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Table of Contents

IJBE Journal

Development Analysis of Global Competitiveness Index of ASEAN-7 Countries and Its Relationship on Gross Domestic Product

PDF
1-14

Tongam Sihol Nababan, (Faculty of Economics, Nommensen HKBP University Indonesia)

 10.33019/ijbe.v3i1.108  Abstract views : 1461 |  PDF views : 580

The Role of Work Engagement in Moderating the Impact of Job Characteristics, Perceived Organizational Support, and Self-Efficacy on Job Satisfaction

PDF
15-31

Adhe Rachman Sulisty, (Universitas Islam Indonesia Indonesia)
Suhartini Suhartini, (Universitas Islam Indonesia Indonesia)

 10.33019/ijbe.v3i1.112  Abstract views : 1943 |  PDF views : 891

The Effect of Responsive and Proactive Market Orientation on Product Innovation and Company Performance: A Case Study on MSMEs in the Culinary Field in D.I. Yogyakarta

PDF
32-42

A'bdul Fatach Ichwan, (Islamic University of Indonesia Indonesia)
Siti Nursyamsiah, (Islamic University of Indonesia Indonesia)

The Importance of Education in Peace Marketing

PDF
43-51

Margarita Išoraitė, (Vilniaus kolegija/University Applied Sciences Lithuania)

 10.33019/ijbe.v3i1.101  Abstract views : 678 |  PDF views : 447

Fixed Sample Size as an Internal Control

PDF
52-64

Dianita Meirini, (Politeknik Kediri Indonesia)
Atik Tri Andari, (Politeknik Kediri Indonesia)
Elmi Rakhma Aalin, (Politeknik Kediri Indonesia)

 10.33019/ijbe.v3i1.110  Abstract views : 549 |  PDF views : 387

The Influence of Zakat on Economic Growth and Welfare Society in Indonesia

PDF
65-79

Elleriz Aisha Khasandy, (Indonesia Financial Services Authority Indonesia)
Rudy Badrudin, (STIE YKPN Yogyakarta Indonesia)

 10.33019/ijbe.v3i1.89  Abstract views : 5067 |  PDF views : 1237

Transformational Leadership in Digital Era: Analysis of Nadiem Makarim (Founder of GO-JEK Indonesia) Leadership Figure

PDF
80-92

Imelda Junita, (Maranatha Christian University Indonesia)

 10.33019/ijbe.v3i1.106  Abstract views : 2590 |  PDF views : 1154

Employment Situation of Person with Disabilities: Case Study in Indonesia

PDF
93-107

Antonio Frian, (Binus University Indonesia)
Fransiska Mulyani, (Binus University Indonesia)
Hansi Joachim, (Indonesia)
Dellia Anggreni, (Binus University Indonesia)
Willy Yanto Effendi, (Binus University Indonesia)

 10.33019/ijbe.v3i1.91  Abstract views : 658 |  PDF views : 480

Public Service and Micro-Small Enterprise Developments in Indonesia

PDF
108-115

Metasari Kartika, (Universitas Tanjungpura Indonesia)

 10.33019/ijbe.v3i1.103  Abstract views : 1209 |  PDF views : 739

Effect of Online Systems Quality, Banking Service Product Quality and Customer Trust on the Success of BRI Syari'ah E-Banking Information System

PDF
116-127

Karmawan Karmawan, (Faculty of Economics, University of Bangka Belitung Indonesia)
Suhaidar Suhaidar, (Universitas Bangka Belitung Indonesia)

 10.33019/ijbe.v3i1.113  Abstract views : 645 |  PDF views : 463

Feasibility Study of Company Investment on Public Cigarette Manufacturing Companies

PDF
128-139

Syamsul Huda, (University of Singaperbangsa Karawang Indonesia)
Heikal Muhammad Zakaria Hakim, (University of Singaperbangsa Karawang Indonesia)

