

Companies in Indonesia in the vortex of global economic disruption

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ABSTRACT: The best alternative for companies in Indonesia to survive in the midst of global economic uncertainty is by transforming their business and human resources, given that changes in business concepts are highly driven and patterned by advances in information technology that are exponentially increasing. The innovative steps of transformation, however, should refer to Good Corporate Governance, as an operational foundation and guarantee trust from stakeholders. The era of economic disruption requires companies in Indonesia to always generate new values in all aspects so that performance can increase and the companies are able to survive in the market by gaining positive profits. Human resources management is also very important, especially when there is employee engagement in facing threats originating from the external environment. This study is qualitative research with the interpretive paradigm, based on reality or the phenomenon that occurs. The findings were in the form of comprehensive analysis according to the primary and secondary data that the researchers have successfully explored.

Keywords: Economic Disruption, Transformation of Business and Human Resources, Good Corporate Governance, Employee Engagement.

1 INTRODUCTION

Various efforts to improve the ranking of ease of doing business in Indonesia throughout 2018 are still restrained by exports and imports that have consistently tended to decline since 2015. The World Bank's report on the ease of doing business 2018 places Indonesia on 73rd out of 190 countries. This position was down one position compared to 2017 of 72nd position. The downgrade of ease of doing business in Indonesia is expected to have no significant impact on investment, both domestically and internationally.

The condition of the global economy in 2018 tends to be sluggish and unbalanced, followed by high global financial uncertainty. The United States economy seems to grow strongly, but inflation expectation remains high so the Fed tends to choose to raise the benchmark interest rate. The economies of Europe and China are also expected to grow slowly. In addition, the volume of world trade is also expected to be low due to deteriorating trade relations between countries.

In the era of economic disruption, which is expected to happen until 2020, business people in Indonesia are required to constantly renew, innovate,

and create diversification so that they can survive in the market. The growing competition in the market faced by business people makes company leaders tend to make changes continuously where each element must be an important pillar in order to support the company's vision and mission, including optimizing the strategies that have been determined to obtain profit maximization.

The reality in the field shows that many companies in Indonesia still do not know what to do. Many companies are trying out the latest management systems to deal with the global economic disruption with an expectation that the companies will be sustainable and adaptive to the times.

From 2016 to 2018, economic and business developments have experienced rapid development with tighter business competition. All companies strive to demonstrate their respective advantages, but some fail. Theoretically, only large and strong companies can survive in the global era. Companies are often faced with the power of a rapidly changing global competitive environment which may add to business uncertainty, including advancement in digital technology, changes in socio-political conditions, and the emergence of new markets. The company strives to make adjustments by creating change, ex-

perimenting with new business capital, transforming businesses and human resources, and adjusting to the industrial revolution 4.0.

In order to realize sustainable competitiveness, the company management needs to build a system and mechanism for corporate governance that directs and controls the transformation of corporate resources to create ethical and beneficial added value for all stakeholders. The implementation of quality Good Corporate Governance (GCG) enables the creation of added value for stakeholders, and in turn, will create sustainable business success (Effendi 2009).

GCG is essentially a set of rules that regulate, manage, and supervise the relationship between company managers and stakeholders in the company in an effort to increase company value and market valuation. By implementing GCG, companies will get many benefits, such as ensuring the establishment of corporate culture, the existence of information disclosure, an effective audit system, and risk control that always refers to GCG standards. Similarly, the companies need to make GCG statements based on guidelines that are officially issued by the National Governance Policy Committee along with a description of the implementation of GCG.

GCG practices and value added creation are expected to meet three dimensions: compliance, conformance, and performance. Operationally, GCG is carried out by building awareness, disseminating a code of conduct, and implementing GCG standards, GCG assessment, full disclosure and full transparency, and action plans.

In addition to the need for employee engagement, companies also need a clear framework so that the direction of the organization becomes clear and measurable, and the execution of the strategies becomes appropriate and sustainable, given that efforts to build organizational capabilities are basically describing the current state of the organization and formulating the future according to the visions and missions that have been set together. Companies that have capability can create useful values by exploiting opportunities or neutralizing threats in the company's external environment. Similarly, companies can understand the position of costs and identify ways that can be used to facilitate the implementation of their business-level strategies. (Hitt et al. 2001).

