SOCIAL RESPONSIBILITY AS COMPETITIVE ADVANTAGE IN GREEN BUSINESS

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SOCIAL RESPONSIBILITIES AS A COMPETITIVE ADVANTAGE IN GREEN BUSINESS

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SOCIAL RESPONSIBILITIES AS A COMPETITIVE ADVANTAGE IN GREEN BUSINESS

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FOREWORD

INSYMA has become a tradition of its own for the management department of Universitas Surabaya. For more than a decade this event has become a forum for academics and practitioners to share knowledge. Every year management department always brings the latest theme that becomes an important issue for the development of science.

This year, INSYMA raise the theme "SOCIAL RESPONSIBILITIES AS A COMPETITIVE ADVANTAGE IN GREEN BUSINESS". This theme interesting, considering that at this time all the business need to be more accountable to the public and the environment. Corporate social responsibility is not only an obligation, otherwise it would be a distinct competitive advantage for the company.

Hundreds of scientific papers are sent to a conference committee, and the results of a rigorous selection of more than 100 elected. This paper is derived from a variety of authors, both within and outside the country, academics and practitioners. All the articles are then presented at the symposium and documented in these proceedings.

We hope that these proceedings can contribute to the development of science and business practices. Hopefully you can enjoy and gain valuable lessons from this article collection. We look forward to your participation in next INSYMA.

Batu, East Java, Indonesia
15th-16th March 2014
CONTENTS

FOREWORD iii

CONTENTS iv

MARKETING

1. THE INFLUENCE OF ENTREPRENEUR EDUCATION, INTERNAL LOCUS OF CONTROL, THE NEED OF ACHIEVEMENT, CREATIVITY, GENDER AND FAMILY TOWARD THE ENTREPRENEURSHIP INTENTION
   Andi Asdani, Anik Kusmintarti 3

2. CAN THE GOOD CORPORATE ETHICS STATEMENTS AND CORPORATE SOCIAL RESPONSIBILITY CREATE POSITIVE CONSUMER RESPONSES ON THE COMPANY AND ITS PRODUCTS? A CASE STUDY OF DJARUM’S CSR IN FACULTY OF ECONOMICS AND BUSINESS DIPONEGORO UNIVERSITY
   Ari Setiyaningrum 4

3. COMPARATIVE ANALYSIS OF CUSTOMER RELATIONSHIP MANAGEMENT AT GRAND ASTON HOTEL MEDAN AND POLONIA HOTEL MEDAN AND ITS IMPACT TO THE CUSTOMER LOYALTY
   Arlina Nurbaity Lubis, Yeni Absah 5

4. ECOPRENEURSHIP: CONCEPT OF RESPONSIBLE ENTREPRENEURSHIP
   Dhian Tyas Untari 7

5. THE EFFECT OF RELIGIOSITY DIMENSIONS TO THE QUALITY AND PRICE CONSUMER

ORIENTATION OF THE INDONESIAN MOSLEM CONSUMER
Diana Aqmal, Astohar

6. THE EFFECT OF CUSTOMER EXPERIENCE DESIGN, RELATIONSHIP QUALITY, AND EMOTION CONNECTION ON LOYALTY (EMPirical STUDY ON HOTel INDUSTRY IN SOLO, INDONESIA)
Elia Ardyan

7. ANALYSIS OF FACTORS THAT INFLUENCE ON MARKETING PERFORMANCE (STUDY ON SMES IN INDONESIA FACE ASEAN ECONOMIC COMMUNITY 2015)
Endi Isnarno

8. DEFENSIVE MARKETING MIX STRATEGIES BASED ON CUSTOMER SATISFACTION COMPARISON OF DIGITAL PRINTING IN SURABAYA
Esti Dwi Rinawiyanti, Rosita Meitha, Rendy Wibisono

9. THE EFFECT OF GREEN PERCEIVED VALUE AND GREEN PERCEIVED RISK TOWARD GREEN PURCHASE INTENTION THROUGH GREEN TRUST
Fran Sindu Vinta, Dudi Anandy, Indarini

10. SHORT AND LONG-TERM PRICE ELASTICITY OF ROOM DEMAND-A TOOL FOR REVENUE MANAGEMENT: A HOTEL CASE STUDY IN BALI
Ida Bagus Made Wiyasha, I Nyoman Arcana

11. THE EFFECT OF PRODUCT INNOVATION, ENDORSEMENTS AND REPUTATION RELATION WITH BRAND IMAGE AND BRAND AWARENESS TOWARD
18. ROLE OF NETWORK IN INCREASING SHAREHOLDER VALUE
   Masmira Kurniawati

19. THE INFLUENCE OF PRODUCT AND SERVICE QUALITY, LOCATION AND CSR PROGRAM TOWARD CUSTOMER SATISFACTION
   Muchsin Muthohar, R. Ardyanto Bowo Luksono

20. FACTORS INFLUENCING GREEN PACKAGING FOR SMALL INDUSTRY (CASE STUDY ON CHIPS INDUSTRY)
   Mutia Tri Sastya, Lina Said, Abdul Fidayan

21. CONSUMER AWARENESS AND BUYING INTEREST GREEN RESIDENTIAL IN SURABAYA
   Njo Anastasia

22. CORPORATE SOCIAL RESPONSIBILITY PROGRAMME AS PART OF COMPLEMENTOR RELATIONSHIP IN HOTELS' NETWORK: THE CASE OF HOTEL INDUSTRY IN BALI, THE REPUBLIC OF INDONESIA
   Nyoman Indah Kusuma Dewi

23. GREEN CORPORATE SOCIAL RESPONSIBILITY: A NEW DIMENSION OF CUSTOMER - BANK BOND FOR SUSTAINABILITY OF INDONESIAN BANKING
   Rahmad Wijaya, Lalu Edy Herman Mulyono

