

12th **INSYMA**
International annual
symposium on
management



SUSTAINABILITY AS A STRATEGIC BUSINESS ORIENTATION IN GLOBAL ECONOMY RECOVERY PHASE

Proceeding 12th International Annual
Symposium on Management
Makassar - South Sulawesi, Indonesia
13th-15th March 2015



UBAYA
UNIVERSITAS SURABAYA



Member of:
AACSB



PROCEEDING

**The 12th UBAYA International Annual Symposium
on Management**

**SUSTAINABILITY AS A
STRATEGIC BUSINESS
ORIENTATION IN GLOBAL
ECONOMY RECOVERY PHASE**

Makassar, South Sulawesi, Indonesia
13th-15th March 2014

Department on Management
Faculty of Business and Economics
Universitas Surabaya

Proceeding

**The 12th UBAYA International Annual Symposium on
Management**

**SUSTAINABILITY AS A STRATEGIC BUSINESS
ORIENTATION IN GLOBAL ECONOMY RECOVERY PHASE**

Editors:

Dudy Anandya, Dr.
Edithia Ajeng P, SE.

Reviewers:

Candra S. Chayadi, Ph.D. (School of Business, Eastern Illinois
University)
Dudy Anandya, Dr (Universitas 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 Hongkong University)

Published by:

Department of Management, faculty of Business & Economics
Universitas Surabaya
Jl. Raya Kalirungkut
Surabaya, Indonesia 60293
Phone : +62-31-2981139
Fax : +62-31-2981239

ISBN: 978-979-99365-9-2

Copyright © 2015 Department of Management, Faculty of
Business & Economics, Universitas Surabaya

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 **SUSTAINABILITY AS A STRATEGIC BUSINESS ORIENTATION IN GLOBAL ECONOMY RECOVERY PHASE**. This theme interesting, considering recently, the companies are adapting to volatile and uncertain conditions as a way of life to survive. There are some important business issues and each requires a specific and appropriate response. These issues are namely governance, innovation technology, operations, regulations, risks, strategy & growth, sustainability, talent and the economy issues. The company requires its own way to deal with each of these issue so that the companies can achieve business growth and survival.

Hundreds of scientific papers are sent to a conference committee, and the results of a rigorous selection of more than 90 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.

Makassar, South Sulawesi, Indonesia
13th-15th March 2015

CONTENTS

FOREWORD	iii
CONTENTS	v

HUMAN RESOURCES

1. DESIGN OF INDUSTRIAL RELATIONS AND WAGE SYSTEMS BASED ON HUMAN RESOURCE MANAGEMENT PERSPECTIVE
Agung Widhi Kurniawan, Zarah Puspitaningtyas 3
2. ANALYSIS ON PERSONALITY AS MODERATING VARIABLE BETWEEN INFLUENCE OF ORGANIZATIONAL CITIZENSHIP BEHAVIOR AND PERFORMANCE; AND MEDIATION BETWEEN WORK ENVIRONMENT AND PERFORMANCE (STUDY ON EMPLOYEES OF PUBLIC SERVICE INSTITUTION)
Bambang Suko Priyono, Euis Soliha, Noviana Dewi 4
3. THE IMPROVEMENT OF LECTURERS' PERFORMANCE BASED ON SOCIAL CAPITAL
H.M. Fauzan 5
4. ORGANIZATIONAL CITIZENSHIP BEHAVIOR (OCB) AS A STRATEGY TO WIN THE COMPETITION
Hamsani 6
5. PROFESSIONAL COMMITMENT OF ACCOUNTANTS AND THE COMMITMENT OF PUBLIC ACCOUNTING FIRMS ON AUDITOR'S JOB SATISFACTION
Mathius Tandiontong 7

6. EFFECT OF BIOGRAPHICAL CHARACTERISTICS AND CULTURAL DIVERSITY ON PERFORMANCE
(CASE STUDY: CIVIL SERVANTS IN THE GOVERNMENT OF LUBUK LINGGAU)
Maulana 8
7. A CLOSER LOOK ON THE MASCULINITY/FEMININITY DIMENSION OF THE JAVANESE AND CHINESE INDONESIAN FEMALE MANAGERS
Mirwan Surya Perdhana 10
8. THE INFLUENCE OF LEADERSHIP STYLE AND WORK SATISFACTION TOWARDS PERFORMANCE OF EMPLOYEE
Nenah Sunarsih, Helmiatin 11
9. SERVICE CAPABILITIES OF EMPLOYEE VILLAGE DISTRICTS TO PEOPLE SATISFACTION IN SOUTH TANGERANG
Soekiyono 12
10. INTUITION BASED ON RELIGION FRAMEWORK AND IT'S ROLE IN SMALL-MEDIUM ENTERPRISES (SMES) MANAGERIAL DECISION MAKING: (A CASE STUDY OF PEKALONGAN BATIK INDUSTRY-INDONESIA)
Susminingsih 13
11. THE DESIGN OF DESICION SUPPORT SYSTEM FOR THE ASSESSMENT OF THE PERFORMANCE OF LECTURERS
Titik Mildawati 14
12. THE EFFECT OF TRANSFORMATIONAL LEADERSHIP ON PERFORMANCE BY USING MOTIVATION WITH JOB CHARACTERISTICSS AS MODERATION ROLE
Tristiana Rijanti, Kis Indriyaningrum, Anik Kristiana 15

