

Strategy of Djakarta Lloyd Ltd Post State Equity Participation for Performance Improvement

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ABSTRACT

Djakarta Lloyd Ltd is an Indonesian commercial shipping company that was established in 1950. As a State's Owned Enterprise that received State Equity Participation (PMN), Djakarta Lloyd Ltd is expected to improve its business scale, performance, and contribution. The objectives of this research are defined as follow 1) Analyze the financial performance of Djakarta Lloyd Ltd after State Equity Participation injection, 2) Analyze internal and external factors which affect Djakarta Lloyd Ltd performance after State Equity Participation injection, 3) Formulate alternative strategy towards performance in adherence to internal and external factors' impact on Djakarta Lloyd Ltd after State Equity Participation injection, and 4) Formulate strategy to be prioritized so as to achieve performance targets set by Djakarta Lloyd Ltd after State Equity Participation injection. This research uses primary and secondary data in qualitative as well quantitative.

From 2017-2020, Djakarta Lloyd Ltd produces Z-Score of 1.2 or below cut-off point $Z < 1.81$. According to cut-off criteria, Djakarta Lloyd Ltd can be categorized as an entity in a state of bankruptcy. In contrast, the result from DuPont analysis on financial performance based upon 5 assessment indicators generates a score of 3.02. The number is above average of 2.5 which indicates Djakarta Lloyd Ltd is currently deemed capable to respond to opportunities and threats. Furthermore, IFE matrix score of 3.04 implies that Djakarta Lloyd Ltd internal control management is above average exhibiting a strong fundamentals. Referring to AHP, there

are 15 strategic priorities generated with the highest component of 0.174 is to conduct periodical internal and external financial audit in intensive manner to understand whether State Equity Participation injection is in accordance with preliminary assessment, and contribute to the company.

Keywords: AHP, Djakarta Lloyd Ltd, State Equity Participation, SWOT

INTRODUCTION

State-Owned Enterprises (SOEs) continues to increase its role in supporting Government programs to realize community welfare. The participation of SOEs in priority programs and national strategic projects, both in the form of implementing Government assignments and implementing activities independently, is expected to encourage development growth in various fields.

The government in supporting the role of SOEs provides State Equity Participation funds to strengthen the capacity of the capital structure so as to encourage increased leverage in the context of financing investment projects through SOEs. The government's capital injection will increase the equity of SOEs, so that the company's debt to equity ratio (DER) will decrease so that it has the power to finance new projects through a loan scheme. Based on Government Regulation Number 72 of 2016 as previously amended by Government Regulation Number 44 of

2005, State Equity Participation is the separation of State assets from the State Revenue and Expenditure Budget or determination of company reserves or other sources to serve as capital for State-Owned Enterprises (SOEs) and/or other Limited Liability Companies, and managed corporately.

State Equity Participation is expected to have a positive impact and a significant contribution to SOEs themselves, namely through improving the company's performance, while for the government to support the acceleration of completion of national strategic projects assigned to SOEs as well as increasing deposits to the state treasury directly through PNBP (dividends) and indirectly through tax payments. For the community, it is hoped that it will directly support economic equity by encouraging the growth of industrial economic centers, especially micro and medium-sized industrial centers, increasing employment and fostering the creation of new jobs.

One of the SOEs that is mandated to receive State Equity Participation funds is Pelayaran Samudera Ltd, Djakarta Lloyd Ltd or known as "DL Ltd" which is engaged in the transportation of containers and bulk cargo with international and domestic shipping lines. DL Ltd obtained State Equity Participation (PMN) funding of IDR 350,000,000,000 which was intended for additional capital and investment in the procurement of several vessels for operations.

The State Equity Participation Fund in DL Ltd was given in 2015, in addition to increasing equity which has an impact on increasing leverage through the capital structure and strengthening the cash balance position, State Equity Participation (PMN) funds are also expected to increase the scale of DL Ltd own company, thus the provision of State Equity Participation (PMN) should be able to demonstrate significant impact on the company's performance. Based on the realization of absorption from State Equity Participation funds that are submitted regularly to Shareholders in this case the

Ministry of SOEs, DL Ltd budget target has been achieved 100%, although several physical projects have not shown revenue contribution due to several obstacles and constraints originating from internal and external conditions DL Ltd itself. To measure the effectiveness of the use of working capital and assets that have been provided through the State Equity Participation fund, the authors would like to formulate several problems that will be discussed in this study, namely:

1. How is DL's Ltd financial performance after being given State Equity Participation funds?
2. What are the internal and external factors that affect the performance of DL Ltd after being given State Equity Participation funds?
3. What alternative strategies can be done for performance based on the influence of each internal and external factor on DL Ltd after being given State Equity Participation funds?
4. What strategy is the priority in achieving performance targets at DL Ltd after being given State Equity Participation funds?