24. INTEGRATED MARKETING COMMUNICATIONS A CONCEPTUAL MODEL
   Resanti Lestari, Prihartono Aksan Halim
25. EFFECT OF BRAND AWARENESS, BRAND ASSOCIATION, AND PERCEIVED QUALITY ON DECISION TO CHOOSE STATE UNIVERSITY IN SURABAYA
   Ria Astuti Andrayani, Sri Setyo Iriani, Purwohandoko 37

26. THE INFLUENCE OF THE PATIENT PERCEPTION IN NURSING SERVICE ON THE 3RD CLASS IN-PATIENT LOYALTY AT DR. R.M. DJOELHAM GENERAL HOSPITAL BINJAI
   Retno Sari Dewi, Ritha F. Dalimunthe 38

27. EFFORT TO INCREASE MARKETING CAPACITY AMONG SME CLUSTER MEMBER IN MONOPSONY MARKET STRUCTURE
   Rizal Hari Magnadi 40

28. INCREASING HYPERMARKET RETAIL COMMUNICATION MIX EFFECTIVENESS BY DIGITAL CATALOG
   Robby Ardiyanto, Indri Hapsari, Zulaicha Parastuty 41

29. THE INFLUENCE OF ECONOMIC CONTENT, CONTENT RESOURCE AND SOCIAL CONTENT TOWARD TRUST, SATISFACTION, COMMITMENT, AND RELATIONSHIP INTENTION (CASE STUDY ON ASKES HEALTH INSURANCE COMPANY IN PURWOKERTO)
   Salohuddin Nurdwiantoro 42

30. AWARENESS AND USAGE OF INTERNET BANKING ANALYSIS AND ITS DEVELOPMENT STRATEGY: CASE STUDY IN YOGYAKARTA SPECIAL REGION
   Singgih Santoso 43

31. IDENTIFICATION OF THE FACTORS IN BUILDING CUSTOMER LOYALTY AT RESTORANS TULANG JAMBAL BANDUNG
   Sri Wiladjieng SP, Rully Faturachman 44
32. MAPPING ORGANISATIONAL CULTURE AND RELATIONAL CAPABILITY OF SMALL AND MEDIUM-SIZED ENTERPRISES IN LOMBOK INDONESIA
Sulhaini, Djoko Suprayetno

33. SATISFACTION INDEX MEASUREMENTS OF COMMUNITY SERVICES IN SERDANG BEDAGAI SUMATERA UTARA
Syafrizal Helmi Situmorang, Endang Sulistyaw Rini

34. THE EFFECTS OF PRODUCT ATTRIBUTES AND PRICING POLICY TO NETBOOK PURCHASE DECISION (CASE STUDY OF UNIVERSITAS WIDYATAMA STUDENTS)
Taufik Rachim, Iwan Setiawan

35. THE IMPLEMENTATION OF INFORMATION TECHNOLOGY AND INNOVATION STRATEGY IN CREATING COMPETITIVE ADVANTAGE IN SMALL AND MEDIUM ENTERPRISES BEADS IN JOMBANG
Widyastuti, Monika Tiawawati

36. THE EFFECTS OF CONSUMER ENVIRONMENTAL CONSCIOUSNESS AND GREEN LABELS ON THE CONSUMER PURCHASE BEHAVIOR
Yessy Artanti

37. THE INFLUENCE OF SERVICE QUALITY AND ADVERTISING MESSAGES ON INTENTION TO USE OF MOBILE BANKING SERVICE (CASE STUDY IN BPR-KS BANDUNG)
Zulgane, Taufik Rachim, Eric Pardede

38. PENGARUH CONSUMER PERCEPTION FIT DAN CORE BRAND ATTITUDE TERHADAP PURCHASE INTENTION PRODUK PERLUASAN MICROSOFT DI SURABAYA
Albert Louis Hanjaya, Dudi Anandya, Christina R. Honantha

39. THE ROLE OF MESSAGE FRAMING AND INVOLVEMENT IN PROMOTING POSITIVE ATTITUDE OF USE ORGANIC PRODUCTS: A CONCEPTUAL FRAMEWORK
Andhy Setyawan

40. MODEL DEVELOPMENT STRATEGY FOR THE EFFECT OF GREEN MARKETING CORPORATE IMAGE IN RETAIL BUSINESS USING GSCA
Erna Andajani, Rini Oktavera

41. IN THE REFERENCE GROUP ANALYSIS VIRAL MARKETING ON CONSUMER DEMAND PT AURIN BIZ
Teguh Iman Basuki

42. THE EFFECT OF TAX PROPAGANDA TOWARD TAXPAYER COMPLIANCE OF SMALL BUSINESS CATEGORY IN KIARACONDONG DISTRICT BANDUNG CITY
Atin Hafidiah, Dusa Sumartaya

43. THE USE OF REUSABLE SHOPPING BAG AS FORM AS GREEN MARKETING IN RETAIL INDUSTRY
Chicilia Nova Yatna, Andhy Setyawan

44. THE LINK BETWEEN OFFLINE BRAND ATTRIBUTE AND CORPORATE BRAND IMAGE OF GRAMEDIA TUNJUNGAN PLAZA BOOKSTORE IN SURABAYA
Amelia Hutomo Chandra, Christina R. Honanuha, Silvia Margareth

FINANCE & ACCOUNTING

45. SOCIAL RETURN ON INVESTMENT AND ECONOMIC INCENTIVES IN PUBLIC COMPANIES
Amelia Setiawan, RiaSatyarini

46. RELATED PARTY TRANSACTIONS AND EARNINGS MANAGEMENT IN INDONESIAN PUBLICLY LISTED MANUFACTURING COMPANIES PERIOD 2010-2012
   Anastasia Fenella Sutanto, Felizia Arni Rudiawarni 62

