

GOING BEYOND CORPORATE SOCIAL RESPONSIBILITY: THE CRITICAL FACTORS OF CORPORATE SOCIAL INNOVATION—AN EMPIRICAL STUDY¹

Dwi Astuti Ningsih dan Wakhid Slamet Ciptono²

ABSTRACT

Corporations are continually looking for new sources of innovation. Innovation is a new way of doing things that is commercialized. The process of innovation cannot be separated from a firm's strategic and competitive context. Today several leading companies are beginning to find inspiration in an unexpected place: the social sector. That includes natural disaster recovery programs, welfare-to-work programs, and public education development program. Indeed, a new paradigm for innovation is emerging: a partnership between private enterprise and public interest that produces profitable and sustainable change for both sides—successful private-public partnerships or corporate social innovation.

The development of strategic innovation through corporate social innovation has grown in importance in recent years. This study examines the critical factors which facilitate the corporate social innovation for developing strategic innovation in banking organizations. The factor analysis of data emphasizes the importance of external innovation aspects, internal

innovation aspects, accountability innovation, and citizenship innovation in strategic innovation initiatives; and offers support to the growing literature arguing for a greater consideration of the human dimension in corporate social innovation implementation program. It is proposed that further research needs to be carried out to examine managerial attitudes towards the implementation process of corporate social innovation and to assess some of the practical issues involved in developing strategic innovation in banking organizations.

Keywords: *corporate social innovation, corporate social responsibility, strategic innovation.*

INTRODUCTION

On Saturday, 27 May 2006 at 05.53.58, an earthquake rated 6.2 on the Richter scale struck in the Jogjakarta Special District and nearby areas of Central Java. The quake claimed over six thousand lives and devastated many areas of the two provinces. Heavy damage was sustained by public facilities and infrastructure, caus-

¹ This article was presented on the 2nd Indonesian Business Management Conference—"Mastering Innovation for Corporate Growth" held by Prasetiya Mulya Business School, Jakarta: January 30, 2007.

² Dwi Astuti Ningsih, SE., MM., adalah alumni Magister Manajemen Universitas Gadjah Mada. Drs. Wakhid Slamet Ciptono, MBA., MPM., adalah Dosen Tetap Fakultas Ekonomi UGM, *Ph.D. Candidate* of Faculty of Business and Accountancy University of Malaya Kuala Lumpur, Malaysia and Faculty of Economics, Gadjah Mada University Yogyakarta, Indonesia

ing severe impact on the local economy and tourism industry. Residents on the slopes of Merapi Mountain, who also felt the quake, believed that the earthquake was connected with the activity of the volcano, which was in “alert” status at the time. This, however, was not the case; this was not a volcanic earthquake, but a tectonic one, centered in the Oya River. The massive quake created panic among residents, who feared that a tsunami might follow, as occurred last year in Aceh. Luckily, no tsunami ensued (The Magazine of Garuda Indonesia, 2006).

This tectonic earthquake in Jogjakarta was the second recent major natural disaster to strike the country, after the major earthquake and enormous tsunami that struck at the end of 2004. Trauma and misery continue to haunt Jogjakarta’s residents. Repeated aftershocks have added to their panic and depression. Merapi Mountain’s volcanic activity also resumed on 8 June 2006, with continuous and increasing large-scale emissions of scalding steam and toxic gases.

Natural disasters in Indonesia (including tsunami in Pangandaran Beach, West Java Province) attract much sympathetic attention, both domestically and internationally. As part of their Corporate Social Responsibility (CSR) programs, many state-owned and private companies in Indonesia (including Bank Rakyat Indonesia or Bank BRI as a retail banking institution) delivered donations from their companies in the form of cash, medicines, foodstuffs, milk, tents, blankets, and clothing, which were given directly to the victims. In connection with the earthquake, Bank BRI also opened a “Bank BRI Cares” command post at its Branch Offices in Jogjakarta Special Province to assist its customers and employees whose homes were damaged by the quake. These facts determine what are arguably the most distinctive feature of the current focus on and attitudes towards CSR—the demonstration by businesses of a responsiveness to societal and environmental concerns. Now more than ever before, CSR is developing along practical lines with crucial implications for the strategies and performance of firms as well as for industry structure (Decker, 2004).

