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The Effect of Audit Committee Size, Independent Commissioner Size, and Shareholder Equity Ratio on Financial Distress Avoidance: A Study on Public Companies in Manufacturing Sector Listed in IDX During 2015-2017

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ABSTRACT
This study aimed to reveal the effect of Audit Committee size, Independent Commissioner size, and Shareholder Equity Ratio on Financial Distress Avoidance. In this study, Audit Committee size, Independent Commissioner size, Shareholder Equity (SHE) Ratio, and Financial Distress were measured by using the Altman Z-Score Model. The research subjects were public companies listed in Indonesia Stock Exchange (IDX) during 2015-2017. These samples were selected by using the purposive sampling method and the secondary data was analyzed by using multiple regression method, and finally there were 19 companies that met the requirements. As research result, the Audit Committee effectiveness as proxied by Audit Committee size and the number of Independent Commissioner do not positively affect financial distress avoidance. Meanwhile, the SHE ratio positively and significantly affect financial distress avoidance.
Keywords: *Audit Committee, Independent Commissioner, Shareholder Equity Ratio, Financial Distress Avoidance*

1. INTRODUCTION

Shareholder Equity (SHE) ratio measures the proportion of total assets obtained not from debt, but from investors' funds. This ratio is used to describe the ability of management to use assets based on the amount of capital owned [1]. Company size can be assessed from the total assets owned. If a company is bigger, then there is a tendency that it can use large external funds and one alternative to fulfill the available funds is using the external funding (Hendriani, 2015) in [2]. If the company tends to seek funds through external parties, in this case from investors, it is unlikely that large long-term debt will arise and the company does not lead to financial distress.
Corporate governance handles the ways whereas all parties are involved in the organizational well-being, which are the efforts ensuring that leaders and other insiders can take actions or adopt the mechanisms that protect the stakeholders' interests. Corporate governance refers to a set of rules and incentives in which the company management is directed and controlled [20]. Corporate governance is a system used by companies to mobilize and control their operations. In corporate governance, the Board of Directors is responsible for its implementation. Corporate governance is a principle which directs and controls the company in achieving an equality between the strength and authority in providing the accountability to stakeholders in general and shareholders in particular.
Manufacturing companies are dominated by inventories, which are part of total assets and assets are the company's main resource for earning profits, thus total assets are expected to reflect the size of the company.
The elements to estimate financial distress are the major signs, sources, as well as the suggested ways to erradicate these undesirable consequences. The methodology used is the critical analysis based on empirical literatures. As the findings in this study, a basis for addressing financial distress conditions is provided by restructuring the financially distressed projects. The findings also mean that the restructuring can be viewed in four main dimensions, which are financial, asset, operational, and managerial dimension [3].
Leverage is proxied by the total debt ratio. This ratio illustrates the ratio of total debt to total assets [2]. The low debt ratio illustrates that the company's funding is dominated by shareholder funds, thus preventing the company from seeking funds through debt. With the smaller possibility of a company seeking funds through debt, the smaller the liabilities in form of principal and interest on debt that must be paid by the company, so that the company is less likely to experience default or

financial problems, thus it can avoid financial distress. Liquidity is proxied by the current ratio. This ratio illustrates how much the ability of the company's current assets to cover its current liabilities [2]. When current assets are greater than current liabilities, the company does not experience liquidity problems or the company is still able to pay-off its current debt. When the company is still liquid, financial problems will not arise. In this condition, the company shows no signs of experiencing financial distress.

[4] stated that when a company does not realize that it is experiencing financial distress, 2-5 years later it will go bankrupt. In this condition, the government will suffer losses from the tax revenue sector.

Financial distress is measured using the Altman Z-Score Model [5]. The working capital to total assets ratio measures the ratio of the net working capital position to the total assets owned by the company. The net working capital position represents the excess of current assets against the company's current liabilities. The greater the working capital to total assets ratio means that the company has sufficient net working capital for operational activities and its current assets can cover the company's current liabilities. When current liabilities can be covered, the company's operations can continue and it will not experience financial problems, hence the company may not experience financial distress. Retained earnings to total assets is a measure of the cumulative profitability of the company. The ratio of retained earnings to total assets also illustrates how much retained earnings can finance the acquisition of assets. The greater the ability of retained earnings to finance the assets, the less likely the company will be in debt for the assets acquisition and the less likely it will be default due to the small amount of liabilities. In these conditions the company can avoid financial distress. The five ratios that have been described above are calculated based on the equation formed. According to [4], companies that have a Z-Score less than 1.81 are classified as experiencing financial distress and those that have a Z-Score more than 3 are categorized as not experiencing financial distress. If the company has a Z-Score between 1.81 and 3, then it is classified as a gray area, or in other word, the company may or may not experience financial distress.