13. POSITIVE EMPLOYER BRANDING
A STUDY CASE AT NURUL HAYAT ,
SURABAYA
H. Johny Rusdiyanto, Elsy Tandelilin 17
14. COLLABORATION ON SMEs IN AN INDUSTRY
CLUSTER: APPLICATIONS OF COMPETITIVE
STRATEGIES FOR INCREASING CAPACITY IN
THE GLOBAL ERA
Noviaty Kresna Darmasetiawan 18
15. ON THE MODIFICATION OF LAFFERTY'S 1973
"LIFE STYLE INVENTORY" THAT APPLY TO
SPECIFIC CONTEXT OF PUBLIC SERVICES IN
THE GOVERNMENT OFFICES OF EAST JAVA
PROVINCE, INDONESIA 2014: ASSURING
BUSINESS SUSTAINABILITY THROUGH
APPLICATION OF PSYCHOMETRIC
MEASUREMENT FOR SELECTION OF
EMPLOYEES WHO HAVE HIGH
PERFORMANCE AND SUPERIOR PROFILE
T. Soemarman, J. L. Eko Nugroho 19

FINANCE & ACCOUNTING

16. FINDING COMPANY WITH DURABLE
COMPETITIVE ADVANTAGE
THROUGH INTERPRETATION INCOME STATEMENT (A
CASE STUDY OF GO PUBLIC POULTRY
FEED'S COMPANIES IN INDONESIA)
Cliff Kohardinata 23
17. FUNDAMENTAL FACTORS OF BOND RATING
REGISTERED IN INDONESIA BOND MARKET
DIRECTORY 2008-2012
Felix, Agus Zainul Arifin 24

18. ANALYSIS OF CAPITAL ASSET PRICING MODEL (CAPM) AND SHARIA COMPLIANT ASSET PRICING MODEL (SCAPM) CASE STUDY ON JAKARTA ISLAMIC INDEX
Kunto Ardianto, Sutrisno 25
19. THE INFLUENCE LEADERSHIP, ENVIRONMENT AND LOCATION FOR COMPENSATION AND JOB SATISFACTION IN PT. MATAHARI DEPARTMENT STORE, TBK.
Lia Amalia, Peggy Bintang Nauli 26
20. OPAQUE FINANCIAL REPORTS AND STOCK PRICE CRASH RISK IN INDONESIA
Lukas Purwoto, Eduardus Tandelilin 28
21. ANALYSIS OF FACTORS AFFECTING FINANCIAL PERFORMANCE IN MAINTAINING EXISTENCE OF SMALL AND MEDIUM COMPANIES
M.Sienly Veronica 29
22. THE EFFECT OF RETURN ON INVESTMENT (ROI) AND EARNINGS PER SHARE (EPS) SHARE PRICE PT. ASURANSI DAYIN MITRA, TBK
Nina Nurhasanah, HM. Hasbi Zaidi 31
23. VALUE VERSUS GLAMOUR INVESTING IN INDONESIA STOCK EXCHANGE
Novan Reza Pahlevi 32
24. FACTORS THAT AFFECT PROFITABILITY IN TERMS OF COMPLIANCE EMPIRICAL STUDIES IN BANKING COMPANY THAT LISTED IN IDX ON 2009-2013
Nur Aini, Yeye Susilowati 33
25. EFFORTS TO IMPROVE COMPANY'S PROFITABILITY
Rosemarie Sutjiati Njotoprajitno 34

26. PREDICTING THE FUTURE STOCK RETURN AND ITS PERSISTENCE USING E-INFORMATION IN INDONESIA STOCK EXCHANGE
Sawidji Widodoatmodjo 35
27. EFFECT OF FUNDING AND RISK DECISION ON FINANCING DECISION EMPIRICAL STUDY ON ISLAMIC BANKING IN INDONESIA
Sutrisno 36
28. THE IMPACTS OF TRUST, RISK AND TECHNOLOGY ACCEPTANCE MODELS ON CONSUMERS' DECISION WITH CONSUMERS' INTEREST AS INTERVENING VARIABLE
Sri Ismulyaty, Wiwin Siswantini 37
29. THE EFFECT OF LOAN DEPOSIT, CAPITAL ADEQUACY, CREDIT RISK AND LIQUIDITY TO BANKS PERFORMANCE EMPIRICAL STUDIES IN BANKING COMPANY THAT LISTED IN IDX ON 2010-2012
Yeye Susilowati, Nur Aini, Ida Nurhayati, Listiyani 39
30. THE ROLE OF CULTURE DIMENSION IN MANAGEMENT CONTROL SYSTEM TO ENHANCE EMPLOYEE'S MOTIVATION
Alex Chandra, Liliana Inggrit Wijaya, Imanuel Goestaman 40
31. STOCK MARKET INTEGRATION BETWEEN MALAYSIA AND INDONESIA
Christopher Tongku, Putu Anom Mahadwartha 41
32. EMPIRICAL EVIDENCE OF PRIVATE DEBTS IN INDONESIA
Erick Sugito Suharso, Deddy Marciano, EndangErnawati 42
33. WORKING CAPITAL MANAGEMENT AND PROFITABILITY: A STUDY ON CONSUMER