Decker (2004) stated that businesses see CSR, somewhat paradoxically, as a source of business risk as well as a source of business opportunity. If not properly managed, CSR could have a direct negative impact on a business. Alternatively, CSR could yield benefits

when appropriate mechanisms are put in place for CSR management. There is broad consensus among financial and non-financial firms that CSR is of strategic importance to ensure long-term business success. Kanter (1995) found a number of companies that are breaking the mold—they are moving beyond corporate social responsibility (CSR) to corporate social innovation (CSI). These companies are viewing community needs as opportunities to develop ideas and demonstrate business technologies, find and serve new markets; and solve long-standing business problems. They focus on inventing sophisticated solutions through a hands-on approach. This is not charity; it is R&D, a business investment for strategic innovation. Indeed, CSI is emerging—a partnership between private enterprise and public interest that produces profitable and sustainable change for both sides.

This paper examines the developing strategic innovation through corporate social innovation (CSI) program of retail banking institution (Bank BRI Jogjakarta) in the marketplace, which is where the industry perceives CSI issues present the most significant and unique challenges. The Bank BRI specializes in providing services to individuals and small-medium businesses. These services include money transmission, payments, savings, lending, and investments. The structure of the paper is as follows: The next section examines how the concept of CSI relates to the Bank BRI, considering how the defining characteristics of the Bank BRI gives rise to areas of societal concern. This is followed by an outline of a conceptual framework. The penultimate section considers the cause and approaches of the operating environment and business practice that development of strategic innovation through CSI in Bank BRI is likely to affect. It is also outlines the implications of these for evolutionary trends in the Banking industry. The final section concludes.

THE CSI OF BANK BRI AND BANKING SERVICES

Investment in CSR promotes product differentiation at the product and firm levels (McWilliams and Siegel, 2000). Some firms (e.g. Bank BRI as a state-owned bank) produce goods or services with attributes or characteristics that signal to the consumer that the company is concerned about certain social and environmental

issues. Bank BRI has tried to establish a socially responsible corporate image. Both of these strategies will encourage consumers to believe that, by consuming the product, they are directly or indirectly supporting a cause. These strategies (strategic innovation) are effective with those consumers who wish to champion firms that devote resources to CSR (consumer-oriented CSR). Consumer-oriented CSR may also involve intangible attributes such as a reputation for service quality or reliability. The service process occurs simultaneously as the consumption of the service and cannot be separated from the consumption of the service itself. As a result of the degree of simultaneity or inseparability between the production and consumption of services, services tend to be place dependent—proximity to the society (Decker, 2004).

As banking services are intangible and cannot be sampled before purchase, Decker (2004) argues that image and trustworthiness of the suppliers are important for demand. In addition the banks have an inherent social responsibility to “know the customer” (Decker, 2004). The characteristics of banking services highlight the important of trust, customer knowledge, and prudent management of funds, proximity and accessibility as responsibilities that banks have in the marketplace. The banking industry provides society with tools for managing, saving, and investing money (Decker, 2004).

THE CONCEPTUAL FRAMEWORK OF CSI

The last twenty years (1986-2006) have seen a radical change in the private sector’s relationship both with the government and civil society. Globalization, regionalization, reformation, privatization, and a redrawing of the lines between government and business have changed the basis on which private enterprises are expected to contribute to the public good. Meanwhile, the relationship between companies and civil society has moved on from paternalistic philanthropy to a re-examination of the roles, rights, and responsibilities of business society (UNIDO, 2002).

The dynamics combined with the macro changes have led to the emergence of a new approach to Corporate Social Responsibility (CSR), with companies recognizing that improving their own impacts and addressing wider social and environmental problems

will be crucial in securing their long-term success. Increasingly, high profile companies are implementing CSR processes such as public commitment to standards, community investment, continuous improvement and innovation, stakeholder engagement and corporate reporting on social and environmental performance.

