

CONTROLLING IN CHINESE COMPANIES: A FIRST PEEK BEHIND THE BAMBOO CURTAIN

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Abstract

Curiously, neither investigators inside the PRC nor researchers outside it previously have undertaken large-scale, systematic, empirical study of Chinese companies' controlling behavior. The dearth of such studies is particularly surprising given the remarkable growth of business in China during the past thirty years, Chinese companies' emphasis on low costs, and the determination of the country's leadership to see it move up the value chain during its next phase of economic development – all areas where controlling should have a major role to play. This paper reports first responses from a portion of an ongoing, online survey about current controlling practices in a broad cross-section of Chinese industries. It thus offers unique initial insights into such areas as: personnel responsible for controlling and their qualifications; kinds of planning practiced and the effort involved; and the differing foci of various planning types.

Keywords: budgeting, Chinese enterprises, controlling, forecasting, management accounting, planning

Introduction

The rapid economic development China has achieved during the past 30 years in connection with its Reform and Opening Policy has attracted worldwide attention. Together with the low “China price” of its products and large domestic market, this policy has made that country a coveted partner for multinational enterprises as well as an important player in the processes of regionalization and globalization. Through these partnerships and processes, Chinese companies also have learned a lot about advanced management techniques. However, the management accounting concept of controlling nevertheless remains a fuzzy notion for

most Chinese academics and practitioners. The usual translation of the English word “controlling” into Chinese is 内部控制管理 or *neibukongzhi guan li*, literally “(internal) management control,” which reflects this fuzziness. In any event, controlling has been a relatively neglected area in Chinese business administration. There is scarcely any published research about it. China’s leading business schools and universities offer few controlling courses, and most traditional Chinese companies do not have positions for controllers. Instead, staff accountants, internal auditors, and chief financial officers (CFOs) carry out some, but not all, of a modern controller’s duties. For both managers and scholars then, both in- and outside the country, current Chinese controlling practice constitutes something of a secret contained in a mystery and wrapped in an enigma. This study sheds first light on that practice.

Although the foundation for internal management control is partly in place in some Chinese enterprises, most Mainland companies nevertheless face four problems in this connection. First, their managers have an imperfect understanding of controlling, which they usually think of in terms of internal accounting control, cost control, and/or risk management. Second, the existing internal management control environment is not good, because in many Chinese enterprises (both private and state-owned) equity ownership and top management’s power are highly concentrated. That means there are few checks on corporate governance. Chinese internal management control therefore often lacks effective implementation and supervision. Third, management information systems, especially in small and medium-size Chinese companies, are relatively poor. Reasons for this situation include the high cost of purchasing the requisite software, updating it, and training staff to use it. Last but not least, there are cultural impediments too, such as 关系 or *guan xi*, “personal obligations,” 面子 or *mianzi*, “saving face,” and the negative connotation of “control” in Chinese.

However, given China’s evident success in the global marketplace, one must admit the possibility that internal management practitioners might have their own, very good, “Chinese way” to perform controlling. Moreover, that Chinese way could be developing further and evolving over time in response to the opening of China’s economy.

Be that as it may, to meet the challenges posed by globalization, the Chinese government and companies generally are eager to learn about and adopt modern management practices. They want to remain price competitive and to improve quality, while moving up the value chain. At the same time, they would like to rely less on cheap labor and reduce externalization of some costs to the environment.

The global economic crisis also has served as a cautionary tale. Both top Chinese Communist Party officials and many enterprise managers now are aware that the exponential growth rates they have enjoyed for three decades are coming to an end. Hence, they are beginning to feel a growing need to integrate best management practices into their own everyday procedures.

In 2008, for example, China issued its Basic Standard for Enterprise Internal Control. This directive details comprehensive requirements a company's internal control framework must meet. The Chinese Ministry of Finance, the National Audit Office, and all three major industry regulators (the China Securities Regulatory Commission, the China Banking Regulatory Commission, and the China Insurance Regulatory Commission) have participated in implementing the directive. Its purpose is to increase the effectiveness of internal controls in exchange-traded Chinese companies, thus reducing risks for both the companies themselves and their stakeholders. The directive became effective July 1, 2009. Although initially only exchange-listed enterprises must comply, the government is encouraging adoption by medium- and large-size unlisted companies too ('China Issues Legislation for Internal Control Framework', www.China-briefing.com 11/2008).

Even though implementing government-enforced internal control principles admittedly is quite different from organically developing and growing a controlling culture, the directive marks an important starting point all the same. Change already is evident. The number of seminars, conferences, and training courses featuring internal control systems in China has mushroomed overnight (Wu/Schäffer, 2010).

This article begins by defining the authors' notion of controlling. It then proceeds to explain the study's research design and the methodology employed, identify the units of analysis, and give details about the data collection effort. In subsequent sections, the article reports information about Chinese personnel responsible for controlling and their qualifications; the kinds of planning they practice and the effort involved; and the differing foci of various planning types. (Additional topics covered by the survey, but not reported here due to space limitations are: coordination techniques, key performance indicators, and controlling tools in use; methods for evaluating capital budget spending proposals; and employment of such advanced instruments as scenario analysis, rolling forecasts and plans.) After noting the study's limitations, this paper offers some specific recommendations about how one might promote the development of controlling in Chinese companies, and suggests directions for future research.

Controlling

Controlling is an important managerial function. Operationally, it involves forecasting future events, developing plans, setting standards, analyzing actual performance, and taking remedial action where appropriate. In this way, it helps ensure that an organization achieves its targeted goals. For the purpose of this study, controlling thus means the effective and efficient utilization of resources to achieve planned goals, thereby enhancing management performance.

In practice, controlling is not a science, but a craft, best learned from an experienced senior controller (Rickards, 2007). Nevertheless, researchers apply scientific methods to study how controllers practice this craft. These studies' findings constitute what the literature terms "controlling theory." Controlling theory focuses on: the kinds of planning, instruments, and IT-support in use; measurement of their effectiveness and efficiency; reporting; and top management's satisfaction with the results.

Research undertaken in Germany, Austria, and Switzerland reveals that most enterprises regularly use a standard set of plans comprising strategic, midterm, and annual (budget) plans (Barkalov/Martin/Wagner, 2010). To prepare and execute these plans, controllers rely heavily on a standard toolkit consisting of cost center accounting, forecasting by extrapolation, budgeting, product profitability accounting, and project costing (Dressler, 2006; Rickards, 2008a and b). IT-support typically is not integrated across planning types and relies very heavily on historically-oriented models developed in-house on the basis of Excel spreadsheets and internally generated data (KPMG, 2007). Such standard controlling tends to be quite limited in its efficiency and effectiveness (Oehler, 2008). Moreover, the utility for decision-making of its reported results declines markedly as the accounting period progresses (Rickards/Ritsert, 2013). Numerous surveys reveal top management's frustration with the high cost and effort invested in planning and controlling relative to the rather limited benefits they produce. Yet time-series studies also find that over the last decade top management has increased steadily the manpower and time committed to standard planning and controlling activities (ICV, 2011)!

However, a small number of firms supplement their standard plans with future-oriented, rolling financial forecasts and operational plans. They employ a simplified planning process, plan in less detail but with greater focus on cost and revenue drivers, plan outputs as carefully as inputs, use relative goals in writing personal performance contracts, and do not link executive compensation directly to plan fulfillment. Besides the standard toolkit, these few, "best-in-class" firms conduct customer, profit center, and product lifecycle profitability analyses, engage in target costing, shareholder value assessment, and benchmarking as well as link their strategic, midterm, and annual (budget) plans through balanced scorecards. They rely on specialized software integrating all their various plans to evaluate scenario models employing data from multiple internal and external sources. Top managers of such firms say their planning is more effective in terms of usefulness for decision-making and more efficient in the consumption of manpower and time (Barkalov/Martin/Wagner, 2010; Rickards/Ritsert, 2013).

Research Design And Methodology

To learn about controlling in Chinese companies and to evaluate their current practices against Central European benchmarks, the authors prepared a Mandarin-language online survey and made it available to potential participants in a broad spectrum of Mainland enterprises. Proceeding in this fashion has a half dozen major advantages. First, doing so is quick and relatively inexpensive. Second, with limited personnel one nonetheless can cover a large population. Third, one can administer online surveys from remote locations. Fourth, one also can ask many questions about a given topic, thus giving considerable flexibility to the analysis. Fifth, assuming employment of proper survey methods and a sufficiently high response rate, the results obtained ought to be representative. Sixth, one can apply large-scale statistical techniques to the data gathered to determine validity, reliability, and significance even when analyzing multiple variables.

Of course, such surveys have disadvantages too. They depend on the subjects' motivation, honesty, memory, and ability to respond. Subjects, however, may not be aware of their reasons for a given action. Alternatively, they may have forgotten their reasons or they may not be motivated to give accurate answers.

In addition, structured surveys, particularly those instruments with closed-ended questions, may have low validity when researching affective variables. Furthermore, potential respondents selected for the survey in this study came from a population chosen for its convenience: former students; classmates; friends; and acquaintances. That means they may differ from the general population in some crucial respects, thus possibly biasing the results in some important (but unknown) ways. Lastly, survey-question-answer choices could lead to vague response sets because, at times, they may derive from a personal, abstract notion concerning "strength of choice." (Groves/ Fowler/ Couper/ Lepkowski/ Singer/ Tourangeau, 2009.)

To limit these weaknesses of online surveys, future analyses based on this study will depend primarily on statistical controls to isolate the influence of various explanatory variables (e.g., company size, private vs. public ownership, exposure to foreign partners, presence in a special economic zone, and so forth.) Moreover, the authors will conduct personal interviews with a subset of the respondents to corroborate the study's findings and to extend them further. The primary advantage of personal interviews is that they provide more detailed information than surveys. They also may afford a more relaxed atmosphere for collecting sensitive information, because some subjects tend to feel more comfortable in a face-to-face conversation with researchers. Data collected in this fashion may yield a higher percentage of returns and thus be more precise compared to other collection methods. Still, personal interviews are sometimes prone to bias, time-consuming, and costly. Consequently, the authors have made a strategic decision to supplement the online

survey with a limited number of personal interviews in a hybrid approach aimed at reinforcing the strengths and limiting the weaknesses of each technique.

Besides relying on more or less personal relationships to reduce the number of nonresponses, the authors emailed potential participants a short message in which they introduced themselves, identified their institutional affiliations, and explained the survey's purpose. Potential participants received assurances that their responses would be treated confidentially as well as both analyzed and reported anonymously. Accordingly, the authors have taken appropriate measures to ensure that external parties cannot identify participating respondents or their enterprises. As an additional incentive, potential participants also received assurance of exclusive first access to professional analysis reports describing current practices and offering useful guidance for improving their controlling and management accounting functions.

Units Of Analysis And Data Collection

The target populations consist of (1) the internal management control departments of Chinese enterprises for the online survey, and (2) company CFOs for the interviews. The survey populations are convenience samples. The previously mentioned "friends" panel is the first of three panels. The second and third consist of client firms of two cooperating Chinese consulting companies located in Beijing and Shanghai, respectively. Eventually, it is our intention to merge responses from all three panels and to compare their descriptive data with data for the overall Chinese economy in order to determine their representativeness. Because currently only responses from the first panel are in hand, the authors limit their analysis here to benchmark comparisons with results from recent studies in German-speaking countries, where available.

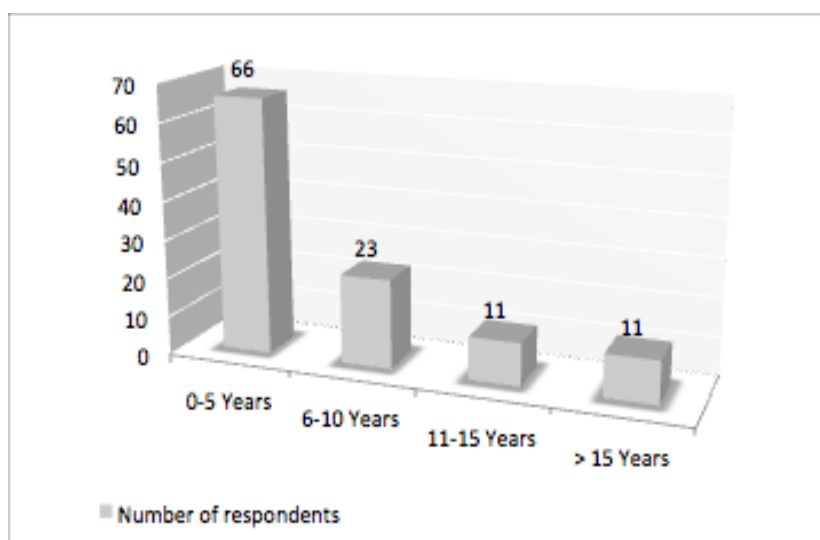
Convenience sampling is a non-random method based largely or solely on the researcher's discretion or judgment (Nichols, 1995). The survey of the friends' panel went online in mid-March 2013. The authors e-mailed a reminder letter two weeks later and ended data collection in mid-April 2013. 117 enterprises of the 306 companies included in the panel responded. The reference study was online for six months in 2010 and 2011. It drew 107 responses from a client base of over 1,300 firms. Both relative to the response rate in that research (8.2 %) and to rates associated with most survey research, the 38.2 % participation rate attained here appears to be quite respectable. Furthermore, several respondents spontaneously wrote the investigators expressing thanks for helping them to grasp the interconnections between various aspects of controlling more readily.

Demographic Characteristics

The first section of the online survey solicited some demographic information about the respondents and the enterprises, in which they work. 55 persons gave their gender as male, while sixty identified themselves as female. They were as young as 20 and as old as 52, with a mean age of 32.8 years.

Perhaps because they were wary of providing information that might reveal their identity further, only 47 of the 117 respondents answered the query “What is your position in your company?” With 17 mentions or 36.2 %, by far the most frequent answer given was “licensed accountant.” Asked how many years they had held their current position, 109 participants responded. Answers ranged from as briefly as two months to as long as 30 years, with the average being a little under six years. Figure 1 depicts the distribution of time in position by five-year cohorts.

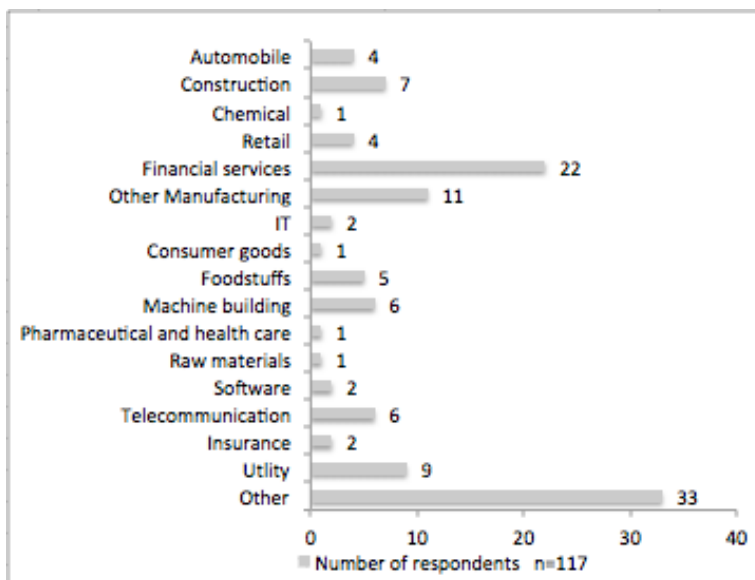
Figure 1



82 or 70.1 % of respondents said they had received specialized, on-the-job training for their current position. Of these persons, more than half (49) received their training on a voluntary basis from an external provider, while an almost equal number (45) had taken part in a mandatory, full-time trainee program within their company. Another 36 individuals also had participated in a company trainee program, but on a voluntary basis. With a total of 130 answers, some sizable portion of the 82 respondents must have had training from two or all three of the sources.

Figure 2 shows the distribution of participating companies by industry. 88 of these mentions fit into one of the 16 specific category choices. The branch most frequently mentioned (24 times or 27.2 %) was financial services, which includes banking, accounting, auditing, brokerages, investment advice and so forth. With 12, nine, seven, and six mentions, respectively, other manufacturing, utilities, construction, and machine-building also were relatively common answers.

Figure 2



As illustrated in Figure 3, most participating companies (68) are small- and medium-size enterprises (SMEs), with fewer than 250 employees. Nevertheless, the study population includes ten companies with more than 50,000 workers too. Figure 4 presents the firms again, this time arranged according to their sales revenue in 2012. As one can see clearly, the distribution here is much more even, with 34 companies reporting less than 250 mio. ¥ (RMB) in sales, while 13 enterprises had sales revenue in excess of 50 bil. ¥.

Figure 3

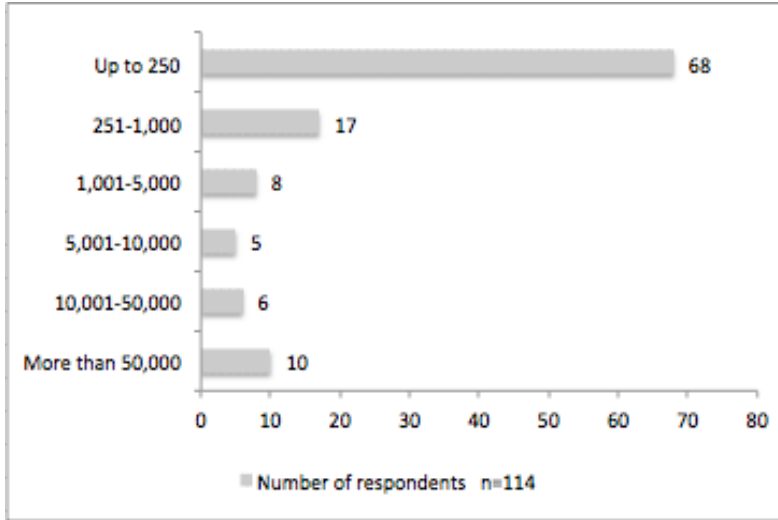
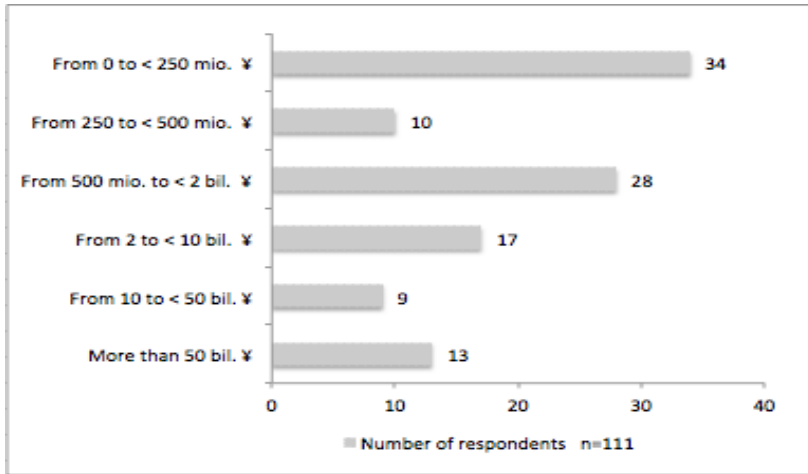
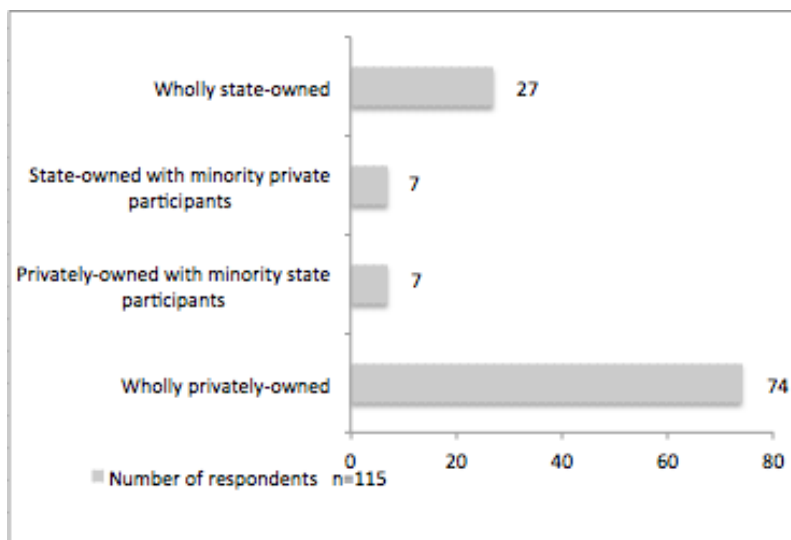


Figure 4



Firms participating in the study also display an interesting mix of ownership forms. Figure 5 shows wholly private ownership to be the dominant form (74 companies), followed by wholly state-owned enterprises (27), and with seven apiece state-owned firms with minority private participants and privately-owned firms with minority participation by the state. Furthermore, 16 of the enterprises were Chinese joint ventures with a foreign partner.

Figure 5

In keeping with the firms' form of ownership, 104 employ Chinese accounting standards, while 16 use International Accounting Standards (IAS) and International Financial Reporting Standards (IFRS). In addition, two enterprises report on a USGAAP (United States' Generally Accepted Accounting Principles) basis and one on the basis of the German Handelsgesetzbuch (HGB). Because there were 124 responses by 117 firms, some of them must be doing their accounting and reporting according to two different sets of standards.

Asked to compare their enterprise's success to that of their strongest competitor, 24 % felt they were markedly less successful, 21 % less successful, and 26 % just as successful. In contrast, 17 % felt more successful and 12 % markedly more successful than their chief rival.

To summarize, then, a respondent to the online survey most likely is a female, in her early 30s, who is a licensed accountant and has held her current position for about six years. She has participated in training for internal management control on a voluntary basis with an external provider, but also has received some internal training either in a mandatory or a voluntary trainee program. Her company is a wholly privately-owned Chinese SME that employs Chinese accounting standards and is just about as successful as its strongest competitor.

The principal benchmark study used for comparison herereports no demographic information about respondents and relatively little about the Austrian, German, and Swiss enterprises it includes (Barkalov/Martin/Wagner, 2010). However, a pie diagram classifying its participating firms according to ten categories shows 18 % in services, 15 % in the automotive industry, and 13 % each in utilities and machine

building. In comparison, the percentages for the four industries found most frequently in the present study are 27 % in financial services, 14 % in other manufacturing, 10 % in utilities, and 8 % in construction. The two study populations therefore differ somewhat in their composition, with the automotive industry and machine building being relatively more important in Central Europe versus financial services and construction in China.

