

## THE ROLE OF CORPORATE GOVERNANCE IN FAMILY CONTROL FIRMS: EVIDENCE FROM INDONESIA

Yie Ke Feliana

Suwenda Liantina

Faculty of Business and Economics, University of Surabaya

yiekefeliana@staff.ubaya.ac.id

### ABSTRACT

Companies in ASEAN are generally family control firms. Family control firms have specific agency problem that may affect the company's performance in two different ways, entrenchment and alignment effects. As arguing, corporate governance mechanism in the company should mitigate the agency problem. This study examines the effect of corporate governance mechanism in family control firms to the firm performance. Using 536 Indonesian listed companies data from 2011-2012, this study find that corporate governance mechanism in family control firms are tend to looser than non-family control firms. Family control firms are smaller and higher debt level than non-family control firms. In addition, the firm performance of family control firms is not significantly different from non-family control firms. However, higher proportion of independent board increases family control firm performance. On the other hand, higher quality of external auditor reduces family control firm performance, although in general higher quality of external auditor increases firm performance.

**Keywords:** family control, corporate governance, firm performance.

**JEL Classification:** G34

### Research Background

Since La Porta (1999) discover that mostly firms in 27 countries have concentrated ownership with family or state as controlling shareholders, extensive studies have been done about the impact of this kind of ownerships. Claessens et al. (2000) study also provides evidence that majority firms in East Asian countries are family controlled firms. Indonesia companies provide specific evidence because they show largest family control firms and largest number of company control by single family, comparing to others East Asian countries. More recent data family firms in Indonesia are provided in Djatmiko (2011) that still show dominance of family control in Indonesia firms, i.e. 90% of 160.000 companies are family firms, even listed Indonesia companies on Indonesia Stock Exchange are majority family firms.

Concentration of ownership in family business reduces first type of agency problem, but increases second type of agency problem (Young et al., 2003; Gilson and Gordon, 2003; Su et al., 2008). Further, family business has specific characteristics. That both of them may affect the company performance in two different ways (Morck *et al.*, 1988; Shleifer & Vishny, 1997; Claessens et al., 2002; La Porta et al., 2002; Anderson and Reeb, 2003).

Pricewaterhouse and Coopers (PwC) has done seven regular survey of family business around 40 countries from 2002 to 2014. The report (PwC, 2014) concludes that family business is grown, but need to work more on governance. Therefore, this study examine whether corporate governance mechanism moderate the effect of family control on firm performance.

The result of this study shows that only independent board moderate the effect of family control on firm performance. In addition, generally corporate governance mechanism in family firms tends to looser than non-family firms, although the firm performances are not significantly different between them.

## Literature Review

### 1. Second type agency problem

Agency theory predicts that in company where there is separation between ownership and control; there is conflict between principal and agent (Berle and Means, 1932; Jensen and Meckling, 1976). The theory was built on widely held corporation assumption, and then it is known as type one agency problem. The shareholders are as the principal, and the managers are as the agent.

In concentration held corporation, the managers are controlled tightly by majority shareholders, while minority shareholders have low access to control the managers. Thus, the agency problem occurs between majority shareholders and minority shareholders of companies (Shleifer and Vishny, 1997; Dharwakar et al., 2000; Young et al., 2003; Su et al., 2008; Zu and Ma, 2009).

### 2. Family firms

Family controlled firms are firms where founder or founding family member or founding family successor maintains presence in the firm as a shareholder, director, or manager (Larcker and Tayan, 2016). Family firms have some characteristics that may effect to the company performance, in two different ways. First effect is alignment. Family has significant ownership on the firm, therefore it decrease probability of free-riding behaviour (Gomes, 2000). On the other hand, family owner has more long term orientation decision (Demsetz and Lehn, 1985; Shleifer and Vishny, 1997). Family owner generally has plan to inherit the company to the next generation in order to maintain family reputation, their “legacy”, in the business (Anderson and Reeb, 2003; Villalonga and Amit, 2006). Further, key management functions are posited by family members (Anderson and Reeb, 2003; Villalonga and Amit, 2006). It makes tighter control on management (Shleifer and Vishny, 1997).

Second effect is entrenchment. Due to majority ownership, family owner has effective control on company resources. Controls by majority shareholders are tighter in family firm, than other type majority owner, because family owner tend to have more cohesive interest (Villalonga and Amit, 2006). Being a controller, they can expropriate the company resources for their private interest (Claessens et al. 1999).

Both of these two effects are still supported in extensive empirical research. Due to two strong arguments about the effect of family control, the effect of family control on firm financial performance is an empirical result on this study.

H1: Financial performance of family controlled firms and non-family controlled firms are different.

### 3. Corporate Governance

Corporate governance is defined as the system by which company companies are directed and controlled (Cadbury Report, 1992). Traditionally, corporate governance is developed to solve agency problem, thus in a narrow view corporate governance is directed to shareholder interest. Nowadays, broader view is developed which include accountability to stakeholders, rather than only shareholders (Solomon, 2013; Larcker and Tayan, 2016).

The organ of corporate governance includes board directors, and also board commissioner (in two tier system countries), audit committee, remuneration and nomination committee and other committee (Cadbury Report, 1992, OECD Principles of Corporate Governance, 2004).

Indonesia is one of countries that apply two tier system. There are two separate boards: a management board (board of directors) and a supervisory board (board of commissioner). While other countries apply one-tier system, there is only one board.

One of ultimate test whether corporate governance of a company works effectively is having positive impact on company financial performance (Solomon, 2013; Larcker and Tayan,

2016). However, there have been mixed results regarding the relationship between them based on the review by Finegold et al. (2007).

In family controlled firm corporate governance should focus on protecting outside shareholders from harming family shareholders interest, as arguing in Larker and Tayan (2016). Based on analysis of Tabalujan (2012) using Indonesian company sample, corporate governance in family controlled firm is looser, due to three reasons. First, the notion of a company being a separate legal entity from family may be blurred. This may explain the cases of expropriation of company assets by majority shareholders. Secondly, personal accountability of board members may be downplayed. Thirdly, supervision and authority within the two-tier board structure of Indonesian companies may be less than optimal given a hierarchical family culture. Evidence from another country is provided in Hassan et al. (2014) study. It shows that family controlled firm have lower corporate governance practices in Bangladesh.

In conclusion, there are extensive previous studies that provide mixed result regarding the influence of corporate governance on company performance. The corporate governance in family firms is unique. Therefore this study makes no directional hypothesis as follows.

H2: Corporate governance practice in family control company mitigates the effect family control on company performance.

### Research Method

Population of this study is Indonesia listed companies 2010-2012, excluding financial industry companies. From the 1.090 firm years population, only 667 firm years fulfil sample requirement (Table 1).

**Table 1**  
**Sample Description**

Description	2010	2011	2012	Total
Listed companies in non-financial industries	341	364	385	1,090
Less: Not available <i>annual report</i>	95	118	140	353
Reporting currency other than local currency	15	16	39	70
Potential sample	231	230	206	667
Less: Outliers	46	46	39	131
Final sample	185	184	167	536

Firm financial performance is measured by Tobin Q (Q). As arguing in Demsetz and Villalonga (2001), and Demsetz and Lehn (1985); Tobin Q is more representative of company performance due to two reasons. First, it shows future firm performance than historical performance as in some financial ratios. Second, it is freer from manipulation and accounting standard bias because it is accounted by market value. However, the weakness of Tobin Q is the assumption that the market is efficient, that sometimes is not happened.

Family control in a company can be active control by become CEO of the company or passive control by become only shareholders. In this study family control are measured by two variables, i.e. dummy variable of family ownership (FOWN) and dummy variable of family CEO (FCEO). FOWN is valued 1 if the largest shareholder of the company is family, and 0 if otherwise. In Indonesia there in no extensive list of family firms, thus family owner are identified by shareholders are people, some people who have same family names, or private company, in line to La Porta (1999). FCEO is valued 1 if the CEO of the company is the same person in list of company shareholders or has same family as person in list of company shareholders.

Corporate governance practices in a company are proxy by 6 variables, i.e. supervisory board size (BS), independent supervisory director (INDB), existence of audit committee (EAC),

audit committee size (ACS), financial expertise audit committee member (FEAC), and quality of external auditor (QEA). BS is measured by the number of supervisory board member. INDB is proportion of independent supervisory director to total supervisory board member. EAC is a dummy variable, which is 1 if the company has audit committee, and 0 is otherwise. ACS is measured by the number of audit committee member. FEAC is a dummy variable, which is 1 if there is audit committee member who has financial expertise, in term of educational background or working experience; and 0 if otherwise. QEA is a dummy variable, which is 1 if the external auditor of the company is affiliated to the BIG4 (KPMG, PWC, EY and Deloitte).

Control variables are company leverage (LEV) and company size (SZ). LEV is measured by proportion of total company debt to total assets. SZ is measured by Ln of total assets.

Corporate governance and firm financial characteristics data are collected from firm annual reports that are available on Indonesian Stock Exchange website. The market value of equity is collected from Fact Book by Indonesian Stock Exchange.

