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THE ROLE OF SPIRITUAL CAPITAL AND RESONANCE OF ETHICS REPUTATION TO PROMOTE INNOVATION IMPROVING FIRM PERFORMANCE

An Empirical Modelling Framework in Creative Industry

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Abstract

This study examines the develop concepts and empirical model of the innovation strategy. How the innovation could be improving the firm performance. This model, expected, can be resolve the controversy associated with the firm's overall performance. The difference with previous studies, the relationship of innovation strategies to financial performance that results are never consistent. In this study, not only to see a strategy of innovation and firm performance, but also assess the extent to which the innovation strategies can provide a positive value for the stakeholders. This is motivated by a number of companies that put more emphasis on financial performance for the benefit of shareholders, with many ignoring the other stakeholders, as evidenced by the many innovative strategies that impact financial performance but instead have a negative impact on the performance of social well-being of employees, and other stakeholders. The firm's ability to drive corporate performance certainly require the ability of integrating the expectations for innovation performance with ethical values. Therefore, the role of spiritual capital in fostering innovation performance, and how the role of resonance of ethics reputation in mediating and moderating the influence of innovation performance to corporate performance, it becomes important to study. The empirical study is very suitable to be applied to the creative industries, of course with many considerations with. The data will be taking from creative industries in regency of Semarang.

Keywords: Innovation performance, Capital spiritual, Resonance of ethics reputation, Firm performance, Creative industry.

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1. INTRODUCTION

In the face of environmental change, companies must have the right strategy to maintain its performance. Strategies include marketing differentiation, innovation performance, cost leadership and positive effect of increasing the performance of the firm performance. The increasing complexity and the dynamics of environmental conditions and customer demand has long entititas force all businesses to find new ways of doing business activity in the way of tools and a new perspective (Alpay, et al, 2012).

McWilliams and Siegel (2000) states that, innovation is a key driver of the significant increase in the firm Performance. Innovation is also used by companies to distinguish themselves (Vila and Kuster, 2007), and anticipate changes in the environment, so that the organization can have a prospect of sustainable performance.

The success of innovation also seen improved financial performance. It is encouraging firms to innovate to produce a unique product value or efficient business processes and ultimately can create a competitive advantage and can be a positive influence on the financial performance. It is therefore expected that the firm's innovation strategy can improve financial performance, increased sales, ROI and ROA, (Sohail, Sabir, and Zaheer, 2011). Innovation process of the firm that carried out correctly can also improve the performance of the firm (Atalay,, Anafarta, and Sarvan, 2013).

Innovations that the firm intended to goal the hopes of the stakeholders (Dervitsiotis, 2010). Innovation activities of the firm can not be separated from the involvement of stakeholders (investors, employees, society) either directly or indirectly. Thus, the innovation activities should not only have an impact on financial performance, but also provides the benefit of the owners, employees, consumers and other stakeholders.

Despite the innovation strategy of the firm in the form of product innovation, process innovation, radical innovation, incremental innovation and technological innovations that have non-consequences in the form of innovation investment costs can increase financial performance, but some empirical evidence indicates the inconsistent relationship.

Finding of study of Qureshi and Khan (2008) showed that the incremental innovation, innovation imitating competitors, and the level of innovation, it can not improve the firm performance, even incremental improvement innovation resulted in a decrease in performance marketing. even innovation of products that the firm can not be able to increase the return on investment. So, it is with innovation behavior nor does it impact the improvement of the firm (Alpay, et al, 2012)

Innovations that do companies need to balance the social performance in order to have a positive impact on financial performance. Some Innovative companies has a low social performance and the firm is not innovative, it has a positive influence on social performance to financial performance (Hull and Rothenberg, 2008; Busch, Stinchfield, and Wood, 2010). Various empirical findings indicate the existence of inefficiency in innovation activities. Innovation is the ability of an organization to generate new value for stakeholders (Dervitsiotis, 2010).

Although the firm's goal to maximize profit for shareholders and the environment are faced with competition so tight, but should not forget its obligations to other stakeholders. Companies that suffered failures in innovation activities can be caused by the inability of companies generating value for all stakeholders. It is a lot happening Due to innovations that do not can produce value to build the firm's reputation. The consequences of innovation should be able to provide benefits to customers. According Dervitsiotis (2010), innovation is the ability of an organization to generate new value for all stakeholders.

The study was based on the difference in the impact study of innovation on firm performance as well as inconsistencies impact of innovation on the performance of companies, especially financial performance. Innovation strategy of the firm is also based on the spirit of the individual with an emphasis on the ability to make changes by integrating components of innovation for the benefit of the firm performance on an individual basis, so it needs to balance social values, humanist and ethical values in the firm to generate an output value that can provide benefits to the entire stakeholder that ultimately have an impact on financial performance.

