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## STRATEGY FOR PERFORMANCE IMPROVEMENT AT BUILDING DIVISION OF PT. HUTAMA KARYA (PERSERO) IN CONDITIONS OF CONSTRUCTION BUILDING BUSINESS COMPETITION

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### ABSTRACT

PT. Hutama Karya (Persero) Building Division is a one of companies engaged in the construction of high rise buildings. The purpose of this research is to evaluate company performance and develop strategies to improve company performance. Interview and literature study use to evaluate company performance. Internal Faktor Evaluation (IFE) Matrix and External Faktor Evaluation (EFE) Matrix use to analyze internal and external environment. SWOT Matrix used to get alternative strategies and Quantitative Strategic Planning Matrix (QSPM) used for priority strategies. The IE Matrix show that the company is in Quadran IV. The strategy in that position is market penetration, market development. The results of QSPM analysis of the right strategy are strategies to utilize the big name of BUMN to be aggressive in marketing (initiating or creating projects). The strategy resulted in 5 of the strategy's activities.

### KEY WORDS

Performance improvement, QSPM, SWOT matrix, strategy, business.

In this era of advancement, the society prefers to more practical and handy materials, especially regarding houses. There have currently been many buildings that not just function as offices, but also as apartments with facilities such as shopping malls.

According to a research by BCI Asia Indonesia, the construction market in Indonesia was estimated to reach Rp 451,33 trillions in 2018, a 2,71% increase than the one in 2017, around Rp 439,44 trillions, with the civil projects were up to 64% and building construction projects up to 36%. The value of building constructions was only estimated to increase 1,05%, or from Rp 157,11 trillions to Rp 155,86 trillions, in 2017. Such value was mostly allocated for presidential projects around Jakarta in 2018.

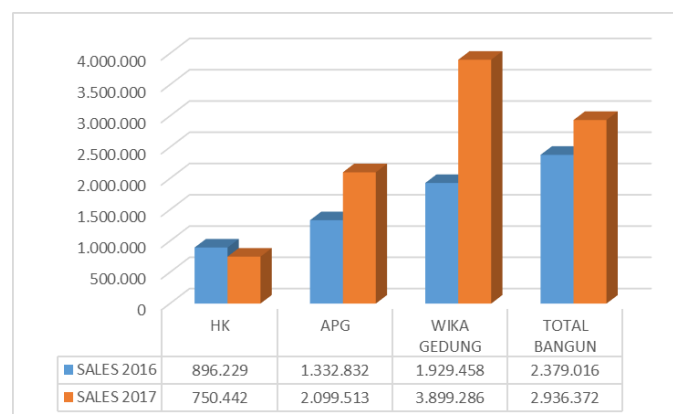


Figure 1 – Sales of construction companies

PT. Hutama Karya (Persero) Building Division is a Division of PT. Hutama Karya, a state-owned enterprise specializing in the constructions of High Rise Buildings, in which one of the products is contractors for skyscrapers. It was formed in 2010, where there were new companies focusing on the constructions of High Rise Buildings. PT. Hutama Karya

(Persero) Building Division has done many projects for constructing many office buildings, apartments, and hospitals, both in and outside of Jakarta.

Amidst the growing construction business, a 2017 phenomenon showed that while there were sale increases in other grade-7 construction companies, PT. Hutama Karya (Persero) Building Division experienced an income decrease or lower than 2016. Such decrease could be shown in Figure 1. Aside from incomes, the company's profit also strongly decreased, as shown in Figure 2.

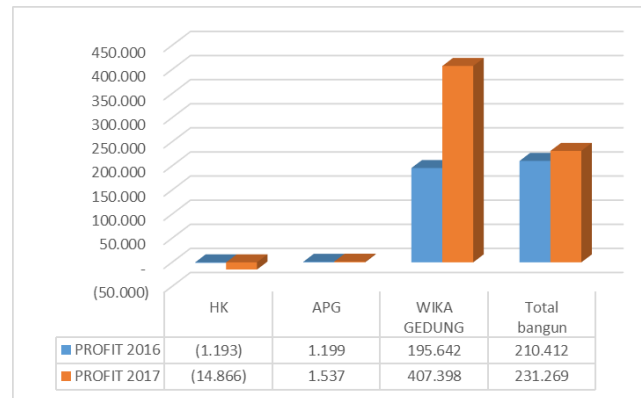


Figure 2 – Profits of construction companies

In comparison, other contractor companies with the same grade as PT. Hutama Karya (Persero) Building Division had significant increases. Therefore, the company is required to improve its performance in order to compete properly in the building construction business.