As CSR has developed and become more mainstream, leadership companies have become more ambitious in their approach to each of these dimensions; the focus of external aspects, internal aspects, accountability, and citizenship. At each dimension the restrictions and contradictions imposed by a limited approach to CSR has led them to become more ambitious in tackling issues in a more strategic and integrated way (i.e. strategic innovation through corporate social innovation). In addition, CSR is needed in order to make a significant contribution to addressing poverty, exclusion and environmental degradation. This will go beyond CSR to corporate social innovation (CSI). CSI is emerging a partnership between private (business) companies and public interest that produces profitable and sustainability—what companies must do to create a sustainable society (achieving sustainability through profitable and sustainable change for both sides? Figure 1 shows the conceptual research framework. There are four causes should be considered by the policy makers in order to develop four approaches of CSR/CSI—corporate scandals, transforming the company-centered, limits of global capacity, and fear, conflict and pressure.

Table 1 identified four elements of CSR/CSI and 20 items of CSR/CSI which were used in this study. These elements were developed by Welford (2003) in his study of corporate social responsibility in Europe and Asia: critical elements and best practice.

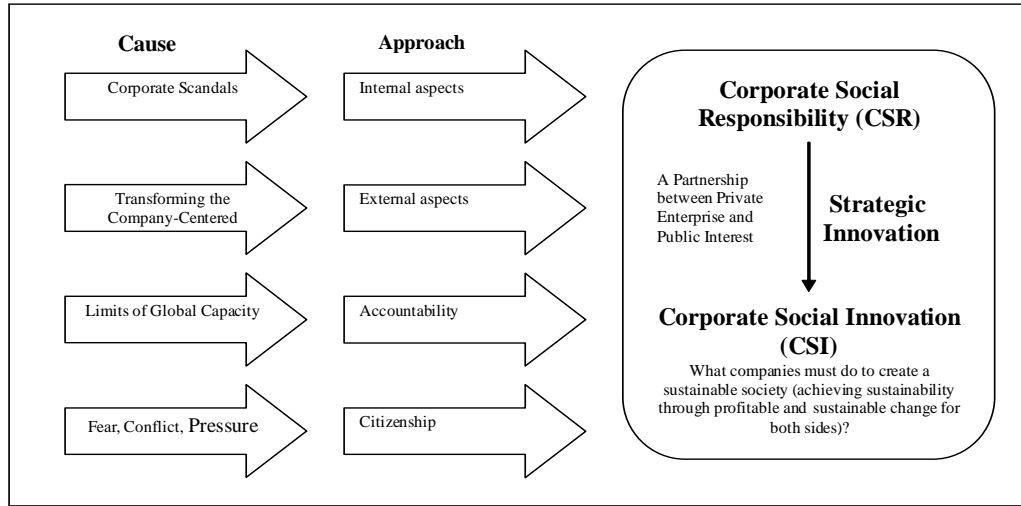


Figure 1
Four Approaches of Corporate Social Innovation
 Source: Kawamura, 2005, p. 8 and Kanter, 1999.

Table 1
Element of Corporate Social Responsibility and Corporate Social Innovation

Element of CSR and CSI		Source of Guidance
Internal Aspects		
1	Written policies on non-discrimination in the workplace	UN Universal Declaration of Human Right, 1948
2	Equal Opportunities statements and implementation plans	ILO Convention 100, 110, and 111
3	Statement on normal working hours, maximum overtime and fair wage structures	ILO Conventions 1, 30, and 47
4	Staff development, in-house education and vocational training	UNESCO Project on Technical and Vocational Education (UNIVOC)
5	The right of freedom of association, collective bargaining and complaints procedures	ILO Convention 98
6	The protection of human rights within the company's own operations	UN Global Compact
External Aspects		
7	Policy on labor standards adopted by suppliers in developing countries	ILO International Labor Standards Convention, 144
8	Policy on restrictions on the use of child labor by suppliers	International Program on the Elimination of Child Labor (IPEC)
9	commitment to the protection of human right in the company's sphere of influence	UN Global Compact
10	Inspection of suppliers' facilities for health, safety, and environmental aspects	ILO Working Environment Convention, 148

