

MARKETING PERFORMANCE ANALYSIS OF BUILDING PLANNER CONSULTANT

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ABSTRACT

Marketing Performance Analysis of Building Planner Consultants. (case study in Java). Competition in the industry is becoming very keen, to win this competition company needs implementative and adaptive marketing program and strategy to deliver the product or service, so that the customer accepts it better than the competitors (superior). The service marketing mix program which have been selected from the market informations, coordinated and colaboration with all of function in the company will give result better. This research aims : To analyze of marketing performance of building planner consultants in Java. The service marketing mix program as marketing planning, segmenting, targeting, positioning, product/services, pricing, promotion, channel distribution, physical evidence, people and price. This research is used the Strategic Marketing Management Approach. The characters of this research is descriptive, while research method is survey explanatory, by using the sampling technique of simple random sampling to 140 of Building Planner Consultants. Results of this research indicate that about the marketing planning activities more of firm (about 90%) never do it, only 15.0% they doing the segmentation and 71.42% sometimes they do.

Keywords : Service Marketing Mix Program, Firms Performance.

INTRODUCTION.

In Indonesia, the service industry continues to evolve. From the growth side, this industry has increased by 40% in 1983, became 42.1% in 1994, whereas in the same period of primary industry decreased by 44% or only 27%. (Central Bureau of Statistics, 2000), The contribution of service industries to Gross Domestic Product (GDP), although the increment is not too high but in 1983 already accounted for 32% and in 1994 had reached 35% of total GDP. Service industry absorbs 14% of the total workforce in 1990. Service sector growth has resulted in marketing of services will become an important discipline in marketing and research services will be more profound than those of goods (Srivastava, Mukesh and Smith Jr., 2002: 1). According to the National Socioeconomic Survey (SUSENAS, 2002), the service sector provides the largest contribution to Gross Domestic Product (GDP), which is between 27.37% - 47.80%, and the service sector to absorb labor is greatest between 41.8% - 68.96%. Business Section is expected to increase if the seen from the trend growth of primary and secondary sectors in Indonesia is a Consultant Services in the fields of agriculture, animal husbandry, forestry and fisheries, electricity, gas and water supply, industrial production, transportation and telecommunications, trade, hotels and restaurants , mining and quarrying. (Atantya, 2000: 33). Construction consulting services, which are companies in construction consulting services, including consultancy services building planners today are nearly equal to the amount of consulting services firm non-construction areas, due to a paradigm shifting in Indonesia development. (Warsoadhi, 2003). Field of business consulting services have a tendency prospectively in Indonesia in connection with the enactment of Law No. 22 / 1999 on Regional Autonomy and Law No. 25 / 1999 on Fiscal Balance between Central and Local Government, in association with the above conditions, then the market for service planning consultants that the building will change once more rely on the market from the central government, since 1970 (since the commencement of Repelita) will now be competing in these areas because of development funds will be allocated to these areas.

Problem Formulation.

- How the marketing performance of building planners consultant
- Which the service marketing elements that affect on marketing performance of building planners consultant.

Objective.

- To find out how marketing performance of building planners consultant,
- To knows the service marketing elements that affect on marketing performance of building planners consultant.

LITERATURE REVIEW

"Consulting is a consulted for professional or technical advice in a special case, acting in an advisory capacity." Building Planners Consultants, are: a cosulted aspect for professional (architect, civil

engineering, mechanical & electrical, building maintenance cost estimate and instructional), from the planning, construction and maintenance. (Webster & Mc Kechnie, 1999: 393). Building and all aspects consulting field this can be done by individuals (personnel consultant) or by the company (consultant firm). In this research, which mean planning consultants is a company whose offering the service to plan the design of building, more specifically in Indonesia the building services company planning consultants who are members of the National Association of Indonesian Consultants (INKINDO) with large classes, that are technically and qualifications can work on building projects whose value is above the one billion rupiah (DPN INKINDO: 2002). According Sarvary, (1999:1), stating that basically is a consulting services company providing resources that intelligent (smart) to help solve the problem (problem solver) faced by the customer (client), "originally, the consulting firm's proposition was to provider a resource smart people to solve the client's problems." Hargadon and Sutton in Sarvary (1999:3), stating that there are 6 (six) the concept of a consultant in order to assist industry consultants function as an intermediary in the transfer of technologies (a technology brooker) as a consultant tasks associated with other industries vary. The sixth concept can be operationalized through the concept of analogical relationships (analogy connection) which consists of problem identification (identifies a problem), identify similarities / analogies problems with other classes of problems (to benefit the analogy of the problems with a class of other problems) and adapt completion of an ongoing problem (the solution of indigenous those problems to the current one) apart from that there are consultants who generally know the completion strategy of the problems faced by the customer (the generalist strategy consultant) and there is a functional consultant or specialist consultant who can show and help clearly resolve customer problems (the functional or specialist consultant) and no less important is the implementation of the knowledge possessed by the consultants (implementation of knowledge) the right of the problems faced by customers and has been found and identified by the consultants. In conjunction with marketing management consultants, Muchayat, (2002: vi), states that the consultant worked under the condition of in-elastic supply - demand, meaning that if demand is available in a given period is related to construction work, so then all of a sudden turned into a job that deals with the management and social development, then the consultant is not easy to transform its resources (especially human resources) in accordance with a demand that appears. This condition has been experienced by consultants in Indonesia when the crisis occurs, all activities associated with construction projects to be pursued. From the description above, the strategy consulting business strategy must be correlative with the development of a country. If the construction and future development geared towards fulfilling the primary sector, matching the upstream-downstream industry and regional autonomy, the market is available it should be absorbed with the company strategy to provide resources and marketing strategy consulting firm (the ratio of demand - supply).

RESEARCH METHOD.

Observations were done on a number of companies planners consultants services building at 5 (five) provinces in Java. In this study the sample size was determined by iterative. The calculation of minimum sample size in this study were 140 firms or 31.32% of the population. This study uses a combination of data collection techniques: interviews, questionnaires and observation.

RESULTS AND DISCUSSION.

A company marketing performance can be seen from how detailed the marketing plan situation analysis conducted from marketing, segmentation, targeting, positioning (compare with competitors through competitive analysis), product planning, pricing, marketing communications, channel distribution, products or services and services performed. Marketing plan is an activity that must be undertaken by company which customer oriented strategy. In the marketing services that put more emphasis on relationship marketing, the focus is on keeping customers rather than sales oriented to benefit in the long term with high commitment and contacts with customers in a more intensive and uphold the quality of service (service quality). In the case of the interaction elements of service marketing and personnel at the companies involvement with the customer service is higher than in the marketing of goods or produk. Service marketing plan through the human element is more dominant compared to the other marketing elements. Only about 5% of the companies do the marketing plan, during the period 1995 to 2003. Implementation of marketing plan do not become activities that should be done. The majority (40.71%) companies has never done marketing planning. This is probably due to the experience so far that work or project which is obtained is still a majority (68.57%) came from government (local government and state-owned enterprises). Markets are semi-captive market; means a job or project that is obtained as it was already available so that marketing planning is not necessary. according to survey results from the Head of National Association of Indonesian Consultants (DPP.INKINDO) at 1995, only about 5% companies that perform marketing planning. This shows only 7 (seven) or 5 (five) companies who always do the marketing plan. The remaining 20.71% of companies sometimes make the marketing plan and about 10.71% never do and about 22.85% occasionally do it. According Rambat Lupiyoadi (2001: 22) marketing plan that starts from the mission statement will also determine the profitability of the company, that profits earned by the consulting firm consecutive decline in the year 1994 amounted to 9:05%., The year 1995 is 9:01% and in 1996 only amounted to 8:02%.

(DPP.INKINDO, 1997). Different market segments will use different strategies and implementation. Before the change of the regulation, most of the target market or the segment for this company is the government (state-owned enterprises, ministries and non-departmental government agencies, etc.). Since the introduction of Pelita since 1971, the government has strong authority in procuring building primarily as a state building infrastructure. Along with the development time of other economic actors (private) starts to grow given the opportunity to contribute to national economic growth. Thus began growing market segment, however, the market segment of the government sector still represents the largest segment (68.57%). Private parties in order to invest his efforts have not provided a significant opportunity as a segment for companies planning consultants services building, only 15:00% of private primary target market or the segment made by this company. In determining the target market, some companies (71.42%) occasionally perform segmentation, targeting and positioning and 15:00% always do, only 2:14% 6:42% never do and sometimes do it as well as 5.00% have never done at all. Variations in the intensity of the implementation of segmentation, targeting and positioning is related to the limitations of the company in conducting market research. National Association of Indonesian Consultants (INKINDO) is a consulting services company associations that exist in Indonesia. This association appears to contribute both in terms of cooperation among existing consulting services company in Indonesia, so that among the companies in this industry there is almost no competition in order to get a job or project, but between the number of establishments and number of work / projects which can be currently within last year much different. This will impact on the activities of competitor analysis in strategic marketing process is one part in analyzing marketing situations to make its marketing decisions. So that the results obtained that most of these companies (75.00%) never do a competitor analysis. Only 8:57% and 7:14%, which is sometimes, and never conducted an analysis of competitors. Another impact of this situation have never done this analysis is not have the beneficial of competitive advantage for the companies services both nationally and internationally. 6:42% only occasionally do a competitor analysis and only 2.85% always conduct the competitor analysis, the possibility of this is done by the company to anticipate the global market. As can be seen from the comparison of materials research Subramanian & Ishak, (1998:17), which showed that 79% of companies in America are always doing competitor analysis on a regular basis (regularly-continously) and only 21% who do periodic monthly or quarterly. From the seven elements of the marketing mix that superior service by most companies (70.00%) is an element of the product or services. A total of 90.71% companies stating that the product or services offered in accordance with the characteristics of the target market. Only 2.14% said somewhat suitable and 5.00% moderate fit between the product mix of services with the characteristics of the target market, while the 2.14% said very appropriate. Pricing / tariff / fee of the company have been defined under the rules of copyright of the director general of public work decision. Thus the determination of tariffs for a work based on cost alone. But if there is agreement between both parties is the determination of tariffs can also be based on demand, while tariffs on the basis of competition almost never used as the basis for the determination of tariffs. Therefore, the results showed that 49.28% of companies in setting tariffs for a work is wholly based on a set fee, currently 31.42% based on cost and demand and 16:42%, on request only. Most companies conduct his campaign by using face to face / personal sales (personal selling), it can be predicted that the budget used for this activity will be relatively large. In terms of advertising budget almost every company (84.28%) consider it, even a 12:14% strongly consider this advertising budget. Timeliness of product delivery services is a decisive aspect in the process of service delivery. Other factors such as quality, quantity and price will not be much impact to customers if the product is not delivered services on time in accordance with contract agreements. Therefore, considering the timeliness of the company is. Even the companies 7.85% is considered, this suggests that the consistency and commitment to customers is very strong on the transfer of its products services. Although the majority 70.71% of companies have been consistent with the timeliness of product delivery services, but there are less than 5.00% companies consider the delivery timeliness, this means that service providers / companies paying less attention to activities of customers in the process of operation and delivery of services. In terms of provision of facilities to support the delivery of services, from the results of this study revealed that most companies (70.00%), quite capable, even capable of 12:14% and 7.85% is capable of providing the physical facilities to support operational processes and delivery of services. There are 87 (eighty seven) companies or 63.57% of companies who have used modern equipment, there are still 3.57% companies that have not been using modern equipment. The ability to provide competent workforce, there are most of the companies (70.71%) are quite capable of 12.85% and 7.85% of companies capable of even highly capable to provide the appropriate workforce with the services offered, this is in fact based on the conditions in Indonesia that under graduates colleges that still do not possess the real work can fill the opportunities that exist in this consulting service company, this agrees with the opinion of Warsoadhi, (2003) that the college under graduates have employment opportunities in the field of consultancy services by using the science that was received in college. Nevertheless there are still companies (4.28%) are less able to provide the appropriate workforce with the services it offers. The process of delivery the services is planned, systematic, and integrated, so that every company has to understand exactly what to do to the hopes and desires can be satisfied customers, therefore most of these companies (90.00%) firms perform in accordance with regulations applicable, (5%) companies doing occasional deviation, 2.85% and 2.14% had sometimes, but no firm (0.00%) that deviate from the rules. Almost all companies (90.58%), informs that its net profit between 10-50% of the earned portion of

overall costs that are available for the procurement of a building, there were only 3.62% of net profit above 10 % and 5.07% net profit within the past one year, less than 5%. This indicates that net profit in the range of 10-50% obtained represents the value obtained by the public and almost all companies. From the company profitability in order to comply with environmental changes must set aside a budget for such investments in modern equipment, training and development of human resources, training and education to increase knowledge and insight etc. all of which require more cost.

CONCLUSIONS AND RECOMMENDATIONS.

Conclusions.

- Marketing performance of building planner consultants firm in Indonesia, associated with services marketing programs include marketing planning, segmentation, targeting, positioning and product mix as pricing, marketing communications, distribution, and services (including provision of advice/infrastructure, human resources and processes). In delivering services are in accordance with the target market. Pricing mix program was done by calculating the price/tariff of a work, set prices based on costs fully, consider the elements of prices such as association, consider less discounts, simply consider the specific requirements, simply consider the terms of delivery enough considering the price reduction. Promotion mix program of company to get the project done, consider promotional activity promotion budget, the promotion is done by personal selling. Channel distribution program is rarely done, however the company considers the elements of channels distribution such as timeliness of delivery, of course mix of physical evidence that companies are using modern equipment in the completion of its service products, the company is able to provide modern equipment to support the service.
- The others elements that most influence the performance of the company's marketing mix is human resources, companies using a competent workforce with the type of work, of course mix process, the company made in ways according to the rules in completing the work. This will significantly affect the company's performance, especially in terms of company's profitability.

Recommendations.

- Do a more detailed analysis about the target market or customer.
- Marketing Plan in order conducted to support companies performance.
- Marketing plan with the any marketing mix need to be more detailed, systematic and
- integrated, so as to implement better targeted.

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THE EFFECT OF PATRIOTISM AND CONSUMER ETHNOCENTRISM ON CONSUMER ATTITUDES

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ABSTRACT

The growth of international trade and business has contributed to the availability of various ranges of products from different national origins throughout the world. This has resulted in greater interest in examining consumer attitudes towards products of different countries. The attitude of consumers in a country surely will have an impact on the purchase intention of products from foreign countries. However, most research have been conducted in large industrialized countries such as the United States of America (US), France, Germany and Japan that have large internal markets and a wide range of domestic alternatives or brands in most product categories and little attention had been given on developing and less-developed countries. Therefore, this study attempted to identify whether the negative attitudes towards foreign made products by consumers in developing country, namely Malaysia, will have an impact on their purchase willingness and actual purchase behaviour.

Keywords: Consumer attitudes, consumer ethnocentrism, patriotism

INTRODUCTION

Negative attitudes towards foreign products can arise from a number of sources. For examples, Han (1988) argues that patriotism affects consumers' attitudes towards foreign made products. Equally, consumers may have strong feelings of patriotism and pride in domestic products and consider it wrong, almost immoral to buy foreign products (Shimp and Sharma, 1987). In the study conducted by Shimp and Sharma, they called the negative attitudes towards purchasing foreign made products as consumer ethnocentrism construct.

