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STRATEGIC COMMUNICATION IN CONCEPTUAL AGE :

NEW PARADIGM IN BUSINESS PARTNERSHIP

Proceeding 15th International Annual Symposium of Management
Burapha University, Tambon Saensuk, Amphur Muang Chonburi 20131, Thailand
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**STRATEGIC COMMUNICATION IN
CONCEPTUAL AGE:**
New Paradigm in Business Partnership

24

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Faculty of Business & Economics, University of Surabaya,
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Proceeding

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STRATEGIC COMMUNICATION IN CONCEPTUAL AGE:
New Paradigm in Business Partnership

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FOREWORD

It is with deep satisfaction that I write this Foreword to the Proceedings of *THE 15TH INTERNATIONAL ANNUAL SYMPOSIUM ON MANAGEMENT (INSYMA)* held in Tambon Saensuk, Amphur Muang Chonburi 20131, Thailand, March 1st, 2018. The 15th Insyima aims to provide a forum for discussion among leading academics, researchers, students, and practitioners from all over the world, experts in economic and social sciences.

The theme for INSYMA 2018 is *STRATEGIC COMMUNICATION IN CONCEPTUAL AGE: New Paradigm in Business Partnership*. This theme represents emerging and highly challenging and opportunities area of research and practice.

Conceptual age was chosen as the 15th INSYMA major theme. As we know, the world now has entered the era of conceptual, where current economic demand requires skilled workers in areas guided by the right hemisphere of the brain including: Design, Story, Symphony, Empathy, Play and Meaning. People tend to emphasize on intangible aspects such as good atmosphere, experience and so on. This leads to great opportunity to combine art with many fields. Consumer not only seeks for utility, but also experience, friendly atmosphere and beautiful scene. We believe there are a lot of opportunities for research and discussion in conceptual age. We indeed invite issues of ethics and morality affecting socio-business systems.

Hundreds of scientific papers were sent to a conference committee, and after rigorous selection 27 elected. This papers were derived from many authors from 8 countries All the articles are then presented at the symposium and documented in this proceedings that proposed to Scopus.

We thank all authors, participants and Co Host for their contributions and we hope that these proceedings can contribute to the development of science and business practices. Hopefully you can enjoy and gain valuable lessons from this article collection.

Surabaya
March 1st, 2018
Head of Management Department Program
University of Surabaya

Noviaty Kresna D., Dr

CONTENTS

FOREWORD	v
CONTENTS	vi
1. Social enterprise: actor network approach A.H. Praton, Suyanto, & D. Marciano	1
2. Interdependency ¹⁹ The Connection of China's Guanxi Diplomacy to its state-owned enterprises' FDI in Latin America A.Y.S. Wu	4
3. The potential analysis and people preferences Marpoyan Damai Districts in choosing financial source Azmansyah & E. Arif	7
4. The effect of human resource, corporate governance, and internal control towards the regional-owned enterprise (BUMN) performance in Riau Province, Indonesia Azwirman, E. Susanti, & D. Mardianti	11
5. Winner-loser anomaly in stock return before and after the Asean Economic Community enactment D.A. Harjito & Y.I. Winarko	15
6. Participatory action learning system in maximizing entrepreneurship capacity D. Rachmasari	18
7. ⁹ A Conceptual Review in Relationship Between Abusive Supervision and Performance: The Role of Gender on Short-Term and Long Term E. Cahyono & B. Haryanto	21
8. The opinion of youth on corruption and policy on anti-corruption of Thailand E. Maneethorn & C. Cousnit	25
9. ³⁰ Innovation strategy for startup business: a case study using business model canvas E.N.W. Putra	28
10. ³³ Determinant factors affecting the quality of financial report of the regional government G. T. Pontoh, G. Pagalung, Satriani	31
11. ²⁷ Determinants of bank performance in Indonesia: evidence Rural Banks in Pekanbaru City H. Agustin, Azwirman, & Yusrawati	35
12. System of rice intensification (sri) of organic rice as an attempt to improve farmers welfare H. Maridjo, Y.M.V. Mudayaen & A. Tri Prihantoro	39
13. ¹⁴ The impacts of lowering room rate to room departmental profit: A case study of Alla hotel in Bali I.B.M. Wiyasha	43