Based on the introduction, the sales and profits of PT. Hutama Karya (Persero) Building Division in 2017 decreased compared to 2016 and 2015, while sale and profit increases happened in other companies. In addition, the company failed to reached the standard targets set by the Division Budget and Work Plan (RKAD) of 2015-2017.

In this study, the writer analyzed this phenomenon and determined every possible strategy that PT. Hutama Karya (Persero) Building Division could apply to improve the company's performances. Upon analyzing, the writer implemented the research questions as follow:

- What was the current condition of PT. Hutama Karya (Persero) Building Division?
- What are the main factors of improving the company's performances?
- Which alternative business strategies that could be implemented to improve the company's performances?
- Which improvement strategies that the company should implement in order to compete with other construction companies?

Based on the research problems, the purposes of this research were as follow:

- Analyzing the current condition of PT. Hutama Karya (Persero) Building Division;
- Identifying internal and external factors that could influence the improvement of the company's performances;
- Formulating alternative business strategies and prioritizing on which strategies that would be implemented to improve the company's performances;
- Suggesting the management on which strategies that should be implement in order to improve the company's performances and compete with other construction companies.

The results of this research were expected to provide benefits to the writer, the company (PT. Hutama Karya (Persero) Building Division), and the readers:

- For the writer, it would provide a practical experience on planning a strategy to improve the company's performances in the building construction industry;
- For PT. Hutama Karya (Persero) Building Division, it would provide a suggestion on a strategy planning to could be implemented to improve the company's performances;

- For the readers, it would become a source of information and a literature review for the following researches on performance improvement strategies.

## METHODS OF RESEARCH

The research conducted in the office of PT. Hutama Karya (Persero) Building Division, Jalan Iskandarsyah I no. 6 Kebayoran Baru, South Jakarta, as it was intended from the start. The research was conducted during a one-month period, or during October until November of 2018.

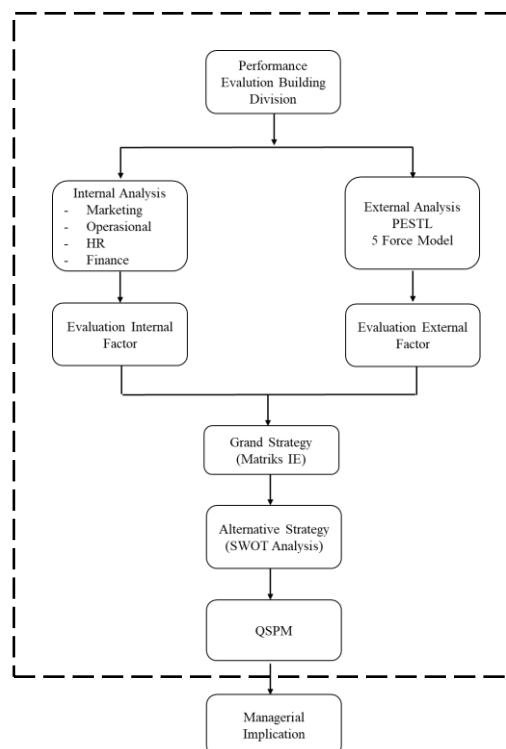
The research used the descriptive quantitative analysis, which described the research problem thoroughly in a form of a numeric data. The required datas were a primary data through interviews with experts and a secondary data obtained through journals, books, web pages, company documents.

The research used a thorough interview method wit experts to learn about the current condition of the company.

The sampling technique was conducted through the purposive sampling and judgment sampling techniques, which were intended to obtain respondents whose capacities and competence were aligned with the purpose of the research. The respondent sample could shown in Table 1.