GOODS INDUSTRY

Dita Yohana Putri Abrianto, Werner Ria Murhadi, Arif
Herlambang

43

34. DAY OF THE WEEK EFFECT: THE CASE OF
MEXICO, INDONESIA AND TURKEY

Werner R. Murhadi

44

OPERATION MANAGEMENT

35. INNOVATIVENESS SURVEY ON
MANUFACTURING COMPANIES IN
TASIKMALAYA CITY

Edy Suroso, Ina Primiana

47

36. DISCOVERING THE RELIGIOUS
CONTRIBUTION IN HOSPITALITY
ORGANIZATION
(BUSINESS CULTURE EXPERIENCE FROM
PEKALONGAN BATIK VILLAGE-INDONESIA)

Imam Kanafi, Ade Dede Rohayana, Susminingsih

48

37. COMBINING ABC-FUZZY CLASSIFICATION
MODEL FOR DRUGS INVENTORY PLANNING
IN A PHARMACIUTICAL UNIT OF A PUBLIC
HEALTH CENTER (*PUSKESMAS*) DJOMBANG
EAST JAVA INDONESIA

Indrianawati Usman, Mulyani

50

38. ANALYSIS OF CURRENT PERFORMANCE
MANAGEMENT PRACTICES OF STATE OWN
ENERGY COMPANY IN INDONESIA
CASE STUDY PT XYZ

Muhammad Tresnadi Hikmat

51

39. MAPPING THE SUPPLY CHAIN OF SHEEP
MEAT DOMBA PADJADJARAN

Muhamad Dzikron, Ina Primiana

53

40. PERCEPTION OF FOREIGN TOURISTS
TOWARDS ORGANIC FOODS IN TOURISM
REGION UBUD, GIANYAR - BALI, INDONESIA
Ni Luh Suastuti, Lidjah Magdalena Massenga 55
41. QUALITY SERVICES OF UNIVERSITY BASED
ON STUDENT PERSPECTIVE
Ratna Widiastuti 57
42. THE EFFECT OF TECHNOLOGY READINESS ON
TECHNOLOGY ACCEPTANCE IN USING
SERVICES DELIVERY OF ACADEMIC
INFORMATION SYSTEM
Rorim Panday 58
43. IMPLEMENTATION OF QUALITY FUNCTION
DEPLOYMENT (QFD) ON LEARNING PROCESS
IN UNIVERSITY X, SURABAYA
Alvin Chrixander Fernaldy, Siti Rahayu, Juliani Dyah T. 59
44. THE IMPACT OF SERVICE QUALITY AND
FOOD QUALITY: THE MODERATING ROLE OF
ATMOSPHERICS OF KOREAN RESTAURANT
'MYOUNG GA' IN SURABAYA
Evina Kurniawan, Fitri Novika Widjaja, Andhy Setyawan 60
45. THE EFFECT OF KPOP PRODUCT ON IMAGE
CHANGE AND TRAVEL INTENTION OF
INDONESIA'S RESIDENTS ON SOUTH KOREA
AS TOURISM DESTINATION
Happy Lia Sanjaya, Fitri Novika Widjaja, Dudi Anandya 61
46. SUSTAINABILITY SUPPLY CHAIN
MANAGEMENT ON MOBILE PHONE FEATURES
ACCORDING TO CONSUMER PREFERENCES IN
SURABAYA
Janice Hendrianto, A. Budhiman Setyawan, Prita Ayu
Kusumawardhany 62

47. THE MOTIVES TO JOIN THE SURABAYA
COSPLAY COMMUNITY
Juliani DyahTrisnawati 63
48. THE IMPACT OF WATCHING REALITY SHOW
MY TRIP MY ADVENTURE TO DESTINATION
IMAGE, DESTINATION KNOWLEDGE,
PEOPLE'S ATTITUDE AND TRAVEL
INTENTION TO MAKASAR
Regina Juwana, Fitri Novika Widjaja, Dudi Anandya 64
49. EFFECT OF MICE DESTINATION
ATTRIBUTES ON FORMING BALI
TOURISTIC IMAGE
Threslia Regina Martha Leuw, Fitri Novika Widjaja, Erna
Andajani 65
50. EFFECT ANALYSIS OF SUPPLY CHAIN
MANAGEMENT FOR COMPETITIVE
ADVANTAGE AND ORGANIZATIONAL
PERFORMANCE IN EAST JAVA
MANUFACTURING COMPANY
Yongky Kristianto Pramana, Stefanus Budy Widjaja, Prita
Ayu Kusumawardhany 66

