

SOCIAL RESPONSIBILITY AS COMPETITIVE ADVANTAGE IN GREEN BUSINESS

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on Management

**SOCIAL RESPONSIBILITIES AS
A COMPETITIVE ADVANTAGE
IN GREEN BUSINESS**

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Department on Management
Faculty of Business and Economics
Universitas Surabaya

Proceeding

**The 11th UBAYA International Annual Symposium on
Management**

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.

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THE INFLUENCE OF ENTREPRENEUR EDUCATION, INTERNAL LOCUS OF CONTROL, THE NEED OF ACHIEVEMENT, CREATIVITY, GENDER AND FAMILY TOWARD THE ENTREPRENEURSHIP INTENTION

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Abstract

The soul of entrepreneur for youth should be encouraged, so that there are increasing the amount of entrepreneurship in Indonesia. University is a place where the youth getting knowledge, give their role to internalize entrepreneurship to the students, so that they are able to change the paradigm of the students' thinking, who they formerly as job seekers to become the job creators. Country, a nation must have minimally 2% of the number of its population. The purpose this study is to measure how the influence of entrepreneur education, internal locus of control, the need of achievement, creativity, gender and family toward the entrepreneurship intention. Subject of the research are students that have been follow entrepreneurship object are 100 respondents. This research used survey method with questionnaire instrument and the sampling method use non probability sampling and the sample was taken by using the technique of purposive sampling. The technique of data analysis applied in this research was descriptive statistical analysis and inferential statistical analysis.

1.1. Background

The soul of entrepreneur for youth should be encouraged, so that there are increasing the amount of entrepreneurship in Indonesia. University is a place where the youth getting knowledge, give their role to internalize entrepreneurship to the students, so that they are able to change the paradigm of the students' thinking, who they formerly as job seekers to become the job creators.

The students of Public Polytechnique Malang are required to attend the entrepreneurship course and to encourage the spirit of entrepreneurship in the Public Polytechnique Malang also conduct the various activities concerning the entrepreneurship as entrepreneurship seminar and entrepreneurship training. To know whether the entrepreneurship education gotten by the students influent the intensity of students' entrepreneurship, so research on entrepreneurship education is needed to know the influence of entrepreneurship education toward the intensity of entrepreneurship for the students.

The intensity of entrepreneurship defined as cognitive description of the action that will be done by someone either to establish a new stand by itself

business of to create new value in the exist entrepreneurs (Fini, Grimaldi, Marzocci and Sobrera, 2009). In this research the intensity of entrepreneurship defined as cognitive description of the action that will be done by someone to establish a new business.

The relationship of entrepreneurship and intensity of entrepreneurship have been researched by the researchers before. Galloway, Brown, Anderson and Wilson (2006) found that the percentage of the students who learned the entrepreneurship possibly became a greater entrepreneur than they who did not learn the entrepreneurship. Chen, Weng and Hsu (2010) researched entrepreneurship on the youth of Taiwan. The result of the research said that the students who often attend some training and activities of entrepreneurship getting more confidence on their achievement to be entrepreneur.

Bird (1988) in Mazzarol, Volery, Doss and Thein (1999) said that the characteristics of individual and environment factor decide the intensity of entrepreneurship. Then Garytner (1988) stated that researchers on entrepreneurship field have tried to identify the personal factors that differentiate the entrepreneurship and not entrepreneurs. So, it can be concluded that the entrepreneur characteristic are some characteristics that is inherent on the personal of the entrepreneur, which differentiate between an entrepreneur and general society.

Some researches which have been done are also about gender influent in entrepreneurship show that males have stronger intensity in entrepreneurship (Indarti and Rostiani, 2008). It can happen because of some different views and thinking patterns between male and female. Women only think of work as side jobs because their main job has been planted in the Indonesian culture is a household mother so that woman only get money form her husband who works. “Based on GEM (*Global Entrepreneurship Monitor*) data showed that the woman entrepreneurship level is higher in the poor countries, where woman does not have any other choices to get income when they are in the forced position they are able to have entrepreneur soul (Malach and Dafna, 2008, p. 812)”.

Family also has a role in bearing entrepreneur because it is the first environment known and the most influent in the family where the value and knowledge can be got from the parents. Staw (1991) (cited in Riyanti, 2003, p. 37) said that “experience in doing business that can be got is one of the keys success in implement business, especially if the new business that will be implemented concerning the business experiences before.” This experience can be obtained by the parents who their profesional as entrepreneur. Characteristic of stand by themselves showed by parents to manage business encourage a son or daughter to establish his or her business (Staw [1991] cited in Riyanti, 2003, p. 37).

Then the characteristic relationship of entrepreneur and the intensity of entrepreneur has been researched by Yusof, Sandhu and Jain (2007). By using sample of students, the result of his research stated that *propensity to risk* and *innovativeness*, *need for achievement* and tolerance for ambiguity positively and significantly influent toward *entrepreneurial inclination*, while locus of control negatively influent towards *entrepreneurial inclination*.

Theoretical Study

1.2.1. The Nature of Entrepreneur

Role of the entrepreneur can be viewed from two perspectives: economy theory and empiric theory. In the context of economy theory, Boumol (1983) in Raposo, Paco and Ferreira (2008) defines entrepreneur as the person who create , manage and operate a new enterprise. However, in empiric theory, Collins et al. (1964) in Raposo, Paco and Ferreira (2008) defines the entrepreneur as a person who creates an entrepreneur which does not exist before. Furthermore, Veciana (1980) in Raposo, Paco dan Ferreira (2008) state the definition of entrepreneur which is specially related to new business and manage a small enterprise in which occasionally innovation and success as the additional criteria. In this research, the present writer define entrepreneur as the person who initiate the new business.

1.2.2. Entrepreneurship Education

The education of entrepreneurship is an attempt to internalize the soul and the mental of entrepreneurship either through education institution or the other institution such as training institutions. The system of education at the higher education and the programs of the government is addressed to improve the entrepreneurship spirit which is finally hoped it cof the students from the job seeker to the job creator. The education of entrepreneurship has a significant role in increasing the spirit of entrepreneurship for the grsduates.

1.2.3. Entrepreneur Characteristic

The researchers and books writers of entrepreneurship have mentioned a number of characteristics which describe the entity which is known as entrepreneur. David E. Rye (1996) in Sunarya, Sudaryono dan Saefullah (2011: 41) state that the characteristics of entrepreneur involve: 1) high achievement ; 2) risk taker; 3) problem solver; 4) status seeker; 5) high level of energy; 6) self-confidence ; 7) avoiding the emotional engagement; 8) need personal satisfaction. While Zimmerer, Scarborough and Wilson (2008) the characteristics entrepreneur cover: 1) desire of responsibility; 2) prefer the moderate risk; 3) being convinced of his ability and success; 4) desire to get the immediate feedback; 5) high level of energy; 6) futuristic oriented; 7) organizational skill; 8) judge the achievement is more valuable than money; 9) high commitment ; 10) tolerate to the ambiguity; 11) flexibility; 12) skillful.

The elaboration of the characteristic of entrepreneur used in this research is described as follows:

1.2.4. Need for Achievement

McClelland (1961, 1965) in Rasheed (2003) reveal that the *need for achievement* is based on the expectations to do something better or faster compare to the other people or better achievement compare to the other previous people.

1.2.5. Internal locus of control

Internal *locus of control* is defined as to what extend the individual is convinced by the events in his life is under his control (Sexton dan Bowman, 1985). Rotter in Lefton (1985) reveal that people tend to be *external locus of*

control who believe that result is beyond to their control, while the individuals who tend to be *internal locus of control* believe that their personal actions directly influence the result of a particular event.

1.2.7. Creative

Creativity is the ability to develop new ideas and find the new ways in viewing the problem and the probability. So, creativity is thinking of something new. The ‘something new’ is related the invention and the development of the new ideas and the new ways to view the problem and the probability (Zimmerer, Scarborough dan Wilson, 2008)

1.2.8. Entrepreneurship Intention

Entrepreneur intention is defined as cognitive description of the action which will be conducted by a person either to found a new enterprise or to create new value in an existing enterprise (Fini, Grimaldi, Marzocci and Sobrera, 2009). In this research, the definition of entrepreneur intention is the cognitive description of the action that is conducted by someone to build a new enterprise.

1.2. 9. Gender

Some researcheres that have been conducted are also about the influence of gender in entrepreneurship showed that female have stronger intensity in entrepreneurship (Indarti and Rostiani, 2008). It can happen because of different opinion and thinking pattern between men and women. Women only think that work is a side job because it has been planted within the Indonesian culture that they are as mothers of household so that women only get money from their husbands who work. “Based on GEM (*Global Entreopreneurship Monitor*) data showed that the woman entrepreneurship level is higher in the poor countries, where woman does not have any other choices to get income when they are in the forced position they are able to have entrepreneur soul (Malach and Dafna, 2008, p. 812)”.

1.2.10. Family

Family also has a role in bearing entrepreneur because it is the first environment known dan the most influent in the family where the value and knowledge can be got from the parents. Staw (1991) (cited in Riyanti, 2003, p. 37) said that “experience in doing business that can be got is one of the keys success in implement business, especially if the new business that will be implemented concerning the business experiences before.” This experience can be obtained by the parents who their profesional as entrepreneur. Characteristic of stand by themselves showed by parents to manage business encourage a son or daughter to establish his or her business (Staw [1991] cited in Riyanti, 2003, p. 37).

1.3. Hypothesis

Based on the theoretical study and the previous result of the research that has been uncover above, it can be concluded as follows:

1. The more frequent the students follow the entrepreneurship education, the higher intensity of entrepreneurship for the students of Public Polytechnique Malang.
2. The higher the achievement in driving the internal locus of control of entrepreneurship the higher intensity for the students of Public Polytechnique Malang.
3. The higher the needs of achievement, the higher the intensity of entrepreneurship for the students of Public Polytechnique Malang.
4. The higher creativity the higher the students' intensity of entrepreneurship.
5. Men have the influence of entrepreneurship intensity of the students of Public Polytechnique Malang compared with female.
6. The higher family's support the higher the entrepreneurship intensity for the students of Public Polytechnique Malang.

METHODOLOGY

4.1 Research Design

This research is categorized as an explanatory research.