Types Of Plans Made, Time And Effort Required

Survey respondents answered questions about the types of planning in which they engage as well as the amount of time and effort involved. Most frequently mentioned were annual planning/annual budgeting (89 %) and forecasting of yearend-likely financial values (79 %), followed by midtermplanning (68 %), strategic planning (61 %), and scenario planning (54 %). Comparative data on the first four types of planning are available for Central European companies: annual planning/annual budgeting (87 %); forecasting of yearend-likely financial values (60 %); midterm planning (58 %); and strategic planning (56 %). Although Chinese enterprises are more likely to forecast their yearend financial values, the two patterns of planning usage nevertheless are quite similar.

These results are remarkable in two ways. First, both in China and in Central Europe, sizable percentages of the surveyed firms engage neither in annual planning/annual budgeting nor in forecasting of yearend-likely financial values. Instead, in Central Europe, those companies rely on rolling financial forecasts and budgets. Because 87 % and 85 % of Chinese enterprises say they also use rolling financial and operational forecasts, respectively, substitution of rolling instruments for more standard kinds of planning may be occurring in China too. In any event, many of them apparently have adopted more modern tools, which they employ without abandoning more traditional ones. It could be that Chinese management engages in such resource-intensive behavior because it does not yet feel comfortable with such relatively new instruments. A more plausible explanation for this two-track approach, though, is the companies' continued reliance on annual results in evaluating and rewarding their managers.

The second noteworthy aspect of these findings is that a large portion of both Central European and Chinese firms do not practice either midterm or strategic planning. Moreover, in the Chinese case at least, little more than half the enterprises undertake scenario analyses. Whatever the explanation for this phenomenon in Central Europe, in China the lack of such plans and analyses probably stems from the small planning staffs in many SMEs and the time pressure on management to obtain and fill job orders. In other words, operational considerations strongly constrain the time and resources available for these activities. Of course, this explanation, together with the previous one for using traditional and more modern planning tools in parallel, remains speculative unless and

until statistical tests and interviews with managers yield corroborating evidence.

Figure 6 profiles the time companies devote to each of the planning types investigated. For the most frequently used form (n = 100), annual planning/annual budget, 27 companies need between 15 and 30 man-days. The range, though, is quite wide, with 29 enterprises requiring six man-days or less, while another 11 firms take more than 90 man-days for this task.

Figure 6



Forecasting yearend financial values, in turn, generally goes more quickly. 64 of the 86 reporting companies complete their forecast in 30 man-days or less. This result makes sense because the forecast’s purpose is just to predict the future state of the enterprise’s business development as accurately as possible (Leyk, 2006; Bartl/Schneider, 2011). A budget, on the other hand, usually has linkage to a binding service contract between management levels and represents an authorized plan of action for reaching a certain goal condition. It therefore necessarily involves more planning input (Rickards/Ritsert, 2012).

The Chinese enterprises engaging in midterm planning also seem to accomplish it relatively quickly, with half of them taking a man-month or less. The same is true for the least frequently undertaken type of planning, scenario analysis. That is unsurprising because one usually analyzes various scenarios in connection with short-term operational decisions requiring prompt action. For strategic planning, on the other hand, over half the firms use more than two man-months.

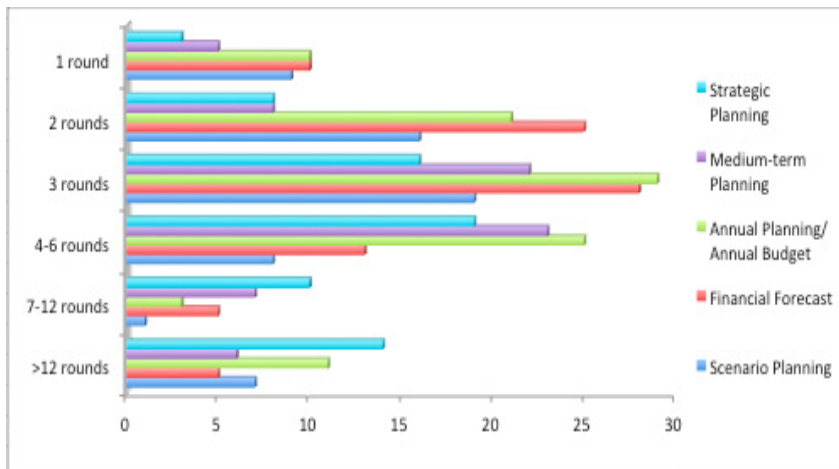
Compared with their Central European counterparts, again a broadly similar pattern emerges. There, too, financial forecasting requires the least time, with 86 % of the companies needing two weeks or less time. However, it goes much faster in Austria, Germany, and Switzerland – on average just 11 man-days. In contrast, annual planning/annual

budgeting takes Central European firms about the same time, an average of 28 man-days, with 24 % of the participating companies requiring more the 45 man-days for the job (versus 22 % in China). 65 % and 70 %of the enterprises in German-speaking countries completetheir midterm and strategic planning, respectively, in less than two weeks. While 51 % of the Chinese firms surveyed match this figure for midterm planning, only 20 % finish their strategic planning so quickly.

At least in the Central European case, the amount of time consumed in planning processes appears to be closely related to the complexity of the enterprise’s business model. Nevertheless, there are exceptions, where all planning types proceed very quickly indeed. These exceptional cases are firms with moderate business model complexity that use rolling forecasts and budgets having reduced levels of detail in their planning. They also have good IT-support linking all their various plans. Budgeting on a rolling basis, reduction in detail, improved IT-support, and better linkages thus likely would speed up Central European companies’ planning processesconsiderably. Given that Chinese firms’ planning is as slow or even slower than in Central Europe, they well could have even greater weaknesses in these respects and therefore could benefit as much or more by taking the appropriate remedial actions.

One more variable tends to retard planning processes: the number of meetings to coordinate decisions taken at various managerial levels. Figure 7 portrays respondents’ answers to questions about the number of coordinating rounds required for the five types of planning in their enterprise. Financial forecasting and scenario

Figure 7



analyses need the least coordination, with 73 % of respondents saying three or fewer meetings are necessary. Although annual planning/ annual budgeting may require only one or two coordinating rounds (31%), the bulk of Chinese firms need between three and six (55 %) sessions.

The same is true for midterm planning, where 77 % of the enterprises have between three and six meetings to coordinate estimates. Strategic planning requires the most coordination, with 50 % of the companies needing from three to six sessions and another 34 % holding seven or more meetings for that purpose.

Relative to their Central European peers, Chinese planning practices involve more rounds of adjustments. Three or fewer meetings are necessary for forecasting in 83 % of the former firms, 48 % for annual planning/annual budgeting, 63 % for midterm planning, 71 % for strategic planning.

Asked to choose the set of characteristics that best describes their enterprise's planning process, 48 % of respondents said it was based on historical values and focused on the previous year's bottlenecks. 25 % reported their production and supply chain planning having linkage to their sales planning, with planning for support functions reflecting overall growth of the business. 10 % prepared rolling forecasts focused on their most profitable products as the foundation for planning demand for individual products with linkage to sales, production, supply chain, and support planning. 17 % focus their planning on the most important business drivers, while using simulations of different plant utilization and manufacturing scenarios to develop their production and supply chain plans.

If one views these four groups as using standard/traditional, advanced, leading, and best-in-class planning methods, one then can compare them directly to their counterparts in Central Europe. There, about 70 % of the participating companies reported using standard/traditional methods, 30 % an advanced process, and 5 % leading or best-in-class procedures. In this respect at least, the Chinese controllers in the study population appear to be on a par with or more progressive than their Western colleagues. However, financial service companies are especially well-represented in that population. Hence, there may be greater familiarity with and willingness to use leading and best practices than one would find in a more representative population of Chinese firms.

Differing Foci Of Chinese Planning Types

Central European controllers emphasize differing areas in making their various types of plans. Consequently, whether Chinese controllers do likewise, and, if so, which areas are most important to them comprise interesting questions in this context. Figure 8 summarizes the average time Chinese controllers say they spend planning sales revenue, costs, cashflow, liquidity, working capital, and other aspects for annual planning/annual budgeting, financial forecasting, and scenario planning.

Figure 8

	Sales revenue	Cost	Cashflow	Liquidity	Working Capital	Others
Annual planning/Annual budget	31%	23%	13%	11%	12%	14%
Financial forecast of year end likely values in Statement of Financial Position, Statement of Comprehensive Income and Cash Flow Statement	28%	22%	13%	13%	14%	14%
Scenario planning	27%	21%	14%	12%	13%	15%

Summing the means across these areas for each plan yields more than 100 % in each case, suggesting that the numbers reported are just indicative of real values rather than precise estimates. For all three planning types, though, controllers spend the most time on sales revenues and costs. The relative time spent on them is greatest for the annual plan/annual budget, while that for cash flow, liquidity, working capital, and other aspects is greater in financial forecasting and scenario analyses.

Even greater imprecision is apparent in the data for the time Central European controllers dedicate to the same aspects of their planning. Nevertheless, the behavioral pattern is similar. Sales revenue and costs are the dominant foci, especially in annual planning/annual budgeting. Though absolutely less important, the other planning areas play relatively larger roles in financial forecasting and scenario analyses.

During the world financial crisis of 2008-2010, many companies previously fixated on sales revenue and costs discovered the increasing importance of cash flow. Cash flow can help offset some of the distress that arises when an abrupt collapse of demand leads to diminished utilization of capacity and profitability comes under strong downward pressure. In contrast, the alternative, to adjust capacity accordingly, is not very attractive, especially if one expects demand to recover in the midterm. In order to remain profitable and to meet existing financial obligations, one prefers to emphasize generating and freeing up cash instead.

Neither the Chinese nor the Central European survey responses reflect the growing importance of such topics. Nevertheless, one ought to be paying greater attention to them in order to meet current and future challenges. It is precisely the increasing dynamism of business crises with regard to their intensity and the decreasing interval between them that necessitates linkages between the assumptions in strategic and midterm planning with concrete cash flow goals in annual planning and budgeting (e.g., decreasing the number of days sales outstanding).

Shortcomings

The current research has three major shortcomings. First, the study population is not a representative sample of the universe of Chinese businesses. Accordingly, the results presented here describe only the convenience population investigated. Second, interview data to corroborate and extend the study findings are not yet available. Third, due to the tight time constraint to prepare and submit this conference paper, the data have not undergone in-depth statistical analysis. The authors intend to redress all three of these shortcomings in the near future.

Policy And Research Recommendations

Obviously, many Chinese managers do not yet appreciate fully the importance to their enterprise of a well-trained, smoothly functioning controlling staff. As long as the Chinese economy continues its swift expansion and they can externalize the economic costs of inefficiency to their workforce and the environment, there will be little incentive for them to change their attitude. In the meantime, however, more future-oriented firms could gain a long-term, competitive advantage by recruiting, training (in-house or externally), and supporting qualified controlling personnel. That is precisely what Anglo-Saxon companies' subsidiaries and a few local first-movers (e.g., the *Controller Akademie*) did in Germany and Austria in the 1950s and early 1960s (Rickards, 2007).

Interested businesses and the government could encourage and reinforce development of controlling in China by establishing chairs for teaching and research in controlling in this area at some of the country's leading universities. In that fashion, they could lay the foundation for more rapid expansion of the country's controlling capabilities at a later date.

Their first peek behind the bamboo curtain at Chinese controlling has piqued the authors' (and hopefully the reader's) curiosity. They therefore want to examine it more thoroughly. To do so, they next will focus their research on how complexity affects decision making in the planning process, the use of business drivers in forecasting and budgeting, and IT-support for leading and best-in-class controlling.

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**CONSTRUCTING AN UNDERSTANDING OF SUSTAINABILITY
REPORT IN THE PERSPECTIVE OF POSTMODERNISM:
AN IMAGINARY DIALOGUE IN THE STUDY CASE OF PT.
TELEKOMUNIKASI INDONESIA, TBK.**

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Abstract

The Study is an imaginary dialogue in nature. It uses a Postmodernist perspective in analysing the understading of sustainability report of PT Telekomunikasi Indonensia, TBK (Hereafter, Telkom). There are three persons in the imaginary dialogue: Accountant, Telkom Technologist, and Environmentalist. The study found that through the dialogue there are two basic thought on sustainability report by Telkom. The first is a model of accountability where Telkom could show its governance and responsibility to run the company. The second is a model of sustainable business where Telkom could be understood their businesses are concerned to financial prosperity, social awareness and environmental care.

Keywords: Sustainability Accounting and Reporting, Social and Environmental Accounting, Imaginary Dialogue, Postmodernist Perspective, and Telkom.

Prologue: imaginary dialogue on sustainability reporting

Here is the power of imagination¹. Entire of the study is an imaginary dialogue. Basically, we are living in this earth because of the existence of its environment. Then, the key is how is to sustain the environment? Many companies spend their efforts mainly because of money. Money,

1 As stated by Remez (2012), Imagination is a great power that can change your whole life. It is used extensively in magic, creative visualization and affirmations. It is the creator of circumstances and events. When you know how to work with it, you can make your hearts' desires come true. Imagination is a creative power that is necessary for inventing an instrument, designing a dress or a building, painting a picture or writing a book. The creative power of imagination has an important role in the achievement of success in any field. What we imagine with faith and feelings comes into being. It is the power beyond creative visualization, positive thinking and affirmations.

money and money are the focus of their interest. It is interesting when we see the movie of Wall Street (1987) and Wall Street part II 2010 (Money Never Sleep). Gekko, as Corporate Raider in the Movie, said

The point is, ladies and gentleman, that greed, for lack of a better word, is good. Greed is right, greed works. Greed clarifies, cuts through, and captures the essence of the evolutionary spirit. Greed, in all of its forms; greed for life, for money, for love, for knowledge has marked the upward surge of mankind.

Sustainability is based on a simple and long-recognized factual premise: Everything that humans require for their survival and well-being depends, directly or indirectly, on the natural environment. The environment provides the air we breathe, the water we drink, and the food we eat. It defines in fundamental ways the communities in which we live and is the source for renewable and non renewable resources on which civilization depends. Our health and well-being, our economy, and our security all require a high quality environment.

The study is an imaginary thought in the form of dialogue². The dialogue is between three persons which are Accountant, Environmentalist, and Telkom Technologist. The Three are engaged to share an accounting knowledge in particular of methodology and method in a postmodern accounting research of sustainability accounting. This is, for me, a big thought being a researcher knowing bit beyond a theory of accounting in practice, rather it is a philosophical thought in nature. I believe some accounting people 'hate' this, but some are enjoyed to journey a trip in a philosophy of accounting methodology. Both, of course, are in a different corner. One or some is (are) in a left continuum and others are in a right one. Of course, we are not possible to meet them in 'shaking' hands. Rather, both continuums put in a critical debate and sometimes in a dispute.

Well ... enjoy yourself ... La kumdinukumwaliadin (Al kafirun: 6). This carries a meaning 'you shall have your religion and I shall have my religion'. Entire to the study, I define accounting is based on the Postmodern perspective which is as accountability processes of everyday economic, environment, social and spiritual activities involving either monetary and non-monetary values. The definition is moving beyond what has been understood as "the art of recording, classifying, and summarizing

2 The imaginary dialogue will be explored intensively in the Chapter II. Imaginary dialogue is used as it has a great role and value in each one's life. It is much more than just idle daydreaming. We all use it, whether consciously or unconsciously, in most of our daily affairs. We use our imagination whenever we plan a party, a trip, our work or a meeting. We use it when we describe an event, explain how to arrive to a certain street, write, tell a story or cook a cake.

in a significant manner and in terms of money, transactions and events which are, in part at least, of financial character, and interpreting the results thereof (AICPA).

- Environmentalism : “ It seems to me, our world now suffers from the global industries. In twentieth century, myriad of industrial companies give bad impacts on their existence. They do not care with natural resources they use to provide something to consumers or do not consider employee, environment, consumers, or community as significant thing to sustain their business. The companies just take natural resources as many as they need to process for their economic activities without doing anything to keep or make renewable natural resources”
- Accountant : ”So, do you mean the industries did the wrong ways?”
- Environmentalism : ”Yes, they did wrong for their own businesses. There are many environmental destructions happening since the companies neglect their surrounding. They only care for their own benefit.”
- Environmentalism : “(... with strong words ...) I do not know what are the accountant works?”
- Accountant : “ ... I believe Accountant works are based on what are the ‘orders’ to do. Conventionally there are Financial Accountants, specializing on the financial report preparations, Management Accountants. Specializing on the effectiveness and efficiency of company’s costing. You could name them, such as Government Accountants, External Auditors, Internal Auditors and some other accountants related works.”
- Environmentalism : In my opinion, the conventional (mainstream) accounting³, shareholders and bondholders is the centre of attention, while other parties are often ignore. Companies face greater demands today, companies are expected to not only concerned with the interests of management and owners of capital (investors and creditors), but also employees, consumers, and society. Conventional accounting has been widely criticized for not being able to accommodate

3 Conventional (mainstream) accounting is meant by narrowing accounting discipline in the form debit/ credit model and financial accounting only.

- the interests of society at large, and then a new accounting concept known as Social Responsibility Accounting (SRA), floats into surface which requires report of information by corporate social and environment responsibility.
- Accountant : Yes, you are right... the concept is developed with the term sustainability accounting, according to Hikmah (2004), some background on the need for disclosure of social and environmental information companies are social problems that always arise because of dissatisfaction with company policies on the environment both natural and social communities; to minimize one of them company should be concerned with the social environment; and one medium that can be used for social disclosures in the annual report.
- Environmentalism : I have a reference from Sukoharsono (2011a), he stated that the form of reports that can be used is the External Environmental Performance Report which is a comprehensive environmental report and widely publicized and known as the Sustainability Report. Sustainability reporting is a corporate performance report relating to the concept of sustainability. Sustainability Development can be defined as development to meet the needs of present generations without compromising the ability of future generations to meet their needs (World Commission on Environment and Development, 1997). It considers the ability of limited natural resources for human needs infinite.
- Accountant : Yes, I think so. Basically, sustainability accounting is to refer to a transparency of corporate social and environment report of a company's activities including social activities. Its report shows not only the financial information of the company, but also information about the impacts (externalities) to social and environmental external to the company. It is believed that companies' activities cause many social and environmental problems. From the point of view, the companies are willing to present a report that

- can reveal how much is their contributions to the social and environmental problems.
- Environmentalism : Even though ... the companies' contributions are unbalanced to replace its impacts ...
- Accountant : Yes ... of course ... unbalanced ... or ... never ...
- Accountant : (Again with calmly ...) Or at least with the report, it encourages a company to be responsible toward their society and environment where the company is located. Examples of these responsibilities vary, ranging from doing activities that can improve public welfare and environmental improvements; provision of scholarships for unfortunate children, the provision of funds for the maintenance of public facilities, contributions to public facilities which are socially benefited and useful for many people, especially communities around the company is located. Sustainability accounting is a phenomenon of corporate strategy that accommodates the needs and interests of its stakeholders. Sustainability accounting arises from an era where the awareness of long-term sustainability of the company is more important than profitability.
- Telkom Technologist : (He is listening ... to the conversations between accountant and environmentalist ...) I believe that what both of you discussed is what now Telkom is concerned ...
- Telkom Technologist : (... He is thinking to continue his talk ...) ... hear my explanations ... PT Telekomunikasi Indonesia, Tbk (here after, Telkom) is a State Owned Enterprise (SOEs) and a provider of telecommunication services and the largest network in Indonesia (... seemingly he is proud of it ...). Telkom provides Info Comm, fixed wire line and fixed wireless, mobile telephone, data and internet, as well as network and interconnection, either directly or through subsidiaries. For SOEs, the Government of the Republic of Indonesia is a majority shareholder who controls much of Telkom's shares and the rest owned by the public. Company shares are traded on the Indonesia Stock Exchange (BEI), the New York Stock Exchange (NYSE), London Stock Exchange (LSE) and the Tokyo Stock Exchange (without listing).

- Environmentalism : ... Are your explanations relevant to what we discussed?
- Telkom Technologist : Of course ... yes ... please wait here ... I continue it ... As a part of the world of business related to the interests of society, Telkom has consistently advance while providing benefits to the public welfare and the environment, especially to avoid the negative issues from the society, associated with the negative impacts arise from company's operations. Therefore, to suppress the negative issues of the community that will facilitate the company's operations and also to enhance and maintain the good name of Telkom, Telkom must implement the accounting practices of social responsibility and sustainability reporting to the stakeholders.
- Telkom Technologist : (... He is thinking again then ... to continue his talk ...) ... See here, as a company that is go public, Telkom made sustainability report each year. Telkom's 2006 Sustainability Report was the first year report presented information on three main aspects of sustainability, namely: economic, social, and environmental. The preparation of sustainability reports based on the Sustainability Reporting Guidelines (G3) and the Telecommunications Sector Supplement (TSS) issued by the Global Reporting Initiatives (GRI).The information reported in the sustainability report is data related with the context of sustainability that are considered material, complete, and significant for all stakeholders. Similar to the2006, Telkom continued its reports to the 2007, 2008, 2009, 2010 and 2011. Telkom prepared sustainability reports based on the Global Reporting Initiatives (G3) and Telecommunications Sector Supplement (TSS). Along with the development of the GRI standard, in 2011 Telkom prepared the sustainability report based GRI version G3.1 and Telecommunications Sector Supplement (TSS).
- Telkom Technologist : ... I am proud of them ... (at last he stopped his talks).
- Accountant : ... Great ... Great ... I appreciated with the Telkom progress as you said.

Based on the imaginary dialogue above, the study is focused to the title, *Constructing an Understanding a Sustainability Report in the Perspective of Postmodernism: An Imaginary Dialogue Between Accountant, Environmentalist and Telkom Technologist in the Study Case of PT. Telekomunikasi Indonesia, TBK*

In the post modern society, the need for social account tability information is needed by the various parties because the demands are getting bigger for the business performer. Pressure and demands of stake holder sareresponded by the company by demonstrating various forms of social responsibility accounting activities to society and the environment. The emergence of paradigm sustain ability reportis considered capable of meeting the demands of corporate take holder stomeet the account ability and transparency to all stakeholders. It is interesting to be discussed because the report compiled three aspects, namely economic, social, and environ mental, or known as triple bottom line reporting. Sustainability report is apart form of sustainability accounting.