On the other hand, the firm's ability to boost the firm performance certainly require the ability of integrating the expectations for innovation performance with ethical values. Therefore, the research problem is how to build a resonance of ethical reputation as a mediating and moderating of innovation performance improving the firm performance.

This study will aim to build concepts and theoretical models of the new innovation strategy in resolving the controversy associated with the firm's overall performance. The difference with previous studies that examined the relationship many innovation strategies of financial performance that results are never consistent. And the role of social capital capabilities and spiritual capital in shaping the value of a firm that has justice for stakeholders.

This research will not only see the strategy of innovation and firm performance, but also to evaluate the extent of the innovation strategy can provide positive stakeholder value. This is motivated by a number of companies that put more emphasis on financial performance for the benefit of shareholders, with many ignoring the other stakeholders, as evidenced by the many innovative strategies that impact financial performance but instead have a negative impact on the performance of social, welfare of employees and other stakeholders.

This empirical research model is expected to solve the problems of an innovation strategy that can provide benefits to all stakeholders of the firm. Research will be done to try to integrate the economic, ethical and social values in shaping ethical business integrity. Resonance ethical reputation, resulting from innovation supported ethical values and spiritual capital is expected to increase the firm performance.

Resonance of ethics reputation concept is expected to contribute in management science, particularly in the disciplines of strategic management. This concept has become so important, especially in order to establish a basic theoretical model, associated with the development of the firm's values ethical. In the long-term firm objectives, not only in the interests of shareholders or other business internally, but should benefit all stakeholders.

Individual advantage may be the firm's goals without sacrificing the interests of other stakeholders. Therefore, this study aims to build an expected value can represent the interests of all stakeholders, but also can produce the firm's financial performance. The concept of resonance of ethics reputation expected to encourage a broader strategy of innovation create overall concern to stakeholders while increasing your firm's financial performance.

Most companies in the innovation, more emphasis on financial performance goals for the benefit of shareholders, with many ignoring the other stakeholders, as evidenced by the many innovative strategies that impact financial performance but instead have a negative impact on the performance of social, welfare of employees and other stakeholders. The results of empirical studies also showed lack consistency impact of innovation strategy to financial performance of companies.

Empirical research model will be necessary to solve the problems of an innovation strategy that can provide benefits to all stakeholders in the firm and solve inconsistency empirical findings. The empirical model is trying to integrate the values of economic, ethical values and social values in shaping business integrity which the resonance on ethical values have an impact on the firm's reputation. To establish these values, the innovation support demanded that adequate resources are mainly intangible resources in the form of spiritual capital and social capital to make innovations that can generate unique value of the firm that are not easily imitated by competitors.

Research will be done to try to integrate the economic value, the value of spiritual, ethical and social values in shaping ethical business integrity. Resonance ethical reputation, resulting from innovations that supported the ethical and spiritual values are expected to improve the firm performance. This study specifically aims to: *(a) identifying various factors that shape resonance reputation for ethical, (b) estimate the effect of innovation to the resonance reputation for ethical, (c) estimate the effect of social capital on the resonance reputation for ethical, (d) estimate the effect of spiritual capital of the resonance reputation for ethical and (f) estimate the effect of resonance of ethics reputation to corporate performance.*

The empirical study is very suitable to be applied to the creative industries. Competition in this industry is very viability, in where competitiveness of the companies is very tight. Creative industries will be heavily influenced by how well the firm's strategy to fine tune the performance of innovation, as a vital function in driving the firm performance.

2. LITERATURE REVIEW

2.1. Social capital

Westlund and Bolton (2003) argued that social capital is the norm, preferences, the values of knowledge and others social qualities that reflect human relationships. It can be expressed in terms of capacity, quality, purpose and engagement and relationships within social networks. Social networking functions is to allow the circulation of information and good faith in the relationship between the firm, which in turn lead to economic consequences for development because of the exchange are fostered (Gambetta, 1988).

Information and confidence that question in this case is a quality that would restrict the opportunities of resource utilization that could lead to potential fraud or deception in business (Trigilia, 2001). Good communication with business partners will be able to generate more value to stakeholders (Zuang and Lederer, 2006).

Similarly, companies that build good relationships with employees, suppliers, customers, and society will produce performance and positive values (in good standing) for the firm (Yang, Lin and Chang, 2011). Companies that have a social responsibility is good, then the ethical framework that has been built that can improve the efficiency and long-term advantage.