4.3 Population and Sample

The population in this research was the students of the State Polytechnic of Malang. The sampling method use non probability sampling and the sample was taken by using the technique of purposive sampling. The characteristic of the selected samples were the students who had taken the subject of entrepreneurship education and those who had joint a seminar or training on entrepreneurship.

4.4. The Technique of Data Collection

This research used questionnaire to collect the data.

The Research Result

1. Analysis of Inferential Statistics.

Technique of inferential statistics used to analyze data sample and its results will be used on population. This statistics will be appropriate to be used when the sample taken from the apparent population, and the technique to take this sample from that population was done randomly (Sugiyono, 2012: 148). Technique of inferential statistics used in this research is double linear regression.

a. The results of double linear regression

In this research the instrument to analyze used is double linear regression where this analysis is used to know the influence of independent variable toward independent variable. Double linear regression analysis has been done (appendix 4), with the result as follows:

Table 1
The Result of Double Regression Linear

Dependent Variable	Independent Variable	Regression Coefficient (b)
Y	X ₁	0.206
Y	X ₂	0.245
Y	X ₃	0.282
Y	X ₄	0.224
Y	X ₅	1.100
Y	X ₆	0.222
Constancy = -4.566		

Source: processed data, (appendix 4), 2013.

Explanation:

X₁ : Entrepreneurship education

X₂ : Internal locus of control

X₃ : Need of achievement

X₄ : Creativity

X₅ : Gender

X₆ : Family

Y : Intensity of entrepreneurship

From the result of double regression analysis in the form of regression coefficient (b) as in table 10 it can be arranged regression equation as follow:

$$Y = -4.566 + 0.206X_1 + 0.245X_2 + 0.282X_3 + 0.224X_4 + 1.100X_5 + 0.222X_6$$

The equation of regression above can be explained as follow:

- (1) From table 10 can be obtained regression coefficient of entrepreneurship education variable (X₁) as much as 0.206, it means that when the entrepreneurship is more frequent, so, the intensity of entrepreneurship is also higher.
- (2) From table 10 can be obtained regression coefficient of internal locus of control variable (X₂) as much as 0,245, it means that the higher the achievement of driving, the higher intensity of entrepreneurship.
- (3) From table 10 can be obtained regression coefficient of internal need of achievement variable (X₃) as much as 0.282, it means that the higher the need of achievement, the higher the intensity of entrepreneurship..
- (4) From table 10 can be obtained regression coefficient of creativity variable (X₄) as much as 0.224, it means the higher the creativity, the higher the intensity of entrepreneurship.
- (5) From table 10 can be obtained regression coefficient of gender variable (X₅) as much as 1.100, it means that the difference of gender is able to influent the intensity of entrepreneurship

Gender variable as dummny, the equation that can be defined is as follows:

$$Y_{(0)} = b_0 + d_5 \cdot X_5$$

$$\begin{aligned}
 &= -4.566 + 1.100(0) \\
 &= -4.566 \\
 Y_{(1)} &= -4.566 + 1.100(1) \\
 &= -3.466
 \end{aligned}$$

From this result, it is shown that the intensity of entrepreneurship of men (male) is higher than the intensity of women (female).

- (6) From table 10 can be obtained regression coefficient of family variable (X_6) as much as 0.222, it means that the higher family's support the higher the intensity of entrepreneurship.

b. Simultaneous Analysis(F test)

Significance test of F is used to know statistically the amount of coefficient correlation (R) is significant so that it can be used as a basic test whether all independent variables (X) within this research have simultaneously influent toward dependent variables (Y). The result of F test significantly presented in table below.

Table 2
The Result of F Test

Dependent Variable	Independent Variable	F Account	F Table	Decision toward Ho
Y	X1, X2, X3, X4	12.082	2.20	Not accepted
R = 0.662 R ² = 0.438				

Source: processed data, (appendix 4), 2013.

From Table 11 above can be known the amount of the value of F account = 12.082 more than tabel F = 2.22. It means that the entrepreneurship education, internal locus of control, the need of achievement, creativity, gender, and family influent simultaneously toward the intensity of entrepreneurship (Y).

From the amount of determination coefficient (R^2) = 0.438 means that the amount of support for entrepreneurship education, internal locus of control, the need of achievement, creativity, gender, family toward ythe intensity of entrepreneurship (Y) as much as 43.8% and the rest 56.2% influent by other unresearched independent variable.

c. Partial Analysis (t Test)

Significancy tet of t is used to kniow whether statistically the amount of regression coefficient (b) is significant so that it can be used as a basic test showed how far *a explanatory variable* to explain the variation of dependent variabel. The result of t test can be seen at the following table.

Tabel 3
The Result of *t* Test

Dependent Variable	Independent Variable	t_{count}	t_{tabel}	Sig. <i>t</i>	Decision toward H_0
Y	X_1	2.145	1.66140	0.035	Unaccepted
Y	X_2	2.113	1.66140	0.037	Unaccepted
Y	X_3	2.212	1.66140	0.029	Unaccepted
Y	X_4	2.054	1.66140	0.043	Unaccepted
	X_5	2.649	1.66140	0.009	Unaccepted
Y	X_6	2.217	1.66140	0.029	Unaccepted

Source: processed data, (appendix 4). 2013

Test result of the above table can be explained as follow:

- (1) The influence of entrepreneurship education (X_1) toward the intensity of entrepreneurship (Y).

The result of Table 12 can be seen $t_{account} = 2.145$ more than $t_{table} = 1.66140$ on probability of 0.035 is less than 0.05, it means that this influence is significant, so that the decision on H_0 is unaccepted and H_a is accepted. So it can be concluded that partially the entrepreneurship education (X_1) significantly influence toward the intensity of entrepreneurship variable (Y).

- (2) Internal influence of *locus of control* (X_2) toward intensity of entrepreneurship (Y).

The result of Table 12 is known $t_{account} = 2.113$ more than $t_{table} = 1.66140$ on probability of 0.037 is less than 0.05, it means that this influence is significant, so that the decision toward H_0 is unaccepted and H_a is accepted. So it can be concluded that partially internal locus of control (X_2) significantly influence toward the intensity variable of entrepreneurship (Y).

- (3) The influence of the need of achievement (X_3) toward the intensity of entrepreneurship (Y).

The result of Table 12 is known $t_{account} = 2.212$ more than $t_{table} = 1.66140$ on probability of 0.029 is less than 0.05, so it means that this influence is significant, so that the decision toward H_0 is unaccepted and H_a is accepted. So, it can be concluded that partially the need of achievement (X_3) significantly influence toward the intensity variable of entrepreneurship (Y).

- (4) The influence of creativity (X_4) toward the intensity of entrepreneurship (Y).

The result of Table 12 is known $t_{account} = 2.054$ more than $t_{table} = 1.66140$ on probability of 0.034 is less than 0.05, it means that this influence is significant, so that the decision toward H_0 is unaccepted and H_a is accepted. So it can be concluded that partially the need of achievement (X_4) influence significantly toward the intensity variable of entrepreneurship (Y).

- (5) The influence of gender (X_5) toward the intensity of entrepreneurship (Y).

The result of Table 12 known $t_{account} = 2.649$ of probability of 0.009 is less than 0.05, it means this influence is significant, so that the decision

toward H_0 is unaccepted and H_a is accepted. So it can be concluded that partially gender (X_5) influent significantly toward the intensity of entrepreneurship (Y).

- (6) The influence of family (X_6) toward the intensity of entrepreneurship (Y).

The result of Table 12 known $t_{\text{account}} = 2.217$ is more than $t_{\text{table}} = 1.66140$ on probability on 0.029 is less than 0,05, it means that this influence is significant, so that the decision toward H_0 is unaccepted and H_a is accepted. So it can be concluded that partially family (X_6) influent significantly toward the intensity of entrepreneurship (Y).

5. Conclusion

Based on the result of this research it is known that the entrepreneurship education, Internal locus of control, the Need of achievement, Creativity, Gender, Family simultaneously influent toward the intensity of entrepreneurship on 43.8%.

From the result of this research it is known that the entrepreneurship has a significant influent directly toward the intensity of entrepreneurship. The entrepreneurship educational system in University and the government's program are intended to increase the soul of entrepreneurship which is expected to change the thinking paradigm of the students who seek a job to become field of job creators. By attending to entrepreneurship education the students are able to enhance their knowledge about the character of *internal locus of control*, increase knowledge of creating business planning, increase knowledge of business and are able to increase skills of business management.

Internal locus of control influent significantly towards the intensity of entrepreneurship, it means that the higher their confidence that in every action directly will influent the result of business. Business will not be success without any strong effort and continuity.

The need of achievement influents significantly toward the intensity of entrepreneurship, it means that the higher the need of achievement, the higher intensity of entrepreneurship. The need of achievement is a character that based on the expectations to do something better or faster than on other person or is better than the achievement of he himself or her herself or other previous person.

Creativity also significantly influent the intensity of entrepreneurship, it means that the higher creativity of a person the higher the intensity of entrepreneurship. Creativity is the achievement to develop new ideas and to discover new ways in seeing problems or opportunities. So, Creativity is thinking about some new things. Those new things are concerning discovering and developing new ideas and new ways in seeing problems and opportunities (Zimmer, Scarborough and Wilson, 2008).

Gender also has significant influence toward the intensity of entrepreneurship. It means, the intensity of entrepreneurship influent by male and female genders. From this result of this research it can be concluded that the intensity of entrepreneurship of men (male) is higher than female (Women). As research conducted by Indarti and Rostiani (2008) that the influence of gender in entrepreneurship showed that male have a stronger intensity in doing entrepreneur.

Family influent significantly towards the intensity of entrepreneurship, it means that when the motives or support of the family is higher so the intensity of entrepreneurship is higher too. Family also has a role in forming entrepreneur because the first time environment is known and the most influential thing is a family where the value and knowledge of entrepreneur is a great factor as a capital to entrepreneur because it has been accustomed in everyday life in the family. When the entrepreneur has been accustomed by a family, it will be easier to do than they who have not accustomed to do that.

