significantly affects cosmetic industry in Indonesia, which is expected to grow 10 to 15 percent annually (Barwa, 2013). The favorable growth in the industry has lured both new and existing cosmetics companies to compete and gain profit from the market. The number of cosmetics products available in the market keep increasing and distributed through Supermarkets and hypermarkets, traditional shops, shopping malls and department stores that are counted to reach over 1.5 million points of sale for beauty products in Indonesia.

Today, consumers are offered with broad range of cosmetics products and brands. This means that there are thousands of cosmetics choices available and makes consumers takes more complex cosmetic alternatives evaluation process before finally purchase the product. As consumer wants to make a good decision, they will try to eliminate the risk of getting disappointing or unsuitable product. Consumers rely greatly on the reviews made by other users that had tried the products. They seek for other people's opinions to make up their own mind and assess products to decide which to purchase (Walsh & Thureau, 2003). People seek information and being influenced by sources such as friends, family members, salesperson, advertisement, Internet surfing and any other sources (Wang, 2005). Among those sources, electronic words-of-mouth (eWOM) is slightly preferable by consumers since it shows unbiased judgment and not the part of company that lures people into buying products.

People prefer online review as there are numerous online review about cosmetics available for free on the internet and easily accessed through their smartphone. Most of cosmetics online reviews are available in User Generated Content (UGC) websites. Since UGC allows all users to create their own post and content, this is seen as new way to share thoughts, reviews and beauty products for beauty enthusiasts. Using UGC will bring discussion and sharing experience of beauty products and services. These people commonly share experiences in using beauty products, the usage, specification, results, pros and the cons of a cosmetic product.

Online customers reviews has been widely discussed by scholarly journals in recent years. Most of the formal researches done were to investigate the underlying mechanism of the process of how consumers are influenced by online consumer reviews –the cognitive process (Kim, 2012), and the customers' motivation in making the reviews. As online review is a part of marketing communication that is very essential in moderating the role of marketing, there are rooms to be explored and discussed. One part of the void should be answered is the underlying factors influencing purchase intention of consumers based on the online reviews customers have examined. This study will specifically investigate elements that build up consumers' intention in purchasing particular cosmetic products after reading and or watching online review about cosmetics on the internet. Developing insight of these factors will enable cosmetics industry to predict consumers' behavior and create more effective marketing strategy.

LITERATURE REVIEW

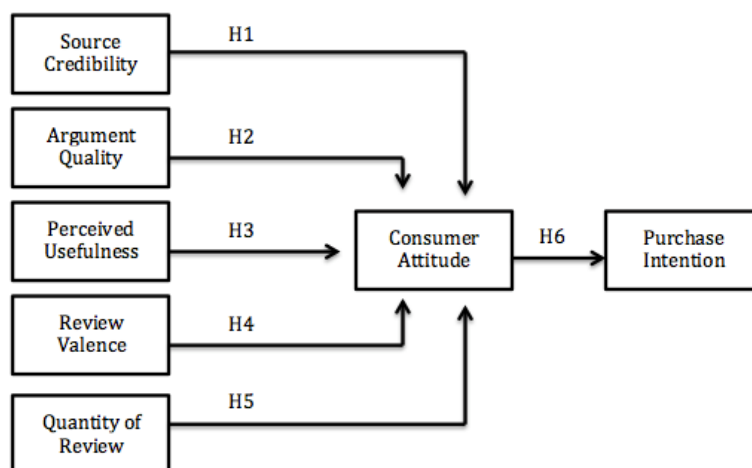


Figure 1. Framework Of The Research

Figure 1 explained about the conceptual framework that used in the research to define the factors that influencing cosmetics purchase intention based on online review.

Source Credibility

Credibility is usually defined as how expert and trusted the communicator is recognized on particular issue, by individual receiving the communication. The word “source” in the eWOM literature point out to the person who creates the content of message (Dou, Walden Justin, Lee, & Lee, 2012). Source credibility describes a perception of the credibility of the message source, not the content of the message itself (Chaiken, 1980). Persuasive message from a credible source has stronger effects on product evaluation than a message from a less credible source (Bambauer-Sachse & Mangold, 2013). Previous research also found that source credibility is a crucial predictor of the persuasiveness of online review.

These are primary sources that dominate online cosmetic reviews: blogger, video blogger, celebrities, website users with real identity and anonymous. Since most of online reviews platforms enable users to start discussion and upload comments, there are chances that anonymous; who actually has no expertise in the particular concern may join the discussion that misleads the readers. The chances that people do not have to disclose their identities create the risk for discussion credibility, and probability of affecting the overall impression to the consumer attitude toward product. Users see this as perceived risk in relying to online reviews. Given the importance of source credibility, it is a critical variable to consider when studying how people perceive the reviews.

H1: Source credibility has positive influence on consumer attitude.

Argument Quality

Argument quality indicates the persuasive strength of arguments embedded in an informational message (Bhattacharjee & Sanford). Discussion on argument quality is mainly

focused on its persuasion. It is found that argument quality has strong and positive influences on how perception is built and how useful the information for readers (Yan, 2008). Argument quality dimensions such as relevance, accuracy, timeliness, and completeness display crucial impacts on perceived information usefulness that lead to persuasion.

H2 : Argument Quality has positive influence on consumer attitude

Perceived Usefulness

Useful information in a review will assist customers to evaluate the attributes of the cosmetic products to build trust in the source (Pranjal & Judy, 2010). That is, when information seekers find more pieces of useful information for their needs, they will have greater prospect to make better decision and satisfaction in purchasing the product. This suggests that online platform with more useful reviews offers greater value to reader and contributes to building confidence in their purchase decisions.

One attribute that usually reflects perceived usefulness of a product is peer rating. Peer rating is considered as a important suggestion to helps consumers to evaluate the quality of the products (Krosnick, S., Chuang, Berent, & Camot, 1993). Peer ratings are commonly depicted in the form of star rating given by the review creator and heir repurchase intentions on the products.

H3 : Perceived Usefulness has positive influence on consumer attitude

Review Valence

Research found that the dynamics of valence in online reviews of particular fragrance and beauty products could have a direct impact on sales (Moe & Trusov, 2011). This could be analyzed that beauty products take time to prove its usefulness. The valence of an information may bring critical influence on consumers' attitude formation towards the products that may influence to purchase decision (Park D. &., 2008).

H4: Review Valence has positive influence on consumer attitude

Quantity of Reviews

One way to examine product popularity is often determined by the quantity of online reviews because it is considered to depict the product performance in the market (Mayzlin & Chevalier, 2006). The number of reviews may represent the number of the interested consumers with previous purchase and experience with the products (Chatterjee P. , 2001). The number of reviews contribute a suggestion to boost online shoppers' confidence and reducing the uncomfortable feelings of risk exposure of buying particular products (Buttle, 1998)

H5 : Quantity of Review has positive influence on purchase intention

Consumer Attitude

A consumer attitude may be defined as bias to respond in favorable or unfavorable manner toward particular product based on overall evaluation of product (Dean, 2010). In the field

of marketing, an attitude is the filter to examine every product and service. The previous study proves that consumer attitudes will affect intention to purchase and whether a transaction will be made (Fishbein & Ajzen, 1975).

H6 : There is a significant relationship between consumer attitude and purchase intention

METHODOLOGY

Population of this study is cosmetics consumers ranged from 15-40 year old who have read or watch online cosmetics review through video (Youtube), discussion forum (MakeupAlley), blog and other user generated content websites. The data is collected by using convenience sampling method. This method is used because the chosen sample must understand about the research problems.

The questionnaires are distributed online and the data collected are from several big and medium cities in Indonesia such as Bandung, Jakarta, Surabaya, Bogor, Solo, Malang and Yogyakarta. These cities selection is based on the aspect of representation of the Indonesian consumers; it is also based on practical reasons where these cities have many people who practice cosmetics review reading before purchasing cosmetics. Therefore, these cities represent online market in Indonesia. These requirements are needed in this study to prevent the respond biases that may caused by respondent misunderstanding related to the questionnaire that must be answered. There is 407 total data collected and is considered to represent the population of online cosmetic online review readers in Indonesia. Furthermore, it also fulfilled the minimum criteria of statistical tool that was used in this study.

ANALYSIS AND RESULT

Majority of respondents are university students (48.3%), followed by 114 employees of private companies (27.93%), 49 employees of state-owned company (12%), doctors (2.94%), students (2.7%) and the rest of respondents are make-up artists, freelancers and others. All respondents are aged between 15 to 40 year old. The highest number of respondents is from Jakarta which is 111 in number, Bandung respondent reach 103, Surabaya reach 97 respondents, followed by Malang, Bogor, and other cities.

The data was analyzed by using the coefficient correlation to construct the validity test and compute Cronbach's alpha value to verify the reliability. Each indicator conducted by validity and reliability test coefficient of validity above 0.3 and the Cronbach's alpha are greater than 0.7 which means each indicator is valid reliable.

Source Credibility, Argument Quality, Perceived Usefulness, Review Valence, Quantity of Reviews low relationship with the consumer attitude with 31%. Consumer Attitude has low relationship with the purchase intention with 31.6%

Table 1: Model Summary Of Independent Variables

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	,557 ^a	,310	,301	1,41502

a. Predictors: (Constant), Source Credibility, Argument Quality, Perceived Usefulness, Review Valence, Quantity of Reviews

Table 2: Model Summary Of Dependent Variables

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	,562 ^a	,316	,314	1,48845

a. Predictors: (Constant), Consumer Attitude

The data was defined to analyzed as the functions of five independent variables such as Source Credibility, Argument Quality, Perceived Usefulness, Review Valence, Quantity of Reviews towards consumer attitude are significant ($F_{1,407} = 35.98\%$, $p < .05$).

Table 3: Coefficients Of Dependent Variable

Coefficients^a

Model	Unstandardized Coefficient		Standardized Coefficient	t	Sig.
	B	Std. Error	Beta		
1 (Constant)	3,995	,715		5,587	,000
Source Credibility	,231	,034	,289	4,128	,898
Argument Quality	,258	,048	,309	5,391	,000
Perceived Usefulness	,096	,034	,160	2,801	,005
Review Valence	,097	,050	,101	1,954	,051
Quantity of Review	,118	,039	,145	3,001	0,003

a. Dependent Variables : Consumer Attitude

The standardized of coefficient of source credibility (as $X_1 = .289$ $p < .05$) has relationship with the consumer attitude. Meanwhile, argument quality (as $X_2 = .309$ $p < .05$) has relationship with the consumer attitude and same with the perceived usefulness that has relationship with the consumer attitude with ($X_3 = .160$ $p < .05$). Both of review valence ($X_4 = .101$ $p < .05$) and quantity of review ($X_5 = .145$ $p < 0.05$) have relationship with consumer attitude as well. All of independent variables have the relationship with the consumer attitude

The t-value of source credibility (as $t_1 = 4,128$ $p < .05$) is significant influence the consumer attitude. Argument quality with (as $t_2 = 5,391$ $p < .05$) is significant influence the consumer attitude and consumer attitude with ($t_3 = 2,801$ $p < .05$). Also, review valence (t_4) and perspective of price (t_5) are significantly influence consumer attitude with ($t_4 = 1,954$ $p < .05$) and ($t_5 = 3,001$ $p < .05$).

Table 4: Coefficients Of Consumer Attitude

Coefficients ^a						
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	4,983	,552		9,024	,000
	CA	,597	,044	,562	13,668	,000

a. Dependent Variable: PI

Consumer attitude has good relationship with cosmetic purchase intention with ($X_6 = .562$). The t value for the variable consumer attitude ($t_6 = 13.668$) is greater than t table, which means that variable consumer attitude is partially giving a positive and significant influence on cosmetics purchase intention among Indonesian who have read online reviews.

DISCUSSION AND CONCLUSION

Based on the result, the strongest factor that influences purchase intention on cosmetics is the quality of argument on the review, followed by source credibility, perceived usefulness of the products, quantity of review available on the internet and the last factor is review valence.

First factor that greatly affects the consumer attitude is argument quality. It was supported by hypothesis that argument quality has positive influence on consumer attitude. Argument quality has strong influences to persuade people through the message content. Marketer of beauty products should focus in improving persuasion on message content through online reviewer, for instances are video bloggers and beauty enthusiasts. Improving message content could be done by building relationship with those online reviewers and always emphasize the products' advantages in timely, accurately, relevant manner in communicating with those online reviewers to affirm the dimension of the quality of the argument.

Source credibility is also important to influence consumer attitude and eventually lead to intention to purchase. Endorsing popular and trustworthy beauty enthusiasts who have expertise in cosmetics products will form consumers' positive attitude. Popular beauty enthusiasts will have a better experience with cosmetics and also more reliable. An expertise in cosmetics products will also create a better content of review since they have better knowledge. The trend of endorsing credible beauty enthusiasts had been started in Indonesia since two years ago. Well known names in this field are Astrid Satwika, Andra Alodita and many others. Since Andra Alodita reviewed her experience with Body shop's british rose products, almost all british rose products edition are sold out in almost all of the counter. This is strengthen the fact that source credibility influence the purchase intention.

Perceived usefulness also creates a significant role in shaping consumer attitude. Star rating, repurchase intention, likes on the specific product review are easily seen on screen and reflect overall performance of the products.

Quantity of review becomes the fourth factors that influence consumer attitude. Consumers love popular products and are influenced by the word-of-mouth. Once reader browse the product and find many reviews, it will increase their level of confidence towards the products. Cosmetics companies may encourage market to create reviews about their products. Besides creating more reviews quantity, the encouragement –such as competition, will create curiosity among consumers.

The next factor that influence consumer attitude is valence. Negative valence will create doubt for consumers. Nevertheless, as previous research found that it is not as great factor that can influence consumer attitude towards the products. However it is still essential to manage negative review online since it is proven to affect consumers attitude toward products.

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THE IMPACT OF DRUGSTORE MAKEUP PRODUCT REVIEWS BY BEAUTY VLOGGER ON YOUTUBE TOWARDS PURCHASE INTENTION BY UNDERGRADUATE STUDENTS IN INDONESIA

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Abstract

In this era, digital platforms play a very significant role in influencing consumer preference and attitude. Content creators on digital platforms such as YouTube are becoming aspirational figures that have strong influence in the minds of the consumers. This paper is aimed to determine the impact of drugstore makeup product reviews by beauty vloggers on YouTube towards purchase intention by undergraduate students in Indonesia. In order to determine the factors that influence purchase intention, the variables of Source Credibility Model (Ohanian, 1990) were used. The Source Credibility Model was also projected as a mean to evaluate the factors of quality that was delivered by the beauty vloggers on their videos. Moreover, the dimensions of Trustworthiness, Expertise and Attractiveness from Source Credibility Model are projected into overall consumer attitude in order to determine the impact towards purchase intention. The author had gathered primary data in the form of online questionnaires as well as secondary data resources including journals, books, and articles. Furthermore, quantitative research methods were used in order to examine the respondent's knowledge and preference. The result indicates that the dimensions of Source Credibility Model in most extent had significantly influenced purchase intention through the videos that was presented by the beauty vloggers on YouTube. In the end, this research would contribute to academic and practical sector in exploring the impact of digital platforms towards consumer preference and attitude. Other than that, this research would also encourage cosmetics brands to realize the importance of content creators and digital platforms and imply them as a new way of marketing.

Keywords: Cosmetics, Beauty Vlogger, Purchase Intention, Consumer Attitude

INTRODUCTION

Backgorund

It is the nature of women to look beautiful and feel beautiful. Therefore, women use makeup as a way to empower themselves and feel confident. In recent years, makeup is happening and trending, especially in urban citizens who follow latest trends. Most women aged 17 to 35 in Indonesia are wearing makeup for different purposes, from daily basis to special occasion. There are two kinds of makeup products sold in the market, which are drugstore makeup product and high-end makeup products. Focusing on drugstore makeup, it is the type of makeup products that sold in drugstores, which is a store that sells variety of health and beauty products. For the quality, drugstore makeup products are having quality which as good compared to higher-priced high-end makeup products.

Moreover about cosmetics and its industry, the companies are coming up with lots of campaigns and promotions of drugstore makeup to emerge in the market. One of the most powerful tools of promotion in this digital era is definitely the internet. The internet has

facilitated people to express themselves on social media such as Facebook, YouTube, Twitter and Instagram, where everyone is able to express themselves freely without boundaries. It can be said that the phenomenon of social media and Internet is impacting the consumer preference hugely, which works as powerful as word of mouth. In other words, social media could be considered as a new media of word of mouth.

The same phenomenon is also happening on YouTube, a video-sharing site that was launched in 2006. Ever since its initial launch in 2006, YouTube has gained positive reviews from its users worldwide. There are a lot of YouTube content creators from the beauty segment. These content creators are called beauty vloggers. Beauty vlogger or also known as beauty influencer uploads videos of makeup reviews and tutorial on YouTube a way to express themselves and influence people to wear what they use. Most drugstore makeup companies see this as an opportunity to emerge their product to their segment. Thus, cosmetic companies offer the beauty influencers a partnership to promote their product on their YouTube channel and other social media accounts such as Instagram. In the end, the beauty influencer will gain popularity and fame in return of the partnership.

In conclusion, the hype of internet and social media usage has triggered the establishment of beauty vloggers and its community on Youtube. This phenomenon will result in the increase of brand awareness and perceived quality, which highly influences purchase intention by the target market. As a response of the promotion done by these beauty vloggers, the viewers of their YouTube channel would either purchase or not purchase the promoted product. These correlated things have encouraged this research to analyze the impact of beauty vlogger reviews on YouTube towards drugstore makeup purchase intention by women in Indonesia.

Problem Identification

In recent years, the use of internet and social media has increased significantly. It has led to the use of social media as a way for people to express themselves, including beauty vloggers who post their creations on YouTube. Moreover, the influence of beauty vloggers is also impacting the brand awareness and perceived quality of a certain makeup brand. These factors are correlated with the purchase intention of consumers in choosing which product to buy. Thus, this research is focusing on the impact of beauty vlogger reviews on YouTube towards drugstore makeup purchase intention by women in Indonesia.

From the problem identification above, some questions are generated as the research question:

1. How do consumers perceive the review videos by beauty vloggers?
2. In which aspect of the beauty vlogger and review videos do consumers find to be the most influencing factor in purchasing drugstore makeup products?
3. Do the factors that influence purchase intention provide positive impact towards consumer's purchase intention?
4. Do consumers feel convinced to buy drugstore makeup products after watching these videos?

LITERATURE REVIEW

Characteristics Affecting Consumer Attitude

According to Kotler et al. (2013), consumer purchases are strongly influenced by cultural, social, personal, and psychological characteristics. However, consumers are often heavily influenced by reference groups which they do not belong (Blackwell et al, 2006). This indicates that reference groups expose the consumer to new behaviors and lifestyles.

Beauty Vlogger impact in Purchase Decision

Hsu et al. (2013) demonstrated that vlog is one of the popular eWOM platforms, which are considered by online users as a highly credible source among all sources in different media. Through watching and frequent interactions on YouTube, consumers become familiar with beauty vloggers and the content they provide, resulting a condition where trust will be formed between beauty vloggers and the consumers. While according to Evans, Jamal and Foxall (2009), recommendations from reference groups play an important role in consumer buying decisions particularly in purchasing new products. Further explanation about beauty vlogger impact in purchase decision will be discussed through theories and the conceptual framework below.

Source Credibility Model

Ohanian (1990) constructed the source credibility theory to model the tendency of people to be persuaded by a credible source. The model fuses Hovland, Janis and Kelley's source credibility model (1953) which suggests trustworthiness and expertise, and McGuire's source credibility model (1985) which demonstrates that familiarity, likability, similarity and attractiveness are able to produce an effective message. From those factors mentioned, trustworthiness, expertise, attractiveness are taken as source of credibility for this research.

Trustworthiness

According to Ohanian (1990), trustworthiness is the individual's degree of confidence in, and level of acceptance of, the influencer and the message. According to Loggerenberg, Waldt & Wehmeyer (2009), large part of trustworthiness lies in the likeability of the influencer.

Expertise

According to Ohanian (1990), expertise refers to the extent in which the influencer is considered to be qualified enough to provide valid and accurate information or discuss a specific subject (experienced, expert, qualified, knowledgeable, and skilled).

Attractiveness

According to Ohanian (1990), source attractiveness is a combination of similarity, familiarity, and likability. Moreover, attractiveness has to do with social values and its

overall perception, including personality, physical appearance, and similarity to the viewers. According to Loggerenberg et al. (2009), influencers who are perceived to be attractive are more likely to lead purchase intention.

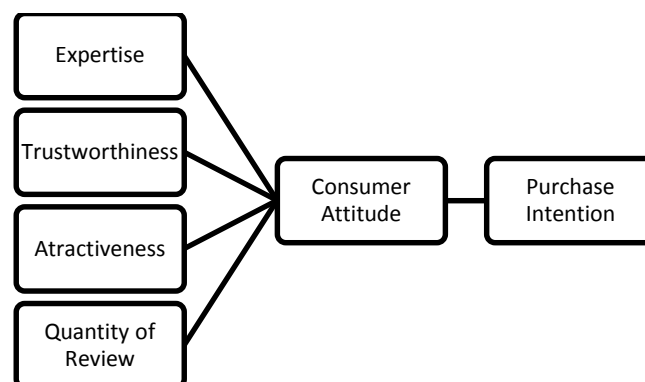
Quantity of Review

Consumers usually depend on the amount of opinions or suggestions from others to evaluate purchases in order to reduce risk and uncertainty in buying (Hsu et al, 2013). This way, the consumers would feel more secure and convinced to purchase a certain product due to its familiarity among other consumers.

Purchase intention

According to Mackenzie et al. (1986), purchase intention refers to an individual's intention to purchase a specific brand after a confident evaluation. Basically, attitudes influence consumers' intention to purchase (Korzaan, 2003). Additionally, Kotler (2003) suggest that individual attitudes and unpredictable situations will influence purchase intention.

Conceptual Framework



Accordingly, the following hypotheses were proposed:

H1: Trustworthiness of beauty vlogger is a part that constructs consumer attitude that influences purchase intention

H2: Expertise of beauty vlogger is a part that constructs consumer attitude that influences purchase intention

H3: Attractiveness of beauty vlogger is a part that constructs consumer attitude that influences purchase intention

H4: Quantity of product review is a part that constructs consumer attitude that influences purchase intention

H5: There is a relationship between consumer attitude based on drugstore makeup product reviews by beauty vlogger towards intention to buy.

METHODOLOGY

The data analysis of this research will be done with SPSS software, which through some phases:

Validity Test

The Pearson correlation will be used in this research in order to test the validity of the variables used in the questionnaire. Thus, a variable is considered as valid if the coefficient is above 0.3.

Multiple Linear Regression Analysis

This method will be used to model the simultaneous and partial relationship between the dimensions that construct Consumer Attitude variable (Trustworthiness, Expertise, Attractiveness and Quantity Of Review) towards Purchase Intention. Therefore, the model will create an influence in linear form that will best estimate all the individual data points.

Simple Linear Regression Analysis

This study will also use simple linear regression analysis to model the simultaneous relationship between the Consumer Attitude variable towards Purchase Intention. Therefore, the model will describe the relationship between two variables that will best estimate all influential points.

DATA ANALYSIS

Respondent's Answers

In order to analyze the responses of all questions, the descriptive analysis is used to determine the levels of responses from the respondents. The descriptive analysis method is categorized into five categories, which are very good, good, fair good, poor and very poor.

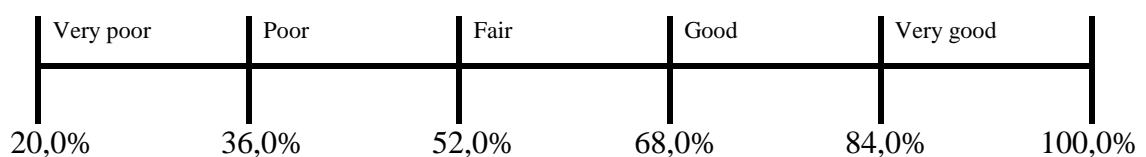


Figure 1. Continuum Line

Table 1. Dimension Category

No	Dimension	Total Score	Ideal Score	Score Percentage	Category
1	Trustworthiness	18585	24000	77,4%	Good
2	Expertise	21794	28000	77,8%	Good
3	Attractiveness	20830	26000	80,1%	Good
4	Quantity Of Review	7578	10000	75,8%	Good
	Consumer Attitude	68787	88000	78,2%	Good

The table above represents the respondent's response towards *Consumer Attitude* variable. Based on the calculation on the table above, it can be said that the total score for *Consumer Attitude* is 68787 or 78,2% from the ideal score of 88000. Therefore, the respondent's response towards *Consumer Attitude* is in the good category, so with the response towards *consumer attitude* dimensions.

Based on the continuum line above, it can be seen that the total score of *Purchase Intention* variable is in the range of 68,1% - 84,0%. Therefore, the respondent's response towards *Purchase Intention* dimension is in the good category.

The Impact of Trustworthiness, Expertise, Attractiveness and Quantity Of Review towards Purchase Intention

Multiple linear regression analysis will be used to determine the the simultaneous and partial relationship between Trustworthiness, Expertise, Attractiveness and Quantity of Review dimension towards Purchase Intention.

Multiple Correlation Analysis

Multiple correlation (R) analysis is used in order to determine the simultaneous relationship between Trustworthiness, Expertise, Attractiveness and Quantity of Review towards Purchase Intention.

Table 2. Multiple Linear Regression

Model Summary^b				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	,783 ^a	,613	,609	2,23121

Based on the output of SPSS software above, the correlation coefficient value (R) of 0,783 was obtained. This indicates that there is a significant relationship between Trustworthiness, Expertise, Attractiveness and Quantity Of Review towards Purchase Intention.

Partial Effect Analysis

The influence of Trustworthiness towards Purchase Intention partially is 10,3%, Expertise towards Purchase Intention partially is 11,6%, Attractiveness towards Purchase Intention partially is 2,8%, and Quantity Of Review towards Purchase Intention partially is 36,5%. Therefore, the total effect of Trustworthiness, Expertise, Attractiveness and Quantity Of Review towards Purchase Intention simultaneously is 61,3%. Additionally, it can also be seen from the coefficient of determination value which will be explained on the next part.

Coefficient Determination

The influence magnitude of *Trustworthiness*, *Expertise*, *Attractiveness* and *Quantity Of Review* towards *Purchase Intention* can be represented by coefficient of determination with the following formula:

$$\begin{aligned} CD &= R^2 \times 100\% \\ &= (0,783)^2 \times 100\% \\ &= 61,3\% \end{aligned}$$

Overall, it means that the dimensions of *Trustworthiness*, *Expertise*, *Attractiveness* and *Quantity Of Review* gives the effect of 61,3% towards *Purchase Intention*. Whereas the remaining 38,7% is a contribution from other variables beside *Trustworthiness*, *Expertise*, *Attractiveness* and *Quantity Of Review*.

Regression Coefficient Test**Overall Hypotesis Test (F Test)**

Ho : There is no significant influence between *Trustworthiness*, *Expertise*, *Attractiveness* and *Quantity Of Review* toward *Purchase Intention*.

Ha : There is a significant influence between *Trustworthiness*, *Expertise*, *Attractiveness* and *Quantity Of Review* toward *Purchase Intention*.

$\alpha = 5\%$

Table 3. ANOVA Table

ANOVA ^a						
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	3110,010	4	777,503	156,178	,000 ^b
	Residual	1966,430	395	4,978		
	Total	5076,440	399			

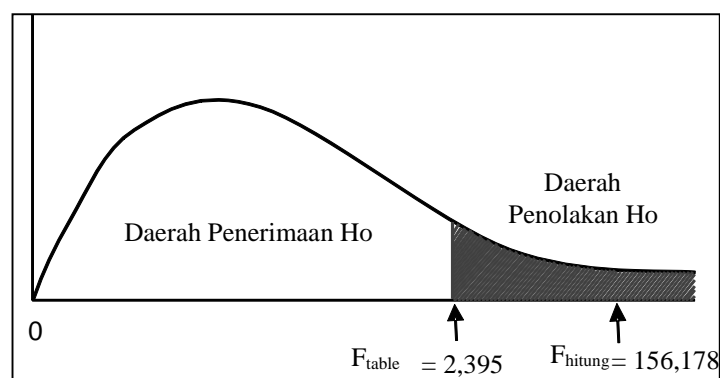


Figure 2. Overall Test

As shown in the table above, the F value is 156,178. Since F value (156,178) is greater than F table (2,395), therefore H_0 is rejected. Thus, it can be said that there is a significant influence from *Trustworthiness*, *Expertise*, *Attractiveness* and *Quantity Of Review* towards *Purchase Intention*.

Partial Hypothesis Test (T Test)

The results of T test based on SPSS software are presented as follows:

Table 4. Partial Hypotesis Test (T Test)

Variable	t value	df	t table	Sig	Explanation	Conclusion
<i>Trustworthiness</i>	3,352	395	1,966	0,001	Ho Rejected	Significant
<i>Expertise</i>	3,040	395	1,966	0,003	Ho Rejected	Significant
<i>Attractiveness</i>	0,865	395	1,966	0,388	Ho Accepted	Not Significant
<i>Quantity Of Review</i>	12,099	395	1,966	0,000	Ho Rejected	Significant

The Impact of Consumer Attitude towards Purchase Intention

Simple linear regression analysis was used to determine the simultaneous relationship between the Consumer Attitude variable towards Purchase Intention. Based on the analysis using SPSS 20 software, the following results were obtained.

Table 5. Simple Linear Regression

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
1 (Constant)	7,661	,714		10,724	,000
	,792	,037	,730	21,323	,000

Hypothesis Test

$H_0 : \beta = 0$ There is no impact from *Consumer Attitude* towards *Purchase Intention*.

$H_1 : \beta \neq 0$ There is an impact from *Consumer Attitude* towards *Purchase Intention*.

Based on the following test criterions:

1. Accept H_0 if $-t \text{ table} < t \text{ value} < t \text{ table}$
2. Reject H_0 if $t \text{ value} > t \text{ table}$ or $t \text{ value} < -t \text{ table}$

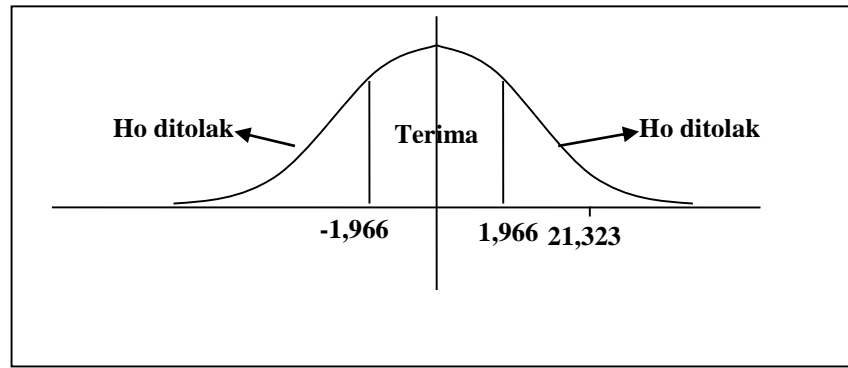


Figure 4. Partial Test

According to the calculations above, t value of 21,323 was obtained. Since t value (21,323) is greater than t table (1,966), therefore H_0 is rejected. This indicates that there is an impact from *Consumer Attitude* towards *Purchase Intention*.

CONCLUSION AND RECOMMENDATION

In the conclusion, based on the result of research and hypotheses testing, it is proven that Trustworthiness of beauty vlogger is a part that constructs consumer attitude that influences purchase intention, expertise of beauty vlogger is a part that constructs consumer attitude that influences purchase intention, quantity of product review is a part that constructs consumer attitude that influences purchase intention, and there is a relationship between consumer attitude based on drugstore makeup product reviews by beauty vlogger towards intention to buy, while for attractiveness of beauty vlogger does not proven as part that constructs consumer attitude that influences purchase intention.

From the result of this research the recommendation can be implied for both of the cosmetics companies, customer, and beauty vloggers.

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MEASURING VARIABLES AFFECTING CUSTOMER WILLINGNESS TO ATTEND LIVE MUSIC PERFORMANCE IN INDONESIA

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Abstract

The advent of music digitization era has face the music industry to face a new big challenge in terms of their business sustainability. Focus on selling physical CD or digital music has no longer promising as the danger of piracy. Thus, the musician and its management should consider about another options or revenue stream that cannot be duplicated. One of the most promising revenue streams is live music performance that is unique, excludable, and non-duplicable. This study aims to measure variables that affect the customer willingness to attend live music performance. Using quantitative method, this study focus on analyzing the students in DKI Jakarta and West Java. This research analyzed some variables, which are distance, price, accompaniment, YouTube, digital music, type of live music performance, and popularity. The result shows that most of the variables affect the customer willingness to attend live music performance and there are also some related variables. The customers significantly consider accompaniment and price simultaneously and also digital music and music video on YouTube sites. The researcher also give some recommendation such as developing bundling package promo and improving the quality of digital music and music video on YouTube so that the customers more aware and willing to attend live music performance.

Keywords: customer, industry, live, music, willingness

INTRODUCTION

Music has become one of big industry sector especially in Indonesia. Based on the data from Ministry of Tourism and Creative Economy 2014, music industry contributed Rp 3.9 trillion for the nominal GNP 2010 and has increased become Rp 5.2 trillion in 2013 or in average 11% growth every year. Music business works on delivering its creations from the musicians in any forms of products and performances.

Nowadays, the advent of the music digitization has brought the music industry faced a big challenge. The existence of the music digital began to replace the origins of the music creation such as physical CD and live music performance. According to the International Federation of the Phonographic Industry's (IFPI) annual "Digital Music Report" published in March 2014, the generated revenue from global recorded music industry declined by 3.9 % to US\$ 15.0 billion from US\$ 15.6 billion the previous year. The Global World Index research even stated that the number of people who listen to the music from the Internet increased significantly until 76 % on 2012-2015.

In addition, it's also noted that in 2014, 46% of the global music industry revenue came from digital recorded music (IFPI, 2014). In Indonesia, this phenomenon can be seen

from the collapse of so many physical music stores such as Disc Tarra. Nowadays, it has been difficult to find music store to buy CD or cassettes since Aquarius Mahakam, one of the most popular music stores has already collapsed at the end of 2013 and start to be followed by Disc Tarra.

Seeing those challenges, the musician should able to seek for another chance in order to ensure the business survives. As one of the origins of the music creation, live music performance still promises a big opportunity since live music performance still exist and sustain. Although the live music performance is not the biggest revenue of most musicians, it is necessary to rethink about the improvement of the live music performance in order to keep the business survive in the middle of the fall of the physical music sales and piracy in digital music.

Live music performance should be considered as one of the most potential ways since one of world-popular musician, Mick Jagger, said that now is the returning period where live music performance is the biggest revenue stream for the musician. He stated that the records or compact disc were the biggest revenue for the musician only from 1960 to 1997. This has been an important warning for the musicians to face the challenge of the music digitization. Many musicians now believes that live music performance is going to be the best alternative to survive in the era of music piracy since live performance are, “the only unique, excludable, non-duplicable product left in the music business” (Schultz, 2009). No one can duplicate this kind of music creation because live music performance talks about musician, instruments, crowd, and any kind of non-duplicable sense.

This research will try to identify some variables such as perceived price fairness, distance to the venue, digital music, YouTube, accompaniment, form of the live music performance, and also popularity to identify. The author will also identify some possible characteristic of customer towards live music performance so that can help the musician to decide which treatment or improvement should give to related customers.

A structured quantitative research will be conducted to measure the factors that affect the customer willingness to attend the live music performance. By constructing a perceptual framework, the author will try to find if there any relationship among variables. The final result of this research will be such a recommendation for musicians and its management in terms of the improvement of live music performance.

LITERATURE REVIEW

Live Music Performance

Generally live music performance is a combination among music players, singers, and its instrument in a music stage that can be listened directly. The biggest advantage of the live music performance is its uniqueness and cannot be duplicated. David Bowie advised that, “You’d better be prepared for doing a lot of touring because that’s really the only unique situation that’s going to be left” (Pareles, 2002).

From the previous research it is necessary to notes that currently live music performance is returning into the biggest revenue stream for the musician since sales of

physical recorded music such as compact disc has been declining for a decades and the digital music has to face the andger of piracy. Ones of popular musicians, Mick Jagger, even said that it was only from 1970 to 1997 that recording artists earned significant revenue from selling records or CD and now are the time for live music performance return back to be the biggest revenue source (BBC, 2012). As it start potentially presenting alternative business models and opportunities, while record sales have plummeted, live music sector has thrived (Gamal, 2012).

Customer Willingness to Attend Live Music Performance

One of the most popular tools to measure the behaviour of consumers towards their willingness or intention to purchase a product or service is by defined the value as “trade-off between of benefit, i.e. the received component, and sacrifices, i.e. the given component” (Woodruff, 1997). Value intention framework developed by Dodds and Monroe (1985) even assumes that the individual willingness to act or purchase something is directly affected by perceived value of their behavior consequences. The perceived value of the customers that will bring them to an intention to purchase is always related with their sacrifice. It is necessary to measure the customer value towards live music performance since in theory, customer value of CD that is easy to use, can be used repeatedly, and portable may be higher than the value of attending live music performance (Rondan-Cataluna & Martin-Ruiz, 2010). The customer of live music performance may consider several variables such as price, time, and other sacrifices before attending a concert. The perceived quality can be measured from intrinsic and extrinsic variables. Variables such as the type of live music performance and its concert mix such as price and place can be considered as intrinsic variables, while there are some extrinsic variables should be considered such as the image or popularity and also the advertising through some Medias (Chu & Lu, 2007). Besides the perceived benefit, effort also considered as a non-monetary sacrifices (Chu & Lu, 2007).

Variables Analyzed

1. Distance
2. Price
3. Accompaniment
4. YouTube
5. Digital Music
6. Type of Live Music Performance
7. Popularity or Music Chart

METHODOLOGY

Theoretical Framework

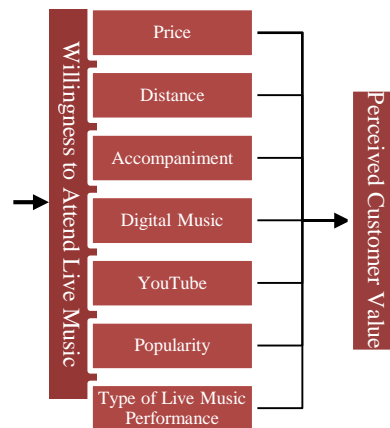


Figure 1. Theoretical Framework

Adopted from value-intention framework by Dodds and Monroe (1985) and research model of online music purchase behavior by Ching-Wen Chu and His-Peng Lu (2007), the diagram above shows the theoretical framework used in this research. There are seven variables analyzed to measure the effects of those variables towards customer willingness to attend live music performance. Those variables would be analyzed to measure the willingness of the customer to attend live music performance. This researcher used several methods to understand how each variable affect the customer's willingness.

Those variables are the interpretations of the researcher about the perceived value of customer that consists of sacrifice and other extrinsic variables. The price and distance factors show the sacrifice of the customer on attending live music performance. These kinds of variables are important to be analyzed since price is often used as the key measure to represent what customers have to sacrifice to gain a product (Chu & Lu, 2007). As it consists of time and effort, like price, as monetary cost increased the lower value they have perceived (Tam, 2004).

Meanwhile, other variables such as YouTube, music digital, popularity, and type of live music performance would be the extrinsic variables that commonly used as additional considerations for the customers to attend live music performance.

Using this theoretical framework, the researcher measured and analyzed how each variable influence the customer willingness to attend live music performance. In addition, it is necessary to identify any relationship among variables.

Population

The target population of this research is university students (S1) in Jakarta and West Java. According to www.forlap.dikti.go.id, the total of S1 university students in Jakarta is 510.536 and in West Java is 372.848. So the total population research is 883.334.

Sample

In this section, the researcher will explain the method to determine the number of sample and the sampling method.

Determine the number of samples

To determine the number of samples that appropriate based on the number of the population the researcher used Slovin formula with error term (e) of 0.1. The formula is as followed:

$$n = \frac{N}{1 + Ne^2}$$

N = Population size

e = Allowed probability in committing an error

n = sample size

Based on this formula the calculation of sample size is:

$$n = \frac{883.334}{1 + 883.334[0.1^2]} = 99,98 \approx 100$$

Based on the number of population and the margin of error, the appropriate sample size is 100 customers. The researcher uses 0.1 as the margin of error due to the time constraint.

Data Analysis

The data collected will result in forms of quantitative data and will be analyzed using cross tabulation analysis and also directly from the collected data. The data will be analyzed to understand the measurement of the customer preference and the relationship among variables. This analysis will show how the customers are actually affected by several variables if there are any related variables that influence their willingness to attend live music performance.

Cross-tabulation analysis can be considered as one of the most mainstay analytical tools especially in the market research industry (Qualtrics, 2011). There was lots of market research use cross-tabulation analysis to analyze categorical (nominal measurement scale) data to determine if there are any relationships among several variables. Cross-tabulation analysis is usually served in two (or more) dimensional tables that consist of information from the respondents that have specific characteristics based on their answers.

RESULTS

Validity and Reliability Test

After the data collected, it is important to conduct validity and reliability test to make sure that the data can be analyzed in the next step. Validity test of this study will be measured by SPSS bivariate correlation between each score noted as the total score of the construct. The variable is valid when the Correlated Item - Total Correlation value more than 0.3.

The researcher also checked the reliability of the data using Cronbach alpha test of internal consistency. Reliability Testing indicates the extent to which the measure is without bias (error free) by looking the stability and consistency of the instrument. The questionnaire

categorized as reliable if the respondents answer the questionnaire consistently. The researcher used Cronbach Alpha test to measure the reliability of the data.

As the result shows that the data are valid and reliable, then the researcher can continue to the next analysis.

Table 1. Validity and Reliability Test

Variable	Question	Coefficient of Validity	Critical Value	Result	Coefficient of Reliability	Critical Value	Result
Distance Factor	q8	0.697	0.3	Valid	0.720	0.7	Acceptable
	q9	0.883	0.3	Valid			
	q10	0.813	0.3	Valid			
Price Factor	q11	0.910	0.3	Valid	0.896	0.7	Good
	q12	0.962	0.3	Valid			
	q13	0.863	0.3	Valid			
YouTube Factor	q14	0.762	0.3	Valid	0.844	0.7	Good
	q15	0.889	0.3	Valid			
Digital Music Factor	q17	1.000	0.3	Valid	<i>Not being tested (only have one question)</i>		
Accompaniment Factor	q20	0.888	0.3	Valid	0.731	0.7	Acceptable
	q21	0.887	0.3	Valid			
Type of Live Music Performance Factor	q22	0.763	0.3	Valid	0.837	0.7	Good
	q23	0.818	0.3	Valid			
	q24	0.888	0.3	Valid			
	q25	0.813	0.3	Valid			
Popularity Factor	q26	0.894	0.3	Valid	0.736	0.7	Acceptable
	q27	0.885	0.3	Valid			

Analysis of Responses

Response about Distance Factor

From the responses toward distance factor, it shows a significant change of willingness of the customer to attend live music performance towards the distance of the live music performance. It can be conclude that most of customers consider distance before they attend a live music performance. The analysis shows that the customers prefer on live music performance that held in the city they live in. However, there are still 54 respondents or 32.9 % who are still relatively willing to attend live music performance even the live music performance held outside their living city and relatively reached by air transportation which actually spend lot of times, effort and money (neutral, agree, and strongly agree). This kind of customers can be considered as the 'extreme' or 'fanatic' customers in terms of distance. The distance of their place to the live music performance venue does not relatively affect this type of customers even though they need to go by airplane.

Responses about Price Factor

The responses towards price factor shows a significantly move to strongly disagree as the price of the live music performance increased. The amount of respondents who answer

“strongly disagree and disagree” towards one and a half price increase even bigger than who answer “agree” and “strongly disagree”. Meanwhile, there are still 29 respondents (answer “neutral”, “agree”, and “strongly disagree”) considered as willing to attend live music performance even though the price is increased by three times. This kind of customers may be classified as “fanatic” or “extreme” customers who are not affected by price.

This result shows that the customers are highly influenced the price of the live music performance. The increase of price leads to the decrease of their perceived value towards live music performance. The analysis shows that price as one of monetary sacrifice affects the customer willingness to attend live music performance.

The Responses about the Factor of Video Clip/Music Video/Live Music and Live Performance Video in YouTube Sites

As one of the most popular video website in the world, YouTube has actually become one of the customer’s considerations towards their willingness to attend live music performance. The result shows that only 7 from 164 respondents who doesn’t like to watch music video on YouTube sites and more than 70% of the customers are considered use YouTube as their consideration before attending live music performance (answer “neutral”, “agree”, and “strongly agree”). It shows that music video or the video clip uploaded highly influence the customer willingness to attend live music performance.

Responses about the Factor of Digital Music

The result shows that most of the respondents like to listen to the digital music. This is normal since nowadays it is very easy to get an mp3 file and it is very portable because people can save it in their gadget. From the result, the researcher found that most of respondents buy or download the digital music before they attend live music performance. Based on this data, it can be considered that the digital music is used by the customer as their consideration before attend live music performance or in other words the digital music significantly influences their willingness to attend live music performance.

The Responses about Accompaniment Factor

From the responses towards accompaniment factor, it shows that accompaniment significantly affect the customer willingness to attend live music performance. Although only 44 of 164 respondents who disagree if the people who accompany them replaced by other, most of respondents are not willing to attend live music performance alone. 88 respondents or 53.6 % of the respondents answer “disagree” and “strongly disagree” to attend live music performance alone. It shows that the accompaniment is significantly one of the variables affecting customer willingness to attend live music performance.

The Responses about the Factor of the Type of the Live Music Performance

All of the responses toward types of live music performance don’t show any significant change. Most of respondents doesn’t affected by the type of live music performance or they

still agree to attend live music performance whatever the type of its live music performance. This shows that the type of live music performance doesn't significantly influence the customer willingness to attend live music performance.

The Responses about Popularity Factor

The result shows that most customers are aware about position of a musician in a music chart. Meanwhile, the number of respondents who answered "disagree" or "strongly disagree" is 84 respondents or about 50%. It shows that the music chart affect the customer willingness to attend live music performance but not significant.

Table 2. Summary of Correlation Analysis

	Distance Factor	Price Factor	YouTube Factor	Digital Music Factor	Accompaniment Factor	Type of Live Music Factor	Popularity Factor
Distance Factor		V	X	V	V	V	X
Price Factor	V		X	X	V	V	X
YouTube Factor	X	X		V	X	V	V
Digital Music Factor	V	X	V		X	V	X
Accompaniment Factor	V	V	X	X		V	X
Type of Live Music Factor	V	V	V	V	V		X
Popularity Factor	X	X	V	X	X	X	

Based on the correlation test, most of the variables are correlated. It shows that the customers perceive the variables as related factors. Thus, it is important for the musician and its management to consider about developing a combined improvement towards several variables. In this study, the researcher will analyzed two combinations of four variables, which are price factor-accompaniment factor and digital music factor-YouTube factor.

The researcher initiates to analyze those combined variables because of these kind of variable that is most probably to be changed by the musician and its management. It is not necessary and possible to change the distance or the venue of the concert through city to another city because a concert is actually held in a certain city and target market. The researcher also doesn't furtherly analyze the type of live music factor and popularity factor because in the previous analysis it doesn't shows any significant effect on customer willingness to attend live music performance.

Cross-tabulation Analysis

The researcher analyzed the correlation of price factor-accompaniment factor and YouTube factor-digital music factor by Cross-Tabulation Analysis using SPSS. Then the result will be descriptively analyzed by the researcher to find any pattern of relationship which can be such a consideration for the musician and its management to be improved in the future.

In order to ease the analysis, the researcher has modified the Likert scale into categorical scale. The answers "strongly disagree" and "disagree" will be considered as "no"

or “not willing to attend”. Meanwhile, “neutral”, “agree”, “strongly agree” will be considered as “yes” or “willing to attend”.

Table 3. Cross-tabulation Analysis

			I am willing / interested to Attend live music performance alone		Total	
			No	Yes		
The price increased by one and a half times	No	f	44	29	73	
		%	50,0%	38,2%	44,5%	
	Yes	f	44	47	91	
		%	50,0%	61,8%	55,5%	
Total			f	88	76	164
			%	100,0%	100,0%	100,0%
The price increased by two times	No	F	71	44	115	
		%	80,7%	57,9%	70,1%	
	Yes	F	17	32	49	
		%	19,3%	42,1%	29,9%	
Total			F	88	76	164
			%	100,0%	100,0%	100,0%
The price increased by three times	No	F	82	53	135	
		%	93,2%	69,7%	82,3%	
	Yes	F	6	23	29	
		%	6,8%	30,3%	17,7%	
Total			F	88	76	164
			%	100,0%	100,0%	100,0%

In the next analysis from the table, the researcher identified some type of customers in terms of price and accompaniment (whether they are alone or being accompanied). From the table above, there are 73 respondents or 44.5% who are not willing to attend live music performance if the price is increased by one and a half time. This kind of customers can be considered as the customer who is strongly influenced by the price. From this 73 respondents, most of them (44 respondents) also are not willing to attend live music performance without any accompaniment or in other words ‘alone’. Meanwhile, there are still 29 respondents or 17.7 % who are still willing to attend live music performance even though the price is increased by three times and most of them are also willing to attend alone which is 27 respondents or 16.46 from total respondents. This kind of customers can be considered as “fanatic” or “extreme” customers towards price and accompaniment.

From the table, the researcher found such a pattern of the customers. The more price is increased, the percentage of customer who are willing to attend live music performance alone also increase. Furthermore, the number of respondents who doesn’t affected by

accompaniment is also bigger for the respondents who answer “yes” towards price increasing.

From this analysis, the researcher concludes that the price factor is strongly related with accompaniment factor. The customer who is affected by price is also really need accompaniment or doesn't want to attend live music performance alone. Meanwhile, most of customers who are not affected by price or in other words they are willing to attend live music performance even the price is increased by three times are also doesn't really care about accompaniment or willing to attend a concert alone. In the conclusion, the more customers are not affected by price, the more they are not affected by accompaniment and vice versa.

Table 4. Cross-tabulation Analysis

				I like to listen to the digital music		Total
				No	Yes	
I like to watch video clip / music video / live performance video that uploaded in YouTube site	No	f	1	6	7	
		%	9,1%	3,9%	4,3%	
	Yes	f	10	147	157	
		%	90,9%	96,1%	95,7%	
Total		f	11	153	164	
		%	100,0%	100,0%	100,0%	
I use YouTube as my consideration before attending live music performance	No	f	3	26	29	
		%	27,3%	17,0%	17,7%	
	Yes	f	8	127	135	
		%	72,7%	83,0%	82,3%	
Total		f	11	153	164	
		%	100,0%	100,0%	100,0%	

From the table 4, it can be identified a strong relationship between YouTube and the likeliness of customer to listen to digital music. Most of customers or respondents like to watch YouTube, use YouTube as their consideration before attending live music performance, and they also like to listen to the digital music. It shows that the customers who are affected by YouTube also like to listen to the digital music.

From the table 5, the researcher also found a strong relationship between YouTube and the digital music. Most of respondents or customers like to watch YouTube, use YouTube as their consideration before attending live music performance, and they buy or download the digital music before attending live music performance that can be considered as they use the digital music as their consideration before attending live music performance.

Table 5. Cross-tabulation Analysis

		I download or buy the digital music...				Total
		Forget	Before attending live music performance	After attending live music performance		
I like to watch video clip / music video / live performance video that uploaded in YouTube site	No	F	2	4	1	7
		%	5,6%	3,5%	7,7%	4,3%
	Yes	F	34	111	12	157
		%	94,4%	96,5%	92,3%	95,7%
Total	F	36	115	13	164	
	%	100,0%	100,0%	100,0%	100,0%	
I use YouTube as my consideration before attending live music performance	No	F	9	18	2	29
		%	25,0%	15,7%	15,4%	17,7%
	Yes	F	27	97	11	135
		%	75,0%	84,3%	84,6%	82,3%
Total	F	36	115	13	164	
	%	100,0%	100,0%	100,0%	100,0%	

This cross-tabulation analysis shows that YouTube factor has strong relationship with the digital music factor. The customers who are affected by YouTube are also affected by the digital music. Thus, it is necessary for the musicians and its management to consider about improving their image and their music videos in YouTube and also their quality of the digital music.

DISCUSSION AND CONCLUSION

As the effect of music digitization era, nowadays music industry in the world especially in Indonesia faces a big challenge in order to survive. Since live music performance is the only non-excludable music creation and protected from piracy, the musician and its management should keep an eye with this kind of revenue stream. Thus, it is important to improve their quality of live music performance by understanding what their customers really perceived from their live music performance. This research has analyzed several variables that may affect the customer's willingness to attend live music performance and identified if there is any relationship between variables.

Based on the analysis of responses toward variables, the researcher concludes:

- 1 Distance strongly affects the customer willingness to attend live music performance. The customers perceive distance as monetary sacrifices since distance consists of effort, time consuming, and also money spending. Most of customers don't want to attend live music performance that hold far from their living city because of those monetary factors.
- 2 As the biggest perceive sacrifice in attending live music performance, price strongly influences the customer willingness to attend live music performance. The customers of

live music performance are mostly sensitive with the price change. They tend to not attend the live music performance if the price increased.

- 3 The ease of accessing music video in the YouTube sites has made the customers of live music performance use this platform as their reference before deciding to attend live music performance.
- 4 Similarly, digital music has also become one of the biggest reference and consideration for the customers before attend live music performance. The customers tend to listen to the digital music first before deciding to attend live music performance.
- 5 As a music creation that serves experience and crowd, the customers really need accompaniment in attending live music performance. Most of customers aren't willing to attend live music performance alone. It shows that there are some social needs in attending live music performance.
- 6 The type of live music performance doesn't affect the customer willingness to attend live music performance. It doesn't matter for the customer to attend solo concert, music festival, or collaboration concert.
- 7 The position of a musician in a music chart which can be considered as popularity doesn't affect the customer willingness to attend live music performance. Most of customers don't care with the position of a musician in a music chart when they really like the musician or other variables of live music performance are fit with their preference.

After that, based on the correlation analyzed that has been conducted, the researcher also found most variables are related each other (table 4.29). From the correlation analysis, the researcher then analyzed two combinations of variables by using Cross-Tabulation which is price factor with accompaniment factor and YouTube factor with digital music factor. The musicians and its management choose these two combinations because these combinations are the most possible variables that can be intervened. Kinds of the intervened will be explained in the recommendation below.

From this study, the researcher found that there is type of customers who are strongly affected by both price and accompaniment and there are also who are not affected by both price and accompaniment that can be considered as "fanatic" or "extreme" customers. Based on this result, the researcher found that most of customers who are not affected by price are also not affected by accompaniment and vice versa. The customers who are strongly affected by price are also affected by accompaniment, which can be considered as "selective" customers in terms of price, and accompaniment. This type of customers is usually sensitive to the price of live music performance and doesn't want to attend live music performance alone.

Likewise, YouTube and digital music factor are also has a strong relationship. But the relationship is more in line that means that most of the customers are strongly affected by both YouTube and digital music. YouTube and digital music affect most of the customers of live music performance. This type of customers uses YouTube and digital music as external references to decide if they want to attend live music performance or not. As the conclusion, it is possible and necessary for the musicians and its management to consider

about making some improvement toward their music video in YouTube and digital music. The musician and its management should consider about how to increase their customer awareness and attractiveness toward their music video and digital music.

RECOMMENDATION

Based on this study, there are some recommendations for the musician and its management and other related parties especially in music industry in order to increase the willingness of the customers towards live music performance:

- 1 As one of the biggest consideration and perceive sacrifice in the eye of customers, the musician and its management should consider about the placement of their live music performance as well so the customers will perceive their live music performance as a worth concert. Beside of holding the live music performance in an accessible place such as at the center of the city that can be easily accessed by public transportation, the musician and its management can also create some additional value so that the customers will be more willing to attend the live music performance. This additional value added can be such as holding a live music performance in a popular or beautiful place such as tourism destination so that even though the place is far from the populated area or accessible area, the customers will be willing to attend the live music performance because they perceive another additional benefit.
- 2 Since price and accompaniment have a strong relationship, it is necessary for the musicians and its management to consider about setting their concert price as well. Seeing this relationship, it can be concluded that customers perceive price and accompaniment as two related variables or in other words they really need affordable price and companion on attending live music performance. The musicians and its management may hold price sales combined with accompaniment such as holding bundling package promo. The promotion can be hold by selling tickets cheaper if the customers buy more than one tickets. Thus, this promotion may be very attractive for the customers who are seeking for affordable price concert and need companion.
- 3 As the advent of music digitization that leads to the ease of getting a digital music and accessing music video on YouTube sites, nowadays the customers are really use digital music on their gadgets and music video on YouTube sites as their consideration before attending live music performance. The musician and its management should consider about increasing the customer awareness towards their music video and digital music uploaded in the internet. Marketing approach can be useful for the musician and its management in developing a point of difference and uniqueness so that the more customers will perceive their music video and digital music as a good music creation. The content uploaded should really show a good performance and image to the customers so they will be willing to attend the live music performance.

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THE EFFECT OF CONTENT VIRAL VIDEO TO ENGAGEMENT AND CONVERSATION

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Abstract

The study attempts to fill the gap relate to an absence investigation of viral video contents that engage audience and capable to provide talkable topic to build a conversation. Expectantly, the findings will help brands in developing best content strategy for online video advertisements. The goals of this study are to identify the elements and contents of online viral video ads, investigate the effect from each contents (ex: Emotion Evokes, Self-Expression, Zeitgeist) and elements (ex: Duration, Musical Qualities, Presence of Celebrity) to engagement and conversation. The research uses both qualitative and quantitative methods of gathering data by recording comments from viral video advertisements of popular brands on YouTube and Facebook, as well as content analysis to analyse the data. Results indicated that brands are likely to set the product function or performance aside, then put interesting stories to fish comments and conversation. The mix content strategy is being used by many brands, yet the content which could evoke audiences' emotions and performs by popular artist, places the highest rank in engaging people and building conversation.

Keywords: Marketing Research, Online Viral Video, Content Analysis, Online Consumer Engagement, Generate Conversation.

INTRODUCTION

Today's, every brand strives to become talkable. Being talkable means a brand would likely to join consumers' conversation, therefore the brand will remain on customer's mind. Further, customer engagement is considered important for the brand because it includes participative from the customer. Bruijn (2015) study has stated the importance of visual assets has stated by 65% of senior marketing to communicate the brand story. Video as media is considered captivated and easy to view. By maximizing the utility of online video, brands assign some interesting contents to make it viral then involve in people's conversations. Pirouz et al (2015) stated that viral video capable to captures massive number of views, shares, comments, and likes. Viral video advertisement has longer duration rather than TV commercial. The term of viral refers to quick shareable content from one to another. These topic was becoming phenomenal and attracts expert attention. Lots of discussion attempted to explain the reason behind this phenomena emergence. Besides, there is still an absence investigation of viral video contents that engage customer and capable to provide talkable topic to build conversation. Consequently, this research would further investigate the element and content on viral video as well. the researcher develops objectives to fill the gap and attempts to do further investigation. The study objectives are to identify online viral video elements and contents, investigate the elements and contents effect to consumer

engagement, and explore the elements and contents emotional effect in providing talkable topic to build conversation.

Further, the study is limited to collect comments attached on viral video advertisement from popular brands at YouTube and Facebook. The data was gathered only in limited time. comments on each video at each platform gathered in one day at specific date.

LITERATURE REVIEW

Viral Video

Videos are known as visual content that easy to view and captivated. Every brands attempt to craft content to make a video become viral. Viral term referred to quick sharable content from one to another. Viral video may define as widespread of popular video with get at least 100,000 views and quickly shared to other through email, instant messages, and media-sharing website (Wallsten, 2010). Lots of reason behind video becomes viral has been studied by expertise. Pirouz et al. (2015) has mentioned humor, amazing and disgusting contents drive higher views. Further, content of video which has maximized the influence of strong emotion evoked is likely to go viral (Izawa,2010; Berger & Milkman, 2011; Guadagno et al., 2013). The entertaining, informative or intense, related to trend or event, attracting audience's desire to serve others, express individual, communicative among others, and thanked by others are the keys in making contents for video, thus it would go viral (Izawa, 2010; Unruly, 2015). Relates to emotional response given to viral video, Unruly (2015) explicate the positive and negative emotions which likely aroused. Positive emotions which mentioned are warmth, happiness, hilarity, and surprise, whereas the negative emotions such as confusion, contempt, anger, and disgust. Concisely, previous studies agreed that emotions are playing important role in making videos viral. Video which have intense emotional prompt more sharing and high numbers of views. On the other hand, previous research also found the elements that make video become viral. West in 2011 then explored more about the elements of video that might drive it to viral. The findings of them shows there are several elements that make video goes viral which are Duration, Element of Laughter, Element of Irony, Element of Surprise, Presence of Musical Qualities, and Presence of Celebrity.

Online Consumer Engagement

Engagement may defined as act of sharing in the activities of a group (Free Dictionary). Basically, engagement is an active participation (Atherley, 2011). This definition is being analysed further in term of marketing. In social media, engagement views as simple as participative act in online environment (Evans, 2010; Harden & Heyman, 2009; Solis, 2010). In advertising field, emotional engagement plays important roles. According to Heath (2007), engagement is entirely about feelings and emotions. Further, the emotional engagement has positively correlated with number of download, views, as well as comments

left on ads online (Siefert et al., 2009). It supported by Micu and Plummer research in 2010 that shown the importance level of engagement is higher than emotions elicited by the video content, regardless the positive or negative emotions appeared. However, this level of emotional engagement depends on context presented by advertisements (Marci, 2006).

Emotional Valence

According to Barrett & Russell (1999), emotions consists of 2 emotion valences (positive & negative) and 2 arousal levels as level index for emotions (high & low). These emotions further affected human cognitive, attention, and level interact among them (Ochi, 2005; Sussman et al., 2013). The emotional information delivered among social media users were not only exchanging textual information, yet also communicating their feelings to each other then involved in conversation (Wang, Prendinger, & Iragashi, 2004). Relate to Peters & Kashima research in 2007, information with positive emotion valence are more likely to share.

Generating Talk

Atherley's research shown that online engaged consumers tend to respond and build conversation and discussion. Emotions play important role in generating talk. These vary in valence such as positive and negative. In literature, there are two dimensions of emotion which are valence and arousal (Clare & Schnall, 2005). According to Rime (2007). people who experience emotional event or information tend to talk about it and share with others. The high level intensity of emotions makes people tend to shared it persistently soon after it occurred and the urge to share them extends on a longer period, thus the information will be quickly widespread.

Intense emotions are capable to increase message processing. Lang (2006) conveyed that negative emotion requires more careful and immediate processing rather than positive emotion. This confirmed of fact that negative emotion evokes greater message processing. In accordance to Eveland & Thomson (2006), message with greater message processing expected to generate talk. Engaging in conversation may required people to engage and elaborate with the message as well. Further, the desire to elaborate may lead to talk with others about the content.

Youtube And Facebook

As one of the biggest platforms, YouTube allows its user to be connected, watch, spread information trough video, then facilitates the video creators to share their original content in advance (YouTube, 2016). As it serves to YouTube users, particular video advertisements of brands had high views, comments, like, and subscribes. In additional, some of the active user re-upload the advertisements on their personal account.

Facebook is known as social media site and mobile application which embrace their users to connect, share, discover information, and communicate with each other (SEC Filings, 2016). More than 1 billion active users have accessed Facebook in their daily life.

Facebook allows its users to share information in many forms, such as text, photo, video, infograph, etc. Nonetheless, the Virality concept in Facebook was measured through shares and comments that the post got (Turitzin, 2014).

METHODOLOGY

Instrumentation

The data collection will record comments attached on the post of viral online video advertisements at Facebook and YouTube will be recorded. The data was obtained from popular brand online video advertisements. Therefore, there are 10 videos selected as representative which are:

1. Kit Kat – Mentok The Legend: “Pendekar Golok Emas”
2. Thai Life Insurance - "Unsung Hero" (Official HD): โฆษณาไทยประกันชีวิต 2557”
3. Dove – “You’re More Beautiful Than You Think”
4. NIKE – “The Last Game”
5. Hyundai – “First Date”
6. Fanspage.it – “Slap Her: Children’s Reactions”
7. SAMSUNG – “Samsung Galaxy S7 and S7 Edge: Official Introduction”
8. Knorr – “#LoveAtFirstTaste”
9. Android – “Friends Furever”
10. Syahrini x YouTube Indonesia – “Nonton Pintar”

Population And Sampling

The research will use Simple Random Sampling to gain greatest accuracy of data. The sample size is determined through Slovin Theory. The theory defined as:

$$n = \frac{N}{(N \times \text{error}^2) + 1}$$

N = Number of population

n = Sample size

e = Error

Further, the level of sampling error is set of 5%, with 95% confidence level.

Data Gathering Process

The comments from 10 brands’ viral video advertisements at YouTube and Facebook will be copied to excel data and numbered from 1 and forth. Not only the content of comments, the researcher also recorded the likes and dislikes in regards to each comments. The comments will be described as comments or reply comments. Reply comments indicated that there are conversations and discussion formed among the YouTube and Facebook users. Each comments from two platforms then will be sampled use random sampling method.

Data Analysis

The data will be analysed to discover elements and contents of video that would likely make it goes viral. Further, this analysis will explicate the effect of each elements and contents to engagement and conversation.

1. Content Analysis

The research used content analysis both in quantitative way and qualitative way. Basically, the quantitative content analysis is more related to record the word frequencies, spare measurements, time counts and keywords frequencies (Kondracki & Wellman, 2002), while qualitative content analysis is more concern to analyse the communication content with qualitative sociology or psychology (Rose et al. 2015).

2. Intercoder Reliability & Relative Frequency

Related to this research, Percentage of Agreement is considered proper as form of validity test. This test performs relative frequency as well. It forms simple percentage of agreement among coders' decision in equal unit data (Neuendorf, 2002). Below is the conceptual formula of Percentage Agreement (Wang, 2011):

$$PA_o = A/n$$

PA_o : observed proportion of Agreement
A : number of agreement among coders' decision
n : total number of decision made

The validity will be done for each categories. However, the validation done for this data might not be valid onwards, based on reason that the data in this research is categorized as big data. Flexible characteristics in big data refers to data capabilities of expanding (can enhance new fields easily) and scalability (can enlarge in size rapidly) within uncertain period (Kitchin, 2013).

Determination of Concept

The research focused on element, content of viral video and emotions driven through comments. Hence, the concepts are determined related to contents of video and emotions driven by audiences. Recall from West (2010) research, there are several elements that could make video goes viral, which are:

1. Duration
2. Music
3. Presence of Celebrity

Further, related to previous research, there are several contents that could make video goes viral:

1. Emotion Evokes

Contents of video which involved high arousal of emotion evokes and generates strong affective responses were more likely to viral, regardless positive and negative emotions (Berger & Milkman, 2011; Guadagno et al.,2013). In reference to emotion valence, positive and negative emotions may listed below,

Positive: Hilarity, Happiness, Warmth, Surprise, Funny

Negative: Disgust, Anger, Sad, Confusion, Contempt, Fear

(Izawa, 2010; Guadagno et al., 2013; Pirouz et al., 2015; Unruly, 2015). These words will become the keywords for emotion evokes. The keywords that might appeared relate to Zeigeist are Political, Economical, Social, Technological, Environmental, and Legal Issue. And for Self-Expression, the keywords that might appear are similar experience and self-reflection.

2. Contents of video which involved zeitgeist and self expression were more likely to viral. (Izawa, 2010; Unruly, 2015).

These elements consist of Duration, Music, and Presence of Celebrity will become categories to separate the comments data as response relate to elements of video. Whereas, Emotion Evokes, Self-Expression and Zeitgeist will become categories to separate the comments data as response relate to contents of video.

Further, the researcher also creates additional concept which is "Others". This concept will categorize comments data as response relate to elements and contents of video which are not mentioned within the previous researches in literature review. The categories were divided to several keywords based on those relations. For elements the keyword that might appeared are Ad's attribute (property, language, and placed used), Line, Part of Scene performed on video and for contents, the keyword that might appeared are beautiful, irony, weird, and extraordinary. The categories of "Others" also represent responses of audience relate to brand and complementary comments.

DISCUSSION

Element Of Viral Video

Table 1. Response of Audience to Elements of Viral Video

Response to Elements Video	Average Relative Frequency	Average Emotion Valence Relative Frequency	
		Positive	Negative
Duration	0.73%	0.29%	1.25%
Music	3.01%	2.76%	0.78%
Presence of Celebrity	13.26%	10.68%	2.97%
Part of Scene	4.61%	4.18%	1.27%
Line	2.11%	2.02%	0.55%
Ads' Attribute	2.03%	1.75%	1.18%

Presence of Celebrity appeared to be the most elements mentioned in comments, followed by Music that used on video. Presence of Celebrity is more likely to be mentioned in video filmed by popular talents for example NIKE and Syahrini video advertisements. According to the results, comments relate to music mostly discussed the music genre used in video and its relation to the content of video. Music collides with contents will attained

more attention. Part of scene is usually mentioned in video which evokes feel of funny. Moreover, attractive - unique line and attributes used in video also got audience attentions. Ads' attribute and duration have low frequencies of being mentioned in comments. However, these two elements still got audience minor attention. Longer duration is found better than shorter duration.

Content of Viral Video

Table 2. Response of Audience to Contents of Viral Video

Response to Elements Video	Average Relative Frequency	Average Emotion Valence Relative Frequency	
		Positive	Negative
Emotion Evokes	39.98%	31.42%	9.03%
Self-Expression	5.11%	3.90%	1.27%
Zeitgeist	5.89%	4.09%	4.31%
Beautiful	4.04%	4.04%	
Extraordinary	0.90%	0.90%	
Irony		0.27%	0.27%
Weird			2.41%

Video which has strong emotions evoked is likely to goes viral (Izawa, 2010; Berger & Milkman, 2011; Guadagno et al., 2013). According to the results, feel of funny, amazed, warmth, adoration, affection, and sadness are dominating the comments appeared relate to emotions expressed by audience. Most of feel emerges above are in positive emotions. Only feel of sadness represent the negative emotions. Briefly, content with positive emotions is more likely to goes viral than the content with negative emotions. This fits with previous research done by Peters & Kashima research in 2007 which stated that information with positive emotion valence are more likely to share and Izawa research in 2010 which mentioned humor, amazing, disgusting will generate higher views. Video relate to trend or event occur around audience also considered success in making video goes viral (Izawa, 2010; Unruly, 2015). This research found social issue in trend or event is more attractive to get audiences' attentions. Further, video content that could be reflected by audience is likely to goes viral (Izawa, 2010; Unruly, 2015). Comments relate to self-expression are frequently found at video with daily life story as the content. Audience were likely to response beautiful to video which has beautiful content about beauty and love, extraordinary to video which has innovation and unique content, weird to absurd video and not relate to audience senses. Beautiful, Extraordinary, Irony and Weird are other response that found during the data analysis. Comments mentioned about beautiful has huge significant difference among those 4 new categories. This fact leads to results of audience likeliness to see video with beautiful emotions involve in its content.

Effect to Engagement and Conversation

High Engagement

Presence of Celebrity, Music, and Part of Scene have high engagement to audience. Each of categories have high frequency of comments appeared and mostly the comments are in positive emotions. In relation to content, contents which have strong emotion evoked, beautiful emotions, relate to zeitgeist and self-expression have high engagement to audience. Mostly the comments appeared relate to this kind of content are in positive emotions. Briefly, Presence of Celebrity, Music, Part of Scene, Emotion Evokes, Self-Expression, and Beautiful categories have high engagement to audience through positive emotions delivered. Contrast with the other, Zeitgeist has high engagement to audience through negative emotions delivered. High engagement will lead to high participative action done by audiences.

Low Engagement

Line, Ad's Attribute and Duration have low engagement to audience. In regard to content, content which perform extraordinary, irony and weird has low engagement as well. These shown from the frequency of comments appeared related to these categories are low. Audiences were not interested enough to mention those categories while leaving comments, thus these would results low participative action done by audiences.

Conversation

High engagement of elements and contents to audiences lead them to build conversation. The findings shown that Presence of Celebrity, Music, Part of Scene, Emotion Evokes, Zeitgeist, Self-Expression, and Beautiful categories are likely to become topic for conversation. The results derived from high frequencies of those categories only in reply comments. Reply comments represents conversation built in the platform. Mostly, the conversations were in positive emotions. However, comments relate to zeitgeist elicit negative emotions has high engagement to audience and more likely to generate talk. These results suit the previous literature that stated contents with negative emotions evokes are likely to generate talk (Eveland & Thomson). Briefly, both of positive and negative emotions could make a content goes viral, yet content with positive emotions is more attracting and engaged with consumer.

CONCLUSION

There are 6 elements of video that need to be concerned while making a video. Those are Presence of Celebrity, Music, Part of Scene, Line, Ad's Attribute and Duration. Further, the most important elements are Presence of Celebrity, Music, and Part of Scene. To attract and engage with the audience, talents performed in video has to be popular artist or well known figure. The music used on the video needs to suit the story delivered on video. Further, for video content which likely to evokes feel of funny, it's important to pay attention to part of

scene and line. Unique part and line with positive emotions are highly engaged audience. Besides, there are 7 categories of response relate to video content as well, which are Emotion Evokes, Zeitgeist, Self-Expression, Beautiful, Extraordinary, Irony and Weird. Yet, Emotion Evokes, Zeitgeist, Self-Expression, and Beautiful are the most important response. Creators should create content to evokes these kinds of emotions. Relate to zeitgeist response, video which relate to social issue is more attracting audiences' response. Negative zeitgeist content is more likely to engage and generate talk. Therefore, creators could involve negative trends or event in their content. Video content with daily life stories will increase the audience response relate to self-expression. These engaged audiences and triggered high participative action in sharing and building conversation

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UNDERSTANDING LOCAL PERFORMANCE ART AUDIENCE: SEGMENTATION STUDY

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Abstract

In recent years, there is a global trend in maximizing the potential of creative industry, as it fuels the economy as a whole. The same path is taken by Indonesian government, which has a vision to turn creative industry into the nation's economic powerhouse in 2025. In order to achieve this, all sectors of creative industry should be developed. Performing art is one sector in creative industry that is in the bottom two in terms of economic contribution. One contributing factor to this low performance is the lack of understanding the target audience, which is depicted by the lack of research in this area. This 6-month study analyses the demographic and physiographic profiles of the audiences. This research uses quantitative method for the data collection and cluster analysis for the data analysis. The result indicates that there are six groups of audiences, which have different profiles, motivations, and preferences in watching art performances. This unprecedented study aims to lay as a fundamental knowledge in Indonesian performing art marketing, in order to suit the needs and wants of the audiences better. It is hoped that this research could help performing art organizations in Indonesia and develop the sector as a whole.

Keywords: consumer behavior, marketing research, performing art, segmentation.

INTRODUCTION

Kotler & Scheff (1997) argues that effective marketing strategy relies on deep understanding of the motives, preferences, and behaviors of current and potential customers. As people are different from one another, one marketing strategy may be effective to a certain types of people and not another. Thus, it is best to divide customers into groups or segments, and use it as a basis on which a marketing strategy is formed. The following research explores the characteristics of local performance art audience in Indonesia in order to provide deeper understanding for art marketers.

According to Indonesia Kreatif (2014a), performing art refers to activities that include content development, show production, costume design, stage design, and lighting design. This paper concerns mainly on local performance art, which is art shows that are held by Indonesian in Indonesia. Performing art is one of sixteen subsectors of creative industry, which has been actively promoted by Indonesian government since 2009. That being said, performance art only contributed 0.4% to creative industry share in GDP in 2013 (Indonesia Kreatif, 2014a), which is relatively low compared to other subsectors, for instance culinary, fashion, and crafts, which contributed 32.5%, 28.3%, and 14.4%, respectively. It is also relatively low compared to that of other countries, such as in the United Kingdom, United States, European Union, and Japan, as depicted in table 1.

The low contribution of performing arts is ironic because Indonesia has a lot of potential in this industry, due to its abundance of both traditional and contemporary arts. It could be inferred that performing art in Indonesia is an untapped potential that would signify the creative industry in Indonesia and contribute to the economy. The low contribution compared to aforementioned countries thus indicates a room for growth for this industry.

Table 1: Country comparison of performing art contribution to creative industry revenue, adapted from: The Stage (2015), EY (2014), National Assembly of State Arts Agencies (2015), Kakiuchi & Takeuchi (2014), Indonesia Kreatif (2014a)

Region	Year	Contribution of performing art to creative industry
United Kingdom	2015	7.02%
European Union	2014	5.95%
United States	2012	1.73%
Japan	2011	1.68%
Indonesia	2013	0.4%

From business perspective, one way for developing this industry is by utilizing its marketing effort, as marketing plays an important role to facilitate the communication and influence behavior, by understanding the audience and responding to their needs. According to Indonesia Kreatif (2014b), the competitiveness of marketing in performance art scored only 2.8 out of 10, even compared with the already-low score (4.5 out of 10) of the competitiveness of creative industry marketing in Indonesia (figure 1). This indicates that marketing effort in performing art industry in Indonesia is still low, and therefore an understanding of the market is needed. So far, there is a lack of research of the audiences of performing art in Indonesia. Swastika (2015 p. 1) wrote that *“although the audience plays an important role in the development of performance, it has generally received little attention in discussion of the history of Indonesian performing arts, apart from journalistic accounts, which tend to represent without research or discussion with them the opinions of audience members concerning the performance.”*

That being said, Minarti, Tajudin, & Gesuri (2015), argues that there are two groups of performing art audience, which are expert and amateur audiences. Expert audiences are a group of people who are actively involved with creating performances themselves; thus, this people watch performances of certain aesthetic quality. On the other hand, amateur audiences are those who watch performances in order to be part of a cultural movement in the community, to escape their daily routine and to join in expressing a critical view of actual political and social phenomena. Aside from this basic information regarding the profile of art performance audiences in Indonesia, there is no further research found covering this topic. This indicates that there is a lack of understanding in Indonesian art performance market.

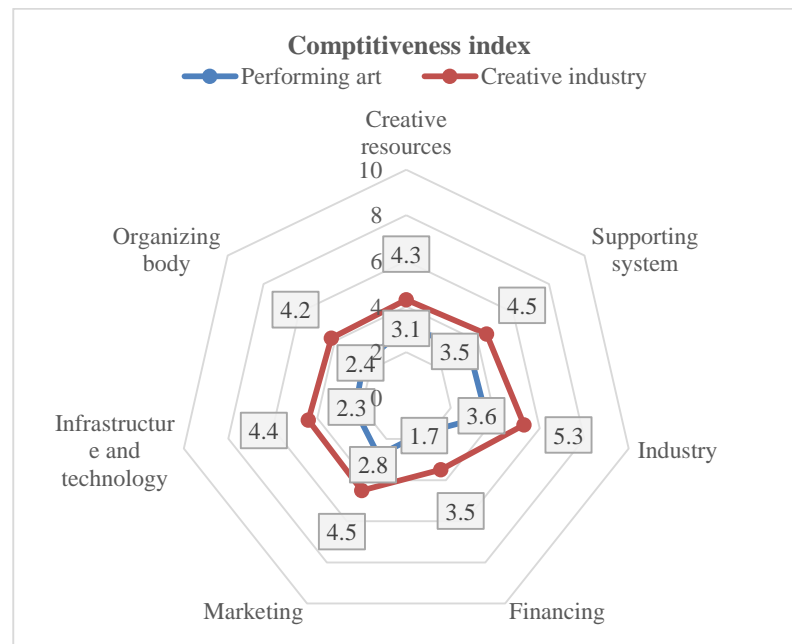


Figure 1: Competitiveness index of performing art and overall creative industry, adapted from Indonesia Kreatif (2014b)

The study location is major cities in Indonesia, such as Jakarta, Bandung, and Yogyakarta. These cities are chosen as representatives of six regions that actively hold art performances, namely special capital region of Jakarta, Central Java, West Java, East Java, Bali, and special region of Yogyakarta (Minarti *et al.* 2015).

The general aim of this study is to profile performance art audiences according to demographic, geographic, and psychographic characteristics. Therefore, this study will assess the differences of local performance art audiences in Indonesia, create segments based on such differences, and analyze the possible implication for art marketers. The benefit of this study is to serve as a basis of performance art marketing in Indonesia, as marketing starts with understanding the customers (Adams, 2015). By understanding the audience profile of the customers, art marketers could target a certain market and create a strategy that is specific for the target market.

LITERATURE REVIEW

A review of the literature suggests that developing a market segmentation allows the organization to form a marketing mix that is relevant to the groups, according to the variables they have in common (Armstrong & Kotler, 2005). In general, there are four bases on which customer segments are built upon, which are demographic, geographic, behavioral, and psychographic (Goyat, 2011).

Demographic segmentation divides customers into groups based on their population attributes, for instance, age, gender, income, education, and occupation. Geographic segmentation, on the other hand, segments customers based on geographical areas, such as

countries, cities, and regions. Furthermore, behavioral segmentation is based on customers' attitude towards a product or service. This includes occasions in which they seek the product, usage rate, brand loyalty, and benefits sought (Goyat, 2011). Lastly, psychographic segmentation groups customers according to their attitudes, values, lifestyles, interests, and activities (Larsen, 2010). While traditional demographic and geographic segmentations provide the organization with information regarding accessibility to customer segments, psychographic segmentation provides additional information about the customers' behavior of present and potential target markets (Gunter and Furnham, 1992, as cited in Larsen, 2010).

This study will use all four segmentations, focusing heavily on psychographic attributes, such as motivations and influences in the decision making process. In following, the frameworks used for the psychographic segmentation are explained.

Research Framework

The relationship between variables in this study are described in research framework below (figure 2). This study is focused on finding the differences of people's watching behaviour, which are due to their differences in the influencing factors. Watching behaviour could be examined through audience's frequency of watching art performances. Thus, frequency becomes the dependant variable in this study.

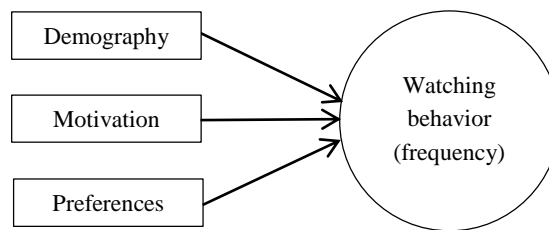


Figure 2 Research framework

According to Kotler and Scheff (1997), there are five factors that contribute to consumer's decision making process (table 2). Kotler & Armstrong (2015) refers macro-environmental force as societal influences that affect organizations in their effort to serve the customers, which includes demographic, economic, natural, technological, political, and cultural forces. Cultural factors refer not only to nationality, but also the set of values, perceptions, perceptions, and behaviors people grew up with (Kotler & Scheff, 1997). Reference groups, which is defined as any person or group of people who influences people's behavior, is the most significant influence (Blackwell, Miniard, & Engel, 2006). Moreover, psychological factors include people's attitude and motivation that drives people's behavior (Kotler & Scheff, 1997). Lastly, personal factors, which refers to people's circumstances, consist of occupation, lifestyle, life-cycle stages, and economic circumstances.

In this study, three factors, namely personal, psychological, and social factors, are examined closely in relation to audiences' watching behaviors. Personal factors are analyzed by assessing customer's demographic background. Lastly, social factors are assessed by examining audiences' preferences. Motivation theory by Morris Hargreaves McIntyre

(2007) is used to analyze underlying reason that drive the audience to watch art performances.