47. PERFORMANCE BASED BUDGETING IMPLEMENTATION: CASE STUDY AT STATE POLYTECHNIC OF MALANG
   Atika Syuliswati 63

48. ANALYSIS OF INFLUENCE OF PERFORMANCE AUDIT TO PUBLIC SERVICE QUALITY AT SOCIAL HEALTH INSURANCE (CASE STUDY AT DR. HASAN SADIKIN HOSPITAL BANDUNG)
   Dini Arwati, Kuspratama 64

49. THE INFLUENCE OF FINANCIAL PERFORMANCE AND INSTITUTIONAL OWNERSHIP ON DISCLOSURE OF CORPORATE SOCIAL RESPONSIBILITY (EMPIRICAL STUDIES: THE COMPANIES LISTED ON INDONESIA STOCK EXCHANGE IN 2012)
   Dwi Puryati 65

50. APPLICATION DIVERSIFICATION OF SOCIAL RESPONSIBILITY (SRD) FOR CREATION FIRM VALUE
   Eka Handriani 66

51. VAR ANALYSIS ON MUTUAL RELATIONSHIP BETWEEN STOCK PRICE INDEX AND EXCHANGE RATE AND THE ROLE OF WORLD OIL PRICE AND WORLD GOLD PRICE
   Filus Raraga, Harjum Muharam 67

52. THE EFFECT OF MOMENTUM STRATEGY TO PORTFOLIO PERFORMANCE: EMPIRICAL STUDIES BASED ON SRI KEHATI STOCK
INDEX IN THE INDONESIAN CAPITAL MARKET
Hasanudin 68

53. THE INFLUENCE OF COMPLEXITY OF OPERATION ON THE AUDIT DELAY
I Putu Edy Arizona 69

54. THE INFLUENCE OF THE COMPONENTS OF INTERNAL CONTROL STRUCTURE ON CREDIT PROVISION EFFICIENCY ON LOCAL CREDIT INSTITUTIONS (LPD) IN DENPASAR
I Gede Cahyadi Putra 70

55. THE IMPACT OF FINANCIAL DECISIONS, PROFITABILITY AND SIZE OF THE COMPANY ON FIRM’S VALUE (AN EMPIRICAL STUDY FROM MANUFACTURING COMPANIES LISTED IN INDONESIA STOCK EXCHANGE PERIOD 2009-2011)
I Gusti Ary Suryawathy 71

56. DETERMINANTS OF BANK LIQUIDITY IN INDONESIA
I Made Sarya Negara Sudirman 72

57. THE EFFECT OF REPUTATION, ETHICS, SELF ESTEEM AND RISK PREFERENCES ON BUDGETARY SLACK MANAGERS BANK PERKREDITAN RAKYAT (BPR) IN BALI
I Nyoman Putra Yasa 73

58. IMPACT OF FINANCIAL QUALITY AND FIRM SIZE ON CORPORATE FINANCIAL LEVERAGE CHOICE IN REGIONAL BANK INDONESIA
Irsanti Sadalia, Fivi Rahmatus Sofiyah 74

59. THE FINANCIAL BEHAVIOR OF INVESTORS USING DISCRIMINANT ANALYSIS APPROACH
Juli Meliza, Irsanti Sadalia, Kheira Amalia Fachrudin 75
60. COMPARISON ANALYSIS OF FINANCIAL PERFORMANCE BETWEEN THE COMPANIES WITH FOREIGN AND LOCAL OWNERSHIP STRUCTURE
Kartikawati Danusasmita, Achmad Feriansyah, Edhie Juwono

61. THE PREDICTION OF FINANCIAL DISTRESS ANALYSIS AND ITS IMPLICATION TO THE SUB SECTOR TRANSPORTATION IN INDONESIA STOCK EXCHANGE PERIOD 2007-2011
Lasmanah, Lia Amaliawati, Larasati Lestari

62. MACROECONOMIC FACTORS INFLUENCE OF COMPOSITE STOCK PRICE INDEX VALUE SHARES TRANSACTIONS AS AN INTERVENING VARIABLE
Lely Fera Triani

63. ANALYSIS THE INFLUENCE OF EFFECTIVENESS INTERMEDIATION FUNCTION BANKS ON EFFICIENCY BANK (CASE STUDY: CONVENTIONAL BANKS AND ISLAMIC BANKS IN INDONESIA)
Lia Amaliawati, Lasmanah

64. HOW FAR FIRM CHARACTERISTIC PLAYS A ROLE IN CORPORATE SOCIAL RESPONSIBILITY PROGRAM AND REPORTING: STUDY IN INDONESIAN MINING AND BANKING INDUSTRY
Liza Veronica Yahya, Dianne Frisko

65. FINANCIAL CONDITION MODERATED THE EFFECTIVENESS OF AUDIT COMMITTEE TO REDUCE EARNINGS MANAGEMENT
Michella Maria Virgine Prayogo, Yie Ke Feliana, Aurelia Carina Christanti Sunanto
66. EFFECT OF FINANCIAL LITERACY ON STUDENTS CONSUMPTIVE BEHAVIOUR (STUDIES IN FACULTY OF ECONOMIC, STATE UNIVERSITY OF SURABAYA)
Novi Khoiriazati, Tri Agastya Kharismawati, Dian Anita Nuswantara

67. ANALYZED THE FUNDAMENTAL FACTORS OF STOCK RETURN (EMPIRICAL STUDY OF SRI KEHATI GROUP WHICH WERE REGISTERED IN INDONESIAN STOCK EXCHANGE)
Perwito, Rita Zulbetti