 10.33019/ijbe.v3i1.107  Abstract views : 1322 |  PDF views : 633

Transformational Leadership in Digital Era: Analysis of Nadiem Makarim (Founder of GO-JEK Indonesia) Leadership Figure

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Abstract

Technology and internet have driven innovation and new opportunities by digitizing customers, companies, products, services, and processes. In the digital era, the company has potential to touch all aspects of the business, including customers, employees, partners, business processes, and also a global network of businesses and things from every industry around the world. These conditions bring fundamental changes to community behaviours and its potential consequences. When the organizations adapt themselves to the changes, they require transformational leadership. The objective of this paper is to describe the concept of transformational leadership as a hallmark of a future digital business leader. From the evidence in the literature, in many successful organizations, transformational leaders have contributed to increasing the effectiveness and performance of the organizations. By using the descriptive method with a phenomenological approach, the practice of transformational leadership of Nadiem Makarim as the founder of GO-JEK Indonesia (an Indonesian-owned and run technology start-up that specialises in ride-hailing, logistics, and digital payments) is examined. Then, this paper as a preliminary study provides a review of how Makarim's leadership philosophy and practice has brought GO-JEK into success, Indonesia's biggest start-up.

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1) Introduction

Digital revolution has made information abundant, quickly available, and less costly. Digital revolution deals with mobility, which is characterized by interactivity between individuals or social groups, spontaneous communicative reaction, declining physical spaces because everything is tied in internet space, possibility to use digital networks communication at any time, unlimited possibility to access all contents available online, and cost reduction because big investment is not required (Peciulis, 2016). In the digital era, organizations find competitive advantage in learning, creativity, innovation, and leadership. The old ways of leading people by commanding and controlling will not work in this era (Jakubik & Berazhny, 2017).

A leader can influence the organization and community overall (Jandaghi et al., 2009). Organizations have to perform some changes in areas such as strategies, human resources, structures, etc. to adapt themselves to the environment. Sometimes, organizations need to make radical and fundamental changes. In this matter, transformational leadership is needed to make such changes to handle internal problems and to achieve higher performance. A transformational leader is a person who encourages and inspires followers to get extraordinary outcomes. The leader pays attention to the interests and developmental needs of individual followers and changes followers' consciousness about problems by helping them to consider the old problem in a new way (Odumeru & Ifeanyi, 2013).

Transformational leadership meets the needs of people who want to be inspired and empowered to succeed in many situations. When people are facing difficulties, economic and social pressure, or when organizations are challenged with workers dissatisfaction and unfulfilled expectation, they need a transformational leader (Wiltshire, 2012). Moreover, in the context of current leadership practices in the digital era, people still requires a human touch of leadership. They need to share ideas and receive care. They also expect the leader who has the following skills; social intelligence, open-mindedness, communication, empowering others, anticipating the future and establishing vision (Jakubik & Berazhny, 2017). The leadership philosophy which is suitable to be applied in this context is more likely to be transformational.

Many previous research findings show that transformational leadership affects organizational performance and business success in various sectors and contexts, including manufacturing, service, social work, strategic project, entrepreneurial firms and Information and Communication Technology (ICT)-based applications organization. In Indonesia, a business start-up, GO-JEK, was the pioneer in application-based motorcycle ride-hailing. Competing against global and regional competitors, this local application GO-JEK has found a way to be a successful company. In that sense, the success of the organization means that the key person in the organization develops characteristics and behaviours of transformational leadership. This descriptive study provides a factual about the analysis of nature and essential qualities of transformational leadership, in this case, represented by the key person of GO-JEK Indonesia, Nadiem Makarim.

2) Literature Reviews

Leadership can be defined as the ability to generate confidence and support among people to achieve organizational goals. The current understanding of leadership is a long-term relationship between leader and the people being led. This means leadership is not something leader do to people, but something that leader do with them (DuBrin, 2010).