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**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**

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Abstract

This research explores the basic issue about whether the good corporate ethics statement and corporate social responsibility (CSR) can create positive consumer responses on the company and its products. We examined the proposed model that links corporate ethics, CSR, corporate reputation, and perceived risk in the case of controversial products that offers by company, especially on cigarette products. As one of actors in the Indonesian tobacco industry, PT. Djarum implemented many CSR programs include educational initiatives. This research was conducted in the Faculty of Economics and Business Diponegoro University as a recipient of PT. Djarum implemented CSR educational initiative through “Bakti Pada Negeri” program. Research conducted by survey method through distributing questionnaires to the 209 university students in Faculty of Economics and Business Diponegoro University. The sampling method which used for this research was nonprobability sampling with convenience sampling technique. By using the structural equations model with AMOS software to examine the proposed model, this research indicated that the more well-defined of corporate ethics statements lead to better evaluation of CSR activities; the better evaluation of CSR activities lead to good corporate reputation, but did not lead to lower perceived risk; the good corporate reputation lead to lower perceived risk; and the more well-defined of corporate ethics statements did not lead to lower perceived risk. Based on Sobel test results, this research indicated that perceived CSR has a significant role in enhancing corporate reputation which in turn reducing perceived risk.

Keywords: corporate ethics, corporate social responsibility, corporate reputation, perceived risk.

RESEARCH BACKGROUND

Recently, consumers are not only considering the traditional or economic buying criteria such as product quality, price, or other convenience factors but also considering the non economic criteria in making a purchase decision. Singhapakdi and Karande (2001) proposed that corporate ethics statements and Corporate Social Responsibility (CSR) became the non economic criteria that influence consumer purchase decision making and therefore both of them should be considered by organizations. Companies that implemented many

philanthropic activities and ethical business practices usually were perceived to be good corporate citizens by consumers (Cacioppe et al., 2008). The company can differentiate themselves from their competitors and increase consumer loyalty by actively involved in philanthropic activities and conducting an ethical business practice.

Previous research regarding the role of corporate ethics and CSR on consumer purchase behavior indicated that generally consumers perceived good corporate ethics is good business practice (Joyner and Payne, 2002; Beurden and Gossling, 2008) and therefore they may use ethical and CSR considerations as the non economic criteria in making a purchase decisions (Creyer and Ross, 1997; Singhapakdi and Karande, 2001; Mohr and Webb, 2005). Regarding ethical corporate behavior, Creyer and Ross (1997) found that consumers stated that the ethicality of a firm's behavior is an important consideration during the purchase decision and they will reward ethical behavior by a willingness to pay higher prices for that firm's product as well as they want to do so at lower prices when they buy from an unethical firm as a punishment for the unethical act conducted by firms. Earlier research also indicated that CSR have a positive influence towards consumer evaluation about the company and the intention to buy (Brown and Dacin, 1997; Ellen et al., 2006; Lichtenstein et al., 2004; Mohr and Webb, 2005; Sen and Bhattacharya, 2001). However, research conducted by Webb and Mohr (1998) in the retail context have found that consumer conviction towards the usefulness of CSR is not always consistent with the consumer purchasing behavior. They found that consumers prefer to shopp at the retailer who sells products with good quality, low price, and offering convenience than the retailer that supports social issues as a part of CSR activity. Mohr et al. (2001) also confirmed that only few consumers who had stated that CSR was the main factor that influences their regular purchase decision.

Based on research gap, this research attempts to explore the basic issue about whether good corporate ethics and CSR can create positive consumer responses on the company and its products. Especially, this research examines the relationships between corporate ethics, CSR, corporate reputation, and perceived risk. Similiar to other companies in other industries, the controversial companies have legitimate right to develop and engage in CSR activities because CSR is one important means to improve corporate reputation and influence the consumers purchase behavior. However, research concerning the effect of corporate ethics and CSR on consumer purchase behavior in controversial industry are still rarely. Therefore, we used the the controversial product, namely cigarette product that produced by PT. Djarum

in examined the proposed model. As one of actors in the Indonesian tobacco industry, PT. Djarum implemented many CSR programs in many different fields including in the social, sport, environment, education, and culture.

LITERATURE REVIEW

Corporate Ethics and CSR

Company should actually communicate ethical behavior and social responsibility to the stakeholders. One method to communicate the company's commitment towards ethical behavior and social responsibility is via the corporate ethics statement (Stanaland et al., 2011). Most company has been promoted the ethics statement through many ways as a form of the company's commitment to respect ethics in all operational and social activities conducted by the company (Murphy, 2005). Ethics statement is one of the formal structures used by the company to institutionalize ethics (Lantos, 1999).

Some previous research explore the relationship between corporate ethics and CSR. Corporate ethics generally was identified as the antecedents of CSR. Tuan (2012) found that corporate ethics, namely ethics of care and ethics of justice influenced ethical CSR, legal CSR, and economic CSR. Jin and Drozdenko (2010) indicated that managers that are in an organic organizational environment are perceived to be more social responsible because they act more ethical than managers that work in a mechanistic organization. They concluded that ethical acts that are conducted by the manager based on the corporate ethics statement in which this statement in general has become the guideline for the manager and employees in conducting their tasks. Study conducted by Stanaland et al. (2011) indicated that corporate ethics that are manifested in the form of the ethics statement positively influenced on consumers' perception regarding how large company's commitment to corporate social responsibility. Therefore, company that able to formulate a good ethics statement should be perceived has strong commitment to corporate social responsibility by consumers.

Based on previous research, this study proposed the following hypotheses:

H1 : The more well-defined of corporate ethics statements will lead to better evaluation of CSR activities.

CSR and Corporate Reputation

Corporate social responsibility become the foundation for the company's competitiveness and is part of the operation business's strategy (Porter and Kramer, 2006). Scholars suggested that one of the factors that enable CSR activities to increase business competitiveness is its impact on intangible asset like brand equity and corporate reputation (Dawkins and Lewis, 2003; Gatti et al., 2012). Company can build some competitive advantages by implementing corporate social responsibility activities. Branco and Rodrigues (2006) proposed that based on resource-based perspective, corporate social responsibility is considered to have internal benefits like promoting resources and new capabilities as well as external benefit like increasing corporate reputation. Therefore, corporate reputation become an intangible asset and its can be build or diminish because of the consequence of company's decision to or not to conduct corporate social responsibility activities.

By implementing CSR, organization got the broaden access to capture resources as well as increased corporate and brand reputation that ultimately lead to increased customer loyalty and obtain the qualified employees (Cacioppe et al., 2008). Turban and Greening (1997) confirmed that firms' positive corporate social performance may lead to potential competitive advantage and they found that firms higher in corporate social performance have more positive reputations and were more attractive employers than firms lower in corporate social performance. Findings from some previous research regarding the effect of CSR on corporate reputation also indicated that CSR initiatives has a positive impact on corporate reputation (Drumwright, 1994; Brown and Dacin, 1997; Meyer, 1999; Fombrun, 2005; Lai et al., 2010, Stanaland et al., 2011; Gatti et al., 2012).

Therefore, this study proposed the following hypotheses:

H2 : The better evaluation of CSR activities will lead to good corporate reputation.

CSR and Perceived Risk

The relationship between CSR and perceived risk can be explored by social identity theory. Social identity refers to the perception of belonging to a group with the result that a person identifies with that group and organizational identification is a specific form of social identification in which the person defines him or her self in terms of membership on a particular organization (Bhattacharya et al., 1995). Social identity theory postulate that consumers tend to identify their self with the organization involved in optional citizenship (Bhattacharya et al., 1995; Sen and Bhattacharya, 2001). Corporate philanthropy and cause

related marketing as the part of CSR activities can enhance consumer' identification with organization and ultimately results of high brand loyalty, positive word of mouth, and increase consumer trust to the company.

The identification between consumer and company potentially lead to consumer's positive evaluation regarding corporate social responsibility conducted by company and consequently it can enhance consumer trust and reduce perceived risk for all products offered by company. In the other words, perceived risk can potentially become reduce together with the consumer's positive evaluation on the company which has conducted social responsibility activities and its products. Perceived risk include performance risk that refers to the possibility that the product will not function as expected and financial risk that referes to monetary loss that could be incurred by product failure are potentially impacted by CSR activities (Stanaland et al., 2011).

Therefore, this study proposed the following hypotheses:

H3 : The better evaluation of CSR activities will lead to lower perceived risk.

Corporate Reputation and Perceived Risk

In general, a respected reputation should enhance the wellbeing of any firm (Ewing et al., 1999). The better of company's reputation, the more likely the purchasing public will assume that the products and services that offered by the company are better, have the higher quality and worth more in actual price (Dowling, 1994). The better of company's reputation, the more likely negative elements or negative stories about the company will be edited or filtered out of the customer's consciousness (Howard, 1998).

Marketing literature states that reputation is a valuable asset that requires a long-term invesment of resources, effort, and attention to customer relationship and a good reputation indicates past tolerance from opportunism (Jarvenpaa et al., 2000). Chiles and McMackin (1996) argued that generally firms with a good reputation are perceived by consumer to be reluctant to jeopardize their reputation by acting opportunistically such as failing to fullfill their promises and obligations. Therefore, good corporate reputation lead to enhance consumer trust and reduce the consumer's perception of risk associated with opportunistic action and behavior conducted by company (Ganesan, 1994).

Reputation was identified become a strong predictor of perceived risk (Purohit and Srivastava, 2001). They found that consumers perceive less risk in purchasing from retailers

who possess a reputation for providing good service and quality products than from unknown retailers. Regarding the role of corporate reputation in reducing perceived risk on the professional consulting services context, Ewing et al. (1999) found that clients prefer to use a consulting firm with an excellent reputation because it is helpful for enhancing the marketability of their projects. Based on Mehrabian and Russell's Stimulus-Organism-Response model to include both external (i.e. reputation) and internal source of information (i.e. website quality) as stimuli which affect consumers' response systems, Kim and Lennon (2013) indicated that reputation had a significant positive effect on consumers' emotion and significant negative effect on perceived risk.

Therefore, this study proposed the following hypotheses:

H4 : The good corporate reputation will lead to lower perceived risk.

Corporate Ethics and Perceived Risk

Corporate ethics statements must not only exist but also be communicated both inside and outside the organization (Murphy, 1995; Weaver, 1993). Company can used several forms tools to communicate and promote corporate ethics statements both internally and externally such as website, booklets, posters, cards, or video. Murphy (2005) indicated that mostly companies used website as the tools to communicate their corporate ethics statements to their stakeholders.

