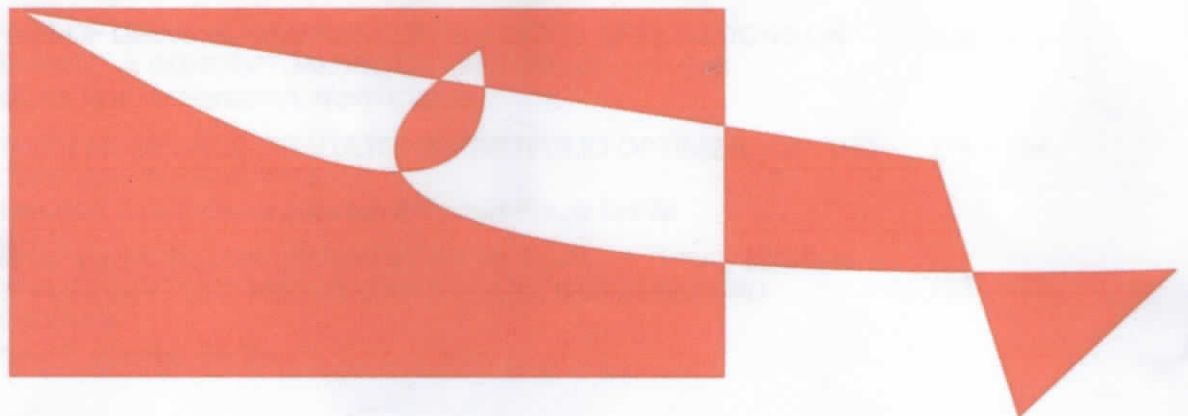


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**ROLE OF NATIONAL MEMBER ASSOCIATION IN THE
BUSINESS SUSTAINABILITY OF ITS MEMBERS
A CASE STUDY OF BALI, INDONESIA**

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Abstract

Bali, Indonesia is a special attraction in the world, especially as a destination in world tourism and the development of numerous businesses, such as places for recreation, conferences, business and investment development, as well as for various purposes in national, regional and international level. This research is about consultancy business in Bali Indonesia. The data collected from participants in observation using open interview, library research, and memo analytic. The data were collected used sampling method. The total respondents were 10%, and 151 firms in Bali were selected using simple random sampling. Data analysis used statistic model by descriptive analysis, financial statement analysis and investment analysis. Result of this study in the ever-growing development, the role of members of the National Association of Indonesian Consultants (INKINDO) is highly important to provide the Consulting Services, while providing opportunities for membership growth and development, for Bali in particular, and Indonesia in general. It makes consultation services have excellent prospects. However, for the members under the umbrella of INKINDO, coaching is needed for handling the problems to maintain its existence.

Keyword: *Role of consultant services; business opportunities; sustainability; coaching of INKINDO members; Bali – Indonesia*

Note: Earlier version of this paper was presented at Conference FIDIK-ASPAC 7 TCDPAP BALI 2014, Date 2 – 5 March 2014, at Westin Resort Hotel, Nusa Dua – Bali, Indonesia



INTRODUCTION

Bali is a part of Republic of Indonesia, with a territory of 5636.66 km². It is consisted of eight regencies, and one municipality, with population of 3,890,757 in 2010. The majority of the people are Hindus with their unique customs and culture. The most populous regency and city is Denpasar with a population of 788,589 inhabitants, population density of 690/ km², and a growth rate of 2.14. Due to its uniqueness, Bali is highly popular for world tourism destination and development of various businesses. Bali has many different names: Bali as a paradise island, Bali as the island of a thousand temples, etc. Bali is highly strategic and safe and has its own charm. Therefore, Bali is turned into a place of recreation, conferences, investment and business development, and for various interests in national, regional and international level. It is why Bali is built using culture insight based on the concept of *Tri Hita Karana*, for obtaining harmonious development outcome as well as *Shanti* Bali.