The two hypotheses are tested by multiple ordinary least square regression as in equation (1). All data have been tested whether fulfil classic assumption requirement (multicolleniarity, normality, autocorrelation, and heteroscedasticity).

$$Q = \beta_0 + \beta_1 FOWN_{it} + \beta_2 FCEO_{it} + \beta_3 BS_{it} + \beta_4 INDB_{it} + \beta_5 EAC_{it} + \beta_6 ACS_{it} + \beta_7 FEAC_{it} + \beta_8 QEA_{it} + \beta_9 FOWN_{it} * BS_{it} + \beta_{10} FOWN_{it} * INDB_{it} + \beta_{11} FOWN_{it} * EAC_{it} + \beta_{12} FOWN_{it} * ACS_{it} + \beta_{13} FOWN_{it} * FEAC_{it} + \beta_{14} FOWN_{it} * QEA_{it} + \beta_{15} DEBT_{it} + \beta_{16} LTA_{it} + \varepsilon_{it} \quad (1)$$

## Result and Discussion

Table 2 summarizes the descriptive of data. The number of sample firms controlled by family is almost same as firms controlled by not-family. Only few companies who has CEO from family members. This shows that now family firms are managed by professional unaffiliated person. Board size of sample firms are 4 members which 40% are independent board member. Audit committee sizes of firms are 3 members. Almost all firms have audit committee that majorly have financial expertise member. Majority of firms are audited by Non- Big4 auditors.

**Table 2**  
**Descriptive Statistics**

### Panel A Ratio Scale Variables

	Minimum	Maximum	Mean	Std. Deviation
Q	0.045	4.097	1.114	0.494
BS	2	10	3.95	1.605
INDB	0	1	0.405	0.121
ACS	0	7	3.06	0.565
LEV	0.004	3.210	0.506	0.349
SZ	23.053	34.472	27.804	1.637

### Panel B Nominal Scale Variables

	<b>0</b>	<b>1</b>
<i>FOWN</i>	248 (47.8%)	271 (52.2%)
<i>FCEO</i>	515 (99.2%)	4 (0.8%)
<i>EAC</i>	4 (0.8%)	515 (99.2%)
<i>FEAC</i>	56 (10.8%)	463 (89.2%)

<i>QEA</i>	378 (72.8%)	141 (27.2%)
------------	----------------	----------------

Table 3 illustrates correlation between variables. Family controlled firms have significant higher leverage and smaller than non-family controlled firms. Corporate governance practices in family controlled firm in general is looser than non-family control firms, i.e. smaller board size, lower independent board proportion, smaller audit committee size, less financial expertise member in audit committee.

**Table 3**  
**Correlation Matrix between Variables**

	Q	FOWN	FCEO	BS	INDB	EAC	ACS	QEA	FEAC	LEV	SZ	
Q	Correlation Sig. (2-tailed)	1 0,080 0,064	-0,017 0,700	0,233** 0,000	0,026 0,545	0,017 0,696	0,092* 0,033	0,232** 0,000	-0,018 0,684	0,515** 0,000	0,212** 0,000	
FOWN	Correlation Sig. (2-tailed)	0,061 0,161	1 0,083 0,055	-0,145** 0,001	-0,125** 0,004	-0,060 0,167	-0,116** 0,007	-0,045 0,301	-0,100* 0,021	0,179** 0,000	-0,271** 0,000	
FCEO	Correlation Sig. (2-tailed)	0,003 0,937	0,083 0,055	1 -0,052 0,230	-0,052 0,226	0,003 0,951	-0,009 0,834	-0,055 0,207	-0,181** 0,000	0,100* 0,020	-0,103* 0,017	
BS	Correlation Sig. (2-tailed)	0,218** 0,000	-0,176** 0,000	-0,056 0,197	1 -0,006 0,883	-0,019 0,660	0,210** 0,000	0,261** 0,000	0,133** 0,002	0,026 0,552	0,445** 0,000	
INDB	Correlation Sig. (2-tailed)	0,230 0,596	-0,121** 0,005	-0,075 0,085	0,078 0,071	1 0,061 0,159	0,089* 0,039	-0,034 0,436	-0,061 0,158	0,065 0,134	0,118** 0,006	
EAC	Correlation Sig. (2-tailed)	-0,009 0,834	-0,055 0,200	0,005 0,907	0,011 0,798	0,088* 0,042	1 0,325** 0,000	0,019 0,657	0,188** 0,000	-0,050 0,248	0,002 0,966	
ACS	Correlation Sig. (2-tailed)	0,132** 0,002	-0,145** 0,001	-0,010 0,816	0,244** 0,000	0,124** 0,004	0,238** 0,000	1 0,246** 0,000	0,227** 0,000	-0,044 0,308	0,258** 0,000	
QEA	Correlation Sig. (2-tailed)	0,250** 0,000	-0,045 0,301	-0,055 0,207	0,265** 0,000	0,026 0,548	0,037 0,397	0,206** 0,000	1 0,163** 0,000	0,004 0,934	0,445** 0,000	
FEAC	Correlation Sig. (2-tailed)	0,044 0,311	-0,100* 0,021	-0,181** 0,000	0,162** 0,000	-0,023 0,594	0,231** 0,000	0,198** 0,000	0,163** 0,000	1 -0,189** 0,000	0,179** 0,000	
LEV	Correlation Sig. (2-tailed)	0,319** 0,000	0,177** 0,000	0,096* 0,027	0,020 0,644	0,058 0,177	-0,055 0,206	0,000 0,996	0,046 0,290	-0,096* 0,037	1 -0,009 0,843	
SZ	Correlation Sig. (2-tailed)	0,256** 0,000	- 0,277** 0,000	-0,105* 0,015	0,468** 0,000	0,172** 0,000	-0,004 0,928	0,211** 0,000	0,451** 0,000	0,175** 0,000	0,052 0,230	1

\*\* = significant at 1%, \* = significant at 5%.

Pearson correlation is on upper right hand side, and Spearman correlation is on lower left hand side.

Table 4 shows univariate t-test six corporate governance practices in family and non-family companies. The board size, independent supervisory board member, and audit committee size are different significantly between family and non-family controlled firms. This result is consistent to the correlation table on table 3, that family controlled firms have looser corporate governance practice than non-family controlled firms.

The main result is shown on table 5. Financial performance of family controlled firms are not significantly different from non-family controlled firms, thus H1 is rejected. This result may support the two contradiction effects, i.e. alignment and entrenchment effects. The relationship between corporate governance and financial performance are only significant positive in term of



board size and quality of external auditor. The insignificant relationship family ownership and firm performance is consistent to Mang'anyi (2011). But it is not consistent to Martin-Reyna and Duran-Enclada (2012) and Connelly et al. (2012). Martin-Reyna and Duran-Enclada (2012) find that family ownership in Mexico have positive significant relationship to Tobin Q, on the other hand, Connelly et al. (2012) find that higher family ownership reduce Tobin Q in Thailand firms.

**Table 4**  
**Univariate t-test**

		Levene's for Equality of Variances		t-test for Equality of Means		
		F	Sig.	t	df	Sig. (2 tailed)
BS	Equal variances assumed	2,086	0,149	3,667	665	0,000
	Equal variances not assumed			3,648	630,405	<b>0,000</b>
INDB	Equal variances assumed	1,979	0,160	3,142	665	0,002
	Equal variances not assumed			3,150	651,988	<b>0,002</b>
EAC	Equal variances assumed	0,157	0,692	1,359	665	0,175
	Equal variances not assumed			1,321	534,741	0,187
ACS	Equal variances assumed	3,879	0,049	2,432	665	<b>0,015</b>
	Equal variances not assumed			2,420	632,508	0,016
QEA	Equal variances assumed	5,702	0,017	1,212	665	0,226
	Equal variances not assumed			1,208	637,876	0,227
FEAC	Equal variances assumed	8,173	0,004	1,417	665	0,157
	Equal variances not assumed			1,435	664,598	0,152

**Table 5**  
**Regression**

Variables	B	Sig, of t-test
Constant	-0,730	0,071
<i>FOWN</i>	0,183	0,361
<i>FCEO</i>	-0,277	0,203
<i>BS</i>	0,038	0,024*
<i>INDB</i>	-0,291	0,129
<i>EAC</i>	0,205	0,247
<i>ACS</i>	0,059	0,208
<i>FEAC</i>	-0,044	0,668
<i>QEA</i>	0,365	0,000**
<i>FOWN*BS</i>	0,021	0,376
<i>FOWN*INDB</i>	0,140	0,044*
<i>FOWN* EAC</i>	0,017	0,954
<i>FOWN* ACS</i>	-0,082	0,272
<i>FOWN* FEAC</i>	0,089	0,501
<i>FOWN* QEA</i>	-0,390	0,000**
<i>LEV</i>	0,794	0,000**
<i>SZ</i>	0,035	0,013*
<i>Sig, of F-test</i>	0,000**	
<i>Adjusted R<sup>2</sup></i>	38.3%	

\*\* = significant at 1%, \* = significant at 5%.