68. EVALUATING CORPORATE SOCIAL RESPONSIBILITY TO FINANCIAL PERFORMANCE IN BANKING COMPANIES
Reni Marlina

69. ANALYSIS OF FACTORS AFFECTING THE STOCK UNDERPRICING: CASES OF INITIAL PUBLIC OFFERING IN INDONESIA STOCK EXCHANGE
Reza Widha Pahlevi, Sutrisno

70. EFFECT OF NET PROFIT MARGIN, OPERATING PROFIT MARGIN, ECONOMIC VALUE ADDED, AND EARNING PER SHARE TO STOCK PRICE OF PHARMACEUTICAL INDUSTRY COMPANIES LISTED IN INDONESIAN FOREIGN EXCHANGE IN 2008-2011 PERIODS
Rosemarie Sutjiati Njotoprajitno

71. THE INFLUENCE OF CAPITAL STRUCTURE, LIQUIDITY, AND EARNINGS GROWTH ON EARNINGS RESPONSE COEFFICIENT (STUDY OF BANKING COMPANY IN INDONESIA STOCK EXCHANGE)
Siti Puryandani

72. THE ROLE OF FINANCING DECISIONS TO FINANCIAL PERFORMANCE ON ISLAMIC BANKING EMPIRICAL
<table>
<thead>
<tr>
<th>Number</th>
<th>Title</th>
<th>Authors</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>73.</td>
<td>EVIDENCE FROM INDONESIA</td>
<td>Sutrisno</td>
<td>89</td>
</tr>
<tr>
<td>74.</td>
<td>DETERMINANTS OF CORPORATE DEBT</td>
<td>Vina Veriana Limtioneo, Deddy Marciano, James Bartle</td>
<td>90</td>
</tr>
<tr>
<td>75.</td>
<td>DETERMINANT FACTORS THAT IS CONSIDERED BY SME’S IN CHOOSING FINANCING THROUGH BMT (BAITUL MAAL WAT TAMWIL) IN WEST SUMATERA</td>
<td>Yasri, Rosyeni Rasyid, Gesit Thabruni</td>
<td>91</td>
</tr>
<tr>
<td>76.</td>
<td>THE EFFECT OF CAPITAL STRUCTURE TO FINANCIAL PERFORMANCE</td>
<td>Yeye Susilowati</td>
<td>93</td>
</tr>
<tr>
<td>77.</td>
<td>THE INFLUENCE OF TAX PAYER'S AWARENESS, TAX SERVICE, AND TAX MORALE AGAINST TAX PAYMENT AND TAX EVASION</td>
<td>Yohanes Mardinata Rusli, Candra Simuraya</td>
<td>94</td>
</tr>
<tr>
<td>78.</td>
<td>ANALYSIS OF FINANCIAL PERFORMANCE</td>
<td>Yudi W. Suwandi</td>
<td>95</td>
</tr>
<tr>
<td>79.</td>
<td>PRACTICE OF CURRENT STATE MAPPING AS PART OF VALUE STREAM MAPPING TO INCREASE PROCESS EFFICIENCY AT PT X’S FINANCE SERVICES DEPARTMENT IN SURABAYA</td>
<td>Albertus Henry Sulistiyo, Stevanus Hadi Darmadji, Imanuel Goestaman</td>
<td>96</td>
</tr>
<tr>
<td></td>
<td>ANALYSIS OF DIFFERENCES IN FINANCIAL PERFORMANCE BEFORE AND AFTER OBTAINING ISO 9001:2000 CERTIFICATION IN</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
MANUFACTURING COMPANIES LISTED IN INDONESIA STOCK EXCHANGE
Gerry Geraldo Yonatan, Liliana Inggit Wijaya

80. THE INFLUENCE OF SOCIAL CAPITAL ON LOAN PAYMENT BEHAVIOUR COMMUNITY SELF HELP GROUP (CASE STUDY AT FINANCIAL MANAGEMENT UNIT INSTITUTE FOR COMMUNITY SELF-RELIANCE IN BLIMBING SUB DISTRICT MALANG CITY)
Moh. Fakhruddin Mudzakkir, Sri Wilueng

81. ABNORMAL RETURN ON UNDERPRICED IPO IN INDONESIAN STOCK EXCHANGE DURING 2009-2012
Angela Yosevin Florencia, Putu Anom Mahadwartha, Endang Ernawati

HUMAN RESOURCES

82. CREATING GOOD CITIZEN THROUGH ETHICAL VALUES
Ade Irna Anggraeni

83. COWORKERS INTERPERSONAL RELATIONSHIP AS ONE WAY TO EFFORT AN EMPLOYEE’S PERFORMANCE IMPROVEMENT
Andi Deby Grecia

84. HOW TO GENERATE SUSTAINED COMPETITIVE ADVANTAGE IN A SMALL FAMILY BUSINESS?
Andreas Heryjanto, Christianius Dwiatmadja

85. MODERATING EFFECT OF MOTIVATION ON THE RELATIONSHIP OF EMOTIONAL INTELLIGENCE AND JOB PERFORMANCE
Artha Febriana

86. THE USE OF PERSON ORGANIZATION FIT AS
MODERATING VARIABLE IN RELATION AMONG QUALITY OF WORK LIFE, ORGANIZATIONAL COMMITMENT, ORGANIZATIONAL CITIZENSHIP BEHAVIOR AND PERFORMANCE
Bambang Suko Priyono, Tristiana Rijanti