The types of corporate ethics statements includes values statement, corporate credo, and code of ethics (Murphy, 1995, 2005). Values statements are aimed to set out the guiding principles of a company. Values statement often identify corporate qualities like integrity, trust, teamwork and fairness. Most values statements contain one or more that are considered primarily moral or ethical and not only limit to economic. Corporate credo commonly describe a company's beliefs and/or responsibilities to its stakeholders. Company should communicate and evaluate a credo to work because the credo often acts as a benchmark document for companies desiring a cohesive corporate culture. Codes of ethics are more detailed treatment of a firm's ethical policies. Codes of ethics is what guidance they communicate to employees about acceptable and unacceptable behavior. Corporate codes should assist employees in making ethical decisions in their day to day activities by spelling out areas of specific concern for the company. Study conducted by Adams et al. (2001) indicated that the presence of a code of ethics have a positive impact on perceptions of ethical behavior. Codes of ethics generally address issues such as conflict of interest, gift giving and

receiving, relationships with dealers, increasing workforce diversity, human rights and competitive intelligence, advertising, and product safety.

Regarding the role corporate ethics to reduce perceived risk, Murphy (2005) found that product safety become the important issue in ethics statements because product safety is viewed as more of a legal than ethical issue. Moreover, companies that market products such as toys, autos, alcohol, cigarette, and other safety-sensitive products likely should offer an ethical position on this area too in order to reduce consumers' perceived risk concerning product safety.

Therefore, this study proposed the following hypotheses:

H5 : The more well-defined of corporate ethics statements will lead to lower perceived risk.

Corporate Reputation as mediator for CSR and Perceived Risk

CSR is often used as a key criterion in gauging corporate reputation (Ellen et al., 2006). Company's decision to implement corporate social responsibility activities can lead to the better corporate reputation that ultimately reduce perceived risk. The rationality is that the better company's reputation indicate the better and higher quality of the products and services that offered by the company and therefore reduce perceived risk associated the products purchasing (Dowling, 1994).

Based on social identity theory, consumers tend to identify their self with the organization involved in optional citizenship (Bhattacharya et al., 1995). The identification between consumer and company is stonger together with consumer's positive evaluation regarding corporate social responsibility conducted by company as well as corporate reputation regarding higher quality of products and services that offered by the company and consequently reduce the consumer's perception of risk associated with the opportunistic action conducted by company as well as the products purchasing. Therefore consumer's positive evaluation regarding corporate social responsibility conducted by company has a significant role in enhancing corporate reputation which in turn reducing perceived risk.

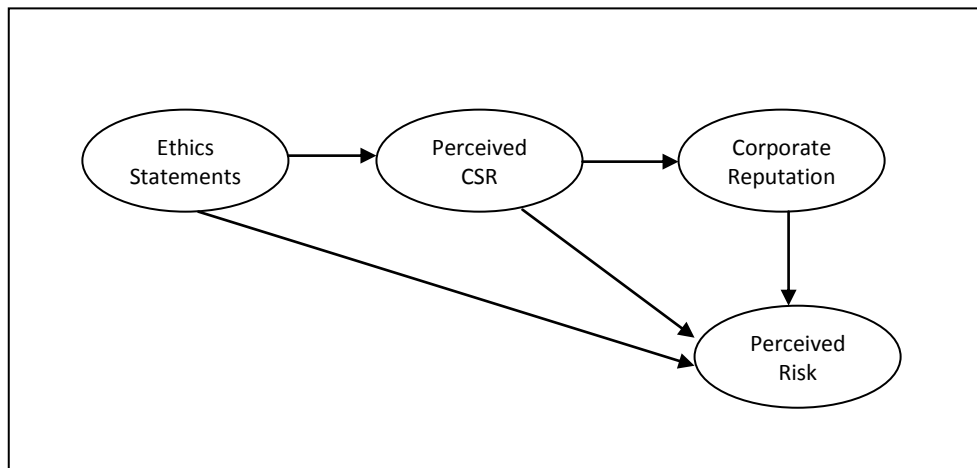
Therefore, this study proposed the following hypotheses:

H6 : Corporate reputation is mediator for perceived CSR and perceived risk.

Research Framework

Based on literature review and hypotheses development, the research framework that proposed in this research presented in Figure 1.

Figure 1. Research Framework



RESEARCH METHODS

Population and Sample

This research was conducted in the Faculty of Economics and Business Diponegoro University as a recipient of PT. Djarum implemented CSR educational initiative through “Bakti Pada Negeri” program. Research conducted by survey method through distributing questionnaires to the 209 university students in Faculty of Economics and Business Diponegoro University. The sampling method which used for this research was nonprobability sampling with convenience sampling technique. At the convenience sampling, the respondents are taken randomly and there is not one criteria which has to be fulfilled by the respondent to become a sample (Cooper and Emory, 1995). The sample taken in this research are the FEB UNDIP students who were at the campus at the time during the research conducted. The quantity of the sample taken in this research were 209 respondents and this amount fulfills the minimal sample size for a study that uses the SEM analytical tool (Hair et al., 2010).

Research Procedures

The research was conducted using the survey method by distributing questioners to 209 students of FEB UNDIP. The period of data collection was June to July 2013. The

researcher had conducted a pilot test with 30 students of the program for Doctor of Economy of UNDIP to catch question items and to identify confusing questions at the questionnaire before the questionnaire were distributed to the respondents. In the beginning, the survey participants were referred to the statement of ethics of PT. Djarum obtained by the researcher from the company's website (<http://www.djarum.com/index.php/en>) and then the participants were asked to answer all items presented at the questionnaire.

Research Instruments and Measurement

The questionnaire items, used in this research were adapted from the previous research and developed by the researcher. Ten-point Likert type scales range from 1= strongly disagree to 10= strongly agree were used in all measures of this research.

Validity and reliability testing with involved 30 respondents conducted in this research to test the research instruments. Validity shows how exact and accurate a certain measurement device is in doing its measurement function. The validity test in this research used the construct validity with Confirmatory Factor Analysis (CFA) with the SPSS 16.0 software for Windows. Before the analysis factor test, the Keyser Meyer Olkin (KMO) test and Barlett's test were conducted to test whether there is a correlation or not between the variables. The higher the value of KMO, the more valid a questioner item and the more homogeneous the variables measured. The limit of validity measurement is the KMO-MSA value which must be more than 0.5 with a significant <0.05 so that the variable can be predicted and further analyzed (Hair et al., 2010). In this research the result of the validity test, the validity test showed a value of KMO-MSA 0.684 with a significant level of 0.000. Therefore, all variables used can be further analyzed, because it has fulfilled all criteria. Besides, the validity of this research instrument is also decided by the loading factor value. According to Hair et al., (2010), the rule of thumb for the acceptance of the loading factor is ≥ 0.40 and is not part/or other factors. Based on the validity test, all research instruments used at this research have a loading factor value above 0.40.

The reliability test was used to calculate to reliability and consistency of the research instruments. The reliability in this research is measured using the Cronbach Alpha coefficient of 0.60 up to 0.80 indicates the reliability level that can be accepted (Sekaran, 2003). Hair et al. (2010) added that value of the rule of thumb which will be used for Cronbach's alpha must be 0.7 although the 0.6 value can still be accepted. Based on the reliability test, all research

instruments used in this research have shown a Cronbach's alpha value above 0.7. Table 1 presented the validity and reliability testing results of all the item were used in this research.

Table 1. Validity and Reliability Testing Results

Variable	Indicators	Factor Loading	Cronbach's alpha
Corporate Ethics	The company's business philosophy statement	0.796	0.862
	The company's vision statement	0.851	
	The company's mission statement	0.921	
	The company's code of ethics statement	0.720	
Perceived Corporate Social Responsibility	Company's orientation on societal concern	0.881	0.887
	Company's involvement in corporate giving	0.739	
	Company's commitment on implementation of CSR activities	0.886	
	Company's initiatives to implement CSR activities continuously	0.835	
Corporate Reputation	Reputation for being honest	0.835	0.923
	Reputation for being reliable	0.935	
	Reputation for being trustworthy	0.795	
Perceived Risk	Physical risk	0.891	0.923
	Social risk	0.915	
	Psychological risk	0.920	

RESULTS AND DISCUSSION

Respondents Profile

A total 209 respondents were obtained in this research, consisting of 87 male respondents (41.6%) and 122 (58.4%) female respondents. In the terms of age, 52 respondents (24.9%) were 18 years old; 100 respondents (47.9%) were between 19-20 years old; and 57 (27.3%) respondents were more than 21 years old. Regarding to the study program, 80 respondents (38.3%) followed the management study program; 103 respondents (49.3%) had taken the accounting study program, and 26 respondents (12.4%) took the development economics program.

