

***BUSINESS PORTFOLIO RESTRUCTURING AT PT. DUTA INDO LESTARI***

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Abstrak

Iklim bisnis konstruksi yang dinamis, serta persaingan pasar yang tinggi, mendorong perusahaan untuk terus berkembang dan mempertahankan eksistensinya di pasar. Perusahaan akan mengembangkan produk dan bisnis tertentu dengan masuk ke industri yang terkait atau tidak terkait dengan bisnis inti, salah satunya melalui strategi diversifikasi. Namun, strategi ini seringkali menghancurkan nilai yang ada, sebagai akibat dari diversifikasi yang berlebihan. PT Duta Indo Lestari merupakan perusahaan swasta yang mengembangkan usaha di bidang konstruksi dan pengolahan beton yang berlokasi di Pontianak, Kalimantan Barat. PT. Duta Indo Lestari membutuhkan alternatif strategi berupa restrukturisasi untuk mengoptimalkan kinerja divisi usaha. Penelitian ini menggunakan metode deskriptif kualitatif, dan sedikit tambahan kuantitatif untuk menghitung skor daya tarik industri dan daya saing unit usaha. Dari analisis data yang dilakukan diketahui bahwa restrukturisasi portofolio bisnis yang tepat bagi PT. Duta Indo Lestari adalah mendirikan anak perusahaan baru untuk membantu mengelola divisi bisnis yang konkrit, namun tetap berpegang pada lini bisnis yang ada dan mengejar peluang yang ada di bisnis. Diharapkan alternatif strategi ini dapat membantu meningkatkan kinerja masing-masing divisi bisnis dan mewujudkan operasional bisnis yang lebih efisien.

Abstract

The dynamic construction business climate, as well as high competition in the market, encourages the company to continue to grow and maintain its presence in the market. The company will develop certain products and businesses by entering into an industry that is related or not related to the core business, one of which is through a diversification strategy. However, this strategy often destroys existing value, as a result of over-diversification. PT Duta Indo Lestari is a private company that develops business in the construction and processing of concrete, located in Pontianak, West Kalimantan. PT Duta Indo Lestari needs an alternative strategy in the form of restructuring to optimize the performance of the business division. This study uses a qualitative descriptive method, and a little additional quantitative to calculate the score of industry attractiveness and competitive strength of business units. From the data analysis carried out, it is known that the right business portfolio restructuring for PT Duta Indo Lestari is to establish a new subsidiary to help manage the concrete business division, but still stick to the existing business lines and pursue the opportunities that exist in the business. It is hoped that this alternative strategy can help improve the performance of each business division and realize more efficient business operations.

Introduction

The development of the construction industry in Indonesia is currently running very massively, marked by the rapid growth of state-owned construction service companies (BUMN) and private construction business entities. According to the Badan Pusat Statistik (2019), the number of construction companies spread across all provinces in Indonesia has continued to grow significantly from 2015 to 2018, ranging from small to large scale, reaching 160,576 companies. In fact, massive infrastructure development occurs in Java, compared to other regions. However, it is undeniable that currently infrastructure development is also being carried out intensively, one of which is in West Kalimantan.

West Kalimantan has abundant natural potential, with sufficient land availability, and is in a strategic location because it is directly adjacent to neighboring countries, namely Malaysia and Brunei Darussalam. Thus, it is considered a big potential for business actors and investors in developing their business in the construction market in the West Kalimantan region. Based on data from the Badan Pusat Statistik (2019), the number of construction companies in West Kalimantan in 2019 reached 5,550 companies, with the largest share of construction companies being in Pontianak around 13%.

Observing the dynamic business climate in construction, coupled with high competition in the market, encourages the company to continue to grow and maintain its presence in the market. Generally, companies will develop certain products and businesses by entering into an industry that is or is not related to the core business. Diversification is not only aimed at generating profit but also how to create corporate advantage. Instead of creating corporate advantage, it destroys existing values, as a result of over-diversification.

If it is found that the company is unable to maintain a strategic advantage over-diversification, it will reduce the company's performance, then it can be a reason for restructuring (Wibowo, 2020). PT Duta Indo Lestari as a construction company has chosen to diversify its business into the concrete processing industry and heavy equipment rental business. However, this corporate action created new problems, marked by a decline in the performance of one of the business divisions, which is the company's core business. On the other hand, the supporting business division is growing rapidly and generates much higher income, compared to the core business, namely the construction business division. Based on the composition of the margin against the company's profit from the six business divisions at PT Duta Indo Lestari quarterly in 2020, it shows that the ready mix, prestressed and pile business divisions are superior to the construction business divisions, as explained in table 1.1 below:

Table 1 Margin Composition of Six Business Divisions against Profit of PT Duta Indo Lestari, on a third quarterly basis in 2020

Business Division in PT Duta Indo Lestari		Contribution to Company Profit
1.	Ready Mix Business Division	31,8%
2.	Prestressed Business Division	20,2%
3.	Pile Business Division	16,1%
4.	Construction Business Division	14,9%
5.	Precast Business Division	4,0%
6.	Heavy Equipment Business Division	2,2%

Source: Company Data

Literature Review

Corporate strategy is related to the scope of the corporation, including industrial value chains, products and services, and geographic areas (Wibowo, 2020). In the corporate strategy, the parent company will be faced with strategic choices in developing and expanding the business by entering into new market segmentations in a particular industry, through mergers, acquisitions, or takeovers of other companies from outside their business area. In this case, the parent company plays an important role in controlling and coordinating every activity at the business level, as well as making decisions related to the management of the business portfolio, whether it includes investment or divestment (Johnson et al., 2002). In detail, Hax and Majluf (1996) state that corporate-level strategy consists of five central strategic decisions, namely the formulation of the company's vision and mission, business segmentation, business integration through horizontal and vertical strategies, and company philosophy. In carrying out corporate actions, the main focus is on how to achieve corporate excellence. Collis and Montgomery (2005) offer a triangular framework for corporate strategy that serves as a tool for understanding processes in strategic management. The triangular outline represents five important elements that interact with each other including vision, goals, objectives, resources, business, structure, systems, and processes.

When a company decides to take corporate action, it is necessary to periodically evaluate the development and performance of each business division. In this regard, restructuring is used as an effort to improve and maximize company performance. Restructuring is known as downsizing or adjusting the size of the company, to create a new face in the company's business line (David & David, 2015). According to Thompson et al. (2018), restructuring can be affected by new, more attractive business opportunities, requiring companies to sell several business units for debt payments, funding acquisitions, or entering new markets to strengthen the parent company's business position in the industry. Furrer (2011) corporate restructuring consists of three types, namely organizational restructuring, financial restructuring, and portfolio restructuring or down scoping.

In managing various business units, companies need a business portfolio analysis tool as a reference for companies regarding resource allocation, funding in operational and investment activities, and management of other business unit segments. One such analysis tool is the GE Matrix or Nine Cell Matrix, which offers four options, including investment, harvest, divest, or retain if there are remaining and valuable resources (Hax and Majluf, 1996).

Thompson et al., (2018) stated that companies need to identify and measure the attractiveness of the industry and the position of the competitive power of the business first, using a table of assessments.

Research Methods

This type of research is a qualitative descriptive study, and a little additional quantitative to calculate the score of industry attractiveness and competitive strength of business units. Qualitative descriptive research focuses on providing a detailed, complete and systematic description of a certain condition or phenomenon, based on interviews and observations obtained in the field (Cooper & Schindler, 2014). This study uses two types of data, namely primary data and secondary data. Researchers used semi-structured individual in-depth interviews, Focus Group Discussion (FGD) and observations to obtain primary data, while secondary data was obtained through financial reports and company documents, as well as journals and books as references.

The researcher divides the resource groups based on the topic of the interview. First, interviews related to industry attractiveness were carried out with two business players as competitors in the same industry, as well as several top management parties from PT. Duta Indo Lestari. Second, interviews related to the competitive strength of business units are only conducted with the company's internal management.

As a step in answering the three research questions, the researcher used several stages of analysis which refer to the nine-cell matrix. The first stage is to list interview questions related to industry attractiveness and the competitive strength of the business unit. In the second stage, the researcher collected data through interviews, FGD, observation and literature review. After that, measure the weight value or score of industry attractiveness and the competitive strength of business units. Furthermore, the results of these measurements are described in a nine-cell matrix, to make it easier for researchers to analyze industry attractiveness and the competitive strength of the company's business. Then, the researcher first determines the parenting style that is relevant to the current conditions of the company. Finally, formulating an alternative strategy in the form of corporate restructuring, taking into account the financial condition and performance of each business division, so that this strategy can be used to evaluate and improve company performance.

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Analysis and Discussion

Based on the results of the industrial attractiveness test and the competitive strength of business units that have been obtained by researchers through the process of interviews, forum group discussion and observations, it was found that the two industries are:

Table 2 Industrial Attractiveness Test Results

Industry	Industry Attractiveness
Construction Industry	6.40
Manufacturing Industry	7.80

Source: Processed Data

Table 3 Results of The Competitive Strength of PT Duta Indo Lestari's Business Division

Business Division	Competitive Strength
Ready Mix	7.55
Pile	7.05
Prestressed	6.95
Precast	6.85
Construction	6.50
Equipment Rental	5.15

Source: Processed Data

From the results of the calculation of the industrial attractiveness test score and competitive strength, then mapping the position of each business unit of PT Duta Indo Lestari by making a nine-cell matrix image. In the nine-cell matrix figure, industry attractiveness is plotted on the vertical axis and the competitive strength of the business is plotted on the horizontal axis.