14. The empowerment of Small Medium Enterprises that manufacture and export rattan products in West Java Province Indonesia: problems and solutions I. Muis & Solikin	47
15. Educational management via professional learning community J. Chano	50
16. Implementation of promoting agritourism region: a case study in Wedi and Tanjungharjo Village, Bojonegoro J.L.E. Nugroho	53
17. Consumer behavior in accordance with sufficiency economy philosophy of university students in the eastern region K. Rugchoochip	56
18. Trust is needed in economic development L. Purwoto & D. Utari	59
19. The role of destination branding in tourism development on Southern Coastal corridor N.H. Le	63
20. Legal problems concerning the seizure of Farmland in civil justice process P. Tabattanon & J. Pornying	66
21. Social capital in the development of some traditional trades in Phu le Commune, Ba Tri district, Ben Tre province P.T.H. Xuân & N.N.T. Vy	68
22. Organization, Unit, and Team Engagements in Higher Education Context S.L. Prabowo	72
23. Village institutional phenomenon in the base sector through the village funds for business efforts in the underdeveloped area S. Purwadinata, A. Suman, Susilo, & A. Manzilati	76
24. The effect of profitability, company size and financial leverage toward income smoothing practice in property and real estate companies listed in Indonesia Stock Exchange Y. Nugroho, A. Prasetyo	80
25. ESCI model strategies of private universities in Thailand towards sustainable loyalty in P.R.C Y. Song & M.L.D. Jayaranjan, L. Na	83
26. The impact of personal selling orientation to value creation, relationship development, and customer satisfaction in industrial business Y.T. Gunadi & L.V.H. Secapramana	86
27. The influence of profitability, financial risk, company value, and ownership structure on income smoothing practices (empirical study on plantation companies listed on the Indonesia Stock Exchange over the period of 2011-2015) Zulhelmy & K.A. Sitompu	89



The effect of human resource, corporate governance, and internal control towards the regional-owned enterprise (BUMN) performance in Riau Province, Indonesia

Azwirman, E. Susanti, & D. Mardianti
Islam Riau of University, Pekanbaru, Indonesia

ABSTRACT: The purpose of this study is to study the effect of Human Resources, Corporate Governance, and Internal Control towards the Performance of Regional-Owned Enterprises (BUMDs) in Riau province. The data was gathered from 33 participants in Riau province who work in BUMDs. The authors used the questionnaire as the main tool for gathering data. To analyze the relationship between the variables included in the study, correlation and multiple-regression statistics were used. The findings from the study supported the variables and indicate that only corporate governance has an influence on the performance of BUMDs in Riau province.

Keywords: human resource, corporate governance, internal control

1 INTRODUCTION

1.1 Background

A Regional-Owned Enterprise (BUMD) is a reliable economic and strategic business institution that is expected able to realize some of its main functions as agent of development, service servant, as well as the source of Local Own Revenue (PAD) of local government, so as to realize sustainable development, by increasing employment opportunities, reducing number of poor people, and increasing people's income.

Based on the previous research, condition and activities of BUMD are not in line with its role. Actually, there are some common problems such as 1) Business units that are virtually non-existent, let alone giving decent dividends as economic institutions, 2) Existing assets have not been optimally utilized, 3) Local government budget subsidies are still in vain, and 4) The BUMD contribution to PAD is below expectation as a business entity.

In addition, other problems faced by the BUMD management, including human resources and management of organizations that is not professional. Based on the economic research center (2010), the problem is the lack of service and marketing of products and services produced by BUMD that is difficult to compete with competitors, as well as human resources managers who are still less qualified.

1.2 Research Objective

In general, the purpose of this study is to examine the relationship between human resources, internal control, and good corporate governance towards the performance of BUMDs in Riau province. Specifically the purpose of this study: first, to analyze the relationship between human resources and the performance of BUMDs in Riau province; second, to analyze the relationship between good corporate governance and the performance of BUMDs in Riau province; and third, to analyze the relationship between internal control and performance of BUMDs in Riau province.

