[1]Abd. Wahid Wijaya,

[2]Inta Hartaningtyas Rani

Culture Internalization for AKHLAK BUMN: A Uniformized Core Values of All Indonesian State-Owned Enterprises.

JES

Journal of Electrical Systems

Abstract: - In today's business landscape, companies must be increasingly agile to meet the demands of developing business potential, changing customer needs, and rising competition. This includes State-Owned Enterprises (SOEs) that aim to deliver social and economic value. Internalization of core values is crucial in creating a culture that drives the company's performance. Therefore, the activation program and measurement methods for culture are key to the success of the transformation. Through the implementation experience, this practitioner study aims to identify the necessary infrastructure for managing the uniformized culture, activation programs, and measurement methods in companies. The core value set by the Ministry of SOEs or AKHLAK BUMN, guides the behavior of employees to support company performance. Implementing core values in each SOE company will facilitate talent mobility and ensure that the transformation process aligns with the ministry's objectives.

Keywords: Organizational culture, Internalization, Framework, Strategy

I.   INTRODUCTION

The development of the global world, particularly in light of the challenges posed by the COVID-19 pandemic, has prompted numerous companies to adapt and refine their business strategies. The Company recognizes the increasing significance of geopolitical dynamics and acknowledges the importance of stakeholders' awareness regarding implementing environmental, social, and governance (ESG) practices. In light of global challenges, SOEs have undertaken various initiatives to address these issues. These include transforming their business models, enhancing their business portfolios, implementing digitalization and technology focusing on reliable IT security, promoting business integration, carrying out financial restructuring, and ensuring effective profitability management.

The management of SOEs in Indonesia, comprising a range of companies across various industry sectors, has implemented a series of strategic measures to enhance the company's competitive edge. In addition to their economic function, it is essential to recognize that state-owned enterprises (SOEs) also play a significant role in generating social value within the country. The Ministry of SOEs has undertaken a range of transformation initiatives, which include focusing on strategic priorities such as social and economic values, business model innovation, technology leadership, investment growth, and human capital and culture development. Additionally, efforts have been made to streamline operations by reducing the number of companies from 108 to 41, organized into 12 clusters. Furthermore, implementing 88 national strategic initiatives and enhancing governance and risk management within SOEs have been prioritized to ensure sustainable growth.

The alignment of core values in certain organizations has various obstacles, particularly in terms of implementing specific behaviors, which are contingent depend on the nature of the industry. Furthermore, variations in the level of development within the cultural infrastructure have an impact on the execution and assimilation of fundamental principles. Several firms have neglected to measure the implementation of culture initiatives. It is crucial to assess the extent to which these programs have been effectively internalized, identify areas that require improvement, and evaluate their impact on corporate performance.

[1] Culture Transformation Division, PT. Bank Rakyat Indonesia (Persero), Tbk., Jakarta, Indonesia.

[2]Department of Accounting, Ahmad Dahlan Business Institute and Technology, South Tangerang, Indonesia.

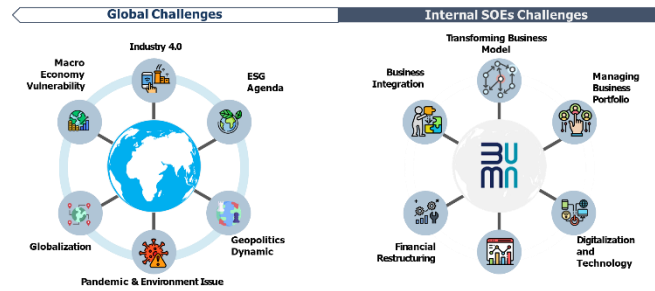[1] abdul.wahidwijaya@corp.bri.co.id, [2] intahartaningtyas@itb-ad.ac.id

Figure 1. State Own Enterprises Internal Challenges regarding the Global Challenges.

Source: IMD – Leading in Turbulent Times; Various Sources [1]

In this current VUCA era, SOEs face various global challenges that require many companies to respond to maintain sustainable business growth. In Industry 4.0, stakeholder concerns related to the ESG agenda in every company, Geopolitics Dynamic that causes uncertainty, globalization, and Macroeconomic vulnerability become the triggers for every company to transform.

In order to address the complex challenges at a global level, State-Owned Enterprises (SOEs) need to undertake various transformational measures. This includes optimizing business models and processes to improve efficiency, managing portfolios of businesses, embracing digitalization and advanced technology, integrating business operations, and restructuring finances to ensure profitability management. These steps play a critical role in enabling SOEs to stay competitive and relevant in an ever-changing business environment.