11	Commitment to local community protection and engagement	UNESCO World Heritage Initiative
12	Policy on responding to stakeholders including procedures for the resolution of complaints	Industry best practice
13	Policies on fair trade, equitable trade and price auditing	Ethical Trading Initiative
14	Policies on the protection of indigenous populations and their rights	ILO Indigenous and Tribal Populations Convention, 169
15	Code of ethics (including bribery and corruption)	Transparency International
Accountability		
16	Commitment to reporting on corporate social responsibility and/or sustainable development	Global Reporting Initiative
17	Policies and procedures for engaging a wide range of stakeholders in two-way dialogue	Industry best practice, AA 1000 standard
Citizenship		
18	Direct support for third party social and sustainable development related initiatives	Industry best practice
19	Educational program for the promotion of corporate citizenship	Industry best practice
20	External campaign program for raising social and sustainable development issues	Activities of 'leading edge' companies

Source: Welford, 2003, p. 24.

METHODOLOGY

According to Yin (2003), there are three conditions that determine the applicability of certain research strategies. The three conditions consist of (1) the type of research question posed, (2) the extent of control an investigator has over actual behavioral events, and (3) the degree of focus on contemporary as opposed to historical events. Yin suggests that various strategies are not mutually exclusive, but that certain situations exist in which a specific strategy has a distinct advantage. For the case study approach (i.e. a single industry and/or multiple case study) to have a distinct advantage, a "how" and "why" questions (an explanatory research approach) should be asked about a contemporary set of events over which the investigator has little or no control. Smith and Reece (1999) used this criterion in their article of the relationship of strategy, fit, productivity, and business performance in a service setting.

The particulars of this study, in terms of the condition suggested by Yin (2003) and implemented

by Smith and Reece (1999), strongly suggest the case study (a single industry and/or multiple case studies) as the most appropriate research methodology. A single industry was chosen for the study because the restriction permitted the control of several potential confounding variables that often differ between industries, including the scope and complexity of innovation (CSR) issues (Curkovic *et al.*, 2000). The most important contribution of the present investigation (factor analysis) is in the analysis of a sample of banking institution (Bank BRI) at the management level from the banking industry (a single industry). The advantage of concentrating on a single industry is that the factor analysis of the twenty dimensions of CSR-CSI can be more complete because unique characteristics of the industry can be included (Simpson and Kohers, 2002).

Empirical data for the cross-sectional study was collected from Bank BRI's branch offices in Jogjakarta. Yin (2003) lists six sources of evidence that can be the focus of data collection for case studies. These sources are documentation, archival records, interviews, direct observations, participant observation, and physical

artifacts. Three of these sources are used in this study. Structured interviews of a majority of the managers at each Bank BRI's branch office are used for the twenty dimensions of CSR-CSI. Archival records in the form of operating reports are used for all twenty dimensions. Finally, direct observation is used for the practices of the CSR-CSI dimensions, primarily to corroborate and validate the findings from the structured interviews. The use of multiple informants (the three level of management—top, middle, and low) helps with both the validity and reliability of the study. In addition, a database containing the various field notes, documents, and narratives collected over the course of the study was maintained to improve reliability (Smith & Reece, 1999).

The structured interviews (the questionnaire development) were based on a previous assessing study (Welford, 2003). The questionnaire asked the managers at the Bank BRI's branch office to respond to a set of twenty dimensions of CSR-CSI, synthesized from Welford's study of the establishments on a five-point interval scale (1 = not at all true; 2 = slightly true; 3 = somewhat true; 4 = mostly true; and 5 = completely true). The researcher borrowed the original version of the questionnaires (in English) from the previous studies and then translated it into Indonesian language using the back-translation method, so nothing any discrepancies (Brislin, 1986). During the translation process, the wording of some items adapted to achieve a meaning in Indonesian language closer to the original meaning in English. All negatively worded items were reworded into a positive form. Participants answered using a five-point Likert-type scale ranging from not at all true to completely true. The second version of the questionnaire in Indonesian language was used in the survey. Reliability and convergent validity assessment were performed after the survey has been accomplished by examining item-to-total correlation and employing confirmatory factor analysis, where several items were dropped for further analysis.