MARKETING

51. AN INVESTIGATION CUSTOMER LOYALTY ON
INDONESIAN AIRLINES COMPANY
Anas Hidayat, Wulan Yunita Istianila Dewi 69
52. THE IMPACT OF INSTITUTION IMAGE,
STUDENT SATISFACTION AND WORD OF
MOUTH
Andy Mulyana, Devi Ayuni 70
53. INTEGRATED MARKETING MANAGEMENT
STRATEGY FOR PHARMACEUTICAL

PRODUCTS AND REVIEW FROM BUSINESS ETHICS PERSPECTIVE Annisa Vera Carolina Kristanto	71
54. PRODUCT QUALITY AND PRICE PERCEPTION BUYING DECISION AGAINST SALONPAS PAIN RELIEF PATCH IN HYPERMART DAAN MOGOT WEST JAKARTA Ari Anggarani Winadi Prasetyoning Tyas, Desy Wulandari	72
55. THE INFLUENCE OF PEOPLE SATISFACTION ON SERVICES ORGANIZATION PUBLIC PERFORMANCE VILLAGE DISTRICTS SOUTH OF TANGERANG Deni Surapto	73
56. DETERMINANTS INTERRELATION OF CUSTOMER LOYALTY SIMPATI PREPAID CARDS USERS Devi Ayuni, Andy Mulyana	75
57. THE EFFECT OF CONSUMER ATTRIBUTES, BRAND AWARENESS ATTRIBUTES AND BRAND IMAGE ATTRIBUTES ON BRAND EQUITY AND DECISION TO CHOOSE EDUCATIONAL SERVICES (CASE STUDY AT UNIVERSITIES IN PEKANBARU CITY) Gatot Wijayanto	77
58. THE START UP BUSINESS PROCESS WITH THE USE OF BIRD IN HAND AND AFFORDABLE LOSS PRINCIPLE Gek Sintha	78
59. PERCEPTIONS AND USAGE BEHAVIOR OF THE NATION-WIDE COMMUNICATION AND DATA MANAGEMENT SYSTEM: A PHENOMENOLOGICAL STUDY Grace T. Pontoh, Darwis Said, M. Ishak Amsari, M. Achyar Ibrahim	79

-
60. CUSTOMER DECISION MAKING STYLE, BASED ON LOCAL CULTURE
Kasnaeny K 80
61. ROLE OF INNOVATION CAPABILITY IN INCREASING SHAREHOLDER VALUE (SALES GROWTH AS INTERVENING VARIABLE)
Masmira Kurniawati 81
62. STRATEGY TO IMPROVE BRAND AWARENESS (A CASE STUDY OF EMPRESS BOX COMPANY)
Monica Francesca Liando, Christina Yanita Setyawati 82
63. THE INFLUENCE OF PREACHER ENDORSER TOWARD PURCHASE INTENTION
Muhammad Ryanhazmi, Muchsin Muthohar 83
64. THE INFLUENCE OF STRATEGIC ADVERTISING AND STORE ATMOSPHERE ON CUSTOMER BUYING INTERESTS (CASE STUDY IN GIANT SUPERMARKET URIPSUMOHARJO STREET YOGYAKARTA)
Murwanto Sigit 84
65. ANALYSIS OF EFFECT OF IMAGE AND QUALITY SERVICE ON CUSTOMER COMMITMENT WITH TRUST MEDIATION (A STUDY ON AT PUSKESMAS IN-PATIENTS, JAKENAN, REGENCY OF PATI)
R. A. Marlien, Alimuddin R R, Ali Muslihin 85
66. SURABAYA'S UNIVERSITIES STUDENTS' SELF DEVELOPMENT AFTER WATCHING KOREAN DRAMA
Rizky Hanna Ekaputri, Tias A. Indarwati, Nadia Asandimitra 86
67. FACTORS INFLUENCING CORPORATE SOCIAL RESPONSIBILITY DISCLOSURE: EVIDENCE IN INDONESIA
Selina Gunawan, Lina 87
-