Shimp and Sharma (1987) had developed the measurement that can measure consumers' ethnocentric tendencies called CETSCALE (Consumer Ethnocentric Tendencies Scale). It consists of seventeen items which measure the tendency of consumers to act consistently towards foreign and domestic products. Such tendencies may precede attitudes, but they are not the equivalent of attitudes, which tend to be object specific. Purchasing imported products is held to be wrong in that it potentially harms the domestic economy, causes loss of jobs, and is unpatriotic. In addition, to the extent that domestic products are viewed as superior, products from other countries (i.e. from outgroups) are objects of contempt to highly ethnocentric consumers.

The studies in examining the attitudes of consumers towards foreign products had demonstrated statistically and theoretically significant results. For example, in consumer ethnocentrism study, it was found that it have negative influenced on the attitudes of consumers towards foreign made products (for example, Kaynak and Kara, 2002; Hamin and Elliot, 2006; Russell and Russell, 2006; and Nakos and Hajidimitriou, 2007). Researcher also found that the patriotism of consumers plays a significant role in making choice between local and foreign products (for examples, Vida and Dmitrovic, 2001; Wang and Chen, 2004; and Javalgi, Khare, Gross and Scherer, 2005).

Therefore, it is very interesting to investigate either the patriotism and consumer ethnocentrism among Malaysian Muslim consumers will negatively influence their attitudes towards the US made products. Based on previous research, the literature review on the related constructs will be discussed and the relationship among them will be presented as well as the development of the hypotheses will be performed. Thus, the effects of patriotism and ethnocentrism on the product judgment and the purchase willingness among Malaysian Muslim consumers will be answered by this research.

LITERATURE REVIEW

In an effort to examine attitudes of local consumers towards foreign made products, a thorough examination of the relevant literature is required. The topic of consumer ethnocentrism is well established. However, for patriotism, little focus has been given by the researchers. Even though it is not relatively new, more empirical studies needed to relate patriotism and the consumers' attitudes towards foreign made products.

Consumer Ethnocentrism

The general concept of ethnocentrism has been used to describe the sociological concept of an individual versus the out-group identification since the term was introduced into the social science

language by Sumner (1906). He defines ethnocentrism as when one's own group is seen as the centre and a reference for all others. Sumner (1906) suggests a two dimensional structure of ethnocentrism: an unfavourable attitude towards the out-group as well as a favourable attitude towards the in-group. For Shimp and Sharma (1987), the concept of consumer ethnocentrism represents the beliefs held by the US consumers about the appropriateness of purchasing foreign made products. Highly ethnocentric consumers tend to perceive that purchasing foreign made products is wrong because it will hurt the domestic economy, it will promote unemployment, and unpatriotic action. On the other hand, for non-ethnocentric or low-ethnocentric consumers, products from other countries are evaluated on their own merits without consideration for where they are made. Therefore, for this group, the country of origin of the products is not an important consideration to be made (Shimp and Sharma, 1987).

Since the introduction of the CETSCALE, researchers all over the world are using this construct measurement in order to understand the effect of consumer ethnocentrism on the attitudes of consumers towards local versus foreign made products. Researchers from developed countries (e.g. Balabanis and Diamantopoulos, 2004; and Klein, 2002) to developing countries (e.g. Abdul Razak, Safiek and Md Nor, 2002; and Kaynak and Kara, 2002) to the less developed countries (e.g. Agbonifoh and Elimimian, 1999; and Hamin and Elliott, 2006) are adopting the study to measure the ethnocentric tendency of consumers in a particular country and whether it will influence the attitudes of consumers on foreign made products.

The consumer ethnocentrism areas and scopes studied by the previous authors have been quite diverse. For example, there has been one cluster looking at the effects of ethnocentrism on foreign direct investment (Zhao and Zhu, 2000). Then there was a cluster of research successfully trying to link ethnocentrism and lifestyles (Kaynak, Kucukemiroglu and Hyder, 2000). Regionally, specific studies in consumer ethnocentrism study have been conducted in developed countries, developing countries, the less developed countries, the transition economic countries, and across Europe, America, Asia as well as Africa (for examples, Balabanis and Diamantopoulos, 2004; Ettenson and Klein, 2005; Hamin and Elliott, 2006; and Kinra, 2006).

Furthermore, some of the studies reveal that consumer ethnocentrism is more obvious for consumers in developed countries compared to consumers in developing countries due to the availability and the quality perception of locally made products (e.g. Wang and Chen, 2004). In the countries where the measurement of consumer ethnocentrism has been found to be reliable and the mean scores were basically high, for example, the US, France, Germany and Japan, were typically highly developed countries, with low levels of foreign imports, and a large internal market (Balabanis et al., 2001).

Besides, the effects of consumer ethnocentrism from the cross-cultural perspective were also examined by the researchers. For example, Balabanis, Diamantopoulos, Mueller, and Melewar (2001) examined consumer ethnocentrism in a cross-cultural context by comparing Turkish and Czech consumers. Vida and Fairhurst (1999) reported significant differences in consumer ethnocentrism across the four countries investigated. The main objective of Vida and Fairhurst study is to investigate consumer ethnocentricity in four Central Europe countries, i.e., Czech Republic, Hungary, Poland and Estonia.

The ethnocentrism construct was also found to be heavily linked with the national identity construct (Phau and Chan, 2003; and Zarkada-Fraser and Fraser, 2002). National identity refers to how societies relate to their own unique characteristics (Thelen and Honeycutt Jr., 2004). For example, Phau and Chan (2003) have used consumer ethnocentrism as one of the dimension to measure national identity construct. They use four East Asian countries, i.e., South Korea, Taiwan, Thailand and Singapore. The result shows that higher level of consumer ethnocentrism indicates higher level of national identity among consumers. Generally, the result of the consumer ethnocentrism studies suggests that highly ethnocentric consumers tend to reject foreign made products and favour locally made products (e.g. Balabanis and Diamantopoulos, 2004; Ettenson and Klein, 2005; and Hamin and Elliott, 2006).

Patriotism

According to Kosterman and Feshbach (1989), patriotism is a strong feeling of attachment and loyalty to one's own country without the corresponding hostility towards other nations. Genuine patriots love their own country, its culture, and its traditions, but do not reject other countries; they feel other cultures and traditions are equally legitimate to their own (Barnes and Curlette, 1985). The patriotic campaigns have continued and were given even more weight since the economic crisis that hit several Asian countries in 1997. Campaigns such as "Thai Buy Thai" encouraged the purchase of locally made products to help the severely-hit Thai economy (Ang et al., 2004). The campaign tries to use the patriotic appeal to help local manufacturers to encounter economic recession and hoping that consumers will become more patriotic and buy locally made products.

A number of researchers have examined how patriotism can influence the preference and evaluation of consumers of foreign products compared to the local products. Some researchers have shown that patriotic sentiments can affect the evaluation and selection of imported products (Han, 1988; Okechuku, 1994). Researchers also argue that the level and effect of patriotism on consumer behaviour differs between countries (Balabanis et al., 2001). Patriotic emotions affect attitudes about products and purchase intentions. Consumers from a wide range of countries have been found to evaluate their own

domestic products more favourably than they do foreign ones (for examples, Han, 1988; Nielsen and Spence, 1997; Kucukemiroglu, 1999; Vida and Dmitrovic, 2001; Javalgi et al., 2005).

Wang and Chen (2004) conducted a study to examine the effect of patriotism on consumer behaviour in the Republic of China. Their study focused on the preference for branded goods made in developed countries. They found that consumers expressed their patriotism through consumerism. Wang and Chen considered patriotism in China as "real and strong" but the moderating factors such as conspicuous consumption are also strong. Chinese consumers are no less patriotic than US consumers but they face a dilemma in that they "know" that foreign brands are "better" and this moderates their patriotic sentiment by choosing to place personal status ahead of "national pride".

However, Hooley, Shipley and Krieger (1988) found that British cars were purchased by their consumers primarily due to the patriotic sentiment and cheap price and not on other motives such as reliability, quality, stylish, sporty and value for money. They suggested that British manufacturers should use the patriotism element in their marketing programme in order to defend against import penetration. It shows that patriotism does have an effect on the attitudes of consumers in purchasing foreign made products. Therefore, it is very interesting to see whether the patriotic element of Malaysian Muslim consumers can influence their attitudes.

Product Judgment

Consumers nowadays are inundated with imported products from developed countries such as Japan, the US and the UK, as well as from developing countries such as China, India and Thailand due to the trade liberalization and globalization. Due to the variety of foreign made products in local market, it has increased the interest of researchers to study the attitude of local consumers towards foreign made products. Previous studies covered various ranges issues such as judgment or evaluations of foreign products coming from developed and developing countries, sentiment towards domestic products, effects of foreign products towards domestic economy and local manufacturers as well as other issues (for examples, Schaefer, 1997; Hsieh, 2004; and Ettenson and Klien, 2005). Specifically, in examining the literature on foreign product judgment, several important viewpoints of research can be identified. It is widely examined by researchers in their study related to international marketing and consumer behaviour, especially in the construct of country of origin studies (for examples, Hsieh, 2004; Schaefer, 1997; and Cai, Cude and Swagler, 2004).

However, little attention has been given to developing countries, where, in some product markets, no domestic brands or alternatives are available (Nijssen and Douglas, 2004). The kind of research normally conducted in developed countries such as in the US and European countries. Therefore, it is important to understand how consumers in developing countries like Malaysia judge imported products. The results might not concur with studies conducted in developed countries. It is suspected that factors such as religion, social cultural, standard of living and economic condition have a lot of impact on the attitudes of consumers.

Purchase Willingness

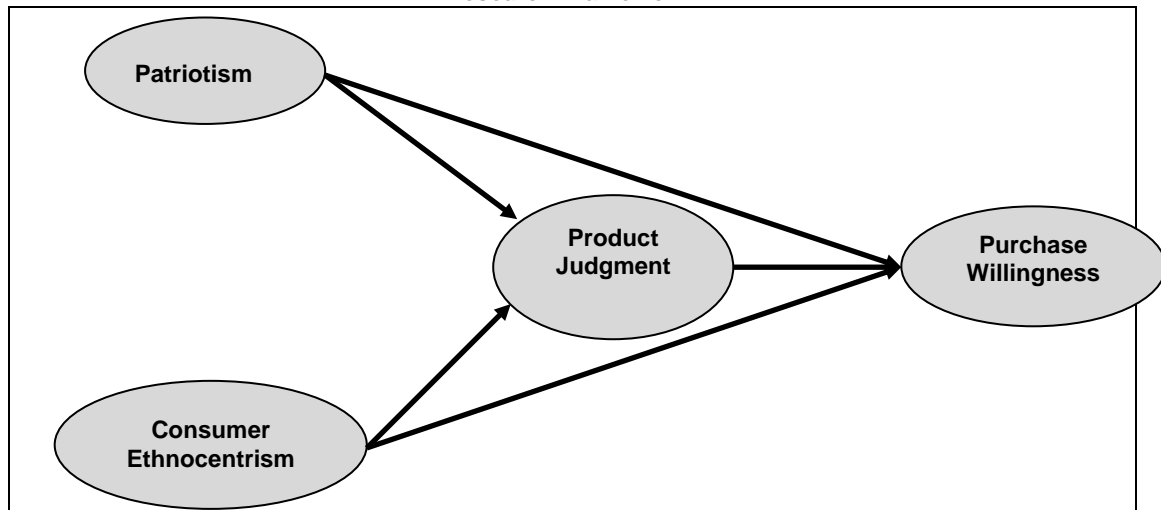
Nowadays, consumers have a range of options while purchasing products. Therefore, some factors might influence their decision to purchase or not to purchase the products. From the country of origin studies, consumers who receive product information for the purpose of making a purchase decision are likely to interpret the attribute information in terms of pre-existing concepts that have positive or negative implications for the product quality (Hong and Kang, 2006). Consequently, the general assessment and evaluation of the products will lead to the willingness or intention to purchase such products. Positive judgment and evaluation will positively influence the willingness and vice versa.

The construct of purchase willingness of foreign made products is receiving attention from researchers in the country of origin effect, consumer animosity, consumer ethnocentrism and patriotism research. Purchase willingness will normally consider the consequence effects of foreign product judgment (Klein, Ettenson, and Morris, 1998). For example, Javalgi et al. (2005) study the effect of consumer ethnocentrism and purchase willingness. In another study, Nakos and Hajidimitriou (2007) emphasized that the positive assessment of foreign made products will positively influence their willingness to purchase them. Therefore, the current study also used purchase willingness as the consequence effect of patriotism, consumer ethnocentrism and product judgment.

Theoretical Framework

Based on the review of literature the framework of this study is as presented in Figure 1.

Figure 1
Research Framework



HYPOTHESIS

The research is generally to examine the effect of patriotism and consumer ethnocentrism on product judgment and purchase willingness among Malaysian Muslim consumers towards the U.S. made products. In addition, the effect of product judgment on purchase willingness also included. Based on previous literatures discussed earlier, the following hypotheses are derived:

- H1: Patriotism will have negative effect on US product judgment.
- H2: Consumer ethnocentrism will have negative effect on US product judgment.
- H3: Patriotism will negatively relate to purchase willingness of the U.S made products.
- H4: Consumer ethnocentrism will negatively relate to purchase willingness of the U.S. made products.
- H5: Positive relationship between the U.S. product judgment and consumer purchase willingness of the U.S made products.

RESEARCH METHODOLOGY

The present study was conducted using the survey approach with a multiple choice questionnaire requiring respondents to give fixed responses to the statements or questions asked. As a result, it will accomplish the objectives of the research and answer the issues raised and problem statements put forward through careful analysis. The survey design will also help the researcher to achieve the objectives of the research and testing all the hypotheses.

Questionnaire was used to solicit information from respondents. It would be a self-administered and drop-off method of survey where short interview also involved. This is to make sure that the respondents fulfilled all the requirements or required criteria. The respondents gave time allowance for a careful answering. Respondents were assured anonymity and all the response will be kept strictly confidential. In the current study, the samples throughout Peninsular Malaysia were gathered with the use of the quota sampling procedure discussed above in order to ensure that the country samples were reasonably representative of their respective populations. Three criteria were selected as the basis of the quota, i.e., gender, income and geographical location/area. A four clustered area, i.e., Northern, Central, Southern and East Coast were identified and in each cluster, two cities selected.

The cities selected were Kota Bharu in Kelantan, Kuala Terengganu in Terengganu, Kangar in Perlis, Alor Setar in Kedah, Kuala Lumpur, Petaling Jaya in Selangor, Bandar Melaka in Melaka and Johor Bahru in Johor. This is due to the assumption that the consumers from urban areas have a basic knowledge of foreign products (for example, where are the products made). With that knowledge, they will have a clearer direction of how to evaluate the products and to answer the questionnaire. Previous research (e.g., Wang and Chen, 2004) also used consumers living in the countries' major cities for the reason that they were expected to be more familiar with foreign products.

Out of the 1,000 questionnaires distributed, 710 were received back within the period of twelve weeks, making it about 71 percent response rate. Only 663 of the respondents completed the entire questionnaire. For the incomplete questionnaires, most of the incomplete sections come from the questions about the religiosity and the demographic profile. After deducting the unusable questionnaires, only 663 questionnaires were coded and could be used for further data analysis. As such, the usable rate for the questionnaire was 66.3 percent.

All the constructs in this study, which were from established scales were measured using 7-point, Likert scale type items anchored by 1 = strongly disagree and 7 = strongly agree. The measurement items of patriotism were adapted from a study conducted by Kosterman and Feshbach

(1989). For consumer ethnocentrism construct, the items were adapted and modified from CETSCALE, developed by Shimp and Sharma (1987). For the product judgment and purchase willingness, the questions were adapted from the study conducted by Darling and Arnold (1988). All the items then modified to fit the current research background.