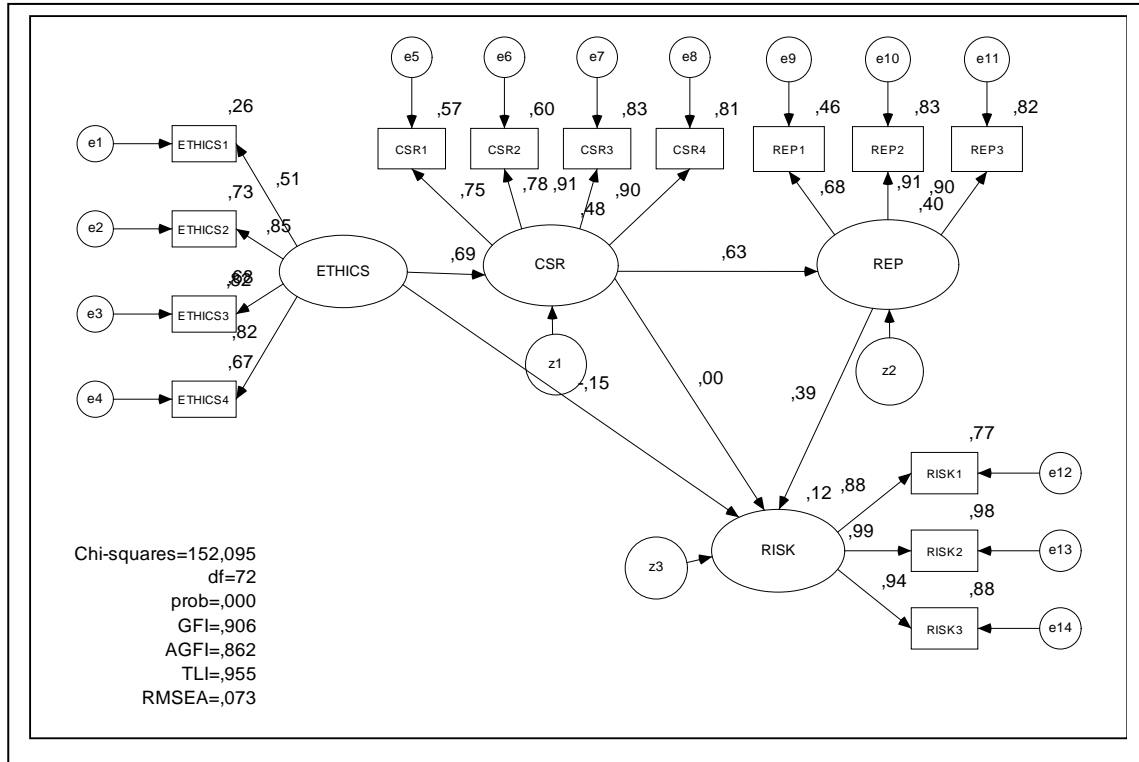
Data Normality

Structural equation model used in this research to analyze the data. One of the requirement of the structural equation model is data must have a normal distribution. Data normality determine by critical ratio (CR) value that range from -2.58 until +2.58 (Ferdinand, 2013). Based on normality testing, data were used in this research did not have a normal distribution. In order to solve this problem, the formula of $New\ X = 1/1 - (X * X)$, $New\ X = \lg_{10}(X)$, and $New\ X = 1/X$ were used to normalized the data.

Data Analysis Results by SEM

The data of this research was analyzed by *Structural Equation Model* (SEM) with the AMOS 21 software. The result of the structural equation model analysis show at Figure 2.

Figure 2. Data Analysis Results by SEM



This research used several fit indices to evaluate the overall model fit. Goodness of fit of model analysis was confirmed by the GFI index (GFI) = 0.906; the adjusted GFI Index (AGFI) = 0.862; Tucker-Lewis Index (TLI) = 0.955; and root mean square error of approximation (RMSEA) = 0.073. These fit indices indicated a good fit of the confirmatory measurement model. Therefore, it can be concluded that the structural equation model is a fit.

Data Analysis Results by Sobel Test

Sobel test calculator available online was used in this research to examine the mediating variable corporate reputation on the relationship between perceived CSR and perceived risk. The result of mediating test present in the following figure. The result indicated that our data confirmed that perceived CSR has a significant role in enhancing corporate reputation which in turn reducing perceived risk. The result of Sobel test analysis presented at Figure 3.

Figure 3. Data Analysis Results by Sobel Test

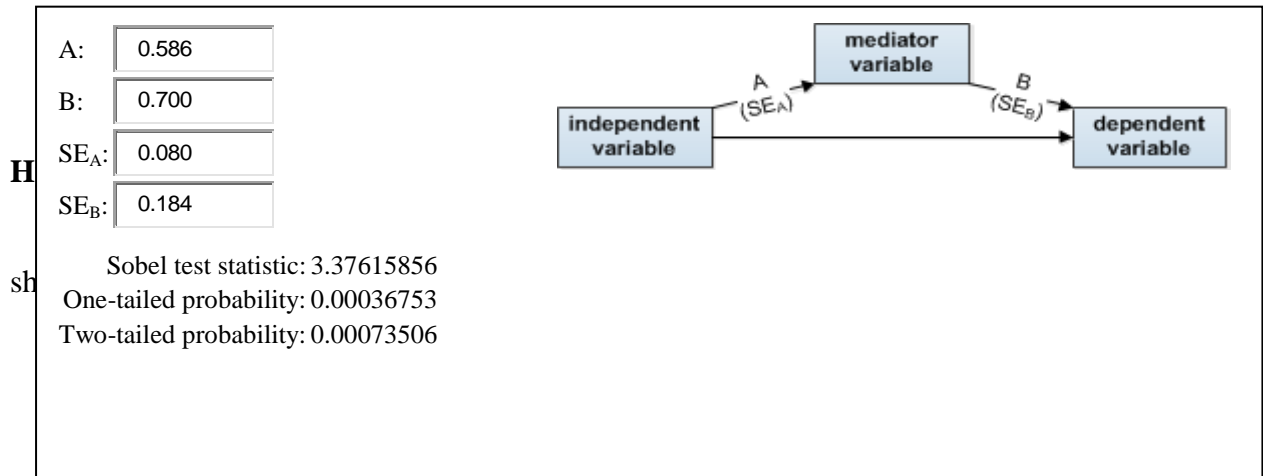


Table 2. Hypotheses Testing Results

Hypotheses	Estimate	S.E.	Critical Ratio	P value (≤ 0.05)	Results
H1: The more well-defined of corporate ethics statements will lead to better evaluation of CSR activities.	0.861	0.101	8.566	0.000	Supported
H2: The better evaluation of CSR activities will lead to good corporate reputation.	0.586	0.080	7.299	0.000	Supported
H3: The better evaluation of CSR activities will lead to lower perceived risk.	0.008	0.200	0.040	0.968	Not supported
H4: The good corporate reputation will lead to lower perceived risk.	0.700	0.184	3.797	0.000	Supported
H5: The more well-defined of corporate ethics statements will lead to lower perceived risk	-0.315	0.223	-1.416	0.157	Not supported
H6: Corporate reputation is mediator for perceived CSR and perceived risk	-	-	-	-	Supported

Discussion

Based on data analysis, this research results some interesting findings. H1 proposed that the more well-defined of corporate ethics statements will lead to better evaluation of CSR activities. Therefore H1 are supported in this research. This research confirmed that company that able to formulate a good ethics statement will be appreciated by consumer as the social responsible company regarding the company’s commitment to CSR initiative reflected on its

ethics statement. The results are support previous studies which found that corporate ethics that are manifested in the form of the ethics statement positively influenced on consumers' perception regarding how large company's commitment to corporate social responsibility (Stanaland et al., 2011; Tuan, 2012).

H2 proposed that the better evaluation of CSR activities will lead to good corporate reputation. Therefore H2 are supported in this research. This research confirmed that company can build and enhance corporate reputation through CSR initiatives. Based on resource-based perspective, corporate reputation become an intangible asset and its can be build or diminish because of the consequence of company's decision to or not to conduct corporate social responsibility activities (Branco and Rodrigues, 2006). The results are support previous studies which found that CSR initiatives has a positive impact on corporate reputation (Drumwright, 1994; Brown and Dacin, 1997; Meyer, 1999; Fombrun, 2005; Lai et al., 2010, Stanaland et al., 2011; Gatti et al., 2012). Moreover, Palazzo and Richter (2005) found that all tobacco company can achieve is a reputation for transactional integrity. Transactionaly integrity can be implemented by company through complies with the legal and moral rules of their societal context, conduct transactions that transparent and its behavior is fair, and keeps promises and acts with consistency.

H3 proposed that the better evaluation of CSR activities will lead to lower perceived risk. Therefore H3 are rejected in this research. This research found that in the case of controversial products, the consumer's positive evaluation on the company which has conducted social responsibility activities cannot reduce perceived risk for all products offered by company. The results are contradictory with previous study which found that perceived risk are potentially impacted by CSR activities (Stanaland et al., 2011). In the case of sinful and controversial industries like tobacco, related to the products that company sells , there is no doubt that smoking is both addictive and lethal so that it cannot reduce perceived risk although the company achieve the status of good corporate citizens by conducting many CSR activities. Palazzo and Richter (2005) argue that although tobacco companies have started to position themselves as good social citizens, the CSR of the tobacco industry may be a smoke curtain or, at best, a strategic approach to hide what they really do in their business that hurts billions of people every year. They also further suggest that the deep distrust toward tobacco companies is related to the lethal character of their products.

H4 proposed that the good corporate reputation will lead to lower perceived risk. Therefore H4 are supported in this research. This research confirmed that good corporate reputation can reduce the consumer's perception of risk associated with opportunistic action and behavior conducted by company. Moreover, consumers generally make the inference about the product or service quality from corporate reputation and the good corporate reputation indicated the good quality of products and therefore it can reduce perceived risk regarding the products purchasing. The results are support previous studies which found that corporate reputation had a significant negative effect on perceived risk (Purohit and Srivastava, 2001; Ewing et al., 1999; Kim and Lennon, 2013).

H5 proposed that the more well-defined of corporate ethics statements will lead to lower perceived risk. Therefore H5 are rejected in this research. This research found that in the case of controversial products, good corporate ethics statements will not lead to lower perceived risk. Corporate ethics statement that reflect corporate values and guide employees behavior in tobacco industry may be perceived by consumers as a strategic approach to cover the managers and employees behavior who have lost credibility due to their strategy of denying risks and manipulating information. This result not support previous study which indicated that companies that market products such as toys, autos, alcohol, cigarette, and other safety-sensitive products likely should offer an ethical position on this area too in order to reduce consumers' perceived risk concerning product safety (Murphy, 2005).

H6 proposed that corporate reputation is mediator for perceived CSR and perceived risk. Therefore H6 are supported in this research. This research confirmed that consumer's positive evaluation regarding corporate social responsibility conducted by company has a significant role in enhancing corporate reputation which in turn reducing perceived risk. Consumer's positive evaluation regarding corporate social responsibility conducted by company as well as corporate reputation regarding higher quality of products and services that offered by the company lead to the strong identification between consumer and company and this identification can reduce the consumer's perception of risk associated with the opportunistic action conducted by company as well as the products purchasing.

CONCLUSION, MANAGERIAL IMPLICATIONS, AND SUGGESTIONS FOR FUTURE RESEARCH

The main objective of this research is to explore whether the good corporate ethics statement and corporate social responsibility (CSR) can create positive consumer responses on the company and its products. The results of this research showed that the more well-defined of corporate ethics statements lead to better evaluation of CSR activities; the better evaluation of CSR activities lead to good corporate reputation, but did not lead to lower perceived risk; the good corporate reputation lead to lower perceived risk; and the more well-defined of corporate ethics statements did not lead to lower perceived risk. Based on Sobel test results, this research indicated that perceived CSR has a significant role in enhancing corporate reputation which in turn reducing perceived risk. The results of this research provide empirical evidence and completed the existing empirical research regarding the role of corporate ethics and CSR in enhancing corporate reputation and reducing perceived risk on the controversial product context.