The dimensions of social capital include social interaction, trust, vision and joint involvement of local institutions, in the development of the firm. The research findings show a positive relationship between the membership area, social capital, and the involvement of local institutions can offer recipes that are relevant for policy makers and employers individually. Needs to be studied limit the positive effects of social capital, because of the decline can occur when all of the companies connected to the network is established. In fact, the impact of the decline of social capital in case of exceeding a certain level of social interaction and trust sluggish results (Morales and Fernández, 2010)

Social capital also affects the managerial practice and public policy. Employers must proactively build diverse social networks at the beginning of his efforts will have a positive impact on their internal knowledge structure. External social networking entrepreneur and strategic measures will ultimately affect the creativity of new businesses (Xu, 2011).

Social capital and human capital have an impact on the financial performance of small and medium enterprises. To increase social capital managers of small and medium enterprises (SMEs) need to improve the relationships with customers, suppliers, banks and government representatives (Fatoki, 2011). The third dimension of social capital relationships produce exchange and combination of resources that generate value creation (Tsai and Ghoshal, 1998)

The concept of social capital is a resource that is used to introduce the social structure into the paradigm of rational activity. Three forms of social capital expectations and obligations, information networks and social norms (Cooleman, 1988). Case studies show that corporate social responsibility is embodied in CSR programs can improve firm performance, the firm's value in shaping a firm's reputation (Gazzola, 2014).

In the light of these statements, we developed the following hypothesis:

H1 = there is a positive relationship between social capital and resonance of ethics reputation.

H2 = there is a positive relationship between social capital and innovation performance.

2.2. Spiritual capital

Many of studies defining the spiritual capital is understood as a religious spiritual capital. Religious spiritual capital defined as the degree of mastery of and attachment to a particular religious' culture (Stark, 2000). The mastery of this definition in reference to the knowledge and familiarity needed to appreciate a religion (Finke, 2003). In while, Iannaccone and Klick (2003) make definition of religious spiritual capital as a pattern of religious beliefs and behavior, over the life-cycle, between generations, and among family and friends. According to O'Sullivan and Flanegan, (2008), spiritual Capital is the effects of spiritual and religious practices, beliefs, networks and institutions that have a measurable impact on individuals, communities and societies.

Spiritual capital measured using self-awareness, Vision-led, positive attitude difficulties, holistic, love, diversity, independence, the underlying action, reframing, spontaneity, call, humility (Zohar and Marshall, 2004). Spiritual capital used in conjunction with social capital and human capital itself is based to a large extent on the existence of good faith, trust, service, goal orientation and moral characteristics other can not survive without their faith / piety, solidarity and hope that comes from faith and sentiments spiritual. When spirituality is lost, the local economies are slowdown. Conversely, when spirituality is high, prosperous economic communitis are rapidly growth (Malloch, 2003)

Spiritual capital contains the wealth, power, and influence gained by acting on the meaning of a sense of depth, the values of the deepest, and the sense of a higher purpose, and that is expressed through a life devoted to provide services to others in accordance with the values of our deepest (Zohar, 2010). Spiritual capital embodied in the management of the institution has a positive contribution to the micro and macro economy countries such as savings, consumption, investment, growth and poverty reduction (Basir, 2011).

Spiritual capital implies individual assets such as outlook, lifestyle, signs of physical, mental resources, cultural characteristics and doctrinal knowledge, practices, texts, experience, and also a good relational derived from the bonds of family, group membership, the activity of communal and connections others in the social network (Middlebrooks and Noghiu, 2010). spirituality is an inner experience of the individual when he felt on top, especially as evidenced by the effect of this experience on his behavior when he actively attempts to harmonize his life with the outside.

Spirituality in the workplace would make all the components of the organization working to feed that to the satisfaction of all stakeholders. All parts have a similar position to feed that contribute to the spirituality within the organization. Spirituality, overwhat we know or what we can do, and play a role when we decide to do what is right. Spirituality in the workplace creates employee engagement, mutual respect, mutual respect and acknowledge its existence (Marquez, 2005). Spiritual capital refers to the values of integrity, accountability and honesty, offer hope, loyalty, trustworthy, loving and encouraging others, showing good service, act fairly, establish order, and the attitude of service to others (Eldred, 2005).

In the light of these statements, we developed the following hypothesis:

H3 = there is a positive relationship between spiritual capital and resonance of ethics reputation.

H4 = there is a positive relationship between spiritual capital and innovation performance.

2.3. Innovation performance

Innovation is the firm's efforts that companies use to differentiate themselves (Vila and Kuster, 2007). In developing capabilities, innovation also allows the firm to follow and anticipate changes in the environment, so that the organization can have a sustainable life (Ehalaghi and Maatofi, 2011).