68. IDENTIFYING INTERESTING THEMES
REGARDING COUNTRY OF ORIGIN EFFECT: A
PRELIMINARY STUDY
Sulhaini, Junaidi Sagir 88
69. HAS THE IMPLEMENTATION OF GREEN
MARKETING BEEN EFFECTIVELY WORKED IN
INDONESIA?
Wendra Hartono 89
70. WORK MOTIVATION AND SERVICE QUALITY
OF STATE CIVIL APPARATUS AS
ANTECEDENT OF COMMUNITY
SATISFACTION AT THE PUBLIC SERVICES IN
THE SUB-DISTRICT OF SOUTH TANGERANG
CITY
Wiwin Siswantini, Tamjuddin, Devi Ayuni, Andy Mulyana 90
71. EFFECT OF WEBSITE DESIGN QUALITY ON
REPURCHASE INTENTION OF ONLINE
CUSTOMER, WITH MEDIATOR VARIABLE OF
SATISFACTION AND TRUST
Zulayka Hamami Putri, Albari 92
72. SERVICE QUALITY COMPARISON BETWEEN
BLUE BIRD TAXI AND ORENZ TAXI BASED ON
CONSUMER'S PERCEPTION IN SURABAYA
Alan Darmasaputra Siat, Dudi Anandya, Christina Rahardja
Honantha 94
73. INFLUENCES OF CONSUMER ATTITUDE
TOWARD ONLINE BRAND COMMUNITY ON
REVISIT INTENTION AND BRAND TRUST IN
MANCHESTER UNITED ONLINE COMMUNITY
ON FACEBOOK THROUGH MODERATION
TYPES OF COMMUNITY: MOC vs COC
Andrew Safan, Christina Rahardja Honantha, Andhy
Setyawan 95
74. UTILITARIAN AND HEDONIC MOTIVATORS
EFFECT OF SHOPPERS' DECISION TO

CONSULTATION WITH HARTONO
ELEKTRONIKA SALESPERSON IN SURABAYA
Christian Budianto, Dudi Anandya, Indarini

97

STRATEGIC MANAGEMENT

75. SURVIVING CONFLICT: A CASE STUDY OF
TOURISM INDUSTRY IN MALUKU
Charly Hongdiyanto 101
76. A CONCEPTUAL MODEL OF INCORPORATING
SUSTAINABILITY
INTO INNOVATION AND ITS EFFECT ON
BUSINESS PERFORMANCE
Esti Dwi Rinawiyanti 102
77. CORPORATE SOCIAL RESPONSIBILITY AND
PUBLIC RELATION (A LITERATURE REVIEW)
Helmiatin 104
78. RETAIL STRATEGY FOR TRADITIONAL
MARKET IN SURABAYA
CASE STUDY: PASAR KAPAS KRAMPUNG
Indri Hapsari, Markus Hartono, Andrianto Gunawan 105
79. ORGANIZATIONAL DEVELOPMENT;
IMPLEMENTATION OF THE VALUES FOR
ORGANIZATIONAL SUSTAINABILITY
I Wayan Edi Arsawan, Ni Putu Santi Suryantini 106
80. STRATEGIC INNOVATION THROUGH
TECHNOLOGY READINESS AND ACCEPTANCE
IN IMPLEMENTING ICT FOR CORPORATE
SUSTAINABILITY
John Tampil Purba 107
81. FROM THE SYMBOLIC ICON OF LOTUS IN
THE VIETNAMESE CULTURE,

RECOMMENDING THE NEW IDEA OF ORGANIZING THE LOTUS FESTIVAL IN DONG THAP PROVINCE OF VIETNAM (PERIOD OF 2015-2020) Phan Thi Hong Xuan	108
82. BUSINESS CLIMATE FOR SMALL MEDIUM ENTERPRISES AND E-GOVERNMENT INITIATIVE Rizal Hari Magnadi	109
83. APPLYING SUSTAINABILITY STRATEGY FOR SOCIOPRENEUR Sonata Christian	111
84. THE INFLUENCE OF COMPANIES' CHARACTERISTICS AND ENVIRONMENTAL CERTIFICATION TOWARDS THE DISCLOSURE OF CSR IN INDONESIA Wiwiek Dianawati	112
85. THE SELECTION OF CLASSIFICATION METHODS IN KANO MODEL FOR SERVICE INDUSTRY Yenny Sari	114
86. FORMULATING BUSINESS STRATEGY FOR FASHION RETAIL BUSINESS: A CASE STUDY Yuke Felicia, Liliani	115

WORKING CAPITAL MANAGEMENT AND PROFITABILITY: A STUDY ON CONSUMER GOODS INDUSTRY

Dita Yohana Putri Abrianto

Faculty of Business and Economics, University of Surabaya
email: ditayohana@gmail.com

Werner Ria Murhadi

Faculty of Business and Economics, University of Surabaya
email: werner@staff.ubaya.ac.id

Arif Herlambang

Faculty of Business and Economics, University of Surabaya
email: arif_herlambang@ubaya.ac.id

Abstract

This study aimed to analyze the effect of working capital management on the profitability of consumer goods industry sector listed on the Indonesia Stock Exchange during the period 2009-2013. Number of observations in this study was 140 observations. In order to know the relationship occur among the independent variable (Average Collection Period, Inventory Conversion Period, Average Payment Period, and Cash Conversion Cycle) on Gross Profit Margin using the multiple linear regression analysis model, F-test and t-test was conducted. The control variables that were used in this study for the measurement of working capital management are Firm Size and Leverage. The study established that gross profit margin was positively correlated with Average Collection Period and Average Payment Period but negatively correlated with Inventory Conversion Period and Cash Conversion Cycle. The relationship between Inventory Conversion Period and Cash Conversion Cycle with Gross Profit Margin was insignificant. For the control variables, only debt ratio was positively correlated and significant with profitability. While firm size was negatively correlated and insignificant with profitability. The results suggest that managers can increase profitability of consumer goods industry sector by reducing average collection period and cash conversion cycle.