If the effectiveness of the board of directors and audit committee is affected by such characteristics, then comprehensive measure must be done based on such characteristics by a score or index. This can enable a better measurement on the effectiveness of the role and power (strength) of the governance structure provided to the board and audit committee as a whole compared to each characteristic’s measurement [19]. The audit committee’s effectiveness, which is proxied by independent commissioners, can be seen from the number of commissioners, which is at least one person. The more independent commissioners are, the higher the objectivity of the audit committee will be, so the management has confidence in the performance of the audit committee and the solutions to the proposed financial problems are believed to be the company’s interests, hence supporting the objectivity of decisions made by management regarding the problems in the company's operations. When the management is objective in making decisions, the company can avoid financial distress. Research conducted by [26] stated that if the independence of the audit committee increases, the more likely the companies will not experience financial distress.

2. LITERATURE STUDY

2.1. Financial Distress

[1] stated that, "Financial distress is financial condition that happens before bankruptcy and liquidity." [6] added that financial distress is a situation in which the company's operating cash flow is not sufficient to pay-off current liabilities (such as trade payables or interest expenses). From financial reporting, there are three conditions that cause financial distress, namely insufficient capital or lack of capital, large debt and interest expenses, and losses suffering. [7] stated that there are two solutions that can be given if a company has negative cash flow, namely:

1. Debt restructuring
   Management requests an extension of time from creditors to pay-off the debts until the company has sufficient cash to pay-off the debt.
2. Change in management
   If necessary, the company can replace the management with more competent persons. This way, it's possible that stakeholder trust can return to the company. This is to prevent potential investors from running into financial distress.

[4] stated that financial distress can be measured using the Altman Z-Score Model, which consists of 5 financial ratios, i.e. working capital to total assets, retained earnings to total assets, EBIT to total assets, market value of equity to book value of debt, and sales to assets. The Altman Z-Score Model is in accordance with the original research on financial distress predictions conducted by Edward I. Altman. The working capital to total assets ratio measures the liquidity of total assets and the position of net working capital [8]. Retained earnings to total assets measures the cumulative profitability which implicitly states the age of the company [4]. [4] also revealed that earnings before interest and taxes to total assets is a measure of the productivity of the company's real assets regardless of taxes or leverage factors. Meanwhile, [9] stated that the market value equity to book value of debt illustrates the company's ability to meet its long-term total liabilities.

2.2. The Effectiveness of Audit Committee Size

[22] indicates that a large audit committee provides more top management monitoring resources and financial reports quality. This can enhance the internal governance practices and improve the resources of internal monitoring activities. Previous studies found combined-results in the

relationship between audit committee and company's financial performance. Another study [23] found that large audit committee improves the quality of financial reporting, because its effectiveness increases along with the existence of experienced and knowledgeable members (24). This is an evidence that the ideal-sized committee can use its experience to help the monitoring process. In the opposite, a weak association was found between the audit committee size and company's performance (25).
The Audit Committee consists of at least 3 (three) members from Independent Commissioners and parties from outside the Issuer or Public Company [10]. [8] stated that the audit committee effectiveness will increase if the committee size increases.
H_1: The audit committee effectiveness as proxied by the audit committee size, positively affects financial distress avoidance.

2.3. Commissioner Independence in Audit Committee

The audit committee is chaired by an independent commissioner. Independent commissioners are parts of the board of commissioners coming from outside the company. [11] stated that the independence is meant to maintain the integrity and objective view in the report and recommendations preparation submitted by the audit committee. Therefore, another hypothesis was developed.
H_2: The effectiveness of the audit committee, which is proxied by the number of independent commissioners in the committee, positively affects financial distress avoidance.

2.4. Shareholder Equity (SHE) Ratio

According to [12], shareholders' equity is divided into two main parts:
1. Paid-in Capital, usually called contributed capital or share capital, is the equity distributed by shareholders to the company. Paid-in capital includes the par value of the shares and additional paid-in capital.
2. Retained Earnings, is a part of equity in the form of revenue from the company's operations and is not used to be distributed as dividends.