Table 1 – Research Respondent Sample

Respondent	Name	Position
Internal	Purnomo	Head of Division
	Rohmat Danang NR	Senior Manager of Production (SMP)
	Suhermi	Senior Manager of Administration & Finance (SMAK)
	Buzmart Zuriantomy	Senior Manager of Construction Business / Marketing Development (SMPBK)
External	Agus Ediyanto	Director of Yaika Gema Utama
	Muhammad Anwar	Director of Graha Kartika Anugerah



Note: ----- Scope of Research

Figure 3 – Mind Map of the Research

## RESULTS AND DISCUSSION

The performance evaluation was analyzed through three aspects of the company: marketing, production / operational and finance.

On marketing, the winning auctions had only reached 28,22% in 2015 and increased up to 96,74% in 2016 from the appointed RKAD target. Yet in 2017, marketing experienced a decrease, with only 26,32% from the RKAD target. The target achievement for marketing compared with the realization could be seen in Table 3 below.

Table 3 – Performance Evaluation of Marketing\*

YEAR	AUCTION FOLLOWED			AUCTION WON		
	RKAD (PLAN)	REAL	ACHIEVEMENT	RKAD (PLAN)	REAL	ACHIEVEMENT
2015	10.000	8.186	81,86%	1.892	534	28,22%
2016	7.880	9.675	122,78%	2.360	2.283	96,74%
2017	9.241	9.058	98,02%	3.545	933	26,32%

\*the amounts were in billions of Rupiah.

In general, the marketing performance failed to reach the intended RKAD target. On the production / operational target, the sales in 2015 only reached 66,26% from the RKAD target and the inefficiency of HPP reached 1,78% of the RKAD target. The net profit still experienced a loss at Rp 42,7 billions. In 2016, there was an increase from the previous year, both in sales and profits, around 72,25% from the RKAD and HPP targets, while the inefficiency rate of 2016 was 0,49%. The net profit loss in 2016 was Rp. 92,46 billions. In 2017, the production / operational performance had a decrease in both the sales target and rate compared with the previous two years, with only 42,43% from the RKAD target, the inefficiency of HPP about 1,14% and a loss in net profit around Rp 71,93 billions. The target achievement for production / operational compared with the realization could be seen in Table 4 below:

Table 4 – Performance Evaluation of Production / Operational

PRODUCTION	2015					2016					2017				
	RKAD (PLAN)	%	REAL	%	ACHIEVEMENT	RKAD (PLAN)	%	REAL	%	ACHIEVEMENT	RKAD (PLAN)	%	REAL	%	ACHIEVEMENT
SALES															
NON JO (JOINT OPERATION)	1.313,8		870,6		66,26%	1.240,47		896,23		72,25%	1.768,86		750,44		42,43%
- Old Contract	881,3		666,7			593,47		502,73			923,11		542,06		
- New Contract	432,5		203,9			647,00		393,50			845,75		208,38		
JO (JOINT OPERATION)	72,0		146,3			333,00		161,40			296,50		289,59		
- Old Contract	72,0		146,3			150,00		161,40			79,00		123,80		
- New Contract	-		-			183,00		-			217,50		165,79		
COST															
NON JO (JOINT OPERATION)	1.234,6	93,97%	833,6	95,75%	-1,78%	1.115,24	89,90%	810,13	90,39%	-0,49%	1.583,60	89,53%	680,44	90,67%	-1,14%
- Old Contract	847,9		656,4			539,41		457,56			833,06		498,26		
- New Contract	386,7		177,2			575,83		352,57			750,55		182,18		
JO (JOINT OPERATION)	63,4		141,3			236,55		157,96			285,67		325,65		
- Old Contract	63,4		141,3			144,75		157,96			92,00		173,94		
- New Contract	-		-			91,80		-			193,97		151,70		
PROFIT BEFORE JO	79,2	6,03%	37,0	4,25%		125,23	10,10%	86,10	9,61%		185,25	10,47%	70,00	9,33%	
JO PROFIT	6,5		12,0			18,06		-			3,86		(8,04)		
PROFIT AFTER JO	85,7		49,0			143,29		86,10			189,11		61,96		
COST OF BUSINESS	11,5		14,0			14,12		31,66			49,11		36,90		
PROFIT	74,1		35,0			129,17		54,44			140,00		25,06		
OTHER SALES	-		3,5			0,00		11,93			0,25		0,04		
OTHER COST	24,0	1,83%	17,8	2,05%		40,06	3,23%	81,80	9,13%		77,94	4,41%	30,61	4,08%	
PROFIT BEFORE INTEREST & TAX	50,1		20,6			89,11		(15,43)			62,31		(5,51)		
COST OF INTEREST	22,1	1,68%	42,5	4,88%		45,00	3,63%	56,30	6,27%		33,39	1,89%	39,93	5,32%	
PROFIT BEFORE TAX	28,0		(21,9)			44,11		(71,63)			28,92		(45,43)		
TAX	40,1		20,9			37,86		20,83			51,74		26,50		
PROFIT AFTER TAX	(12,2)	-0,92%	(42,7)	-4,91%	(30,58)	6,25	0,50%	(92,46)	-10,32%	(98,71)	(22,81)	-1,29%	(71,93)	-9,59%	(49,12)

