

**THE STRATEGY ADOPTED BY THE INDONESIAN GOVERNMENT
CONTRACTORS TO MAINTAIN PROFIT**

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ABSTRACT

The main aim of a business organization is profit as much as it must be efficiently and effectively range through the management function of planning organizing. In Indonesia, state-owned enterprise contractors have been established, which are PT. A, PT. B, PT. C, PT. D, PT. E, PT. F, PT. G, PT. H, and PT. I. They operate autonomously like any other business. The company is state-owned limited liability company (Persero) of capital / shares at least 51% owned by the government, whose purpose is to pursue profits. The purpose of establishing national state is to provide goods and or services of high quality and strong competitive advantage and pursue to enhance shareholder value. As companies answerable to the government it is very important that they are properly and effectively managed. This is to ensure that the companies continuously generate income and maintain favourable profit. But, how do these Indonesian Government Contractors can manage their business and maintain a favourable profit margin. They may adopt the strategic management model to maintain their business and income. Strategy has been defined general plan of action as cunning way for achieving one's goals and objectives. A contractor company may adopt a vertical segmentation strategy to maintain its business. Others may adopt a horizontal (generalist) strategy to increase their business and profit. The strategic management process includes environmental scanning (both external and internal), strategy formulation, strategy implementation, and evaluation & control. But the question is whether these companies have actually adopted the strategic management approach. The objectives of this research are to determine whether the company's mission, objectives, strategies, policies, programs, procedures and performance are well documented, and whether they are easily understand by the company's staff. This study used a model of strategic management as the tools to analyze the problems. The results of the analysis are the PT. I, PT. F, PT. C and PT. D are the best in documenting the company's mission, objectives, strategies, policies, programs, procedures and performance. The elements of strategic management are easily understood by the company's staff in level moderate. Recommendation for further studies is to find out whether the Indonesia Government Contractors have been following the strategic management system according to the theory of strategy formulation, strategy implementation, and evaluation and control.

ABSTRAK

Tujuan utama organisasi perniagaan adalah keuntungan sebanyak kerana ia mesti cekap dan berkesan pelbagai melalui fungsi pengurusan merancang menganjurkan. Di Indonesia, kontraktor perusahaan milik negara telah ditubuhkan, adalah PT. A, PT., B, PT. C, PT. D, PT. E, PT. F, PT. G, PT. H, dan PT. I. Mereka beroperasi secara autonomi seperti apa-apa perniagaan lain. Syarikat itu adalah milik negara syarikat liabiliti terhad (Persero), modal / saham sekurang-kurangnya 51% dimiliki oleh kerajaan, yang mempunyai tujuan untuk mengejar keuntungan. Tujuan penubuhan negeri mahupun negara adalah untuk menyediakan barangan dan perkhidmatan berkualiti tinggi dan kelebihan daya saing yang kukuh dan mengejar untuk meningkatkan nilai pemegang saham. Sebagai syarikat yang bertanggungjawab kepada kerajaan adalah amat penting bahawa mereka betul dan berkesan. Ini adalah untuk memastikan bahawa syarikat-syarikat terus menjana pendapatan dan mengekalkan keuntungan yang menggalakkan. Tetapi, bagaimana ini kontraktor kerajaan Indonesia boleh mengurus perniagaan mereka dan mengekalkan margin keuntungan yang baik. Mereka boleh menerima pakai model pengurusan strategik untuk mengekalkan perniagaan dan pendapatan mereka. Strategi telah ditakrifkan pelan tindakan sebagai cara licik untuk mencapai matlamat dan objektif seseorang. Sebuah syarikat kontraktor boleh menerima pakai strategi segmentasi menegak untuk mengekalkan perniagaannya. Lain-lain boleh menerima pakai strategi mendatar (generalist) untuk meningkatkan perniagaan dan keuntungan mereka. Proses pengurusan strategik termasuk pengimbasan persekitaran (luaran dan dalaman), merangka strategi, pelaksanaan strategi, dan penilaian & kawalan. Tetapi persoalannya ialah sama ada syarikat-syarikat ini sebenarnya telah menerima pakai pendekatan pengurusan strategik. Objektif penyelidikan ini adalah untuk menentukan sama ada misi, objektif syarikat, strategi, dasar, program, prosedur dan prestasi didokumentasikan dengan baik, dan sama ada mereka mudah difahami oleh kakitangan syarikat. Kajian ini menggunakan model pengurusan strategik sebagai alat untuk menganalisis masalah. Keputusan analisis adalah PT. I, PT. F, PT. C dan PT. D adalah yang terbaik dalam mendokumentasikan misi, objektif syarikat, strategi, dasar, program, prosedur dan prestasi. Elemen-elemen pengurusan strategik mudah difahami oleh kakitangan syarikat itu di tahap sederhana. Cadangan untuk melanjutkan pelajaran adalah untuk mengetahui sama ada Kontraktor Kerajaan Indonesia telah mengikuti sistem pengurusan strategik mengikut teori pembentukan strategi, pelaksanaan strategi, dan penilaian dan kawalan.

