

## **1. INTRODUCTION**

### **1.1 Background**

The Digitalization era has become a world phenomenon that is experiencing very rapid progress conditions and leads to digital forms that affect various aspects of life including in the business world. With the emergence of digitalization brings major changes to organizational performance such as increasing the efficiency of business operations, increasing competitiveness, and reaching a wider market. Indonesia is one of the emerging markets, especially In the era of growing digitalization, it provides new opportunities and challenges for the company in Indonesia. Indonesia is one of the countries with a strategic location, large population, and rich natural resources (Kedutaan Besar Republik Indonesia, 2018). Businesses in Indonesia vary from small and medium-sized enterprises to international corporations covering various sectors such as manufacturing, retail, services, and others. Despite the promising economy many Indonesian companies still use traditional accounting practices where market conditions are constantly changing. Therefore, Indonesia must continue to adapt because it will potentially hinder business development in Indonesia. The industrial in Indonesia has the potential to develop rapidly and play an important role in economic growth (PPN/Bappenas, 2022; Kementerian Koordinator Bidang Perekonomian, 2022).

Companies in Indonesia often face challenges in growing their business such as a lack of knowledge in improving human resource competencies and technology (Fajriyani et al., 2023). Therefore, analyzing the company sector in Indonesia can help in identifying problems and providing solutions to those problems. The company sector in Indonesia is vital to the economy, and to achieve its best performance, the sector must grow and remain competitive. It has been recognized that the company contributes significantly to Indonesia's sustainable economy by driving job creation, economic growth, and poverty reduction (Kemenkopukm, 2023).

Indonesia's company has been significantly impacted by the development of digitalization. This can be seen from the development of information and communication technology, especially the Internet, which makes it easier for the industrial sector to communicate with the public (Conti et al., 2023). However, the industrial sector still faces a number of challenges in adapting to the impact of digitalization (Buer et al., 2020; Branca et al., 2020). Therefore, this requires the company to continue to adapt to remain relevant and

competitive. The existence of digitalization can make the company utilize digital data to improve its business processes to remain relevant to society.

In the digital era and increasingly advanced information technology, intellectual capital and the use of cloud-based accounting technology are key factors in helping the company to compete with other organizations. The existence of these two aspects are very relevant to improving the competitiveness of the company. Intellectual capital has the value contained in knowledge, creativity, innovation, product development, and expertise owned by the organizations (Soewarno & Tjahjadi, 2020; Wang, 2021). Intellectual capital is one of the valuable assets for organizations in enhancing intense competition with other large companies (Hatane et al., 2021). With intellectual capital, the company can create innovations, develop products, and a variety of different services to meet market needs in Indonesia. With strong intellectual capital management, the business can face competition with other large companies (Wang, 2021).

Cloud technology is the first item among the top ten items in the technology industry (Demartini & Beretta, 2019; Wang, 2021). Cloud-based accounting refers to an accounting system that processes and stores financial data using cloud computing. Cloud-based accounting is the result of technological development in the digitalization era. Indonesia's company hopes to benefit significantly from the application of this technology. The use of cloud-based accounting technology can reduce costs, improve efficient financial data management, and assist the company in making good decisions and accessibility of financial information for organizations (Wang, 2021). The use of the cloud for company businesses can reduce the risk of data loss and server maintenance risks. The application of digitalization has a positive effect on business performance. The relationship between cloud accounting software and intellectual capital with the success of company businesses in Indonesia has not been widely studied. However, it can be very helpful in improving companies in Indonesia. Therefore, the hope is that research can contribute to closing such research gaps and determine whether advanced technologies actually make industries more effective.

## **1.2 Research Questions**

Based on the background information above, the research objectives are:

1. Does Cloud-based accounting has positive impact on business performance?
2. Does Cloud-based accounting has positive impact on structural capital?
3. Does structural capital has positive impact on business performance?

4. Does structural capital have a mediating role in the positive influence of cloud-based accounting on business performance?
5. Does Cloud-based accounting has positive impact on human capital?
6. Does human capital has positive impact in business performance?
7. Does human capital have a mediating role in the positive influence of cloud-based accounting on business performance?
8. Does Cloud-based accounting has positive impact on relational capital?
9. Does relational capital has positive impact on business performance?
10. Does relational capital have a mediating role in the positive influence of cloud-based accounting on business performance?

### **1.3 Research Objectives**

This research is expected to be useful for determining:

1. To analyze the direct effect of cloud-based accounting on business performance.
2. To analyze the direct effect of structural capital, human capital and relational capital on business performance
3. To analyze the direct effect of cloud-based accounting on structural capital, human capital and relational.
4. To analyze the mediating role of structural capital in the positive effect of cloud-based accounting on business performance in the company.
5. To analyze the mediating role of human capital in the positive effect of cloud-based accounting on business performance in the company.
6. To analyze the mediating role of relational capital in the positive effect of cloud-based accounting on business performance in the company.

### **1.4 Benefit of Research**

Based on the formulation of the problem above, the objectives of this study are:

1. For Regulators, the research can provide an in-depth understanding of how the use of cloud-based accounting can affect intellectual capital which includes human capital, structural capital, relational capital and business performance in the company in Indonesia in the hope of developing policies to support the adoption of cloud-based accounting in developing intellectual capital and business performance in the company in Indonesia.

2. For management, this research is expected to provide deep insight into how the use of cloud-based accounting can affect intellectual capital and business performance in the company in Indonesia so that management can use the results of this analysis to utilize innovative accounting technology so as to improve the management of intellectual capital and business performance.
3. For theory development, this research is expected to enrich empirical results with a resource-based view theory and a unified theory of acceptance that can provide stronger guidance for the company to implement intellectual capital management strategies and cloud-based accounting adoption.