

# INFLUENCE OF SOCIAL RESPONSIBILITY AND QUALITY OF SERVICE 4.0 ON CUSTOMER SATISFACTION MEDIATED BY COMPANY REPUTATION

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## ABSTRACT

*This study aims to determine the Effect of Social Responsibility and Service Quality 4.0 on Customer Satisfaction Mediated by Company Reputation at PT. PLN (Persero). This study uses a survey method with a quantitative approach. The analysis used in this study is Structural Equation Modeling (SEM). This research was conducted at PT. PLN (Persero) Indonesia which operates in DKI Jakarta. PT. PLN (Persero) was chosen as the research location. The population of this research is all customer companies of PT PLN which are registered and have been updated by the Indonesia Stock Exchange as a blue chip in 2022 (B2B) as many as 45 companies. The results showed that Social Responsibility and Service Quality 4.0. significant effect on the company's reputation. In addition, social responsibility, Service Quality 4.0., and Company Reputation have a significant effect on customer satisfaction. Knowing the influence of social responsibility relationships, Service Quality 4.0. on customer satisfaction at the monopoly company PT. PLN (Persero).*

**Keywords:** Social Responsibility, Service Quality 4.0, Customer satisfaction, Company Reputation.

## INTRODUCTION

The State-Owned Enterprise, namely PT PLN (Persero) is still determined by the government to be the only entity providing electricity with a business area covering the entire territory of Indonesia and all Indonesian people. 2.1% but on the other hand, the number of regular customers increased significantly, amounting to 3.7 million subscribers. Sales growth in the industrial sector fell drastically, with several large industries reducing their usage or leaving PLN's customers. In 2016, PLN was able to increase sales to 6.4%. This sales growth fell again to 3.6% in 2017. In 2018, there was an increase in sales in almost all customer sectors. PLN can increase sales by 5.14%. The largest share of customers is still in the household sector, followed by industrial, business, and public customers. In 2020, the COVID-19 pandemic began to have an impact on sales from May 2020 to December 2020. Sales fell drastically to -0.79% (the lowest annual sales experienced by PLN). The business and industrial customer sector was significantly affected. The decline in sales in this sector fell to -8.7% and -7.3% respectively.

Corporate Social Responsibility is a topic of discussion that is currently growing and will continue to grow along with the development of the company and its business. Research with various review points of view has been carried out by academic researchers and

practitioners with different definitions, however, this CSR topic has become an important discussion for companies. Given the importance of CSR, which is not only a topic for practitioners in companies but also society and stakeholders, the European Commission (European Commission) also provides the following definition of CSR: CSR is a concept where companies decide voluntarily to contribute to a better society, better and cleaner environment (COM 2001, 4) by integrating community and environmental concerns into its business operations through its interactions with stakeholders (COM 2001). Or in short, according to the Organization for Economic Co-operation and Development (OECD) or the Organization for Economic Cooperation and Development (OECD 2001) it is defined as the contribution of business to sustainable development.

CSR is a very dynamic side of the business world. In the past, many were pessimistic because they considered CSR a burden to shareholders. Now the view of CSR has turned positive. The impact of CSR is not directly on the company's financial performance but on other variables such as company image, customer satisfaction, trust and reputation, and other factors.

The relationship between CSR and corporate reputation has been investigated and the results indicate that CSR and corporate reputation lead to positive perceptions of companies (Brickley et al., 2002; Jones, 2005; Smith & Higgins, 2000; Varadarajan & Menon, 1998). Then the action of social awareness has shown an increase in the image and reputation of the company and CSR can increase the trust and loyalty of consumers (Maignan et al., 1999). On the other hand, there is also evidence that consumers are willing to punish socially uncaring companies, for example by boycotting their products and services (Garrett 1987; Sen et al., 2001). Luo & Bhattacharya (2006) have proven that CSR increases customer satisfaction which in turn leads to positive financial returns and profits. Based on various sources of previous research, it was found and recognized the importance of the role of the variables of Customer Satisfaction, Service Quality, CSR, and Reputation for a company as a source of excellence in facing competition.

However, there is also limited research on the relationship between these variables in one concept model, especially in a monopoly market structure. As stated that the level of customer satisfaction can vary in certain market structures. It is very important to know the level of competition in a particular industry that will affect the relationship between variables in a concept model. This study will examine the relationship and role of CSR, SQ, and Reputation variables on customer satisfaction in one concept model.

