BUSINESS DIGITAL TRANSFORMATION IN THE PERSPECTIVE OF BUSINESS COMPETITION LAW

Pranoto

ABSTRACT

Purpose: This study aimed to enhance public knowledge of the seamless digitalization of business toward more effective outcomes based on the perspective of business competition law.

Methods: The approach used was a normative and descriptive study approach.

Results and Conclusion: The results showed that digital transformation enhanced business efficiency and provided companies with a new perspective on profit management. The prevalence of digital competition became apparent through the widespread establishment of marketplaces and platform-based businesses, which aimed to provide consumers with attractive bargains in order to achieve their intended profit objectives.

Research implications: Digital transformation, comprising various life aspects, is revolutionizing the online business economy, offering a modern alternative process for gaining profits.

Originality/value: The advent of digital business transformation has engendered a range of effects, encompassing both favorable and unfavorable outcomes, so warranting meticulous deliberation.

Keywords: Business, Business Competition Law, Consumers, Digital Transformation.

A TRANSFORMAÇÃO DIGITAL EMPRESARIAL NA PERSPECTIVA DO DIREITO DA CONCORRÊNCIA EMPRESARIAL

RESUMO

Objetivo: Este estudo teve como objetivo aumentar o conhecimento público sobre a digitalização contínua dos negócios em direção a resultados mais eficazes com base na perspectiva do direito da concorrência empresarial.

Métodos: A abordagem utilizada foi uma abordagem de estudo normativa e descritiva.

Resultados e Conclusão: Os resultados mostraram que a transformação digital melhorou a eficiência dos negócios e proporcionou às empresas uma nova perspectiva sobre gestão de lucros. A prevalência da concorrência digital tornou-se evidente através do estabelecimento generalizado de mercados e negócios baseados em plataformas, que visavam proporcionar aos consumidores pechinhas atraentes, a fim de alcançar os objectivos de lucro pretendidos.

Implicações da investigação: A transformação digital, que abrange vários aspectos da vida, está a revolucionar a economia empresarial online, oferecendo um processo alternativo moderno para obter lucros.

Originalidade/valor: O advento da transformação digital dos negócios gerou uma série de efeitos, abrangendo resultados favoráveis e desfavoráveis, garantindo assim uma deliberação meticulosa.


1 Universitas Sebelas Maret, Surakarta, Central Java, Indonesia. E-mail: maspran7@gmail.com
Orcid: https://orcid.org/0000-0002-7336-2083

1 INTRODUCTION

Digital transformation is the latest evolution in various aspects of society, including the economic sphere. This transformative wave has brought about significant and positive advancements that have greatly benefited companies in terms of profitability. Digital technology has ignited numerous innovations, including the emergence of electronic commerce (e-commerce) and marketplaces. These innovative online platforms facilitate the buying and selling of goods, rendering traditional face-to-face interactions between producers and consumers obsolete for transactions. (Saputra et al., 2023)

Digital transformation has become as a strategic tool for companies, enabling the efficient expansion of business without exerting excessive effort. This expansion is further facilitated by the widespread availability of internet access, particularly in the current context of the COVID-19 pandemic. The emergence of e-commerce and marketplaces has streamlined buying and selling, prompting sellers (producers) to quickly market and sell their products online to maximize profit. However, this convenience has also given rise to unhealthy competition among numerous producers. (Ayuningtyas, 2023)

The principle of business competition is stipulated in Law No. 5 of 1999 concerning the Prohibition of Monopolistic Practices and Unfair Business Competition. The goal is to establish an orderly, effective, and monopoly-free business environment, thereby ensuring a stable economy within society. Indonesia has instituted a supervisory body, business Competition Supervisory Commission (KPPU), tasked with overseeing and enforcing law related to unhealthy business competition. (Maulana & Santosa, 2023) The impact of digital business transformation inevitably introduces new challenges for sellers (producers) and buyers (consumers). As previously mentioned, one of these challenges is business competition among fellow sellers (Cahyani & Yunani, 2023). Competitive conditions are unavoidable, as all producers aim to maximize profit to sustain economic activities. This economic condition has brought about positive changes, liberating producers from the need to rent or operate physical stores, and allowing them to establish digital "stores" through their smartphones.

Several previous investigations can be used for comparison. For example, Ayu (2018) conducted a study titled "Transformasi Digital Sebagai Upaya Adaptif dalam Meningkatkan Pendapatan di Era Disruption (Digital Transformation as an Adaptive Effort to Increase Revenue in the Era of Disruption)"(Saputra & Emovwodo, 2022). This thesis discussed digital transformation in the online-based taxi transportation sector, disrupting the conventional taxi market (Saputra et al., 2023) Despite focusing on a different field, it shared similarities regarding the concept of digital transformation. Additionally, a report by Ahmad Sabirin and Raafid Haidar Herfian (2021) titled "Dampak Ekosistem Digital terhadap Hukum Persaingan Usaha di Indonesia serta Optimalisasi Peran Komisi Pengawas Persaingan Usaha (KPPU) di Era Ekonomi Digital (The Impact of Digital Ecosystem on Business Competition Law in Indonesia and the Optimization of the Role of business KPPU in Digital Economy Era)" discussed the positive and negative impacts of digital ecosystem, as well as the role of KPPU in enforcing law against unhealthy business competition.