2 RESEARCH METHODS

This research belongs to the qualitative category with the interpretive paradigm, that is, to study the phenomena and the methods used in the research and

then interpret findings. The purpose of the interpretative approach is to analyze the reality of global economic uncertainty and the fluctuations of the IDR (Indonesian Rupiah) against the US Dollar and their effect on the lives of companies in Indonesia in order to survive in the market through the power of competitiveness.

By using primary data and secondary data, the researchers tried to explore how business people perceive economic disruption and how business people save and shape their own reality so that they are familiar with the economic disruption. The researchers then interpreted the findings based on the perspective used by business people in Indonesia. Data analysis was carried out to obtain accurate and in-depth results. This means that the validation of the accuracy of information is done gradually, starting from the procurement of raw data to be processed for the purpose of analysis in order to produce themes and disruption.

3 RESULTS AND DISCUSSIONS

From 2014 to 2017, there was an increase in the population of large and medium industries, from 25,094 business entities in 2014 to 30,992 business entities in 2017, or an increase of 5,898 business entities. Small industry sector also experienced an increase, from 3.52 million business entities in 2014 to 4.49 million business entities in 2017, or an increase of 970 thousand small business entities over 4 years. Investment in the manufacturing industry sector in 2014 was IDR 195.74 trillion and rose to IDR 274.09 trillion in 2017. In the first semester of 2018, investment activities in the manufacturing industry sector reached IDR 121.56 trillion (Ministry of Industry of the Republic of Indonesia, 2018).

At present, the industrial sector that is closely associated with the use of high technology tends to be aggressive in opening up recruitment of new workers. The same thing also happens in the mining sector and mining services, considering that there is so much labor migration because the old companies have low value and the stress levels during work tend to be high. The workforce that is sought after by companies is data analysis and business intelligence, general digital or internet-based marketing, and software programming experts. The development of the digital economy turns out to stimulate the search for new workers by prioritizing information technology skills.

The quality of workforce development in Indonesia seems to be not maximal, as reflected in the Labor Development Index which only reached 60.81 in 2018. The Central Government and Regional Gov-

ernments are trying to realize various infrastructure projects, but at the same time, digital technology is growing massively which has an impact on the creation of new employment as reflected in the indicator of employment opportunities which rose from 8.56 in 2017 to 11.23 in 2018. Digital trends create many job opportunities, but most are informal and have no official legal status. So, fast-moving digital technology actually demands a change of expertise, considering that the skills currently possessed by workers may not be needed in the future, so new competencies are needed.

The competitiveness of companies in Indonesia in facing economic disruption and industrial revolution 4.0 is actually very dependent on the ability to take advantage of changes along with technological advancement that has been increasing exponentially in order to survive, develop, and provide significant added value to all stakeholders. The effort to improve the capability to become sustainable organizations is an introspection of current conditions. In addition, an organization should try to predict its future condition in a clear framework so that the vision and mission of the organization are clear and measurable and the execution of strategies is right on target.

In general, the organizational goals are represented by vision, mission, and strategy. Similarly, the organizational structure is always aligned with the organizational strategy where each work unit should have a clear function and contribute to the achievement of the organizational goals. Likewise, each position box formed should not only meet regulatory requirements or expand the power of directors but also have a clear role in the company's strategic achievement.

One issue that often arises in companies when executing a new strategy is the organizational readiness in terms of aligning the strategy that will be executed with the business processes carried out within the organization, organizational structure, human resource competencies, and culture. Thus, a self-assessment is needed so that the direction and alignment of the company's adjustment process, including employee competency, can be identified and the agile organizational structure can run the strategy with the existing process.

There is a popular adage in the community "nothing is permanent except change". It is indeed proven where the trend of globalization, digitalization and trade war has made the world experiences volatility, uncertainty, complexity, and ambiguity (VUCA). The challenges that arise may come from external or internal factors of the company. This means that business transformation and human resource transformation are important agendas in many companies. Companies that have succeeded in carrying out

business and human resource transformation are PT. BNI, Tbk. and PT. Hartono Plantation Indonesia (HPI-Agro).