RESULTS AND ANALYSIS

The data collected were analyzed using two stages; first, using SPSS version 12 on analyzing the ethnocentric tendencies among Malaysian Muslim consumers in comparison to respondents from other countries. Secondly, AMOS version 6 was used in testing the hypotheses in the current study.

Consumers' Ethnocentric Tendencies

In order to make comparisons, between Malaysian Muslims consumers' ethnocentric tendencies with consumers from other countries, the mean score of CETSCALE were used. The total possible CETSCALE score varies between 17 and 119, due to the use of the seven-point scale. The mean scale value of CETSCALE is taken as the indicator of the intensity of consumer ethnocentrism; a higher mean scale value indicates higher ethnocentric tendencies (Hamin and Elliot, 2006).

Table 1
Comparison Results of CETSCALE Mean by Country

Authors	Country	Respondents	Mean
Shimp and Sharma (1987)	US	Students	51.92
	Detroit	General population	68.58
	Carolinas	General population	61.28
	Denver	General population	57.84
	Los Angeles	General population	56.62
Durvasula et al., (1997)	US	Students	50.24
	Russia	Students	32.02
Watson and Wright (1999)	New Zealand	General population	62.21
Good and Huddleston (1995)	Poland	General population	69.19
	Russia	General population	51.68
Sharma et al., (1995)	Korea	General population	85.07
Caruana (1996)	Malta	General population	56.80
Hult et al., (1999)	USA	Students	61.50
	Japan	General population	40.10
	Sweden	General population	38.40
Steenkamp and Baumgartner (1998)	Belgium	General population	28.70
	Great Britain	General population	30.29
	Greece	General population	37.84
Brodowsky (1998)	US	General population	61.68

Table 1 (Continue)

Acharya (1998)	Australia	Students	56.40
Hamin and Elliot (2006)	Indonesia	General population	74.50
Current Study	Malaysia	Muslim Consumers	79.64

Source: Hamin and Elliot (2006).

From Table 1, the total mean value for Malaysian Muslim consumers was 79.64. The result was then compares with others results conducted by other researchers from several countries. The mean value scores of previous literature were range from 32.02 (Russian) as the lowest mean score 85.07 (Korean) as the highest score. Obviously, from the results, Malaysian Muslims were among the highest in terms of their ethnocentric tendencies. The nearest mean value score by other country was Indonesia, where the mean score was 74.50, which was slightly lower than current study.

Hypotheses Testing

As recommended by Hoyle and Panter (1995) and Anderson and Gerbing (1988), SEM must have two-step analytic procedure, measurement and structural model. In the measurement model, the fit of the indicators to the construct was assessed. This is important to ensure the unidimensionality of the constructs. Each construct in the model was analyzed separately. All the items use as indicators must have significant path from the construct and the residuals must be low. The entire fit index must indicate a good level of model fit.

Table 2
Results of Measurement Model

Construct	χ^2	df	p-level	RMSEA	GFI	AGFI	CFI	TLI
Patriotism	49.332	20	0.000	0.047	0.982	0.967	0.949	0.928

Consumer Ethnocentrism	197.991	65	0.000	0.056	0.956	0.939	0.934	0.920
Product Judgment	50.513	20	0.000	0.048	0.981	0.966	0.951	0.931
Purchase Willingness	8.732	5	0.120	0.034	0.995	0.984	0.997	0.994

Results presented in Table 2 shows that all the constructs indicated high level of model fit as all the criteria yield the desired results. As the results show that the value of GFI, AGFI, CFI, and TLI are all well above 0.90 and RMSEA is below 0.08, it could be concluded that unidimensionality exists for the constructs of this study. Therefore, it proceeded to examine the model paths or structural model.

The structural model was formed to test the hypotheses of this study. The hypotheses were between the independent variables and the dependent variables. The results of structural model shows that the model achieved a good level of fit ($\chi^2 / df = 1.970$; $p\text{-level} = 0.000$; $RMSEA = 0.038$; $GFI = 0.916$; $AGFI = 0.904$; $CFI = 0.908$; and $TLI = 0.900$). Basically, all the values indicate that the model demonstrates a reasonable fit. Therefore, the results from this structural model can be used for subsequent analysis. Results of the hypotheses are displayed in Table 3.

Table 3
Results of Hypotheses Testing using Structural Model

Hypotheses		Std Reg. Weight	Sig.
H1	Patriotism → Product Judgment	0.033	0.549
H2	Consumer Ethnocentrism → Product Judgment	-0.366	0.000
H3	Patriotism → Purchase Willingness	0.059	0.127
H4	Consumer Ethnocentrism → Purchase Willingness	-0.694	0.000
H5	Product Judgment → Purchase Willingness	0.216	0.000

From the table above, 3 hypotheses are supported and significant at 0.05 level and 2 hypotheses are not supported. For Hypothesis 1 (Patriotism → Product Judgment) the results show that patriotism does not negatively influence the consumers' judgment on products since $p > 0.05$. This hypothesis was rejected. As such it can be concluded that patriotism among Malaysian Muslim consumers does not affect their judgment of US made products. Possibly, highly patriotic consumers might love their country very much, but at the same time they do not reject products from foreign countries.

For Hypothesis 2, it is significant at the 0.001 level. It shows that the level of consumer ethnocentric tendencies among Malaysian Muslim consumers will have a negative relationship with the judgment of US made products. Generally, it can be said that the higher the consumer ethnocentrism, the lower the judgment on attributes of the U.S. made products.

In terms of the relationship between patriotism and purchase willingness (Hypothesis 3), the results indicated that no significant relation between them since $P > 0.05$. Therefore, the hypothesis that argued the negative relationship between patriotism and purchase willingness is rejected. Patriotic consumers do not reject foreign made products and do not affect their willingness to purchase foreign made products.

In Hypothesis 4, it was hypothesized that consumer ethnocentrism will have a negative effect on purchase willingness of Malaysian consumers towards the purchase of U.S. made products. The hypothesis is accepted since the $p\text{-value} < 0.05$, and it was significant at 0.001 level. As expected, the results show that consumer ethnocentrism not only affected the judgment of U.S. made products but also the consumers' willingness to purchase such products.

Finally, Hypothesis 5 was developed primarily to see the effects of the judgment on US made products by respondents towards the purchase willingness of such products. Practically, if consumers judge or evaluate one product positively, their willingness to purchase will also be high. The result shows that a significant positive relationship was found between US products judgment and the willingness to purchase products made in the US from the perspective of Malaysian Muslim consumers. It was significant at the 0.001 level. As such, Hypothesis 5 was accepted. As expected, the result suggests that consumers who have high expectations of the products from the US will also have a higher willingness to purchase such products.

DISCUSSION AND CONCLUSION

As we can see the results of Table 1, Malaysian Muslims scores quite high in the CETSCALE. It shows that they have high ethnocentric tendencies. In fact, they are ranked second after Korean population. However, this result could not be generalized as ethnocentric tendencies of Malaysian Population since the study only concentrated on Muslim consumers as the population. The overall population of Malaysia generally consists of 3 major ethnic groups, i.e., Malay (60%), Chinese (30%) and Indian (10%). Malays are normally Muslim, Chinese are normally Buddhist and Indians are normally Hindu. Therefore, the current study cannot generalize the result as the current study population does not cover the whole population of Malaysia.

For the patriotism among consumers, the results in Hypotheses 1 and 3 indicated that the patriotic emotion among Muslim consumers in Malaysia does not influence their attitudes towards foreign made products, particularly the U.S. made products in the current study. This argument can be supported by the studies conducted by Lim and Darley (1997), and Wang and Chen (2004), where they argued that consumers might love their country but it will not negatively influence their attitude towards foreign made products. For consumer ethnocentrism, it was found that the ethnocentric tendencies among consumers can negatively influence their attitudes towards foreign made product. Both hypotheses, i.e., Hypothesis 2 and Hypothesis 4 were significant at 0.001 level. Highly ethnocentric consumers tend to reject foreign made products. For example, studies conducted by several researchers in the developed and developing countries, i.e., Shimp and Sharma (1987) in the US; Javalgi et al. (2005) in France; Balabanis and Diamantopoulos (2004) in the UK; Hamin and Elliott (2006) in Indonesia; and Abdul Razak et al. (2002) in Malaysia have illustrated that consumers with ethnocentric tendencies tend to have negative attitudes towards foreign made products. They found that the more ethnocentric a consumer is, the more they will have less favourable on foreign made products. Consistent with previous literature, the current study also found that highly ethnocentric Muslim consumers in Malaysia will negatively affect their judgment of US made products as well as their willingness to purchase U.S made or foreign made products.

Finally, in the relationship between products judgment and purchase willingness, the current study found a significant positive correlation between them. Positive judgment towards foreign made products indicated positive purchase willingness of foreign made products. For comparison, previous studies, for example, Javalgi et al. (2005); Klein et al. (1998); Nijssen and Douglas (2004); and Nakos and Hajidimitriou (2007) found that product judgment is a strong indicator of purchase willingness. Positive judgment of foreign made products will directly influence their willingness to purchase foreign made products. Therefore, the current study result is consistent with previous studies. In Malaysia, if consumers positively judge the products, their purchase willingness will also be high.

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COMPARISON DEPOSIT SERVICE QUALITY OFFER BETWEEN SYARIAH BANKS AND CONVENTIONAL BANKS

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ABSTRACT

The phenomenon of competition between Islamic banking with conventional banks in the banking industry is attractive. Various security and tranquility for the user customers of Islamic banks and conventional bank facilities are very appealing people. Main objective that the research is eager to achieve, namely to compare analysis outcome of deposit profit, facilities offered, and prerequisite of keeping deposits of either syariah or conventional banks. Sample data will be taken from seven (7) conventional banks (BCA, Bank Mandiri, Bank BUKOPIN, Bank Mega, Bank Niaga, Bank Permata, and Bank BTN) and 7 Syariah banks (3 syariah banks yaitu Bank Muamalat, Bank Syariah Mandiri, and Bank Syariah Mega Indonesia, and 4 Syariah Business Units namely Bank Danamon Syariah, BNI Syariah, BTN Syariah, and Bank DKI Syariah). Based on data processing outcome by using validity test method with method of product moment pearson and reliability test using method of Cronbach's Alfa, Syariah bank deposit is more beneficial in comparison with conventional bank, either from side of interest or mutual sharing. To increase competitiveness and chase the abandoned or the left behind from conventional bank, it is better that Syariah bank shall pay attention again on provision of foreign currency option facility, and online banking.

Keywords : Syariah Banks, Quality, deposit

INTRODUCTION

Recently Syariah bank experiences a very rapid advance, the conventional bank seems to race in fulfillment of market share demanding existence of syariah bank or in minimum a syariah business unit. Existence of Shariah is required as financial transaction either utilized as loan or money depository. Foremost hope in the midst of society of a syariah bank existence is to provide serenity and security. The first public bank that uses syariah system in Indonesia namely Bank Muamalat Indonesia (BMI) having started to operate in 1992. Keeping abreast with the year of 1998 Bank Syariah Mandiri (BSM) had been established that was a branch of company the Bank Mandiri, namely the biggest BUMN (State-Owned Corporation) in Indonesia. Henceforth it was followed again by Bank Syariah Mega Indonesia in 2001. In entry of 2009 there were two new banks getting involved in enlivening market of syariah bank namely Bank Bukopin Syariah and BRI Syariah bank. Syariah Business Units are such as BNI, Bank Danamon, BII, HSBC, BTN, Bank Permata, and BCA bank. In the meantime, based on survey of BI for these two years public interest oriented toward syariah bank in the district is a bit large. In each province in which the majority is Muslim, almost half of the majority demands syariah banking. About 11% has understand products and services offered.

Due to a great number of syariah service requirements in district, it encouraged a number of banks in districts to open Syariah Business Unit (or abbreviated as UUS or *Unit Usaha Syariah*). Recently there are sixteen (16) BPDs having opened UUS, namely Bank NTB, Bank Sumut, Bank Aceh, Bank Sumsel and so forth. Beforehand, there have been syariah units like BPD DKI Jakarta, BPD Jabar-Banten, BPD Riau, BPD Kalbar, BPD Kalsel and BPD Sulsei.

In review of monetary policy up to August of 2009 Third Party Fund (or abbreviated as DPK or *Dana Pihak Ketiga*) increased to 39,56% in case compared to same position in year of 2008, namely from Rp32,36 trillion to Rp45,16 triliun. Generally, deposit of mudharabah provided biggest contribution (56,04%), followed by saving of mudharabah (31,78%) and gyro of wadi'ah (12,18%). In comparison with DPK growth of conventional bank solely ranging from the rate of 3%, thus this growth is a bit delighting. A very tight competition among the existing banks in withdrawal of public fund colours banking world competition in this year. In case DPK growth of syariah bank is excellent, this is because rationally level for outcome/share offered by syariah bank is very competitive in comparison with conventional bank's rate of interest. Re-added with society comprehension on syariah banking is increasingly wider. Besides, Accruing network of syariah bank's offices also becomes a supporting factor. Increment of existing network causes society to become more easily to transact in syariah. This society fund contributes 87,4% from total of syariah bank's fund sources.¹

¹Infonews.com (2009). There is development space of 40%. Accessed on 28 April 2010.
<http://cetak.infobanknews.com/artikel/rubrik/artikel>

Syariah bank provides a very interesting yield sharing for customer therefore holding DPK collection growth of syariah banking higher than conventional bank, due to the latter, we conduct service quality research of syariah bank and conventional bank in relation to DPK storage particularly deposit.

objectives and benefits of research

Main objective that the research is eager to achieve, namely to compare analysis outcome of deposit profit, facilities offered, and prerequisite of keeping deposits of either syariah or conventional banks, while research benefit eager to achieve, namely:

- Gaining analysis outcome from comparison between Syariah bank and conventional bank for instance profit sharing or profit division, facility, and prerequisite of deposit storage.
- As evaluation matter of learning for Syariah bank.
- Enriching case study for learning particularly lecture subject of management accountancy and financial management.
- Becoming literature for university student going to inquire this topic.

LITERATURE REVIEW

Lexical definition generally used for quality is "degree or level of perfection"; in this latter, quality is relative measure from goodness. In other word, quality is customer satisfaction. Product or service qualified is one which fulfills or exceeds customer hopes in eight (8) dimensions such as:

1. Performance
2. Aesthetics
3. Maintenance easement and improvement
4. Feature
5. Reliability
6. Durability
7. Quality of conformity
8. Suitability of application

Syariah banking or Islam banking is a banking system developed in accordance with syariah (law) of Islam. This effort of establishing system is based on prohibition in Islam religion to collect or borrow with interest or it is referred to as usury (*riba*) as well as investment prohibition for businesses categorized as illegal in Muslim ways or called as *haram* (for instance: business related to *haram/illegal* food/beverage production, media businesses not Islamic etc), where this can not be guaranteed by conventional banking system.

Syariah principle is an agreement rule based on Islamic law between bank and other parties for fund storage and/or business activity financing, or other activities commensurate with syariah. Some principles / laws adopted by syariah banking system are such as:

1. Payment toward loan with value different from loan value with value determined earlier is not allowed.
2. Fund financier shall participate to share profit and loss as a consequence of institute business outcome that borrows fund.
3. Islam does not allow "to produce money from money". Money is exchange media and not as commodity due to having no intrinsic values.
4. Gharar elements (uncertainty, speculation) are not allowed. Both parties shall know well outcome that they will gain from a transaction.
5. Investment is just given to businesses that shall be illegal (*haram*) in Islam. Liquor business for instance shall not be financed by syariah banking.