Source: Financial Report of PT. Hutama Karya (Persero) Building Division, Processed.

On finance, the company did not reach the intended target cash. In 2015, it only achieved 54,04% of the RKAD target, only 70,30% in 2016, then decreased in 2017 up to 52,64%. The target achievement for finance compared with the realization could be seen in Table 5 below:

Table 5 – Performance Evaluation of Finance

VARIABLE	2015			2016			2017		
	RKAD (PLAN)	REAL	ACHIEVEMENT	RKAD (PLAN)	REAL	ACHIEVEMENT	RKAD (PLAN)	REAL	ACHIEVEMENT
Cash In	1.338.019	723.053	54,04%	1.262.111	887.244	70,30%	1.725.174	908.148	52,64%
Cash Out	1.214.268	824.400		1.224.738	842.757		1.593.559	811.240	
Surplus/(Defisit)	123.751	(101.347)		37.373	44.487		131.615	96.908	

Source: Financial Report of PT. Hutama Karya (Persero) Building Division, Processed.

The records for the company's equity rates and short-term rates could be seen in Table 6 below:

Table 6 – Company's Financial Variables, 2015-2017

No	Variabel	Year		
		2015	2016	2017
1	Current Liability	886.426.505.934	992.656.762.368	745.769.969.765
2	Equity	(16.724.237.809)	(140.266.961.501)	(71.931.079.856)

Source: Financial Report of PT. Hutama Karya (Persero) Building Division, Processed.

The equity rates were still negative as the company experienced losses in 2015 and 2016. The analysis of the external environment resulted in five opportunities and five threats that the company currently faced. Both factors were evaluated using the EFE matrix to monitor the company's response towards them. The EFE Matrix of PT. Hutama Karya (Persero) Building Division could be seen in Table 7.

Table 7 – The EFE Matrix of PT. Hutama Karya (Persero) Building Division

NO	OPPORTUNITIES	WEIGHT	RATE	SCORE
1	Good relations with customers	0,15	3,00	0,45
2	Presidential Regulation planning on the holdings of state-owned construction companies	0,11	4,00	0,45
3	The biggest Portfolio owners by state-owned enterprises and Government	0,09	3,00	0,28
4	Design and Build package for tender	0,08	2,00	0,16
5	Government regulation on the constructions of 0% down payment houses and penthouses	0,06	2,00	0,13
NO	THREATS	WEIGHT	RATE	SCORE
1	Increase of dollar exchange rate against rupiah	0,11	3,00	0,34
2	Bad debts due to the owner's inability to pay debts	0,11	3,00	0,33
3	Requirements of using the BIM (Building Information Modeling) application on tender	0,08	3,00	0,23
4	The competition between Grade-7 contractor companies	0,12	3,00	0,35
5	Fines on delayed projects	0,08	3,00	0,25
TOTAL		1	-	2,97

The analysis of the company's external environment showed that good relations with customers and plans on the holdings of the infrastructure of state-owned companies were the opportunities that the company could prioritize. Whereas for threats, the company should remain alerted with the competition between Grade-7 contractor companies and bad debts due to the owner's inability to pay. The total evaluation rate of the EFE matrix was 2,97. It showed that the company could respond to both opportunities and threats very well.