LITERATURE REVIEW

State Equity Participation

The 2017 State Budget Financial Note states that State Equity Participation is generally allocated to support the achievement of government programs in certain fields, to support assignments given by the government to SOEs, and to support SOE restructuring efforts (Setyadi and Raharjo, 2020). The purpose of adding State Equity Participation (PMN) to a State-Owned Enterprises (SOEs) is to improve the capital structure of State-Owned Enterprises (SOEs) and Limited Liability Companies and increase the business capacity of State-Owned Enterprises (SOEs) and Limited Liability Companies. All means will be pursued and endeavored by the Government so that SOEs can be saved or even get bigger profits compared to the previous year's performance (Hamdani and Ikhsan,

2021). In addition, SOEs are expected to improve their performance, aiming to maximize the wealth of their owners, in this case the government (Dinarjito, 2019).

Working Capital

According to Sundjaja and Berlian (2003), working capital is a current asset which is part of the company's investment and always rotates with a turnover not exceeding a period of 1 (one) year. The purpose of this working capital is to meet the company's liquidity, assist the company in maintaining its business stability if conditions are critical, facilitate the company's operational activities, the use of current assets can maximize profit, enable the company to operate more efficiently due to the adequacy of the goods or services needed and make it a prerequisite for creditors to provide additional funds.

Strategic Planning

Strategic planning is a managerial process that functions to develop and maintain the right strategy between organizational goals and capabilities and company opportunities (Kotler 2009). Strategic planning includes defining the company's mission, establishing the objectives of a good business portfolio, and coordinating functional strategies. Companies must be able to determine the right action in terms of goals, opportunities, and resources in order to compete with competitors. Strategic planning can help companies to define goals and set priorities to achieve effectiveness in the face of a dynamic changing environment. Strategic planning is important to improve company performance and help adjust company activities to the external environment and the company's resource environment (Lupiyadi and Hamdani, 2008).

Framework

The initial stage of the study was a financial performance analysis to find out DL Ltd after getting State Equity Participation (PMN) funds using the Z-Score and Du

Pont financial analysis models which functioned to calculate various ratios with results that could determine the development of financial health in the company. Furthermore, the analysis of internal and external factors is carried out. The company's management reviews the current business model in order to maintain the company's viability.

Internal and external factors at DL Ltd when providing State Equity Participation (PMN) funds is analyzed to obtain several important elements in determining the company's strategy. These factors are then identified using a SWOT analysis. The results of alternative strategies from the SWOT analysis were then processed using the AHP analysis method to obtain priority development strategies at DL Ltd as the effectiveness of State Equity Participation (PMN) funding.

METHODS

This research was conducted at Djakarta Lloyd Ltd. Furthermore, the Ministry of State-Owned Enterprises as the shareholder in which the sample of respondents is partly from the Ministry of SOEs. This research was conducted from January to May 2022.

This study uses two types of data, namely primary data and secondary data, both in the form of qualitative data and quantitative data. Primary data used to analyze SWOT and AHP were collected specifically through in-depth interviews using questionnaires to the respondents. Respondents are expert resource persons selected based on considerations of expertise, practical experience, and stakeholders. Secondary data used in this study consisted of financial statements used for financial performance analysis using Z-score analysis and Du-Pont analysis, various studies of previous research literature, books, theses, and journals.

Sampling was carried out using a non-probability sampling technique with a purposive sampling method to determine the sources to be interviewed. This technique considers the selected respondents to have

knowledge, expertise and experience in the field under study (Sugiyono 2013). The data processing and analysis techniques in this study used Z-score analysis and Du-Pont analysis to measure financial performance, SWOT analysis, and the AHP method (Software Expert Choice 2000). The data obtained from the research will be analyzed through Z-Score Analysis, DU-Pont Analysis, Internal Factor Evaluation (IFE) Analysis, External Factor Evaluation (EFE) Analysis, SWOT Analysis, and AHP Analysis.