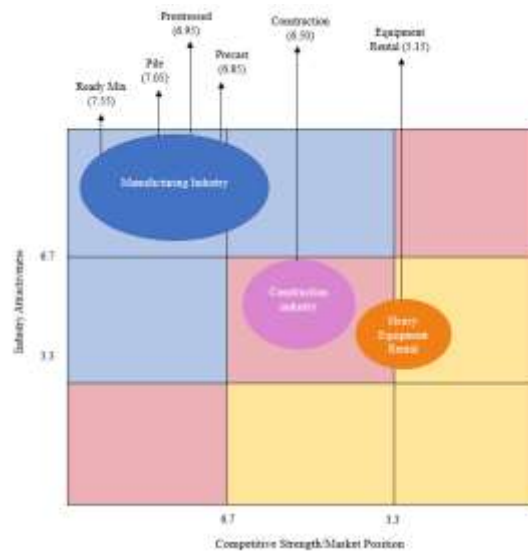


Figure 1 Nine Cell Matrix

Source: Thompson et al. (2018)

Based on Figure 1 the nine-cell matrix above shows that the ready-mix and pile business divisions are in a favorable position. Despite facing fierce market competition, this business division has relatively high and strong competitive strength. So that it is considered capable of competing with other players in the concrete processing industry in West Kalimantan.

Meanwhile, the prestressed and precast business divisions are in the middle position, which means that there is a possibility that the two business divisions have brighter prospects or may otherwise be dim compared to other business divisions. This condition depends on how the investment and resources needed by the prestressed and precast business divisions to continue to grow and even turn into a stronger player in the West Kalimantan market.

Meanwhile, the construction business division is in a position with moderate industry attractiveness, with relatively moderate competitive strength. This means that the construction business division gets middle priority in the ranking of resource allocation from the parent company. There are two possibilities, namely the construction business division can grow higher or otherwise slow down than other business divisions. This condition depends on how the resources and investments are managed from the parent company to the business division.

Unlike the case with the heavy equipment business, where this business division has less competitive strength. This condition is accompanied by the performance of the business division which is also weak, with little potential for improvement. It can be said that the equipment rental business division is in the lowest rank of the parent company's resource allocation and investment. Given that the equipment rental business division was formed to support the continuity of the construction business, but when a tool has not been used for a while, it will be leased to other companies or contractors. Thus, the contribution to the company's profit is not too significant.

Furthermore, Goold & Campbell (1987) said that the parenting style of the parent company towards business units is analyzed using a comprehensive approach, which involves two different points of view, between the parent company and the business unit. As a construction company, PT Duta Indo Lestari has diversified its business into the concrete processing industry and has a tool rental business. The corporate strategy carried out by PT Duta Indo Lestari is also classified as a diversification-related constraint because in some conditions the six business divisions in the business portfolio can support each other's performance. For example, the concrete business division is a supplier of supporting raw materials for the needs of the construction services business division, which is the company's core business. Likewise, the equipment rental business division provides heavy equipment for project needs from construction services, when there is no rental offer from customers. Thus, there is a linkage in the value chain (inbound logistics) in the business division.

However, the business division, which is the company's core business, has shown lower performance and relatively slow growth compared to the concrete business division. Considering these conditions, it is important for PT Duta Indo Lestari to carry out guidance and control of the business division, by using one of the parenting styles, namely the strategic control style. In its implementation,

PT Duta Indo Lestari as the head office will hand over part of the authority or decentralization to the subsidiary or the concrete and equipment rental business division. The head office plays a more role in assessing, examining budget proposals prepared by business units, as well as conducting regular supervision regarding the achievement of financial and non-financial targets that have been planned by the business unit. The construction, concrete and equipment rental business divisions will have the right and freedom to formulate business plans and strategies, taking into account their capabilities and resources, as well as future market conditions. After that, the business division is also responsible for making budget proposals related to the details of the funds needed for short and long-term business planning. Given that the head office still plays a role in sponsoring or providing capital to business divisions.

In terms of organizational structure, PT Duta Indo Lestari tends to operate as a strategic controller of the company, which focuses on overseeing the performance of each business unit. Regarding the mechanism for creating an economic scope, the head office will carry out a lot of cross-business coordination. The way that can be done is to transfer skills and knowledge to each other through the influence of linkages in the business value chain.