H2 is supported only 2 from 6 corporate governance practices. The higher proportion of independent supervisory board members in family controlled firms increase the firm performance. Independent supervisory board can mitigate the strong family control on management, therefore reducing conflict of interest between family as majority shareholders, and non-family as minority shareholders. As a result, this may increase investor perception about the family firm performance. While, hiring big4 auditors in family controlled firms reduce firm performance. Combining descriptive, correlation and regression result, it can be conclude that family controlled firms are smaller in size, as shown on table 2 and 3, and Big4 auditors are hired by larger firms, as shown on positive correlation between QEA and Q on table 3. Therefore, hiring big 4 auditor in family controlled firms are viewed as in-efficiency than to tighter corporate governance practice.

Two control variables are significantly positive influence firm performance. That higher leverage firms are viewed as growing companies, although it increases financial risk of the firms, thus increase Tobin Q company.

### **Conclusions**

Family controlled firms have higher second type agency problem, although lower first type agency problem. Corporate governance is intended to prevent self-interested managers from engaging in activities detrimental to the welfare of shareholders and stakeholders (Larker and Tayan, 2016). The result of this study supports argument that there is “no one-size-fits-all” best corporate governance practices (Larker and Tayan, 2016). In family controlled firms that are commonly in East Asian countries only the independent supervisory board is effective to balance the interest of family owners as majority shareholders and non-family owner as minority shareholders, thus show positive association to firm performance.

This study has some limitations. First, it only use short term financial performance and only Tobin Q. Family firms have long-term orientation, therefore it may be better to measure their performance in longitudinal studies. Second, the sample of this studies are only listed companies, however family control are stronger in private companies. Lastly, identification of family or non-family firms are based on direct shareholders, that may be lower accurate than ultimate shareholders. These last two limitations are happened due to unaccessabililty of data in Indonesia. In term of the last two limitations, this study result may understate the family control.

### **References**

- Anderson, R.C.; Mansi, S.A. ; Reeb, D.M. 2003. *Founding Family Ownership and the Agency Cost of Debt*. Journal of Financial Economics Vol 68. 263-285
- Berle, A., and G. Means, 1932. *The Modern Corporation and Private Property*. New York: MacMillan.
- Cadbury Report, 1992, Report of the Committee on the Financial Aspects of Corporate Governance: The Code of Best Practice, Gee Professional Publishing, London.
- Claessens, S., S. Djankov, and L. H. P. Lang, 2000. The separation of ownership and control in East Asian Corporations. *Journal of Financial Economics*, Vol. 58, pp. 81-112.
- Claessens, S. ; Djankov, S. ; Fan, J.P.H. ; Lang, L.H.P. 2002. *Disentangling the Incentive and Entrenchment Effects of Large Shareholdings*. Journal of Finance Vol. 57 No. 6. 2741-2771
- Connelly, J.T.; Limpaphayom, P. ; Nagarajan, N.J. 2012. *Form versus Substance : The Effect of Ownership structure and Corporate Governance on Firm Value in Thailand*. Journal of Banking & Finance 36. 1722–1743
- Demsetz, H., and K. Lehn, 1985. The structure of corporate ownership: causes and consequences. *Journal of Political Economy*, Vol. 93, No. 6, pp. 1155-1177.

- Dharwakar, R., G. George, and P. Brandes, 2000. Privatization in emerging economies: An agency theory perspective. *Academy of Management Review*, Vol. 25, pp. 650-669.
- Djatmiko, H. E., 2011. Siapa bilang bisnis keluarga jelek. *Swasembada*, No. 05/XXVII, 3-16 Maret, pp. 44-45.
- Finegold, D., Benson, G.S., and Hecht, D., 2007, Corporate boards and company performance: Review of research in light of reforms, *Corporate Governance: An International Review*, 15, pp. 865-78.
- Gilson, R. J., and J. N. Gordon, 2003. Controlling controlling shareholders, *The University of Pennsylvania Law Review*, Vol. 152, No. 2, December, pp. 785-843.
- Gomes, A., 2000. Going public without governance: Managerial reputation effects. *Journal of Finance*, Vol. 55, pp. 615-646.
- Jensen, M.C. and W.H. Meckling, 1976. Theory of the firm: managerial behavior, agency costs and ownership structure. *Journal of Financial Economics*, October, Vol. 3, No. 4, pp. 305-360.
- La Porta, R., F. Lopez-de-Silanes, and A. Shleifer, 1999. Corporate ownership around the world. *Journal of Finance*, Vol. 52, pp. 471-517.
- La Porta, R., F. Lopez-de-Silanes, A. Shleifer, and R. W. Vishny, 2002. Investor protection and corporate valuation. *The Journal of Finance*, Vol. 57, No. 3, June, pp. 1147-1170.
- Larker, David, and Brian Tayan, 2016. *Corporate Governance Matters: A Closer Look at Organizational Choices and Their Consequences*, Second edition, Pearson Education Inc.
- Mang'unyi, E.E. 2011. *Ownership Structure and Corporate Governance and Its Effects on Performance: A Case of Selected Banks in Kenya*. *International Journal of Business Administration* Vol. 2 No. 3. 2-18
- Martin-Reyna, J.M.S. ; Duran-Encalada, J.A. 2012. *The relationship among family business, corporate governance and firm performance: Evidence from the Mexican stock exchange*. *Journal of Family Business Strategy* 3. 106-117
- Morck, R., A. Shleifer, and R. Vishny, 1988. Management ownership and market valuation: An empirical analysis. *Journal of Financial Economics*, Vol. 20, January/March, pp.293-316.
- OECD, 2004, *OECD Principles of Corporate Governance*, OECD, Paris.
- PricewaterhouseCoopers (PwC), 2014. *Up Close and Professional: The Family Factor – Global family Business Survey*. [www.pwc.com/familybusinesssurvey](http://www.pwc.com/familybusinesssurvey), downloaded on July, 2015.
- Shleifer, A., and R.W. Vishny, 1997. A survey of corporate governance, *Journal of Finance*, Vol. 52, No. 2, June, pp. 737-783.
- Solomon, Jill, 2013. *Corporate Governance and Accountability*, Fourth edition, John Wiley and Sons Ltd.
- Su, Y.Y., D. Xu, and P.H. Phan, 2008. Principal-principal conflict in the governance of the Chinese public corporation. *Management and Organization Review*, Vol. 4, pp. 17-38.
- Tabalujan, Benny Simon, 2002, Family capitalism and corporate governance of family-controlled listed companies in Indonesia, *University of New South Wales Law Journal*, 25 (2).
- Villalonga, B., and R. Amit, 2006. How do family ownership, control and management affect firm value? *Journal of Financial Economics*, 80, pp. 385-417.
- Young, M.N., M.W. Peng, D. Ahlstrom, G.D. Bruton, and Y. Jiang, 2003. *Corporate governance in emerging economies: A review of the principal-principal perspective*. 23<sup>rd</sup> Annual International Conference of the Strategic-Management-Society, pp. 196-220. Baltimore, MD.
- Zu, Z., and H. Ma, 2009. Multiple principal-agent relationships, corporate-control mechanism and expropriation through related party transactions: Evidence from China. *International Research Journal of Finance and Economics*, Vol. 31, pp. 141-163.



# 13<sup>th</sup> INSYMA

international annual symposium on management

## MARKET INTEGRATION IN ASEAN: SUSTAINABLE GROWTH AND CROSS - CULTURAL ISSUES

Ho Chi Minh City, Vietnam | 18<sup>th</sup> - 20<sup>th</sup> March 2016



Co Hosts:



VNU-HCM PRESS

ePROCEEDING

**The 13<sup>th</sup> UBAYA International Annual Symposium on Management**

**MARKET INTEGRATION IN ASEAN:  
SUSTAINABLE GROWTH AND  
CROSS CULTURAL ISSUES**

Ho Chi Minh City, Vietnam  
18<sup>th</sup>-20<sup>th</sup> March 2016

Department on Management  
Faculty of Business and Economics, University of Surabaya,  
Surabesia

University of Social Sciences and Humanities, Vietnam National  
University Ho Chi Minh City (USSH, VNU-HCM), Vietnam

---

## **Proceeding**

### **The 13<sup>th</sup> UBAYA International Annual Symposium on Management**

#### **MARKET INTEGRATION IN ASEAN: SUSTAINABLE GROWTH AND CROSS CULTURAL ISSUES**

Editors:

Dudi Anandya, PhD.

Edithia Ajeng P, SE.

Phan Thi Hong Xuan, Prof. PhD.

Nguyen Ngoc Tho, PhD.

Do Hoang Phuong An, M.A.