RESULT AND DISCUSSION

Z-Score Analysis

Based on calculations using the Altman Z-Score method of 1.2 or below the cut-off

point, $Z < 1.81$. Based on the cut-off criteria, the company is included in a company that is in an estimated bankrupt condition, if DL Ltd is allowed to continue its performance is likely to continue to decline, DL's Ltd going concern needs to be in the future.

Table 1 Calculation of the Altman Z-Score method

Year	Z-Score	Cut-off Point	Z-Score Criteria
2017	-0.64685	$Z < 1.81$	Estimated Bankrupt
2018	0.026681	$Z < 1.81$	Estimated Bankrupt
2019	0.337243	$Z < 1.81$	Estimated Bankrupt
2020	0.270476	$Z < 1.81$	Estimated Bankrupt

Source: Processed data (2022)

Du-Pont Analysis

Results of Djakarta Lloyd's Ltd Financial Performance based on Du Pont System Analysis as shown in Table 2.

Table 2 Calculation Results of Djakarta Lloyd's Ltd Du Pont System 2017-2020

Information	Du Pont System Analysis				Average
	2017	2018	2019	2020	
Assets Turn Over	0.31 times	0.60 times	0.55 times	0.52 times	0.49 times
Net Profit Margin	0.20%	0.22%	0.20%	0.15%	0.19%
Return On Investment	0.06%	0.13%	0.11%	0.08%	0.09%
Equity Multiplier	2.12 times	2.00 times	2.19 times	2.28 times	2.15 times
Return On Equity	0.13%	0.27%	0.23%	0.17%	0.20%

Source: Processed data (2022)

IE Matrix

The results of the analysis using the IFE matrix obtained a score of 2.53 and the results of the analysis using the EFE matrix obtained a score of 3.02. The total score indicates that DL's Ltd strategy is effectively able to take advantage of existing opportunities and minimize the

negative influence of external threats because it has an above average score. The company's position is in cell/quadrant II. This indicates that the most appropriate grand strategy for DL Ltd is growth and build strategy, and the strategies that can be developed are market penetration, market development and product development.

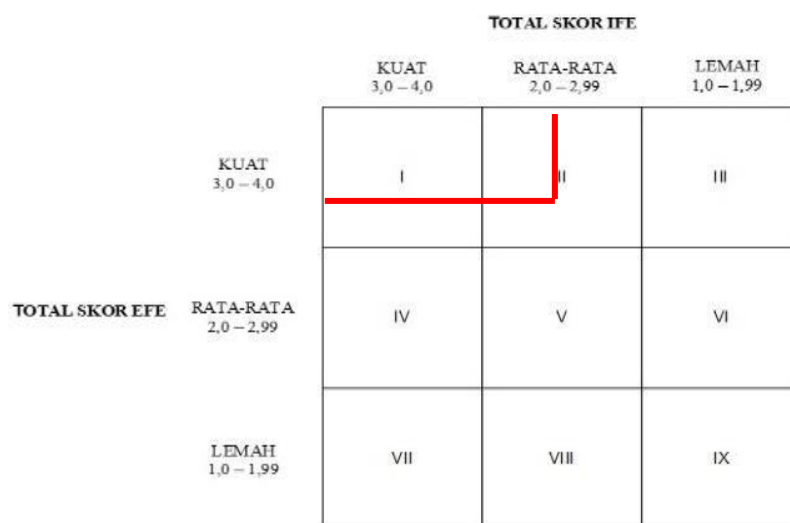


Figure 1 IE Matrix

DL Ltd Strategic Priority Determination

The determination of strategic priorities is carried out by the AHP method which is one of the methods commonly used in making a priority order from various options which can then be used to help make a decision. AHP will be used to get the strategic

priority order of the seven strategies generated in the previous SWOT analysis. The hierarchy used in AHP consists of three levels, namely, influential actors, the main objectives to be carried out, and the strategies used to achieve the goals.