- Accountant : ... It is time to prepare a comprehensive report of a company's activities, it is not only a financial report, but it is also social, environmental and wider economic aspects ...
- Environmentalist : ... Thank you, Accountant ... You did perfectly. It was the only I knew an accountant is preparing a financial report. When I met you, it seems you enlightened me ... who are accountants? Accountants are broader than I thought ... again thank you ...
- Telkom Technologist : ... Let us back to Telkom, Telkom has great achievements in the aspects of reports, it includes sustainability reporting. In the 2011, Telkom has received the Best Sustainability Reporting Award ... Then it is good to understand how well the report is all about ...

Based on the background that has been dialogue previously, a formulation of research question of the study is 'How is Sustainability Accounting Report used to imaginarily dialogue to the interests between the Environmentalist, Accountant, and Telkom Technologist in the Study Case of the PT Telekomunikasi Indonesia, Tbk in the perspective of postmodernism?'

- Accountant : The research question is believed it would enlighten and construct people's thought (in particularly, research readers) with a new understanding of sustainability reporting phenomena in the Telkom.
- Environmentalist : Similarly, I believe this will provide a new insight in the postmodernist form of sustainability

reporting understanding using an imaginary dialogue.

Telkom Technologist : ... for me, this is a power to justify that an imaginary dialogue could be used to understand how the Telkom sustainability reporting plays an important role to its society and environment.

Research methodology: To find the way accounting is socially understood by an imaginary dialogue

Postmodern Research Perspective

Following *Kamus Besar Bahasa Indonesia*, research is an activity for collecting, processing, analyzing, and representing data activity that is committed rigorously to solve a problem or to construct a new understanding of phenomenon. Then, *Webster's New Collegiate Dictionary* views research as studious inquiry or examination especially investigation or experimentation aimed at the discovery and interpretation of facts, revision of accepted theories or laws in the light of new facts, or practical application of such new or revised theories or laws. We can conclude that research done for both discovering and constructing phenomena.

Meanwhile, Hillway (1965) in *Introduction To Research* added that research is an "orderly system of searching for truth which, by basing conclusions upon factual evidence and by using logic as a means of showing relationships between related ideas, has given better and more accurate answers to many questions" (Hillway in Lapuz, 2008). Based on the understanding, research is a method of carefully and exhaustively investigation studies of all the ascertainable evidence bearing upon a definable problem, to reach a solution for that problem and construct an understanding of phenomena.

Accountant : To construct social reality, it is suggested to understand a mode of postmodernism accounting research.

Environmentalist : Well, I believe you know better than me, exploring what is postmodernism.

Accountant : Basically, postmodernism is not only belongs to accounting discipline. It is also to all disciplines.

Environmentalist : Is it true?

Accountant : Please believe me ... Postmodernist is the way to construct a 'new' meaning of a phenomenon.

Accountant : From this point of view, the entire report we use a mode of postmodernism.

The study is based on the postmodern perspective. As it is believed postmodern could enlighten phenomena under investigation, here is for postmodern understanding.

Accountant : I remember when I read an article of Sukoharsono (2010) where ...
“ Postmodernisme adalah ungkapan yang sangat kontroversial. Hadir dengan ungkapan-ungkapan yang serba penuh reaksioner. Sebut saja antara lain dekonstruksisme’, nihilisme’, lokalisme’, dan spiritualisme’. Kehadirannya mewarnai banyak disiplin ilmu dalam telaah mode intelektual dalam merubah paradigm berfikir tentang ontology, epistemology dan methodology. Sering pula difahami postmodernisme’ melakukan usaha merubah tradisi intelektual yang sudah mapan.” (Sukoharsono, 2010:1)

Environmentalist : Yes, Thinker, I have read too. It is controversial ... but it enlightens the people’s thoughts on our accounting lives.

Accountant : Not everyone has the same idea and ... read this ...
Intelektual yang secara tradisi mengedepankan rasionalitas dan objektivitas, mulai dirubah dengan melibatkan spiritualitas dan subjektivitas. Tradisi justifikasi signifikansi kebenarandenganalatmatematisdanstatistika, diungkit dengan diskursus, partisipasi kontekstual, naratif dan transendental. Satu lagi yaitu tradisi justifikasi generalisasi, dibantah dengan mengedepankan kearifan local (local wisdom)” (Sukoharsono, 2010:1).

Environmentalist : Thinker, I confused to understand what is postmodernism?

Accountant : Please see Postmodernism in a philosophy, suggested to read Sukoharsono (2011).

Sukoharsono (2011) draws a dichotomy between modern and postmodern. There are 5 (five) philosophical assumptions to place in distinct angles: (1) Ontological, (2) Epistemological, (3) Axiological, (4) Rhetorical and (5) Methodological Assumptions. Each assumption leads to an impact of accounting methodological choice. Of course, one to another has disputable in its essences. Ontologically, postmodern comes to an idea that reality is objective and singular, having distant from the researcher. The researcher is not embedded to an object of the research.

It is so called postmodern is subjective and multiple and being embedded in a study.

Environmentalist : Ehm ... well it is beyond my mind, Accountant!
Accountant : I haven't finished yet explicating the Postmodern Philosophy ... here is in terms of epistemology.

Epistemology is the branch of philosophy that studies on knowledge. It attempts to answer the basic question: what distinguishes true (adequate) knowledge from false (inadequate) knowledge? The questions translate into issues of scientific methodology: how can one develop theories or models that are better than competing theories? It also forms one of the pillars of the new sciences of cognition, which developed from the information processing approach to psychology, and from artificial intelligence, as an attempt to develop computer programs that mimic a human's capacity to use knowledge in an intelligent way.

When we look at the history of epistemology, we can discern a clear trend, in spite of the confusion of many seemingly contradictory positions of what is postmodernism. The first theories of knowledge stressed its absolute, permanent character, whereas the later (Postmodernism) theories put the emphasis on its relativity or situation-dependence, its continuous development or evolution, and its active interference with the world and its subjects and objects. The whole trend moves from a static, passive view of knowledge towards a more and more adaptive and active one.

Accountant : Well ... put it this way ... the dispute is alike of Surat Al Kafirun
Say, O unbelievers
(1) I do not serve that which you serve
(2) Nor do you serve Him Whom I serve
(3) Nor am I going to serve that which you serve
(4) Nor are you going to serve Him whom I serve
(5) You shall have your religion and I shall have my religion (Al Kafirun: 1-5)

The Surah Al Kafirun inspires that modern and postmodern have their own contexts. It places in a particular position. Postmodern epistemologically places its position that a researcher is embedded and participate in its research object.

Understanding the Distinction of Postmodernism

Accountant : I would like to explore in details on postmodernism. To make easier to understand, I will have a comparative analysis between positivism and postmodernism

Environmentalism : It is very good and I agree to it ...
 Accountant : Please see below ...

The Differentiation of Positivism and Postmodernism

No	Distinction	Positivism	Postmodernism
1	The reality of fact	Fact is singular, real, and fragmentary	Fact is plural, formed, and as a unitary
2	Researcher and research subject	Researcher and research subject is dependent, so there is a dualism	Researcher and research subject work together, so inseparable
3	Possibility of generalizing	Generalizing based on free of time and free of context	Context and time based understanding phenomena
4	Possibility of causality	There is an actual caused which temporary and simultaneously working to its effect	Each unitary lies on influencing each other situation, so it is difficult to differentiates which one is caused and which one is effect
5	The role of value	The inquiry free of value	The inquiry does not free of value

Adapted : Moleong, 2000

Bogdan and Taylor (Moleong, 2007) stated that postmodernism method is a research procedure that produce descriptive data as text and also oral from observed people and observed behaviour. Meanwhile, Denzin and Lincoln in Sukoharsono (2006) defining qualitative research as follows:

“[Postmodernis] research is multimethod in focus, involving an interpretive, naturalistic approach to its subject matter. This means that [postmodernism]researchers study thing in their natural settings, attempting to make sense of or interpret phenomena in terms of the meanings people bring to them. [postmodernism]research involves the studied use and collection of a variety of empirical materials – case study, personal experience, introspective, life story, interview, observational, historical, interactional, and visual texts –that describe routine and problematic moments and meaning in individualslive”.

So that, in common, qualitative research is a process of steps that involves researcher, theoretical and interpretative paradigm, observational strategy, data collecting method and empirical data analysis, and also data interpretation and explanation (AgusSalim, 2006).

Strauss and Corbin, in *Basics of Qualitative Research: Grounded Theory Procedures and Technique (1990)*, explain farther about post modernism research. Following them, postmodernism research is any kind of research that produces findings not arrived at by means of statistical procedures or other means of quantification (Hoepfl, 1997). Meanwhile, Patton in *Qualitative Evaluation and Research Methods (1990)*, said that in postmodernism research “*there are no absolute rules except to do the very best with your full intellect to fairly represent the data and communicate what the data reveal given the purpose of the study.*” Therefore, qualitative research can not be divorced from subjectivity element of the researcher.

- Accountant : Basically postmodernism research has holistic character, subjective and hold on dynamic-realistic-assumption.
- Environmentalist : I heard that views on power of narrative for postmodernism research has been emphasized.
- Accountant : Yes, it is true. The reason is that postmodernism research was chosen by researchers because the problems which being analyzed have no limit of the discussion-depth-level. The main objective of postmodernism research is to understand phenomena or social phenomena by more emphasizes on comprehensive picture about phenomenon which is studied by defining them becomes related variable.
- Accountant : Moreover ...
- Accountant : Postmodernism method was chosen because this method is suitable for observing unclear problem, to find hidden meaning, to understand social interaction, to develop theory, to ensure data validity, and analyzes developing history. It is similar with Strauss and Corbin opinion in Hoepfl (1997), which said that postmodernism method can be used to better understand any phenomenon about which little is yet known.

Imaginary Dialogue as a Method

- Environmentalist : Hi ... Accountant ... what is imaginary dialogue? I never heard before ... even though I believe this is a breakthrough of a method in a research.
- Accountant : Well ... Before I explore what is imaginary dialogue, I would like to explore firstly about the word of imaginary, imagine and imagination ... I use the words are interchangeable. Please do not be confused them ...
- Environmentalist : Yes, I will be ready to be not confused ...

Accountant : Environmentalist ... Imaginary, imagine and imaginations are the words used interchangeably in this study. Imaginary is the workshop of the human mind where old ideas and established facts may be reassembled into new combinations and put to new uses.

Accountant : For me, Imaginary is defined as “the act of constructive intellect in grouping the materials of knowledge or thought into new, original and rational systems, the constructive or creative faculty; embracing poetic, artistic, philosophic, scientific and ethical imagination.”

Imaginary has been called the creative power of the soul, but this is somewhat abstract and goes more deeply into the meaning than is necessary from the viewpoint of a student of accounting who wishes to use the course only as a means of attaining material or monetary advantages in life. The imagination is both interpretative and creative in nature. It can examine facts, concept and ideas, and it can create new combinations and plan out of these.

Accountant : Environmentalist ... Imaginary dialogue is also a method of a conversation created and held in one person’s imagination who has a strong vision on constructing a new phenomena. For example, you may imagine a conversation between you and your boss as to why you haven’t done your task before you actually have the conversation.

The challenging issue for identifying relevant imaginary dialogue methods and classifying them relates to just what is being integrated in a research. From an initial understanding of what (structured/ semi/ and unstructured) imaginary dialogue might integrate, this develops a list of elements that is believed possibly being integrated-these included facts, judgments, visions, values, interests, epistemologies, time scales, geographical scales and world views. These provided the basis for further interrogating the literature on dialogue and hunting out case studies. In terms of the elements it is identified in a research. It is believed that imaginary dialogue methods specifically geared to integrating judgements, visions, world views, interests and values.

Accountant : To some extents, imaginary dialogue can be used for multiple purposes. One is to construct a new reality and others can be used for a diversity of contexts from setting policy to relationship counseling.

It can be understood that the imaginary dialogue could provide two other examples. In Western intellectual thought, imaginary dialogue

was first associated with the Greeks, particularly Socrates and Plato. For them, the key issue was ‘reasoning through rigorous dialogue as a method for intellectual investigation intended to expose false beliefs and elicit truth’ (Tarnas 1991:34). In the 1990s, Bohm (1996:vii) wrote about the use of dialogue as a process ‘which explores an unusually wide range of human experience: our closely held values; the nature and intensity of emotions; the patterns of our thought processes; the function of memory; the import of inherited cultural myths; and the manner in which our neurophysiology structures moment-to-moment experience’. He went on to argue that ‘[i]n its deepest sense, then, imaginary dialogue is an invitation to test the viability of traditional definitions of what it means to be human, and collectively to explore the prospect of an enhanced humanity’ (Bohm 1996:vii–viii). For those interested in dialogue more broadly, the references listed here provide some of the rich veins they can explore further. A second key aspect of the broader field of imaginary dialogue is the literature on deliberative democracy. This is a theory or movement in political science, with deliberative democracy being defined as ‘an association whose affairs are governed by the public deliberation of its members’ (Cohen 1989:17) or, more broadly: Deliberative democracy is a conception of democratic politics in which citizens or their accountable representatives seek to give one another mutually acceptable reasons to justify the laws they adopt. The reasons are not merely procedural (‘because the majority favours it’) or purely substantive (‘because it is a human right’). They appeal to moral principles (such as basic liberty or equal opportunity) that citizens who are motivated to find fair terms of cooperation can reasonably accept (Gutmann and Thompson 2001:137).

Imaginary dialogue on a concept of Sustainability accounting

- Environmentalist : Thus,... there are two basic thoughts on sustainability accounting.
- Accountant : Yes, the first is concerned to a model of accountability. The second is from a management perspective to sustain their businesses.
1. First, environmentally and socially induced financial impacts.
 2. Second, ecological and social impacts of a defined economic system such as the company, production site, nation, and others.
 3. Third, the interactions and linkages between social, environmental and economic issues constituting the three dimensions of sustainability.
- Accountant : Major breakthrough in the context of Sustainability Accounting si by John

Elkington(1997) in his book: “Cannibals with Forks, The Triple Bottom Line of Business Twentieth Century”. Elkington developed the concept of triple bottom line in terms of economic prosperity, environmental quality, and social justice. Through this concept Elkington argued that companies that want to continue running the business should pay attention to 3P of profit, people and planet. Companies that run their business is not justified merely pursuit of gain (profit), but they also must be involved in the fulfillment of the welfare of society (people), and actively participate in protecting the environment (planet). These three principles are mutually supportive in the implementation of SR programs.

It is argued that since this Elkington spark, it could be said that sustainability accounting increasingly fast scrolling, and even louder after the World Summit in Johannesburg on 2002, which stressed the importance of corporate social responsibility. In the Asia, the concept of sustainability accounting evolved since 1998, but at that time there has been an understanding and a good understanding of the concept of SR. Meanwhile, in Indonesia the concept of SRA is becoming a hot issue since 2001.Changes society’s views, investors, and governments in turn encourage companies to show the form of sustainability accountingis not limited to the repair activity of the composition, quality and safety of products produced, but also in engineering and production processes, as well as the use of human resources.

Imaginary Dialogue On Sustainability Report Of The 2012 Telekomunikasi Indonesia

Three of them (Accountant, Environmentalist and Telkom Technologist) are setting in a circle facing a round table, with serious and each bringing PT. Telkom documents.

- Accountant : (With calmly and trying to see who will start discussing first ...) I do believe that exploring the sustainability report of PT. Telkom is not easy task. We should understand what is PT. Telkom, all about, should it be?
- Environmentalist : (Spontaneously ...) Yes, I agree what is Accountant said.
- Telkom Technologist : I understood what you thought. I would try to my best to describe the early day of PT. Telkom.

Telkom was established in 1856. It has been a pioneer in telecommunication sector since then. See the Telkom’s last 5 years historical line.

2010 : Telkom project on JaKaLaDeMa Sea Fiber Optic. The project is a telecommunication connecting Jawa, Kalimantan, Sulawesi, Denpasar and Mataram. The project was accomplished on April 2010.

2011 : Reformation on Telecommunication Infrastructure through the Project of Telkom Nusantara Super Highway which aims to unite the Nusantara from Sumatera to Papua, and True Broadband Access Project which provides internet access to customers across the Indonesia.

2012 : Broadband Penetration through WIFI Indonesian Development to realize Indonesia Digital Network (IDN).

Changing business portfolio from TIME to TIMES (Telecommunications, Information, Media, Edutainment & Services) to improve business value creation.

Establishing Telkom Corporate University to develop human resource Telkom able to compete in the international business (from competence to commerce).

Accountant : Wow ... you have very good knowledge on the Telkom timeline history.

Environmentalism : I did not hear any environment concern on the history. Was PT. Telkom not aware of environment protections?

Accountant : I think that it was not appropriate to concern on any environment in the history.

Telkom Technologist : The Telkom Timeline history concerns on the company development and it did not focus on the environment relations.

Telkom Technologist : In particular, it explored that PT. Telkom is an information and telecommunications (Info Comm) services operator that has the most comprehensive services and the largest network in Indonesia, and is currently expanding its business portfolio to incorporate Telecommunications, Information, Media and Edutainment (TIME). It also describe that PT. Telkom is gradually improving its infrastructure, expanding Next Generation Network (NGN) technology and mobilizing the synergies within the entire Telkom Group, Telkom is empowering retail and corporate customers by delivering better quality, speed, reliability and customer service.

Accountant : Ehm ... not bad ...

Telkom Technologist : (With sure and loud ...) In fact. PT. Telkom's shares were owned by the Government of

Indonesia (52,47%) and the public (47,53%). Telkom's shares are listed on the Indonesia Stock Exchange ("IDX"), the New York Stock Exchange ("NYSE"), and the London Stock Exchange ("LSE"), and are offered on the Tokyo Stock Exchange without listing. PT. Telkom has continued to strengthen the foundations for the growth of company's business, following the paradigm shift in our services from 'standard' telecommunications services to a broader scope that takes in Telecommunications, Information, Media and Edutainment (TIME) services. This initiative yielded a very satisfactory business performance, with consolidated revenue growth of almost 1.4% compared to the previous year. Telecommunications services still dominate the Company's revenues, contributing about 90%, but we are now beginning to see a growing contribution from the IME (Information, Media and Edutainment) sectors, which is in line with Telkom's expectations. Telkom also proud to report the extraordinary performance of Telkom Speedy, our broadband service, which recorded revenue growth of 38% and a 44% increase in subscribers. This achievement came on the back of smart investments in infrastructure and an aggressive marketing effort.

- Accountant : (In silent, then ...) I remember PT. Telkom was 100% owned by the government. Since 1995, PT. Telkom became a public company. As a consequence, not 100% of shares belonged to the government.
- Environmentalism : (Suddenly ...) With the changing of company ownership, how was about the impact of its environment?
- Accountant : (In silent ... no answer ...)
- Telkom Technologist : (the same, in silent ... no answer ...)
- Environmentalism : Sorry, I think my question was false ... (with smiling face ...). I thought there was any impact of the changing ownership on its ownership. I am sure it was a matter of equity.
- Accountant : You are right, Environmentalism ... From my understanding, when the owners were changed, this might change the company's policies. This meant that some might concern on the environment concern protection.

- Accountant : (Continuously .. insisting ... to say) Let us check where was the company listed its stock? (With showing to the data ...) The company was listed at BEJ, BES and NYSE. This meant that there would be any one concerned with environment protections.
- Accountant : (With asking to the two ...) any one knows who were the first group owners, outside of the Indonesia government?
- Environmentalist : (With sure ...) I believe It is very hard to know the detail of the first group of owners and also identifying their concern on environment protections of the PT. Telkom policy activities.
- Telkom Technologist : (Convincing and facing sharply to the Environmentalist). Back to my previous descriptions, what I concerned was the early timeline profile of the company. How the company it was. I did not try to inform you the detail company activities, even the company policies were. No data was carried out to the detail company policies.
- Telkom Technologist : (Again adding explanations ...) PT. Telkom collaborates with several of its peer companies, both local and international. At the national level, Telkom is a member of the Indonesian Telematics Community (MASTEL), Indonesian Satellite Association (ASSI), and the Indonesia Telecommunications Clearing Association (ASKITEL), *Corporate Forum for Community Development* (CFCD). In the international arena, Telkom is a member of the Asia Pacific Network Information Centre (APNIC), a non-profit organization that works to protect the stability and reliability of internet resources in the Asia Pacific region. Telkom is also a member of ITU-D (responsible for formulating policies and providing training programs as well as funding strategies for developing countries) and ITU-T (responsible for developing telecommunications standards).

Vision, Mission, Objectives, and Strategic Initiatives

- Accountant : As far as I concern, management vision of a company is very important to drive the life of company's activities. Vision is an aspirational description of what an organization would like

- to achieve or accomplish in the mid-term or long-term future. It is intended to serves as a clear guide for choosing current and future goals of action. I believe PT. Telkom has also vision to drive its activities. What do you think Telkom Technologist?
- Telkom Technologist : Yes, sure it has ...
- Accountant : What is it then? (with curious to know ... seriously)
- Telkom Technologist : Here it is ...
- Telkom Technologist : (he is looking at some documents, it seems trying to find somethings ...) Here ... here
- Telkom Technologist : Yes, sure it has ... PT. Telkom vision is 'To be a company advanced in providing Telecommunication, Information, Media, Edutainment, and Service in the regional area'
- Accountant : It seems to me the vision is very concise and easy to understand it. In fact, when we say it a short its vision is 'to be a company advanced in providing TIMES in the regional area'. This could be Asean or Asia.
- Telkom Technologist : (insisted to continue ...) Telkom Vision is supported by also very concise of missions. Telkom missions are (1) to provide high quality TIMES services with competitive prices, (2) to become the best corporate governance model in Indonesia.
- Accountant : (trying to explain ...) We have to distinguish between Vision and Mission. Vision is a written declaration of an organization's core purpose and focus that normally remains unchanged over time. Properly crafted vision statement (1) serve as filters to separate what is important from what is not, (2) clearly state which markets will be served and how, and (3) communicate a sense of intended direction to the entire organization. Here Telkom has done it with clear and concise. Where as a mission, it is different from a vision where a mission is something to be pursued for that accomplishment.
- Telkom has declared its missions to provide high quality TIMES serves and to become the best corporate governance in Indonesia. Some say, it is important to state the year when it will be achieved. It means a time is set to be.