[1] suggested that the variable of SHE ratio in stock equity describes the management's capability in using assets from the existing shares and it is important to creditors, because they need to measure the companies' ability in paying its fixed assets by using the equity. If the proportion of equity to total assets is low, shareholders will have a low investment in the company and the proportion of corporate debt will dominate. When the proportion of debt dominates, the SHE ratio will decrease and increase the probability of financial distress. Therefore, the next hypothesis was formed, namely:
H_3: Shareholder equity ratio positively affects financial distress avoidance.

3. METHOD

3.1. Dependent Variable

We used the factor of Financial Distress (FD) as dependent variable. Financial distress is measured by using a ratio scale, namely the Z-Score which is less than 1.81 as measured by the Altman Z-Score Model.

3.2. Independent Variables

1. Audit Committee size (ACSIZE) is measured using a ratio-scale data, namely the number of Audit Committee members.
2. Independent Commissioner size (ACCOMINDP) is measured by using a ratio-scale data, namely the percentage of independent audit committee members to the total number of audit committee members.
3. Shareholder Equity (SHE) Ratio is measured by using a ratio scale, which is the ratio of total shareholder equity to total assets

3.3. Overview of Research Objects

The object of this research was public manufacturing companies of all sectors listed in the Indonesia Stock Exchange during the period 2015-2017.

3.4. Research Methods

The method used in conducting this research is the causal research method. Financial distress is measured by using a ratio scale, namely the Z-Score, which is less than 1.81 as measured by the Altman Z-Score Model.

3.5. Data Collection Technique

The data used this research is secondary data. [13]. In this study, the data used was in form of a list of manufacturing companies in the 2015-2017 period, the annual reports of manufacturing companies in the 2015-2017 period, and the stock prices of manufacturing companies in the 2015-2017 period. All data was obtained on the site [14], which is the official website of IDX [15], and the Yahoo Finance website [16].

3.6. Sampling Techniques

The sampled companies used in the study were selected by purposive sampling technique. The criteria used were as follows:
1. Manufacturing companies had gone public or were listed in the Indonesia Stock Exchange (IDX), the period 2015-2017 respectively.
2. The company issued consecutive annual reports that ended on December 31st.

3. The company presented financial statements denominated in Rupiah currency.
4. The company explains the amount of interest expense in order to calculate the ratio used in the research.
5. The company has complete data regarding the number of meetings of the audit committee members in one year, at least one member of the audit committee had financial knowledge, and at least one member of the audit committee was an independent commissioner.
6. The company had a Z-Score less than 1.81.

3.7. Data Analysis

Data analysis in this study used the multiple linear regression model with SPSS software version 21. Before analyzing the data, first the descriptive statistical results of each variable were presented and then the data quality test and classical assumption test would be carried out in form of normality test, multicollinearity test, autocorrelation test, and heteroscedasticity test. After the regression model had fulfilled all the classical assumptions, then the coefficient of determination (R^2) test, simultaneous significance test (F-test), and individual significance test (t statistical test) was carried out.

4. DATA ANALYSIS AND DISCUSSIONS

4.1. Descriptive Statistics

Table 1 describes the descriptive statistics for each of the variables in this study. Descriptive statistics explains the minimum, maximum, range, mean, and standard deviation values of each research variable.

Table 1 Descriptive Statistics

	N	*Range*	*Minimum*	*Maximum*	*Mean*	*Std. Deviation*
ACSIZE	88	5	2	7	3.16	.676
ACCOMINDP	88	52.3812%	14.2859%	66.6669%	35.560067%	9.3950687%
SER	88	1.3697	-.4069	.9628	.516814	.2480971
Valid N (listwise)	88					

Source: Data Analysis Results (2020)

4.2. Normality Test

The normality test was conducted by using the *Kolmogorov-Smirnov* test. If the value of asymp sig (2-tailed) is greater than or equal to 0.05, then the residual data is normally distributed. The test result of data normality can be seen as follow:

Table 2 Data Normality Test
One-Sample Kolmogorov-Smirnov Test

		Unstandardized Residual
N		88
Normal Parameters[a,b]	Mean	.0000000
	Std. Deviation	.25234334
Most Extreme Differences	Absolute	.070
	Positive	.058
	Negative	-.070
Kolmogorov-Smirnov Z		.661
Asymp. Sig. (2-tailed)		.775

a. Test distribution is Normal.
b. Calculated from data.
Source: Data Analysis Results (2020)

The result of data normality test in Table 2 show that the asymp sig (2-tailed) is 0.775, which is greater than 0.05. This means that the residual data has been normally distributed.