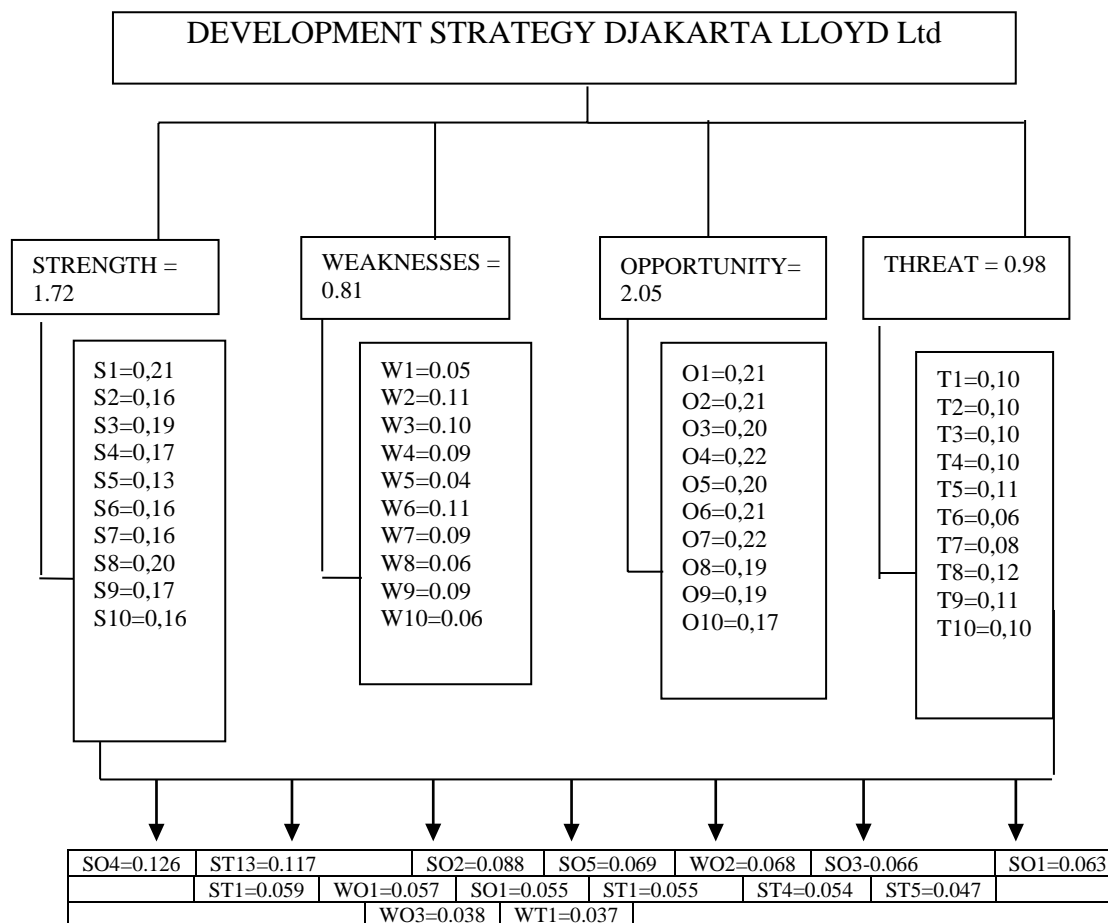


Figure 2 Hierarchical structure of Djakarta Lloyd's Ltd development strategy

Strategy Weights and Priorities

Based on prioritization through AHP, the weight and priority of DL's Ltd strategy are obtained with an overall inconsistency value of 0.06, the details of the output can be seen in Table 3.

Table 3 Weights and Priorities of DL Ltd Development Strategy

Strategy	Information	Weight	Rating
SO4	Increasing the market expansion of the shipping service sector in the form of goods transportation, loading and unloading services with potential clients and conducting intensive coordination with regulators in this case the Ministry of Transportation	0.126	1
ST3	Looking for alternative strategic partners so that they are not dependent on only 1 (customer) in this case PLN Ltd	0.117	2
SO2	Improving services to strategic partners by offering competitive prices for transportation services in the market in order to obtain maximum income	0.088	3
SO5	Increase the productivity of ships purchased from PMN funds and ensure long-term cooperation contracts with strategic partners	0.069	4
WO2	Accelerate delayed investment development and conduct operational cooperation not only with SOEs or the government but with the private sector as well	0.068	5
S03	Carry out customer relationship management (CRM) to maintain and improve service quality	0.066	6
WT1	Encouraging the preparation of timelines for payment obligations to avoid late fees and penalties as well as demands by debtors and creditors	0.062	7
ST1	Encouraging the use of integrated SAP so that it can monitor financial, operational, and other activities	0.059	8