87. HUMAN CAPITAL AND THE SUCCESS OF SME BUSINESS PERFORMANCE
Christianus Dwiatmadja

88. LEADERSHIP DEVELOPMENT, CHANGE-ORIENTED OCB: COMMUNICATION FORUM QUALITY AS AN MEDIATING VARIABLE
Didik Subiyanto

89. THE IMPACT OF RECRUITMENT SYSTEM AND CAREER DEVELOPMENT ON THE ENHANCING OF WORKING EFFECTIVENESS THROUGH COMPENSATION AS INTERVENING VARIABLE AT NIAGARA HOTEL PARAPAT
Elisabet Siahaan, Parapat Gultom

90. TRIPLE BOTTOM LINE OF BUSINESS AS A PERSPECTIVE BUSINESS ETHICS IN CREATING GREEN BUSINESS ON THE CORPORATE ORGANIZATION
Farida Yuliati

91. SPIRITUALITY IN WORKPLACE, INDIVIDUAL SPIRITUALITY AND WORK BEHAVIOUR: THE STUDY OF HIGHER EDUCATION IN INDONESIA
Fitri Wulandari

92. THE IMPACT OF ORGANIZATIONAL COMMITMENT ON JOB SATISFACTION AND EMPLOYEES PERFORMANCE
Helmi Buyung Autia Safrizal

93. THE EFFECT OF TRANSFORMATIONAL LEADERSHIP AND QUALITY OF WORK LIFE
100. CSR MODEL: COOPERATION BETWEEN BUSINESS CORPORATION AND SURABAYA CITY GOVERNMENT FOR IMPROVING COMPETITIVENESS OF SMES THROUGH GREEN BUSINESS ORIENTED TIERED TRAINING
Noviathy Kresna Darmasetiawan 123

101. EXAMINING THE INFLUENCE OF ORGANIZATIONAL CLIMATE AND ATTITUDE TOWARD KNOWLEDGE SHARING ON KNOWLEDGE SHARING INTENTION
Rini Sarianti, Rahmiati 124

102. THE INFLUENCE OF RELIGIOSITY ON GREEN CAMPUS BEHAVIOR
Siti Zulaikha Wulandari, Intan Ratnawati 125

103. DETERMINANTS OF LEARNING ORIENTATION AND MOTIVATION ON EMPLOYEES PERFORMANCE
Sri Ismulyaty, Etty Puji Lestari 126

OPERATION MANAGEMENT

104. CONSUMER PERCEPTIONS OF PRICE, QUALITY, VALUE ON LOW COST GREEN CAR IN SURABAYA AND SIDOARJO
Fitri Noviwa Widjava, A. Budhiman Setyawan, Prita Ayu Kusumawardhani 129

105. BUS RAPID TRANSIT AS A SOLUTION FOR TRANSPORTATION PROBLEM IN SEMARANG
Novan Reza Pahlevi, Naafilah Lailatirrohmah 130

106. VIETNAM’S URBAN ENVIROMENTAL MANAGEMENT IN GLOBALIZATION WITH SOME ASIAN COUNTRIES’S EXPERIENCE
11th UBAYA INTERNATIONAL ANNUAL SYMPOSIUM ON MANAGEMENT

(FROM AN ANTHROPOLOGICAL PERSPECTIVE)
Phan Thi Hong Xuan 131

107. SERVICE QUALITY ANALYSIS OF ARGO PARAHYANGAN TRAIN AS A TOOL FOR IMPROVING THE SERVICE
Rorim Panday 132

108. EFFECT OF QUALITY SERVICE AND FOOD WITH ROLE OF ATMOSPHERE MODERATION ON THE SUSHI TEI RESTAURANT AT GALAXY MALL-SURABAYA
Cenny Cahyadi, Siti Rahayu, Juliani Dyah Trisnawati 133

109. MEASURING ECOSERV IN INTEGRATED OUTDOOR CAMPUSS (IOC) UBAYA
Siti Rahayu, Veny Megawati, Edna Sri Rejeki 134

STRATEGIC MANAGEMENT

110. GREEN BUSINESS MODEL: A HOLISTIC APPROACH TO BECOME A GREEN BUSINESS
Boedi Hartadi Kuslika 137

111. DETERMINING FACTORS OF ENTREPRENEURIAL COMPETENCY
Endi Sarwoko 138

112. ANALYSIS THE RELATIONSHIP BETWEEN CORPORATE SOCIAL RESPONSIBILITY AND THE WELFARE SOCIETY PT X IN BANDUNG
Florentina Andre, M. Sienly Veronica 139

113. INTERRELATIONSHIP AMONG COMPETITIVE ADVANTAGE, BUSINESS STRATEGY AND ORGANIZATION ARCHETYPES
Heru Santosa Hadiyanto 140
114. SERVICE MANAGEMENT STRATEGY BY IMPLEMENTING THE ACADEMIC INFORMATION SYSTEMS IN INDONESIA HIGHER EDUCATION CASE STUDY: CHRISTIAN UNIVERSITY OF INDONESIA
John Tampil Purba

115. THE ROLE OF CSR IN BUSINESS TO ACHIEVE THE COMPETITIVE ADVANTAGE POSITION
Maria F. Lies Ambarwati

116. THE DEVELOPMENT OF MODEL AND STRATEGY FOR SMALL MEDIUM ENTERPRISE (SME)s IN GERBANGKERTOSUSILLO
Bambang Suratman, Nadia Asandimitra Haryono, Harti

117. SOCIAL CAPITAL, HUMAN CAPITAL AND THE MEDIATING ROLE OF STRATEGY ON FIRM PERFORMANCE
Nurita Andriani

118. CULTURAL DIMENSION AND CORPORATE SOCIAL RESPONSIBILITY
Nurul Aini, Santianingrum Soebandbi

119. CLUSTER STRATEGY AS A SUSTAINABLE COMPETITIVE ADVANTAGE FOR SMALL AND MICRO BUSINESSES
Ria Satyarini, Amelia Setiawan