Syariah bank issues service for fund storage,:

1. Wadi'ah (depositing service), is a fund depositing service where depositor can take fund anytime. By *wadi'ah* system thus Bank is not obliged, but allowed, to provide bonus for customer
2. Deposit of Mudhorobah, customer saves fund in Bank in certain time period. Profit from investment toward customer fund conducted by bank will be shared between bank and customer with ratio of certain mutual sharing (*mutual sharing is profit and loss sharing*).²

Deposit of Syariah bank VS Conventional Bank

In case in mechanism of conventional economics it applies instrument of interest, thus in mechanism of Islamic economics it applies instrument of instrumen of mutual sharing. One of instrument forms of institutionalization in application of mutual sharing instrument in syariah financial institute. Mechanism of Syariah finance institute in application of system of mutual sharing, seems to be one of alternatives for business society.

² Muhammad (2005). Manajemen Bank Syariah. Edisi Revisi. Yogyakarta: UPP AMPP YKPN

1. Mechanism of Mutual Sharing Calculation

Stipulation of incentive provision conducted by mutual sharing system is done as usual therefore incentive realization received by customer will be different each month in dependence on income of investment outcome conducted by the pertinent bank. Generally there are two methods of mutual sharing calculation, namely Nisbah/ratio and HI-1000 (read Ha-i-seribu)

▪ HI-1000 (read Ha-i-Seribu)

Stipulation of mutual sharing in Bank Muamalat and some other syariah banks are conducted earlier at first to calculate HI-1000, namely digit that shows investment outcome obtained from distribution of each one thousand (Rp. 1000,-) that is fund invested by bank. HI-1000 will be different in every day since investment and income obtained by every bank daily will also be different. HI-1000 is a parable like a currency rate. For instance: HI-1000 on May of 2009 is 11,99. The latter means that from every Rp. 1000,- fund invested by bank will produce Rp. 11,99,-. In case ratio/nisbah of mutual sharing between customer and bank for one-month deposit is 50:50, thus customer portion is 50% from Rp. 11,99,- so that for each Rp. 1000,- then customer fund will obtain mutual sharing in amount of 5,99,- generally the latter is formulated as follows:

Saving Simulation and Deposit

$$\text{Mutual Sharing of Customer} = \frac{\text{Average of Customer Fund} \times \text{HI-1000} \times \text{Customer Ratio}}{1000 \quad 100}$$

For instance, customer's saving deposit of Mudharabah in Bank Muamalat on 25 May 2009 in amount of Rp. 2.000.000,- with one-month term. It is known that ratio of one-month deposit is 50:50. HI-1000 for date of May 2009 is 12,16. Thus, knowing mutual sharing value that customer will get is as follows:

$$\text{Customer's Mutual Sharing} = \text{Rp. } \frac{2.000.000,-}{1000} \times 12,16 \times \frac{50}{100}$$

$$\text{Customer's Mutual Sharing} = \text{Rp. } 12.160$$

Thus mutual sharing that customer will gain on expiry date on 25 June 2009 the amount of Rp. 12.160,- + Rp. 2.000.000,- (as deposit fund invested by Bank Muamalat) = Rp. 2.012.160,-³

▪ Ration of Mutual Sharing

Mutual Sharing is ratio range stipulation of mutual sharing made during the contract in guidelines of possibilities of loss-profit.

The following is ratio calculation illustration for mutual sharing in Syariah bank:

Mr.Hasan owns deposit of Rp. 10.000.000,-, one-month time period and ratio of mutual sharing between customer and bank is 57% : 43%. If bank profit obtained for one-month deposit per 31 December 2008 is Rp. 20.000.000,- and average one-month term deposit is Rp. 950.000.000,- how many profit that Mr Hasan receives?

Answer:

Profit that Mr Hasan receives

$$(\text{Rp. } 10.000.000,- : \text{Rp. } 950.000.000,-) \times \text{Rp. } 20.000.000,- \times 57\% = \text{Rp. } 120.000,-$$

2. Mechanism of Interest System Calculation

The following is calculation illustration of interest system sharing at conventional banks:

On date of 2 July 2009, Mr Adi opened deposit at Bank Mandiri in amount of Rp. 10.000.000,- for one-month term, with rate of interest of 9% How many interest that he gained during the expiry date?

Answer:

Interest that Mr.Adi receives is:

$$(\text{Rp. } 10.000.000,0 \times 31 \text{ days} \times 9\%) : 365 \text{ days} = \text{Rp. } 76.438,-$$

From both above cases it concludes that:

For bank of mutual sharing, big or low of income that depositor gains relies on:

- Bank income
- Ratio of mutual sharing between customer and bank
- Nominal range of customer deposit
- Average deposit for same time period for bank
- Deposit term or deposit time period

At conventional bank, big or low income that the depositor gains depends on:

1. Rate of interest prevailing on nominal range of customer deposit
2. Deposit term or deposit time period.

³ Bank Muamalat (2010). H1-1000 Accessed on June 2010.
http://www.muamalatbank.com/index.php/home/produk/hi_1000

Basically, bank with mutual sharing provides profit for depositor with approaches of Loan To Deposit Ratio (LDR), while conventional bank with cost approach. It means, in acknowledgement of income, bank of mutual sharing consider/measure ratio between third party's fund and financing given, as well as income produced from the two factors. While conventional bank directly assumes all interests given as is cost, without calculating how many income that is produced from that collected fund.

In case we review further, thus system of mutual sharing at syariah bank has uncertainty element in acquirement of profit, since how many rupiahs of real income that the customer will gain very depends on income that the bank obtains. However, syariah bank will remain to be competitive with conventional bank without abandoning syariah-ship elements. Its way is by providing subsidy for depositor, in case in fact profit given is smaller in case compared to prevailing rate of interest. The following illustration will provide answers on that problem. For example, herein the assumption

Average financing per 31/03/2009 is Rp.5.263.362.000.000

Average fund of third party per 31/03/2009 is Rp.10.824.597.000.000

Income of mutual sharing from debtor per 31/03/2009 is Rp. 1.325.000.000 (source: balance of bank Muamalat)

How many income that will be distributed to depositor:

Answer:

$$(10.824.597.000.000/5.263.362.000.000) * Rp. 1.325.000.000 \\ = Rp. 2.724.986.619,-$$

Thereby it is clear that bank of mutual sharing remains to be profitable and provides just profit portion/share to all the pertinent parties, namely customer (debtor and depositor) and bank (share holder). Profit obtained is not based on interest calculated but based on saving balance/depositor/financing. However percentage of real income of debtor customer and bank. Bank income is admitted by the time mutual sharing is received (or *cash based*) not interest still being received (*accrual based*)⁴

METHOD OF RESEARCH

Method of research is conducted by doing surveys to have information regarding:

1. Is syariah bank's deposit more profitable than conventional bank or otherwise
2. Is syariah bank's facility safer than conventional bank or otherwise.
3. Is easement/facility of prerequisite to save deposit is simpler for Bank Syariah than conventional bank.

While research variable used in research, first variable is profit namely interest percentage given by conventional bank and mutual sharing from syariah bank. Second variable is facility for two types of bank given to customer. And third variable is condition to save deposit.

In this research sample data will be taken from seven (7) conventional banks (BCA, Bank Mandiri, Bank BUKOPIN, Bank Mega, Bank Niaga, Bank Permata, and Bank BTN) and 7 Syariah banks (3 syariah banks yaitu Bank Muamalat, Bank Syariah Mandiri, and Bank Syariah Mega Indonesia, and 4 Syariah Business Units namely Bank Danamon Syariah, BNI Syariah, BTN Syariah, and Bank DKI Syariah). Customer quantity is 5 respondents from each bank. Research venue is in Jakarta,

Research instruments used to collect data are brochures, interviews, questionnaires.

Analysis technique used is validity test with method of *product momen pearson* and reliability test using method of *Cronbach's Alfa*, with the following hypothesis:

Ho: Deposit of Bank Syariah is profitable, safer from facility side, and in possession of easy / simple prerequisites same as that in conventional bank. In other word, mutual sharing of syariah bank is also profitable with interest sharing from conventional bank, facility given by each bank is also same to provide convenience, and prerequisite stipulated by each bank is same to easement/facility for its customer. (Ho : $\mu A1 = \mu A2$)

H1: Deposit, facility, and prerequisite of Syariah bank are not the same as deposit, facility, and prerequisite of conventional bank. In other word, there is possibility that syariah bank deposit is more profitable or less profitable in comparison with conventional bank, either from side of mutual sharing or interest sharing, better or worst facility, and condition of harder or easier deposit storage.

(HA : $\mu A1 \neq \mu A2$)

RESULT AND DISCUSSION

⁴ Nadia (2009). Final Assignment of D3 LP3i Jakarta.

Following description of survey outcome data having been done by syariah and conventional banks.

1. Ratio

Ratio is portion or portion range that becomes rights of each party on distribution process of mutual sharing between Customer with Bank. Number in front (for instance digit 60 from 60:40) means 60% that is portion for Customer and another 40% is for bank portion.

The following is information ratio of February 2009 at Bank Muamalat Indonesia (BMI)

Type of Saving (Rp)	Ratio (Customer)	Hi-1000 (Customer)	Equivalent Rate
1-month Deposit	50,00	5.61	7.31%
3-month Deposit	51,00	5.72	7.46%
6-month Deposit	53,00	5.95	7.76%
12-month Deposit	54,00	6.05	7.90%

The following is ratio information of BMI for saving type of US\$

Type of US\$ Saving	Ratio (Customer)	Hi-1000 (Customer)	Equivalent Rate
1 month Deposit	51,00	0.90	1.17%
3-month Deposit	51,25	0.90	1.17%
6-month Deposit	51,50	0.91	1.19%
12-month Deposit	51,75	0.91	1.19%
Saving	22,00	2.47	3.22%

The following is ratio information per November 2009 at Bank Syariah Mega Indonesia (BSMI)

Jenis Simpanan (Rp)	Ratio (Customer)	Bank
1 month Deposit	26	74
3-month Deposit	25,5	74,5
6-month Deposit	25	75
12-month Deposit	25	75

The aforementioned note is for deposit storage type I from minimum Rp. 1.000.000,00 to Rp. 400.000.000,00. That percentage will increase for customer party if a number of customer deposit also increases.

The following is ratio information per November 2009 BTN Syariah

Type of Saving (Rp)	Ratio (Customer)	Bank
1-Month Deposit	50	50
3-Month Deposit	50	50
6-Month Deposit	51	49
12-Month Deposit	51	49

BTN Syariah holds ratio sharing or ratio division a bit competitive. Recently BTN bank does not yet receive dollar deposit.

The following is ratio information per November 2009 of Bank DKI Syariah

Saving type (Rp)	Ratio (Customer)	Hi-1000 (Customer)	Equivalent Rate
1-Month Deposit	55	7.49	45
3-Month Deposit	55	7.49	45
6-Month Deposit	55	7.49	45
12-Month Deposit	55	7.49	45

The following is ratio of Bank DKI Syariah for storage type in US\$

Saving type (US\$)	Ratio (Customer)	Bank
1-Month Deposit	20,85	79,15
3-Month Deposit	20,85	79,15
6-Month Deposit	20,85	79,15
12-Month Deposit	20,85	79,15

Bank DKI Syariah offers the above deposit ratio higher in comparison with BMI, BTN Syariah, and BSMI.

The following is ratio information per November 2009 at Bank Syariah Mandiri (BSM)

Saving type (Rp)	Ratio (Customer)	Equivalent Rate	Bank
1-Month Deposit	51	6.45	49
3-Month Deposit	52	6.58	48
6-Month Deposit	53	6.7	47
12-Month Deposit	54	6.83	46

BSM, holds ratio a bit competitive such as BMI, BTN Syariah, or either BSMI for type of Rupiah deposit.

The following is ratio information per November 2009 at Bank BNI Syariah:

Loan Type (Rp)	Ratio (Customer)	Bank
1-month deposit	64	36
3-month deposit	66	34
6-month deposit	68	32
12-month deposit	70	30

The following is ratio information per November 2009 at Bank Danamon Syariah

Loan Type (Rp)	Ratio (Customer))	Bank
1-month deposit	57	43
3-month deposit	60	40
6-month deposit	62	38
12-month deposit	65	35

Deposit percentage of Bank Danamon Syariahpun is included to be high since having its competitive ratio bid that attains average 60% tapi, Bank Danamon also has highest deposit storage condition namely in minimum Rp 8.000.000,-

It concludes that from comparison evaluation of the three banks and 4 UUS thus BNI bank has highest rupiah ratio sharing than other banks, due other banks, since having bid up to the amount of 70%.

2. Deposit calculation with Conventional Deposit with Rate of Interest

Rate of interest of Deposito Per 09 Desember 2009

Bank	1 Month (IDR/USD)	3 Months (IDR/USD)	6 Months (IDR/USD)	12 Months (IDR/USD)
BCA	6,00/1,13	6,25/1,00	6,00/0,75	6,00/0,75
BANK MANDIRI	5,88/1,13	6,00/1,13	6,25/1,13	6,50/1,13
BANK BUKOPIN	7,00/2,75	7,00/2,75	7,00/2,75	7,00/2,75
BANK MEGA	5,75/3,50	5,75/3,50	5,75/3,50	5,25/3,50
BANK NIAGA	6,25/1,88	6,38/1,93	6,50/2,00	6,63/2,35
BANK PERMATA	6,50/2,13	6,50/2,13	6,00/2,13	6,38/2,13
BTN	6,13/1,50	6,13/1,50	6,38/1,50	6,38/1,50

Remark:

* : Average rate of interest from some Bank processed by PIPU

Source: financial Market Informational Central

The above evaluation shows that Bank BUKOPIN produces percentage of deposit highest in amount to 7%. Formula to compare deposit interest is $=[(\text{nominal}) \times (\text{annual interest rate}) \times (\text{duration of staying})] / 365 \text{ hari}$.

3. Minimal placement of Deposit and Prerequisite in Syariah and Conventional Bank

Condition requested during deposit opening of either conventional and syariah churches is generally in the same condition:

1. Accompanying and signing application form.

2. Bringing and delivering self identity copy still prevailing, KTP/SIM/Passport for Indonesian nationality and KIM as well as KIM and Passport untuk WNA

The following is deposit minimal placement of conventional and syariah banks.