Keywords: Working Capital Management, Firm Size, Leverage, Profitability

DAY OF THE WEEK EFFECT: THE CASE OF MEXICO, INDONESIA AND TURKEY

Werner R. Murhadi
Universitas Surabaya
email: werner@staff.ubaya.ac.id

Abstract

This study aims to determine whether there is the phenomenon of calendar anomalies, especially the day of the week effect in the stock market of Mexico, Indonesia and Turkey. All three are known as MINT (Mexico, Indonesia, Nigeria and Turkey) are predicted to be the engine of world economic growth over the next ten years. The sample used in this study is the daily data of stock index movements in each country, during the period from 2009 to early February 2014. The results showed the absence of the phenomenon of day of the week effect in the equity markets of Mexico and Turkey. Different results occur in the Indonesian capital market which found there were differences in daily returns, the average return was lowest on Mondays and highest return on Wednesday.

Keywords: Calendar Anomalies Phenomenon, Day Of The Week Effect, Daily Return.

Working Capital Management and Profitability :

A Study on Consumer Goods Industry

Dita Yohana Putri Abrianto, ditayohana@gmail.com

Dr. Werner Ria Murhadi, S.E., M.M, Werner@staff.ubaya.ac.id

Arif Herlambang, S.Si., M.Si, arif_herlambang@ubaya.ac.id

Department of Management,

Faculty of Business and Economics Universitas Surabaya (UBAYA)

Abstract - This study aimed to analyze the effect of working capital management on the profitability of consumer goods industry sector listed on the Indonesia Stock Exchange during the period 2009-2013. Number of observations in this study was 140 observations. In order to know the relationship occur among the independent variable (Average Collection Period, Inventory Conversion Period, Average Payment Period, and Cash Conversion Cycle) on Gross Profit Margin using the multiple linear regression analysis model, F-test and t-test was conducted. The control variables that were used in this study for the measurement of working capital management are Firm Size and Leverage. The study established that gross profit margin was positively correlated with Average Collection Period and Average Payment Period but negatively correlated with Inventory Conversion Period and Cash Conversion Cycle. The relationship between Inventory Conversion Period and Cash Conversion Cycle with Gross Profit Margin was insignificant. For the control variables, only debt ratio was positively correlated and significant with profitability. While firm size was negatively correlated and insignificant with profitability. The results suggest that managers can increase profitability of consumer goods industry sector by reducing average collection period and cash conversion cycle.

Keywords: Working Capital Management, Firm Size, Leverage, Profitability

1. Introduction

Global economic uncertainty and free trade, requires every company to step ahead of the competitors. The Company aims to produce a profit as much as possible, enlarge the scale of the business, and maintain the viability of the company. The Company will conduct various activities to achieve the objectives that have been set. Therefore, companies should consider the decisions that will be taken include three areas: Capital Budgeting, Capital Structure and Working Capital Management (Ross, Westerfield and Jaffe, 2003). Working Capital Management (WCM) decisions are very important and strategic because they affect the firm profitability and firm value. The main objective of working capital management is to reach optimal balance between working capital management components, receivable, inventory and payables and using the cash efficiently for day-to-day operations (Gill,2011).

Optimization of working capital balance means minimizing the working capital requirement and realizing maximum possible revenues (Ganesan, 2007)

2. Literature Review

Several studies have shown that there are different effects of each variable on the profitability of the company's working capital. Murhadi (2013) conducted research on working capital management and profitability in the period 2008-2011 on the Stock Exchange company incorporated in the LQ-45 and out the financial sector. The results of this study indicate that the Average Collection Period (ACP) and the Cash Conversion Cycle (CCC) does not affect the profitability of the company, while Average Payment Period (APP) and Inventory Conversion Period (ICP) significant positive effect on the profitability of the company. Murhadi (2013) also found that leverage significant negative effect on the profitability of the company. Leverage will reduce profitability because interest expenses will be greater than the benefits of the tax savings. Another study conducted by Vural, Sokmen, and Cetenak

(2012) who found that there was a significant negative correlation between the ACP, ICP and CCC on the profitability of the company. Shortening the ACP and the CCC can increase the profitability of the company. Companies can roll back the money obtained into other investments. While research Rahman (2011) found that there is a positive relationship between working capital efficiency and profitability ratios. In this case the company must reduce the CCC become shorter and manage working capital more efficiently to improve the profitability and performance of the company.