In order to support this, varying development efforts have been implemented. Many budgets have been incurred by local and the central government in order to build integral Bali and increase national and regional income. In supporting the success of development done, the role of consulting services under the umbrella of INKINDO as platform for companies engaging in consulting services in Indonesia, should not be put aside. Nationally, INKINDO embodies 7890 companies as the members of Indonesian Consulting Association. INKINDO Bali which was founded in 1982 embodied 151 (2013) consulting services companies that throughout more than 8 regencies/ municipalities in Bali. The presence of INKINDO Bali has given benefits in the form of ideas for local governments in consulting services in order to handle projects in Bali. For more than 33 years, the members of INKINDO Bali have been actively participating in giving assistance to projects in Bali. As the extension of government hand, consulting service companies have a role to plan and supervise the projects in Bali. Many of the works of consulting services planners in Bali have decorated the development in Bali, starting from irrigation, roads, buildings, parks, infrastructure and environmental projects. The construction conducted by the government and community certainly provides opportunities for the growth and development of consulting services business, particularly in Bali, and Indonesia in general. The improvement in knowledge and insight, especially in science and technology, integrity, human resources quality is highly needed for supporting consulting services. Moreover, in 2015, the globalization of all aspects becomes a challenge of consulting services, thus requiring consulting services to improve themselves in welcoming free competition.

The problem in this study is: "How is the role of national consulting services business in Bali in terms of the absorption and improvement of project business?" The research objective is to determine the role and prospects of consulting services in Bali in overall development.



Meanwhile, the benefit of this research is to provide feedback to improve the role of consulting services in the development in Bali, Indonesia, and the international world in general.

LITERATURE REVIEW

Importance of Consulting Services

We may not be number one here, as there are State-Owned Enterprises (SOEs) which are already leading in the work record. However, we hope that the community understands the importance of the role of consultants, and the use of consultant services which are yet accepted here like those in developed countries; those that consider consultants are just as important as lawyers or doctors sought by the people for consultation and assistance in solving the problems. (Jimmy Sardjono Michael, 2013: 26-29); Cooperation and legal protection should be given to its members via advocacy/legal consultation. Dissemination of regulation, Dr. Ir. Putu Rumawan Salain, M.Si., Architectural Association of Indonesia (AAI), points out that in developed countries, an architect may conduct a practice if he has completed professional education. (Suara INKINDO, Vol. 001/ Year1 / 2012). Thereby, INKINDO members working in a consulting company need to get the information in improving professionalism through dissemination of regulations.

It is known that every company has basic capital to thrive. The capital may be in the form of physical capital (all assets owned) and abstract capital (expertise owned, such as architect, doctor, consultant) which can produce huge advantage if these capitals are being invested. Investment is a profitable action, in which the capital owned is being invested in a business that will generate profits.

There are 8 general rules in investments, they are: 1) Be Pad (Patience and Discipline), 2) DIY (Do it Your Self), 3) develop your own way to invest, 4) Capability to access information and data, 5) investing or speculating, 6) buy company not stock, 7) diversification by portfolio, 8) Analysis skill (Sarwiji, 2012: 1).

In consulting services, the general rule of analysis skills are closely related to investments in a consulting company being implemented. It is based on the consideration that if we are engaged in consulting services business, the analysis that should not be violated is fundamental analysis, technical analysis, and psychology analysis. Fundamental analysis is the analysis used in the long-term. Technical analysis is a skill mastered, adapted to the development of technology and information. The investment analysis is the risk happening over the investments made.



In analyzing an investment, financial analyses commonly employed are: 1) Payback period (the time period for investment to be returned, 2) Profitable Index (how is the index of profit), 3) Internal rate of return (IRR) in the form of rate of return, 4) Net Present Value, (current net value generated in an investment).

In a consulting company, we use financial analysis in order to see the size of each component in project being worked on; while to view the prospective and growth (prospective and growth), consulting companies in Bali use descriptive analysis by observing the growth percentage; thereby prospective analysis, growth analysis, financial analysis and skills analysis should be performed in consulting service business being developed by members of Bali INKINDO.

RESEARCH METHOD

The object of the study was about consultancy business in Bali Indonesia. For this a descriptive research design was adopted. The data collected from participants in observation using open interview, library research, and memo analytic. The total respondents were 10%, and basic random samplings was used to select the 151 firms in Bali. Data analysis used statistic model by descriptive analysis, financial statement analysis and investment analysis.

ANALYSIS AND DISCUSSION OF RESULTS

Development, Investment and Economic Growth in Bali (RAPBN/Draft State Budget, RAPBD/Draft Regional Budget)

Bali is one of the provinces in Indonesia, and it has a territory of 6532 km², with a population of 3,146,999, with a population density of 541 inhabitants/ km², with a growth rate of 1.26% (census in 2000). In the economic field, Bali has a economic resilience with an average growth of 8.5% (1995), while the total investment as of 1995 is amounted to 10595.60 billion Rupiahs and 2579.5 million US dollars in the form of FDI. (Indonesian Economy, 1995) and (Kandi, 2003: 14). As a result of several crises occurred, such as financial crisis in 1997, Bali growth was minus 4.04 in 1998. Furthermore, it then rose from 1999-2000, reaching 3-4% as the result of remedial actions taken by the government.