The analysis of the internal environment resulted in five strengths and five weaknesses that the company currently had. Both factors were evaluated using the IFE matrix to measure the internal condition of the company, both in strengths and weaknesses. The IFE Matrix of PT. Hutama Karya (Persero) Building Division could be seen in Table 8.

Table 8 – The IFE Matrix of PT. Hutama Karya (Persero) Building Division

NO	STRENGTHS	WEIGHT	RATE	SCORE
1	The Board of Management's commitment on the company's growth	0,13	4	0,54
2	The formation of a task force	0,09	3	0,26
3	The big name of state-owned companies and the company's reputation	0,14	4	0,55
4	The use of the Project Control Information System	0,11	4	0,44
5	The use of the monitoring system for vendor bills	0,10	4	0,38
NO	WEAKNESSES	WEIGHT	RATE	SCORE
1	Marketing personnels failed to initiate projects	0,17	2	0,34
2	The length of time for the disbursement of bills to vendors	0,07	2	0,14
3	Unrecorded past project budgets and bad debts	0,08	2	0,17
4	The dropping of funds from the main office	0,06	2	0,11
5	Limited personnels for Cost Control	0,06	2	0,11
TOTAL		1,00	-	3,04

The analysis of the internal environment showed that the most important strengths that the company obtained were the big name of state-owned companies and the company's

reputation and the Board of Management's commitment on the company's growth. On the other hand, marketing personnels who failed to initiate projects, as well as unrecorded past project budgets and bad debts, became their greatest weaknesses. The total evaluation rate of the IFE matrix of 3,04 showed a strong condition on the company's internal environment.

With the EFE and IFE rates were in 2,97 and 3,04 respectively, the company was at row IV, which, according to David (2011), put the company in a growing and building position. It implicated which strategies that the company could implement, which were market penetration, market expansion, and product expansion.

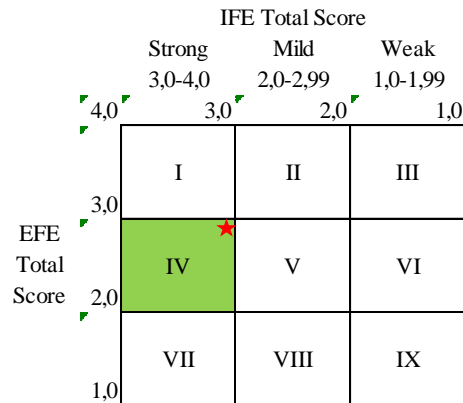


Figure 4 – The IE Matrix

The analysis of SWOT was to identify several factors that determined alternative strategies systematically, with the help of the SWOT matrix. The result could be seen in Figure 5.

<div style="text-align: center;">Faktor Internal</div> <div style="text-align: center;">Faktor Eksternal</div>	Strength (S)	Weak (W)
	1. The Board of Management's commitment on the company's growth 2. The formation of a task force 3. The big name of state-owned companies and the company's reputation 4. The use of the Project Control Information System 5. The use of the monitoring system for vendor bills	1. Marketing personnels failed to initiate projects 2. The length of times for disbursement of bills to vendors 3. Unrecorded past project costs and bad debts 4. The dropping of funds from head office 5. Limited personnels for cost control
Opportunity (O)	<b>Strategy (SO)</b> 1. Using the state-owned enterprises for aggressive marketings (project initiation/creation) (S1,S3,O1,O3,O4) 2. Offering tender prices with 89% HPP (S1,S3,O3,O4,O5)	<b>Strategy (WO)</b> 1. Providing lobbying and negotiation trainings to project teams (W1,W2,O1,O3) 2. Conducting a joint operation with project planner/other contractors (W3,W4,O3,O4,O5)
Threat (T)	<b>Strategy (ST)</b> 1. Implementing a framework contract with suppliers and specialized subcontractors (S4,S5,T1) 2. Fastening the vendor billing process with the maximum of one month disbursement (S1,S2,S5,T4,T5)	<b>Strategy (WT)</b> 1. Avoiding any unrecorded project budgets (W3,T1)