4.3. Classical Assumption Tests

4.3.1. Multicolllinearity Test

This test is conducted to test the correlation between independent variables (independent). Multicollinearity in the regression model is indicated by the Variance Inflation Factor (VIF). The cut-off value commonly used to indicate multicollinearity is the Tolerance Value ≤ 0.10 or the same as the VIF value ≥ 10. Next is the results of the multicollinearity test:

Table 3 Multicollinearity Test 1

Model		Collinearity Statistics	
		Tolerance	VIF
1	(Constant)		
	ACSIZE	.688	1.454
	ACCOMINDP	.665	1.504
	SER	.004	272.105

Source: Data Analysis Results (2020)

Based on Table 3, the independent variable of SHE Ratio and the control variable Leverage (LEV) have a Tolerance Value less than 0.10 and a VIF value more than 10. This means that there has been a multicollinearity effect between the independent variables in this study, namely between the independent variables of SHE Ratio, Size of the Audit Committee (ACSIZE), and Independent Commissioner of the Audit Committee (ACCOMINDP), which have a Tolerance Value more than 0.10 and a VIF value smaller than 10. This indicates that the multicollinearity exists between these variables. Therefore, the results of the second multicollinearity test after eliminating the leverage control variable are as follows:

Table 4 Multicollinearity Test 2

Model		Collinearity Statistics	
		Tolerance	VIF
1	(Constant)		
	ACSIZE	.690	1.448
	ACCOMINDP	.667	1.499
	SER	.715	1.398

Source: Data Analysis Results (2020)

Table 4 shows that Tolerance Value more than 0.10 and a VIF value smaller than 10. This means that there has been no multicollinearity effect among all independent variables and all control variables in this study.

4.3.2. Auto-Correlation Test

Table 5 Auto-Correlation Test

Model	Durbin-Watson
1	1.938

a. Predictors: (Constant), LIQ, ACSIZE, ACCOMIND SER
b. Dependent Variable: FD

Source: Data Analysis Results (2020)

Based on Table 5, the Durbin-Watson Statistics shows a figure of 1.938, in which there is no positive or negative autocorrelation, or in other word, there is no autocorrelation at all.

4.3.3. Heteroscedasticity Test

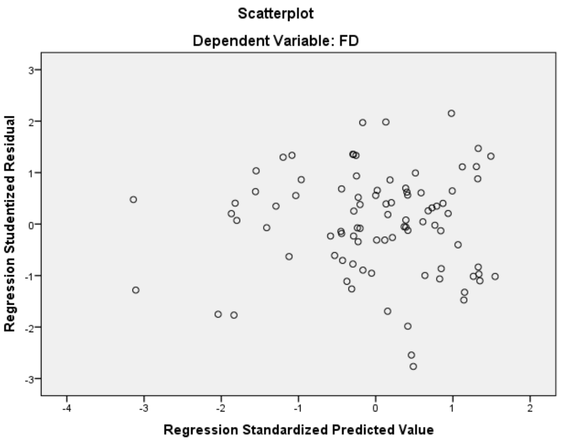

Figure 1 The Result of Heteroscedasticity Test
Source: Data Analysis Results (2020)

In Figure 1, the residual data is scattred in the entire diagram, which means that there is no heteroscedasticity effect in the research data.

4.4. Hypotheses Testing

4.4.1. Coefficient of Determination Test

Table 6 CD Test

Model			R	R Square	Adjusted R Square	Std. Error of the Estimate
1			.565[a]	.319	.250	.2653433

a. b. Predictors: (Constant), ACSIZE, SER, ACCOMINDP
c. Dependent Variable: FD

Source: Data Analysis Results (2020)

Based on Table 6, the correlation coefficient (R) is 0.565, which is greater than 0.5. This shows a strong positive relationship between the independent variable and the dependent variable. The coefficient of determination (Adjusted R-Square) is 0.25. The variable of audit committee effectiveness as proxied by the size of the audit committee, the independent commissioners of the audit committee, as well as SHE ratio, with control variables on firm size and liquidity, are able to explain financial distress avoidance as much as 25%, while the remaining 75% of variation in financial distress avoidance is explained by other variables out of the scope of this study.

4.4.2. Simultaneous Test (F-Test)

Table 7 F-Statistics

ANOVA[a]

Model		Sum of Squares	df	Mean Square	F	Sig.
	Regression	2.604	8	.325	4.623	.000[b]
1	Residual	5.562	79	.070		
	Total	8.166	87			

a. Dependent Variable: FD
b. Predictors: (Constant), ACCOMINDP, ACSIZE, SER

Source: Data Analysis Results (2020)

Based on Table 7, the F-value is 4.623 with a significance level below 0.05, which is equal to 0.000. Thus, the regression model can be used to predict the dependent variable, namely financial distress. In addition, the audit committee effectiveness variable as proxied by the size of the audit committee, the independent commissioners of the audit committee, as well as SHE ratio, with control variables on firm size and liquidity, has significant effects simultaneously on financial distress avoidance.