Furthermore, based on an analysis of the company's internal and external conditions, including competitive strength and industrial attractiveness, which is depicted in the nine-cell matrix, then determining the parenting style for PT Duta Indo Lestari, establish a new subsidiary to help manage the concrete business division, but still stick to the existing business lines and pursue the opportunities that exist in the business. This effort aims to improve the performance of each business division and achieve more efficient business operations.

PT. Duta Indo Lestari as the holding company remains the majority shareholder of the total shares of the subsidiary. So that it is possible to control and evaluate the performance of the subsidiaries. Related to the strategic control nurturing style, where the head office will decentralize planning to business divisions or subsidiaries, but still has a role to supervise and assess the performance results of each business unit. The process of restructuring the business portfolio through the formation of new subsidiaries will provide changes to the governance of business divisions, namely:

1. Stick to existing business lines and pursue opportunities

An alternative strategy that can be applied by PT Duta Indo Lestari is to maintain existing business lines that still have the opportunity to develop and are reliable in creating economic value for stakeholders. This strategy can work if the company is able to manage business divisions that have good market opportunities and are in line with the company's diversification strategy. So that PT Duta Indo Lestari as the parent company plays a role in providing investment and directing company resources to areas that have the greatest potential and profitability in each existing business division. Then, PT Duta Indo Lestari also ensures that the allocation of resources can help the business division improve its performance, as well as strengthen its competitiveness to face competition in the market.

2. New Subsidiary Manages Concrete Business Divisions

Through the formation of a new subsidiary will help to manage part of the company's business portfolio, including the concrete business division. By adopting a strategic control nurturing style, the subsidiary will be assigned its responsibility by the parent company to carry out business planning and strategy, to achieve more optimal performance. In detail, the subsidiary will play a direct role in the precast concrete industry and trade, as well as the construction equipment rental business.

Through its subsidiaries, it can encourage the concrete business division to aggressively innovate and develop new products in a sustainable manner. Apart from product development, the subsidiary can develop concrete production facilities by adding factories in several strategic locations, especially in the West Kalimantan region. This step makes it easier for companies to increase precast concrete production capacity and reach the needs of a large building project without any distance and time limitations. As explained in the vision and mission of the parent company, the company wants to be the best concrete producer in West Kalimantan.

3. Company Operations

Apart from being able to assist in managing the business division, with the existence of a subsidiary, it can help and support one another. In this case, the parent company remains fully responsible for the subsidiary it owns, meaning that when the subsidiary fails, the parent company can help find a solution to the failure. However, on the other hand, when the subsidiary takes advantage of the successful performance of the business division, the results will be shared and obtained by the parent company.

Conclusion and Recommendation

Based on the results of data analysis and discussion that has been presented by the researcher, there are three conclusions from this study. First, the researcher found that the concrete business division, which is a supporting business division, is in an attractive industry and has promising business opportunities, with strong competitive strengths, so it is considered capable of competing with competitors, especially in the West Kalimantan market. Meanwhile, the company's core business, namely the construction business division, is in an industry with moderate attractiveness, offset by relatively moderate competitive forces. Meanwhile, the equipment rental business division has competitive strength which tends to be minimal. Thus, the main priority in resource allocation and investment from the parent company for better growth is the concrete business divisions, the second is the construction business division and the third is the equipment rental division. Second, the researcher determines the parenting style that can be adopted by PT Duta Indo Lestari, namely strategic control. Third, the researcher formulates an alternative strategy for restructuring the business portfolio that is right for PT Duta Indo Lestari, which is to establishing a subsidiary and sticking to the existing business lines and seizing the opportunities that exist in the business.

This research is also inseparable from two limitations in collecting data and information. Researchers can only get two sources from external parties as competitors who are willing to provide information regarding the attractiveness

of the industry. Also, the data collection process carried out during the Covid-19 pandemic made sources, especially from external parties, tended to limit the time for direct meetings and chose to conduct discussions and interviews via telephone. Thus, encouraging researchers to seek other supporting information, such as official data from government agencies, including Badan Pusat Statistik and credible news sources.

Based on the limitations faced in this study, some suggestions can be considered for further research. Further research is expected to be able to gain access and find a large number of external sources, so that the data and information obtained will be complete and more detailed in describing the attractiveness of each industry entered by competitors. In addition to suggestions addressed to the next prospective researcher, there are three recommendations addressed to the management of PT. Duta Indo Lestari. First, the company is expected to maximize investment and resource allocation. Second, the company is expected to be able to look for other opportunities in related businesses, both in the construction business division and the concrete processing business and heavy equipment rental division. Third, companies need to conduct regular performance evaluations, either on a small or large scale according to company conditions.

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