A total of 90 individual usable questionnaires were returned thus qualified for analysis, representing an effective response rate of 45 percent. Of these, 12 were from high level managers, 36 from middle level managers, and 42 from low level managers.

RESULTS AND DISCUSSION

The results of the survey on CSR-CSI elements are summarized in Table 2. This Table outlines the means and standard deviations for the individual element of CSR-CSI in the scale and for the overall scale. The average scores of 20 elements of CSR-CSI range from 3.32 for element 20 (Q20) to 4.44 for element 1 (Q1). Element 5 (Q5) has the largest standard deviation, at 0.906. Issue on which the score is relatively low is item 5. It would be seem that many of the respondents do not recommend that element 5 does not important to develop strategic innovation through corporate social innovation (CSI) program.

Table 2
Descriptive Statistic

	N	Mean	Std. Deviation
Q1	90	4.44	0.583
Q2	90	4.14	0.855
Q3	90	4.38	0.646
Q4	90	4.20	0.706
Q5	90	3.86	0.906
Q6	90	4.23	0.637
Q7	90	4.06	0.606
Q8	90	3.84	0.886
Q9	90	3.99	0.571
Q10	90	3.97	0.741
Q11	90	4.08	0.622
Q12	90	3.99	0.711
Q13	90	3.91	0.856
Q14	90	3.78	0.614
Q15	90	3.98	0.653
Q16	90	3.99	0.742
Q17	90	3.91	0.697
Q18	90	3.96	0.702
Q19	90	3.47	0.810
Q20	90	3.32	0.832
Valid N (Listwise)	90		

Source: Ningsih, 2006.

Instrument Reliability

In determining the reliability of the multi-item scale, item to total correlations and coefficient alpha (Cronbach, 1951) were calculated. The results of the reliability analysis for the importance and performance of 20 CSR-CSI dimensions (20 elements) are outlined in Table 3. The scale purification was carried out because elements number 2,5,14, and 18 with item-total correlations of lower than 0.50. These elements were eliminated. The eliminations were improving the standardize item alpha from 0.8992 (Table 3) to 0.9047 (Table 4), reliabilities of 0.70 or higher will suffice. These confirm the reliability of the 16 elements of CSR-CSI for Bank BRI Jogjakarta.

Table 3
Reliability Analysis –Scale (Alpha)—20 Elements of CSR-CSI

	Scale Mean if Item Deleted	Scale Variance if Item Deleted	Corrected Item-Total Correlation	Alpha if Item Deleted
Q1	75.0444	66.9868	0.5282	0.8947
Q2	75.3444	68.1834	0.2442 (d eleted)	0.9036
Q3	74.1111	66.2797	0.5387	0.8942
Q4	75.2889	65.8257	0.5270	0.8944
Q5	75.6333	65.2910	0.4268 (d eleted)	0.8983
Q6	75.2556	66.3722	0.5384	0.8942
Q7	75.4333	65.7539	0.6349	0.8921
Q8	75.6444	63.6924	0.5580	0.8937
Q9	75.5000	65.5337	0.7041	0.8909
Q10	75.5222	63.8703	0.6706	0.8903
Q11	75.4111	66.1774	0.5730	0.8935
Q12	75.5000	64.0281	0.6883	0.8900
Q13	75.5778	63.6849	0.5813	0.8929
Q14	7.7111	69.3988	0.2531 (d eleted)	0.9008
Q15	75.5111	64.7695	0.6820	0.8906
Q16	75.5000	65.3764	0.5366	0.8941
Q17	75.5778	65.8197	0.5354	0.8942
Q18	75.5333	67.0831	0.4267 (d eleted)	0.8973
Q19	76.0222	64.4265	0.5600	0.8935
Q20	76.1667	64.5674	0.5312	0.8944

Reliability Coefficients

N of Cases = 90

N of Items = 20

Alpha = **0.8992**

Source: Ningsih, 2006.