- Environmentalism : (insisting ...) I do not think that the vision and missions of Telkom are considering environment awareness.
- Accountant : Why?
- Environmentalism : Well, we do not find any statement incorporating environment or any concern of earth protection, does not it?
- Accountant : Yes it sure, there is no word of environment ...
- Environmentalism : If Telkom is serious to contribute to sustain its environment, I think it is not difficult to add or insert its commitment in it. It depends on the management willingness. If they have a serious policy to it, then it must be explicitly stated in their vision and missions. As it is stated by Blair and Hitckcock (2001), Environmental sustainability and conservation are key concerns for an organization that is dedicated to science and technology leadership. Science World works hard to educate the members of our community and promote personal and collective environmental responsibility among staff and volunteers. This means that Telkom should be in the first place to educate people in environmental responsibility
- Telkom Technologist : It is very good to discuss with you about environmental concern, but let us listen the continuation of the Telkom objectives adding its vision and missions.
- Telkom Technologist : Here is the Telkom objective, creating a superior position to streng then the Telkom legacy business and in creasing new wave business to acquire 60% of industry revenue in 2015. To realize this purpose, the following strategi cinitiatives organized:
1. Optimizing net work wire line/ fixed wire line (FWL).
 2. Streng the ning and developing business networks fixed wireless/ fixed wireless access (FWA) and managing wireless portfolio.
 3. Investing in broadband networks (broadband).
 4. Integrating enter prise solutions and investing in business wholesale.
 5. Integrating Next Generation Network (NGN).

6. Developing information technology services.
7. Developing media and edutainment business.
8. Stream lining port folio subsidiary.
9. Aligning business structure and portfolio management.
10. Transforming corporate culture.

Telkom Technologist : I inform you that the objective has been disseminated very well so far. Basically, the objective is to strengthen the very competitive company in technology services. From 10 strategic initiatives, 7 of them are dealing technology concerns. The rest is for financial portfolio and human resource development. This means that Telkom focuses on strategic technology services.

Honestly to say, Indonesian technology is on the shoulder of Telkom. Telkom is asked to provide high technology services to Indonesians with very competitive in pricing.

Accountant : In fact, PT. Telkom earned net profit in 2012 of more than 18 Trillion IDR. It was increased more than 3 Trillion IDR from 2011.

I have a copy of the part of the Telkom financial statement.

PERUSAHAAN PERSEROAN (PERSERO)
PT TELEKOMUNIKASI INDONESIA Tbk DAN ENTITAS ANAK
LAPORAN LABA RUGI KOMPREHENSIF KONSOLIDASIAN
TAHUN YANG BERAKHIR PADA TANGGAL 31 DESEMBER 2012
DENGAN ANGKA PERBANDINGAN UNTUK TAHUN 2011
 (Angka dalam tabel dinyatakan dalam miliaran Rupiah, kecuali dinyatakan lain)

	Catatan	2012	2011
PENDAPATAN	2c,2r,26,37	77.143	71.253
LABA USAHA		25.698	21.958
Penghasilan pendanaan	2c,37	596	548
Biaya pendanaan	2c,2r,37	(2.055)	(1.637)
Bagian rugi bersih entitas asosiasi	2f,9	(11)	(10)
LABA SEBELUM PAJAK PENGHASILAN		24.228	20.857

Accountant : Please look at my document. The Telkom revenue from 2011 to 2012 has increased very significantly. The profit is increased too.

Environmentalist : Ehm ... huge profit, isn't it? How is about Telkom environment protection contribution? Any one knows?

- Accountant : I think we could trace them, but we could discuss it later on.
- Telkom Technologist : Yes, I agree Accountant. We are now focusing on the company objective and strategies. There is also important aspect of Telkom which has to be informed to people.

Strategy of Corporate Social Responsibility

- Telkom Technologist : Telkom's CSR strategy and policy is integrated in a single Decree of the Board of Directors Number 41/PR000/SDM-20/2006. This decree is the foundation of the management of Telkom's CSR, ensuring that CSR implementation is in line with the corporate vision and mission, complies with the legislative provisions especially "UU No. 40 Tahun 2007 tentang Perseroan Terbatas pasal 74 Tanggung Jawab Sosial dan Lingkungan", and consistent with the prevailing norms of society.
- Telkom Technologist : The long-term strategy and management policy for Telkom's CSR is stipulated in the Corporate Strategic Scenario (CSS) and articulated in the form of an annual plan in the Work Plan and Budget (Rancangan Kerja dan Anggaran-RKA). It is then further elucidated in the Management Contracts of each corporate office, business unit, subsidiary and affiliated company. Telkom has classified programme of Telkom's CSR in 7 (seven) pillars as follows:
- a. Education, activities aimed at improving the quality of education as well as skills, knowledge and attitude for stakeholders (the public and the Telkom Group family).
 - b. Health, activities intended to raise the quality of health of stakeholders (the public and the Telkom Group family).
 - c. Culture of Civility, activities intended to enhance and nurture culture, the arts, sports, spiritual activities and other community activities in respect of supporting the Company's implementation of Good Corporate Citizenship.
 - d. Partnership, strengthening partnerships with third parties that may or may not be related to the core business of Telkom, which will provide benefits for all parties.

- e. Public Service Obligation, improving services to the public in the realm of telecommunication facilities and infrastructure.
- f. Environment, enhancing the quality of both Telkom’s internal and external environment in order to create a harmonious relationship between the Company and its surroundings.
- g. Disaster and Rescue, providing assistance and relief to those affected by humanitarian and natural disasters.

Table 1. Support Telkom’s CSR

Triple Bottom Line	Support Telkom’s CSR
Economy	<ul style="list-style-type: none"> a. Adding value for stakeholders (customers, suppliers, shareholders, the government, employees) and supporting the economic growth of small enterprises, by: <ul style="list-style-type: none"> - improving the quality of life of employees - fostering the loyalty and trust of customers, suppliers and investors - ensuring compliance with the prevailing rules - providing working capital and investment loans as well as information to small businesses. b. Playing an active role in providing telecommunications facilities and infrastructure for the public, particularly in underdeveloped areas, by providing facilities and infrastructure to facilitate access to information

Social	<ul style="list-style-type: none"> a. Supporting the improvement of public education by providing facilities and knowledge in relation to Info Comm technology education. b. Supporting improvements in the health of society by providing health facilities, infrastructure and information to the people. c. Supporting the preservation of national culture and civilization by providing facilities for cultural events and building/reinforcing character.
Environment	<ul style="list-style-type: none"> a. Playing an active role in preserving the environment by providing assistance for re-greening and the creation of green spaces. b. Playing an active role in relief for humanitarian and natural disasters by providing assistance for the victims of such disasters.

Management of Corporate Social Responsibility

Telkom Technologist : Telkom’s CSR strategy and policy is integrated in a single decree of the Board of Directors. This decree is the foundation of the management of Telkom’s CSR, ensuring that CSR implementation is in line with the corporate vision and mission, complies with the legislative provisions and is consistent with the prevailing norms of society. The long-term strategy and management policy for Telkom’s CSR is stipulated in the Corporate Strategic Scenario (CSS).

Telkom Technologist : The provision of financial resources, good planning, and monitoring and evaluation of implementation are all stages in ensuring the successful implementation of CSR. The implementation of Telkom’s CSR encompasses the following:

- a. Creating a more intelligent society through Info Comm technology education.
- b. Improving the quality of life of the people.
- c. Maintaining an environmental balance.
- d. In accordance with the Board of Directors decree No. 41/PR000/SDM-20/2006 that

Telkom is not affiliated in any particular groups or political party.

e. Maintaining corporate reputation.

Telkom Technologist : Telkom's CSR performance is essentially reflected in the performance of the Company as a whole, including profits earned, customer satisfaction and employee satisfaction. Telkom periodically publishes its Sustainability Report, which is used both as a platform and as a communication channel to involve stakeholders on relevant issues.

Telkom Technologist : Telkom's CSR has some objectives on Telkom's CSR Roadmap. Here is the Telkom's CSR Roadmap 2009-2011:

2009 : - Review policy.

- Improve & integrate CSR Performance with business performance.

2010 : - Be a pioneer.

- Aim to score at least B+ in the SR Audit by an External Auditor.
- Play an active role in international CSR events.

2011 : - Be the best corporate in CSR implementation.

- Aim to score at least A+ in the SR Audit by an External Auditor.
- Play an active role in international CSR events

2015 : - Be the best company in CSR implementation.

- Be a role model as the best company in CSR implementation in the national arena.
- Play an active role in international CSR events.

2020 : - Be the best company in CSR implementation.

- Be a role model as the best company in CSR implementation in the international arena.

Play an active role in international CSR events.

Stakeholders Engagement for Implementation Telkom's CSR
Stakeholder Engagement

Stakeholder Type	Method of Engagement	Stakeholder Expectation
Customers	<ul style="list-style-type: none"> - Customer Satisfaction Index (CSI) survey - Customer complaint management (147) survey - Customer service center (Plasa Telkom) survey - Customer Loyalty Index (CLI) survey 	<ol style="list-style-type: none"> 1. To provide services beyond customers' expectation and improve customer value. 2. Confidentiality of data. 3. Safe internet.
Shareholders and Investors	<ul style="list-style-type: none"> - Annual General Meeting Shareholders (AGMS) - Investor road shows and reverse road shows 	<ol style="list-style-type: none"> 1. To maintain and improve business value according to shareholders' expectation. 2. To respect shareholders' rights in accordance with the Laws, capital market decisions and other prevailing rules.
Employees	<ul style="list-style-type: none"> - Through SEKAR - Employees Satisfaction Index 	<ol style="list-style-type: none"> 1. Balanced. 2. Avoiding discrimination practices. 3. Security, health and safety are guaranteed.
Government Authorities and Regulators	<ul style="list-style-type: none"> - Regular communication and reporting - Hearings with DPR 	<ol style="list-style-type: none"> 1. Maintaining a harmonious and constructive relationship based on honesty with regulators. 2. Telkom and its employees comply with the laws, regulations and other prevailing business rules. 3. Periodicaly Telkom reporting to government as regulator. 4. Telkom attend DPR's hearing.
Partnership (vendors, suppliers, agents, resellers, installers)	<ul style="list-style-type: none"> - Training for value chain partners - Contract bidding and procurement - Management - Supplier assessment and management 	<ol style="list-style-type: none"> 1. Fair procurement procedure. 2. Objective selection and evaluation in choosing a business partner. 3. Mutually beneficial growth.

Industry Peers (Other Licence Operator)	<ul style="list-style-type: none"> - Meetings - Industry discussion forums - Rekonsiliasi Inter-koneksi 	<ol style="list-style-type: none"> 1. Creating a healthy business competition. 2. Promote sustained industry development.
The Public Stakeholder	<ul style="list-style-type: none"> - Community engagement 	<ol style="list-style-type: none"> 1. A compatible and harmonious
	<ul style="list-style-type: none"> - Philanthropic activities 	<ol style="list-style-type: none"> relationship that is also beneficial to the people around operational areas. 2. Minimizing the company's operational impact on the environment. 3. Participating in preserving the environment.

Conclusions and Suggestions

Telkom Technologist : I do agree with your statements. As we discussed, PT Telekomunikasi Indonesia (Telkom) has made a sustainability report based on GRI (Global Report Initiative) and TSS (Telecommunication Sector Supplement). Of the all indicators of the GRI performance, overall Telkom has been very good in the reporting of social responsibility accounting. Telkom describe the indicators to fully adjust to the GRI standards.

Telkom Technologist : As I explored, Strategy and Analysis at Telkom sustainability report include the expansion of telecommunications benefits to the community. In the face of competition, Telkom is committed to continue to innovate on its products. In addition, Telkom also improve the performance of the economic, social, and environmental sustainability as a strategy for the company. Telkom continues to take the opportunity to be pioneers of the best telecommunications companies. Indicators and analysis strategies can be found in the statements of the Telkom CEO and strategic initiatives.

Telkom Technologist : I do agree with your statements. As we discussed, PT Telekomunikasi Indonesia (Telkom) has made a sustainability report based on GRI (Global Report Initiative) and TSS (Telecommunication Sector Supplement). Of the all indicators of the GRI performance,

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- Telkom Technologist : I do agree with your statements. As we discussed, PT Telekomunikasi Indonesia (Telkom) has made a sustainability report based on GRI (Global Report Initiative) and TSS (Telecommunication Sector Supplement). Of the all indicators of the GRI performance, overall Telkom has been very good in the reporting of social responsibility accounting. Telkom describe the indicators to fully adjust to the GRI standards.
- Telkom Technologist : Organization Profile of Telkom has described in detail in the sustainability report, which includes the name of the organization, principal products and services, the location of the organization, organizational structure, the number of countries where it operates, the nature of ownership, type of markets served, the scale of the organization, significant changes in the organization, and awards are received. Detailed company profile is useful to know the company's position in the business world. Telkom's profile shows its main role as providers of services telecommunication.
- Telkom Technologist : Report parameter has functions to be useful to know the date of reporting, the reporting period, contact address, the process to determine the content of reporting, data measurement techniques and calculation, reporting limits, and others. Telkom has been explained in full on the report parameter indicators. Report parameters can be used as a comparison to the previous report period.

- Telkom Technologist : Telkom's corporate governance include the practices for improving the quality of Good Corporate Governance (GCG), to supervise, led by the Board of Commissioners, and upholds the decision of the Annual General Meeting Shareholders (AGMS). Telkom's commitment includes the use of the COSO Enterprise Risk Management as the precautionary principle; join the national and international organizations, as well as implementation of initiatives in the implementation of economic, social, and environmental. Stakeholders engagement include making agenda about stakeholders engagement policy, and implementation of stakeholders convening.
- Telkom Technologist : Economic Performance of Telkom includes increase economy community in the local with PKBL (Partnership and Community Development Program). This activity strengthens partnership with third parties in both the field and other related products and non-related to Telkom's core business and aims to provide benefits to all parties. Telkom is also preparing its employees to be able to face the challenges of the economy. In addition, the indicator of economic performance also includes capital expenditures in accordance with company policies and government regulations.
- Telkom Technologist : Environmental dimension sustainability that affect the organization 'simpacton natural systems of life and not life, including ecosystems, land, water and air. Environmental performance includes reduction of negative impacts on the environment (reducing environmental impact) and to the businesses that are environmentally friendly (toward a green business environment). Telkom 'seffortsto protect the environment, among others, by reducing energy consumption, waste management is responsible, suppress the amount of waste, reducing water consumption, tree planting, application of the concept of the paperless office, do not use hazardous chemicals, and the use of solar power or BT Stowers.

- Telkom Technologist : Telkom employment practice is well. Telkom never discriminated against employees in salary, benefits, educational opportunities, and opportunities for work. Telkom has training their employees to improve the quality of education, include skill, knowledge and attitude. Telkom also noticed the health of employees and their families by providing medical assistance. Telkom through SEKAR (Trade Unions) give the employee freedom of opinion and give the employee an opportunity to be together in making policy.
- Telkom Technologist : Performance of Human Rights determined that the organization must report the extent of human rights into account in the selection of investments and practices of supplier or contractor. Telkom never discriminate the against human rights. Telkom implemented vendor evaluation system (screening) to potential suppliers. Telkom employees get the training and education with aspects of human rights on a regular basis. Telkom receive employees who at least 18 years old to avoid the practice of underage labor. Telkom apply the maximum number of overtime hours to 60 hours per month to avoid the practice of forced labor. In addition, Telkom employees have free association and opinion.
- Telkom Technologist : Society performance concerned with the impact of organization of the society in which they operate, and explain the risks of interactions with other social institutions they manage. In its sustainability report, Telkom explained that until now have never committed bribery, corruption, monopoly practices and collusion. Telkom states prohibit employees to participate in the election campaign or be implementing the election campaign to reduce the risk of disputes between employees. Telkom is very concerned about the circumstances surrounding communities. Telkom provides training, education, health, cultural preservation, improving public facilities, as well as humanitarian assistance and natural disasters.

- Telkom Technologist : Product Responsibility Performance Indicators discuss aspects of the product from the reporting organization and the services rendered and that affects the customer, especially, health and safety, information and labeling, marketing, and privacy. Telkom concerned the customer's health and safety with providing quality products and excellent service. Telkom ensure the safety labeling on their products and services, to date Telkom has never received a lawsuit from customers. Telkom also has never violated aspects of marketing communications. Telkom guarantees the confidentiality of customer data with STARPRO program.
- Telkom Technologist : Besides core indicators report, Telkom as a company engaged in telecommunications technology are also required to report specific indicators of the telecommunications sector. In the aspect of internal operations, Telkom increased capital expenditure budget in accordance with market growth. In addition, Telkom has always paid the cost of telecommunications services to the Minister of Communications and Information (Menkominfo). Telkom K3 practice focuses on zero accident and uses low radiation effects of the product. In the aspect of providing access, satellite operates TELKOM Telkom-1 and TELKOM-2 with 190 earth stations, including a satellite control station master. To delete the information gap between regions in Indonesia, Telkom has also established a training center building program called Broadband Internet Learning Center ("BLC") on the outer islands of Indonesia. In the aspect of technological applications, Telkom took the initiative to reduce energy consumption. In addition, Telkom also has concerns regarding the use of water and seek to ensure that waste management be done in a responsible manner, one example is the concept of the paperless office.

Practical Implications

Telkom Technologist : This dialogue can be used as a trigger for various companies to pay more attention to cause and effect arising from operational activities. In addition, research is expected to trigger more companies to start implementing sustainability reporting in its annual reporting.

Research Limitation

Telkom Technologist : This imaginary dialogue has some limitations that we cannot deny it.

Accountant : The first limitation is this imaginary dialogue only focus on providing an overview about the suitability of the sustainability reports of PT Telekomunikasi Indonesia in 2010 against GRI (Global Reporting Initiative) Indicators and TSS (*Telecommunication Sector Supplement*)

Environmentalism : The second limitation is this imaginary dialogue is not completed with calculations intended to reveal the background of the costs incurred by PT Telekomunikasi Indonesia accounting for corporate social accountability.

Telkom Technologist : The third limitation is this imaginary dialogue does not examine the effect of social responsibility accounting disclosure on market performance and firm characteristics, for example the reaction of investors, the sale of shares, firm size, profitability, and others.

Suggestions

Suggestions for Companies

Accountant : Performance indicators contained in the GRI standard is a very effective tool to reveal the company's social responsibility accounting. With reference to the GRI, the sustainability report can be easily understood on its CSR performance. Sustainability report based on GRI provides qualitative and quantitative information that can measure how consistently the company in carrying out its social responsibility

Suggestions for Future Dialogue

- Accountant : Currently, research on sustainability reporting is becoming a popular issue. For future studies, researchers are expected to fill the gaps which have been resolved in this study. In addition, researchers can develop this research by comparing the sustainability reporting between two or more companies.
- Accountant : Imagining this dialogue is true ...

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ACCRUALIZATION IN THE PUBLIC SECTOR: THE CASE OF SITUBONDO DISTRICT

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Abstract

The move from cash to accruals accounting by many governments is viewed as an aspect of an ongoing New Public Management agenda designed to achieve a more business-like and Performance – focused public sector. This paper examines the process of change in the Situbondo district early adoption of accrual based financial reporting. The study's main objective is to present a history that identifies the agents of change promoting and facilitating an early adoption of public sector accrual accounting. The main primary data source for this research was interviews with key actors. The result shows that changes from cash basis to the accrual into accrual basis as the Government Regulation No. 71 of 2010.

Keywords: *accrual accounting, organization change, new institutional theory*

Introduction

In the 1970s criticism occurred in the public sector, one of which *keberadaanya* considered inefficient (Mardiasmo, 2002: 15). According Mahmudi (2010: 34), public sector organizations are often described unproductive, inefficient, always loss, lower quality, less innovation and creativity as well as a variety of other shortcomings. The poor performance of the public sector to encourage a reform movement in the management of public sector since the 1980s known as the New Public Management (NPM) (Hood, 1995). NPM approach is described as a form of revitalization of the public sector in order to the government that emphasizes efficiency, effectiveness, productivity, transparency, and Accountability (Hood, 1995; Boston et al., 1996).

Reforms in the public sector coupled with reform of the accounting system (Guthrie, 1998; Carlin, 2005; Connolly and Hyndman, 2006; Christensen & Parker, 2010). In Indonesia, the accounting system reform begins with the reform of public finance management as a form of implementation of NPM concept that begins with the issuance of Law No. 17 of 2003 on State Finance, Law No. 1 of 2004 on State Treasury, and Law No. 15 2004 on Audit, Management and Financial Responsibility State. These laws are the basis for state financial management based on international best practices. Developments in public finance management led to various government regulations aimed at realizing good governance (good governance). In the process, the central government / local take on the role and responsibility of implementing the changes that occur in the country's financial management system.

In order to support the country's financial management as stated in these regulations, the government continues to develop accounting policies are based on the Government Accounting Standards (SAP) which aims to provide basic guidelines for preparing and presenting financial statements. Sustainable manner specified regulations until the government established the Government Regulation (PP) No. 71 of 2010 concerning Government Accounting Standards (SAP) Accrual-based instead of Government Regulation (PP) No. 24 of 2005 concerning Government Accounting Standards (SAP) based Towards Cash Accrual.

Law No. 17 of 2003 mandated that the form and content of reports accountability of state budget / budget prepared and presented in accordance with Government Accounting Standards (SAP). SAP is a standard which has the force of law in an effort to improve the quality of financial reporting in the Indonesian government. SAP is at the guidelines for the application of the accrual basis of accounting system. Director General of Local Finance, Yuswandi A. The Chief stated that the adoption of Regulation No. 71 of 2010 was implemented in full both by the central government and local government on 1 January 2015 (www.keuada.kemendagri.go.id).

he application of the accrual basis in the public sector financial reporting has been widely implemented in various countries such as Canada (Barry, 2005), Australia (Churchill, 1992; and Newberry, 2007), New Zealand (Cortes, 2006), Belgium (Christiaens, 2003), Nepal (Adhikari and Mellemevik, 2011), and several other countries. Much has been considered successful, but others are still searching for the best form of implementation of accrual-based accounting system in order to achieve a full implementation across government organizations.