The managerial implications of this research finding entails the following. First, tobacco companies have started to position themselves as good corporate citizens with comply with the minimum CSR criterion to achieve the status of good citizenship and social responsibility. Regarding CSR engagement of companies in controversial industries like tobacco companies, similiar to other companies in other industries, the controversial companies have legitimate right to develop and engage in CSR activities because CSR is one crucial means to improve corporate reputation and to become better organizations, the controversial firms are human organizations and humans are simply imperfect, and top management is free to choose whatever strategy to conduct their own business. Cai et al. (2012) found that CSR engagement is positively associated with firm value in sinful and controversial industries such as tobacco, gambling, and alcohol, as well as industries involved with emerging environmental, social, or ethical issues, i.e., weapon, oil, cement, and biotech. Therefore, the top management of companies in controversial industries, especially tobacco companies should manage their companies morally or strategically and could be socially responsible, although their products might be detrimental to environment, human being, and society. Second, a good corporate citizen in the tobacco industry has to develop and communicate a clear vision statement that leads beyond the established business practices. Corporate transformation, from a marketing to a research-driven company (safe cigarettes as main target), might be an element of such a vision statement that potentially reduce consumers' perceived risk.

This research has some limitations. First, this research has only used the cigarette product as one of the controversial products as the study object. The future research should be use the other controversial product categories to explore the effect of the corporate ethics and corporate social responsibility on consumers' response to the company and its product for each category product. Second, this study only investigated the corporate social responsibility initiatives in the educational field conducted by PT. Djarum at FEB UNDIP. The future research should be investigate the other field of corporate social responsibility program implemented by PT. Djarum, such as sport, culture, society, or environment filed as well as involves the other tobacco companies so that the results of the study can be more generalized.

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ABSTRACT

COMPARATIVE ANALYSIS OF CUSTOMER RELATIONSHIP MANAGEMENT AT GRAND ASTON HOTEL MEDAN AND POLONIA HOTEL MEDAN AND ITS IMPACT TO THE CUSTOMER LOYALTY

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Tourism business development can increase the competition, particularly in the hotel industries. The existence of new hotels including five star hotels and the trend of budget hotel or pop hotels can increase the competition. One way to survive from the competition is by making a good relationship with the customers. The implementation of customer relationship management (CRM) can be used as business strategy to face the competition. CRM can create customer loyalty because by using CRM, the company can offer the product needed by the customer. Increasing customer loyalty can decrease promotion cost. The key success factors to CRM are people, process, and technology. The hotel as a part of services industry bears a very close interaction between service provider and the customer (high contact service), which makes people, process, and technology inseparably important.

The purpose of this research was to analyze the difference between CRM at Grand Aston Hotel Medan and Polonia Hotel Medan and the impact of CRM consisting of people, process, and technology variables on customer loyalty at Grand Aston Hotel Medan and Polonia Hotel Medan. The data were analyzed through discriminant analysis and multiple regression. The sample of the research were 192 respondents, where respectively 96 respondents from Grand Aston and Polonia Hotel Medan.

The result through discriminant analysis showed that there were significant differences on process and technology factors between Grand Aston Hotel and Tiara Hotel. Meanwhile, there was no difference between Grand Aston Hotel and Polonia Hotel on people factor. The result of multiple regression showed that CRM which consist of people, process, and technology variables positively and significantly influence customer loyalty at Grand Aston Hotel, while at Polonia Hotel Medan, people and technology variables positively and significantly influence customer loyalty, process insignificantly influences customer loyalty. Technology had a dominant influence on the customer loyalty at Grand Aston Hotel, while people had a dominant influence on the customer loyalty at Polonia Hotel Medan.

Keywords: Customer Relationship Management, Customer Loyalty.

Background

The development of tourism sector has always triggered the growth of hotel business. Visit Medan Year 2012, for example, has created a similar impact to the city of Medan. In 2012 alone, 205.845 foreign tourists visited Medan with the lengths of stay of 1,73 day in April 2013 and 2,36

in May 2013 (BPS, 2013) with average hotel occupation in North Sumatera of 41,57% in April 2013 and 45,59% in May 2013 (BPS, 2013). Such condition may provide nice profit as well as tight competition from which each company shall innovate the best ways and strategies to deal with customers' need and will.

The strengths of a hotel may cover the following items: physical structure, spacious parking lot, access to public tourism attraction, and culinary or shopping centre, good service and on-site cozy restaurant. The weakness of a hotel, on the other hand, may be its proximity to the main road or a polluting factory of smell and noise. Such issues may drive the hotel management to devise strategies to satisfy its customers and retain their loyalty.

A hotel may have many ways in retaining its loyal customers, such as by implementing *Customer Relationship Management (CRM)*, which is a way to integrate man, process, and technology in order to understand the customer by focusing on its customer's retention and relationship maintenance. CRM attempts at forging a long-term relationship with the customer, which is considered to be the best way of creating loyal customers. Customer loyalty is seen to be crucial to the success of business organizations, since attracting new customers is far more expensive than retaining existing ones (Dick and Basu, 1994), Saren and Tzokas (1998), Fournier (1998). Thus, the company must foster a good relationship with its customers in order to create loyalty.

Tifen (<http://chece.student.umm.ac.id>) suggested that there are three determining factors to the success of CRM: *people*, *process*, and *technology*. Every staff has to possess proficient skill and ability to serve customers due to the demand of the best service. Furthermore, hotel staff or employees are all involved in running the company's activities and processes which make them the most crucial factor in CRM. In other words, employees possess the direct company profile or image creation duty to the customer.

Technology enables the company to gather, store, and analyze information on its customers in such a way to profile its customers. The key success to the implementation of CRM lies in the information quality of its customers and their attitudes, the ability to understand the need and will on goods and services, and the success of satisfying the customers and their needs.

In creating the customer's value, the process activity needs proper design and operation. A quick process in transactions will provide efficiency and effectiveness for both the company and its customers, for instance in room booking and billing.

The city of Medan plays a key role to the marketing process of hotel service. One of the long-lasting and famous hotels in Medan is Polonia Hotel. The competition of hotel business has been so tight due to the increasing investment interest by international scale hotels in Medan. The

downtown, 5-star Grand Aston Hotel operating since August 2008, for instance, offers a quick service, luxurius hotel facilities, and a grand structure. A new budget hotel trend offering affordable price to the customer adds to the tight competition. Table 1 below shows Hotel ranking in Medan between 2010-2011 where Grand Aston Hotel ranked 3. Polonia Hotel is excluded from the top 10 hotel in Medan.

Table 1
The List of Hotel ranking in Medan

Ranking	Hotel
1	JW Marriot Hotel Medan
2	Grand Swiss-bel Hotel Medan
3	Grand Aston City Hall Medan
4	Tiara Medan Hotel
5	Soechi International Hotel

Source: www.hotelscombined.com, 2011

The Grand Aston Hotel was chosen due to its new establishment, 5-star status and downtown location. Furthermore, as a 5-star hotel, Grand Aston Hotel Medan surely possesses a unique CRM strategy supported by such factors as human, process, and more advanced technology. Polonia Hotel, on the other hand, was chosen due to its long establishment with its own segmented customers. The CRM strategy implemented by Polonia Hotel Medan is certainly different from others due to its “seniority”.

The research formulation is as follows:

1. Are there any differences of the *Customer Relationship Management (CRM)* consisting of human, process, and technology between Grand Aston Hotel and Polonia Hotel Medan?
2. Which variable that differentiates the *Customer Relationship Management (CRM)* of Grand Aston Hotel from Polonia Hotel Medan?
3. Does the *Customer Relationship Management (CRM)* consisting of human, process, and technology influence the loyalty of the customers of Grand Aston Hotel Medan?
4. Does the *Customer Relationship Management (CRM)* consisting of human, process, and technology influence the loyalty of the customers of Polonia Hotel Medan?

LITERATURE REVIEW

1. Hotel and Hotel Marketing

Hotel is a kind of accomodation that partly or fully uses its resources to serve with lodging, food and beverages and other services for public commercially (the Decree of the Minister of Tourism, Post, and Telecommunication no Km94/HK103/MPPT 1987).

In order to win a tighter business competition, hotels have their own marketing strategies. Ritherford in Yoeti (2004:9) proposes that (*hotel marketing*) is an activity using strategies and tactics planned in such a way that “stories” of services provided by hotels can be delivered by providing passionate stimuli to guests to be compared with competing hotels.

2. Customer Relationship Management (CRM)

Buttle (2007:3) proposes that the *customer relationship management* (CRM) can be viewed as different concepts by various angles. To some people, CRM is *customer relationship marketing*, but some refer to it as *relationship marketing*. Whatever it may be termed, CRM is a customer-focused or oriented business practice.

According to Buttle (2007:55), CRM is a core business strategy combining process and internal function, external link to create and deliver values to customers to gain benefits. CRM is based on quality customer data which is enabled by information echnology. Latest technology enables the company to collect, store, and analyze customer information in such a way that it can be used as a guide to deal with and serve customers. Thus, the company can know its customers better and meet their demand satisfactorily. Handen in Tjiptono (2005:424) proposes that CRM is a process to get, retain, and develop profitable customers. CRM requires clear focus on service attributes that may provide added value and, thus, create customer loyalty. CRM application enables the company to empower information from all contact points through the web, call center, or marketing staff and field service to create a better company service. This is expected that customers’ satisfaction and loyalty on the company’s service and products. CRM requires clear focus on service attributes that may provide added value and, thus, create customer loyalty (Handen in Tjiptono, 2005 : 424).

Hamidin (2008:A32) proposes that in implementing an CRM strategy, the following elements are needed:

1. Professional people (sufficient qualification) that will understand both how to deal with the customer and how to use technology.
2. Well-designed processes.
3. Sufficient technology.

Therefore, factors that determine the success of CRM application, human resource (employee) as the factor directly implementing CRM strategy, technology that enables the company to process customers’ data, and process.