Table 2: Factors Influencing Consumer Behavior, adapted from Kotler & Scheff (1997)

Factors Influencing Consumer Behavior	Forms
Macro-environmental Trends	Social, political, economic, and technological forces
Cultural Factors	Nationality, subcultures, social class
Social Factors	Reference groups, opinion leaders, innovativeness
Psychological Factors	Personality, beliefs and attitude, motivation
Personal Factors	Occupation, economic circumstances, family, life-cycle stage

Motivation

In addition to understanding people's underlying traits, it is also important to understand motivation, or reasons behind people's action or behaviour. One of the most popular motivation is Maslow's hierarchy of human needs, which categorizes people's motivation into five attributes, which are physiological, safety, social, self-esteem, and self-actualization (Maslow, 1943). In relation to art performance, Morris Hargreaves McIntyre (2007), adapted Maslow's theory and identified four key drivers of attendance, social, intellectual, emotional, and spiritual (table 2). These four components are then broken down into realistic purposes people have when watching an art performance, as depicted in table 3.

Table 3. Needs, motivations, and drivers matrix, adapted from Morris Hargreaves McIntyre (2007).

Visitor's Needs & Motives	Drivers & Type of Engagement	Maslow's Hierarchy of Human Needs
Escapism Stimulate creativity Aesthetic pleasure Awe and wonder	Spiritual	Self-actualization
Being moved Personal relevance Nostalgia Sense of cultural identity	Emotional	Cognitive / esteem
Academic interest Hobby interest Self-improvement	Intellectual	Love / belonging
Social interaction Entertainment Seeing & doing Inclusion & welcome Access, comfort, warmth & welcome	Social	Safety Physiological

RESEARCH METHOD

The method used in this paper is mono-method quantitative analysis. A quantitative data is collected using online questionnaire to random determine the audiences' values and

preferences in general. Since it is an online questionnaire, the data were collected at various times of the day on different days of the week during the first two weeks of July 2016. Potential respondents were pre-qualified by a preliminary question asking whether they have watched at least one local art performance in the past two years; those who have are deemed valid respondents, while who have not are invalid. Due to time limitation of the study, the data sampling method was not purely random; half of the participants are within the author's circle of friends, and the other half are picked by random through social media search.

The sample size of study is 181, which was calculated using Lemeshow's formula (Lemeshow, Hosmer, Klar, & Lwanga, 1990) for unknown population (equation 1). This method is used as the data needed to make an assumption regarding the real population of the study, for instance, the number of performance art audience in a year or proportion of the population who like watching performance art, is not available. Thus, Lemeshow's formula, which makes use of the validity of the data gathered from the pilot study, suits this research best (table 4).

$$n = \frac{Z_{\alpha}^2 pq}{d^2} = \frac{Z^2 p(1-p)}{d^2}$$

Equation 1: Lemeshow's Formula, adapted from Lemeshow *et al.* (1990)

Table 4: Pilot study data

Total Number of Respondents	Valid Data	Percentage
66	52	78,8%

Where n is the sample size, Z is the Z score of the confidence interval, and p is the expected proportion, and d is the margin of error in estimating p . The confidence level in this study is set to be 90%. Applying the data in table 4 results in the sample size of 181 (rounded from 180,823), as depicted in equation 2.

$$n = \frac{1,645^2 \times 0,788 \times 0,212}{0,05^2} = 180,823 = \sim 181$$

Equation 2: Sample size calculation

This study gathered a total of 206 respondents. Of all responses, sixteen have inconsistent responses and thus are omitted. Therefore, there are 190 valid respondents that are categorized in four clusters. Furthermore, the data is examined using two-step cluster analysis to determine the number and the characteristic of the group.

The survey comprised of 23 questions related to the basic demography of the audiences, their motivations, preferences, and watching behaviors (see appendix A). Among these were questions that asked their frequency of watching local art performances, their favorite activities to do, and their preferred information source.

Furthermore, prior to conducting cluster analysis, an analysis of variance (ANOVA) is done to determine which variables are significant for the cluster analysis. The significance

level of the test (α) is set to be 0.1, and thus the critical value for the F-test is 1.645. Therefore, variables which have F-test score of more than 1.645 are significant variables, while those score below are insignificant (see Appendix B). Furthermore, as some variables belong to a certain category, the significance of the category is determined using the majority of the variables significance.

The ANOVA shows that basic demographic profile, such as age, education, jobs, monthly expenditure, gender, marital status, and domicile, does contribute to the clusters forming. Besides demographic profiles, the type of show watched, willingness to pay, motivation, influencing factors, contributing factors, when buying tickets, post-watching activities, and information also contribute significantly to cluster forming. On the other hand, the factors that are not significant for the clustering process are preferred activities, interests, preferred issues, art organizations, and ticket purchase. As a result, the two-step cluster analysis performed in this study only use variables that are significant.

RESULTS

Analysis of the data revealed many interesting characteristics, attitudes, and behaviors of local performance art audiences in Indonesia. A strong majority of the respondents (88%) are in the age range of 18-22 years old, who are usually university students. More than three quarter (77%) have monthly expenditure of Rp 1.000.000 – Rp 5.000.000. 53% of the respondents live in Jakarta and 39% in Bandung; the rest live in other Java area and outside Java. In regards to the types of show, 129 participants indicate that they have watched theatrical performance, while 119 and 62 have watched music performances and dance performances, respectively.

The two-step clustering method generates the optimal number of clusters in this study, which is six clusters. The cluster distribution is shown in figure 3 below.

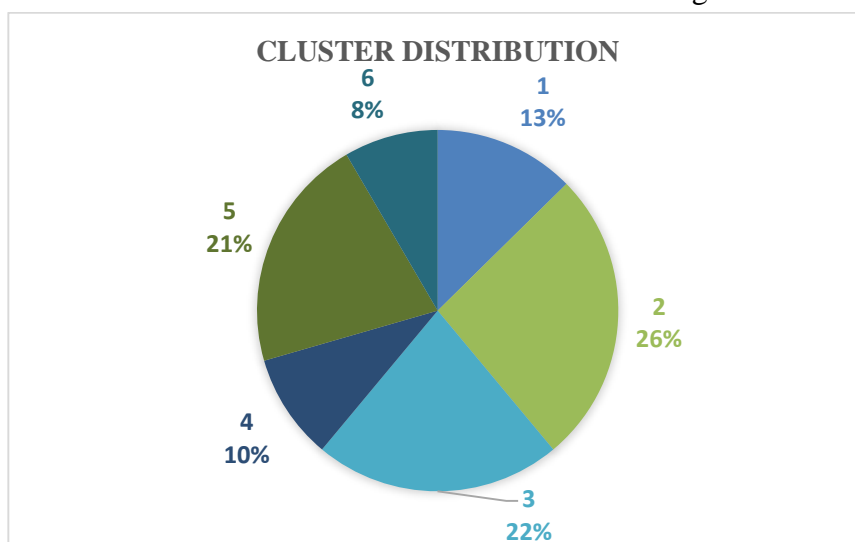


Figure 3: Cluster distribution for local performance art audience in Indonesia

Cluster 1: Art Enthusiasts

Art enthusiasts, which are the members of cluster 1, are those who actually like and show highest preference towards watching theatre and music, compared to other groups. Consequently, art enthusiasts are frequent watchers; 70% of them indicates that they watch art performances 1-2 times in 3 months.

In terms of motivation, art enthusiasts show all types of motivation. However, compared to the other clusters, they show more spiritual motivation.

Art enthusiasts prefer to get information from social media and website. Furthermore, they are least likely to watch art shows at universities; rather, they usually watch art shows at art venues, such as Ciputra Artpreneur in Jakarta and Teater Budaya Jawa Barat in Bandung. Lastly, after watching a show, they tend to take photo, talk about it with their friends who watch together with them, and share their experience to social media.

Cluster 2: Passive Watchers

Cluster 2 is the largest group in this study, with 26% of the respondents categorized as its member. The member of cluster 2, which is coined by the term 'passive watchers' are those who do not share their experience to other people besides those whom they watch together with. All of passive watchers are university students, who rarely watch art performances.

In terms of influencing factors, members of cluster 2 show no significant factors that influence them to watch art performances. However, they tend to be more influenced by the location compared to the overall responses. This indicates that they prefer to watch art shows that is near to them. Lastly, they usually watch art performances to fulfill their intellectual and spiritual needs.

Cluster 3: Active watchers

The members of cluster 3, known as 'active watchers' are mostly students (95,2%). They watch art performances moderately, which is about 1-2 times in 6 months. In contrast to passive watchers, active watchers tend to share their experiences to wider network. After watching a show, they not only take photo and talk to their friends, but they also share their experience on social media and write review. Almost three-quarter share their experiences on social media and one-third write a review about the show; both of this proportion are the highest compared to other groups.

In terms of influencing factors, they are most influenced by artists and genre. In fact, among other groups, active watchers are the ones most influenced by artists, compared to other clusters. On the other hand, they are least influenced by promotions and directors. In relation to information source, they prefer to be informed via social media and poster. Lastly, they are motivated by intellectual, spiritual, and emotion.

Cluster 4: Socializers

Among other groups, the members of cluster 4, who is labelled as 'socializers', watch art performances the least; majority of them only watch art performances less than once in a

year. This group is dominated by employees. In watching art performances, socializers tend to be driven by social and intellectual needs. Consequently, they are not likely to watch art performances alone and they are influenced by recommendations from public figures.

Social factor is also apparent in their influencing factors, which are friends and artists. In fact, they are most influenced by friends, compared to other groups. They are, however, least influenced by director and promotion. Furthermore, although they show higher willingness to pay for the ticket, which are around Rp 100.000 – Rp 250.000, they are most sensitive to price compared to other groups. This suggests that they might take price into consideration more compared to other groups, when it comes to buying show tickets. Lastly, similar to cluster 1, they prefer to get informed by social media and website.

Cluster 5: Occasional watchers

Cluster 5 has rather similar profile to cluster 2. Majority of the members, labelled as ‘occasional watchers’ are university students, who only watch art performances occasionally. Most of occasional watchers live in Bandung. Their willingness to pay for show ticket is average, which is around Rp 50.000 – Rp 100.000. Moreover, both passive and occasional watchers are motivated by intellectual and spiritual needs. They also share similar preference for information source, which are social media and poster.

Although they seem similar to passive watchers, they differ in terms of influencing factors. Occasional watchers are most influenced by artists and genre and are least influenced by directors. Furthermore, although occasional watchers are not motivated by social needs, they show preference towards watching art performances with friends or relatives. In fact, they are least willing to watch art shows alone, compared to other clusters.

Cluster 6: Conventional watchers

Cluster 6 is the smallest group, comprising only 8% of the total respondents. Three-quarter of conventional watchers, who are the members of cluster 6, are students who rarely watch art performances. They show relatively balanced willingness to pay for the ticket price, ranging from below Rp 50.000 to Rp 500.000.

Conventional watchers have relatively different preferences compared to other groups. For example, while four other clusters indicate less preferences for location or promotion, conventional watchers, on the other hand, are most influenced by these factors. Moreover, while other clusters are likely to be influenced by artists and genre, conventional watchers are least influenced by these factors. Another difference is also apparent in the preferred information source. Although other clusters indicate social media as their preferred information source, this group actually prefer call center and television advertisement. In regards to motivation, they usually watch art performances to satisfy their intellectual and emotional needs. Lastly, they show higher preference towards watching live dance performance, compared to other groups.

Table 5: Clusters Summary

	Cluster 1	Cluster 2	Cluster 3	Cluster 4	Cluster 5	Cluster 6
Percentage	12,6%	26,3%	22,1%	9,5%	21,1%	8,4%
Job composition	Balanced between university students and employees	All university students	Mostly university student	Mostly employees	Mostly university students	Mostly university students
Frequency	Frequent	Not frequent	Moderate	Not frequent	Not frequent	No preference
Willingness to pay	Moderate	Moderate	Moderate	High	Moderate	No preference
Influencing factors	Artists & genre	Location	Artists & genre	Friends, artists, price	Artists & genre	Location & promotion
Willingness to watch alone	Yes	No	Yes	No	No	Neutral
Influenced by promotion	No	Yes	Neutral	Yes	Neutral	Neutral
Influenced by public figure	No	Neutral	No	Yes	Neutral	Neutral
Motivation	Spiritual	Intellectual & spiritual	Intellectual, spiritual, emotional	Social & intellectual	Intellectual & spiritual	Intellectual & emotional
Information source	Social media & website	Social media & poster	Social media & poster	Social media & website	Social media & poster	Call center & TV advertisement
Post-watching activities	Moderately active (take photo, talk with friends, share on social media)	Passive (talk to friends)	Active (take photo, talk to friends, share experience on social media, write review)	Passive (take photo, talk with friends)	Passive (take photo, talk with friends)	Moderately active (take photo, talk with friends, share on social media)

Effective Segmentation Analysis

Kotler (1997) proposed a tool to analyze the effectiveness of market segmentation, which consists of five elements known as MASDA: measurable, accessible, substantial, differentiable, and actionable. Measurable refers to the assessment of the segment size, which is calculated using measurement tools by Saleeth (2010), by computing the number of potential customers, volume of purchase, and frequency of purchase. The estimated market value of the clusters in this study is shown in table 6.

Table 6: Estimated market value of the six clusters (see appendix C)

Clusters	Per 1000 people	Weighted willingness to pay	Weighted frequency	Estimated Market Value (Rp)
1	126	95833.33	5.71	68,928,125.00
2	263	113000.00	2.10	62,409,900.00
3	220	141666.67	3.64	113,535,714.29
4	94	175000.00	1.97	32,443,055.56
5	209	93125.00	1.53	29,681,265.63
6	84	157812.50	3.03	40,183,007.81

Moreover, accessibility refers to the whether reaching and serving the market can be done effectively. In terms of the art performances, art organizations could reach the customers through marketing communication channels they prefer. According to Statista (2014), the most effective marketing channels according to global marketers is website marketing and social media; TV advertising and direct marketing are moderately effective, while print media and radio advertising are the least effective ones. Considering their preference in terms of information source, audience in cluster 1 and 4 would be the most accessible. Meanwhile, cluster 2, 3, and 5 would be fairly accessible, and cluster 6 would be the least accessible.

Substantial concerns about whether the segments are large and profitable enough to serve. Cluster 2, 3, and 5 comprise large number of people, which is substantial for art marketers. Moreover, although cluster 4 only makes up less than 10% of the total population, it has the highest willingness to pay, which makes it profitable to serve.

Differentiable, on the other hand, refers to whether the segments are clearly distinguishable and behave differently from other segments. In the six segments, clusters 2, 3, and 5 have similarities in terms of willingness to pay, influencing factors, motivation, and preferred information source. Thus, these clusters are not highly distinguishable. On the other hand, clusters 1 and 4 respond differently compared to the other clusters, in terms of influencing factors, frequency, willingness to pay, and motivation. Therefore, these clusters are easily differentiable. Lastly, cluster 6 shows no preference on some factors, but has distinct preferences in terms of influencing factors and information source. Thus, cluster 6 is partly differentiable from other clusters.

Lastly, actionable refers to whether effective programs can be designed to attract and serve the segments. This depends on the strategies used by the art marketers; however, art marketers could attract these segments with appropriate strategies, which will be described in the next sub-section. Therefore, all clusters have equal opportunities to be actionable, depending on the strategies chosen by the art marketers.

Table 7: Effective Segmentation Analysis

Cluster	Measurable	Accessible	Substantial	Differentiable	Actionable	Target market priority
1	High	Yes	No	Yes	Yes	Moderate
2	High	Moderate	Yes	No	Yes	High
3	Highest	Moderate	Yes	No	Yes	Highest
4	Low	Yes	Yes	Yes	Yes	Moderate
5	Lowest	Moderate	Yes	No	Yes	Low
6	Low	No	No	Partly	Yes	Lowest

DISCUSSION

Segmentation study is aimed to provide deeper understanding towards the customers and to create strategies that suit them best. In regards to the six clusters in local performance art audiences, art marketers could make use of their distinct preferences and behaviors. The following recommendations are sorted according to the target market priority.

Cluster 3: Active watchers

Although this group only watch art performance moderately, they could contribute to the art organizations significantly, as they are relatively a large group. Moreover, tend to share their experience to wider audiences. Their tendency to post on social media and write a review after they watch a performance could reach more audiences, and thus, market the show effortlessly. In order to attract this group, art marketer could tap on their motivation, by branding the show in a more intellectually intriguing way, for instance by emphasizing that watching an art performance could increase their creativity. Art marketers could also put more emphasis on spiritual and emotional needs.

Cluster 2: Passive Watchers

Passive watchers are substantial group, as they are the biggest group of the population. Therefore, using strategies that appropriate for them could increase their frequency of watching art performances, and thus could boost the industry significantly.

Art marketers could create interesting promotion to attract passive watchers, as they are most influenced by promotion compared to other groups. For example, creating a promotion using referral system, which allows them to get a special price when they tell their friends about this show, might be attractive to them, as they tend to be influenced by friends. Moreover, art marketers should use media that are preferred by passive watchers, such as social media and poster. Lastly, art marketers could emphasize on both intellectual and spiritual side when marketing an art performance to attract this group.

Cluster 1: Art enthusiasts

Art enthusiasts should be relatively easy to target, as they already show high preference and high frequency of watching live performances. Art marketers could utilize this by

introducing season ticket, which audience could watch more than one performance in a time period, with special price.

For this group, artists and genre are important, and thus, art marketers could emphasize such areas to attract this market. Marketing an art performance to this group could emphasize on both spiritual and intellectual side, for instance, by showing how the audience can escape from the reality and at the same time be intellectually stimulated by watching a certain show.

Cluster 4: Socializers

Although socializers watch art performances least frequently, they are still considerably a profitable group to be targeted at, as they have higher willingness to pay for the show ticket. As they watch art performances for social purposes, art marketers could emphasis its promotion on a more social factors. For example, art marketers could create 'family show' branding for the show or introduce price bundling for buying more than one ticket. The medium for the marketing should also be differentiated from other groups, as they prefer website to posters.

Cluster 5: Occasional watchers

As occasional watchers are least willing to watch art performance alone, art marketer could adopt similar strategy used for socializers. For example, special price for buying more than one ticket could be attractive to occasional watchers. Moreover, occasional watchers take photos most, compared to other groups, art marketer could utilize this behavior, by providing photo booth or other promotion related to taking photos.

Cluster 6: Conventional watchers

Although conventional watchers are not efficient to target, it could become a niche market, as they show more preference in watching dance performances compared to other groups. Therefore, art organization specializing in dance performances might want to target specifically conventional watchers. Furthermore, art marketer could tap on conventional watchers' intellectual and emotional needs. Lastly, art marketer should pay more attention in the media used to promote the show, as conventional watchers tend to prefer call center and television advertisement, over contemporary media, such as social media and website.

Limitation and Future Research

There are several research limitations that should be considered. As mentioned previously, due to time limitations, the participants of this study are not purely random, which is also depicted in the homogeneous respondents. A follow up study with more random respondents or more specific area may well find different dynamics and characteristic of the audience. Moreover, as this study covers huge geographical area and huge area of performance art industry, the findings may not reflect specific issues on a certain area. However, on a macro-level, the findings and discussion of this study could be an indication of the general audience

profile of local performance art in Indonesia. As such, future study regarding local performance art audience in Indonesia is needed in order to have better understanding of the customers.

CONCLUSION

This study aims to serve as a basis of understanding local performance art audience, as research covering such topic in Indonesia is scarce. This research shows that variables that contribute to the forming of the clusters are demographic profile, type of show watched, willingness to pay, motivation, influencing factors, contributing factors, when buying tickets, post-watching activities, and information source. The optimal number of clusters in this study is six, which are then labelled as art enthusiasts, passive watchers, active watchers, socializers, occasional watchers, and conventional watchers. However, active watchers are the most effective segment to be targeted at, while conventional watchers are the least effective one.

Although this study generated conclusive result, further study is encouraged to better understand the audience, especially for smaller scale. This study indicates that local performance art audiences have different needs and wants in terms of watching an art show. Understanding the differences could potentially be translated into different marketing strategies that might be effective to the segments. It is hoped that this study may be of value to art marketers in Indonesia to market their products better.

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APPENDIX A: Survey Questions

No.	Section	Construct	Item	Measurement	Objective
1	1: Personal identity	Age	<ul style="list-style-type: none"> • < 13 years old • 13-17 years old • 18-22 years old • 23-27 years old • 28-32 years old • 33-37 years old • 38-42 years old • 43-47 years old • >47 years old 	Years old	To understand the age structure of the audiences
2		Education	<ul style="list-style-type: none"> • Elementary school • Junior high school • High school • Diploma • Bachelor • Master • Doctorate 	Education level	To understand the education structure of the audiences
3		Job	<ul style="list-style-type: none"> • Student • University student • Employee • Self-employed • Artists / musicians 	Job role	To understand the job structure of the audiences
4		Monthly expenditure	<ul style="list-style-type: none"> • < Rp 1.000.000 • Rp 1.000.000 – Rp 2.500.000 • Rp 2.500.001 – Rp 5.000.000 • Rp 5.000.001 – Rp 7.500.000 • Rp 7.500.001 – Rp 10.000.000 • > Rp 10.000.000 	Amount of money	To understand the expenditure level of the audiences
5		Gender	<ul style="list-style-type: none"> • Female • Male 	Gender	To understand the profile of the audiences
6		Marital status	<ul style="list-style-type: none"> • Single • Married 	Marital status	To understand the profile of the audiences
7		Domicile	<ul style="list-style-type: none"> • Jabodetabek • Bandung • Semarang • Yogyakarta • Others 	Residential location	To understand the profile of the audiences
8		Type of show	<ul style="list-style-type: none"> • Theatrical performance 	Types of show that have been watched by the respondents	To understand what kinds of shows that have been

No.	Section	Construct	Item	Measurement	Objective
			<ul style="list-style-type: none"> • Musical performance • Dance performance 		watched by the respondents
9		Willingness to pay	<ul style="list-style-type: none"> • < Rp 50.000 • Rp 50.000 – Rp 100.000 • Rp 100.000 – Rp 250.000 • Rp 250.000 – Rp 500.000 • > Rp 500.000 	Amount of money	To understand how much they are willing to pay to watch live entertainment
10	2: Value and motivation	Value and lifestyle (VALS) (Strategic Business Insights, 2015)	<ul style="list-style-type: none"> • Information seekers and open to new innovations • Prefer functionality and products that are already tested • Success-oriented • Tend to be different from other people and always ahead in new trend • Tend to believe other people's recommendation and familiar products • Follow trend • Prefer outdoor and hand-on activities • Prefer routine and familiar activities, and tend to be loyal to a brand 	Statements	To understand their values and lifestyle using VALS system
11		Motivation (Morris Hargreaves McIntyre, 2007)	<ul style="list-style-type: none"> • Social purposes • Entertainment purposes • Interest or hobby • Emotional purposes • To inspire or enhance creativity • To escape the reality for a moment 	5-point scale indicating agree/disagree	To understand the motivations underlying their decisions of watching art performances, based on Maslow motivation theory.

No.	Section	Construct	Item	Measurement	Objective
12	3: Influencing factors and alternatives in the decision making process	Influencing Factors	<ul style="list-style-type: none"> • Promotors • Performing artists • Family or friends • Ticket price • Director / composers / choreographer • Event promotion (advertisement and preview) • Show genre • Location 	Ranking of influencing factors	To understand the influence factor of their decisions of watching art performances.
13		Contributing factors	<ul style="list-style-type: none"> • Whether the respondents want to watch a performance art alone • Whether the respondent is influenced by other public figure who watch a certain art performance • Whether promotions influence them 	5-point scale indicating agree/disagree	To understand further about their influencing factors in watching performance art
14		Preferred activities	<ul style="list-style-type: none"> • Watching live music • Watching theatre production • Watching dance production • Watching movies • Listening to music from podcast / radio • Watching television • Going on a vacation • Playing games • Shopping • Doing sport • Reading books • Hangout with family and friends • Attending events, festivals, or bazaars 	Ranking of the activities that are preferred by the respondents	To understand their entertainment alternatives, in order to evaluate the need recognition stage in the decision making process.

No.	Section	Construct	Item	Measurement	Objective
15		Interests	<ul style="list-style-type: none"> • Books and literatures • Music • Visual arts (paintings and sculptures) • Sport • Dance • Theatre • Fashion • Design • Film & photography • Computer & technology • Games 	Ranking of subjects that capture the interest of the respondents	To understand their entertainment alternatives, in order to evaluate the need recognition stage in the decision making process.
16		Preferred issues	<ul style="list-style-type: none"> • Social and economics • Business • Politics • Environment • Law 	Ranking of issues that capture the interest of the respondents	To understand the respondents' level of interest of current issues
17		When buying tickets	<ul style="list-style-type: none"> • Early bird / Pre-sale • A couple of days before the show • On the day of the show 	Timing of buying performance art tickets	To understand the circumstance which influences them to buy performance art ticket
18		Post-watching activities	<ul style="list-style-type: none"> • Taking pictures • Talking about the show to others • Share the experience to others • Writing a review about the show 	What activities they are likely to engage in after the performance.	To understand the activities done on the post-purchase evaluation stage in the decision making process.
19		Art organizations	<ul style="list-style-type: none"> • Local performance art Theatre • Gedung Kesenian Jakarta • Taman Ismail Marzuki • Ciputra Artpreneur • Taman Budaya Jawa Barat • Universities 	Places showing local performance art	To find out Local performance art competitors, in order to analyse evaluation of alternatives stage.

No.	Section	Construct	Item	Measurement	Objective
			<ul style="list-style-type: none"> • Others 		
20		Information source	<ul style="list-style-type: none"> • Social media • Printed ads • Preview in magazine or blogs • Radio advertisement • Website • Email • Hotline / call center 	Ranking of marketing communication channels that they prefer	To understand which channel fits the customers
21		Ticket purchase	<ul style="list-style-type: none"> • Website • Email • SMS • On the spot • Ticket box 	Sales channel that is preferred by the respondents	To understand which sales channel is the most used, which indicates its effectivity
22		Frequency	<ul style="list-style-type: none"> • More than once a month • 1-2 times in three months • 1-2 times in six months • 1-2 times in a year • Less than once in a year 	Times per year	To find out whether the respondents are mostly first-timer or repeat customers

APPENDIX B: ANOVA Table

Model		Sum of Squares	Mean Square	F	Sig.	Notes
1	Regression (AGE)	18.824	18.824	15.623	.000 ^b	Significant
	Residual	225.314	1.205			
	Total	244.138				
2	Regression (EDUCATION)	20.437	10.219	8.496	.000 ^c	Significant
	Residual	223.700	1.203			
	Total	244.138				
3	Regression (JOB)	23.756	7.919	6.647	.000 ^d	Significant
	Residual	220.382	1.191			
	Total	244.138				
4	Regression (MONTHLY EXPENDITURE)	24.700	6.175	5.178	.001 ^e	Significant
	Residual	219.438	1.193			
	Total	244.138				
5	Regression (GENDER)	24.714	4.943	4.122	.001 ^f	Significant
	Residual	219.423	1.199			
	Total	244.138				
6	Regression (MARITAL STATUS)	30.311	5.052	4.300	.000 ^g	Significant
	Residual	213.827	1.175			
	Total	244.138				
7	Regression (DOMICILE)	30.708	4.387	3.720	.001 ^h	Significant
	Residual	213.429	1.179			
	Total	244.138				
8	Subset Tests (TYPE OF SHOW)	26.548	8.849	8.429	.000 ⁱ	Significant
	Regression	57.256	5.726	5.453	.000 ^j	
	Residual	186.881	1.050			
	Total	244.138				
9	Regression (WILLINGNESS TO PAY)	69.757	3.671	3.558	.000 ^k	Significant
	Residual	174.381	1.032			
	Total	244.138				
10	Subset Tests (VALS)	11.780	1.473	1.430	.187 ^l	Insignificant
	Regression	69.036	3.835	3.724	.000 ^k	
	Residual	175.101	1.030			
	Total	244.138				
11	Subset Tests (MOTIVATION)	12.134	3.034	3.460	.010 ⁱ	Significant
	Regression	109.098	3.209	3.659	.000 ^o	

Model		Sum of Squares	Mean Square	F	Sig.	Notes
	Residual	135.039	.877			
	Total	244.138				
12	Subset Tests (INFLUENCING FACTORS)	12.809	1.830	1.835	.084 ⁱ	Significant
	Regression	82.566	3.176	3.184	.000 ^m	
	Residual	161.572	.997			
	Total	244.138				
13	Subset Tests (CONTRIBUTING FACTORS)	14.398	3.600	3.864	.005 ⁱ	Significant
	Regression	96.964	3.232	3.470	.000 ⁿ	
	Residual	147.174	.931			
	Total	244.138				
14	Subset Tests (PREFERRED ACTIVITIES)	11.558	.889	1.015	.440 ⁱ	Insignificant
	Regression	120.656	2.567	2.931	.000 ^p	
	Residual	123.482	.876			
	Total	244.138				
15	Subset Tests (INTERESTS)	9.636	.964	1.109	.360 ⁱ	Insignificant
	Regression	130.292	2.286	2.630	.000 ^q	
	Residual	113.846	.869			
	Total	244.138				
16	Subset Tests (PREFERRED ISSUES)	4.597	1.149	1.336	.260 ⁱ	Insignificant
	Regression	134.889	2.211	2.571	.000 ^r	
	Residual	109.249	.860			
	Total	244.138				
17	Regression (WHEN BUYING TICKETS)	135.981	2.193	2.555	.000 ^s	Significant
	Residual	108.157	.858			
	Total	244.138				
18	Subset Tests (POST-WATCHING ACTIVITIES)	1.946	1.946	2.290	.133 ⁱ	Significant
	Regression	137.927	2.189	2.577	.000 ^t	
	Residual	106.211	.850			
	Total	244.138				
19	Subset Tests (ART ORGANIZATIONS)	4.564	1.141	1.358	.252 ⁱ	Insignificant
	Regression	142.492	2.127	2.532	.000 ^u	

Model			Sum of Squares	Mean Square	F	Sig.	Notes
	Residual		101.646	.840			
	Total		244.138				
20	Subset Tests	(INFORMATION SOURCE)	19.209	2.134	2.900	.004 ⁱ	Significant
	Regression		161.700	2.128	2.891	.000 ^v	
	Residual		82.437	.736			
	Total		244.138				
21	Subset Tests	(TICKET PURCHASE)	1.084	.271	.345	.847 ^l	Insignificant
	Regression		166.280	1.868	2.376	.000 ^x	
	Residual		77.858	.786			
	Total		244.138				

APPENDIX C: Cluster Size Measurement

Clusters		1	2	3	4	5	6
Number of potential customer (per 1000 people)		126	263	220	94	209	84
Volume of purchase: Proportion of the clusters that is willing to pay x amount of money for art show ticket	50000	0.00	0.20	0.19	0.00	0.30	0.19
	75000	0.88	0.58	0.52	0.00	0.53	0.31
	175000	0.08	0.14	0.07	1.00	0.15	0.31
	375000	0.04	0.04	0.21	0.00	0.00	0.19
	500000	0.00	0.04	0.00	0.00	0.03	0.00
Weighted willingness to pay		95833.33	113000.00	141666.67	175000.00	93125.00	157812.50
Frequency of purchase: Proportion of the cluster that watches art shows n times per year	12	0.08	0.00	0.10	0.00	0.00	0.00
	6	0.71	0.14	0.10	0.11	0.03	0.31
	3	0.13	0.10	0.50	0.17	0.03	0.13
	1.5	0.00	0.40	0.24	0.17	0.70	0.44
	1	0.08	0.36	0.07	0.56	0.25	0.13
Weighted frequency		5.71	2.10	3.64	1.97	1.53	3.03
Market Value		68,928,125	62,409,900	113,535,714	32,443,055	29,681,265	40,183,007

FACTORS THAT INFLUENCE THE PURCHASE OF COUNTERFEIT PRODUCTS BY STUDENTS: A CASE OF SOUTH AFRICA

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Abstract

The current research attempts to investigate the use of the two potential predictors of customer purchase intention of counterfeit products (perceived behavioural control and price-quality inference of counterfeit products) as a means of establishing whether they have influence over customer attitudes towards economic benefits of purchasing counterfeit products which ultimately lead to purchase intention of counterfeit products. Field study is conducted in Braamfontein, Johannesburg and research data are collected from 380 respondents 25 years and older. Using SPSS 22 and AMOS 22 software program, Structural Equation Modeling (SEM) is performed to analyse the data set. The results reveal that price-quality inference of counterfeit products is seen to possess the strongest influence on customers' attitudes towards the purchase intention of counterfeit products as compared to the other variables.

Keywords: Counterfeits, Price-quality, Purchase intention, students, consumer

INTRODUCTION

The issue of counterfeiting is an important threat for manufacturers of original brands (Turkyilmaz & Uslu, 2014). The counterfeiting of branded products is an emerging problem worldwide for genuine producers and policy makers (Bian & Veloutsou, 2007; Phau, Sequeira & Dix, 2009; Rasheed *et al.*, 2014). Counterfeits refer to goods that possess trademarks/features that are identical or only slightly vary from those of other companies' registered trademarks/features, thus infringing the registered trademarks owners' rights (Eisend & Schuchert-Guler, 2006; Stravinskiene, Dovaliene & Ambrazeviciute, 2014). Several studies have been conducted on the purchase intention counterfeits (Turkyilmaz & Uslu, 2014; Rasheed Farhan, Zahid, Javed & Rizwan, 2014; Tang, Tian & Zaichkowsky, 2014).

Purchase intention is defined as the consumers' will for purchase (Inkon, 2013). Prior research has revealed that purchase intention of counterfeits is not influenced by low prices and that attitudes towards counterfeits directly influence purchase intention of counterfeits (Yoo & Lee, 2009; Rasheed *et al.*, 2014). The intention to purchase can be viewed as a link between the buying behaviour and attitudes in understanding the buying behaviour of consumers, therefore has been considered to have a deep connection to buying behaviour (Inkon, 2013). Perceived behavioral control, the perceived ease or difficulty of performing the behaviour when combined with attitude toward the behaviour, subjective norm, and perception of behavioral control lead to the formation of a behavioural intention (Ajzen, 2002). It is useful to consider perceived behavioural control in addition to behavioural intention because perceived behavioural control is likely to affect purchase intentions

(Ajzen, 1991; 2002). Perceived behavioural control predicts an individual's intent to purchase counterfeit products (Kim & Karpova, 2010). According to Ang, Cheng, Lim & Tambya, (2001) attitudes towards piracy influences the purchase intention of counterfeit goods. Positive attitudes toward buying counterfeits are expected to affect purchase intention of counterfeits positively (Yoo & Lee, 2009). The more favourable consumer attitudes are towards counterfeits of luxury brands, the higher the likelihood that they will purchase counterfeit brands (Phau, Teah, & Lee 2009). The remainder of the paper will provide literature, research methodology, data analysis, discussion of results, implications, limitations and future research and the references.

LITERATURE REVIEW

The review of literature plays a crucial role in the current research. In this section efforts are directed to explore or assess the findings of the studies conducted by various scholars in the same field. Previous authors such as De Matos, Ituassu & Rossi (2007); Eisensd & Guler (2006); Phau & Teah (2001); Bian & Mountinho (2009); Kwong, Yau, Lee, & Tse (2003); Chuchinprakarn (2003) and Cheng, Fu & Cam (2011) have covered facets such as age, gender, perception, perceived risk, quality and individual influence as far as research on counterfeit purchasing is concerned. The above mentioned authors found that facets such as gender, age, perceptions and individual influence directly impacts the decision to purchase counterfeits. Kwong, *et.al* (2003) conducted a study to assess the ethical perceptions on purchasing counterfeit products and found that gender and age were significantly related to the intention to buy pirated CDs. Phau & Teah (2001) conducted a study on the attitudes towards counterfeit products and discovered that attitude is an instant indicator of an individual's intent to carry out a specific task. Finally Kumar & Rojhe (2015) carried out research to find out customers' behaviour towards counterfeit products in Himachal Pradesh, India and they observed that gender, age, education, income and profession have positive influence towards the purchase of counterfeit products.

Theoretical Grounding

Theory of Reasoned Action

Derived from the social psychology field, the theory of reasoned action (TRA) was proposed by Ajzen & Fishbein (1975 & 1980). Theory of reasoned action (TRA) is a well-developed and validated intention model that has been established successfully in predicting and elucidating behaviour (Liao, Lin & Liu, 2009). The theory of reasoned Action is the most successful and well validated psychological model for decision making for voluntary actions that is based on behavioural analysis (Houran, Lange & Lange, 2013). Phau, Sequeira & Dix (2009) stated that the theory of reasoned action (TRA) in terms of counterfeit products purchasing would mean that the individual's decision to purchase counterfeit products is determined by that individual's intention to perform the act directly. The TRA posits that the most immediate precursor of behaviour is an individual's intention to behave, which in turn

is determined by attitude toward target behaviour and subjective norms (Aleassa, Pearson & McClurg, 2010). Kim, Jeong & Hwang (2012) stated that the theory of reasoned action, the theory of planned behaviour and the integrative model of behavioural prediction predict that behaviour is determined by behavioural intentions, which in turn are influenced by several psychological factors. The theory of reasoned action specifies what consumers perceive and how perceptions guide what consumers do and this is reminiscent of earlier studies on the drive toward conformity (Guo & Feng, 2012).

Theory of Planned Behaviour

The theory of planned behaviour (TPB) is a theory intended to predict and explain human behaviour in precise settings Ajzen (1991). The theory of planned behaviour rose about due to the fact that the theory of reasoned action had limitations in its model when dealing with behaviours over which people have incomplete voluntary control (Ajzen, 1991). Henle, Reeve & Pitts (2009) pointed out that when individuals have a stronger motivation or intention to engage in a particular behaviour, the TPB proposes that individuals are more likely to follow through with that behaviour. The TPB is a model about how human behaviour is guided (Ajzen 1988 & 1991). The theory of planned behaviour is an extensively applied expectancy-value model of attitude-behaviour relationships which has fairly succeeded in predicting a variety of behaviours (Ajzen, 1991; Conner & Sparks, 1996; Godin & Kok, 1996; Conner & Armitage, 1998). The theory of planned behaviour has emerged as one of the most influential and prominent conceptual frameworks for the study of human action (Ajzen, 2002). Armitage & Conner (2001) pointed out that the theory of planned behaviour (TPB) is essentially an extension of the theory of reasoned action (TRA) that includes measures of control belief and perceived behavioural control. It predicts the occurrence of a specific action provided that the action is intentional (Francis, Eccles, Johnston, Walker, Grimshaw, Foy, Kaner, Smith, Bonetti, 2004). Francis *et al* (2004) pointed out that in order to predict whether an individual intends to do something, there is need to know: whether that individual is in favour of performing that particular act, how much the individual feels social pressure to do it and whether the individual feels in control of the action in question.

Proposed Conceptual Model and Research Hypotheses

The proposed conceptual model below in figure 1 consists of two predictor variables and these are perceived behavioural control (PBC) and price –quality inference of counterfeit products (PQ). Also in the proposed conceptual model is the mediator variable: attitudes towards economic benefits of purchasing counterfeit products (ATT) and the outcome variable which is the purchase intention of counterfeit product (PI).

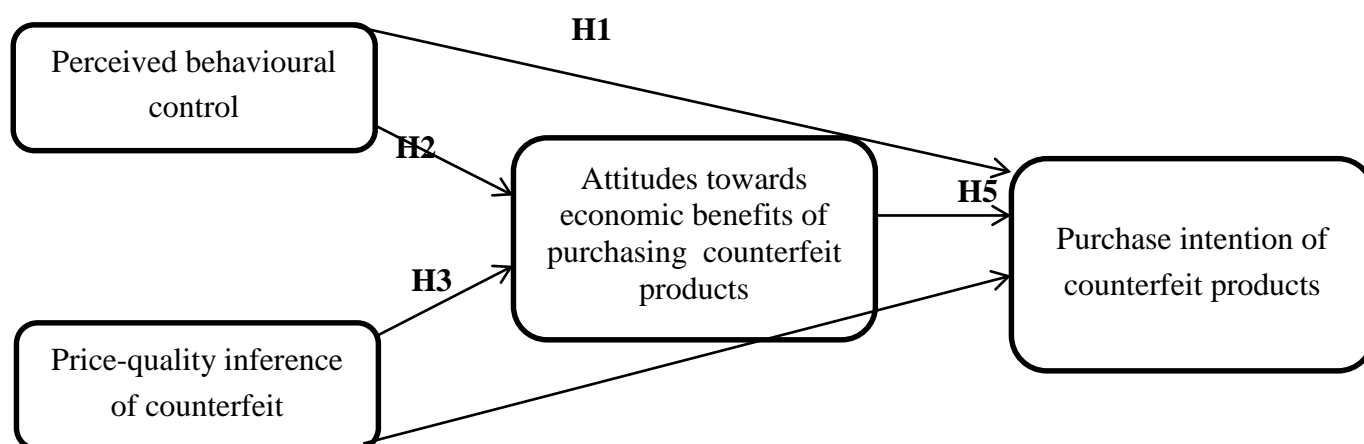


Figure 3: The proposed conceptual model, research hypotheses and related statistics

Hypotheses Development

Based on the conceptual model above the hypotheses are stated in following section.

Perceived behavioural control and purchase intention of counterfeit products

According to (Ajzen, 1991) perceived behavioural control refers to people's perception of the ease or difficulty of performing an act. It is useful to consider perceived behavioral control in relation to intention since it affects purchase intentions (Ajzen, 2002). Penz & Stöttinger (2005) suggested that the higher the perceived behavioural control the stronger the intention to purchase counterfeits. Conner & Armitage (1998) stated that the connection between perceived behavioural control and behaviour is complex, suggesting that one is more likely to engage in (attractive/desirable) behaviours that he or she has control over and is prevented from carrying out behaviours that he or she does not have control over. Conner & Armitage (1998) further stated that the more the perceived behavioural control increases, the more the behaviour is likely to be performed given that intention is held constant. Perceived behavioral control (information, time and the ability to solve problems) positively affect intention to purchase counterfeits (Penz & Stöttinger, 2005; Cheng, Fu & Tu, 2011). Therefore, deducing from the literature and the empirical evidence abovementioned, the current study hypothesizes that H1: Perceived behavioural control has a positive relationship with purchase intention of counterfeit products

Perceived behavioural control and attitudes towards economic benefits of purchasing counterfeit products

According to Cheng, Fu & Tu (2011) attitudes towards purchasing counterfeits and perceived behavioural control both have a positive influence on the intention to purchase counterfeits and ultimately lead to behaviour. The combination of attitude toward behaviour, subjective norm and perception of behavioural control lead to the formation of behavioural intention (Ajzen, 2002). According to Yoo & Lee's (2009) conceptual framework, attitudes toward buying counterfeits by economic benefits positively influence purchase intention of

counterfeits. Therefore, inferring from the literature and the empirical evidence abovementioned, the study hypothesizes that H2: Perceived behavioural control has a positive relationship with attitudes towards economic benefits of purchasing counterfeit products.

Price – quality inference of counterfeit products and attitudes towards economic benefits of purchasing counterfeit products

Price -quality inference is the universal assumption across product categories that the level of the price cue is related positively to the quality level of the product (Zhou, Su & Bao, 2002). It is believed that consumers may assume a positive relationship between price and product quality and rely on this price -quality relationship or price–quality schema as a shortcut to making purchase decisions (Lichtenstein et al., 1993; Zhou, Su & Bao, 2002). The price–quality schema performs a critical role in consumer decision making thus it affects the judgments of perceived quality, influences perceived value and purchase intentions, and determines information search and other aspects of consumer decision-making processes (Zhou, Su & Bao, 2002). Based upon past studies on counterfeits it has been established that consumers are more inclined towards choosing a counterfeit product over a genuine one if there is a price advantage (Phau, Teah & Lee 2009). Therefore, deducing from the literature and the empirical evidence from the study, the study hypothesizes that H3: Price – quality inference of counterfeit products has a positive relationship with attitudes towards economic benefits of purchasing counterfeit products.

Price – quality inference of counterfeit products and purchase intention of counterfeit products

According to Phau, Teah & Lee (2009) based on previous studies on counterfeit purchasing; consumers are more likely to purchase a counterfeit product over a genuine product if a price advantage exists. Grossman & Shapiro (1988) suggested that two types of counterfeit buyers exist as far as price and quality inference is concerned. The first group perceives counterfeit products as being comparable to genuine products in all aspects and yet is superior in price offered then consumers will choose counterfeits, as they provide the gain of the status and quality attributes of brand-name products (Grossman & Shapiro, 1988). The second group perceive counterfeit products to be inferior to genuine products, their superior prices more than compensate for the lack in quality and performance (Grossman & Shapiro, 1988). Therefore, inferring from the literature and the empirical evidence, the study hypothesizes that H4: Price – quality inference of counterfeit products has a positive relationship with purchase intention of counterfeit products.

Attitudes towards economic benefits of purchasing counterfeit products and purchase intention of counterfeit products

According to Yoo & Lee (2009) attitudes are defined as the extent to which one has a favourable judgement of the behaviour in question and is an immediate indicator by which

his or her intention of conducting the specific behaviour can be predicted. According to the assumptions of the theory of planned behaviour, attitudes toward an act positively affect behaviour (Ajzen 1991; Ajzen & Fishbein 1980; Yoo & Lee, 2009). Building on the theory of planned behaviour Phau, Teah, Lee & (2009) suggested that attitudes determine purchase intention and purchase behaviour influences purchase intention. Yoo & Lee (2009) illustrated in their conceptual framework that attitudes towards economic benefits of purchasing counterfeit products have an influence on purchase intention of counterfeit products. Cordell, Wongtada & Kieschnick (1996) stated that consumer involvement in counterfeit transactions facilitates illegal activity, thus an attitude-intention-behaviour linkage between the consumer's appreciation for lawfulness and willingness to buy counterfeits could explain consumer participation in the activity. Phau, Teah & Lee (2009) pointed that accessibility of counterfeit products is necessary for purchase behaviour to occur because the absence of access to counterfeit products would make their purchase difficult to perform. Therefore, inferring from the literature and the empirical evidence abovementioned, the current study hypothesizes that H5: Attitudes towards economic benefits of purchasing counterfeit products have a positive relationship with purchase intention of counterfeit products.

RESEARCH METHODOLOGY

Measurement Instrument

The research constructs were developed based on prior studies of the same research area. Adequate adaptations were made to the research constructs so as to accommodate the current study's context and purpose. A seven-item Likert scale anchored by 1= disagree completely to 7=agree completely, 1= very difficult to 7 = very easy, 1= very unlikely to 7 = very likely and 1 = not control at all to 7 = complete control adapted from Kraft, Rise, Sutton & Røysamb (2005) was used to measure the first predictor variable which was perceived behavioural control. The other predictor variable was price-quality inference of counterfeit products anchored by 1= strongly disagree to 7 = strongly agree was also measured by a seven-item Likert scale that was adapted from De Matos, Ituassu & Rossi (2007). The mediator variable: attitudes towards economic benefits of purchasing counterfeit products was measured on a seven item Likert scale that had 1 = strongly disagree to 7 = strongly agree was adopted from Lee & Yoo (2009) and finally the outcome variable the purchase intention of counterfeit products was also measured on a seven point Likert scale anchored by 1 = very high to 7 very low adapted from Dodds, Monroe & Grewal (1991). Individual scale items are listed in the Appendix.

Survey Design

In any study the theoretical constructs that are measured are the determining factors for the choice of measurement methodology (Fagarasanu & Kumar, 2002). The primary data collection instrument used for this research was a research questionnaire. This questionnaire was developed by the researcher and was self- administered to willing respondents in

Braamfontein, Johannesburg. The questionnaire comprised of five sections A, B, C, D and E. Section A represented the respondent's biographical information such as gender and age. Sections B, C, D and E utilised a 7 point likert scale to ask the respondents questions that were based on the research model. Section B asked the respondent questions regarding his or her perceived ease or difficulty (Perceived Behavioural Control) in the purchasing of counterfeit products. Section C asked about respondent's attitudes towards the economic benefits of purchasing counterfeit products. Section D asked about the respondent's perceptions of the relationship between price and quality of products (Price –quality inference of counterfeit products). Section E asked the respondent questions about his or her intention to purchase counterfeit products. The researcher made the decision to use a questionnaire to collect data from respondents as this was seen to be the most appropriate tool for collecting the data. The questionnaire was designed based on the study's research model. A total of 380 questionnaires were collected and used for data analysis.

Table 6: Sample Demographic Profile

Gender	Frequency	Percentage	Occupation	Frequency	Percentage
Male	187	49,2 %	Student	380	100,0 %
Female	193	50,8 %	Total	380	100%
Total	380	100 %	Purchase frequency	Frequency	Percentage
Age	Frequency	Percentage	Monthly	236	62,1 %
14 -19	158	41,6 %	Seasonally	65	17,1 %
20-25	121	31,8 %	Annually	79	20,8 %
26+	101	26,6 %	Total	380	100%
Total	380	100 %	Amount of money spent	Frequency	Percentage
Marital status	Frequency	Percentage	Less than R250	104	27,4 %
Married	22	5,8 %	Between R250-R500	82	21,6 %
Single	358	94,2 %	Between R501-R1000	96	25,3 %
Total	380	100%	More than R1000	98	25,8 %
Level of education	Frequency	Percentage	Total	380	100%
Primary	1	0,3 %			
High School	178	46,8 %			
Diploma	27	7,1 %			
Degree	95	25,0 %			
Post Graduate	79	20,8 %			
Total	380	100%			

DATA ANALYSIS AND RESULTS

Sample Description

Table 1 presents the profile of the participants. The profile indicates that the proportion of males to females was almost evenly split with males taking up 49,2% of the total sample and females accounting for 50,8% of the total sample. Most of the respondents were from the age group of (14-19years) and the age group with the least number of respondents was the (26 years and older) represented by 26,6% of the total sample. Most of the respondents were single comprising of 94, 2% of the total sample as compared to the married respondents only comprising of 5,8% of the total sample. The results showed that most of the respondents indicated high school education as their highest qualification, this was indicated by 46, 8% of the total sample and only one respondent indicated primary as the highest educational level representing 0.3% of the total sample. The majority of the participants indicated that their purchase frequency is mostly on a monthly basis represented by 62.1% of the total sample. The second highest percentage representing the student's purchase frequency was for annual purchasing which was 20,8 % indicated by 79 out of 380 students and the lowest percentage representing student's purchase frequency was for seasonal purchasing indicated by 17,1 % represented by 65 out of 380 students. Most of the respondents indicated that they spend less than R250 on luxury goods and this is represented by 104 out of the total 380 respondents. Table 1 illustrated in the following section presents a profile of the participants.

Table 7:Correlations between constructs

Interconstruct Correlation Matrix				
	PBC	ATT	PQ	PI
Perceived behavioural control PBC	1			
Attitudes towards economic benefits of purchasing counterfeit products ATT	0.65**	1		
Price – quality inference of purchasing counterfeit products PQ	0.66**	0.76**	1	
Purchase intention of counterfeit products PI	0.72**	0.74**	0.75**	1

Scale Accuracy Analysis

The scale construct correlations are presented in Table 2, the mean scores of scales and their corresponding scale items are presented in Table 3. Individual scale item test summaries related to research scale reliability and validity are explored thereafter. The results of scale reliability tests are shown in Table 3. As can be seen, item-to-total values ranged from 0.648 to 0.948, while Cronbach's alpha coefficients ranged from 0.838 to 0.960 and composite reliability (C.R.) indexes were between 0.835 and 0.959. These values exceeded the estimate criteria used by previous literature. All average variance explained (AVE) values were above 0.7 thus marginally accepted according to the (Fraering & Minor, 2006). These results provided proof of marginal to acceptable levels of research scale reliability. The scale validity was investigated mainly utilising a confirmatory factor analysis (CFA) while all

scale items were joint. The results are illustrated in Tables 2 and 3. Convergent validity was tested by evaluating whether the path coefficients (loadings) between each latent construct and its corresponding scale items were statistically significant. All factor loadings in the CFA were significant (between 0.6 and 0.9), confirming the convergent validity of all scale items. Discriminant validity of the research constructs was assessed using correlations among latent constructs of less than 1.0, acceptable CFA model fit, and chi-squared difference in all two-factor (i.e., any paired latent constructs) CFA tests that regulated the factor inter-correlations to unit. All correlation values were below 0.8; the measurement model produced a ratio of chi-squared value over degree-of-freedom of 2.456, and GFI, CFI, IFI, TLI, RFI, NFI and RMSEA were 0.901, 0.971, 0.971, 0.964, 0.941, 0.952 and 0.062 respectively. The above results indicated that the research scales decisively encompassed distinct components, thus supporting discriminant validity of the research constructs. In the previous page on table 2 it can be observed that all intercorrelations of constructs are below 1 and meet the threshold recommended by Chinomona, Lin, Wang & Cheng (2010).

Table 8: Accuracy Analysis Statistics

Research Construct		Descriptive Statistics			Cronbach's Test		C.R.	AVE	HSV	FL	
		Mean Value	Standard Deviation	Item-total	α						
PBC	PBC 1	3.86	3.90	0.78	0.74	0.71	0.96	0.96	0.73	0.52	0.65
	PBC 2	3.95		0.72		0.72					0.66
	PBC 3	3.97		0.76		0.72					0.66
	PBC 4	3.93		0.73		0.77					0.74
	PBC 5	3.86		0.79		0.84					0.87
	PBC 6	3.89		0.73		0.94					0.99
	PBC 7	3.88		0.72		0.95					0.99
	PBC 8	3.89		0.72		0.94					0.99
	PBC 9	3.89		0.72		0.94					0.99
ATT	ATT1	4.07	3.99	0.76	0.74	0.73	0.89	0.89	0.84	0.60	0.81
	ATT2	4.02		0.68		0.73					0.79
	ATT3	3.99		0.74		0.66					0.71
	ATT4	4.02		0.72		0.73					0.78
	ATT5	3.96		0.75		0.70					0.74
	ATT6	3.86		0.80		0.67					0.72
PQ	PQ1	3.98	4.02	0.72	0.71	0.71	0.84	0.84	0.76	0.60	0.81
	PQ2	4.03		0.71		0.74					0.80
	PQ3	4.05		0.70		0.66					0.77
PI	PI1	3.89	3.96	0.76	0.75	0.71	0.87	0.87	0.81	0.57	0.78
	PI2	3.86		0.78		0.71					0.77
	PI3	3.98		0.74		0.71					0.75
	PI4	3.99		0.76		0.65					0.67
	PI5	4.07		0.72		0.69					0.77

CR: composite reliability; AVE: average variance extracted; HSV: highest shared variance; FL: factor loading

$\chi^2/df=$, GFI= 0.90, CFI = 0.97 , NFI=0.95 , RMSEA= 0.06; ^a significance level $p<0.05$; ^b significance level $p<0.01$; ^c significance level $p<0.001$

Proposed Conceptual Model Fit Assessments and Research

Hypotheses Testing

The evaluation of the proposed conceptual model proceeded utilising the same data set. The following model fit measures were used to assess the reliability and validity of the data. The ratio of chi-squared over degree-of-freedom was 2.46. Additional GFI, CFI, IFI, TLI, RFI, NFI and RMSEA values were 0.90, 0.97, 0.97, 0.96, 0.94, 0.95 and 0.06 respectively. All model fit measures exceeded recommended thresholds, which posited that the proposed conceptual model converged well and could be a plausible representation of the underlying empirical data structure collected. The corresponding coefficients of the research hypotheses that suggested the existence of positive relationships between the two purchase intention predictors (perceived behavioural control and price-quality inference of counterfeit products), the mediator variable (attitudes towards economic benefits of purchasing counterfeit products) and the outcome variable (purchase intention of counterfeit products) were then observed. Table 3 below presents accuracy analysis statistics.

Path Modeling & Hypotheses Testing

Table 4 presents the results of the structural equation modeling followed by a discussion

Table 4: Results of Structural Equation Model Analysis

Proposed relationship hypothesis	Hypothesis	Factor Loading	P Value	Supported/ Rejected
Perceived behavioural control (PBC) → Purchase intention of counterfeits (PI)	H ₁	0.22 ^c	0.01	Supported and significant
Perceived behavioural control (PBC) → Attitudes towards economic benefits of purchasing counterfeit products (ATT)	H ₂	0.18 ^c	0.01	Supported and significant
Price – quality inference of counterfeit products (PQ) → Attitudes towards economic benefits of purchasing counterfeit products (ATT)	H ₃	0.82 ^c	0.01	Supported and significant
Price – quality inference of counterfeit products (PQ) → Purchase intention of counterfeit products (PI)	H ₄	0.47 ^c	0.01	Supported and significant
Attitudes towards economic benefits of purchasing counterfeit products (ATT) → Purchase intention of counterfeit products (PI)	H ₅	0.26 ^c	0.01	Supported and significant

Structural model fits: $\chi^2/df=$ 2,46; GFI= 0.901; CFI= 0.971; TLI= 0.964; IFI= 0.971; RFI= 0.941; NFI= 0.952; RMSEA= 0.062; ^a significance level $p <0.05$; ^b significance level <0.01 ; ^c significance level <0.001

Discussion of Hypotheses Results

As illustrated in Table 4, all hypotheses coefficients were at least at a significant level of $p<0.01$. Therefore all the proposed hypotheses from H1 to H5 were all supported. Individual

hypothesis coefficients between perceived behavioural control and purchase intention of counterfeit products (H1), perceived behavioural control and attitudes towards economic benefits of purchasing counterfeit products (H2), price- quality inference of counterfeit products and attitudes towards economic benefits of purchasing counterfeit products (H3), price- quality inference of counterfeit products and purchase intention of counterfeit products (H4), and finally attitudes towards economic benefits of purchasing counterfeit products and purchase intention of counterfeit products (H5) were 0.22, 0.18, 0.82, 0.47 and 0.26 respectively.

CONCLUSION

The current research is primarily concerned with investigating the influence of the two predictors of customer purchase intention of counterfeit products: perceived behavioural control and price –quality inference of counterfeit products on the attitudes towards the economic benefits of purchasing counterfeit products and the purchase intention of counterfeit products. Structural Equation Modeling (SEM) was applied to assess the proposed research model and hypothesis. The analytical results implied that all proposed hypotheses were supported. Furthermore it was observed that the influence of price – quality inference of counterfeit products on attitudes towards economic benefits of purchasing counterfeit products was the most important relationship as it had the highest factor loading indicated by 0.82 (see table 4). Based on the findings of the study perceived behavioural control proves to have a positive impact on consumers purchase intention of counterfeit products. Based on the definition of perceived behavioural control given by Ajzen (2002) this would imply that human behaviour is responsible for consumers’ intent to purchase counterfeit products. Another contribution to literature that the current research made was to confirm that perceived behavioural control has a great and direct impact on consumers’ attitudes towards economic benefits of purchasing counterfeit products as suggested by the hypothesis of the current research. This finding is supported by a past study in the same area of research conducted by Wang (2014) which discovered that that the consumers’ purchase intentions are influenced by the extent of attitude, subjective norms and perceived behaviour control of consumers. Furthermore Wang (2014) stated that the creation of a positive attitude towards the purchase of products may be a significant consideration for retailers to increase consumers’ purchase intentions of those products. Another significant contribution to literature made by the current study is to establish that price-quality inference of counterfeit products has a direct and positive influence of consumers’ attitudes towards economic benefits of purchasing counterfeit products. This finding is supported by a study conducted by De Matos, Ituassu & Rossi (2007) that also found that the price- quality inference of counterfeit products has a positive influence on consumers’ attitudes towards counterfeit products. Finally, the last contribution to the literature of counterfeit purchases that the current study makes is that attitudes towards economic benefits of purchasing counterfeit products prove to have a positive influence on customers’ purchase intention of counterfeit products as suggested by the hypothesis of the current study. This finding is supported by a

study conducted by Yoo & Lee (2009) also in the field of counterfeit purchases. Yoo & Lee (2009) found that attitudes towards economic benefits of purchasing counterfeit products had a positive impact on the purchase intention of counterfeit products. Based on empirical evidence of the study it can be concluded that that the two predictor variables: perceived behavioural control and price –quality inference of counterfeit products both possess significant influence on the mediator variable: attitudes towards economic benefits of purchasing counterfeit products and the outcome variable: the purchase intention of counterfeit products. Based on these research findings, academic and marketing implications are discussed and future research directions are suggested.

Academic and Marketing Implications

The results of the current research offer both academic and marketing implications. On the academic front the current study contributes to literature on perceived behavioural control's influence on the attitudes towards economic benefits of purchasing counterfeit products and the customer's intention to purchase counterfeit products. The results of the current study also supported by Wang (2014) prove that the customer's ability to control behaviour plays an important role in determining whether the customer actually purchases a counterfeit product. Results from the data analysis implied that attitudes towards the economic benefits of purchasing counterfeit products and the actual purchase intention of counterfeit products is significantly influenced by the relation between price and quality. On the practical front this relationship would imply that marketers are tasked with the challenge of the discrepancy between price and quality of the product in order to discourage the purchase intention of counterfeits. According to the findings, price- quality inference is seen to be the highest influence towards customers' attitudes towards the purchase intention of counterfeit products. This would imply that marketers should find ways of selling genuine products at prices that are not too high for customers so as to discourage them from purchasing inferior quality products being offered at lower prices by counterfeit manufacturers/retailers.

Suggestions for Future Research

The current study leaves room for further future research in the field of counterfeit products. There is an opportunity for researchers to either explore the same variables of this study in greater depth or to add new variables that could potentially predict the purchase intention of counterfeit products more accurately. The author would recommend that similar studies as to the current study be conducted on a larger scale, that is a larger sample size, larger geographic regions and not limit the study to respondents of a certain demographic profile. For instance the current study only utilised respondents residing in one area and recommendations for future research would be for researchers to consider larger populations such as surveying respondents from more than one town/ city or province. This would allow for more diversity in the sample and more informed results. The study suffered greatly from financial and time constraints and the researcher believes that if these challenges are

addressed it would result in a more meaningful and superior contribution to the literature of the purchase of counterfeit products.

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THE PREDICTORS OF BUSINESS PERFORMANCE IN THE INVESTMENT MANAGEMENT INDUSTRY

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Abstract

The current study aims to investigate the influence of internal marketing, relationship quality and continuity as predictors of business performance in the investment management industry in South Africa. The tested relationships produced satisfactory results consistent with how they were hypothesised. Specifically, it appears that internal marketing has a positive impact on business performance. These results will have a beneficial outcome on investment management companies and may prompt them to align business strategies to focus more on internal customers which are the employees. Data was collected from 150 investment managers based in Cape Town and Johannesburg. Smart PLS was used to analyse the data. Relationship quality is seen to have a positive effect on business performance and seems to have an encouraging effect on their relationships that are long-term orientated. However, what is evident is that through the alignment of business strategies, it would be advised that investment management companies focus on the quality of relationships that they have with their clients, as this has a favourable result as indicated by the findings of the study. Finally, relationship continuity has a good impact, but there is no significant influence on business performance as indicated by the findings.

Key words: Internal marketing, relationship quality, business performance

INTRODUCTION

The investment management industry is a growing one in South Africa. This industry is comprised of organisations that look after monetary resources on behalf of individuals, retirement funds and institutional funds. An investment management department is also available in most of the big banks. Therefore, it is surprising to realise that there has not been much research done to find important elements to measure the business performance in the investment management industry. Internal marketing advances the output of the employees and enhances customers' fulfilment, which leads to growth of earnings (Ahmed, Rafiq and Saad, 2003). This is important for investment managers because increased customer satisfaction leads to increased revenue. In addition (Alexandris, Zahariadis, Tsorbatzoudis and Grouios, 2004) studied the internal marketing concept and realised that all the employees especially client servicing should be viewed as internal buyers, their day to day activities as company products. They should be treated as customers even though they work for the company. (Alexandris et al., 2004). According to Ballantyne and Varey (2006) to achieve a great level of service quality, formulate relationships and company strategies that maintain a customer centric service culture, internal marketing has to be implemented. (Ballantyne & Varey, 2006). Ravindra (2013) further adds by saying that to implement internal marketing goals, especially in the investment management industry, different

strategies aimed at internal employees should be executed, this will also assist in improving internal communication Ravindra (2013). In addition customers often measure the company on the quality of service they receive from customer service employees hence the internal marketing, relationship quality, relationship continuity has to be explored in the investment management industry (Ravindra, 2013).

Introduction to the investment management industry

According to Blake, Rossi, Timmermann, Tonks, and Wermers (2013), the investment management industry involves companies that are involved in managing retirement, health and welfare. These companies are called sponsors. Sponsors save funds so that they are able to pay their employees when they retire. Companies owning pensions funds sometimes manage their own funds or get fund managers or consultants to perform their investment activities (Blake et al., 2013). Pension funds are a very important vehicle through which workers can put aside some money while they are actively involved in performing their duties. This is so that they may retire comfortably or maintain a reasonable standard of living when they retire (Blake et al., 2013). The pension promise is everyone's responsibility as it has important implications for the economy and society in general (Blake et al., 2013). Johnson and Jan de Graaf (2009) pursued by saying that there is long-term commitment between employer, employees, trustees, asset consultants and a whole lot of other stakeholders. It is important to nurture those relationships as they foster economic growth.

Problem Statement

The investment management industry is very important to the development of the South African economy. It is surprising, then, that there has not been enough research done on the predictors of business performance in the investment management industry. Internal marketing has been identified as a predictor of business performance.

Main problem

There is a lack of knowledge on how internal marketing, relationship quality, relationship continuity as variables contribute to business performance. Though the need for internal marketing is understood, the reality demonstrates that nothing much has been done to properly identify predictors of business performance in the investment management industry. This study will evaluate internal marketing, relationship quality and relationship continuity as predictors of business performance and contextualise its influence on relationship quality, relationship continuity and business performance in the investment management industry.

Sub-problems

The first sub-problem is to examine the extent to which internal marketing affects business performance.

The second sub-problem is to find out whether relationship quality and relationship continuity have an impact on business performance.

Purpose of the Study

This study aimed to investigate a role played by relationship quality, internal marketing and relationship continuity as predictors of business performance in the investment management industry of South Africa.

RESEARCH OBJECTIVES

Theoretical objectives

The following theoretical objectives were developed:

1. To review literature on internal marketing;
2. To review literature on relationship quality;
3. To review literature on relationship continuity; and
4. To review literature on business performance.

Empirical objectives

Based on what the study aims to achieve, the following empirical objectives were developed:

1. To investigate the influence of internal marketing on business performance;
2. To investigate the influence of relationship quality on business performance; and
3. To investigate the influence of relationship continuity on business performance.

Research Questions

1. To what extent does internal marketing influence business performance?
2. To what extent does relationship quality influence business performance?
3. To what extent does relationship continuity influence business performance?

Significance of the Study

This study will add value to the investment management industry by giving insights to the extent in which internal marketing, relationship quality and relationship continuity affects business performance. As such investment managers are likely to understand or have a better appreciation of the strategies they need to design in order to have a greater influence on of internal marketing, relationship quality and relationship continuity on business performance. Also given that little has been done on the study particularly on the South African context, this study will provide new literature that will be useful for future researchers. The remainder of the paper will focus on the literature review, research model and hypothesis statement, research methodology, results, implications and finally suggestions for future research.

LITERATURE REVIEW

Theoretical Grounding

Resource based theory

The resource-based view focuses on the firm's internal characteristics, especially the cultural patterns of learning and human capital asset accumulation, and has a significant impact on the firm's capability to introduce new products and compete for market share. Moreover, these same characteristics define organisational fluidity through strategic intent and their knowledge base (Ulrich and Lake, 1991). The resource-based view expands on this thinking further by stating that competitive advantage can be achieved and only if the capabilities creating the advantage are supported by resources that are not easily duplicated by competitors.

Empirical Review

Internal Marketing

Tsai (2014) characterises inward promoting as all the exercises that a business needs to achieve in propelling preparing and urging its employees to enhance the nature of services rendered to its clients. Ahmed et al. (2003), agree by saying that inside promoting helps the profit of the representatives and advances customers' delight, which builds winning. Besides, Zubair, Kabeer, Karim, and Siddiqui (2012) perspective interior showcasing as an apparatus that assumes a critical part in adequately enlisting, developing and rousing workers to empower them to give uncommon client administration. They additionally specify that it is not sensible to suspect perfect administration from a business whose representatives are not arranged to convey such administrations.

Relationship Quality

Wong and Dioko (2013) stated that relationship quality is the extent to which shoppers need to manage associations with their administration suppliers. Relationship quality underscores the relationship between the administration supplier and the purchaser, and perspectives consumer loyalty as key to the accomplishment of a relationship (Wong and Dioko, 2013). Beatson, Lings, and Gudergan (2008), raise the imperative point that, more often than not, customers don't see any contrast between the association and the individual giving the administration, subsequently the collaboration of clients with salesmen gets to be essential in deciding the nature of the relationship. For the administration supplier to work together effectively, it is critical for them to comprehend the nature of a relationship from a customer's perspective (Beatson et al., 2008). The consciousness of relationship quality has emerged from hypothesis and research in the field of relationship advertising (Verma, Sharma and Sheth, 2015; Palmer and Bejou, 2015). Besides relationship quality expects to persuade to in which a definitive objective is to reinforce officially solid connections and to stir enthusiasm on clients that are not faithful to the association and cement existing connections (Parish, Lampo, & Landua, 2015). The significance of relationship quality has

been investigated by various diverse creators like (Mullins, Ahearne, Lam, Hall and Boichuk, 2014).

Relationship Continuity

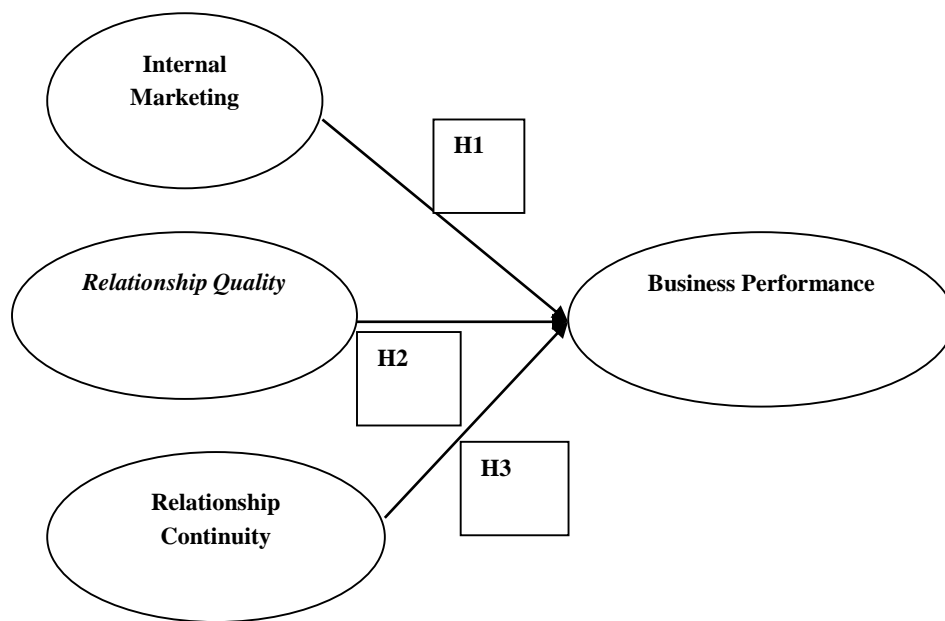
As characterized by Heide and John (1990), congruity is the understanding that is in view of the desire by the administration supplier that there will be future communication with the client. Likewise, these days there is an inclination amongst clients and administration suppliers to race into business exchanges without building the fundamental establishment important to manage the connections over quite a while (Morgan and Hunt, 1994; Anderson & Narus, 1990). Besides, how the relationship is seen by the administration supplier conditions him to future desire. The degree in which relationship progression is seen by an exchanging accomplice conditions the exchanging accomplice's desire of dragging out the relationship later on (Heide and John, 1990). Additionally, in the starting phases of the relationship, there is readiness to put by both accomplices keeping in mind the end goal to exploit the nearby joint effort and the continuation of the relationship (Ellram and Edis, 1996; Ramsay, 1996; Cousins, 2002).

Business Performance

Execution has to do with a result created through the joined exertion of an association (Rosa, Morote, and Colomina, 2013). It is judged against some objective. To accomplish objectives through activities, inner or outer elements could influence the course towards an unwelcome result or even a vastly improved result. An individual or an association needs to assume liability for seeking after an objective through exertion, capacity and discernment, yet the assuming of liability does not mean one will control the deciding result. Execution is the yield from the expected activity (Rosa et al., 2013). As indicated by Andrews, Boyne, and Walker (2011) studies on authoritative execution concentrate on two streams: a financial viewpoint, which distinguishes achievement considers the outside business sector components, and a hierarchical point of view, which expands on behavioural and sociological standards and their fit in the earth. Both the monetary and authoritative variables are key figures an association's execution (Andrews et al., 2011).

RESEARCH MODEL AND HYPOTHESIS STATEMENT

Drawing from the literature review, a research model is conceptualised Figure 1. In this research model, internal marketing, relationship quality and continuity are the predictor variables while business performance is the sole outcome variable. In this conceptual model it is expected that the predictors will have a desirable positive impact on the outcome variable. The relationships between the predictors and the outcome variable are developed under the hypothesis development section.



H1: Internal Marketing and Business Performance

Internal marketing assists in generating revenue for the organisation through happy internal customers (Sheng and Hsin, 2007). Internal Marketing has a positive influence on business performance and is a key driver of financial and non-financial business performance (Panigyrakis and Theodoridis, 2009). Therefore, employees of the business play a very important role in building and maintaining relationships with stakeholders. Most organisation face a huge challenge by not recognising the role played by employees. For that reason it can therefore be hypnotised that:

H1: There is a positive relationship between internal marketing and business performance in the South African investment management industry.

H2: Relationship Quality and Business Performance

Customers see no difference between the person providing the service and the organisations; therefore the determinant of relationship quality is the interaction between the customer and the salesperson. As such, it is empirical for service providers to understand the quality of a relationship from a customers` point of view for the business perform well (Beatson et al. (2008). Parasuraman, Zeithaml and Berry (1996) identified the need to document the relationship between service quality and retention as these elements have great financial implication for the given service initiative and the organisation. De Ruyter and Wetzel (1998) further suggest that it is important to determine the nature and strength of the relationship between perceived service quality and loyalty for a firm and/or different industry levels. Firm- and industry-level assessment of the quality-service loyalty link provides useful information to shareholders on the viability of business performance. Based on the theory above it can be hypnotised that:

H2: There is a positive relationship between relationship quality and business performance in the South African investment management industry.

H3: Relationship Continuity and Business Performance

Today, in an environment of competitive supply chain conditions, there is a tendency among buyers to rush into alliances with suppliers without first laying the foundation necessary to sustain the relationship over a long period of time (Morgan and Hunt, 1994). The degree in which relationship continuity is perceived by a trading partner conditions the trading partner's anticipation of prolonging the relationship in the future (Heide and John, 1990). In the initiation stages of a relationship, both partners invest in a relationship with the objective of benefiting from the advantages aligned with continuing with the relationship (Cousins, 2002). According to Jackson (1985) the purchase decision of a new product or service creates a high level of risk and uncertainty caused by complicated products and services rendered by the company. He continues by saying that a decision to repurchase is usually the same decision to continue a business relationship. Ring and van de Ven (1994) suggest that if a customer is satisfied with the service provider based on the past purchase experience and fairness of the transaction, that relationship has a high probability of continuing. In summary, relationship continuity is the readiness of a customer to continue with the relationship for a longer period. It is expected that satisfied customers remain with the service provider rather than change service providers. This will result in sustained income. Therefore it can be hypothesised that:

H3: There is a positive relationship between relationship continuity and business performance in the South African investment management industry.

RESEARCH METHODOLOGY

Research Philosophy

Research methodology may be defined as a system of explicit rules and procedures upon which research is based and against which claims for knowledge are evaluated (Frankfort-Nachmias and Nachmias, 1997). It refers to the techniques used to acquire and analyse data to create new knowledge (Petty, Thomson and Stew, 2012). Research methodologies have an influence on the validity and generalisation of a study (McGrath and Brinberg, 1983), and play a vital role in knowledge development (Yang, Wang and Su, 2006). Comprehending and using a relevant methodology into the present study is essential in order to identify the unit of analysis and employ compatible methods that will provide intended results.

Population and Sample

The target population for this research study was investment managers located in Johannesburg and Cape Town. Simple random sampling was used in this study, and this was

done by selecting a simple random sample numbered list of all the investment managers from the financial Services Board list. In total, the sample size was 150.

Population

The target population for this research was the investment managers in Johannesburg and Cape Town.

Sample and sampling method

Simple random sampling was used in this study. This was done by selecting a simple random sample numbered list of all the investment managers. The sampling frame was the investment managers in Johannesburg and Cape Town. The respondents were selected from 20 Investment management companies. The respondents were differentiated, by seeking from each organisation an example of each of the following: business development managers, client servicing managers, fund managers and senior marketing executive responsible for institutional investments. These individuals were selected with the expectation that they would give different views and knowledge regarding the importance of the predictors of business performance. The researcher made appointments in advance and the interviews were conducted at the respondents' offices. The purpose and scope of the research was explained when the appointments were set up. Most of the respondents are the researcher's competitors and some are potential clients. The extent of the relationship with them varies between individuals. The researcher interacts with some on a regular basis, while others are only dealt with occasionally.

Sample size

The total sample size is 150. The sampling units are 150 client-facing investment professionals.

Table 1: Profile of Respondents

Description of respondent	Number sampled
Client Servicing Executives responsible for institutional investments.	60
Business Development Executives	60
Fund Managers	30

The respondents were differentiated, by seeking from each organisation an example of each of the following: business development managers, client servicing managers, fund managers and senior marketing executive responsible for institutional investments. These individuals were selected with the expectation that they will give different views and knowledge of the importance of the predictors of business performance.

The Research Instrument

In this study the measurement instrument contain four groups of questions. The questionnaire design was based on the objectives and study variables. Each questionnaire came with a letter from the researcher where the purpose and confidentiality of the study was described. The first group of questions referred to the internal marketing of the investment managers. The questions on this construct were adapted from Caruana and Calleya (1998); Tsai (2014) and Ahmed et al., (2003) measured by using eight items. Relationship quality was investigated with the second group of questions. The questions on this construct were adapted from measured by using seven items. Relationship continuity was investigated with the third group of questions adapted from Gilliland and Bello (2002). Business performance was investigated with the fourth set of questions, measured by using five items; modified from Venkatraman and Ramanujam (1986). Respondents answered the questions pertaining to these four sections by using a five-point Likert Scale, where the score of agreement and disagreement was stated. The fifth group of questions helped to form the demographic and occupational profile of the sample.

Procedure for Data Collection

Personal Interviews

According to Sukamolson (2000) a personal interview consists of an interviewer asking the respondent questions in a face-to-face situation. In this case the interviews were conducted with the top five investment management companies in Johannesburg.

Self-administered questionnaires

The respondents completed the questionnaires themselves. Self-administered questionnaires were circulated to investment managers who are based in Johannesburg and Cape Town via e-mail. Survey links were emailed to 150 respondents. A total of 105 participants responded to the online survey. When combined with the five personal interviews conducted, the response rate came to 73%. Of the 105 returned questionnaires, seven were inadequate and discarded accordingly. Combining the two data collection steps resulted in a total of 98 usable questionnaires.

RESULTS

Respondent Profile

Table 2 below provides a contextual summary of information regarding the respondents that participated in the study. Smart PLS was utilised to provide respondent profiles and comparison of the constructs. The respondents were asked to provide demographic information, including gender, age, working experience, marital status and education.

Table 2: Respondent Profile

Characteristics		Frequency	Percent	Cumulative Percent
Job Title	Business Development Manager	42	42.9	42.9
	Manager Consultant	8	8.2	51.0
	Chief Operating Officer	2	2.0	53.1
	Human Resources Officer	3	3.1	56.1
	Client Services Manager	29	29.6	85.7
	Director	10	10.2	95.9
	Investment Specialist	4	4.1	100.0
	Total	98	100.0	
Experience (Years)	1-3	7	7.1	7.1
	4-6	9	9.2	16.3
	more than 6	82	83.7	100.0
	Total	98	100.0	
Education	Matric	3	3.1	3.1
	Diploma	9	9.2	12.2
	Degree	18	18.4	30.6
	Honours	42	42.9	73.5
	Masters	23	23.5	96.9
	Other	3	3.1	100.0
	Total	98	100.0	
Gender	Male	66	67.3	67.3
	Female	32	32.7	100.0
	Total	98	100.0	
Age	18-25	1	1.0	1.0
	26-35	27	27.6	28.6
	36-45	62	63.3	91.8
	46 and above	8	8.2	100.0
	Total	98	100.0	
Marital status	Single	25	25.5	25.5
	Married	70	71.4	96.9
	Other	3	3.1	100.0
	Total	98	100.0	

The respondents were asked to provide demographic information, including gender, age, working experience, marital status and education. The respondents were predominantly male (67.3%). The primary age group of the respondent was that of 36 - 45 years (63.3%).

71.4% of the respondents were married and 83.7% have more than six years working experience. 42.9% were Business Development Managers and 29.6% were Client Services Manager. About 18.4% respondents have obtained a degree and the remainder had diploma and matric (12.3%) or postgraduate level of education (42.9%).

Table 3: Scale Accuracy Analysis

Research Construct		Descriptive Statistics		Cronbach's Test		C.R. Value	AVE Value	Factor Loading
		Mean Value	Standard Deviation	Item-total	α value			
IM	IM1	4.11	0.80	0.58	0.940	0.946	0.559	0.700
	IM2	3.48	1.13	0.62				0.698
	IM3	3.61	1.02	0.62				0.739
	IM4	3.94	1.03	0.62				0.783
	IM5	3.95	0.83	0.61				0.665
	IM6	3.90	0.95	0.71				0.769
	IM7	3.71	1.02	0.65				0.802
	IM8	3.48	1.07	0.56				0.648
	IM9	3.19	1.02	0.64				0.768
	IM10	3.86	1.08	0.65				0.755
	IM11	3.81	1.00	0.75				0.795
	IM12	3.74	1.01	0.68				0.828
	IM13	3.82	1.01	0.55				0.706
	IM14	3.98	0.99	0.70				0.788
RQ	RQ1	3.67	0.92	0.66	0.939	0.950	0.704	0.901
	RQ2	3.61	0.83	0.59				0.864
	RQ3	3.81	0.71	0.60				0.767
	RQ4	3.54	0.88	0.60				0.889
	RQ5	3.45	0.93	0.54				0.887
	RQ6	3.54	0.84	0.53				0.880
	RQ7	3.57	0.89	0.44				0.830
	RQ8	3.47	1.06	0.44				0.666
RC	RC1	3.61	0.85	0.45	0.845	0.868	0.845	0.835
	RC2	3.38	0.90	0.44				0.823
	RC3	4.05	0.72	0.60				0.589
	RC4	3.54	0.72	0.56				0.725
	RC5	3.81	0.86	0.48				0.830
	RC6	4.15	0.72	0.45				0.501
BP	BP1	4.87	1.00	0.48	0.811	0.877	0.645	0.901
	BP2	4.73	0.91	0.49				0.915
	BP3	4.23	1.46	0.28				0.660
	BP4	4.80	0.95	0.40				0.704

CR: composite reliability; AVE: average variance extracted;

^a significance level $p < 0.05$; ^b significance level $p < 0.01$; ^c significance level $p < 0.001$.

As observed in 3 above mean values ranged from 3.48 to 4.87, standard deviation values ranged from 0.80 to 1.46 and item to total values ranged from 0.40 to 0.70. Cronbach's alpha values were above the recommended 0.6 thereby confirming acceptable reliability whilst composite reliability values ranged from 0,868 to 0.950 which was above the recommended 0.6. Average variance extracted values ranged from 0.559 to 0.845. Most of the factor loadings were above 0.5.

Correlations between Constructs

The inter-construct correlation matrix was used to check for discriminant validity of the research constructs and is illustrated on the following page in table 4.

Table 4: Inter-construct Correlation Matrix

	IM	RQ	RC	BP
IM	1.00			
RQ	0.44	1.00		
RC	0.50	0.46	1.00	
BP	0.39	0.31	0.35	1.00

Notes:

IM: Internal Marketing; RQ: Relationship Quality; RC: Relationship Continuity; BP: Business Performance.