Maxwell (2018) described leadership as influence. Thus, leadership must be earned and cannot be mandated. This means, leadership is not the ability to achieve position, rank, or title, but leadership is the ability to get the followers. Everyone has potential as a leader because everyone can influence other people. Everyone can increase his/her influence and leadership potential by starting to communicate effectively. Communication leads to recognition and recognition lead to influence.

Several theories tried to explain leadership effectiveness. Two of the most distinguished leadership theories are transactional and transformational theories. The concept of transformational leadership as the opposite of transactional leadership was introduced by James Macgregor Burns in 1978 in his research about political leaders. Following Burns' study, its usage has spread into psychology and management with further modifications by Bass and Avalor (Odumeru and Ifeanyi, 2013). Burns concluded that transactional and transformational leadership are conceptually and practically different. Burns described transactional leadership on the basis of a profitable exchange relationship between the leader and the followers. A transactional leader influences their followers through incentives or punishments in accordance with their performance, whereas transformational leader influence followers' values, beliefs and goals (Jandaghi et al., 2009). Burns compared between transactional and transformational leadership as shown in Table 1.

Table 1. Transactional VS Transformational Leader

Transactional Leadership	Transformational Leadership
Responsive	Proactive
Performs within the organizational culture	Implements new ideas to change organizational culture
The leader sets rewards and punishments for followers to achieve goals	The leader focuses on followers' higher ideals and moral values to achieve goals
A leader motivates followers by attracting to their own self-interests	A leader motivates followers by encouraging them to put group interests first
Maintains the status quo	Develops creative and innovative ideas to solve problems

Source: Burns in Odumeru & Ifeanyi (2013)

Based on the evidence in the literature, Odumeru and Ifeanyi (2013) provided a comparative analysis of transactional and transformational leadership. A transactional leader does not anticipate future changes; the leader only keeps things the same. The transactional leader accepts the goals, structure and culture of the organization, work within the existing system of organization and tends to think inside the box when solving problems. Transactional leader notices the followers' work in order to find mistakes and aberrations. The transactional leader gives rewards for positive results and punishes poor results because the leader tends to be directive and action-oriented. In the context of Maslow's hierarchy of needs, a transactional leader focuses on the basic levels of needs satisfaction. Transactional leadership is effective in crisis and emergency situation. However, in many different contexts, including business and even military circumstances, studies have shown that transformational leadership was more effective to improve performances, such as higher productivity level, lower turnover rates, goals achievement, creativity, employee satisfaction and followers' welfare.

Referring to Jandaghi et al. (2009), the characteristics of a transformational leader can be summarized as follows:

- Leader and followers encourage each other to achieve higher levels of morality and motivation.

- A leader inspires the followers to consider more than their own objectives and interests and to concentrate on the greater team, organizational, and global objectives and do extraordinary works.
- A leader can move the organizations toward the ideal perspective for improvement by coordinating the followers and integrating all system elements.
- Leader enlarges followers' creativity and spirituality.
- The leader has a vision and can draw a better picture for future, then defines the vision effectively for followers and followers will admit the vision as a fact interestingly.

There are four components of transformational leadership (Odumeru & Ifeanyi, 2013 and Jandaghi, et al., 2009):

- Charisma
Charisma causes the leader to be a behavioral model for followers. Transformational leader enlarges the morale and performance of the followers by being a role model for them. It is a factor in receiving changes in the organization. A leader can lead others only when they are ready to be led by him/her. Charisma shows the capability of trust building and understanding leadership by followers. A leader with charisma is respected and trusted a person because such person performs his/her duties well and has high human and moral behaviors.
- Inspirational motivation
Inspirational motivation is the capability of the leader to encourage the followers to appropriate behaviors inspirationally. The leader can encourage the followers to accept new idea and belief continuously because the leader behaves in a particular way and excites his/her followers. The leader can inspire followers and challenge followers to take ownership of their works.
- Intellectual stimulation
Intellectual stimulation is the capability of the leader to encourage the followers to be creative and innovative. Therefore, they may use new and creative ideas to resolve the problems.
- Personal attention
Followers are supported by the leader, and the leader cares about followers' personal feelings and needs. Paying attention to followers is one of the most important aspects of transformational leadership. By understanding the strengths and weaknesses of the followers, the leader can synchronize followers with a mission that enhances their performance.