Innovation is closely associated with the soul of entrepreneurship. Entrepreneurship itself is the process of creating something different value through the sacrifice of time and effort, which is the risk of financial, psychological and social, with the hope of receiving a monetary award results and personal satisfaction business actors.

Entrepreneurial characteristics can be seen from the locus of control or self-control over the internal and external dimensions. The influence of external or internal dimension of a person will determine how someone entrepreneurs manage their companies.

External influences include environmental forces beyond the firm is very dominant, success simply because of chance of business done for the necessity of what is read, and the influence of family members more decisive success.

While, the internal influences include the assurance that a decision should be taken by yourself, a willingness to try a new one although there are worries the severity of consequences that will be accepted, satisfaction with the success of the work, and seek to immediately obtain something to be desired.

Internally, locus of control can be seen from the point, how far businesses have courage to overcome the impasse in forming a new venture, also the extent to which a person has a strong desire to manage and grow a new business. External and internal dimensions not become a benchmark someone will succeed, the optimal combination between the two can help manage a business successfully.

Besides locus of control, freedom, the willingness to take risks and need for achievement is another characteristic of an entrepreneur. Generally, the last three properties are very prominent in the character of a successful entrepreneur.

Innovative ability, to win the competition is one of the important factors that are required of an entrepreneur has to have high creativity. The creative power was based on the advanced way of thinking, full of new ideas that are different from the products, marketing, and service that has existed so far in the market.

Creative ideas that generally can not be limited by space, time or form. Quite often genius ideas that create a new breakthrough in business originally was based on the creative ideas that seem impossible.

Eshlaghy and Maatofi (2011) outlines Innovation as the firm's ability to generate ideas, processes, new products and services. Product innovation is also the conceptualization, commercialization, development, design and validation of new products that provide higher value / utility for all stakeholders such products (Sohail, Sabir, and Zaheer, 2011).

Meanwhile, Terziovski (2010) defines innovation as activities to improve the technical, design, manufacturing, management and marketing of new products or the use / repair tools new process. Strategy innovation resource base on the value, rarity, not easily imitated, optimization of organizational resources.

The success of the firm's innovation happens when these activities can provide added value for its stakeholders. In reality, success indicators of innovation with more emphasis on certain economic value for our stakeholders. This often led to an innovation strategy can only provide a short-term competitive advantage (Busch, Stinchfield, and Wood, 2010; Subrahmanya, 2011).

The ability of the firm's innovation is also measured by the amount of spending on innovation activities. Expenses related to the intensity of research and development activities demonstrate the ability of innovation, which can have an impact on financial performance in the form of return on assets (ROA) (Hull and Rothenberg, 2008); ROI and overall firm performance (Song and Song, 2010); profits, investment, market share, and growth in total sales (Alpay, et al, 2012).

Product innovation can increase profits, investment, market share, and growth in total sales (Alpay, et al, 2012). From these studies show that innovation in various forms can affect the performance of the firm (profit, ROA, ROI, market share and growth in total sales and other financial performance).

Innovation strategy is also oriented to build enterprise value. One, of indicators of the firm's value can be seen on the firm's ability to produce financial performance. The result of Rubera and Kirca (2012) research showed that innovative companies can increase financial position (ROA, ROI, as well as other financial indicators). In the end, a healthy financial position will increase the firm's value. Innovation will have a positive impact on firm performance. At the time, the firm have a good value chain, then it will make the firm's reputation and relationships with consumers is also good (Shin, Kraemer, and Dedrick, 2009).

Companies that have good relationships with employees, suppliers, customers, and be able to give the best to the society at large will feel the impact of the more shining reputation of the firm. Corporate spending on R & D activities with moderation innovation affect the value or reputation of the firm (Pagett and Moura-Leite, 2012).

The results of the study Sok & O'Cass (2011) indicates that there is a positive correlation between innovation, in the ability of resources capabilities, are complementary and performance based innovation. Performance-driven innovation is not only the result of the resource of innovation or innovation capability but a consequence of the ability of resources (resources capability) are complementary. This relationship increases through increased ownership of learning ability. Studies conducted by Naidoo (2010) highlights the relationship between market orientation, marketing innovation, competitive advantage to organizational performance. This study states market orientation as an accelerator for the initiation stage of marketing innovation is positively associated with competitive advantage.

Competitive advantage (achieved as a differentiation strategy, cost leadership and focus) in turn will have positive influence on the performance of the firm. Studies of Baer and Frese (2003) proposed that the climate for initiation act as a moderator between the innovation process and the positive performance of the firm. Not only innovation, but the climate for initiation also required to bring the firm to the full potential.