The application is fully on the financial accounting system of government requires a lot of changes. Simanjuntak (2010) changes lies in human resources, support from management, and information technology (IT) based systems. The application of accrual accounting in the State of Nepal has failed it is caused by a lack of human resources capable of mastering the implementation of accrual based accounting

system (Ghulam, 2012). The failure has given useful lessons, how little these benefits, such as the fact that the application of the accrual basis in government financial reporting takes time and costs are not small, so that the implementation is done gradually through a process of transition.

Changes in the financial management of local governments towards better also raises problems. Many pros and cons of this accrual-based SAP implementation, especially in relation to the limitations owned. Each local government has the character and resources vary. Human resource issues are inadequate to be one of the urgent problems.

To apply PP 71 in 2010 central or local government shall cooperate in preparing the application of the accrual-based SAP. This is done in the Local Government Situbondo to prepare accrual-based SAP application such as human resource training, assembles accrual-based accounting system, and providing the necessary facilities and infrastructure.

After four years the PP 71 2010 published, should any government in Indonesia is ready to implement accrual-based SAP. Readiness application of Regulation 71 of 2010 is one of them can be judged from the opinion Local Government Financial Statements (LKPD) were obtained. If the application of the cash-based accounting system to the accrual LKPD districts / cities have been able to obtain an unqualified opinion (WTP), obligations should apply full accrual-based accounting system in 2015 will not face significant obstacles. But many LKPD districts / cities that received opinion Fair With Exception (WDP), one of which is LKPD Situbondo. Since the 2007-2008 obtain opinion Unnatural (TW) and the year 2009 until the year 2013 financial statements opinion Situbondo is Fair With Exception (WDP), (www.situbondokab.go.id) when drafting LKPD still based on PP 24, 2005 namely the use of cash-based accounting standards towards accrual. Of these conditions changes in accrual accounting system that will be implemented in full requires readiness and change of the organization (in this context is the Local Government Situbondo).

In the study of organizations, experts claim that the implementation of the new institutionalism understand new institutionalism in organization studies related to a fact that the structure of an organization is influenced by the social environment where it is located (Carruthers, 1995). Another Perspective proposed by Meyer and Scott (1983) in Donaldson (1995), who claimed that the organization is under pressure to complete the various social forces and aligning a structure. Organizations must make compromises and maintain operational structures separately, because the organizational structure is not determined by the environmental situation of the task, but it is more influenced by the general public situations where an organization is determined by the form of legitimacy, effectiveness and rationality in society.

To gain legitimacy, an organization seeks to institutionalize environmental elements (ideas, logic, practices, techniques, and practices) into the organization so that the elements of the environment to be part

of the institution or organization (Djamhuri, 2009). To institutionalize elements of the environment, the organization strives to be similar (isomorphism) the institutional environment. There are three ways in which the organization to be similar (isomorphism) with its institutional environment such as coercive, mimetic, dan normative (DiMaggio dan Powell, 1983; Carruthers, 1995; Lippi, 2000; dan Sewing, 2010).

Changes made in an oriented organization improve the effectiveness of the organization itself. Increasing the effectiveness involves two major assumptions. First, organizations can effectively solve their own problems and focus on the resources in order to achieve key objectives. Second, an effective high-performance organization, including in financial terms, the quality of products and services, high productivity, and continuous improvement, as well as the improvement of the quality of work life. Based on some of these explanations, the focus of this research study to try to understand Accrued in the public sector on the Local Government Situbondo This study uses the interpretive paradigm.

Research Method

This study is a qualitative / non-positivistic using the interpretivist paradigm (Interpretive). Interpretive more emphasis on the meaning or interpretation of an individual to a symbol and understand. Triyuwono (2007) states that the quality of the theory in the interpretive paradigm is measured by the ability to interpret.

Location of the study carried out in the Government Situbondo, Jalan Ahmad Yani 1 Situbondo. This location was chosen, based on several considerations, namely, first, the Government Situbondo as one reporting entity is obliged to apply Regulation No. 71 of 2010 at the latest for the year 2015. The presence of the budgets of Government Regulation No. 71 of 2010 requires the Government of Situbondo to change the direction that the initially using a cash-based SAP heading into SAP-based accrual accrual. Second, because of the availability of access to government research Situbondo. Availability of access to a research location is important in qualitative research.

In this study, to obtain an adequate understanding of the data and the researcher using informants. The informant is a person who used to give information about the situation and condition of the background research (Moleong, 2011: 132). To that end, the informant as the party deemed to master, understand the data, information and facts from a research object under study. The parties dijadikan informants in this study include: 1) Head of DPPKAD Situbondo; 2) Chief Inspectorate Situbondo; 3) Head of Accounting DPPKAD; 4) Head of Budget and Treasury DPPKAD; 5) Head of Accounting Department of Health Situbondo; 6) Head of Accounting DPPKAD; and 7) Employees in Accounting Section DPPKAD.

The data used are primary data and secondary data. Primary data was obtained directly from the informants through interviews.

Interviews were conducted in October 2014 and was completed in November 2014. While the secondary data obtained from the data that is already available such documents related to the implementation of accrual accounting. Documents used in this research consisted of: 1) legislation related to accrual accounting; 2) accrual accounting policies and 3) regulation related to accrual accounting. Researchers using the three steps in the process of qualitative data analysis as mentioned Miles and Huberman (1992: 20), namely: 1) data reduction; 2) Data display and 3) concluding drawing / verification. The first step, researchers have reduced the data prior to data collection in the form of: selecting the focus of research related to the readiness of the application of Regulation No. 71 Year 2010 on Government Situbondo, formulate research questions, as well as determine how data collection. Second, the presentation of the data is done by researchers in the form of a narrative with the goal of understanding the Government Situbondo in readiness to implement the Government Regulation No. 71 of 2010. The third step, researchers describe the information in the form and behavior obtained from informants and then draw conclusions.

Research and Discussion

The presence of government regulation no. 71 of 2010 on Standards Government Accounting, fruitful decision deletion accounting standards cash to the accrual-based administration and application of accounting standards government (SAP) fully accrual began in 2015. As mentioned in the Government Regulation No. 71 of 2010 Article 1, paragraph (8) that the definition of accrual-based SAP is government accounting standards which recognize income, expenses, assets, debts, and equity in the accrual-based financial reporting, as well as acknowledging income, expenditure, and financing in the reporting of budget execution on the basis set out in the budget or the budget.

The average local government financial management situbondo when questioned about the accrual-based government accounting standards, they are ripe to be the definition of accrual base itself. Diana (head accounting of DPPKAD) said:

“If my understanding of the accrual basis of a standard, a standard which the government recognizes that economic events at the time of the incident. Not at the time of receiving the cash”.

The views of respondents have been in accordance with the accrual basis of meaning as it has been concluded by KSAP (2006: 3), which is an accounting basis in which economic transactions and other events are recognized, recorded, and presented in the financial statements at the time of the transaction, regardless of when cash or cash equivalent is received or paid. From the view of the above two informants to understanding the accrual basis, it can be said that the average government financial managers have situbondo aware of the change of government accounting standards currently in effect that Government

Regulation No. 71 of 2010 on the accrual-based government accounting standards. An understanding of accounting accrual-based governance is strengthened by exposure described by Yoni who served as employees in accounting section DPPKAD, said:

“Only difference is if the accrual basis in the LRA should also accrues, earlier in the basic cash namely revenues, expenditures, financing our cash, later on balance we do it akrualnya. But now the whole has to be accrued. Simple akrualnya it we immediately recognize revenue at the time the budget is set. So at the moment we have to admit the budget set. At the end of the year after the income can not be fulfilled mean it becomes receivable. Likewise, in shopping, in fact it’s just proof that the accrual only journal that many times. I think it was four times the journal until the implementation stage of disbursement of funds”.

To assert by Yoni:

“Because if I see different is actually just a problem journal initial recognition. That had us all basic cash for income and expenditure and now we akrualkan. Simple in fact, which we later had to admit after the cash there money into the local treasury well now does not, at the time fixing the budget was already recorded as debt or receivables. That’s just the fundamental difference”.

The above expressions show that the government’s financial manager Situbondo in general have a basic understanding of accrual-based accounting rule. However, when implementing an accrual basis in the government appointed the surface, the problem of the financial statements produced into increase seems to be the main topic that makes this an accrual basis as something complicated.

His statement above reinforce the view that the increasing the items that will be generated in the financial statements government, a major problem for the financial management Situbondo government in implementing government regulations no.71 of 2010 on the accrual basis of accounting standards this government. According to Halim and Kusufi (2012: 44), after the enactment of regulations Government Regulation No. 71 of 2010 on government accounting standards accrual basis, the financial statements must be presented by the local government no later than fiscal year 2014 are as follows. first, reporting the implementation of the budget (budgetary reports) consisting of: reports realization of the budget (LRA) and the statement of changes in the budget balance (SAL). Secondly, financial reporting (financial reports) consisting of: balance sheet, operations (LO), statement of changes in equity and cash flow statement. third, notes to the financial statements (CaLK). For local governments in particular Situbondo Government in implementing government regulations number 71 of 2010 naturally require the person or institution competence in guiding the area as a result of the complexity generated, meaning that the socialization of the current government regulations This should be aggressively implemented.

The complexity of the financial statements is a real view given the government's financial manager Situbondo to accounting accrual-based government. Financial reporting to be produced in accordance by government regulation number 71 of 2010 on accounting standard accrual-based government be increased quantity of up to two reporting that is reporting the implementation of the budget (budgetary reports) comprising of: the realization of the budget report (LRA) and the statement of changes in the budget balance (SAL). Financial reporting (financial reports) consisting of: balance, operational reports (LO), statement of changes in equity and cash flow statement, and notes to the financial statements (CaLK). Although actually, kind of financial statements in such quantity as seen much, if Further research is actually only the development of existing and later it will show increasingly clear articulation between reports financial. However, for the management of government finances Situbondo, the complexity of financial reporting produced by PP 71/2010 more appears with no link between the financial implementation of the budget (budget accounting) with financial reporting (accounting finance). Separation between financial accounting with budget accounting. This is called the extra countable or separate recording of accounting with the budget. Thus, it inevitably requires different analysis.

Readiness of Accrual:

Enactment of Government Regulation No. 71 of 2010 indicates that the adoption of accrual-based accounting system of government has been have a legal basis. This means that the local government including Situbondo governments have an obligation to be able to immediately applying government accounting standards (SAP) is the new standard accrual-based accounting rule. This is in accordance with Article 32 Law Act No. 17 of 2003 which mandates that the form and content of accountability of the state budget report / Budgets are prepared and presented according to SAP. Each reporting entity, both at the central government and local government shall implement accrual-based SAP.

Although, for the reporting entity while still allowed applying cash towards accrual-based SAP, the reporting entity is expected can immediately apply the accrual-based SAP.

Given the accrual-based accounting standards rule is The new product, it is clear that the manager other financial Situbondo government doubted the success of implementation of Government Regulation No. 71 of 2010. The apparatus is tend to lack confidence in their ability to embrace the accrual basis. However, in reality that government Situbondo should contribute to the implementation of the Government Regulation No. 71 of 2010. To that end, the first step undertaken by the secretariat of Situbondoas SKPKD for the implementation of government accounting standards (SAP) based accrual is socialization for all SKPD in Situbondo government and mayor revise regulations on points of management finance which will be conducted in 2013.

From the perspective of financial management at the top, shows that preparations are underway for the implementation of standards government accounting (SAP) accrual is merely a reflection of the form formality. It departed from the presence of government regulations underlying these changes is the Government Regulation No. 71 of 2010, so that local governments must carry out the mandate set out in the government regulation. In this case, the government of Situbondo follow the rules of the government regulations by revising the first is local regulations such as regulation of regional heads accounting policies and procedures system. Thus, it is appropriate expressed KSAP (2010) that the preparation of the strategy to do the implementation of accrual-based government accounting standards the local government is the regulatory adjustments. Adaptation regulations in this regard preparation of local government regulations covering local regulations specifics of financial management and regulation regional head of the accounting policies and systems and procedures financial management.

Application of government accounting standards (SAP) based accrual done only as a form of obedience to the rules, as if only just follow the format and flow just to abort obligations. Government of Situbondo impressed just run

obligations under the mandate of the Government Regulation No. 71 of 2010, to make preparations such as socialization for all entities accounting and reporting entities in Situbondo administration and preparation of legal documents locally as regulation of regional heads of accounting policies and procedures system. However, preparation the strategy undertaken in the framework of the implementation of accounting standards accrual-based government in Situbondo government run by slow and not in accordance with the phasing of implementation of accrual-based SAP the local government KSAP version.

According to KSAP (2010), in 2010 has been held socialization of Government Regulation No. 71 of 2010 concerning accrual-based government accounting standards. In 2011 preparation implementing regulations, accounting policies and the system must already exist and further dissemination in local government. In 2012 conducted capacity building or improving the quality of human resources with socialization and training as well as further development of the system is done then in 2013 the implementation of the system in some experiments local governments have done. In 2014 carried out the implementation parallel accrual accounting and cash accounting to the accrual for the entire SKPKD to the implementation of full accrual basis in 2015.

In reality, until now the government Situbondo only do early socialization of Government Regulation No. 71 of 2010. Revision local government regulations covering the main points of local regulations financial management of local and regional head of policy rules accounting and financial management procedures Situbondo system will implemented in 2013. This indicates that the government is not serious Situbondo to respond to changes in accounting standards this rule. Idealism desired

by changes in accounting standards this rule has not been achieved. Mindset of the apparatus is only located the constraint that roughly would they go through. Such as the types of financial statements must be prepared by an accounting entity and the entity Situbondo government reporting.

During this time, the government forma Situbondo in preparation for government accounting standards (SAP) based accrual realized with steps in providing socialization or training regarding what the accrual-based accounting rule as set out in Government Regulation No. 71 of 2010. The socialization or training given with a view to provide a broader understanding of the parties Situbondo government financial managers in this case SKPDs Situbondo on an accrual basis in terms of the public sector. Although significantly Situbondo government until now only follow socialization or training with meetings once or twice only. However, of the meeting the majority of employees of SKPDs in government Situbondo aware of the existence of the government regulation No. 71 year 2010 on government accounting standards (SAP) based accrual. it is Lia as reflected in the statement of financial clerk offices government health Situbondo stating that “in general fitting socialization fact we know there are 71 of this Regulation “. The basic concept of the standard accrual-based accounting rule has also been presented to the Situbondo government officers.

Bureaucratic Culture in Local Government:

Financial reform state occurs in a relatively fast process so it makes a lot of government officials and the central government areas need to adapt, especially in the public sector organizational culture. The local government is a public sector organization, and culture in the level of local government is the organization’s culture. The main recipe culture organization is a collective interpretation performed by members organization. According to Luthans (1998) is the organizational culture norms and values that guide the behavior of members of the organization. every member will behave in accordance with the prevailing culture in order to be accepted by environment.

Organizational culture embodied in the system of government organizations area can be a guide apparatus to execute each program. Basically, local governments including the Situbondo is the hierarchy. That is, any decision will be determined by Situbondo government will come from the central government decree. The picture can be found from interviews with Muhammad, a head subsections verification and accounting department of finance regional secretariat Situbondo, which sees the necessity of implementation in each changes in government institutions by stating:

“Inevitably as an institution or organization, we have to follow what is ordered by the department in the country because we are right as local government”.

From the view of the government's financial manager Situbondo above, shows that local governments including Situbondo government embraces the type of organizational culture bureaucratic culture. As knowledge in general stating that the bureaucracy is a system of government that is run by government officials because have adhered to the hierarchy and hierarchy. Departing from statement that the general government sector organizations as the Situbondo hierarchical public then everything was decided in the center.

Organizational culture consists of two components: the value (value) that is something which is believed by the people in the organization know what is right and what is wrong, and faith (belief) that attitudes about how should work in the organization. Situbondo government believes and embrace fully the value of obedience to the law. because of that, in the presence of these factors Situbondo government increasingly driven to implement the latest government regulations as a form of cultural change in public sector organizations.

Referring to one of the above statement stating that institutions or government agencies would not want to follow what ordered by the Ministry of Interior indicate that local government act in accordance with the value of legal compliance. Value legal compliance is a value associated with the enactment laws or government regulations. This is the value of legal compliance guidelines for every citizen in order to know their rights and obligations. So, in this case, the government of Situbondo, implementing regulations Government Regulation No. 71 of 2010 on government accounting standards (SAP) accrual as a manifestation of the value of legal compliance.

Government accounting standards (SAP) accrual basis as stipulated government regulation number 71 of 2010 significantly be accompanied with changes in the organization. Demands for accountability and transparency always overshadow financial management in local government, so that accrual basis in government always discussed for immediate implemented. In addition, the provisions of Law No. 17 year 2003 Article 36 paragraph (1) mandates the use of the accrual basis, by KSAP therefore formulate government accounting standards (SAP) based accruals are determined by government regulation no. 71 of 2010 replace government regulation no. 24 of 2005.

This time because of changes made to adjust the development of new government regulations. For example, in this case the researchers refer the change of government cash-based accounting standards towards accrual overarching government regulation no. 24 of 2005 which has been changed later revised by the emergence of new government regulations namely government regulation no.71 in 2010. As is well known together in 2003 the government has enacted a package enactment legislation in the field of financial management, one of which is law No. 17 of 2003 on state finances, which in it also mandated the use of accrual basis. Therefore, for inconsistency in the application of these regulations, the regulations government no. 24 of 2005 on government accounting standards cash basis to the accrual of course be changed.

Conclusion

The conclusion on the analysis and discussion of this study:

1. The development of accrual accounting preceded by public sector management reforms adopted the concept of New Public Management. This reform is due to dissatisfaction over government services and economic stagnation. Public sector management reform focuses on measurement in order to achieve efficiency and effectiveness.
2. The complexity of the financial statements is a real view that given the financial manager of the Regional Government of Situbondo to accrual-based accounting rule. The financial statements to be produced in accordance with Government Regulation No. 71 of 2010 to increase the quantity of up to 7 reports that the realization of the budget report, statement of changes in budget balance, balance sheet, cash flow statement, statement of operations, statement of changes in equity and notes to financial statements.
3. Changes from cash basis to the accrual into accrual basis as the Government Regulation No. 71 of 2010 give rise to a variety of reactions an individual basis by local government officials Situbondo, both positive and negative reactions. However, the type of bureaucratic organizational culture embraces culture, in which the rigid procedures in performing activities of the organization, the Local Government Situbondo required to follow the rules and regulations in this regard is to implement accrual-based SAP.

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DEMOGRAPHIC DETERMINANTS OF ATTRITION OF TECHNICAL HUMAN RESOURCES- A STUDY OF THE INFORMATION TECHNOLOGY INDUSTRY IN INDIA

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Abstract

The Information Technology Industry is the fastest growing Industry in India as well as the most contributing Industry to the Indian Economy. Needless to mention that the growth and contribution of the Industry can be sustained only if the workforce, especially the technical human resources of the industry remain stable. Unfortunately, with the sudden growth of the industry in India as well as the global competition unleashed, the environment posed great challenges to the industry by way of growing attrition. The industry faced attrition of its technical human resources to the extent of 30-40% half a decade ago and it continues to be near 15-20% in 2014. It kindled interest in academics to investigate the phenomenon and in this study, an attempt has been made to analyze the empirical data relating to the demographic determinants of attrition of technical human resources of the information technology industry in India. The paper investigates if the demographic factors like gender, age, educational qualifications influence their intentions to quit the firms or continue to stay. The findings are significant with a view to evolving appropriate attrition management policies of the firms in the industry in India.

Introduction

Information Technology industry in India has shown great promises for the development of Indian economy. IT industry in India includes software services sector, information technology enabled service (ITES) sector and business process outsourcing (BPO) sector. According to National Association of Software and Services Companies, better known as NASSCOM in India, from the past two decades, the Indian IT/ITES and BPO sectors have contributed significantly to Indian economic growth in terms of GDP, foreign exchange earnings and employment generation. The revenue of IT and ITES were reported to be 71.3 billion USD in 2010.

Technical human resources are crucial enablers in Information Technology organizations. There are a number of challenges for the IT industry. The major challenges of the human resources function for the IT industries are Recruitment, Training and Development, Compensation Management and Employee Attrition and Retention. The puzzle facing Indian IT industry is how to stop technically skilled human resources churning out in the midst of the internal and external competition of firms of the industry. The champion of the Indian information Technology Mr. N. R. Narayanamurthy's famous quote is that "our assets walk out of the door each evening. We have to make sure that they come back next morning". The Business Standard (April 10, 2014) carried a story titled "IT Companies battle rising attrition amid demand uptick". The story reports that "even as the Indian Information Technology (IT) services sector cheers the recent spurt in demand, companies are faced with the challenge of rising attrition levels as employees look to tap new opportunities that are now available in the marketplace. Most large size IT companies reported a rise in employee attrition rate during July-September 2013 and experts believe that the trend may continue going forward".

Due to the relatively stable demand in the past couple of years, stability of employees was also seen in the companies. Human Resources companies recruiting technical human resources for Information Technology Organizations foresee an increase in attrition rate by 100-200 basis points in the next few quarters. Attrition rate for Infosys (an Information Technology Major) during July-September 2013 was the highest in more than six quarters. Attrition was 17.3% during this period against the 15% during the same period one year ago and 16.9% in April-June 2013. Information Technology Company like HCL had an attrition rate of 16.1% in September 2013 against 14% a quarter ago. Another Information Technology Leader WIPRO experienced an attrition spurt of 15.4% in September 2013 against 13.0% in April-June 2013. Experts view the rise for attrition due to need for more pay besides other factors. It is viewed that if the employees continue in the current job, the possible pay hike is 5-6% while if the job is kicked, the money hike is to the extent of 15-20%. In the going trend of attrition, Human Resources experts predict an attrition rate of 200-300 basis points over the next few months in India.