Many studies about transformational leadership in many organization sectors have been conducted. In the manufacturing sector, research conducted by Jandaghi, et al. (2009) has compared issues of transformational leadership and its aspect in successful and less successful companies in the moulding industry. The final result finds that successful companies have more transformational leadership characteristics. It is indicated by the means values of all transformational leadership aspects (charisma, inspirational motivation, intellectual stimulation and personal attention) in successful companies are higher than less successful ones. Transformational leadership aspects have low mean in less successful companies. The mean of transformational leadership shows that the leaders of less successful companies have lower transformational leadership traits.

In the service sector, Naeem and Khanzada (2018) have explored the relationship between transformational leadership as the independent variable and employee performance as the dependent variable and have investigated job satisfaction as a mediator in the health sector in Pakistan. It was found that transformational leadership positively influence employee performance in the health sector in Pakistan and job satisfaction effect as a mediator has a partial effect.

Tafvelin et al. (2014) have explored the effect of transformational leadership of managers on employees' attitudes in a social work setting in a Swedish social service organization. The finding demonstrates the contribution of transformational leadership in social work in keeping employees committed and knows clearly what their assignment is. In the project, Xu and Frimpong (2014) have examined the impact of transformational leadership on strategic projects in large-scale banks of Ghana. The result shows that transformational leadership positively affects banking project success. The study also concludes that project leaders can enhance the probability of project success by implementing transformational leadership behaviors, including charisma, inspirational motivation, intellectual stimulation and personal attention.

A research finding by Struken, et al. (2017) shows that transformational leadership has a statistically significant and positive impact on business performance (financial performance and new product development) in companies in Bosnia and Herzegovina. This finding refers to the need for the continuous practice of transformational leadership if companies need to achieve better performance and better market position in the competitive and dynamic business environment. Arham et al. (2013) have explored whether the leadership behavior of entrepreneurs affects the entrepreneurial success of Small Medium Enterprises (SMEs) in Malaysia. It was found that entrepreneurs who have effective leadership behaviors lead to increase entrepreneurial success and the entrepreneurs of SMEs in Malaysia tend to practice more of transformational leadership than transactional leadership behaviors.

In the context of Information and Communication Technology (ICT) adoption to provide the organization with new opportunities to improve competitive advantage, research by Waziri et al. (2015) shows that transformational leadership behaviors directly and positively affect ICT adoption in construction organizations in Nigerian. The result implies that during a technological change in organizations, the leaders need to demonstrate transformational leadership traits - mentioned research models above highlight that transformational leadership has a positive influence on the company's success, project success, entrepreneurial success, business performance, employee performance, and competitive advantage.

3. Research Methods

This descriptive study is conducted to explain various aspects and the practice of transformational leadership (characteristics and behaviors) by examining the leadership style of a figure (Nadiem Makarim). The phenomenological approach that can be applied in a single/individual case is used in this research.

First, the author formulated topics and research questions about how Makarim's leadership practices. Then, data and review of literature were collected from off-line and online media related to Makarim and GO-JEK from 2016 until 2018. This process involves the identification

and evaluation of references from secondary data sources including interview notes, conversations and textual analysis on the topic of interests, making detail comments about individual situations and reporting the findings by including direct quotes and extensive quotes (Lester, 1999).

In the next phase, the author analyzed the data from the texts and in-depth interviews. Since the research seeks to identify and explore the phenomenon under study to get better understand to the problem, then the approach used in this research is the interpretative approach. The author tries to see the social world from Makarim's perspective to explain his daily life experiences, behaviors and perspectives to find out the complexities of the situation. This interpretative approach depends on Makarim's view and the author's view of reality. Thus the author can discover the importance of action and make it clear for others what this particular behavior means. It needs to be interpreted in a way that other people can simply understand.

