

# **Analysis of Service Quality and Customer Satisfaction in Shoes Raw Material Industry**

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## **Abstract**

The aim of this study was to know the effect of service quality toward customer satisfaction, both simultaneously and partially, in the shoes raw material industry, and to know which factor of service quality factors have dominant effect to customer satisfaction. Factors of service quality include tangible, reliability, responsiveness, assurance, empathy. This study was conducted at the shoes raw material industry in Sidoarjo Regency, Indonesia. The findings of this study are service quality has an effect on simultaneously on customer satisfaction on shoes raw materials industry; service quality has a partial effect on customer satisfaction on shoes raw materials industry; and empathy has more dominant effect on customer satisfaction on shoes raw materials industry.

## **Keywords**

Service Quality, Customer Satisfaction, Shoes Raw Material Industry.

## **1. Introduction**

In this increasingly difficult economic situation there is a lot of competition in various fields of life, including competition in the business world. Many companies compete with each other to gain market share, so this spurred the company to strive to progress in improving its business. In addition, with the advancement of technology, companies are also required to be able to keep up with the times so that they are not left behind by others. In order for the company to grow and develop well, the company must be able to anticipate increasingly competitive economic developments by making appropriate strategies so as not to be excluded from competition. In addition, companies must also be able to anticipate economic trends in the future and must be able to compete with other companies engaged in the same field. This was done to maintain the survival and progress of the company.

Companies in marketing goods and services are always faced with the question, "why do consumers buy certain goods or services?" The answer cannot be explained directly from their observations, but a deeper analysis of consumer behavior is needed. This will help a lot for marketing managers to understand "why" and "how" consumer behavior, so that companies can develop, determine prices, promote, and distribute goods well (Swastha 2008). By analyzing this consumer behavior, the company will have a broader view and will be more aware of new opportunities that come from not meeting consumer needs.

Marketing is a social and managerial process in which individuals and groups get what they need and want by creating, offering, exchanging valuable products with others (Kotler 2002).

Deming stated that quality is a predictable level of uniformity and dependence on low costs and in accordance with the market. Meanwhile, J. M. Juran quoted in Tjiptono (2001) means it is suitable for use (fitness for use) and this definition itself has two main aspects, namely:

1. Characteristics of products that meet customer demand  
Higher quality allows companies to increase customer satisfaction, make products sell well, can compete with competitors, increase market share and sales volume, and can be sold at a higher price.
2. Free from shortcomings  
High quality causes companies to reduce error rates, reduce workmanship and wastage, reduce payment of warranty costs, reduce consumer dissatisfaction, reduce inspection and testing, reduce product delivery time to market, increase yield and capacity, and improve product delivery performance or services.

Based on the description in the background of the problem, the problems formulated are as follows:

1. Is there a significant effect between variables of service quality simultaneously on customer satisfaction at shoes material industry in Sidoarjo Regency, Indonesia.
2. Is there a significant influence between service quality variables partially on customer satisfaction at shoes material industry in Sidoarjo Regency, Indonesia.
3. Which variables has the most dominant influence on customer satisfaction at shoes material industry in Sidoarjo Regency, Indonesia.

## **2. Literature Review and Hypothesis**

### **2.1 Quality**

Quality is a dynamic condition that relates to products, services, people, processes, and environments that meet or exceed expectations (Goetsch et. al., 2002). Deming stated that quality is a predictable level of uniformity and dependence on low costs and in accordance with the market. Meanwhile J. M. Juran is quoted in Tjiptono (2001) interpreting it as suitable for use (fitness for use). Quality is an important indicator for the company to be able to exist in the midst of intense competition in the industry. Quality defined as the totality of the characteristics of a product support its ability to satisfy that need specified or defined. In defining product quality, there are five main experts in integrated quality management (Total Quality Management) who have different opinions, but have the same meaning. Below is the definition of the quality of the five Total Quality Management (TQM) experts (Nasution 2015):

#### **1. According to Juran (1998)**

Quality is the suitability of the use of the product (fitness for use) to meet customer needs and satisfaction. Compatibility the usage is based on the following five main characteristics:

- a. Technology, namely strength or endurance.
- b. Psychological, namely the image of taste or status.
- c. Time, namely reliability.
- d. Contractual, which is a guarantee.
- e. Ethics, namely courtesy, friendly and honest.