II.   AKHLAK AS SOE'S SHARED CORE VALUE

AKHLAK is a set of standardized core values implemented within SOEs as a crucial aspect of their transformation process. Given the varying levels of maturity among different companies in the state-owned enterprises (SOEs) sector, it is anticipated that the implementation of these Core Values could potentially foster a more conducive environment for talent mobility within SOEs. In order to enhance engagement and promote talent mobility while addressing cultural differences, efforts are made to align the core values within state-owned enterprises (SOEs).

A.   AKHLAK Initiation Design

One of the Important Initiatives of SOE transformation is establishing corporate culture as part of the transformation strategy and agenda [2]. After clustering SOEs and downsizing to improve business focus, we conducted a Core Values Design that will become uniform Core Values in each company.

Several steps were undertaken in the process of designing our core values.

Discover:

These steps aim to examine the core principles that have been effectively applied in various companies and their impact on driving performance, with a focus on identifying best practices.

Dream:

This analysis aims to explore the correlation between the transformation of State-Owned Enterprises (SOEs) and identify fundamental values that hold the most significance for future strategic endeavors.
Design:

The alignment of core values was assessed through a series of focus group discussions (FGDs) with the organization's top management. This evaluation took into account both internal and external issues faced by state-owned enterprises (SOEs), while also ensuring alignment with the corporate aspiration. The economic and social values, which serve as the primary role of SOEs, continued to lead the alignment process.

Delivery:

Following the implementation of AKHLAK as fundamental principles, represented by an acronym encompassing Trustworthiness, Competence, Harmony, Loyalty, Adaptability, and Commitment, these values were subsequently disseminated through a comprehensive policy, guidebook, and various organizational initiatives aimed at fostering cultural development, alongside the provision of several cultural infrastructure resources.

In order to enhance the involvement of management and employees, the implementation of AKHLAK in State-Owned Enterprises (SOEs) is undertaken through the development of an ad-hoc team of individuals from various industries within the SOEs. The team is engaged not only in the design process but also in establishing initiatives aimed at raising awareness (through campaigns and artifacts), establishing standardized cultural measurements through guidelines that can be utilized, and conducting benchmarking of those that have in various intervention programs activities among companies to learn from the best practices.
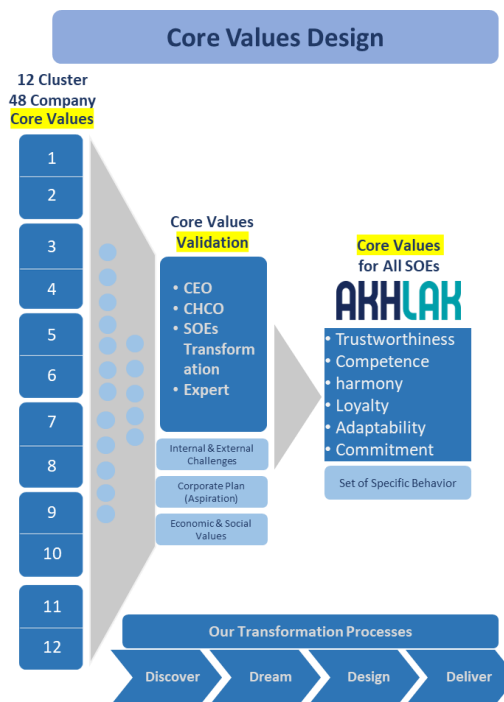

Figure 2. AKHLAK as core value design.

Source: Author's work

B.   Core Values Internalization Framework

Figure 3. Core value internalization Framework.

Source: Author's work

Once the Core Values have been established, it is imperative to implement an internalization strategy in order to ensure that these values effectively contribute to the attainment of sustainable performance inside the organization [3]. Several strategies for internalization can be identified, including:

I Understand

This process is the company's effort to build employee awareness & conviction in the importance of transformation, core values that must be realized in everyday life, through various campaigns and cultural artifacts.

I see it.

Because culture is intangible, role models are needed to demonstrate behavior in accordance with core values in daily life. A culture team becomes crucial in this stage because of the internalization of values through top-down/formal leaders & and internalization by peers / informal leaders.

I am Capable.

Building core values that align with capability & skill development programs is part of strengthening cultural internalization. This includes strengthening the role of culture leaders to ensure that their teams carry out daily behaviors that support performance (such as mentoring & coaching cadence programs).