2 LITERATURE REVIEW

2.1 Human Resources

Human resource is an important key factor for the company to ensure the achievement of organizational goals with the expected satisfaction of each individual and the needs of employees in achieving its objectives. Thus, the human resource department of the organization is critical. Budhar & Debrah (2001) indicates that people who have the skills, abilities, and experience when united with organizational expertise have an impact on the organizational benefit which is also considered as an important source and contributes to the organizational success and competitive advantage.

According to Bratton & Gold (2007), human resource strategy is a process that connects the function of human resources with the strategic goal of improving organizational performance. It was obtained that the problems relating to human resources, including education, age, work experience, and gender affect the motivation of work.

2.2 Corporate governance

Good corporate governance is a system that regulates and controls companies in order to create added value for all stakeholders (Monks & Minow 2013). According to Kaen (2003) and Shaw (2003), there are four main components needed in the concept of GCG namely fairness, transparency, accountability, and responsibility. The implementation of these four components in GCG in a sustainable manner had a major impact on improving the quality of financial statements and may also be an obstacle to the engineering performance activities resulting in the financial statement that does not reflect the fundamental value of the company.

In general, there are 5 basic principles of GCG include: first, transparency (openness of information) that is openness in executing the decision-making process and openness in expressing relevant material and information about company; second, accountability relates to clarity of functions, structure, system, and corporate liability so that the management of the company can be implemented effectively; third, responsibility is the compliance in the management of the company against sound corporate principles and applicable legislation; fourth, independence refers to a state in which the company is managed professionally without conflict of interest and influence/pressure from the management that is not in accordance with applicable rules, legislation, and principles of a healthy corporation; and fifth, fairness, which is fair and equitable treatment in fulfilling the rights of stakeholders arising from the existing agreements and laws and regulations.

Therefore, GCG has an important role in improving the company's performance based on the applicable rules and regulatory framework.

2.3 Internal control

According to the Committee of Sponsoring Organizations (COSO), internal control is a process that is managed by board of directors, management, and staffs to make reasonable assurance regarding the effectiveness and efficient operations, financial reporting reliability, and compliance with applicable laws and regulations.

Effective internal controls are needed to ensure the integrity of business processes, sustainability, and security (Warketin & Johnston 2006, Whitman 2003).

According to Mulyadi (2012), the objectives of internal control include the reliability of financial information, compliance with applicable laws and regulations, and the effectiveness and efficiency of operations. According to Anastasia & Setiawati (2011), internal control refers to all organizational plans, methods, and measurements determined by a business activity to secure their assets, check the accuracy and reliability of business accounting data, improve operational efficiency, and support the managerial compliance that has been determined

2.4 Performance

According to Amaratunga et al. (2001), performance is defined as an improvement of the assessment process towards the determination of the achievement of objectives including the efficiency of resources and the quality of results and operational effectiveness of the organization in achieving organizational goals. Performance by Amaratunga et al. (2001) is a pattern of actions taken to achieve goals measured by comparison with various standards, so it can be declared performance is the work of managers or organizations in carrying out the tasks assigned to them. Furthermore, Amaratunga et al. (2001) added that performance is basically a condition that must be known and informed to certain parties to understand the level of achievement of a company's results and to know the level of achievement of a company's results related to the vision and mission of the company and to know the negative impact of an operational policy which has been set by the company.

3 THEORITICAL FRAMEWORK

3.1 *The relationship between human resources and performance*

Human resources are an important factor in improving company performance. Among the factors affecting human resources are the level of education, experience, age, and gender that affect the company's performance. Budhar (2001) indicates that people who have the skills, abilities, and experience when united with organizational expertise have an impact on the organizational benefit which is also considered as an important source and contributes to the organizational success and competitive advantage.

Hence, the first hypothesis H1: human resources have an influence on company performance.

3.2 *The relationship between corporate governance and performance*

The performance measures that have been set by the organization definitely require an effort to make it

happen. In this case, one effort that can be taken is to perform adequate internal control, where internal control is a tool to reduce the occurrence of irregularities in the implementation of organizational goals for performance improvement. Internal control is an important thing done by an organization to improve the performance of the organization. Amaratunga et al. (2001) has proved that partial internal control affects organizational performance. Based on that, then the second hypothesis is proposed, H2: Internal control can affect company performance.