Employee retention is a process in which the employees are encouraged to remain with the organization for the maximum period of time. According to Jack J Phillips and Adele O Connell (2008) retention is the percentage of employees remaining in the organization. Retention is thus the opposite of the attrition and it involves compensation, growth, support, relationship and environment. If the employees are not satisfied with their job, surely they will switch over to another job. When the technical human resources of the Information Technology industry leave, losses are in the forms of human, knowledge and social capital. Such loss may cause a decrease in customer services, delays in the projects of

clients' and increases in costs. The costs associated with attrition can be categorized as recruitment costs, selection costs, training costs and separation cost (Dewitt Latimer, 2002).

Hence, in this competitive business environment it is important for the organizations to retain the skilled people. In this context, many Information Technology Organizations in India have introduced suitable attrition management strategies to face the future challenges of the shortage of technical human resources. The attrition management strategies that are designed by Business Process Organizations (BPO) and Information Technology (IT)/Information Technology Enabled Services (ITES) in India for providing benefits to the professionals include among other things, Group media claim insurance scheme, company leased accommodation, Recreation, Cafeteria, ATM, gym, cell phone/laptop, personal health care provision, educational benefits, performance based incentives, Employees Stock Option Plan etc. But who are the technical human resources that desert the organizations? What are their demographic profiles in respect of gender, age, education, job titles and experience? An in-depth understanding of these profiles can help build a suitable strategy for attrition in the information technology organizations. This study is an effort towards this goal.

Review Of Literature

Besides the nature of job and work environment, there are individual variables which influence the retention of employees. Demographic factors such as age, education, job level, and tenure with an organization are the most common predictors in retention (Koos Kotze and Gert Roodt , 2005). It is commonly accepted that younger and better educated employees are more likely to leave than older and less qualified employees. Also those who have limited education, tend to remain on the job for longer periods of time than those who have higher degree of education. To empirically verify the syndrome and the parameters associated with it, several studies had come up investigating various aspects of the phenomenon from various individual scholars in India. Ritu Agarwal and Thomas W Ferraat (2001), S. Padmanabhan (2003), Aisha Khan and Ruchi Chaturvedi (2004), Narendra Agarwal et. al. (2006), Gosh Piyali and Geetika (2006), Venugopal and k. Sasidharan (2006), Pankaj Tiwari et. al. (2008), S. Poornima (2008), Punia and Priyanka Sharma (2008), Santhosh Guptha and Aayushi Gupta (2008), Atanu Adhikari (2009), Mohan Thite (2010), M B A Khan et. al (2010, 2011), Haridas, P.K.(2013) are all some such studies in India. Besides several studies have been reported from abroad as well.

Punia and Priyanka Sharma (2008) studied the influence of organizational procurement practices on employee retention on the basis of personal and positional variables of employees. The study highlighted that the influence of age and employee position as a significant factor in employee attrition.

Anupama D Raina (2006), made a study on Employee attrition and retention. The first objective of this research was to know the problems and effects of attrition on call centers and the second objective of the research was to study the retention measures adopted by the call centers to retain employees. From the analysis, it was found that attrition was more common between the age group of 20-25 years and within three months of joining the organization. Qualification wise, the employees leave the organization for career growth and higher studies.

Maureen Hannay and Meltssa Northan (2009) made study about employee retention. For the study, data were collected from 188 working employees. After analyzing data, four variables were found to be significant predictors of employee attrition: perceived future opportunities, employee's age, employee expectations and employee tuition assistance programs.

Objectives Of This Study

This study, in this context, aims to achieve the following limited specific objectives:

1. To analyze the gender difference in respect of the intention to quit,
2. To analyze the role of age in respect of intention to quit,
3. To analyze the role of education in respect of intention to quit,
4. To analyze the role of job titles in respect of intention to quit,
5. To analyze the role of experience in respect of intention to quit.

Methodology Of The Study

A descriptive survey design was adopted. The population for this study comprised of technical human resources from Bangalore, Chennai, and Thiruvanthapuram, the three southern states of India like Karnataka, Tamil Nadu and Kerala. Convenient and purposive sampling techniques were used to gather data from the respondents. The data were collected from the technical human resources through questionnaire. The total respondents of the questionnaire were 400, which was pre fixed as a quota sample.

To measure the intention to stay, which will reduce attrition, seven items were used. These items were rated on a five point scale range from '1' strongly disagree to '5' strongly agree. Respondents were to indicate the level of agreement on items such as "I feel like I am a good match for this organization", "I plan to work at present job for as long as possible", "With this company, my work gives me satisfaction", "I see a future for myself within this company", "Thoughts about quitting my job cross my mind", "I will most certainly look for a new job in the near future", "I do not have any intention to resign from this organization with in a shorter time".

ANOVA tests and t-test were conducted to determine the influence of demographic variables on intention to quit.

Hypotheses

The following five null hypotheses have been formed for testing with a view to achieving the objectives:

- H1: There is no significant difference between male and female technical human resources with respect to their intention to quit the organization
- H2: Age does not affect the intention of technical human resources to quit the organization
- H3: There is no significant relationship between the education level and the intention of the technical human resources to quit the organization
- H4: There is no significant difference between the Job titles and the intention of technical human resources to quit the organization
- H5: There is no significant relationship between Experience and the intention of the technical human resources to quit the organization

Data Analysis And Results

Demographic Profile of Employees

The majority of the respondents (60%, n=238) were males and 40% (n=162) were females.

Of the respondents 32% (n=128) were aged less than 25 years, 32.3% (n=129) were in the age group 25-29 years, 22% (n=80) were between 30-34 years, 5.8 % (n=23) fell in the age group 35-39 years and 10% (n=40) were more than 40 years old.

Of the respondents 6% (n=24) had PhD, 3.50 % (n=14) were MTech holders, 16.50% (n=66) were BTech holders, 13% (n=52) were MBA holders, 13.50 % (n=54) were MCA, 26.50% (n=106) were PG, 18.8% (n=75) had UG and 2.3% (n=9) were diploma holders.

Of the respondents 4.3% (n=17) are software development managers, 6.50% (n=26) are software developers, 17.5% (n=70) System Analyst, 18.5 % (n=74) are system administrator, 7.8% (n=31) are web designers, 5.5% (n=22) are project leaders. 4.8% (n=19) are project trainees, 28% (n=112) are programmers and 7.3% (n=29) are technical assistants.

Of the respondents 51% (n=204) had up to 5 years of experience, 30.3 % (n=121) respondents had experience between 6-10 years, 11.8 % (n=47) had experience between 11-15 years and 7% (n=28) respondents had above 15 years experience.

Reliability

The Cronbach's coefficient was used to get the reliability. Cronbach's alpha was 0.7 for intention to quit and it is acceptable.

Descriptive Statistics of Intention to Quit

Table 1: Table showing the intention to quit

Intention to quit	N=400	Mean	Standard Deviation
		3.45	0.66

Source: Primary data

The table shows the descriptive statistics of the variable of the study (Intention to quit). From the table, it can be seen that the respondents (mean=3.45, SD=0.66) on five pointscale for intention to stay indicates that the most of the technical human resources are dilly dallying about their intention to quit the current organization.

Intention to quit -Comparison of Respondents' Perceptions by their Demographic Factors

In this, the views of the respondents were studied regarding the demographic factors with respect to their intention to quit. The validity of the results obtained was also tested on the 5% and 1% levels with the help of appropriate statistical tools.

Intention to quit and Gender

Table 2: Table showing the Gender wise Intention to Quit

Variable			Intention not to quit			
			Mean	S.D	t-Value	Significance Level
Sex	Male	N=238	3.47	0.63	0.868	0.352
	Female	N=162	3.41	0.69		

Source: Primary data

It can be seen from the above table, mean scores on the opinion of male employees about their intention to stay is almost same as that of female counterpart. Therefore, there is not much difference in the mean score between male and female respondents. Gender, per ce, does not influence attrition.

From the observation of 't' value, which is not significant, it is apparent that the status of intention to stay or quit is similar between two groups.

Intention to quit and Age

Tabel 3: Able showing Age wise Intention to quit

Variable			Intention to quit			
			Mean	S.D	F-Value	Significance Level
Age	< 25 years	N=128	3.235	0.643	11.96	.000**
	25 - 29 years	N=129	3.379	0.571		
	30 - 34 years	N=80	3.596	0.619		
	35 - 39 years	N=23	3.975	0.753		
	>= 40 years	N=40	3.753	0.591		

**Significant at .01% level

Source: Primary data

From the above table it can be seen that mean scores of intention to quit for the age group less than 25 years is 3.235, for the age group 25-29 years is 3.379, for the age group 30-34 years is 3.596, for the age group 35-39 is 3.975 and for the age group more than or equal to 40 years is 3.753 respectively. The standard deviation values are 0.643, 0.571, 0.619, 0.753 and 0.591 respectively with respect to five age wise categories.

To verify the significance of the difference F-test was carried out. The f- value is found to be 11.960 at significant level 0.00. The result revealed that the difference among the age groups of the sample was statistically significant. Hence, it can be said that there is a significant difference between given five age groups regarding their intention to quit from the organization. From the table it can be seen that the age group more likely to quit are 30-34 and 35-39 years.

Intention to quit and Education

Table 4: Table showing Education wise Intention to quit

Variable			Intention to quit			
			Mean	S.D	F-Value	Significance Level
Education	PhD	N=24	3.238	0.405	3.96	.000**
	MTech	N=14	3.438	0.432		
	BTech	N=66	3.68	0.619		
	MBA	N=52	3.442	0.723		
	MCA	N=54	3.624	0.652		
	PG	N=106	3.272	0.653		
	UG	N=75	3.37	0.63		
	Diploma	N=9	3.73	0.648		

** Significant at .01 level

Source: Primary data

From the above table it can be seen that mean scores , of intention to quit for different education qualifications are 3.238(PhD), 3.438 (M.Tech), 3.370 (B.Tech). 3.442(MBA), 3.62(MCA), 3.272(PG), 3.680(UG) and 3.730 (Diploma) and standard deviation values are 0.405, 0.432, 0.630, 0.723, 0.652, 0.653, 0.619 and 0.648 respectively in the same order with respect to the eight specified education categories.

To verify the significance of the difference an F-test was carried out. The F- value is found to be 3.960 at 0.00 significance level. The F test result revealed that the difference among the designation groups of the sample was statistically significant. Hence it can be said that there is a significant difference between given nine educational qualification groups regarding their intention to quit the organization. Based on the mean value from the table, the IT professionals those who are technically qualified like BTech , MCA and Diploma have a tendency to quit the job.

Intention to quit and Designation

Tabel 5: Table showing Job Tile wise Intention to Quit

Variable			Intention to quit			
			Mean	S.D	F-Value	Significance Level
Designation	Software Development Managers (01)	N=17	3.966	0.596	4.287	.000**
	Software Developers (02)	N=26	3.208	0.875		
	System Analyst (03)	N=70	3.244	0.525		
	System Administrator (04)	N=74	3.494	0.523		
	Web Designer (05)	N=31	3.608	0.637		
	Project Leader (06)	N=22	3.441	0.742		
	Project Trainees (07)	N=19	3.744	0.657		
	Programmers (08)	N=112	3.372	0.627		
	Technical Assistants (09)	N=29	3.67	0.761		

** Significant at .01 level

Source: Primary data

From the above table it can be seen that mean score of intention to quit for different respondents with different job title variables are 3.966(01), 3.208(02), 3.244(03), 3.494(04), 3.608(05), 3.441(06), 3.744(07), 3.372(08) and 3.670(09). The job titles are numbered in ascending order and are given in the brackets. The corresponding standard deviation values for the same categories respectively are 0.596, 0.875, 0.525, 0.523, 0.637, 0.742, 0.657, 0.627 and 0.761 with respect to the nine job title groups.

To verify the significance of the difference F-test was carried out. The F- value is found to be 4.287 at 0.00 significance level. The F test result revealed that the difference among the different groups holding different job titles of the sample was statistically significant. Hence, it can be argued that there is a significant different between given nine job title groups regarding their intention to quit from the organization.

Based on the mean value, it can be seen that, software development mangers, and web designers have a tendency to stay in the current organization and the other technical employees like system analysts,

software developers and programmers have more tendency to quit the job.

Intention to quit and Work Experience

Table 6: Table showing Experience wise intention to quit

Variable			Intention to quit			
			Mean	S.D	F-Value	Significance Level
Expe rience	Up to 5 years (01)	N=204	3.465	0.67	1.341	0.261
	6-10 years (02)	N=121	3.37	0.628		
	11-15 years (03)	N=47	3.586	0.601		
	above 15 years - 4	N=28	3.428	0.671		

** Significant at .01 level

Source: Primary data

From the table it can be seen that mean score of intention to quit are 3.465(01), 3.370(02), 3.586(03) and 3.428(04). The different categories experience wise are numbered in ascending order and shown in the brackets. The corresponding standard deviation values are 0.670, 0.628, 0.601 and 0.671 respectively for these four work experience groups.

To verify the significance of the difference F-test was carried out. The F- value is found to be 1.341 and which is not significant. The F test result revealed that the difference among the designation groups of the sample was statistically insignificant. Hence, it can be said that there is no significant different between given four experience groups regarding their intention to quit from the organization. Human resources with any experience can quit based on other factors.

Conclusion

The study analyzed the intention of the technical human resources in respect of their intention to quit or not to quit the organizations in which they are currently working which reflects on the attrition in the Information Technology industry in India. This intention has been investigated with respect to such demographic factors like gender, age, education, designation and experience. The study has shown that gender and experience have no significant impact on the attrition of technical human resources in the information technology industry in India. Hence, null hypothesis H1 and H5 are accepted. Further it has been proved that

age, education and job title have an impact on the attrition of technical human resources. Hence, null hypothesis H2, H3 and H4 are rejected.

With respect to age, it has a direct impact on employee's intention to quit. This means that younger IT employees feel they have more openings available to kick jobs in the IT market than older IT workers to get alternative jobs as well as promotion opportunities. Level of education also had a significant influence on IT employee's attrition. This means IT employees with lower level of education have a greater tendency to stay than those with higher levels of technical education. With respect to positional level, it appears that technical human resources with high positional level have a greater tendency to stay with the current organization than the lower positional level employees.

The finding also revealed that the technical human resources have a clearer mind in respect of their intentions to either quit or stay. The study has revealed that while gender and experience are not the demographic determinants of attrition, determinants like age, education, job titles among others do influence attrition. This is understandable because in respect of self interest, gender and age are by and neutral. Other determinants are part of the self interest. Hence, the organizations can better evolve effective attrition management policies taking into consideration these determinants. An appropriate architecture of Compensation Management by focusing on the vulnerable groups who are identified through this study can be the basis for such an attrition management effort. The Compensation Management architecture has to pay attention to the Ten Ps (M. Basheer Ahmed Khan, 2014) of Compensation to be effective.

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AN IMAGINARY DIALOGUE ON CRITICAL ETHNO-ACCOUNTING RESEARCH

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Abstract

The paper is a response of an imaginary dialogue between Papi and Mami, where they are discussing Critical Ethno-Accounting-Research. Its objective is to share on the critical paradigm on ethnography method. It is a critical incest between the two, and it is called critical ethno-accounting-graphy. It provides rich ways to conduct an accounting research. The paper addresses from how to start a critical ethno-accounting-graphy, how is as ethno-accounting-grapher, as a firsthand, wilderness of techniques, analysis and writing. Finally some examples on critical ethno-accounting-graphy research are given.

Papi and Mami as MySelf

I was asked to prepare a presentation on the Accounting Research Training Series (ARTS) 5 by email dated 23 Dec 2013. Since the due of the presentation on 22 Jan 2014, one month seemed enough to be prepared a presentation paper. In fact, there was not enough time for me to spend it. Some appointments were in waiting to be accomplished. From 18 to 24 December 2013, I had to spend for Kobe University in Japan appointing as an interviewer on site-visit of ABEST21 International Accreditation. Some thoughts and reports were needed for preparing to the interview. Following the week was waiting for ending the 2013. Ending odd semester at the S1 program was also in waiting. Lectures and due assignments had to be ended before the end of the year.

Basically, there were many things to do other than the ARTS 5. Another important to do was also a circumssision program for my son. It needed some thoughts to be spent it and many things were considered it, including a day of its party. Some persuasions and appointing a medical doctor were not easy tasks to do. A date of circumssision was finally fixed with different to its party. It was then decided 11 January 2014 was for its circumssision and 18 January was its party. Both of them were conducted before and after Maulid Nabi Muhammad SWA which was 14 January 2014. Its party was also many things to be planned, considering who were invited and how much money were needed to be spent it for,

including how was to prepare its budget.

In fact, all were obstacle in the preparation of the ARTS 5 paper and presentation. Life is basically not easy. There are always some choices to be selected which ones are our priorities. Many occasions either family matters or academics are always with me, even us. Or, in fact, they are all which are in priority. Then, I must do them as it was all are part of my commitment to be accomplished. Finally, no choice, whom comes first, then I serve it at first.

Critical Ethno-Accounting: Where Have You Been Mami?

When I received an email, the ARTS 5 organising committee was asking me to prepare with the main topic is Critical Ethnography. It is very interesting research topic to be explored it since there are many accounting researchers today concerned on the topic. I was thinking to be in my tradition in preparing a paper by a mode of dialogue, then that is my decision in writing this. This dialogue, I use it, is between two persons which are Papi dan Mami. Both are accounting researchers, but Papi is more senior than Mami. Papi has tick experiences on accounting research methodology and graduated his Accounting doctorate degree at University of Brawijaya. To proceed the dialogue, it uses a critical imaginary dialogue. If anyone is asking both, Papi and Mami, are couple? Its answer is YES. Papi and Mami are also representing gender man and woman.

Papi : Where have you been Mam? (Asking Papi in the living room)

Mami : I was just registering the ARTS 5 at UB. Soon, there will be an accounting training on research methodology. I am really interested in to join it.

Papi : That will be good for you to join it, it seems some knowledge will be possible to be earned.

Mami : (just silent ... in a moment, thinking to ask Papi). Pap ... do you think is it good for me?

Papi : (with curious ... looking at Mami's eyes) Why is it not Mam?

Papi : (then ... Papi is continuously ... motivating Mami). I believe you get some things new there.

Mami : (Mami is trying to look at the agenda given when she registered this morning). Do you know about Critical Ethnography?

Papi : (... in silent ...)

Papi : (... with calm ...repeating the phrase) ... Critical Ethnography?

Papi : Let me explain for you about it, but let me start by explaining Ethnography, first.

Ethnography is from Greek, *ethnos* which was "folk, people, nation" and *grapho* which was "I write". The word is about research designed to explore cultural and people phenomena.

An ethnography is a means to represent graphically and in writing, the culture of a group.

Papi : For my understanding, ethnography has very insightfull to conduct an accounting research. Ethnography is a research strategy that allows accounting researchers to explore and examinethe cultures and societies that are a fundamental part of the human experience. Unlikemany other scientifi c research strategies, the ethnographer as researcher is not typicallya detached or uninvolved observer. The ethnographer collects data and gainsinsight through *firsthand* involvement with research subjects or informants .

Mami : You have really well understood about ethnography ...

Papi : You may have like this too where an accounting ethnographer conducts research by interacting with people with in any social phenomena that are part of the study; this interaction takes many forms, from conversationsand interviews to shared ritual and emotional experiences.

Mami : Do you have any research experiences using ethnography?

Papi : (... he did not response ... immediately ...) ... ehm ...

Papi : Well ... you have to know it more on ethnography. There is considerable overlap on ethnography with other labels,such as 'qualitative inquiry', 'fieldwork', 'interpretive method', and 'case study', thesealso having fuzzy semantic boundaries. In fact, there is no sharp distinction evenbetween ethnography and the study of individual life histories, as the example of 'auto/ethnography' shows; this referring to an individual researcher's study of his or her ownlife and its context (Reed-Danahay 1997, 2001; Holman Jones 2005).

Mami : Papi, please wait ... what I meant it is about Critical Ethnography, not just ethnography. Thus, what is critical ethnography, actually?

Papi : Yes, Mami, I know. You need to know ethgraphy first, before knowing critical ethnography.

Papi : Critical ethnography is concerned on how an accounting researcher reject any status-quo of its social phenomena.

Critical Ethnographers now have to think about how to recognize and analyze changing of accounting phenomena. In many cases, change itself becomes the research subject. With the central importanceof change has come an increasing awareness of the role of history. For me Mam, many recent ethnographies incorporate considerable historical components, and many ethnographers work regularly with both historical documents and oral histories as part of their research designs.

Mami : So, history is important to do critical ethnography, is not it?

Papi : It is serious, history is to build important understanding on current phenomena.

Papi : Mam, look at this ... (by showing some notes on a critical ethnography book) ... that critical ethnographers tend to commit to conducting research over rather lengthy periods of time, let to say about reasonable time frame of its social phenomena. Critical ethnographers tend to pay close attention to language and its methodological importance; and they still tend to be interested in studying the wide range of cultural and social features of human life and interaction as it is related to accounting social and cultural phenomena. Critical Ethnography is particularly well suited for researching the connections and interactions between different elements of society and culture (for instance, between accounting and religion or politics and gender). In many ways, this ability to uncover and analyze these connections and interactions can be seen in the all-encompassing early ethnographies, but critical ethnography now moves from a foundation that recognizes and foregrounds dynamic processes, variation and variability, and the need to consider the different perspectives and biases that may influence the accounting research. As a result, many researchers today utilize critical ethnography as a primary research strategy to address a wide range of social and cultural accounting questions.

Papi : basically you should know more about critical ethnography, Mam (... with seriously looking at her eyes ...)

As A Critical Ethno-Accounting-grapher: How To Start, Pap?

Mami : Pap, from where we start Pap?

Papi : Be Calm, Mam ... I will do start for you ... Please stay where you are?

Papi : (Papi is curious to insist on her ...) Do you mean on Critical Ethnography?

Mami : Of course, Critical Ethnography ! What do you think you are?

Papi : No ... no, I have a new term of it. It is critical ethno-accounting-grapher. Does it make sense?

Papi : Listen this Mam ...

Critical Ethno-Accounting-Graphy is about telling a credible, rigorous, and authentic story on accounting phenomena. Critical Ethno-Accounting-Graphy gives voice to people in their own local context, typically relying on verbatim quotations and a “thick” description of events. The story on its accounting phenomena is told through the eyes of local people as they pursue their daily lives in their own communities. The ethno-Accounting-grapher

adopts a cultural lens to critically interpret observed behavior, ensuring that the behaviors are placed in a culturally relevant and meaningful context. The ethno-Accounting-grapher is focused on the changing, daily patterns of human thought and behavior. Accounting is not seen only as model of works, but it could also change the people lives. Observing the people lives are not in their physical observable bodies, but how the people thoughts on its accounting phenomena are also understood.