I have a system.

Every effort made to internalize the organization's core values could be optimized by integrating them with the company's existing systems [4]. Incorporating human capital management systems is a component of this. The Culture Activation Program, reward and punishment programs, learning platforms, and behavior objectives incorporated into individual performance management systems are a few examples of such systems. Others include the culture fit test conducted during the recruitment process.

III.   THE IMPLEMENTATION

Following the core values design process and internalization approach, the viability of behavior inside an organization is achieved through the implementation step. Establishing a performance-driven culture necessitates implementing a disciplined execution approach for each component of the infrastructure responsible for facilitating the transition [5].

A.   Measurement

Figure 4. Measurement- BRI case study.

Source: Author's work

All initiatives undertaken must be measured to ensure the intervention is appropriate [3]. In addition to standardizing core values and ensuring cultural management infrastructure is implemented throughout the company, SOEs also standardize guidance to measure the level of cultural internalization. Some of the stages include:

Initial
At this stage, all companies assess the cultural management infrastructure in their respective companies. At this stage, what is crucial is the tone from the top, culture agent/culture team infrastructure, and several events and campaigns to internalize values.

Intervention

The focus of measurement at this stage is to ensure the existence of an AKHLAK internalization policy, the commitment of all Board Members, the availability of an alignment system as part of the cultural initiative agenda, and including artifacts that need to appear in every work environment.
Acceptance

Measurement at this stage ensures each company's level of acceptance of values. Consists of three stages: understanding, acceptance, and implementation.

Behavior Change

At this stage, measurements will be made to ensure that behavior has changed by core values. At this stage, a 360 assessment of culture leaders and culture teams is carried out, including being embedded in determining KPIs and performance.

Performance Impact

The last measurement is carried out as part of the validation that ensures that culture initiatives can drive company performance. At this stage, it can be feedback on cultural programs that are not optimal in supporting the achievement of company performance [5].

B.   Implementation Area

SOEs have several transformation areas that are implemented, including Core Values alignment, establishing strategic priority programs, improving the effectiveness of SOE management through various corporate actions, improving the management of Human Capital Development, and strengthening governance & risk management for sustainable growth.

C.   Outcomes

The transformation undertaken by SOEs over the past three years may yield substantial performance growth. With regard to revenue, it is noteworthy that since 2020, every SOE company has witnessed a consolidated increase of 35% in revenue. In addition to bolstering the confidence of shareholders, a respectable performance results in a 19% increase in market capitalization relative to the 2020 position. as well as influencing the dividend yield, which has increased by 2.7 times in the past three years. SOEs achieved some advancements concerning social values, including the execution of 63 strategic infrastructure projects, assistance with rescue operations during the COVID-19 pandemic, and the ongoing expansion of financial inclusion to 90% by 2025.

IV.   CONCLUSION

This paper describes the implementation of culture transformation through uniformizing the core values in several companies with various industries. Implementing cultural transformation initiatives within state-owned enterprises (SOEs) can foster enhanced effectiveness, facilitate talent mobility, and establish a robust culture administration infrastructure, thereby positively influencing corporate performance.

This paper comes from an expert point of view and requires further academic discussion as further research can be developed. Moreover, the strategy implemented in Indonesia is categorized as an emerging market and economy, thus limiting its relevancy to similar country characteristics.

REFERENCE

[1] IMD, "Leading in Turbulence Time." [Online]. Available: https://www.imd.org/ibyimd/leading-in-turbulent-times/

[2] D. Knights and H. C. Willmott, "Organizational Culture as Management Strategy: A Critique and Illustration from the Financial Services Industry," *International Studies of Management & Organization*, vol. 17, no. 3, pp. 40–63, Sep. 1987, doi: 10.1080/00208825.1987.11656461.

[3] P. Anggina, S. A. Achmad, and J. Welly, "Planning Culture Activation Program Using Predictive Analytics: A Case Study at PT. Telkom Indonesia-TR3," *IJPS*, vol. 0, no. 1, p. 1, Nov. 2020, doi: 10.12962/j23546026.y2020i1.7989.

[4] "8 UL0093-ONUOHA CHARITY EKWUTOSI.pdf."

[5] H. Li and E. Van Den Steen, "Birds of a Feather … Enforce Social Norms? Interactions among Culture, Norms, and Strategy," *Strategy Science*, vol. 6, no. 2, pp. 166–189, Jun. 2021, doi: 10.1287/stsc.2021.0129.