4.4.3. Partial Test (t-Tests)

Table 8 The Results of t-Tests

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
	(Constant)	1.332	.685		1.946	.055
1	ACSIZE	.036	.051	.080	.715	.477
	ACCOMINDP	.002	.004	.065	.571	.570

SER	.481	.136	.390	3.551	.001

Source: Data Analysis Results (2020)

The Audit Committee Size variable (ACSIZE) has the t-value of 0.715 and the significance value of 0.477. This means that the audit committee size does not partially and positively affect financial distress avoidance due to the significance value greater than 0.05. Thus, H_1 was rejected. This result is in line with [8] and [17]. This phenomenon could happen because based on research data, the average number of members of the audit committee is 3.16 which means that the formation of the audit committee is only limited to meeting the rules, namely at least 3 persons. When the number of audit committees is small, the audit committee has few resources to handle the financial problems which are currently faced by the company, so that there are fewer solutions to the problems and the delivery of these solutions to the directors is not optimal. As a result, it is possible that the board of directors cannot solve the financial problems that occur and the company cannot avoid financial distress.

The Independent Commissioner in Audit Committee (ACCOMINDP) variable has a t-value of 0.571 and a significance value of 0.570. This means that the number of independent commissioners in audit committee has no positive effect on financial distress partially, thus H_2 was rejected due to the significance value which is greater than 0.05. The result of this study is in line with the research conducted by [8] and [17]. This phenomenon could happen because based on research data, the average independent commissioner of the audit committee is 37.274845% or about 1 person from the average of three audit committee members. The small number of independent commissioners will affect the policies taken by management. If the number is a minority, then it is possible that the solution made by the independent commissioner will not affect the policies that management will take regarding the financial problems being faced. In ither word, the independent commissioner loses the votes to other members of the audit committee who have the right to provide solutions. This condition can lead to the possibility that the solutions taken are not objective and will increase the likelihood of financial distress.

The variable SHE Ratio has a t-value of 3.551 and a significance value of 0.001. So, the SHE ratio variable partially and positively affects financial distress avoidance, because it has a significance value greater than 0.05. Thus, H_3 was accepted. This result is in line with [1] and [18].

The multiple linear regression equation, based on data in Table 4.8, could be formed as follow:

$$FD = 0{,}080 ACSIZE + 0{,}065 ACCOMINDP + 0{,}390 SER$$

FD: Financial Distress
ACSIZE: Audit Committee Size
ACCOMINDP: Independent Commissioner in Audit Committee
SER: Shareholder Equity Ratio

The ACSIZE regression coefficient value is 0.080, which means that each increase of one unit of Audit Committee Size (ACSIZE) will increase the value of financial distress by 0.080 or 8%.

The ACCOMINDP regression coefficient value is 0.065. This means that every increase of one unit of the Independent Commissioner of the Audit Committee (ACCOMINDP), it will increase the value of financial distress by 0.065 or 6.5%.

The SER regression coefficient value has a number of 0.390 meaning that the increase of one unit of SHE Ratio will increase the value of financial distress by 0.390 or 39%.

5. CLOSING

5.1. Conclusions

H_1 was rejected, which means that the effectiveness of audit committee as proxied by the size of audit committee does not positively affect financial distress avoidance, because the average number of audit committees is limited to meeting the rules, namely 3 people. As a result, the audit committee experiences a lack of resources in forming solutions to the financial problems found, so that the formation of solutions by the audit committee is not optimal. The result of this study is in line with the research conducted by [8] and [17], namely the size of the audit committee is unable to avoid the possibility of financial distress in the company.

H_2 was rejected, which means that the audit committee effectiveness as proxied by the number of independent commissioners in audit committee does not positively affect financial distress avoidance, because the average number of independent commissioners is small, namely 1 person, which makes the independent commissioners lose their votes to those of other audit committee members, so that they can reduce the objectivity of the solutions presented to the board of commissioners related to financial problems and this will increase the likelihood of financial distress. This is in line with [8] and [17], which concluded that the independent commissioners' proportion in the company cannot avoid the possibility of financial distress.