Table 3 To Be Continued...			
WO1	Optimizing existing sources both from assets, human resources, IT so that all existing potential can be maximized	0.057	9
SO1	Utilizing DL's Ltd profile as a SOEs to be more agile in the company's business development, especially in the marketing field (Initiating existing projects/creating projects)	0.055	10
ST2	Speeding up the collection process for cash conversion cycle (CCC) receivables shortened to 2-3 months of disbursement	0.055	11
ST4	Develop an effective billing system mechanism and carry out intensive coordination with relevant stakeholders	0.054	12
ST5	Accelerate the resolution of disputes/legal issues when necessary, hire a competent external party	0.047	13
WO3	Conduct periodic and intensive internal and external financial audits to find out that the allocation of PMN funds is in accordance with the study and provides benefits for the company	0.038	14
WT2	encourage DL's Ltd Going concern which covers all long-term aspects and anticipates if the investment project stops and cannot be continued	0.037	15

Managerial Implications

Several activities of the strategy application involve internal and external Djakarta Lloyd Ltd, the Government and partners of Djakarta Lloyd Ltd. The priority strategy work program can be seen in Table 4.

Table 4 Priority strategy work program

No	Priority Strategy	Work Program
1.	Increasing the market expansion of the shipping service sector in the form of goods transportation, loading and unloading services with potential clients and conducting intensive coordination with regulators in this case the Ministry of Transportation.	Carry out regular meetings/meetings with the Ministry of Transportation to discuss the expansion of the marine highway area and operational areas. Modify different transportation products/services from coal to liquid bulk
2.	Looking for alternative strategic partners so that they are not dependent on only 1 (customer) in this case PLN Ltd	Conduct roadshows with potential investors such as other SOEs, private partners and others
3.	Improving services to strategic partners by offering competitive prices for transportation services in the market in order to obtain maximum income	Implementing a pricing strategy Routinely benchmarking the price of transportation services in the market
4.	Increase the productivity of ships purchased from PMN funds and ensure long-term cooperation contracts with strategic partners.	Search for strategic partners that are medium and long term Perform addendum contracts with existing customers in order to obtain long-term contracts
5.	Accelerate delayed investment development and conduct operational cooperation not only with SOEs or the government but with the private sector as well	Utilization of the openness of foreign companies to invest in the shipping sector is supported by Law No.17/2008 Accelerate the completion of delayed projects so that they can generate revenue
6	Carry out customer relationship management (CRM) to maintain and improve service quality	Application of CRM in marketing activities Conduct marketing promotions with profitable offers for customers and partners.
7.	Encouraging the preparation of a timeline for payment obligations to avoid late fees and penalties as well as demands by debtors and creditors.	Assign a task force to accelerate payments according to schedule
8.	Encouraging the use of integrated SAP so that it can monitor financial, operational activities, and others	Implementation of policies on the use of SAP in all business activities
9.	Optimizing existing sources both from assets, human resources, IT so that all existing potential can be maximized	Asset utilization mapping Policy strategy for HR development and management Implementing digital-based technology
10.	Utilizing DL's Ltd profile as a SOEs to be more agile in the company's business development, especially in the field of marketing (Initiating existing projects/creating projects).	Do sponsorship cooperation Make a marketing transition to a digital marketing strategy
11.	Speeding up the collection process for cash conversion cycle (CCC) receivables, shortening to 2-3 months of disbursement.	Preparation of receivable collection policy procedures Implement clear rewards and penalties for late paying customers.
12.	Develop an effective billing system mechanism and conduct intensive coordination with relevant stakeholders.	Billing procedure policy improvement Application of a centralized one gate system (shortening the bureaucratic process)
13.	Accelerate the resolution of disputes/legal issues when necessary, hire a competent external party	Legal consultant assistance Monitoring the progress of legal disputes
14.	Conduct periodic and intensive internal and external financial audits to find out that the allocation of PMN funds is in accordance with the study and provides benefits for the company	Request assistance from external (BPKP, Jamdatun, BPKP) in all business processes and activities that have the potential for fraud Routinely report the use of PMN funds to Shareholders
15.	Encouraging DL's Ltd Going concern which covers all long-term aspects and anticipates if the investment project stops and cannot be continued	Preparation of RJPP and DL's Ltd Roadmap