Papi : Mam, ... are you still listening?

Mami : (she just shake her head, symbolising 'yes' ...)

Papi : Ehm ... how good is it, Mam?

Papi : (... continuing his descriptions ...)

Critical Ethno-Accounting-Graphers are noted for their ability to keep an open mind about the groups or cultures they are studying. However, this quality does not imply any lack of rigor. The ethno-Accounting-Grapher enters the field with an open mind, not an empty head.

Mam, this is important ... do not empty head ...

Before asking the first question in the field, The ethno-Accounting-Grapher begins with a problem critically, a theory or model, a research design, specific data collection techniques, tools for analysis, and a specific writing style. The ethno-Accounting-Grapher also begins with biases and preconceived notions about how people behave and what they think—as do researchers in every field. Indeed, the choice of what problem, geographic area, or people to study is in itself biased.

Mam, is it ok to be understood?

Papi : Mam, Biases serve positive functions in the accounting research. But, it needs to be controlled. Controlled, biases can focus and limit the accounting research effort. The ethno-accounting-grapher must first make specific biases explicit. Of course, a series of additional quality controls, such as triangulation, contextualization, and a nonjudgmental orientation, place needed to be confirmed. An open mind of accounting researcher also allows to explore rich, untapped sources of data not mapped out in the research design. Here means that the ethno-accounting-grapher allows multiple interpretations of reality and alternative interpretations of data.

Mami : Does it still be long, Pap?

Mami : Thus, I could say that the critical ethno-accounting-grapher could begins with possible complex accounting phenomena and even noumena.

Papi : You are very critical, Mam. Yes phenomena and noumena are

both possible. Noumena is originally from Immanuel Kant which is something un-senses, but possible to be observed.

Mami, Here A Research Problem Could Begin From?

The Critical Ethno-Accounting-Graphic research begins with a critical selection of a problem or topic of interest. A research problem could start from many critical angles. It could be from current or historic accounting phenomena, previous research findings, or personal interests. The research problem that the ethno-accounting-grapher chooses guides the entire research endeavor. It typically dictates the shape of the research design, including how much money you want to spend for, the tools to conduct the research, and even the presentation of the research findings. How the ethno-accounting-grapher interprets and defines the problem usually reflects either a basic or an applied research orientation. The problem may also suggest the most appropriate research approach—ethnographic, survey, or historical.

Papi : Accounting researcher can address a problem—such as either from up to bottom, left to right, or where you want to be from.

Mami : What angle is the most convenience, Pap?

Papi : Any where, you like, as long as you are comfortable, Mam ...

Papi : Mam, you may address by focusing a problem, such as unequal minority representation in higher-paying and higher-status accounting occupations in Indonesia.

Papi : Mam, in essence, the problem or its definition of its research focus in the critical ethno-accounting-graphy is the driving force behind the research endeavor. The problem must precede the selection of a research method to avoid the trap of having a method in search of a problem—a situation referred to as the methodological tail wagging the research dog—a situation that produces frustrating and imprecise results.

Papi : Do you know Mam, the methodological tail wagging the research dog?

Mami : What is that, Pap? This means the dog could not find properly its wagging tail.

Papi : Yes, you are alright, Mam.

Papi : Mam, when you think about a problem to be research, I do ask you to understand it is with a context of culture.

Papi : Mam, culture here is the broadest ethnographic concept. Definitions of culture typically espouse either a materialist or an ideational perspective. The classic materialist interpretation of culture focuses on behavior. In this view, culture is the sum of a social group's observable patterns of behavior, customs, and way of life (O'Reilly, 2008). The most popular ideational definition

of culture is the cognitive definition. According to the cognitive approach, culture comprises the ideas, beliefs, and knowledge that characterize a particular group of people (Strauss and Quinn, 1997).

Mami : Ehm ... really different ... it is. Culture is entire of ideas, beliefs, and knowledge that characterize a particular group of people in the accounting phenomena and noumena.

Papi : This cognitive approach of culture is currently most popular definition specifically excluded behavior. Obviously, critical ethno-accounting-graphers need to know about both cultural behavior and cultural knowledge to explore a culture or subculture adequately. Although neither definition is sufficient, each offers the ethno-accounting-grapher a starting point and a perspective from which to approach the group under study. For example, adopting a cognitive definition of culture would orient the ethno-accounting-grapher toward financial accounting data: daily discourse. A cognitive critical ethno-accounting-grapher would ask members of the social group how they define their reality, what the subcategories of their existence are, and what their symbols mean. This cognitive researcher might create taxonomies to distinguish among levels and categories of meaning

As Firsthand Research

A commitment to be *being there* is a spirit of critical ethno-accounting-graphy. The general concept of being there is so pervasive in ethnography that at least two recent books on the subject have used the phrase as a title: Bradburd's *Being There: The Necessity of Fieldwork*, 1998, and Watson's *Being There: Fieldwork in Anthropology*, 1999. (See Sluka and Robben 2007). The underlying assumption in ethnography's commitment to being there is an assumption that certain types of information are only obtainable through firsthand research. By going to its field sites to conduct a fieldwork, ethno-accounting-graphers signal the importance of their direct connection with the research site and the research subjects. Early ethnographers typically went to live in the field for a year or longer, and much of their research data came directly from experiences living in the community under study. Ethnographies are full of accounts of daily life in different communities, as well as stories of ethnographers' experiences of integration into the communities being researched. Here is the following being there as firsthand research.

Mami : Pap, some believe that *being there* is important research process in the ethno-accounting-grapher. Being there means that ethno-accounting-grapher is as participant-observer.

Papi : Yes, you are right, Mam.

Participant - observation is an essential component of

ethnographic research. Successful and effective participant - observation requires practice and involves developing a particular research stance and an associated set of skills that allows the ethnographer to make the most out of the unique position of the **participant - observer**. Too often the outsider to ethnographic circles assumes that participant - observation is simple because the researcher is “ just hanging out ” — having fun and letting things happen.

Papi : Ethno-Accounting-Graphers could have fun doing participant - observation, and a good ethno-accounting-grapher generally tries to avoid exerting undue influence on the events involved in participant - observation. Still, participant - observation involves a lot more than just hanging out. As a method, participant - observation is challenging because it can take many different forms and because the **subject position** of the researcher places a lot of responsibility on the researcher.

Mami : Pap, there are many criticisms on the merge of participation and observation. Some believe it is hard to combine between as a participant and as observer.

Papi : the ethno-Accounting-grapher necessarily has to become involved on a personal level to one degree or another. Some ethno-accounting-graphers will find that their most important insights emerge when they choose or circumstances force them to abandon their practiced, objective stances. The element of personal experience and **social or cultural empathy** can be very powerful for the ethnographer.

Mami : Well, I understood now, participant means to be an insider.

Papi : Basically, participant is that a researcher involves actively as a part of the social phenomena under investigation. If you are in a company, you must work as an employee of the company. Here means you involve in a narrow way of seeing and experiencing the phenomena. Naturally, you are as employee working based on assignment given similar to other employees.

Papi : (... in a silent moment ...) then differently, as an observer, you are looking a broader site of phenomena. You are keeping distant to be an active part of the social phenomena being researched.

Mami : That is why, some put an opinion that being a participant is different to be an observer.

Papi : But, here we are talking about a participant observer equation. It is called a balancing participation and observation. As Murchison (2010) argued, “[t]he researcher’s individual personality and research plan will likely go a long way in determining which half of the participation - observation equation comes most easily. If you are naturally outgoing and gregarious, you may find it

easier to become involved as a participant. On the other hand, if you are more reserved and private in social settings, you may find that you slip more easily into the role of an observer because you feel more comfortable in the background.”

Papi : Mami, I think today is enough, tomorrow we will continue the discussions again.

Next Day: Analysis and Triangulation

Analysis is one of the most engaging features of critical ethno-accounting-graphy. It begins at the moment when accounting researcher selects a problem to study and ends with the last word in the report or ethno-accounting-graphy. Critical ethno-accounting-graphy involves many levels of analysis. Some are simple and informal; others require some statistical sophistication and mathematic formula. The ethno-accounting-graphic analysis is iterative, building on ideas throughout the study. Analyzing data in the field enables the ethno-accounting-grapher to know precisely which methods to use next, as well as when and how to use them.

Papi : Mami, we need tea, then we discuss to continue yesterday critical ethno-accounting-graphy.

Papi : Mam, please do not be long to prepare it. I am going to talk about important things about data.

Mami : Yes, Pap, it is almost done.

Mami : Pap, data is like forest, even wild-forest ...

Papi : Mam, Critical ethno-accounting-graphers must find a excellent way through a forest of data, theory, observation, and field experiences. Throughout the analytic thought, the Critical ethno-accounting-graphers must make choices to proceed to an analysis. These may be between logical and enticing paths, between valid and invalid but fascinating data, and between genuine patterns of behavior and series of apparently similar but distinct reactions. Choosing the right path requires careful thought, discrimination, experience, attention to both detail and the larger context, and intuition. Do you understand Mam?

Mami : Ehm ...

Papi : Mam, The ethno-accounting-graphers employ many useful techniques to make sense of the wild forests of data, from triangulation, patterns to the use of statistical software packages. All these techniques, however, require critical thinking skills—notably, the ability to synthesize and evaluate information—and a large dose of common sense and logic to be in discussions.

Papi : Here is also importance, Mam (with seriously thinking ...)

Papi : Triangulation ... Mam, do you triangulation?

Triangulation is basic in ethno-accounting-graphic research. It is at the heart of ethno-accounting-graphic 'validity', which is source of information against another to strip away alternative explanations and attempt to prove a proposition and research finding. Typically, the ethno-accounting-grapher compares information sources to search the quality of the information (and the person sharing it), to understand more completely the part an actor plays in the social drama, and ultimately to put the whole situation into perspective.

Mami : How does triangulation work?

Papi : Triangulation works with any topic, in any setting, and on any level. It is effective to be used in studying the accounting phenomena. The trick is to compare comparable items and levels during analysis. In studying the accounting phenomena, some experiences usually break down several unit of analysis into manageable pieces, such as departments, separate companies. Then they select the most significant concerns that emerged during the initial review period. This may focus on those concerns throughout the study, refining understanding of them by working with people in the field. This may confirm some research questions, learn about new dimensions of the problems, and crystallize overall conceptions of how the place operates by constantly triangulating information.

Papi : (continually he insists ...) That is the importance of triangulation.

Papi : Basically, triangulation could improve a quality of data and the accuracy of ethno-accounting-graphic data.

Papi : See ... Triangulation can occur naturally in conversation as easily as it can occur in intensive investigatory work. The ethnographer, however, must identify it in subtle contexts.

Mami : Well ... I could not say anything ...

Papi : Now, look at these, some examples conducting accounting research using critical ethno-accounting-graphy.

Papi : I did it the accounting research in 2004 financed by ADB. I did it in University of Jember. You could see how was the structure of the research.

THE INTERNAL MANAGEMENT OF THE UPT BSPB THE UNIVERSITY OF JEMBER (Eko Ganis Sukoharsono)

Chapter I : Introduction: The Management Vision and Mission of The UPT BSPB
Background
The Vision
The Mission
Objectives
A Critical Ethnography Method

- Chapter II : The UPT BSPB's Internal Management
Planning
Organising
Leading
Controlling
- Chapter III: The Strategic Planning of the UPT BSPB's Internal Management: A Crucial Aspect to be Done
What is Strategic Planning?
Strategic Planning Versus tactical Planning
Steps in the Strategic Planning Process of the UPT BSPB
Forecasting: Critical Planning Ingredient of the UPT BSPB
Forecasting Methods
- Chapter IV: The UPT BSPB Human Resource Management Analysis The Importance of Human Resource Management
What is Human Resource Management?
- Chapter V : The UPT BSPB Human Resource Framework Need for a Framework The Level of Management at the UPT BSPB
Process of Decision Making
- Chapter VI: Performance Appraisal of the Managerial UPT BSPB The Importance of Performance Appraisal
Who Should Do the Appraising?
- Chapter VII : Financial Accounting and Its Performance of the UPT BSPB Accounting – The Language of Business Characteristics of Accounting Information and the UPT BSPB Accounting Cycle Model
Financial Statements
Financial Planning and Control with Budget
Chapter VIII: Conclusions
Self Awareness
Non-Accounting Data
Accounting Data
References
- Papi : The second critical ethno-accounting-graphy is conducted by Shanta Davie, 2000, published in the *Critical Perspectives on Accounting*, Vol 11, No.3

THE SIGNIFICANCE OF AMBIGUITY IN ACCOUNTING AND EVERYDAY LIFE: THE SELF-PERPETUATION OF ACCOUNTING

This research study seeks to demonstrate accounting's autopoietic capacities in social enactments of change such

as a preferencing tribal-based corporatisation. The paper, through a form of **critical ethnography**, underscores the argument that accounting self-reproduces through a complex interplay between: (a) the political effecting of ambiguity in a controversial and sensitive policy of change; (b) assumptions about accounting's ability to reduce ambiguity; and, (c) the inherent ambiguities in the accounting language. The research suggests that in order to be more appreciating of accounting's self-reproducing capacities, we need to be more conscious of the interplay between the politics of ambiguity in society and the aesthetics of ambiguity in accounting. In the process, the paper highlights the general applicability of accounting as an act of self-replication, and the way in which perceived "meaningless[ness]" and time "eating" notions of accounting, ironically contemplate more of it.

Papi : The third example is doctorate (Ph.D) dissertation by Ishani Chandrasekara of the at the University of Leicester, 2009

Ethnofinance: A Study of the Daily Accounting and Financing Practices of a Sinhalese Women's Community

This dissertation is a composite of two return journeys to Sri Lanka, in 2006 and 2007. On each occasion I stayed for several months, travelling alone and then joined by women at the Women's Development Centre in Kandy (WDC) and Rajarata Kaantha Pathenamain Kakirawa.

Despite the diversity of issues it addresses, the accounting and finance literature has yet to tumits attention to the accounting practices of large numbers of women in the Global South -subaltern women. Indeed few attempts have been made to theorise the diverse forms ofaccounting and finance practiced outside Europe. This study seeks to recover the socio cultural aspects of accounting and finance practiced among Sinhalese women in Sri Lanka to encounter their community organizations. The term 'Ethnofinance' is used to describe a way to recover the socio cultural composition of subaltern women's community practices of accounting and finance.

To achieve this recovery, the study draws on the work of Gayatri Chakravorty Spivak and LuceIrigaray and considers what Naila Kabeer calls 'the multiple realities' of subaltern women. Itlets the subaltern women speak for themselves in order to value their accounting and financingpractices, while at the same time acknowledging the possibility and necessity of different waysof being and thinking across cultures. Methodologically, the study - through feministethnography - attempts to adhere to the feminist ethos of valuing daily experiences of life.

The thesis asks how the knowledge of subaltern women about accounting and finance has revolved around sociocultural dynamics of community organization. The research reveals that subaltern women's knowledge of accounting and finance attests to feminine practices and operates through friendships, kin relationships and social relations. These community organizations develop social wealth through their thrifts, based on traditional practices of saving. The organisations and their thrifts protect women from intrusive practices of the state and non-governmental organisations. The contribution of the thesis overall is to create a new platform within the accounting and finance discourse where Ethnofinance can receive serious consideration.

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HOW QUALITY, VALUE AND SATISFACTION CREATE PASSENGER LOYALTY: AN EMPIRICAL STUDY ON INDONESIA BUS RAPID TRANSIT PASSENGER

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Abstract

This study aims to investigate the dimensions of service quality especially in the area of public transport as well as the role of service quality in enhancing passenger's value, satisfaction and loyalty. Partial Least Squares (PLS) with survey data from 152 BRT passengers was used by this study. This study found that outcome quality, physical quality and interaction quality are the primary dimensions of service quality. In addition, this study explained that service quality has a significant effect on passenger perceived value, satisfaction and loyalty. Apart from perceived service quality, this study also found that passenger satisfaction and perceived value are the essential determinants of passenger loyalty.

Keywords: Bus Rapid Transit, Outcome quality, Interaction quality, Physical quality, service quality, satisfaction and loyalty.

Introduction

In these days, tourism sector is one of major contributor for Indonesian national budget. According to Indonesia Ministry of Tourism and Creative Economy, tourism contributed around Rp 80 billion into state budget (Rohmat, 2012). While the growth of tourism industry increase significantly, some problems are still faced by this sector. Traffic congestion is one of big problems for tourism industry especially in the big city as Jakarta– the capital city of Indonesia. It becomes a chronic problem that is expected to be worsen if there is no effort to improve the existing transportation system. The economic loss caused by traffic congestion in the region around \$ 68 million per year– and this estimate excludes the impacts of traffic congestion and pollution on human health (Dikun, 2003)

The use of public transportation has been recommend by government and scholars to reduce the congestion and support tourism industry. Some mass mode transportations have been introduced by Jakarta government such as bus and train. The latest mode provided by government is Bus Rapid Transit (BRT) which is called as TransJakarta. Considered as a new public transportation mode, there is a need for the provider to increase the quality service offered in order to persuade people to use this mode and to retain them..

In the domain of marketing study, service quality has been recognized widely as an important determinant of customer loyalty (Liao & Hsieh, 2011; Yee et al., 2010). Yunuset *al.*(2012) contend that the service quality is not only important for service companies but also for manufactures. Buttle(1996) suggest that service quality would create competitive differentiation which will differentiate a company with other.

In these days, service quality is also acknowledged as an essential construct in the area of public transport management (Chou et al., 2011; Lai & Chen, 2011; Saha, 2009). Chou et al. (2011) argue that passengers would remain to use public transport when they perceive a high quality of service. In accordance with Chou *et al.* (2011), Ibeas and Cecin(2011) explain that the quality of service offered by public transport plays an important role in changing people daily transport habits. For that reason, it is believed that improving service quality is important for public transport industry.

While service quality has been understood as an important factor in service industry including in public transport, there is still a debate among scholars about its dimensions(Brady & Cronin Jr, 2001). To date, five dimensions proposed by Parasuraman *et al.* (1988) are used extensively by scholars in analysing service quality. While these dimensions are used widely, there are some criticisms addressed to these dimensions (Cronin & Taylor, 1994; Shu, 2010).

Studies in public transportation area mainly emphasized on Parasuraman's service quality dimension in measuring service quality (Eboli & Mazzulla, 2008; Lai & Chen, 2011; Pérez *et al.*, 2007). Theoretically, the latest service quality literature proposed to use hierarchical model of service quality since it is more comprehensive than the traditional one. Studies such as Hu and Jen (2007) and Clemes and Gan (2013) have applied hierarchical service quality model in measuring service quality. However, to date, there is no study has applied hierarchical service quality in measuring the quality of service offered by BRT mode.

Apart from its effect on loyalty, scholars explain that service quality also plays an important role in satisfying passenger of public transport(Park *et al.*, 2004; Satisfaction, 2007; Tyrinopoulos & Antoniou, 2008). The higher the quality of public transport offered, the higher the satisfaction of passenger. In the field of service marketing, satisfied customer is likely to be more loyal then unsatisfied customer. Therefore, it is important for public transport providers to provide a high quality of

services which can satisfy the passenger that finally remain them to use the public transport.

Passenger perceived value is also considered as an important factor in transport management. Lai and Chen(2011)contend that the value perceived by passenger would influence their loyalty toward using public transport. To increase passenger perceived value, public transport providers should be able to provide a high quality of service since service quality positively affect perceived value (Jen & Hu, 2003). Although some have investigated the linkages among these constructs, there is no study has been conducted to measure these relationships in the perception of BRT's passengers in Indonesia.

Based on the research issues stated, two research objectives of this study are:

1. To identify the service quality dimensions as perceived by Bus Rapid Transit passengers
2. To test the relationships among several essential marketing constructs namely service quality, perceived value, passenger satisfaction, and passenger loyalty.

This study offers some contributions once it meets these two research objectives. First and foremost, this study develops and tests a comprehensive hierarchical model providing a complete and integrated analysis of the dimensions underlying customers' perceptions of service quality and its relationships with several important marketing constructs in service sector such as perceived value, satisfaction and loyalty. Second, this study provides empirical support for the use of a hierarchical model to conceptualize and measure customers' perceptions of service quality in the public transport management. Third, the results of this study will benefit marketers and practitioners who are already operating in or preparing to enter, the public transport industry since the findings may assist these organizations in developing and implementing successful business strategies.

THEORETICAL BACKGROUND AND HYPOTHESES

Since this study aims to identify the dimensions of service quality and the relationships among service quality, perceived value, satisfaction and loyalty in the context of BRT;s passengers, some theories are discussed in this section. In addition, this section would propose the hypotheses are tested in this study.

Service Quality

In the area of service marketing study, Parasuraman *et al.* (1985) stated that service quality is an elusive construct. Furthermore, Rust and Oliver (1994) contend that service quality is a subjective manner. Hence, Brady and Cronin Jr (2001) contend that the construct of service quality is difficult to grasp.

In these days, SERVQUAL scale is the instrument which is most widely used by scholars to measure service quality (Amin & Isa, 2008; Barroso et al., 2010; Huang, 2010; Yang et al., 2006). This scale was developed by Parasuraman et al. (1988) based on disconfirmation paradigm. Although SERVQUAL has been used extensively in measuring service quality, several critics are addressed toward this instrument (Babakus & Boller, 1992; Carman, 1990).

While there is no agreement about the conceptualization of service quality, scholars agree that service quality is a multidimensional (Brady & Cronin Jr, 2001; Dabholkar et al., 1995; Parasuraman et al., 1988). The study of Brady and Cronin Jr (2001) found that the overall perception of service quality is affected by three dimensions namely interaction quality, physical quality and outcome quality. This finding is similar with several studies which also found these dimensions as the dimensions of service quality (Clemes et al., 2011; Clemes et al., 2013; Dabholkar et al., 1995; Shu, 2010).