The suitability of the use of a product is if the product has long durability of use, enhances image or status of consumers who wear it, not easily damaged, there is a guarantee quality and ethically appropriate when used. Especially for services required service to customers who are friendly, polite and honest so you can please or satisfy a customer.

#### **2. According to Crosby (1979)**

Quality is conformance to requirements, namely in accordance with required or standardized. A product has quality when in accordance with predetermined quality standards. Standard quality includes raw materials, production processes and finished products.

3. According to Deming (1982)

Quality is conformity with market needs. If Juran defines quality as fitness for use and Crosby as conformance to requirement, then Deming defines quality as conformity with market or consumer needs. The company must really be able to understand what is needed consumers for a product to be produced.

4. According to Feigenbaum (1986)

Quality is full customer satisfaction (full customer satisfaction). A product is said to be of quality if it can give full satisfaction to consumers, namely in accordance with what consumers expect from a product.

5. According to Garvin (1988)

Quality is a dynamic condition related to products, people / labor, processes and tasks, and the environment meet or exceed customer or consumer expectations. Taste or consumer expectations on a product are always changing so product quality must also be changed or adjusted. With change in the quality of the product, change is required or improvement of workforce skills, changes in production processes and tasks, as well as changes to the company's environment so that the product can meet or exceed consumer expectations. Although there isn't a universally accepted definition of quality, however, from the five definitions of quality above have several similarities, as follows:

- a) Quality includes efforts to meet or exceed expectations customer.
- b) Quality includes products, human services, processes and the environment.
- c) Quality is a condition that is always changing (eg what that is considered a quality when it might be considered less quality in the future) (Nasution 2015)

## **2.2 Service Quality**

In order for a company's offer to reach the customers there is a need for services. These services depend on the type of product and it differs in the various organizations. Service can be defined in many ways depending on which area the term is being used. An author defines service as "any intangible act or performance that one party offers to another that does not result in the ownership of anything" (Kotler & Keller 2009). In all, service can also be defined as an intangible offer by one party to another in exchange of money for pleasure.

Quality is one of the things that customers look for in an offer, which service happens to be one (Solomon 2009). Quality can also be defined as the totality of features and characteristics of a product or services that bear on its ability to satisfy stated or implied needs (Kotler et al., 2002). It is evident that quality is also related to the value of an offer, which could evoke satisfaction or dissatisfaction on the part of the user.

According to Tjiptono (2016), the concept of quality is considered a measure of the perfection of a product or service consisting of design quality and conformance quality. Design quality is a specific function of a product or service, conformity quality is a measure of how much the level of conformity between a product or service and the requirements or quality specifications that have been previously set. Therefore what is meant by quality is if several factors can meet consumer expectations such as statements about quality by dynamic conditions related to products, services, human resources, processes, and the environment meet or exceed expectations ((Tjiptono 2016).

Service quality in the management and marketing literature is the extent to which customers' perceptions of service meet and/or exceed their expectations for example as defined by Zeithaml et al. (1990), cited in Bowen & David, 2005). Thus service quality can intend to be the way in which customers are served in an organization which could be good or poor. Parasuraman defines service quality as "the differences between customer expectations and perceptions of service" (Parasuraman, 1988). They argued that measuring service quality as the difference between perceived and expected service was a valid and could make

management to identify gaps to what they offer as services. The aim of providing quality services is to satisfy customers. way and could make management to identify gaps to what they offer as services. The aim of providing quality services is to satisfy customers.

Parasuraman et. al., (1985) quoted in Tjiptono (2016) succeeded in identifying five characteristic groups used by consumers in evaluating the quality of services or products as follows:

1. Tangibles, includes physical facilities, equipment, employees, and means of communication.
2. Reliability, includes the ability to provide promised services immediately and satisfactorily.
3. Responsiveness, includes the response or alertness of employees in helping customers and providing fast and responsive service.
4. Assurance, includes the ability of employees to: knowledge of the product appropriately, attention and politeness, skills in providing information, and instill customers trust in the company.
5. Emphaty, includes individual attention given by the company to customers such as the ease of contacting the company, the ability of employees to communicate well, and understand the needs of consumers.