120. GREEN BUSINESS PLAN BY REDUCING PACKAGING WASTE IN FOOD AND BEVERAGE INDUSTRY IN SURABAYA
Linda Herawati, Benny Lianto, Evita Tanja

121. FUNDAMENTAL OF VIRTUE ON CORPORATE SOCIAL RESPONSIBILITY (STUDY BASED ON ARISTOTLE’ CONCEPTS AND IDEA)
Fauzan, Diana Suryaningtyas
122. THE PRACTICES OF REGIONAL AUTONOMY IN CENTRAL JAVA AND ITS IMPLICATION ON ECONOMIC COMPETITIVENESS
Muhammad Kholis, Ety Puji Lestari
MODEL DEVELOPMENT STRATEGY FOR THE EFFECT OF GREEN MARKETING CORPORATE IMAGE IN RETAIL BUSINESS USING GSCA

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ABSTRACT

Environmental problems caused by human activity, both directly and indirectly, have become a central issue in the field of science and technology, agriculture, economics and business. This encourages people to change the perspective and lifestyle. Business actors perform business approach pattern that leads to activity-based business environment. One of concerns for the company is to develop green marketing.

This study is an explanatory study that aims to develop a model of green marketing strategy influence on the image of the company in the retail business. Green marketing consists of three factors: corporate social responsibility, corporate image and product image. Companies that focus on green marketing through corporate social responsibility is believed to improve the image of the product and the company's image. Product image and the image of the company's impact on customers' buying interest.

This study uses a survey of 100 supermarket customers in the East Surabaya. Sampling used purposive sampling. Data analysis in this study uses the Generalized Structured Component Analysis (GSCA).

Keywords: Green Marketing, GSCA, corporate image, retail business

1. INTRODUCTION

Marketing based on environmental marketing is a new development in marketing and potential and strategic opportunities that have the dual advantage (multiplier effect) toward both businesses and society as a user.

Green marketing approach in the area of products is believed to improve the integration of environmental issues in all aspects of the company's activities, ranging from strategy formulation, planning, preparation, production and distribution. As by Pride and Ferrell, 1993 in Nanere (2010), says that green marketing is described as a business organization or company design, promotion, pricing and distribution of products that do not harm the environment. Pujari and Wright (1995) say that marketers consider this phenomenon as the one thing that has potential as a business opportunity.

In addition, the company uses the term green marketing, in an attempt to get the chance to achieve the company's goals. This can be seen in the attention of business
people to environmental issues and health care by increasing market environment (Laroche, et al., 2001).

Superindo supermarket is one of the retail businesses that improves green marketing. The Company initiated this strategy since the early 2000s with the slogan "Fresher, More Efficient, Closer". And they have built partnerships with local farmers as suppliers for Superindo outlets to empower the national economy (history of PT Lion, Superindo, www.superindo.co.id).

For those reasons, the problems can be formulated as follows:

1. Does green marketing affect corporate image?
2. Does corporate image affect consumer’s decision making to purchase a product?
3. Does green marketing affect consumer’s decision making to purchase a product?

The specific objectives of this study are as follows:

1. To test and analyze awareness of green marketing at the corporate image.
2. To test and analyze the influence of corporate image in consumer’s decision making to purchase a product.
3. To test and analyze awareness of green marketing in consumer’s decision making to purchase a product.

2. Literature Review

Nam and Yeo (2007) say that corporate social responsibility (CSR) consists of five categories: economic responsibility, social contribution, environmental protection, community/cultural service, and consumer protection. For those categories, the perception of CSR is not different between companies and consumers. However, consumers' priority to CSR categories is more highly scored than in companies' priority.

Environmental concerns and the consumer demand for green products are driving forces behind the resurgence of green marketing, reflecting the importance of consumers' perception in a successful green business.

In CSR context, green marketing refers to “the holistic management process responsible for identifying, anticipating and satisfying the needs of customers and
society, in a profitable and sustainable way” (do Paço, et al., 2009, p.18).

In fact, a topic of green business is studied rigorously in Western countries but relatively little focuses on Asia. Especially, consumer's awareness and purchase behavior relevant to social responsibility or ethical behavior are barely discussed in Asia assuming that it is a Western phenomenon because the emergence of CSR is a function of economic and social development (Chapple & Moon, 2005).

Corporate image refers to the net result of knowledge, beliefs, ideas, feelings, or impressions about an organization (Furman, 2010; Wan & Schell, 2007). The corporate image is inherently a composite product of various factors which reflect and communicate the identity of an organization (Karaodmanoglu & Melewar, 2006; Moon, 2007). The corporate image is often interchangeably with “corporate reputation” and “corporate identity” as customers perceive all aspects of a business (Kang & Yang, 2010; Karaodmanoglu & Melewar, 2006; Keh & Xie, 2009).

In the context of green marketing, the concept of corporate image is also relevant to corporate association, in which socially responsible programs strongly affect consumers' attributions of corporate image, and in turn corporate outcome (Berens et al., 2005; Ellen, Webb, & Mohr, 2006).

Companies that do a green business can improve their corporate image. The green business program’s company will have a positive impact on the company's image. The company's image is determined by consumers who know the company's green business program. As a social responsible effort, green marketing can be one of the effective tools to reinforce corporate image because it portrays an image of a company as responsive to the needs of the society. According to Environics International CSR Monitor, corporate social responsibility (49%) is the most important factor affecting consumer awareness of corporate image, followed by brand quality and reputation (40%) and company's fundamentals (32%). Academic studies also offer support for their impact (Social responsible) on corporate image or reputation as perceived by consumers (Brown & Dacin, 1997; Fombrun & Shanley, 1990; Maignan & Ferrell, 2004; Sen & Bhattacharya, 2001; Wansink, 1989). CSR association positively influence product or brand evaluation of quality attributes, which lead to overall corporate image (Ko, Taylor, Wagner, & Ji, 2008; Lee, Hsu, Han, & Kim, 2010; Moon, 2007). Similarly,
Berens et al. (2005) identify that corporate social responsibility influences product quality and reliability.