Bank	Conventional	Syariah
Bank Syariah Mandiri		500.000
Bank DKI Syariah		1.000.000
BTN Syariah		1.000.000
BNI Syariah		1.000.000
Bank Syariah Mega Indonesia		8.000.000
Bank Muamalat Indonesia		1.000.000
Bank Danamon Syariah		1.000.000

Bank	Conventional	Syariah
BCA	8.000.000	
Bank Mandiri		
▪ Java island	10.000.000	
▪ Outside Java island	5.000.000	
Bank BUKOPIN	8.000.000	
Bank Mega	8.000.000	
Bank Niaga	8.000.000	
Bank Permata	10.000.000	
Bank BTN	5.000.000	

Deposit minimal placement for conventional bank average in minimum is Rp 8.000.000 except BTN bank, while Syariah bank in minimum does deposit placement started from Rp 500.000 and the in highest placement is bank mega syariah in amount of Rp 8.000.000

4. Facilities of Conventional and Syariah Bank

a. Currency and Choice of Time Period

The following is data about about time period based on data obtained from survey outcome either that is conventional bank or syariah bank. The following is survey outcome such as:

Survey outcome of time period:

Bank	Conventional Pilihan Jangka Waktu (Bln)				Syariah Pilihan Jangka Waktu (Bln)			
	1	3	6	12	1	3	6	12
Bank Syariah Mandiri					√	√	√	√
Bank DKI Syariah					√	√	√	√
BTN Syariah					√	√	√	√
BNI Syariah					√	√	√	√
Bank Syariah Mega Indonesia					√	√	√	√
Bank Muamalat Indonesia					√	√	√	√
Bank Danamon Syariah					√	√	√	√
BCA	√	√	√	√				
Bank Mandiri	√	√	√	√				
Bank BUKOPIN	√	√	√	√				
Bank Mega	√	√	√	√				
Bank Niaga	√	√	√	√				
Bank Permata	√	√	√	√				
Bank BTN	√	√	√	√				

Note:

For choice of time period is in fact between conventional bank and syariah bank providing same facilities name choices 1, 3, 6, and 12 months. Particularly conventional ones like Mandiri bank, Mega bank BTN bank provide choice of time period such as 1, 3, 6, 12, and 24 months.

Choice Survey Outcome of Currency Types

Bank	Conventional		Syariah	
	Rupiah	Dollar	Rupiah	Dollar

Bank Syariah KLPandiri			√	√
Bank DKI Syariah			√	√
BTN Syariah			√	-
BNI Syariah			√	√
Bank Syariah Mega Indonesia			√	√
Bank Muamalat Indonesia			√	√
Bank Danamon Syariah			√	-
BCA	√	√		
Bank Mandiri	√	√		
Bank BUKOPIN	√	√		
Bank Mega	√	√		
Bank Niaga	√	√		
Bank Permata	√	√		
Bank BTN	√	√		

While for choice of currency types, actually conventional bank is more frequent to provide facilities of currency-types choice in comparison with syariah bank. The latter can be seen on table that not all syariah bank provides deposit opening facility in dollar currency forms.

There are conventional banks providing choices other than deposit of rupiah and dollar currency, also providing deposit in other foreign currencies like bank BCA providing deposit in currencies of SGD, HKD, AUD, JPY, GBP, and EUR, mega bank provides deposit in currencies of SGD, EUR and AUD.

b. Interest, mutual sharing, and Added Facilities

Facilities provided by conventional bank in average provides same facilities. Added facilities of NON ARO is only provided by BCA, and internet banking for opening and closure of deposit are the facility addition provided by BCA and Bank Mandiri.

Facilities of Bank	Bank *						
	1	2	3	4	5	6	7
Deposit interest automatically is transferred to the account or account at another bank..	√	√	√	√	√	√	√
ARO (<i>Automatic Roll Over</i>): Nominal extension of deposit deposito in automocatic way	√	√	√	√	√	√	√
ARO+: Nominal extension of deposit plus interest in automatic way during expiry with same time period.	√	√	√	√	√	√	√
Non ARO: Bila tidak ada permintaan dari deposan, maka deposito yang sudah jatuh tempo tidak akan diperpanjang secara otomatis.	√						
Rate of interest that is competitive	√	√	√	√	√	√	√
Can be used as credit guarantee.	√	√	√	√	√	√	√
Internet Banking (opening and closure of deposit)	√	√					

- *)
- | | | | |
|---|--------------|---|--------------|
| 1 | BCA | 5 | Bank Niaga |
| 2 | Bank Mandiri | 6 | Bank Permata |
| 3 | Bank BUKOPIN | 7 | Bank BTN |
| 4 | Bank Mega | | |

Acceptance for deposit outcome is obtained in beginning and end of month, depends on the policy of bank, acceptance of that outcome is equalized to Rupiah or foreign currency and taking in effect for company or individual.

Bank	Conventional Bank		Syariah Bank	
	Received in Beginning (Prepaid)	Received in The End (Post-paid)	Received in Beginning (Prepaid)	Received in The End (Post-paid)
Bank Syariah Mandiri				√
Bank DKI Syariah				√
BTN Syariah			√	√
BNI Syariah			√	√

Bank Syariah Mega Indonesia				√
Bank Muamalat Indonesia				√
Bank Danamon Syariah			√	
BCA		√		
Bank Mandiri	√	√		
Bank BUKOPIN		√		
Bank Mega		√		
Bank Niaga		√		
Bank Permata		√		
Bank BTN		√		

c. Deposit Opening

Deposit opening can be done on behalf of 1 person atau 2 persons (joint account) and this is same to prevail for deposit of either Rupiah or Dollar, but the latter is up to bank policies.

Bank	Conventional		Syariah	
	Single Account	Joint Account	Single Account	Joint Account
Bank Syariah Mandiri			√	-
Bank DKI Syariah			√	-
BTN Syariah			√	√
BNI Syariah			√	-
Bank Syariah Mega Indonesia			√	√
Bank Muamalat Indonesia			√	√
Bank Danamon Syariah			√	√
BCA	√	√		
Bank Mandiri	√	√		
Bank BUKOPIN	√	√		
Bank Mega	√	---		
Bank Niaga	√	---		
Bank Permata	√	√		
Bank BTN	√	√		

Either conventional or syariah banks, comparison for average account opening can use 2 names (*joint account*).

5. Questionnaire Outcome Data Processing

This research is explorative research by survey method in inquiry of Deposit service quality offered between Syariah Bank with Conventional Bank. Research instrument is questionnaire using Likert scale with valuation level of priority 1 up to 7 and variable item consisting of: Convenience, Facility, ease of condition, security, belief, professionalism and profitability. In this research it takes sample data from 7 conventional banks and 7 Syariah banks with a number of customer in amount of 23 respondent taken from each bank. Research venue is in Jakarta, Research instrument used to collect data is brochure, interview as well as questionnaire.

In accordance with the aforementioned, thus before exploring research data test, it has been done toward research instrument (questionnaire) used by using validity test by method *product moment pearson* and reliability test using method of *Cronbach's Alfa*. From the above two test it results in data having been collected earlier can be accepted as valid and reliable therefore can be continued into next processes. From questionnaire data outcome, then respondent score of each object is continued for two types as follows:

For item/variable of safety (Syariah)

	1	2	3	4	5	6	7
f	5	1	5	7	4	1	0
P=f/N	0,22	0,04	0,22	0,31	0,17	0,04	0,00
pk	0,22	0,26	0,48	0,78	0,96	1,00	1,00
pk-t	0,11	0,24	0,37	0,63	0,87	0,98	1,00
z	-1,202	-0,700	-0,303	0,303	1,103	2,006	3,409
z-(z paling kiri)	0,000	0,502	0,899	1,506	2,305	3,208	4,611

With the same way for Conventional bank then it calculates as follows:

For item/variable of convenience (Conventional)

	1	2	3	4	5	6	7
--	---	---	---	---	---	---	---

f	3	5	3	5	3	2	2
$p=f/N$	0,13	0,22	0,13	0,22	0,13	0,09	0,09
pk	0,13	0,35	0,48	0,70	0,83	0,91	1,00
pk-t	0,065	0,239	0,413	0,587	0,761	0,870	0,957
z	-1,501	-0,701	-0,202	0,202	0,701	1,103	1,702
z-(z paling kiri)	0,000	0,800	1,299	1,703	2,202	3,203	3.203

For item/variable of Benefit (Syariah)

	1	2	3	4	5	6	7
f	2	3	3	0	1	9	5
$p=f/N$	0,09	0,13	0,13	0,00	0,04	0,39	0,22
pk	0,09	0,22	0,35	0,35	0,39	0,78	1,00
pk-t	0,043	0,152	0,283	0,348	0,370	0,587	0,891
z	-1,701	-1,003	-0,507	-0,309	-0,303	0,202	1,203
z-(z paling kiri)	0,000	0,698	1,194	1,392	1,398	1,903	2.904

With the same way for Conventional Bank it calculates as follows:

For profitable item/variable (Conventional)

	1	2	3	4	5	6	7
f	3	2	6	1	1	5	5
$p=f/N$	0,13	0,09	0,26	0,04	0,04	0,22	0,22
pk	0,13	0,22	0,48	0,52	0,57	0,78	1,00
pk-t	0,065	0,174	0,348	0,500	0,543	0,674	0,891
z	-1,501	-0,904	-0,309	0,000	0,101	0,405	1,203
z-(z most left)	0,000	0,597	1,192	1,501	1,602	1,906	2.704

For item/variable of Easement of Condition (Syariah)

	1	2	3	4	5	6	7
f	2	3	7	4	4	2	1
$p=f/N$	0,09	0,13	0,31	0,16	0,14	0,09	0,04
pk	0,09	0,22	0,52	0,70	0,91	1,00	1,00
pk-t	0,043	0,152	0,370	0,609	0,804	0,957	1,000
z	-1,701	-1,003	-0,303	0,208	0,806	1,702	3,409
z-(z most left)	0,000	0,698	1,398	1,909	2,507	3,403	5.110

With the same way for Conventional Bank then it can be calculated as follows:

For item/variable of Easement of Condition (Conventional)

	1	2	3	4	5	6	7
f	1	2	5	3	5	3	4
$p=f/N$	0,04	0,09	0,22	0,13	0,22	0,13	0,16
pk	0,04	0,09	0,30	0,43	0,65	0,78	1,00
pk-t	0,022	0,065	0,196	0,370	0,543	0,717	0,891
z	-2,001	-1,500	-0,806	-0,303	0,101	0,507	1,203
z-(z paling kiri)	0,000	0,501	1,195	1,698	2,102	2,508	3.204

For item/variable of facility (Syariah)

	1	2	3	4	5	6	7
f	0	1	2	2	2	6	10
$p=f/N$	0	0,04	0,09	0,09	0,09	0,26	0,43
pk	0	0,04	0,13	0,22	0,30	0,57	1,00
pk-t	0,000	0,022	0,087	0,174	0,261	0,435	0,783
z	3,409	-2,001	-1,306	-0,904	-0,604	-0,106	0,708
z-(z most left)	0,000	1,408	2,103	2,505	2,805	3,303	4.117

With same way for Conventional Bank it calculates as follows:

For item/variable of facility (Conventional)

	1	2	3	4	5	6	7
F	6	5	3	5	2	2	0
$p=f/N$	0,26	0,22	0,13	0,22	0,09	0,09	-
Pk	0,26	0,48	0,61	0,83	0,91	1,00	1,00
pk-t	0,130	0,370	0,543	0,717	0,870	0,957	1,000
Z	-1,102	-0,303	0,101	0,507	1,103	1,702	3,409
z-(z most left)	0,000	0,799	1,203	1,609	2,205	2,804	4.511

For item/variable of security (Syariah)

	1	2	3	4	5	6	7
f	0	8	5	5	3	1	1
p=f/N	0	0.35	0.22	0.22	0.13	0.04	0.04
pk	0	0.35	0.57	0.78	0.91	0.96	1.00
pk-t	0.000	0.174	0.457	0.674	0.848	0.935	0.978
z	-3.409	-0.904	-0.101	0.405	1.003	1.502	2.001
z-(z most left)	0.000	2.505	3.308	3.814	4.412	4.911	5.410

With the same way for Conventional Bank thus it can be calculated as follows:

For item/variable of security (Conventional)

	1	2	3	4	5	6	7
f	5	5	1	5	5	3	0
p=f/N	0.21	0.21	0.04	0.21	0.21	0.13	-
pk	0.21	0.42	0.46	0.67	0.88	1.00	1.00
pk-t	0.104	0.313	0.438	0.563	0.771	0.938	1.000
z	-1.206	-0.409	-0.106	0.106	0.704	1.504	3.409
z-(z paling kiri)	0.000	0.797	1.100	1.312	1.910	2.710	4.615

For item/variable of Trust (Syariah)

	1	2	3	4	5	6	7
f	14	5	1	0	2	1	0
p=f/N	0.61	0.22	0.04	0	0.09	0.04	0
pk	0.61	0.83	0.87	0.87	0.96	1.00	1.00
pk-t	0.30	0.72	0.85	0.87	0.91	0.98	1.00
z	-1.202	-0.700	-0.303	0.304	1.103	2.006	3.409
z-(z most left)	0.000	0.502	0.899	1.506	2.305	3.208	4.611

With the same way for Conventional Bank thus it can be calculated as follows:

For item/variable of Trust (Conventional)

	1	2	3	4	5	6	7
f	0	2	3	1	6	3	8
p=f/N	0	0.09	0.13	0.04	0.26	0.13	0.35
pk	0	0.09	0.22	0.26	0.52	0.65	1.00
pk-t	0	0.043	0.152	0.239	0.391	0.587	0.826
z	-3.409	-1.701	-1.003	-0.701	-0.207	0.202	0.904
z-(z paling kiri)	0.000	1.708	2.406	2.708	3.202	3.611	4.313

For item/variable of Professional Service (Syariah)

	1	2	3	4	5	6	7
F	0	2	1	5	4	4	7
p=f/N	0	0.09	0.04	0.22	0.17	0.17	0.30
Pk	0	0.09	0.13	0.35	0.52	0.70	1.00
pk-t	0.000	0.043	0.109	0.239	0.435	0.609	0.848
Z	-3.409	-1.701	-1.203	-0.701	-0.106	0.208	1.003
z-(z paling kiri)	0.000	1.708	2.206	2.708	3.303	3.617	4.412

With the same way for conventional bank it can be calculated as follows:

For item/variable of Professional Service (Conventional)

	1	2	3	4	5	6	7
f	5	3	2	3	2	5	3
p=f/N	0.22	0.13	0.09	0.13	0.09	0.22	0.13
pk	0.22	0.35	0.43	0.57	0.65	0.87	1.00
pk-t	0.109	0.283	0.391	0.500	0.609	0.761	0.935
z	-1.203	-0.507	-0.207	0	0.208	0.701	1.502
z-(z most left)	0.000	0.696	0.996	1.203	1.411	1.904	2.705

Next stage is to inquire whether proportion of syariah bank deposit is profitable, safe and holds condition easy in comparison with conventional bank. In order to obtain answer on the above prerequisite, thus it takes hypothesis with the following forms:

Hypothesis (H_0) No difference on deposit service quality (easy condition, safe, profitable) between Syariah bank and conventional bank.

Alternative (H_1) There is difference on deposit service quality (easy condition, safe, profitable) between Syariah bank with conventional bank.

Test used by using **chi-kuadrat** and contingency table measurement is : 7 x 2 (7 row and 2 column) \rightarrow db = degree of liberty = (7-1)(2-1) = 6 with test degree ($\alpha = 5\%$).

	Syariah Bank	Conventional Bank	Total Row
Safety	1,04 0	0,96 2	2
Profitable	5,22 5	4,78 5	10
Easement of Condition	2,60 1	2,39 4	5
Facility	5,22 10	4,78 0	10
Security	0,52 1	0,48 0	1
Belief	4,17 0	3,83 8	8
Professional service	5,22 7	4,78 3	10
Total Column	24	22	46

To test scientifically whether frequency difference is significant or not, it takes technique of **chi_kuadrat**.

Table value of chi-kuadrat db = 6, $\alpha = 0,05 \rightarrow x^2$ tabel = 12,59

Critical region: Rejection H_0 , if x^2 calculates $> x^2$ table, while calculation x^2

is hope frequency = $\frac{\text{Total column} \times \text{total row}}{\text{Total observation}}$

Therefore frequency of hope is:

Safety = $(24 \times 2)/46 = 1,04$ for Syariah bank and formula as it does the same to all item components.