Reviewers:

Candra S. Chayadi, Ph.D. (School of Business, Eastern Illinois University)

Dudi Anandya, Dr (University of Surabaya)

Joniarto Parung, Ph.D, Prof. (Universitas Surabaya)

Ning Gao, Ph.D. (Manchester Business School)

Wahyu Soedarmono, Ph.D. (Research Analyst, the World Bank, Jakarta)

Yuanto Kusnadi, Ph.D. (City of Hong Kong University)

Tran Nam Tien, Dr. Prof. (USSH, VNU-HCM)

Huynh Ngoc Thu, Dr. (USSH, VNU-HCM)

Tran Anh Tien, Dr. (USSH, VNU-HCM)

Published by:

❖ **Department of Management, Faculty of Business & Economics, University of Surabaya**

Jl. Raya Kalirungkut

Surabaya, Indonesia 60293

Phone: +62-31-2981139; Fax : +62-31-2981239

❖ **University of Social Sciences and Humanities, Vietnam National University Ho Chi Minh City, Vietnam**

10-12 Dinh Tien Hoang, Ben Nghe Ward, District 1, HCMC

Phone: (84 - 8) 38293828; Fax: (84 - 8) 38221903

**ISBN (Indonesia): 978-602-73852-0-7**

**ISBN (Vietnam): 978-604-73-4020-0**

Copyright © 2015 Department of Management, Faculty of Business & Economics, University of Surabaya - University of Social Sciences and Humanities, Vietnam National University Ho Chi Minh City (USSH, VNU-HCM).

## FOREWORD

It is with deep satisfaction that I write this Foreword to the Proceedings of *THE 13<sup>TH</sup> INTERNATIONAL ANNUAL SYMPOSIUM ON MANAGEMENT (INSYMA)* held at University of Social Sciences and Humanities, Vietnam National University - Ho Chi Minh City, Vietnam, March 18 -20, 2016. The 13<sup>th</sup> Insyama aims to provide a forum for discussion among leading academics, researchers, students, and practitioners from all over the world, experts in economic and social sciences.

The theme for INSYMA 2016 is “**MARKET INTEGRATION IN ASEAN: SUSTAINABLE GROWTH AND CROSS CULTURAL ISSUES**”. This theme represent emerging and highly challenging and opportunities area of research and practice.

There has been tremendous number of researchers investigating the impact of market integration and cultural impacts on economy on several communities. Mainly they found a positive impact on the economic growth as a result on significant increasing of trading for products and services in its country member. Nevertheless, market distabilization is still main disadvantage of the regional integration. Regional community needed to developed the new model of market integration system that could minimize the disadvantages.

Hundreds of scientific papers are sent to the conference committees in Indonesia and in Vietnam, and the results of a rigorous selection of 160 selected. This paper is derived from a variety of authors, both within and outside Indonesia and Vietnam, academics and practitioners. All the articles are then presented at the symposium and documented in this proceedings.

We thank all authors, participants, sponsors and co-hosts for their contributions and 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.

Ho Chi Minh, Vietnam, 18<sup>th</sup>-20<sup>th</sup> March 2016

## CONTENTS

FOREWORD .....	iii
CONTENTS .....	v

### ***FINANCE & ACCOUNTING***

---

1.	RISK TAKING AND PROFITABILITY: EVIDENCES FROM INDONESIA Abdul Mongid, Muazaroh .....	3
2.	CAPITAL ADEQUACY RISK AND SYSTEMIC RISK: AN EFFORT TO ANTICIPATE BANKING CRISIS WITH SYSTEMIC IMPACT Alfiana .....	17
3.	CD INDEX, A NEW METHODS FOR MEASURING BANKING CRISIS Amir Ambyah Zakaria, Musdholifah .....	33
4.	THE EFFECT OF GOOD CORPORATE GOVERNANCE TO STOCK RETURN IN INDONESIAN MOST TRUSTED COMPANY FOR 2006 – 2013 PERIOD Andreas Kiky, Michael Chris Ardhitya .....	46
5.	THE DETERMINANT OF INDONESIA’S ISLAMIC RURAL BANKING RISK TAKING Anggraeni .....	56
6.	<b>FREEDOM OF CONTRACT: RISK MANAGEMENT PRACTICES IN MANAGING FRANCHISE BUSINESS</b> Aris Armuninggar .....	(Abstract only)
7.	<b>BUSINESS STUDENT’S FINANCIAL LITERACY IN SURABAYA: ARE THEY GOOD ENOUGH?</b> Aulia Imiaf .....	(Abstract only)
8.	THE IMPACT OF TRADE LIBERALISATION ON THE ECONOMIC PERFORMANCE OF ASEAN COUNTRIES Awan Setya Dewanta .....	70
9.	FINANCIAL PERFORMANCE IMPACTS OF CORPORATE ENTREPRENEURSHIP Bertha Silvia Sutejo .....	85
10.	FRAMING EFFECT TO INVESTOR REACTION BASED ON GENDER PERSPECTIVE: AN EXPERIMENTAL STUDY Caecilia Wahyu Estining Rahayu, Lukas Purwoto .....	97



11.	THE INFLUENCE OF ENVIRONMENTAL MANAGEMENT ACCOUNTING TOWARD THE COMPANY PERFORMANCE AND STAKEHOLDERS Candra Sinuraya.....	111
12.	GENDER COLLABORATION ROLE IN ANALYZING AND MANAGING RISKS AT BODY REPAIR “X” IN MALANG Debby Andriani, Fidelis Arastyo Andono .....	120
13.	A SIMPLE STRESS TEST ON INDONESIAN ISLAMIC BANKING INDUSTRY Dece Kurniadi, Sutan Emir Hidayat.....	135
14.	THE INFLUENCES OF INVESTMENT OPPORTUNITIES AND PROFITABILITY ITS POLICIES DIVIDEND AT LQ45 COMPANY Dede Hertina .....	153
15.	INVESTMENT OPPORTUNITY SET BASED INDUSTRIAL GROWTH IN INDONESIAN MANUFACTURE Eka Handriani .....	169
16.	ILLIQUIDITY, MARKET CHARACTERISTIC AND STOCK RETURN (A STUDY AT INDONESIA STOCK EXCHANGE) Erman Denny Arfinto, Putri Nur Rositawati .....	188
17.	THE EFFECT OF CORPORATE GOVERNANCE MECHANISM ON FINANCIAL PERFORMANCE WITH AGENCY COST AS INTERVENING VARIABLE Finda Selli Anditya, Sutrisno .....	201
18.	BANKING INTEGRATION AMONG EMERGING AND DEVELOPED MARKET COUNTRIES: EVIDENCE FROM SOUTH EAST ASIA Ghalih R Viratama, Harjum Muharam.....	215
19.	IMPACT OF INTERNAL AND EXTERNAL FACTORS ON STOCK RETURN IN INDONESIA STOCK EXCHANGE Gusni.....	229
20.	THE EXAMINING CAPITAL STRUCTURE DETERMINANTS: EMPIRICAL ANALYSIS OF REGIONAL DEVELOPMENT BANKS IN INDONESIA Hamdi Agustin, Detri Karya, Suyadi .....	252
21.	ANALYSIS OF FACTORS AFFECTING THE PREDICTING BANKRUPTCY PRIVATE BANKS IN INDONESIA Hasrizal Hasan , Hamdi Agustin, Eva Sundari, Yul Efnita .....	266
22.	THE EFFECT OF ENTERPRISE RISK MANAGEMENT DISCLOSURE AND ACCOUNTABILITY OF FINANCIAL REPORT TOWARD FIRM VALUE (A CASE OF INSURANCE FIRMS LISTED IN	

	INDONESIA STOCK EXCHANGE) Ifada Diah Ayu Rizka, Zaenal Arifin .....	277
23.	ANALYSIS OF FACTORS AFFECTING THE CAPITAL STRUCTURE IN INDONESIA STOCK EXCHANGE Indira Kurniasari, Werner R. Murhadi, Mudji Utami .....	290
24.	STUDY OF FINANCIAL LITERACY ON MAGISTER MANAGEMENT STUDENTS: DEMOGRAPHIC REVIEW (not abstract) Rr. Iramani .....	299
25.	ASYMMETRY INFORMATION AND CREDIT RISK EFFECT ON LOAN PRICING IN ASIA PACIFIC Ivana Alim, Deddy Marciano, Liliana Inggrit Wijaya .....	312
26.	ANALYSIS OF THE DAY OF WEEK EFFECT, WEEK FOUR EFFECT, ROGALSKY EFFECT, AND JANUARY EFFECT ON STOCK RETURN IN INDONESIA STOCK EXCHANGE Kartini, Meilya Dian Santika .....	326
27.	PERFORMANCE AND RISK ANALYSIS BETWEEN JAKARTA ISLAMIC INDEX AND LQ45 Luluk Kholisoh, Sulistyani Rahmah Indah, Utara .....	(Abstract only)
28.	THE EFFECT OF INTERNATIONALIZATION TO RISK IN INDUSTRIAL MANUFACTURING COMPANY THAT LISTED ON THE INDONESIA STOCK EXCHANGE 2010-2014 PERIOD Mechiko, Deddy Marciano, Arif Herlambang.....	344
29.	BIAS REPRESENTATIVENESS WITH TREND AND SEQUENCES APPROACH: THE OVERVALUE/UNDERVALUE, MOMENTUM AND REVERSAL RETURN TEST Putu Anom Mahadwartha, Bertha Silvia Sutejo.....	359
30.	RISK MANAGEMENT IN INDONESIA TO CREATE HEALTHY COMPANY IN ASEAN ECONOMIC COMMUNITY Rosemarie Sutjiati.....	383
31.	FINANCIAL LITERACY STUDY OF MAGISTER MANAGEMENT STUDENTS: DEMOGRAPHIC REVIEW Rr. Iramani .....	(Abstract only)
32.	CORPORATE GOVERNANCE AND FIRM PERFORMANCE: THE MODERATING ROLE OF INVESTMENT Siti Puryandani, Hartati Hadady .....	394
33.	FINANCIAL PERFORMANCE ANALYSIS OF PRE AND POST MERGER ON INDONESIAN COMMERCIAL BANK WHICH REGISTERED ON INDONESIAN STOCK EXCHANGE Sri Mulyati, Bangkit Hermyan Siswara .....	410