As indicated in table 4 above, correlations among latent constructs were evaluated in order to observe if they were lower than 1.0. inter-correlation values range from 0.31 to 0.50 and for all paired latent variables are below 1, therefore, indicating the existence of discriminant validity (Chinomona, Lin, Wang & Cheng 2010).

Table 5: Summary of the Results

Proposed relationship	Hypotheses	Path coefficient	T-statistic	Decision on proposed hypothesis
IM → BP	H1	0.303	2.83	Accept, significant
RQ → BP	H2	0.031	2.94	Accept, significant
RC → BP	H3	0.298	0.35	Accept, however not significant

As hypothesised, Internal Marketing positively affects Business Performance, as shown by the positive path coefficient of 0.303 and t-statistics of 2.83, therefore the hypothesis is significantly accepted. Relationship quality positively affects Business Performance but has an insignificant impact on Business Performance as indicated by a path coefficient of 0.031 and a t-statistic 2.94. Furthermore, Relationship continuity positively affects Business Performance; this is evident from positive path coefficient of 0.298 and a t-statistic of 0.35. Therefore the hypothesis is significantly accepted.

IMPLICATIONS

The current study suggests that internal marketing programs have an impact on enhancing business performance in the investment management industry in South Africa. The findings of the study are consistent with the previous studies, in that it was suggested that satisfied internal customers through internal marketing programs are more inclined towards enhancing firm performance (Sheng and Hsin, 2007), effective training also contribute towards firm performance (Panigyrakis and Theodoridis, 2009), internal favourable policies for employees make them concerned to work for organisational profitability (Tortosa, Moliner, and Sa´nchez, 2009), and training and shared vision improve profitability of the firm (Mehra, Joyal, and Rhee, 2011). This study is also consistent with the findings attained by Ahmed et al. (2003). Therefore it is empirical for managers in the investment management industry to be open-minded about internal marketing and apply it in a more focused manner for the organisation to perform well. Relationship quality generally measures the strength of the relationship between two parties (Palmatier, Dant, Grewal and Evans, 2006).

As described in the marketing literature, relationship quality has appeared as a model that shows the extent that the customer trusts and has confidence in the service provider's future performance because the provider's past performance has been consistently satisfactory. It is the nature of the relationship between the service provider and its clients that decides the likelihood of continued interchange between those parties in the future. It has been brought up that a good relationship is particularly vital for conditions where customers face intangibility, uncertainties, lack of familiarity, and long-time horizon of delivery (Verma, Sharma and Sheth, 2015). For this study it seemed as if the service providers' evaluation revolves around relational quality between partners and the desire to maintain relationships. Based on the results of this study, managers in the investment management industry should consider the technical aspect of the relationship in order to achieve great business results. The focus should be on servicing customers well to ensure satisfaction, because that will guarantee repurchase of services and strengthen the relationship further resulting in exceptional business performance.

Suggestions for Future Research

While this study makes a substantial and meaningful contribution to both academia and the investment management industry, there were limitations to the study, hence the suggestion for future research. The data was gathered in Johannesburg and Cape Town, which represents only two provinces of South Africa; the rest of other provinces were left out and the sample size of 150 was small. Assumably, the results would have been more informative if the sample size was bigger and data collected from all nine provinces of South Africa. For that reason, future studies may be done by including data from other South African provinces. In addition, this study should be stretched beyond South African boundaries and extend to other African countries such as Ghana, Nigeria and Zimbabwe to compare the outcomes. Future studies can also go beyond investment management to investment consulting using the current conceptual model. This will be beneficial and be of great

contribution to the new body of knowledge of both the investment management and consulting industries as they are interlinked. For some reason this research context happens to be neglected in academics.

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APPENDIX A

Research Instrument

INTERNAL MARKETING

Our organisation offers employees a vision that they can believe in

Our human resources communicates the vision well to employees

Our organisation prepares the employees to perform well

Our organisation views the development of knowledge and skills in employees as an investment rather than a cost

Skill and knowledge development of employees happens as an on-going process in our organisation

Our organisation teaches employees “why they should do things” and not just “how they should do things”

Our organisation goes beyond training; it educates employees as well

Our performance measurement and reward systems encourage employees to work together

Our administration uses the data gathered from employees to improve their jobs, and to develop the strategy of the company

Our organisation communicates to employees the importance of their service roles

In our organisation, those employees who provide excellent service are rewarded for their efforts

In our organisation, the employees are properly trained to perform their services roles

Our organization has the flexibility to accommodate the differing needs of employees

Our organization has placed considerable emphasis on communicating with employees\

RELATIONSHIP QUALITY

Our company thinks the asset consultant is favourable

Our company is satisfied with the asset consultant

Our company is satisfied with the asset consulting house`s overall service

Our company is pleased with the asset consulting house`s employee

The asset consultant keeps promises

The asset consultant is sincere

The asset consultant is reliable

The asset consultant is honest

The asset consultant puts our interest first

RELATIONSHIP CONTINUITY

The asset consultant frequently says positive things about our company to its clients.

The asset consultant always recommends the services provided by our company to its clients.

Our company is dedicated to continuing to do business with the asset consultant.

The asset consultant rarely alters what has been agreed upon to its clients.
Our company is comfortable with the relationship it has with the asset consultant.
Our company wishes to work with the asset consultant in the future.

BUSINESS PERFORMANCE

Our company has stronger growth in sales revenue.
Our company is better able to acquire new customers
Our company has a greater market share
Our company is able to increase sales to existing customers

DEMOGRAPHIC PROFILE

Gender: Male
Female
Age: 18 – 25
26 – 35
36 – 45
46 and above

JT. Job title:

NE. Number of years in the Investment Industry:
More than 1 year
1 – 3 years
4 – 6 years
More than 6 years

ED. Education:
Matric
Diploma
Degree
Honours
Masters
Other

MS. Marital Status:
Single
Married Other

SUB THEME: OPERATION

**OPTIMIZATION OF PRODUCTION EQUIPMENT MAINTENANCE
PLANNING TO REDUCE COST IN SUMATERA LIGHT OIL SOUTH
OPERATIONS PT XYZ**

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Abstract

PT XYZ thru its operations in Sumatera Light Oil (SLO) South has been operating oil & gas production since 1940's. It runs in Mama, Kilo and Papa as the major fields with about 1,200 active producer wells in one production sharing contract (PSC) area. Various technologies have been piloted and implemented since 1970's to boost and sustain the production level, including water flood and chemical injection. The production level reached the peak performance in 1990's and after that steadily declined toward the end of PSC by 2021. Current production level (2015) is around 74,382 Barrel Oil per Day (BOPD) with injected water volume 6.5 million BOPD in average.

Managing mature field with aging facilities has specific challenge in its operational. The change of fluid composition requires more effort & cost to maintain production level. This situation resulted in higher operation and maintenance cost. The actual production has been declining by 4.6% per year from 2011 till 2015 and projected more than 10% per year starting 2016. However, at the other side, the actual maintenance cost increases by 1% - 7% since last 2 years due to resource requirement and anticipating operational complexity. This is highly impacting to the company's revenue generation especially the oil price suddenly went down starting Q3 2014 from the level of \$100's to \$30's in Q4 2015.

The model of operations/production system is used to frame the business issue and opportunity for maintenance cost reduction. The cost-efficient maintenance process in SLO South is affected by several contributing input factors that are grouped into 3 main elements. They are manpower utilization, contractor optimization and Inventory or spare-part usages, in addition to maintenance strategy as part of transformation.

Focus Group Discussion (FGD) consisted several experts was formed for business solution. Decision analysis using combination of Value Focused Thinking (VFT) and Analytic Hierarchy Process (AHP) methods was used to provide best result. Alternatives were generated using VFT that was streamlined from the fundamental objective that is to reduce maintenance Operating Expenses (OPEX). As result, list of improvements programs is identified and converted into operation plan. The strategy map for SLO Maintenance South tem is developed to guide the organization achieving the target and sustain its success in base business. Maintenance OPEX reduction by \$6,175,748 starting 2017 is expected when all improvement initiatives are well implemented and sustained until 2020.

Keywords: Oil & Gas, Equipment Maintenance, Value Focused Thinking (VFT), Analytic Hierarchy Process (AHP), Operation and Production System Model, Strategy Map, Balance Scorecard

INTRODUCTION

Company Profile

XYX globally is the second largest integrated energy company headquartered in the United States and among the largest corporations in the world, based on market capitalization as of Dec 31st, 2014. Supported by 65,000 employees, worldwide net oil-equivalent production in 2014 averaged 2.571 million barrels per day, with about 26 percent of the production coming from the United States and the rest from more than 20 other countries.

XYZ's partnership with the people and the Government of Indonesia can be traced back to 1924, when the company dispatched a geological expedition to the island of Sumatra. XYZ has been Indonesia's largest producer of crude oil which delivers approximately 40% of national production from its operations in Sumatra and Kalimantan with total cumulative oil production of more than 12 billion barrels. To support operation in Indonesia, XYZ employs 6,300 highly-skilled, dedicated employees and more than 30,000 business partner employees to continue delivering safe, efficient and reliable energy on behalf of the countries.

Through its subsidiaries, PT XYZ, the corporation conducts oil and gas operations in Sumatra. It is divided into two main operating units that are based on the type of oil:

1. Heavy Oil Operation (HOO) that produces heavy oil with extensive operations in Delta field and currently using steam injection technology secondary oil recovery program. Oil production from HOO is about 185,000 barrels per day.
2. Sumatra Light Oil Operation (SLO) that produces light oil from the area of operation which consists of the North area in Bravo, Lima fields and South area in Mama, Kilo, and Papa fields. Currently SLO is implementing water injection technology as a secondary oil recovery system and produces around 200,000 barrels of light oil per day.

Sumatra Light Oil (SLO) South Operation

The operation is under Romeo block Production Sharing Contract (PSC) with Government of Indonesia until 2021. Currently SLO South operates 1,200 oil wells and other 2,000 injector wells in production sharing concession or PSC areas totaling around 2,700 square kilometers. To maintain 74,382 barrel per day of oil production (average in 2015), SLO South has been implementing secondary technology of oil recovery using water flood since 1993 where around total 6.5 million barrels of water per day is injected to reservoir at 700 PSI (Pound per Square Inch) and 150 degree Fahrenheit to stimulate oil production.

The production of oil field from Mama and Kilo-Papa is operated by SLO South Operation & Maintenance (O&M) that is led by a manager with responsibility to maintain and operate reliable surface facility for oil production. There are 4 major teams under O&M South that support the manager achieving goals. Each team is led by a Team Manager. They

are Production Kilo-Papa that oversees production wells and plants (gathering stations) from fields Kilo, Papa and Sera, Production Mama South for fields of Mama area 1, 2 and 3, Production Mama North for area 4, 5 and 6 and Maintenance South that is responsible for equipment maintenance of production facility in all field under SLO South.

Maintenance Unit

In exception of gas compressors, Maintenance South is responsible of conducting maintenance of rotating equipment in Mama, Kilo and Papa. The majority of equipment is on-plot, inside gathering station to support oil treating for production such water injections pump, shipping pump, air compressor, fire pump, etc. including supporting electric system (i.e. Motor Control Center or MCC, Circuit Breaker, Transformations, etc.) and instrumentation & control (Programmable Logic Control or PLC, transmitter, controller and many more).

Maintenance South unit is led by a Team Manager and currently employs 52 XYZ company personnel in various sections that is divided by combination of area/ location of work and functional. Each section is coordinated by a team leader of group leader. Following is the table of personnel number by position including the percentage of typical work assignment. Office work is the activities at the office such as completing administrative works, preparation of standard operating procedures, permits, time sheets, reporting and others while field work is the activities conducted at fields for inspection, maintaining equipment, etc.

Table I-1 Maintenance Job Position and Typical Assignment

Position	No of Personnel	Typical Assignment	
		Office Work	Field Work
Team Manager	1	90%	10%
Team Leader	3	80%	20%
Group Leader	7	60%	40%
Planner	2	60%	40%
Materialman	2	100%	0%
Data Management	2	100%	0%
Analyst	7	50%	50%
Facility Representative	4	50%	50%
Senior Technician	16	20%	80%
Technician	8	10%	90%
Grand Total	52		

In addition to 52 XYZ personnel, Maintenance South also gets support from 25 to 34 man-powers from contractors with various disciplines. They are under Operation Maintenance Support & Services (OMSS) contract that is established in SLO South for certain period of time. Most of contract man powers are working with Work Unit Rate (WUR) as stipulated in the contract agreement.

Business Issue

SLO South has been operating oil & gas production seven decades. As common mature field behavior, there is natural production decline as impact of change fluid composition and reservoir pressure after being exploited for a number of years. The use of enhanced technology beyond water flood to recover more oil is not always generating results as expected and sometime sounds un-economical. Various technologies have been piloted and implemented since 1970's to boost and sustain the production level, including water flood and chemical injection. The production level reached the peak performance in 1990's and after that steadily declined toward the end of PSC by 2021.

At the other hand, secondary production system like in SLO South operations demands huge investments in both capital and operation expenditures because to process fluids from production wells it requires additional surface production equipment such as water injection facilities, including the injection pump complete with electrical systems, instrumentation and control, as well as piping system and finally injector wells. Managing mature field with aging facilities also creates another challenge in operation. The change of fluid composition requires more effort & cost to maintain production level. This situation resulted in higher operation and maintenance cost.

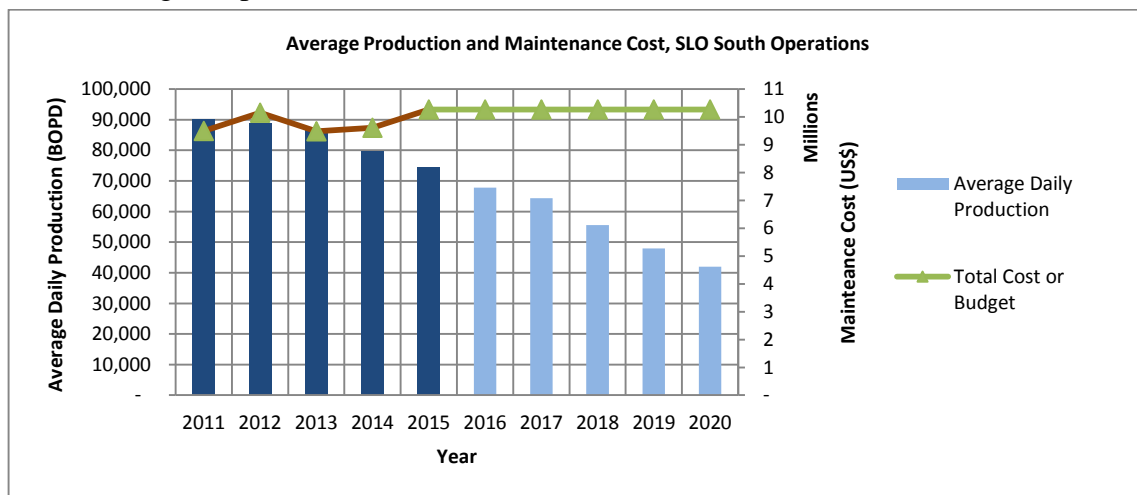


Figure I-1 Trending of Average Daily Production and Maintenance Cost

From the Figure I-1, it is showing that production declines by 5-8% per year till 2017 and goes beyond 10% starting 2018. However, at the other side, the actual maintenance cost increases by 1% - 7% since last 2 years due to resource requirement and anticipating operational complexity. At beginning, the declining of production had no significant impact to the revenue and profit earning of company since the trend of world oil price was relatively high in the last 17 years. However, it became a major issue for most oil companies when the oil price suddenly went down starting Q3 2014 from the level of \$100's to \$30's in Q4 2015.

This challenging condition mandates most oil & gas companies including PT XYZ to seek opportunities and area of improvement where cost saving that be obtained for the company to sustain in low oil price period. During budgeting cycle for the year of 2016 – 2020, PT XYZ Management set the rule that the budget for upcoming year can't be greater

than actual cost running year, unless there is any significant impact to Health, Environment and Safety (HES) issues. They also urge all team including Maintenance team to identify potential opportunity for optimization and cost reduction by Maintenance South. The goal is to have high equipment reliability which can be translated to minimum loss production opportunity caused by facility down and ultimately to maintain production level as per its production capacity.

BUSINESS ISSUE EXPLORATION

Conceptual Framework

Jacobs, F.R. and Chase, R.B. (2014) define efficiency as a measure of how well we do things. Efficiency is about “doing thing right” where from the resources point of view, efficiency is strongly related to the utilization of resources and mainly has on the input of productivity ratio. Practically it means that it achieves particular tasks in the most valuable and effective way with minimum possible wasteful ways. Joseph G. Monks (2004) also defines Operations Management as the process whereby resources, flowing within a defined system, are combined and transformed by a controlled manner to add value in accordance with policies communicated by management. The definition of the operations Management contains following keywords: Resources, Systems, transformation and value-added activities. Resources are the human, material and capital inputs to the production process. Human resources are the key assets of an organization. As the technology advances, a large proportion of human input is in planning and controlling activities. By using the intellectual capabilities of people, managers can multiply the value of their employees into by many times. Material resources are the physical facilities and materials such as plant equipment, inventories and supplies. These are the major assets of an organization. Systems are the arrangement of components designed to achieve objectives according to the plan.

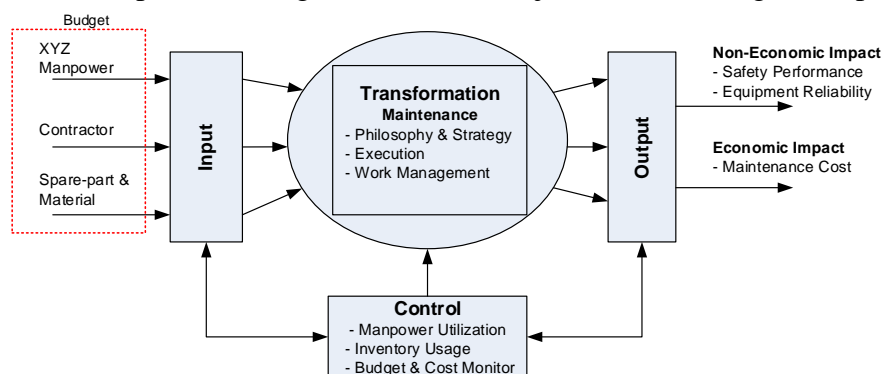


Figure II-1 Model of Operation/ Production System

Source: Kumar, S.A. and Suresh, N. (2009), Operations Management, p11

Maintenance activities of surface production facility in SLO can be described in the model for operations/production system as illustrated in the Figure II-1. The activity converts the resources needed for maintenance into the reliability of production facility by following

work management process. The required input is man-power or technicians that can be internal company labor and contractor performing maintenance works. The next inputs are spare-part or material used to replace broken unit of production asset and maintenance budget or funds to pay all resources required for the activities.

Model of Operation/ Production System

The transformation process expects an effective maintenance execution and completion that is managed through proper strategy and plan. Hence maintenance strategy plays a vital role to navigate the process of converting resources (input) into objectives (output). The output of maintenance activities is measured through total maintenance cost per barrel oil production within a year as an economic impact. Equipment reliability and safety performance are the metrics of non-economic output. All of them indicate the productivity from maintenance activities which can determine the efficiency of whole process

Business and Maintenance Strategy

Ireland, R.D., Hoskisson, R.E. and Hitt, M.A. (2011) explain that business level strategy is a set of commitments and actions are integrated and coordinated to gain a competitive advantage by leveraging core competencies in specific product markets. As an operator of Production Sharing Contract with Government of Indonesia, PT XYZ business level strategy is cost leadership. The company needs to be efficient in business process and resource optimization to counter high lifting cost while maximizing the production of crude oil.

Collis, D. J. and Rukstad, M. G. (2008) also explain that organizations express priorities best through stated goals and objectives that form a hierarchy of goals, which includes its vision, mission, and strategic objectives. What visions may lack in specificity, they make up for in their ability to evoke powerful and compelling mental images. On the other hand, strategic objectives tend to be more specific and provide a more direct means of determining if the organization is moving toward broader, overall goals. Visions, as one would expect, also have longer time horizons than either mission statements or strategic objectives.



Figure II-2 2016 Sumatra Operations Execution Focus

The vision statement is that “XYZ Remains a Key Long Term Competitor in Indonesia and the Philippines”. This vision is translated becoming strategic objectives which then generate Execution Focus Items for all operating groups in Business Unit.

Hunger, D.J. and Wheelen, T.L. (2012) define functional strategy as an approach a functional area that takes to achieve corporate and business unit objectives and strategies by maximizing resource productivity. It is concerned with developing and nurturing a distinctive competence to provide a company or business unit with a competitive advantage. One of the functional strategies is an operations strategy that determines how and where a product or service is to be manufactured, the level of vertical integration in the production process, the deployment of physical resources, and relationships with suppliers.

The Operational Excellence (OE) strategy themes’ goals in Maintenance South is to achieve safe & incident-free operations and maintain high equipment reliability & availability by focusing in following activities:



Figure II-3 Operational Excellence Strategic Objectives

Operational excellence (OE) is a critical driver for business success and a key part of enterprise execution strategy. Operational excellence is defined as “the systematic management of process safety, personal safety and health, environment, reliability and efficiency to achieve world-class performance.”

Analysis of Business Situation

Maintenance Budget & Expenditure

The budgeting model of PT XYZ separates the costs of people or labor and maintenance service costs that contain spare part and 3rd party contractor’s costs. The cost of people/labor is budgeted and managed in Maintenance department cost center which will be allocated out to work order requesters (most likely Production) while the budget of service costs is stored in Production Operation team which will be used directly when cost of spare part or contractor for maintenance is occurring. The cost of people is fixed which means that the expenses will be carried regardless manpower utilization while the service cost is variable cost, depending on actual expenses on spare-part or contract service required for maintenance.

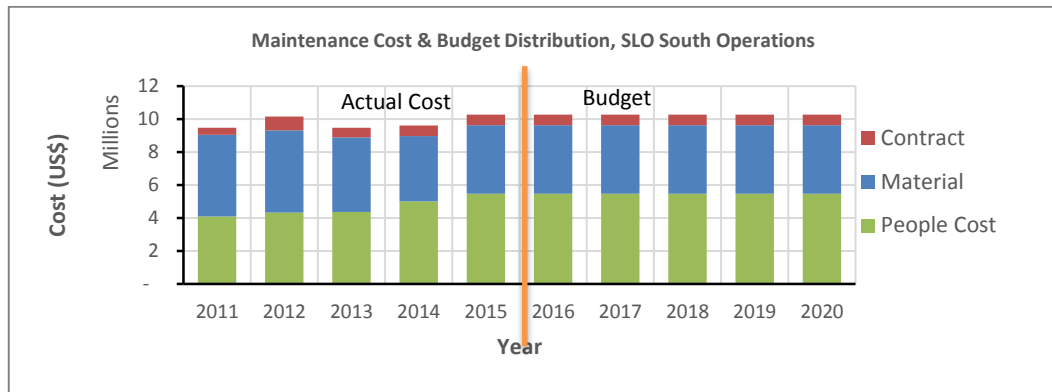


Figure II-4 Maintenance Cost Distribution

There are several issues related with budget preparation and control:

1. The preparation of budget uses the historical spending/ expenditure in previous years to determine activities in following years with the assumption there is no significant changes in maintenance program. There is no special effort to simulate and forecast future needs of manpower based-on regular maintenance program setup in CMMS.
2. The actual spending of people cost between 2011 and 2015 is getting higher. It was around 40% in 2011 but then growing in 2015 become 55.6% of total maintenance expenditure.

Internal Manpower Utilization

Manpower utilization is measured by comparing actual hours of XYZ & contractors spent in equipment maintenance (work order) comparing to their availability in the certain period of time. There are specific conditions that is affecting manpower availability, such as employees' functional discipline, working hours in remote and non-remote locations, daily working hours, public holidays, annual leaves entitlement and trainings.

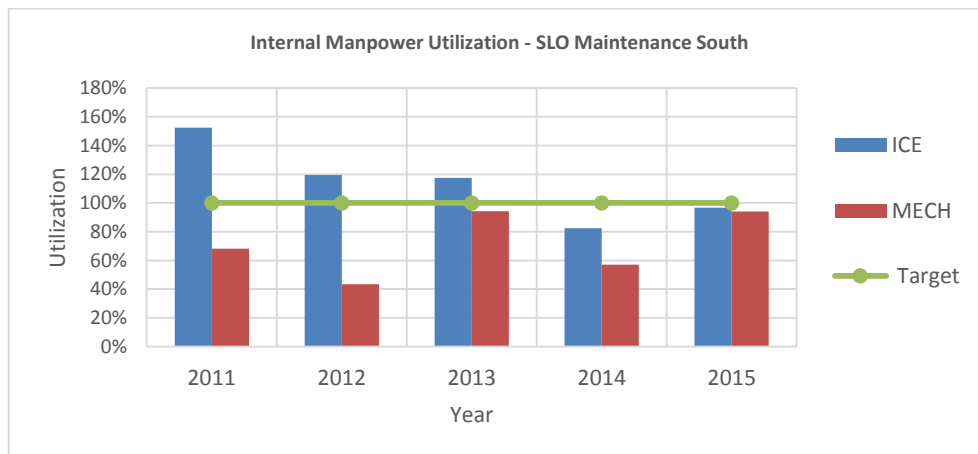


Figure II-5 Internal Manpower Utilization

There are several issues that related with manpower utilization:

1. From the historical trending, it shows that the utilization is fluctuated every year for both Mechanical (MECH) and Instrument Control & Electrical (ICE). Personnel movement

such as employee transfer to other department or retirement was minimum however the required hours for maintenance activities were not at the same level every year which contributed to the fluctuation.

2. The average utilization of Instrument Control & Electrical personnel is 113% while Mechanical is 71%. There is an opportunity to either improve utilization of Mechanical personnel or optimize the idle hours for other productive activities.
3. Based on projected number of hours to complete both preventive and corrective work orders in Mama and Kilo-Papa for each discipline, there is an opportunity to improve manpower utilization, especially the mechanical crew.

Contract Utilization

Different with people cost that is fixed and come from XYZ personnel and other overhead costs, the contract service cost is based on actual service performed by the contractors. There are a number of unit rates stipulated in the contract for each type of service provided by the contractors.

There are several opportunities that can explored with the contractors:

1. Some of the contractors have been working in PT XYZ facilities for a number of years and having experiences with field operations and equipment maintenance. The personnel can be optimized to handle low and medium risk activities with limited supervision from Internal PT XYZ personnel
2. The utilization of contract service for Maintenance is around 10% to 16% of total manpower cost. There is opportunity to optimize more contractors to reduce overall manpower cost without degrading maintenance work quality that will be affecting to equipment availability and reliability.

Inventory and Spare-part Usage

Spare-part is one of important things required for equipment maintenance, especially for rotating equipment that can be worn-out in normal operation for certain period of time. The availability of critical inventory must be maintained properly to ensure that the spare-part is available when needed for replacement, otherwise it will be directly impacting to equipment downtime or availability and can be generating loss production. From the table II-1, it shows that 58% of spare-part budget is consumed by Water Injection Facility.

Table II-1 The Usage of Spare-part for Maintenance

Spare-part Cost by Equipment (USD)	Year					Grand Total
	2011	2012	2013	2014	2015	
Water Injection Pump	3,071,790	1,997,653	2,040,143	2,801,695	3,195,825	13,107,105
Small Pump	744,579	842,952	700,595	319,899	260,904	2,868,930
Instrument & PLC	195,407	322,209	284,935	121,675	166,415	1,090,641
Well & Pipe	196,744	507,763	388,612	181,084	127,421	1,401,625
Air Compressor	149,346	289,133	182,549	101,307	104,551	826,886
Other	109,922	259,198	242,984	101,186	77,625	790,914
Metering	138,960	241,011	193,831	92,685	63,722	730,208
Pumping Unit	127,076	249,475	208,762	71,841	47,771	704,925
Cooler	103,200	136,240	137,126	94,431	62,940	533,938
Tank	103,774	146,691	155,337	77,246	54,366	537,413
Grand Total	4,940,798	4,992,326	4,534,874	3,963,050	4,161,539	22,592,586

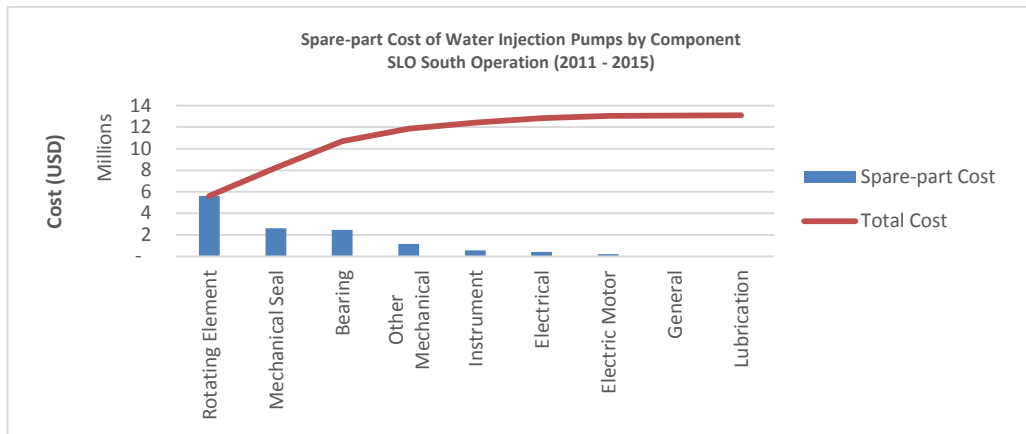


Figure II-6 WIP Spare-part Cost Pareto

1. 90% of spare-part need used in Water Injection Pumps is for mechanical components. They are rotating element, mechanical seals, bearings and other mechanical component such as rings, coupling, deflectors, gasket, etc. They cost around 12 million USD for 5 years.
2. Most of mechanical components were purchased from the Manufacturer. There is an opportunity to review the decision of getting quality spare-part in very competitive price. This way can be one alternative to reduce OPEX from spare-part expenditure for equipment maintenance.

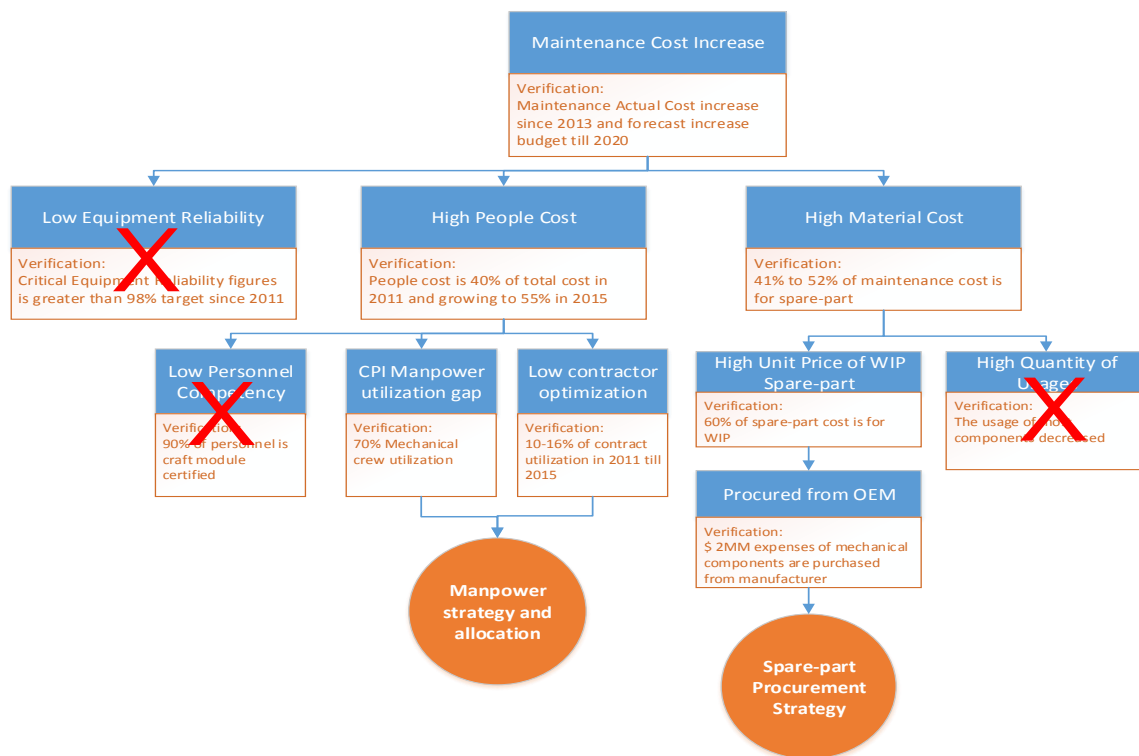


Figure II-7 RCA of Maintenance Cost Increase

Root Cause Analysis

Root cause analysis (RCA) is a systematic process for identifying “root causes” of problems or events and an approach for responding to them. A factor is considered a root cause if removal thereof from the problem-fault-sequence prevents the final undesirable event from recurring; whereas a causal factor is one that affects an event's outcome, but is not a root cause. Though removing a causal factor can benefit an outcome, it does not prevent its recurrence with certainty

BUSINESS SOLUTION

The decision making process use Value-Focused Thinking (VFT) and Analytic Hierarchy Process (AHP) to solve the problem. Both methods support the decision-makers of the problems involving multiple objectives. VFT method generates alternatives and criteria used by AHP to determine the ranking of alternatives. Keeney, R.L. (1996) explains that VFT describes and illustrates concepts and procedures for creating better alternatives for decision problems, identifying decision opportunities more appealing than confronting decision problems. It is articulate and use fundamental values to guide and integrate decision making activities.

For the purpose of exploring the alternatives and provide judgments about the intensity of importance in one alternative against the other, a Focus Group Discussion (FGD) was formed. The participants comprised of senior employees from internal organization with extensive working experience in operation and maintenance of production equipment in SLO South. They are 2 leaders from Operation department, 1 leader and 1 senior analyst from Maintenance department and 1 facility/ reliability engineer from Engineering department. All of them are very familiar with Mama and Kilo-Papa production facility. Specific in spare-part procurement strategy discussion, 1 senior analyst from Inventory Management – Supply Chain Management (SCM) team who familiar with mechanical product was also invited.

Determining Criteria and Alternative

First step of VFT is to define fundamental objective. Starting from here, criteria, decision context and alternatives are determined using VFT method. Mean objectives can have identified to intermediate fundamental objective and criteria.

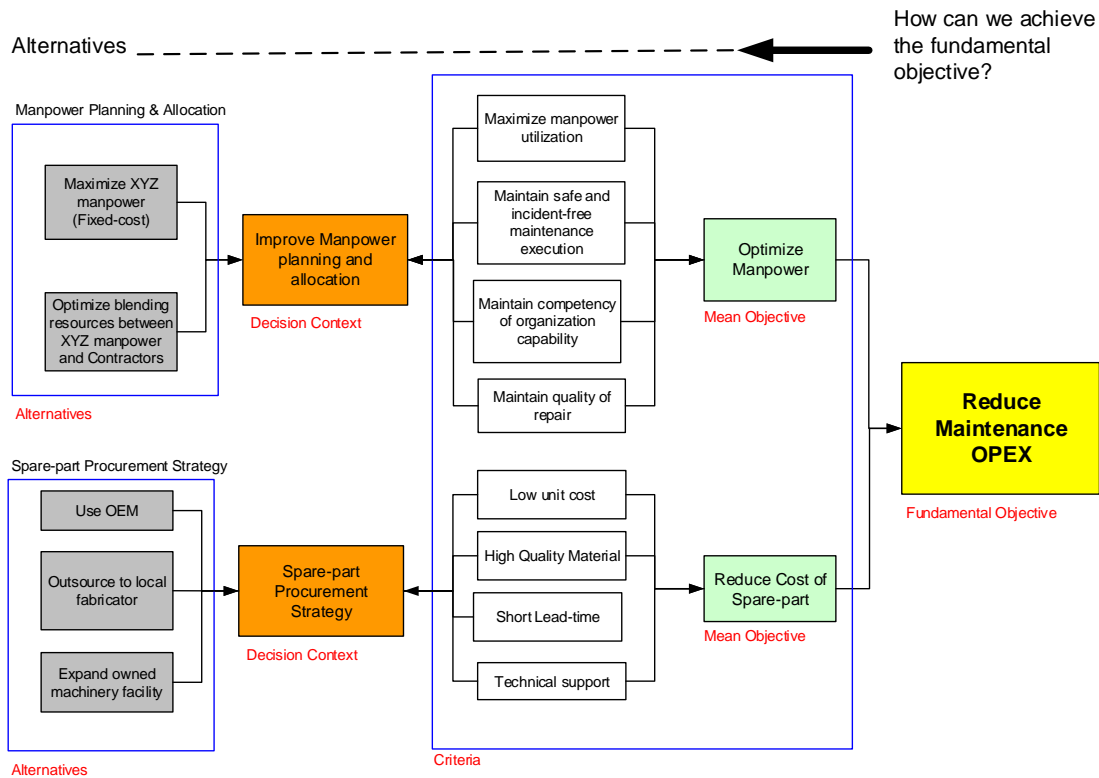


Figure III-1 VFT Diagram of Reducing Maintenance OPEX

According to the business issue exploration and discussion with focus group, following alternatives and criteria are developed as the potential solution to reduce maintenance OPEX.

Table III-1 List of Alternatives

Decision Context	Alternative	Logical Reasoning
Manpower Planning and Allocation	Maximize XYZ Manpower	People cost of XYZ manpower is fixed however based on historical trending since 2011 the average utilization of Mechanical crews is 70%. There is opportunity to maximize the utilization so that the requirement of contract service becoming lower and reduce maintenance OPEX by lower contractor cost
	Optimize blending resources between XYZ manpower and contractors	The cost of contractor is much lower comparing to people cost of XYZ manpower. The alternative is to allocate XYZ manpower for corrective maintenance and repair where it requires skill and high competence while the contractors will handle regular preventive maintenance activities at low risk area. Consequently, the surplus XYZ personnel (if any) will be returned to HR for other productive assignment in accordance to staffing strategy. This way the people cost of Maintenance department can be reduced.
Spare-part Procurement Strategy (Mechanical Component)	Use spare-part from Original Equipment Manufacturer (OEM)	The alternative is to keep the current procurement strategy where the spare-part of water injection pumps is bought from OEM mostly located in USA and Europe thru local agent in Indonesia or regional Asia Pacific. From the historical, most of procurement were conducted thru Direct Appointment (DA) to a supplier instead of open tender since the spare-part distribution is managed by sole agent. Renegotiation of unit price needs to be carried to generate cost saving and OPEX reduction
	Outsource to local fabricators	This alternative is based on benchmark to other team such as SLO North where the mechanical spare-part is procured from local fabricator in Indonesia mainly for mechanical seals, bearings and rotating element. From the reference, the cost of spare-part is approx.30% - 40% of the same item procured from OEM

Decision Context	Alternative	Logical Reasoning
	Expand Owned Machinery Facility	Currently XYZ owns and operates the facility of machinery in Delta and Mama. The facility fabricates small and non-complex mechanical component such as bolts, nuts, rings and some more manually made by operator/machinist. The facility does not support the requirement for high precision and sophisticated component without upgrading it including Computer Numerical Control (CNC) machine. Capital budget of USD 500M - 700M is required for this investment with 9 – 12 month's installation project period. Maintenance OPEX from spare-part can be reduced since most of mechanical components can be refurbished or fabricated in-house.

The most relevant and important criteria that influence the decision problem must be selected and provided to be used by AHP method for determining the best alternative. The following table shows the selected criteria.

Table III-2 List of Decision Criteria

Decision Context	Element	Dimension	Description
Manpower Planning and Allocation	Cost of	Criteria	The total costs occurred to pay XYZ personnel and contractors. The lower is the better to reduce maintenance OPEX
	Manpower Safety Factor	Criteria	Safety performance while executing equipment maintenance is a primary factor in Operation Excellence (OE). The target is maintain safe and incident-free operations
	Personnel Competency	Criteria	Personnel competence to perform complex equipment problem at high-risk facility. Organization Capability is one of important element in Maintenance department that requires specific skills and experience
Spare-part Procurement Strategy (Mechanical Component)	Quality of Work	Criteria	Equipment maintenance is performed in high quality result to avoid repetitive failures that impact to reliability and availability
	Spare-part Cost	Criteria	The unit cost of spare-part including shipment to worksite. Lower unit cost contributes to the OPEX saving.
	Quality	Criteria	The quality of mechanical spare-part as per specification including type of material used, precision of dimension, etc. The high quality spare-part warrants the equipment runtime and reduces repetitive breakdowns that require part replacement
	Lead-time	Criteria	Time that is used from order in place to spare-part delivery at worksite. Lead-time impacts the availability and stock level of spare-part.
	Technical Support	Criteria	Support from vendor/ supplier when purchased spare-part does not meet specification and warranty claim. In many cases, vendor/ technical support supervises the field repair of spare-part that requires special technique of installation. They also receive operational feedbacks from field for product improvement

Selecting Preferred Alternative

Analytic Hierarchy Process (AHP) is one of multi criteria decision making method that was originally developed by Prof. Thomas L. Saaty. It is a method to derive ratio scales from paired comparisons. The input can be obtained from actual measurement such as cost, unit price, lead-time, etc., or from subjective opinion such as quality of work, safety factor and preference. AHP allow some small inconsistency in judgment because human is not always consistent. The ratio scales are derived from the principal Eigen vectors and the consistency index is derived from the principal Eigen value.

Step1: Setup Decision Hierarchy

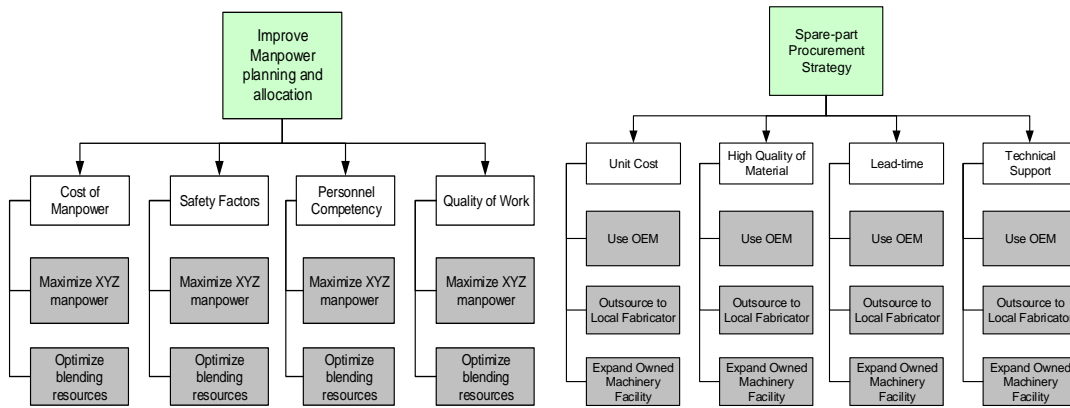


Figure III-2 Decision Hierarchy

Step2: Generating Pairwise Comparison Matrices

To make pairwise comparison, a survey or questionnaire is conducted to get the judgments of the important intensity one element comparing to another element. Five to six experts were interviewed in prioritization process to give opinion or judgments how many times more important or dominant one alternative to another based on a specific criterion, similar technique is applied to give the judgments of sub-criteria and criteria. The experts were given the explanation of the scale of numerical rating and description of criteria of the judgments. Then, they were asked to provide their best knowledge and opinions according to the questionnaires.

Step3: Synthesizing (Determine Best Alternative)

From the calculation, when all Consistency Ratio (CR) is less than 0.10, which means that the expert opinion is within consistency threshold, the process can be continued to calculate the ranking rate of alternatives.

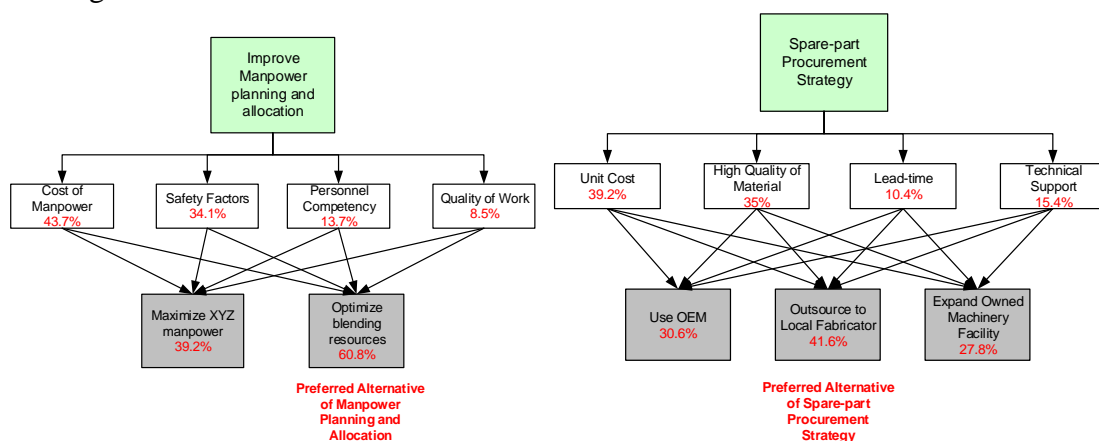


Figure III-3 Proffered Alternative

Operation Plan

Kaplan, R.S. and Norton, D.P. (2008) have mentioned that many organizations have achieved one-time performance breakthroughs without the use of a formal management system. Charismatic leadership and the art of management are powerful and frequently effective forces. Performance that depends on the power of individual leaders, however, is

generally not sustainable over the long term. Unless an organization links its strategy to its governance and operational processes, it won't be able to sustain its successes.

Based on the business exploration and solutions elaborated previously, below is the link between IBU strategic objectives, SMO execution focus items, SLO Maintenance South operation plans and improvement Program which address specific gaps/ issues.

Table III-3 List of Improvement Program

IBU Strategic Objective	SMO Execution Focus Item	SLO Maintenance South Operation Plan	Gap/ Issue	Improvement Program
Strengthen Short Term Financial Performance Extend Long Term Value Delivery Execute Property Transfer Requirements with Excellence Demonstrate company's value to Indonesia to secure our long term future	Execute Incident Free Operations	Maintain Zero Motor Vehicle Crash (MVC), Total Recordable Incident (TRI) and Day Away From Work (DAFW)	The number of near-miss and hazards as reported	Part of Continues Improvement program to address unsafe condition at fields and shops to maintain zero incident
		Compete Contractor Appraisal and Safety Review	Limited availability of leaders to conduct field inspection and validation for contractor safety review	Setup schedule for leadership field inspection. Get support from management
	Protect the Environment & Ensure Compliance	Maintain equipment reliability including Zero Water Discharge facility	Unavailability of critical spare-part for maintenance	Collaborate with SCM for spare-part procurement
			Repetitive equipment failures	Coordinate with Engineer to conduct RCA and Reliability Improvement
	Simplify & Collaborate	Implement Work Order Management as per SERIP Maintain Partnership with SCM for Inventory Spare-part Management	Work Order compliance	Refresh Work Order management process
			Limited usability of KPI/ Dashboard	Improve KPI/ Dashboard
			Work Order Backlog due to Stock-out	Collaborate with SCM for spare-part procurement. Optimize local fabricator for mechanical component
	Improve Cost Efficiency	Optimize Maintenance Cost	Inventory management at satellite godown	Satellite godown optimization
			Budget preparation for Maintenance	Optimize CMMS to forecast future requirement. Anticipate the change of work program as resulted from RCM study and other initiatives
			XYZ manpower utilization	Refresh manpower planning and allocation. Implement blended resources assignment for cost optimization. Coordinate with HR for staffing strategy
		Maintenance contract optimization	Adjust contracting plan as per manpower allocation strategy	

The strategy map is an architecture for integrating the strategies and operations of diverse units and activities scattered throughout organization. It also converts strategic direction statements into measures and targets that can be linked to the management system. A strategy map describes the process of value creation through a series of cause-and-effect linkages among objectives in the four Balanced Scorecard perspectives.

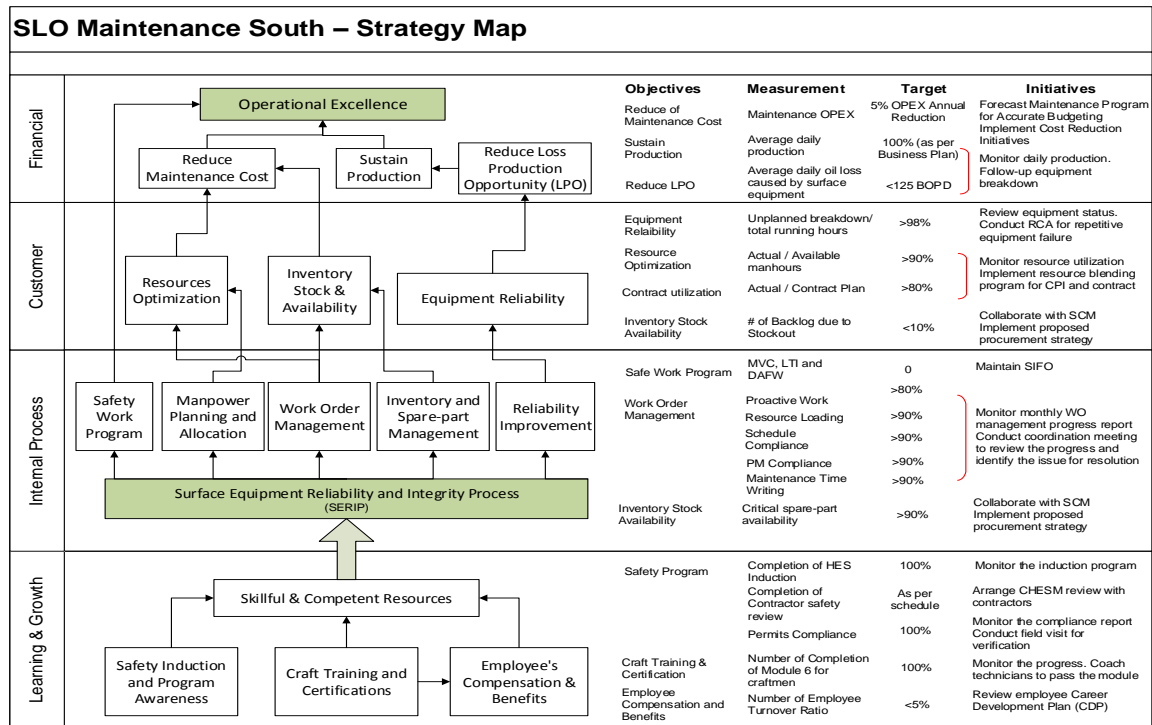


Figure III-6 Strategy Map for SLO Maintenance South

IMPLEMENTATION PLAN

Timeline and Resource Requirement

The Top Management Directed - Staged Improvement Program (Hayes, R. et all, 2005) is chosen to implement improvement program because it allows the organization to establish priorities that reflect its particular competitive strategy and position. The implementation of improvement programs is divided into 4 stages and each stage contains the list of activities placed by priority to perform. It starts with the activities that are considered as quick-win and followed by transition, optimization and lastly sustain.

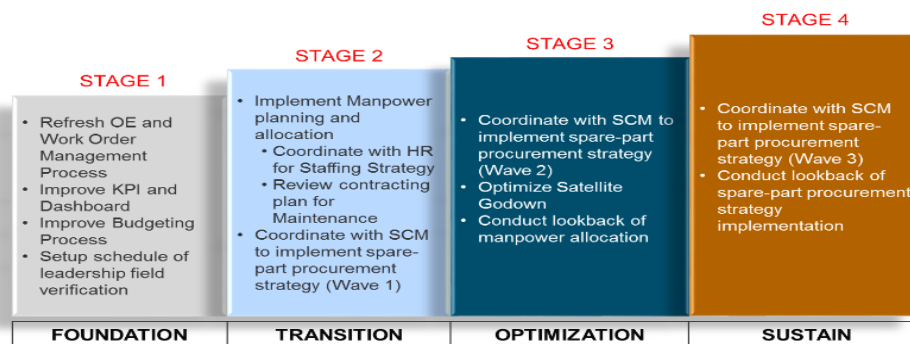


Figure IV-1 Staged Improvement Program

The implementation of improvement program for OPEX reduction requires support from personnel from the existing organization/ department. A special taskforce that consists of Subject Matter Expert (SME) from various teams in existing organization is formed to focus on each improvement program.

Cost and Benefit Analysis

The potential OPEX reduction is obtained from the number of allocated maintenance personnel. Referring to the previous resource plan, there will be a reduction of 15 personnel in Maintenance department since the XYZ manpower will only perform corrective work orders. The cost of contractor will require approx. USD\$ 200M more each year to compensate 16,707 man-hours required to complete PM work orders. The reduction from new spare-part fabrication is based on 50% of saving comparing to current strategy by procuring spare-parts from OEM.

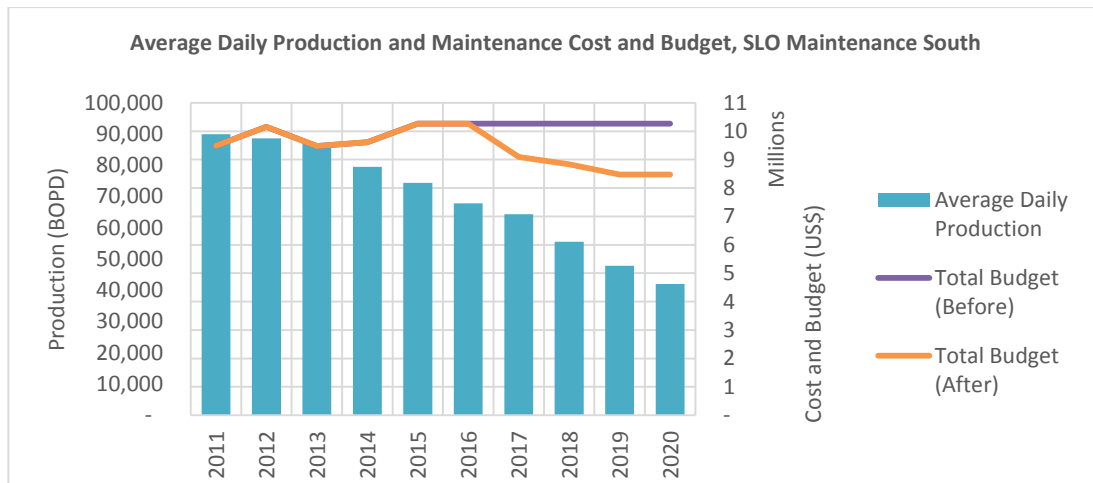


Figure IV-2 Maintenance Cost – Before and After Improvement Program Comparison

Maintenance OPEX reduction by \$6,175,748 starting 2017 can be expected when all improvement initiatives are well implemented and sustained until 2020. Therefore, commitment and support from PT XYZ Management, leadership teams and key players are critical for the successful implementation.

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DEMAND FORECASTING ANALYSIS USING TIME SERIES METHODS AT AYAM LODHO PAK YUSUF RESTAURANT

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Abstract

Food service industry have experienced tremendous growth in recent years. This growth indicated that demand from consumer have grown rapidly throughout the years. As one of the food service industry, Ayam Lodho Pak Yusuf (ALPY) restaurant encountered demand fluctuation as the impact of enormous demand from consumer. Growth of restaurant business draws uncertainty in consumer demand. Barely with subjective judgment, ALPY restaurant tried to forecast its daily demand. As the implication, stock out occurred frequently especially in the peak period. This research aims to construct proper demand forecasting which match with demand pattern at ALPY restaurant using time series methods. The result showed that simple exponential was favorable to forecast demand in weekdays as well as Christmas and New Year's holidays period. Winter's model. Winter's model surpassed other methods to forecast demand in weekend period. While in the Eid holidays, Holt's model became the best forecast method to use in this period. The selection of method based on the lowest mean absolute deviation (MAD), and mean absolute average of error (MAPE) produced by forecast methods in each period. . The measurement of *tracking signal* proposed to the manager in track and control the forecasting method.

Keywords: Demand Forecasting, Restaurant, Time Series Methods, MAD, MAPE, *tracking signal*

INTRODUCTION

Food service industry have experienced tremendous growth in recent years. Statistic from Bank Indonesia have shown the increasing value of Food and Beverages Service Activities contribution to Indonesian GDP. GDP value of Food and Beverages Service Activities recorded at Rp214,414 billion in 2015. The growth of this industry reached 30.33% from 2010 which recorded at Rp164,518 billion. This growth indicates that demand from consumer have grown rapidly throughout the years.

Ayam Lodho Pak Yusuf (ALPY) restaurant is culinary business established in 1987 at Trenggalek, East Java. This restaurant served traditional javanese cuisine named Ayam Lodho, , a traditional Javanese cuisine made from grilled chicken served with spice-flavored coconut milk. As one of the business in food service industry, ALPY restaurant encountered demand fluctuation for the impact of rapid growth in this sector. In Trenggalek Regency, growth of food service industry showed on the increasing number of restaurant from 2010 to 2014. The number of restaurant in Trenggalek Regency increased about 65% from 2010 to 2014. Growth of restaurant business draws uncertainty in consumer demand. Increasing number of restaurant could affect consumer in choosing desired product.

Fulfill the consumer demand is challenging task for restaurant managers. ALPY restaurant apply push view of the supply chain, which operate in anticipation of consumer

demand. In anticipating consumer demand, ALPY restaurant is merely use subjective judgment to predict future demand. As implication, stock out and lost sales happen much more frequently at ALPY restaurant especially in the peak period.

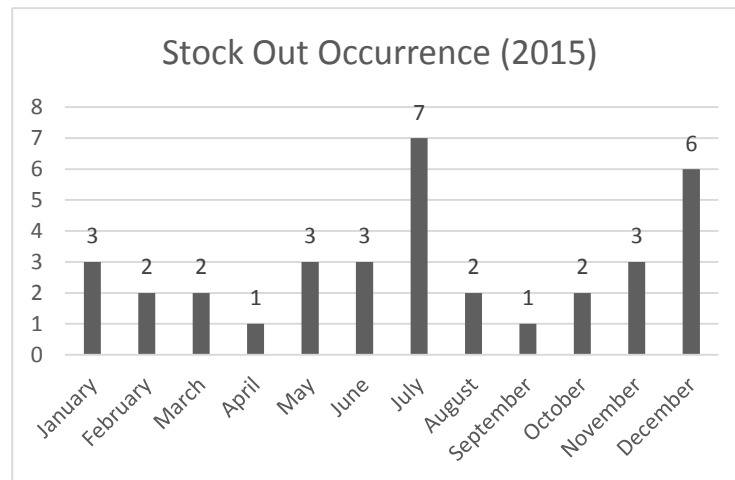


Figure 1 Stock Out Occurrence in 2015

Figure 1 shows the stockout occurrence at ALPY restaurant in 2015. Highest occurrence of stock out was in July when it was on the day of Eid. The second highest occurrence of stock out was in December during Christmas and new year's holiday. The main reason this stock out occurred because of the under estimated demand in the peak period.

ALPY restaurant as the one of popular restaurant in Trenggalek experienced this condition with limited skill and capability to forecast demand. Current technique to forecast demand unable to predict demand fluctuation with trend and seasonality causing stock out which occurred frequently in peak period. Objectives of this research is to construct proper demand forecasting technique for ALPY restaurant. Thus, it could reduce the stock out occurrence at ALPY restaurant to maximize profitability.

THEORETICAL FOUNDATION

Demand Forecasting

Forecasting means to estimate future event or condition outside the organization's control to provide a foundation for managerial planning (Herbig, Milewicz, & Golden, 1993). Demand forecasting is necessary if managers want to cope with seasonality, changes in demand levels, price-cutting maneuvers of the competition, or even a huge fluctuation of the economy (Chambers, Mullick, & Smith, 1971). There are two components in historical demand. These components comprise of systematic and random component (Chopra & Meindl, 2014). Demand forecasting is tried to measure the systematic component of demand, while the random component is the error measurement of the forecast. There are three terms in systematic component which is tried to be measured. It comprise of level, trend, and seasonality (Chopra & Meindl, 2014).

Time Series Forecasting Methods

Time series forecasting use historical data to predict the future that assume the past pattern will continue into the future (Jain, 2003). Table 2 shows the time series forecasting methods and error measurement of this study. The use of this methods consider the historical demand pattern which incorporates trend and seasonality and the ease of use for restaurant manager. The formula of each method provided in Appendix for ease access to practitioners. These methods calculated using Microsoft Excel which commonly used in computing and measurement.

Table 1. Time Series Forecasting Methods (Chopra & Meindl, 2014)

Time Series Forecasting Methods		Error Measurement
Static Method: - Static time series	Adaptive Method: - Four Period Moving Average - Simple Exponential Smoothing - Holt's Model - Winter's Model	- Mean Absolute Deviation - Mean Absolute Percentage of Error - <i>Tracking Signal</i>

METHODOLOGY

This research incorporates observation at the restaurant and interview with manager to acquire primary data. Historical demand data from 2012 to 2015 of ALPY restaurant are used to construct the forecasting methods. The forecast error of each method in time series measured with mean absolute deviation (MAD), and mean absolute percentage of error (MAPE) as a basic error measurement used in forecasting area. MAD and MAPE as error measurement selected based on the error and demand pattern. The appropriate method chosen from demand forecasting method that yield the minimum error consider its MAD, and MAPE. Selected forecasting method for each period will be controlled with *tracking signal* to measure the reliability of forecast result.

ANALYSIS & RESULT

Consider this demand pattern at ALPY restaurant, researcher decided to separated the forecast period into four different periods. Those periods are Weekdays Forecast, Weekend Forecast, Christmas & New Year's Holidays Forecast, and Eid Holidays Forecast.

Using demand data from 2012 to 2015, each forecast period employed different range. Table 2 shows the range used on each forecast period. This separation in analyzing demand forecast was done in order to avoid significant error when extreme change in demand occurred. With different period of forecast, it is expected to gain more accuracy as long-term forecast are usually less accurate than short-term forecasts (Chopra & Meindl, 2014).

Table 2. Demand Forecast Period

Forecast Period	Range
Weekdays	Monday to Friday
Weekend	Saturday to Sunday
Christmas and New Year's Holidays	December 25 th to January 1 st
Eid Holidays	2012 (August 20 th – August 24 th)
	2013 (August 9 th – August 13 th)
	2014 (July 29 th – August 2 nd)
	2015 (July 18 th – July 22 nd)

Each forecast period used same number of data from 2012 to 2015. Weekdays forecast use 240 days for each year while weekend forecast use 100 days each. Christmas and New Year's forecast use fixed date range from December 25th to January 1st. For Eid holidays forecast, the date on Eid differed each year. However, ALPY restaurant has a fixed range while operated on Eid holidays. Restaurant is always open in five days on Eid holidays. The restaurant started to open one day after Eid then closed on the seventh day after Eid.

Table 3 shows the forecasting method which selected for each period based on the result of data analysis. The table also shows error measurement and the tracking signal for each method. The tracking signal used to track and control the forecasting method. It measured whether the forecasting method was either underforecasting ($TS < -6$) or overforecasting ($TS > +6$) (Chopra & Meindl, 2014). The use of MAD in this study based on the forecast error distribution which not presented the symmetric shape. MAD is a proper measurement when the forecast error does not have symmetric distribution (Chopra & Meindl, 2014). MAPE used in this study as comparison of forecast error for each method. This measurement better fit with demand pattern at ALPY restaurant which has significant seasonality and varied from one period to others. MAPE is better used when those components exist (Chopra & Meindl, 2014).

Simple exponential smoothing was selected as the best forecast method for weekdays period based on its error measurement. This method has TS value of -2.37 that still in the coverage of its rule of thumb. Winter's model which chosen to forecast in weekend period has TS value of -4.08 which barely crossed the limit value of -6. However, in the calculation done by researcher, the number changed as the new demand have arrived. It tended to adapt with demand pattern and improved periodically. In Christmas and New Year's period, the simple exponential smoothing was favorable among other methods. Its TS value also in the area of tracking signal. Holt's model for Eid holidays forecast has the most accuracy among the selected methods. Its MAPE value was 18.76 with TS value of -0.10 that indicates the method was highly under control.

Table 3. Selected Method with Error Measurement

Period	Forecasting Method	MAD	MAPE(%)	TSt
Weekdays	Simple Exponential Smoothing	15.62	30.23	-2.37
Weekend	Winter's Model	20.86	22.57	-4.08
Christmas and New Year's Holidays	Simple Exponential Smoothing	27.87	29.7	-1.32
Eid Holidays	Holt's Model	40.11	18.76	-0.10

CONCLUSION

This research has objective to construct proper forecasting technique which better fit with demand pattern at ALPY. Using time series method which comprise of static and adaptive method. The method compared with error measurement to define the proper method which has the least error considered.

As the demand pattern at ALPY restaurant fluctuated significantly, the forecasting period divided into four section which comprise of weekdays period, weekend period, Christmas and New Year's holidays period, and Eid period. All of the method used in this study comprise of static method, four period moving average, simple exponential smoothing, Holt's model, and Winter's model. All of those methods analyzed in four different periods. The result shows that simple exponential smoothing was favorable to forecast demand in weekdays as well as Christmas and New Year's period. Winter's model surpassed other methods to forecast demand in weekend period. While in the Eid holidays, Holt's model became the best forecast method to use in this period.

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APPENDIX

1. Static Time Series (mixed)

$$F_{t+1} = [L + (t + 1) T] S_{t+1}$$

L = estimate of level at $t = 0$ (the deseasonalized demand estimate during Period $t = 0$)

T = estimate of trend (increase or decrease in demand per period)

S_t = estimate of seasonal factor for Period t

D_t = actual demand observed in Period t

F_t = forecast of demand for Period t

Deseasonalized Demand

$$\bar{D}_t = \begin{cases} \left[D_{t-(\frac{p}{2})} + D_{t+(\frac{p}{2})} + \sum_{i=t+1-(\frac{p}{2})}^{t-1+(\frac{p}{2})} 2D_i \right] / (2p) & \text{for } p \text{ even} \\ \sum_{i=t-[(p-1)/2]}^{t+[(p-1)/2]} D_i / p & \text{for } p \text{ odd} \end{cases}$$

D_t = actual demand at period t

p = periodicity (number of periods the seasonal cycle would repeats)

The linear relationship exists between the deseasonalized demand and time formulated by:

Estimation of seasonal $\boxed{\bar{D}_t = L + Tt}$ factor computed by:

$$\boxed{S_i = \frac{\sum_{j=0}^{r-1} \bar{S}_{jp+i}}{r}}$$

Given as:

$$\bar{S}_t = \frac{D_i}{D_t}$$

D_i = deseasonalized demand at Period i

D_t = actual demand in period t

2. Four Period Moving Average

$$F_{t+1} = (D_t + D_{t-1} + D_{t-2} + D_{t-3})/4$$

D_t = actual demand observed in period t

F_{t+1} = forecast of demand for the next period

3. Simple Exponential Smoothing

$$F_{t+1} = L_t$$

$$L_{t+1} = \alpha D_{t+1} + (1 - \alpha)L_t$$

$$L_0 = \frac{1}{n} \sum_{i=1}^n D_i$$

α is a smoothing constant for the level, $0 < \alpha < 1$.

4. Holt's Model

linear regression with actual demand D_t and time Period t

$$D_t = at + b$$

The constant b measures the estimate of demand Period $t=0$, L_0 , and the slope a measures the rate of change in demand per period, T_0 .

$$F_{t+1} = L_t \quad \text{and} \quad F_{t+n} = L_t$$

$$L_{t+1} = \alpha D_{t+1} + (1 - \alpha)(L_t + T_t)$$

$$T_{t+1} = \beta(L_{t+1} - L_t) + (1 - \beta)T_t$$

α is a smoothing constant for the level, $0 < \alpha < 1$, and β is a smoothing constant for the trend, $0 < \beta < 1$.

5. Winter's Model (mixed)

$$F_{t+1} = (L_t + T_t)S_{t+1}$$

L_t = estimate of level at period t
 T_t = estimate of trend at period t
 S_{t+1} = estimate of seasonal factor for the next period
 F_{t+1} = forecast of demand for the next period

$$L_{t+1} = \alpha \left(\frac{D_{t+1}}{S_{t+1}} \right) + (1 - \alpha)(L_t + T_t)$$

$$T_{t+1} = \beta(L_{t+1} - L_t) + (1 - \beta)T_t$$

$$S_{t+p+1} = \gamma \left(\frac{D_{t+1}}{L_{t+1}} \right) + (1 - \gamma)S_{t+1}$$

α is a smoothing constant for the level, $0 < \alpha < 1$, and β is a smoothing constant for the trend, $0 < \beta < 1$, and γ is a smoothing constant for seasonal factor, $0 < \gamma < 1$

IMPROVING RELIABILITY ON BKS PRODUCTION FACILITIES THROUGH NEW MAINTENANCE STRATEGY AND DESIGNING PERFORMANCE MANAGEMENT SYSTEM IN CENTRAL MAINTENANCE TEAM AT O&M SUB-DIVISION PT XYZ

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Abstract

BKS Productions is an operation unit in Sumatra Oil of PT XYZ, which operation area located in Riau province. The crude oil production unit is more than 25,000 barrels of oil per day (BOPD) in 2015 and produced as much as 1 - 1.3 million barrels water per day (BWPD). The produced water utilized for crude oil secondary production process which known as Enhanced Oil Recovery (EOR). To maintain crude oil production and also compliance to GOI regulations on environmental, the high reliability and availability on facilities is important, The CM team challenges from external are: the fall of global oil prices which reached the lowest point at 29 USD/barrel in February 2016, the natural declining in crude oil production, GOI regulations on environment stewardship and cost recovery, the production sharing contract continuity, the autonomous regions law and others. From internal are: corporate optimization programs, reduction of operating and capital budgets, the efficiency programs in all aspect of operations including in work force of both PT XYZ and business partner. Based on the research methodology that conducted and some focused group discussion resulted the “down scoping” or “cascading” strategy as central maintenance team’s strategy. This strategy is used to establish milestone, time line for execution, key performance indicator (KPI) and performance dashboard based on the balanced scorecard and strategy execution. The design of performance management system could accommodate result of root cause analysis that affected to the reliability and availability performance of critical equipment. Those are: maintenance program, Preventive Maintenance or inspection programs, the equipment performance data accuracy, spare part availability, employee skill improvement.

Keywords: reliability, availability, critical equipment, the balanced scorecard, KPI, dashboard

INTRODUCTION

Background

BKS Production is an operation unit in Sumatra Oil - Operation and Maintenance (O&M) North that located in Riau province at the center of Rock Block and produced more than 25,000 BOPD of crude oil in 2015 and 1 – 1.3 millions barrel water per day (BWPD) that were injected, disposed and discharged to the jungle. The excess of production water must be handled carefully in order to comply with Government of Indonesia (GOI) regulation on environmental.

The Central Maintenance (CM) team is responsible to ensure BKS Production facilities are reliable and available with minimum downtime. There are around 1,490 units of equipment in the different operation system such as: well head systems, oil treating

system, electrical and control system, safety system, produced water system, air utility system. The Equipment Reliability and Integrity Procedures (ERIP) stated that the minimum required level of the equipment reliability is 97.5%, meanwhile the minimum required equipment availability is 95% refer to Data Input Output Norm (DION) for maintenance management system,

As a PT XYZ's base business, maintenance activities use Equipment Reliability and Integrity Process (ERIP) as a guidance to achieve the goal for sustaining reliability. The figure 1 shows 7 sub-process in work management that appear in ERIP stage 1, 2, and 3 that being a reference procedures and main focused for maintenance activities. those are: Computerized Maintenance Management System (CMMS), Work Order (WO) management, WO prioritization, 7 days planning & scheduling, Equipment Criticality Assessment (ECA), Long Range Planning Scheduling (LRPS) & Forecasting, Turn around & shutdown management. The work management process. The implementation of work management process and other related procedures that support the process in maintenance team could be shown below:

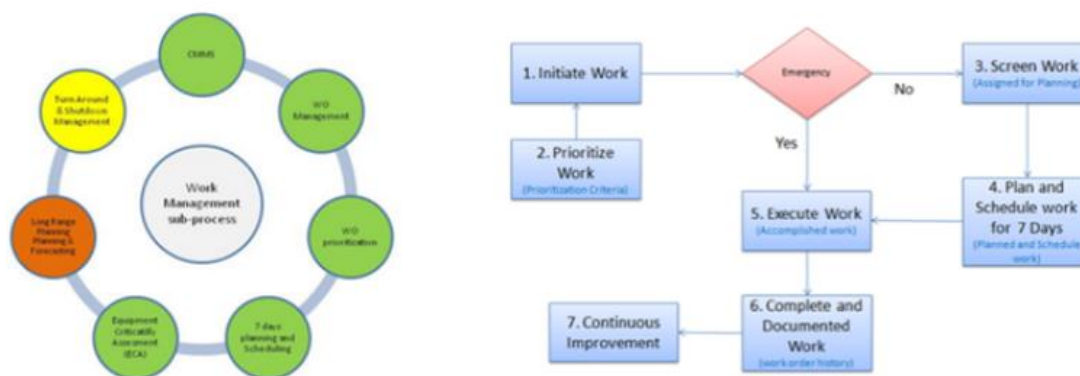


Figure 1 ERIP's Work Management and Prioritization Flow Process

Business Situation

The current global environment in oil and gas industry had directly influence PT XYZ as one the world top 5 in oil and gas industry. The PT XYZ Indonesia Business Unit (IBU) as a subsidiary company in Indonesia changes its operational strategy by restructuring the organization, asset rationalization and cost optimization. Several condition and effort that will drive the strategy: improvement on business processes, PSC Contract expiration, minimize the decline rate and manage the lifting cost, local community issues, asset/equipment reliability and availability, strong law enforcement in environmental stewardships.

Business Issues

There are several business issues that impacted on maintenance activities, especially for CM team to support BKS Production as senn on figure 2, those are: *reduction of maintenance Operational Expenses & Budget (OEB)*, *Currently no maintenance strategy to respond on*

current situation, to align with business unit priorities : “Safety, Compliance, Production /Reliability” and deliver high reliability, availability and efficiencies as a world class company through PT XYZ operational excellence, the availability performance of Water Injection Pumps (WIPs) as critical equipment in BKS Production that still under target.

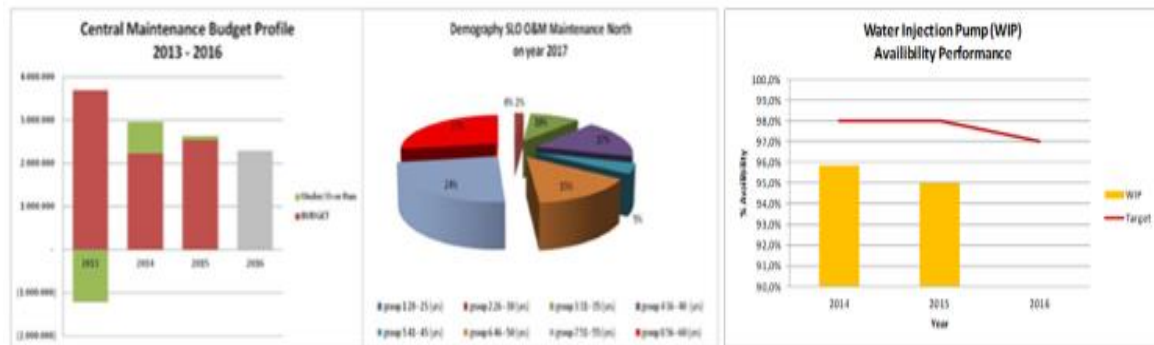


Figure 2 CM team budget profile, employee demography and WIP availability

Problem Formulation

1. How to establish New maintenance strategy in current situation that align with corporate and business strategy to sustain and improve reliability and availability of equipment.
2. How to develop a performance management system to achieve business goal, deliver safe incident free operation, comply to all regulation and provide high reliability asset/equipment in BKS Production facilities/area

BUSINESS CASE EXPLORATION

The Strategic Management Process

A Strategic Management Process framework as shown in Figure 3 was used to explore and identify the business issues, conduct evaluation or analysis, determine a recommendation and conclude a problem solution of the business. The figure described strategic management process framework that shown steps to align the issues to company's vision and mission then to find the solution by formulating the strategy and develop an execution strategy. Fred R. David in *Strategic management concept and cases* stated that

“Strategic management can be defined as the art and science of formulating, implementing, and evaluating cross-functional decisions that enable an organization to achieve its objectives. As this definition implies, strategic management focuses on integrating management, marketing, finance/accounting, production/operations, research and development, and information systems to achieve organizational success” (2011: p6).

The author will use a comprehensive strategic management process model where the environmental scanning is a part of strategy formulation.

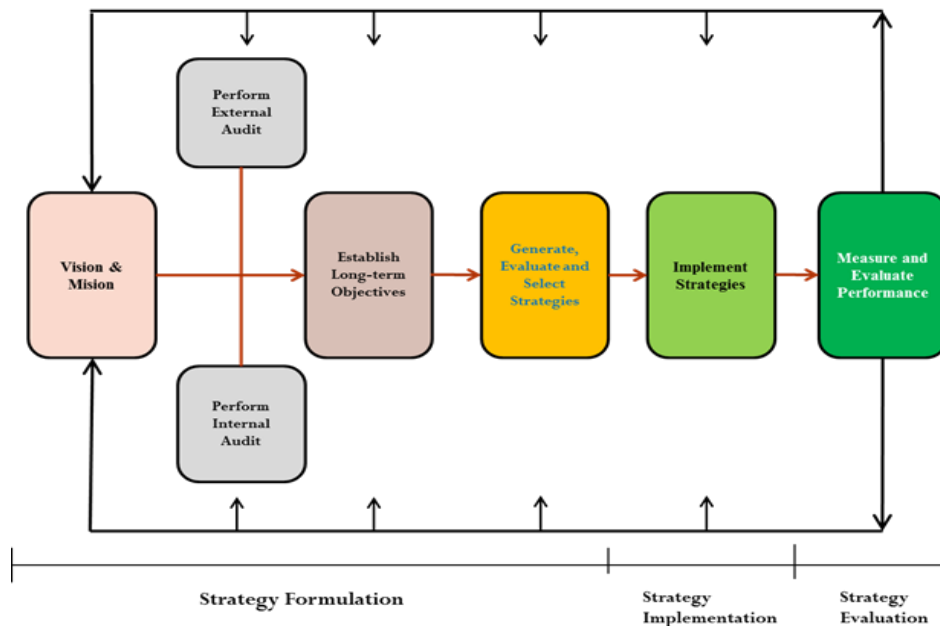


Figure 3. Comprehensive of the Strategic Management Process

Sources: Fred P. David, 2011-p15

External Environment Analysis

The PESTEL analysis is chosen to identify and examine variations of external environment analysis that affected PT XYZ and its business entity in Indonesia especially in Sumatra Oil Operations. Those aspects are:

Political factors

Political factors basically are how the government interfering in the economy, especially in oil and gas industry, those factors is:

1. Production Sharing Contract (PSC) contract, the PSC regulated in the law of the
2. Republic of Indonesia for oil and gas No. 22 of 2001 section IV that regulating the upstream business activities.
3. Regional Autonomy, the alignment between central and local government in term of the application of GOI regulations. PT XYZ operation in the Sumatra operations are in 5 districts in Riau province.

Economic Factors

The economic growth, interest rates, exchange rates and the inflation rate have greatly affect how businesses operate and make decisions, such as:

1. **Fiscal Policy**, The press release from Indonesian Ministry of Finance about “*Anggaran Pendapatan dan Belanja 2016*” on November 3, 2015 has determine basic macro-economic assumptions for 2016 budget are as follows: *Economic growth of 5.3 %; Inflation rate of 4.7%; Rupiah exchange rate average Rp13.900 / USD; Interest rate on 3 month SPN by 5.5 %; Indonesian crude oil price average of USD50/barrel; Lifting*

average oil 830 Thousand Barrel Oil per Day (MBOPD); Lifting average gas 1155 Mils Barrel Oil Equivalent per Day (MBOEPD).

2. **Global Oil Price.** In the last 2 years the crude oil had been slide from the price level of > 110 USD to <30 USD.

Social and Demographic factors

The demographic and social data of Riau province conditions as published on the book of *Statistik Daerah Provinsi Riau 2015 (katalog BPS, 1101002,14, 2015)* shows that in 2014 the data are as follows: *productivity ages 65.8%, rate of employment 63.3%, the level open unemployment 6.6%, Human Development Index (HDI) 70.33.*

Technological factors

Oil and gas industry is a technology-intensive and high capital industry, so that only the company with strong financial capability could enter this industry. PT XYZ had been used a secondary process is called Enhanced Oil Recovery (EOR) technologies in exploration and production of oil and gas to increase the production is known as

Environmental factors

The strict environmental laws and regulation had drive commitments for oil and gas ccompany to comply with the regulations. There are some risks in exploration and production that could affected ecological and environmental changes, such as: Oil Spill, Emission, Efluent water discharge.

Legal factors

In the oil and gas industry in Indonesia there are: Law (UU), Government Regulation (PP), President Decisions (kepres), Minister Regulation (Permen), Minister Decisions (Kepmen) and governance guidelines employment and general guidelines (PTK), which affected the pattern of operations strategy in the field due to more variances of stakeholders where each of them require different engagement strategies.

Industy Analysis

Using a Porter's five forces model as the competitive strategy (Michael E.Porter, 1980: 4) the firms attempts to analyze the level of competition within an industry and business strategy development.

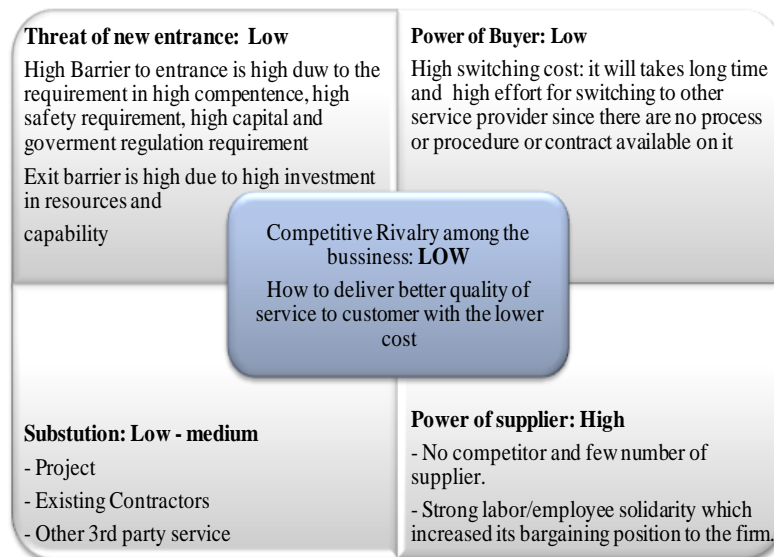


Figure 4. Porter's five forces model of Sumatra Oil - O&M Maintenance North

The attractiveness in this context refers to the overall industry profitability, meanwhile an "unattractive" industry is one in which the combination of these five forces acts to drive down overall profitability.

Internal Factor Analysis

The competitiveness of PT XYZ resources determine through it resources, capability and competences analysis as follow:

1. Resources

As a world class company PT XYZ had a complete set of tangible and intangible resources that required for its operations: high skill employee, advance technology, reputation and a culture in place.

2. Capability

"A Capability is the capacity for a set of resources to performe a task or an activity in an integrative manner" (Hit-Ireland-Hoskinsson, 2011: p16). PT XYZ had been exist in Indonesia for more than 90 years, it proved the capability to survive on its bussiness, the organization capability's strength through Operation Excellence Management System (OEMS) could adapt and deploy the resources to face the organization challenge, such as: low oil price environment, Optimization program and local community issues.

3. Competencies

PT XYZ has core competencies that is widespread within the corporation, and is something that the corporation can do exceedingly well. Such as: Safety Performance, OEMS, ERIPs etc.