Product quality still remains the highest priority feature of corporate image in customer care (Crane, 1997; Sudhaman, 2004). For instance, Lee et al. (2010) confirms that quality attributes have a significant impact on overall corporate image. With respect to green marketing, literatures may ascribe to the three elements of corporate image encompassing “social responsibility,” “product quality,” and “corporate reputation” from a consumer perspective; corporate image is strongly related to green marketing practice.

H1: consumer awareness of green marketing affects corporate image, such social responsibility (H1a), product image (H1b), and corporate reputation (H1c) in the retail setting positively.

2.1. Corporate image and behavioral intentions

Behavioral intention is important in predicting actual purchasing behavior. Numerous studies on corporate image indicate a positive relationship between corporate image and purchase behavior or loyalty (David et al., 2005; Kang & Yang, 2010; Keh & Xie, 2009; Lee et al., 2010; Miles & Covin, 2000). For instance, Herbig and Milewicz (1995) suggests that the more the consumer has favorable corporate image, the more the likelihood the consumer evaluates new product positively, suggesting the importance of corporate image in purchase behavior. Also, consumers' attitude toward corporate image exerts main effects on their brand purchase behavior for automobiles (Hsieh, Pan, & Setiono, 2004). Consequently, corporate image likely increases a consumer intention to purchase products that a firm provides.

H2: corporate image, such as social responsibility (H2a), product image (H2b) and corporate reputation (H2c) has a direct effect on consumers' purchase intentions of the product in the retail setting.

For the consequence of green marketing, researchers focus on the consumers' perception of corporate image in response to corporate social responsibility activities. Drumwright (1994), for example, reveals that corporate reputation regarding environmental protection significantly influences consumers' decision making to purchase a product of
the company in a favorable way. Studies show that consumers' awareness of a company's CSR activities is more likely to have a positive attitude toward that company (Jeong, 2006; Sen, Bhattacharya, & Korschun, 2006; Yoon & Suh, 2003). The awareness can cause the consumer to form a more favorable image with the company which then leads to a greater likelihood that the consumer makes a purchase.

Clearly, consumers exercise their socially responsible consumption in favor of the company (Ramasamy & Yeung, 2008), supporting the notion that green marketing activities are effective in a company's business performance in terms of building corporate image and market sales.

H3: corporate image mediates the effect of consumer awareness of green marketing on purchase intentions of the product in the retail setting.

Research Method

This research is explanatory research aiming to explain the relationship between variables. Measurement of variables in this study refers to Ko, Hwang and Kim (2012). There are five variables used in this study including Green Marketing (do Paco et al., 2009, p.18), Social Responsibility (Chapple & Moon, 2005; Nam & Yeo, 2007; Good Firm, 2009), Product Image (Ko, Taylor, Wagner & Ji, 2008; Lee Hsu, Han & Kim, 2010; Moon, 2007), Corporate Reputation (Furman, 2010; Wan & Schell, 2007) and Purchase Intentions (Ha, 1999). Data collection instrument used was a questionnaire distributed to be filled by the respondents, using ceder interval measurements and numerical measurement scale. The measurement scale (Likert scale) ranging from 1-5 is used by respondents to provide an assessment of a number of statements about the object. Number 1 indicates “strongly disagree” statement while number 5 states “strongly agree” opinion.

Sample and data collection

Sample selection method used is non-probability sample selection method with sampling convenience sampling technique.

The sample in this study consists of 100 respondents with a composition of 50
women and 50 men. Frequency of visit of respondents to the Superindosupermarket once a week as much as 64%. Respondents who know Superindo environmentally friendly products as much as 86% and buy products that are environmentally friendly Superindo as much as 94%. High school educated is as much as 44% and as much as 35% S1 with the majority of work as an employee. Respondents aged between 20-40 years were 71% and 56% married status. Expenditure in a single shop in Superindo Rp. 100.000, - up to Rp. 200.000, -.

Data processing for this research using Generalized Structured Component Analysis (GSCA). GSCA Heungsun was developed by Hwang, Hec Montreal and Yhoshio Takane in 2004. This analysis approach used least square method (least squares) in the parameter estimation process. Usefulness of GSCA is to get a very good structural models for predictive purposes and can also be used to obtain structural models for the purpose of confirmation.

**Discussion and Result**

The results of testing the validity of the measurement instrument to question items on each variable done by using software GSCA is as follows:

Table 1. Measurement Model (test validity and reliability)

<table>
<thead>
<tr>
<th>Variable</th>
<th>Loading</th>
<th>Weight</th>
<th>SMC</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Estimate</td>
<td>SE</td>
<td>CR</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>green mark.</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Superindo known as eco-friendly in order to make a profit</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td></td>
<td>0.273</td>
<td>0.222</td>
<td>1.23</td>
</tr>
<tr>
<td></td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Superindo agreed to sell environmental-friendly products</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td></td>
<td>0.092</td>
<td>0.301</td>
<td>0.31</td>
</tr>
<tr>
<td></td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Superindo increase sales through eco-friendly brand products</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td></td>
<td>0.544</td>
<td>0.358</td>
<td>1.52</td>
</tr>
<tr>
<td></td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Superindo develop the concept of eco-friendly shop</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td></td>
<td>-0.034</td>
<td>0.332</td>
<td>0.1</td>
</tr>
<tr>
<td></td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
</tbody>
</table>