H_3 was accepted, which means that the SHE ratio has a positive and significant effect on financial distress. A high SER indicates that there is a small possibility of obtaining assets from debt, so it is less likely to default and avoid financial distress. This result is in line with [1] and [18], which stated that the greater the SER is, the more it can predict the occurrence of financial distress in a company.

Simultaneously, the audit committee effectiveness variable as proxied by the size of the audit committee, the number of independent commissioners in the audit committee, as well as the SHE ratio, with the control variables on firm size and liquidity, significantly affect the financial distress avoidance.

As the implication of this research, the existence of an audit committee is not recognized as a mean to improve the company’s performance quality. The audit committee is useful for supporting the board of directors in carrying out the company's operations in form of delivering solutions to the financial problems found. However, the audit committee was formed only as a formality so that the committee does not have partial influence on the company's financial performance and could not prevent the company from experiencing financial distress.

5.2. Limitations

1. The lack of Audit Committee effectiveness and the number of Independent Commissioners affect the ability of the independent variables to explain the dependent variable. This can be viewed from the Adjusted R-square value of 25%.
2. The research results can be used for the manufacturing sector only and cannot be generalized to company in other sectors, such as service sector.

5.3. Suggestions

Based on the conclusions and limitations in this study, the suggestions can be provided as follows:

1. Adding other independent variables to measure the effect on financial distress avoidance, such as inflation, return on assets, and debt-to-equity ratio.
2. Expanding the sector under study such as the service sector, because financial distress is considered important to all types of company.

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HAS FULLY PARTICIPATED IN THE CONFERENCE AS

PRESENTER

DR. SAWIDJI WIDOATMODJO
DEAN OF FACULTY OF ECONOMICS AND BUSINESS

DR. MIHARNI TJOKROSAPUTRO
CONFERENCE CHAIR

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65-01

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Sebagai Peserta dalam kegiatan **Konferensi Internasional :** ***The Ninth International Conference on Entrepreneurship and Business Management (ICEBM 9) 2020***, yang telah dilaksanakan pada Kamis, 19 November 2020, dan diselenggarakan oleh Jurusan Manajemen FEB Universitas Tarumanagara.

Demikian penugasan dibuat untuk dilaksanakan sebaik-baiknya dengan penuh tanggung jawab.

28 November 2020

Dekan,

UNIVERSITAS TARUMANAGARA FAKULTAS EKONOMI & BISNIS

Dr. Sawidji Widoatmodjo, S.E., M.M., M.B.A.

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1. Wakil Dekan
2. Kajur. Manajemen
3. Kaprodi. S1 Manajemen
4. Kabag. Tata Usaha

ICEBM

The Ninth International Conference on Entrepreneurship and Business Management

Program Book

POST COVID-19 PANDEMIC

How Entrepreneurs and Managers Adapt and Reshape Business Strategies

November 19th, 2020

Organized by :

UNTAR Universitas Tarumanagara

Management Department
Master of Management
Tarumanagara Center for Entrepreneurial Studies

Co-Hosts :

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International Conference on Entrepreneurship and Business Management

(ICEBM 2020)

UNTAR

JAKARTA – INDONESIA

REPORT FROM THE COMMITTEE CHAIR OF THE NINTH ICEBM UNTAR 2020

Dear Honourable Guests,

Since the beginning of 2020, the COVID-19 outbreak has been hitting the world including Indonesia. People are facing and realizing this fragility and vulnerability. Inevitably, the COVID-19 Outbreak brings its own challenges. Consumer behavior has changed, industrial / sectoral growths are shifting, leadership and management practices are adapting. Moreover, business practitioners should be wiser in understanding their mindful consumers.

Even so, many companies are thinking ahead. They recognize the shifts in consumer behavior, adjust their offerings, and reshape / rebuild their businesses faster in order to survive during this crisis. Therefore, the 9th ICEBM in 2020 has the theme **"Post COVID-19 Pandemic: How Entrepreneurs and Managers Adapt and Reshape Business Strategies"**

The International Conference on Entrepreneurship and Business Management (ICEBM) is a conference that aims to provide opportunities for academics, professionals, policymakers, and practitioners from various fields to present their research and views, while interacting with members inside and outside of their disciplines. The first ICEBM was held in 2012 at Universitas Tarumanagara, Indonesia. After that, ICEBM has been held in Bali, Penang, Bangkok, Tainan, Hanoi, and Kuala Lumpur.