Strategic Factor Analysis

The next step is to summarize the identified factors using the Strategic factor analysis. The VRIO (Valuable, Rare, costly to Imititate, Organize to capture value) analysis used to assess the importance of each factor that may consider strength or weakness. The External factors, which generate accepted category of opportunity and threat.

Table 1 Strength Weakness Opportunity Threat (SWOT) Matrix

<u>STRENGTH (S)</u> 1. High safety performance 2. Organization Capability 3. Surface Equipment Reliability and Integration Process (SERIP) 4. Compliance Performance	<u>WEAKNESS (W)</u> 1. High CPI's Labor Cost 2. Material Delivery
<u>OPPORTUNITIES (O)</u> 1. Service Contract 2. Implementation of PTK 041-2015 3. Certification Program	<u>THREAT (T)</u> 1. Wide and Scatter Location 2. Aging Equipment 3. Low oil price 4. Declining of oil production

The Internal and External factors that influence CM team was developed based on the result of survey that conducted on September 2015 and a Focus Group Discussion (FGD) that conducted during CM team workshop on December 17, 2015 attended by Team Manager, Team Leader, Group leaders and Technicians. Summary Factor Analysis (SFA) combined the internal and external factor had been condensed by decision maker are being a SWOT (Strength, Weakness, Opportunity and Threat) are as seen on the table below:

Value Chain Analysis

The value chain analysis allows the firm to understand the parts of its operations that create value and those that do not, because the firm objective is profit which could happened when the value created is greater than the costs incurred to create that value. There are 2 (two) main activities in CM's value chain analysis:

1. **Primary Activities:** focused into three major's activities, those are: Operation, services: Inbound Logistics
2. **Support Activities,** focus on people development and procurement Support activities, such as: Firm Infrastructure, Human Resource, Technology Development, Supply Chain Management (procurements)

Root Cause Problem Structure

To elaborate and identified the root cause of the problem and to prioritize the action that should be address first, the fishbone diagram and current situation analysis as a tool.

Situation Analysis

The table 2 shows current analysis to prioritize the problem based on the time, trend and impact so that the solution for the current condition could solve the problem in timely manner.

Table 2 Current situation analysis in CM team

No	Current Situation	Explanation	Priority		
			Timing	Trend	Impact
1	LPO (loss Production opportunity)	a. No significant correlation between current surface pump performance with LPO	L	L	H
		b. Not all facility in SLO O&M North had operated based on Zewadi	L	M	L
2	High pumps availability requirement to support operation	a. Current pumps availability tend to decrease (current performance is 4% below target)	H	H	H
3	Long lead time for major repair of a pump	Depend on other shop for repair	M	H	M
4	Variance in Pump manufacturer	There are 2 type of pumps: HPS (Non API) & API	M	M	M
5	Less CPI employee work on Maintenance North	14 % CPI manpower reduction for next 3 years in Maintenance North team due to natural retirement	H	H	H

Fishbone Diagram

The diagram is to identify controllable problems that affected reliability and availability performance are: maintenance program, PM or inspection program, performance data accuracy (for equipment), spare part availability, employee skill improvement.

BUSINESS SOLUTION

Functional Strategy

The functional level strategy approached in functional area which is to maximize resource productivity by developing and nurturing a distinctive competence to provide a company or business unit with a competitive advantage. The orientation of a functional strategy is driven by its parent business unit's strategy. The CM team had selected **Down Scoping or Cascading** (Kaplan, Norton) as a functional level strategy to align with the corporate strategy, business unit strategy, vision and mission for the current state. The main intention of this strategy is to: **optimize operational cost, increase productivity and emphasis in strategic control**. Following are some perspectives of the selected functional strategy that fit in CM team.

1. **Financial:** maximize the financial value of a firm, those are: Operational Cost Management to achieve sustainably Profitable Operations; Selective investment on aging assets for maximizing profit
2. **Maintenance Operations:** determines how and where a service is to be delivered, should also deal with the optimum level of technology the firm should use in its

operations processes, those are: Deliver high quality of service with safe incident free operation (SIFO) and comply with GOI and CVX regulations through operational excellences; Achieve optimum reliability of asset through excellent implementation of ERIP; Strengthen organizational capability; Enhance applicable technology to optimize operation.

3. **Human Capital:** the related strategies are: Strengthen organizational capability; Focus on core competences, looking for opportunity to outsource and optimize total number of labor

Business Model Development

Osterwalder & Pigneur in the book of Business Model Generation, (2010 : 14) defined that “A business model describes the rationale of how an organization creates, delivers, and captures value.” The nine building block of a business model template has been developed by Osterwalder that called as a business model canvas have four main areas of a business: customers, offer, infrastructure, and financial viability. The figure 5 shows a new business model of CM team strategy that based on partnership and resources to deliver high quality of services with competitive service cost to customer through operational excellences.

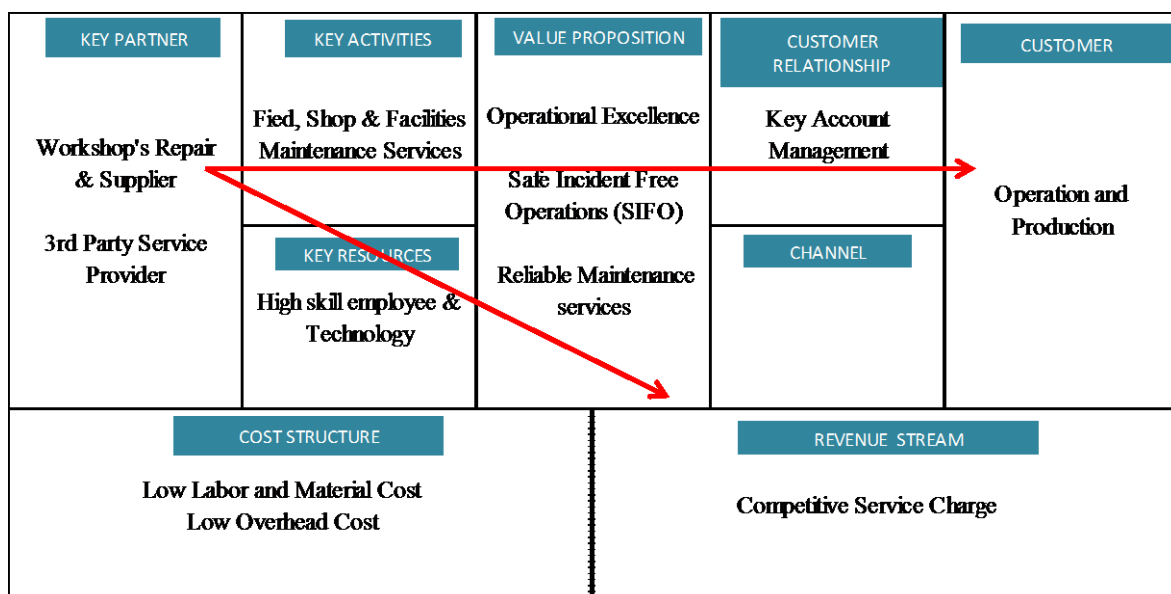


Figure 5. Sumatra Oil O&M - CM team business model

Strategic Plan

Refer to Kaplan and Norton in book *the Execution Premium: linking strategy to operations for competitive advantage* (2008: 3) presented a summary after a survey in 1996 about the state of strategy execution.

“...They learned that most of the organization did not have formal system to help them execute their strategy. Only 40% of organizations linked their budget to their strategies, and only 30% linked to incentive compensation to strategy, less than 10%

understood the company's strategy. The employee who do not understand the strategy can not linked the daily activities to its successful execution. ”

The focused of strategic plan is to develop strategy mapping and the Balanced Scorecard (BSC) for generating an operating plan which consist of: dashboard, resource requirement, budget etc. The performance of strategic and operating plan implementation shall be measured to monitor the effectiveness and for future evaluation or review. The figure 6 is a management system process that link the strategy to operation:

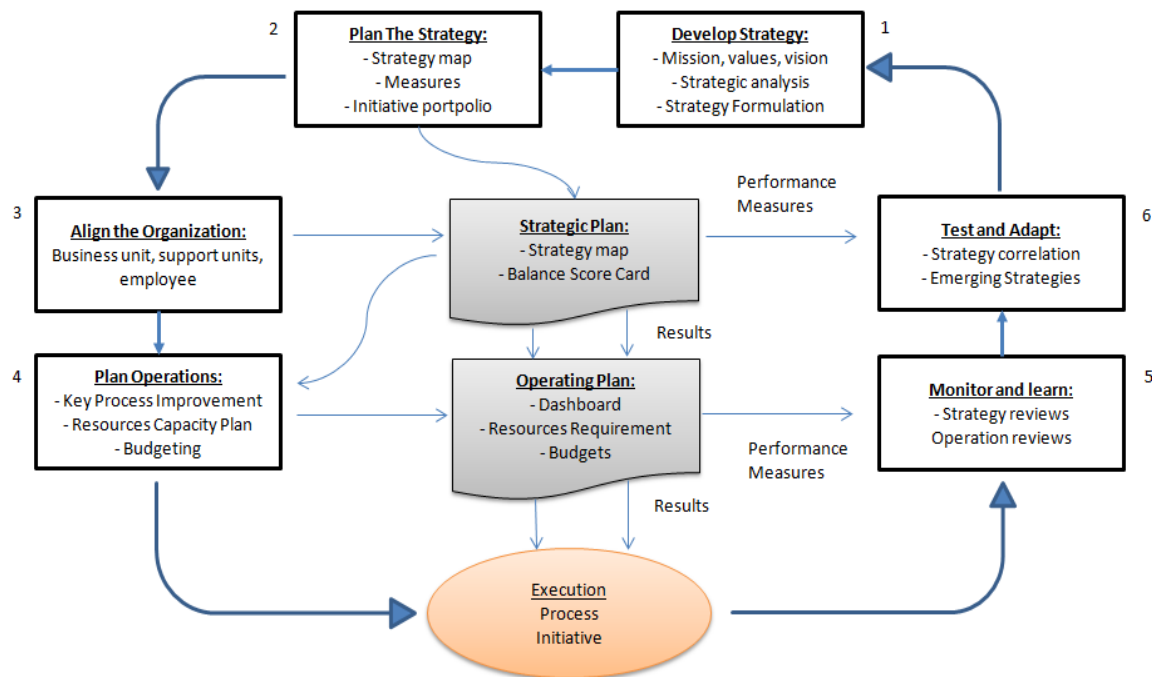


Figure 6. The Management System: linking strategy to operations

Sources: Kaplan & Norton (2008)

Strategy Mapping

The figure 7 below is CM team strategy map that cover four perspective used to develop the BSC, the strategy map is a value creation process that describes a series of cause and effect linkages among objectives and perspectives.

The CM team strategy formulation are: Reduced operational expenditure (OPEX) and capital expenditures (CAPEX); High availability of asset and customer satisfaction; Operational excellence through safe operation, effective and efficient process; Strengthen organizational Capability

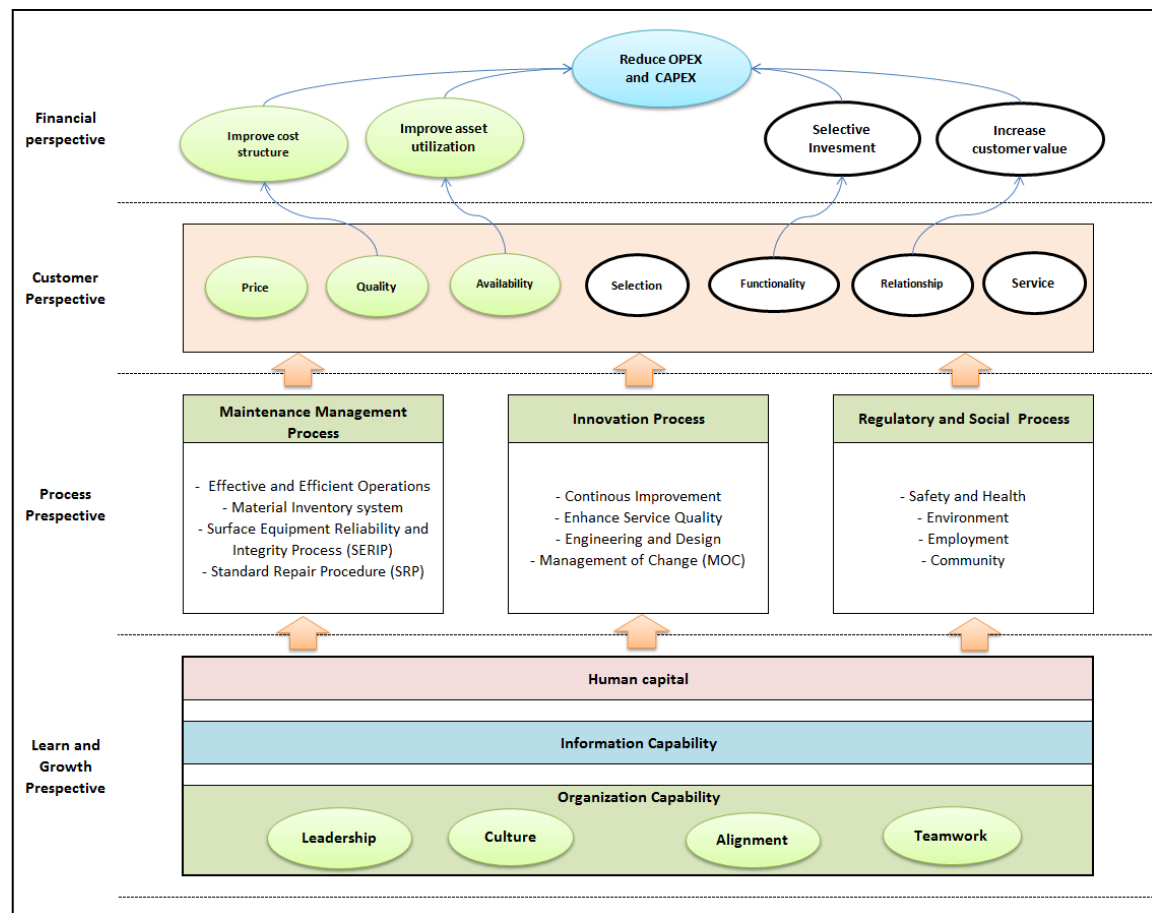


Figure 7. Sumatra Oil O&M - CM team Strategy Map

The Balanced Scorecard (BSC)

There are two main key process improvement area that become a Balanced Scorecard themes as shown on the above strategy maps, those are: *Optimize Operation Cost* and *Increase Productivity*, which is align with CM missions. The Combination of both themes, the BSC objectives will summary as follow:

1. Financial perspective: reduce operational expenses through efficiency (cost management), simplify process, effective manpower utilization; reduce overhead cost of maintenance operation.
2. Customer perspective: improve service quality by reducing repeated work, unplan downtime, low service charge and asset rationalization; deliver high reliability and availability and minimize unplan work.
3. Internal Process: operational excellence by Safe and Incident Free Operation (SIFO), excellent compliance to GOI regulation and PT XYZ's business process and procedure; deliver effective and efficient maintenance operation through ERIP implementation.
4. Learning & Growth: optimizing internal company resources by enhancing knowledge and skill, empowerment, high information availability; strengthen organization capability through optimum resources management.

Table 3 Balanced scorecard of Optimize Operation Cost's theme

	Strategy Map		Balance Scorecard	
	Theme: Optimize Operation Cost	Objective	Measurement	Target
Financial		Efficiently maintain the facilities using cost management and simple process with effective manpower usage through: - reduced operational expenses include overhead cost - Cost Optimization of maintenance activities that reflected on work order charges - Selective purchasing of spare part , tools or equipment that uses capital budget	Total yearly Budget Spending Total Work Order for preventive Maintenance (PM) Cost/year Total equipment maintenance cost/year Total manpower utilization (time sheet) Total AFB saving cost through Lean sigma Project Total capital budget spending	-10% -10% -10% 90% 500 MUSD 200 MUSD
Customer		Improve service quality by reducing total number of repeated work, total number of equipment unplan shutdown, delivering lower cost service charge to customer and asset rationalization to reduce maintenance cost of inactive asset	Total number of WO reject by customer (status 75) In JDE system Total number of break In Work Order (WO) Yearly average WO cost: corrective and routine Total no of junk program in a year	<2% <5% -10% 1
Internal Business Process		To deliver operation excellence to production team through: Safe and Incident Free Operation (SIFO) or no incident during operations Comply to: GDI regulation, Chevron business process and procedure.	Fatality Day Away From Work (DAFW) Total Recordable Incidents (TRI) Motor Vehicle Crash (MVC) Total number of Oil Spill incident PROPER: Compliance on waste lube oil handling CVX compliance dashboard	0 0 0 0 0 100% 100%
Innovation & Learning		Optimizing the internal company resources to enhance employee knowledge and skill, Empowerment, Ensure information available and received by all employees	% employee with certification Computer Based Training (CBT) completion Career Development Program (CDP) for each employee Number of mentoring program /year Number of Hands on training or on the job training session/year Employee IT accessibility to team database No of Sharing Best practise session/year	100% 100% 100% 4 5 100% 10

Table 4 Balanced scorecard of increase productivity theme

	Strategy Map		Balance Scorecard	
	Theme: Increase Productivity	Objective	Measurement	Target
Financial		Optimum operation through reduction of overhead cost of maintenance operation	CPI Labor Billing rate/hours	90 USD
Customer		Deliver high reliability and availability of critical rotating equipment by minimize unplan work.	Critical Equipment Availability Critical Equipment Reliability Average MTTR for rotating equipment P1 P2 work order Manpower availability based on resources loading	97% 98.5% 30 days <2% 90%
Internal Business Process		To deliver effective and efficient maintenance operation through implementation of SERIP	SRP/SOP verification and validation Proactive Work Order Critical spare part availability Work schedule compliance Work execution compliance Work Order in Planning & scheduling PM compliance Total number of Work Order Backlog Total no of LS project	12 80% 80% >90% >90% >90% >90% <5% 3
Innovation & Learning		Strengthen organization capability through optimum resource management	Coordination meeting with stake holder (operation, engineering and other)/year Number of team workshop/year Inventories activities/year (tools, critical spare part) No of contract review Employee engagements/year Employee performance review/year	6 2 2 1 1 3

IMPLEMENTATION

Milestone

The focus item of key process improvement as stated in the BSC for supporting CM's team objectives in 2016 to: increase availability and reliability, optimize workforce productivity and reduces cost. Then the activities are summarized and translated to CM 2016 milestones.

The figure 9 present a time line for execution was developed to ensure all activities had been assigned responsible persons and the target for completion are clear.

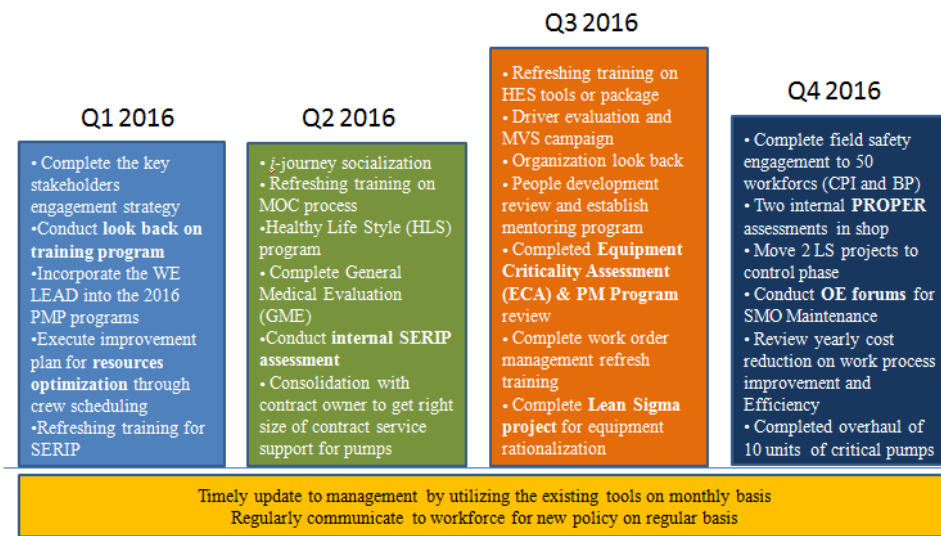


Figure 8. CM team milestone and time line for execution for 2016

Key Performance Indicator (KPI)

Performance Metrics

All milestone, timeline activities and variable performance as stated in the Balanced Scorecard. Table 5 shows important metrics that supported CM team to achieve the goal:

Table 5 KPI for Operational Excellence (OE) and Financial Metric

No	Metrics	Definition	Unit	Objective	Responsible for tracking	2015	2016				STATUS
						Actual	Min	Target	Max	YTD	
OE Metrics											
1.0 Safe and Incident Free Operation (SIFO)											
1.1	Fatality	Total number of incident that cause the death of workers	#	Achieve Safe and Incident Free Operation	HES Coordinator	0	0	0	0	0	😊
1.2	Day Away From Work (DAFW)	Total number of incident that cause loss of working days	#			0	0	0	0	0	😊
1.3	Total Recordable Incidents (TRI)	Total number of incident that cause worker's injury and required medical treatment	#			0	0	0	0	0	😊
1.4	Motor Vehicle Crash (MVC)	Total number of motor vehicle crash	#			1	0	0	0	0	😊
1.4	Total number of Oil Spill incident	Total number of oil spill to the land and water	bbl	Achieve an environmental compliance		0	1	0	0	0	😊
2.0 Compliance Performance											
2.1	Assessment of used lube oil handling in Shop	Total number of PROPER assessment in lube oil handling shop	#	Achieve an environmental compliance	HES Coordinator	1	1	2	2	1	😊
2.2	Milestone completion	Percentage of milestone completion on 2016	%	Achieve Chevron Business Process and Procedure compliance		99%	95%	95%	100%	96%	😊
2.3	IBU compliances	Percentage of required mandatory IBU compliance	%			99%	95%	97%	100%	100%	😊
3.0 LBA (Leader behaviour Activitiess): Field Visit and Engagement											
3.1	QSRP Verification Field	Total Number of QSRP verification and validation in the field	#	Achieve Safe and Incident Free Operation	HES Coordinator		110	120	125	0	😞
3.2	MSW engagement	Percentage of quarterly MSW engagement based on requirement	%			14	12	14	16	9	😊
3.3	Driver Engagement (DDE, MVS campaign)	Total number of engagement to driver, CPI and BP employee	#				2	3	5	1	😞
Financial Metrics											
4.0 Operational Expenditure Budget (OEB)											
4.1	Operation Expenditure Budget/year	Total amount of spending on respected team	MUSD	To meet a budget optimization goal and objective	Planner	-6%	-10%	-15%	-20%	-25%	😞
5.0 Maintenance Operation Cost											
5.1	Total PM cost/year reduction	Percentage of cost reduction on PM activities	USD	Achieve maintenance operation cost reduction and improve work efficiency	Planner	190	100	155	170	117	😊
5.2	Total Corrective Cost/year reduction	Percentage of cost reduction on WO corrective activities	USD			2000	1400	1500	1800	1500	😊
5.2	Total labor Cost/charge to work order (corrective)	Percentage of cost reduction of labor cost on WO	USD			1000	700	800	900	1187	😞
6.0	Total saving of Lean sigma Project	Total cost saving in Accrual Financial Benefit (AFB) of lean sigma initiative /project	MUSD	improve effectiveness efficiency of work process and eliminate waste	Team Leader	1200	500	700	1000	80	😞
7.0	Asset inventory and Junk program	Total number of asset inventory and junk activities/year	#	Asset rationalization and reduce maintenance operation cost		2	1	2	2	1	😊
8.0	CPI Labor Billing rate	Total average of CPI labor billing rate/hour	USD	Achieve optimum charge to customer and increase worker productivity		124		90	100	115	😞

Table 6 KPI for Operation and Organization Capability (OC) Metric

No	Metrics	Definition	Unit	Objective	Responsible for tracking	2015		2016			STATUS
						Actual	Min	Target	Max	YTD	
Operating Metrics											
9.0 Critical Equipment Availability and Reliability											
9.1	WIP Availability	Total average percentage of WIP availability	%	Increase asset utilization and reduce rate downtime by maintain Availability, MTTR & MTBF and improve response time in solve problem	Reliability team	96.2%	95.0%	97.0%	98.0%	98.0%	😊
9.2	WIP Reliability	Total average percentage of WIP reliability	%			98.5%	95.0%	98.0%	99.0%	98.0%	😊
9.3	Average MTTR for rotating equipment	Total average mean time to repair (MTTR) of rotating equipment	days			23.3	25	30	45	45	😊
10.0 Work Order (WO) Management Compliance as required by SERIP											
10.1	P1 P2 WO	Percentage of WO priority 1 & 2 that classified as emergency compare to total WO	%	To ensure each respective team /individu consistently manage and monitor their SERIP performance	Planner	3.7%	1.0%	5.0%	10.0%	1.8%	😊
10.2	Manpower on resources loading	Total average of manpower availability percentage	%			94.8%	90%	95%	100%	82.0%	😞
10.3	Proactive WO	Percentage of WO proactive as result from ORDC, PM etc	%			80.5%	80%	85%	90%	72.0%	😞
10.4	Spare part availability	Percentage availability of critical spare parts	%			79%	90%	95%	100%	82.2%	😞
10.5	Work schedule compliance	Percentage of monthly average schedule compliance compare to total WO in a month	%			90.9%	90%	95%	100%	97.4%	😊
10.6	Work execution compliance	Percentage of complete WO as schedule	%			94.5%	90%	95%	100%	95.8%	😊
10.7	WO in Planning & scheduling	Percentage of PM schedule compliance	%			99.6%	90%	95%	100%	98.2%	😊
10.8	PM compliance	Percentage of PM schedule compliance	%			98.9%	90%	95%	100%	95.8%	😊
10.9	WO Backlog	Percentage of WO that can not be scheduled/complete execution due to various reasons	%			3.0%	2%	5%	6%	1.0%	😊
10.10	WO reject by customer	Percentage of WO in status T5 (reject) due to various reasons compare to total number of WO	%			0.0%	0%	1%		0.0%	😊
Organization Capability											
11.0 Training & Certification program											
11.1	Employee with required certification	Percentage of certified worker in respected team	%	Enhance worker competency level	Team Leader	100.0%	95.0%	100.0%		96.0%	😞
11.2	Computer Based Training (CBT) completion	Percentage of completion of mandatory CBT requirement	%			Enhance skill and knowledge through self learning	90.0%	80.0%	90.0%	100%	90.2%
12.0 People Development Program (CDP)											
12.1	Mentoring program /year	Total number of mentoring event to member or other employee	#	To close gaps on competency, skill and knowledge in timely manner, effective and efficient way	Team Leader	4	3	4	5	3	😊
12.2	Hands on Training/ On the Job Training (OJT) session/year	Total number of OJT or hands on training to member or other employee	#			2	2	3	5	2	😊
12.3	Best practise or Lesson Learn sharing session/year	Total number of presentation and conduct sharing session from employee/year	#			2	10	14	16	5	😞
12.4	Individual Performance Discussion to all member (2 times/year), Opening Year, Mid Year and End Year Final	Compliance to schedule of individual performance review between leader and all member (3 times/member/year)	%			100.0%	95.0%	100.0%		100.0%	😊
12.5	Documented Lesson learn team or technical paper	Total number of technical paper document	#			Learning & sharing of maintenance activities for all employee	0	4	5	6	0

The table 5 & 6 above shows main parameter of CM's team KPI that formulated to align to strategy and objective of the BCS, the set of metrics, objective and target. There are 4 perspectives, those are: Operational Excellences (OE) Metrics, Financial metrics, Operation metrics and Organization Capability.

Performance Dashboard

The dashboard had been developed to give high level information on the current performance status and gaps of the CM team and an indicator for the achievement in 2016. The figure 9 shows lagging and leading dashboard of CM team performance as 2 main indicators of performance:

1. Lagging Indicator consist of following indicators:
 - a) a Safety performance that support Safe and Incident Free Operations (SIFO):
 - b) Fatality, Day Away of Work (DAFW), Total Recordable Incident (TRI) and
 - c) Motor Vehicle Crash (MVC)
 - d) Total number of oil spill incident
 - e) IBU compliance
 - f) WIP availability and reliability
 - g) OEB
2. Leading indicator is a group of activities in the performance metrics that can support management to achieve CM team objectives and goal. The parameter that presented in

the leading indicators chart are: *Compliance Performance, Safety Performance, Financial performance, Organization Capability, Work Management Performance*

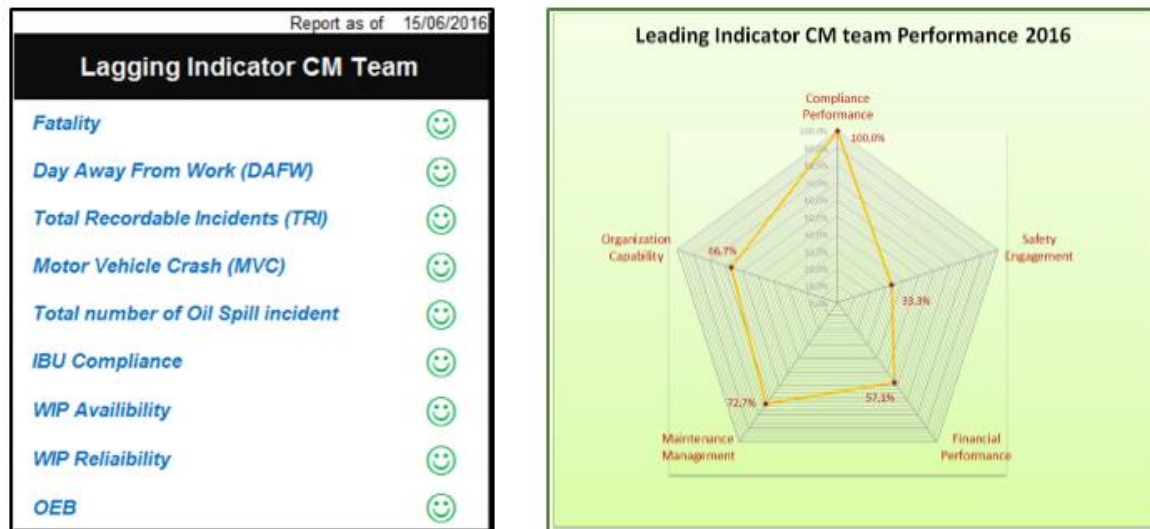


Figure 9. Lagging and Leading Dashboard of CM Team

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A RESEARCH FRAMEWORK USING SERVQUAL METHODS TO ANALYSIS THE SERVICE QUALITY PROVIDED BY PRIVATE INSTITUTIONS OF HIGHER LEARNING IN MALAYSIA

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Abstract

The purpose of this paper is to provide a framework for researchers who intend to conduct research on service quality in education sectors. This paper is written based on the literature review conducted in the area of service quality. Limited studies have been conducted in the area of service quality at higher education in Malaysia. Understanding the service quality expectations and perceptions of the students from the institution of higher learning is important to determine the strength and weaknesses in providing quality of services to its students. This paper highlights the various service quality dimensions used by the researchers to measure the service quality in different types of institutions. It also includes the discussions on the most common methods used to measure the service quality by prominent researchers. It is expected that this paper would provide a good insight to researchers who are planning to conduct research on service quality in education sectors.

Keywords: service quality; quality in education; service quality measurement; Malaysia.

INTRODUCTION

Service quality measured using the customer survey is vital to stay competitive in the private education industry. Understanding the perceptions of the students is also important to determine the strength and weaknesses of the institutions in providing quality of services. Limited studies have been conducted in the area of student perception covering the institutions of higher learning in Malaysia.

DEFINITIONS OF QUALITY IN EDUCATION

The quality of education is difficult to define (Macukow, 2000). Some researchers believe that quality cannot be defined in any simple ways (Freeland, 1991; Becher, 1994). This is one of the key reasons why many researchers skip the effort in defining the quality of education in their research works.

THE PERCEPTION OF SERVICE QUALITY

The measurement methods of the service quality perception are still been debated and unsettled (Owlia and Aspinwall, 1996; Parasuraman et al., 1993; Cronin and Taylor, 1994; Carman, 1990; Buttle, 1996). Despite of the on-going debates, many researchers have agreed on the importance and the significances of service quality for organisations to achieve higher

customer satisfactions (Arambewela and Hall, 2006; Athiyaman, 1997; Ben, 2007; Berry et al., 1990; Boshoff and Gray, 2004).

SERVICE QUALITY: A CUSTOMERS' VIEW POINT

Service quality has become a strategic option for many educational institutions around the globe. The role of service quality has also become critical to the success of an organisation (Landrum et al., 2007). In Malaysia, both private and public schools strive to provide quality services to its students in order to develop and maintain their reputation. Ministry of Education in Malaysia, takes continuous efforts to upgrade and improve the quality of services provided to the schools by introducing various policies and plans using inside-out approach. This research is expected to identify the quality of services provided by the schools from students' viewpoint as a customer.

DIMENSION OF SERVICE QUALITY

In the context of education in Malaysia, the measurement of service quality is crucial to provide conducive learning environment to the students. Many institutions have adopted 'quality' as a theme as they compete with each other (Annette, 2005). The term 'quality' is very broad in nature and it covers a broad number of concepts that must be researched. Thus, although some authors only analyse the teaching of the teachers as the determinant of quality, many authors analyse the overall experience of the students with the totality of services that institution offers (Hill, 1995; Joseph, 2005).

As mentioned earlier, most definitions of service quality were developed by understanding the customers (Galloway and Wearn, 1998), with customer satisfaction being seen as a function of perceived quality (Anderson and Sullivan, 1993), or perceived quality being a function of customer satisfaction (Parasuraman et al., 1988). Service quality, as perceived by customers, involves a comparison of what they feel the service should be (expectation, E) with their judgment of the service(s) they received (perception, P) (Lehtinen and Lehtinen, 1991; Parasuraman, 1985; Zeithaml et al., 1992).

SERVICE QUALITY MODELS

There have been five predominant measurement tools since 1991. These tools all differ in theoretical background, data collection, sample size dimensions and response. No one measurement tool has been classified as superior but applicability is determined by the final result and the industry that is to be investigated (Lagrosen et al., 2004).

The following are the five measurements tools since 1991:

1. *Two-way* – Applied latent evaluations factors based on the theory that service is evaluated by answers given by customers about 'objective' (quality attributes) and 'subjective' (satisfaction level). The survey was sent to 330 service providers including banks, restaurants, laundries and supermarkets.

2. *SERVPERF* (Cronin and Taylor, 1994) based their survey on the theory that service quality is evaluated by perceptions only and used two banks, pest control companies, laundries and fast food companies with sample size of 600. They also have used a seven-point semantic differential scale and utilised the same dimensions of the *SERVQUAL* study. The key differences were that only perceptions were evaluated.
3. *Normed quality* (Teas, 1994) was based on the theory that the problem for expectation runs to redefinition to calculate service quality and was conducted on three scale dimensions as *SERVQUAL*.
4. *Qualitometro* (Freneschini et al., 2004) is founded on the determinants of service quality. Customer expectations and perceptions are evaluated in two distinct moments. Quality evaluation is carried out by means of a comparison between quality and expectations and perception profiles. The study was conducted in a library facility, utilising a sample size of 100. It also deployed the same semantic scale and dimensions as *SERVQUAL*.
5. *SERVQUAL* developed to measure the service quality construct as defined by the service quality model and the extended service model. *SERVQUAL* is used to measure consumers' and service providers' expectations and perceptions. This approach enables the expectations and perceptions gaps to be assessed, while providing a measure of the service quality gap and the service delivery gap (Mangold and Emin, 1990). According to Parasuramsn et al.'s (1988) model, the gap between consumers' expectations and perceptions are a function of several other gaps in the service delivery process (Mangold and Emin, 1990). The original survey was based on two telephone companies, insurance companies and banks with a sample size ranging from 290–497. Parasuraman et al. (1991) utilised a seven-point semantic differential scale. The survey consisted of the following five dimensions: tangibles, reliability, assurance, responsiveness and empathy.

RESEARCH METHODOLOGY

This study can use both qualitative and quantitative techniques. The research design for this study consisted of six stages, exploratory research, research instrument construction, testing the research instruments, selection of participants and data collection methods, data editing and data analysis which are discussed as follows: Stage 1 *Exploratory research*: focus group interview will be conducted to determine the dimensions of service quality in institutions of higher learning. The items received from the students' feedback will be used as the base to conduct factor analysis to construct the dimensions of service quality. Different dimensions of service quality will be carefully named according to suitability.

Stage 2 *Research instrument construction*: questionnaire will be design from the dimensions developed through the factor analysis in stage 1. The questionnaire will be constructed using the *SERVQUAL* model which encompasses questions using seven Likert scale measuring the expectations and perceptions.

Stage 3 *Validity and reliability of research instruments*: this stage involved testing the validity and reliability of the research instruments developed in the earlier stage. A pilot

study will be conducted to confirm the research instruments validity and reliability before the main survey.

Stage 4 Selection of participants and data collection methods: this stage involved selection of participants, and sampling techniques used for the qualitative and quantitative phase of this study. The questionnaires will be distributed to students from all the private universities in Malaysia. Appropriate sample size can be chosen according to the nature of the target populations to minimise the sampling errors (Devlin et al., 2003).

Stage 5 Data editing: after data collection of the quantitative research, questionnaires will be edited to ensure completeness before data entry and analysis by using SPSS version 11 and above.

Stage 6 Data analysis: the seventh stage involved data analysis using selected statistical techniques. (Please refer to data analysis).

Research Design for This Study

A quantitative methodology can be used for this study. The study is exploratory/formulative and diagnostic in nature with an emphasis on discovery of insights and ideas. The scope of the study will be confined to selected private universities with appropriate sample size.

The questionnaire for this survey can be based on the Likert scale 1–7 that contains question on service attributes, grouped together into dimensions which developed from factor analysis through focus group interview.

Each dimension will be named according to the perception of the students on the quality of education provided by the private universities.

Research Framework

To measure the perception of the service quality, the following model will be used as the research framework (see Figure 1). The diagram indicates that this study uses two measurement tools to measure the quality of services provided by the school. The first tool is multiple regressions analysis and the second tool is gap analysis using SERVQUAL instrument modified from the Parasuraman et al. (1988) tool.

Multiple Regression Analysis

The objective to use this tool to identify the significances of the five dimensions on the quality of services provided by the private universities. The correlations between the dependent variable (service quality) and the independent variables (five dimensions) would reveal the importance and weightings of each dimension on the quality of services provided by the private universities. The weightings are essential for the research to draw conclusion on the seriousness or impact on schools for not fulfilling the service quality gap. This method of analysis also will enable the researcher to measure the service quality index of the private universities thus providing application value to the study. However, in this research, measurement of service quality index is excluded as it is not captured in the objective of the research.

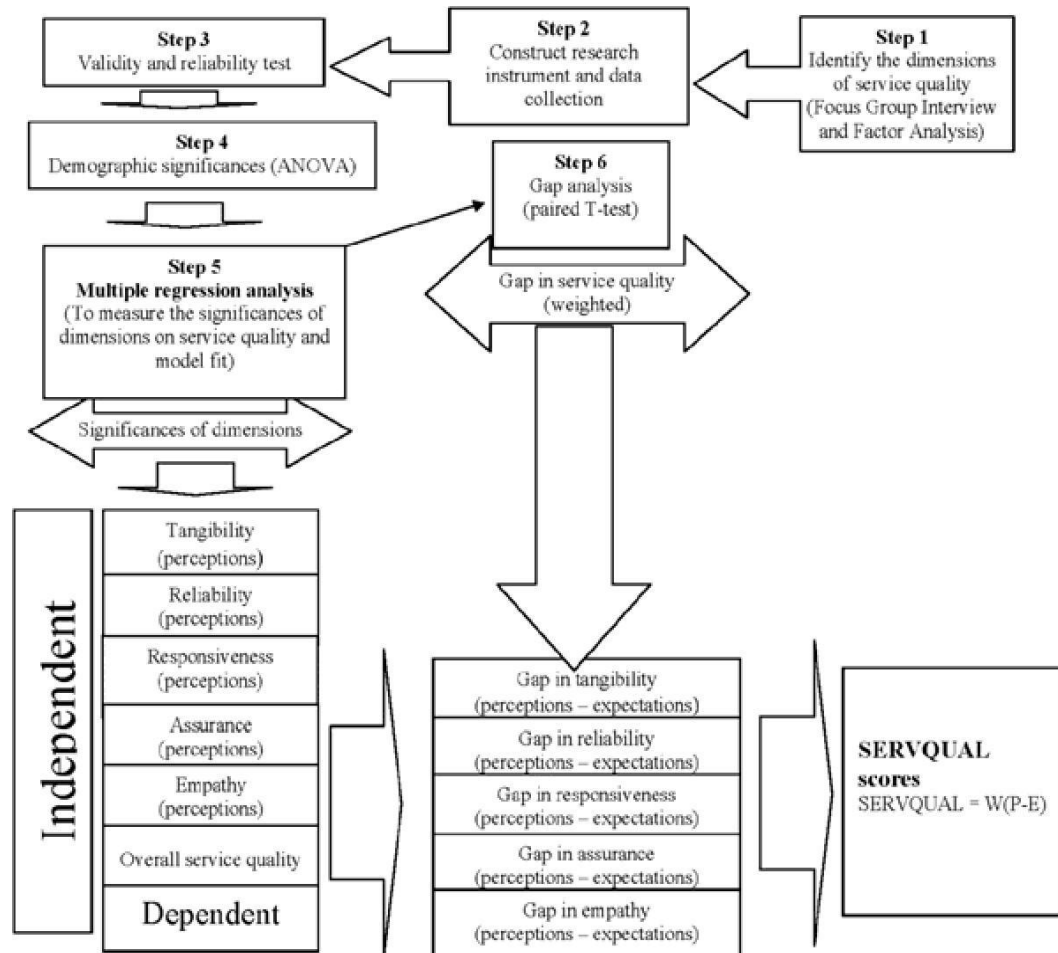


Figure 1 Research framework

To measure the perception of the service quality, the following model can be used as the theoretical framework:

Dependent variable Service quality of private universities (Y): ability to provide quality service

Independent variable Dimension 1 (x₀) + Dimension 2(x₁) + Dimension 3 (x₂) + Dimension 4(x₃) + Dimension n (x₄).

Other intervening variables such as family income, parent occupations, parent's education, number of siblings in the family, gender and other relevant demographic variables also can be incorporated in this study to understand the correlations with the dependent variable and independent variables.

Hypothesis for testing the model are as follows:

H₀ There is no significant relationship between service quality and dimension

1. H₀ There is no significant relationship between service quality and dimension 1
2. H₀ There is no significant relationship between service quality and dimension 2
3. H₀ There is no significant relationship between service quality and dimension 3
4. H₀ There is no significant relationship between service quality and dimension 4

5. H0 There is no significant relationship between service quality and dimension n.

Sample and Data Collection

A written questionnaire is considered an appropriate data collection instrument because it permits a large number of students to be surveyed in a brief period of time.

The researchers will distribute questionnaires to all the selected private universities. Students in year 1, 2 and 3 will be randomly selected to fill up the questionnaires. About 100 questionnaires will be distributed to each university covering all courses.

Questionnaire

The questionnaire comprise of three sections. The first section will cover the bio data of respondents, which includes gender, interested course of study, ethnicity, race and religion, parent's income, parent's occupation.

The second section of the questionnaire will include 25 items pertaining to their expectations using Likert scale 1–7. The third part of the questionnaire will indicate their perceptions of service quality which comprise of 25 items on perceptions and five items on overall service quality. However the items on the questionnaire will be adjusted according to the number of dimensions. At least an addition of five items is required to conduct the multiple regression analysis. Many researchers found that the Likert scale 1–7 is appropriate for this research as other service quality researchers commonly use this scale to measure the service quality of an institution [Parasuraman, (2002), p.23, p.58].

Data Analysis

The statistical analysis for conducting the analysis for student perceptions on the service quality is descriptive as well as inferential and includes multivariate techniques through correlation and variances analysis. Simple linear and multiple regression analysis also can be carried out, with overall perception of quality as dependent variable and other quality indicators as independent variables. The details are as follows:

The following tests will be conducted to analyse the data :

Multiple regression analysis

Multiple regression analysis is essential since this research includes four independent variables. The multiple regression models for this research are as follows:

$$Y = \beta_0 + \beta_1 x_1 + \beta_2 x_2 + \beta_3 x_3 + \beta_4 x_4 + \Sigma$$

where Y is the dependent variable, x_1, x_2, \dots, x_k are independent variables, $\beta_0, \beta_1, \dots, \beta_k$ are the coefficients and Σ is the error variable.

Note:

Dependent variable Service quality (Y)

Independent variable Dimension 1(x_1) + dimension 2(x_2) + dimension 3(x_3) + dimension 4(x_4) + dimension 5(x_5).

The following steps (McClave et al., 2004) will be adhered to conduct the multiple regression analysis:

1. Step 1 Hypothesize the deterministic component of the model. This component relates the mean, $E(Y)$, to the independent variables x_1, x_2, \dots, x_k .
2. Step 1 Hypothesize the deterministic component of the model. This component relates the mean, $E(Y)$, to the independent variables x_1, x_2, \dots, x_k .
3. Step 2 Use the sample data to estimate the unknown model parameters, Q_0, Q_1, \dots, Q_k in the model.
4. Step 3 Specify the probability distribution of the random error term, a and estimate the standard deviation of this distribution, σ .
5. Step 4 Assess the model's fit. Three statistics that perform this function are the 'standard error estimate, the coefficient of determination, t test' and the 'global F-test of the analysis of variance' (Keller and Warrack, 2006).
6. Step 5 Reliability and validity test

The researchers will conduct the reliability test on the mentioned model to measure the reliability of the overall statistical analysis. This concept of reliability considers whether the obtained results are stable indication of the student's perceptions on the quality of education provided by the schools. This test also will provide judgment on the accuracy of the measurements conducted on the student's perceptions. Further to that, the test also will indicate how much error there is the measuring instrument. The following reliability test will be conducted by the researchers:

Internal consistency method

Under this approach, data will be split into half to compute 'half-test scores', which then enter into the computation of a correlation coefficient. For each split, a different reliability coefficient might be obtained. Kuder and Richardson (2012) formulated measures of reliability that used item statistics, as opposed to part or total scores, as the basic unit of measurement. The result is a reliable estimate, which is equivalent to the average of all possible split-half coefficients. However, for this research, Cronbach' coefficient alpha will be used to test the reliability of the outcome by using SPSS software.

Validity analysis

Three separate types of validity are suggested as being necessary in any research:

1. content validity
2. construct validity
3. predictive validity.

The current study addressed content validity through literature review since content validity is concerned with how representative the scale or instrument represents the content of the property or characteristics being measured (Green et al., 1988). This study also will assess construct validity using factor analysis.

Gap analysis

The correspondence between the overall quality ratings and the SERVQUAL scores (obtained through the differences between students' expectations and perceptions) will be examined using paired T-test.

The following hypothesis will be tested to measure the differences (gap between expectations – perceptions):

Hypotheses 1

Hoa There is no significant difference in students' expectations of service quality when classified according to reliability.

Hab There is significant difference in students' expectations of service quality when classified according to reliability.

Hypotheses 2

Hoc There is no significant difference in students' perceptions of service quality when classified according to tangibles.

Had There is significant difference in students' perceptions of service quality when classified according to tangibles.

Hypotheses 3

Hoe There is no significant difference in students' perceptions of service quality when classified according to assurance.

Haf There is significant difference in students' perceptions of service quality when classified according to assurance.

Hypotheses 4

Hog There is no significant difference in students' perceptions of service quality when classified according to responsiveness.

Hah There is significant difference in students' perceptions of service quality when classified according to responsiveness.

Hypotheses 5

Hoi There is no significant difference in students' perceptions of service quality when classified according to empathy.

Haj There is significant difference in students' perceptions of service quality when classified according to empathy.

EXPECTED IMPACT OF SERVICE QUALITY RESEARCH ON PRIVATE INSTITUTIONS OF HIGHER LEARNING

1. assist the management of the private universities to understand the perception of the students on the quality of service provided
2. able to identify the areas to improvement the service quality offers
3. able to provide effective services to the students according to their preferences
4. improve the study environment in university

5. able to foster better understanding and relationship between the staff, teachers and students
6. to reduce complains on the area of service quality
7. to gain competitive advantage to attract students
8. to generate positive word-of-mouth
9. this research is expected to pave ways for future research in the area of service quality.

CONCLUSIONS

Many institutions are competing among each other to provide quality services to its customers. However, the objective of providing good services to the customers will not be achieved without measuring the perception of the customers. This study is expected to pave way for the researchers to conduct analysis on the quality of service provided by the private universities in Malaysia. The research instrument for this research was carefully selected after analysing the most common method adopted by the researchers. Service quality studies are getting very important for both commercial and non-commercial institutions to enhance their competitiveness.

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SUB THEME: PUBLIC ADMINISTRATION

**GOVERNMENT POLICY ON TOURISM GOA JATIJAJAR
EMPOWERMENT THROUGH PARTICIPATION IN THE VILLAGE
OF FATHER DISTRICT DISTRICT JATIJAJAR KEBUMEN**

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Abstract

Tourism is an activity that is related to travel to enjoy the tourist products or tourist attraction. In order for the tourists and the public to know and be able to enjoy a tourist attraction it is necessary to introduce measures to manage and the tourism objects, these activities include the improvement of tourism infrastructure. The purpose of tourism, which is to boost economic growth, improve people's welfare, eliminate poverty, unemployment, preserving nature, the environment and resources, to develop their culture, raised the image of the nation, fostering patriotism, meperkukuh identity and unity of the nation, and strengthen friendship between nations. The focus of study in this research focuses on the preposition: 1) Implementation of local government policy related to tourism should be supported by the community empowerment in the development of micro-enterprises, so that will have an effect on the improvement of the local economy; 2) sustainable empowerment will be able to reduce the level of structural unemployment; 3) The higher people's participation in managing the tourism object, the more positive social changes that occur in society. Contributions are expected from this research include able to contribute to the social studies teacher in Sleman district as an evaluation and get attention to improve their competence and learning in the classroom.

Keywords: tourism policy, community empowerment, and community participation

PRELIMINARY

Indonesia as a country that consists of thousands of islands and diverse natural beauty and inhabited by hundreds of tribes with diverse culture, actually has a huge potential to be developed, especially in the field of tourism. Tourism is an activity that is related to travel to enjoy the tourist products or tourist attraction. In order for the tourists and the public to know and be able to enjoy a tourist attraction it is necessary to introduce measures to manage and the tourism objects, these activities include the improvement of tourism infrastructure.

Indonesia's vast natural wealth with a variety of cultures, customs, and religion can certainly be utilized in the field of tourism as commodity sectors which is very good for the economy and as a second foreign exchange after petroleum and natural gas. Since 1978 the government continues to develop tourism in increasing foreign exchange earnings, expanding employment, and introducing the culture. Supervision and development of tourism carried out with due regard to the preservation of cultural and national identity. For

that we need to take steps and arrangements more targeted based on an integrated policy, among other areas of promotion, provision of facilities and quality, and a smooth service.

Currently the sector of tourism and culture in Indonesia, especially the Village Jatijajar District of Kebumen father has not run optimally. Yet this is very influential on the increase in the State's foreign exchange revenues and local communities. Kebumen district has many tourist attractions that have high potential to be developed well, and has been running for this like Goa Tourist attractions jatijajar. Although Kebumen has a number of potential natural and cultural reliable, but most have not been explored to the fullest. Many management of natural and cultural attractions in Kebumen can be seen from the state of infrastructure at various tourist attraction places incomplete and not well maintained.

The purpose of tourism is described in Article 4 of Law No. 10 Year 2009 on Tourism, which is to boost economic growth, improve people's welfare, eliminate poverty, unemployment, preserving nature, the environment and resources, to develop their culture, raised the image of the nation, fostering patriotism, meperkukuh identity and unity of the nation, and the friendship between nations. In the Minister Regulation No. 33 Year 2009 on Guidelines for Ecotourism Development in the Regions, which meant ecotourism is nature tourism activities in the area which is responsible with regard elements of education, and support for natural resource conservation efforts, as well as the improvement of local livelihoods.

Furthermore, it is known on the Company Law No. 10 Year 2009 on Tourism, that the development of tourism should be developed with the approach of economic growth and distribution for the welfare of the people and development oriented to the development of the territory, relying on the community, and empowering communities covering various aspects, such as human resources, marketing, destination, science and technology, cross-sector linkages, cooperation between countries, empowering small businesses, as well as the responsibilities dalam pemanfaatan natural resources and culture.

Seeing these potentials, the need for a proper marketing strategy so that goals and objectives can be achieved. However, as a tourist destination Kebumen has some weaknesses, so that tourists who visit are relatively small compared with other regions. Such weaknesses, including the access to tourist attractions, facilities are not good roads and less precise strategy of tourism promotion. Low tourists visit the attractions in Kebumen, caused by weak marketing system, and the participation of local societies have. Therefore, it is necessary to develop a marketing model objects and attractions and tourist facilities in an effort to increase the number of tourist arrivals in Kebumen district

According to Morrison (2002) describe marketing is a process that takes place continuously and sustainably, where the activities going on in it is to plan, analyze, implement, monitor and assess in a variety of activities designed to satisfy both the needs and desires of customers and organizational goals. In order for these activities take place effectively, the marketing effort requires everyone in an organization and can be made more or less effective by the actions of the completeness of the organization. In response to the various problems faced by tourism in Kebumen district, it is necessary to study to produce a

government policy synchronization with the participation of society, as well as strategies that can be used by tourism players in Kebumen in improving the quality of tourism services and the number of tourist visits.

LITERATURE REVIEW AND PROPOSITION

Understanding Public Policy and Community Empowerment

Before any further discussion of the concept of public policy, we need to mengakaji advance about the concept of policy or in English we often hear the term policy. In Big Indonesian Dictionary, the policy is defined as a series of concepts and principles are an outline and basic plan in the execution of a job, leadership, and how to act (on governments, organizations, etc.); statement of goals, objectives, principles and guidelines for the management in order to achieve the target. Carl J Federick (Leo Agustino, 2008: 7) defines the policy as a series of actions / activities proposed by a person, group or government in a particular environment where there are obstacles (difficulties) and opportunities to the implementation of the proposals of the policy in order achieve certain goals. This argument also shows that policy ideas involve behavior that has the intent and purpose is an important part of the definition of policies, however, because the policy should indicate what is actually done rather than what is being proposed in some activities on a problem.

James E Anderson (Islamy, 2009: 17) reveals that the policy is "a purposive course of action Followed by an actor or set of actors in dealing with a problem or matter of concern" (A series of actions that have a specific purpose followed and implemented by an offender or group of offenders in order to solve a particular problem). The concept of policy offered by Anderson, according to Budi Winarno (2007: 18) considered more appropriate for focusing on what is actually done and not on what is being proposed or intended. In addition, this concept explicitly distinguish between the policy (policy) decision (decision), which implies the selection among the various alternatives that exist.

Empowerment in the Indonesian language is a translation of "empowerment" in English. Empowerment as a translation of empowerment according to Merriam Webster in the Oxford English Dictionary contains two meanings: a. To give ability or enable to, which translates as provide skill or ability or allow it to. b. To give power or authority to, which means giving power. Webster (Roesmidi, 2006). Based on the above understanding research literature stated that the process of empowerment of containing two tendencies. First, with emphasis on the process of giving or divert some power, strength or ability of the community to individuals more empowered, which is the primary meaning of tendency. While the tendency of the second or secondary emphasis on the process of stimulating, encouraging or motivating individuals to have the ability or the empowerment to determine what became of his choice through a process of dialogue.

In the context of the construction of the term empowerment is basically not a new term but has often expressed since the awareness that the human factor plays an important role in development. Wasistono (1998: 46) has summarized the opinion of some experts about empowerment. According Carlzon & Macauley empowerment is "Freeing someone

from rigid control, and giving people the freedom to be responsible according to Wasistiono (1998: 46) empowerment can be divided into four different views of the goals and scope: a. Empowerment of the individual members of the organization or community members; b. Empowerment in teams or groups of people; c. Empowerment organization.

According to Pranaka in Sugiarti (2003: 187), the concept of empowerment is a concept that was born as part of the development of the minds of western society and culture that can be seen as part of the modernization of the system, and then applied to the world of power. In the dictionary Oxford English in Sugiarti (2003: 188), encountered the word "empower" which contains two meanings: (1) is a member of powers, transferring power or delegate authority to others to be empowered, and (2) is an attempt to give the ability or empowerment. Tend to be in the first process can be referred to as a primary tendency of the meaning of empowerment. While the second tendency is the tendency of secondary emphasis on the stimulation process, encourage or motivate individuals to own, train, and remind the ability or the empowerment to determine what became of his choice through a process of dialogue, strive and work.

Empowerment as a method that is able to change the perception of society so as to enable individuals to adapt to its environment. To raise awareness or motivation in a person will require intervention or stimulation that comes from outside, it is in because that person's desire to evolve or change the initial state is inseparable from individual abilities are determined by the level of education, skills, and experience of, the environment as well as the social and cultural context. Empowerment in the development process must contain two basic strategies that combine two objectives at once, namely growth and equity. In the contextual flow, toward empowerment efektif only if supported by two things:

1. Siding with the weak and their empowerment
2. Stabilization of autonomy and delegation of the winners in the management of Life.
3. Moderisasi by sharpening and strengthening the direction of change setruktur social and cultural ekinomi sourced on the role local communities.

Tourism development is mainly intended for people to be able to create jobs, be able to compete in an era of change and be able to maintain the values of religion and the preservation of local culture or region. In addition to the normative approach mentioned above, then tourism in Indonesia in the process of development and construction has four missions, among others (Muljadi, 2010: 26):

1. Empowerment and community participation in the development of tourism;
2. Utilization of culture for tourism in the interests of religion, education, science, economy, unity and integrity, as well as the friendship between nations;
3. Product development of environmentally sound tourism relies on the area's cultural, natural charm, excellent service and global competitiveness;
4. Human Resources Development of tourism healthy, noble and professionals who are able to take part in the international arena.

Proposition 1: Local Government Policy Implementation-related tourism should be supported by the community empowerment in the development of micro-enterprises, so that will have an effect on the improvement of the local economy.

Public Participation and Social Chang

Participation is an activity that is integrated within each individual in it there are roses emphasis to the stimulus received or perceived by the sensory organs of individuals and this process always takes place all the time, because of the participation it is an activity that is integrated, all existing within the individual like the feeling, the experience, the ability to think, the terms of reference, and other aspects that exist within the individual will contribute to the perception (Walgito, 2003). In the utilization of natural areas, ecotourism use approach to the conservation and utilization. Both approaches are implemented with emphasis on conservation than utilization. Another approach is the approach in favor of local communities to be able to maintain local culture and at the same time improving the welfare (Fandeli, 2000). Tourism can be utilized to drive change and animate life through job opportunities available, increasing revenue, and improving the quality of life (Baiquni, 2010).

The government's role in developing tourism in the outline are providing the infrastructure (not only in physical form), extending various forms of facilities, activities coordination among government officials with the private sector, the setting and the general promotion. The government must have the efforts to menatik community participation. Efforts include: Development of tourism products, tourism marketing and community development. (Spillane 1987: 116). Stenleny in Spillane (1987: 116), divides the guide elements of marketing into:

1. Free management (Product Mix), consumer or pengunjungmemerlukan types of tourism and travel means certain.
2. Guide the process of deployment (Distribution Mix), in the process of large lists different types of operation to bring consumers padaproduknya.
3. Free communication and lighting (Communication Mix), this dalamproses used several types of approaches, other tersebutantara approach: approach to Sales protion, yangbersifat Image Promotion approach, the approach through the provision jasapenerangan, guide services.

Participation of the community is key to the development of tourism, because of the success of tourism development is highly dependent on the positive attitude of society to the presence of the tourist attractions are concerned. Community participation in tourism can be divided into two, namely:

1. Participation in person, is a conscious community participation is geared for tourism development in mutual cooperation, the dramas show intentionally used in tourism attractions. During this most perceived, associated with the security community participation is completely awake. In particular, the security of the tourists that there had been no significant complaints.

2. Participation indirectly, a participation that inadvertently affect the development of tourism, for example, when a person or a community maintain a clean home. (Directorate General of Tourism 1985:5).

Furthermore, the successful development of a tourist place depends on the positive attitude of the population towards the existence of the tourist attractions are concerned. Participation of the community is key to the development of tourism so that will be established a strong cooperation. With the more advanced tourism objects, then from a variety of things to be constantly improved both physical and non-physical. Therefore, the local government needs to cooperate with the other parties, especially the people and work optimally in empower existing tourism objects.

There are a number of attractions in Kebumen, where Jatijajar Goa is one of the attractions are still to be excellent. Sightseeing is located 21 km southwest District of Gombong it every year crowded with visitors. Visitors who come in are very diverse, not always come from the people around Kebumen (Rusmim, 1991: 8). Not a few features that are offered from the tourism Jatijajar cave. Inside the cave there is an underground river that is still active. There are also two spring, the Spring Kantil and Spring Rose. In two spring that can be approached visitors it is still believed, that would wash the face with spring water can be ageless. The flow of water from the Spring Rose passing through a narrow hole through me outside the cave. However, on the basis of the Spring Kantil encountered narrow elongated hole, so that it should explore the cave through the dives. In addition to the two last spring, there are another two other spring, the Spring Jombor and Puserbumi, the spring is sacred, because when a certain person memmpunyai desires, with the offerings in the spring put it, it will be granted his prayer, therefore, to pass through the hall gua- cave, it must be with the permission of the manager.

Participation among fellow citizens or members of an association which dinamakannya parcipaon horizontal, and the participation of subordinates by superiors, among clients with a partner, or between society as a whole by the government, which is named vertical participation. (Taliziduhu Ndraha, 1987: 102). Public participation in the process of identifying the problem and the potential that exists at Heritage Goa Jatijajar. Participation is important are as follows: First, community participation is a tool to obtain information about the conditions, needs, and attitudes of the local community, without whose presence the development programs and projects will fail; second, that the public will trust the development program if they feel it would be to know the ins and outs of the project and will have a sense of belonging to proyektersebut; third, that it is a democratic right when people are involved in the development of their own communities.

Governments should increase cooperation with the community to the preservation of Goa tourism Jatijajar, so Goa Jatijajar attract more foreign and domestic tourists. People should not only maintain and conserve however, can be as a driver, implementing and promoting. The government here should participate as facilitators and appealed, gives support and shelter as well as supplying funds to the opening of the construction of facilities and infrastructure in order to improve the comfort of visitors Goa Jatijajar Kebumen.

Increased foreign and domestic tourists who flock to Goa Jatijajar automatically desperately needed better protection. Can the authors observe that existing safeguards in Goa Jatijajar still less than the security standards. Security is less than the standard it can be seen from the inside and the outside of Goa. Sides in Goa among others; the lack of lighting facilities such as lights Main risky and decorative lighting art element for the part that you want highlighted, yet the construction of anti-slippery floor and a handle that visitors can touch when walking around Goa Jatijajar for the safety of the end. Security is less than the standard of the outer side of Goa, among others, such as land for krang adequate parking area, lack of parking attendants who guide the vehicle to be parked as well as a vehicle seat the visitors. Yet many support staff as an information center, hooks, and security.

Goa tourism Jatijajar empowerment program can not be considered as expected because there are many issue that must be corrected ranging from physical and non physical aspects. The physical aspect is the environmental conditions around the inside and outside Goa jatijajar, either the leisure facilities of vision, sound, and a place to rest the visitors. Non-physical aspect here is how local communities and governments can work together to manage these sights so that management can be organized and structured. Regular and structured management is didini is keungannya, safety, comfort, and keindahannya. Management of regular and structured cooperation is required here and a strong commitment. Management of the structure is not quite the clever and strong human resources alone, but also human resources required an active, creative and innovative. So that participation could be established, the need for cooperation, such cooperation can be established between the community and the Department of tourism, the tourism office has made every effort to arouse or increase community participation in order to be invited for cooperation.

Proposition 2: Empowering sustainable will reduce structural unemployment

Social change as the social changes that occurred in the structure and functioning of society. Similar views were expressed by Wilbert Moore who saw social change as a change in the social structure, the interaction patterns of behavior and social. Meanwhile, According to Mac Iver, social change is the change in social relations or a change to the balance (Robert H. Laurer, 1993: 289). Every man for life must be changes. Changes can be either limited or broad influence, the changes are slow and some changes are going fast. Changes can be about values and social norms, patterns of organizational behavior, the structure of social institutions, the layers of society, power and authority, social interaction and so on. Changes that occur in the community is a normal phenomenon. Its influence can spread quickly to other parts of the world thanks to modern communications (Soerjono Soekanto, 2009: 259).

Social change has several characteristics, namely: a) The effect of the elements of material culture of the elements of the immaterial; b) The changes that occurred in the structure and functioning of society; c) changes in social relations (social relationships) or as a change to the balance (equilibrium) social relationships .; d) A variety of ways of life that have been received, either because of changes to geography, culture material,

composition of the population, as well as their diffusion ideology or new discoveries in the society; e) The modifications that occur in patterns of human life; f) All forms of changes in social institutions within a community, that affect social systems, including the values, attitudes and behavior patterns among groups in society.

Implementation of national development Among others include economic, legal, social culture. But the public has not fully prepared to accept the changes generated by social development the which leads to better cultural impacts are positive or negative. Influence Appears from the rapid development is the change of social culture that Occurs in traditional societies, the change from a closed society into a more open society, of the values that are homogeneous to the pluralism of values and social norms is one of the perceived impact Ahmadi as stated by Abu (2004: 14) "social and cultural change covers many areas of life and is a concern for all social institutions such as: industry, religion, economy, government, family, clubs and educational societies".

Principal happens to social and cultural changes resulting from changes in the rapidly growing today apart from the effects of development, as well as the penetration of culture from the outside that fit easily due to the development process itself. Among them is the process and the development of tourism in an area visited by many tourists. It has been realized that the practices of tourism, who see cultures (also natural), mainly as a source of commodities, it brings the effects that are not always positive. The positive impact that usually can be felt directly and immediately is in terms of economic benefits, as has been outlined in the Law On Tourism. 9 of 1990, namely the operation of tourism One of the goals is to increase local revenue in order to improve the welfare and prosperity of the people, is also trying to expand and equalize opportunities and employment as well as to encourage regional development.

It is proper for tourism can be an alternative for economic growth to such a source of income for each area that has the potential to host, in an effort to acquire or increase local revenue. but the real advantage is only a short-term gain. Perceived then is the bad impact, namely the existence of cultural expressions and used as the source of the commodity. Tourism that emphasizes economic approach tends to give a leading role in the government and owners of capital, and its purpose is also determined and especially for their interests. The role of the community is so low that they tend to appear submissive and did not have the initiative because it is placed as an object rather than as subjects.

Proposition 3 : The higher the participation of communities in managing tourism object , the more positive social changes that occur in society.

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THE BREAKDOWN OF MATERIAL REQUIREMENT PLANNING INPUTS FOR E-KTP READER IN A STATE OWNED ENTERPRISE

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Abstract

The purpose of this paper is to examine a business process, detect the problem faced in each division, and find the solution to be implemented in an Indonesian State Owned Enterprise. E-KTP Reader is chosen among various genuine products, because of its importance in helping the work efficiency in public services. As of 2011, Indonesian citizens have been using e-KTP as ID card, but the benefits of the card itself still hasn't maximized. Interviews are done with the stakeholders of the company. The result of the interviews will be referred as primary data and used to detect major problem in the company. After the root cause of the problem has been detected using CRT, company's historical data will be referred as secondary data, and will be used to generate a solution that could be implemented in the company. The unavailability of material planning is the root cause of the problems. Therefore, a proper material requirement planning inputs is needed for the company to make MRP for their production plan to meet target for this year. This research is only limited to e-KTP reader as one of the product in the company. The financial aspects will not be calculated in this paper, because the price of material and cost of production is confidential to the company. The material and suppliers name will also written in codes.

Keywords: Indonesia, inventory, management, material, MRP

INTRODUCTION

Kartu Tanda Penduduk (KTP) is an official identity card for Indonesian citizens, and issued at the age of 17 or by marriage. KTP have to be renewed every 5 years (UU no. 23/2006). Since 2010, Indonesian government planned to issues e-KTP as new identity card, and the progress itself started in 2011. E-KTP is a biometrics-based national identity card, by capturing fingerprint, iris, and face (Messmer. 2012). This plan was initially scheduled to be finished before President election in 2014 (Messmer. 2012), but postponed by the new Minister of Home Affairs to 2018 (Media Indonesia). For this project, Indonesia spent \$600 million for providing 172 million Indonesian citizens the new identity card, which will be used for many purposes, e.g. passport issuance, e-Voting, etc (Messmer. 2012).

The progress of issuing e-KTP reader varies across all cities in Indonesia. For example, as for January 2016, 1.7 million Surabaya citizens already owned e-KTP, while 20.000 has recorded and in progress, and 400.000 citizens still haven't recorded their data (Surabaya Tribun). Another example, in Jakarta as the capital city of Indonesia, 6.714.374 people from 7.142.952 citizens (approximately 94%) has e-KTP as their identity card (Berita Jakarta).

Based on official e-KTP website (e-ktp.com), the functions and purpose of e-KTP are: as a personal identity, valid nationally, prevent double KTP and KTP falsification, to

improve citizens data as a way to support national development, and it can be used as a voting card in e-Voting.

However, e-KTP reader also has weaknesses. In banking service, autograph is really important to verify the identity before transaction. If the autograph shown in e-KTP and in the check is different, the transaction cannot be proceeded. Some purposes of e-KTP need a card reader to decipher and read the chip. If the card reader is available at banking service, the customers only have to verify the ownership of the card by fingerprint.

Based on Surat Edaran from Minister of Home Affairs no. 471.13/1826/SJ (11 April 2013), all government offices and public services have to provide a card reader for e-KTP as soon as possible. BPPT (Badan Pengkajian dan Penerapan Teknologi) has designed the reader since 2011 and still improving it (e-ktp.com). The production of the card reader was scheduled to start in 2013, and all public services have to own the reader by the end of 2013 because the non-electronic KTP will be expired by January 1st, 2014 (e-ktp.com).

An Indonesian State Owned Enterprise (BUMN) was appointed as one of the maker of the reader. The launching time was in 2015, and by the end of 2015, the units sold of e-KTP was 7 units. Unfortunately, this fact is far from the expectation of Minister of Home Affairs that by the end of 2013, all public services have to own the reader. This research will analyze the root problems in the company, and propose a proper solution to improve and achieve their target.




LITERATURE REVIEW

E-KTP

From its official website (e-ktp.com), e-KTP is a citizenship document containing security system from both administrative view and information technology based on national population database. E-KTP issued by Indonesian citizen aged minimum 17 years old, or by marriage. Each citizen only allowed owning one e-KTP with Citizenship Registration Number printed on it. According to Law no. 23 (2006) section 13, Citizenship Registration Number is a single identity for each citizen and valid for a lifetime. This number serves as a basis for issuing passport, driving license, and other identity-related document. E-KTP is using biometric system through fingerprint for verification and validation. The data saved in e-KTP has been encrypted with cryptographic algorithms. The process of issuing e-KTP was done in domicile of the issuer. To make the process easier, the process can be done outside the domicile of the issuer without changing the elements since April 2016.

The differences between old KTP, national KTP, and e-KTP will be listed in the table1.

Table 1. The Differences between old KTP, national KTP, and e-KTP

Card	Characteristics	Technology	Verification	Picture
Old KTP (before 2004)	<ul style="list-style-type: none"> - Blank paper and plastic-laminated - The photo is glued manually - Signature - Data saved in computer - Valid only in issuing city/region. 	<ul style="list-style-type: none"> - Original stamp - Special serial number - Guilloche pattern in the blank - Only used for personal identity 	<ul style="list-style-type: none"> - Control and validation by RT/RW 	
National KTP (since 2004)	<ul style="list-style-type: none"> - The photo is printed on the card - Signature - Data saved in computer - More durable 	<ul style="list-style-type: none"> - Made from plastic - Special serial number - Guilloche pattern in the card - Only used for personal identity - Scanned photo and signature 	<ul style="list-style-type: none"> - Control and validation by RT/RW 	
E-KTP (since 2011)	<ul style="list-style-type: none"> - The photo is printed on the card - Data saved in computer - Valid nationally - Able to save data - Able to be scanned by the reader 	<ul style="list-style-type: none"> - Made from PVC/PC - Special serial number - Guilloche pattern in the card - Scanned photo and signature - Microchips as data storage 	<ul style="list-style-type: none"> - Control and validation by RT/RW - Multi Application - Cannot be duplicated - High reliability for the card validity 	

Card	Characteristics	Technology	Verification	Picture
		<ul style="list-style-type: none">- Saving biometric fingerprint as unique personal identification- Able to save all personal data needed for multi-application		

E-KTP Reader

The idea started in 2014, when Minister of Home Affairs issued a Surat Edaran about e-KTP reader. This device is a result of “pull-market” system, because currently there are no differences in usage between e-KTP and old KTP. It means that public services need a device to use the advantages of e-KTP over old KTP. E-KTP reader is a device to scan and read the data of Indonesian citizen via e-KTP. Currently, there are only two companies producing the reader. Generally, the functions of e-KTP reader are: reading e-KTP data (including name, place and date of birth, address, etc.) and verifying the e-KTP owner by scanning fingerprint to the scanner in the reader.

Material Requirement Planning

Material Requirement Planning is a computer-based production planning and inventory control system (Gallego. 2009) and used to assure that required materials are available when needed. It is suitable for a multiple items situations with complex bill of materials. The major objectives of MRP (Gallego. 2009) are: ensuring available material and component, keep the inventory as low as possible, and plan manufacturing activities, delivery schedules, and purchasing activities. MRP is performed to anticipate a customer order (future demand), therefore, it is using a push-view process.

To make effective MRP, operation manager needs to know: master production schedule, product structure records (bill of materials), and current inventory status (Gallego. 2009). Master production schedule is a schedule that specifies what is to be made and when it needed over a time period (Heizer and Render. 2014). Bill of materials is a list of components and their description such as lead-time and quantity per-assembly. Lastly, current inventory status contains all inventory status, including scheduling receipt and on-hand inventory (Gallego. 2009).

METHODOLOGY

Research Design

The type of this research is the standard research/application. The purpose of this research is to define a problem in a company, and then analyze the root cause of the problem. Then, a solution should be defined and recommend it to the company to decrease the gap between current situation and ideal situation. It analyzes a phenomenon in a real life context (Soy. 1997), which in this case is about material requirement planning for e-KTP Reader in a State Owned Enterprise.

Problem Identification

Problem identification was the early step of this research and done through field observation and interviewing relevant people to gather useful information and data regarding potential problem, that could be used as the topic of this research in the company. The preliminary interview was done with an Account Manager, who was a preceptor, and discussed about the products in the company with the problems each product faced in market. The problem that frequently arises in each product was about material planning, especially when the demand was not stable and the product was using import material. This research limited to discuss e-KTP reader.

Literature Review

After formulating the problem, the researcher made theoretical foundation in the research to provide broader overview of the topic. The theoretical foundation of this research was gathered from journals, books, and websites. The theoretical foundation was used as the base and reference of the research and as a tool to analyze and process the data gathered to propose a solution for the occurring problem.

Data Collection

The data gathered was gathered in approximately twelve weeks from March until May 2016. The methods used in this research are both qualitative and quantitative data. Therefore, the data for this research will be divided into two kinds of data, i.e. primary and secondary data. Primary data was gathered from field observation to the company and interview the people related to the product. Secondary data was gathered from company historical data as a supporting data to do the research.

Primary Data

To gather qualitative data, the methods used in this research were interview with stakeholders of E-KTP Reader and field observations to the company. The interview was done in unstructured interview and was done in working hour during a company. The data gathered from interview and field observation was primary data.

The interviews were done for approximately 30 – 45 minutes and took place in the company's headquarter. The first person was a staff from Account group. The topic of interview was about general information of the company, their products, and problem faced in the company. The result in the interview affected the object study of this research, which is e-KTP reader. The second person was Account Manager for e-KTP reader. The topic of this interview was about general information and the business process of e-KTP reader. In this interview, the detailed information about e-KTP reader was gained. The third person was a head of Production Division of e-KTP reader. This interview was done via e-mail, and the information gathered was general process in production division, including quality management. The fourth person was a staff from Material Management Division. The interviewee was explaining about the material procurement process for e-KTP reader, and the problems they faced because some of the materials were gained from another country (import). The fifth person was a head of module assembling (a sub-division of Production division). The information gained in this interview was about the number of products finished, and the time needed to assembly the modules. The sixth person was a head of Cost Control Division. The information gained was a detailed business process, the bill of materials for e-KTP reader, and the lead times of the materials before received by the company. From the last interview, the researcher concluded that the problem occurred because there was no material requirement plan for the production of e-KTP reader. To make sure that the data was valid, the researcher gave the interview transcript to be read again by the interviewer.

Secondary Data

The secondary data was a company historical data and gained while interviewing people. The data gained was an organizational chart, target market for e-KTP reader, bill of materials, and lists of lead times for materials.

Analysis and Data Processing

After gathered sufficient amount of data, the data was analyzed and processed. The detailed business process of e-KTP reader was drawn into chart. Current Reality Tree was used to analyze the root problems in the company based in several interviews from various divisions. After the root cause of the problem found, then the data could be analyzed to make a solution. The root cause of the problem was the unavailability of the material requirement plan for the production. Therefore a proper material requirement planning should be proposed as a solution for the company.

There are several methods for lot sizing material requirement planning for dependent material, i.e. Lot for Lot (LFL), Fixed Order Quantity (FOQ), Economic Order Quantity (EOQ), and Period Order Quantity (POQ). The order quantity for e-KTP reader materials were not fixed, therefore FOQ was not a suitable method for this company. The financial costs of the company, including holding costs, set-up cost, etc. was not revealed by the

company, because it was confidential data. So, EOQ and POQ cannot be used. Therefore, a suitable solution for the company was Lot for Lot techniques.

Main inputs to make MRP was gained from the interview, i.e. bill of materials, master production schedule, lead-time, and current inventory status. The MRP was made in Microsoft Excel, for 4 months period. The MRP schedule will be started from September 2016 until December 2016. The first step in making MRP was to choose the time-period for the planning. Since the objective of this research was to help the company achieve their 2016 target, the time-period chosen was 4 months. The second step was to write all the materials based on their levels in bill of materials. The materials in this research were divided into three levels. E-KTP reader itself as a finished product is level 0, level 1 were the modules as main parts of the device, and level 2 were the materials components for each module. The third step was to write down all the lead-time for each material and the suppliers. The last step was to actually make the MRP based on the lead-time and material quantity needed for each module.

Conclusions

After a proper solution is gained from data analysis, the last step was to conclude and give recommendation for the company. The conclusion was drawn to answer the research questions. Lastly, a recommendation for solution was proposed to the company to improves and helps them achieve their 2016 target.

FINDINGS

Business Process

The business process divided into two figures, in which Figure 2 is depicting the process from the start until material procurement, and Figure 3 depicting the process after the material has been procured and proceed to production process.



Figure 1. Material Procurement Process



Figure 2. Production Process

The process starts from account manager, who makes a business research before starting the production. The account manager also handle the customers directly which

means that they are the key of the production, because they are the one who determine the quantity of production. This quantity of production is called Pre-Order document. The Pre-Order document will be sent to Sales Marketing Support, and their job is to make a budget planning based on bill of quantity and other technical document. The other technical document includes: product design, test system, bad test, and list of material. In making technical documents, SMS is helped by Product Development. These documents are sent to Production and Operation who will releases purchase requisition in the system and job-order-letter. Material Management receives the purchase requisition and will checks the material balancing and then processing inventory receipt. The next division is logistic, which received the pre-order material based on specification and quantity and the one who will purchase materials from the suppliers. The logistic team itself divided into two, i.e. domestic purchase and international purchase (import). After the purchase has been made and the materials are delivered, the IGI (Incoming Good Inspection) will inspects the materials ordered, whether they are compatible with the specification or not. Material Management will create GR (good receipt) and Goods and Service Receipt Report (in Indonesian: LPBJ) for the materials that pass the inspection, and then record the stock in the system. Production division will then create a reservation in the system for materials based on production planning. The assembling process can be started after materials are received. The assembling process including: plotting, inserting, soldering, and testing. The finished product will be moved to quality control process. The first stage of quality control is the visual test by IGI, they will check the defect and specification of the finished product. The next stage is visual test from soldering process to know if there is any lack or excess tin. If there is any mistake, the product still can be reworked again to solve it. The last stage is function test. If the test turned out to be good, the product is passed quality control. Otherwise it will be repaired. If the product is cannot be repaired, it categorized as a defect product. The next process is packing, and they have to check whether the serial number is match with the packaging and the additional goods (manual book, warranty, etc.) are already included. After the production process is finished, they make Production Process Handover Report (Indonesian: STHP), and the product will be stocked in the warehouse.

Current Reality Tree

The undesired effects occurred in the company were launching postponement, and unable to make any progress for this year's target. The launching was postponed because there were no available products at the moment. The product was not finished on schedule because the Production division has to wait for material to be available, and this is also caused the production schedule is delayed and unable to make any progress for this year's target. The Production division has to wait for material to be available if required material has to be ready when needed, but the available material is not compatible with the required material. The available material is not compatible with the required material because the material procurement is not well scheduled. This is caused by the unavailability of MRP, because ideally, MRP schedules the best time to order materials. The unavailability of MRP is the

root cause of these undesired effects in the company. Below is the CRT derived from the undesired effects in the company.

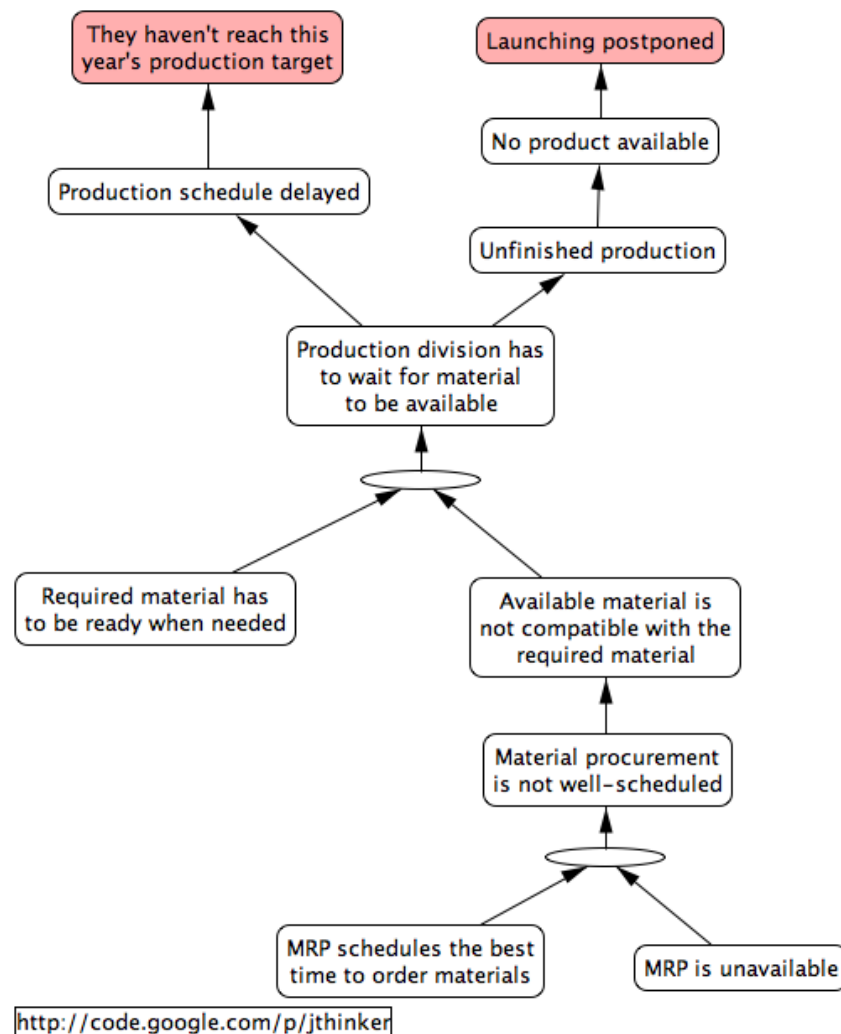


Figure 3. Current Reality Tree

Master Production Schedule

The company targeted to achieve 400 units of e-KTP reader by the end of 2016. The assembly process of the device takes 30 working days or 6 weeks, and the company has maximum capacity of producing 200 units per batch. The schedule will be started in September 2016 and ended in December 2016 for 17 weeks. By considering the time-bound of the schedule and the assembling time for the device, the production will be divided into 2 batches, in which each batches will produce 200 units of e-KTP reader. The first batch will be started in the 5th week (October 3rd, 2016) and finished by the end of the 10th week (November 11th, 2016). The second batch will be started in the 11th week (November 14th, 2016) and finished by the end of 16th week (December 23rd, 2016). The last week will be used as safety week, in case a late deliveries or delay occurred.