CONCLUSION

Based on the results of financial analysis through the Z-score model, it is known that during 2017 to 2020 the Z-Score value is below the cut-off point, namely $Z < 1.81$. Based on the cut-off criteria, the company Djakarta Lloyd Ltd is included in a company that is in an estimated state of bankruptcy. This indicates that the company has failed in financial management, if this condition is allowed to continue, DL Ltd will experience bankruptcy, the same as the conditions before the homologation agreement. Meanwhile, based on the financial analysis of the Du-pont model. From the results of the analysis of financial performance using the ratio of Assets Turn Over, Net Profit Margin, Return On Investment (ROI), Equity Multiplier (Assets Leverage), Return On Equity (ROE) tends to decrease, caused by increase in cost of goods sold, selling expenses general and administrative expenses, other operating expenses, income tax expenses, company finance expenses.

External factors that affect the performance of DL Ltd after being given State Equity Participation (PMN) funds show that in terms of opportunities, respondents choose DL Ltd to participate in strengthening the maritime industry through sea toll connectivity and the routes operated can continue to increase which must be utilized by the company, namely with a weight of 0.06. Of the 10 opportunities that exist, there are 5 opportunities that can be put to good use. In terms of threats, respondents are still wary. Since the restructuring, the burden of past losses and legal issues are still issues that have not been resolved by management. The threat has a weight of 0.06. In addition, the next threat that needs to be watched out for is with the current line of business, DL Ltd will find it difficult to sustain and grow if there is no effort to add production equipment and expansion to liquid bulk transportation. In total, the evaluation results of the external matrix have a score of 3.02. The score is above the average of 2.5. These results indicate that

the company is currently quite capable of responding to existing opportunities and threats. While the internal factors that affect the performance of DL Ltd after being given State Equity Participation (PMN) funds obtained an IFE matrix value of 3.04. This shows that the company's internal is in a position above the average, meaning that the company's internal is in a strong position. Judging from the IE matrix, the company's position is in cell II. This indicates that the most appropriate grand strategy for DL Ltd is growth and build strategy, and the strategy that can be developed is market penetration, market development, and product development.

Based on the SWOT analysis, fifteen strategies were produced which were then processed using the AHP technique to obtain priority strategies. The results of the strategic sequence lead to increasing market expansion in the shipping service sector in the form of goods transportation, loading and unloading services with potential clients and intensive coordination with regulators, in this case the Ministry of Transportation, looking for alternative strategic partners so that they are not dependent on 1 (customer) only in this case PLN Ltd, improving services to strategic partners by offering competitive prices for transportation services in the market in order to obtain maximum income, increasing the productivity of ships purchased from State Equity Participation funds and ensuring long-term cooperation contracts with strategic partners, accelerate the development of delayed investments and conduct operational cooperation not only with SOEs or the government but with the private sector, carry out customer relationship management (CRM) to maintain and improve service quality, encourage the preparation of timelines for payment obligations in order to avoid late fees and penalties as well as demands by debtors and creditors, encouraging the use of integrated SAP so that it can monitor financial, operational activities, and others. SAP software provides several business

functions with one view of truth, optimizes existing sources from assets, HR, IT so that all existing potential can be maximized, utilizes DL's Ltd profile as a SOEs to be more agile in the company's business development, especially in the marketing field (Initiating existing projects/creating projects), accelerating the cash conversion cycle (CCC) receivable collection process shortened to 2-3 months of disbursement, developing an effective billing system mechanism and conducting intensive coordination with stakeholders, accelerating dispute resolution/legal issues when necessary Hiring competent external parties, conducting periodic and intensive internal and external financial audits to find out that the allocation of PMN funds is in accordance with the study and provides benefits for the company, encourages DL's Ltd going concern which covers all long-term aspects and anticipates if the project the investment stopped and could not be continued.

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