PT. BNI, Tbk. has carried out banking digital transformation by launching several digital products, such as mobile banking, digital loans, mobile remittance, chat banking, and QR Code-based payment applications by preparing millennial talent with different treatment, different learning, and different total reward. HPI-Agro has carried out 9 business transformations in the last 6 years, namely: (1) changing annual plants into seasonal plants; (2) changing project development into an established organization; (3) changing investment mode into operational mode; (4) changing administration into strategic manager; (5) changing ad-hoc into planning based; (6) changing traditional organization into modern one; (7) changing plantations into agricultural industries; (8) changing offer into demand management; and (9) changing followers into innovators.

The scale of transformation is highly dependent on the level of challenges and problems faced by each company. This means that transformation can be done from aspects of strategy, system, management, organization, information technology, human resources, and funding. The transformation process is usually related to innovative ideas and is expected not to violate business ethics and GCG principles.

The transformation process must be able to meet the basic principles of GCG, transparency, accountability, responsibility, independence, and fairness. All important guidelines owned, such as the procurement of goods and services, GCG, ethics, internal control, whistleblowing system, and risk management should run well. If all steps in the transformation process can be realized, the company will certainly be able to answer the challenges of change and maintain the relevance of its ecosystem.

Nowadays, more and more companies in Indonesia are implementing GCG not as a regulatory obligation or something that is burdensome, but as part of the company's tools and guidelines in getting to know the business transformation process. Likewise, a number of companies have consistently made GCG an operational foundation so that all strategies and management systems in the companies can be carried out properly and correctly, which ultimately raises trust from stakeholders.

Companies that have implemented GCG are proven to be able to carry out all strategies and management systems properly and correctly and bring trust from stakeholders. In general, in terms of aspects of output, outcome, and impact, the companies that have implemented GCG show significant progress. In addition to being able to encourage aspects

of openness, accountability, and trust, GCG has also helped empower functions in the business unit and increased the independence of the company's organs.

The implementation of GCG turns out to be able to encourage companies to continue to strive to create and introduce new values in the aspects of products, operations, and services that have an impact on improving company performance, and ultimately benefit stakeholders. The consistency of a system of sustainable GCG implementation, in the perspective of value creation, is very much needed in the capital market. This shows that the system is expected not only to drive the pace of business, but also to increase stakeholders' trust so that investors are interested in their shares, or in other words, issuers always improve the quality of GCG to become an investor's choice, and GCG is an important consideration in the investment decision-making process.

The effectiveness of an organizational structure to produce superior performance is greatly influenced by the quality of leadership and the management system implemented. When the organization is out of focus, it is very difficult to realize superior products and services as expected by the market. Consumers are sometimes disappointed and dissatisfied with what they have received so that various problems arise, both internal and external. Similarly, employees sometimes feel that there is no bond with the company (Dessler 2005). Finally, financial figures do not provide the expected results due to profit margins that are eroded by the many problems that arise.

Employee engagement is very important in companies that are currently in the vortex of global economic disruption. Employee engagement provides access for management to be able to improve the conditions of employees' say, stay, and strive through efforts to build high commitment and accommodate aspects of employee satisfaction with the company better, which in turn can be implemented into daily operational activities. Employee engagement is expected to foster passion, motivation and proactive encouragement for employees to provide optimal efforts in every business activity.

4 CONCLUSION

Competitive advantage has become a necessity for every company in Indonesia in facing economic disruption when the company wants to survive in the domestic and global markets through a massive transformation at all levels and business units operated as well as continuous innovation.

Economic disruption has made company leaders face very difficult challenges. The leaders have to

strive to be more adaptive in facing the future that is full of volatility, uncertainty, complexity, and ambiguity (VUCA), including being able to bring a positive aura to all employees. Furthermore, the performance target needs to be lowered from the top level to the individual so that each employee can move in the same direction. In addition, they must be able to foster shared value within individual employees and become a role model for all employees.

The implementation of GCG in companies proves to be able to increase company value, market value, culture value, the openness of information, effectiveness of the audit system, and risk control. Profit maximization can be obtained if the governance runs well and is always in line with the compliance and suitability of ethics and norms.

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