Table 2. Master Production Schedule

Week	1	2	3	4	5	6	7	8	9	
					Start					
Week	10	11	12	13	14	15	16	17		
	Finish		Start				Finish			

Bill of Materials

The bill of materials for e-KTP reader consisted of 3 levels, i.e. level 0, level 1, and level 2. Level 0 is the finished product itself, e-KTP reader. E-KTP reader composed of five main modules and 30 materials. These main modules and materials were called level 1. The five main modules constructed from smaller components, and these components for each module were called level 2. For privacy reasons, the company wished the material name to be kept as a secret. Therefore, in this research the material names were changed into codes.

E-KTP Reader composed of five main modules, i.e. Module A, Module B, Module C, Module D, Module E, and 30 materials (named Material F until Material AI). Module A constructed from 43 smaller components (Material A1 until Material A43), Module B constructed from 10 smaller components (Material B1 until Material B10), Module C constructed from 11 smaller components (Material C1 until Material C11), Module D constructed from 12 smaller components (Material D1 until Material D12), and Module E constructed from 7 smaller components (Material E1 until Material E7).

Table 3. Bill of Materials Level

No.	Level	Materials
1.	0	E-KTP Reader
2.	1	5 main modules and 30 other materials
3.	2	Components for Modules

Lead-Time

The lead-time for the materials varying depends on the kind of material and the supplier location. The company procured the materials from 7 main suppliers, 6 suppliers abroad and 1 supplier in Indonesia. For privacy reasons, the name of the suppliers will be written in codes. *LN 1* until *LN 6* represents suppliers abroad, and *Local* represents supplier located in Indonesia. The lead-time varies from a week until 4 weeks. Out of 113 components, 11 of them were procured in a week, 87 of them were procured in 2 weeks, 7 of them were procured in 3 weeks, and 8 of them procured in 4 weeks. To prevent any delay caused by lateness of material delivery, the materials that have very short lead-time (a week) will have additional 7 days. In generating the Material Requirement Planning, all materials procured abroad will be ordered and delivered at the same to reduce price and tax administration. The

lead-time to assembly the product after all materials were completed is 30 working days (or 6 weeks).

Table 4. List of Supplier and Lead-Time

No.	Supplier	Lead-Time
1.	LN 1	2 weeks and 3 weeks
2.	LN 2	3 weeks
3.	LN 3	3 weeks
4.	LN 4	4 weeks
5.	LN 5	4 weeks
6.	LN 6	4 weeks
7.	Local	1 week, 2 week, and 4 weeks

Current Inventory Status

The current inventory status for all materials is zero, because all of the materials have been used in previous production, which are 125 units for promotional tools and trials. Therefore, the MRP presented will have no on-hand inventory and the beginning inventory will be counted as 0.

DISCUSSION AND CONCLUSIONS

The problems are caused by the unavailability of the material planning. A forecast for e-KTP reader still cannot be generated because its lack of historical data, therefore, the bases of the production plan is the production target from Account Manager. It means that e-KTP reader is using push view process. This research discusses the components requirement, therefore, it is a dependent demand and MRP is the best method to make the inventory planning. To make the material planning that based on push-view and focusing on components requirement, a proper inputs should be made. The suitable method for MRP based on the data is lot sizing, because this research doesn't include any financial aspects due to confidential information.

For further research, a financial aspect might be applied to make a better solution. By including financial aspect, the methods for MRP could be compared to one another and therefore, the method with the lowest cost will be chosen.

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SEMANTIC NETWORK ANALYSIS OF CITIZEN REPORTS FROM INDONESIA'S NATIONAL ONLINE COMPLAINT AND ASPIRATION PORTAL, LAPOR!

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Abstract

In the era of open government, the Indonesian government with its Open Government Initiative focuses effort on establishing a more participatory democracy. LAPOR! is a national online aspiration and complaint portal set up to put the open government goal into practice. This research aims to provide a structural understanding of one of the practice of open government in Indonesia through a semantic network analysis of the Data gathered from LAPOR!. This research will explore how data gathered from the complaint portal can be (1) used to help identify the on-going issues primarily reported through the LAPOR's Ministry of Law and Human Rights domain, (2) understand the social relationship between the reported issues.

Keywords: Semantic Network Analysis, Open Government, Decision Making, Information and Knowledge Management

INTRODUCTION

Data has become one of the most vital component of our society's infrastructure. It will continue to be so, as the amount of the digital data increases exponentially overtime. This reality forces the overall conduct of society to gradually transform to accommodate the need of a more open and transparent community. In addition, a world of data influence everyone and everything within it to break out of their silos and live in a more collaborative fashion. The trend for data sharing and interoperability have inevitably outstretched its influence to the government sector and have challenged the very principle of how we run our democracy. As William Eggers described, the shift from industrial age to the information age has propelled governments around the world to transition into adapting a concept of open government (Eggers, 2004). A notion of government practices which embodies four key principles: accountability, transparency, citizen participation and technology and innovation.

This research will specifically highlight how the practice of open government can help promote mutual interaction between government-citizen for a better participatory democracy where more citizen inputs are catered for, thus leading to production of more citizen-centric government policy (Jun & Chung, 2015).

In 2011, Indonesia launched its first step towards the adoption of open government through an initiative popularly known as the Open Government Indonesia, in which the zeal for open government was rendered into several actionable government programs such as Open Data Indonesia, One Map Policy, Open Budget Index, LAPOR!, etc. As to focus on one government program that will best represent the aim of this research, a study will be

conducted to further evaluate the current process of LAPOR!, Indonesia online aspiration and complaint portal.

This study aims to provide a structural understanding of one of the practice of open government in Indonesia through a network analysis of the Data gathered from the online complaint and aspiration portal LAPOR!. This research will explore how data gathered from the complaint portal can be use to help identify the on going issues primarily reported; understand the social relationship between the reported issues; and help map out and recommend priorities in addressing the issues

LITERATURE REVIEW

The Challenge of Modern Policy Making

The world is faced with constantly changing realities that offers new sets of problem to be solved. Its nature is more complex as they involve greater aspects coverage, demands urgent resolutions and occur within boundaries of limited world resource. The theory of wicked policy problems, explained how policy making challenges have drastically change as society became more pluralistic, and that a new method of approach is required to address them (Rittel and Webber, 1973). The term “wicked” is used to describe the condition of today policy making challenge that is characterized by the lack of distinct definitions and objectives as the number of influencing variables increase. This circumstance presses for new approach to confront modern policy problems, one that includes intensive consultation among stakeholder in order to synthesize problem framing and sophisticated mathematical analysis to read necessary information (Ferro, Loukis, & Charalabidis, 2013)

Today’s policy processes are often scrutinized under the intricate disposition of the constellations in which it belongs to. Various literature sources stress how the challenge of complexity of policy making can be confronted by horizontal policy approach – in which Longo describes as an approach that includes knowledge sharing, collaboration, and the utilization of social networks and computer-supported collaborative policy analysis (Longo, 2013). Although the context of what he discusses is limited to the exertion of policy process within internal formal government, the notion that horizontal approach can and should be initiated as a mind-set to perceive government’s external actors. Discerning even individual citizen as pivotal part of the process.

The collaborative nature of the web and the advancement of ICT has enabled government to conduct social listening – the monitoring of ideas and sentiments of citizens engaged in the web – and construct various platform of engagement to directly embrace outside stakeholder in the policy process, albeit mostly only the formulation process. LAPOR! is one good example of Indonesian government attempt to create platform for citizen to reveal on-going problem happening in their life and for government stakeholders to directly communicate with citizen in regards to the problems happening in their units.

However, often times, stakeholder consultation stage produce data that are too large to be manually interpreted. Especially in the case of citizen-government (or generally government-ecosystem stakeholders) interaction, exchanges may result in the production of

big data, data that are random and large in number. For this reason, mathematical analysis needs to be carried to interpret necessary findings related to problem solving. Many research has been conducted to offer possible ways of bridging information and knowledge demands to its practical use to interpret data and assist decision making by making use of information system as a science. This research in particular offers semantic network analysis as one usable tools in processing ‘consultation’ data from LAPOR! into meaningful information that could directly be used for policy reference.

Lapor!

LAPOR! is a national online aspiration and complaint portal set up to put the goal of increasing citizen engagement in government processes into practice. There are as much as 500 complaints filed on average per day directed to institutions and local government across the country. Reports are inputted through their official website and mobile messaging service and will directly be transferred to relevant government institutions in charge of handling the problems.

Currently, data/report processing and analysis are not the main focus of LAPOR!, however, basic analysis (both manual and automatic) are still carried out. LAPOR!’s internal computerized system processes report statistics and provides visual interpretation of the reports approved. The statistics presents information such as total report input per institutions/work unit, number of report per available word tags; institutions/work unit performance based on the process status (unprocessed, process, solved); etc. Statistics as previously mentioned provide basic information adequate for institutions to monitor work performance of their work units, specific to their responsibility in taking care of citizen complaints. Other than this, LAPOR! current system also provides basic information and attributes of the report filed in form of reports trends, geographic analysis, and categories of report. However, the current in-system statistical depictions are not enough to conclude or show any significant information for policy reference or practice improvement.

METHODS

Data

Data gathered for the research are historical data in the form of complaints and aspirations imported from LAPOR!’s Ministry of Law and Human Rights disposition tab, spanning from April 2016 to July 2016. Data are reports filed and disposed to Ministry of Law and Human Rights. The ministry is chosen with consideration of their high rate (91%) of case resolution. Institution with high resolution percentage is chosen because it indicates that the institution is active and can best provide real time data of citizen report. In total there are 200 reports data used for analysis.

Due to the variety of data accumulated by LAPOR!, a data cleaning process were manually executed to standardized data. The standardization procedure ensure that data used in the research adheres to the Indonesian formal spelling as is fixed in the KBBI (*Kamus Besar Bahasa Indonesia*, or the Indonesian official dictionary). In overall, this proceeding

will undertake similar process of automatic data normalization that includes case folding, spelling normalization, and filtering process. In the filter process, non-alphabetic symbols along with several type of word (adverbs, pronouns, preposition, articles, conjunction, and particles) were removed. After data are normalized, each report (will be referred to from here on as “cases”) are coded into coding group belonging to different categories.

Semantic Network Analysis

Semantic network analysis is a series of analysis used to map and measure the relationship between words within a measured corpus. Much like social network analysis, semantic network treats words as nodes and co-occurrence ties as social relationship linking those words. By observing the relational construct between words, this research attempts to unearth the trends of issues among the report data used and their centrality in the overall networks. The statistical techniques used will cover: the term frequency-inverse document frequency, construction semantic matrix of similarity and semantic network, hierarchical clustering, and degree centrality measurement.

Term frequency-inverse document frequency (TF.IDF)

TF.IDF measures the importance of a term relative to a document or a collection of documents. The basic understanding of term frequency is when within a document or any measured textual data scope a query term is mentioned numerous times, the likelihood of the term to have more relevance to the measured textual data scope. However, measuring relevance by term frequency alone would be feeble if one does not consider its inverse document frequency. A collection of documents containing the topic of human anatomy almost always will have the word “human” in each document. Measuring term frequency alone would be insufficient as the TF measurement treats all term as equally important. Inverse document frequency serves as a mechanism to debilitate the effect of a query term occurring too much in the measured collection of documents.

TF.IDF (Term Frequency Inverse - Document Frequency) is measured:

$$tf.idf_{t,d} = tf_{t,d} \times idf_t$$

Similarity Measures

Similarity statistics illustrate the relationship between words by examining the count of ties a node (in this case, a keyword) has that are similar to those of other nodes (in some types of similarity matrices, the values within the cells are represented in percentage). In the case where network is scattered, it would be quite a predicament to distinguish structural equivalence. The Jaccard coefficient approach is to calculate the number of times that both nodes record a tie to another node (a third node).

Similarity measures recorded in a symmetrical matrix of similarity will be used for hierarchical clustering and semantic network analysis.

Hierarchical Clustering (Dendogram)

Hierarchical clustering will be presented with a dendogram, a diagram that represents similarity between entities. Dendogram can be used to measure similarity between any entity. In this case, this research takes a lexomic approach and will try to measure the similarity between words (with the parameter of occurrence) to further explain the relationship between the coding and chosen keyword complaints or aspirations reports that has been chosen based on their relevance (measured with TD.IDF) by grouping them into clusters of issue.

Degree Centrality Measurement

Degree calculation measures centrality by the amount of connection a word has with other words. A word is seen to have a central presence within a network when its connectivity with other words in network is high. By measuring degree centrality, this research will try to understand which issues is considered most central.

DATA ANALYSIS

Data analysis will be divided into two main segment which will cover the analysis of Ministry of Law and Human Rights' cases coding (overall) and cases belonging to The Department of Immigration category.

Code Analysis

Coded Data Distribution

Table 1. Coded Case Distribution

Category	Count	%Count	Cases	%Cases
Department of Immigration	194	76.08%	186	75.30%
Ministry of Law and Human Rights (general)	11	4.31%	11	4.45%
Department of General Law Administration	15	5.88%	15	6.07%
Department of Civic Affairs	28	10.98%	28	11.34%
Ministry of Law and Human Rights Branch Office	3	1.18%	3	1.21%
Institution of National Law Assistance (BPHN)	1	0.39%	1	0.40%
Department of Intellectual Property Rights	2	0.78%	2	0.81%
Special Cases Ministry of Law and Human Rights	1	0.39%	1	0.40%
Total	255	100.00%	247	100.00%

As shown in table 1, there are 8 categories of code and within each of them, contains different number of code groups. All 200 cases were coded with at least one code per case. There are cases that contains more than one code and segments within cases sometimes are coded more

than once into different coding groups. The table reveals that 75.3% of the cases are coded as “Department of Immigration”, while the remaining 24.7% are distributed within the other 7 code group. Based on this findings, this research will proceed later in the next analysis segment, with only processing to analyse data that are coded as the “Department of Immigration” as the other coded group are deemed as having too little data to be properly analyse.

Hierarchical Clustering of Code

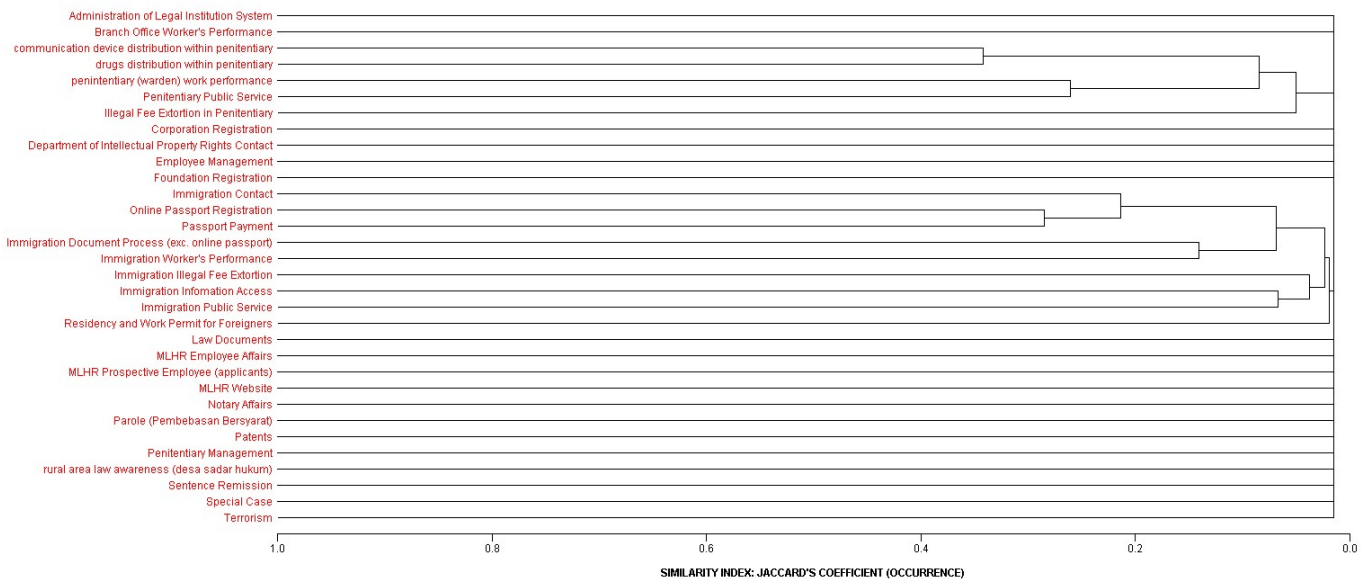


Figure 1. Dendrogram of Code

The figure 1 shows the hierarchical clustering of the case coding, represented in dendrogram. Clustering is done by examining coding co-occurrence within cases using Jaccard’s coefficient. The dendrogram reveals that out of the 31 codes, there are 19 codes whose distribution within cases are substantially different and thus, does not intercede with each other. Among these are cases coded with: Terrorism, Special Case, Rural Area Law Awareness, Penitentiary Management, Patents, Parole, Notary Affairs, Ministry of Law and Human Rights (MLHR) Website, MLHR Prospective Employee, MLHR employee affairs, Law Documents, Foundation Registration, Employee Management, Department of Intellectual Property Rights, Corporation Registration, Branch Office’s Workers Performance, and Administration of Legal Documents System. Although, some of the mentioned code are listed within the same category they do not seem to have ever been coded within the same case, indicating absence of potential relation. However, it is important to note that within some of the coding group (refer to Table 1A Appendix) only consist of very little amount of data. This render any effort to make conclusion based on this inadequate. More can potentially reveal more relationship between coding group of the same category.

In the other hand, the dendrogram also reveals two main clades that elucidate relationship between the other 12 codes. On brief observation, it is reveal that the two clades illuminate coding relationship between two separate categories, that is codes within

Department of Immigration and Department of Civic Affairs. Within the Department of Civic Affairs branch, it is seen that Drugs Distribution Within Penitentiary is most similar to Communication Device Distribution Within Penitentiary (Cluster I), and although their distance is quite great, they appear to be the pair with the shortest distance relative to other pairs of code. This shows that the two codes are the ones that are mostly likely to appear together within a case. The next pair of code arranged next to the cluster I are Warden's Work Performance and Penitentiary Public Service (cluster II) displaying similar relationship as cluster I but with a slightly higher degree of dissimilarity. Cluster I and II formed another clade that reveals that Drugs Distribution Within Penitentiary and Communication Device Distribution Within Penitentiary along with Warden's Work Performance and Penitentiary Public Service share a similarity relationship. A conclusion can be made that if coding represents issues, issue relating distribution of drugs and communication device within prison cells may well be related to issue regarding prison's warden work performance (be it negligence or voluntary cooperation) and penitentiary public service. Moving on from that, it is depicted that cluster III (a clade branching out to cluster I and II) connects to the code Illegal Fee Extortion (cluster IV), although the similarity degree is very low. This shows that even though cluster III and IV is somehow similar, the distribution of Illegal Fee Extortion is essentially different. In spite of the fact that the result may have appear to be this way due to the lack of cases measured within the Illegal Fee Extortion code.

The second main clade illustrated is one that likely has to do with Department of Immigration category. It is revealed that Online Passport Registration and Passport Payment (cluster V) are has the shortest distance of similarity, and is also part of a bigger cluster along with Immigration Contact (cluster VI). From this finding, it could be said that a report filed regarding online passport registration also reports problem regarding passport payment, and that reports containing both issues will also likely to contain problem relating to immigration contact. Moving upwards, cluster VI seems to be a part of another bigger clade of cluster VIII, where it is grouped with cluster VII. A clade that branches to the code Immigration Document Process (excluding online passport) and Immigration's Worker's performance. Their distance of similarity is quite far, so the conclusion that both issues are likely to be reported together is feeble. The similarity that cluster VI and VII share is also depicted with a very long branch, indicating that it would be inappropriate to come to any conclusion expect that the two cluster are somehow similar to each other. Other cluster similarity relationship (cluster, VIII, IX, X and XI moving top to bottom, left to right) are almost insignificant as their distance is extremely long. However, they are all revealed to be part of the same category, which is the Department of Immigration.

Department of Immigration's Cases Analysis

As has been mentioned previously, this research will conduct a categorical data analysis for the category with the most significant portion of cases. Coded data distribution table shows that 75.4% of the cases are coded into Department of Immigration category. Therefore, this section will elaborate the findings discovered when keywords of cases within the Department

of Immigration category are used as a measured corpus (collection of cases). There is a total of 5,655 words with 941 word forms. However, to simplify the analysis process this research will look at word with different re-occurring frequency, meaning only some percentage of the total words will be relevant for further discussion depending on stages of the analysis. The cut is decided by simply iterating the word cutting process until a dominant pattern can be interpreted.

Term Frequency – Inverse Document Frequency (TF.IDF)

LAKU, BAYAR, PASPOR, IMIGRASI, MOHON, PROSES, DATANG, KANIM, ONLINE and BANK appears to be the top ten most relevant words within the Department of Immigration category (refer to table 2A in Appendix). Ranging from 67.8 as the highest score to 46.9 as the lowest score out of all the ten keywords. The finding of relevant keyword would serve as a primary datum to further interpret possible issues. A more comprehensive interpretation can only be drawn when the relationship (similarity or distance) between these high-scoring keywords with each other or with keywords of lesser relevance is revealed.

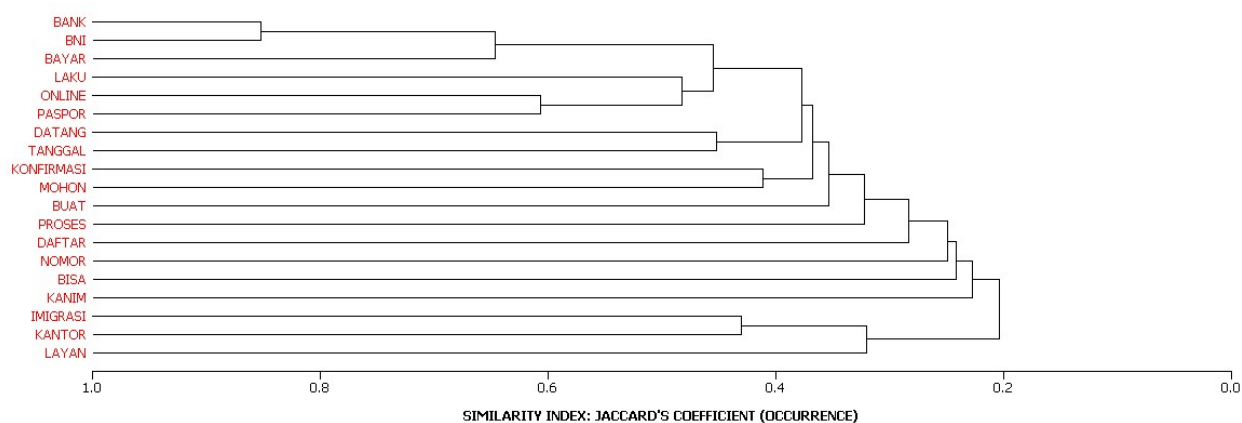


Figure 5 Department of Immigration Dendrogram

Figure 2 displays that BANK and BNI ranks first as the pair of word with highest degree of similarity. The word BANK is highly likely to occur along with the word BNI within a case, as their degree of similarity is high, 0.854, BANK BNI (Cluster 1) will be referred together from here on as a cluster of their own to signify a new and separate concept, as opposed to valuing them with individual meaning (BANK and BNI). The cluster BANK BNI (Cluster I) is apparently shown to share a close similarity with the word BAYAR, with degree of similarity of 0.644, forming a new cluster of BAYAR BANK BNI (Cluster II). The formation of this particular cluster has generated BAYAR BANK BNI (loosely translated to Bank BNI Payment) as the first observable issue within Department of Immigration. Among the three words of the first determined issue, only one of the word (BNI) are not part of the top ten highest scoring TD.IDF calculation, this helps draw the assumption that the absence of the word BNI would not significantly alter the substance of

the determined issues. BAYAR BANK BNI and BAYAR BANK would more or less imply to similar context.

Right below Cluster II, it is displayed that the pair with the next closest degree of similarity is ONLINE and PASPOR, forming a cluster of ONLINE PASPOR (Cluster III) with degree value of 0.604. Cluster III is then followed by the formation of Cluster IV, where with degree value of 0.477 it unites with the word LAKU, making a LAKU ONLINE PASPOR cluster. All three words are within the top ten high scoring TD.IDF list, making the relevance of all word almost equally significant. This cluster, LAKU ONLINE PASPOR (literally translated to online passport perform or loosely interpreted as online passport) can also be determined as an observable issue it its own.

Figure 2 continues to display the relationship between the two determined issue Payment Bank BNI (1) and Online Passport (2). Cluster II and Cluster IV forming Cluster V indicates that report about online passport has 44.9% likelihood of occurring together with reports about Bank BNI payment, almost half of the time. In practice, payment at Bank BNI is one of the procedure of online passport application, this finding shows that within the process of online passport application payment process is one of the frequently reported issues (keep in mind that this research does not inquire the sentiment of the report and merely dismantle the extend of similarity and likelihood of co-occurrence of the reported issues).

The rest of the Dendogram further reveals the relationship between other words, so far, it can be seen that DATANG is paired with TANGGAL (Cluster VI) with degree similarity value of 0.446, MOHON with KONFIRMASI (Cluster VII) with degree similarity value of 0.404, and IMIGRASI with KANTOR (Cluster VIII) with degree similarity value of 0.42. Among these clusters, DATANG TANGGAL seems to be the pair arranged closest to Cluster V (Cluster IX). Indicating that DATANG TANGGAL (loosely translated and interpreted as visitation date (3)), another determinable issues shares 37% likelihood of being reported together in reports in which issues of online passport and Bank BNI payment are co-occurring. Apparently, in practice visitation to immigration office for interview and photoshoot session is also a part of passport application process, and the visitation date is sent to applicant through email only after payment via bank transfer has been confirmed. This fact is enforced by the finding that MOHON KONFIRMASI (loosely translated into confirmation plea (4)) comes next in the arrangement, displaying 36% of similarity with Cluster IX (Cluster X), determining another observable issue reported. In summary, Cluster X can be said to contain mostly issues regarding general passport application procedure.

The next few branches do not seem to lead to potential issue revelation as a degree of similarity and therefore will not be included in the analysis. In the lowest part of the diagram, another Cluster VII (KANTOR IMIGRASI, loosely translated and interpreted as Immigration Office) is seen to have connect itself with the word LAYAN (service). As the combination of words produce in this cluster create a new context when used together (Immigration Office Service (5)), this will be determined as another observable issues. However, table 3A (Appendix) shows that there is only 19.3% likelihood that report containing immigration office service will occur together with report of passport application

procedure which also at the same time discuss online passport, bank payment, visitation date, and confirmation plea. This makes sense as have been hinted by the Dendogram arrangement, IMIGRASI KANTOR LAYAN are located in the furthest bottom of the diagram, signifying their substantially different distribution within cases.

Semantic Network of Similarity

Figure 1A (Appendix) shows that BAYAR BANK BNI and LAKU PASPOR ONLINE are example of clusters connection that are not only highly similar in terms of their likelihood of co-occurring together but also in their connectivity pattern with other words. The fact that the two cluster is positioned relatively central may indicate that they are indeed central issues within the network. To confirms this, this research continues to evaluate each word's degree and eigenvector centrality which confirms the most central issue reported within the Department of Immigration is Payment Bank BNI (represented by the words BAYAR BANK BNI), followed by Online Passport, Visitation date and Plea for Confirmation (refer to Figure 2A, Appendix for centrality value)

CONCLUSION

Case distribution and issue trends within Ministry of Law and Human Rights

There are two noteworthy discoveries uncovered from the code analysis. Firstly, it is found that the distribution of reports directed to Ministry of Law and Human Rights from LAPOR! is concentrated within the domain of work of Department of Immigration (75.3%). Based on the hierarchical clustering analysis of cases coding, relatively significant degrees of similarity of code co-occurrence between the code: online passport registration, passport payment, immigration contact were discovered. It shows that reports filed to Ministry of Law and Human Rights regarding online passport registration are also likely to report issue regarding passport payment 27% of the time. While reports containing both issues will also 20.2% likely to contain problem relating to immigration contact.

Secondly, although with significant difference, the next densely populated codes are within the domain of work of Department of Civic Affairs (11.34%). It is uncovered that among codes within Department of Civic Affairs, visible degree of similarity of code co-occurrence are found between the code: drugs distribution within penitentiary, communication device distribution within penitentiary, warden's work performance, and penitentiary public service. It is interpreted that reports filed about drugs distribution within penitentiary are also 33.3% likely to mention about communication device distribution within penitentiary. While reports containing both issues will 7.71% likely to report warden's work performance and penitentiary public service.

Although code analysis is able to expose the concentration pattern of cases within Ministry of Law and Human Rights and the relationship between some of the codes, it was not able to give representative statistics that allows conclusion of trends of issue to be drawn directly. This is due to the fact that not enough cases were analysed. The analysis will

produce better result by showing greater degree of issue variety and a more precise similarity relationship measurement, if the number of cases measured are increased.

Trend of Issues and Structural Construct of Issue within Department of Immigration

The category with the most dominant case distribution was used for further analysis in order to reveal a more statistically precise result in determining trends of issue reported to Ministry of Law and Human Rights. Department of Immigration was chosen as it displays the highest percentage of case concentration. The hierarchical clustering analysis conducted reveals that there are 5 observed issues within Department of Immigration which varies in level of significance, the issues are: (1) Bank BNI Payment, (2) Online Passport, (3) Visitation Date, (4) Plea for Confirmation, (5) Immigration Office Service. Using the visualization of similarity network and the calculation of degree centrality to explore the structural construct of the similarity network, this research is able to conclude that the most central issue reported within the Department of Immigration is Online Passport and Payment Bank BNI.

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APPENDIX

Table 1A Full Category and Code List

Category	Code	N	% Codes	Cases	% Cases
Department of Immigration	Online Passport Registration	65	25.70%	62	31.00%
Department of Immigration	Immigration Worker's Performance	9	3.60%	9	4.50%
Department of Immigration	Immigration Contact	22	8.70%	21	10.50%
Department of Immigration	Immigration Document Process (exc. online passport)	36	14.20%	34	17.00%
Department of Immigration	Passport Payment	27	10.70%	26	13.00%
Department of Immigration	Immigration Information Access	1	0.40%	1	0.50%
Department of Immigration	Residency and Work Permit for Foreigners	8	3.20%	8	4.00%
Department of Immigration	Immigration Public Service	19	7.50%	18	9.00%
Department of Immigration	Immigration Illegal Fee Extortion	5	2.00%	5	2.50%
Ministry of Law and Human Rights (general)	MLHR Website	6	2.40%	6	3.00%
Ministry of Law and Human Rights (general)	MLHR Prospective Employee (applicants)	1	0.40%	1	0.50%
Ministry of Law and Human Rights (general)	Terrorism	1	0.40%	1	0.50%
Ministry of Law and Human Rights (general)	MLHR Employee Affairs	2	0.80%	2	1.00%
Department of General Law Administration	Foundation Registration	6	2.40%	6	3.00%
Department of General Law Administration	Administration of Legal Institution System	1	0.40%	1	0.50%
Department of General Law Administration	Notary Affairs	3	1.20%	3	1.50%
Department of General Law Administration	Corporation Registration	2	0.80%	2	1.00%
Department of General Law Administration	Law Documents	3	1.20%	3	1.50%
Department of Civic Affairs	drugs distribution within penitentiary	4	1.60%	4	2.00%
Department of Civic Affairs	penitentiary (warden) work performance	5	2.00%	4	2.00%
Department of Civic Affairs	communication device distribution within penitentiary	4	1.60%	4	2.00%
Department of Civic Affairs	Sentence Remission	4	1.60%	4	2.00%
Department of Civic Affairs	Penitentiary Public Service	1	0.40%	1	0.50%
Department of Civic Affairs	Penitentiary Management	5	2.00%	5	2.50%
Department of Civic Affairs	Parole (Pembebasan Bersyarat)	2	0.80%	2	1.00%
Department of Civic Affairs	Illegal Fee Extortion in Penitentiary	4	1.60%	4	2.00%
Ministry of Law and Human Rights Branch Office	Branch Office Worker's Performance	2	0.80%	2	1.00%
Ministry of Law and Human Rights Branch Office	Employee Management	1	0.40%	1	0.50%
Institution of National Law Assistance (BPHN)	rural area law awareness (desa sadar hukum)	1	0.40%	1	0.50%
Department of Intellectual Property Rights	Department of Intellectual Property Rights Contact	1	0.40%	1	0.50%
Department of Intellectual Property Rights	Patents	1	0.40%	1	0.50%
Special Cases Ministry of Law and Human Rights	Special Case	1	0.40%	1	0.50%

Table 2A TF.IDF Table (Words with Min. Frequency 45)

WORD	FREQUENCY	% TOTAL	NO. CASES	% CASES	TF • IDF
LAKU	139	2.46%	65	32.50%	67.8
BAYAR	127	2.25%	59	29.50%	67.3
PASPOR	219	3.87%	103	51.50%	63.1
IMIGRASI	119	2.10%	65	32.50%	58.1
MOHON	88	1.56%	45	22.50%	57
PROSES	74	1.31%	39	19.50%	52.5
DATANG	81	1.43%	48	24.00%	50.2
KANIM	68	1.20%	37	18.50%	49.8
ONLINE	103	1.82%	67	33.50%	48.9
BANK	65	1.15%	38	19.00%	46.9
BUAT	80	1.41%	52	26.00%	46.8
KANTOR	54	0.95%	29	14.50%	45.3
NOMOR	52	0.92%	28	14.00%	44.4
DAFTAR	62	1.10%	39	19.50%	44
KONFIRMASI	45	0.80%	28	14.00%	38.4
LAYAN	45	0.80%	29	14.50%	37.7
TANGGAL	46	0.81%	33	16.50%	36
BISA	48	0.85%	37	18.50%	35.2
BNI	48	0.85%	38	19.00%	34.6

Table 3A Similarity Value of Code Dendogram

CLUSTER	GROUP 1	GROUP 2	SIM
1	communication device distribution within penitentiary	drugs distribution within penitentiary	0.333
2	Online Passport Registration	Passport Payment	0.275
3	penitentiary (warden) work performance	Penitentiary Public Service	0.25
4	Immigration Contact	Cluster 2	0.202
5	Immigration Document Process (non online)	Immigration Worker's Performance	0.128
6	Cluster 1	Cluster 3	0.071
7	Cluster 4	Cluster 5	0.054
8	Immigration Information Access	Immigration Public Service	0.053
9	Cluster 6	Illegal Fee Extortion in Penitentiary	0.036
10	Immigration Illegal Fee Extortion	Cluster 8	0.023
11	Cluster 7	Cluster 10	0.008
12	Cluster 11	Residency/Work Permit for Foreigners	0.004
13	Special Case	Terrorism	0
14	Sentence Remission	Cluster 13	0
15	rural area law awareness (Desa Sadar Hukum)	Cluster 14	0
16	Penitentiary Management	Cluster 15	0
17	Patents	Cluster 16	0
18	Parole (Pembebasan Bersyarat)	Cluster 17	0
19	Notary Affairs	Cluster 18	0
20	MLHR Website	Cluster 19	0
21	MLHR Prospective Employee (applicants)	Cluster 20	0
22	MLHR Employee Affairs	Cluster 21	0
23	Law Documents	Cluster 22	0
24	Cluster 12	Cluster 23	0
25	Foundation Registration	Cluster 24	0
26	Employee Management	Cluster 25	0
27	Department of Intellectual Property Rights Contact	Cluster 26	0
28	Corporation Registration	Cluster 27	0
29	Cluster 9	Cluster 28	0
30	Branch Office Worker's Performance	Cluster 29	0
31	Administration of Legal Institution System	Cluster 30	0

Table 4A Department of Immigration Cases Dendogram

Cluster	Group 1	Group 2	Similarity
I	BANK	BNI	0.854
II	Cluster I	BAYAR	0.644
III	ONLINE	PASPOR	0.604
IV	LAKU	Cluster III	0.477
V	Cluster II	Cluster IV	0.449
VI	DATANG	TANGGAL	0.446
VII	IMIGRASI	KANTOR	0.424
VIII	KONFIRMASI	MOHON	0.404
IX	Cluster V	Cluster VI	0.37
X	Cluster IX	Cluster VIII	0.36
XI	Cluster X	BUAT	0.345
XII	Cluster XI	PROSES	0.314
XIII	Cluster VII	LAYAN	0.312
XIV	Cluster XII	DAFTAR	0.274
XV	Cluster XIV	NOMOR	0.239
XVI	Cluster XV	BISA	0.231
XVII	Cluster XVI	KANIM	0.217
XVII	Cluster XVII	Cluster XIII	0.193

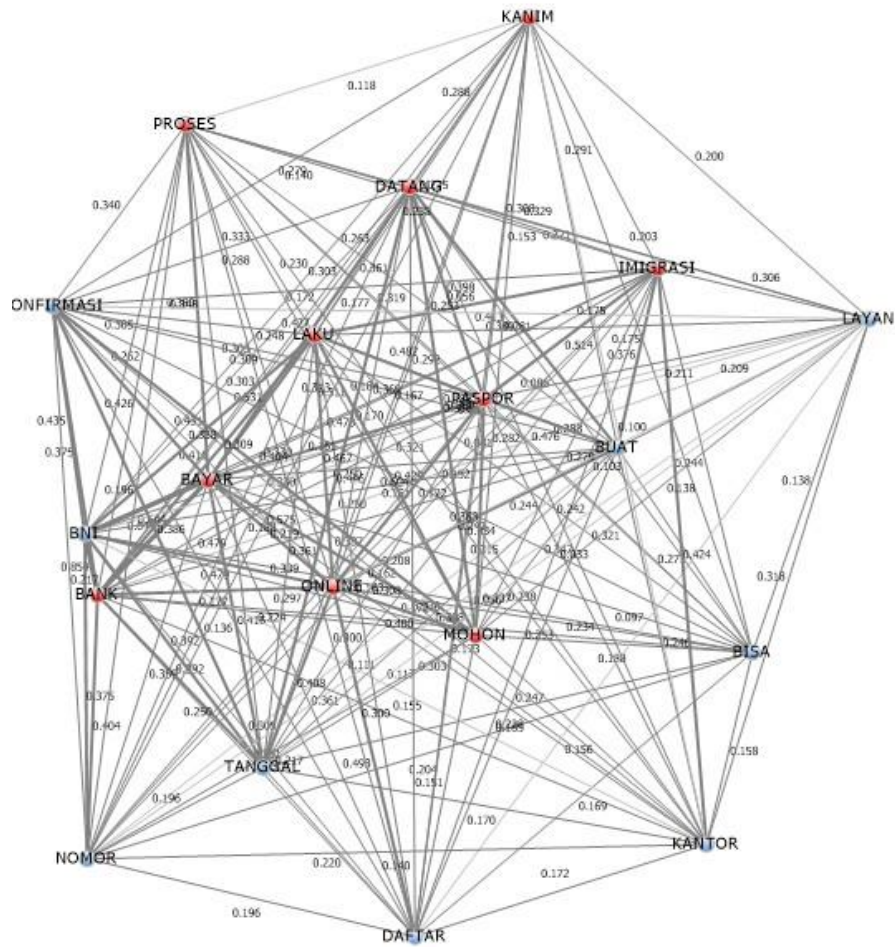


Figure 1A Semantic Network of Similarity Department of Immigration

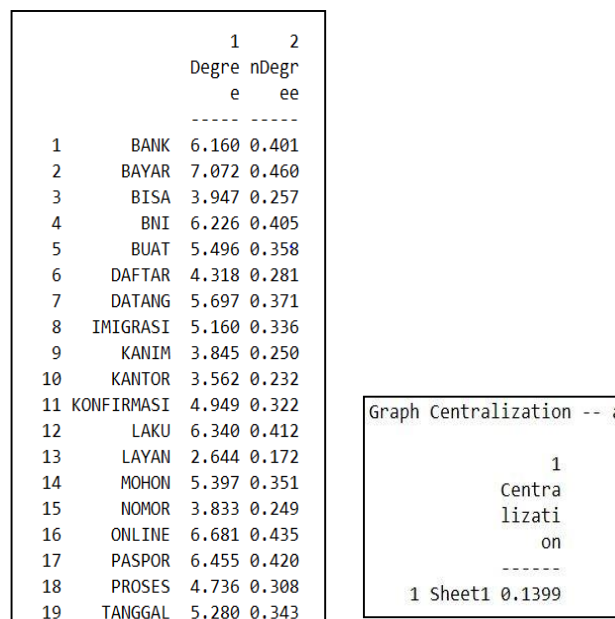


Figure 2A Degree Centrality Measure Department of Immigration

SUB THEME: SOCIAL SCIENCE

**RELIGION AND IDENTITY POLITICS: A SOCIOLOGICAL
PERSPECTIVE**

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Abstract

This article is aimed to propose some theories related to religion and identity politics from a sociological perspective. The research is conducted by analyzing each concept using theoretical and conceptual approaches. The proposition in this study is based on the literature study and factual evidence found in the research field. The proposition is limited to the function of religion and the function of identity politics itself. Generally, the outcomes of the proposition is to conclude that a religion has a potential chance to be a media on the identity political movement of minority religious groups in a dominant religious society. Some adjustments are made by the minority as a negotiation form in order to be accepted by the people in the society. However, the religion based on identity political movement can also have a potential chance to decrease the nationalism spirit. This article provides some practical suggestions on how to manage the identified political movement as a minority religious group in a multicultural society (like Indonesia) and recommends further studies on similar topics.

Keywords: religion, identity politics, and nationalism

INTRODUCTION

Indonesia is a multicultural country. Indonesia consists of various races, languages, cultures, and religions (Jirhanuddin, 2010). Various religions in Indonesian society have their own dynamics. Even, internal differences among communities in a religion are considered normal. The differences include doctrine and mental attitudes, the level of culture, ethnicity, race, gender and sexual identity of the adherents. These differences are followed by the perspective or how public response to these conditions in different ways. These matters cause many religious problems in Indonesia.

Religious problematic in Indonesia is very complex. Qadir (2011) states that these problems stem from the commercialization of religion in the media through religious broadcasts, the exclusivity of a group with self-imposed rules, the politicization of religion, as well as the utilization of political issues by the religious elites and the country's elites. However, the religious problem which is crucial enough to be discussed in this article is the strengthening of group identification raises religious ideology augmentations. When people choose an ideology then they will join in the group with the same ideology, so they leave and even hostile to others who have different ideology. If the identification is getting stronger, it is feared that segmentation based on ideology groups as the affiliates will

emerges in the society, as in the categories of moderate, radical, fundamentalist, liberal, and so on (Qadir, 2011).

Substantially, religion and politics are in two different sides. Religion comes from God's revelation. Therefore, the truth is absolute and can't be disputed. While politics is the art for power sourced from the championed ideology. In a social process, both can come into contact. There are two steps in formulating the relationship between religion and politics. If religion is used for political purposes, then gradually it will lose the essence, because religion is used as just a legitimacy instrument to get the power. On the contrary, Lubis (2015) says that when politics are used to support the purpose of the religion substance, then people's life becomes an integrative, because things everyone pursues is the messages behind religion.

Referring to the context, it can be found that how religion is very potential to use as an identity political instrument of a group, how a religion with its activities is capable to represent a political act committed by a group of individuals with the similar identity, as well as ethnic identity, culture, gender, and sexual orientation to consummate the members' goals. Typically, groups that perform this action are the marginalized groups in the society or in the majority group that aims to seek the support from the same group. Furthermore, Norman (2011) argues that religion and its adherents also have potential to develop the culture of their own congregation inclusively so that they are not driven out of even two ideologies as well. It is a way to see how minorities are completely marginalized from the majority. However, not all identity politics take the secessionist movement (Purwanto, 2015).

In this article, the practice of identity politics on religion will not be seen in terms of theological view. Theological view would provide justification for how adherents should act. Religious case used as an identity political tool will be viewed from sociological paradigm, because by sociological paradigm the study will lead to the fact how humans act in believing in the religion. It is used as the principal in the study of the sociology of religion. Kahmad (2000) states that the study of the sociology of religion is directed to the collective religious life primarily focused on the function of religion in developing or inhibiting the life sustainability and the maintenance of the community groups.

Hendropuspito (2006) states that a religion manifested in the society is a social fact. While Taylor (2007) argues that religion has several dimensions and characteristics in the system of belief and the ritual practice. For him, the best way to study the religious phenomenon is by observing the types of religious belief as widely as possible, behavior, function, and others. Therefore, there will be no theological justification that is absolute, but it is opened to be criticized by any party in the scientific discussion forum. By viewing the phenomenon scientifically, it is expected to minimize the conflicts that exist on the diversity of religious practice.

THEORETICAL BACKGROUND AND PROPOSITION

Religion and Society

Durkheim (in Furseth and Repstad, 2006) classically define religious element substantively and functionally as a unified system of beliefs and practices relative to sacred things, that is

to say, things set apart and forbidden - beliefs and practices of the which unite into one single moral community called a Church, all Reviews those who adhere to them . Substantive elements in the definition of Durkheim are belief systems, practices or rituals, sacred objects include ritual equipment or special objects and forbidden things, as well as the church.

For Durkheim (in Hamilton, 2002), there is no wrong religion in the reality of people's life. All religions are true in its adherent view. Religion is seen as a social fact (Veeger, 1993). Religion is not simply a system of beliefs and conceptions. It is a system of action; it involves rituals (Hamilton, 2002). Sacred refers to the condition where the religion contains things or behavior which directly relate to the religion itself, while the profane is a part of everyday life and is considered as mediocre. Belief systems consist of concepts, while the ritual consists of the action. Belief system is defined as a representation that expresses the nature of sacred things and the relationships they have, either with other sacred or the profane. The belief system is divided into two types, namely "the sacred" and "the profane". While in ritual activities, when the society members participate in religious rituals, they are essentially worshiper community. Religious ritual itself is defined as a behavior rule which regulates how people should behave toward the sacred.

Durkheim's religious theory (in Ritzer and Goodman, 2010) states the society is the source of religion. Religion is also something that connects the society and the individual, because through ritual for the sacred things, social categories become the base of the individual concept. As he states, when the Arunta worship the totem, they actually worship the group. Thus, the function of the totem is to integrate the Arunta social system (integrating separate parts together and make a unity), which then he named the social solidarity (Jones, 2010).

In line with the context, Furseth and Repstad (2006) states that religion can provide social cohesion in parts of the social structure. Religious activities or rituals are surely not involved one person but many people, so in a religious ritual or activity, every individual has their respective role. The Different roles will form an integrated performance or solidarity among the people, just as proposed by Durkheim. For example: The case of Judaism in the United States. Jews do not form a single racial or ethnic group. Therefore, Judaism is not an individual religion although Judaism itself has several forms such as reform, Orthodox, Reconstructionist, and conservative. Furthermore, religion can be a critical factor in providing the unity of the society called pillarization. This pillarization describes the condition in which the structures of society become organizational units that are political or religious which provide the social functions and activities for their members.

Proposition 1: Both religion and society, they influence each other. Then, there will be found a condition in which religion can form a society or vice versa, the community itself with the minds and characters will create their religion.

On the other hand, the other experts argue differently. Marx (in Furrseth and Repstad 2006) sees religion as an ideology. This ideology is considered as a threat by Moodod (2010)

because ideology is not a good basis to solve problems and develop strategies to reform things because ideology is abstract and it is not related among specific society, institutions, as well as the values and norms.

Religion is only creating social classes (Hamilton, 2002). The class divisions in the society are economical (Campbell, 1994). In the social classes, the idea of the rule is historically a class rule. This idea is a tool and the pressure for subordinate classes in the community. A general idea at various times, include religion, provide legitimacy to the interests of the dominant classes. This can be recorded as a regular class that belongs to the victim of a shadow or an illusion with the same type as the worker class. They interpret social power and history as an expression of something transcendental, because basically they are also marginalized.

People create religion and the religion describes a wrong description of the reality of life. As a reason, the fight against religion indirectly depicts the fight against the world illustrated in religion. Religion is a tool that simultaneously creates injustice and protest. Religion is a common reaction to pressure.

Marx argument accompanied with Weber point of view (in Jones, 2010) which see the relationship between religion and life action. Weber (in Furseth and Repstad 2006) views religion with concern where religious attitudes seen as a type of social action. He saw it from the perspective of the meaning of the act itself. Weber attention toward theories of action-oriented goals and motivations of actors, it does not mean that he is only interested in a minor group, merely in terms of specific interactions among individuals (Jones, 2010). For him, the best way to understand the various societies is to understand and appreciate the typical forms of action that become the characteristic. In this case, Weber sees the connection between the Calvinist ethics with the capitalist economic system growth (Johnson, 1986).

Calvinist adherents' life given the guidelines by their religions and types of behaviors and attitudes are necessary to work effectively for capitalism. Calvinist is different from most religions. Calvinist encourages its adherents to focus on mundane work and at the same time to create the ascetic life, by having a simple life, worshipping diligently, and living frugally. Emphasizing on creative lifestyle and hard work, combined with a demand to have ascetic lifestyle - a typical lifestyle of Puritan society - and it is a combination of religious resources which provides the opportunity for capitalism entrench. Calvinist teachings emerge believe to its adherents that if they are successful and productive in the world, they will be given a reward of salvation. The fate is not decided by the Lord but in their own hands. Therefore, during the lifetime they focus on the efficiency and rationality in order to maximize their productivity. However, consuming excessive earnings is denied by Calvinists because of the need to live ascetically above.

Proposition 2 : Besides its manifest function as the goal, religion has a latent function which is unexpected or not as its initial purpose. As a latent function, religion has the potential to use as a tool to struggle something for adherents. The struggle in certain context is done in the name of religious interest.

Religion contains two important elements that cannot be separated: (1) individual experience with the divine, the sacred (the holy, the sacred, the dearest), which goes beyond the days, truth, absolute, and so on, and (2) religious institutions or raw form of expression of diversity (Machasin, 2012). In general, religion is a set of rules or life provisions inherent in human being in order to create regimentation which is the way towards the salvation of life. The religion's role in morality is to guide people to a higher level (Andang, 1998). However, in this section, the further study on religion and society will be viewed from theological side. The theological side here will be taken from several religions officially recognized by the Indonesian government, including Islam, Christianity, Catholicism, Buddhism, Hinduism, and Confucianism.

Rifai (1980) says that religion is a basic law and a rule of life (way of life), which functions include: 1) to educate people to have a strong and clear stance because human must be positive and precise; 2) to educate people in order to know how to find and have a peace of soul; 3) as a human emancipator from the material bondage; 4) to educate people to dare in upholding the truth and be afraid to make mistakes; 5) to suggested people so that the main traits grow in their souls, such as humility, courtesy and mutual respect; and 6) to educate people to prosper the society and state as part of the good deeds. Thus, it can be said that basically religion teaches good things.

In Islamic terminology, religion is known by the word "din". According to Naquib al-Atas, the meaning of the term "din" can be solidified into four, namely: a) hock, b) obedience and submission, c) a natural tendency to serve and worship Allah, and d) the wise power (Gauhar, 1982). In Islam, there is a term "rahmatan lil 'alamiin" which means mercy or compassion to all the worlds. Therefore, Islam becomes a basis to be well-behaved toward both God and the society.

Meanwhile, based on the Bible in Christianity, religion is a complex (complex case) from belief, worship and ethical demands in a system that is associated with Allah or gods. Christianity emphasizes much more on moral ethic rooted in compassion that bases itself on human values (Mansur, 2011). Meanwhile, according to Mother Teresa Catholicity point of view, religion is defined as compassion embodied in faith and hope, faith manifested by caring for each other, and hope reflected in deeds. So it can be said that religion is identical with compassion full of good character towards others and the environment. Therefore, the basic teaching of the Catholicity is the spiritual attitude.

Almost the same as religious meaning in Catholicism, Hinduism point of view has also teachings about human being. According to Hinduism, humans are very important creature. Humans are viewed as a combination of two different elements, namely good and bad (Rifa'I, 1980). In Hinduism, the ideals of life which become the goal of human are obligations, including the manners and the rules of life in society, the importance of living by earning profits, enjoyment and pleasures of life, and breaking away from what has been established (Hidayatullah, 2011).

From the Buddhism point of view, a religion is indispensable. Religion is necessary to understand the true purpose of life, choose and follow the ethical-moral system that refrain

from bad deeds, encourage good deeds, and allow the inner purification. Simply, the system is referred to a religion. Religion is a manifest of human struggles that has the great power to lead them towards self-realization. Religion has the power to change someone behaves negatively to be someone who is positive. Every religion in the Buddhist view, though it is not perfect, the religions lead to the achievement of a higher level creature. Since the beginning, religion has become an artistic source and human culture inspiration. Although many kinds of religion arise in history just pass through and are forgotten, every religion in its time had contributed something to human development. Religion teaches one how to soothe the senses, as well as make the peace of heart and mind (Dhammananda, 2002).

Religion in the Confucianism view is defined as the doctrine of moral decency. Confucianism comes from mainland China implies the formation of moral values in the society, as well as provides conception which guides to rule the governance as well as possible (Mansur, 2011). The teaching is defined as a philosophy and ethics composition that teaches how humans behave (Hidayatullah, 2011). The essence of a religion here is the teachings about the need for humans to be a good figure.

Proposition 3 : Religions basically teach goodness, include noble character in one's life, either vertically toward God or horizontally to others. Therefore, if there is a problem in a religion, it is actually not the religion which has the problem, but those who become its adherents have the problem, depending on how they interpret the teachings. In this case, it is not recommended to judge a religion if there are only certain people who commit the positive and negative action.

The attitude and understanding of a religion can be influenced by socio-cultural factors. Therefore, it is possible in a religion to have diversity. The different view in Islam for example is a certainty (Al-Banna, 2013). The diversity in this term is the attitude or understanding of religious adherents toward the doctrine, belief, or the teachings of God, which is certainly relative, and the truth definitely becomes relative. So, from here, the diversity of religious views and understanding could arise (Ghazali, 2005).

IDENTITY POLITICS

In general, Gatara (2008) mentions that the political concept itself includes several aspects which cover the common good, institutional, power, functionalism and conflict. Identity in this case involves the self-concept which purpose is for the common good in a group.

Identity politics emerges when there is a resistance in a group with the specific identity. The focus of identity politics lies on the difference of identity that includes ethnic, religion, and other things that are used to collect people based on the equal basis they owned (Suryana and Rusdiana, 2015). The appearance is seen as a response to the implementation of the rights that are often applied unfairly. In the religious context, identity politics are represented from the various efforts to put the religious values in the policy-making process, include the

occurrence of local regulations on sharia or the effort to make a city becomes identical with a specific religion.

Clifford (2000) states that identity politics is currently under attack from all sides. The issue of identity politics is not a new thing. The conflict between Bosnia and Serbia in the Balkans and the conflict between Hutu and Tutsi ethnic groups in Africa are as the examples. The revival of the identity politics in Indonesia is found from the emergence of political ferment in the form of violence acts by using religious sentiments (Suryana and Rusdiana, 2015). The case of GKI Taman Yasmin Bogor which shows that the government does not take side on the general public but only on certain groups, as well as the riot in Tolikara on Eid 2015 at least can be an example of the political chaos. Therefore, the topic of identity politics is an interesting topic to study.

Identity politics refers to the political practice based on group identity which is often based on ethnic, religious, or other socio-cultural denominations which are in contrast to the political practice based on the interests (Purwanto, 2015). Nicholson (2010) have previously argued that identity politics is also identically caused by sex and gender factors. Political identity or who is often referred to as identity politics is mentioned by Purwanto (2015) that it is also refers to various forms of political mobilization on the basis of collective identity which previously often hidden, suppressed, or neglected, either by a dominant group contained in a liberal democratic system or by a political citizenship agenda promoted for and on behalf of the more progressive democracy. In addition to the forms of the struggle to secede, identity politics is an effort to gain political recognition more fundamental to allow the acceptance of more equitable treatment on behalf of differences that are specific (peculiar) owned or attached to the individual.

Political relations and the power of the identity in an identity politics is constructed in the formation of identity construction by a person or group of people. The social construction of the identity always occurs in a context marked by the power relations (Gede et al, 2015). For example, the formation of the Javanese village Muslim resistance identity is the result of identifying themselves as the minority society in Bali.

Meanwhile, Ma'arif (2012) argues that identity politics in the study of social movement refers to the movement that seeks to defend and fight for the interests of the particular oppressed groups because of its identity. Group and individual interests according to the categories such as race, ethnicity, religion, gender, and sexual orientation is difficult or even cannot be promoted by agents based on classes and states. It closely related with the efforts to fight for the rights and recognition of the minority group existence. Identity politics take side on the cultural diversity and the right to be different, and the recognition of the difference as something legitimate.

Proposition 4: Identity politics is done to demonstrate the existence of a group or class which belongs to minor. Not only because of minority, identity politics can also be done by those who feel the urgency in the social life of community.

In contrast to Hiariej (in Maarif, 2012), he states that identity politics is not only a manifest of resistance against injustice, but also very concerned with pluralism and democracy. Postcolonial studies as a radical perspective in the tradition of the identity political study can be used as an example. Post-colonialism associates the identity with the multiculturalism problematic faced by the oppressed minorities. Identity is a matter of fighting for the right to narrate the experience of being the victim of colonialism that reject and suppress otherness. Therefore, this perspective teaches that the essence of post-colonial exploitation lies on the inability to be tolerant of others. Furthermore, this intolerance is rooted in the similar inability to encounter the powerlessness that constantly pressured.

Proposisi 5 : It is inevitable that identity politics becomes one of the elements in the community, especially if the society is multicultural. Similar to the concept of religion, identity politics is a neutral concept. The change of political movement into negative or positive depends on its activists in defining identity politics itself.

On the other hand, Giddens has a different opinion of identity. For Giddens, living in today's modern society must shape and reshape ourselves to be able to cope with the changes in our environment (Jones, 2010). The only proper action is to constantly monitor the conditions of ourselves and establish ourselves according to these conditions. Individuals routinely adapt their awareness about what is happening, self-forming, an identity, to be appropriate to the current conditions, while it is not necessarily so in the next period. It is mentioned by Giddens (1999) as reflexivity.

RELIGION, IDENTITY POLITICS AND NATIONALISM: AN AGENDA

As a consequence of the religious diversity in Indonesia, religion is inseparable from the identity political movement. Identity politics is the nother formulation of difference politics. Religious identity politics appears in the various movements. As part of a global phenomenon, the identity politics in Indonesia based on religion is getting obvious. All labels of religious fundamentalism, Christian, Jewish, Islamic, Hindu, and Buddhist always tend to form a closed system of thought which are synthetically isolate disagreement, doubt, alternatives, and openness. What happens then is a disregard for human rights, pluralism, tolerance, laws, and majority principles in the name of absolute truth owned by fundamentalist groups. Nevertheless, Islam basically support each of its adherents to be a human being who is dynamic, active, and struggle in all fields of life (al-Banna, 2013).

Many people are forgotten by rationality in a religion that teaches the values of nationalism which both teach patriotism to be able to reunite the disunited. In Islam, for example, nationalism is an obligation. Nationalism means the strengthening of family ties between the members of society or the citizens and showing them ways to take advantage of the bond to achieve common interests (Al-Banna, 2016). Islam as the religion of unity, as he also said, has guaranteed the bond strength for the society keeps doing mutual assistance in

the goodness. However, there are limitations of nationalism. Al-Banna (2016) mentions that the limitation is determined by the creed which belongs to the theological side.

Al-Banna (2016) also argues that the nationality also assumes that an ethnic group or a society is most entitled to acquire the virtues that are the result of their struggle. Therefore, Islam is also thinking of the minorities. Islamic principle in dealing with other believers is a principle of peace and friendship as long as they behave straightly and be kind hearted. Fraternity will create the security, peace and tranquility. It is based on Q.S. Al-Hujurat: 13 which means: " *O mankind, indeed We have created you from male and female and made you peoples and tribes that you may know one another. Indeed, the most noble of you in the sight of Allah is the most righteous of you. Indeed, Allah is Knowing and Acquainted.*"

In Islam itself it is known the concept of *maqashid syari'ah* that is defined by Usul Fiqh Ulama' as the desired meaning and purpose in conducting the law for mankind convenience. Based on this paradigm, Moslems in Indonesia are the Moslems who most benefited by nationalism than Moslems in Turkey for two conveniences namely religion and region. In other words, nationalism in Indonesia is more a blessing than a curse (Wahyudi, 2014).

Foster a tolerance, caring, and receiving culture is a very important breakthrough in the reform of Islamic law. The Moslems task now is to realize the changes in their environment to adjust the *muamalah* (Kuntowijoyo, 2007). The sincere tolerant culture which care for groups and parties in addition to the group and faction itself and even to accept their presence without any conditions (Auda, 2015). The tolerance and acceptance are scheduled nationally in order to create peace in all the differences in a multicultural society as in Indonesia.

CONCLUSION

Religion is one of the factors of identity in a society. Political element allows the teachings of a religion to be modified or made certain adjustments in order that the presence of the pertinent group is accepted in the world wide society so that people know their existence. In a multicultural society like Indonesia, acknowledging the existence of minority groups is very important. Therefore, the identity political movement in Indonesia is not forbidden as long as it does not contradict with the law and disturb the public.

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SOCIAL TRANSFORMATION ON TRADITIONAL SOCIETY (CASE STUDY ON DAYAK IBAN SOCIETY OF KAPUAS HULU, KALIMANTAN BARAT)

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Abstract

Modernization has changed some social aspects of traditional society. Its social change will always happen time to time that includes all related social aspects. There are a lot of traditional societies that put their life to the nature and the forest itself became their organic mini-market that provided all needs, especially for traditional societies such as Sungai Utik Ibanese. Post-reformation that stressed on industrial development to accelerate the national economic improvement, industrial development gives new work-field alternatives for traditional society. The traditional society also experiences all changes to the modernization concept. Although the fact that their environment is still rural, some aspects have already equalled as modern standard. This research aims to analyze social change that happened and dig the problems that inflicted by social change on traditional society so it can give a very valuable contribution for policy formulation, especially for traditional and rural societies in Indonesia.

Keywords: social change, traditional society, Ibanese, modernization

INTRODUCTION

The human civilization in its history and development is always different in every inch of the world. In life, humans always grow up and develop dynamically in step with changes that happen in human history itself. As we know, humans are social beings that have the instinct to unite with the surrounding environment. Humans are also individuals that cannot be separated from society because society will not be formed without some individuals in it. Based on geographical elements (place), humans can be outlined into some groups. Muhammad Nawir (*Jurnal Equilibrium Volume 1 No. 1/2013*) outlines humans into 2 groups. One is the group of people who live in the rural area (traditional society) and the second one is a group of people who live in the urban area (modern people).

Beni Ahmad Saebani (2016 : 108) notes that if a society follows the way their ancestors or their predecessors lived, that society is named the traditional society. In the traditional society, social and cultural life is generally dominated by mores and culture. It is absolutely different with the modern society which according to Muhammad Nawir (*Jurnal Equilibrium Volume 1 No. 1/2013*) that the modern society is a society where its people set out more their rationality and more opened to all new things.

Indonesia is a country known with the plurality which is composed by tribes, cultures, languages and mores. According to Mat Syuroh (in his 2011 Journal, Volume 24, Number 1 page: 17-23), Indonesian people profess some religions and loads of traditional beliefs that are found in rural areas. These traditional beliefs then oftentimes acculturated with animism belief.

Kalimantan (Borneo) is an island in The Unitary State of Republic Indonesia that consist of West Borneo, East Borneo, South Borneo, Central Borneo, and North Borneo. Its island is also consisting of Dayak, Melayu, Tionghoa, Jawa, Bugis, Sunda, Banjar, Batak, Madura and more as the tribes whom live in the island. Dayak is a term/name that point out the origin tribe that lives in the Borneo Island. Its term was first used in Raden Maker's literature on 1790 (Sujarni Alloy and co, 2008:9). Until now, Dayak has already sticked in and became a general name for the origin who lives in Borneo.

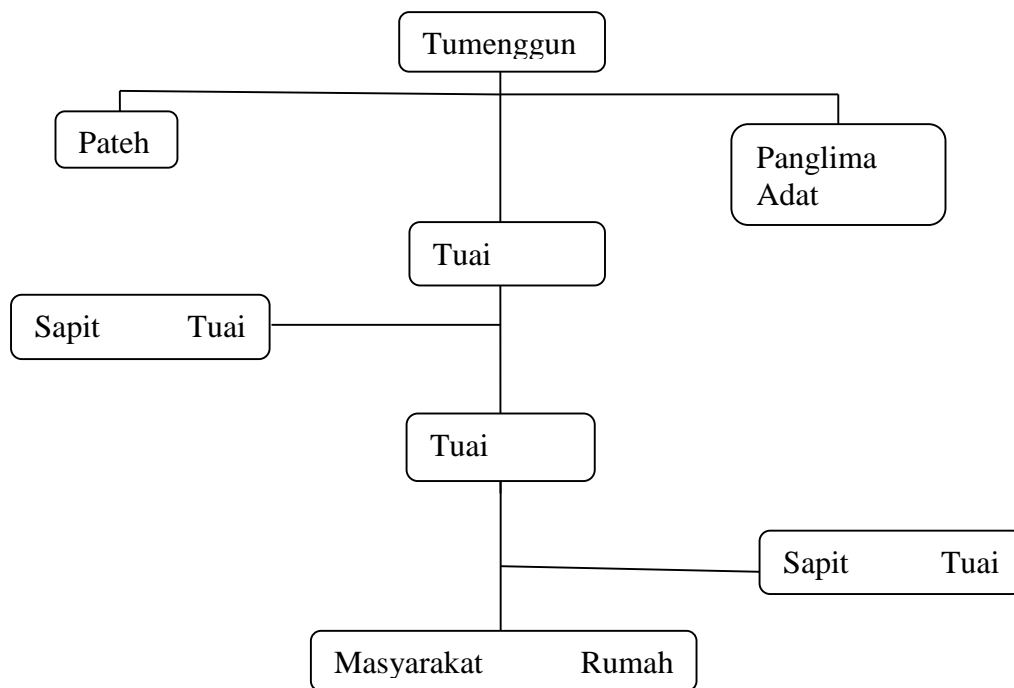
In West Borneo, the Dayak spreads in all regency of the province. Its sub-tribes are also diverse. The diversity itself can be found in many aspects, such as language as the major diversity, then followed by mores and material cultures. According to Sujrani Alloy and co. (2008: 26) there are 151 Dayak's sub-tribes in Borneo followed by 168 different languages. Stohr 1959 (in Frans Lakon, 2011:7) divided Dayak's sub-tribes into some groups. They are Dayak Kenyah-Kayan-Bahau, Dayak Ot Danum, Dayak Iban, Dayak Murut, Dayak Klemantan and Dayak Punan.

Dayak Iban is not just a regular Dayak's sub-tribe for West Borneo people. They spread almost all of North Kapuas Hulu regency, especially Sungai Utik. In the past period, Dayak Iban were well known for their hospitality and friendly, besides their superior head-hunting (*pengayau*) skill and tattoos in their body. Most of Dayak Iban of Sungai Utik's life and needs support comes from harvesting on the nearby forest.

Sungai Utik village is located in the north of Kapuas Hulu regency. Geographically, the village is located on 49N 0671000 – 0682000 BT and UTM 0115000 – 0140000 LU. Sungai Utik itself is a river that crossed from north to south passing the village. Sungai Utik village is about 800 km from Pontianak, the province capital. Based on prefecture, Sungai Utik village is one of the village in Desa Batu Lintang, Embaloh Hulu subdistrict, Kapuas Hulu regency. Sungai Utik is also chosen to be one of development village that contains of: Sungai Utik, Munggu, and Lao' Rugun. The nature of the soil in Sungai Utik is still fertile and can be seen from the growing plants such as: rice, corn, vegetables, potatoes, rubber trees and many more. Some area in Sungai Utik is used by its villagers for harvesting activity. Sungai Utik villagers is Dayak Iban with Ibans as their daily communication language. They live in an old and original long-house that about 170,65 metres long and 28 rooms. Traditionally, the long-house is one of *Ketemenggungan Jalai Lintang* led by a *Tumenggung* from a bloodline that then helped by some *Pateh (Ungak Merayang – Lauk Rugun – Jos)*. Every long-house is led by a *Tuai Rumah* that occupy the position until death. As for indigenous governance structure of Sungai Utik as follows in figure 1.

The Dayak Iban of Sungai Utik daily activity is harvest especially for young men and women while the elders stay at the long-house to dry the rice under the sunlight or to plait the mat. Its activities usually happen from the sunrise until evening. When it comes to evening, *Rumah Panjae (Long-house)* is becoming more noisy by children voices or chatting people in the room and drinking *Saguer* (sugar-palm extract). This drinking activity is usually called as "ngasap" in purpose to tighten the togetherness of Rumah Panjae people. The interesting part is, the part of the long-house that is used to "ngasap" or doing another

activity cannot be used to dry the rice. Drying the rice can only be done at the *Tanju*. Living in *Rumah Panjae* means to follow the rules in it. As example, the guest who come from the upper course and walk across until the end course without stopping will be punished with the customary law. Another example is when there are found the fight in a room, the people and the fighters in that room will be punished including the *Tuai Rumah* (the owner) with the customary law.



Source: *Geliat Pengelolaan Sumber Daya Alam Masyarakat Adat Kalimantan Barat: Studi Kasus Jalai Lintang dan Barai Hulu* by Ronny Christianto. Publisher: Tembawang Press/PPHSK Kalbar 2004

Figure 1. Indigenous Governance Structure of Sungai Utik

The villagers mutual assistance as their habit can always be seen at harvesting tradition because they tend to open a very wide location to harvest, or also at the ritual ceremonies that are still maintained carefully (Surjani Aloy and co. 2008 : 131). The basic change that felt by Dayak Iban's people recently is when the electricity comes in and TV makes them stay more in their room instead of "socialize" with their neighborhood, it changes drastically omits the socializing habit that was the main feature of *Rumah Panjae*. The information exchange including the nation value that lasted quickly and dynamical encourages the blending process, blurred the values, and even undermine the original and sacred values that had become a nation identity (Fukuyama 1999). When globalization values become more valuable for its supporters, the driving process of traditional values and cultures goes on to affect the splits and blurry-values (Sauri 2006).

However, post-reformation that stress on industrial improvement to accelerate the economy growth gives the social and values changes effect to traditional society. The industrial development gives traditional society the new work-field alternatives. This can be

found when many of Dayak Iban's move out to Malaysia and worked there. In addition, industrialism also gives people variety effects. For example, The Dayak Iban people responded the palm-oil industry expansion and rejected it to expand in their area. Until now, The Dayak Iban's Sungai Utik still maintain their indigenous forest by cooperating with some civil organization such as AMAN (Aliansi Masyarakat Adat Nusantara). This cooperation then successfully re-map the 9.452 h indigenous forest. The industrialization of palm-oil plantage is neither getting any response nor support because the villagers have a notion about the treat of this industry for their culture and mores they have been kept all this time.

The social change on the Dayak Iban of Sungai Utik's tradition also affects on culture aspect such as the wedding ceremony. The wedding ceremony were all completely using the ancestor's tradition until now the ceremonial is generally using the Catholic ceremonial, even not all of them. The villagers now have the community organization that concern on tourism bussiness called Pokdarwis and also the healthy-water assistance community. The villagers realize that their area have the promising tourism potential. The social change that happen to them can potentially be a research object because the Dayak Iban Sungai Utik is one of the tradional society that still keep and maintain their indigenous forest from the Palm-Oli Plantage expansion in West Borneo. In addition of the fundamental norm, the Dayak Iban Sungai Utik put their indigenous law rather than the legal law. This condition is interesting to be investigated as how they can maintain their indigenous tradition dan accept all new things in the globalization era in the same time.

REVIEW LITERATURE AND PREPOSITION

Society and Social Transformation

The people usually change through all internal compexity aspects. Economy, politic and culture changes happen is macro stage. Groups, communities and organizations changes happen in mezzo stage, while interaction and individual behaviour changes happen in the micro stage. Ken Plummer (2011 : 24) simply explains that "Society" have two meanings, to describe a reality that comes naturally (*sui generis*), or a reality that is formed by interaction and communication between individuals. The social change can be described as a change that happens inside and covers the social system. The transformation or change is a substitution, displacement, and also movement. There is a difference between a certain system condition in different time. in other words, there can be something from nothing, a negative becomes positive and many more.

Sztomka (2005) claimed that social change can be distinguished into some kinds based on the angle of sight: is it taken from aspect angle, social system fragment or dimension. Sztomka proposed an indirect system theory that claimed the changes possibilities including: Composition change, structure changefunction change, sub-system relation change, and environtmental change. In line with the social change context claimed by Sztomka, Ritzer (in Beni Ahmad Saebani, 2016 : 17) defines the social change based on individual, groups, organization, cultures and society relationship in a certain time. more

(1967) also defines social change as an important change in social structures, behaviour patterns and social interational system, including norm change, value and cultural phenomenon (in Mustain Mashud 2004 : 362).

Change and society is a unit because change happens in the society itself. The social change terminology determines the meaning essence of social change such as displacement indication, movement and the blending of basic tradition to the new one, or the compounding of two different cultures that then can be accepted by society as the social norms (Beni Ahmad Saebani, 2016).

Proposition 1: Society is a social-living reality dan cannot be seen as a constant and rigid but continuesly changes. Society is considered exist as long as something happen in it, for example an action, certain change and progressing process.

SOCIAL CHANGE TYPOLOGY

By analyzing the social change terminology, Beni Ahmad Saebani (2016) claims that social change process can be understood through some ways, including: 1) Gradually change as called evolution and speedy change as called revolution; 2) The small-impact change and the big-impact change; 3) The expected change and the unexpected change.

Sztomka (2016) defines the important thing that needed to be observed in all changes that happen in human's life is the conciousness of change itself for the involving party, especially the conciousness about the result if the social changes. By including the subjective factor into typology, Sztomka differentiates 3 kind of changes as the additional typology, including: 1) the realized, foreseen and expected possibility of social process. By using the Merton terminology (1968 : 73) this process is called "visible process" (manifest). For example, the change of Traffic Law to decrease the accident ratio. 2) The unrealized, unforeseen, and unexpected social process. In this case, the change happens by itself and the result is surprising and depends on the acceptance and the rejection. For example, people do not realized the environtment damage that is caused by industrial activity. The environtment awareness that comes then is called the relatively new phenomenon. 3) People probably realized the happening social process, presumed the course and expected the social effect but found their assestment completely wrong. The social process happens completely contradictory with what they are expected.

More broadly, Ibnu Khaldun (in Robert, 1993:43) proposes an incisive social changes theory. The social change potentially leaked and happens on all social institution, religion, family, goverment, and also economy aspects. Everything is involved into the social change process.

Proposition 2: Social change can not be conciously known, depends on the society to interpret the change itself, is it the change they want or not. And also, change does not always have the positive effect, can be the opposites.

Beni Ahmad Saebani (2106) affirms the social change as the key for the progression if every individual, society, nation and world realize the change through the conceptual plans.

MODERNITY CONCEPT

Sztomka (2004) mentioned that modernity contains of 3 meanings. First as the general meaning is similar with all of social-progressive change form if the people move forward to acknowledge improvement scale. A change of living in the cave then moving to the building as a place to stay is absolutely a modernization case. It is in line with the means of transportation change from the horse-cart to cars. Second meanings specifically historical, that is “modernization” , means the transformation of social, politic, economy, culture, and mental aspects that happened in the Western since the 16th century dan reached the top during the 19th and 20th century. The modernization also contains the industrialization process, urbanization, rationalization, bureaucratization, democratiozation, capitalism effect, individualism development, well-performed motivation, and logic and science effect improvement.

Beni Ahmad Saebani (2016 : 110) also clarified that being modern is identically being more urban or industrial. It means the change from traditional form to modern form is identical with the change from rural situation to become urban, the change from agrarian to become industrial. So then it is understood that the change of life pattern and social system in a society covers all aspect in the society itself.

Proposition 3: There are some areas that are involved by modernization flow, especially on the third-world society that is not affected by industrialization, technology, and capitalism, extremely different with the traditional society, significantly developing on all aspect of life and the social regulation of modernization society. The modernization emerges a new lifestyle for its society/people.

Meanwhile, Ritzer (2014) considers the modern society is undertood for its connection with the ownership (property) and work. In Marxis tradition, work is a compacted and objectificated capital. In line with this contxt, Comte (in Sztomka 2004) showed some characteristics of new social order (modernization) as followed: 1) Work concentration in the urban centre; 2) organized-operation based on the effectiveness and profits; 3) The application of science and technology in the production process; 4) The emergence of latent or real antagonism between the employers and workers; 5) The inequility growth and social injustice; 6) Socio-economic system based on free enterprise and open competence.

The feature of new social order (modernity) that is expressed by Comte before is very much in line with Marx’s thought (in Tom Campbell, 1994) which equating the causal basis of the society with “the production forces”, such as what is produced and how something is produced, which based on materialism.

Proposition 4: On one hand, modern society is formed by the production system, added with the capitalist economic system that provides the means of production that are concentrated in one place (urban) to absorb the labor force in very large numbers so that economic growth occurs very rapidly.

Krisham Kumar (in Sztomka, 2004) also confirmed all aspects of social life is dominated by economic activity, economic, economic criteria and economic achievements. Modern society mainly focuses on production distribution and consumption of goods and services and of course the money as a general measure and the medium of exchange. This is supported by the opinion of Ritzer (2014) which states: In a developed society on a significant extent, the foundation for the transformation of modern society into a knowledge society is also based on changes in the economic structure of advanced societies, just as occurs in industrial society.

TRADITIONAL SOCIETY

Society is present in every moment of the past into the future. Communities that exist today originated from previous community. In a society contained the past influence or plagiarism as well as the seeds or at the potential for the future. As stated by Edward Shils (in Sztomka, 2004: 65) people would never become public when the link with the past was not there. The link between the present and the past is the basis of tradition (Sztomka, 2004).

Muhammad Nawir (Jurnal Equilibrium Volume I No. 1/2013) believes that traditional society is a society that is still dominated by local customs are embraced for generations. Traditional society is closely linked with nature directly and openly. Beni Ahmad Saebani (2016: 108) also states if the way of life of a society as handed down by ancestors or its predecessor, the society called traditional societies.

In traditional societies in general, social and cultural life was controlled by custom/tradition. Customs have strong ties and influence in society. The binding strength is dependent on community support such customs, especially foundation on the feeling of togetherness, idealism, and justice (Muazzin, *Padjadjaran Jurnal Ilmu Hukum. Volume I No. 2/2014*)

The tradition has an important role in the life of traditional society. It links the past and present lives that is transmitted to subsequent generations. Sztomka (2004) believes that the concept of tradition is the substance and the content that we have inherited from the past all channeled to us through history, a social heritage. At the macro level, all inherited society of the phases of the historical process preceding a "historical heritage"; at mezzo level, any community or group that is inherited from a previous life phase "group heritage"; whereas at micro level, any individual inherited from previous biography was "personal legacy". In particular, C.A. van Peursen (1998: 11) translates the tradition as a process of inheritance or forwarding norms, customs, rules, and treasures. The tradition can be changed, removed, rejected and combined with a variety of human actions.

Proposition 5: Tradition in a community is maintained and some are left out, it depends on whether or not these traditions preserved, or whether this tradition is still relevant in the current context. Undeniably, the tradition can also be changeable. In Indonesia alone, where there is plural society that has diverse indigenous tradition, it is threatened.

Sztomka (2004) describes the change in tradition is also caused by many traditions and traditions clash with each other. As a result of the collision, almost without exception, the tradition of indigenous communities affected, reshaped or wiped out. What happened was clash tribalism in the multi-ethnic society.

Proposition 6: Traditions that are conflicting or mutual support will also establish a new tradition. In other words the tradition with other traditions will acculturated or merger between the two traditions into a new tradition that add local cultural pattern. For example, there are some differences between the Hindus that are in Bali and Hindu that are in India.

CLOSING

At the end of the 20th century, we feel and enjoy the triumph of modernity gradually reach throughout the world. We are heading to form a new social life. Progress, in any form, has entered the joints of both traditional and modern society. As said by Lenski and Lenski (in Sztomka, 2004), every aspect of life has been influenced by it, no one escaped: Art, science, religion, moral, educational, political, economic, family life, even the deepest aspect of our lives.

Social change is a currency that has two sides; the change could be good for human life, or even vice versa. Gidden (in Sztomka, 2004) describes the social change that leads to a contemporary atmosphere as the following, we live in an era of social change marked by the amazing transformation that is very different from that ever happened in the previous era. The Soviet socialism collaps, the less the world power-sharing into two blocks, the building of intensified global communications system, increasingly successful world of capitalism when the gap is getting worse and the widespread of ecological problems. This is a challenge for all people of Indonesia, more specifically for the social sciences and academia until the government with the authority to take out a policy for citizens entirely.

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DEMOCRATIC THEORY AND RE-INVENTING DELIBERATIVE DEMOCRACY: TWO CASES OF *GOTONG ROYONG* DEMOCRACY IN INDONESIA AND DHARMA'S DEMOCRACY IN TAIWAN

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Abstract

From a long way experiment of “imported” democracy in such countries as Indonesia, Turkey, and contemporary Taiwan, there have emerged new ways of making democracy work: Turkey with what is known as negotiated democracy, in Indonesia it is Gotong Royong democracy, and in newly developed system in Taiwan it is Dharma's democracy. The very point is how to make democracy work. After a long period of political history, new nations that adopt and/or adapt modern democratic values and institutions in Asia, Africa and Latin America find it hard to create a working democracy in their respective countries. This is so given the false idea of modernizing and more over the failure of globalization that impose domination of global corporatism in which economic interests go hand in hand with importing “distorted” democracy. Such a situation has been made worse by the main stream of universalists' approach to political development that assumes that modern western democracies would work when transplanted elsewhere including Asia, Africa and Latin America. Now that culturalists of political theories develop a competing approach to political development, i.e. culture context theories of political development, we find more promising understanding of new democracies. Dharma's democracy—whose features are significantly different from the ones from developed nations in the West. Meanwhile in Indonesia, there have been as well “other” consensual democracy basing itself on collective spirit and deliberation—for which I would call it Gotong Royong democracy that has been mandated in the state ideology of Pancasila. In view of finding working democracy, it is demanded that these two cases of “Asian” model of democracy be studied. These two cases would gain support by new state of the arts in democratic theories, i.e. theory of deliberative democracy whose explanatory power justifies the need for deepening democracy.

Keywords: working democracy, culture-context, Gotong Royong democracy, Dharma's democracy, Indonesia, Taiwan.