TABLE OF CONTENTS

CHAPTER	TITLE	PAGE
	ACKNOWLEDGEMENT	iv
	ABSTRACT	v
	TABLE OF CONTENTS	vii
	LIST OF TABLES	x
	LIST OF FIGURES	xi
1	INTRODUCTION	1
	1.1 Background of Problem	1
	1.2 Statement of Problem	3
	1.3 Previous Study	5
	1.3 Objectives of Study	6
	1.4 Delimitation of the Study	6
	1.5 Methodology	6
	1.6 Thesis Organization	9
2	THE INDONESIAN GOVERNMENT CONTRACTORS (IGC)	10
	2.1 Introduction	10
	2.2 Definition State-Owned Enterprises in Indonesia	10
	2.3 The Indonesian Government Contractors	14
	2.3.1 PT. C	14
	2.3.2 PT. B	15
	2.3.3 PT. I	16
	2.3.4 PT. A	16
	2.3.5 PT. H	17

2.3.6 PT. G	17
2.3.7 PT. E	18
2.3.8 PT. D	18
2.3.9 PT. F	19
3 STRATEGY	23
3.1 Introduction	23
3.2 Definition of Strategy	23
3.3 Maintain Profit	24
3.4 The Strategic Management Process	25
3.4.1 Strategy Formulation	26
3.4.2 Strategic Choice	29
3.4.3 Strategic Implementation and Feedback	35
3.5 Strategy for Maintaining Profit in Management of Change	37
3.6 Approach of Step by Step Planning Process	39
3.7 Making Strategic Objective Goal SMART	41
3.8 Approach of Implementation Strategy in Maintaining Profit	42
3.9 Communication of Implementation Strategy in Maintain Profit	44
3.10 The Descriptive Model of Strategic Management in Maintaining Profit	47
4 ANALYSIS STRATEGIC MANAGEMENT	50
4.1 Introduction	50
4.2 Strategy Formulation	51
4.2.1 Mission	51
4.2.2 Objectives	56
4.2.3 Strategy	58
4.2.4 Policies	65
4.3 Strategy Implementation	67
4.3.1 Programs	67
4.3.2 Budgets	68
4.3.3 Procedures	69

4.4 Performance	74
4.5 Detail Findings	75
5 CONCLUSION AND RECOMMENDATION	84
5.1 Introduction	84
5.2 Research Finding	84
5.3 Recommendation for Further Study	85
REFERENCES	86

LIST OF TABLES

TABLE NO.	TITLE	PAGE
2.1	Financial Performance of Enterprises Development Construction Years 2005-2009	14
2.2	State-Owned Rating Category Construction Services The Year 2008 – 2009	20
2.3	State-Owned Profit Category Construction Services	20
2.4	Employee Demographics of The Indonesian State-Owned Contractors	22
4.1	Documented the Company's Vision, Mission, Objective, Strategy, Policy, Program, Procedure and Performance.	77
4.2	The Ranking of Documented Strategic Management	78
4.3	Easiness of Understanding of Strategic Elements Among Company's Staff	80