The research that has been done by Grawe (2009) proved the existence of a relationship between customer orientation, competitor orientation, service innovation, and market performance. Customer orientation and competitor orientation works as a catalyst for innovative services which will in turn positively related to performance marketing. Recent research from Wang, Yeung and Zhang (2011) highlighted the positive relationship between trust and innovation. Bring transparency in the relationship of trust companies and suppliers to conduct collaborative innovation.

Many research results suggest that managers should pay more attention to efforts to improve innovation performance, by maintaining the relationship of supply chain (supply chain) is good, so that it will be maintained confidence in the partners and all consumers. These relationships need to be reinforced with a background always the emergence of environmental uncertainty.

Lin and Ho (2008) in his empirical study, which though somewhat different in exploring the impact of innovation performance, but research findings reached the same conclusion. He concluded that green product innovation that has made the firm will reduce the negative impact on the environment, it also has a positive relationship-a significant influence on the performance of the firm.

Meanwhile, Aragon-Correa, et al (2007) studied the relationship between organizational learning, transformational leadership, innovation, and performance of the firm. The results showed a strong direct relationship of organizational learning at increasingly high innovation performance and corporate performance of their transformational leadership in the firm.

Innovation performance, in turn, have a significant effect on the performance of the firm. Camisón and Villar-López (2014) further investigated the relationship between the effects of two types of innovation, the innovation of product and process innovation, and firm performance. They concluded that there is a positive relationship of product innovation capabilities with innovation performance, process innovation and relationship to corporate performance mediated by increasingly good performance product innovations.

Meanwhile, the study of Huang and Liu (2005) concluded that there is a non-linear relationship between capital and innovation capital of information technology (IT) on the firm performance. The findings of their study also concluded that the positive influence of the capital of innovation and firm performance. While the capital of information technology (IT) had no significant impact on firm performance. However, when the interaction between capital and innovation capital of information technology (IT) included in the model, the interaction of the two variables showed a positive association with the firm performance.

The dimensions of innovation performance are to introduce new products and services to market before competitors. Thus, indicators of innovation performance are the percentage of new products to the portfolio of products that have been there before. Number of new products and services is a form of innovation performance. Others such as the introduction of new work processes and methods, product quality, the new services are introduced to the market, the number of innovations in intellectual property, and reform the administrative system, as well as the improvement of the mechanism of action that has been adjusted for changes in the corporate environment.

In the light of these statements, we developed the following hypothesis:

H5 = there is a positive relationship between the resonance of ethics reputation on innovation performance.

H6 = there is a positive relationship between innovation performance to firm performance.

2.4. Stakeholder theory and business ethics

In-depth description of the stakeholder concept for many contemporary scientists believed emerged since the publication of the first edition of the Edward Freeman book (1984), entitled "Strategic Management: A Stakeholder Approach". S*takeholder* plays an important role on the firm's success, because stakeholders are parties who can influence and simultaneously affected, either individually or in groups, the policies, decisions, and firm operations (Freeman, 2005).

Stakeholder theory is principlescreating interest for all groups of society, in which some of these interests will be attached to the economic activity. Therefore, stakeholders from members of the public have a legitimate interest in economic transactions, including transactions that are not directly available to them (Cohen, 2010).

Stakeholder theory need ideology as a moral control, because the contemporary discourse of corporate social responsibility and despite showing the shape of their role as citizens who have the social responsibility and sustainability, but often narrow business interests, limiting external stakeholder interests. This raises problems of organization of stakeholder theory is a form of colonialism stakeholders that serves to regulate the behavior of the stakeholders (Banerjee, SB, 2008).

Schwartz (2006) put God as a managerial stakeholder for employers, because God can influence the world. Consequences put God at the managerial stakeholders, the practical consequences in terms of managerial decision making should have potential implications for: (1) a major consideration for those involved in the business; (2) the decision 'social responsibility' is greater; (3) improve ethical decision making; and (4) health for the organization.

stakeholder Theory can serve to balance business interests with the interests of stakeholders, thus this theory can serve as the basis of business ethics (Bonnafous-Boucher and Porcher, 2010). Stakeholder theory in practice, based on the power level, rather than at the level of the balance of interests (Clifton, et al., 2010).

Successful organizations depend on how the manager's ability to build relationships with stakeholders, such as customers, employees, suppliers, community, government, owners and others. There are four main key in dealing with stakeholders, namely the involvement of stakeholders, stakeholder value maximization, systems and policies that are attached in the relationship with stakeholders, fair treatment for employees (Abdullah and Abdul-Aziz, 2011).