INTRODUCTION

Making an account of “non-liberal” democracies would not be theoretically justified unless a sound point of departure is made. From epistemological level, it is the Orientalist's view that claims that only Western culture can produce true democracy. To political theorists like Zakaria (in Chang & Chu, 2002, 7), the political culture across East Asian nations is but illiberal democracy. This region of the third world will emerge an essentially authoritarian illiberal political cultural—not western liberal democracy. There would not be any democracy or, as Fukuyama (1995) puts it—referring to notable a Southeast Asian leader, Lee Kuan Yew—the Asian alternative is soft authoritarianism. “Lee has argued that this model is more appropriate to East Asia's Confucian cultural traditions than the Western democratic model. (Liberal) democracy would not be fertile when implanted at the soil of

soft authoritarian like in Taiwan & South Korea—even though the two countries are “less corrupt and more effective in delivering national security social stability and economic prosperity” (Shin & Chu, 2004, 64).

The above point suggests a challenge: How can a working democracy be developed in the framework of both culture-context and competing theories of democracy? It is interesting to make an account of *Gotong Royong* democracy in Indonesia and Dharma’s democracy in contemporary Taiwan

Amidst the failures of the path to democratization is many party of the world, the two cases are worth discussing given the cultural setting that is located in Asia, with two distinct culture—one is predominantly Malay in Indonesia and the other one is Chinese culture. In the meantime, several practices of deliberative democracy in some society in the U.S, England, reveal promising result in terms of “deepening” democracy this account has political thought as the focus as by realizing the fact that in power politics, the idea of consensus mechanism is problematic given the voting-centric being more practical and easily operated. It is our assumption that consensual democracy within theoretical perspective of deliberative democracy would contribute significant to democratization and peacefully transforming the society and government into democratic governance.

It is our propositions that there are almost not any democracies that are termed or are judged as illiberal; claiming that the only true democracy is liberal democracy and that the rest being illiberal is scientifically not justified. The paper shall deal with Dharma’s democracy in contemporary Taiwan and *Gotong Royong* democracy in Indonesia.

LITERATURE REVIEW

Several works on theory and practices of deliberative democracy (TDD) have among others been done by Dong-Sheng and Deng (2007), especially focusing on Taiwan’s consensus conference democracy, Fung and Wright (in Cohen & Joel, 2013) on deepening democracy that includes revitalizing participatory democracy by significant role of the emergence of associations, Aur (2014) who observes the role of religion-based political deliberation using J. Habermas’s perspective, and Shih Ding (2008) who is critical of the theory of the rational nature of deliberative democracy on account of the fact that empirically in Taiwan and China Mainland in Internet chatting both rationality and emotion go hand in hand.

The critical issue of making a democracy work has invited concerns over the role of culture in a given society or political system. The concerns over culture-context theory has led to some sort of school of thought that may be grouped into culturalists—as opposed universalists like that of Zakaria (1997, 22-43) who, in his “The Rise of Illiberal Democracies”, contends that only (liberal) democracy is the true democracy and the rest of the world when having other types of democracy are not the true democracy. Scholars like Lijphart (2004) with his famous Consociation Democracy in Holland context has further focused on the challenge of how to design a sound constitution in order for its democracy work when situated at what has been termed as divided societies, Ian (1979) looks into the problem of stability in a society that is deeply divided—in this case Indonesia is included.

Universalists' approach to studying political development was criticized for instance by Harriger—who noted a significant positive impact of better way to democratize people by his four- year experiment on deliberation at Wake Forest University—noted the acceptance of more diverse in approaches both to methodology and to the “values” question than the top journal conferences and professional organizations neglected. (Harriger, 2010, 1-7). In contrast to universalist's approach trying to make democracy uniform, culturalists's approach accepts more diverse democracies with variation in values, substance and procedures.

With respect to studies on the normative level of democracy in Indonesia, few works have been made: Morfit (1981) who have among the very few scholars identified the state ideology of Pancasila mandated as deliberative democracy; Saputra was of the same account as Morfit, in his article “An interpretation of the Fourth Principle of Pancasila Led by the Wisdom of Deliberation among Representatives: ‘Toward Global Ethic’ *Creative-Innovative Works for A New Paradigm of Human Sciences*” (Saputra, 2014, 749-754).

METHOD

The study employs qualitative research method, with varied views are collected for subsequent process of identifying data by categories and concepts. From these steps, building empirical generalization is then made, taking into account democratic theories. Library research will be the most things to do. Views and opinions of dharma's democracy in contemporary Taiwan are gathered mostly from on-line journals—with the starting point of Richard Madsen's book, *Religious Transformation and Democratization in Taiwan*. The same method applies on Gotong Royong Democracy

It is expected that the outcome of the study could hopefully be of some value to our understanding about “other” democracies . In academic field, it could contribute to improving and reviewing theoretical basis (if the term “theory” is proper) – in the nature of democratic politics. Instead of a mere transference of **absolete or** old fashioned or fossilized assumptions and premises in political theories, the study is expected to contribute to revision in more proper assumption and premises about working democracies. In the setting of developing countries, the study could attract any interested academics in scientific endeavors—in the area of political theorizing. For practical purposes, the outcome could suggest any policy issues in modernization of politics: In terms of cultures, Chinese may prefer adopting a few elements of western political ideas and institutions; politics in India may exercise their “secular” political system. In Indonesia, “westernization” of politics may be avoided. In short, modernization of politics should take into account the society's preferences to political culture, ideas and institutions including possible blend or synthesis. False assumption that religion is an obstacle to development is no longer valid—this is especially true of the reviewed and reinterpreted doctrines of a given religion.

RESULTS

Gotong Royong Democracy of Indonesia

The term Gotong Royong in our articles is not inclined to Soekarno's ideological orientation; but rather to generic meaning of mutual help that prevails across the sub-cultures in diverse ethnic groups and to the notion of deliberation and consensus in the light of Theory of Deliberative Democracy.

In the early days of pre-independence of Indonesia, **Gotong Royong democracy** or deliberation or consensual democracy was practiced with great success, with involvement of what the theory of deliberative democracy calls larger segments of the society. Almost no voting-centric procedure was used; instead deliberation and negotiation of ideas were cordially done. Beyond the local level of village in which traditional GR was in operation, the sessions held by national level of BPUPKI with its main task to formulate a draft of the constitution in the days entering the country's independence in 1945 were likely to have had its members coming from "larger segments of the Indonesian society (Zamharir & Lubis, 2015). In the civil society level, two tides of educational movements took place—one was the movements by religious organization, especially Islam, i.e. Muhammadiyah and Nahdhatul Ulama (NU); and the other one was political-based, notably Taman Siswa Movement led by Ki Hadjar Dewantara, and Kayu Tanam movement in Sumatera (Nishimura, 1995, 22-26). Especially in Kayu Tanam movement, Nishimura observes that out of 29 principles of Kayu Tanam education, the five principles are the same as the five principles of Pancasila—except that, as Nishimura did not specify, the principle "democracy" was not worded in full concepts of the present-day fourth principle. (p. (Nishimura, 1995, 25).

The 1945 Constitution or UUD 1945 firmly embraces the fundamental of people's sovereignty or *volksouvereiniteit*. This is stated in Pasal 1, ayat 2. In the 1045 Constitution or Undang Undang Dasar of the Republic of Indonesia, this fundamental is mentioned both in the preamble and body of the constitution. In the Preamble of Pancasila, it is formulated as follows: "Kerakyatan Yang Dipimpin oleh Hikmah Kebijaksanaan dalam Permusyawaratan/Perwakilan", or people's sovereignty democracy that is guided by wisdom of deliberation either through direct democracy or representative democracy.

An abrupt change in system of government from presidential one to parliamentarian took place when the Dutch aggression, starting in 1846 (or only one year after this democratic country lived) occurred in 1946—forcing Indonesia in 1949 to come to an agreement on KMB or Konferensi Meja Bundar in Den Haag, the Netherlands, and accept federal system and parliamentary system of government under the Interim Constitution of 1950 UUDS. Inherited from the Dutch, the parliamentary system of government along with "anomaly" of politics in revolutionary setting seemed to have brought a bitter practice afterwards. **With the adoption of some type of liberal democracy—Feith named it Constitutional Democracy—**during 1955-1959 there emerged a continuing sense of **misunderstanding of the very idea of consensual, deliberative nature of democracy** as mandated in Indonesia's state ideology of Pancasila. Harsh political conflicts during the

parliamentary system of government was stopped as President Soekarno succeeded in proclaiming to turn back the 1945 Constitution in July 5, 1959—with this turning point, the country adopts unitary system of the state or NKRI and presidential system of government, with Soekarno and Mohammad Hatta being the president and the vice president of the Republic of Indonesia.

It is in the era of Soekarno that **some sort of soft authoritarianism (though popularly termed as Guided Democracy)** was implemented—with downgrade of Gotong Royong democracy when limited coalition under the NASAKOM regime was established with the claim that those outside NASAKOM was against the Revolution; also with culminating step of the Parliament's enacting the decision on declaring Soekarno as the president all his life. GD in the eye of a foreign scholar is described as follows: *“the four constant features of GD in the 1959-1962 period (since after 1962, these features did not occur) which will be broadly outlined: (1) heated rivalry of Soekarno-army-Communist as the central focus of the struggle for power, (2) the concept of NASAKOM (the trinity of nationalist, religions and communist streams of political life in Indonesia) as Soekarno's main organizing principle of political representation and manipulation, (3) the prominence of indoctrination and the official ideology, and (4) the propensity toward highly inflationary budgets and serious economic decline”*. (Mackie, 1963, 79). It was written in history that there was a bad practice of manipulation of the idea of people's sovereignty: several segments of the society representing as members of the Parliament (MPs) were chosen by the president for his own political interests. It is observed that Soekarno's Guided Democracy (GD) failed to implement GR democracy.

It was then a great opportunity for Suharto, who was in power beginning 1967, to turn to GR democracy. Starting with political promise to implement Pancasila (include GR democracy) in its original intent and with consistency, Suharto launched Demokrasi Pancasila. With his grip of power, including the introduction of P4 (formal guide to understanding Pancasila and its subsequent implementation), Suharto became very powerful supported by his hegemonic party, Golkar, and the military. Politics in Suharto's hands were no longer democratic politics in essence. Though it was a good path to reduce political parties to only three in number, Suharto's path was not a democracy: only his party, the ruling party of Golkar, being in power, while the other two are outside the government and were never invited by Suharto to form a coalition government. In short, Demokrasi Pancasila, again, **failed to implement GR democracy**. As the history has noted, Suharto was then forced by social movements to step down from office in May 1998.

Given the uncertainty in achieving the level of consolidated democracy in post-Soeharto's era of 1990s, Gaffar—one of the prominent political scientists in Indonesia—coined and **recommended the idea of Uncommon Democracy** for contemporary Indonesia in order to make democracy work. In the sub-topic “Mencari Format Demokrasi Indonesia (in search of the format of Indonesia's democracy), Gaffar contends that given the emergency of political anarchy, a democracy for Indonesia should be something uncommon: there is a need to emerge one dominant party (basing his idea on Sartori's term, i.e. out

distances all other), that is capable of collecting 60 % seats in the parliament, and will be in power for relatively long decades. He further noted that As has also been practiced in Japan's LDP, this one dominant party in power would create "strong government": Gaffar describes the dominant strong government with the description of respect of human rights, rule of law, etc. –several qualities that Gaffar claims different from those in authoritarian system. Gaffer also bases his idea on social facts of such plurality of ethnic groups, political factors that hinder the possibility of making "normal democracy" work. In terms of forming the government by coalition among parties, Gaffar's conception of Uncommon Democracy seems to exclude this coalition from the agenda given the possibility of black mailing practices (Gaffar, 1999).

Gaffar's road to democracy is accordingly a longer way as the transition discussed within "normal democracy". This one dominant party for Indonesia's setting is called for to fill the gap between **the past political distrust** in the regime (especially during 32 years of Suharto in power) when every thing was done by mobilization by the government and **the current political distrust** on the part of the society that generates potentials of anarchy. General election is also recommended, free & fair election, through with limited room for political contestation. In addition, demand for the fertile growth of sense of tolerance is emphasized by Gaffar but this demand seems to be very far beyond the possibility to emerge in such cultural and political setting in political history of Indonesia.

With current political reform beginning in 1998, the road to democracy has been under way and several advances in democratic politics have been made but, again, many have expressed their complaints about overliberalization of the road, leading it to **the failure of understanding and implementing GotongRoyong democracy**. Therefore, several segments have proposed **the urgent turn to Demokrasi Permusyawaratan or GotongRoyong democracy** as has been mandated in the 1945 Constitution—the democratic ideal that has also been implemented by a few state actors as well amongst the communities.

Dharma's Democracy of Taiwan

Briefly described the success of long march of Chiang Kai Sek from the mainland China was then followed by his rule of the island of Taiwan. As the history went by with long history of authoritarianism in Taiwan, it was in 1987 that the Martial Law was uplifted along with the economic miracle. Welfare created by capitalist model of industrialization—Taiwanese expected more political freedom and one way to actualize such sense of freedom in the mushrooming of religions. In current social science it is the emergence of civil society. Weller's thesis of significant rule of the mushrooming of voluntary association making up active civil society in Taiwan seems to be added with another factor contributing to Dharma's democracy in Taiwan. This has been stressed by Huang (2000) from the University of Montreal, Canada, who observes that while Buddhist communities by at large were passivists in politics, two big groups of them have been exercising Taiwan democracy, i.e. Foguansan and Tzu Chi Groups "Foguansan and the Buddhist Compassion Relief Tzu Chi Foundation have developed over the years into large institutions that run their own

hospitals and clinics, universities, publishing houses, and television channels. With a membership of more than one million people for Foguangshan and over two million for Ciji, in a Buddhist population of 4.9 million, both organizations have the capacity to act as pressure groups, if not to perform the role of critics”.

Among the success of Taiwan in conflict resolution has been the way the political elite settle the conflict. Sani & Hara, quoting Van Dijk (1993), write, “elites are those who are in the position to control and manage the extent of discourse and communication” (Sani & Hara, 2007, 9), that Van Dijk call this discourse access : “The wider the range of discourse genres, modes of communication and audience, the more social power and ability, which the elites have, in exercising control over groups and instructions”. (Sani & Hara, 2007, 9). In elite settlement approach, it is noted by Lay and Savirani (2000), that to design a working democracy, a new constitution was agreed upon with the initiative of President Lee Teng Hui to negotiate for national reconciliation. The goodwill of the president is resembled in setting forth an “uncommon mechanism” by holding a meeting of political elites who were in conflict beyond the normal mechanism—the president was NOT using the parliament in this effort. The first meeting in 1990 was called NAC (National Affairs Conference). As noted by Lay dan Savirani,

“sebuah studi sampai pada kesimpulan bahwa NAC merupakan proses awal elite settlements di Taiwan, yang mengambil bentuk separuh matang dan momen NDC yang melengkapi proses ini. Kedua momen ekstra constitutional ini yang kemudian membawa Taiwan menjadi salah satu Negara demokrasi di dunia setelah politik dijinakkan oleh proses negosiasi elit. (“A study has come to conclude that NAC becomes the first stage of elite settlements in Taiwan with half-done output, for further completion of the output in the next session of NDC. Both extra-parliamentary mechanism then brought about democratic country of Taiwan after politics is made softened through the processes of elite negotiation”) (Lay & Savirani, 2000).

There have emerged—as Madsen observed –religious groups transforming into democratic politics. The social mobility as by-product of Taiwan’s success in industrialization has made more people gain higher status: the following are varieties of social strata that the religious groups have:

Chart 01: Religious Groups and Their dominant Stratum of Social Class

Enacting Heaven Temple (Dao Sect)	Lower-middle class
Guangsan	Business people, Public officers, politicians
Tzu Chi Buddhism	Managers & Professionals
Foguang Buddhism	Educated people

Jones (2008) when reviewing Madsen's book notes that based on the two concepts that Madsen borrowed from Mary Douglas, 'group' and 'grip', "the strong 'group' aspect gives members of these associations reason to care about one another; the relatively weak 'grid' makes their ethical standards more flexible and less authoritarian, and so not likely to give rise to 'crusader mentality' (Jones, 2008, 36), and thus they compare favorably with the more absolutizing moralities of western monotheism...." (Jones, 2008, 42). Comparing the core of values between Confucian China and American Culture, Chang (2011) finds distinctive features of the two cultures. Both cultures have potential in being in harmony with Liberal Democracy: the two values, "maintain a moderate worldview that disavows extremism; each espouses an order ground on civic virtues (CIVILITY) intended to militate against religious radicalism ". Though the two seemingly possess the same features, the two adopt contrast approach: Confucianism adopts democracy with "passive inducement" whereas the Christian West adopts a "proactive approach of overt conversion ".

In addition the role of the leaders of the four organizations is played under the following strategy: the innovators, "work within these realities, using the symbolism of family to tie their members together (Tzu Chi more than the others), but suggesting only guidelines for members' religious practices and behaviors." (Jones, 2008, 42). As with the philosophy of governing, Chang (2012) observes that there are two important concepts embraced in Confucianism and Taoism—governing by virtue and the high value of merit system: these two concepts

"may be related to people's ideological orientation about political institution. Is to govern by virtue. When a political leader's behavior follows moral doctrines, his or her personal virtue can spread positive influences throughout the country and the leader can achieve more of the collective interests by doing less and allowing everything to function smoothly. On the other hand (on the other side?—HZ), Confucian tradition also stresses meritocracy whereby virtuous plebeian who cultivates his qualities can be a 'Junzi' (gentleman) such that personal efforts can break through the barriers of social class the hierarchic structure in the society" (Chang, 2012, 560-1).

DISCUSSIONS & CONCLUSION

From the description of two types of non-western democracies above, it can be noted that the following aspects are involved: (1) the political history setting, (2) the culture, (3) the spectrum of governance system, (4) Elites' roles ; and (5) intervention function of industrialization and education. Of the five the distinctive features above, point (4) elite's role, and point (5) seem to be very crucial points. As has been described earlier, it was in Taiwan where elite's role had significant part to be played, moving toward negotiating format of consensual democracy. Such a role hardly has been played by Indonesia's political elites. Deliberation in Indonesia—and also in Malaysia—is in practice; yet as Sani & Hara observed, in Indonesia deliberative democracy is currently not clear given the political

liberalization in contemporary Indonesia. In contrast BPUPKI's best practice of consensual democracy in 1945—thus before the GR democracy was legally stipulated in fourth principle in Pancasila—the current trend has been worsened. Therefore it is demanded that re-invention of GR democracy be done. In consonance with the need for advancement of social science in Indonesia, similar call is also expressed by former President BJ Habibie in his speech on Pancasila in Jakarta on the occasion of commemorating Independence Day of the Republic Indonesia, June 1, 1945-2011. Habibie said “...dalam forum yang terhormat ini, saya mengajak kepada seluruh lapisan masyarakat khususnya para tokoh dan cendekiawan di kampus-kampus serta di lembaga-lembaga kajian lain untuk secara serius merumuskan implementasi nilai-nilai Pancasilayang juga tidak kalah penting adalah peran para penyelenggara Negara dan pemerintahan untuk secara cerdas dan konsekwen serta konsisten menjabarkan implementasi nilai-nilai Pancasila tersebut dalam beberapa kebijakan.....”. In educational field, not only do critics express their views, but also scholar like Nishimura whose account was mentioned in the previous paragraph had a critical view. Nishimura in “Pancasila-ization of national education” noted there had been too flexible way of interpreting Pancasila—during Soekarno's regime the interpretation was inclined to Socialism; when Suharto was in power, “by emphasizing economic development, the aim of education was changed to foster a ‘development-oriented person’ or *manusia pembangunan* who can contribute to the promotion of national development plan”(Nishimura, 1995, 22-26). As with the economic and industrialization aspects, Taiwan's Dharma's democracy has been flourishing partly by the back-up economic miracle; in Indonesia, GR democracy has not obtained favorable atmosphere in economic field.

In the meantime, the deterioration of GR democracy in Indonesia may have been caused by little influence from religion-based civil society: it is true that in terms of high politics big organizations mainly NU and Muhammadiyah have been influential in the national politics, but few efforts were done in terms of cultivating civic virtue coming from Islam. This is regrettable given the NU's firm determination to promote moderate, tolerant Islam. An example of Islamic value is the best practice of elite deliberation called *ahl al-hall wa al-aqd*; this “deliberative democracy” or consensual democracy has not been cultivated up to the present-day civil society of NU and Muhammadiyah.

To conclude, civil society in contemporary Taiwan has been made stronger with significant contribution of religious virtue of such religions as Confucianism and Taoism. In her historical setting, Taiwan had been successful in its path toward industrialization—and such achievement is likely to promote the success of peaceful democratization. In Indonesia, little significant contribution was made by religious organization given the Indonesia's inclination to Islamo-phobia politics in the past. Since deliberative democracy has been mandated in the state ideology of Pancasila—while the country's consecutive regimes were not successful in promoting GR democracy—it is called for to re-invent it; it is now the responsibility of such big religious organizations like NU and Muhammadiyah to take initiative to forge the country with inclusion of religious virtue within GD democracy. There has been ample room to do so because civil society organizations exist and there have been

best practices of GR democracy, though fragmented, by a few institutions like Constitutional Courts or Mahkamah Konstitusi and East Java regional government with Soekarwo's introduction of Demokrasi Permusyawaratan, in which Soekarwo has been critical of voting-centric tendency of current democracy—the tendency that is identified as the causes of deterioration of musyawarah or deliberative democracy; he further urges to re-invent the *demokrasi permusyawaratan* or deliberative democracy. (Soekarwo, 2014).

With strong determination among Taiwanese civil society (among others coming from religious groups) to embrace peaceful mode of consensus-type democracy, Dharma's democracy in that country proves to make steady progress. Dharma's democracy of Taiwan has more promising growth as one of "other" types of democracy and this format of democracy is in line with deliberative democracy as theorized in TDD. In the meantime, Indonesia's GR Democracy has experienced an unfriendly atmosphere in terms of political history and immature political culture within multi-party system, with little support coming from political scientists. Since GR democracy is mandated in the 1945 Constitution, re-inventing it becomes a must. There is an ample room to re-invent GR democracy provided that there is significant contribution of advances in social science in the country, determination among leaders across political groups and sufficient re-education of the society. One lesson learned from the significant inclusion of Confucian and Tao and other religious virtues in the development of Taiwan's consensual democracy, it is high time that GR democracy of Indonesia incorporated religious virtue of major religions in the country.

Both Dharma's democracy and GR Democracy represent the axioms of culturalist's approach to political development study and provide proofs that other modes of democracy are scientifically justified, denying the axioms of the sole type of what is the-so called liberal democracy.

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THE PHILOSOPHICAL DIMENSIONS OF SOCIAL RESPONSIBILITIES FROM THE BHAGAVAD-GITA

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Abstract

Philosophically the concept of ‘social responsibility’ can be explored from three dimensions, namely individual, corporate and global. Worldwide academic discussions about social responsibility (SR) are predominately on corporate dimension of SR or corporate social responsibility (CSR). These discussions on CSR are mostly related to the approaches, strategy, and the process of CSR implementations and its evaluations. The other SR dimensions such as the individual social responsibility (ISR) and global social responsibility (GSR) have yet to create an interest among the SR academics. Therefore, in this paper, besides CSR, the author explores the philosophy of ISR, and GSR from the Vedanta philosophy with reference to the Bhagavad-Gita. From a survey of SR literatures, with a particular focus on CSR from philosophical perspectives, there are studies made by scholars on Islamic, Christian, Confucianism and Buddhism philosophy. The Bhagavad-Gita, which is a very small and an important part of the Mahabharata (Vedanta), is the popular text for reference on Vedanta philosophy (religion), is yet to be explored from the context of SR (except for few CSR articles). Therefore, in this paper, the author attempts to fill the gap in the literature by exploring the philosophies of SR (individual, corporate and global) from the BG. In this paper, the author employs hermeneutics, a qualitative research methodology which involves the study, understanding and interpretation of the BG in the context of SR. In a nutshell, the BG provides an inside-out duty and action (dharmic and karmic) approach to SR which starts from ISR (svadharma and asrama dharma based on sva bhava), to CSR (varnaasrama dharma) and moves towards GSR (rita dharma – loka sangraha). The leaders and the role they play as individuals, in corporations and as global citizens are crucial in ensuring transparency, good conduct and governance towards the ultimate aim of achieving ISR, CSR and GSR. This paper is expected to provide a framework to the study BG (Vedanta) from other aspects of corporate management; such as corporate governance, corporate ethics and human resource management in the near future.

Keywords: individual social responsibility (ISR), corporate social responsibility (CSR) and global social responsibility (GSR), the Bhagavad-Gita, leadership, philosophy, religion and business

INTRODUCTION

Almost a decade ago, Panda and Gupta (2007) in their paper on “Call for developing indigenous organisational theories in India: setting agenda for future” which appeared in the 1st Volume of International Journal of Indian Culture and Business Management (IJICBM); have asserted that during the last two to three decades, academic scholars worldwide have increasingly realized the limitations of universal applicability of Western and or Japanese management theories and practices across all nations (e.g. Hofstede, 1993; Kiggundu, Jorgensen and Hafsi, 1983; Boyacigiller and Adler, 1991; Gopinath, 1998; Rousseau and Fried, 2001). This has led to a growing interest in indigenous management theories, i.e.

relevant management theories and practices based on local conditions and socio-cultural factors. They (Panda and Gupta, 2007) argued that the reviews of literature reveals that most of the findings of existing studies (most of which have been conducted in organizations located in the USA) did not replicate in other nations (Bhagat and McQuaid, 1982; Doktor, Tung and Gilinow, 1991). They suggests that management knowledge (includes SR) is not universal and it is culture specific and therefore it is essential for developing countries in Asia such as India to explore their indigenous management thoughts based on ancient wisdom.

However such efforts seem to be absent and this can be seen in the coverage of reading materials in various management curriculums not only in the Indian context but also in other Asian countries including Malaysia. Most business schools keep on prescribing either American, British and Australian text books or books western tradition (Muniapan, 2008). As a result in the mind of the management learners, the western management models seems to be made superior and nowhere good management values from the local culture (indigenous) perspectives are taught. This attitude and mindset is likely to continue unless efforts are not made to develop the culture specific (indigenous) models, otherwise the Indians and Asians will likely to lose their “Indianess” and “Asianess” in the near future.

In the Indianⁱ context, the BG, in recent years has attracted interest among academics not only in theology, philosophy, spirituality, but also in management. The studies to explore the BG (or related to the BG) in management and leadership were made by scholars such as Chakraborty (1993; 1995; 1999), Chakraborty and Chakraborty (2008), Sharma (1996; 1998; 1999; 2002; 2003), Krishnan (2001, 2003), Kejriwala and Krishnan (2004), Satpathy (2006; 2007), Muniapan (2005; 2006; 2007; 2008; 2009; 2010; 2014), Muniapan and Dass (2008; 2009), Muniapan and Shaikh (2007), Muniapan and Satpathy (2010), Muniapan and Rajendran (2011), Muniapan and Low (2011), Low and Muniapan (2011), Muniapan and Satpathy (2013), Muniapan and Jalarajan (2014), Satpathy and Muniapan (2008), Satpathy, Muniapan and Dass (2013), Parashar (2008) and others. The BG or “Song of the God” is one of the ancient and the most beloved scriptures of India. The Hindus, regard this ancient text with the same respect and love as Muslim regards the Quran and Christians regards the Bible. From the BG, the Hindus seek comfort and spiritual enlightenment. The BG is also considered by eastern and western scholars alike to be among the greatest spiritual books the world has ever known (Muniapan, 2010).

OBJECTIVES

BG has yet to be explored fully in the context of SR; although several concepts from the BG are relevant to construct a SR model; therefore this paper attempts to explore SR insights from the BG. This paper also attempts to highlight the SR thoughts from the BG, although for many people and also to the scholars, presenting SR from a philosophy, religious and spiritual text such as BG may look rather strange. These will eventually dispel the wrong notions and belief that prevails regarding the relationship between ancient Indian philosophy

and management (SR) and will provide a framework for the development of future philosophy related research studies in the area of SR.

METHODOLOGY

The BG is written in the Sanskrit language; which is one of the oldest languages in the world. This paper is based on a qualitative research methodology called hermeneutics, which is the interpretation of scripture and classical literatures. Hermeneutics is not a well-defined field. It is also concerned with the usage of language and the process of using language (Muniapan, 2007). In this paper the interpretation of selected verses from the BG; has been made to provide its relevance to the concept of ISR, CSR and GSR. The interpretation was done based on four stages; namely identification, investigation, interpretation and integration. The identification stage involves searching for the relevant direct and indirect SR equivalent verses; this will be followed by a detailed investigation of the verses in terms of context and context. The next stage involves interpretation by providing the meaning and the relevance of the verses from the SR context. The final stage is the integration of the verses involves adopting, modifying the lessons from the verses and provide commentaries from the perspectives of ISR, CSR and GSR.

PHILOSOPHY (RELIGION) AND BUSINESS (MANAGEMENT INCLUDING SR AND CSR)

Religion and philosophy plays a significant role in the development of human values and behavior which has a great impact to business and corporate management. Research also suggests that the encouragement religious principles in business can lead to benefits in the areas of creativity, honesty and trust, personal fulfillment, and commitment, which will ultimately lead to increased corporate and business performance (Krishnakumar and Neck, 2002; Muniapan, 2009, Muniapan 2010).

In the academic journals, there has been considerable research on the relationship between religion (philosophy) and business (Calkins, 2000; Epstein, 2002; Weaver and Agle, 2002; Zinkin and Williams, 2006; Beekun and Badawi, 2005 and Abuznaid 2005, 2009). There have been numerous conceptual studies which have linked and integrated the religious faiths and scriptures such as the Bible (Christianity), the Quran (Islam) writings from the perspectives of business (Tamari, 1990; Stackhouse et al, 1995; Epstein, 2002; Sacks, 2004; Zinkin, 2004, Zinkin and Williams, 2006). This conceptual work has led to empirical research into the relationship between religion and business. Zinkin and Williams (2006) in their studies on Islam and CSR cited some of the earlier studies made on the relationship between religion and business which includes Miesing and Preble (1985); Ibrahim and Angelidis (1993); Terpstra et al, (1993); Smith and Oakley (1996); and Angelidis and Ibrahim (2004).

In terms of the impact of religious philosophy on CSR practices, several researches support the idea that religious people have a wider notion of CSR than non-religious people

(Rest 1986; Agle and Van Buren, 1999:581; Weaver and Agle, 2002; Brammer et al (2005), Zinkin and Williams, 2006). In the study by Brammer et al, 2005 on religion and attitudes to CSR, data collected from a large cross country sample of over 17,000 individuals confirmed the notion that religious individuals do tend to hold broader conceptions of the social responsibilities of business than non-religious individuals.

Among the world's major religions and philosophy, Christianity and Islam have received wider attention from a business and CSR perspective. The BG (Hinduismⁱⁱ) however is yet to be explored in the context of SR; therefore this paper is timely as it fills the gap in the SR literature.

THE BHAGAVAD-GITA (BG)

The BG is said to be the summary of all the Upanishadsⁱⁱⁱ by Adi Sankara who beautifully quoted this in his BG dhyana (meditation) number 3, after saluting Sri Vyasa Muni^{iv} and Sri Krishna^v as follows: sarvopanisado gavo dogdha gopala nandanah, partho vatsah sudhir bhokta dugdham gitamrtam mahat - All the Upanisads are the cows, the milker is Sri Krishna, the cowherd boy, is Partha (Arjuna)^{vi} is the calf, men of purified intellect are the drinkers, the milk, is the supreme nectar of the BG (Chidbhavananda, 1992). Sri Krishna himself has milked this supreme wisdom for the benefit of the whole mankind. It is the ardent belief of the Hindus that those who drink this nectarine milk of the BG will strengthen and develop themselves mentally to face the battle of life with a smiling face at every step. The milk is also considered to be a perfect and a balanced food, it is easily digestible and those who drink the easily digestible nectar like milk of the BG are nurtured and nourished in body, mind, intellect and spirit and they will become the master of their inner and outer world as was the case with Arjuna^{vii}.

Many great thinkers such as Albert Einstein^{viii}, Mahatma Gandhi^{ix} and Albert Schweizer^x as well as Madhvacarya^{xi}, Sankara^{xii} and Ramanuja^{xiii} from bygone ages have all contemplated and deliberated upon timeless message of the BG. The BG's intrinsic beauty is that its knowledge applies to all people and it does not confine any sectarian ideology. It can also be approachable from the sanctified realms of all religions and is glorified as the epitome of all spiritual teachings. The proficiency in the BG reveals the eternal principles which are fundamental and essential for spiritual life from all perspectives and the esoteric truths hidden within all religious scriptures (Muniapan, 2010). The primary purpose of the BG is to illuminate the humanity with the realization of the true nature of divinity; for the highest spiritual conception and to attain love of God^{xiv}.

Over the centuries many renowned scholars and philosophers from all over the world have commented on the BG and elucidated the teaching of the BG in many publications and lectures. It is universal and non-sectarian and its teachings are applicable not only to Indians but to everybody. Charles Wilkins translated the first English language version of the BG in 1785 from the original Sanskrit. At present there are more than 1000 English language versions and commentaries of the BG written by many scholars in India and around the

World. The BG has also been translated into more than 500 world languages other than English.

The BG was said to have been delivered at battlefield in Kurukshetra more than 5,000 years before the commencement of war between the Pandavas and the Kauravas. Sri Krishna was said to have spoken the BG to Arjuna on the battlefield of Kuruksetra in 3102 B.C.; just prior to the commencement of the Mahabharata^{xv} war. This date corresponds to 1700 years before Moses, 2500 years before Buddha, 3000 years before Jesus and 3800 years before Prophet Mohammed.

The BG has exercised an enormous influence, which extended in early times to China and Japan and lately to the western countries. The two chief scriptural works of Mahayana Buddhism^{xvi} – Mahayana Sraddhotpatti (The Awakening of Faith in the Mahayana) and Saddharma Pundarika (The Lotus of the True Law) – are deeply indebted to the teachings of the BG. Mahatma Gandhi who preached the Bhagavad-Gita philosophy, said: “I find a verse here and a verse there and I immediately begin to smile in the midst of overwhelming external tragedies – and if they have left no visible, no indelible scar on me, I owe it all to the teachings of the BG” (Muniapan, 2009; 2010).

The BG comprises of 18 chapters, with the first 6 chapters explaining the Karma Yoga (selfless action) namely the actions of self-doubt, spirituality of Being, selfless action, and wisdom in action, work sanctification and meditation for full consciousness. The second set of chapters 7-12, is on Jnana Yoga (self-knowledge). This second series is the key to actions of detachment through the understanding of supreme Truth, unity with Truth, devotion, alignment, universal form and divine qualities. The final 6 chapters, 13- 18 teach the ‘how to’ for unquestionable devotion. These are actions for detachment, transcendental wisdom, and knowledge of supreme (Chow, 2007). The BG presents some of the core values and principles of Dharma, Karma, Loka Sangraha, Kausalam, Vividhta and Jigyasa (Athreya, 2005; Basin, 2010) which could be instrumental in nurturing ISR, CSR and GSR.

The BG starts with the word “dharma” and “dharma” is an important concept in the Vedanta^{xvii} philosophy and in India. In the context of Vedanta (Vedas) and Hinduism, it means one's righteous duty. “Dharma” is often translated as occupational duty, virtues, ethics, righteousness and religion. Besides “dharma” in BG, “karma” is the concept of "action" or "deed", understood as that which causes the entire cycle of cause and effect. “Karma” is considered to be a spiritually originated law of nature. “Karma” is not fate, for humans act with free will create their destiny. According to karma theory, if one sows goodness, one will reap goodness; if one sows evil, one will reap evil. Karma refers to the totality of our actions and their concomitant reactions in this and previous lives, all of which determines our future. The conquest of karma lies in intelligent action and dispassionate response. Both concepts are also found in various other Indian religions such as Buddhism, Sikhism and Jainism.

CORPORATE SOCIAL RESPONSIBILITY

CSR is the most popular area of research within SR and there has been a myriad of CSR definitions by numerous scholars, but there is no universally accepted definition of CSR. One of the primary reasons is that CSR is an evolving concept, which over the years has been used to describe an increasingly wider range of corporate activity (Gutierrez & Jones, 2005). CSR, which used to be equated with corporate philanthropy, now, includes everything from charitable contributions and “social investment” to the direct integration of vulnerable populations into a corporation’s regular business practice (Gutierrez & Jones, 2005). A standard definition of CSR is that it is about sacrificing profits in the social interest and for this to happen the corporation must be able to go beyond its legal and contractual obligations.

A widely quoted definition by the World Business Council for Sustainable Development states that “*Corporate social responsibility is the continuing commitment by business to behave ethically and contribute to economic development while improving the quality of life of the workforce and their families as well as of the local community and society at large.*” (<http://www.wbcsd.org/DocRoot/RGk80O49q8ErwmWXIwtF/CSRmeeting.pdf>).

CSR refers to the obligation of an organization which considers the interests of all their stakeholders which includes the customers, employees, shareholders, communities and ecological considerations in all aspects of their operations. This obligation is seen to extend beyond their statutory obligation to comply with legislation. In the American context, Steiner & Steiner (2006) relates the practice of CSR to the philanthropic work of wealthy business owners John D. Rockefeller and Andrew Carnegie, who gave away millions of dollars to social causes. However, CSR goes beyond the normal philanthropy or charity activities of an organization as CSR requires organization take into full account of its impact on all stakeholders and on the environment when making decisions. In a nutshell, CSR requires the organizations to balance the needs of all stakeholders with its need to make a profit and reward shareholders adequately (Muniapan and Dass, 2008).

Eberstadt (1977) asserted that the practices of CSR date back to the ancient Greece. Muniapan and Dass (2008) in their study on Vedic (Vedanta) CSR highlighted a similar development of CSR in the ancient India. Early conceptualization of CSR was broadly based on religious virtues and values such as honesty, love, truthfulness and trust. Such values were found dominant in the golden rule constructed by Immanuel Kant’s Categorical Imperative (Evan and Freeman, 1998; Muniapan and Dass, 2008). It has also been argued that this golden rule can be applied in viewing companies as responsible to stakeholders and society (Donaldson and Preston, 1995; Evans and Freeman, 1998; Muniapan and Dass, 2008). Implicitly, this argument suggests that those who do not practice such values are deemed to be unethical and not concerned of societal welfare. Since then, civilizations have been in the process of wealth and the practices of CSR were neglected and overshadowed by the pursuit of wealth accumulation.

Just like any other concepts, the concept CSR also has many critics. The most well-known critic of CSR is perhaps neoclassical economist, Milton Friedman. In his widely cited

essay, “The Social Responsibility of Business is to Increase its Profits,” Friedman (1970) criticizes the claim that corporations should practice CSR. He argues: “...there is one and only one social responsibility of business – to use its resources and engage in activities designed to increase its profits so long as it stays within the rules of the game, which is to say, engages in open and free competition without deception or fraud” (Friedman, 1970, pp.91). Friedman maintains that corporations cannot be expected to exercise CSR because doing so they compromise shareholder earnings, make decisions that they are not qualified to make, interfere with government responsibilities, and impose costs on their stockholders, customers and employees. Although his arguments today is considered by many to be outdated, but there are still a few Friedman followers who claim that CSR will decrease welfare, undermine the market economy, reduce economic freedom, and deflect business from its primary role of wealth creation (Henderson, 2005; Crook, 2005, Norberg, 2003, Heath and Norman, 2005). Norberg (2003) for example agrees, arguing that if companies choose to focus on CSR rather than just increasing efficiency, corporations will become less productive, economic growth will wane, and society as a whole will have fewer resources to meet its needs. For this reason, some argue that CSR actually requires companies to behave *irresponsibly*. Heath and Norman (2005) on the other hand argues that managers committed to strong CSR programs may fail to maximize profits and could thus risk losing their jobs if investors see an opportunity to make more money by scrapping CSR related initiatives (Whellams, 2007).

However in this century, some of the above arguments do not make sense as business is changing rapidly and increasingly come under the pressure of responding to the challenge CSR. They have come under tremendous pressure from their stakeholders to act responsibly to the society. A series of business and corporate scandals within the Organization for Economic Cooperation and Development or OECD – Enron and Worldcom in the United States, Parmalat and Vivendi in Europe and Satyam scandal in India led to public outrage. In Malaysia, cases such the BMF scandal in the 1980s, Perwaja Steel in 1990s, Malaysian Airlines (MAS) in middle of 2000 and the Port Klang Free Trade Zone scandal in 2010, the National Feedlot Centre scandal and most recently the 1 MDB have reinforced the need for good governance and CSR. Therefore CSR has re-emerged as the public demand for answers, and the pressing need for organizations to be held accountable to the communities they serve and to be more socially responsible (Muniapan, 2009). For an organizational perspective, CSR encompasses many dimensions of business activity ranging from the social (e.g. community programs), to economic (e.g. employment) to the environmental (e.g. waste reduction).

The concept of CSR has lead to the emergence of a variety of business practices to be more stakeholder and societal orientated (Freeman 1984; Crane and Matten 2004; Welford 2004; Habisch and Jonker 2005; Fairbrass 2005). How a business is viewed and evaluated by stakeholders is likely to have a major impact on its interactions with its stakeholders. The stakeholder theory by Friedman (1984) suggests that investing time and other resources in addressing stakeholders’ interests and concerns is an important corporate

activity. Stakeholders are groups and individuals who can affect or are affected by, the achievement of an organization's mission. The World Business Council for Sustainable Development (WBCSD, 2000) argued that organizations have an obligation to society and are responsible to numerous stakeholders including owners, employees, customers, suppliers, competitors, government regulators and communities. By integrating CSR into core business processes and stakeholder management, business can achieve their ultimate goal of creating both corporate and social value. Therefore business corporations are searching for ways to integrate CSR into their long-term business strategies in a way that is beneficial to both business and society.

THE BG AND CSR DHARMA (DUTY)

Business organizations are viewed as legitimate and an integral part of society, but essentially it should create wealth for the society through the right means of action. The concept of 'Sarva loka hitam' in the BG referred to 'well-being of stakeholders'. This means an ethical and social responsibility system must be fundamental and functional in all business undertakings. The CSR requirements in the Indian context stresses on the concept of "dharma" which is given great importance in the BG.

According to the BG philosophy, dharma is the way of life for every man and this is true for a corporation. It is not a question now whether the corporations have social responsibility or not but the question is how to discharge the corporate responsibility. The BG model of discharging the responsibility by following the dharma can be a model for discharging CSR by incorporating ISR and GSR.

"Dharma" is one of the aims of human life besides wealth (artha), desires (kama) and liberation (moksha). There is a systematic relationship of each of these aims. The ultimate element of life should be interpreted as a drive to achieve moksha or liberation guided by dharma and kama using artha as a tool. Business is a means in creating artha or wealth. The business principles need to be based on "dharma" and "dharma" should always be protected. Dharma" has been explained to be that which helps the welfare of all living being. In the Mahabharata, Karna Parva, Chapter 69 Verse 58 eulogizes it as follow: "dharma" sustains the society, "dharma" maintains the social order; "dharma" ensures well being and progress of humanity, "dharma" is surely that which fulfils these objectives (Muniapan, 2006).

The BG emphasizes that one should not run away from his or her "dharma". In the BG, Sri Krishna motivates and encourages Arjuna to perform his "dharma" and not to run away from the battlefield. (B.G. 3.8) – "Perform your prescribed duty, for doing so is better than not working, one cannot even maintain one's physical body without work" (Prabhupada, 2003, pp. 170). Sri Krishna further stressed that duty (dharma) needs to be done without attachment and for those who do their duty without attachment will attain the supreme goal - (B.G. 3.19). In his explanation, Sri Krishna gave the example of King Janaka (father of Sita and father-in-law of Sri Rama in Ramayana^{xviii}) who attained perfection solely by performance of his prescribed duties - (B.G. 3.20). Therefore Sri Krishna instructed Arjuna to perform his duty for the sake of educating the people in general.

In (from) the Vedas (BG), there are four principal kinds of “dharma” known as chatur (four) dharma. These four dharmas or duties are relevant to the concept of ISR, CSR and GSR.

GSR concept from Rita- dharma

Rita dharma or the universal duty is the inherent order of the cosmos. The concept of Rita dharma is derived from the Vedas (BG). The concept of Rita literally means the "course of things. It stands for inviolable cosmic order or the law in general and the immanence of justice. This is a term which it is difficult to translate by any single English equivalent, but is usually rendered as the “Law or Order” (represents in a way both natural and moral order).

In the BG the Sri Krishna declares that, “O son of Prtha (referring to Arjuna), know that I am the original seed of all existences, the intelligence of the intelligent, and the prowess of all powerful men - bijam mam sarva-bhutanam, viddhi partha sanatanam; buddhir buddhimatam asmi, tejas tejasvinam aham (BG 7.10).

There exists a responsibility for every one of us including the businesses to abide by the Rita Dharma. We can call this in modern term as the responsibility towards the cosmic order. For this every one of us has to obey the order that is the seed of the physical world and which exists from the beginning of the time. The concept of Rita dharma provide us with global social responsibility (GSR) which the business or corporation need to consider beyond CSR.

CSR concept from Varna dharma

Varna dharma or social duty defines the individual's obligations and responsibilities within the nation, society, community, business and family. This is directly relevant to social responsibility (CSR). Organizations are to safe guard the interest of the stakeholders and for that they are to be efficient and effective. The employees are the primary stakeholders of the organization. According to Carroll and Buchholt, 2003, the companies as well as the employees must work for their self-interest and the "self-interest" argument suggests that for a long-term perspective corporations should conduct themselves in such a way in the present as to assure themselves of a favorable operating environment in the future. This view holds that companies must look beyond the short-term, bottom-line perspective and realize that investments in society today will reap the benefits in the future. Furthermore, it may be in the corporate world's best interests to engage in socially responsive activities because, by doing so, the corporate world may forestall governmental intervention in the form of new legislation and regulation.

If we go by the arguments of Carroll and Buchholtz (2003) every employee and the organization as a whole has to work for their self-interest. By serving self-interest they can serve the interest of the society. Sri Krishna therefore says the following in the BG, “Perform your obligatory duty, because action is indeed better than inaction. Even the maintenance of your body would not be possible by inaction” - niyatam kuru karma tvam, karma jyayo hy akarmanah; sarira-yatrapa ca te, na prasiddhyed akarmanah (BG, 3. 8). “The four Varna or

divisions of human society, based on aptitude and vocation, were created by Me” - caturvarnyam maya srstam, guna-karma-vibhagasah; tasya kartaram api mam, viddhy akartaram avyayam (BG, 4.13). “The division of labor into the four categories - Braahmana, Kshatriya, Vaishya, and Shudra -- is also based on the Gunas inherent in peoples' nature (or the natural propensities, and not necessarily as one's birth right), O Arjuna” - brahmana-ksatriya-visam, sudranam ca parantapa; karmani pravibhaktani, svabhava-prabhavair gunaih (B.G, 18.41)

The essence of the above teachings of the BG is very specific and tells to perform the duty as prescribed to one based on his ability. In the modern world also the jobs are allotted looking into one’s ability and efficiency therefore Sri Krishna say that I have done the division of labor. If one performs his allotted duty faithfully than he is said to be following the Varnaashrama dharma. The BG (Chapter 18. 45-48 explains how by following his qualities of work, every man can become perfect - janmana jayate sudrah samskarad bhaved dvijah veda-pathad bhaved vipro brahma janatiti brahmanah.

ISR concept from Ashrama dharma and Sva dharma

Ashrama dharma or duties of life's stages is a developmental “dharma”. The natural process of maturing from childhood to old age through fulfillment of the duties of each of the four stages of life namely brahmachari (student), grihastha (householder), vanaprastha (elder advisor) and sannyasa (religious solitaire) in pursuit of the four human goals: dharma (virtue), artha (wealth), kama (pleasure) and moksha (liberation). This is individual social responsibility (ISR) in relation to the family and society.

Svadharmas or personal duties, or obligation is one's individual pattern through life, according to one's own particular physical, mental and emotional nature. Svadharmas is determined by the sum of past “karma” and the cumulative effect of the other three dharmas. It is the individualized application of “dharma” dependent on personal “karma”, reflected on physical characteristics, health, intelligence, skills and aptitudes, desires and tendencies. This is personal social responsibility (PSR) in relation to the individual life and growth.

“Svadharmas” is choosing the right vocation and the job for the self. The BG identifies three gunas (qualities) satva (goodness), rajas (passion) and tamas (ignorance) and says that these three gunas are present in every man in different proportions. One must choose a profession befitting to one’s own temperament or the most dominating guna. Gunas are the inert qualities of a man and one is happy if he chooses a vocation that suits most to him. Therefore the BG says the following: “Better to do one's own dharma imperfectly than the dharma of another, however well discharged. Better is death in one's own dharma; the dharma of another is fraught with fear” - sreyaṁ sva-dharmo viguṇah, para-dharmat sv-anuṣṭhitat; sva-dharme nidhanam sreyaḥ, para-dharmo bhayaṁ vahah (BG, 3.35). sreyaṁ sva-dharmo viguṇah, para-dharmat sv-anuṣṭhitat; svabhava-niyatam karma, kurvan napnoti kilbisam (BG 18.47)

While recruiting people the companies also look for “appropriate” people with related qualities. Therefore it is always better to pick a job that suits one’s background, experiences, tendencies and desires that ultimately determines one’s personality. According

to the BG duty is to be performed like a Yogi. The BG therefore explains the nuances of the Karma-Yoga. Yoga means "Dexterity in action". It is possible only when someone is in a profession of spontaneous inclination. Sri Krishna provides an example of choosing one's svadharma, He says, "Arjuna is a soldier (kshathriya) and his svadharma is to fight." - Svadharmamapi chaavaekshya, na vikampithumarhasi; Dharmyaddhi yuddhaachchraeyonyath kshathriyasya na vidyathae (BG, 2.31)

When one is in a profession that suits one's talents and temperaments he is peaceful, balanced and equanimous. "Svadharmam" is a broad term meaning several things like one's vocation, calling, and "what is right for an individual. When someone performs the Svadharmam his productivity and efficiency in the work is high as he is self-motivated to do the work. He is self-actualized. Thus the person utilizes the resources in hand in the best possible manner and the social responsibility to use the resources efficiently is fulfilled.

The above four dharma's (duties) based on ISR; CSR; & GSR are the karmas (action required) for corporate leaders. From the BG, the law of "karma" (cause and effect) is relevant for CSR as it is expected to motivate the business people to carry out their responsibilities and duties to serve humanity. This ancient Hindu philosophy implies that the present nature of an individual's life (effect) or organizations is determined by their antecedent actions (cause). Good "karma" needs to be accumulated by business for long term benefits. In the context of CSR, organization should not only be interested in their own welfare but also the welfare of all stakeholders and society. "Karma" is then a concept of reward or punishment for the choice made by individual or corporation. Hence, the law of "karma" emphasized the "dharma" as a key plank for self-realization and for the organization to reach its potential. It has been argued that all virtues are conducive to spiritual development and is spiritual when performed with the realization of its relation to the inner spirit (Chakraborty, 2006). In the teachings of BG, it has been advised that perfect actions lead one to the 'gateway to liberation (*moksha*)'. Evidently, this Hindu philosophy on "karma" has set a framework for organizational action for good corporate "karma" by the promotion of CSR (Muniapan and Dass, 2008). The BG also promotes the concept of *nishkama karma*; a perspective on action and decision making that emphasizes performing one's deeds without attachment to the fruits thereof- and where both the action and the fruits are offered to the divine. In the SR context, the societal contribution must not have with any expectations in return but rather as a duty need to be done to the society.

CONCLUSION

BG's approach to SR begins with ISR, promotes CSR and goes even beyond to GSR which stands for the good of humanity social, cultural, moral and spiritual from global perspectives.

The CSR (plus ISR and GSR) can be discharged by following the chatur-dharma by the corporation and the people of that corporation. If we move from the micro to the macro level, the corporation and its members are to follow the four dharma according to the conceptual framework of svadharma (individual) + ashrama dharma (stages of life) + varna

dharma (position hold in the corporation) + finally the rita dharma (cosmic order). These dharma's are the karma's to be performed by the individuals and corporate leaders.

In a nutshell, the BG suggests an inside-out approach to SR, which is development of the individual leader's self conscience. The leaders and the role they play in corporations are crucial in ensuring transparency, good conduct and governance towards the ultimate aim of achieving SR. Future studies can explore other aspects of corporate management; such as corporate governance, corporate ethics and human resource management from the perspectives of BG philosophy.

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Notes:

- i. The reference to Indians here refers to not only Indians in India but also people of Indian origin in all parts of the world.
- ii. Hinduism which is also known as Hindu Dharma in some modern Indian languages is religion originated from the Indian subcontinent. In contemporary usage Hinduism is also referred to as sanatana dharma, which means eternal religion. See “The Concise Oxford Dictionary of World Religions”. Ed. John Bowker. Oxford University Press, 2000; The term can be traced to late 19th century Hindu reform movement (J. Zavos, *Defending Hindu Tradition: Sanatana Dharma as a Symbol of Orthodoxy in Colonial India*, Religion (Academic Press), Volume 31, Number 2, April 2001, p. 109-123; see also R. D. Baird, “Swami Bhaktivedanta and the Encounter with

- Religions," *Modern Indian Responses to Religious Pluralism*, edited by Harold Coward, State University of New York Press, 1987).
- iii. Upanishad literally means "sitting down beside. Different Upanishad is affiliated with the four Vedas. The Upanishads were transmitted orally by the Vedic schools. The longest and oldest Upanishad is the Brhadaranyaka and Chandogya respectively. Dr. B.B. Paliwal (2006), *Message of the Vedas*, Diamond Books, New Delhi, p. 45-70
 - iv. He is also sometimes called Krishna Dwaipayana, (the island-born) or Veda Vyasa, meaning - 'the one who divided the Vedas. He is accredited as the scribe of both the Vedas, and the supplementary texts such as the Puranas. See "The Bhagavata-Purana", translated by A.C. Bhaktivedanta Swami Prabhupada (1988), Bhaktivedanta Book Trust, Los Angeles.
 - v. Sri Krishna is the 8th incarnation (avatar) of Sriman Narayana, the Supreme Personality of Godhead in the Vaishnavism tradition. *Srimad Bhagavatam (Bhagavata Purana) 1.3.28* states that "All of the above-mentioned incarnations are either plenary portions or portions of the plenary portions of the Lord, but Lord Sri Krishna is the original Personality of Godhead." (translated by A.C. Bhaktivedanta Swami Prabhupada (1988), Bhaktivedanta Book Trust, Los Angeles). Sri Krishna is the speaker of the *Bhagavad-Gita*.
 - vi. Arjuna is one of the heroes in the Mahabharata. He is the third of the 5 Pandava brothers; the others are Yudhisthira, Bhima, Sahadeva and Nakula. See *The Mahabharata of Krishna Dwaipayana Vyasa*, translated to English by Kisari Mohan Ganguli, online translation is available at <http://www.sacred-texts.com/hin/maha/index.htm>
 - vii. Gupta, P. 1998, *The Bhagavad-Gita*, Dreamland Publications, New Delhi, p. 7
 - viii. Albert Einstein was a German theoretical physicist. He is best known for his theory of relativity and specifically mass-energy equivalence, $E = mc^2$. Einstein received the 1921 Nobel Prize in Physics "for his services to Theoretical Physics, and especially for his discovery of the law of the photoelectric effect. See The Nobel Prize in Physics 1921 at http://nobelprize.org/nobel_prizes/physics/laureates/1921/
 - ix. Mahatma Gandhi is known as the father of modern India and was a major political and spiritual leader of the Indian Independence Movement. See http://en.wikipedia.org/wiki/Mahatma_Gandhi#References
 - x. Albert Schweitzer was a theologian, musician, philosopher and physician. He received the 1952 Nobel Peace Prize for his philosophy of "reverence for life" expressed in many ways. See Nobel Peace Prize 1952 – Presentation Speech at http://nobelprize.org/nobel_prizes/peace/laureates/1952/press.html
 - xi. Madhva was the chief proponent of Tattvavada (True Philosophy), popularly known as dvaita or dualistic school of Hindu philosophy. It is one of the three most influential Vedanta philosophies. Madhva was one of the important philosophers during the Bhakti movement. He was a pioneer in many ways, going against standard conventions and norms. Madhvacharya is believed by his followers to be the third incarnation of Vayu after Hanuman and Bhima. Source: *Bhakti Schools of Vedanta*, by Swami Tapasyananda (1991), Sri Ramakrishna Math, Chennai
 - xii. Adi Sankara was the first philosopher to consolidate the doctrine of Advaita Vedanta, sub school of Vedanta. His teachings are based on the unity of the soul (jivatmata) and god (brahman or paramatma), in which brahman is viewed as without attributes. Adi Sankara is regarded as an incarnation of Lord Siva. This is also confirmed in the Padma Purana. See Swami Tapasyananda (2002). *Sankara-Dig-Vijaya: The Traditional Life of Sri Sankaracharya* by Madhava-Vidyaranya, Sri Ramakrishna Math, Chennai
 - xiii. Sri Ramanuja was a famous teacher, theologian, and philosopher and is seen by Sri Vaishnavas (as followers of Vishnu) the third and the most important teacher (acarya) of their tradition. By the Hindus in general as a leading expounder of Vivistadvaita, one of the classical interpretations of the dominant Vedanta school of Hindu philosophy. For details see Bartley, C. J. (2002), *The Theology of Rāmānuja: Realism and religion*, London Routledge Curzon
 - xiv. See <http://www.bhagavad-gita.org/>
 - xv. The Mahabharata is one of the two major ancient Sanskrit epics of India, the other being the Ramayana. The full version contains more than 100,000 verses, making it around four times

longer than the Bible and seven times longer than the Illiad and the Odyssey combined. The Mahabharata's scope is best summarized by one quotation from the beginning of its first parva (section): "What is found here, may be found elsewhere. What is not found here, will not be found elsewhere". See The Mahabharata of Krishna Dwaipayana Vyasa, translated to English by Kisari Mohan Ganguli, online translation is available at <http://www.sacred-texts.com/hin/maha/index.htm>

- xvi. Mahayana Buddhism originated in India. The Mahayana tradition is the larger of the two major traditions of Buddhism existing today, the other being that of the Theravada school. According to the teachings of Mahayana traditions, "Mahayana" also refers to the path of seeking complete enlightenment for the benefit of all sentient beings, also called "Bodhisattvayana", or the "Bodhisattva Vehicle." In the course of its history, Mahayana Buddhism spread from India to various other Asian countries such as China, Japan, Vietnam, Korea, Singapore, Taiwan, Nepal, Tibet, Bhutan, and Mongolia.
- xvii. The word Vedanta is a compound of veda "knowledge" and anta "end, conclusion", translating to "the culmination of the Vedas. See Radhakrishnan, Sarvepalli; and Moore, Charles A. A Source Book in Indian Philosophy. Princeton University Press; 1957. Princeton paperback 12th edition, 1989, p. 3
- xviii. The Ramayana, also known as the first poem (Adi Kavya) consists of 24,000 verses in seven cantos (kandas) and tells the story of a prince, Rama of Ayodhya, whose wife Sita Devi is abducted by King of Lanka, Ravana. It was composed by sage Valmiki, the first poet (Adi Kavi). Valmiki Ramayana translated by Ralph T. H. Griffith (1870-1874, available at <http://www.sacred-texts.com/hin/rama/index.htm>

SPATIAL ANALYSIS OF INFANT MORTALITY IN INDONESIA 2010

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Abstract

A study was carried out on representative sample of 34 province in Indonesia from population sencus of Indonesia and Indonesian Demographic and Health Survey. The aim of this research was to analyze the distribution of infant mortality in Indonesia and also to know what factors that correlated. Spatial analysis used ArcGIS 10.2 give information the distribution of infant mortality Indonesia 2010. The result showed that the highest infant mortality rate is in West Nusa Tenggara and the lowest is in DI Yogyakarta with factors that corelated is education and facilities of health. This study used macro and time series data from population sencus of Indonesia and Indonesian Demographic and Health Survey. This research used spatiotemporal analysis or spatial and temporal analysis. The result based on temporal analysis show that infant and child mortality rates in all provinces in Indonesia decreased but 29 of 34 provinces increased IMR in 2012 and 9 of 34 provinces experienced an increase in Child Mortality Rate in 2010. Based on spatial analysis the result shows that the highest infant mortality rate is in West Nusa Tenggara and the lowest is in Yogyakarta

Keywords: Spatial Analysis, Infant Mortality, Indonesia

INTRODUCTION

International Conference on Population and Developmant (ICPD), which was formulated in 1994 and ratified by 179 countries states that the population problems that occur in most of the world's population must be addressed. These include high population growth, high IMR and CMR, fertility and family planning, reproductive and maternal health, limited access to education, elderly issues and problems of immigration and urbanization. Of these problems, mortality became one of the study very interesting to discuss because it has always been one of the targets in the human development of the countries (UNFPA, 2004).

Various indicators are prepared to see how big the achievement of human development associated with mortality. Recorded in some international agreements the target of several indicators of mortality to be achieved in each country in the world, including the ICPD document in 1994 and MDGs in 2000. The mortality indicator that is used as the agreement includes life expectancy, infant mortality, mortality toddlers, maternal mortality and HIV / AIDS.

The agreed targets must be met by Indonesia. The question is whether this time Indonesia has successfully passed these targets? In addition to the number of provinces that a lot with its characteristics and different levels of development would also affect the achievement in each province. Based on these reasons, the required analysis of spatial and temporal analysis of human development in relation to mortality. Trend analysis is an analytical method that is intended to make an estimate or forecast the future by looking at

the events that have occurred in the past. For that it needed various kinds of information (data) is quite a lot and observed in a period of relatively long, so that the analysis can determine how many big fluctuations occur and what factors are influencing the changes. This becomes important as one step in the creation of sustainable development is targeted specifically human development and its relation to mortality. The aim of this research was to analyze the distribution of infant and child mortality in Indonesia and also to know what factors that correlated.

METHOD

This study used data from population sencus of Indonesia and Indonesian Demographic and Health Survey. The research area is all of provinces of Indonesia especially in Infant Mortality Rate (IMR) and Child Mortality Rate. Baby (infant) is a person aged 0 (zero) year or in other words the children are still up on the day of his first birthday. The infant mortality rate is the socio-economic and demographic variables are very important because these data can indicate the number of medical facilities and standard of living.

Analysis of the data is an activity change research data into information that can be used to draw conclusions in a study. Spatial analysis used ArcGIS 10.2 give information the distribution of infant and child mortality Indonesia 2012. Study that will be examined in this study described using descriptive analysis. The descriptive analysis will organize and analyze the data of infant mortality in order to provide a clear picture, regular and compact so it can be deduced. Presentation of data will be presented in tables and figure or map.

RESULT

Mortality indicators are measures that describe the value of death somewhere. The indicator consists of mortality indicators of the positive and negative indicators (Tukiran, 2010). Mortality indicators that are discussed in this paper is a negative indicator that consists infant mortality and child mortality.

Infant mortality is one of the things that reflect the health status conditions in an area. According to Hull and Sunaryo (1978) infant mortality are important components that reflect the social and economic indicators. Socio-economic determinant can be represented by the mother's education, conditions of poverty that is visible from both the income and expenditure. The assumption, when a mother educated then the mother will be more aware of the importance of health. In addition, it can be assumed if the conditions of poverty would affect kondizi poor nutrition during pregnancy and utilization of health services due to the revenue that can only be used to meet the daily needs alone.

When viewed by the achievement of the MDGs, Figure 2 shows the achievement of MDG targets by achieving IMR figure of less than 50 per 1,000 live births in 2000, the IMR Indonesia already meet the targets. Based on these images Indonesia IMR of 42 per 1,000 live births. The decline in infant mortality rates that occur in each period was influenced by increasing and improving economic conditions as well as health facilities (UNICEF, 2012).

This can occur because the stakeholders especially government provide health insurance and delivery to the poor. The effort is intended that disadvantaged communities can access services kesehatan and delivery in order to reduce infant mortality.

Data dynamics of infant mortality per province in Indonesia available from the year 1980-2010 (BPS 1997 and BPS 2006). The infant mortality rate (IMR) in Indonesia in 1980 amounted to 109, which means there were 109 infant deaths per 1,000 live births. When compared with the target of the World Health Organization (WHO) and the International Conference on Population and Development (ICPD) to achieve the IMR 50 in 2000 of course it is still far from the target. The high IMR in 1980 can be due to non-optimal health care infrastructure. Based on the province, only 14 of the provinces in Indonesia have national IMR below, while the rest is still above the national. In 1980, the value of the lowest IMR was DIY a value of 62. The high value due to the uneven AKB health infrastructure, especially in eastern Indonesia and the lack of public awareness about the importance of maternal and infant health.

In 1990 though nilanya down but only a few provinces that show significant progress. AKB impairment also occurs as the decline that occurred in previous years (Behm 1983, in Seman, 1985). Progress in reducing infant mortality in some of the province due to the increase in the quantity and quality of health facilities from previous years (Santosa, 1990). Carrying only two provinces that managed to show good progress, namely Jakarta and Yogyakarta. AKB value for each of them by 43 (DKI Jakarta) and 42 (DIY). In 2000 several provinces have made considerable progress in reducing infant mortality. it is evident from the decline in infant mortality in Indonesia to 47 per 1,000 live births. Although the average Indonesia have met the targets of ICPD and WHO in 2000 and 2015, but when viewed in the province of these achievements have not said to be satisfactory.

Based on Figure 1, the province has reached the target ICPD only by 9 provinces in Indonesia. Jakarta and Yogyakarta had the same IMR values are low, amounting to 25 deaths per 1000 live births. For achievements in DIY in this case because several things such as accessibility to faskes excellent, facilities adequate transportation, health care facilities are scattered, the number of workers who are many and varied, as well as the integration of service units and health personnel, the government plays a role important in this regard (DIY health Agency, 2011). While in Jakarta health program strengthened with adequate budgetary support.

The condition of the infant mortality rate in Indonesia also shows inequality. Figure 1 shows that between the highest and lowest values in Indonesia range is very far away. In 2000 the value of IMR in the province by 25 while in NTB value IMR 89. The range is very high is a picture of their extreme backwardness in NTB in the health field. Based on research Suardi (2009) high infant mortality due to cultural communities in caring for healthy lifestyles and nutrition for infants. Some cultures are thought to trigger the high infant mortality rate in NTB include selarian marriages, births attended by a shaman, infants were given pakpak rice (rice which has been chewed in advance by his mother), and their dietary restrictions during pregnancy and after childbirth. In addition to the facilities and

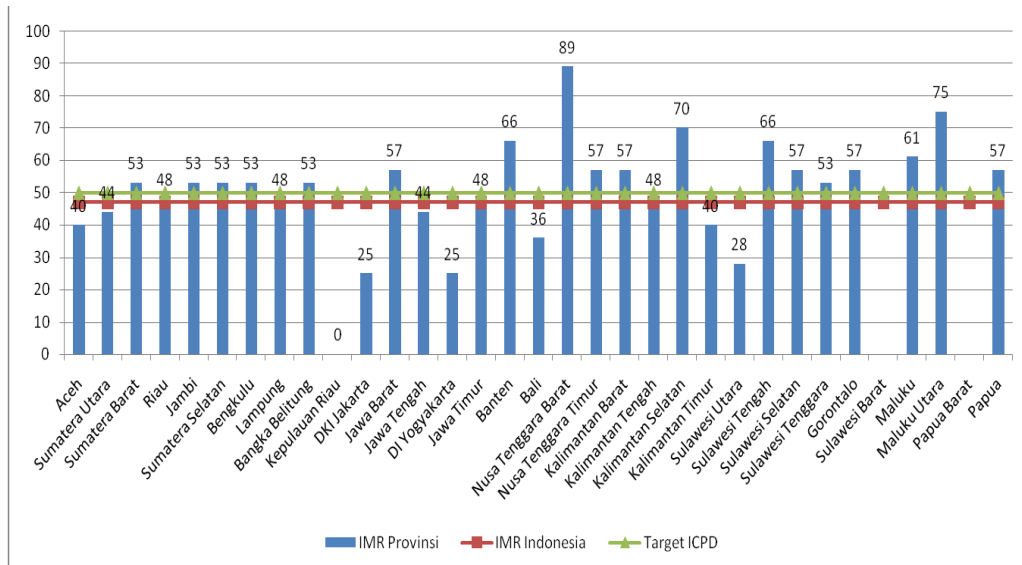


Figure 1. Estimated Infant Mortality Rate by Province in Indonesia in 2010 (BPS, 2010)

infrastructure in NTB in health problems are also far behind with DIY in terms of both quality and quantity. Also according to UNICEF (2012) high infant mortality is affected by low maternal education, home and environmental hygiene, income, and access to healthcare.

Government attention in the drop in IMR can be said to be very good. It is shown from a very drastic reduction in IMR of 2000, where in 2000 the IMR Indonesia at 47 and in 2010 to 26 in 2010. It could not be separated from the progress of development in some provinces experienced improvements are committed to lowering infant mortality rate, Provinces with the highest IMR in 2000 that NTB is making progress it can be shown in figure 2. Shifting the position of West Nusa Tenggara province with the highest IMR is not

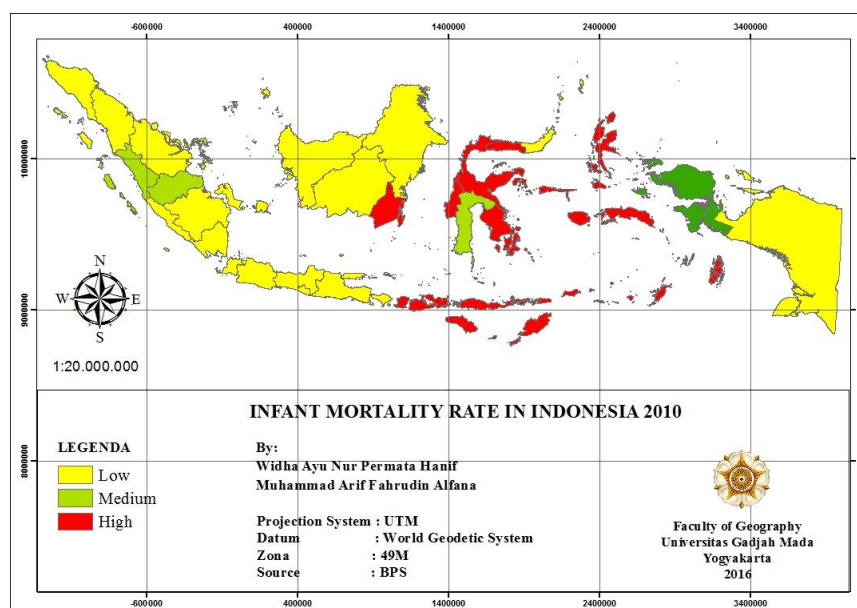


Figure 2. Infant Mortality Rate in Indonesia in 2010 (BPS, 2010)

spared from the government's efforts to allocate budget funds the Department of Health's efforts to reduce MMR and IMR (Faulia, 2010).

ICPD targets set in 2015, namely the achievement of IMR of 35 infant deaths per 1,000 live births. Nationally, Indonesia is optimistic to achieve the target because based on projections from the UN in the period of 2010 the value of IMR in Indonesia amounted to 27 and in 2015 the IMR projected value of 23. The problem is the gap between provinces where in some provinces in the areas of health is not optimal.

CONCLUSION

The results showed that the mortality indicators in Indonesia continues to increase each period. The crude mortality rate in Indonesia showed a significant decrease. This means that the level of health in Indonesia showed improvement in each period. Nationally mortality indicators such as infant mortality, child mortality and life expectancy showed a positive trend in which the targets of ICPD and WHO have been met. The positive trend is also projected to be like that until 2050. However, when viewed by the province, some provinces do not meet these targets. This is homework ahead for the government to improve the health status of the population.

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THE ECONOMIC EFFECT OF DEMOCRATIC SECURITY POLICY AGAINST INEQUITY: EMPIRICAL CASE FROM COLOMBIA, 2000-2006

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Abstract

Colombia was the 5th largest economic power in South America and 31st in the world in 1990, with petroleum commodity making up almost half of the entire income. Despite the records and resources, the distribution was centralized in major metropolitan areas such as Bogota, Medellin and Cali. At its worst, during 2000-2006, Colombia experienced an increasing in GDP per Capita followed by an often fluctuate Gini Ratio higher than 0,5 which may fall into the category of high inequity. As part of President Alvaro Uribe's democratic security policy, war against terrorism and illegal drug trading was implied by showing domination of the military between 2000-2004. Several operations and sieges were carried out all over the country to seize the objectives. Throughout the operation, the civil society was on the verge of political and social turmoil. Using a high quality dataset of wealth indicators over the period 2000-2006, this paper develops a correlation of the economic performance and socio-political condition. This model is parameterized by a dataset of graphs which describes the condition of wealth in Colombia. Having similarities in political and economical situation, the experience of Colombia could be a lesson, review or benchmark for the development progress of Indonesia.

Keywords: Inequity, Income Inequality, Gini Ratio, GDP Per Capita, Democratic Security Policy

INTRODUCTION

The sustainability of the economy of a country is certainly influenced by its own political circumstances. The composition of the government will definitely determine the economic regulations and policies. Then problem will arise when the centre-role is hampered from internal and external factors. Political instability is one of the conditions that are a mixture of both factors that can cause a crisis in all aspects of the state. Many researchers, professors and independent institutions have found a positive correlation between political instability and general economic growth. The most widely taken conclusion is the first one reduces the latter.

As a developing country, Colombia's economy strength is greatly encroached by a series of battles and operations famously known as Colombian Conflict. It almost taken the entire future of the country's economic growth since the 1965. The conflict has took many of Colombia budgets, resources and chances for more than five decades. More than 200.000 people have died from the conflict that the social-revolutionary terrorist, Fuerzas Armadas Revolucionarias de Colombia (FARC) started. Most of them are civilians who were trapped in the battles. At the peak of the conflict, the Gini index of Colombia reached its highest

coefficient, exceeding the medium level. This period was known as one of the worst times for Colombia that have experienced many conflicts. By exposing this case, this paper will try to examine the concrete evidences of the relationship between political instability and inequity distribution of wealth.

LITERATURE REVIEW

Political Instability

Generally, political instability can be described as a collection of events that struck a country in a certain matter of condition. As there is no central definition of political instability, many works have tried to measure it using various variables and indicators. Barro (1991) tried to measure the concept by showing dataset of revolutions, coups and political assassinations on more than 70 countries. However this example have only defined political instability in just outer core since the concept also needs to include more other notable events such as demonstration, cabinet reshuffle or terrorist insurgency. The more extensive variables by Alesina et al. (1996) includes three broad classes: 1) political unrest such as cabinet adjustments; 2) “structural” institutional variables such as the GDP per capita and being a democracy or not; 3) economic performance in particular growth level. In contrary, Jong-A-Pin (2008) presented more complete political variables than Barro (1991) while neglecting institutional and economic variables by Alesina et al. (1996).

The earlier works have mixed results in finding a clear relation between political instability and economic development. Barro (1991) concluded that even though the simple correlation between per capita growth and the level of per capita GDP is close to zero, the correlation becomes substantially negative if measures of initial human capital are held constantly. In opposite, Jong-A-Pin (2008) found positive relation with exception in some different cases that show the instability as boost for the reigning government. More recent, Ari Aisen et al. (2011) found similar result, stating that political instability significantly reduces economic growth, both statistically and economically. Presumably, the cause of the mixed results is the used of different variables and indicators in defining political instability.

The types of political instability can be different from one country to another as a result of different social, political and economic background. Jong-A-Pin (2008) classified two different types by the main cause of the instability, ethnic violence and terrorism. The presence of ethnic minority that dominates economically the poor indigenous majority, democratization and globalization cause ethnic violence. Actions, incidents and sabotages claimed by terrorist group can affect public opinion thus shaping the popularity of government. Moreover, the respond taken may decrease or increase the popularity as it will show the government’s accountability. These two types are the most general causes in all over the world which do not rule out the possibility of different major factor in particular country.

Inequality and Society Economic Welfare

Gini Ratio and Inequality

There are two sizes are generally used to analyze the income distribution (Todaro and Smith, 2006) are the size distribution of income and functional or factor share distribution of income, and the functional or factor share of income distribution focuses on a part of the total national income received by each of the factors of production (land, labor, and capital). One of the measurements which reflect the inequality of income distribution is the Gini coefficient (Gini Ratio). The Gini Ratio is mostly used to measure the overall level of income inequality, with a broad measurement of a curve that describes the distribution of income for all of income groups. The curve is called the Lorenz curve, which is a curve that compares the cumulative expenditure distribution of a particular variable with uniform distribution which represents the cumulative percentage of the population. If revenues are distributed perfectly, all the points will be located on a diagonal line. The shaded areas will be zero because the area is equal to the diagonal line, and thus the coefficient number equal to zero. Conversely, when only one party who receives all income, the area shaded areas will be equal to the area of the triangle, so that the Gini coefficient worth one. Therefore, it could be concluded that a more equitable distribution of income is said when the value of the Gini coefficient close to zero (0), while an increasingly unequal distribution of income, the Gini coefficient value of its increasingly close to one. Criteria based on the Gini coefficient of income inequality (Susanti, 2007) are as follows:

- Less than 0.4 : Low degree of inequality
- Between 0.4-0.5 : Moderate inequality
- Higher than 0.5 : High degree of inequality

The Gini coefficient is a measure of income inequality that meet four criteria (Todaro and Smith, 2006). First, the principle of anonymity, the size of the imbalances should not depend on who earn higher incomes. The measure does not depend on what we believe to be a better human being, whether it be the rich or the poor. Secondly, the principle of independence of the scale, the size of inequality does not depend on whether we measure revenues in dollars or in cents, or whether the country's economy on average, rich or poor. Thirdly, The principle of independence of the population, this principle states that the measurement of inequality should not be based on the number of recipients of income (total population). For example, China's economy should not be said to be more equitable or more unequal than Singaporean economy only because the China has more population. Fourthly, the principle of transfer, this principle is also often referred to as the Pigou-Dalton principle.

GDP Per Capita and Kuznets's Hypothesis

GDP per capita is a measure of a country's economic output per person. It divides the country's Gross Domestic Product by its total population. That makes it the best measurement of a country's standard of living. It shows how prosperous a country feels to each of its citizens. The formula is GDP of a country divided by population of the country at certain time. Relationship between economic growth and income inequality could be

explained by using Kuznet's hypothesis. The Kuznet's hypothesis explains relationship between the economic growth of a country with inequality distribution of income among the population. Using data from country to country (cross section) and data from a number of surveys or observation in any country with time series data, Kuznets find the relation between income inequality and income per capita represent inverted U-shaped. This U-shaped indicates that in the early stages of economic growth, income distribution tends to worsen (inequality rises), but on the next stage will improve income distribution (inequality decline). Inverted U hypothesis put forward Kuznets argument is based on the theory of Lewis regarding the movement of people from rural areas (agriculture) to urban (industrial sector). Rural areas are very densely populated, resulting in the level of wages in the agricultural sector is very low, while in urban areas the wage level is relatively high because the population or work force is relatively small, and makes the supply of labor from the sector to the industrial sector is not limited. Several empirical studies conducted to test the hypothesis Kuznets using macro data from a number of countries, associated with the relationship between economic growth and income inequality. The empirical studies carried out three important notes (Tambunan, 2001). First, several studies conducted reject the hypothesis Kuznets. Empirical studies conducted Ravallion and Datt (1996) of India shows that during the period of the 1950s to the 1990s the average income per capita increases and the development trend of economic inequality showed a negative angle (downhill). Analysis of the 60 developing countries conducted by Adams (2004) also showed that GDP per capita has no effect on income inequality.

Second, although in general this hypothesis is accepted, but most of these studies show that the positive relationship between economic growth and equity on a long-term period only evident for a group of industrialized and developed countries (the group of countries with high levels of income). Third, the gap portion of the Kuznets curve (left) tends to be more volatile than the portion of the gap decreases from the curve (top right). The gap tends to decrease for countries in the medium and high income levels. Thus, since the gap portion of the curve is composed of low-income countries, the relationship is more unstable for these countries. Recent developments of studies on economic development, no longer focused on whether or not the hypothesis Kuznets effect, but rather the positive impact of economic growth on poverty reduction with the possibility of an increase in income inequality (Wodon, 1999).

It was found that the income inequality is strongly influenced by the amount of social contributions which makes the panel data for various countries biased. The inverted U-curve was found in the countries with low amount of social contributions. With increasing amount of social contribution the inverted U-curve flattens, its maximum decreases and position of the turning point is shifted to higher GDP per capita.

Empirical research on the validity of Kuznets hypothesis was performed by many authors during last 30 years, but obtained results are controversial and not conclusive. Ahluwalia (1976) in his early work found support for the Kuznets hypothesis. However, Deininger and Squire (1998) performed both cross-country analysis and examination of

country specific time series. They did not find any support for the Kuznets inverted U-curve neither in the cross-country analysis nor in the country specific inter-temporal data. On the other hand, Jha (1996) analyzed observations for 76 countries for the period 1960-92 and found that Kuznets hypothesis holds. Similarly Milanovic (2000) reported that Kuznets hypothesis was supported by data for 80 countries during the 1980s.

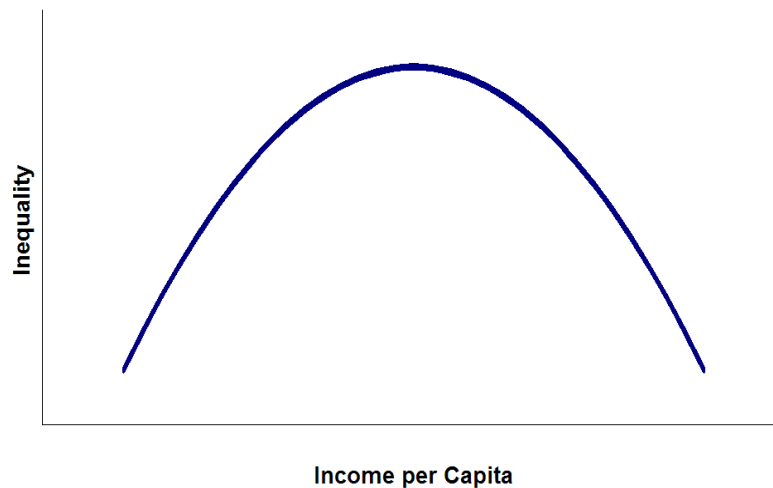


Figure 1. Kuznet Curve

METHODOLOGY

Data used for analyze political stability is from the Politically Motivated Violence Ranking by Jong-A-Pin (2008). This ranking indicates political stability in a country. Low ranking refers to a stable country and a high ranking refers to an unstable country. Most of paper utilize data of Gini ratio and GDP per Capita of Colombia during 2000-2006 for economic analysis. In this paper, the effect of democratic policy on inequity will be explained by the alteration of Gini ratio and GDP per Capita compared and contrasted for the same time period. The Gini ratio could represent income distribution and income inequality, while GDP per Capita could represent standard of living of Colombia people. The Gini ratio and percentage changes were obtained from Ieconomics. The macroeconomic and socioeconomic variables are from the World Bank World Development Indicators Database (WDID), and Ieconomics.

The Gini ratio and GDP per Capita data are gathered for seven year periods. The Gini ratio and GDP per Capita of Colombia data consist of observations covering 2000-2006. Table 1 presents the statistics on the variable of Gini ratio for period 2000-2006. The Gini ratio is fluctuate over the period in range of 0.5-0.6, for example the Gini ratio value 0.587 on first period, compared to 0.600 on later period. This income inequality measure tend to increase and indicates a worsen income distribution for the later data. The percentage change of Gini ratio is also fluctuate, with rise and fall alternately every year. Table 2 presents the statistics on variable of GDP per Capita for period 2000-2006. The value of

GDP per Capita is increasing over the period, followed by increasing percentage of change. This indicates a better standard of living of Colombia people.