LIST OF FIGURES

FIGURE NO.	TITLE	PAGE
1.1	Methodology Flow Chart (Research Process)	8
3.1	The Strategic Planning Process is a Continuous Process	39
3.2	The Descriptive Model of Strategic Management	48

CHAPTER 1

INTRODUCTION

1.1 Background of Problem

Business has been define as an economic system in which goods and services are exchanged for one another or money, on the basis of their perceived worth. Every business requires some form of investment and a sufficient number of customers to whom its output can be sold at profit on a consistent basis. (Rosli, 2011)

The main aim of a business organization is profit as much as it must be efficiently and effectively range through the management function of planning organizing. Therefore they have to continuously manage their organisation and resources efficiently and effectively.

In Indonesia, state-owned enterprise contractors have been established. They include: PT. A, PT. B, PT. C, PT. D, PT. E, PT. F, PT. G, PT. H, and PT. I. Their function is to pursue profits. They operate autonomously like any other business in without any subsidies or grants.

Despite there are a number of major contractors in the construction business in Indonesia, the construction market is still dominated by state-owned enterprises. The biggest state-owned construction companies are PT.

A, PT. C, PT. B. And they are three Indonesian Government Contractors who are registered in the Indonesian Stock Exchange (IDX).

All state-owned enterprise contractors have the highest business qualification is grade 7. Their main business is general contractor include building construction, mechanical & electrical, and the civil construction consists of: road and bridges, irrigation, transportation infrastructure, and power plant. In addition to their business also includes EPC and investment, there also has subsidiaries.

PT. B is one company that has subsidiaries. One of PT. B's group companies is PT. B Beton. PT. B Beton as one of PT. B's subsidiaries is part of corporate expansion in pre-cast concrete industry. PT. B started to concentrate on the pre-cast concrete industry in 1977 by developing pre-cast concrete panel for house and flat terraces. Ever since, PT. B determined to keep hold of developing their products in order to anticipate the development plan and emerging infrastructure projects. The product development has created these outcomes: pre-stressed concrete poles for power distribution lines and PC piles then followed by other products, for instance, concrete open channels, concrete railways sleepers, bridges girders, sheet piles, pipes, platform slabs and building components which have been implemented in various range of projects. Those products emerged in the right timing and succeeded to become leading products in the market.

There is also a state-owned contractor as mentioned above, has an investment in the form of shareholding companies. The goal of these direct investments is to develop business in fields related to construction services and is expected to generate construction work contracts for the company. Investments are in companies engaged in the management of toll road, lease office space and other construction services.

The majority of these contractors have been in existence for over fifty years. They are mainly large companies with an average annual income of

more than Rp.100 billion and they employ more than 10.000 people ranging from managers to general workers.

State-owned contractors have a responsibility for Corporate Social Responsibility (CSR). CSR is a program mandated by the government in order to meet the needs of stakeholder. Contractor SOEs also have a responsibility to assist the development of small and micro businesses and environmental development program aimed at helping the development community.

As companies answerable to the government it is very important that they are properly and effectively managed. This is to ensure that the companies continuously generate income and maintain favourable profit. To this end, they must adopt an effective strategy, policy and procedure.

Their main income is from their business activities in project development. As business entities, they have to generate revenue and maintain a favourable profit to meet stakeholder's expectation.

There are several strategies that have been adopted by many successful companies to maintain a favourable profit margin.

1.2 Statement of Problem

The number of foreign construction contractors and consultants operating in Indonesia in the last two years continues to increase, especially from Japan, China and South Korea. The number of construction services to foreign players, particularly from the three countries, because the country is still listed as the largest lender to Indonesia.