Table of calculation X^2 as follows:

Category	oi	ei	(oi - ei)	(oi-ei) ²	(oi-ei) ² / ei
Convenience	0	1,04	1,04	1,08	1,0384
Profitable	5	5,22	-0,22	0,05	0,0096
Easement condition	1	2,60	-1,60	2,56	0,9846
Facility	10	5,22	4,78	22,85	4,3774
Security	1	0,52	0,48	0,23	0,4423
Belief	0	4,17	-4,17	17,38	4,1678
Professional Service of syariah bank	7	5,22	1,78	3,17	0,6072
Convenience	2	0,96	1,04	1,08	1,1250
Profitable	5	4,78	0,22	0,05	0,0105
Easement of condition	4	2,39	1,61	2,59	1,0837
Facility	0	4,78	-4,78	22,85	4,7803
Security	0	0,48	-0,48	0,23	0,4792
Belief	8	3,83	4,17	17,38	4,5378
Professional service of conventional bank	3	4,76	-1,76	3,10	0,6324
Total x^2 calculate					24,2762

From the above calculation outcome it results in χ^2 calculated $>$ χ^2 table (24,2762 $>$ 12,5916) meaning that H_0 : rejected or H_1 received.

CONCLUSION AND SUGGESTION

Conclusion

1. Based on data processing outcome by using validity test method with method of *product moment pearson* and reliability test using method of *Cronbach's Alfa*, syariah bank deposit is more beneficial with conventional bank, either from side of interest or mutual sharing,
2. Survey outcome shows for assessment:

Ratio Provision Highest ratio given by BNI Syariah with comparison of 70% for deposit customer and 30% for bank. While conventional bank namely BUKOPIN bank provides interest percentage of highest deposit in amount of 7%.

For deposit placement condition
 Lowest rupiah deposit placement of syariah bank is Rp 1.000.000 (Bank Muamalat, BSMI, and BNI Syariah), while the highest is Rp. 8.000.000 (Bank Danamon Syariah). For conventional bank, lowest deposit placement is BTN and Mandiri bank for outside of Java island in amount of Rp. 5.000.000. While, highest placement of conventional deposit is Permata bank dan Mandiri bank for Java island in amount of Rp. 10.000.000,-

Facility of currency option
 Facilities of Bank Syariah Mandiri, Bank DKI Syariah, BNI Syariah, Bank Syariah Mega Indonesia, and Bank Muamalat Indonesia have options or choices for foreign currency, While conventional bank overall has given deposit-option facilities in foreign currency such as Dollar US, Poundsterling, Yen.

Deposit Opening - Joint Account
 For deposit opening, joint account can be performed at BTN Syariah, Bank Syariah Mega Indonesia, Bank Muamalat Indonesia, and Bank Danamon Syariah. While joint account in conventional bank can just be performed at BCA, Bank Mandiri, Bank Bukopin, Bank Permata, and Bank BTN.
3. Profit sharing or profit division, convenience, easement, condition and professional service of Bank Syariah can be said to be competitive sufficiently with Conventional Bank.

Suggestion

To increase competitiveness and chase the abandoned or the left behind from conventional bank, it is better that Syariah bank shall pay attention again on provision of foreign currency option facility, and online banking. The two are existing weaknesses of syariah bank management. By increasing the two above things can increase service and quantity of customer in forthcoming time. Consequently Syariah bank also is supposed to be better to make the anticipation steps if overload of customer quantity occurs while not lessening the given service.

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A REMARKABLE FLYING EXPERIENCE BEGAN FROM INTERNAL SERVICES QUALITY**Yudi Fernando**

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ABSTRACT

The purpose of this empirical paper is to investigate the relationship between IM and ISQ in a budget airline industry. Besides, several attempts have been made to validate the extension of IM and ISQ model. Data were collected from mixed method. Firstly, it is a qualitative method. Interviews were carried out with 23 managers and described a total of 163 incidents. Second, quantitative analysis was used to verify the validity and reliability of IM and ISQ constructs. Survey data measuring constructs and hypothesis testing were collected from the 209 budget airline managers in five large cities in Indonesia. Results reveals that empowerment is fit as part of IM constructs and the four factors solution appeared to be the latest dimensions of ISQ. The paper also extends the IM and ISQ model and contributes to the scarce body of empirical linked between IM and ISQ in services organizations.

Keywords: Internal marketing, budget airline, critical incident technique, mixed method

INTRODUCTION

IM has been suggested as a managerial tool to maintain the consistency of service quality. Employees should be treated as internal customers. Listening their needs, complaint, suggestion and wellbeing will enhance the employees' commitment. It will lead to the improvement of the organization's service related to the external customers. Berry et al. (1976) takes a step forward in arguing that IM as remedy to solve the problem of delivering high service quality. According to Greene et al. (1994) IM is considered as a key factor which do not only provide an excellence service but also to ensure the success of external marketing by strongly motivating the employees. IM may additionally have an indirect relationship with job satisfaction and commitment through its influence on market orientation (Rodrigues & Pinho, 2010). Excellent service quality is started from high level of ISQ. According to Johnston (2008) there are many internal service issues that are undermining the organisation's ability in its attempts to improve the level of service provided to its external customers. It probably leads to the more complicated ISQ study. The contribution of this paper is threefold. First, empowerment has been empirically tested as part of IM constructs. The second objective is to provide a new insight of measurement of ISQ in low cost carrier industry. Finally, it provides empirical evidence on the relationship between IM and ISQ to deliver an excellent service.

LITERATURE REVIEW

To achieve the organization's objective in delivering excellence service, service organization requires many staff which can be flexible and have scope to use their discretion in meeting customer demands (Rafiq & Ahmed, 1998). Empowerment needs to be included in IM construct. It has a positive impact on employee's performance (Boshoff & Allen, 2000). Empowering employees also gives space of creativity to solve the service failure during the service encounter. This is a treatment of service recovery to save the organization's face among customers. Empowerment has been suggested accomplishing the IM previous measurement by Ahmed et al. (2003).

Managing internal elements in an organization is needed to provide a better service quality (Chung-Herrera et al., 2004). Previous study found that the IM has two types of positive effect in improving the service quality. There are related to external and internal customers. IM is enhancement of the level of ISQ and business performance (Caruana & Pitt, 1997), external service quality (Boshoff & Tait, 1996) and the proper environment of providing service quality for the next internal customer (ICO) (Dunne & Barnes, 2000). However, the lack of study has argued on the relationship between IM and ISQ. Perhaps, there are several internal barriers which have been found by Johnston (2008) in

improving external service quality. Most managers and supervisors had little understanding of the quality of the performance of internal services and undertook little assessment or development of ISQ with internal customers/providers.

METHODOLOGY

The research design could be described as mixed method because it drew on both qualitative and quantitative data, though it was qualitatively driven (Tashakkori & Teddlie, 1998). There are two methods in this study.

1. Qualitative Method: CIT Data Collection

A convenience sample of employee in LCC organization was asked by international call-phone interview. The researcher contacted the respondents from Penang, Malaysia until the wide range cities in Indonesia. The sample was manager who is working in LCC airline. The list of airlines and contact number has been issued by Indonesian Directorate General of Civil Aviation (DGCA) and online yellow pages. Letters of invitation was sent by email. The letters was form in file attachment with PDF format. The interviewee has been encouraged to tell their story. The situations that were explored were those that memorable and more likely to be faithfully recalled (Urguhart et al., 2003). The interview will take 30 to 40 minutes. The interviews were conducted by using electronic-recorder. The data was transcribed. An interview's guide is creating focusing on both negative and positive critical incidents. In addition to the semi-structured interviews, a questionnaire was used to collect profile of respondent.

The interview protocol in current study was followed the Flanagan (1954) procedure: a) Indicate to the interviewee which has authority on which the interview is being held; b) Make a statement about the purpose of the study; c) Explain why the interviewee on the anonymity of the data; d) The main "question" should state that an incident or actual behaviour is desired; e) Allow the interviewee to do most of talking and avoid asking leading questions; f) Ask follow-up questions to ensure that a comprehensive and detailed account has been given.

2. Quantitative Method: Questionnaire development

An instrument was developed from the literature review, results of CIT, and expert review (academician & practitioner). All items were identified and classified into categories. Each item was measured using a seven-point Likert scale. Several experts (professors & lecturers) and LCC senior managers would assist to review the draft of questionnaire. At the time, the draft was completed and effort was made to conduct pre-testing the questionnaire. Questionnaires were prepared in English then translated into national language which where the country was conducting. Bahasa Indonesia is an official language in Indonesia.

The top five LCC airlines in Indonesia composed the population studied in this research. The study had planned to conduct surveys in top five cities in Indonesia. The cities which would participate in this study were Jakarta, Surabaya, Denpasar, Makassar, and Medan. After conducted observation and learnt the Indonesian LCCs organization structure, an average total five cross sectional manager was identified. The estimated population in this research was approximately a 50 (10 x 5) managers and assistant managers of LCC in top five biggest cities of Indonesia. The totals of 500 (10 x 5 x 10) respondents were identified from five LCC head of departments. The quantitative data would be collected through questionnaire. The questionnaires were attached through mail survey technique. Two control variables are included in this study those are: type of flight and ownership. Data were processed and analyzed by SPSS 16.

RESULTS

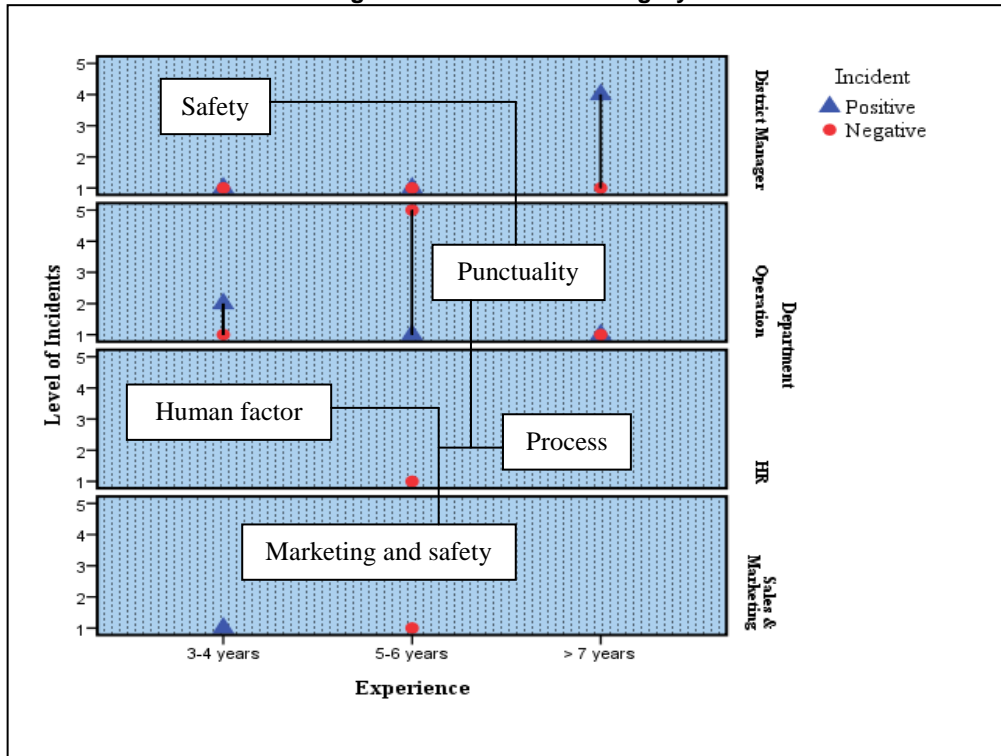
1. Qualitative

A telephone survey was conducted in November 2008. Researcher called 60 LCC telephone numbers selected randomly from Indonesian Directorate General of Civil Aviation (DGCA) and online yellow pages. Data collection process during interview resulted in receipt of 23 manager stories. The rest refused to participate, were not available by phone, and/or had their answering machines on. 188 incidents carefully scrutinized for appropriateness prior analysis. The researchers eliminated any potential for data contamination. As result, The 23 managers described a total 163 incidents. These incidents were retained for analysis, 120 (73.6 percent) of them were positive and 43 (26.4 percent) were negative. Many of managers who shared the older stories (most were within past 20 months) were very detailed and provided rich information, and such they were retained for analysis.

A data classification system was constructed in order to identify the categories and sub categories. The data were initially coded independently by researchers. The researcher amazed the strength of CIT during the interpretation of stories and the identification of specific situation which was being used. Thus, the analytical induction process consisted of careful reading, sorting, re-reading and resorting the groups and subgroups. The researchers worked independently on the categorization. Absolute agreement amongst researchers provided a more objective categorization. When differences were identified, they re-read and re-sorted until an agreement was reached either on an existing sub category or development of a new one (Callan, 1998).

Figure 1 shows the incident levels that had been experienced by managers. District managers have found few negative incidents in lowest category and negative incident leads to high level of positive incident. Operation managers often experienced the negative incidents (level 5) in they 5 to 6 years job tenure. Indeed the HR managers are discovered small number of negative incidents in lowest category. This followed by sales and marketing managers that found negative and positive incidents lied in lowest category. The main categories of ISQ have been identified which are punctuality, process, human factor, sales and marketing and safety.

Figure 1: The Incident Category



Note: Level of Incidents: 1= less critical to 5 = extremely critical

2. Quantitative

Based on the qualitative results the hypotheses were developed (Table 1). The details are provided in Table 1. Totally, there were 914 (500 + 414) sets of questionnaire sent to the respondents, of which 215 were returned for a response rate of 21.5 percent. There were six returned questionnaires rejected due to significant omissions. However, there were only 209 sets of questionnaire usable for the analysis. This condition gave an effective overall response rate of 20.9 percent. This response rate was obtained after second mailing, reminders, follow-up calls, and emails were made after the initial mailing.

Table 1: Summary of Multiple Regressions: The Relationship between Internal Marketing and Internal Service Quality

	Model 1 (β)	Model 2 (β)	Remark			Model 1 (β)	Model 2 (β)	Remark			Model 1 (β)	Model 2 (β)	Remark		
CV1→EC	.101	.019	NS	NS	CV2→EC	-.166*	-.011	SFN	NS	CV5→EC	.175**	.264***	.280***	.251***	SFN
CV1→SP	.122	-.123	NS	NS	CV2→SP	-.180*	-.104	SFN	NS	CV5→SP					SFN
CV1→PN	.097	.034	NS	NS	CV2→PN	-.030	.078	NS	NS	CV5→PN					SFN
CV1→SF	.111	-.023	NS	NS	CV2→SF	.003*	.123	SFN	NS	CV5→SF					SFN
PV1→EC		.233***		SFN	PV3→EC		.206**		SFN	<i>Note: *p<0.05, **p<0.01, ***p<0.001. Dummy coded: "medium and short-haul = 1, medium-haul = 0, short-haul = 0; "Ownership = 1; Non-Indonesian owned = 0, Joint owned = 0; CV1= Medium and Short-haul, CV2= ownership; PV1= strategic rewards, PV2= internal communication, PV3= training & development; PV4= senior leadership, PV5= empowerment, EC= employee competency, PN=punctuality, SF=safety;</i>					
PV1→SP		.312***		SFN	PV3→SP		.272***		SFN						
PV1→PN		.280***		SFN	PV3→PN		-.032		NS						
PV1→SF		.018		NS	PV3→SF		.284***		SFN						
PV2→EC		.391***		SFN	PV4→EC		-.015		NS						
PV2→SP		-.039		NS	PV4→SP		.174**		SFN						
PV2→PN		.324***		SFN	PV4→PN		.150*		SFN						
PV2→SF		.279***		SFN	PV4→SF		.021		NS						

Most of LCC manager has less than five years experience (64.1%) with airline industry, whereas 6-10 years (25.8%), 11-15 years (5.3%), and more than 15 years experiences (4.8%). Management is preferred to employ manager in age range between 25 to 30 years old (34.4%), whereas 31 to 35 years old manager (25.4%), 36 to 40 years old manager (24.4%) and only 15.8 percent of managers are employed in age less than 25 years old. Two separated factors analyses with varimax rotation were done to validate whether the respondents perceived the predictor and criterion variables which were distinct constructs. The lowest registering reliability value is 0.78 (marketing performance) and the highest is 0.92 (internal communication & senior leadership).