According to Tjiptono (2016) there are some factors that should be considered to increase service quality as follows:

1. Identify the main determinants of service quality. Each service provider is obliged to deliver the best quality services to consumers. Several factors that become consumer assessments such as transaction security (payment using credit or debit cards), security, punctuality, and others. This effort was made to build consumer views on the quality of service that has been received. If there is a deficiency in some of these factors, it should be considered and improved. So that there will be a better assessment in the eyes of customers.
2. Manage customer expectations. Many companies try to attract customers' attention in various ways, one of which is to exaggerate the promise so that it becomes a "boomerang" for the company if it cannot fulfill what has been promised. Because the more promises that are given, the bigger the customer expectations. It's good to be wiser in "promises" to customers.
3. Manage evidence of service quality. This stewardship aims to strengthen customer assessment during and after services are delivered. In contrast to tangible products, where service is a performance, customers tend to pay attention to "what kind of service will be provided" and "what kind of service has been received". So that it can create a certain perception of service providers in the eyes of consumers.
4. Educate consumers about service. Efforts to educate service to consumers are aimed at realizing the process of delivering and consuming services effectively and efficiently. Customers will be able to make better purchasing decisions and understand their role in the service delivery process.

### **2.3 Customer satisfaction**

Companies need to understand the concept of value and the level of satisfaction that consumers expect. The value given to consumers is the difference between the total value of the benefits of the product minus the total costs incurred by consumers to get that product. In essence, consumers will choose products or services that provide a higher benefit value. Customer satisfaction is the main key of the marketing concept and marketing strategy. This means that the process taken by the company can vary according to the capabilities and characteristics of each company, but the final goal will still be focused on achieving customer satisfaction which in turn will increase sales of products or services and of course increase company profits.

Customer is the person who does the buying of the products and the consumer is the person who ultimately consumes the product (Solomon 2009). When a consumer/customer is happy with either the product or services it is termed satisfaction. Satisfaction can also be a person's feelings of pleasure or disappointment that results from comparing a product's perceived performance or outcome with their expectations (Kotler & Keller 2009). Customer satisfaction is defined by Tse & Wilton (1988) as "the customer's response to the evaluation of the perceived discrepancy between prior expectations and the actual performance of the product or service as perceived after its consumption", hence considering satisfaction as an overall post-

purchase evaluation by the customers” (Fornell 1992) Some authors stated that there is no specific definition of customer satisfaction, and after their studies of several definitions they defined customer satisfaction as “customer satisfaction is identified by a response (cognitive or affective) that pertains to a particular focus (i.e. a purchase experience and/or the associated product) and occurs at a certain time (i.e. post-purchase, post-consumption)” (Giese & Cote 2002). This definition is supported by some other authors, who think that consumer’s level of satisfaction is determined by his or her cumulative experience at the point of contact with the supplier (Sureshchander et al. 2002). Customer satisfaction has also been defined by Kotler et al (2002) as the extent to which a product’s perceived performance matches a buyer’s expectations. According to Schiffman & Kanuk (2004) Customer satisfaction is defined as “the individual’s perception of the performance of the products or services in relation to his or her expectations” (Schiffman & Kanuk 2004). The definition of satisfaction according to Oliver (2017) is “The consumer’s fulfillment response. It is a judgment that a product or service features, or the product or service itself, provided (or providing) a pleasurable level of consumption related fulfillment, including levels of under or over fulfillment.” Satisfaction is a customer's reaction to meeting their needs. This is a customer assessment of the characteristics of a product or service, or the product or service itself that is able to meet customer needs at a pleasing level, including meeting needs at the lower and upper levels.

Woodruff (2014) explain that customer satisfaction is:

1. Customer reactions to feelings about what he receives which is a comparison between the actual performance of a good or service with a standard performance.
2. Customer satisfaction shows a tendency to historical orientation, which is an adjustment made during or after the use or consumption of goods or services.
3. Customer satisfaction is an evaluation aimed at part of the company's goods or services.
4. Customer satisfaction provides a report for the company, how they are doing it or how they have done it with the value effort.

According to Kotler et al (2002) in determining the level of customer satisfaction, there are five main factors that must be considered by the company, include:

1. Product Quality. Consumers will be satisfied if the results of their evaluation show that the products they use are of high quality.
2. Service Quality. Especially for the service industry, consumers will feel satisfied if they get good or appropriate service.
3. Emotional. Consumers will feel proud and get confidence that other people will be amazed at him when using products with certain brands that tend to have a higher level of satisfaction.
4. Price. Products that have the same quality but set a relatively cheap price will give a higher value to consumers.
5. Costs. Consumers who do not need to incur additional costs or do not need to waste time getting a product or service tend to be satisfied with the product or service.