In 2007, contractors and foreign consultants in Indonesia amounted to 200 companies. The number had dropped in 2008 amounted to 195 companies and in 2009 amounted to 198 companies. Then, in 2010 the numbers are back up to 207 companies. While in 2011, to May, the number of foreign contractors and consultants reached 213 companies. (Goeritno, 2010)

To anticipate the increasing number of foreign construction services company in Indonesia, the Indonesian government issued special requirements such as those required to have an office in Indonesia in accordance with the regulation of the Minister of Public Works No.10 year 2011. And according to the Regulation of the President of the Republic of Indonesia No.54 year 2010, foreign construction services into Indonesia must be working on projects in excess of Rp. 100 billion.

In Indonesia, project whose cost using foreign loans and always use contractors from donor countries, should be required operational cooperation with experienced national contractor. Thus it will be easier to absorb knowledge from foreign contractors.

The experience gained by the Indonesian Government Contractors can be made to expand its business abroad, because it was quite a lot of well-trained human resources in hard skill and soft skill. Now, all it takes is a readiness and ability of state contractors, as well as stronger government commitment to establish a vision strategy.

Construction business environment urged the Ministry of State Enterprises makes management of all state-owned contractor to improve their performance in order to achieve the favourable profit and be competitive.

Several companies were unable to maintain favourable profit margin. This may be due to many factors such as lack of implementation of the strategy process to maintain profits.

Today's construction business environment is highly competitive. So it is very important to review the strategic management process what the aim of adopting or should these companies use in order to maintain a favourable profit margin.

Strategy has been defined general plan of action as cunning way for achieving one's goals and objectives. A contractor company may adopt a vertical segmentation strategy to maintain its business. Others may adopt a horizontal (generalist) strategy to increase their business and profit.

But, how do the Indonesian Government Contractors as mention above manage business and maintain a favourable profit margin. What strategy do they adopt to ensure that profit continue the flow into company coffer.

Strategic management is required as a whole in the strategy process, and whether Indonesian Government Contractors have followed that path in accordance with the theory of strategic management.

1.3 Previous Studies

Ekodjati Tunggulgeni (2007), conducted previous research on how to make a strategy to maintain profit through standard methods of controlling operational costs, where cost control is the task of operating divisions within Indonesian Government Contractors. It is very interesting when the results showed that the cash basis method can be relied upon in the process of maintaining profitability. From the results of these studies can be used as a strategy document in maintaining profits.

1.4 Objectives of Study

The objectives of this research are:

- a) To determine whether the company's mission, objectives, strategies, policies, programs, procedures and performance are well documented.
- b) To determine whether they are easily understood by the company's staff.

1.5 Delimitation of the Study

The study is limited to the following areas:

- Indonesian government contractors, which are known as Badan Usaha Milik Negara (BUMN)/ state owned company.