3. Research Methods

This study uses secondary data from companies in the consumer goods industry sectors listed on the Stock Exchange 2009-2013. Independent variables used in this study is the working capital : ACP, ICP, APP, and CCC. The dependent variable is the profitability of the company : Gross Profit Margin (GPM) obtained from the company's operating gross profit divided by sales. GPM is used as the dependent variable because this ratio reflects the operational activities of the company earnings results that are not affected by financing activities. While the control variables used in this study is the firm size measured using Ln (total assets) and leverage as measured by debt ratio.

Multiple linear regression models were used in this study is based on Murhadi (2013), DELOOF (2003), and Enqvist, Graham and Nikkinen (2012), namely:

$$\begin{aligned}
 \text{GPM} &= \beta_0 - \beta_1.ACP + \beta_2.SZ + \beta_3.DR + u & (1) \\
 \text{GPM} &= \beta_0 - \beta_1.ICP + \beta_2.SZ + \beta_3.DR + u & (2) \\
 \text{GPM} &= \beta_0 + \beta_1.app + \beta_2.SZ + \beta_3.DR + u & (3) \\
 \text{GPM} &= \beta_0 - \beta_1.CCC + \beta_2.SZ + \beta_3.DR + u & (4)
 \end{aligned}$$

4. Result and Discussion

This study used a sample of listed companies in the consumer goods industry sector during this period and have to meet certain criteria in order to obtain 28 companies. Descriptive statistics are shown in Table 2.

Tabel 2

Descriptive Statistics

	N	Minimum	Maximum	Mean	Std. Deviation
GPM	140	8,19	71,86	35,1553	18,12147
ACP	140	4,65	161,62	55,3023	35,76852
ICP	140	22,41	322,07	110,2471	59,62852
APP	140	2,00	131,06	39,2845	26,91379
CCC	140	-2,14	349,15	126,2649	76,74066
SZ	140	11,34	18,17	14,2152	1,62139
DR	140	,09	,90	,3967	,17409

In Table 2 it can be seen that the average Gross Profit Margin of the company is 35.16% with average collection period of 55 days, inventory conversion period is 110 days, average payment period of 39 days and cash conversion cycle of 126.26 days. Cash conversion cycle in this descriptive analysis is a measure of the efficiency of working capital management company. While the average value of firm size is 14.22 and the average composition of debt to total assets reached 39.67%. Based on the survey results revealed that each of the multiple linear regression model in this study has been free from heteroscedasticity, multicollinearity, and autocorrelation and have to meet the assumptions of normality. four model are developed to find the significant relations between working capital management variables with profitability:

$$\begin{aligned}
 \text{GPM} &= 31,394 + 0,140 \text{ ACP} + 0,775 \text{ SZ} - 37,783 \text{ DR} + u \\
 \text{GPM} &= 57,316 - 0,001 \text{ ICP} - 0,335 \text{ SZ} - 43,702 \text{ DR} + u \\
 \text{GPM} &= 47,784 + 0,170 \text{ APP} - 0,096 \text{ SZ} - 45,208 \text{ DR} + u \\
 \text{GPM} &= 56,488 + 0,003 \text{ CCC} - 0,322 \text{ SZ} - 43,268 \text{ DR} + u
 \end{aligned}$$

The results of the relationship between the independent variables and control variables on the dependent variable are presented in Table 3.

Tabel 3
Inferential statistics for WCM components against Profit

Variabel Independen	Variabel Dependen: GPM (<i>Gross Profit Margin</i>)								Ekspektasi
	Model 1		Model 2		Model 3		Model 4		
	Beta	t		t		t		t	
Constanta	31,394	2,199	57,31	4,533	47,784	3,908	56,488	4,285*	
ACP	0,140	3,293							Negatif
ICP			-0,001	-0,025					Negatif
APP					0,170	3,374			Positif
CCC							0,003	0,170	Negatif
SZ	0,775	0,835	-0,335	-0,372	-0,096	-0,111	-0,322	-0,357	Positif
DR	-37,783	-4,581	-43,70	-5,124	-45,208	-5,616	-43,268	-4,985*	Negatif
F	14,617*		10,19		14,839		10,202		
R ²	62,6%		62,4%		63,2%		62,4%		