34.	ANALYSIS OF READINESS FOR ISA (INTERNATIONAL STANDARD AUDITING) BASED IN AUDIT PLANNING (CASE STUDY AT LOCAL PUBLIC ACCOUNTANT “X” IN SURABAYA) Steffi Sunur, WiyonoPontjoharyo, Senny Harindahyani .....	430
35.	MEASUREMENT OF ISLAMIC BANK HEALTH USING SHARIA COMPLIANCE AND PERFORMANCE Sutrisno, R. Agus Basuki .....	450
36.	INTELLECTUAL CAPITAL DISCLOSURE AND FIRM VALUE: AN ANALYSIS WITH NON RECURSIVE MODEL Toni Heryana.....	461
37.	THE NEW CORPORATE GOVERNANCE MEASUREMENT AND ITS IMPACT ON FIRM VALUE Ulil Hartono, Musdholifah .....	(Abstract only)
38.	REAL EXCHANGE RATE MISALIGNMENT AND CURRENCY CRISIS: CASE OF INDONESIA Unggul Heriqbaldi .....	(Abstract only)
39.	THE INFLUENCE OF ENTERPRENEURSHIP ON FINANCIAL PERFORMANCE MEDIATED BY NON-FINANCIAL PERFORMANCE Uswatun Hasanah, Saniman, Faidal .....	487
40.	THE ROLE OF CORPORATE GOVERNANCE IN FAMILY CONTROL FIRMS: EVIDENCE FROM INDONESIA Yie Ke Feliana, Suwenda Liantina .....	499
41.	E-PAYMENT SYSTEMS IN SUPPORT ONLINE TRANSACTIONS (USER CASE STUDIES OF E-PAYMENT SERVICES IN MAKASSAR) Zikra Supri, Andi Rahmatullah Mangga, Mediaty .....	510

## ***HUMAN RESOURCES***

---

42.	THE EFFECT OF COMMITMENT CAREER TO THE SUCCESSFUL CAREER WITH EMOTIONAL PERCEPTION AS VARIABLE MODERATOR AT PT. PJB PUSAT SURABAYA Aninda Tri Cahyaningrum, M.E Lanny Kusuma Widjaja.....	525
43.	THE INFLUENCE OF THE ISLAMIC BUSINESS ETHICS AND SPIRITUAL INTELLIGENCE OF ISLAMIC LEADERSHIP AND PERFORMANCE MANAGER SHARIA BANK IN SURABAYA A Rochim Sidik .....	546
44.	EVALUATION OF EFFECTIVENESS ON DESIGN THINKING METHOD FOR THE DERGRADUATE STUDENTS (CASE STUDY ON LEADERSHIP COURSE IN PARAHYANGAN CATHOLIC	

	UNIVERSITY) Annisaa Novieningtyas, Triyana Iskandarsyah, Rizka Nugraha Pratikna, Ivan Prasetya Tanimukti .....	562
45.	OPTION-BASED MODEL AND PROJECT-BASED CAREER MODEL AFFECT EMPLOYEE’S INTENTION TO STAY IN PROFESSIONAL SERVICES ORGANIZATION: KNOWLEDGE AND SKILLS AS MODERATOR Bagus Suropto, Gugup Kismono .....	575
46.	THE IMPACT OF KKNi (INDONESIAN QUALIFICATION NETWORK) IMPLEMENTATION TO HIGHER EDUCATION GRADUATES’ QUALITY: A STUDY OF UNDERGRADUATE ALUMNI AT TANGERANG, BANTEN Dewi Wahyu Handayani, Anthony Halim .....	598
47.	ORGANISATIONAL CHANGE IN PUBLIC SERVICE: DECONSTRUCTING SECTORIAL EGO IN PUBLIC COLLABORATION Dian Ekowati.....	617
48.	WORKLOAD ANALYSIS FOR GOOD HUMAN RESOURCE PLANNING AT FACULTY Y IN UNIVERSITY X Endang Ernawati, Elsy Tandelilin .....	635
49.	THE APPLICATION OF INTERNAL CONTROL FOR THE WOMEN COOPERATIVE PERFORMANCE IN EAST JAVA Eni Wuryani, Dewi Prastiwi .....	649
50.	THE INFLUENCE OF THE QUALITY OF WOMEN’S COOPERATIVE PERFORMANCE TO GOOD CORPORATE GOVERNANCE (STUDI ON WOMEN’S COOPERATIVES IN EAST JAVA) Erlina Diamastuti, Ni Nyoman Alit Triani.....	661
51.	SUSTAINABLE GROWTH AND ETHICS A STUDY OF BUSINESS MANAGEMENT STUDENTS IN SURABAYA Erna Andajani .....	674
52.	REPUTATION ORGANIZATION DEVELOPMENT MODEL TO CREATE COMPETITIVE ADVANTAGE – A CASE STUDY IN TRANSMEDIA Indrianawati Usman.....	682
53.	PERFORMANACE MANAGEMENT APPROACH AS THE BEST CHOICE IN THE IMPLEMENTATION OF INDONESIAN NATIONAL QUALIFICATIONS FRAMEWORK Joseph L. Eko Nugroho .....	693
54.	ORGANIZATIONAL HEALTH AS A CORPORATE CULTURE AND FOUNDATION OF ORGANIZATIONAL DEVELOPMENT L. Verina H. Secapramana .....	704

55. ANALYSIS OF JOB COMPETENCIES ADVERTISED IN NEWSPAPERS AND THE CURRICULUM OF MANAGEMENT DEPARTMENT OF A SCHOOL OF BUSINESS  
Laila Saleh Marta..... (Abstract only)
56. EMPLOYER BRANDING AND THE MEANING OF WORKING THEIR EFFECTS ON WORK PLAVE PREFERENCE - A COMPARATIVE STUDY ON WORK PERCEPTION BETWEEN LOCAL WORKERS AND EXPATRIATES WORKING WITHIN LOCAL AND MULTINATIONAL FIRMS IN BANDUNG AND EXTENDED AREAS  
Maman Kusman, Dwinto Martri Aji Buana, Nugroho Hardiyanto ..... (Abstract only)
57. COMPARISON OF CULTURAL VALUES IN THREE INDONESIAN SUB-CULTURES  
Mirwan Surya Perdhana, Devia Arda..... 717
58. INFLUENCE OF WORK FAMILY CONFLICT, JOB SATISFACTION, AND TURNOVER INTENTION – THE CASE OF CV. STAR INTERNATIONAL  
Mochamad Rizki Sadikin, Debby Ulfah ..... 726
59. THE EFFECT OF INVOLVEMENT OF WORK AND DEMANDS OF WORK ON WORK-FAMILY CONFLICT WITH THE SOCIAL SUPPORT AS A MODERATING VARIABLE EMPLOYEES  
Ninin Prastiwi, Dwiarko Nugrohoseno ..... 734
60. THE ROLE OF MANAGEMENT SUPPORT ON CORPROATE ENTREPRENEURSHIP AND EMPLOYEE WORK OUTCOME  
Nuri Herachwati, Yohana Dewi Anggur..... (Abstract only)
61. ASEAN ECONOMIC COMMUNITY IMPACT TO SOCIO-CULTURE TO INDONESIA BORDER AREA RIAU STATE  
Nurman, Detri Karya, Zulkifli Rusby, Evizal Abdul Kadir ..... 756
62. CONTRIBUTION LANGUAGE (ENGLISH) AND CULTURE TO MARKET INTEGRATION IN ASEAN  
Seno H Putra, Desy Mardianti ..... 768
63. THE INFLUENCE OF MOTIVATION AND WORK ENVIRONMENT TO LECTURER PERFORMANCE IN BATAM CITY  
Sri Langgeng Ratnasari ..... 773
64. THE IMPACT OF WORK FAMILY CONFLICT TOWARDS THE EMPLOYEE PERFORMANCE OF DEPARTMENT OF FORESTRY AND ESTATE CORPS IN BATANG REGENCY, CENTRAL JAVA, WITH THE JOB SATISFACTION AS THE INTERVENING VARIABLE  
Suhartini, Tria Meidiantika ..... 785