Table 1. Colombia Gini Ratio, 2000-2006. Source: Ieconomics

Year	Gini Ratio	Change (%)
2000	0.587	
2001	0.577	-1.57%
2002	0.583	0.87%
2003	0.544	-6.61%
2004	0.561	3.12%
2005	0.550	-1.91%
2006	0.600	9.16%

Table 2. Colombia GDP Per Capita, 2000-2006. Source: Ieconomics

Year	GDP Per Capita (US Dollar)	Change (%)
2000	4764.16	
2001	4774.98	0.23%
2002	4825.83	1.06%
2003	4945.96	2.49%
2004	5139.98	3.92%
2005	5312.08	3.35%
2006	5596.73	5.35%

Another methodology used for the analysis is social contribution of Colombia during the period. Social contribution of country with extremely high amount of social contributions where all income is equally distributed among all citizens the Kuznets curve cannot exist because the Gini index must be always zero independently on the level of economic development (Čížek and Melikhova, 2014), vice versa. The category of amount of social contributions is expressed in % of GDP: low amount (< 5 %), intermediate amount, (5-10 %), high amount (10-15 %), very high amount (> 15 %).

The data of Colombia Gini ratio and GDP per Capita over period 2000-2006 are presented graphically for the result analysis. This graphic are used to analyze the effect of the political policy to economic condition, mainly for inequity in Colombia. The graphic is combined with scatter plot resulting from analysis sample consists of data available in the online World Bank database World Development Indicators (2011) for 145 countries for which Gini index was measured at least once in the period 1979-2009 by Čížek and Melikhova (2014).

RESULT ANALYSIS

According to the works of Jong-A-Pin (2008), Colombia is an unstable country based on the amount of politically motivated violence with a low ranking refers to a stable country and a high ranking refers to an unstable country. Table 3 shows that Colombia is ranked 116 out of 119 countries observed, which could be categorized as high rank, and thus Colombia refers to an unstable country.

Table 3. Politically Motivated Violence Ranking. Source: Jong-A-Pin (2008)

Ranking	country	obs	median	minimum	r min	maximum	r max
1	Mongolia	5	-0.60	-0.64	2	-0.48	11
2	Russia	3	-0.59	-0.63	3	-0.29	55
3	Korea, Dem. Rep.	6	-0.59	-0.60	7	-0.55	1
4	Vietnam	6	-0.57	-0.61	5	1.44	95
5	Albania	6	-0.56	-0.60	9	-0.26	57
6	Bulgaria	5	-0.56	-0.60	8	-0.36	46
7	Singapore	6	-0.55	-0.57	16	-0.51	5
8	Japan	5	-0.55	-0.59	12	-0.50	7
9	Taiwan	2	-0.55	-0.57	18	-0.52	3
10	Ivory Coast	6	-0.54	-0.56	21	0.09	77
...
110	Angola	5	1.51	0.92	114	1.82	98
111	Guatemala	5	1.70	-0.45	87	3.44	114
112	Cambodia	3	1.87	1.52	117	1.96	100
113	Myanmar	3	1.94	0.54	113	2.38	106
114	Peru	5	2.03	1.09	115	3.16	112
115	Lebanon	3	2.09	1.75	118	2.49	108
116	Colombia	6	2.11	0.36	110	6.19	119
117	Sri Lanka	6	2.14	-0.08	104	2.63	109
118	Philippines	5	2.32	1.14	116	3.57	115
119	Afghanistan	4	2.41	1.78	119	3.13	111
Spearman rank correlation with median ranking:					0.83	0.79	

Terrorism is the biggest contributor in political instability of Colombia. Peter Waldman in *The Anomic State: Law, Insecurity and Everyday Life in Latin America*, refers terrorism to the systematically planned, shocking acts of violence directed from underground against a political order. They are designed to produce a general sense of insecurity and fear, but also sympathy and support. The social-revolutionary terrorism is a product of political interaction between the ruling and the opposing sides in which the latter influenced by radicalization of attitudes and behaviour. In many democratic countries, leftist idea of revolution is considered as intolerable concept that wrack the democracy itself. Shunned and exiled, the leftist organizations established a new way using violence to seek the attention and sympathy. Both FARC and ELN (Ejército de Liberación Nacional) are considered as

pioneers of social-revolutionary terrorist who rejected the supremacy of the democratic government.

Political instability in Colombia is undeniable gives effect to its economic condition, mainly on inequity, reflects from its income inequality which is measured by Gini ratio. Based on data of Gini Ratio and GDP Per Capita of Colombia during period 2000-2006, Figure 2 shows graphically the alteration of the variables. During period 2000-2006, GDP per Capita of Colombia has constantly increased with different increase percentages. While GDP per Capita continues to rise, Colombia still experiencing fluctuate Gini index with value higher than 0,5 over the same period, which may fall into the category of high degree of inequality. This indicates Colombia people's standard of living are getting better, nevertheless there is no improvement on reducing income inequality. Moreover, this indicates economic growth of Colombia has been going well, yet society's welfare remain concern for the government, not all people relish the increasing GDP per Capita.

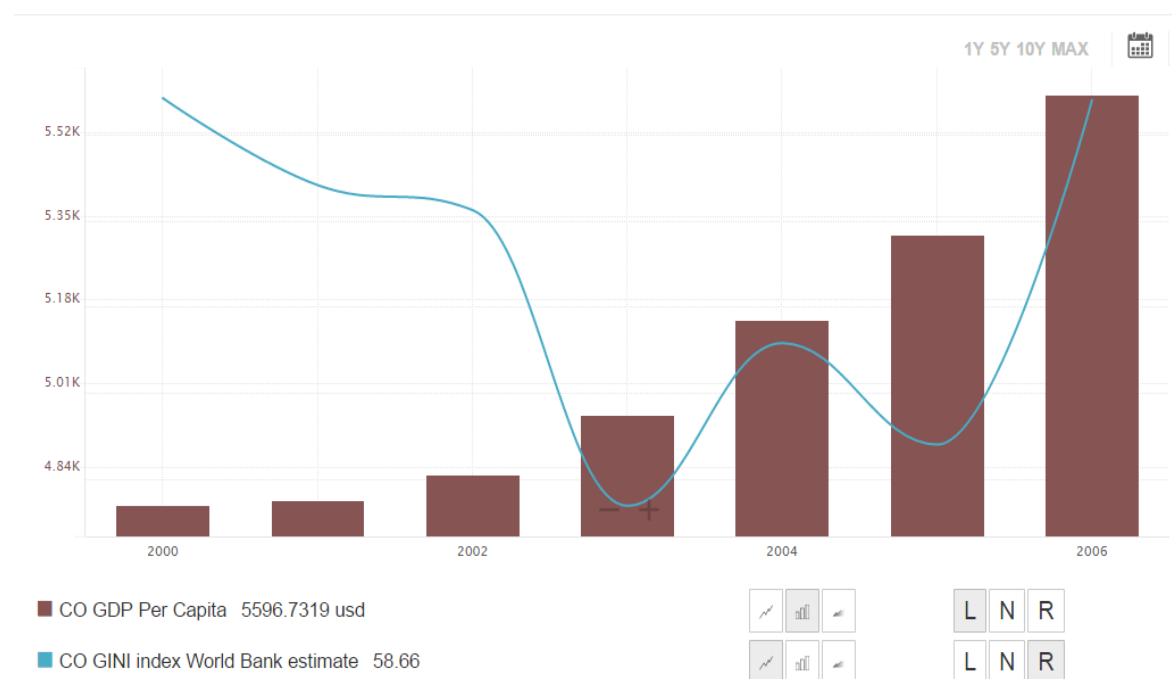


Figure 2 Gini Index and GDP Per Capita Colombia, Period 2000-2006. Source: Ieconomics

Political unstable of Colombia also give impact to its intermediate amount of social contribution. In a hypothetical country with extremely high amount of social contributions where all income is equally distributed among all citizens the Kuznets curve cannot exist because the Gini index must be always zero independently on the level of economic development (Čížek and Melikhova, 2014). Based on scatter plot regression, Figure 3 shows that in early increasing GDP per Capita, the Gini index also rise indicates a positive relationship, nevertheless GDP per Capita continues to increase, the Gini index start to decline and indicates negative relationship. This scatter plot shows the inverted U-curve dependence of Kuznet's hypothesis. Instability political in Colombia played role in the

intermediate amount of social contribution as many of Colombia budgets, resources and chances for more than five decades are taken by the conflict and battle against terrorism.

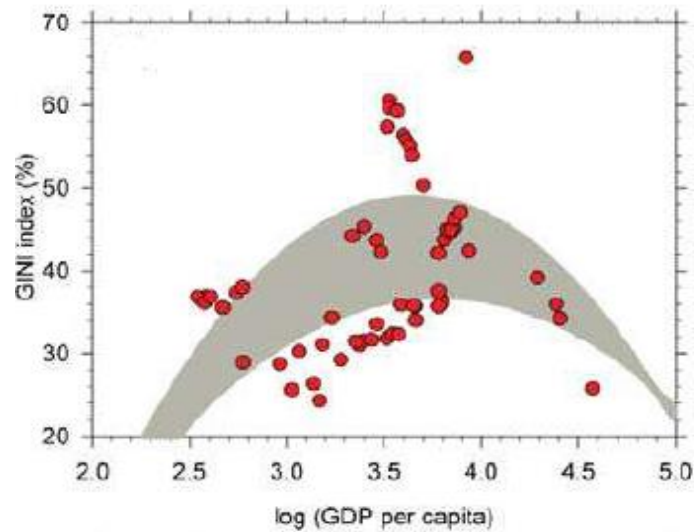


Figure 3. Scatter Plot Regression Gini Index versus log (GDP per Capita). Source: Čížek and Melikhova (2014)

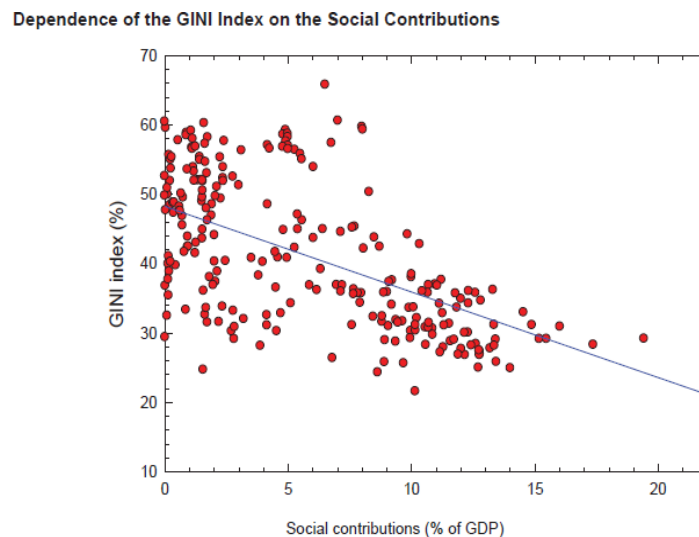


Figure 4. Scatter Plot Dependence of Gini Index on Social Contribution. Source: Čížek and Melikhova (2014)

Čížek and Melikhova (2014) did an empirical test of the Kuznets hypothesis was performed on data for 145 countries in the period 1979-2009. It was found that the income inequality is strongly influenced by the amount of social contributions. Figure 4 shows a scatter plot of the Gini index plotted against the social contributions (expressed in % of GDP). The relationship between the Gini index and the social contributions was examined using the Pearson and Spearman correlation coefficients. Results of this tests showed by scatter plot which has statistically highly significant (P-value < 0.001) (Čížek and Melikhova, 2014), thus it could be reliable and valid. These scatter plot and test shows that there the income inequality decreasing as social contributions increase. This indicates that

there is negative relationship between income inequality and social contribution, more social contribution lead to lower income inequality, vice versa. The inverted U-curve was found in the countries with low amount of social contributions. Colombia has 7.63% of revenue for social contribution in 2000, which could be categorized as intermediate amount of social contribution could be evidence of this research, as its income inequality is relatively high on those period.

By showing a positive correlation between political instability and distribution of wealth, many actions can be taken as a preventive way in the future to hold against the latter. Especially for the developing countries that have some similarities in background, including Indonesia. Third world countries share the common complication of unstable regime, radical opposition, and also separatist movement. This case showed the effect of dangerous obstacles above. Identifying and solving the root of the problem first is an option that worth a try. For this case, terrorism is the main act for the political instability, so unriddling the complicated world of it might be the best shot to shut the integral part of the problem. Furthermore, this brief explanation of the whole issue as once provides a new insight that might be turned into fullscale research. One important thing is that social contribution plays crucial role for country with increasing GDP per Capita to redistribute wealth of society, and thus could suppress value of Gini ratio and income inequality. Hence, the government of developing countries, including Indonesia need not to lose sight of the importance of social contribution.

CONCLUSION

Colombia is an unstable country based on the amount of politically motivated violence with a low ranking refers to a stable country and a high ranking refers to an unstable country, whereas terrorism is the biggest contributor in political instability of Colombia. Instability political in Colombia played role in the intermediate amount of social contribution as many of Colombia budgets, resources and chances for more than five decades are taken by the conflict and battle against terrorism, which could be one reason to a high fluctuate value of Gini ratio during period 2000-2006. Although Colombia people's standard of living are getting better, nevertheless there is no improvement on reducing income inequality. Thus, government of developing countries need to consider social contribution as a means to solve the problem of inequity.

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SUB THEME: EDUCATION

**AN ANALYSIS ITEM OF FINAL EXAMINATION OF ECONOMIC
SUBJECT OF SENIOR HIGH SCHOOL IN YOGYAKARTA CITY
USING RASCH MODEL**

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Abstract

This research aims to analyze and describe the items characteristic of final semester examination of economics subject of senior high school in Yogyakarta using Rasch Model. This research is a quantitative research. The object of this research was the students' response of final semester examination of economics subject with totaling 3540 students. The sample of this research was determined by using stratified proportional random sampling with totaling 344 students' response. The data were collected by using documentation technique. The data analysis of this research using Winsteps Software. The results of the research show that the reliability of instruments is 0.77. According to OUTFIT MNSQ, upper limit shows 1,52 while the lower limit shows 0,78, with 39 items describe as model fit. Test difficulty scores between -2,49 to 1,63. The maximum information from the test scores 20,41 logit at the ability around 0,1 with the error measurement test in the amount of 0,21.

Keywords: final semester examination, economics subject, rasch model.

INTRODUCTION

The quality of education is closely related to the quality of human resource. Quality human resource could result from quality education. UN (*Ujian Nasional* 'National Examination') is one of the efforts that the government makes in the course of accelerating quality improvement in education. From data obtained from Puspendik (*Pusat Penilaian Pendidikan* 'Center of Educational Evaluation'), it is known that the average grade of SMA (*Sekolah Menengah Atas* 'senior high school') students for the school subject of Economics in the city of Yogyakarta in the school year of 2014/2015 was 5.80. It has caused quite a concern in all related parties. In view of the importance of education, it is felt that the government needs to improve the quality of economics education.

At the secondary educational level, economics is taught and learned as a school subject of its own. Generally speaking, economics is the science about how human individuals behave and act to fulfill their needs in life which vary and develop with the resources available through alternative activities of production, consumption, and/or distribution. In formal education, the wide scope of the science and the limited time available cause the standard of competence and the basic competencies to be attained in learning it to be restricted to and focused on the empirical economic phenomena in existence around

students so that they could record the economic events occurring in their surroundings and take benefit from them for betterment in their life. The students' learned abilities could be viewed through the evaluation system used by the teacher in the process of learning conducted at school

The system of evaluation and the quality of learning are two interrelated matters. A good learning system would result in a good learning quality (Djemari Mardapi, 2012: 12). The evaluation is intended not only to let one know whether the predetermined objectives are attained or not but also to let one know whether the objectives are important for the students and how they attain them. Results of studies indicate that up to 87% of teachers still experience difficulty in understanding the ways to conduct evaluation (Rusilowati, 2013). Insufficient dissemination of the steps in conducting evaluation becomes one of the constraints.

Good evaluation could be done by means of gathering accurate evidence related to students' learning achievement and it makes the classroom evaluation process and its results beneficial for students by being able to improve their learning motivation and achievement (Stiggins & Chappuis, 2012: 3). A test is one of the ways to indirectly estimate how great the degree of human ability is by going through one's response to a number of stimuli or questions (Djemari Mardapi, 2008: 67). A test of good quality has item and test characteristics that are also good.

A test results in information of the characteristics of an individual or a group (Harun Rasyid & Mansur, 2008: 11). Therefore, in order that accurate information is obtained, a reliable test is needed. The evaluation through the technique of giving a teacher-made test at present is not yet adequate. It is known from the results of interviews with several SMA teachers of the school subject of Economics in the city of Yogyakarta. According to them, teacher-made tests do not yet undergo any empirical testing of either the classical or modern type so that the results of their use are not yet able to represent the real ability of students.

Item analysis could be done in classical and modern ways. Hambleton & Swaminathan (1985: 1-3) also state several weaknesses of classical test theory, which are, among others, (1) the item difficulty and discrimination index depend on the group of test participants doing the test, (2) test analysis is done by comparing student ability in the upper, middle, and lower groups, (3) the concept of score reliability is defined by starting from the term of parallel tests, (4) there is no theoretical basis for the purpose of determining how test participants get a test that is appropriate for the ability of the participants concerned, and (5) the same SEM (standard error of measurement) applies on all the test participants.

As effort to overcome the weaknesses inherent in the classical theory, measurement experts have attempted to find alternatives. An alternative measurement model with enhancing characteristics is that related to what is called IRT (Item Response Theory). According to IRT, based on the number of parameters, there are four models, namely, the one-parameter logistic model (1PL), the two-parameter logistic model (2PL), the three-parameter logistic model (3PL), and the four-parameter logistic model (4PL). The 1PL model could also be called the Rasch model. Rasch was the first person who developed the

one-parameter logistic model (Wright & Stone, 1979: x). A simple and accurate idea obtained by observing the results of primary school students' examinations in the 1950s has brought Georg Rasch to a new finding, namely, that the probability for a student to answer an item correctly is the same as that when the student's ability is compared with item difficulty (Sumintono & Widhiarso, 2015).

In the Rasch model, a person is given the characteristic of latent ability and an item is given the characteristic of difficulty. The probability for a person to answer an item correctly is a function of a comparison between the person's ability and item difficulty. In working with the Rasch model, it is assumed that item difficulty is the only item characteristic influencing test performance. In addition, in the Rasch model, the matter of item selection for the construction of a test is an effort to design a test with quality suiting the needs and aims of the testing (Bambang & Wahyu, 2015).

RESEARCH METHOD

The research concerned here was descriptive research with a quantitative approach. The research subjects were SMA students in the city of Yogyakarta with the response of the students in Grade X (the term used to call the last grade of SMA) to the school subject of Economics in UAS as basis. The schools concerned in the research were those using KTSP (*Kurikulum Tingkat Satuan Pendidikan* 'Educational-Unit Level Curriculum or School-Based Curriculum') for the reason that the majority of schools in the city of Yogyakarta still used it.

The sample was determined by using the technique of proportional random sampling. The schools concerned were determined by grouping them into three categories, namely, the high, medium, and low categories. The grouping into these categories was based on the mean score in UN for the school subject of Economics in the academic year of 2014/2015. The schools of the high category were with the mean score in UN ≥ 5.87 , those of the medium category were with the mean score in UN ranging from 4.11 to 5.86, and those of the low category were with the mean score in UN < 4.1 . The research subjects were sampled by using Isaac's & Michael's table as basis with a degree of confidence of 95% and 343 students were selected as sample. The sample of students is presented as follows in Table 1.

Table 1. The Sample of Reseach

No	Status	School	Category	Sum of grade X student	Sample of grade X student
1	N	SMA Negeri 9 Yogyakarta	High	192	64
2	N	SMA Negeri 4 Yogyakarta	High	234	78
3	S	SMA Muh. 5 Yogyakarta	Average	185	62
4	S	SMA Muh. 7 Yogyakarta	Average	242	80
5	S	SMA Muh. 4 Yogyakarta	Low	152	59
Total				1005	343

The variable under study was student ability as seen from the results of UAS for the school subject of Economics. The data were collected by using a dichotomous test. A dichotomous test of the multiple choice model was used because that form was considered more objective and reliable in viewing students' response, not being under the influence of the scorer's subjectivity. The UAS test instrument consisted of forty test items with each item having five answer choices.

Content validity testing was used on the test instrument of the research. Content validity of the test instrument was considerably emphasized so that the validity testing was done in two ways, meaning that after a qualitative review was done, its results were processed by means of the Aiken formula using V . The qualitative review is commonly based on experts' judgment with the review criteria based on aspects of test material, construction, and language (Badrun Kartowagiran, 2012). The qualitative review was done by five experts consisting of three practitioners who were SMA economics teachers with experience and competence in their field, one university teacher of economics, and one university teacher who was an expert in measurement and evaluation.

As result of the test of validity, it was found that all items of UAS on Economics were already valid. It was known from the the average V value of 0.91. In line with that, Aiken (1985: 134) informs that the V value for each item said to be good is at least 0.87 when five raters are employed with four scale categories. An estimation of test reliability using KR-20 showed that the coefficient of instrument reliability was 0.84. It indicated that the test instrument reliability was already good by having a coefficient of reliability greater than 0.70 (in line with Linn, 1989: 106). An item analysis using the data obtained by means of the instrument for UAS of the school subject of Economics was done through the IRT approach of the Rasch model with the aid of the Winstep computer software program.

RESEARCH RESULTS AND DISCUSSION

This section about the research results concerns the characteristic given to items, namely, item difficulty, in relation with the test items for the school subject of Economics, based on IRT with the Rasch model approach. According to the approach to IRT used, IRT assumption testing needed to be done. It consisted of unidimensionality assumption testing, local independence assumption testing, and parameter invariance assumption testing.

Unidimensionality Assumption Testing

The testing of the unidimensionality assumption was done with factor analysis. The factor analysis results first checked were of KMO MSA (Kaiser-Meyer-Olkin measure of sampling adequacy) and Bartlett's test of sphericity. In Table 2, it is seen that the value of KMO MSA of the test instrument of UAS for the school subject of Economics in Grade X was 0.656 and the level of significance according to Bartlett's sphericity test was 0.000. Based on those results, it could be concluded that because the test instrument of UAS for Economics in Grade X had a value of KMO MSA > 0.5 and the level of significance according to Bartlett's

test of sphericity < 0.05 , it means that the test fulfilled the requirements for processing by using factor analysis.

Table 2. KMO and Bartlett's Test Grade X

<i>Kaiser-Meyer-Olkin Measure of Sampling Adequacy.</i>		.656
<i>Bartlett's Test of Sphericity</i>	<i>Approx. Chi-Square</i>	3.553.890
	<i>Df</i>	780
	<i>Sig.</i>	.000

Hambleton & Swaminathan (1985: 16) state that the unidimensionality is fulfilled if the test is proven to measure only one dominant dimension, namely, the same ability. This requirement for unidimensionality could be seen in the column of the obtained eigenvalue of the test instrument presented in Table 3.

Table 3. Eigen Value of Economics Test for Grade X

Factor	Eigen Value	Varian (%)	Cumulative (%)	Factor	Eigen Value	Varian (%)	Cumulative (%)
1	4,323	10,806	10,806	21	,758	1,894	77,205
2	2,372	5,930	16,737	22	,713	1,783	78,988
3	2,208	5,519	22,256	23	,702	1,756	80,743
4	2,052	5,130	27,387	24	,669	1,673	82,416
5	1,810	4,526	31,913	25	,659	1,649	84,065
6	1,599	3,996	35,909	26	,607	1,517	85,581
7	1,536	3,840	39,749	27	,606	1,514	87,095
8	1,438	3,595	43,344	28	,559	1,398	88,493
9	1,370	3,425	46,769	29	,541	1,352	89,845
10	1,345	3,361	50,130	30	,514	1,285	91,130
11	1,217	3,044	53,174	31	,479	1,196	92,326
12	1,209	3,022	56,196	32	,459	1,148	93,474
13	1,139	2,849	59,044	33	,447	1,116	94,590
14	1,073	2,683	61,727	34	,440	1,101	95,691
15	1,011	2,528	64,255	35	,398	,996	96,687
16	,961	2,402	66,658	36	,367	,917	97,604
17	,922	2,304	68,962	37	,352	,881	98,485
18	,916	2,289	71,252	38	,337	,844	99,329
19	,857	2,142	73,393	39	,249	,623	99,952
20	,767	1,917	75,311	40	,019	,048	100,000

A factor having an eigenvalue > 1.00 is one that could be used as indicator of what is here called a trait (Wagiran, 2014: 302). The factor analysis results in Table 3 indicate that there are fifteen components having eigenvalues > 1.00 so that it is said that the forty test instrument items could form fifteen factors. The analysis results also indicated that Factor 1 was the dominant factor because the eigenvalue related to it was 4.323, which was the largest, and, therefore, in a way, the most dominant, among the eigenvalues.

The fulfillment of unidimensionality was also seen in the scree plot formed. Michael Furr (2008: 74) states that a test is said to be unidimensional if Components 1 and 2 in the scree plot are sufficiently far apart. The scree plot in Figure 1 portrays that Factor 1 is far from Factor 2 while Factor 2 and Factor 3 and so on are very close to each other. The scree

plot in Figure 1 reinforces the conclusion that the test instrument of Economics in Grade X had the quality of being unidimensional.

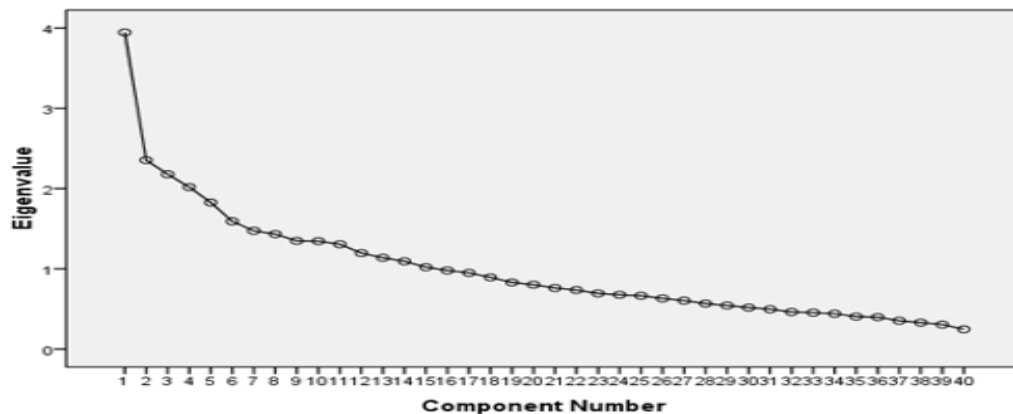


Figure 1. Scree Plot Eigen Value of Economic Test for Grade X

Local Independence Assumption Testing

The testing of the local independence assumption could be viewed based on test taker ability in responding to items. Local independence of test participant response to an item has the meaning that however correctly or incorrectly a test participant answers an item is not affected by however correctly or incorrectly other test participants answer the item. Local independence of test participant response to an item also has the meaning that however correctly or incorrectly a test participant answers an item is not affected by however correctly or incorrectly the test participant answers other items.

The local independence is automatically fulfilled after being proven by means of unidimensionality and test takers' response to a test (Heri Retnawati, 2014: 7). Besides, the local independence assumption testing could be calculated by using a covariance matrix based on student ability in each test instrument tested (Greiff et al., 2013: 8). As for the covariance matrix, it is presented in Table 4.

Table 4. Matriks Covarian Based on the ability of Grade X Students

Colomn	K1	K2	K3	K4	K5	K6	K7	K8	K9	K10
K1	0,154									
K2	0,021	0,024								
K3	0,014	0,007	0,008							
K4	0,004	0,002	0,002	0,006						
K5	0,003	0,001	0,001	0,001	0,003					
K6	0,010	0,005	0,003	0,001	0,001	0,004				
K7	0,011	0,007	0,004	0,001	0,001	0,004	0,005			
K8	0,025	0,012	0,007	0,002	0,001	0,006	0,006	0,010		
K9	0,039	0,017	0,010	0,004	0,002	0,010	0,010	0,020	0,005	
K10	0,093	0,049	0,029	0,014	0,008	0,028	0,030	0,054	0,080	0,067

According to Table 4, it is known that the value of covariance of each ability group of students in Grade X approaches zero. It is interpreted to mean that the local independence is fulfilled. It is in line with Hambleton & Swaminathan (1984: 25) stating that if the value of covariance of a student ability group approaches zero, the local independence assumption testing proves that the assumption is true.

Parameter Invariance Assumption Testing

The testing of the parameter invariance assumption involves that of item parameter invariance and that of ability parameter invariance. The item parameter invariance testing is done to know the consistence in the characteristic of an item when it is responded to by different student groups. Similarly, the ability parameter invariance testing is done to know the consistence in a test taker's ability when responding to different items. The testing of item and ability parameter invariance could be done by using scree plots.

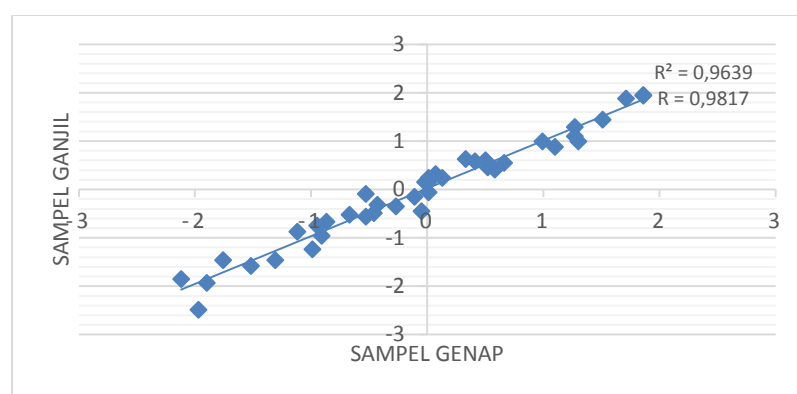


Figure 2. Scree Plot Invariance of the Level Difficulty Items Parameter for Grade X

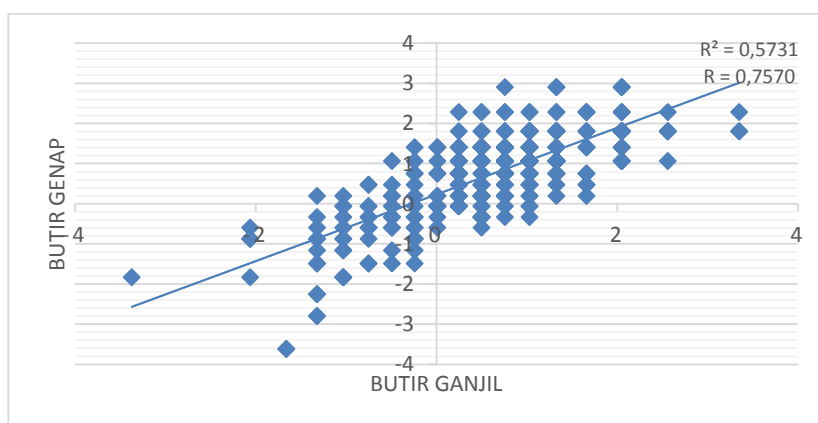


Figure 3. Scree Plot Invariance of the Students' Ability Parameter for Grade X

Figures 2 and 3 present the scree plots of the invariance estimates of the item difficulty and student ability parameters after doing odd and even numbered economics test items. Figures 2 and 3 show that on the whole the plots scatter and approach a diagonal line. The calculations of the correlation involving item difficulty and student response to even

and odd numbered items resulted in a value of 0.9817, which, according to Best & Kahn (1998: 372), indicates a very high level of correlation. Meanwhile, the calculations of the correlation involving student ability and student response to even and odd numbered items resulted in a value of 0.7570, which, according to Best & Kahn (1998: 372), indicates a high level of correlation. Based on the scree plots and the correlation calculations, it could be concluded that the parameters of item difficulty and Grade-X student ability had the quality of being invariant.

Item Fit Model

A test item with good fit behaves consistently as expected by the model. The test item said to have good fit is one with $0.5 < \text{MNSQ} < 1.5$ (where MNSQ refers to outfit mean square) and the value indicating point-measure correlation (Pt Measur Corr) is not negative (Bambang & Wahyu, 2015: 72). A summary of the results of analysis about fit model is presented in Table 5.

Table 5. A summary of the Results of the Fit Model Test Grade X

No	Criteria	No item	Total	Percentage
1	MNSQ $0,5 < \text{MNSQ} < 1,5$ dan Pt Mean Corr (+)	1,2,3,4,5,6,7,8,9,10,11,12,13,14,15,16,17,18,19,20,21,22,23,24,25,26,27,29,30,31,32,33,34,35,36,37,38,39, dan 40	39	97,5%
2	MNSQ > 1,5	28	1	2,5%
Total			40	100%

With the analysis by means of the Winstep program, thirty-nine (97.5%) of the forty items analyzed were found fitting the model and one (2.5%) of them, namely, Item No 28, was found otherwise. Further, in the Rasch model, estimates of item difficulty of the UAS instrument for the school subject of Economics in Grade X could be known.

Test Item Difficulty Parameter

Based on the Rasch (or 1PL) model, the item characteristic that could be viewed was item difficulty with item power of discrimination assumed to be constant. The criteria for item difficulty were divided into five categories, namely, those of very easy, easy, medium, difficult, and very difficult items. The values for item difficulty of the UAS test instrument for Economics in Grade X were distributed within the range from -2.00 to +2.00. An item was categorized as an easy item when its b value was down near -2.00 logit, a difficult item when its b value was up near +2.00 logit, and a medium item when $-1.00 \text{ logit} < b < +1.00 \text{ logit}$ while an item with a value of $b > +2.00 \text{ logit}$ fell into the category of very difficult items and that with a value of $b < -2.00 \text{ logit}$ fell into the category of very easy items.

Of the forty test instrument items of UAS for Economics in Grade X analyzed, Item No. 12 was known to be the item with the highest level of difficulty, having a value of 1.63

logit, and the only item falling into the category of very easy items was Item No. 4 with a b value of -2.49 logit. All the items other than Item No. 4 fell into the categories of either easy, medium, or difficult items. The categorization of the UAS test items for Economics in Grade X according to item difficulty and its summary are presented in Tables 6 and 7.

Table 6. The categorization of Level Difficulty Items of Economic Test

Item no	Level of difficulty (logit)	Category	Item no	Level of difficulty (logit)	Category
1	0.31	Middle	21	0.08	Middle
2	0.4	Middle	22	1.04	Difficult
3	-1.89	Easy	23	1.37	Difficult
4	-2.49	Very Easy	24	0.56	Middle
5	-0.54	Middle	25	0.72	Middle
6	-1.62	Easy	26	-0.48	Middle
7	0.7	Middle	27	-0.49	Middle
8	-0.34	Middle	28	1.58	Difficult
9	1.27	Difficult	29	0.39	Middle
10	-0.97	Middle	30	-0.44	Middle
11	0.96	Middle	31	-0.65	Middle
12	1.63	Difficult	32	-0.2	Middle
13	-1.13	Middle	33	-0.22	Middle
14	-1.43	Middle	34	0.34	Middle
15	1.06	Difficult	35	-0.41	Middle
16	0.08	Middle	36	-0.25	Middle
17	-0.78	Middle	37	0.47	Middle
18	-0.02	Middle	38	0.31	Middle
19	0.58	Middle	39	-0.01	Middle
20	-0.02	Sedang	40	0.53	Sedang

Table 7. A summary of Characteristic Level Difficulty Items of Economics Test

Category	Level of Difficulty	Item no	Total	Percentage
Difficulty	b approximated +2,00 ($> +1,00$)	9,12,15,22,23, dan 28	6 item	15%
Middle	$-1,00 < b < +1,00$	1,2,5,7,8,10,11,16, 17,18,19,20,21,24, 25,26,27,29,30,31, 32,33,34,35, 36,37,38,39, and 40	29 item	72,5%
Easy	b approximated - 2,00 ($< -1,00$)	3,6,13, and 14	4 item	10%
Very easy	$b < -2,00$	4	1 item	2,5%
Total			40 item	100%

In the Grade-X Economics UAS test instrument, after undergoing testing and analysis, of forty items, six, namely, Items no 9, 12, 15, 22, 23, and 28, fell into the category of difficult items, twenty-nine, namely, Items No. 1, 2, 5, 7, 8, 10, 11, 16, 17, 18, 19, 20, 21, 24, 25, 26, 27, 29, 30, 31, 32, 33, 34, 35, 36, 37, 38, 39, and 40, fell into the category of medium items, four, namely, Items No. 3, 6, 13, and 14, fell into the category of easy items, and, as previously mentioned, one, namely, No. 4, fell into the category of very easy items. The average value for the Grade-X Economics test instrument item difficulty was 0.00 logit (indicating a medium category) with a standard deviation value of 0.92 logit. The characteristic of the Grade-X Economics UAS items is also presented in ICC (Item Characteristic Curve) form in Figure 4.

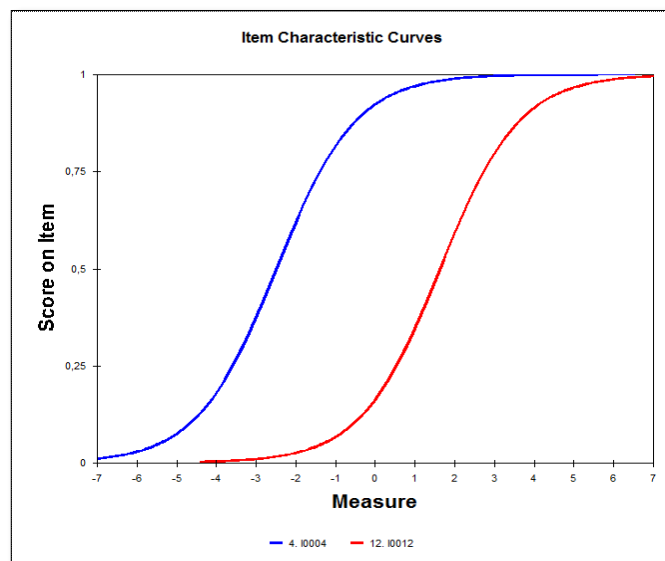


Figure 4. ICC of economics test for grade X

Figure 4 presents the ICC of Economics test for grade X. The ICC portrays the relation between students' ability and their probability of their answering correctly. The increasingly rightward direction that one takes as one goes along the curve from its beginning indicates that the ability possessed by students is increasingly higher in level so that their probability of answering correctly is also increasingly higher in level and vice versa. From Figure 4 it is known that Item No. 12 was the item in the Grade-X Economics UAS instrument with the highest level of difficulty while Item N. 4 was the item in the said instrument with the lowest level of difficulty.

Information Function

The information function of an item is a way to express the strength or power of an item in a test instrument. The function is related to the contribution of the corresponding item to the expression of the latent trait measured with the test concerned. The measurements of the coefficients of the item difficulty and ability parameters are estimates so that their being correct is in nature a probability and not free from measurement errors. The SEM (Standard

Error of Measurement) and the information function are inversely proportional to each other quadratically, with the greater the information function, the smaller the SEM and vice versa. The graph showing the relation between item information function and SEM is presented in Figure 5 as follows.

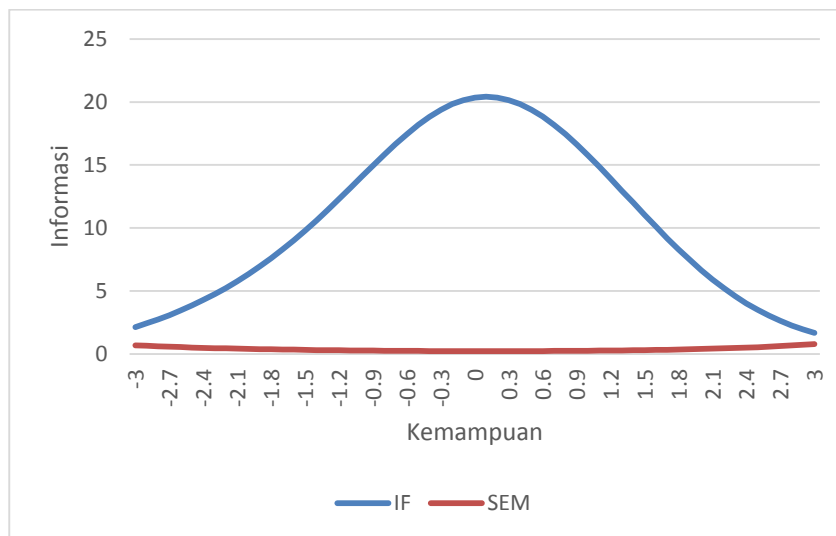


Figure 5. The correlation of the Information Function and SEM of Economics Test

Figure 5 describes that the maximum value of the information function of a Grade-X Economics test with forty items is 20.4102 with θ of around 0.1 logit and SEM of 0.2213. It indicates that the economics test in Grade X gave good information with minimum error of measurement when done by students with the ability of around 0.1 logit in value.

CONCLUSION AND SUGGESTION

It is concluded that the average item difficulty of UAS for the school subject of Economics in Grade X is medium in level. It is supported by the maximum information function obtained for Grade X of 20.4102 logit in value with θ of around 0.1 and SEM of 0.2213. Based on the conclusion, it is suggested that (1) teachers of economics at SMA make use of the results of the UAS item analysis in making a bank of items for tests and examinations and (2) principals of the schools concerned be more aware of the importance of conducting evaluation correctly and, therefore, make efforts to facilitate item analysis training for the teachers.

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THE IMPLEMENTATION OF MULTICULTURAL CHARACTER EDUCATION

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Abstract

Character education which is intensively being implemented in the field of education is one of the solutions to the moral crisis in Indonesia country. The reform government actually has formulated the national development missions which put character education as the first mission of the eight missions in order to realize the national development vision. The objective of the implementation of multicultural character education is to develop the learning process in the school environment which is effective and efficient on the basis of the acknowledgement and acceptance of differences related to gender, race, and social class. Character education has the same essence and meaning as moral education or ethic education so that the implemented value education becomes complex if it is also based on noble values originating from the nation's cultures. The process of the character education implementation can be carried out through multiple learning strategies in the micro (classroom) level; character education is more effective with the support of the school management which is consistent and synergistic. On the hand, the positive school culture empowering all school members also becomes one important component affecting the success of the character education implementation. Therefore, the inculcation of multicultural character education as a whole will be able to create equality and fairness in the school environment. Hence, the implementation of multicultural character education offers two alternatives through the application of educational strategies and concepts based on the use of the diversity in the school environment. The multicultural approach is an educational strategy utilizing the diversity of students' cultural backgrounds as power to build multicultural and tolerant attitudes and mutual respect for the differences among school members.

Keywords: Character Education, Multicultural

INTRODUCTION

Law No. 20 Year 2003 on National Education System (see Chapter 2 Section 3). One of the innovation is the implementing national character education through the educational process. Based on the functions and the objectives to be achieved, character education is not only an educational innovation, but also an education reform should be prepared and implemented properly and involve any parties related to education. In internalize the character education through all the subjects, in other words, the existing education must be with commitment and consistent attitude from the stakeholders and the entire education practitioners involved (Marzuki, 2012: 34).

The Government has formulated a National Development Mission of character education as the first mission of the eight missions in order to achieve the vision of national development (Setiawan, 2013: 54). The problems that occur is a manifestation of the poor quality of the character of Indonesian young generation. Problems being faced today is very

complex, ranging from the number of gaps that arise caused by differences in culture, language, ethnicity, race, religion and gender. The difference lead to social conflict among the learners. Social conflicts that are often encountered in the current reality is a matter of fighting between groups of students, lack of awareness of the students, a moral crisis and many more.

The reality of what happened is in line with the statement of Nieto (Hanum, 2010: 2) reveals the importance to test how culture affects learning and achievement in school. Since each individual was raised in an environment of each culture, which may make them a different way of thinking, interests, behavior, language, and academic skills. Another important thing to note in multicultural education is a teacher is not only required to teach professionally the subjects taught. Moreover, a teacher must also be able to instill the values of multicultural education (Hanum, 2010: 3). In addition, the character is also very necessary for a teacher because through this soul, the teachers will have a more efficient work orientation, creative, innovative, productive and independent (Suyitno, 2014: 2-3).

Based on the reality of what happened in Indonesian education, it is associated with the degradation of morals or character of the young generation. It was found that the diversity does not make students understand the meaning of the differences, but most students consider the differences as gaps, it can be seen from how students' attitude in the school environment, the activities of the students in the classroom during the learning process. The students associate by forming groups, egocentrism to a particular tribe or religion, and the students do not show mutual respect the opinion of their peers, as seen in the teaching and learning process. On the other hand, teachers are still less sensitive to the importance of planting the values of character education, and teachers do not fully understand that the multicultural students can become a boomerang, if not directed by planting the value of good character and continuously.

Based on the elaboration above, the implementation of education-based multicultural character offers an alternative through the implementation of strategies and concepts based education exploiting the diversity that exists in the school environment. Multicultural approach is an educational strategy that utilizes the diversity of cultural backgrounds of the learners as a power to make a multicultural attitude. This strategy is very useful, at least for the school as an educational institution can make an understanding of the concept of culture, cultural differences, balance, and democracy in the general. So that the character education implemented by the school will able to support the multicultural purpose in general.

LITERATURE REVIEW AND PROPOSITION

Character Education and Learning Strategy

Character education is very important and it is now a necessity because the relations of life is getting degraded of characters (Setiawan, 2011: 116). Therefore, character education must be able to internalize all positive values as the foundation of thinking, being and acting. On the other hand, Zamroni (2011) explains that the character education terminology provides a view of various aspects of learning in order to develop a personality. In the learning

process, one must link between morality education with various aspects of personal and social learners in everyday life. For example: reasoning, social and emotional learning, life skills education, a caring and loving community, prevent violence, resolve conflict, and ethical life. In other words, the character education with regard to the guidelines of daily life that are needed to make a decision and solving the problem faced.

Character education is the main pillar in create a character of a person through education. Unlike the previous opinion Wibowo (2012: 34) explains that education should be an active part in preparing the quality of human resources (HR) is educated and able to face the challenges of the times, because the character education is one of a system to embed the character values to all citizens community through formal or informal education, which includes knowledge, awareness, volition, and action to carry out the whole range of values. According Samani and Hariyanto (2013: 46) there are 18 values contained in character education as follows; religious, honest, tolerance, discipline, hard work, independent, creative, democratic, patriotism, curiosity, friends, love peace, love reading, environmental care, social care, recognize excellence, respect and responsibility. From those values, there are four values that synergize with multicultural values, namely; tolerance, democracy, mutual respect, and peace.

On the other hand, Lickona (1991) explains that moral education that produces character, it contains three components of good character (component of good character), namely: the knowledge of the moral (moral knowing), a sense of morality (moral feeling), and moral conduct (moral action). The three components of character education should be awakened related, so the value of education presented becomes complex when based also with noble values originating from the culture of the nation itself. There are several reviews on the subject of character education into a national issue is learning should be open to the public, and the basis for decision-making at the basic education level and university. The character education as one of the most need, demoralization, moral degradation and knowledge, other causes birth discourse character education is an encouragement to achieve the ideals of Indonesia gold in the future, and in order to meet the lofty goal of national education.

The Discourse of character education above, supported by the opinion Koesman (2007: 134) which states that the objective character education should be placed within the framework of a dynamic dialectical, in the form of individual responses to the social and cultural surrounding, to be able to put himself into perfect, so the potentials will be fully developed that make them more humane. In line with previous opinion, character education goal is to improve the quality of education and the results of the education towards the formation of character and noble character of learners as a whole, integrated and balance (Muslich, 2011: 81). Furthermore, character education goal is to improve the personal disposition of individuals as proposed by Arthur (2003: 11) that "the aim of the institute was to improve the habits, dispositions, and general character of the children". Thus, character education aims to improve habits, character, and character in children.

Generally, character education goal is to encourage the birth of good children. Grow up in a good character, children will grow up with the capacity and commitment to do best things and do everything right, and tend to have a purpose in life. Effective character education is found in a school environment that enables all learners demonstrate their potential to achieve a very important goal. Based on some opinions above, it can be concluded that the goal of character education is more focused on instilling values and reform of life, so can be fully create the character and noble character of learners, integrated and balance, and can be performed continuously in daily life-day. This becomes very important because of the character education has a strategic position in creating the human with a noble character.

Learning activities in order to develop the character of the students is one of a very important part. Learning strategies can use contextual approach as the concept of teaching and learning that helps teachers and students find connections between what is taught with real-world situations. Contextual learning includes several strategies (Mulyasa, 2013: 88), namely: (a) problem-based learning, (b) cooperative learning, (c) project-based learning, (d) learning services, and (e) work-based learning. The fifth strategy can give nurturant effect to the development of students' character. In line with the statement above, the results showed that the model of effective character education is to use a comprehensive approach (Zuchdi, Prasetyo, and Masruri, 2011). Meanwhile, Zuchdi (2014: 4) also describes an implementation strategy of teaching character education are as follows: (a) integrate the content of curriculum that has been formulated into all subjects, (b) integrate character education into daily activities at school, (c) integrate character education in the programmed activities, (d) establishing communication and cooperation between schools and students' parents.

Character education learning strategies can also be done with a variety of methods including inculcation, exemplary, and soft skill development. The whole method and approach, if implemented correctly, it will easily achieve the goal of character education. In addition the school must prepare creatively in order to develop innovative learning, so as to produce teaching and learning more effective and meaningful.

Proposition 1: Character education can form a soft skill through multiple learning strategies

MANAGEMENT OF SCHOOLS AND SCHOOL CULTURE

The most important component in instilling the value of character education in the school environment is an educator or teacher. Teachers are at the forefront of the quality of education, so that teachers can be considered as the main instrument in the attainment of the whole process that involves learners. Associated with character education, the role of a teacher is very important. Besides must have the understanding, skills, and competencies of the character, the teacher also must have good character in themselves. Teachers are important factors that give major influence in achieving the success of character education

in schools, and even determine the success of learners in developing a personal intact. Education is difficult to produce something good, without starting from good teachers.

According Mulyasa (2013: 71) the function of the teacher is multifunctional. So that teachers can develop effective character education, and to improve the quality of education, especially in the personal improvement of learners, teachers need to have the following.

1. Master and understand the character education and its relation of learning well.
2. Liking character education.
3. Understand the learners, experiences, skills, and accomplishments.
4. Using the method of varying character education.
5. Eliminate materials that are less character and less meaningful.
6. Following the development education characters.
7. Prepare the educational process in a mature character.
8. Connecting past experience with a character that will be formed.

Meanwhile Muhaimin (2002: 115) explains that a teacher is required to have a noble soul as a code of professional conduct, including:

1. sincere in work or work for the pleasure of Allah.
2. Keep yourself and honor.
3. Being a role model for the students.
4. Apply knowledge into practice and daily behavior.
5. Patience in teaching knowledge to the students.
6. Do not underestimate the other subjects.

In this case the teachers should be positioning themselves as a facilitator, whose primary job provides ease of learning to the learners (to Facilitate learning), without any coercion and violence against learners, because coercion and violence will only give something negative among the learners (Mulyasa , 2013: 66-67). There are several important aspects of character education in the school environment should be considered in character education in schools in the form of Management of schools that includes: revamping the curriculum, improve the competence, performance and character of teachers or principals, as well as the integration of school culture (Kurniawan, 2013: 108). In addition to teachers, character education is also the responsibility of all the elements that exist in the school environment. As principals, school committee, and all the staff.

In this case, the principal is the holder of the policy of the whole system of teaching in schools. Therefore, instill the values of character education is the responsibility of all parties without exception. The school principal has seven functions as follows: as an educator, as a manager of the school, as supervisor, as a leader, as an innovator, as a motivator (Kurniawan, 2013: 122). Leadership of a school principal shall comprise two strategies, namely substantial strategies and managerial strategy.

Managerial strategy, principals seek to focus on the relationship of the school with supporting factors outside the school, through the coordination and synchronization of the school program with parents, education councils, school committees, community, and government. As for the relationship with the government, principals need to have a power-

sharing as a way to bridge between government and school's desire. While substantial strategy, the strategy of school development based on unity of vision, mission, and objectives outlined in the school education program and applies to the curriculum and activities interschool (Kurniawan, 2013: 121). All of the agenda run by each school will be different from other schools, it is caused by the cultural policy of the principal and the school environment is different.

Teachers should position themselves as facilitators, whose primary job provides ease of learning to the learners (to Facilitate learning), without any coercion and violence against learners, because coercion and violence will only give something negative among the learners (Mulyasa, 2013: 66-67). In the process of learning in the classroom teachers are required not to discriminate the students, it can be seen in the learning process that requires students to be critical by asking a few questions. That a teacher should be a facilitator for their students, so that students feel secure and will minimize the possibility of discriminating against students.

Proposition 2: Education characters become more effective if they are supported by a consistent management school

Views on school culture proposed by Zamroni (2011: 297) that the school culture is a pattern of basic assumptions, values, beliefs, and habits that are held together by the entire school community believes and has proven it can be used for face various problems in adapting to the new environment and perform internal integration, so that the pattern of values and assumptions can be taught to new members and generation so that they understand, act in the existing environment. School culture needs to be developed, the development of character education in the culture of the school should consider the following matters: teaching and learning, character development with an integrated approach, through a variety of school activities, and through extracurricular activities. School culture conducive environment is the overall physical setting, atmosphere, taste, nature, and productive school climate that is able to provide a good experience for the growth of the character of the students as expected.

School culture refers to a set of values, beliefs and ritual norms that guide the behavior of people in schools. Inside the school culture there is also a positive culture and negative cultures. Positive school culture where the school culture supports the achievement of the objectives of the school, while a negative school culture where hamper school achievement goals. School culture is inseparable from the norms, attitudes, beliefs, values, ceremonies, and others. This is supported by Barth (2010: 1) that: "The school culture is a complex pattern of norms, attitudes, beliefs, behaviors, values, ceremonies, traditions, and myths that are deeply ingrained in the very core of the organization". So, the school culture is a complex pattern of norms, attitudes, beliefs, attitudes, values, ceremonies, customs, and legends that are very ingrained in the organization.

While Ahmadi (2004: 187) describes the school culture is the belief of the school which has several important elements, namely: (1) the location of the environment, and infrastructure, (2) a school curriculum which includes the ideas and facts that become overall education program, (3) a good personality of the school community consisting, students, teachers nonteaching specialists and administrative personnel, and the norms of values of the students' character and teachers. In line with the above opinion, Nurkholis (2006: 203) specifically mentions school culture as a pattern of values, norms, attitudes, rituals, discipline, myths, and habits formed in school.

Furthermore, Tableman (2004: 1) describes the culture of the school, "School culture Reflects the shared ideas, assumptions, values, and beliefs that give its organization on identity and standards for expected behavior". This means that the school culture illustrate the variety of ideas, assumptions, values, and beliefs that form the organization's identity and standards for expected behavior. Meanwhile, Sudrajat (2011: 134) describes the school culture is the context behind the scenes that show the school beliefs, values, norms, and habits that have been built in quite a long time by all the school community in cooperation in school. Thus, it can be concluded that the overall school culture includes elements that are in the school environment such as (students, teachers, principals, atmosphere, the learning process, and all the components that have been around a long time).

Proposition 3: Positive school culture that empowers will be able to achieve the goal of character education

MULTICULTURAL

Multiculturalism asserts the need to create a school where the differences related to race, ethnicity, gender, sexual orientation, limitations, and social classes all students are recognized and regarded as a valuable resource to enrich the teaching and learning process. (Hidayatullah, 2012: 75). Multicultural society is the essence of the Indonesian people who are indirectly must be admit without exception. Applying the principle of multicultural should cover various areas, including in the field of education. Multiculturalism etymologically formed from three words yitu: Multi (many), culture (culture), ism (flow / understand). Which means that multiculturalism is the flow or understanding of many cultures means leads to cultural diversity (Hanum and Raharja, 2006: 1).

In line with previous statements, Tilaar (2004: 82) explains multiculturalism implies a very complex meaning that is "multi" meaning plural, "culturalism" unbiased understanding of culture, or culture. Prulal term diversify, because pluralism is not just recognition of the things that is diversified but the recognition is also has political implications, social, economic. Multicultural education can be understood as a process or educational strategies that involve more than one culture, shown by nationality, language support, ethnic, or racial criteria. Multicultural education can take place in formal or informal education settings, directly or indirectly (Zuriah, 2010: 77).

On the other hand, Banks (2005: 3) dividing the multicultural education consisting of three things, namely, plans or concepts, an action related to education changes, and the educational process which the main objective is to change the structure of educational institutions so that students of both women and men, students disabilities, and students who are members of racial, ethnic, cultural and sundry it would have the same opportunity to achieve academic interpretation in school.

As a reform action and the process to create an environment of equal education for all students, multicultural education has principles as follows (Hidayatullah, 2012: 75): The first principle, multicultural education is a political movement that aims to ensure social justice for all people regardless the existing background. The second principle, multicultural education containing the dimensions of learning (classroom) and institutional (school) and between both cannot be separated, but should instead be addressed through a comprehensive reform. The third principle, multicultural education emphasizes a comprehensive education reform can be achieved only through a critical analysis or power system. The fourth principle, based on critical analysis, the goal is to provide a multicultural education for each student guaranteed a chance to achieve maximum performance in accordance with the possessed.

Banks (1993: 5-6) also states that multicultural education can be conceptualized into five dimensions, namely: a. Content integration; integrate the diversity of cultures and groups to describe the concept, principles, and theories in the subject they teach, b. Construction of knowledge; all matters relating to teachers to help students understand, investigate, and determine the differences in the assumptions prejudices that affect the composition of the student's knowledge, c. Reduce prejudice; focusing on the characteristics of the racial attitudes of students and how students can think positively, d. Pedagogic justice; when teachers change their teaching to a way to facilitate students of different racial, religious, cultural, social class academic achievement. This includes using a variety of teaching styles to take advantage of differences in students e. Empowering school culture; the basics of school culture is the interaction of the entire school community to create a school environment that is conducive to a variety of racial, ethnic, and cultural. Furthermore, there are three main goals of multicultural education are referred to as instrumental and terminal objectives, namely:

- 1 Elimination of discrimination education, provide equal opportunities for every child to develop their potential
- 2 Make the children can reach their potential achievement
- 3 Make the children aware of solidarity as citizens of the local community, national, and global (external end terminal purpose) (Gorski 2010, Zamroni, 2011).

Intuitively, students taught by a teacher something about the differences in culture, race, social class would be better in the context of multicultural understanding of those who do not. Teachers can also use learning strategies that combine content multicultural students of social backgrounds and different cultures, so that engage students in cultural exchange

with others who are different, it will be able to teach students to take conclusions from their experience (Sleeter , 2001: 99-100).

Proposition 4: Understanding the concept of multicultural intact can create equality and justice in the school environment

DISCUSSION

The success of character education is an essential element in order to develop the objectives of the multicultural to the students, characterized by differences in culture, race, ethnicity, and religion so as to achieve equality and fairness. Multicultural education aims to sensitize students that we live in an atmosphere of plurality, so plurality is not something that we must reject, but on the contrary, be something that should be accepted and grateful. Thus, the concept of character education that includes a wide range of values should be in synergy with the goals of multiculturalism. The values of character education is the starting point is the value of democracy, tolerance, values of caring, and so forth. These values must be geared towards the nature of multicultural committed to equality and justice for all elements of the school without discriminating.

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THE EFFECTS OF PROBLEM BASED LEARNING AND ACTIVE DEBATE METHODS ON THE CRITICAL THINKING SKILLS AND SOCIAL STUDIES LEARNING ACHIEVEMENTS OF STUDENTS OF PUBLIC JUNIOR HIGH SCHOOLS IN YOGYAKARTA CITY

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Abstract

The education quality improvement can be attained when teaching and learning processes carried out are really effective and useful. The teacher is one of the important factors in determining whether or not teaching and learning processes are successful. One of the creative and innovative steps in learning is the application or selection of an appropriate learning method. The application or selection of an appropriate learning method by the teacher is expected to improve students' critical thinking skills and learning achievements. This study aims to investigate whether or not there were effects of the Problem Based Learning and Active Debate methods on the students' critical thinking skills and Social Studies learning achievements. The success of learning through the application of the Problem Based Learning method can affect students' critical thinking skills and their learning achievements will improve. The application of the Active Debate method in Social Studies learning can effectively build students' critical thinking skills and learning achievements. The two methods are good to apply in Social Studies learning. Both are capable of improving the students' critical thinking skills and Social Studies learning achievements. The significance of the study is that it is expected to be a good input to improve students' critical thinking skills and learning achievements and to supplement learning methods supporting and needed in the learning process, especially the Social Studies subject.

Keywords: Problem Based Learning Method, Active Debate Method, Critical Thinking Skills, Learning Achievements

INTRODUCTION

Learning is an effort process done by someone to achieve a change in fulfilling his needs. A competition in the future demands a high quality of education. Yet, in fact, Indonesia still owns a low quality of education compared to other countries in the world. This is shown by surveys mentioned by Organization for Economic Co-operation and Development (OECD) published in SINDO (Tuesday, May 19th, 2015) about Singapore which has the best education and Indonesia which is left behind. Singapore becomes a country having the best education system in the world. Among the Association of South East Asian Nations (ASEAN) community, Indonesia has been left behind compared to Vietnam, Thailand, and Malaysia. The fourth best rank countries having the best education system are Hongkong, South Korea, Japan, and Taiwan.

Based on the fact, a change and development are needed to realize in the implementation of education in this country. A general view about learning process conducted at schools is still considered to be low. The effects of this problem are students

tend to be less active which leads to less critical thinking analysis. A man thinking critically will be able to answer important problems appropriately, to answer clearly, and to solve problems effectively. One of the objectives of education is pointed that students will be provided with critical thinking skills.

Nursiti (2013) pointed that critical thinking is needed in life so that it is necessary to implement in learning. What has occurred at school is teachers emphasize the learning process only on subjects. Meanwhile, other aspects are often ignored including the critical thinking skills. In order to solve this problem, one of important ways needed is critical thinking skills which must be owned by students to face all challenges and problems happening in the society. In social sciences learning, the critical thinking skill is taught integratedly with subjects aiming at helping students to think critically and to be creative effectively. Through this critical thinking skills, students are able to analyze things which give advantages or disadvantages to himself, family, society, and nation in the future.

Slameto (2010: 54) stated that although there are many factors which influence learning outcomes, those can be divided only into two factors, namely internal and external factors. Those factors influence the students' learning outcomes at school. The main factor of learning disabilities is the internal factor including interest, talent, motivation, intelligence level, whereas the main factor of learning problems is the external factor including the implementation of a less appropriate learning method and the management of the learning process which does not motivate students to learn.

The development of the education quality will be achieved when the teaching-learning process which is conducted is effective and beneficial for the expected knowledge, attitudes, and skills. The success of education is related to the process involved. A teacher is one of the essential factors in determining whether the teaching-learning process is conducted appropriately or not. A teacher must be able to establish creative and innovative steps in the teaching-learning process in order to create a meaningful teaching-learning process. One of the creative and innovative steps which can be realized in the learning process is through an implementation or a proper learning method.

The implementation of an appropriate learning method which is conducted by a teacher is expected to improve the learning outcomes of students. As stated by Djamarah (2006: 158) the application of different types of teaching methods will be able to encourage students to learn that in a certain situation, a student is bored with a lecture method and therefore a teacher must be able to handle this situation by applying other methods such as question-answer method of teaching, discussion or an assignment method in order to relieve boredom and to create a teaching process which will be able to encourage students of being involved in the teaching-learning process. As well as the learning process of social sciences, since the social sciences subjects has a wide scope, a social sciences teacher must be able to determine various and appropriate methods in order to achieve the learning objectives and to create an interesting learning process.

Based on the observation which has been conducted by the researcher in January – February 2016 with social sciences teachers teaching at SMP Negeri 9 Yogyakarta and SMP

Negeri 15 Yogyakarta, it showed a similar problem which is a low learning activity affecting the critical thinking skills and the achieved learning outcomes which are still not optimal. The evidence of this problem was obtained from the data of niterview results with several social sciences teachers at SMP Negeri 15 Yogyakarta on January 28th, 2016 and at SMP Negeri 9 Yogyakarta on February 2nd, 2016, that the learning outcomes of social sciences students, particularly Year VII and VIII have not reached the optimal results even the level of Minimum Completeness Criteria (MCC) determined by schools in academic year of 2015/2016 which is 75,00. In term of social sciences learning, the number of students whose grades can reach the MCC of a class does not reach 100%. In a class of superior students, the number of students whose grades can reach the MCC is 75% whereas in a regular class, the number of students reaching the MCC is less than 50%.

As the problems mentioned above, it indicates the the ability of SMP Negeri di Kota Yogyakarta students in building knowledge by thinking thoroughly or the critical thinking skills and the ability of students in solving social sciences problems need to be improved. One of the methods which is able to improve the students' skills of thinking critically and the students' learning outcomes are Problem-Based Learning and Active Debate methods.

The various problems occured in the learning process of social sciences at those Junior High School in Yogyakarta has encouraged the researcher to conduct a research. As mentioned previously, therefore, the research entitled "The Effects of Problem Based Learning and Active Debate Methods on the Critical Thinking Skills and Social Studies Learning Achievements of Students of Public Junior High Schools in Yogyakarta City". This research will be beneficial for schools in ascertaining the effects of Problem-Based Learning and Active Debate methods towards the critical thinking skills of students, the influence of Problem-Based Learning and Active Debate methods towards the social sciences students' learning outcomes, and the effectsof Problem-Based Learning and Active Debate methods towards the critical thinking skills of students and the learning outcomes of social sciences students.

LITERATURE REVIEW AND PROPOSITION

The learning method of Problem-Based Learning, the learning method of Active Debate Learning, Critical Thinking Skills and Learning Outcomes

The learning method of Problem-Based Learning is a learning method by providing students with practical problems as a step in learning or in other words students are learning through problems. According to McConnell (2002: 62), Problem-Based Learning is one of learning methods conducted in actual activities and it implies meaning that someone can learn by applying different learning styles. The actual learning focuses more on the participation to make choices to manage, to focus, and to give direction during the ongoing learning process. Problem Based-Learning is a teaching method using problems as a focus to develop skills of problem-solving, subjects, and self-regulation (Eggen & Kauchak, 2012: 307).

The statement is in line with the statement of Barge (2010: 7) pointing that a problem may include theory, practice, society, technique, cultural symbol or actual learning and

grows on students in line with the distinction of discipline and a good environment. A problem is the first step of a student in conducting the learning process and in learning to face a learning situation based on its context. According to Arends (Trianto, 2010: 92), Problem-Based Learning is a learning method where students doing authentic problems aiming at building their own knowledge as well as developing their thinking skills, self-confidence and independence.

McLinden, Mike, Steve, et al (2006: 334) have classified activities of the Problem-Based Learning into three terms which are widely connected, namely: (1) provision of information which are interconnected in the learning activities such as building teamwork among students in the research and finding sources, choosing, collecting, analyzing, presuming, and presenting; 2) collaboration and communication activities; and 3) assessment activities.

The objectives of the learning method of Problem- Based Learning are the learning content mastery of heuristic discipline and the development of problem solving skills. The learning method of Problem-Based Learning is also related to a widelife learning, a skill of implying information, collaboration, teamwork, and a skill of reflective and evaluative thinking (Rusman, 2010: 238).

In the education world, Active Debate learning can also be a valuable method to improve thinking and contemplation particularly when students are expected to be able to express an opinion which is basically against themselves (Silberman, 2006: 141). In line with the previous statement, Roestiyah (2008: 148) stated that when applying a technique or a method of debate presentation, which is a method that each speaker of pros and contras sides states their opinion which can be followed by a defense or not and the members of the group may also raise questions towards the debate participant or the speaker. The debate method is a teaching method facing students to problems. The main objectives of Active Debate learning method are to solve problems, to answer questions, to add and to understand knowledge of students, also to make a decision (Sanjaya, 2009: 154).

Critical thinking skills of students are necessary to develop in achieving success in their education life and in the society. Critical thinking skills can be developed or strengthened through the learning process. Gunawan (2003:177-178) stated that a critical thinking skill is a skill to think in a complex level and applies a process of analysis and evaluation. This skill is related to a skill to identify, to analyze, and to solve problems creatively, and to think logically, and therefore to produce appropriate decision and consideration. A critical thinking skill is not a skill which can develop by itself as the human body grows. This skill must be trained by giving a stimulant which demands someone to think critically.

Johnson (2007: 183) stated that thinking critically is an obvious and directed process which is used in a mental activity such as solving problem, taking decision, persuading, analyzing an assumption, and doing a scientific research. Similarly, Feldman also stated that(2010: 4) thinking critically includes actions to evaluate situation, to solve problem, and to choose an investigation pattern resulting in obtaining best answers. Thinking critically

will enable students to evaluate an opinion systematically, to solve problems systematically, and to design solutions originally.

This critical thinking development should be done by integrating it to the learning process at schools. Meanwhile, in fact, the learning process conducted at schools tends to less train students in thinking critically. A study result of introduction done by (Juano & Pardjono, 2016: 48) of one of Year 5 samples at SD Negeri Pujokusuman I Yogyakarta (elementary school) has shown that the students' comprehension is still low. Most of the students still have a low learning achievement. This is because the learning process does not involve students directly in terms of asking, discussing, and giving opinions to state results which have been obtained during the learning process which makes students afraid to state their own opinions in front of the class.

In a social sciences learning, these critical thinking skills are useful for students in dealing with a situation in the society recently. In this globalization era as the fast growing of knowledge and technology, various information can be obtained and accessed through the unlimited number of media. Those various information contain positive and negative things which directly or indirectly can influence students. Thus, by having critical thinking skills, students are expected not to receive information directly without selecting which one is useful or not to themselves (Anindyta & Suwarjo, 2014: 211).

The advantages of thinking critically as stated by Riah (2014: 20) are as follows: 1) obtaining knowledge, correcting theory, strengthening argument; 2) stating and formulating questions clearly; 3) collecting, assessing, and interpreting information effectively; 4) drawing conclusion and finding solution of problems based on a strong argument; 5) getting used to think openly; 6) communicating ideas, opinions, and solutions clearly to others.

This critical thinking skill is necessary for human life, through social sciences learning education it can shape students to become men who can think critically. As stated by Barell (2003: 22) who emphasized that a critical thinking skill is one of the important elements which must be achieved by an implementation of learning curriculum. Similarly, Hunter (2009: 36) stated that actually the main task of each education unit is to produce men who can think critically in accordance with their scientific field.

Social sciences learning must emphasize the comprehension and critical thinking, also learn on how to be involved in the learning process not to avoid it. Critical thinking skills can be trained through in-class learning process. This is strengthened by data results of a research obtained from a research conducted by Hestingsih & Sugiharsono (2015) in the social sciences learning in class VIII F SMP Negeri 1 Salaman Kabupaten Magelang that can improve the quality of learning. The number of students who reach "critical" criteria in a pre-cycle is 4. After actions, the number of students reaching "critical" criteria in cycle I is 14 or 58,33% (not reaching the criteria of actions success) and in cycle II is 22 or 91,67% (reaching the criteria of actions success).

The learning outcomes or achievement is commonly known also as success achievement, in this term it refers to the success of students when they are involved in the learning process at school. According to Sudjana (2011: 22) the learning outcomes are skills

belong to students after receiving their learning experiences. The learning outcomes are patterns of actions, values, understandings, behaviours, appreciations, and skills. According to Gagne (Suprijono, 2013: 5), the learning outcomes include: a) verbal information which is the capability in revealing knowledge in the form of language, both oral and written, b) an intellectual skill which is the skill to present concept and symbol, c) a cognitive strategy which is the ability to share and to direct his own cognitive activity, d) a motoric skill which is a skill to do series of physical movement in a direction and coordination, therefore, an automatism of physical movement is realized, e) an attitude is a skill to receive or to reject based on the assessment towards the object.

According to Bloom (Sudijono, 2013: 49) et al taxonomy (classification) of education objectives must always refer to three kinds of domain (the construction area or domain) of students, namely: 1) cognitive domain, 2) affective domain, and 3) psychomotor domain.

Cognitive Domain

According to Bloom (Sudijono, 2013: 49-50) stated that cognitive domain is a domain which includes mental activity. All activities related to the brain activity are included in the cognitive domain. In the cognitive domain, there are six levels of thinking process, starting from the lowest to the highest levels. Those six levels are: 1) knowledge, 2) comprehension, 3) application, 4) analysis, 5) synthesis, and 6) evaluation.

Bloom's taxonomy of cognitive domain which has been revised by Anderson & Krathwohl (Gunawan & Palupi, 2012: 11-15) includes: 1) remembering, 2) understanding, 3) applying, 4) analyzing, 5) evaluating, and 6) creating.

Affective Domain

Affective domain is a domain related to attitude and value. Some experts stated that someone's attitude can be predicted its changes when he has reach a high level of cognitive. The characteristics of affective learning outcomes can be seen on students in various kinds of attitudes. This affective domain as stated by Krathwohl, et al (Anas Sudijono, 2013: 54) is classified more specifically into five levels, namely: 1) receiving, 2) responding, 3) valuing, 4) organizing, and 5) characterizing by a value or value complex.

Psychomotor domain

Psychomotor domain is a domain related to skills or an ability to act after someone has received certain learning experiences. The learning outcomes of psychomotor domain are stated by Simson (Sudijono, 2013: 57-58) stating that the learning outcomes of this domain can be seen in the form of skills and an individual skill to act. The learning outcomes of this psychomotor are actually the continuance of the cognitive learning outcomes (understanding something) and the affective learning outcomes (that are just seen in the form of tendencies to behave). The learning outcomes of cognitive and affective will be the psychomotor

learning outcomes when students have shown certain behaviors or actions in accordance with the meaning contained in the cognitive and affective domain.

The application of the learning method of Problem- Based Learning and Active Debate in the social sciences learning is necessary. The learning method of Problem- Based Learning focuses on the students to solve problems and focuses on students to be actively involved in the learning activity and to encourage students to be more creative in solving problems. Meanwhile, the learning method of Active Debate help students to share ideas and opinions. The learning by applying this method will be able to encourage thinking and reflection. In this case, students are expected to defend their opinion against their own believes. This method actively involves each student in the class not only the debaters. Thus, this implementation of the learning method of Problem-Based Learning and Active Debate learning method in the social sciences learning can improve students' critical thinking and the learning outcomes at state junior high schools in Yogyakarta.

Problem-Based Learning

In the learning of junior high school social sciences, a teacher decides problems, presents information, prepares materials, and determining ways to solve the problems. Therefore, students must memorize many information, and then open their memory in an examination. The abundance information that must be memorized in a learning definitely can be maintained by students after the learning process is conducted. This will influence the critical thinking skills and the learning outcomes of students.

One of the learning methods which is often applied in the social sciences learning is Problem-Based Learning. The learning by applying this method of Problem-Based Learning provides freedom to students in the learning process. Through the learning method of Problem-Based Learning, students must be able to identify problems, to collect data, and to use those data to solve problems. By applying the learning method of Problem-Based Learning, the higher the level of freedom given to students, the higher the need of guidance which must be conducted by the teachers.

Problem-Based Learning is a method of teaching which uses problems as a focus to develop skills of solving problems, subjects, and self-regulation. The learning method of Problem-Based Learning focuses on students to solve problems and to be actively involved in solving problems which are faced. By using these skills, it will influence the learning outcomes in the learning.

According to Ibrahim and Nur (Rusman, 2010: 243), these are steps of the learning method of Problem-Based Learning: 1) observing students on problems, 2) organizing students to learn, 3) guiding the experiences of individual/group, 4) developing and presenting the outcome of a work, 5) analyzing and evaluating the process of problem solving. Arends (2007: 56-60) stated that the learning method of Problem-Based Learning consists of five main phases. Those phases refer to practical steps conducted in the learning activities. These are steps conducted in the learning method of Problem-Based Learning in the social sciences learning: 1) giving orientation about the problems to students, 2)

organizing students to observe, 3) assisting an investigation of individual and group, 4) developing and presenting artifacts and exhibits, 5) analyzing and evaluating the problem-solving process.

In this case of guidance, a teacher or an expert changes its role to become a facilitator or a guide in this method, and the students are involved intensively, so that the motivation to keep learning and to be curious improves. Thus, the effects of applying the learning method of Problem Based Learning are the critical thinking skills and the learning outcomes of students improve.

Proposition 1:

“The success of learning by applying the learning method of Problem-Based Learning can influence the critical thinking skills and the learning outcomes of students will improve”

Active Debate

Nowadays, most of the learning still applies a lecture method (conventional) so that the learning is teacher-oriented not student-oriented. This causes students to tend to be passive and not to be actively involved in their learning activity. A teaching-learning process is demanded to involve an active role of teachers and students that is able to accustom students to be directly involved in the teaching-learning process in accordance with their own skills and ways of thinking. When teachers only apply the lecture method, this will result in achieving less maximum critical thinking skills and learning outcomes.

The learning method of Active Debate helps students to share ideas and opinions. The advantage of applying this method is the power to raise mental bravery in speaking and being responsible for the knowledge they have obtained through the process of debate, both inside or outside the class (Zaini, et al, 2006: 38). Simply, the active debate aims at influencing attitudes and people’s opinion or other sides so that they can be convinced and eventually can conduct, act, follow or at least shows tendencies in accordance with what the speaker or the writer wants, looking at the type of communication, oral or written.

According to Zaini (2006: 38-39), the following steps are applied in this kind of method: 1) develop a controversial issue related to the subjects, 2) divide class into two groups, namely pros and cons, 3) Next, create two to four sub-groups of each debate group, 4) ask each group to point the representative, two or three members as the speakers seating face-to-face, 5) prepare two to four chairs for the speakers in each group of pros and cons. Other students seat behind the speakers, 6) After listening to the opening argument, stop the debate and get back to the sub-groups for preparing arguments, countering the opening arguments of the opposite team, 7) get back to the debate, 8) Make sure that the class is integrated by asking them to seat side by side with those in the opposite team, then discuss what the students have learned from the debate experience and ask students to identify the best argument according to them.

In this case, teachers' creativity is needed so that they are able to play roles as the facilitator and the learning partner of students. The teachers' task is not only to deliver information to students, but they must be more creative in facilitating learning to all students. By applying this learning method of Active Debate, students can learn in a fun situation, energetic, unworried, and brave to express their opinion openly. Thus, the critical thinking skills and the learning outcomes which are obtained can improve by applying this learning method of Active Debate.

Proposition 2:

“The application of the learning method of Active Debate in the social sciences learning can effectively build the critical thinking skills and the learning outcomes of students.”

Problem-Based Learning and Active Debate

Students who have the skills to think critically will get many advantages, not only in the learning environment at school, but also in the society or later in the workplace. This statement is similar to Feldman's statement (2010: 4) that the advantages obtained by thinking critically in the workplace are: 1) developing the best solution to solve problems; 2) obtaining a better understanding about the motives of others; 3) giving a good argument to create commitment to your idea; 4) identifying an important topic by keep focusing on the problems; 5) writing and speaking with a strong influence.

The enthusiastic of students in the learning process by applying the learning methods of Problem- Based Learning and Active Debate is high. This is reflected during the process of discussion and group presentation resulting in the learning outcomes. Furthermore, the learning method of Problem-Based Learning according to Sanjaya (2009: 220-221) is berikut: 1) a good method to understand the content of subjects, 2) able to challenge the students' skill for getting new knowledge, 3) able to improve the learning activities, 4) assisting students to transfer their knowledge in the real life, 5) considered to be more fun and chosen by students, 6) giving opportunities to students for implementing their knowledge in the real life, 7) able to develop the students' interest to keep learning.

Meanwhile, the advantages of applying the learning method of Active Debate according to Roestiyah (2008: 148) are: 1) by conducting a tough debate, it will sharpen the result of discussion, 2) both problems are presented, the one having ideas and debating or opposing, both sides debate to find the more appropriate result of a problem, 3) students are motivated to analyze problems in a group as guided so that the analysis is directed to the main problem, 4) students can state facts from both sides of the problem, then the fact will be researched on which is correct or valid and can be justified, 5) since there is an active discussion between both sides, therefore it will raise the interest to get involved in the discussion to speak, to participate in giving arguments, 6) when the debated problem is interesting, therefore the discussion is able to maintain the students' interest to keep following the discussion, 7) this learning method can be used in a large group.

The learning methods of Problem-Based Learning and Active Debate are able to improve the critical thinking skills and the learning outcomes of social sciences students at state junior high schools in Yogyakarta. Those methods involve students to behave cooperatively and proactive in the learning activities and assist students to understand the social sciences subjects being taught. The learning process is planned well (by applying the learning methods of Problem-Based Learning Active Debate) and the students have high critical thinking skills to learn the related subjects, and therefore they will achieve optimal learning outcomes.

Proposition 3:

“The effects influence of the learning methods Problem Based Learning and Active Debate are good to be implemented in the social sciences learning that those two methods are able to improve the critical thinking skills and the social sciences learning outcomes of students.”

DISCUSSION

The development of the education quality will be achieved when the teaching-learning process which is conducted is effective and beneficial for the expected knowledge, attitudes, and skills. One of the goals is social studies includes the basic ability to think critically. Therefore, the ability of students' critical thinking is needed in social studies learning. The application or the selection of appropriate learning methods that teachers are expected to improve student learning outcomes. The learning method used is the method of Problem Based Learning teaching and learning methods Active Debate.

The success of learning by using learning methods Problem Based Learning in the coaching of teachers changing role of the teacher or an expert to become a facilitator or mentor. Students are required to be involved very intensive, so the motivation to continue to learn and find out be increased. Meanwhile using Active learning methods Debate teacher's task is not only to convey information to students, but to be more creative to provide service and ease of learning to all students. Through the implementation of this Debate Active learning methods students can learn in a pleasant atmosphere, full of enthusiasm, not anxious, and dare to express opinions openly. The learning methods of Problem-Based Learning and Active Debate are Able to improve the critical thinking skills and the learning outcomes of social sciences students at state junior high schools in Yogyakarta.

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**THE EFFECT OF THE ACADEMIC SUPERVISION,
AND TEACHER'S INVOLVEMENT IN MUSYAWARAH GURU
MATA PELAJARAN (MGMP/DELIBERATION SUBJECT
TEACHERS) ON THE PROFESSIONAL COMPETENCE OF
SOCIALSCIENCE TEACHER IN THE DISTRIC SLEMAN**

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Abstract

This study is aimed to propose ideas on the issues of professional competence of social science teachers. It is believed that academic supervision and Deliberation Subject Teacher (MGMP) have a significant effect on professional competence of social science teachers. The problems of professional competence social teacher are shown in the district Sleman. Accordingly this study proposes 1) the professional competence of social science teachers have should be able to deliver innovation in the classroom so that facilitate students in understanding, 2) to develop the professional competence of social science teachers, MGMP can be a forum to develop, and 3) supervision capable of being measures for evaluating the performance of teachers and see the level of professionalism. This study is expected to provide contributions for social science teachers in district Sleman as an evaluation and get attention to improve their competence and the implementation of learning in the classroom.

Keyword: professional competence, supervision, MGMP, social science teachers

INTRODUCTION

Education is a fundamental capital in human life. Education always associated with the dynamics of life community and a nation. Science is the main object of education. Without science, all things cannot be good/well. A nation is more advanced if its human resources has a national character, morals, and has a high quality education. The highest quality of education is characterized by decreasing low levels of education and increased participation in education and the number of professional experts that are generated through the education system. Improving the quality of education is an important factor that must be considered in conducting business in the achievement of national development objectives, such as increasing the quality of human and people of Indonesia and his mastery of astronomy knowledge and technology, as well as national discipline as the embodiment of decency in society.

Asean Economic Community (AEC) as a single market in Southeast Asia allows the country to sell goods and services easily to other countries across Southeast Asia. Indonesia as one of the member of AEC should be able to improve the quality of human resources. The human resource development can be realized by improving the quality of schools and colleges through certification, accreditation, standardization, increased salaries and welfare of teachers and recruitment of professional educators/teacher. To solve education problems

will be impossible without involvement of teachers (Suparlan, 2006: 6). Teacher is the holder of an increased role in education. Master the task to prepare the next generation of qualified It is in accordance with the position and function of the teacher as stipulated in *Undang-Undang No. 14 Tahun 2005* about teachers and lecturers, namely the position of teachers as professionals as defined in Article 2 paragraph (1) serves to enhance the dignity and the role of teachers as a learning agent serves to improve the quality of national education.