AVE = 0.000, Alpha = 0.353
there are eco-friendly shopping area in Superindo | 0 | 0 | 0 | 0.415 | 0.183 | 2.26* | 0 | 0 | 0

<table>
<thead>
<tr>
<th>Social Response.</th>
<th>AVE = 0.714, Alpha = 0.861</th>
</tr>
</thead>
<tbody>
<tr>
<td>Superindo contribute to the development of Indonesia</td>
<td>0.819</td>
</tr>
<tr>
<td>Superindo contribute to community development</td>
<td>0.770</td>
</tr>
<tr>
<td>Superindo strive to sustain the environment</td>
<td>0.910</td>
</tr>
<tr>
<td>Superindo implement ethical business</td>
<td>0.875</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Product Image</th>
<th>AVE = 0.731, Alpha = 0.813</th>
</tr>
</thead>
<tbody>
<tr>
<td>Superindo tries to improve customer satisfaction</td>
<td>0.796</td>
</tr>
<tr>
<td>Superindo has excellent product quality</td>
<td>0.895</td>
</tr>
<tr>
<td>Product of Superindo trustworthy</td>
<td>0.872</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Corporate Reputation</th>
<th>AVE = 0.688, Alpha = 0.546</th>
</tr>
</thead>
<tbody>
<tr>
<td>Superindo has a history and reputation in the traditional</td>
<td>0.829</td>
</tr>
<tr>
<td>Superindo has a name in the global competition</td>
<td>0.829</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Purchase Intentions</th>
<th>AVE = 0.681, Alpha = 0.764</th>
</tr>
</thead>
<tbody>
<tr>
<td>Based on all the above items, I will buy the product in Superindo if they</td>
<td>0.794</td>
</tr>
</tbody>
</table>
Table 1 is based on test results obtained for the test instrument reliability and validity test with a significance level of 0.5.

Results of Goodness of Fit Model calculations using the GSCA indicated by the value of the \( \text{FIT} = 0.537 \). Variations of Green Marketing, Social Responsibility, Product Image, Corporate Reputation and Purchase Intention able to be explained by the model is 53.7% and the remaining 46.3% can be explained by other variables outside of the variables studied.

Hypothesis Testing Results

Based on the results of statistical hypothesis testing using the GSCA in Table 2 and Figure 1 is as follows:

Table 2. Hypothesis Testing Results

<table>
<thead>
<tr>
<th>Paths</th>
<th>Paths Coef.</th>
<th>Critical Ratio</th>
<th>Explanation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Green Marketing (X1)</td>
<td>Social Resposibility (Y1)</td>
<td>0.565</td>
<td>5.41*</td>
</tr>
<tr>
<td>Green Marketing (X1)</td>
<td>Product Image (Y2)</td>
<td>0.287</td>
<td>1.76</td>
</tr>
<tr>
<td>Green Marketing (X1)</td>
<td>Corporate Reputation (Y3)</td>
<td>0.254</td>
<td>1.21</td>
</tr>
<tr>
<td>Green Marketing (X1)</td>
<td>Purchase Intentions (Y4)</td>
<td>-0.042</td>
<td>0.24</td>
</tr>
<tr>
<td>Social Resposibility (Y1)</td>
<td>Product Image (Y2)</td>
<td>0.404</td>
<td>2.39*</td>
</tr>
<tr>
<td>Social</td>
<td>Purchase</td>
<td>0.496</td>
<td>3.06*</td>
</tr>
</tbody>
</table>
Based on the hypothesis testing results showed that there are positive effects on Green Marketing Social Responsibility (H1a), Product Image (H1b) and Corporate Reputation (H1c). Green Marketing significant has positive effect on Social Responsibility and is not significant to the Product Image and Corporate Reputation. This shows that Green Marketing can enhance Corporate Social Responsibility Image through the efforts of the company. Awareness of Green Marketing companies will have a major impact on the company's Social Responsibility.

In the test that hypothesis H2 obtained through Corporate Social Responsibility Image (H2a), Product Image (H2b) and Corporate Reputation (H2c) has positive effect on Purchase Intention. Social Responsibility has significant effect on Purchase Intention (H2a). Social Responsibility has positive significant effect on Product Image. This
suggests that the activities of the company in the form of social responsibility will affect the image of the company's products and consumer intentions to purchase the company's products.

In the hypothesis test results stated that Green Marketing is also no effect on Purchase Intention directly. Corporate Image as a mediator of the relationship between Green Marketing and Purchase Intention support hypothesis test H3. This suggests that the consumer perspective of green marketing activities of the company can improve corporate image impact on consumer intentions to buy the product. In other words, the image of the company is a mediator between green marketing activities of the company and the consumer's intention to buy the product. Green marketing activities of the company can not directly impact on the consumer’s intention to buy the product.

**Conclusions**

In the Green Marketing context, Corporate Image is composed of three factors: Social responsibility, Product Image and Corporate Reputation. The results showed that consumers perceived corporate image built through corporate social responsibility activities will influence consumer purchase intentions in the retail business. The results of this study support “Corporate associations and consumer product responses: The moderating role of corporate brand dominance” (Berens et al., 2005; Ellen, Webb, and Mohr, 2006). Social responsibility of the company will affect the image of the company's products as (Ko, Taylor, Wagner, & Ji, 2008; Lee, Hsu, Han, & Kim, 2010; Moon, 2007).

Supermarket Superindo have engaged in social responsibility through replacement of plastic bags with cardboard which is more environmentally friendly. This has an impact on reducing the use of plastic bags that are difficult to recycle by nature. Superindo also offers a shopping bag from the thick fabric that is more durable as a replacement for the plastic bag. Superindo actively involve in raising funds from consumers to return money donations natural disasters that occurred in Indonesia and to support PBB programs.
References