65.	ANALYSIS OF FACTORS AFFECTING THE INFORMATION TECHNOLOGY USER PERFORMANCE IN MAKASSAR GOVERNMENT'S PUBLIC BANKS Suhartono, Dewi Arvini Wisudawaty, Grace T. Pontoh.....	795
66.	CONCEPTUAL REVIEW ON THE NEEDS FOR COMPREHENSIVE INTEGRATED CASE STUDIES OF ORGANIZATION DEVELOPMENT, WHICH SUPPORT TALENT DEVELOPMENT AND LEADERSHIP PROGRAM T. Soemarman.....	812
67.	JOB AUTONOMY, SELF-EFFICACY, JOB PERFORMANCE AND RESISTANCE TO CHANGE (EMPIRICAL STUDY ON EMPLOYEE PT. UNITED WARU BISCUIT MANUFACTORY SIDOARJO) Tri Siwi Agustina, Nidya Ayu Arina.....	833
68.	ASEAN ECONOMIC COMMUNITY CHALLENGING AND OPPORTUNITY FOR INDONESIAN GRADUATE Zulkifli Rusby, Nurman, Hasrizal Hasan, Evizal Abdul Kadir.....	848

## **MARKETING**

69.	THE EFFECT OF BRAND EQUITY ON PURCHASE INTENTION AND ITS IMPACT ON PURCHASE DECISION (CASE STUDY: MITSUBISHI MIRAGE BRAND) Aam Bastaman, Ilmi Dimas Rahma Pradana.....	863
70.	<b>ANTECEDENTS AND CONSEQUENCE OF CUSTOMER SATISFACTION IN GLOBAL FAST FOOD RESTAURANT</b> Anas Hidayat, Aulia Arifatu Diniyya, Muhammad Saifullah, Asmai Ishak..... (Abstract only)	
71.	DOES MESSAGE FRAMING MATTER? THE ROLE OF MESSAGE FRAMING AND INVOLVEMENT IN INFLUENCING ATTITUDES AND RESERVATION PRICE TOWARD ORGANIC PRODUCTS Andhy Setyawan.....	886
72.	THE IMPACT OF INSTITUTIONAL IMAGE AND STUDENT SATISFACTION ON ATTITUDINAL AND BEHAVIORAL LOYALTY – THE CASE OF UNIVERSITAS TERBUKA Andy Mulyana, Devi Ayuni.....	895
73.	THE CONSUMER INTEREST OF KEDAI MANGKOK MANIS BANDUNG: A STORE ATMOSPHERE PERSPECTIVE Ayuningtyas Y. Hapsari.....	905
74.	THE IMPACT OF FAIRNESS ON SERVICE RECOVERY TO BRI BANK CUSTOMERS SATISFACTION AND LOYALTY	

	ON PEMALANG BRANCH OF CENTRAL JAVA Chandra Arief Mauriat, Budi Astuti .....	917
75.	ACHIEVING STUDENTS LOYALTY THROUGH QUALITY OF SERVICES, STUDENTS SATISFACTION, AND REPUTATION Devi Ayuni, Andy Mulyana.....	930
76.	EFFECT OF LOW-PRICE AND HIGH-PRICE PRODUCTS DEPTH AND PROMOTION OPTIONS ON MESSAGE FRAMING AND NOMINAL PERCENTAGE DISCOUNT Dian Ambarwati, Dudi Anandya, Indarini.....	943
77.	CAUSE RELATED MARKETING: THE IMPORTANCE OF BRAND ENGAGEMENT TO WIN THE COMPETITION IN ASEAN ECONOMIC COMMUNITY Dorien Kartikawangi, Avianto Nugroho.....	950
78.	EFFECT OF PRODUCT INNOVATION, CORPORATE IMAGE AND QUALITY OF SERVICE TO CONSUMER SATISFACTION AND LOYALTY CATERING CUSTOMERS IN SURABAYA Eny Rochmatulaili .....	968
79.	MAYOR'S PERSONAL BRAND ACCELERATES THE EMERGENCE OF CITIZEN'S BRAND ATTITUDE Eriana Astuty, Sri Astuti Pratminingsih .....	984
80.	THE EFFECT OF LOYALTY FORMING FACTORS AMONG VISITOR AT BANDUNG CULINARY TOURISM Etik Ipda Riyani, Devi Ayuni, Andy Mulyana.....	994
81.	IMPLEMENTATION OF E-COMMERCE ON THE USE OF GOJEK SERVICE IN MAKASSAR Fajriani Azis, Nurlaila Hasmi, Mediaty .....	1011
82.	ANALYSIS INTENTION TO USERS OF ONLINE SHOPPING ON E-COMMERCE: REVIEW OF THEORY OF PLANNED BEHAVIOR Grace T. Pontoh, Ibrahim, Satriani .....	1029
83.	GENDER DIFFERENCES ON THE RELATION OF SATISFACTION-LOYALTY Gregorius Stanley Pratomo, Christina Rahardja Honantha, Liliana Ingrid Wijaya .....	1047
84.	MARKETING ANALYSIS, EXPERIENTIAL AND MARKETING CUSTOMER RELATION TO REALIZE CUSTOMER VALUE, AND IMPLICATIONS FOR CUSTOMER LOYALTY (SURVEY ON CUSTOMER STAR HOTELS 3, 4, AND 5 IN BANDUNG AREA) HennyUtarsih .....	1075

85.	ANALYSIS OF FACTORS QUALITY OF SERVICE E-COMMERCE AND ITS EFFECT ON CUSTOMER LOYALTY (SURVEY ON E-COMMERCE CUSTOMER IN WEST JAVA)	
	Heppy Agustiana Vidyastuti .....	1101
86.	THE IMPACTS OF TRI HITA KARANA AWARD ON HOTEL ROOM RATES PERFORMANCE: AN EXAMINATION OF ITS APPLICATIONS ON HOTELS IN BALI BASED ON SEASONS AND RESORT AREAS	
	I Ketut Surata, I Nyoman Sudiksa, Ida Bagus Made Wiyasha .....	1129
87.	THE IMPLEMENTATION OF THE STAKEHOLDER PERSPECTIVE TO SUPPORT SUSTAINABILITY ACTIVITIES AND THE ENABLING FACTORS	
	Iin Mayasari, Devi Wulandari, Iyus Wiadi, Anita Maharani .....	1151
88.	THE EFFECT OF COUNTRY OF ORIGIN IMAGE ON BRAND EQUITY THROUGH THE MEDIATION OF BRAND ASSOCIATIONS, BRAND LOYALTY AND BRAND AWARENESS ON LG AIR CONDITIONER (AC) IN SURABAYA	
	Ivana Haryanto, Silvia Margaretha, Dudi Anandya .....	1177
89.	ARE GENDER AND ETHNICITY MATTER IN IMPULSIVE BUYING BEHAVIOUR? A STUDY ON YOUNG ADULT CONSUMERS IN AUSTRALIA AND INDONESIA	
	Made Pranadatha Gunawan, Mahestu N Krisjanti .....	(Abstract only)
90.	PASSPORT SERVICE QUALITY DEVELOPMENT BASED E-GOVERNMENT (E-PASSPORT) ON SATISFACTION USERS	
	Mediati, Purnama Sari, Kartini, Muslimin .....	1191
91.	THE INFLUENCE OF CORPORATE SOCIAL RESPONSIBILITY AND SERVICE QUALITY TO PURCHASE INTENTION IN ISLAMIC BANKING	
	Muchsin Muthohar, Merlin Rahmawati .....	1206
92.	EFFECT OF COUNTRY OF BRAND TO QUALITY PERCEPTION AND BRAND TRUST	
	Muhammad Hasbi Zaidi, Nurman, Azmansyah .....	1218
93.	THE INFLUENCE OF CREATIVITY, PRODUCT INNOVATION, CUSTOMERS RELATIONSHIP MANAGEMENT TO THE PRICE DETERMINATION WHICH GRABS THE SUCCESS (THE RESEARCH ON SMALL MEDIUM BUSINESS UNITS (UKM) OF BATIK IN CENTRAL JAVA AND D.I. YOGYAKARTA PROVINCES)	
	R. Adjeng Mariana Febrianti .....	1233
94.	ATTITUDE TOWARDS CIGARETTE ADVERTISEMENT	
	Resi Permanasari .....	1255