Table 4
Reliability Analysis –Scale (Alpha)—16 Elements of CSR-CSI

	Scale Mean if Item Deleted	Scale Variance if Item Deleted	Corrected Item-Total Correlation	Alpha if Item Deleted
Q1	59.3111	49.0707	0.5052	0.9014
Q3	59.3778	48.5523	0.5070	0.9013
Q4	59.5556	47.8901	0.5264	0.9008
Q6	59.5222	48.5894	0.5113	0.9012
Q7	59.7000	47.6955	0.6533	0.8971
Q8	59.9111	45.7448	0.5847	0.8994
Q9	59.7667	47.5517	0.7188	0.8956
Q10	59.7889	45.9212	0.7032	0.8946
Q11	59.6778	48.0411	0.5921	0.8988
Q12	59.7667	46.4955	0.6739	0.8958
Q13	59.8444	45.7733	0.6064	0.8984
Q15	59.7778	46.9164	0.6922	0.8956
Q16	59.7667	47.7315	0.5124	0.9013
Q17	59.8444	48.0205	0.5202	0.9009
Q19	60.2889	46.5898	0.5687	0.8996
Q20	60.4333	47.0348	0.5087	0.9021

Reliability Coefficients

N of Cases = 90 N of Items = 16

Alpha = **0.9047**

Source: Ningsih, 2006.

Factor Analysis

In order to apply the factor analysis approach a number of issues had to be addressed. Firstly, the appropriateness of data for factor analysis was examined using Bartlett’s test of Sphericity. The test result for sphericity was large at 772.311 with a corresponding small level of associated significance 0.000. Second, the Kaiser-Meyer Olkin (KMO) measures of sampling adequacy were also employed to measure the strength of the relationship among 20 elements of CSR-CSI. The test result at 0.819 can be classed as meritorious and provides further justification for using factor analysis.

Factor Loadings

Table 5 presents the total variance explained. It shows the factors and their associated eigenvalues, the percentage of variance explained and the cumulative percentages. The study found that there are four factors. These four factors accounted for 68.105 per cent of the total variance.

Table 5
Total Variance Explained

Component	Initial Eigenvalues			Extraction Sums of Squared Loadings			Rotation Sums of Squared Loadings		
	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
1	6.820	42.623	42.623	6.820	42.623	42.623	4.457	27.859	27.859
2	1.691	10.569	53.191	1.691	10.569	53.191	2.583	16.141	44.000
3	1.363	8.520	61.711	1.363	8.520	61.711	2.007	12.546	56.546
4	1.023	6.394	68.105	1.023	6.394	68.105	1.849	11.559	68.105
5	0.866	5.410	73.515						
6	0.689	4.306	77.822						
7	0.664	4.149	81.970						
8	0.539	3.369	85.340						
9	0.456	2.850	88.189						
10	0.415	2.595	90.785						
11	0.395	2.470	93.255						
12	0.337	2.106	95.361						
13	0.262	1.636	96.997						
14	0.183	1.141	98.138						
15	0.173	1.084	99.222						
16	0.124	0.778	100.000						

Extraction Method: Principal Component Analysis

Source: Ningsih, 2006.

Table 6 shows four groups of CSR-CSI elements. The first group has eight significant loadings, the second group has four, the third group has two, and the fourth group has two. To ensure that only very significant loadings are considered, the variables for a factor selected only when the absolute size of their factor loading is above 0.60. For the first group, the researchers identified one group of eight elements of CSR-CSI as External Aspects of Innovation. For the second group, which have four elements can be assigned as Internal Aspects of Innovation. For the third group, which have two elements can be assigned as Accountability. For the fourth group, which have two elements can be assigned as Citizenships.