The economic growth rate slump in Bali is influenced by external factors, such as the Asian economic collapse, WTC tragedy, and the internal factor in Indonesia. The collapse of New Order government in 1998, first Bali bombing in Kuta, Bali in October 2002, and second Bali bombing in Kuta Bali in 2005 affected economic order in Bali and Manila. As known, Bali's economy is highly dependent on tourism sector as primary sector, which becomes the regional mainstay to bring in foreign exchange.



In the 1990s, the investment climate in hospitality and other supporting facilities are extremely large. The regional government once postponed the investment policy by limiting investment permit in this sector, as the number of chambers is considered to have exceeded a limit of 17,027 and 29,893 for bed limit. In 2000s, the total investment is IDR 14,062,973 millions for foreign and domestic. However, in 2001, foreign investment has endured a drastic economic decline of IDR 1,545,602 millions, and non-realization of planned investments. It is almost certain that entire business sectors were jammed, including consultancy services. Nevertheless, in the next decade, starting in 2006, nationwide recovery was applied to the problems encountered. Bali is gradually gaining the trust of investors who see that the security in Bali is improving.

Within a period of six years, until 2012, the economic condition in Bali began to soar. It is evidenced from Bali's economy which is experiencing growth from 2009-2012. GDP growth rate is (5.33) for 2009, (5.83) for 2010, (6.49) for 2011, and (6.65) for 2012 (Bali in Figures 2013).

If we look at economic growth data of Java and Bali in 2012, the average value is 6.58, whilst the national economic growth in average is 6.23 higher, despite relatively small. Thereby, Java-Bali development can be said as a key to national development that will provide a great opportunity for growth and development of consulting services in this area.

Table 1. Java-Bali National Economic Growth in 2007-2012 on the ground of 2000 Constant Price

No	Year	National (%)	Java+Bali (%)
1	2007	6,35	6,18
2	2008	6,01	6,02
3	2009	4,63	4,82
4	2010	6,22	6,32
5	2011	6,49	6,65
6	2012	6,23	6,58

Source: Central Bureau of Statistics, 2012

If being viewed from business field, the economic growth in Bali (2010), donated by the Mining & Quarrying sector is 11.00% (the highest), Electricity, Gas & Water by 8.78%, and service sector by 8.56% which ranks third. The development of realization value of Foreign investment in the past five years (2007-2012) for Java-Bali region tends to increase by IDR 12806.70 millions, US \$ (2011) or approximately 65.76% of the realization of National Foreign Investment, with the largest area being in Jakarta (37.67%) and West Java (29.98%). Meanwhile, based on



the development realization of Foreign and Domestic Investment with the number of projects based on the National share (2007-2011); Bali has foreign investment of 2.48% or about 1118.8 million US \$, and domestic investment with a share of 3.97% or 3.581 billion rupiah (BKPM and the Central Bureau of Statistics, 2012).

We can view the planning and the realization of Bali domestic and foreign investment, and employment of Indonesian and foreign workers for the past 8 years (2008-2012), in Table 2 and Table 3 below.

Table 2. The Development of Domestic and National Investment in 2008-20012

Year	Planning (billion IDR)	Realization (billion IDR)	%	Indonesian workers	Foreign workers	Total
2008	1,185.13	28.99	2.45	102	0	17,638.83
2009	105.92	50.84	0.48	267	0	8,384
2010	2,853.00	2,651.00	92.92	51	8	0
2011	7,294.00	7,314.00	0	2,439	0	0
2012	9,740.40	7,594.00	77.96	5,525	0	0
Total						

Source: Regional Investment Agency of Bali

Year	Planning (billion IDR)	Realization (billion IDR)	%	Indonesian workers	Foreign workers	Total
2008	9,075.11	735.07	8.10	2,946	8	15,909.12
2009	4,304.03	2,098.16	48.75	3,199	9	28,494
2010	2,503.80	4,210.16	168.15	1,837	0	0
2011	6,966.17	4,386.96	62.98	16,978	0	0
2012	7,435.09	4,478.77	60.24	3,534	0	17
Total						

Source: Regional Investment Agency of Bali

Based on table 2, the realization amount of investment in the country for 5 years is IDR 17638.83 billion, absorbing Indonesian workers by 8384 people and foreign workers by 8 people. Meanwhile, foreign investment is amounted to IDR 15909.12 billion, absorbing Indonesian workers by 28,494 people and 17 foreign workers (table 3). This figure is quite large, but the investment can only slightly absorb and be touched by consultants in Bali (interviews and questionnaires). It is due to lack of information and lack of experience related to the so-



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called investment, especially foreign investment, and the absence of regulations governing further.