Ethics heavily shaped by the values of cultural and religious values. In system, ethical behavior is manifested in the form of balanced, fair, honest, kind, and strive to respect the rights of the major stakeholders, without it is possible to exploit other stakeholders (Beekun and Badawi, 2005).

Business ethics suggest the principles of justice that provides the foundation normative stakeholder theory (Cohen, 2010). the employers are interested in continuously exploring moral values, ethics, and social, of the society in the long run will affect the productivity of the economy as a whole, (Azid, T., et al, 2007)

The theory of the value of individuals and organizations agree that integrity is a primary value to build a business reputation (Edhard, 1999). In operation, the value of responsibility towards the stakeholders is often sacrificed, because there are no ethical controls. The financial performance of the firm which emphasizes the interests of shareholders and the expense of the broad stakeholder, urgently demanding their corporate ethical awareness.

The foundation of ethical values is moral that teaches the value of kindness and forbid the evil manifested in organizational behavior honest, responsible, and fair conduct (Cavalieri, 2007). Companies often assume that apply ethical values in business only adds to the cost, but in reality, the ethical values can increase the value for customers, increase profitability, and can also improve the performance of companies in a broad sense (McMurrian and Matulich, 2006).

The value creation for shareholders could not be the only ultimate goal that a firm established. Companies must direct its activities to value creation for themselves and for stakeholders at the same time. The value creations are involved in any way in the production process, ensuring the balance of economic and financial conditions, and maintain its position in relation to the strategic balance stkaheolders (Cohen, 2010).

Justice also giving satisfaction to consumers and reduce conflicts (Cropanzanaet.al., 2007). In operation, the value of responsibility towards the stakeholders is often sacrificed, because there are no ethical controls. Justice is the foundation of business ethics, in addition to responsibility and honesty. Justice is truth in the thought system that brings the goodness in social interaction (Rawls, 1971).

2.5. Resonance of ethics reputation

Business should put standards of ethics and moral as a strategic priority. This policy will be very beneficial for firm. The emphasis on improving both of these will be the trend of companies today and big issues in the future.

The demand for greater transparency from consumers and stakeholders around the world have made the principles of ethics and compliance a top priority of companies in recent years. In addition, the potential risk of reputational damage if the firm is found guilty of unethical practices will increase significantly along with the widespread use of social media.

A survey of 1,699 holders of membership CGMA *(Global Chartered Management Accountant)* in 99 countries provide an overview of the status of ethics in the workplace. Here are some key findings (Hagel, 2015):

a) Almost 51 percent of respondents said ethical performance have emphasized by senior managers at their companies than three years ago.
b) At least 55% of respondents believe that the significance of the firm to always be focused on maintaining ethical performance will be improved and will continue at least in the next three years.
c) Some 76% of the membership holder CGMA were made respondents stated that their superiors would appreciate the commitment of his subordinates in terms of maintaining the code of conduct. Maintaining a reputation is the main motivation when companies are trying to build and embed ethical standards.
d) This survey explained that 80% of respondents express their commitment to maintain the reputation of all stakeholders (customers, investors, and employees) as one of the motivations / the main driver behind the attitude of prioritizing ethical compliance. In while, maintaining compliance with laws or regulations is one of the three most important factors by 73% of respondents. While 47% according to respondents is to maintain brand image.
e) Only 10% of respondents say financial gain was the motive in encouraging ethical performance. This attitude may be because some consumers appear willing to pay more for products from companies they see generate social and environmental impacts are positive.
f) There are three ways to implementation of ethical culture in the corporation. First, the firm must fulfill of all of the rules. It has been perceived by 78% of respondents. The second, the main conduct of leadership based on ethical values. It has been perceived by 76% of respondents. Meanwhile, 63% of respondents said that their organization have to promote the values of faith and trust.
g) Many companies, in various polls, has not been able to effectively explain their code of ethics and not providing the required training staff on how to implement the policy. As much as 40% of respondents said that their organization has not proper channels (such as training) to improve ethical standards. Furthermore, 36% of respondents say their organizations occasionally communicating ethical policies for staff, and 3% say never communicated at all.

Resonance of ethics reputation a reflection of how good companies' eyes of stakeholders. Reputable firm is a firm that has good values in the eyes of stakeholders (Fombrun, 2007). Reputation depends on successful relationships inside and outside the business, based on mutual trust and confidence. Reputation is not simply transformed into the value of the firm but also create future value (MacMillan et al, 2005).