Therefore, these following hypotheses are proposed:

H1a : Interaction quality is a dimension of service quality

H1b : Physical quality is a dimension of service quality

H1c : Outcome quality is a dimension of service quality

In the area of customer relationship marketing, service quality is acknowledged as a significant determinant of customer perceived value. Parasuraman et al. (1988) contend that the quality of service offered relies on the overall consumer judgment about the superiority of the product or service. Andreassen and Lindestad (1998) suggest that in the evaluation of the service value, transaction's specific attributes as well as the quality of service and price would be considered by consumers. In this situation, it is most likely that quality-related factors is assumed to be the determinant of customer value. The higher quality provided by service provider, the higher value perceived by customers. Studies in the area of public transport found that the quality of service provided by public transport provider significantly influences passenger perceived value (Jen & Hu, 2003; Lai & Chen, 2011).

Apart its effect on customer perceived value, service quality is also found to have an essential effect on customer satisfaction. The general marketing literature agrees that service quality and satisfaction are two interrelated constructs (Baumann et al., 2007; Jamal & Anastasiadou, 2009). Customer would be satisfied toward the service provided when they perceive that the service has a high quality. Several studies indicate that service quality is a robust determinant of customer satisfaction (Clemes et al., 2013; Shu, 2010; Wu, 2009). In the area of transport studies, scholars also found the important role of service quality in influencing passenger satisfaction. Eboli and Mazulla (2007) in their study about bus transit service quality attributes found that passenger satisfaction is significantly influenced by the attributes of service quality.

Similar to this study, service quality is also found to have an important role in influencing high speed rail passenger satisfaction in Korea and Taiwan (Chou & Kim, 2009).

Hence this study proposed:

H2 : Service quality has a significant effect on passenger perceived value

H3 : Service quality has a significant effect on passenger satisfaction

Perceived Value

Consumer value is an important concept in marketing field. Theoretically, Gallarza and Gil Saura (2006) explain that the concept of value is based on the development of two essential consumer behavior dimensions namely economic and psychological. Furthermore, value is might explain different areas of consumer behavior such as product choice, buying intention and repeat purchasing. They also claim that consumer value is a determinant of other important marketing constructs such as satisfaction and loyalty.

According to Zeithaml (1988) perceived value is the overall assessment of the product's utility based on perception about what is received and what is given. To purchase products or service, customer might cognitively incorporate their perceptions of benefits and sacrifices (Choi et al., 2004). Therefore, it can be said that customer perceived value is formed by customers' perception and not by suppliers' assumption (Bhattacharya & Singh, 2008).

Studies found that customer perceived value is an important construct in determining customer satisfaction. The studies on conventional retailers found that customer satisfaction is affected by customer perceived value in the most cases (Cronin Jr et al., 2000; Eggert & Ulaga, 2002). In accordance to the studies on the domain of retail study, the significant effect of customer perceived value on customer satisfaction is also found on the studies of public transport (Lai & Chen, 2011; Sumaedi et al., 2012). These studies contend that the higher value perceived by public transport passenger, the higher their satisfaction. As a determinant of customer satisfaction, perceived value also has a significant effect on customer loyalty.

In the context of hospitality industry, Oh (1999) proposed perceived value, might completely moderate the effects of service quality of customer satisfaction. Similar to Oh (1999), Wu (2009) proposed that there is a moderating effect of perceived value on the relationship between service quality on customer satisfaction. While these researches examined the moderating effect of perceived value, there is no study have investigated its effect in the area of of public transport management.

Based on the explanations, this study proposed:

H4 : Passenger perceived value has a significant effect on passenger satisfaction

- H5: Passenger perceived value moderates the effect of service quality of passenger satisfaction
- H6 : Passenger perceived value has a significant effect on passenger loyalty
- H7 : There is an indirect significant effect of service quality on passenger loyalty through perceived value

Customer Satisfaction

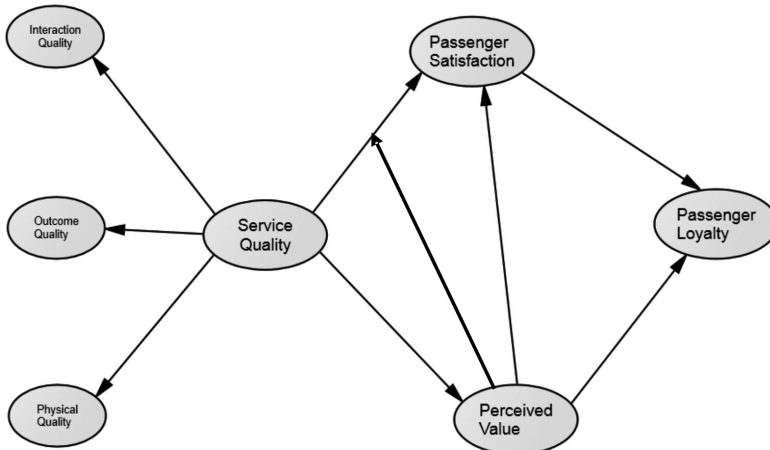
Wang et al. 2004 argue that in marketing literature, the conceptualization of customer satisfaction can be divided into two types they are transaction-specific perspective and accepted cumulative perspective. Fornell et al. (1996) explain that customer satisfaction is an important marketing construct. As an important marketing factor, the high level of customer satisfaction would result the high level of customer loyalty, a lower level of customer price sensitivity, a reduction in failed marketing cost and new customer creation and an improvement in the effectiveness of advertising and business reputation.

Several studies reported a link between customer satisfaction and service outcomes such as loyalty, positive word-of-mouth and purchase intentions. Previous studies on customer satisfaction-behavioral consequences explained that customer satisfaction directly influenced behavioral intention. In the domain of transport management studies, passenger satisfaction is found as a robust predictor of passenger loyalty (Chen, 2008; Huang, 2010; Jen & Hu, 2003).

H8 : Passenger satisfaction has a significant effect on passenger loyalty

H9 : There is an indirect significant effect of service quality on passenger loyalty through passenger satisfaction. Based on the Hypotheses proposed, figure 1 shows the research model for this study

Figure 1. Research Model



Sample

The respondents of this study are the passengers of Indonesia Bus Rapid Transit in Jakarta Province, Indonesia. A total of 152 respondents returned the questionnaires. These respondents recruited using convenience sampling method. The following demographic profile emerged from the sample: 80% of the respondents are aged between 21 and 40 years, 71 % have tertiary education, 88% are worker and 70% have income between Rp 2.000.000 - Rp 5.000.000 Table 1 presented the demographic of respondents of this study.

Table 1. Demographic Sample of Population

Variable	Category	%
Age	Up to 20	2.6
	21 – 30	29
	31 – 40	51
	>40	15
Education	High school or lower	8.5
	Diploma	16
	Bachelor	57
	>Bachelor	14
Job	Working	88
	Not Working	12
Income	<Rp.1000.000	15
	Rp.1000.000 - Rp 2000.000	22
	Rp2000.000 - Rp. 5000.000	48
	>Rp.5000.000	14

Questionnaire

A self-administered questionnaire survey of Bus Rapid Transit passengers in Jakarta was conducted to collect empirical data for this study. The questionnaire was designed based on a review of the related literature. The questionnaire consisted of two parts. The first part collect information about the demographic of respondents; and the second part measures the variables investigated in this study. The measures used in this study were adapted from several studies measuring hierarchical service quality and its effect especially on perceived value, satisfaction and behavioural intention/loyalty.

The questionnaire examined interaction quality, physical quality and outcome quality are adapted from Hu and Jen (2006) (interaction quality is measured by 4 items, example : Drivers appreciate the safety

of passengers when they get on/off the bus, physical quality is measured by 6 items, example item: "Air-conditioning is very comfortable" and outcome quality is measured by 4 items, example item: "Information about bus routes is marked clearly"), value, satisfaction and loyalty are adapted from Suhartanto (2011) (value is measured by 4 items, example item: "Compared to what I have given up (in terms of money, effort, and time), the overall services of TransJakarta satisfied my needs", customer satisfaction is measured by 4 items, example item: "I did the right thing when I chose to travel with TransJakarta" and customer loyalty is measured by 3 items, example item: "I intend to continue traveling with TransJakarta in the future").

Apart from the questions about respondent's demographics, which were measured by categorical scales, the items of all the other constructs are measured using a seven-point Likert scale ranging from 'strongly disagree (1)' to 'strongly agree (7)'.

Data Analysis

To analyse the data and test hypotheses, Partial Least Squares were employed by this study. Some reasons behind the selection of PLS for this study. First of all, Aibinu and Al-Lawati (2010) suggest that measuring individuals' perceptions using Likert scales will likely yield non-normally distributed responses. PLS is a type of Structural Equation Modelling (SEM) technique which is based on variance. Therefore, this technique is distribution-free which does not require or exclude any distributional form for the measured variables (Wold, 1982). For that reason, this technique is suitable for analyzing data from non-normal distributions (Falk & Miller, 1992). Another reason for using PLS is based on Abdi's suggestion (2007) stating that the aim of PLS is to predict the effects of a set of independent variables on a set of dependent variables. He explains that PLS is a multivariate technique to compare multiple response variables and multiple explanatory variables. Though it is similar to Principal Components Analysis (PCA), PLS is believed to be a better option than multiple linear regression and PCA regression techniques since it presents more vigorous model parameters that do not change with new calibration samples from the population (Falk & Miller, 1992; Geladi & Kowalski, 1986).

Results

The examination of outer and inner model are done to ensure that the model proposed is strong. Outer model is evaluated by using some tests namely convergent validity, discriminant validity, and reliability. The inner model is evaluated by using the score of coefficient determinant and goodness of fit. The next section would explain the results of outer and inner model evaluation.

The Evaluation of Outer Model

The first outer model evaluation is convergent validity. This study uses two indicators – score of factor loadings and Average Variance Extracted (AVE) to evaluate the convergent validity of the model. The score of factor loadings vary between 0.06 and 0.981. Following Hair et al’s suggestion (2010), a construct should not have items which have score loading below 0.6. Therefore, both CL_1 and PQ_6 which have factor loading 0.06 and 0.558 respectively are deleted from the model. The estimation after deleting CL_1 and PQ_6 shows that all of constructs have factor loadings above the threshold value (0.6). Furthermore, the score of AVE which is ranged from 0.558 to 0.957 also indicates that all constructs do not have convergent validity problems (threshold of AVE is 0.5) which means each indicator has a high level of connection with its corresponding variable. Table 2 summarizes the result of convergent validity.

Table 2. Summary of Convergent Validity Test

Items	Factor Loading	AVE
CL_1	0,976	0,957
CL_2	0,980	
CS_1	0,876	0,781
CS_2	0,935	
CS_3	0,790	
CS_4	0,925	
IQ_1	0,730	0,602
IQ_2	0,784	
IQ_3	0,772	
IQ_4	0,816	
OQ_1	0,709	0.558
OQ_2	0,841	
OQ_3	0,646	
OQ_4	0,778	
PQ_1	0,821	0,634
PQ_2	0,842	
PQ_3	0,604	
PQ_4	0,783	
PQ_5	0,900	
PV_1	0,916	0,739
PV_2	0,715	
PV_3	0,865	
PV_4	0,924	

The further outer model evaluation is unidimensionality. The composite reliability score for each construct ranged from 0.833 to 0.986, all of which are beyond the cut-off value (0.70) (Nunnally, 1978). Based on these unidimensionality tests, all constructs used in this study have an acceptable degree of consistency and are thus considered reliable. Table 3 shows the composite reliability score for each constructs.

Table 3. Composite Reliability Score

Construts	Composite Reliability
Interaction Quality	0,858
Passenger Loyalty	0,978
Outcome Quality	0,833
Physical Quality	0,895
Passenger Satisfaction	0,934
Service Quality	0,904
Perceived Value	0,918

Discriminant validity was evaluated using an approach proposed by Chin (2010). This approach suggests that none of the items should load more highly on another construct than it does on the construct it intends to measure. In other words, the value of the factor loading should be higher than the cross loadings. In this study, the value of the factor loading for each construct is higher than the cross loading. Therefore, it can be said that there is no discriminant validity. Table 4 shows the cross loadings for each constructs

Table 4. Cross Loading

	IntQual	Loyalty	OutQual	PhyQual	Satisfaction	Value
CL1	0,582086	0,976826	0,432128	0,532458	0,761190	0,832012
CL2	0,667939	0,980464	0,529187	0,628468	0,835905	0,903766
CS1	0,621891	0,753209	0,530477	0,774307	0,876814	0,770801
CS2	0,652698	0,791089	0,514477	0,689041	0,935995	0,841132
CS3	0,465550	0,499865	0,687339	0,631990	0,790358	0,635321
CS4	0,555109	0,804504	0,653776	0,542895	0,925631	0,848044
IQ1	0,730284	0,334058	0,389337	0,134606	0,314708	0,342289
IQ2	0,784548	0,547189	0,367128	0,468728	0,583849	0,607836
IQ3	0,772150	0,544331	0,416192	0,566191	0,611505	0,666955
IQ4	0,816265	0,517423	0,504066	0,526223	0,468241	0,516527
OQ1	0,341232	0,195856	0,709627	0,203685	0,380676	0,198334
OQ2	0,386008	0,436623	0,841068	0,450151	0,648906	0,462155
OQ3	0,468760	0,418442	0,646009	0,343484	0,391071	0,402160

	IntQual	Loyalty	OutQual	PhyQual	Satisfaction	Value
OQ4	0,424939	0,389573	0,778137	0,463327	0,527748	0,452597
PQ1	0,448298	0,357738	0,452025	0,821093	0,609660	0,468812
PQ2	0,475323	0,522787	0,360698	0,842788	0,666738	0,652706
PQ3	0,382835	0,294334	0,243986	0,604269	0,258580	0,284907
PQ4	0,554509	0,600071	0,495826	0,783565	0,649285	0,663452
PQ5	0,436874	0,546507	0,412252	0,900686	0,689461	0,596348
PV1	0,596268	0,822234	0,437797	0,546393	0,823726	0,916664
PV2	0,658933	0,577264	0,488961	0,518455	0,562162	0,715422
PV3	0,568056	0,801122	0,462603	0,636372	0,827138	0,865946
PV4	0,624409	0,826307	0,419935	0,653788	0,788793	0,924220

The Evaluation of Inner Model

After ensuring the robustness of the measures, the next step is to provide validation that supports the theoretical model as demonstrated by the structural model (Chin, 2010). Here, the structural model is evaluated through the score of coefficient of determination R^2 and Goodness of Fit Index (GoF). Similar to OLS regression, the value of R^2 in PLS represents the amount of variance explained by the model (Chin, 2010). Falk and Miller (1992) suggest that the variance explained for endogenous variables should exceed 0.10. For this study, the value of R^2 ranged from 0.547 to 0.943.

The further technique to ensure the robustness of the inner model is a Goodness of Fit (GoF) index. Since PLS is a variancebased SEM, it does not have a formal GoF. Therefore, the calculation of GoF refers to Tenenhaus et al's. 2004 suggestion. Derived from Tenenhaus et al. 2004, Daryanto et al. (2009) propose that the baselines for GoF are small = 0.1, medium = 0.25 and large = 0.36. The calculation of GoF yields a score of 0.665. Since GoF index for the model tested in this study exceeds 0.36, the model proposed in this study should be considered robust. See table 5 for the score of R^2 and the calculation of GoF. The results of R^2 and GoF index indicate that the model tested for this study is robust. Therefore, hypotheses testing can be proceeded.

Table 5. R2 and Calculation of GoF

Constructs	R Square	Communality
InteractionQuality	0.689	0.602
Loyalty	0.795	0.639
Output Quality	0.616	0.558
PhysicalQuality	0.813	0.563
Satisfaction	0.834	0.781
Service Quality		0.409
Value	0.584	0.739
Average	0.722	0.613
GoF = $\sqrt{0,722 \times 0,613} = 0,665$		

Hypotheses Testing

Research objective one is about the dimensions of service quality. The results of hypotheses testing show that interaction quality ($\lambda = 0,830$; $t = 25,664$; $R^2=0,688$), outcome quality ($\lambda = 0,785$; $t = 19,126$; $R^2=0,616$) and physical quality ($\lambda = 0,902$; $t = 58,090$; $R^2=0,813$) have a significant effect on service quality. This significant findings mean these three dimensions are considered as the dimensions of service quality which mean hypotheses 1a, 1b and 1c are supported. Among these dimensions, the statistical estimations indicate that physical quality is the strongest dimension of service quality.

The further hypotheses testing are about answering research objective two – the relationships among service quality, perceived value, passenger satisfaction and loyalty. The hypothesis 2 states that service quality has a significant effect on perceived value ($\lambda = 0,764$; $t = 16,916$). Hence hypothesis 2 is supported. Similar to its effect on value, the result of hypothesis testing shows that there is a positive significant effect of service quality on passenger satisfaction ($\lambda = 0,372$; $t = 8,288$), it means hypothesis 3 is supported. Hypothesis 4 proposes that there is a significant effect of passenger perceived value of satisfaction. The statistical estimation shows that t-statistic is 12,484 ($\lambda = 0,645$). This finding indicates that the higher the value perceived by the passengers, the more satisfied the passenger with the service offered by BRT's provider. Apart its direct effect on satisfaction, this study also tests the moderating effect of passenger perceived value on the relationship between service quality and passenger satisfaction. The finding shows that there is no significant moderating effect of perceived value on its linkage ($t = 1,572$). Therefore, Hypothesis 5 is not supported. As an important construct in marketing study, this study also examines the relationship between passenger perceived value on loyalty. The result shows that there is a significant effect of perceived value on loyalty. It means Hypothesis 6 is supported, To provide a comprehensive insight about the role of

passenger perceived value, this study tests the mediating role of this construct. This study states that passenger perceived value mediates the effect of service quality on passenger loyalty. To test this mediating effect, z-score sobell's test was used by this study. The value of z-score (z-score = 11,124) shows that there is a significant indirect effect of service quality on passenger loyalty via perceived value. Thus, Hypothesis 7 is supported. Hypothesis 8 proposes that there is a significant effect of passenger satisfaction on loyalty. Based on hypothesis testing, there is a significant effect of passenger satisfaction on loyalty ($\lambda = 0,155$; $t = 2,870$), hence hypothesis is supported. Since, the the value of path coefficient indicates a positive slope, the more satisfied the passenger the more loyal them to use BRT. The mediating role of passenger satisfaction on the relationship between service quality and loyalty was also tested by this study. The result mediating test analysis shows that there is a significant indirect effect of service quality on loyalty through passenger satisfaction (z-score = 2,718). Therefore hypothesis 9 is supported.

Conclusion

As proposed by Hypothesis 1a,b and c, this study found that interaction quality, physical quality and outcome quality have a significant effect on overall service quality perception. Therefore hypotheses proposed are accepted. Among these three dimensions, physical quality is found to be the most important dimensions in assessing the service quality. The most dominant effect of physical quality in determining the overall service quality is possibly because BRT's passenger give more concern toward the physical aspects provided. In riding a public transport, passenger would evaluate the safety of the vehicle used. The vehicle must be able to provide safety and comfortable feel trip for the passengers.

As proposed by this study, it is found that service quality has a significant effect on passenger perceived value (Hypothesis 2 is supported). This finding supports previous studies which also found a significant effect of service quality on perceived value (Hu et al., 2009; Ryu et al., 2012). This finding means the value perceived by passenger about riding BRT is significantly influenced by their perception about the quality of service provided. The higher the quality of service perceived, the higher the value felt. Furthermore, as an essential construct, service quality also plays an important role in shaping customer satisfaction (Hypothesis 3 is supported). The significant effect of service quality on passenger satisfaction validates the finding of the previous studies (Jen et al., 2011; Lai et al., 2009). On the service gap model proposed by Parasuraman et al. (1985), people would be satisfied when their perception toward the service they received is higher than they expected. For that reason, by providing a high quality of service, a company might provide a service exceeding customer's expectation.

Hypothesis 4 proposed that passenger perceived value has a positive significant effect on passenger satisfaction. The finding of this

study indicates that passenger perceived value plays an important role in creating satisfaction. Reflecting to the result of this study, passenger would be more satisfied about the BRT if they perceived higher value offered. The possible reason to explain this significant effect is about the higher value perceived by passenger means passenger would feel that what they get is higher than they paid. This situation lead into satisfaction.

Apart its direct effect on satisfaction, passenger perceived value was expected to moderate the effect of service quality on satisfaction as proposed by hypothesis 5. However, the statistical analysis shows that there is no significant moderation effect provided by perceived value on the relationship between service quality and satisfaction. This finding contradicts with the results of several studies (Caruana et al., 2000; Gallarza & Gil Saura, 2006; Oh, 1999).The insignificant moderating effect of perceived value on the relationship between service quality and satisfaction is probably because the price of BRT's ticket is considered not expensive. Hence, in evaluating service quality, passengers would not be affected by the value perceived.

Similar to its effect on satisfaction, this study also found a significant effect of perceived value on loyalty. This finding supports previous studies which also found the significant effect of perceived value on loyalty (Clemes & Gan, 2013; Suhartanto et al., 2013). It means passenger would be more loyal to ride BRT if they perceived the higher value. For that reason, it is obvious that the provider of BRT should be able to provide more benefits of riding BRT.

Expected to provide a comprehensive insight about the linkages among several marketing constructs in the field of public transport management, this study also evaluates the indirect effect of service quality on passenger loyalty via perceived value as proposed by hypothesis 7. The indirect effect test used sobell's test found that perceived value significantly mediates the effect of service quality on loyalty. Having this indirect effect means service quality affects loyalty in both two ways – directly and indirectly through perceived value.

This study found the significant effect of passenger satisfaction on loyalty as proposed by hypothesis 8. This finding is similar to several previous studies which also show this significant effect (Clemes et al., 2014; Kandampully & Suhartanto, 2000; Mohi, 2012; Suhartanto et al., 2013). This outcome indicates that the passenger would be more loyal to ride BRT if they are satisfied with the service provided. The more satisfied the passengers, the more loyal they are. Apart its direct effect on loyalty, passenger satisfaction plays an important role in mediating the effect of service quality on loyalty as proposed by hypothesis 9.

The primary limitation of this study is that it does not measure the actual behavioural loyalty. This study only investigates behavioural intention to loyalty. For that reason, the next study is recommended to

measure actual behaviour to capture the real phenomenon. This study identifies several important factors that impact on passenger's perception of service quality. However, apart from the factors acknowledged in this study, there are other factors that should be included in the model such as brand image, attitude, and self-efficacy for instance. Hence, further research should include those variables in the research model.

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