* Sig at $\alpha = 5\%$

Table 3 presents the results of inferential statistical tests were performed on models 1, 2, 3, and 4. The results of this study are consistent with previous studies conducted by Muhammad, Jan and Ullah (2012), Jayarathne (2014) and ElvaJunine (2012). The increase in the invested company in the form of receivables could increase the proportion of credit sales of total sales that the company's profitability will also increase (Manullang, 2005, p.38). Companies can slow down the payment term credit sales if the benefits of increased sales is greater than the cost of bad debts and the opportunity cost (Murhadi, 2013). Model 2 shows that the partial effect is leveraged while ICP and firm size had no significant effect. Model 2 shows that ICP negative but insignificant effect. This indicates that the acceleration of the conversion period inventory conducted by the company does not lead to an increase or decrease of the profitability of the company. The results of this study are consistent with previous studies conducted by Vural et al (2012) and Osundina (2014). Osundina (2014) suggests that the inventory conversion period is too long to have a greater percentage of damage on raw materials and finished goods, this will lead to low profitability of the company. Companies that are too long to invest in inventory will lead to an increase in storage costs, maintenance costs, and opportunity costs that the company's profitability will decline. Inventory conversion period must be managed efficiently by speeding up the time of conversion of raw materials into finished goods then sold to the market. If the company can accelerate the conversion period, the supply of available funds may be used for other, more profitable investments. In model 3 shows that the partial effect is APP and leverage while firm size had no significant effect. Model 3 shows that APP positive and significant impact on the profitability of the company so that the third hypothesis is accepted. The results of this study are consistent with previous studies conducted by Murhadi (2013), Rahman (2011), Mathuva (2010), Jayarathne (2014), and ElvaJunine (2012). The longer the company to pay the debt then profitability will increase. Companies can use the first available cash to invest in short-term assets that are liquid to generate income that can increase the profitability of the company (Murhadi, 2013). Although debt payments can be slowed, companies still need to adapt them to the maximum limit for payment of debt that has been determined by the creditors. By doing so, debt payments can be slowed down without damaging the reputation and credibility of the company.

In model 4 indicate that the partial effect is leveraged while the CCC and firm size effect is not significant. Model 4 shows that the CCC positive but not significant effect on the profitability of the company. The results of this study are consistent with previous studies conducted by Murhadi (2013) and Osundina (2014). Murhadi (2013) argued that although the company is able to shorten the cash conversion cycle, but this was not a significant impact on corporate profits. This is due to the average cash and cash equivalents of the company is relatively low at 20.78% of total current assets. The results of this study are consistent with previous studies conducted by Nilmawati (2011). Nilmawati (2011) suggested that the size of the company negatively affect the profitability of the company, this

means that companies with a large size would have a lower profitability. According Falope and Ajilore (2009), small companies easier to control the assets. However, the results in this study no significant effect so that firm size does not lead to an increase or decrease in the profitability of the company.

Leverage has a negative and significant coefficient on the profitability of the company. The results of this study are consistent with previous studies conducted by Murhadi (2013), Enqvist et al (2012), Nilmawati (2011), Raheman et al (2010), Mathuva (2010), Raheman and Nasr (2007) and Jayarathne (2014). Murhadi (2013) suggested that high debt will increase interest expense which can lead to the possibility of bankruptcy is greater than the tax benefits received by the company.

5. Conclusion

In this paper, four models developed to make an empirical research on the associations between working capital management with firm's performance (profitability). Based on the test results in models 1, 2, 3, and 4 by using the F test result, the variables used in each of these models simultaneously and significant effect on profitability the company. While based on the results of hypothesis testing using t test, the results showed that only the independent variable APP, ACP and control variables (leverage /DR) give significantly influence the profitability of the company. Based on the results of this study indicate that the profitability of the company depends on the effective management of working capital. Therefore, companies should focus on reducing the cash conversion cycle by collecting receivables as soon as possible and slow down payment of debt to invest in prior to the short-term investment more profitable. This will cause the company's cash conversion cycles are getting shorter and the increased profitability of companies that can maximize shareholder value and has a good chance. In this study, there are limitations that can be considered for further research. Therefore, further research is expected to do research with a longer period to obtain more accurate results.

6. References

- Brigham, Eugene F. dan Houston, Joel F., (2001), *Financial Management*, 8th edition, Jakarta: Erlangga.
- Brigham, Eugene F. dan Ehrhardt, Michael C, (2005), *Financial Management: Theory and Practice*, 11th edition, Thomson South-Western.
- Deloof M., (2003), Does Working Capital Management Affect Profitability of Belgian Firms?, *Journal of Business Finance & Accounting*, Vol.30 (3) & (4): 573-587
- Ganesan, V. (2007). "An Analysis of Working Capital Management Efficiency in Telecommunication Equipment Industry", *Rivier Academic Journal*, Vol. 3, No. 2, pp 1-3.
- Gill, A. (2011). Factors that influence working capital Requirements In Canada. *Economics and Finance Review*, 1(3), 30-40.
- Murhadi, Werner R. (2013), *Manajemen Modal Kerja dan Profitabilitas di Bursa Efek Indonesia*. Proceeding Forum Manajemen Indonesia, Universitas Tanjungpura, 5. p. 3. ISSN 2338-994X
- Taleb, G.A., Zoued, A.N., Shubiri, F.N. (2010). The Determinants of Effective Working Capital Management Policy: A Case Study on Jordan. *Interdisciplinary Journal of Contemporary Research in Business*, 2(4), 248-264.
- Vural, G., Sokmen, A., dan Cetenak, E., Affects of Working Capital Management on Firm's Performance: Evidence from Turkey, *International Journal of Economics and Financial Issues*, Vol. 2 (4): 488-495.

**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

ISBN 978-979-99365-9-2



9 789799 936592