Based on these studies, the resonance of ethics reputation which is a representation of a firm's reputation Asymmetric derived by Information Theory and theory of justice values that stem from the disclosure of performance that is expected to provide a competitive advantage. and the theory of justice as the spirit of ethical behavior.

While the ethical behavior of a shareholder expectations suitability and integration with other stakeholders are represented in the values that show concern for the stakeholders, so as the ethical value could be the guide values of the organization and appreciated by stakeholders so that it becomes a resonance of ethics reputation.

Resonance of ethics reputation a reflection of how good companies' eyes of stakeholders. Reputable firm is a firm that has good values in the eyes of stakeholders (Fombrun, 2007). Reputation depends on successful relationships inside and outside the business, based on mutual trust and confidence. Reputation is not simply transformed into the value of the firm but also create future value (MacMillan et al, 2005).

From the theoretical description, we developed the following hypothesis:

H7= there is a positive relationship between ethics reputation on firm performance.

H8 = there is an interaction or moderation effect from the resonance of ethics reputation on innovation performance to firm performance.

2.6. Firm performance

Measurement of firm performance can be measured by the first is growth and second is profitability. Both of these dimensions can reflect the firm's ability to achieve certain efficiencies of scale without having to measure the dimensions of efficiency. Indicators of growth can be seen from the increase in sales, market share growth (Bhargava et al., 1994).

The second dimension of firm performance is profitability. Profitability is also referred to as financial performance. Profitability is the firm's ability to generate profits or how much the firm can be managed effectively. Indicators profitability by Beal (2000), return on investmen (ROI), and return on assets (ROA).

The firm performance is the firm ability to produce sales growth, profitability, and return on investment (Alpay et al., 2012). In while, Sohail, Sabir, and Zaheer (2011), defined as the ability of the financial performance of organizations that generate financial revenue. Financial performance should represent the company's ability to earn profits owned assets (return on assets/ROA) where this is the performance of the investment management (Hull and Rothenberg, 2008).

This performance measure is widely used in view of return on assets (ROA) is a measure of productivity, and is an instrument that can be used in making investment decisions as a benchmark cost of capital. In addition, the firm performance also was measured using the level of the firm's ability to produce a return on investment, market share, and growth in total sales (Alpay, et al, 2012).

The research framework and research model framework, can be described as in the table and the following picture:

Table 2.1.
Descriptions of study

Item	Describe
Aim	Build a concept model in which resonance of ethical values for achieving the stakeholder goals could to be driver the innovation performance and its impact on firm performance.
Target	Obtained an empirical research framework of the role of social capital, spiritual capital, and innovation performance to the firm performance through

	resonance of ethics reputation.
Data needs	- The study of theory about the concept of stakeholder values, innovation performance - Data regarding the practice of innovation of the creative industry in central java. - Data values the social capital of the creative industries in central java - Data of the spiritual value of the creative industries in central java - Characteristics of creative industries in central java - Performance creative industries in central java - The practice of the concept of resonance ethical reputation - The practice of innovation performance and how to measure innovation performance - *Stakeholder value* (employees, owners, consumers, and society)
method of collecting data	questionnaires and depth interviews with owners and managers of creative industries at Regency of Semarang, and official statistic of industrial and trade (Province of Central Java and Regency of Semarang).
tool of analysis	descriptive statistics and analysis forming the concept of using SEM