95.	<b>CRITICAL ANALYSIS ON MARKETING ACTIVITIES OF MUSEUMS IN BALI</b> Rizal Hari Magnadi.....	(Abstract only)
96.	THE IMPACT OF THE QUALITY OF INTRINSIC AND EXTRINSIC ATTRIBUTES IN CREATING LOYALTY AND PURCHASE INTENTION Sofiana Dewi, Albari .....	1262
97.	DOES SOCIAL ADVERTISING IN TWITTER AND FACEBOOK WORK DIFFERENTLY? THE ROLE OF PROFIT ORIENTATION OF THE ORGANIZATION Sony Kusumasondjaja .....	1278
98.	ANALYSIS OF INTERNET BANKING BASED ON RISKS, BENEFITS, AND SIMPLICITIES ON THE CUSTOMERS TRUST Sri Nirmala Sari, Juniaty Ismail, Grace T. Pontoh .....	1287
99.	DETERMINANTS OF BRAND PRODUCTS SWITCHING ON SMARTPHONE (CASE STUDY ON WIDYATAMA UNIVERSITY) Sri Wiludjeng SP, Rudi Gunawan .....	1300
100.	INFLUENCE ON AWARENESS, PERCEIVED QUALITY, UNIQUENESS, SOCIAL IMAGE, AND HOME COUNTRY ORIGIN TO PRICE PREMIUM AND LOYALTY ON HÄAGEN DAZS PREMIUM PACKAGED ICE CREAM Sutrisno Hamdany, Indarini, Dudi Anandya.....	1309
101.	THE INFLUENCE OF SERVICE QUALITY AND TRUST ON LOYALTY CONSUMER OF CICENDO EYE HOSPITAL PERIOD 2014 Taufik Rachim, Adam Apriyadi Putra .....	1324
102.	STUDENT INTEREST TO PRESERVE DRAGON AND LION TRADITIONAL DANCE (AN INTERNAL FACTOR AND IMAGE OF BANDUNG SANTO CLUB PERSPECTIVE) Tezza Adriansyah Anwar, Galuh Boga Kuswara.....	1332
103.	THE EFFECT SERVICE QUALITY AND CORPORATE IMAGE ON LOYALTY WITH CUSTOMER TRUST AS A MODERATOR: A STUDY IN A PRIVATE UNIVERSITY Yasintha Soelasih, Efendi.....	1341
104.	EFFECT ATTRIBUTES SERVICES TO SATISFACTION USER SERVICES AND ITS IMPACT ON WORD OF MOUTH (STUDIES IN WIDYATAMAUNIVERSITY BANDUNG - INDONESIA) Yenny Maya Dora .....	1349
105.	THE INFLUENCE OF CUSTOMER RELATIONSHIP MANAGEMENT DAN SERVICE QUALITY ON CUSTOMER LOYALTY (CASE STUDY	

AT PT.BERJAYA ABADI TOUR AND TRAVEL) Zulganef, Sri Astuti Pratminingsih, Santy Hepty Hexiawaty .....	1373
---	------

## ***OPERATION***

---

106. IMPROVING SERVICE QUALITY OF SECRETARIAL AND OFFICE MANAGEMENT STUDY PROGRAM, FACULTY OF VOCATIONAL, UNIVERSITAS AIRLANGGA BY INTEGRATING MATRIX IMPORTANCE PERFORMANCE ANALYSIS AND FISHBONE DIAGRAM Febriana Wurjaningrum, Ida Setya Dwi Jayanti.....	1385
107. PERBAIKAN KUALITAS LAYANAN “CALL CENTER” MENGUNAKAN METODE “DMAIC” DAN “SERVICE BLUEPRINT” Fino Wahyudi Abdul, Nining P. ....	1401
108. RESTAURANT ATTRACTIVENESS AND PSYCHOLOGICAL EFFECT OF UPLOADING FOOD PICTURE ON INSTAGRAM TO WILLINGNESS TO DINE OUT Hanz Christianto, Siti Rahayu, Prita Ayu Kusumawardhany.....	1416
109. RISK AND MITIGATION ANALYSIS OF SUPPLY CHAIN WITH HOUSE OF RISK APPROCH FOR A BUSINESS IN FREE TRADE ERA Indrianawati Usman, Rudati Ariani.....	1430
110. THE FOOTWEAR SMES VALUE ORCHESTRATION IN MOJOKERTO Juliani Dyah Trisnawati.....	1442
111. IMPROVING QUALITY OF SERVICES USING IMPLEMENTATION OF QFD TO WIN MARKET COMPETITION Ratna Widiastuti.....	1449
112. SUPPLIER SELECTION USING ANALYTICAL HIERARCHY PROCESS IN PT PELITA MEKAR SEMESTA Sharon Audrey Madeline Vrisko, Stefanus Budy Widjaja, A. Budhiman S. ....	1456
113. THE EFFECTS OF DINING ATMOSPHERICS ON BEHAVIORAL INTENTIOS THROUGH SERVICE QUALITY AND FOOD QUALITY IN GOJUMONG RESTAURANT SURABAYA Shelli Rustam Moidady, Fitri Novika Widjaja, Dudi Anandya.....	1462
114. THE EFFECT OF SUPPLY CHAIN MANAGEMENT PRACTICES ON PERFORMANCE OF SMEs IN YOGYAKARTA Siti Nursyamsiah, Ninoury Ardaiva .....	1474
115. MOTIVATION OF STUDENTS IN HOSPITALITY AND TOURISM MANAGEMENT PROGRAMS Siti Rahayu .....	1491



116. THE IMPLEMENTATION OF SEVEN QUALITY MANAGEMENT TOOLS: EXPERIENCES FROM THREE ENTERPRISES IN EAST JAVA, INDONESIA  
Stefanus Budy Widjaja, Anthonius Budhiman Setyawan..... 1503
117. IMPLEMENTATION OF QUALITY CONTROL BY USING PDCA AND STATISTICS TOOLS IN BREAD STORES OLIVIA BAKERY AT MOJOKERTO  
Steven Anggriawan, Stefanus Budy Widjaja, Prita Ayu Kusumawardhany ..... 1516
118. THE DEVELOPMENT OF EDUCATIONAL TOURISM IN THE AREA OF MOUNT PENANGGUNGAN THROUGH COMMUNITY EMPOWERMENT  
Veny Megawati, Edna Sri Redjeki, Gunawan, Yoan Nursari Simanjuntak, Nanang Krisdinanto ..... 1531
119. GREEN COMPANIES SCORECARD  
Zainur Hidayah ..... 1543

### ***STRATEGIC & ECONOMICS***

---

120. E-ASEAN JOB AS STRATEGY TOWARDS FREE LABOUR MARKET IN ASEAN ECONOMIC COMMUNITY (CASE STUDY INDONESIA)  
Alfina Rahmatia, Resky Izzati Afiah, Nida' Al-Ulfah Untoro ..... 1557
121. AN ANALYSIS WORLD OIL PRICE MOVEMENTS AND THE G7 CAPITAL MARKETS  
Dian Surya Sampurna..... (Abstract only)
122. BUILDING ASEAN EXCHANGE RATE UNIT (AERU) FOR MONETARY INTEGRATION IN ASEAN-5 COUNTRIES  
Dimas Bagus Wiranatakusuma, Masyhudi Muqorobin, Imamudin Yuliadi, Alif Supriyatno ..... 1569
123. THE ANALYSIS OF FACTORS INFLUENCING DEMAND FOR IMPORTED COFFEE MALAYSIA FROM INDONESIA 1993-2013  
Eko Atmadji, Afik Beny Adam ..... 1601
124. THE EFFECT OF CORPORATE SOCIAL RESPONSIBILITY ON COMPANY REPUTATION AND MARKET RISK  
Fitri Ismiyanti ..... 1612
125. INTERNATIONAL BUSINESS RELATION OF EMERGING INDONESIA WITH ASIAN NEIGHBOURS  
Heri Sudarsono..... (Abstract only)

126.	ASEAN ECONOMIC COMMUNITY (AEC) AND ECONOMIC STABILITY: A REVIEW FROM INDONESIA'S SIDE Hersugondo, Robiyanto, Gaty Sari Chotijah .....	1629
127.	BUSINESS STRATEGY ANALYSIS AND IMPLEMENTATION TO WIN COMPETITION (CASE STUDY AT SSM) Idris Gautama So, Fransisca Chatarina, Natalia .....	1638
128.	ANALYSIS OF THE STRATEGY TO DEVELOP THE OLD TOWN ARRANGEMENT (SUNDA ETHNIC) USING THE CONCEPT OF THE NEW CITY IN BANDUNG WEST JAVA Keni Kaniawati .....	1647
129.	DRIVERS OF COUNTRY'S EXPORT PERFORMANCE Masmira Kurniawat .....	1662
130.	IMPROVING COMPETITIVENESS OF MICRO AND SMALL BUSINESS PRODUCT FACING GLOBAL MARKET (CASE ON MICRO AND SMALL BUSINESS FOOD AGROINDUSTRY IN GIANYAR REGENCY) Ni Wayan Sukartini, Ni Ketut Lasmini, Ni Made Sudarmini.....	1670
131.	TIERED SME TRAINING IN SURABAYA: STRATEGY FOR STRENGTHENING SME COMPETITIVENESS TO FACE MARKET INTEGRATION IN ASEAN Noviaty Kresna Darmasetiawa .....	1681
132.	ACCELERATING ECONOMIC DEVELOPMENT IN SURABAYA CITY TOWARDS ASEAN SINGLE MARKET Nurul Istifadah .....	1691
133.	CORPORATE SOCIAL RESPONSIBILITY AND CULTURE: THE STUDY IN HOSPITALITY Nyoman Indah Kusuma Dewi, I Gusti Agung Bagus Mataram, I Wayan Siwantara .....	1702
134.	THE ROLE OF THE STATE MANAGEMENT IN THE LABOR EXPORT IN SOUTHEAST ASIAN NATIONS TOWARDS THE ASEAN VISION 2025 (THE CASE-STUDY OF LABOR EXPORT IN VIETNAM AND THE ASEAN COUNTRIES) Phan Thi Hong Xuan .....	1712
135.	CHARACTERISTICS AND IDENTIFICATION OF OBSTACLES FACED SMES, BASED SWOT ANALYSIS IN MALANG (CENTER FOR STUDIES IN INDUSTRIAL CERAMICS DINOYO) Ririt Iriani Sri Setiawati, Tri Mujoko .....	1723
136.	ANALYSIS THEORY OF SPECIALTY AS A STEP IN ACCELERATING ECONOMIC GROWTH ASEAN COUNTRIES INCOME AT THE ASEAN	