When viewed from the regional budget of Bali in the period 2008 - 2012, it is indeed incredible. Several relatively large projects are realized, such as the expansion of Ngurah Rai Airport (Angkasa Pura Public Corporation II), monumental projects such as toll roads in Nusa Dua, Dewa Ruci Underpass, expansion to Prof. Ida Bagus Mantra road as main road access to connect West Bali and East Bali, several central government construction in Badung Regency, hotel construction, such Hotel Hant, in Jimbaran Kuta, Nusa Dua, Villas in Sanur, Hotels in Ubud, Karang Asem, Kitab Dam in Buleleng; all of which is enough to give hope for the development of consulting services business in Bali.

The Growth of Consultation and Business

As a companion of Balinese authorities in the realization of physical projects, consulting service companies in Bali under INKINDO Bali are optimally taking the role in assisting Bali Provincial Government since the era of 1980s. In this decade, the providers of consulting services in Bali were still a few (about INKINDO Organization of Bali, 2004:4), since the establishment of INKINDO Bali, consisted of 24 companies, whose managers were inaugurated on April 6, 1982 in Jakarta. Two years later, in 1984, its members had grown into 31 companies; and into 38 companies in 1985.

In the era of the 1990s, its members grew into 59 companies, increasing by 21% from the 1980s. It was then increased by 106 members or 47% in 1997. The views of community to establish consulting business increased. In 2004, INKINDO Bali consisted of 146 companies, increased by 40% (Suara Inkindo, No. 003, year II, 2004, Page: 25). At the end of 2013, the registered members of INKINDO are 151, increasing by 5% within 9 years, from 2004 to 2013, spread over 8 regencies and cities in Bali. It shows great public interest to consulting services as a partner of the government and the private sector, in line with the development of investment and development in Bali.

When viewed from the classification (grade), then the number of members in grade IV is 2.6%, grade III at 30%, around 46 companies; and the remaining is in grade II, at 68% or 102 companies (Interview with Executing Board of Bali Province, December 21, 2013).

Profile of Consultation and Growth

In general, companies engaged in consulting service in Bali have the following profiles:

1. In terms of business place. The majority of company members are situated in city center. It is based on the smoothness and ease of access and communication with the users of

consulting services. Out of the total 151 members, almost 80% of companies are based in Denpasar (around 121 companies).

2. In terms of business license by grade (K, M, B). In terms of the number of members administering license as a basic requirement for operational. If we look from the classification (grade), there is 2.6% in grade IV, 30% in grade III or about 46 companies; and the remaining is in grade II, at 68% or 102 companies. ((Interview with Executing Board of Bali Province, December 21, 2013).

3. In terms of management. In terms of business management, nearly 5% of consulting service companies in Bali employed doctoral graduates and postgraduates, whilst the remaining or nearly 5% employed undergraduates with a high level of experience.

4. In terms of number of experts and employees. The experts employed are doctoral graduates and postgraduates in average. Meanwhile the employees employed in the consulting services companies in Bali are 5-20 people in average.

5. In terms of earnings. As one indicator of the size of the business, only 5% of them have earning amounted to 5 billion or more than 15 billion; 20% have earning of 1 billion to 4 billion; and 75% have a earning from 100 million to 1 Billion.

6. In terms of investment and financial analyses. In grade IV, it is expected to properly return investment based on financial analysis with IRR above the interest of public credit. And by using analytical skills consideration, grade III can be achieved. As for grade III, the ability for investment return is relatively low due to the ability to obtain project value is extremely small. In psychology, the development of their business is very prone to develop.

These indicators demonstrate that consulting services in Bali have significant growth and development, judging from the development indicator of INKINDO members. Meanwhile, in terms of the investment analysis, it remains extremely low for grade III.

Partnerships

In handling the job, most consulting services companies in Bali have yet to build a cooperative partnership, given the capabilities and requirements of the job/project are still possible to be handled by themselves. However, for handling of large-scale projects, some companies due to several limitations, have built the partnership with national and foreign companies. It is estimated that approximately 1-2% of them have built their partnerships with other companies. It is done as an effort to achieve completion goals, work quality and simultaneously provide mutual benefits, either for the company or its partners. The benefits can immediately felt, such as the transfer of business technology and management, and learning process for local companies in Bali.