4. Discussions

This research is preliminary research that describes the characteristics of the phenomenon that is being studied (transformational leadership traits of Nadiem Makarim). This research has not explored the association between transformational leadership as the independent variable and business performance or other variables as the dependent variable.

At the first stage, the author formulated the following questions to investigate transformational leadership practices of Nadiem Makarim:

- How does Makarim engage with his followers to earn their respect and build a strong sense of goal?
- In what ways does Makarim talk about the future of the organization?
- Does Makarim suggest a new way of looking at the problems?
- Does Makarim seek different perspectives when solving the problems?
- How does Makarim accommodate for the followers and their varying needs and aspirations?

At the next stage, the author reviewed data and literature collected from off-line and online media related to Makarim and GO-JEK. Then, the author analyzed Makarim's perspective obtained from interview notes and interpreted it with regard to transformational leadership characteristics.

Profile of Nadiem Makarim and GO-JEK Indonesia

Nadiem Makarim, son of Nono Anwar Makarim and Atika Algadrie, was born in Singapore, on July 4, 1984. He earned his bachelor's degree in International Relations from Brown University and earned a master degree in Business Administration from Harvard Business School. Previously, in 2016, he worked as Management Consultant for McKinsey & Company for three years and then he established online retailer Zalora Indonesia as Co-Founder and served as Managing Director at the company. He served later as Chief Innovation Officer of Kartuku and learned about payments and pre-paid systems (<https://id.wikipedia.org>, 2018 and Wijanarko, 2015).



Source: <https://www.straitstimes.com>, 2018

Figure 1. Nadiem Makarim

Makarim initiated GO-JEK Indonesia in August of 2010 as a call center that allows riders to order motorcycle taxi (more popularly known as ‘ojek’ in Indonesia) by phone. Initially, GO-JEK only had a small office with 6 personnel, 10 phones and 4 call center agents (<https://tech.economictimes.indiatimes.com>, 2016). Makarim recruited 20 drivers, and then the drivers recruited another 100 drivers, and finally, it grew independently under Makarim’s monitoring. But Makarim found that call center was ineffective and he realized the only way to expand GO-JEK would have to be through applications (<http://en.tempo.co>, 2015).

In 2014, Makarim formally launched GO-JEK as a mobile application-based motorcycle taxi. GO-JEK aims to improve social welfare by ensuring efficiency in the market and deploy positive social effect through technology (<https://www.go-jek.com>, 2018). By 2016, GO-JEK has launched several other services besides GO-RIDE (first online motorcycle ride-hailing services in Indonesia) to keep the drivers busy all the day and to avoid their business slump outside the rush hours and to offer more benefits to customers, they are GO-CAR (car-hailing services), GO-FOOD (food delivery services), GO-SEND (courier services), GO-MART (shopping delivery services), GO-BOX (truck pick-up and delivery services), GO-MASSAGE (local massage services), GO-CLEAN (cleaning services), GO-GLAM (home beauty services), GO-TIX (movies and events ticketing services), GO-PAY (e-money that customers could use for all GO-JEK services), GO-MED (medical and pharmacy services) and GO-AUTO (auto cares and services) (<https://aseanup.com>, 2018).

Now, GO-JEK operates in 50 cities across Indonesia and has become Indonesia’s biggest start-up. GO-JEK raised \$550 million from private investors at a \$1.3 billion valuation in August 2016 (<https://www.forbes.com>, 2017). By 2017, GO-JEK was sitting in number 17 of 56 companies in Fortune’s “Change the World” list. The list was determined by Fortune by assessing three criteria, including social impact where the company is based, business value and innovation level. Fortune has considered GO-JEK managed to increase small business revenue and improve Jakarta’s economy (<http://www.thejakartapost.com>, 2017).