In creating satisfaction for its customers the company needs a good strategy in this case retail / retail business marketing. As stated by Kotler (2013), the most important company decisions that are directly related to the level of customer satisfaction include:

1. Product diversity (product assortment)
2. Service and shop atmosphere
3. Price
4. Promotion
5. Place / location.

Customer satisfaction is very important, because the company's sales come from two basic groups, namely new customers and old customers. It costs more to attract new customers than to retain existing customers. Because retaining customers is the most important, there are two ways to achieve it, as follows (Kotler 2013):

1. Make it difficult for buyers to change suppliers. Customers tend not to change suppliers, if the capital cost is high, the search costs are high, the discount as a customer is high.
2. By providing high customer satisfaction, it will be more difficult for competitors to break through barriers by offering lower prices or other incentives.

Various actions of dissatisfied customers according to Lovelock (2016) are as follows:

1. Do nothing.
2. Complained to the company
3. Take action through a third party (consumer advocacy groups, regulatory agencies or consumer affairs agencies, civil or criminal courts).
4. Switch suppliers and discourage others from using the original service company (through spreading negative opinion by word of mouth).

Several kinds of methods in measuring customer satisfaction are as follows (Kotler, 2013):

1. Complaints and suggestions system. Consumer-centered organizations provide broad opportunities for consumers to submit suggestions and complaints, for example by providing suggestion boxes, comment cards and customer hot lines.
2. Ghost shopping. One of the ways to get a picture of consumers is to employ several people to act or act as potential consumers of the company's products and competitors. Then they report the strengths and weaknesses of the company's and competitors' products based on their experience in purchasing these products.
3. Lost customer analysis. Companies should contact consumers who have stopped buying or who have moved suppliers in order to understand why this is happening and take further remedial policies.
4. Customer satisfaction survey. Through a survey, companies will get feedback and feedback. Directly from consumers and also provide positive signs (signals) that the company pays attention to its consumers.

#### **2.4 Customer satisfaction and service quality**

Since customer satisfaction has been considered to be based on the customer's experience on a particular service encounter, (Cronin & Taylor 1992) it is in line with the fact that service quality is a determinant of customer satisfaction, because service quality comes from outcome of the services from service providers in organizations.

Another author stated in his theory that "definitions of consumer satisfaction relate to a specific transaction (the difference between predicted service and perceived service) in contrast with 'attitudes', which are more enduring and less situational-oriented," (Lewis 1993). This is in line with the idea of Zeithaml et al (1990). Regarding the relationship between customer satisfaction and service quality, Oliver (2017) first suggested that service quality would be antecedent to customer satisfaction regardless of whether these constructs were cumulative or transaction-specific. Some researchers have found empirical supports for the view of the point mentioned above (Anderson & Sullivan, 1993; Fornell et al 1996); where customer satisfaction came as a result of service quality.

This aims of this study is to examine the relationship between the factors of service quality containing of tangible, reability, responsiveness, assurance, empathy as follows:

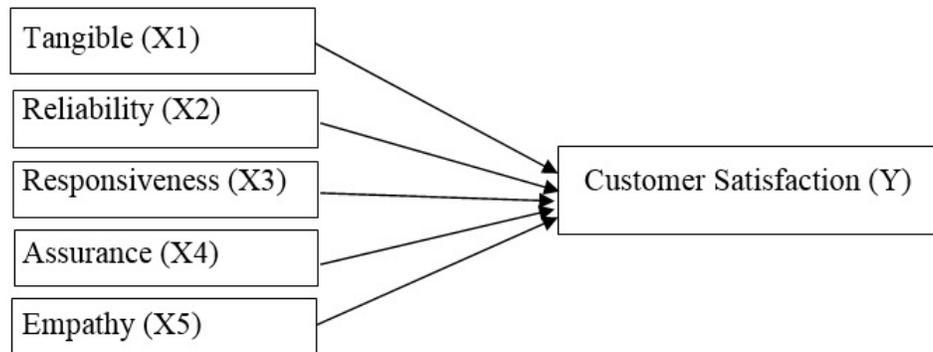


Figure 1. The Research Model

Figure 1 above shows the research model about the influence of service quality consisting of tangible, reliable, responsiveness, assurance and empathy on customer satisfaction.