Digital business transactions offer significant benefits for sellers (producers). Despite the increasing competition, it is crucial to have a foundation rooted in a Code of Conduct or a set of guidelines that promote business and work ethics for all parties involved in transactions.
This ensures that transactions are conducted ethically, benefiting everyone involved and maintaining a thriving business environment (Saputra et al., 2022).

2 RESULTS AND DISCUSSION

2.1 The Relationship Between Business Competition Law and Digital Business Transformation

Business competition law consists of rules related to interactions between business actors operating in the same market. This law is regulated in Law No. 5 of 1999 concerning the Prohibition of Monopolistic Practices and Unfair Business Competition. The purpose was to prevent monopolistic practices and unfair competition among these actors. This governmental anticipation aimed to foster a conducive environment for transactions. Business competition can be classified into the following 2 categories:

2.1.1 Healthy Business Competition

A market structure should adopt this system to create a competitive but healthy and conducive environment. The following is characteristics of healthy business competition: (Hutabarat et al., 2023).

1) Ensuring competition in the market that leads to economic efficiency in all business and trade activities.
2) Ensuring consumer welfare and protecting consumer interests.
3) Expanding market opportunities and preventing economic power concentration within specific groups (Suhasril, 2010).

2.1.2 Unhealthy Business Competition

Unhealthy business competition refers to a situation where competition among producers does not proceed properly, resulting in an unfair environment. Article 1 number 6 of Law No. 5 of 1999 stated that "Unhealthy business competition is competition among business actors engaged in production and/or marketing of goods and/or services performed dishonestly, against law, or hindering business competition". Furthermore, it comprises activities such as oligopoly agreements, predatory pricing, boycotts, cartels, and other anticompetitive practices.

The following are several characteristics provided by Law No. 5 of 1999, to identify an unhealthy business competition market:(Rian Saputra and Silaas Oghenemaro Emovwodo, 2022)

1) Unfair competition practices.
2) Competition conducted unlawfully.
3) Competition hinders other sellers from entering the same market.

The emergence of Law No. 5 of 1999 was based on the recognition of Indonesia's relatively weak economic foundation by the government. Furthermore, it was enacted to regulate business of all sizes, ensuring equal certainty in their operations. In business competition, 2 approaches were typically used to assess the actions of an actor (Saputra, 2020). The Per se illegal approach categorized certain actions as violations without delving further into their specific impact on competition. The rule of reason approach was a approach comprising an analysis of the market to determine law violation status of a competitor (Rukmono et al., 2023).

Both the "per se illegal" and "rule of reason" approaches were principles used in decision-making within court proceedings. These principles served as standards for antitrust
analysis and were fundamentally interconnected (Pasqualotto et al., 2022). While the convenience brought about by digital advancements encouraged competition, it also motivated business actors to strive for quality products at minimal costs, to maintain profits and business sustainability (Saputra et al., 2023).

The ease and progress of digital transformation significantly influenced and reshaped traditional markets into modern types through the use of the Internet. Digital business transformation served as a competitive strategy for producers to attain benefits (Suwadi et al., 2023). The switching to digital business operations yields cost savings due to reduced operational expenses such as rent and employee wages. These operations were more effective and efficient through the use of smartphones and laptops. Additionally, digital business widens its profit potential by reaching a broader online consumer base beyond geographical and temporal boundaries (Suwadi et al., 2022). In the current digital era, numerous changes have taken place, leading to a potential global economic rearrangement that shifts away from conventional economics (Wiwoho et al., 2023). The existence of digital market reflected the advancements in human resources, a crucial factor driving digital business transformation. Business compete to attract the best employees to their ventures. Furthermore, competition in various aspects such as innovation, customer engagement, market capture, and collaboration significantly impacted digital business transformation.

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Competition in digital business includes innovation rivalry. Each business strived to create new opportunities to enhance production and sales for growth. Innovation is crucial since its absence can render business ineffective and weak compared to competitors. Another competition is vying for consumers which are the lifeblood of business. This implied that without them, business cannot thrive. As a result, actors need to employ marketing strategies to attract more consumers. The use of social media as a deliberate tool can optimize target market reach and establish a unique advantage (Andiani et al., 2023). The heightened competition in digital era, which can lead to market chaos, prompted the government to introduce Law No. 5 of 1999 concerning the Prohibition of Monopolistic Practices and Unfair Business Competition. Business Competition Supervisory Commission was established to oversee commercial activities in Indonesia, thereby maintaining a conducive business environment. However, the absence of specific regulations governing digital market poses challenges for applying this law, as conventional and digital/modern business differ in many aspects. (Pati et al., 2021).