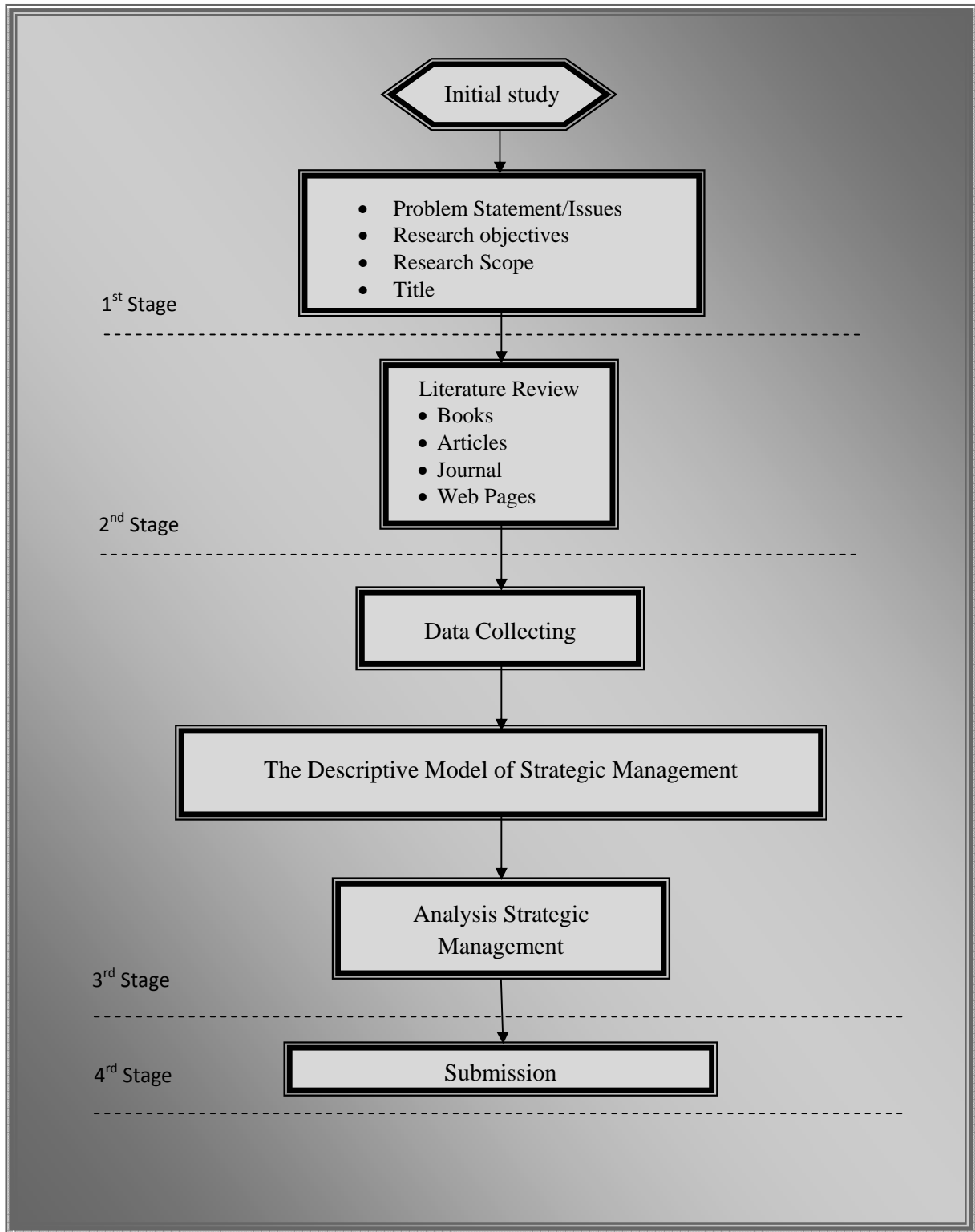
1.6 Methodology

The methodology of the study:

- This study is carried out through the combination of documentary study and interviews.
- The data and information are obtained from on line references i.e. <http://www.bumn.go.id>
- The analysis was carried out using “qualitative method”

The methodology is set to gather the data for achieving the outlined objectives. The first step is to rationalise the issue to help set up the topic of study. Then the aims and objectives are set. This study employed several methods of data collection for the purpose of objective's achievement. For the knowledge acquisition phase, the literature in connection with the study to be carried out is reviewed through journals, books, newspapers, conference papers and websites. From that information, a set of questionnaire form has been developed.

The final phase will be the conclusion creation with reference to the objectives, subsequent to the analysis based on the research objective through literature review and as a result of the analysis process. The research process is shown in the following flow chart. (Figure 1.1)

Figure 1.1: Methodology Flow Chart (Research Process)

1.7 Thesis Organization

Chapter 1 will present the introduction of the study. This chapter will focused on the background of the study, the issues arises related to the problem, the objectives of the study and also the scope and limitation of the discussion in this study.

Chapter 2 will present the Indonesian Government Contractors and conditions of the existing problems. This chapter will provide the basic concepts of research issues, which will be used as a benchmark analysis in the next chapter.

Chapter 3 will present the concept in response theory analysis of problems in this study.

Chapter 4 will discuss the approach as a solution and analysis based on concepts that are relevant.

Chapter 5 will present the conclusion of the analysis discussed in chapter 4 and this chapter will also present the suggestion based on the whole study.

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