Table 6
Rotated Component Matrix^a

	Component			
	1	2	3	4
Q1	0.351	0.559	0.256	-0.272
Q3	0.158	0.563	0.262	0.128
Q4	0.143	0.742	0.002	0.380
Q6	0.244	0.768	0.022	0.083
Q7	0.740	0.141	0.298	0.015
Q8	0.828	0.023	-0.027	0.150
Q9	0.750	0.313	0.133	0.108
Q10	0.726	0.177	0.174	0.256
Q11	0.510	0.378	0.095	0.221
Q12	0.595	0.301	0.358	0.117
Q13	0.737	0.240	-0.090	0.147
Q15	0.765	0.190	0.248	0.053
Q16	0.123	0.221	0.847	0.199
Q17	0.198	0.067	0.826	0.275
Q19	0.283	0.140	0.246	0.790
Q20	0.169	0.139	0.262	0.826
Critical Factors of CSI	External Aspects	Internal Aspects	Accountability	Citizenships

Extraction Method: Principal Component Analysis
 Rotation Method: Varimax with Kaiser Normalization
 a. Rotation Converged in 6 Iterations
 Source: Ningsih, 2006.

CONCLUSION

The empirical analysis found that there are four critical factors of corporate social innovation— **External Aspects, Internal Aspects, Accountability, and Citizenships**. Empirical data for this study (a cross-sectional study) were collected from 90 respondent’s managers in the Bank BRI Jogjakarta. The survey indicates that these four factors accounted for 68.105 per cent of the total variance. This investigation is believed to make a contribution to the strategic innovation by providing empirical evidence from a single Bank that has a set of unique characteristics that offer additional insights.

The Bank BRI Jogjakarta must continue to evolve and learn with perseverance four elements CSI, especially related to the real-time strategic innovation. Presentation of these results on the four elements of

CSI facilitates management interpretation of the information and increases their usefulness in making strategic innovation decisions. Its results show that decision makers of Bank BRI in Jogjakarta can gain considerably from articulating and adapting a comprehensive (corporate) strategy for their innovation activities. The gains that materialize from such a strategy can enhance a company’s growth and value—economic value-added (EVA) and market value-added (MVA).

Corporate social innovation is a comprehensive management system (an integrative approach) for achieving continuous society improvement in stakeholder satisfaction. Corporate social innovation is not one-short deal, but rather a commitment for the life of the organization. For it to be successful there must be strong visionary leadership which earnestly believes in the company’s development program, and more important, its society involvement and empowerment.

A bank service must translate customer (client) requirements into objectives for operations of corporate social innovation known as competitive priorities. Common competitive priorities include low cost, quality, delivery, and flexibility (Ward *et al.*, 1998). It has been widely accepted that competitive priorities in service-manufacturing can be expressed by at least four basic factors: cost, quality, delivery, and flexibility (Fine and Hax, 1985; Hayes and Wheelwright, 1984 in Zhao *et al.*, 2002: p. 287). With the severe competition in the global marketplace, product (goods and services) life cycle is becoming increasingly shorter; so a fifth factor, innovativeness, is now a critical factor in determining the success of a company (Leong *et al.*, 1990). It is commonly known that the first innovative product available in the marketplace can usually be sold at a higher profit margin (Zhao *et al.*, 2002).

It is important to note that the first potential limitation of this study stems from the use of a cross sectional analysis. Cross sectional analysis only give us portrayed at a particular point of time. The researcher can not examine the dynamic nature of trade-off which is changing over time (Silveira and Slack, 2001). In addition the researcher encourages thinking about whether the link between quality factors and customer satisfaction vary over time, either because other time the sustainable community developments are theoretically important or because this link is unstable for some reason. Next research should be conducted longitudinally to observe the progress of the development of strategic innovation through corporate social innovation program.