Characteristics and Behaviors of Transformational Leadership of Nadiem Makarim

It can be determined that leadership characteristics and behaviors demonstrated by Nadiem Makarim are similar to what is explained in the literature about transformational leadership:

- Makarim demonstrates intellectual stimulation behavior which has an important role in organizational changes. Makarim develops new and creative ideas to solve problems and tries to encourage his followers to be creative and innovative. This quality can be found from how the idea about GO-JEK developed.

Jakarta as the capital of Indonesia is a hectic city. Many people in Jakarta live in traffic, and they choose to ride motorcycles to avoid the traffic jam because riding motorcycles is more effective than riding in cars. This situation has offered a business opportunity for some people to become a motorcycle taxi or 'ojek' drivers. Traditionally, 'ojek' as general public transport uses a base as a gathering place and the drivers wait for passengers at the base. Sometimes, the drivers randomly scatter in the city or wait on street corners to negotiate with a customer who needs a ride.



Source: <https://id.wikipedia.org/wiki/Ojek>, 2018

Figure 2. Traditional 'Ojek'

While in Jakarta, Makarim navigated a lot on 'ojek' and became friends with 'ojek' drivers. Makarim trusted them in taking him around everywhere in Jakarta to buy food and something like that (<https://tech.economictimes.indiatimes.com>, 2016). According to Makarim, more than 70% of the working time of 'ojek' drivers is spent waiting for passengers and stuck in a traffic jam in Jakarta. 'Ojek' also uses the bidding process to determine the 'ojek' price for customers without any standard price per kilometre (Natadjaja & Setyawan, 2016). Originally, the idea to launch GO-JEK came about from Makarim's frustration with taking 'ojek' to overcome the traffic in Jakarta but the pricing was un-transparent, and 'ojek' cannot be found during rush hour. Makarim found a problem and then he decided to solve the problem in a new way as indicated by the following remarks (<https://www.cnbc.com>, 2018):

“So the idea was what if we can take the fastest motor vehicle and have them not only perform human mobility operations but also potentially move stuff around in the fastest way possible.”

“I think a lot of people did not believe back then that ojek could be professional and could be trusted.”

“I sent them on a variety of errands including delivering my own laptop somewhere else or buying some food. And so by getting to know them, I quickly realized that this informal sector is incredibly valuable.”

The critical thing that Makarim realized was if he builds trust with ‘ojek’ drivers properly, the drivers were ready to work beyond the normal working hours. So their willingness to work a number of hours at better remunerations gave birth to the idea of GO-JEK (<https://tech.economictimes.indiatimes.com>, 2016).

Makarim’s crucial decision to concentrate on ‘ojek’ (motorcycles taxi) avoided direct competition with existing car taxi industry in Jakarta. By the time GO-JEK introduced GO-CAR (car taxi service) in 2016, GO-JEK had already been familiar with the local environment, because GO-JEK had built a public profile as an endowment to the local economy and Indonesian growth (Davis, 2018). GO-JEK has evolved into a solution to the transportation problem and reduced unemployment (<http://en.tempo.co>, 2015). Overall, Makarim demonstrates intellectual stimulation behaviour through seeking different perspectives when solving the problems, encouraging nontraditional thinking to solve traditional problems and stimulating others to look at the problems from different points.

- Makarim has a vision and can draw a better picture for the future. Based on an exclusive interview by CNBC, Makarim was asked to describe his vision for GO-JEK, Makarim stated (<https://www.cnbc.com>, 2018):

“I hope that GO-JEK will be talked about 10 years from now, 20 years from now as the company that proved technology is actually the key enabler in unleashing an economy, in making it leapfrog into the next stage of societal evolution, that technology creates so much efficiency that the scalability of any type of positive impact that you are trying to create can be achieved because we are in this mobile tech revolution. So that is my hope, my hope is that this is going to be the blueprint for development across the world.”

Makarim’s optimistic speaking about the future, the attractive perspective of the future and confidence that the goal will be reached reflect the quality of inspirational motivation.