One of the aims of this research is to provide empirical evidence on the role of CSR on corporate reputation. It is still difficult to find research that examines the concept/model of customer satisfaction involving CSR variables, the reputation of the service quality 4.0 company is a Research Gap in this study, besides that several different previous research results, have not been found. In addition, the development of a comprehensive customer satisfaction concept in a monopoly market involving CSR variables, service quality 4.0, and company reputation is also seen as a novelty of this research. Based on the things that have been described above.

## LITERATURE REVIEW

### Social Responsibility

According to Widjaja And Yeremia, Corporate Social Responsibility is a form of cooperation between companies (not only limited liability companies) and all things (stakeholders) who directly or indirectly interact with the company to ensure the existence

and survival of the business. (sustainability) of the company. According to Global Reporting Initiative (GRI), corporate social responsibility has several indicators, including economic Performance, Environmental Performance, and Social Performance. This indicator is reflective, each of these indicators correlates.

The variable of corporate social responsibility according to GRI is measured based on 3 indicators, namely:

1. Economic Performance Indicators
2. Environmental Performance Indicators
3. Social Performance Indicators

The indicator model in this variable is reflective, that is, the indicators are formative or formed from the corporate social responsibility variable.

### **Service Quality 4.0**

Payne defines Service Quality as the ability of an organization to provide services to meet or exceed customer expectations. According to Wyckoff, Service Quality is an expected level of excellence. Wyckoff sees service quality not from the producer's point of view but the perception of the person receiving the service. This is because consumers feel and consume the services provided so that consumers can assess and determine the quality of service. Thus, the quality of service is good or bad depending on the consistency of the producer's ability to meet the expectations of its consumers.

Parasuraman et al. (1985) mention the dimensions of service quality, known by the abbreviation RATER, namely Reliability, Assurance, Tangible, Empathy, and Responsiveness. This is the basis for measuring customer expectations.

1. Reliability includes the ability to carry out services independently, accurately, and consistently
2. Assurance includes employees who have the knowledge, courtesy, and ability to guarantee trust and confidence.
3. Tangible (tangible) includes physical facilities, tools, machines, employee appearance
4. Empathy (Empathy) includes individual care and attention to customers.
5. Responsiveness (Response), includes the readiness to serve quickly and deftly.

### **Customer Satisfaction**

Satisfaction in general can be described as a post-purchase evaluation of the quality of a product or service based on pre-purchase or pre-purchase expectations (Kotler, 1994). However, measuring customer expectations is not easy and there are several methods of measuring expectations offered by several researchers, each of which has weaknesses when applied. This measurement of expectations is important because it will be used as a reference for comparison with the actual performance of the product or service. Expectations provide a baseline or reference for measuring satisfaction. If it is in line with expectations, there will be a sense of satisfaction and if it is not, then there will be a feeling of dissatisfaction. According to Yi, customer satisfaction is the expectation, perceived quality, and disconfirmation.

There are still many definitions of customer satisfaction proposed by several other researchers, but Oliver explains in more detail the process of assessing customer satisfaction in the Expectancy Disconfirmation explanation which involves several stages, namely:

1. Buyers form expectations of a product or service before making a purchase.

2. By consuming, the perceived quality level arises and this taste is influenced by initial expectations. This perceived quality is directly compared to initial expectations so there will be a direct comparison.
3. This perceived quality will be concluded whether it confirms (fits) or disconfirms (does not match) with expectations when pre-purchased.

Because of the role of customer expectations as a reference for satisfaction, the measurement or measurement method to find out customer expectations is very important. The clearer and more precise a method in explaining customer expectations, the closer it is to the actual taste felt by the customer. The variable of customer satisfaction according to Consuegra is measured based on 4 indicators, namely:

1. Conformance of expectations
2. Performance perception
3. Customer Rating
4. Product Quality

## Company Reputation

Reputation is a goal as well as an achievement to be achieved in the world of *public relations*. The role and function of the company in building a reputation can be realized if there is a carefully structured and planned strategy. The strategy here can be in the form of an alternative that is chosen to be pursued to achieve the objectives within the framework of a *public relations plan*. A good company reputation will have an impact on increasing company profitability, such as increasing customer trust, increasing sales, and others. On the other hand, if the reputation of a company is known to be not good or bad, it can be a problem for the company and may cause the company to lose its customers. Or in other words, reduced customer trust in the company and switches to other companies products. Furthermore, according to Casey "*Reputation is about to become more integral to the bottom line thanks to the next generation of consumers*". Thus, it can be said that reputation is an important factor for companies to gain and retain business. A good reputation will prevent consumers from switching to competing companies, while a bad reputation can make the company worse off.