Figure 5 – The SWOT Matrix of PT. Hutama Karya (Persero) Building Division

The last step of the strategy analysis was determining which strategies that the company should prioritize and implement, through the analysis of QSPM. The prioritized strategies should be considered based on the company's limited resources, such as the human resource and the cost. Strategies on the SWOT matrix were weighted and rated once again to produce higher scores and determine the strategies to be implemented. The analysis result of QSPM could be seen in Table 9.

The analysis result of QSPM showed that the highest TAS (Total Attractive Strategy) rate was using the state-owned enterprises for aggressive marketings (project initiation /

creation). This strategy was important for the company to improve its market growth, which could increase the sales rate and gain positive profits.

Table 9 – The Analysis of QSPM Matrix of PT. Hutama Karya (Persero) Building Division

ALTERNATIVE STRATEGY	TAS (TOTAL ATTRACTIVE)	STRATEGI RATING
Using the state-owned enterprises for aggressive marketings (project initiation/creation)	6,30	I
Offering tender prices with 89% HPP	4,35	V
Menerapkan kontrak payung dengan supplier dan subkontraktor spesialis	4,42	VII
Implementing a framework contract with suppliers and specialized subcontractors	4,38	IV
Providing lobbying and negotiation trainings to project teams	4,86	II
Conducting a joint operation with project planner/other contractors	5,76	III
Avoiding any unrecorded project budgets (W3,T1)	4,22	VI

From the resulted strategy, a suggestion of implementation was required.

Table 10 – Five-year strategic activities

No	Activity plan	Person in charge	2019	2020	Year 2021	2022	2023
1	<i>Using the state-owned enterprises for aggressive marketings (project initiation / creation)</i> Assigning project leaders as marketing agents; Forming a marketing team that was comprised of: Marketing team for government projects Marketing team for state projects Marketing team for private projects Each team would be assigned to search information that were tendered by the owner.	Head of Division, Senior Manager of Construction Business / Marketing Development, Head of Production Head of Division, Senior Manager of Construction Business / Marketing Development, Head of Production					
2	<i>Providing lobbying and negotiation trainings to project teams</i> Representing services to new or private owners by suggesting a project plan to be included in the owner's Work and Production Budget Plan (RKAP). Conducting a routine visit to the existing owners.	Head of Division, Senior Manager of Construction Business / Marketing Development, Head of Production Head of Division, Senior Manager of Construction Business / Marketing Development, Head of Production					
3	<i>Conducting a joint operation with project planner / other contractors</i> Cooperating with consultants to initiate tendered design and build projects in order to obtain a higher supply margin.	Head of Division, Senior Manager of Construction Business / Marketing Development, Head of Production					

## CONCLUSION AND SUGGESTIONS

The current condition of PT. Hutama Karya (Persero) Building Division was still in the recovery state after unrecorded past debts because of undisciplined administration.

The company's internal and external factors were in quadrant IV (growing and building) with both IFE and EFE rates at 3,05 and 2,97, respectively. Internally, the big name of state-owned companies and the company's reputation are its strength, while marketing personnels who failed to initiate projects became their greatest weakness. On the external factors, the

highest opportunity was good relations with customers, in contrast with the competition between Grade-7 contractor companies on tender prices as its biggest threat.

Out of seven alternative strategies resulted from the SWOT matrix; the prioritized strategi that company should implement was using the state-owned enterprises for aggressive marketings (project initiation / creation).

There were five strategy activities from the company's prioritized strategy that could be implemented by the management.

After the implementation from the company's prioritized strategy, the company conducts a follow-up research on the effect of such implementation to its performance improvements.

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