- Makarim focuses on followers’ higher ideals and moral values to achieve goals. His statement as can be seen in the following remarks (<https://www.cnbc.com>, 2018) indicates that Makarim helps his followers in achieving their potential talents in the organization.
“The point of inflexion in the leaders that I mentor and coach is the moment by which they realize that they could achieve something that they thought they couldn't, and to do that sometimes you have to stretch their imagination first and stretch their effort and then at the end of that cycle they realize "Oh my god, look at what I achieved, I never thought I could achieve that" and that gives them the confidence to then go on and build on their own.”

- Makarim pays attention to followers. Paying attention to individuals is one of the most important aspects of transformational leadership because followers like to have a leader who cares about them and their work. Makarim encourages drivers to feel like an integral part of the organization. Drivers who do not have enough money to pay for a smartphone were given loans to buy one. GO-JEK also provides assistance to drivers who do not have the required documents to register as the drivers officially. Drivers can proudly expose their association with GO-JEK via branded apparels and accessories (Davis, 2018).



Source: <https://www.cnnindonesia.com>, 2017

Figure 3. GO-JEK Driver Proudly Expose Their Association with GO-JEK

This following remarks (<https://www.cnbc.com>, 2018) show that Makarim treats the followers as persons not just group members and listens to others' demands and interests.

"We try to treat them as respectable humans who take pride in their work and therefore should be protected against the downsides of the things that they do at work. I think that's the principle and that's the spirit because without the drivers there's no GO-JEK."

"I'm an honest boss, and sometimes honesty means saying things that are not easy to hear, but I expect the same out of my team for me."

- Makarim implements new ideas to change organizational culture. Makarim stated that it was so exciting for him and his team to be able to go outside of Indonesia to see whether the models of GO-JEK are replicable in a different cultural context. Makarim finally announced that GO-JEK is set to launch in Thailand and Vietnam and tied up with local partners to venture overseas (<https://www.cnbc.com>, 2018).
- Makarim defines the vision effectively for his partners so that his partners will admit the vision as a fact interestingly. In the context of partnership, Makarim and his team guide their partners on what they have learnt to be successful and what they have learnt that does not work in Indonesia. They also guide their partners heavily up-front, but they hope their partners will be able to create their unique strategy (<https://www.cnbc.com>, 2018). Makarim's passionate speaking about what needed to be done encourages others to suitable behaviours inspirationally.

- Makarim moves the organization toward the ideal perspective for improvement by coordinating the followers and integrating all system elements. Makarim puts confidence in a group of people that were for the most part ignored by society and by companies. This creates such a powerful sense of pride and belonging. Makarim acknowledges that the drivers are customers as well. He does not directly employ them, but he tries to give them as many benefits as possible. He gives them full accident insurance when they are on the job; he provides the cheapest national rate for private health insurance that they can subscribe to and he gives them a variety of safe driving training (<https://www.cnbc.com>, 2018).

5. Conclusion and Suggestion

We live in a digital era. People and organizations need leaders who understand the impact of digital technology on business and community, be able to adapt to change and get people working together to solve the current issues. To remain competitive in the digital era, digital leaders must be transformational leaders who encourage and inspire people to get extraordinary outcomes. Many previous research findings show that transformational leadership affects organizational performance and business success in various sectors in many situations. This study has explored the qualities of transformational leadership of Nadiem Makarim, founder of GO-JEK, Indonesia's biggest start-up in the digital era by using the phenomenological approach. From the analysis of Makarim's leadership style, it is clear that Makarim demonstrates the characteristics and behaviors of transformational leadership. An understanding of transformational leadership characteristics and behaviors is crucial for leaders to achieve higher performance and to become inspirational. Transformational leaders are key persons of social changes and transforming organizations and the environment. Therefore, it is suggested that leaders in the digital era should be aware of transformational leadership and apply its traits in practices. Further research is recommended to get a better understanding about the relationship between transformational leadership and business success in the digital era, especially to investigate the association among transformational leadership, job satisfaction, business performance, etc., at GO-JEK Indonesia.

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