### 2.5 Hypothesis

Form the explanations above then the hypotheses can be drawn as follows:

H1: service quality influences customer satisfaction, simultaneously and partially.

H2: the tangibles service quality variable has a more dominant influence on customer satisfaction.

### 3. Methods

#### 3.1 Population and sample

According to Arikunto (2006) "Population is the whole subject of research." The population of this study is the customer of shoe raw materials in the city of Sidoarjo, Indonesia, amounting to 140 customers, using the Isaac Michael approach with a significance level of 5%, there are 100 respondents. The sample selection method used in this study is simple random sampling, which is to choose samples randomly (Nur Indrianto 2002). The sampling technique uses simple random sampling, which is a simple random sample selection method that provides equal opportunity. Data collection techniques using questionnaires with 5 choices, ranging from 1 (strongly disagree) to 5 (strongly agree).

#### 3.2 Data analysis

The data analysis method used in this study is Multiple Linear Regression with software of Statistical Package for the Social Sciences (SPSS) for window. Multiple linear regression analysis is the analysis of the dependent variable with factors that affect more than one independent variable. The general form of multiple regression equations is as follows:

$$Y = \alpha_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \beta_5 X_5 + e$$

Where:

Y: Customer satisfaction

$\alpha_0$ : Constants

$\beta$ : Partial regression coefficient

X1: tangibles

X2: reliability

X3: responsiveness

X4: assurance

X5: empathy

#### 4. Result and Discussion

Table 1 : Regression Analysis  
 Coefficients<sup>a</sup>

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	2.047	.311		6.583	.000
	Tangible	.441	.099	.394	4.473	.000
	Reliability	.113	.055	.088	2.053	.043
	Responsiveness	.191	.062	.178	3.083	.003
	Assurance	.229	.048	.214	4.718	.000
	Empathy	.235	.044	.211	5.352	.000

Dependent variable : customer satisfaction

Table 1 above shows the results of testing the regression coefficient with t-count obtained the value of tangibles t-count of 4.473 (X1) > 1.661, reliability (X2) 2.053 > 1.661, responsiveness (X3) 3.083 > 1.661, assurance (X4) 4.718 > 1.666, and empathy (X5) 5,352 > 1,661. Thus tangibles, reliability, responsiveness, assurance, and empathy variables significantly influence the variable customer satisfaction.

Table 2: Test Results for Regression Coefficients with F Test (simultaneous)

#### ANOVA

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	329,156	5	65,831	461,654	.000
	Residual	13,404	94	.143		
	Total	342,560	99			

Table 2 above shows the results of calculations using SPSS seen in table 2, the magnitude of F count is 461,654 while the value of F table is used at a significant level of 5% with df:  $n - k - 1 = 100 - 5 - 1 = 94$ , so the result of F table is 3.942. Thus F count: 461,654 > F table: 3,942. Thus, tangibles, reliability, responsiveness, assurance, and empathy can be drawn together can influence the variable of customer satisfaction.

#### 5. Conclusion

From all the regression coefficient testing the results of calculations using SPSS seen in table 2, the magnitude of F count is 461,654 while the value of F table is used at a significant level of 5% with df:  $n - k - 1 = 100 - 5 - 1 = 94$ , so the result of F table is 3.942. Thus F count: 461,654 > F table: 3,942, it was obtained a conclusion that service quality has a simultaneously effect on customer satisfaction on shoes raw materials industry. From the results of testing the regression coefficient with t-count obtained the value of tangibles t-count of 4.473 (X1) > 1.661, reliability (X2) 2.053 > 1.661, responsiveness (X3) 3.083 > 1.661, assurance (X4) 4.718 > 11.666, and empathy (X5) 5,352 > 1,661. Thus, service quality has a partial effect on customer satisfaction on shoes raw materials industry. Empathy has more dominant effect on customer satisfaction on shoes raw materials industry because empathy has the biggest partial number. Empathy is at 5.352 compared to other service quality, tangibles 4.473; reliability 2,053; responsiveness 3,083; and assurance 4,718.

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