3. Customer loyalty

Customer loyalty is defined as one who buys regularly and repeatedly. Customer loyalty is the strength of the relationship between an individual's relative attitude towards an entity (brand, service, store, or vendor) and repeat patronage (Dick and Basu (1994). Sheth dan Mittal (in Tjiptono, 2005:387) propose that a customer's loyalty is his commitment to brand, service, store, or vendor, based on positive attitudes and is reflected on a repeatedly consistent purchase. Griffin, furthermore, (2003:5) proposes the concept of loyalty as being something related with behaviour rather than attitude. The level of a customer's loyalty can be measured through the purchase frequency (Javalgi and Moberg, 1997:165).

All the above definitions say that loyalty is the customer's true commitment to frequent again or to re-purchase a chosen product or service consistently in the future, despite possible behaviour change due to situations and marketing efforts. Griffin (2003:31) proposes that a loyal customer is one who possesses the following characteristics: 1) making regularly repeated purchases, 2) buying crossline products and services, 3) referencing to others, 4) displaying immunity towards competing products attractions (other manufacturers' products). According to Koçoğlu and Kirmaci (2012) there is a significant relationship between the company's ability in CRM with the customer's wish to stay loyal.

The research hypothesis are:

1. There are differences in the CRM (*Customer Relationship Management*) consisting of human, process, and technology of Grand Aston Hotel and Polonia Hotel Medan.
2. The variable that differentiates the CRM (*Customer Relationship Management*) of Grand Aston Hotel and Polonia Hotel Medan is technology.
3. *Customer Relationship Management (CRM)* consisting of human, process, and technology strongly influences the loyalty of the customers of Grand Aston Hotel Medan.
4. *Customer Relationship Management (CRM)* consisting of human, process, and technology strongly influences the loyalty of the customers of Polonia Hotel Medan.

RESEARCH METHOD

This research is an associative one, a research that connects two or more variables to see the differences and influences of a variable towards another. The research variables are:

Customer Relationship Management (CRM) is an activity conducted by Grand Aston Hotel and Polonia Hotel Medan to get, retain, and develop profitable customers by creating long-term relationship with the customer. The supporting components to the success to the Customer

Relationship Management (CRM) implementation at Grand Aston Hotel and Polonia Hotel Medan, are:

1. Human (X1)
Skills, knowledge, and attitudes of every employee of Grand Aston Hotel and Polonia Hotel Medan that are required for the successful performance of CRM. The human is the most important factor in CRM strategy implementation because employees are the representation of service or related company before the customer.
2. Process (X2)
Process needs proper design and operation to contribute well to the creation of a value or at least not to taint a created value for the customer, especially on process improvement to provide better service to the customer.
3. Technology (X3)
The company must choose the right technology to support the business process improvement, provide the best data for the staff, and enable easy use. Technology is introduced to assist, speed up, and optimize the human factor and process in CRM activities.
4. Customer loyalty (Y)
Customer loyalty is the customer's commitment to a hotel based on positive attitudes and is reflected on consistently repeated transactions.

The population in this research is respectively 7.415 and 8.710 customers who stayed at Polonia Hotel Medan and Grand Aston Hotel in 2013, with the number of sample of 96 people at each hotel acquired by the use of Slovin formula. The respondent will be determined by the use of incidental sampling.

The data analysis technique used is descriptive-analytical method, discriminant analysis and multiple linear regression. The discriminant is used to investigate the differences between the CRM of Grand Aston Hotel and Polonia Hotel Medan and the effects on the customer's loyalty.

RESEARCH RESULT AND DISCUSSION

The testing on Discriminant Analysis results as follows on Table 2.

Table 2
Tests of Equality of Group Means

	Wilks' Lambda	F	df1	df2	Sig.
Manusia	,981	3,738	1	190	,055
Proses	,627	113,080	1	190	,000
Teknologi	,780	53,580	1	190	,000

Table 2 shows the value of sig. for the human variable for $0,055 > 0,05$ so there is no significant difference between the human factor at Grand Aston Hotel or Polonia Hotel Medan. On the other hand, the value of sig. for the process variable is 0,000 and technology for 0,000 where both are smaller than the 0,05 pre-determined alpha. Thus, there is a significant difference in the process and technology between Grand Aston Hotel and Polonia Hotel Medan.

Table 3
Test Results

Box's M		49,323
F	Approx.	8,080
	df1	6
	df2	261554,717
	Sig.	,000

Tests null hypothesis of equal population covariance matrices.

Box's M test results show the value of F is 8,080 and is significant at 0,000 with the probability below 0,005. It can be concluded that the covariant matrices between groups are different and, thus, the difference violates the discriminant assumption. However, the discriminant function analysis stays robust despite the incomplete homogeneity variant assumption due to the lack of data outlier. (Ghazali, 2008). This analysis shows that the three variables can be used to form a discriminant function. The difference of *Group covariance matrices* can also be seen on Log Determinant table on Table 4.

Table 4
Log Determinants

Consumer groups	Rank	Log Determinant
Grand Aston	3	2,924
Polonia	3	2,435
Pooled within-groups	3	2,939

The ranks and natural logarithms of determinants printed are those of the group covariance matrices.

Table 4 shows that the number of Log Determinant for category Grand Aston (2,924) and Polonia (2,435) does not differ significantly, so *Group covariance matrices* will relatively stay the same for both groups.

Table 5 shows the equation of differentiating discriminants and variables of the CRM of both hotels.

Table 5
Canonical Discriminant Function Coefficients

	Function
	1
Human	-,232
Process	,550
Technology	,261
(Constant)	-10,778

Unstandardized coefficients

The equity to unstandardized discriminant function estimation may provide the following equity of discriminant function:

$$Z1 = -10,778 - 0,232 \text{ human} + 0,550 \text{ Process} + 0,261 \text{ technology.}$$

The result shows that the dominant ratio value to predict the differenc between hotel groups is the process for its high coefficient value of 0,550.

Multiple linier regression test is done to investigate the impact of CRM on the loyalty of both the customers of Grand Aston Hotel and Polonia Hotel Medan. the result of the regression testat Grand Aston Hotel is shown on Table 6-8.

Table 6
Determination Coefficient
Model Summary(b)

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	,610(a)	,372	,351	1,05486	1,875

a Predictors: (Constant), Technology, Human, Process

b Dependent Variable: Aston's Customer Loyalty

Table 6 shows determination coefficient. It displays the R square values of 0,372, which means that the variables of human, process, and technology describe the variation of loyalty of Grand Aston Hotel's customers as 0,372 or 37,2%, while the remaining 62,8% is explained by an excluded variable.

Table 7
Test F
ANOVA(b)

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	60,587	3	20,196	18,150	,000(a)
	Residual	102,371	92	1,113		
	Total	162,958	95			

a Predictors: (Constant), Technology, Human, Process

b Dependent Variable: Aston's Customer Loyalty

The result of test F on Table 7 shows that such factors of human, process, and technology simultaneously positively and significantly influences Grand Aston Hotel's customer loyalty. This is shown by the significant value of 0,000 or lower than 0,05 or F value t_{count} (18,150) more than F_{table} (2,70).

Table 8
Partial Test (Test t)
Coefficients(a)

Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.
		B	Std. Error	Beta		
1	(Constant)	5,803	1,473		3,941	,000
	Human	,199	,080	,227	2,483	,015
	Process	,192	,082	,226	2,352	,021
	Technology	,206	,052	,353	3,923	,000

a Dependent Variable: Aston's Customer Loyalty

The equation f regression to Grand Aston Hotel is:

$$Y = 5,803 + 0,199X_1 + 0,192X_2 + 0,206X_3 + \epsilon_1$$

Table 8 shows that:

1. The human variable influences positively and significantly towards Grand Aston Hotel's customer loyalty, which can be seen through the significant value of 0,015 or lower than 5% and the value t_{count} (2,483) > t_{table} (1,98). The positive influence direction shown by the beta coefficient value is 0,199, which means that human factor improvement may enhance the Grand Aston Hotel's customer loyalty.
2. The process variable poses influences positively and significantly a customer's loyalty which can be seen through significant value of 0,021 or lower than 5% and the value t_{count} (2,352) < t_{table} (1,98). The positive influence direction shown by the beta coefficient value is 0,192, which means that the process factor improvement may enhance the Grand Aston Hotel's customer loyalty.

3. With the significant value of 0,000 or lower than 5% and the value $t_{\text{count}} (3,923) > t_{\text{table}} (1,98)$, it is learnt that the technology factor improvement may enhance the Grand Aston Hotel's customer loyalty. The positive influence direction shown by the beta coefficient value is 0,206, which means that the technology factor improvement may enhance the Grand Aston Hotel's customer loyalty. The technology variable is the dominant factor that influences Grand Aston Hotel's customer loyalty.

Regression test on Polonia Hotel is shown on Table 9-11.

Table 9
Determination Coefficient
Model Summary(b)

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	,792(a)	,627	,615	,99582	1,855

a Predictors: (Constant), Technology, Process, Human

b Dependent Variable: Polonia's Customer Loyalty

Table 9 shows the result of determination coefficient test. Table 9 shows the value of R square is 0,627, which means that the variables of human, process, and technology describe the variation of loyalty of Polonia Hotel's customer loyalty is 0,627 or 62,7%, while the remaining 37,3% is explained by an excluded variable.

Table 10
Test F
ANOVA(b)

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	153,674	3	51,225	51,656	,000(a)
	Residual	91,232	92	,992		
	Total	244,906	95			

a Predictors: (Constant), Technology, Process, Human

b Dependent Variable: Polonia's Customer Loyalty

The result of test F on Table 10 shows such factors of human, process, and technology at the same time positively and significantly influences Polonia Hotel's customer loyalty. This is shown by the significant value of 0,000 or lower than 0,05 or F value $\text{count} (51,656)$ more than $F_{\text{table}} (2,70)$.