3.3 *The relationship between internal control and performance*

The greatest control of an enterprise comes from the company's internal corporate governance aims to examine and balance the strengths of managers, shareholders, directors, and stakeholders. Good corporate governance includes supervision from management, independent internal audit, board structure to the level of responsibility, separation of control and policy development (Dovoren 2015). From the above explanation, H3 hypothesis is prepared: good corporate governance can affect company performance.

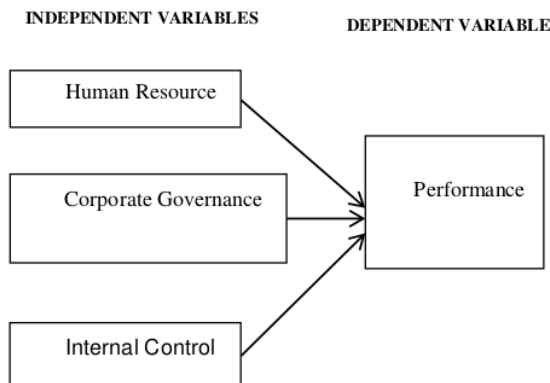


Figure 1. Research model.

4 METHODS

4.1 *Population and sample*

Population in this research was the management of BUMDs in the Riau Province. Research respondents were a board of directors, managers, and officials of BUMDs in the Riau province that directly related to internal corporate governance. 7 (seven) data on the list of BUMD Riau Province that was taken from websites, including PT. Jamkrida Riau, PT. Permodalan Ekonomi Rakyat (PER), PT. Asuransi

Bangun Askrida, PT. Bank Riau Kepri, PT. Bumi Siak Pusako, PT. Pengembangan Investasi Riau (RIC/PIR), PT. Riau Petroleum, and PT. Sarana Pengembangan Riau.

4.2 *Data analysis*

This data was analyzed using SPSS version 22. In this study, the method used was survey research method which is a field research conducted on some sample members of a particular population whose data collection is done using a questionnaire (Sekaran 2003)

4.3 *Data collection method*

There were two methods used to collect data as follows: first, Primary Data Collection. A questionnaire that refers to a method of collecting data that is done by asking questions to respondents was used to collect the primary data. The questionnaire covers all questions that are used to obtain data and done by phone, letter or face-to-face (Ferdinand 2006).

The second is Secondary Data Collection. Secondary data were obtained from data provided by the office or company, such as organizational structure and history of the office or company. In this research, a Likert scale was used to measure human resources, good corporate governance, internal control, and company performance. In this research, the scale was used to measure attitudes, opinions, and perceptions of a person or group of people towards social phenomena. Variables measured into sub-variables, then translated into measured components that are then used as a starting point for the preparation of an instrument item that is turned to be the questions answered by the respondents.

5 RESULTS

The results of the test conducted to see the influence of corporate governance, internal control and human resources on the performance show that the value of adjusted R square is 0.390 or 39%, which indicates the influence of independent variable to the dependent variable. The ANOVA table shows information about the effect of independent variables on the dependent variable simulant (together). In the significant ANOVA table listed as 0.001, it is showed that the variables of corporate governance, internal control, and human resources have an influence on performance.

However, in the t-test to see the influence of independent variables and dependent variables, it is partially found that only corporate governance has a significant influence on performance while human resources and internal control partially have no effect

on the performance.

Table 1. Coefficient.

Model	Unstandardized		Beta	t	Sig.
	B	Std. Error			
(Constant)	3.36	0.98		3.43	0.00
CG	0.47	0.15	0.66	3.08	0.00
CI	-0.06	0.14	-0.06	-0.44	0.67
HR	0.02	0.12	0.03	0.14	0.89

5 CONCLUSION

BUMD is the development agent for the Riau province in increasing the local revenue. This research assesses the BUMD performance by looking at the variables of corporate governance, internal control, and human resources. This research indeed shows only corporate governance is good with human and internal control resources are still lacking. It is necessary to conduct further research to see other factors that affect the performance of BUMD in the Riau province.

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