2.2 The Impact of Digital Business Transformation on Competition Law

The evolving technology in various industrial sectors has consequential effects on the economic machinery of a nation, necessitating adaptation by its citizens. As technology advances across different aspects of life, including Health, Education, and the Economy, governments are taking steps to prepare society for these changes. The challenges posed by this transformation are substantial, spanning from daily lifestyles to economic motives (business) (Sufm et al., 2018).

Digital business transformation offers significant benefits, particularly for economic growth in Indonesia. Digital competition landscape has started to take shape, evident in the proliferation of marketplaces and platform-based business. They are competing to provide offers to consumers in a race to achieve targeted profits. The model of platform-based business, multi-sided markets, and network effects has grown increasingly complex, fostering competition among business actors (Ahmad Sabirin and Raafid Haidar Herfian, 2021).

Indonesia, with its population well-versed in internet usage and operations, holds substantial potential for digital business adoption. McKinsey & Company, a management consulting firm, stated that the country is highly conducive to digital business development due
to: (Pujiyono et al., 2019). An estimated 30 million online shoppers in 2017 with a total population of around 260 million.

1. An anticipated creation of 3.7 million additional jobs in Indonesia's digital economy by 2025.
2. The potential for up to 80% higher revenue growth for Small and Medium Enterprises (SMEs), among other benefits.

Digital transformation of business compels many actors to compete, as they strive to attain desired targets. The following were the positive impacts:

2.2.1 Enhanced Business Insights

Digital nature of business allows a global audience to view offered products, expanding its reach. Expanding the reach provides valuable insights into consumer behavior, which serves as a cornerstone for business development and innovation. Consequently, this leads to higher product sales and the achievement of sales targets.

2.2.2 Economical Operational Processes

The simplification and cost-cutting of operational processes, such as employee salaries, rent, and production-related costs, contribute to operational efficiency.

2.2.3 Increased Productivity

When employees focus solely on platform management, they tend to work more effectively and efficiently, thereby maximizing productivity and operational efficiency.

In addition to the numerous benefits and conveniences digital business offers, it also brought about the following negative consequences that should be carefully considered: (Waluyo & Pujiyono, 2017)

2.2.4 Fraud

Digital fraud comprises a spectrum of activities, often including the misuse of technology. These activities range from identity theft to the acquisition of personal data through deceptive surveys or false promises. Digital environment provides opportunities for fraudsters, as transactions lack face-to-face interactions between producers and consumers.

2.2.5 Spread of Misinformation

Low literacy rates contribute to the easy spread of false information (hoaxes) in Indonesia. Irresponsible individuals propagate such misinformation, to stir societal unrest. To counter this, individuals are encouraged to exercise caution and verify information from trusted sources.

2.2.6 Technical Disruptions

Technical disruptions arose from factors including damaged internet tools such as smartphones or computers. It can also stem from poor programming practices, where a lack of understanding or precision leads to technical glitches.

To mitigate the negative impacts of technology in digital business, it should be used judiciously by practitioners in line with the initial purpose, which was buying and selling.
Business actors need to adhere to a Code of Conduct, consisting of good work ethics and business practices, guiding their actions. Finally, clarity in business goals from the outset prevented actors from being tempted into activities that conflicted with the provisions of Law No. 5 of 1999 (Wiwoho et al., 2023).

3 CONCLUSION

The aforementioned findings were derived. The adoption of digital business transformation has emerged as a feasible competitive approach for practitioners seeking to enhance profitability. Nevertheless, the ubiquity of competition in the digital era has resulted in market volatility. In response to this matter, the government enacted Law No. 5 of 1999, which pertains to the Prohibition of Monopoly Practices and Unfair company Competition. This legislation established the company KPPU as the regulatory authority responsible for overseeing trade practices within the Indonesian context. The lack of precise legislation pertaining to the digital market has posed difficulties for the Competition Supervisory Commission in enforcing Law No. 5 of 1999. This is due to the notable disparities between traditional and digital/modern business across all dimensions. The implementation of digital business transformation has resulted in favorable outcomes for economic growth, particularly within the context of Indonesia. The prevalence of digital competition became apparent through the widespread establishment of marketplaces and platform-based businesses, which aimed to provide consumers with attractive bargains in order to achieve their intended profit objectives. The advent of digital business transformation has engendered a range of effects, encompassing both favorable and unfavorable outcomes, so warranting meticulous deliberation.

REFERENCES