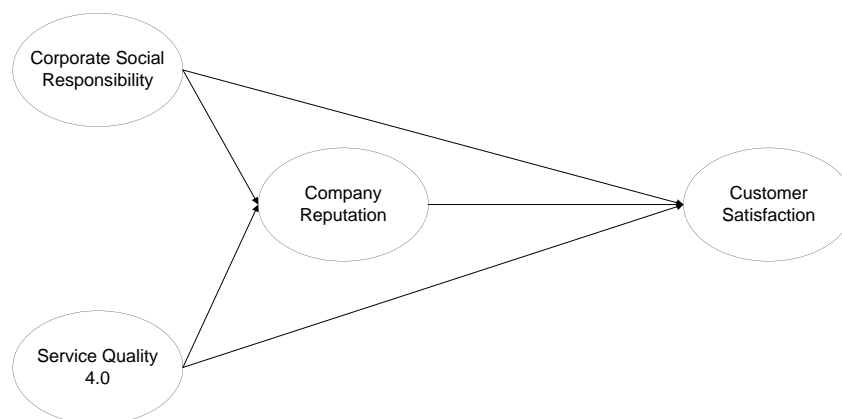
The company's reputation is the result of an overall evaluation obtained from direct experience during dealing with the company, from the customer's point of view as one of the *stakeholders*, to the company's products and services including communication activities, and interactions with representatives from the company. The company reputation variable is measured using a Likert scale. The indicators of the company reputation variable in this study refer to the theory of (Margolis & Walsh, 2003) which includes:

1. Customer orientation
2. Good Employer
3. Reliable and financially strong company
4. Social and Environmental Responsibility

## RESEARCH METHODS

This research uses a survey method with a quantitative approach, namely the analysis is carried out on the numerical data of the variable measurement results. The research variable is the latent variable which is measured using a questionnaire instrument. The variables used are Corporate Social Responsibility (X1), Service Quality 4.0 (X2), Customer Reputation (Y1), and Customer Satisfaction (Y2). Data analysis was performed by statistical method,

namely Structural Equation Modeling (SEM). This research was conducted at PT. PLN (Persero) Indonesia which operates in DKI Jakarta. PT. PLN (Persero) was chosen as the research location. The population of this research is all customer companies of PT PLN which are registered and have been updated by the Indonesia Stock Exchange as a *blue chip* in 2022 (B2B) as many as 45 companies. The selection of the population is based on the variables studied which include CSR and Corporate Reputation by PT PLN. Data collection was carried out by giving questionnaires to the President Director, Operations Director and Marketing Director at 45 *blue chip* 2022, so that the total respondents were  $45 \times 3 = 135$  respondents. The research model can be seen in the following figure.



**Figure 1**  
**RESEARCH MODEL**

In the research model, 8 research hypotheses were tested to find out which variables could affect customer satisfaction. The hypothesis formed is as follows.

*H<sub>1</sub>: Social responsibility has a significant effect on the company's reputation*

*H<sub>2</sub>: Service Quality 4.0. significant effect on the company's reputation*

*H<sub>3</sub>: Social responsibility has a significant effect on customer satisfaction*

*H<sub>4</sub>: Service Quality 4.0. significant effect on customer satisfaction*

*H<sub>5</sub>: Company reputation has a significant effect on customer satisfaction*

## RESULTS AND DISCUSSION

### Measurement Model

The following is a summary of the average indicator and outer loading of each indicator.

Variable	Indicator	Outer Loading	p-value
Corporate Social Responsibility	Economic Performance	0.830	<0.001
	Environmental Performance	0.750	<0.001
	Social Performance	0.798	<0.001
Quality of Service 4.0	Reliability	0.291	<0.001
	Responsiveness	0.246	<0.001
	Assurance	0.352	<0.001
	Empathy	0.266	0.048
	Tangible	0.276	<0.001

Company Reputation	Customer Orientation	0.602	<0.001
	Good employer	0.670	<0.001
	Reliable and financially strong company	0.770	0.003
	Social and Environmental Responsibility	0.863	0.009
Customer Satisfaction	Conformity to expectations	0.608	<0.001
	Performance perception	0.833	<0.001
	Customer assessment	0.757	<0.001
	Product Quality	0.770	<0.001

Table 1. confirms that all inner outer loadings in this test are significant. For the Corporate Social Responsibility (X1) variable, it is found that economic performance is the loading that has the strongest influence because it has the highest outer value. That is, Corporate Social Responsibility (X1) depends on economic performance. For the variable Quality of Service 4.0 (X2), it is found that Tangible is the loading that has the strongest effect because it has the highest outer value. That is, Quality of Service 4.0 (X2) depends on Tangible. For the Company's Reputation variable (Y1), it is found that Customer Orientation is the loading that has the strongest influence because it has the highest outer value. That is, the Company's Reputation (Y1) depends on Tangible. For the Customer Satisfaction variable (Y2), it is found that product quality is the loading that has the strongest effect because it has the highest outer value. That is, Customer Satisfaction (Y2) depends on Tangible.