ECONOMIC COMMUNITY (AEC) (CASE STUDY IN INDONESIA) Sumandi, Farhan Fabilallah, Heni Rahmawati, Mia Rosmiati .....	1730
137. REGIONAL TOURISM DEVELOPMENT STRATEGY (STUDIES ON DEVELOPMENT OF LOCAL GOVERNMENT TOURISM MADIUN COUNTY) Tatik Mulyati, Saraswati Budi Utami, Choirum Rindah Istiqaroh.....	1752
138. BUSINESS DEVELOPMENT OF SMALL AND MEDIUM ENTERPRISES (SMEs) IN THE CREATIVE INDUSTRY IN SUPPORTING REGIONAL ECONOMIC IMPROVEMENT THROUGH GROSS DOMESTIC REGIONAL PRODUCT (GDRP) REGION IN BANDUNG Wien Dyahrini.....	1776
139. TAX COMPLIANCE AND COMPLIANCE CONTINUUM: REVIEW OF CONCEPTS AND SOME SUGGESTIONS FOR THE MODEL OF COMPLIANCE MANAGEMENT IN SOUTHEAST ASIAN NATIONS IN THE CONTEXT OF ASEAN COMMUNITY Vo Tien Dung .....	1790

***VIETNAM'S ECONOMIC, SOCIAL AND CULTURAL ISSUES  
IN THE ERA OF INTEGRATION***

---

140. POST-MODERN MANAGEMENT AND MANAGEMENT CULTURE IN EAST ASIA Nguyen Ngoc Tho .....	1801
141. ORGANIZATIONAL DEVELOPMENT Nhor Sanha.....	1817
142. SOME ISSUES RELATED TO THE CONSTRUCTION OF REGIONAL IDENTITIES IN THE DEVELOPMENT OF ASEAN COMMUNITY FROM CROSS-CULTURAL PERSPECTIVES Tran Thi Thu Luong .....	1838
143. CROSS-CULTURAL MANAGEMENT AND EXCHANGES IN THE VIETNAMESE HIGHER EDUCATION IN THE INTEGRATION ERA Nguyen Duy Mong Ha.....	1851
144. EXPANDING THE ROLE OF UNOFFICIAL CULTURAL INSTITUTIONS IN THE CULTURAL ACTIVITIES Ngo Van Le.....	1858
145. RAISING THE AWARENESS OF SOUTHEAST ASIAN IDENTITY IN REALIZING THE ASEAN COMMUNITY Phan Thi Hong Xuan, Le The Hien.....	1864

146.	CONSTRUCTING THE ASEAN POLITICAL-SECURITY COMMUNITY THEORETICAL AND PRACTICAL PERSPECTIVE Tran Nam Tien.....	1881
147.	UNIVERSITIES AND ENTERPRISES: SUSTAINABLE COOPERATION IN TRAINING AND RECRUITING QUALITY HUMAN RESOURCES IN THE ERA OF INTEGRATION AND DEVELOPMENT Nguyen Nhu Binh.....	1895
148.	PERCEPTION OF VIETNAMESE FEMALE SEX WORKERS ON QUALITY OF CARE IN CERVICAL CANCER SCREENING Le Thi Ngoc Phuc.....	1911
149.	NEAKTA BELIEF IN THE SOUTHERN KHMER CULTURE: TRANSFORMATION FROM STONE TO HUMAN FIGURES Phan Anh Tu .....	1924
150.	THE VIETNAMESE RELIGIOUS BELIEF OF FOUR DAI CAN LADIES (TỨ VỊ ĐẠI CÀN NƯƠNG NƯƠNG) IN SOUTHWESTERN VIETNAM – A CASE STUDY OF DIEU HOA COMMUNAL HOUSE (MY THO, TIEN GIANG) Nguyen Thi Le Hang, Tran Thi Kim Anh .....	1935
151.	A STUDY OF THIEN HAU THANH MAU IN THE FISHERMEN COMMUNITY IN SONG DOC (CA MAU PROVINCE) Duong Hoang Loc .....	1947
152.	THE ROLE OF EDE (RADE) WOMEN IN MARRIAGE AND FAMILY LIFE THROUGH CUSTOMARY LAWS Ngo Thi Minh Hang .....	1959
153.	TEACHING TEOCHEW AND THE STATE OF VIETNAMESE-CHINESE (TEOCHEW DIALECT) LINGUISTIC ADAPTATION (A CASE STUDY IN VINH HAI VILLAGE, VINH CHAU TOWN, SOC TRANG PROVINCE) Truong Anh Tien .....	1974
154.	INCORPORATING TOURISM ACTIVITIES INTO THE VALUES OF KHMER PEOPLE’S COMMUNITY CULTURE IN TRA VINH Son Ngoc Khanh, Pham Thi To Thy.....	1981
155.	ASEAN COMMUNITY’S IMPACTS ON MARKETS IN SOUTHEAST VIETNAM Le Quang Can .....	1996
156.	CHALLENGES, OPPORTUNITIES, ADVANTAGES, AND DISADVANTAGES OF VIETNAM’S TOURISM IN INTEGRATION WITH ASEAN AND ITS SOLUTIONS Nguyen Nguyen Phong .....	2011

157. ROLES OF INDONESIA AND VIETNAM IN SOUTHEAST ASIA’S SECURITY Le Thi Lien.....	2012
158. COMPARING VIETNAM’S AND INDONESIA’S CURRENT DEVELOPMENT INDICES Nguyen Quang Giai .....	2032
159. ASEAN COMMUNITY : ADVANTAGES AND DIFFICULTIES IN EDUCATIONAL MANAGEMENT Nguyen Thi Huyen Thao.....	2042
160. THE ROLE OF AGRICULTURAL FESTIVALS IN THE DEVELOPMENT OF TOURISM IN LAOS Phan Thi Hong Xuan, Quach Dua Tai .....	2052
161. HO CHI MINH CITY’S TOURIST DESTINATION PRODUCTS IN ASEAN INTEGRATION TRENDS THROUGH SWOT MATRIX Nguyen Cong Hoan .....	2067
162. COLLABORATIVE DEVELOPMENT OF CULTURAL TOURISM IN CENTRAL VIETNAM WITH SOUTHERN LAOS AND NORTHEASTERN CAMBODIA Dang Hoang Lan.....	2079

THE 13<sup>TH</sup> UBAYA INTERNATIONAL  
ANNUAL SYMPOSIUM  
ON MANAGEMENT

**VNU-HCM PRESS**

**MARKET INTEGRATION  
IN ASEAN: SUSTAINABLE GROWTH  
AND CROSS CULTURE ISSUES**

*AUTHORS*

- Quarter 6, Linh Trung Ward, Thu Duc District, Ho Chi Minh City
- Block C, 10-12 Dinh Tien Hoang Street, Ben Nghe Ward, District 1, Ho Chi Minh City
- Phone: (84-8) 862726361- 862726390
- Email: [vnuhp@vnuhcm.edu.vn](mailto:vnuhp@vnuhcm.edu.vn)
- Website: [www.nxbdhqgtphcm.edu.vn](http://www.nxbdhqgtphcm.edu.vn)

Production Supervisor:  
*NGUYEN HOANG DUNG*

Editor-in- chief:  
*NGUYEN HOANG DUNG*

Editor:  
*VU THI HANH TRANG*

Revised by  
*AN NHIEN*

Cover Design:  
*University of Surabaya - Indonesia*

**Published in 2016**

© University of Surabaya,  
Surabaya, Indonesia and  
University of Social Sciences and Humanities  
- VNU-HCM,

All rights reserved. No part of this publication  
may be reproduced, copied, or transmitted in  
any forms or by any means, without the prior  
permission of the Authors, the Universities or  
the Publisher.

Print run 300 copies

Size 14.5 x 20.5 cm

Registered N<sup>o</sup>: DKKHXB No. 643-2016/CXBIPH/03-  
30/DHQTGTPHCM

License of Publishing N<sup>o</sup>. 40/QD of VNUP-HCMC  
on March 11<sup>th</sup>, 2016.

Printed by Hung Phu Printing and Packaging Co. Ltd.

Add. 162A/1, Quarter 1A, AnPhu Ward,  
Thuan An District, Binh Duong Province, Vietnam

Copyright deposited in 1<sup>st</sup> Quarter of 2016



**Department of Management  
Faculty of Business and Economics  
Universitas Surabaya**

EC Building 1st Floor  
Jl. Raya Kalirungkut, Surabaya, 60293  
Ph: +62 31 2981139 Fax: +62 31 2981231  
email: ubayainsyma@gmail.com

**University of Social Sciences and Humanities,  
Vietnam National University Ho Chi Minh City  
(USSH, VNU-HCM), Vietnam**

10-12 Dinh Tien Hoang, Ben Nghe Ward,  
District 1, HCMC  
Phone : (84 - 8) 38293828 Fax : (84 - 8) 38221903