From 2013 to 2018, Tarumanagara University had organized The ICEBM Event with some foreign universities as Co-Hosts, such as Universiti Sains Malaysia, Dusit Thani College (Thailand), Foreign Trade University (Vietnam), KunShan University (Taiwan), and TAR UC (Malaysia), as well as with many domestic universities. This year, The ICEBM has been establishing the cooperation with Kun Shan University (Taiwan), Tunku Abdul Rahman University College (Malaysia), Bunda Mulia University, Trisakti School of Management, Krida Wacana Christian University, and Prof. Dr. Moestopo University.

This year's ICEBM is different from those in previous years, whereas the 9th ICEBM is held in form of teleconference. The 9th ICEBM has been received many paper submissions from Indonesia, Taiwan, Malaysia, Canada, India, El Salvador, and Vietnam. The submitted papers have undergone double-blinded review by The ICEBM Scientific Committee consisting of 29 reviewers coming from 14 different academic institutions and 6 countries. A total of 84 papers have been accepted. All accepted papers will be sent to our Publisher (The Atlantis Press) in order to be published in the Conference Proceedings and will also be submitted to Web of Science (WoS) for further indexation purposes.

Last but not least, thank you very much for such a wonderful contribution to all parties that have directly and indirectly supported this event:

1. Keynote Speaker:
   HE Mr. Erick Thohir (Minister of State-Owned Enterprises - The Republic of Indonesia)

2. Plenary Speakers:
   - Prof. Lim Tong Ming, Ph.D. (Director of Centre for Business Incubator and Entrepreneurial Ventures - TAR UC Malaysia) and
   - Mr. Roberto Saputra (Chief Brand, Design, and Insight Officer - Smartfren Indonesia)

3. Co-Hosts
4. Sponsors
5. Rector of Universitas Tarumanagara
6. Dean of Faculty of Economics and Business - Universitas Tarumanagara
7. Head of Management Department - Universitas Tarumanagara
8. Organizing Committee
9. MC, Presenters, Moderators, Participants, and Students

Let us **Adapt and Reshape** ourselves to survive in all crisis.
We wish you have an inspiring conference.
Thank you.

Committee Chair
Dr. Miharni Tjokrosaputro

OPENING SPEECH FROM THE DEAN OF FACULTY OF ECONOMICS AND BUSINESS UNIVERSITAS TARUMANAGARA

New Business Model in the Next Normal

Our Honorable Guests:
Mr. Erick Thohir, Minister of State-Owned Enterprises – The Republic of Indonesia
Prof. Agustinus Purna Irawan, Rector of Universitas Tarumanagara
Prof. Lim Tong Ming, Ph.D, Director of Centre for Business Incubation and Entrepreneurial Ventures, TAR UC - Malaysia
Mr. Roberto Saputra, Chief Brand Design and Insight Officer - Smartfren Indonesia

Dear Distinguished Presenters and All Participants,

Thanks to God, for giving us the health in the middle of Covid-19 disaster, so that we can meet together in friendly atmosphere, although through this virtual world. Ladies and Gentlemen, welcome and thank you very much for your attendance in the prestigious event of the 9th International Conference on Entrepreneurship and Business Management (9th ICEBM) hosted by The Faculty of Economics and Business - Universitas Tarumanagara. Warm greetings to all of you. Thank you to the Organizing Committee of the 9th ICEBM for their hard working and dedication, to make this event successfully organized. Thank you very much also for the big contribution from our best friends, all of our Co-Hosts: Kun Shan University, Tungku Abdul Rahman Universiti and College (TAR UC), Universitas Prof. Dr. Moestopo (Beragama), Trisakti School of Management, Universitas Bunda Mulia, and Christian University of Krida Wacana (UKRIDA). Thank you very much also to our Sponsors: Batik Semar, Tarzan Foto, Indofood, and Smartfren. And thank you very much to all of you: Presenters and Participants. Hopefully, all of us could take the benefits of this event.

For the time being, the 9th ICBM proposes the theme: Post Covid-19 Pandemic: How Entrepreneurs and Managers Adapt and Reshape Business Strategies. I think most of us agree if I say: this theme is good and relevant with the current situation, that all over the world everyone faces the Covid-19 Pandemic that make companies become due to by weak demand.
However, this condition certainly cannot be tolerated. Entrepreneurs and managers must take steps in order to get out of this stagnant condition. In fact, economic cycles of ups and downs are no stranger to Entrepreneurs and Managers. This condition always reoccurs, only with different levels of threat. The options are: innovate, adapt, or die. To innovate is to find a new product or business. This is what entrepreneurs should do. To adapt is to keep the business running, but with a new business model. This job must be handled by managers, namely by finding strategies to adapt to the new business ecosystem. And finally, to die is when the company gives up, thus letting the business goes away. Of course, this is not an option for the true Entrepreneurs and Managers.