Teachers as agents of learning should have high competence. Competence of teachers in primary and secondary education as well as early childhood education, as proposed by Saragih (2008: 23) are: pedagogical, professional competencies, personal competence, and social competence. A professional teacher required to improve insight and knowledge in the fields of education, science supporting, learning processes, and to monitor the development of the education system. In addition, teachers have the task of professionalism as stated in *Undang-Undang No. 14 tahun 2005* about teachers and lecturers of article 20a.

Its means that to carry out the task of professionalism, teachers are obliged to learning plan, implement quality learning process, promoting and developing academic qualifications and competence, don't discriminate on the basis of gender, religion, ethnicity, race, and certain physical conditions, or background families, and the socioeconomic status of students in learning; upholding the legislation, laws and codes of conduct of teachers, as well as religious values and ethics; and maintain and foster national unity. Hence, it is clear that as a professional work force, the teacher's task is not easy. Teachers have to perform various tasks continuous. It is clear that the teacher is a profession, which can only be carried out effectively and efficiently by someone who is prepared to master the competence of teachers through education and / or training. Therefore, utilization of the teaching profession is formally carried out in the formal educational environment that is tiered and different in kind, So the teacher must meet the requirements or qualifications or competence according to the type and level of school where they worked.

As professionals factors are influenced the level of professionalism (Khan, 2011: 1), are included the work ethic, academic supervision, the utilization of Information and Communication Technology (ICT), the principal's leadership, training which can be called education and training (training) and/or the Deliberation Subject Teacher (MGMP), academic qualifications, motivation, welfare and compensation. Academic supervision and MGMP are being external factors of teachers activities. MGMP is an organization of the teaching profession based subjects in a more professional, programmed, and is specifically directed to develop standardized concepts and assessment of subjects nationwide implementation is closer to the teacher in the nearby area, namely throughout the District so that the implementation and coordination of activities and plans more easily (Saondi, 2010: 75). While supervision is a means to evaluate the performance of teachers, it is to see how the teacher has completely and according to the task or not, both administrative and proficiency in delivering the material to the students.

Goal of the academic supervision of teachers in the learning process to assess the professionalism of teachers can be evaluated from the subject matter in the learning process, syllabus and lesson plans, selection of strategies / methods / techniques of learning, the use of media and information technology in learning, assessing the process and outcomes of learning and action research class. Based on a review of the supervision, MGMP can be a forum to embrace / teacher facilitate ease their tasks. Based on the results of research conducted Anik Widiastuti who discuss the competence of teachers to teach junior high school social studies in Sleman district in 2012 concluded tendency teacher competency in table 1.

Table.1 Teachers Teaching Competency IPS SMP in Sleman

Competency Category	Frequency	Percentage (%)
High	24	32,88
Medium	41	56,16
Low	8	10,96
Total	73	100,0

It is showed that the junior high school social science teacher in Sleman district is dominated by the teacher who competence medium category, which is as much as 56.16%. While this includes higher by 32.88% and that includes as much as 10.96% lower categories. Categorization show that social studies teacher in Sleman district has had sufficient competence/medium. Based on these results, practically can be used as consideration to undertake further research to explore the professional competence of teachers through teacher supervision and involvement in the implementation of MGMP in Sleman.

LITERATURE REVIEW AND PREPOSITIONS

Teachers Professional Competence IPS

On Government Regulation PP No. 19 Tahun 2005 on National Education Standards Pasal 28 article 3 point c, stated that the definition of professional competence is the ability of mastering learning materials widely and deeply that allows guiding learners to meet the standards of competence set out in National Standard of Education. The scope of the professional competence of teachers in general expressed Mulyasa (2007: 135) are understand and be able to apply the foundation of education both philosophical, psychological, sosiologis, etc., Understand and be able to apply the theory learned appropriate level of development of participants students, able to handle and develop areas of study under his responsibility, Understand and be able to apply the learning methods varied, Ability to develop and use a variety of media tools and learning resources that are relevant, Ability to organize and implement learning programs, Ability to carry out the evaluation of learning outcomes of students, and Able to cultivate the personality of the learner.

John Jarolimek (Mukminan, 2009: 13) defines that IPS are elements of the social sciences, sociology, politics, social psychology, philosophy, anthropology, economics, history, and others who are closely related to human life. A similar opinion was also expressed by Numan Somatri (2001: 74) states that IPS is a simplification of the discipline of the social sciences and other disciplines in which includes social problems. Armed with the professionalism of teachers, learning social studies fully empowered to produce quality students as citizens of Indonesia who are competent to make decisions and participate in solving environmental problems and their communities. This is in accordance with the purpose of IPS, which equip students to become citizens who are sensitive and active against social problems that occur in the community, a positive attitude will be inequality in society, and skillfully solve any problems themselves and their environment.

Proposition 1: Armed with the ability and potential of the teacher, social studies teacher should be able to develop learning by linking various materials with the social issues close to the students, thus simplifying the student role in understanding the material.

Academic supervision

Supervision is an attempt to stimulate, coordinate, and guide the growth of teachers in schools, either individually or in groups, with tolerance and actions pedagogically effective, so that they are better able to stimulate and guide the growth of each student in order to be able to participate in a democratic society (Soetopo, 1982). Supervision is aimed at the improvement and development of the learning process in total not only to improve the quality of teaching and teachers, but also foster the growth of the teaching profession in the broadest sense, including the provision of facilities and services, leadership and coaching human relations is good for all parties involved (Sahertian, 2000: 19). Through educational supervision activities expected to occur improvements and developments in the process

The principles in the implementation of the supervision of the scientific, democratic, upholds the above discussion, cooperative/partnership, the entire staff can work together, develop a business in the "create" a learning situation and working conditions are better, as well as the constructive and creative, fostering initiative staff/teachers and encouraged to actively create an atmosphere where everyone feels safe and can develop their potential. These principles should be the main reference supervisors in carrying out supervision activities in schools in order to contribute to the learning supervision produce optimal outcomes. Reality on the ground is still found supervisors in performing the duties of supervision tend to the implementation of the principle of negative such as emphasizes the power of the partnership so that communication is one-way, tend to find fault, causing fear among teachers, tend to expect quick results and prioritize the value of learning rather than improving the learning process, and more administrative in nature rather than fostering academic aspects.

Proposition 2: Supervisors should be able to carry out supervision using high accountability and continuing to be able to help overcome the difficulties teachers when

learning, so it can be overcome, and ultimately learning objectives can be achieved optimally.

Deliberation Subject Teacher/ Musyawarah Guru Mata Pelajaran (MGMP)

Saondi (2010: 75) explains that MGMP as container-based teacher professional subjects in a more professional, programmed, and is specifically directed to develop standardized concepts and subjects of national votes. MGMP can be the best model to help teachers conduct continuous competency development. A teacher will be easier to develop competencies if willing to learn and exchange ideas among teachers. Of course, the problems faced by every teacher are different from other teachers. Therefore, through MGMP teachers will gain input from other teachers in solving problems and trying to develop competencies.

In MGMP, there are many activities aimed at positively for teachers, among other activities MGMP (1) An improved understanding of the curriculum, (2) the development of the syllabus and lesson plan; (3) development assessment system, (4) development remedial programs and enrichment, (5) Improving the understanding of the broad-based education, and education-oriented life skills, (6) Develop active learning, innovative, creative , effectiveness and fun or *Pembelajaran Aktif Inovatif Kreatif Efektif dan Menyenangkan* (PAIKEM), (7) develop and carry out analysis of learning tools, (8) develop and carry out the manufacture of learning tools (9) develop and implement programs for computer-based learning, or ICT, (10) as well as developing the media in carrying out the process of learning teach.

With their program activities within the program MGMP above, is expected to be a solution for teachers to solve problems both in terms of characteristics of subjects, school environment, curriculum implementation, methodology and adjustments to the development of science and technology. In addition, activity in MGMP expected to improve the competence of teachers, especially the professional competence, which in terms of the capability of teachers in preparing, implementing, and evaluating programs in teaching and learning activities.

Proposition 3: Activities in MGMP will be able to enhance the professional competence of teachers when better planned and implemented, particularly leading to the improvement of teachers' competence professional.

The involvement of teachers in MGMPs is intended as a guidance teacher adds to information, knowledge, and experience in improving the professional competence of teachers who then will find its influence on professional competence of teachers. The same thing applied to the variable academic supervision. This study will also be watching to see how the academic supervision of professional competence of teachers who see the extent to which the performance of teachers, so that supervisors can help advise on lack of teachers held by teachers. Based on these two variables MGMPs and teachers' involvement in academic supervision, then sought to know the effect of both on professional competence of teachers IPS. Results to be achieved from this research include able to contribute to the social

studies teacher in Sleman district as an evaluation and get attention to improve their competence.

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THE ACTUALIZATION OF MULTICULTURALISM VALUES THROUGH SOCIAL STUDIES LEARNING AT STATE JUNIOR HIGH SCHOOL 2 JUNTINYUAT IN REGENCY INDRAMAYU

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Abstract

This study was aimed to describe the actualization of multiculturalism values through social studies learning at State Junior high school of Jatinyuat Indramayu. It is proposed that Multiculturalism education are learning strategy to develop non-discrimination education as well as Indonesian philosophy, Social Science learning able to develop the value of multiculturalism by integrated learning approach, and social science learning able to develop multiculturalism attitudes along learning process. This study is expected to provide contributions for social studies teachers in Indramayu district as an actualization of multiculturalism values through social studies learning in the classroom.

Keywords: multicultural education, multiculturalism values and social studies learning.

BACKGROUND OF THE PROBLEM

National education in the effort to empower the national life, has the goal to realize the education system as a strong social institution and authoritative to empower Indonesian citizen quality to be human. The meaning of human quality according to Law No. 20 year 2003 about national education system, the man educated that is faithful and devoted to God Almighty, noble, healthy, knowledgeable, skilled, creative, independent and to become the democratic citizen and to be responsible. National education must be function optimally as main vehicle in developing attitude and good character for the nation of Indonesia. The curriculum existence served to achieve national education goals.

Multicultural education through the learning based on multicultural empowered student to develop the respect to people that are different cultures, giving the opportunity to work together with people or group of people who are different ethnic or race directly. Multicultural education also helped the student to acknowledge the accuracy view to the culture diversity which helped the students in developing pride towards their cultural heritage, student that practiced multiculturalism values, democracy, humanism and justice associated with differences culture (Tilaar, 2003: 103).

Multicultural education organized to develop student abilities in looking at life from different cultural perspectives with their culture, and be positive attitude towards different cultures, races, and ethnicities. The existing problem now can be minimized and do not develop toward disintegration, and hopped all forms of discrimination, violence and injustice largely that are occurred by their cultural differences such as religion, race, ethnicity,

language, ability, gender, age, and socio-economic class which can be minimized (Ainul Yaqin, 2006: 48).

Monokulturalism face in our education are still evident when we look at the various dimensions of education. Started from curriculum, the subject matter, until the teaching method presented by the teacher in learning process in classroom until fragmenting the last of 21 th Century the organized system of education in Indonesia that still dominated by the completed uniformity approach with authority of stich bureaucracy, although authoritarian. Under these conditions, the demands from domestic and foreign will be increased the uniform approach and the democratic that continued to urge and need to be implemented (Tilaar, 2004: 24).

Permendiknas Number 22 in 2006, said social studies arranged systematically, comprehensive and integrated in subject toward maturity and success in society life. The approach is expected to gain a broader understanding and depth in the science field that deals with students. Increasingly by Permendiknas such the objective learning of social studies supported the student to have the ability to: (1) recognize the concepts related to the people's live and environment; (2) having the basic ability for thinking logically and critically, curiosity, inquiry, and problem solving skills in social life; (3) having the commitment and awareness of social values and humanity; (4) the ability to communicate, cooperate, and compete in a pluralistic society, locally, nationally and globally.

According to Dawam Ainurofiq (2003: 76) the most important in multicultural education is a teacher not only required to master and able professionally in teaching the subject but also they teach more over. Teacher must also be able to instill the core values of multicultural education as a democratic, humanism and pluralism. While Suparlan (2004: 43) multicultural education is a process of planting a way of respect life, sincere and tolerant toward cultural diversity in living in the midst of a pluralistic society. With multicultural education expected their suppleness and flexible soul the nation to confront social conflicts. For technically and technologically Indonesian people have been able to live together in a pluralistic society but the spiritual relatively do not understand the true meaning of living together with people who have different cultures which included differences in terms of religion, ethnicity and social class.

The implementation of multicultural education does not have to change the curriculum. Lesson for multicultural education can be integrated in other subjects. Just need guidance (modeling) from teacher to implement it. The mainly, student need to be teached what they learned about tolerance, togetherness, human right, democracy and mutual respect. Observation results at State Junior High School 2 Juntinyuat in Indramayu district showed early the majority of teachers, head master, and school committee did not know about multicultural learning, familiarly with the term learning or multicultural education. Having conducted socialization, they can understand and make clear the multicultural learning in integrative way State Junior High School 2 Juntinyuat that can be done in social studies, who supported with module supplements about multicultural learning and teaching materials for junior high school student. Draft module as a supplement multicultural learning and teaching

materials for student of class VII until IX at State Junior high school. Most of teachers expected the model of teaching and learning materials and supplements the modules that can be applied in school (source: result of observation and interview at school).

Additionally at State Junior High School 2 Juntinyuat in Indramayu District showed the implementation of multicultural education which was still not optimal to do in terms both planning and evaluating process. It could be seen in terms of the learning method to instill the values of multicultural still indoctrination and conventional. The implementation of social studies in curriculum 2013 the teachers were not yet optimized scientific approach that covered observing, asking, data collecting, associating and communicating. It is seen in learning activities with a lecture and discussion, when the teacher explained the learning materials and assigning student to groups work on the problems. After working the appropriated assignment with material has been described students that are assigned to present the result. At the time of presentation there were dominated motivating students but there were also student less motivated in learning. The next activity is to provide the opportunity to students to present the results in other groups. The learning process is caused, which not all of students can construct the competence of knowledge, attitudes, and skills.

Apart from the aspect of learning activities was not yet implemented scientific approach, authentic assessment on curriculum 2013 which has not been implemented optimally. Assessment carried out have tended only to the teacher's observation. Constraints experienced teachers are the number of students who rated very much, therefore the assessment also required continuity to daily behavior performed by students. Assessment for three kinds of competencies should be based on the assessment process and results with an authentic system that took a long time. The authentic assessment required to teachers the assessed aspects that should be carried out on each individual which covered competency of attitudes, knowledge and skills. Beside the used instrument many teachers included observation sheets, sheets of self-assessment, assessment sheets among learners, portfolio assessment, written test etc. the demand of assessment is the teacher who must be able to translate the students' competences which accorded with the level of development.

The study aimed to actualize or implement the multicultural learning models and the possibility to develop it so that the model is effectively used in multicultural learning at State Junior High School 2 Juntinyuat chosen as a means of purposed research, which the multicultural values have been instilled in students from an early age. If from the beginning they have shared values, tolerant, peace-loving and recognition the differences, the values will be reflected in daily of their behavioral because it has been shaped on their personality. If it was successfully held our younger generation in future, they will be happy to get life in prosperous and peace environment.

LITERATURE REVIEW AND PROPOSITION

Definition of Multicultural Education and Multiculturalism Values

Indonesian is one of the largest multicultural country in the world, the truth of statement which can be seen from the socio-cultural and geographical condition that are so varied and

extensive. Indonesia is one of a few tens of developing countries. As a developing country, make the education as a mean strategic in building national identity s a good step, relatively appropriate, and promising a reasonable education model. Accordingly, the multicultural education offered an alternative through the implementation of the strategy and the concept of education based on utilization of diversity that existed in society, particularly which existed in students life as diversity of ethnicity, culture, language, religion, social status, gender, ability, age and race. (Tilaar: 2003). It is basedon some of the following considerations:

1. The inherently multicultural education has existed since Indonesian nation there. The philosophy of Indonesian nation is unity in diversity, loving mutual corporation, help, and respect among each others. It can be viewed in chronological portrait of the nation which is loaded with the entry of various foreign tribe and acculturated continuity with indigenous communities.
2. Multicultural education provided bright hope in overcoming the turmoil of society which occurred lately.
3. Multicultural education against the education business oriented. Up to now educational institutions either schools or colleges are competing to make the educational institution as an institution is able to generate large income. With reason, to improve the quality of services to students.
4. Multicultural education as resistance fanaticism is aimed to various types of violence. The violence appeared when the channel op pace is not existed. The violence is a result of the accumulation of various issues in society in which are not solved completely and mutual acceptance.
5. According to Tilaar (2004: 59), multicultural education usually have the following characteristics:
 - a. The purpose is shaped a “human culture” and create “a civilized society (civilization)”.
 - b. The material taught the noble humanitarian values, nationalism values, and the values of ethnic groups (cultural).
 - c. The method is democratic, which respected the differences and aspects of nation’s cultural diversity and ethnic groups (multicultural).
 - d. Evaluation determined upon assessment to the behavioral of the students which covered perception, appreciation and action against other cultures.

The main objective of multicultural education is to inculcate an attitude of sympathy, respect, appreciation and empathy to followers of different religions and cultures. The most important of multicultural education strategy is not only aimed students easily understand the learned lesson, but also to increase their awareness in order always to behave humanist, pluralist, and democratic (Fajar, 2005: 88).

The considerations are need to be reviewed and re contemplated for subject of education in Indonesia. One of them by developing a model of multicultural education. The education is able to accommodate the many thousands difference in a container which is

harmonist, tolerant and respectful. It is expected to be one of pillars of peace, prosperity, happiness, and life harmony in Indonesian society (Tilaar, 2004: 67).

Multicultural education is a response towards the development of diversity of school population, as demanded equal rights for each group. In other dimensions of multicultural education is the curriculum development and educational activities for entering various views, history, achievements and attention to non-Europeans (Ainurrafiq, 2003:24).

Indonesian context, the discussion about the concept of multicultural education is increasingly gaining momentum after collapse of the authoritarian regime militarized new order because there was the pounding storm of reform. The reform era was not only a blessing for our nation but also provide opportunities primordialisme increasing tend. Although, e need to apply the paradigm perceived multicultural education to counteract the primordial spirit (Yaqin, 2005: 56, Thoha, 2005: 134). The paradigm of multicultural education in context gave a lesson to us to have an appreciation of culture and respect to other religions. According to Ali Imron (2003: 59) the application of multiculturalism required awareness of each local culture for mutual recognition and respect the cultural diversity wrapped spirit of harmony and reconciliation. Multicultural paradigm implicitly is one of concerned article 4 of Law 20 year 2003 about national education system. The article explained that education was held in a democratic, non-discriminatory, with the upholding of human right, religious values, cultural values, and nation diversity.

Multiculturalism Values

According to Farida Hanum in Setya Raharjaa (2011: 115) the core values of multicultural education covered form of democratic, humanism, pluralism. In multicultural education, the values process instilled the form of a rule of life respect, sincere, tolerant towards living cultures diversity in the midst of a pluralistic society. Suyanto (2000: 116) students will be expected to be the generation that upheld morality, discipline, humanistic concern, and honesty in everyday behavior.

If we Collaborate the existed multicultural values to the content standard of civic education subject above with indicator multicultural values which have been mentioned in the earlier discussion, namely: learning to live in diversity, ing trust (mutual trust), maintaining mutual understanding (mutual understanding), upholding mutual respect (mutual respect), opening to think, appreciation and interdependence, conflict resolution and reconciliation of non violence. And also with the four core values (core values) multicultural values have been mentioned in previous, namely: First, the appreciation to the reality of plurality cultural in society. Second, the recognition of human dignity and human rights. Third, development of the responsibility of the world community. Fourth, the development of human responsibility towards planet Earth. All of the foregoing increased also with opinion of Farida Hanum and Setya Raharja (2011: 116), is said to be in the language of the vision and mission of multicultural education to always uphold and respect to pluralism, democracy and humanism, based on the opinion of Benny Susetyo (2005: 56-77) indicator

keterlaksan aanthe organized of multicultural values which existed in elementary and secondary school, follwings:

1. Inclusive value (Open)

The value considered the truth which is embraced by a group, adopted also by other groups. It recognizes the pluralism in community or social group, promising the priority principle of inclusiveness and leads to a growing sensitivity to a variety of unique possibility that existed.

2. Dialogue value priority (Active)

With dialogue, the different understanding about thing each owned by different groups which can each be deepened without prejudice to each party. Results of prioritizing dialogue is a close relationship, mutual understanding, respectable, trust, and mutual corporation.

3. Human value (Humanist)

The humanity is basically a recognition to human plurality, heterogeneity, and human diversity. It can be a diversity of ideology, religion, paradigm, ethnic, mindset, needs, economic level etc.

4. Tolerance values

In social life, the tolerance is understood as the embodiment recognizes and respects human right. Freedom of belief in the sense that was not emphasized in matters or religion, freedom or though, opinion, freedom fo assembly etc. (Choirul Mahfud, 2006: 73)

5. Mutual corporation

As social being, people can not liv alone that everything he had. Abundant material possessions until every moment what he want easily be achieved, but she could not live alone without the helping others and even happiness he might never tasted.

6. Justice value (democratic)

The justice is a term which is completed in all forms, whether fairness cultural, political, and social. The justice is a form that every man gets what he needs, not what he wanted.

Proposition 1: Multicultural education can become learning strategy in developing anti-discrimination education that appropriated with educational philosophy of the Indonesian nation.

Social Studies Learning

1. The Essence of Social Studies Learning

The term "social studies" is the named subject in Elementary and Secondary school level or name program study in college synonymous Sapriya (2009: 19). Social studies in elementary school is thenemed subject which stands alone as integration a number of concept of social science disciplines, the humanities, science and various issues and problems of social life Sapriya (2009: 20). Social studies material for elementary school level is invisible aspect of the discipline because the importance is pedagogical and

psychological dimensions and characteristics thinking ability learner holistic (Sapriya, 2009:23).

Social studies is an integrated study material which is a simplification, adaptation, selection and modification of concept that organized skill history, geography, sociology, anthropology and economics Puskur (2001: 9). Fakh Samlawi & Bunyamin Maftuh (1999:1) social studies is a subject which combined the basic concept of various social science which are presented through education and psychological as well as feasibility and significance for students and life. The existence of social studies in elementary school students are expected to have knowledge and insight into the basic concepts of social science and humanities, so has a sensitivity and awareness of social problem in their environment.

Social studies learning more emphasize to educational aspect than transfer of knowledge because in social studies the students which are expected to gain an understanding to concept and developing or training the attitude, value, morals and skills based on already concept. Social studies also discussed the relationship between man and his environment. Community environment where students growing and developing as part of society and are confronted with various problems in surrounding environment (Yanuar Firdaus, 2005: 69).

2. The Objective of Social Studies Learning

Social studies purpose according to (Chapin, s.R, Messick, R.G. 1992: 5) in Ichas Hamid Al-Lamri and Tuti Istianti (2006: 15) can be identified as following; a) guiding students' knowledge about human experience in public life to the past, present and future; b) helping student to develop skills for looking and managing information; c) helping students to develop values/attitudes of democracy in public life; d) providing opportunities for student to take to participate in social life.

In KTSP Curriculum (2006: 67), social studies subject purposed the students that have following capabilities:

- a. Introducing the concepts related to people's life and environment.
- b. Having basic ability to think logically and critically, curiosity, inquiry, problem solving, and social skill in life.
- c. Having commitment and awareness towards social values and humanity.
- d. Having ability to communicate, cooperate and compete in a pluralistic society.

The National Council for the Social Studies (NCSS), as an experts organization of social studies became a source of reference during that formulated learning objectives social studies which developed the students to become active citizens who have knowledge, values, attitudes and skills necessary to participate in democratic life in which their subject content extracted and selected based on history and social science, as well as in many things, including the humanities and sciences in Ichas Hamid Al-Lamri and Tuti Istianti (2006: 15) the second main purpose of social sciences learning, was not

separated and constituted a single unit which is integrated, interrelated and complementary.

The social sciences has a helpful role in preparing citizens of democratic countries with a value investment of nationality and citizenship which is supported by mastery discipline of social sciences. The purpose of the study enabled the students to have the knowledge and insight about the basic concepts of social sciences and humanities, which has a sensitivity and awareness of social problem in their environment, and have the skills to assess and solve social problems. Some definitions about social studies has been proposed by some experts at previous, so the researcher can conclude the social studies that is one of subjects which combined basic concepts of social sciences such as geography, history, anthropology, and psychology for teaching to the level education (Zubaidi, 2005: 1030).

The definition about learning and social studies has been explained previous which can be combined to become one sense of the social studies lesson that is deliberate effort by the educators to delivery knowledge which related with social issues and civics for teaching in every level of education by using methods and learning models effectively and efficiently.

3. The Function of Social Studies Learning

Social studies is a field of study which learn, examine, symptoms analyze, social problem and community issues by reviewing various of life aspect and blend. For organizing social studies programs carefully, the teacher must know exactly the function and role about social studies. The function of social studies learning according Isachack (Winataputra, 2007) is followings:

- a. Giving stock of basic knowledge, either proceeded to higher education or applied in daily life.
- b. Developing skills in developing social studies concepts.
- c. Inculcating scientific attitude and training student using scientific method for solving faced problem.
- d. Realized students about nature power and its beauty until students are encouraged to love and glorify its creator.
- e. Maintaining students' creative and innovative power.
- f. Helping students understand the idea or new information in field of science and technology.
- g. Maintaining self as well as developing students' interest towards social studies (Rudy Gunawan, 2011: 49).

Proposition 2: social studies learning can build the multicultural values trough integrated learning approach.

Proposition 3: trough social studies learning the students can build the multicultural attitude meaningfulness in learning process.

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MEDIATION EFFECT OF SOCIAL CAPITAL ON THE INFLUENCE OF INTERNET USING ON THE MORAL DEGRADATION OF TEENAGER

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Abstract

This article is proposed the effect of social capital on the influence of internet using on the moral degradation of teenager. Social capital is believed to play a significant role on the effect of internet using on the teenager' moral degradation. It is proposed that coaching on teenager is essential at the beginning phase of teenager heading to the teenager orientation to their peers. Social entity plays a significant role to anticipate their teens moral degradation. Moral activities of teens are related to their social environment. Bridging moral typology is believed to minimize teenager moral degradation as an effect of internet using. This study is aimed to make a deeper understanding of the role of social capital on effects of internet using on teenager moral degradation. It would be useful for parents and teachers to make a moral learning for teens.

Keywords: social capital, internet using, moral degradation.

INTRODUCTION

Each individual requires societies as a source of moral obligation and responsibility (Hidayat, 2014: 120). To create a moral society is needed community participation that requires individual to fulfill his moral duty. Along with the development of information technology and social change, the potential for moral violations increase. Likewise premarital sexual in teenagers, According to health ministry statistics of Republic Indonesia, the amount of premarital sexual in teenagers has increased from 2007 to 2012, the number of 4.1%. While the cause is a curious number of 57.5%, was forced by a pair of 12.6%, while the rest said they had done so only, (INFODATIN. 2015). According to Schaefer, technological development actually provokes the creation of various new types of crime, (Schaefer, 2005: 540) which means there are indications that the curiosity of teenager influenced by pornographic content on the internet which makes curious that he wants to do it with a partner of the opposite sex.

Information Technology is a base of technology that puts the processing of information, as ever internet (Bodnar and Hopwood, 1995). Various studies show that Internet has a lot to change people's lives (Dimagio. 2001). Including providing great opportunities in supporting various aspects of life (Cohendet, 2003). There are many positive and negative potential gotten from internet. Misra explained that the impact of information and communication technologies such as internet has potential for the emergence of a new category of excessive relationship (cyber-based overload) (Misra & Stokols, 2012). The emergence of excessive attitude in using the internet via laptops, smartphones and

computers. Kim (2009) Also defines the negative impact of internet for life, Kim explained regarding the negative impact toward the real social interaction called social offline contact.

Potential negatives impact for everyone, but the teenager phase is the most vulnerable phase in one's life. Adolescence is a phase where a person more trusting of their peers than their parents or teachers, (Field, 2011: 35). With such facts internet access provides answers to the "turmoil" of teenagers toward adult environment. Internet gives easy access for young people to communicate with their peers (Putri Ekasari, 2012). It potentially raises many problems in teenagers, as one example of the use of the internet makes the teenagers individual and fragmentation in the interaction in real life, (Valkenburg, 2001). Teenagers give priority to do on the internet and override social norms that have face-to-face communication (Putri Ekasari, 2012). Internet usage can also increase aggressive behavior and attitudes towards women, especially for those with aggressive tendencies due to exposure to pornography on the Internet (Allen & D'Alessio, 1995).

Psychological and behavioral changes of the teenager are the conclusion of exposure to a variety of content that can be accessed from the Internet. Teenagers process various Interpretations that they get from the internet without the directly assistance from the adults, finally create various wrong decision in the person of teenager. One of the main impacts is moral change in teenagers. To overcome this problem, young people need assistance from those who he can trust, not parents or teachers, but their peers and social environment.

Social capital offers concept for dealing with issues that infects people. As functioning and strengthening society participation in modern life (Fukuyama, 1999, in Hasbullah. 2006). Weak social capital will decrease the spirit of mutual assistance, exacerbate poverty, increase of unemployment, crime, and hinder effort to improve welfare of population (Hasbullah, 2006: 3). Powerful society will certainly easier to deal with any social issues, including moral issues in the teenager generation.

This paper will present theoretically the strategic position of social capital in society. Then the extent of social capital is theoretically able to accommodate the needs of the society in pressing moral degradation processes that occur in teenagers. Basically teenager social problem is a common problem, and social capital can rekindle role of society to build activeness toward the environment.

LITERATURE REVIEW AND PROPOSITION

Moral degradation and Adolescence Phase

Adolescence is a stage in one's life, it is between child and adult stage (Geldard, 2011: 6). It can be classified into two parts, namely 13-18 years old as the early teenager, and 18-22 years as late teenager, (Ali, 2006: 9-10). In general, teenagers develop the ability to be able to think critically and logically, using capacity to think logically is to make judgments and decisions for themselves. In this case the teenagers can be trained to improve their ability in critical thinking (Geldard, 2011: 13). Besides teenagers are not comfortable to live with silence, the awareness of silence make them try to establish relationship with others or try to find association (Ali, 2006: 9-10).

Unlike the previous opinion that divides the stages of adolescence into two phases. Based on psychosocial development, adolescence category is divided into three periods, early adolescence, middle adolescence, and late adolescence (Krummel, et al 1996).

Early adolescence (age 10-14 years)

Characteristics of early adolescence are experiencing physical and sexual growth spurt. Often, they compare something with peers and place great importance on acceptance by peers. In this case, they tend to ignore the influence that comes from the home environment.

Middle adolescence (15-17 years old)

Middle adolescence has the characteristics item, namely the development of self-awareness, especially girls. They begin to notice the physical growth and have a body image growing tend to be wrong.

Late adolescence (18-21 years old)

Late adolescence marked by maturity or readiness towards maturity stage and focus more on the future, both in the field of education, employment, sexual, and individual. Characteristics of late adolescence generally feel comfortable with her values and the influence of peers has begun to diminish.

Adolescence sex differences also lead to differences in behavior. Adolescence girls tend to have a deep level of intimacy with the people around them than adolescence boys. This is caused men tend to show their independence and their distance from the vicinity (Hurlock 1980). Social psychology explains that there are factors that can affect person's behavior, they are the personal factors and environmental factors (Rachmat 2002). In the case of moral degradation processes in teenagers, moral change occurred because of internal factors such as exposure to a variety of content available on the internet.

Proposition 1. The pattern of mentoring oriented group of teenager should be conducted during the early teenager phase, it's because the nature of such typical teenager begin neglecting parents and more attention to their peers.

According Gunarsa and Gunarsa (1995), the characteristics that stand out from adolescence is: Having emotional state instability, the rise of challenging and opposing others, Have an attitude to explore or a desire to explore the surrounding natural environment, has a lot of fantasy, delusion, and crap, adolescence tend to form a group. With that psychological condition tends to bring teenagers into various moral issues. Adolescence is a special time for the determination of the value, this period is a time of idealism, a sense of exclusive, hedonists, and moral degradation tendencies (Kosasih Djahiri. 1996: 28).

This fact needs to get attention by providing preventive education measures on the various possibilities for moral damages against teenager. According to Lilie (Asri Budiningsih, 2008: 24-25) the word of moral itself comes from 'mores' that has meaning

life ordinances or customs. Moral discuss action and human behavior from the perspective of good and bad. Paloutzian (2005) adds that religion is a moral guidance, how people should act in the midst of society. Moral is practical thing that judge acts committed by a person (Muka Sa'id, 1986: 23- 24). Adolescence who are Likely to have anti-social nature, and always right often acting contrary by the established standards of society, making branded as violators of norms and behavior deemed immoral.

Meanwhile, According to Aristoteles moralized-person is one who figures himself showing things such as: courage, simplicity, generosity, beauty, civilized, honest and fair (Kosasih Djahiri. 1996: 27). When someone performs controlling moral, he will be affected by a number of factors, such as: the symbols that exist inside himself, considering good and bad things , cost-benefit and risk, and the role of the family, (Kosasih Djahiri. 1996 : 28). This provision is contrary with what is in teenagers. Teenagers are less to have many considerations toward risk, good and bad. They have more care advice from their peers rather than parents.

Proposition 2. Moral value is formed by society, people's desire toward behavior of its members, and demands of religious life. So people know most in the affairs to solve the problem of moral degradation in the group.

In relation to religion, then again that religion is the moral guidelines for the followers (Paloutzian. 2005). In the Islamic concept, moral or noble character is the result of the implementation of all the provisions of Islam (sharia) constituted with a solid faith foundation (aqidah), a pious Muslim is a person who conduct all of the religious teachings (Marzuki, 2016). So, a religious person can be said to be good if he/she behave in accordance with the religious guidance.

Every society has its virtues and moral rules that regulate the life of society and individuals, or according to the formula of Montesque that every nation has the spirit as a nation, which is a worldview that determines the moral life of a nation (Michael Dua, in Andre Ata Ujan. 2011: 10). Moral behavior is not constant or static all the time, but rather the ups and downs depending on the circumstances (Kosasih Djahiri. 1996: 28). Thus, the moral values can adjust the needs of its members. According to Aguste Comte, moral habit arises from the social habits and continues to change along with the deeds in the community. Every moral law is different according to each people. Every moral philosophy is only valid for the atmosphere of civilization in which moral philosophy had appeared (Poespoprodjo, 1999:100).

Hazlitt defines a minor moral in terms of manners, or the finishing touches of the moral (Hazlitt. 2003:100), that good manners containing consideration for others. Manners contain meaning in distinction to others. People tried to treat others with a perfect respect, people are trying continuously to pay attention on the feelings of others (Emerson, dalam Hazlitt. 2003:100). Furthermore, Emerson said that monopolizing the conversation, talking too much, and boasting are bad manners. While good manners for the strong man is he who

succumb to the weak, healthy people succumb to the illness, and young people succumb to the elderly.

Proposition 3. Moral action is only valid for a person if he is in the social environment because moral relates to the people assessment to the individual.

Proposition 4. Moral action in the perspective of religion is interpreted as a holistic measure. Moral action includes a relationship with God and the relationship with fellow human beings. So, the morality environment of an individual contains in two dimensions, namely spiritual dimension and social dimension.

Someone can be said to have good moral when their actions in accordance with the wishes or values that exist in society. This requires a person to be able to behave in accordance manners in front of other people. Thus it can be said that the moral action only need to be undertaken in the social environment, when people face each other and interact. Nonetheless, moral action can become a habit if an individual often performs social contact, or social interaction with the surrounding community and moral action is meant to be institutionalized within oneself. When morality becomes a habit then one should not deliberately behave well when he wants to be judged by other people, or behave badly when no one else sees it.

To view or judge someone on moral behavior requires knowledge of the stages of moral development, it is important to be conducted so that the handling of the moral issues is on target. The stage of moral development is a pattern of development of the human psyche in internalize, personalize and develop and to comply with, carry out or make a choice, address or assess, or make moral values (Kosasih Djahiri, 1996: 45). According to Kohlberg's theory (Haditono, 2000: 171) a person's moral development occurs through six stages, divided into three levels, namely:

1. Pre-conventional level; is the stage that is able to respond physical rules, this level consists of two stages. Stage one, with the criteria of obeying to avoid punishment. Stage two, the children is a conformist to get the prize, to be regarded as good children.
2. Conventional level; is the stage of compliance that is based merely on fostering expectations or expected values of a person, group, or nation. So, compliance is based only on interpersonal concordance or interest to avoid censure and to favor others, as well as law and order orientation that is attitude conformity to avoid the punishment given for certain behaviors in life together.
3. Post conventional level; at this stage, an individual already has a clear basic obedience, has a certain moral principles or values as the foundation. At this stage, it also consists of two stages, namely; the first stage that conformity is carried out because people want to live together and to be arranged. The second stage, performing conformity not because of the orders of norms from the outside, instead of their own conviction to do it.

Proposition 5. The moral state of an individual can be affected when the individual in the early teens, i.e. at the age of 10 years. Due to the phase of early adolescence, teens often compare something with peers and place great importance on acceptance by peers, and tend to ignore the influence that comes from the home environment.

The early phases of moral development of an individual are the stage of mimic and responding to the physical actions perceived by the individual. At this stage were children younger than 10 years old, while at the stage of the subsequent development, the children receive social response, and consider all the things based on their existence to others. Therefore, the emerging trend of deviant moral or moral degradation in teenagers was possible only when the individual in the last phase of moral development or in the age group of 10 years old and older. A person's decision to act morally according to Peter is performed on two fundamental actions (Kosasih Djahiri. 1996: 47), namely;

- 1 Cognitive motivation aspects include the calculation of anticipatory risks arising from a decision, either for themselves or others.
- 2 Affective motivational aspects, is the calculation of emotional things that would be caused by that decision for themselves or others

While responding to the foundation stated by Peter, in his book, Kosasih explains that it is not always true and can be enforced. Kosasih proposes some other considerations on a person's decision to take moral action, including: 1) the condition includes the time, place and circumstances of self and individual environment who take the action; 2) The quality of the group and rank position of self when we are in a group; 3) Interest and qualities the related individual, such as psychological mental development that can be measured by parameters of age.

THE STRATEGIC ROLE OF SOCIAL CAPITAL

According to Fukuyama in Suryono (2012: 68), social capital is a set of informal values or norms that spreads among the group members that allow cooperation among them. The cooperation can occur when the group members meet the expectations of each other. The mutual trust that others will behave reliably and have the honesty, then they will trust each other. Social capital is simply defined as a set of values or informal norms spontaneously divided among the members of a group that allows the establishment of cooperation among them (Fukuyama, 2010: 37-43). Fukuyama argues that they should lead to cooperation in groups and related to traditional virtues, such as: honesty; commitment; responsible for the work and norms, mutual reciprocity. Fukuyama also explains that social capital is impossible to be owned by individual moving above his/her own interests. Furthermore, Fukuyama explains that under certain condition, social capital can facilitate community the high degree of community innovation and adaptability of the community, (Fukuyama, 2010: 37-43) depending on the typology of social capital used by a community group.

Related to typology of social capital, Hasbullah explains that social capital is bound or bonding social capital has special characteristics in maintaining specific values which for generations has been a part of the code of conduct and moral conduct (code of ethics) of the group (Hasbullah, 2006: 27). Bonding social capital emphasizes more on group cohesiveness as the main force of social capital, they are maintaining the values of the group, and are subject to the existing rules and morals. This model puts each individual clearly in their respective positions, whenever there is a discrepancy of members in this group then the individual is considered deviant.

The second typology is bridging social capital. Society is placed in the same position, the same rights and the same obligations; each group decision is taken on the agreement of each member of the group (Hasbullah, 2006: 30). In this typology, human values, respect for human rights as well as its members and other persons are the basic principle in the management of the group. With an open attitude of the group makes the group more easily achieve progress, because the traffic of growing exchange of ideas may affect the development of groups and individuals in the group. The Internet is one of the main triggers of the emergence of new ideas for the group, which enabled it to achieve progress. The use of the Internet provides great opportunities in various ways, such as to gain new relationships, get a better education, foster self-confidence, for hobby and innovate as well as a chance to get a job (Cohendet, 2003). If the group can accept the existence of an internet well, then the potential advancement of the internet can be obtained.

Proposition 6. Typology of bridging social capital can minimize the potential of moral degradation in teenagers, it is because people tend to see the changes as a new idea, not merely as an aberration, such as social changes due to the use of the Internet that can be easily accepted if the public sees it as a progress.

Thatcher conducted a research on the effects of social support and personal influence on the anxiety in using the Internet, with the result that the support of communities and leaders can dampen anxiety on the use of the internet (Thatcher D, B. et al.2007). This research indicates that the role of society affect on how the use of Internet by the community itself. According Hasbullah, community togetherness is the capital to achieve the purpose of improving the quality of life and constantly making changes and adjustments continuously (Hasbullah, 2006: 8). The existence of social capital can indirectly form a community of intelligent, capable of processing any developments wisely, and escort each member of the group well.

Social capital is a part of the community capital, which can be owned by everyone, but some people are unaware of the social capital in their surrounding environment. People who are unaware of the existence of social capital they have will not be able to develop it, in order to be useful to them. While if they are aware of a potential social capital in their environment, a social capital can be developed in order to have great benefits for the owners of capital.

People who are able to create social capital with large scale can open up the possibility for people to be able to more easily resolve the complexity of the problems. Social capital can increase mutual awareness about the possible opportunities that could be exploited by the group, and also the awareness that shared destiny is determined by actions taken together (Hasbullah, 2006: 39). According to Robert D Putnam, the existence of strong social capital in the community can provide a positive impact on the development of the child, such as the physical development of children, safety, learning achievements, and their mental situation is better than those who live in communities with lower quality of social capital (Putnam in Hasbullah, 2006).

Scheme of the strategic role of social capital

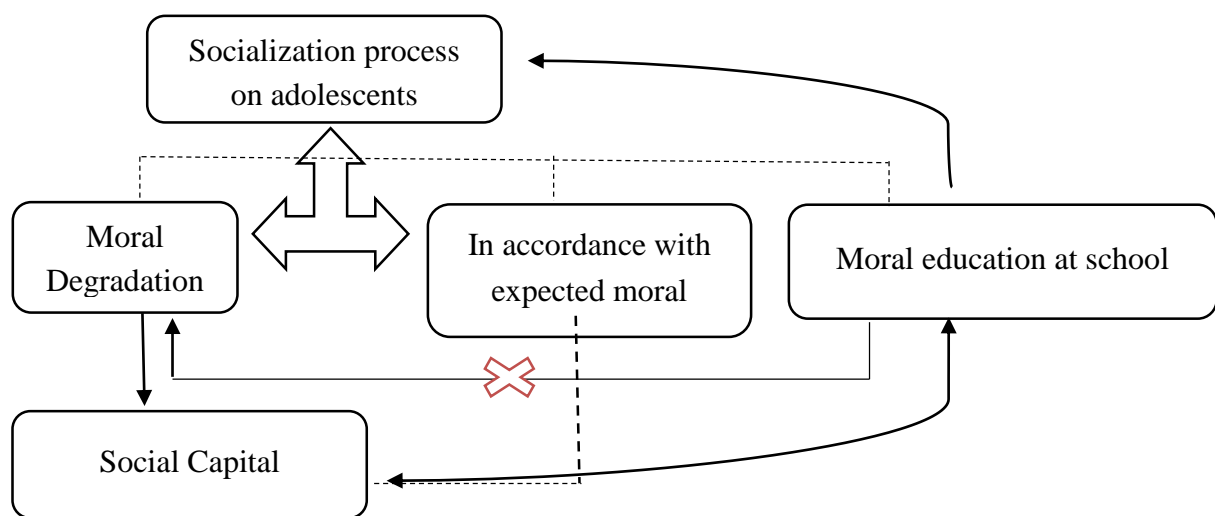


Chart 1. The role of social capital in the flow of moral degradation in teenagers

The cause of moral degradation in teenagers is the impact of the socialization process carried out by teenager. In the process, socialization can also make teens to have morals expected by society or even moral degradation. There are many factors to make successful teenager socialization process, but there are also many factors that make it fail. One of the main factors driving the formation of good moral and the indication of moral success is a moral education provided by the school. Schools are one of the main institutions that are required to provide assistance to young people in shaping morale. In conducting moral education, the school should also pay attention on the role and the community, and the school must represent the needs of the community.

Social capital is able to develop the ability of communities to cope with various problems, such as ability to cope with social unrest or social problems (Hasbullah, 2006: 19). This capability can be knowledge and ideas or open attitude of society. For example, society in cooperation with the school, this is a strategic step that can be taken to provide moral education in teenagers. The new issues may arise when the schools and communities do not cooperate. Schools must obtain permission from the community to carry out its duties

provide moral education, and the community should show concern in responding to problems of moral problems in teenager.

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THE INFLUENCE OF PEDAGOGIC COMPETENCE AND PROFESSIONAL COMPETENCE TO PERFORMANCE OF TEACHERS SOCIAL STUDIES IN TROWULAN DISTRICT.

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Abstract

This paper is aimed to explore both conceptually and empirically on the effect of "The Influence of the Pedagogic Competence and the Professional Competence to Teacher's Performance Social Studies in Trowulan District. It is found that teachers' performance in Trowulan is likely "below the average". The seems to have limited Pedagogic and Professional Competence at work. Hence it is proposed that 1). Teacher's performance is the realization of teacher competence in teaching and learning in the classroom. 2). Teachers who have pedagogical competence will be able to implement teacher's assignment well. 3). Professional teachers are able to master the various strategies or techniques in teaching and learning activities and master the foundations of education as contained within the competence of teachers. Contributions that expected from this research are developing teacher competence especially pedagogic and professional competence to teacher's performance in Trowulan Distric are able to increase teaching and learning process and also help teachers developing their carrier.

Keyword: Pedagogic Competence, Professional Competence and Teacher's Performance.

INTRODUCTION

Performance and competence of teachers assume responsibility major in transformation orientation students from ignorance know, dependence be independent, from unskilled find skilled, with learning methods is no longer prepare students passive, but students knowledgeable are always to absorb and adjust to new information by thinking, said, digging, create and develop manners certain in solving problems with their life (Ilyas Ismail , 2010: 12).

One reason for the low quality of education in Indonesia is the teacher's performance. The low performance of teachers in Indonesia can be seen from the feasibility teachers teaching (Dwi Puji and Budi Sutrisno, 2015: 8). Teachers who have good performance will be able to cultivate the spirit and motivation of students to learn better, which in turn will improve the quality of learning (Eko Putro W 2008: 3). The performance of teachers in schools have an important role in achieving the goals of the school. Performance is a form of behavior of a person or organization with achievement orientation. The form of the behavior in question is the activities of teachers in the learning process , that is how a teacher lesson plan, implement learning activities and assess learning outcomes (Rusman , 2011: 19).

Performance of teachers can be seen and measured based on the criteria competence that should be owned by teachers. Pertaining to performance of teachers, a form that behavior referred to is the teachers in learning which are how a teacher plan learning, implementing activities learning, and judge study results (Depdiknas, 2008). In the life of an organization there are several assumptions about human behavior as human resources underlying the importance of performance evaluation of teachers.

The assessment of the performance of teachers in substance is is a process of activities evaluation or testing systematically which contains about methods and audit procedure on the report in the performance of teachers run errands any profession as educators and to get the information objectively in all matters relating to asersi activities about events of competence educator (teachers) and determine the level of competence between asersi with the criteria that have been set and communicate the results to parties interested parties (Ngadirin Setiawan, 2007: 34). Parties concerned among other things these are the internal a teacher , parties the institution of a school where teachers on duty , the user or society , and the the ministry of national education as well as the local. Reports the assessment results of the performance of teachers or petrokimia subjects social class in Trowulan District as follows:

Table 1.1. The Assessment Results of The Performance Subject Teachers Social Class 2015 Trowulan District

No	Place of Assesment	The number of result performance assessment (90)	Predicate
1.	SMP N 1 Trowulan	64	Medium
2.	SMP N 2 Trowulan	60	Quite
3.	SMP Islam Al-Ishlah	60	Quite
4.	SMP Islam Brawijaya	60	Quite
5.	SMP PGRI Trowulan	52	Quite
6.	SMP Miftakhul Khoirot	52	Quite

Resources: Observation in UPT Subdistrict Trowulan

Tabel 1.2. The Predicate Performance Evaluation Of Teachers

Numeral	Predicate
81-90	Very Good
71-80	Good
61-70	Medium
51-60	Quite
<50	Not Quite

Resources: Observation in a Unit of The Technical (UPT) Subdistrict Trowulan

Based on observations at Unit of The Technical (UPT) in Trowulan District, the assessment performance of teachers in district trowulan shows that performance of teachers were low shown in predicate of several schools that still enough. This is because there are a number of problems affecting, among other: (1) Did not understand the procedure of making lesson plans and curriculum syllabus 2013, (2) Low commitment in the teacher educate and teaching, (3) Low commitment teachers in running in professional profession , (4) Shelter teachers so far as to the institution of a school work, and (5) Evaluation systems used assessors were only rested on evidence written document, without test compliance and practices healthy pitch where the line of duty their teachers.

The act of number 14/2005 on teachers and lecturers article 1 points 1 stated that: "Teachers are professional educators with the main task educate, teaching, guide, directing, train, judge, and evaluate school tuition in early childhood education, basic education, and secondary education". Then article 8 stated that: "Professional teachers must have academic qualifications minimum scholars or a diploma four, the competence of teachers (pedagogical, professional, social and personality), having a certificate, physical and spiritual health, as well as the ability to realize national education targets ".

Competence of teachers covering competence pedagogical, competence personality, social competence, professional competency. The fourth competence integrated in the performance of teachers. Of the four the competence that influences the performance teachers in class directly is competence pedagogical and competence professional. While, personal and social skills in Indonesia almost is growing autodidact in religious values. In this research focus on competence pedagogical and personality the result of these two competence the more influential in the classroom directly (Suyanto, 2014:17).

In fact shows that most of the problems existing in the pedagogical competence and professional competence. Pedagogical competence is competencies required of teachers with respect to student characteristics viewed from various aspects such as moral, emotional, and intellectual. It implies that a teacher should be able to master the learning theory and principles of learning, because students have the character, nature, and different interest. Most Trowulan social studies teacher in the district have not been able to optimize the potential of learners to actualize his ability in the classroom, and also has not been able to conduct an assessment of the learning activities that have been performed due to factors clueless or stuttering technology.

Meanwhile, professional competence is the ability to be held by teachers in the planning and implementation of the learning process. Teachers have a duty to direct the learning activities of students to achieve the learning objectives, the teachers are required to be able to convey the lesson material. However, the reality of teachers in the district Trowulan, largely implementing professional teaching profession merely personal interest only.

Based on the description above, this research is intended to develop the competence of teachers, especially pedagogical and professional competence of the performance of

teachers in the district Trowulan order to improve the quality of education of students and helping teachers in developing an optimal career.

LITERATURE STUDY AND PROPOTITION

Performance of Teachers

One that affects the quality of teaching is the teacher. Teachers have a dominant influence on the quality of learning because the teacher responsible for the learning process in the classroom, even as the organizer of education in schools. According to Dedi Supriadi (1999: 178) among the various inputs that determines the quality of education is determined by the teacher third. The most dominant factor influencing teacher quality of teaching is the teacher's performance. According to Cruickshank (1990 : 5) performance of teachers who have a direct influence on the process of learning is the teacher performance in the classroom or teacher classroom performance.

The term performance intended as a translation of the term "performance". In Big Indonesian Dictionary (1990) performance is defined as: (a) is achieve, (b) achievement shown, and (c) the ability to work. Suryadi Prawirosentono (1992: 2) defines performance as the result of work that can be achieved by a person or group of people within an organization in an effort to achieve the goal legally. According to Muhammad Arifin (2004: 9) the performance seen as the result of between the ability and motivation. The ability can pointed at skill someone to work on certain duties, while motivation pointed to the desires of individual to indicate which behaviors and willingness trying to. People will do the work best if it has the will and the desire to carry out his duties well.

According to the statement is above mean performance of teachers concerned with competence teachers means to have a good performance teachers it should be supported by a good competence. Without having a good competence a teacher may not have a good performance. On the contrary, a teacher who have good competence not necessarily have a good performance. A teacher same with competence and motivation to pay the tasks and motivation to thrive. Hence, a teacher was the embodiment of competency teachers includes the ability and motivation to complete a task and motivation to thrive. Meanwhile there is another argument which says that the performance of teachers is the capability of teachers to demonstrate a variety of skill and competence that she had (Depdiknas: 2004: 11). The essence of the performance of teachers do not caused the the capability of teachers in showing skill or competence that she had in the world the world of real work. The world of work teachers who is actually membelajarkan of students in learning activities in the class.

Performance of teachers would be good if a teacher can design learning, comprehends the theory and evaluate study results students. Performance teachers also will be enhanced if a teacher having personality steady and being a good role model school tuition in daily life. During the process improve the quality of a job, so work it must be measured. Order to know the level ketercapaian it should be observed through performance indicators.

According to Musarofah (2008) some indicator can be seen role of teacher in upgrading in the process of learn. Performance indicators the plan was teaching and learning

, the ability to conduct teaching and learning activities and the ability to evaluate the teaching and learning. Therefore it can be assumed that teachers have pedagogik competence and kompetensi personality will to work teaching and will affect on the performance.

Competence of Teachers

According to article 28 paragraph 3 government regulation number 19 year 2005 on national education standards and article 10 (1 act no 14 years 2005 on teachers and lecturers, competence of teachers consist of: a). Competence pedagogical, b). Competence personality, c). Competence professional, and d). Social competence. Competence pedagogical is the ability manage learning students covering the understanding of participants students, design and presentation weighting, evaluation study results, and development school tuition to actualize various potentials she had. Competence personality is the ability of personality steady, stable, adult, arif and authoritative, be an example for learners and lofty. Professional competence is the ability educator mastery matter in learning widely and depth allows guiding students competence that have set in national education standards. Ability is the ability of social educator as part of the community to communicate and walks effectively with students, fellow educator, staff, parents/the students and the surrounding society. Of the four the competence influences the performance teachers in class directly is pedagogic competence and professional competence.

Based on a number of opinion in over may be prepared formulation competence junior high school teachers that influences the performance teachers in class. The formulation focused on pedagogik competence and professional competency .But formulation junior high school teachers competence that influences the performance teachers in class is:

1. The field of study or material
2. Figure out the characteristics of students.
3. Control management learning
4. To take control of the methods and strategies of learning.
5. Mastering the assessment of student learning outcomes.

According to gordon as saying by e .Mulyasa (2007: 38) , that there are six aspect or the contained in the concept of competence , that is as follows:

1. Knowledge is conscientiousness in the field of cognitive, for example a teacher know how to undertook the identification of learning needs, and learning how to do with students suit its needs.
2. Understanding is the depth of cognitive and and affective owned by individuals, for example a teacher who will implement learning must have good understanding concerning characteristics and conditions students.
3. Skill is something owned by individuals to perform the or work is charged with, for example the capability of teachers in choosing and make props simple to made it easier to learn to students.

4. Value is a standards of behavior is believed and psychologically have fused within one person, for example standards of behavior teachers in weighting (honesty, openness , democratic , and other).
5. Attitude is feelings (happy or not happy and like or dislike) or a reaction to a stimulation coming from outside, reaction to economic crisis, feelings for a raise, and others.
6. Interest is a tendency someone to perform an action , for example interest to do something or to study something.

Proposition I: A teacher was the embodiment of the competence in shows skills or competence he did in membelajarkan students in learning activities in class.

Pedagogic Competence

In etymological, said pedagogy comes from the greek, paedos and agogos (paedos = children and agogo = delivering or guiding). Then pedagogy means teaching the child. The guiding this inherent in duty an educator, the teachers and parents. Hence pedagogik means all the work done by educator to guide an adult human children to mature (Payong, 2011: 28-29).

Competence pedagogik is the ability manage learning students covering of understanding of students, design, and implementation of learnin, evaluation study results, and development students to mengaktualisasikan various its potential (national education standards, explanation to sec 28 paragraph 3 grains a).

Based on standards educator in government regulation number 19 year 2005 competence pedagogical,: “the ability manage learning students covering of understanding of school tuition, design and presentation weighting, evaluation study results, and development school tuition to actualize various its potential.” explained by winarno (2012), competence pedagogical is basically the capability of teachers in managing learning school tuition. Competence pedagogical become one of the competence to be controlled teachers. Competence pedagogical is typical competence, that will distinguish teachers to a profession other.

Mastery of competence pedagogik accompanied by professional will determine the level of success processes and lessons students. Competence pedagogik obtained through the effort to learn is constantly and systematic, either on pre office (education teacher cadet) and while in office, supported by talent, interest and potential teaching other individual concerned.

Mulyasa (2011: 79) said competence pedagogical very important because be determinants for the success of the process of learning which directly touch the ability of learning management covering learners, planning, perancangan implementation, learning outcomes evaluation and development of learners against its potential namely: a). Mastering characteristic learners, b). Mastering the theory of learning, c). Develop the curriculum, d) . Runs classes, e). Use information technology, f). Develop the potential learners, g). Communicate effectively, h) carrying out the judgments, i). Utilize the results of assessment for the benefit of learning, and j). Do reflective.

A learning process will really fun if capable of mengemasnya teachers with technology of learning. Teachers in this century dealing with reality, that the students present at the school have had wealth of information they received outside of school such as television and internet. According to Mulyasa (2011: 106) requiring teachers to have competence in pemanfaatan technology especially e-learning. Because the use of technology in education intended to facilitate the activities of learning and can be accessed easily by learners so that the purpose of learning can be achieved.

To reach the purpose of learning teachers must be able to create the conditions in such a way that of the diverse and the ability to be developed optimally. One of the spacecraft to develop the ability, potential, their interests and talents students through extracurricular activities. Through extracurricular activities interest, talent and ability students would be valued and has the capability to develop their ability to optimally without amounts of academic by various learning activity alone. The capability of teachers in communications effectively also find the best of success of learning.

Talk about a teacher, a teacher or work performance is a working results achieved in implementing assignments someone who is charged with based on skills, experience, do and time. A teacher would be good if a teacher can design learning, comprehends the theory and evaluate the student learning. A teacher will be more increasing if teachers have personality steadily and into groups students in the life daily. Therefore it can be assumed that teachers competence pedagogik will have to work teaching and will affect on the performance.

Until now a teacher competency test measured by especially for teachers who had filled requirements and had the opportunity to undertake certification. In accordance with the minister number 18 years 2007 about the teacher certification necessary to issued certificates for teachers through competency test to bolster their performance. So it is with ips education teachers as educators also have to be professional teachers. If teachers with regarded as professional worker so that teacher are entitled to return in accordance with this profesionalisme.

Propotion II: Teachers competence pedagogik will have to work teaching and influence on the performance.

Professional Competence

Government regulation no 19 years 2005 on national education standards, there are four competence that should be owned by a teacher. One is professional competence. Professional competency mastery matter is the ability of learning widely and deep including the capacity academic as a supporter of professionalism other teachers be able to guide students competency standards set in national education standards (explanation article 28 paragraph 3 points c).

Professional competence is the ability educator mastery matter in learning widely and depth memungkinnya guiding pesrta competence students have set (act teachers and lecturers).

According to Suyanto and Djihad H (Akhmad Sudrajat: 2007), suggested that competence professional is capability mastery matter learning widely and deep which includes:

1. The concept , struktur , and methods of science / technology / art over / coherent with matter of teaching
2. The teaching material that exists in school curriculum.
3. The relationship between the relevant subject.
4. The application of scientific concepts in daily life, and
5. Competence in professional in the context of global and with still preserve values and national culture.

A professional teachers are people who have the ability and skill in the field of keguruan or in other words he has educated and trained well .Understanding educated and trained is mastering various strategies or technique in learning activities and mastering landasan-landasan teaching staff as stipulated in the teacher competencies .In a situation now duties and responsibilities of teachers in the development of the profession seem to have not much done.

Duties and responsibilities of teaching and administrators class is most prominent she (daughter, dkk: 2014) .In this relationship sudjana (2011: 19-20) said that essentially competence in charge of teaching teachers , mentor , and as administrator class .For purposes of the teachers analysis of teaching , so the capability of teachers or competence a lot of teachers to do with an effort to increase the process and study results can diguguskan into four namely: ability

1. Planned teaching program
2. Implementing and lead or manage learning process.
3. Judge progress learning process.
4. The lessons learned that in the sense of the study.

The education minister (kepmendiknas) number .45 years 2002 mention “competence as a set of the act of discerning and full responsibility in implementing assignment according to a particular job”. According to Act Republic of Indonesia number 14 years 2005 on teachers and lecturers article 1 paragraph 10 reveal that competence is a set of knowledge, skill and behavior that should be owned, controlled by teacher or lecturer in implementing professional. Then understanding professional poured in article 1 paragraph 4 act was saying professional is work or activities by someone and be a source of income life requires expertis, proficiency or proficiency substandard quality or norm certain need professional and education. Standard offered teachers tenure poured in ten around the basics of teachers tenure broken down mone in Ahmad Sanusi (1991: 37) as follows: (1) requiring teachers to mengusasi materials; (2) teachers able to manage the learning and teaching; (3) teachers able to manage class; (4) teachers are able media and source of teaching; (5) teachers to be able to education landasan-landasan; (6) teachers able to manage the teaching and learning process; (7) teachers able to carry out an evaluation; (8) teachers able to carry out service assistance and extension programs; (9) teachers able to make school administrators;

(10) teachers able to carry out the act of classroom research. To observe offered teachers tenure soedijarto in Ahmad Sanusi (1991: 42) detailing the tenth around the basics of the knowledge and possession of professional techniques and divided into several the ability professional and various types of activities professional.

Competence professional teachers are a number of competence relating to the demands of expertise in education or teaching be will be around the basics of teachers as standard set director general of Improving The Quality of Education and Education Staff and National Education Standards.

Proposition III: Professional teachers they can control a variety of strategy or of engineering in learning activities and mastering based teaching staff as stipulated in the teacher competencies.

CONCLUSION

Competence pedagogik is capability in the management of students to include pemahakan characteristics, the theoretical learning, develop curriculum, runs classes, use technology learning, expand their students, can communicate effectively, carrying out the judgments, utilizing the assessment and reflective. While professional competency is the ability educator mastery matter in learning widely and depth memungkinnya guiding peserta students have established competence.

Pedagogic competence required that teachers able to manage learning well with understand various characteristic students in learning. While competence of professional that can be as a teacher as standard set director general of Improving The Quality Of Education And Education Staff and National Education Standards for students.

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THE ROLE OF PEER ENVIRONMENT AND PARENTS' ATTENTION IN DEVELOPING DISCIPLINARY CHARACTER OF STUDENTS AT MTS YAPI PAKEM

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Abstract

This article proposes several theories related to environmental theory and parents' attention, in relation with the development of disciplinary character of students. Character is the foundation of a person's thinking and behavior. Character development of a child is highly influenced by environment, especially family environment and peer environment. Family environment is closely related to attention and affection of parents, while peer environment is related to the formation of identity and social behavior of children. This article aimed to find out how the role of peer environment and attention of parents in shaping the disciplinary character of students.

Keywords: disciplinary character, family environment, peer environment.

BACKGROUND

Adolescence is the right time for the development of children character. At this time, children begin to recognize the association with the outside world that affects the development of their character. Character is someone's trait, nature, behavior or personality. According to Zuchdi (2012: 16-17), character can be used as a way of thinking and behaving, it becomes the distinctive feature of each individual to live and work together in various environments. One of the characters is disciplinary character. Discipline means an action demonstrating orderly behavior and complies with various laws and regulations (Syamsul Kurniawan, 2013: 41). Discipline allows the child to do things accepted in the environment, so that children may get praise and recognition.

Character development is a shared task among parents, school and community (Amri, 2011: 26). This means that the character development of a child is influenced by the environment. Environment is everything that exists in the natural surroundings that have particular meaning or effect for the individual. It is not only family environment, but also the school and society had a big hand for the development of good character. However, the development of good character cannot be separated from certain problems. The role of family, especially parents, is very important to direct the child in association with the community environment. Ideally, parents are obliged to give attention to their child. Yet, there are many parents who have been less attention to their children. Parental supervision is inadequate on children and the ineffective implementation of discipline may bring up a child's desire to seek attention in other environments.

The development of attitude, behavior and social behavior of adolescents are determined by the influence of environments or peers. A positive social environment

provides opportunities for children to achieve social development perfectly. On the contrary, a negative social environment hinders the social development of children. The peer group is the initial interaction for children and adolescents in the social environment. Children begin to learn to get along and interact with others with the purpose to gain recognition and acceptance of the group. The positive influences of peer relationship are forming a study group and abide by the norms in society and demanding common values, kinship, humanity and brotherhood. The negative influences are the violation of social norms or the school rules.

Based on data from observations and interviews at MTs YAPi Pakem, disciplinary character of students is a very fundamental problem. Most students still have problems with disciplinary character. The problems include late to school, not doing home work, absent from school without permission, falsifying permission, skipping during school hours, truancy in extra-curricular activities, truancy when *Zuhr (Dhuhur)* prayer in congregation, fighting, sleeping during lessons and smoking in the school environment. According to *BK* (Counseling) teacher of MTs YAPi Pakem, peer environment has an enormous influence for the development of disciplinary character of students at MTs YAPi Pakem. Peer environment can foster a positive climate for the activities in the school, but there is also a negative one. Unconducive environmental characteristics, such as many children out of school, the number of non-formal groups outside the school may cause the child that does not focus on learning, prioritizes the group interest and indifferent to the school rules. In addition, the lack of parents' supervision outside the school may cause the children to have a tendency to associate with an environment that is not necessarily good for children's development. Based on student data, most students grew up in a broken family. Both parents were separated due to divorce, left to work in other city or abandoned without reason, so that many students lived with their extended family, such as uncle, grandparent, even staying at Islamic boarding school that certainly far from parental supervision and lack of parent's attention. This is assumed to be the main cause of the lack of student disciplinary character at MTs Yapi Pakem.

Therefore, it is important to know how big the role of peer environment and the role of parents in shaping the student disciplinary character. It can serve as guidelines for developing the student disciplinary character. By knowing how big a role of environment on the development of students' character, the school and parents can provide limitation and directs the students to associate with the right environment. Then, by knowing how big the role of parents in the development of student character, this can be a reference for parents to pay more attention to the child, so the child feels comfortable and does not seek attention in the outside environment. It would be easier for parents to instill disciplinary character in their children.

THEORETICAL STUDY

Discipline character

Character is someone's trait, nature, behavior or personality believed and served as the basis to think, behave and act. Character can also be interpreted as a behavior based on values that are based on religious norms, culture, laws, customs and aesthetics (Widihastuti, 2013: 39-40). Character is universal values including all human activities, either in relation with God, himself, each other or environment embodied in thoughts, feelings and behaviors based on religious norms, laws, manners, cultures, and customs (Zuhdi, 2012: 16-17).

According to Lickona (1991: 82), character has three interrelated parts, namely moral knowing, moral feeling and moral behavior. The three parts are interconnected; each has some distinctive elements (Sudrajat, 2011: 50-53). Moral knowing has several elements, they are:

1. *Moral awareness*, moral awareness is a weakness that hit people of all kinds of ages. Often the action taken did not pay attention to human moral values; they do something without questioning the validity of an act beforehand.
2. *Knowing moral values*, moral values such as respect for life and freedom, responsibility towards others, honesty, fairness, tolerance, courtesy, self-discipline, integrity, kindness, compassion-sympathy, and perseverance or courage, as a whole shows the properties of a good person. Knowing the values of the above means understanding how to apply those values in a variety of situations.
3. *Perspective-taking*, is the ability to take lessons from the events that befall or happen to other people and see a situation as they see it. One cannot respect others and do justice or deserves to their needs if a person cannot understand others. The main goal of moral education is to help students so that they can understand the world from the viewpoint of others, especially the different one from their experience.
4. *Moral reasoning* includes an understanding of the meaning of moral conduct and why people should conduct moral act.
5. *Decision-making* is a person's ability to take a stand when dealing with moral issues, it is a reflective skill. A person selects something and bears the consequences or risks of the moral decision-making, this ability should be taught from an early age.
6. *Self-knowledge* is knowing/measuring yourself that is very important for moral development. Being a moral person requires the ability to see one's own behavior and evaluating it critically.

Moral feeling is strengthening the emotional aspect to be a man of character. This aspect associated with the form of identity awareness, includes several things:

1. *Conscience*, it is associated with cognitive side (the right knowledge) and emotional side (obligation to do what is right). Mature awareness, in addition to the feeling of moral obligation, is the ability to construct a mistake. For most people, consciousness is a matter of morality. They have a commitment to moral values in their life because the values are upheld in themselves.

2. *Self-esteem*, when a person is able to self-assess, then he/she may be able to respect themselves. When a person has a positive appreciation for themselves, he/she will be used to treat other people in a positive way as well.
3. *Empathy* is as if experiencing the state of others. Empathy is the emotional side of perspective taking.
4. *Loving the good*, the highest form of character is shown in good behavior. When someone loves something, then he/she does good things.
5. *Self-control*, self-control is necessary for moral goodness. Self-control is also used to limit self, especially for the young people.
6. *Humility*, humility is an essential part of good character. Humility is the effective side of self-knowledge.

Q`Moral action is the result or outcome of moral knowing and moral feeling. Moral behavior is the last aspect that may appear when both aspects previously are realized. When people have the intellectual and emotional quality, then they may do something based on what they know and feel. There are three aspects of moral action, namely:

1. Competence is the ability to change the assessment and moral feelings into effective moral actions.
2. Will is the core of a morale boost. To be and doing something good usually requires a strong desire to act, an attempt to mobilize the moral energy.
3. Habit, a moral behavior occurs because of the habit. Someone does a good deed because it is based on the force of habit.

Characters can be used as a way of thinking and behaving of each individual, which is characteristic of each individual to live and work together in the sphere of family, community, nation and state. Characters are formed through a person's way of thinking that would lead one to take the attitude (form an attitude), and this attitude will motivate and encourage to an act or behavior that is performed consistently and continuously so that it becomes a habit. A person's character can be divided into two, namely good character (positive character) and the bad character (negative character), which attached to a person depends on the environment that influences it.

Discipline is the way of adults (parents, teachers or community) to teach moral behavior to children that can be accepted by the group. Discipline deals with correcting, repairing and teaching good behavior in a child. A good direction may help the children to control themselves, have a responsibility, and help children in making wise choices (Sunarti, 2004: 116-117).

Discipline plays a major role in the development of children, as it can meet the need for security and certainty of behavior. Children may feel secure after knowing the action that can or cannot be taken. Certainty behavior will help children not to feel guilty / ashamed of doing the wrong thing that previously they did not know it as a mistake. Discipline allows the child to do things accepted in the environment, so that children can get praise and recognition. The awards may provide motivation for children to meet the expectations of others to them, so that it will create satisfaction and happiness. Discipline also helps children

in decision-making in terms of controlling their behavior, helps the children to develop a conscience so that they are sensitive to the value of truth.

In the context of learning, according to Mohamad Mustari (2014: 35-36), discipline is the act that refers to systematic instruction given to students. Disciplining means instructing people to follow a certain order with certain rules. Self-discipline refers to the exercise to make people volunteered themselves in performing certain tasks or running a certain pattern of behavior. According to Syamsul Kurniawan (2013: 41), discipline means actions that show orderly behavior and comply with various rules and regulations.

Discipline can be instilled from an early age, since children begin nurtured in the family. Baumrind (Sunarti, 2004: 118-121) divides the parenting style of discipline dimensions into three groups, namely the authoritative parenting style (democratic), authoritarian, and permissive.

1. The democratic parenting style

Characteristic of this parenting style is parents always control the child's behavior, but it is flexible and not rigid. Parents treat children with a warm, build confidence and the child is treated uniquely. Parents communicate a lot with children. Parents are able to determine the needs of children and listen to the aspirations of children. Children who are raised with this style will develop confidence, good self- emotions control, always curious, dig for things to broaden their horizons and personal maturity. Children develop an attitude of responsibility and confidence in the own abilities.

2. The authoritarian parenting style

This parenting style puts parents at the center and in control. Parents do tight control on children that is based on values that are considered the absolute truth. Attitudes and behavior are also controlled and evaluated using the absolute values. Compliance value becomes dominant and very important for parents and serves as indicators of the success of parents in raising children. Parents are very sensitive if the child is considered to ignore / no longer respect their parents.

Children who are raised with this style develop an attitude as imitators, depend on others in making decisions and have no stance. Children are less focused on the activities undertaken; often lose their way (aimless), they do not have high confidence, filled with fear of making mistake, difficult to trust people around them. The accumulation of these negative characteristics causes the children to have a tendency to aggressive and deviant behavior.

3. The permissive parenting style

Parents always agree to their child's wishes. Permissive parents sometimes referred to as indulgent parents and rarely demand their children to be like parent's expectation. Generally, parents have responsive and warm attitude and behavior (positive things) but reluctant to enforce the rules or firm to their child (in negative things). The children of permissive families are more confident and not easily depressed or anxious. However, they are vulnerable to have behavioral problems, such as drugs. The child usually becomes less excellent in school.

From several definitions above, discipline can be summed up as actions that indicate orderly behavior and comply with various rules and regulations. Discipline is the key to success. However, the discipline character is not easy to implement. In fact, the discipline character remains a problem for students at various schools. One of the schools that have problems with the discipline character is MTs YAPI Pakem. There are many violations, especially the violation of discipline in the learning process and the implementation of school activities. Some forms of discipline violation that often occurs at MTs YAPI Pakem are late to school, the uniform is not neat, not doing homework, absent without permission, falsifying permission, skipping during school hours, truancy when praying *Dhuhur* (Zuhr) in congregation, fighting and smoking in the school environment. Based on data of violations at MTs YAPI PAKem in odd semester in 2015, the percentage of each violation varies. The average late to school is about 8-10 children everyday. The average violation in terms of absent from extracurricular activity is 2-3 children for every extracurricular activity. The percentage of violation in terms of uniform neatness is about 60% every day, such as untidy uniform and incomplete school attributes. The violation in terms of smoking and fighting do not always happen everyday, but it is undertaken by 3-5 children in each violation. These violations are generally caused by the lack of parental supervision outside of school so that children have a tendency to associate with an environment that is not necessarily good for children's development.

Based on these data, it can be concluded that the discipline character is certainly influenced by various things. The development of discipline character is not easy to be implemented because there are various factors influencing it. Children's discipline character at MTs YAPI Pakem in general cannot be said to be good, given that there are many violations related to disciplinary, and the violations occur continuously and repeatedly.

Proposition 1

The development of discipline character cannot be said optimal if there are many violations of discipline undertaken continuously and repeatedly.

PEER ENVIRONMENT

Peer environment is a very influential environment on the development of child character. A child receives social support from peers group. Therefore, the children try to get along with their peers. In addition, peers is a source of reference for teenagers about various things, it can also provide an opportunity for teens to take the new role and responsibility by providing encouragement (social support).

According to Syamsu Yusuf (2009: 60), peers environment has a role of providing an opportunity for teenagers in learning to interact with others, to control social behavior, develop skills and hobbies in accordance with their age and exchanging feelings or problems. Social support that comes from peers may provide information relating to the matter of what teens do in an effort to find their self-identity, it can also provide feedback on what teenagers do in the group and the social environment as well as provide an opportunity for teens to

learn a wide variety of roles in resolving the crisis in order to establish the optimal self-identity.

In addition, Abu Ahmadi (2007: 193-195) suggests that peer environment has the following functions:

1. A means to get along, give and take with their friends
2. Peer group teaches children to give and take in the interaction with others. Participation in this group provides children the opportunity to experience the process of social learning.
3. A means for children to learn the culture of the community
4. Through this peer group, children learn to be a good human being in accordance with the values prevailing in society.
5. Teaching social mobility
6. Through peer relationship in the environment, children may face various situations with friends who are in the lower, middle, even upper social classes, so that the children are motivated to perform social mobility.
7. Learning new social roles
8. When in the peer group, the children have new roles as a friend, an enemy, a leader, originator of the idea, the black sheep, and so forth. Therefore, the children have the opportunity to try out new roles.
9. A means to learn obedience to impersonal social rules and impersonal dignity
10. In a peer group, the attitude of obedience and dignity regardless of who rules and who gave the order or prohibition.

The children when entering peer environment may certainly get a lot of new experiences. According to Gottman and Parker (Santrock, 2003: 227) peers have functions of togetherness, stimulation, physical support, ego support, social comparison and intimacy and attention. In the peer environment, children may discover togetherness, doing activities together with friends, sharing time, information, help when in need, giving a warm relationship, and motivate and provide feedback that can give the impression of him as an individual who is able, interesting and valuable. According Desmita (2009: 220), the function of peer groups are:

1. Controlling aggressive impulses
2. Through peer interaction, children can learn how to solve contentious issues in ways other than by direct aggressive action.
3. Obtaining emotional and social support and to become more independent
4. Peer groups provide a support for teenagers to take on new roles and responsibilities, so that it may cause a reduction in juvenile dependency on their families.
5. Improving social skills, developing reasoning and learning to express feelings maturely
6. In a peer environment, the child can experience a lot of conversation and debate, so that the child can learn to express ideas and feelings as well as their ability to solve problems.
7. Developing an attitude toward sexuality and gender role behavior

8. Knowing the opposite sex, sexual attitudes and behavior of gender roles are formed through interactions with peers.
9. Strengthening the moral and values adjustment
10. The peer group, adolescents try to make decisions on their own.
11. Improving self-esteem
12. Be liked by their friends can make children feel happy.

Based on several definitions above, it can be concluded that peer environment can provide enormous influence on the formation of a child's identity. Peer environment provides social support and a place to do all things related to identity formation in children. Peer environment provides ego and physical support, as well as intimacy and attention.

The support of peer environment is urgently needed by the children. However, peer environment is not always able to bring a positive support. The support depends on the condition of the existing realities. A good condition and well-directed environment may create positive support. However, unorganized environment may create negative support. The environment around MTs YAPI Pakem School does not support the formation of child's character. The environments where the students live mostly are suburban environment and there are many families who have low income, so that the awareness upon the education is low. Many students get along with children out of school, even associating with people who had never been educated. These are the causes that the majority of students at MTs YAPI Pakem do not understand well on the importance of maintaining attitude and discipline in schools in particular, and in any place in general. The peers who should teach tolerance, develop social skills and reasoning, cooperation to progress actually brought the children into a bad habit. The habits of smoking, skipping school, hanging out at the coffee shop until late at night to the wild race that leads to gambling are undertaken by most of the students at MTs YAPI Pakem, so that their mindset and attitude tend to be indifferent to all school rules. This is because of the peer environment that is not conducive to their progress.

Proposition 2: The formation of character is closely related to the environment climate where the child was.

PARENT'S ATTENTION

Attention is an activity carried out by someone related to the selection of stimuli coming from the environment (Slameto, 2010: 105). Attention can also be interpreted as the concentration of psychic energy directed to an object. Attention also means an awareness intensity in an activity undertaken (Suryabrata, 2006: 13).

The attention between parents and children certainly has an impact on the condition of children in a variety of circumstances, especially in terms of learning. According to Sardiman (2012: 45), attention is the concentration of psychic energy to an object lesson, or the intensity of awareness that accompanies learning activities. When parents do not pay attention to their children's education, it can cause the child to be less successful in learning (Slameto, 2010: 61). The forms of the lack attention are indifferent to the child, do not pay

attention to the needs of children in learning, do not manage the time to learn, do not provide school supplies, do not want to know the progress of children's learning, and so forth. From the definitions above, it can be concluded that parent's attention is the concentration of psychic energy and thoughts given by parents to their children.

There are various forms of parents' attention to their children. According to Abu Ahmadi (2007: 157-156), attention can be divided into several things, they are:

1. Attention by the form, they are intentional attention, unintentional attention and habitual attention. Intentional attention is the kind of attention that occurs when an individual intentionally want to capture the impression of sensing more clearly. Unintentional attention is the kind of attention performs unintentionally or unconsciously.
2. Attention by the nature, they are spontaneous attention and coercion attention, concentrative/distributive attention, narrow/perseverative attention and any attention.
 - a. Spontaneous attention is unintentional attention, and the individual feel happy with the observed object, while coercion attention is when an individual is not pleased to something that he/she looked.
 - b. Concentrative and distributive attentions refer to the observed object. When an individual concentrate the thoughts, feelings and desires in only one object, it is called as concentrative attention, but when the attention is divided to many objects, it is called as distributive attention.
 - c. Narrow and perseverative attention. Narrow attention is the attention directed at the limited object, while perseverative attention is the concentrative attention and attached continuously.
 - d. Any attention is attention that is not fixed, changeable, moving from one object to another object and not durable.

In line with what stated by Abu Ahmadi, Baharudin (2009: 170-180), attention can be viewed from several aspects, they are:

1. In terms of the aspect of attention, they are spontaneous attention and attention that is not spontaneous.
2. In terms of the number of the object, they are narrow and broad attention.
3. Related to broad and narrow attention, the attention is divided into concentrative and distributive attention.
4. In terms of the nature, they are static and dynamic attention.

Based on some opinions above, it can be concluded that parental attention is divided in various ways in accordance with the form and nature. Attention by the form is intentional and unintentional attention, while attention by nature is spontaneous, concentrative, perseverative, and any attention. There are several indicators of parental attention to their children, namely:

The provision of guidance and help the children's difficulty

According to Sukardi (2008: 234), parental assistance in children learning is needed. The aim is to monitor the development of children's learning and foster the enthusiasm in the

child. In addition, parents who are concerned with the supervision of children's learning at home can help their learning difficulties. In line with the opinion of Sukardi, Slameto (2010: 64) states that parents are required to provide understanding and encouragement, help the difficulties experienced by the children, and contact the related teacher to determine the progress in school. From some of these opinions, it can be concluded that the guidance is one manifestation of parental supervision. The children need the guidance of their parents, including when experiencing problems or difficulties. In addition, the children may feel to get encouragement when they are guided by parents.

Providing direction and exemplary

The habit made by parents may become example or role model for children. According to Syaiful Bahri (2008: 242), bad family habit such as not supportive, no learning schedule, or rarely learning, can be imitated by children, although in fact it is the habit of wrong learning. Therefore, parents should set a good example for children. Abu Ahmadi and Widodo Supriyono (2004: 87) argue that the parents should be a role model for their children. Parents are encouraged to not do anything bad in front of their children and always show a good example because the act of parents will be imitated by children whether the parents realized it or not.

Providing freedom and opportunity

Parents should give their children a chance to develop, but remain within reasonable limit as a child. Parents are also not allowed to overly restrict their children. According to Slameto (2010: 61), it is not right for parents to feel too pity and pamper the child. Parents should give the children freedom to develop according to their potential.

Providing rewards and punishment

Reward or punishment from parent is required to provide motivation to the child. The reward is given in the form of praise or prize. It is given to children as a reward and motivation for children. Punishment is given when children make mistakes; the goal is to provide a deterrent effect so that children do not repeat the mistakes.

From some indicator points of parental attention above, it can be concluded that parental attention is very important for children. Parents can be a mentor, motivator and role model for their children. Therefore, parents are required to give sufficient attention to their children so that children are motivated to continue to develop in accordance with their potential. However, most students at MTs YAPI Pakem have family background that is not supportive. Most students grew up in a broken family. Both parents are separated due to divorce, left to work in other cities or abandoned without reason. So many students lived with their extended family, such as uncles, grandparents, even staying at Islamic boarding school that far away from parental supervision and lack of parental attention. This can be one of the factors that influence discipline character of the students.

Proposition 3

Attention and affection given maximumly by parents can make the children feel cared for, the tendency to seek attention in the outside can be minimized, so that the children is easier to be directed to the development of positive character.

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