1. *The realization of development program and budget absorption.* Bali provincial budget expenditure for 2012 is IDR 3.63 trillion. Of this figure, nearly IDR 2.78 trillion or about 77.58% is being absorbed in regional level, whilst the remaining at 22.82% becomes excess budget. Of these, nearly 60% takes the form of physical expenditure, and the remaining is non-physical expenditure. It means more than IDR 1 trillion of budget realization is in physical expenditure, providing opportunities for the whole consulting services companies in Bali to implement. In total, within a period of 5 years, starting from 2007 to 2012, regional expenditure provides opportunities for service companies in Bali around IDR 5 trillion. Thereby, the portion of consulting services as implementing service for consulting services is 4%, bringing the total services received within a period of 5 years around IDR 200 billion. If the average consulting service companies in Bali are 150 companies, then the average budget absorption is IDR 1.34 billion for each company. In a year, around IDR 266 million or more is still relatively small. It appears that these numbers are not encouraging for consulting companies to develop, given this these numbers are still included gross income, and haven't been subtracted with company liabilities. It seems that it will drive 68% of services companies in Bali to vulnerability towards bankruptcy, due to the inability to increase earnings, like profit-oriented companies. Therefore, ideas are needed for INKINDO, since this issue is a key issue for INKINDO members. Furthermore, problems solutions are required to maintain the existence of its members as part of the government and private partners in implementing development in Indonesia in general, and Bali in particular.

2. *Looking at lighthouse construction in Bali.* If we take a look at the lighthouse construction in Bali as the work of the nation - as stated in the head line of consultant magazine issue #1, 2013, and the work of the consultants under INKINDO - there are several projects being built in Bali, such as Airport, toll roads, ring roads, irrigations, dams, hotels, offices, shopping centers, recreational facilities and monuments which absorb investment funds and priceless ideas of the consultants and give a big contribution for the development of Bali as a world tourism destination.

The majority of investment realization in Bali, both domestic and foreign investment, takes the form of physical projects throughout Bali, but more dominant in South Bali (Nusa Dua, Kuta), Ubud Gianyar, Tabanan, Buleleng and Karangasem.

The physical projects (2006-2012) for instance are the expansion of Garuda Wisnu Kencana (GWK) built prior to 2008, the first and only toll road project built in Bali, i.e. Nusa Dua toll road (2011), Ngurah Rai Airport Expansion (Angkasa Pura II in 2010), the



arrangement of Sanur coastal area, land lots, Prof. Dr. Ida Bagus Mantra road expansion

as a cross-road between Denpasar and Padangbay Karangasem.

3. *The role and prospects of consulting services in the future.* The development of consulting services in the future is inseparable from economic growth prospect and development budget. In the next 5 years, the growth is projected to reach 6.65%, meaning that if the growth can be achieved, then it will give hope for the growth of business sector.

And in fact, the role and prospects for association members in the future are going to provide great opportunities because economic growth will be coupled with supports to increased development that is financing various sectors. And these are the basis for consulting services to develop and grow.

It was estimated that starting from 2014, there would be an infrastructure boom. The government had even set up 38% - 40% of the revenue and expenditure budget (APBN), totaling IDR 359 Billion that can be used for infrastructure development. As many as 22 infrastructure projects were ready to operate in 2014. Prospects and role of the national member association in the sustainable are bigger in the future (Annisah, 2013: 10-12).

CONCLUSIONS

Bali is an extremely popular island in the world. It becomes attraction for business developers which are more oriented towards tourism and its supporting facilities; hence the investors are interested to invest there.

Realization of investment and development in Bali in the past 5 years is large enough to provide room for consulting services in Bali. The profile of consulting services in Bali is good enough to assist the government and the private sectors in handling the projects, if empowerment is undertaken at grade II. Varying lighthouse projects in Bali have yet to touch consulting services in Bali. It is due to the difficulty in information breakthrough in order to gain requirements as local partnership that should have been involved in large-scale projects.

SUGGESTIONS

1. As members of INKINDO, all companies have equal opportunity; thereby, they need to prepare themselves, either in technical skills, managerial skills or in the capital.
2. INKINDO as the parent organization can always continue to provide coaching in order to encourage the growth and development of its members, while providing security for its members through policy and rules in accordance with the applicable legal framework.



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