The question is, what are the innovations and adaptations that can be made? To answer this question, we must first answer how the business ecosystem occur in the post-Covid-19 Pandemic era? Before the Covid-19 vaccine and drug was discovered, to prevent from contacting with the Covid-19, was to keep your distance. This method has given birth to a new business ecosystem, namely a virtual business. Ecosystems that were supposed to come in five or ten years, came sooner. With this virtual business ecosystem, innovation and adaptation that can be done is to adopt a virtual business model.

In the future, the virtual business model that can be applied is virtual events, in which all business events are run virtually, such as virtual lecturing, virtual shopping, virtual seminars, and so on. Furthermore, future business models will lead to the augmented and virtual reality. Augmented Reality (AR) is a technology that combines the real world and the virtual one. This allows those who use it to interact in real time. An example of this AR technology boomed when people played Pokemon Go. Virtual Reality (VR) is a technology that allows you to interact with a 3D environment that is made as close as possible to the real world or imagination. If the post Covid-19 Pandemic era can be said to be the next normal, then this new business model in the next normal is an innovation and adaptation effort done by Entrepreneurs and Managers.

I hope this conference will find many other great ideas, as well as to promote the new ways to reshape business strategies.

Have a nice conference. Thank you very much.

Dean of Faculty of Economics and Business
Dr. Sawidji Widoatmodjo

OPENING SPEECH FROM THE RECTOR OF UNIVERSITAS TARUMANAGARA

Dear Distinguished Colleagues, Ladies, and Gentlemen:

I am very pleased to address the 9th International Conference on Entrepreneurship and Business Management (ICEBM). This year's conference comes with a completely different condition due to the COVID-19 Pandemic. The condition has impacted our lives and all our activities. We have witnessed the difficulties of dealing with the preparation and organization of the conference, so that all has to be executed through an online system. Therefore, I am pleasantly surprised to find the enthusiasm and great interest in joining the event, evidenced by quite a big number of participants. This is a clear signal that the pandemic does not discourage us and hamper our spirit from developing ourselves.

Distinguished Colleagues, Ladies, and Gentlemen:

The theme of the Conference "Post-COVID-19 Pandemic: How Entrepreneurs and Managers Adapt and Reshape Business Strategies" is not just relevant and important, but also necessary. It is because the landscape of future business may have changed significantly when the pandemic has come to an end. It is interesting to refer to an article "Adapt Your Business to the New Reality" by Michael B. Jacobides, published at Harvard Business Review of October 2020, suggesting that in every difficulty there is always an opportunity. It will be quite some time before we understand the full impact of the COVID-19 pandemic. However, the history of such a terrible condition tells us two things. First, even in severe economic downturns and recessions, some companies are able to gain advantage. Second, crisis causes not just a number of temporary changes (mainly short-term shifts in demand), but also some lasting ones. For this reason, it is crucial for companies to do the following things: how they are able to reassess their growth opportunities in the new normal, reconfigure their business models to better realize those opportunities, and reallocate their capital more effectively.

Distinguished Colleagues, Ladies, and Gentlemen:

I would like to conclude by thanking The Minister of State-Owned Enterprises of the Republic of Indonesia H.E. Mr. Erick Thohir for becoming our Keynote Speaker. I would also like to express our immense gratitude to all parties for their contributions to this conference. We have been organizing this conference along with several Co-Hosts that have provided us with utmost assistance in both the preparation and execution of this event. Therefore, our deep appreciation and thanks goes to Kun Shan University, Tunku Abdul Rahman University College (TAR-UC), Trisakti School of Management, Universitas Bunda Mulia, Universitas Kristen Krida Wacana, and Universitas Prof. Dr. Moestopo (Beragama). I am also greatly thankful to the Faculty of Economics and Business of Universitas Tarumanagara especially the Organizing Committee for their hard-work, dedication and commitment, making this conference held successfully today. After all, I would like to thank the distinguished speakers and all the participants from several countries for actively participating in this conference. Wishing all of you a wonderful and fruitful conference ahead. Thank you.

Rector
Prof. Dr. Ir. Agustinus Purna Irawan

VENUE

Conference held on November 19th , 2020, at:

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Minister of State-Owned Enterprises, Republic of Indonesia

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Director of Centre For Business Incubation and Entrepreneurial Ventures, TAR UC, Malaysia

Mr. Roberto Saputra
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