## Structural Model

Based on the analysis of the relationship between variables using Structural Equation Modeling (SEM) the results are shown in the following table 2.

Hypothesis	Effect of Latent Variables			Coefficient	P-value	Decision
	Exogenous Variable	→	Endogenous Variable			
H <sub>1</sub>	CSR	→	Corporate Reputation	0.388	0.002***	Significant
H <sub>2</sub>	CSR	→	Kepuasan Pelanggan	0.664	<0.001***	Significant
H <sub>3</sub>	SQ	→	Corporate Reputation	0.363	0.004***	Significant
H <sub>4</sub>	SQ	→	Kepuasan Pelanggan	0.217	0.06*	Significant
H <sub>5</sub>	Corporate Reputation	→	Kepuasan Pelanggan	0.208	0.068*	Significant

Keterangan:

\* : significant at the 10% level

\*\* : significant at the 5% level

\*\*\* : significant at the 1% level

Based on the table 2, it is known that the SEM results show that Corporate Social Responsibility (X1) has a significant effect on Customer Reputation (Y1). This result is evidenced by the p-value of less than 0.01. The value of 0.38 means that if the Corporate Social Responsibility increases by one unit, it will increase the Customer Reputation by 0.38. If the company wants to have a good customer reputation, the company should focus on Corporate Social Responsibility.

Corporate Social Responsibility (X1) has a significant effect on Customer Satisfaction (Y2). This result is evidenced by the p-value of less than 0.01. The value of 0.64 means that if Corporate Social Responsibility increases by one unit, it will increase Customer Satisfaction

by 0.64. If the company wants to get good customer satisfaction, it should focus on increasing Corporate Social Responsibility.

The variable of Service Quality 4.0 (X2) has a significant effect on Customer Reputation (Y1). This result is evidenced by the p-value of less than 0.01. A value of 0.36 means that if Service Quality 4.0 increases by one unit, it will increase Customer Reputation by 0.36. If the company wants to get a good customer reputation, it is better to focus on improving Service Quality 4.0.

The variable of Service Quality 4.0 (X2) has a significant effect on Customer Satisfaction (Y2). This result is evidenced by a p-value that is less than 0.10 because it uses a 10% significance level. A value of 0.06 means that if Service Quality 4.0 increases by one unit, it will increase Customer Satisfaction by 0.06. If the company wants to get good customer satisfaction, it should focus on improving Service Quality 4.0.

Customer Reputation Variable (Y1) has a significant effect on Customer Satisfaction (Y2). This result is evidenced by the p-value of less than 0.10. In this section, the 10% level is used. The value of 0.208 means that if Customer Reputation increases by one unit, it will increase Customer Satisfaction (Y2) by 0.208. If the company wants to get good customer satisfaction, then it is better to focus on increasing customer reputation.

### Indirect Effect

In addition to the direct influence on the relationship between variables, it is necessary to examine the effect of mediation as an intermediary variable and whether it has a significant effect or not. In this study, the mediating variable or intermediary variable is the company's reputation. The summary of the results of the indirect influence test of the company's reputation variable can be seen in table 3 below.

Effects between Latent Variables			Path Coefficient	P-value	Conclusion
Causal Variable	Mediation	Response Variable			
CSR (X1)	Company Reputation (Y1)	Customer Satisfaction (Y2)	0.081 *	0.174	Not Significant
SQ (X2)	Company Reputation (Y1)	Customer Satisfaction (Y2)	0.076*	0.182	Not Significant

Based on table 3. It shows that the mediating variable of company reputation has no significant effect in mediating the relationship between variables. Both in the relationship between the variables of Corporate Social Responsibility on Customer Satisfaction and the relationship between Service Quality 4.0 on Customer Satisfaction. This result is different from the relationship that does not use company reputation as a mediating variable. Therefore, to increase customer satisfaction, it is not necessary to use the company's reputation variable as a mediating variable.

### CONCLUSION

In a landscape where customer preferences are ever-evolving, the nexus of CSR, SQ, corporate reputation, and customer satisfaction stands as a strategic imperative. This research at PT. PLN (Persero) illuminates the path forward, emphasizing the pivotal role of socially

responsible practices and cutting-edge service quality in shaping customer experiences. As businesses navigate the complexities of the modern marketplace, integrating these elements can pave the way for enduring success and customer delight.

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