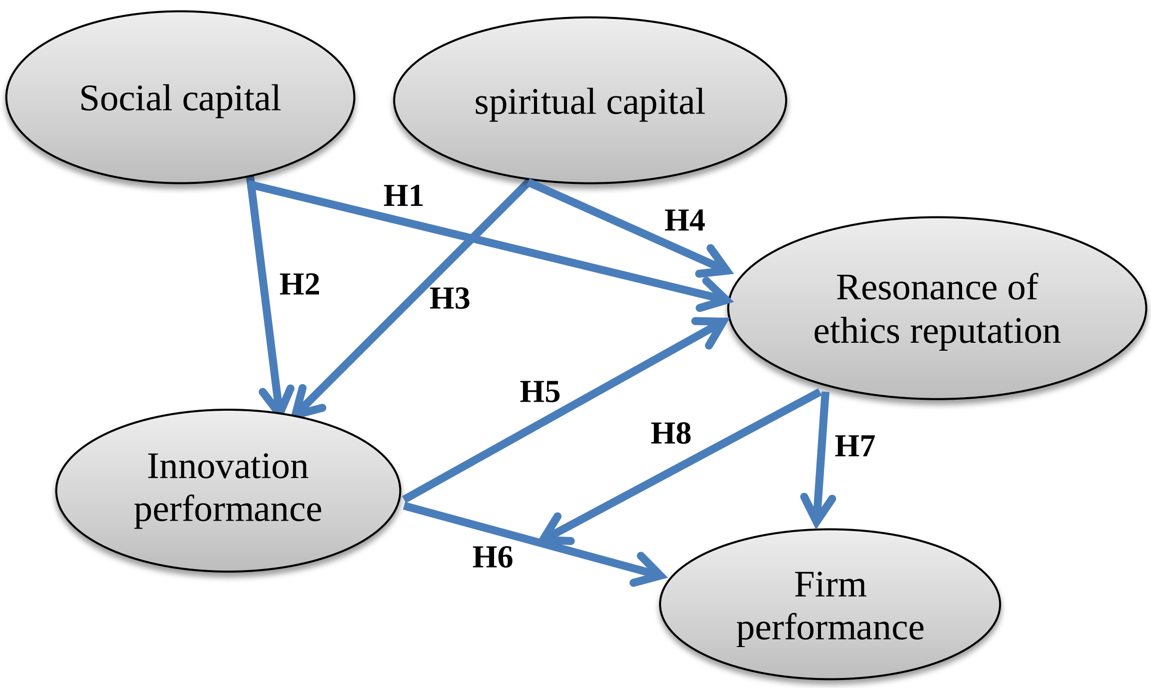

Figure 2.1. Modelling framework

3. RESEARCH METHOD

3.1. Population and sample

The study population was the whole creative industry in Central Java. Multistage sampling method and purposive sampling, ie sampling technique was conducted in 3 Phase. The first stage, selecting the firm in every district / city selected. The second phase, grouping companies in the creative industries within their group. The third stage, choose unique characteristics in each firm related pattern of innovation, such as: product, process, management and other patterns. While the innovation performance, in order to: consumers, owners, society, environment, management hand, and the firm's employees.

3.2. Indicators of variables

The variables and indicators of research can be seen in Table 3.1. as follows:

Table 3.1
Definition and Indicators

Variables	Definition	Indicators
Social capital	The firm's ability to build business relationships represented by the many networking, mutual trust, mutual benefit, and intensity partnership relations.	- Many partnership networking exist. - The intensity of partnership networking. - Knowledge spillover from partnership networking. - Mutual trust with partnership firm. - Interdependent in partnership networking. - Mutual benefit from partnership.
Spiritual capital	The ability to articulate the spiritual values in the workplace which are represented in the form of values and behavior of all members (employees and management) in accordance with the norms and belief in god.	- Human-relationship management approach. - Honesty management approach. - Humble management approach. - Not greedy management goals. - Just in time management system. - Value orientation in employee's selection. - Formulation of main objectives of firm based on spiritual value.
Resonance of ethics reputation	Resonance of ethics reputation the ability to build value reflects the concern and responsibility of all stakeholders, as a result of the combination of the firm's competency and character empathy soul of the firm.	- Owners and managements concern for investors benefit. - Owners and managements concern for employees benefit. - Owners and managements concern for consumer's benefit. - Owners and managements concern for community benefit. - Owners and managements concern for the environment benefit..
Innovation performance	Ability and intensity in the innovation represented by the intensity of alteration or creation of products / services, systems or processes.	- The ability to produce and introduce products and services to market before their competitors. - The percentage of new products against products that have been there before. Total product and new service projects. - Innovations that appears related to the processes and methods. - The quality of new products and services that have been introduced to the market.

		- Number of innovations that have been certified with the protection of intellectual property rights. - Updates in the administrative system. - Change the mindset of all employees and management? That has adapted to the corporate environment.
Firm performance	The firm's ability on resulting the operational income with the ability of initial capital.	- Growth of sales - Growth of operating profit - Growth of market share - Growth of working capital - The growth of the others of short-term financial indicators

3.3. The Tools of analyze

Tools of statistically analysis in this study are a descriptive statistic (cross-tabulation), and statistical inference by applying structural equations model (SEM). It’s allows to predict the direction and effect of relationships are complex and multi-relationship of mutual influence.

Structural equations model (SEM) was used aiming to see the strength and direction of the relationship between a set of independent variables associated with resonance generated by the ethical reputation of innovation, social capital and spiritual capital and its influence on the firm performance.

To test the proposed model is done using structural equation modeling (SEM) with a two step approach. In a two-step aprroach to SEM, the measurement models are firstly formulated and evaluated, separately. The later, the estimated structural models are built (Kline, 2005).

Tests on the measurement model enables a comprehensive estimation of the validity. The estimation of the convergent construct validity can be estimated by determining whether the load factor of each item on an underlying construct that is significant to the real level that has been set (Byrne, 2001).

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