A multiple regression analysis was used to test the hypotheses generated and the results is presented in Table 1. The details analyses were done to test the relationship between internal marketing and internal service quality. The control variables are medium and short-haul of flight typed and Indonesian airline ownership. From 20 sub-hypotheses, out of 15 are accepted and only five sub-hypotheses are rejected. The summary of multiple regression results shows in Table 1.

DISCUSSION

The purpose of this paper is to provide empirical evidence on the relationship between IM and ISQ. The results retrieved from the qualitative and quantitative methods. In general, the contributions of this paper have classified into three-fold. First, empowerment is introduced as additional construct to accomplish IM measurement as its needs further validation (Rafiq et al., 2003). It has conceptualized because of the empowerment had been mentioned by previous study to have greater influence on excellent service. A result shows that empowerment consistently as part of IM construct. This is consistently with Boshoff and Allen's (2000) study and argument as a reliable constructs to predicting ISQ.

The outcome of IM was postulated by previous study which has positive outcome in delivering good service quality (Budhwar et al., 2009). IM leads to satisfy and motivate employee to deliver better service. Besides, IM also give sense of belonging to the organization and keep them to work more productive. The real problem of service organization lies on human recourse (Heskett, Jones, Loveman, & Sasser, & Schlesinger, 2008). To overcome this problem, an attempt has been made to seek the link between IM and ISQ. The link has been empirically tested and condition was partially accepted. It was found that a positive relationship between IM and ISQ. This result answers the need of service organization to find the effective way to improve service quality as shown in Vella, Gountas, and Walker (2009). Employees are more likely to improve general performance, cooperative when ISQ exists (Bellou & Andronikidis, 2008). In order to keep the competition and deliver reliable service, IM needs to be implemented. Selling job to attract the potential employee, train and retain the best.

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IS STRATEGIC COMPETENCY A REQUISITE FOR SME SUCCESS? A CROSS-CULTURAL PERSPECTIVE

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ABSTRACT

The present study attempts to understand the prevalence of strategic competency among entrepreneurs in small and medium sized enterprises (SMEs) in Australia and Malaysia. A sample of 20 SME entrepreneurs from Australia and Malaysia participated in this study. A series of interviews were conducted to probe into the behaviours that delineate strategic competency among these entrepreneurs. The results showed that SME entrepreneurs in both countries highlighted the importance of strategic competency in managing and running their ventures despite some minor variations in terms of the practices across country. This study provides entrepreneurs with knowledge about the way they should operate their business and encourages them to be conscious of the importance of strategic competency in managing their business and increasing the odds of success. The study also shows that entrepreneurs are capable of minimising the negative impact of business environment if they are willing to equip themselves with strategic competency.

Keywords : Strategic competency, SME entrepreneurs, Malaysia, Australia

INTRODUCTION

The era of globalisation has forced SME entrepreneurs to face massive changes regarding how they operate their businesses. It has also marked the end of the usual way of doing business, mandating new approaches into the forms of strategies entrepreneurs need to adopt in order to ensure business success. The challenges posed by globalisation have also impelled entrepreneurs to craft and execute strategies relevant to the new episode of intense competition. It is also noted that one of the most important problems face by managers in this turbulent business environment is to strategise in identifying and pursuing promising business opportunities which requires a careful selection of appropriate strategies (Shane & Venkataraman, 2000). Even though the study on strategies has often been directed towards large organisation, it has now received an increasing scrutiny in the context of SMEs.

According to Fuerer and Chaharbaghi (1995), strategy can be defined in the three ways; (1) skills in managing and planning a venture; (2) primary means of reaching the focal objectives, and (3) direction and scope of organisation over a long term. The present study endeavours to look at strategy in the form of competency and skills in managing and planning for the success of a venture. This follows Miller, Wilson, and Hickson's (2004) view that what managers do (which is the reflection of the strategy that they adopt) and the kind of the organizations they lead matters in achieving the organisation objectives.

Drawing upon Sparrow and Hodgkinson (2006) contention that strategic competency is central to the longer-term survival and well being of the organization, the present study attempts to explore its relevance in the context of SMEs, with a justification that in this kind of industry, the actions and inactions of the entrepreneurs would have significant bearing on the success of their ventures. Therefore, in support of the activity-based view of strategy which argues that, since managers manage strategic actions, it is necessary to go inside the organisations to understand what they are doing and the way these actions may relate to performance (Miller et al., 2004), the present study utilises a qualitative approach in the effort to delve into the current practices of SME entrepreneurs in managing their ventures that delineate strategic competency. This study sets a platform for a

cross-cultural approach in understanding the notion of strategic competency which compares two countries in Asia Pacific Region namely Australia and Malaysia.

LITERATURE REVIEW

SMEs in Australia and Malaysia

The socio-economic significance of SMEs, especially in the Asia Pacific region, has not been appreciated until recently. This is reflected in the relative neglect of the problems faced by SMEs by policymakers and academics prior to the 1980s. Indicative of the rising interest in SMEs is the inclusion of the SME's "development agenda" within the Asia Pacific Economic Cooperation (APEC) forum. In 1995, the SME working group was established as an ad hoc policy group and, in 2000, this policy group was upgraded to the SME Working Group and granted permanent status (APEC, 2003), demonstrating the growing appreciation of the contribution of SMEs to the social and economic development of a country.

In Australia, in particular, the government's attention to SMEs was marginal prior to the 1970's. No SME statistics were collected, very few universities offered entrepreneurship courses, and there were no Ministers of Small Business at either the Federal or State levels (APEC, 2003). The first small business association, the Australian Association of Independent Businesses, was launched in 1977 and, in the same year, the federal Department of Trade and Industry established a Small Business Registrar (APEC, 2003). By 2000, all State and Federal Governments had Ministers of Small Business, SME statistics were produced by the Australian Bureau of Statistics (ABS), and the government had established consultative mechanisms linked to SMEs. In 2001, 97% of all businesses in Australia were SMEs (Australian Bureau of Statistics (ABS), 2002). According to the ABS (2002), SMEs in Australia are best represented in the services sector, specifically: retail and wholesale trade (21.2%); construction (19.4%); property and business services (19.3%); transportation and storage (5.9%); accommodation, cafes, and restaurants (2.8%); and other personal services (7.1%). Today, SMEs are considered to be a major driver of the Australian economy.

Similarly, in Malaysia, little attention was given to SMEs prior to the 1980's. However recently, more attention has been given to assisting SMEs. To ensure a more coordinated approach to SME development, the Malaysian government has established the High-Level National SME Development Council chaired by the Prime Minister (Asia-Pacific Economic Cooperation, 2004). Currently, at least 12 ministries and 40 government agencies are involved in the development of SMEs in Malaysia (SMIDEC, 2004). It has been reported that the contribution of SMEs to the GDP in the year 2002 increased by 2.5% and the productivity of SMEs rose by 2.7% (Business Times, Sept 13, 2003). In 2005, 96% of all manufacturing and service businesses were SMEs and the majority of SMEs (87.5%) were in the services sector (Kamini, 2005). The contribution of SMEs to employment rose to 7.7 % in the same year (Wahari & Raban, 2005). In 2006, The Central Bank of Malaysia reported that SMEs accounted for 99% of all businesses and contributed 38% of total output. In terms of employment, SMEs accounted for 55% of the total workforce (Central Bank of Malaysia, 2005). To further galvanise SMEs in Malaysia, the government has established an SME bank to assist entrepreneurs financially as well as the development of various training programmes, particularly in the areas of entrepreneurship development, marketing and promotion, product development and technology enhancement (Central Bank of Malaysia, 2007). Today, the future of SMEs in Malaysia is seen as optimistic, with considerable potential for further growth over the next few years and beyond.

Strategic Competency

Strategic competency is "a competency related to setting, evaluating, and implementing the strategies for the firm" (Man, Lau, & Chan, 2002, p. 132). Specifically, the Man (2001) operationalised strategic competency in terms of the following behaviours: (i) being aware of the projected directions and how changes might affect the firm, (ii) prioritising work in alignment with business goals, (iii) redesigning the firm to better meet the firm's objectives, (iv) aligning current actions with strategic goals, (v) monitoring progress toward strategic goals, (vi) evaluating results against strategic goals, and (vii) determining strategic actions by weighing costs and benefits (Man, 2001, p. 304). Additionally, Thompson (1996) proposes that managing change is a part of strategic competence that could be linked to competitive success, particularly for firms that operate in a dynamic and competitive environment such as SMEs.

According to Man and Lau (2000), strategic competency reflects the ability of the owners to develop future-focused vision and goals, devise strategies to match the goals, and diagnose the effectiveness of the strategies through. This involves strategic thinking which reflects the ability of the organisation's leader to develop future vision and take strategic action which requires them to think beyond day-to-day operations (Stonehouse & Pemberton, 2002). Evidence suggests that the future of smaller firms depends heavily on the entrepreneur's vision (Yu, 2001). Having this vision allows entrepreneurs to focus their actions and decisions more strategically and when achieved, will give their

firms significant advantages over the competitors. Therefore, it is crucial for entrepreneurs to develop a description of the desired future goals that are clear, measurable, and challenging since it will give them an overall picture of where they are going, what they want to achieve, and how they are going to compete.

By having a set of clear goals and an overall picture of where and how the firm is going to compete, entrepreneurs are able to formulate appropriate strategies and implement them to achieve the preset goals. It also allows entrepreneurs to set their priorities to ensure that the activities undertaken are aligned with the business goals (Man & Lau, 2000). These strategies serve as a bridge that links firms' resources and their capabilities to gain competitive advantage (Porter, 1991) and to overcome organisational uncertainty (Parnell, Lester, & Menefee, 2000). Once strategies have been developed, entrepreneurs must be able to diagnose the effectiveness of these strategies and correct the weaknesses along with the process of formulation and implementation (Davies, 1993). In a sense, strategic competencies also involve entrepreneur's ability to develop vision, devise appropriate strategies, diagnose their effectiveness, and improve these strategies when needed.

Entrepreneurs are also strategic leaders who are responsible for making choices and actions that could influence their business success (Lado, Boyd, & Wright, 1992). Some further added that this competency area involves the ability to view things from different angle as well as the ability to analyse the possible pros and cons of a specific issue (Man & Lau, 2001). In the attempt to relate strategic change and competent organisation, Thompson (1996) proposed that strategic change is a part of strategic competence that could be linked to competitive success particularly for firms that operate in a dynamic and competitive environment. Operating in a dynamic environment often results in misfit between firms' strategies and external demand, which in turn, impel organisations to strategically change their operations and restructure their business when necessary. Several important elements required by entrepreneurs in doing so is the ability to be proactive and responsive to the changes in the environment and always be ready to respond to the changes in market condition and the environment (Man & Lau, 2000). As such, the ability to make strategic change also allows entrepreneurs to adapt and adjust the business operations to match the current demand in the industry. Based on the preceding discussion, there is a range of behaviours demonstrated by organisation's leader that could reflect strategic competency. The contention of this study is that strategic competency of SME entrepreneurs could be understood if an in-depth interview is conducted to unearth the strategic behaviours displayed by these entrepreneurs.

METHOD

The present study is undertaken to delve into the behaviours of Australian and Malaysian SME entrepreneurs that delineate strategic competency. Altogether, 20 entrepreneurs volunteered to participate in the study, in which the entrepreneurs were identified through snowball sampling method. Semi-structured interviews were conducted on an individual, face-to face basis. In the interviews, respondents were asked to comment on various aspects of their approach to managing their businesses that they perceived to be important to the success of a business. The study was presented to the participants as being about practices for small business owners in managing their business. The characteristics of the respondents are exhibited in Tables 1 and 2.

Table 1. Characteristics of the Australian Participants

Participants	Gender	Current Age	Education Level	Start up Age	Previous occupation	Management / technical training prior to start up (Formal/informal)
A	Female	28	Bachelor degree	25	Solicitor	Management (Formal)
B	Male	63	Certificate	26	Involved in other business	Management (Informal)
C	Male	37	Certificate	25	Involved in other business	Technical (Informal)
D	Male	40	Halfway through university	32	Electronic Technician	Technical (Informal)
E	Male	42	High School	27	Electrician	Technical (Informal)
F	Female	45	Masters degree	42	Company Director	Management and technical (Formal)
G	Male	56	High school	36	Store Manager	Management and Technical

H	Female	23	Masters degree	21	Human Resource Advisor	(Informal) Management (Formal)
I	Female	32	Certificate	30	Retail	Technical (Formal)
J	Female	24	Bachelor degree	22	Working with government	Technical (Formal)
<i>M</i>		39		28.6		
<i>SD</i>		13.19		6.54		

Table 2. Characteristics of the Malaysian Participants

Participants	Gender	Race	Current Age	Education Level	Start up Age	Previous occupation	Management/ Technical training prior to start up (Formal/ Informal)
K	Female	Malay	45	High school	40	Involved in other business	Management (Formal)
L	Female	Malay	40	Diploma	38	Bank officer	Management (Formal)
M	Male	Malay	44	Masters degree	39	General Manager in a public listed company	Management and Technical (Formal and informal)
N	Male	Malay	50	High school	20	NIL	Technical (Formal)
O	Male	Indian	43	High school	27	Factory worker	NIL
P	Male	Chinese	42	High school	25	Involved in other business	Technical (Informal)
Q	Male	Malay	41	High school	38	Factory worker & doing part time business	Technical (Informal)
R	Male	Chinese	35	Bachelor degree	26	Employed in a private company	Technical (Formal)
S	Male	Chinese	36	High school	29	Employed in a private company	Technical (Informal)
T	Male	Chinese	45	High school	30	Salesperson	Technical (Informal)
<i>M</i>			42.1		31.2		
<i>SD</i>			4.43		7.04		

RESULTS AND FINDINGS

Based on the qualitative data gathered, participants in general perceived Strategic Competency to be important in handling their business. Altogether, six clusters of strategic behaviours were derived including devise strategies, develop vision and business goals, conduct research, create competitive edge for firm to compete effectively, make strategic adjustment, and weigh costs and benefits. The clusters and 26 examples of behaviours reflecting Strategic Competency are summarised in Table 3.