REFERENCES

- Brislin, R.W. (1986). *The Wording and Translation of Research Instruments*. In W.J. Lonner & J.W. Berry (Eds.), *Field Methods in Cross-Cultural Research*. Beverly Hills, CA: Sage.
- Bryman, A., & Cramer, D. (1997). *Quantitative Data Analysis with SPSS for Windows: A Guide for Social Scientists*. Rutledge, New Fetter Lane, London.
- Bryman, A., & Bell, E. (2003). *Business Research Methods*. Oxford University Press, Inc., New York.
- Budiman A., Prasetijo, A., & Rudito B. (2004). *Corporate Social Responsibility, ISCD*, Jakarta.
- Cronbach, I.J. (September, 1951). Coefficient Alpha and the Internal Structure of Tests. *Psychometrika*, 16(3), 297-333.
- Curkovic, S., Melnyk, S., Calantone, R. & Handfield, R. (2000). Validating the Malcolm Baldrige National Quality Award Framework through Structural Equation Modelling. *International Journal of Production Research*. 38 (4), 765-791.
- Decker, O.S. (2004). Corporate Social Responsibility and Structural Change in Financial Services. *Managerial Auditing Journal*, 19 (6), 712-728.
- Fine, C.H. and Hax, A.C. (1985). Manufacturing strategy: a methodology and an illustration, *Interfaces*, Vol. 15 (6); pp. 28-46.
- Hayes, R.H., and Wheelwright, S.C. (1984). *Restoring our competitive edge: Competing through manufacturing*, New York: John Wiley & Sons.
- Kanter, R.M. (1995). *World-class: Thriving Locally in the Global Economy*. New York, N.Y: Simon and Schuster.
- Kawamura, M. (2005). The Evolution of Corporate Social Responsibility in Japan (Part 2)—How CSR “Swells” Have Impacted Corporate Values. *NLI Research*: 1-9.
- Kotler, P., & Lee, N. (2005). *Corporate Social Responsibility: Doing the Most Good for Your Company and Your Case*, Hoboken, New Jersey, John Wiley & Sons, Inc.
- Leong, G.K., Snyder, D.L., and Ward, P.T. (1990). Research in the process and content of manufacturing strategy, *OMEGA*, Vol. 18 (2); pp. 109-122.

- McWilliams, A., & Siegel, D. (2000). Corporate Social Responsibility and Financial Performance: Correlation or Misspecification? *Strategic Management Journal*, 21, 603-609.
- Ningsih, D.A. (2006). Implementation Analysis of Corporate Social Responsibility in Bank BRI Jogjakarta. *MM Thesis*. Gadjah Mada University, Jogjakarta.
- Schilling, M.A. (2005). *Strategic Management of Technological Innovation*. New York: McGraw-Hill.
- Sekaran, U. (2000). *Research Methods for Business: A Skill-Building Approach*. 3rd edition. USA: John Wiley & Sons, Inc.
- Silveira, G.D., and Slack, N. (2001). Exploring the Trade-Off Concept, *International Journal of Operation and Production Management*, 21 (7): 919-964.
- Simpson, W.G., and Kohers, T. (2002, January). The Link between Corporate Social and Financial Performance: Evidence From the Banking Industry. *Journal of Business Ethics*. 2 (2), 97-109.
- Smith, T.M. & Reece, J.S. (1999). The Relationship of Strategy, Fit, Productivity, and Business Performance in a Service Setting. *Journal of Operations Management*. 17, 145-161.
- The Magazine of Garuda Indonesia. (August, 2006). Tackling Independence's Unfinished Project, 30-33.
- Tidd, J., Bessant, J., and Pavitt, K. (2005). *Managing Innovation: Integrating Technological, Market and Organizational Change*. 3rd Edition. The Atrium, Southern Gate, Chichester, England: John Wiley and Sons.
- United Nations Industrial Development Organization (UNIDO). (2002). Corporate Social Responsibility: Implication for Small and Medium Enterprises in Developing Countries, Vienna, 1-67.
- Welford, R. (2003). Corporate Social Responsibility in Europe and Asia: Critical Elements and Best Practice, *Corporate Environmental Governance Programme*, 1-9.
- Yin, R.K. (2003). *Case Study Research: Design and Method*. Thousand Oaks, California, Sage Publications, Inc.
- Zhao, X., Yeung, J.H.Y., and Zhou, Q. (2002). Competitive priorities of enterprises in mainland China, *Total Quality Management*, Vol. 13 (3); pp. 285-300.