Table 11

Partial Test (Test t)

Coefficients(a)

Mode 1		Unstandardized Coefficients		Standardized Coefficients	t	Sig. Std. Error
		B	Std. Error	Beta		
1	(Constant)	2,537	1,533		1,655	,101
	Human	,342	,089	,394	3,832	,000
	Process	,137	,071	,126	1,933	,056
	Technology	,319	,080	,406	3,976	,000

a Dependent Variable: Polonia's Customer Loyalty

The regression equity at Polonia Hotel is:

$$X_4 = 2,537 + 0,342X_1 + 0,137X_2 + 0,319X_3 + \epsilon_1$$

Table 11 shows that:

1. The human variable influences positively and significantly towards Hotel Polonia's customer loyalty. This can be seen through the significant value of 0,000 or lower than 5% and the value $t_{\text{count}} (3,832) > t_{\text{table}} (1,98)$. The positive influence direction shown by the beta coefficient value is 0,342, which means that human factor improvement may enhance the Polonia Hotel's customer loyalty. The human is a dominant factor that influences Polonia Hotel's customer loyalty.
2. The process variable positively but insignificantly influences to the customer's loyalty, which can be seen through the significant value of 0,056 or more than 5% and the value $t_{\text{count}} (1,933) < t_{\text{table}} (1,98)$. The influence direction is positive but due to the insignificant nature, any improvement will not help change Polonia Hotel's customer loyalty.
3. With the significant value of 0,001 or lower than 5% and the value $t_{\text{count}} (3,976) > t_{\text{table}} (1,98)$, it is learnt that technology variable influences positively and significantly Polonia Hotel's customer loyalty, which means that technology improvement may help improve Polonia Hotel's customer loyalty.

DISCUSSION

1. An analysis to the difference between the CRM of Grand Aston Hotel and Polonia Hotel Medan

The discriminant testing result shows that there some differences on process and technology variables at Grand Aston Hotel and Polonia Hotel Medan, but not with the human variable. The process variabel is the dominant factor that separates the CRM of Grand Aston Hotel with Polonia

Hotel Medan. the research result shows that both hotels, the new 5-star hotel, Grand Aston, and the existing hotel, Polonia, share the same CRM element, the human. It means that trained, professional, and highly-dedicated human resources are the key factor to a service business, especially hotel. Both the new and old hotels need proper investment in human resource sector in order to survive in the competition. The research result is relevant to the marketing theory that one of the instruments in service marketing is human resource/people (Tjiptono, 2005:31). Furthermore, almost all hotel employees are tourism or hotel academy graduates so they share same background knowledge and skills. As a matter of fact, the research result shows that there are differences on process and technology at Grand Aston Hotel and Polonia Hotel Medan. Such differences are normal due to the fact that Grand Aston Hotel is a new 5-star hotel that applies the latest technology in its services. The latest technology separates the easier and more efficient service process as opposed to the existing old Polonia Hotel.

2. The Influence of Human Variable to the loyalty of the customers of Grand Aston Hotel and Polonia Hotel Medan

The partial testing result shows that the human variable positively and significantly influences the loyalty of the customers of Grand Aston Hotel and Polonia Hotel Medan. This is relevant to the theory of service marketing that human factor, trained, professional, and highly-dedicated and sympathetic staff, is the key element to service marketing, which is irreplaceable by any other resources such as machines. At the Polonia Hotel, the human variable is the dominant factor in the customer loyalty. This is possible due to the fact that Polonia Hotel Medan has existed for quite a while and possesses loyal customers and those of office recommendation on duty or business trip. Thus, the management and staff have had intimate familiarity with the guests, which enables them to provide expected service to gain customer loyalty. According to Griffin (2003:35), the success in the recognition of every level of loyalty and customer need fulfillment will enable the company to get a bigger opportunity to turn buyers into customers or loyal clients. It is relevant to what Koçoğlu and Kirmaci (2012) have found that employees' competence and knowledge may speed up the given service. Therefore, every effort to train the employees is significant to the customer loyalty creation.

3. The Influence of Process Variable on the Loyalty of the Customers of Grand Aston Hotel and Polonia Hotel Medan

The partial testing result shows that the process variable influences positively and significantly to the loyalty of the customers of Grand Aston Hotel but insignificantly to those of Polonia Hotel Medan. Such variety is due to the longer period of service of Polonia Hotel Medan and the loyal customers under their company recommendation so any process of service does not give any significant impact on their loyalty. This research result is not relevant with what Suhardini and Lestari (2008:191) suggest that CRM is service management to the customer aimed at the improving satisfaction and loyalty of the customer which is supported by professional human resource, integrated business process, and effective and efficient technology.

4. The Impact of Technology Variable on the Loyalty of the Customers of Grand Aston Hotel and Polonia Hotel Medan

The partial testing result shows that the technology variable positively and significantly influences to the loyalty of the customers of Grand Aston Hotel and Polonia Hotel Medan. On the customer of Grand Aston Hotel, technology variable is the dominant factor that influences the customer's loyalty due to the fact that Grand Aston Hotel's status as a new 5-star hotel and latest technology implementation in its service enable them to get and process customers' data. The technology used, for instance, is CBIS (*Computer Based Information System*) that helps all the hotel's operations such as connected customers' bill. This advanced technology integration should help learn and recognize customers' behaviours especially in creating loyalty. The company's ability in recognizing the individual customer's need will create high loyalty (Koçoğlu and Kirmaci, 2012). This research is relevant to what Suhardini and Lestari propose (2008:191) that CRM is a service management aimed at satisfaction and loyalty improvement supported by professional human resources, integrated business process, and efficient and effective technology.

CONCLUSION

Based on the research analysis and discussion on the compared analysis of CRM of Grand Aston Hotel and Polonia Hotel and their implications on customers' loyalty, following conclusions have been drawn:

1. Grand Aston Hotel and Polonia Hotel Medan share some differences in the processes of variable and technology implemented, but not with the human variable.
2. Process is a dominant variable that separates CRM of Grand Aston Hotel from that of Polonia Hotel Medan.

3. A partial test result shows that the human variable influences positively and significantly towards the customer's loyalty both at Grand Aston Hotel and Polonia Hotel Medan. The process variabel influences positively and significantly towards the customer's loyalty at Grand Aston Hotel but insignificantly at Polonia Hotel Medan, and technology variable influences positively and significantly towards the customer's loyalty both at Grand Aston Hotel and Polonia Hotel Medan. To the customers of Grand Aston Hotel, technology variable is the dominant factor to their loyalty.

SUGGESTION

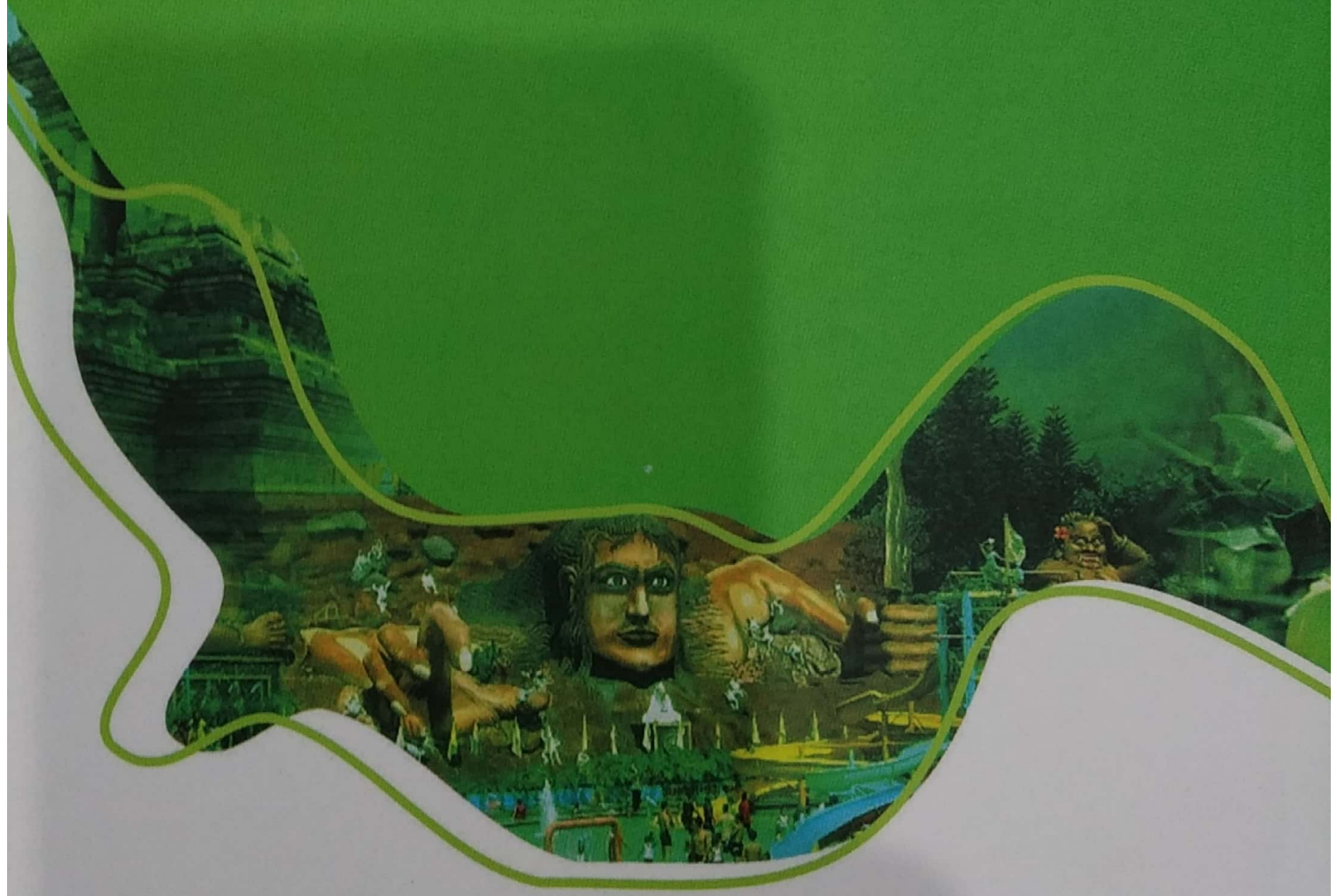
Based on the conducted research, some suggestions have been devised:

1. It is suggested that the management of Hotels Grand Aston and Polonia Medan improve its management of customer relationship through the betterment of human, process, and technology factors.
2. It is suggested that the management of Polonia Hotel upgrade the use of information technology in maintaining the customer relationship.
3. It is suggested that the hotel management constantly train all staff to provide faster service and better understand its individual customer's needs.
4. It is suggested that the future researchers develop research variables that may influence customer loyalty such as the service quality.

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