Table 3. Strategic Competency Domain: Clusters and Examples of Strategic Behaviours

Cluster	Examples of behaviours
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Devise strategies	<ul style="list-style-type: none"> • Devise strategy to overcome crisis • Devise strategy to match current business trend • Devise strategy to compete with others • Devise strategy to attract customers • Devise strategy to boost sale • Devise strategy for business production • Map ways to reach business goals
Develop vision and business goals	<ul style="list-style-type: none"> • Think about the future and develop long run goal • Have clear direction • Move ahead towards goals systematically • Prioritise activities with alignment to business goals
Conduct research	<ul style="list-style-type: none"> • Conduct research before proceeding with investment, e.g. setting up new branch; before introducing products/services introducing new products • Conduct research on business premise • Conduct research on potential customers • Conduct research on the quality of a product • Analyse changes in business environment
Create competitive edge	<ul style="list-style-type: none"> • Utilise firm's capabilities to improve performance • Diversify business portfolio or specialised in one portfolio • Create good business image and reputation • Outsource non-core business activities such as marketing and advertising
Make strategic adjustment or change (adaptability)	<ul style="list-style-type: none"> • Plan to overcome difficulties during low periods • Prepare and plan for the worst scenario • Be flexible in developing plans/contingency plans
Weigh costs and benefits	<ul style="list-style-type: none"> • Consider the benefits of investing in technology and R&D • Analyse pros and cons to determine strategic action • Evaluate business activities

All 20 participants from Australia and Malaysia recognised the importance of strategic behaviours in managing their business. Devising strategies to achieve business goals appeared to be the best represented cluster of Strategic Competency. As reported, strategies were formulated for a variety of goals: to achieve the overall business goal; to boost sales and increase turnover; to attract customers; to improve production; and to survive/succeed in a competitive environment. Besides developing strategies to achieve the business goals, Entrepreneur C (the owner of software development and computer related service company, Australia) highlighted the need to develop back-up strategies if the initial strategies did not work as planned. He stated:

I had also started to think about what happens if this doesn't actually succeed, like we would expect, and so I've been developing some thoughts on, essentially a fall back position of ensuring that if it doesn't succeed, then I'll ensure that the business does keep maintaining itself.

It was also the case that 17 participants (9 Australians and 8 Malaysians) perceived having a long-term vision and plans for business as being crucial. A remark illustrating the importance of this cluster was made by entrepreneur C (the owner of software development and computer related service company, Australia):

In terms of the actual business success, I think a lot of that comes down to having your direction and mapping your ways to get there, that would be a major, major contributor to a business not succeeding.

The other behaviour reflecting Strategic Competency pointed out by 15 participants (7 Australians and 8 Malaysians) was conducting research. The focus of research, however, varied across countries. Australians focused their research on the products and services available in the market, and the analysis of the business environment to forecast trends and customers' preferences. As stated by entrepreneur A (the owner of a handbag designing and manufacturing company, Australia):

You have to really do your research in terms of not only starting your own business and what is required from you but really research what product or service you can offer...

By contrast, Malaysians participants expressed concern about researching their major competitors and a strategic business location issues not highlighted by Australian participants. The focus on the importance of location is consistent with suggestions made by Chawla, Pullig, and Alexander (1997) who argued that location was critical for business success, especially in retail firms. Nonetheless, a number of other topics of research were consistently mentioned by

entrepreneurs from both countries: potential customers, the state of business environment, and current trends. Entrepreneurs also indicated that small business owners could not afford to allocate time and financial resources to formal research, and, consequently, most research was done informally. According to entrepreneur M (the owner of a steel trading company, Malaysia):

I think everybody did SWOT and PEST either formally or informally... but here, we do it informally. We do research on price, location, capacity, and our strength in marketing. We even sent our staff to survey potential customers...but not formally because we don't have to present it to the boss (as in large firms) (translation).

Entrepreneur Q (the owner of catering service and restaurant, Malaysia) stated that:

For me, I see conducting market research as the backbone of knowing what products or services that the customers want; how and where to sell those products or services. So it is very important to do a bit of research about the industry, customers, as well as your competitors...(translation).

According to this participant, conducting market research, especially on competitors, would help entrepreneurs understand their firm's position and gaps in the industry, thereby enabling them to identify a market niche. Similarly, Entrepreneur M (the owner of a steel trading company, Malaysia) mentioned:

We monitor and scan the environment. Now there are 2 big steel manufacturers and since they are big, their advantages are they have big name and they produce big volume. Normally they target big customers. Our aim is to approach small customers who have problem purchasing from big company (translation).

He commented further that market research was extremely important in the start-up stage, but that the process should not stop there; it should be continued through all stages of the business life cycle. This corresponds to Choo's (2001) argument that environmental scanning allows the identification of opportunities and threats posed by the environment.

Surprisingly, four of 10 participants from Australia indicated that they did not pay much attention to what their competitors did because they picked up new customers based on referral by existing customers who were satisfied with their products or services. Clearly, these entrepreneurs believed in having a strong base of loyal and satisfied customers. As mentioned by Entrepreneur E (the owner of an air conditioner service company, Australia):

We are a very funny little company especially in terms of how we operate... we do virtually no advertising. 90% of the work we do is referrals from existing clients.

Six of 10 Malaysians mentioned it was important to be aware of the competitors' actions and devise appropriate responses. Entrepreneur S (the owner of a printing service company, Malaysia) said:

In these days, business faces very intense competition. Even though the market is big, I need to develop effective strategies to compete (translation).

The strong focus on competition and competitors' practices in Malaysia may reflect the availability of numerous choices of products and services in the Malaysian market. Evidence has shown that competition is one major cause of switching behaviours among customers to a new provider because of the "attraction" posed by them (Keaveney, 1995). The fear of losing customers to competitors may put business owners in Malaysia under considerable pressure to formulate strategies that mitigate this risk.

Entrepreneurs from both countries also highlighted the significance of making strategic adjustments over time. Six participants from Australia and five from Malaysia reported that it was vital to make strategic adjustments to overcome difficulties that arose during low demand periods, or in saturated markets, by being flexible or developing contingency plans. According to Entrepreneur A (the owner of a handbag designing and manufacturing company, Australia):

Flexibility is very important in running a business because things change, particularly in my sort of industry, and when things change, you have to be able to adapt to it as well...so, I have to be able to have a contingency plan.

Correspondingly, the ability to adjust to market crises, such as a sudden downturn in demand, has been associated with successful performance in small firms (Smallbone, Leig, & North, 1995).

The importance of creating a competitive edge was emphasised by 13 entrepreneurs (6 Australians and 7 Malaysians). However, different methods of doing this were highlighted by participants from both countries. Participants from Australia reported outsourcing non-core activities; specialising in one business portfolio; and creating a good business image and reputation. Three examples are worth highlighting:

These days most people running a small business are actually outsourcing skills to get tasks done that they cannot do themselves or they are not equipped to do or they do not have time to do...(Entrepreneur E, the owner of air an conditioner service company, Australia).

There's no point diversifying and doing a bit of everything and trying to get people in when all you're doing is making them upset because you do not know anything, you know,

you're stretching yourself too thinly (Entrepreneur D, the owner of computer and related service company, Australia).

If something bad happens, it's better if we keep it within the business because you don't want to tarnish the company's reputation... For us, creating and having a good reputation is important (Entrepreneur H, the owner of a website development company, Australia).

By contrast, Malaysians focused more on investing in technology especially communication technology and utilising up-to-date technology. This was seen as a means whereby to remedy the common constraint on growth of SMEs in Malaysia, namely, the use of outdated technology (Osman & Hashim, 2003). Another method for building competitive advantage in Malaysia was diversifying the business portfolio. As mentioned by Entrepreneur N (the owner of a motor trading company, Malaysia):

It is important for me to diversify my business portfolio so that I do not rely on only one source of income (translation).

It has also been noted that several interviewees (3 Australians and 6 Malaysians) actively weighed the costs and benefits of undertaking strategic actions. This was especially significant if the actions required a significant financial commitment on the part of the entrepreneurs because more often than not, the owners utilised their own personal savings for business investment (Bennett & Dann, 2000; Tucker & Lean, 2003).

The results of the analysis of Strategic Competency, and the clusters of behaviour that define it, are summarised in Figure 1.

INSERT FIGURE 1 ABOUT HERE

DISCUSSION AND CONCLUSION

In general, the examination of the nature of the strategic behaviours identified by participants from both countries highlighted four key elements. First, the need to devise strategies that would enable their business to succeed was clearly articulated. Second, Australians and Malaysians exhibited a common understanding of the importance of having a clear vision and direction for their business. These findings are consistent with the literature that has reported that formulating strategies and developing clear business goals and a vision are significantly related to entrepreneurial behaviour in smaller firms (Sadler-Smith et al., 2003). Third, entrepreneurs from both countries agreed on the importance of creating a competitive edge in business; however, different means for achieving this goal were articulated. Australians highlighted the significance of outsourcing non-core business activities such as advertising, payroll, and marketing. Among Malaysian entrepreneurs, there was no discussion of outsourcing business activities; these entrepreneurs emphasised investing and utilising up-to-date technology as means whereby to develop the firm's competitive advantage. Fourth, a marked contrast was noted with respect to the importance of diversification or specialisation to gain competitive advantage. Australians stressed specialisation whereas Malaysians emphasised diversification. This variation may reflect the differences in the industries in which the entrepreneurs were operating, differences in their firm's maturity, and differences in the degree of competition.

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Table 1. Characteristics of the Australian Participants

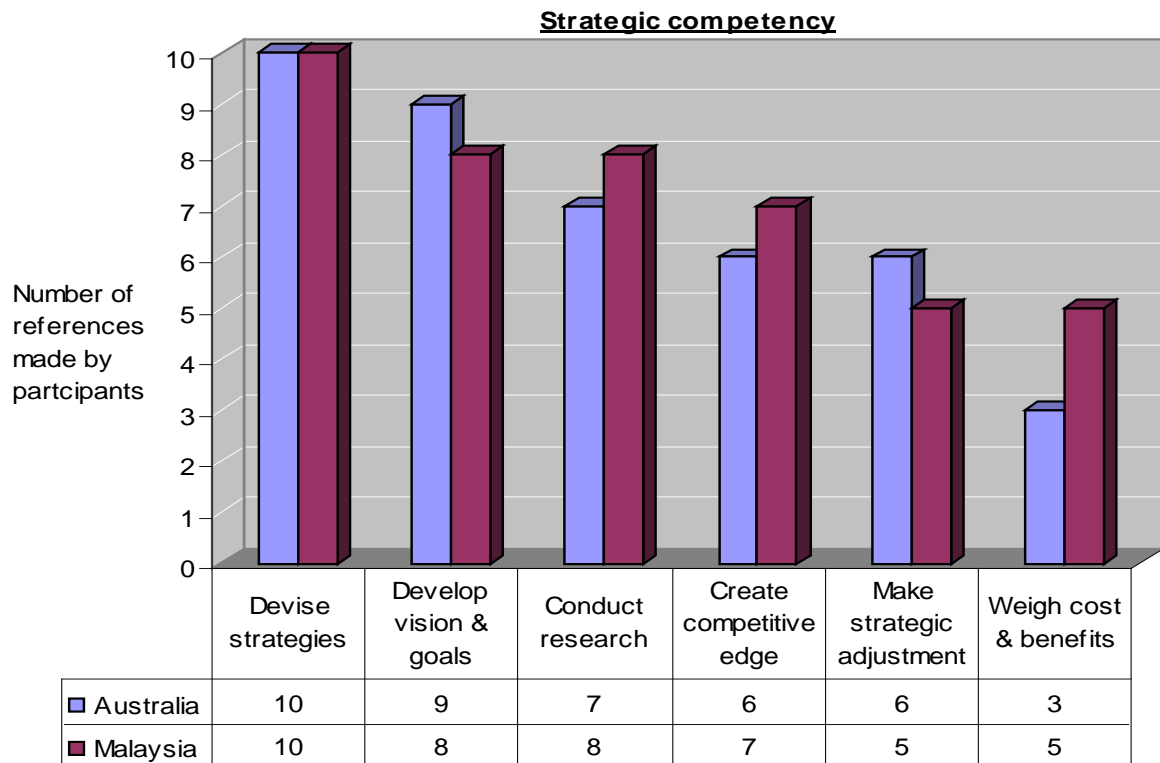
Participants	Gender	Current Age	Education Level	Start up Age	Previous occupation	Management / technical training prior to start up (Formal/ informal)
A	Female	28	Bachelor degree	25	Solicitor	Management (Formal)
B	Male	63	Certificate	26	Involved in other business	Management (Informal)
C	Male	37	Certificate	25	Involved in other business	Technical (Informal)
D	Male	40	Halfway through university	32	Electronic Technician	Technical (Informal)
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F	Female	45	Masters degree	42	Company Director	Management and technical (Formal)
G	Male	56	High school	36	Store Manager	Management and Technical (Informal)
H	Female	23	Masters degree	21	Human Resource Advisor	Management (Formal)
I	Female	32	Certificate	30	Retail	Technical (Formal)
J	Female	24	Bachelor degree	22	Working with government	Technical (Formal)
<i>M</i>		39		28.6		
<i>SD</i>		13.19		6.54		

Table 2. Characteristics of the Malaysian Participants

Participants	Gender	Race	Current Age	Education Level	Start up Age	Previous occupation	Management/ Technical training prior to start up (Formal/ Informal)
K	Female	Malay	45	High school	40	Involved in other business	Management (Formal)
L	Female	Malay	40	Diploma	38	Bank officer	Management (Formal)
M	Male	Malay	44	Masters degree	39	General Manager in a public listed company	Management and Technical (Formal and informal)
N	Male	Malay	50	High school	20	NIL	Technical (Formal)
O	Male	Indian	43	High school	27	Factory worker	NIL
P	Male	Chinese	42	High school	25	Involved in other business	Technical (Informal)
Q	Male	Malay	41	High school	38	Factory worker & doing part time business	Technical (Informal)
R	Male	Chinese	35	Bachelor degree	26	Employed in a private company	Technical (Formal)
S	Male	Chinese	36	High school	29	Employed in a private company	Technical (Informal)
T	Male	Chinese	45	High school	30	Salesperson	Technical (Informal)
<i>M</i>			42.1		31.2		
<i>SD</i>			4.43		7.04		

Table 3. Strategic Competency Domain: Clusters and Examples of Strategic Behaviours

Cluster	Examples of behaviours
Devise strategies	<ul style="list-style-type: none"> • Devise strategy to overcome crisis • Devise strategy to match current business trend • Devise strategy to compete with others • Devise strategy to attract customers • Devise strategy to boost sale • Devise strategy for business production • Map ways to reach business goals
Develop vision and business goals	<ul style="list-style-type: none"> • Think about the future and develop long run goal • Have clear direction • Move ahead towards goals systematically • Prioritise activities with alignment to business goals
Conduct research	<ul style="list-style-type: none"> • Conduct research before proceeding with investment, e.g. setting up new branch; before introducing products/services introducing new products • Conduct research on business premise • Conduct research on potential customers • Conduct research on the quality of a product • Analyse changes in business environment
Create competitive edge	<ul style="list-style-type: none"> • Utilise firm's capabilities to improve performance • Diversify business portfolio or specialised in one portfolio • Create good business image and reputation • Outsource non-core business activities such as marketing and advertising
Make strategic adjustment or change (adaptability)	<ul style="list-style-type: none"> • Plan to overcome difficulties during low periods • Prepare and plan for the worst scenario • Be flexible in developing plans/contingency plans
Weigh costs and benefits	<ul style="list-style-type: none"> • Consider the benefits of investing in technology and R&D • Analyse pros and cons to determine strategic action • Evaluate business activities



Clusters of behaviours reflecting Strategic competency

Figure 1. Clusters of Behaviours that define Strategic Competency in Australia and Malaysia.