
Performance Improvement Strategy for Independent Assurance Services at PT Indonesian Classification Bureau (Persero) Belawan Commercial Branch

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Abstract:

Independent assurance services have the characteristics of a complex environment and high uncertainty. The product life cycle is very short which is easily imitated by other companies and immediately replaced by new products with more sophisticated technology. This requires companies to continuously carry out business development to grow sustainable competitive advantages and overcome a very dynamic and complex competitive environment. This research is quantitative descriptive research with a qualitative approach, namely research that describes the condition of the object under study in the form of direct observation, conducting Focus Group Discussions and surveys using questionnaires. The data analysis method used in this study is an analysis using the SWOT matrix to determine alternative strategies. From the results of the SWOT analysis, five priority strategies were obtained to improve the performance of PT BKI Belawan Branch in carrying out independent assurance services. First, maintaining and improving quality to compete with foreign companies or other competing companies in synergy with other holding companies. These can be done through competitor analysis by evaluating the strengths and weaknesses of competitor companies. Second, making cooperation MoUs consistently with external partners in several cities. Third, continuing business improvement ethics and accountability to shareholders. Fourth, exchanging the test equipment with a different tool or the test is carried out in another laboratory that meets the requirements. Fifth, if the technician uses improper procedures, the technician will need to be retrained by certified project personnel.

Keywords: *Independent Assurance, Business Strategy, Performance Improvement Strategy, and Competitive Advantage.*

1. Introduction

After Japan, China, and Korea, PT The Indonesian Classification Bureau (*Persero*) / *Biro Klasifikasi Indonesia* (PT BKI) is the only national classification body tasked with classifying commercial ships flying the Indonesian flag as well as foreign-flagged ships that frequently operate in Indonesian waters. The BKI classification

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activity involves classifying ships according to their hull design, ship engines, and electricity in order to provide a technical evaluation of their seaworthiness. Additionally, the Government has confidence in PT BKI to complete required surveys and certifications on its behalf, including those for the Load Line, International Safety Management (ISM) Code, and International Ship and Port Facility Security (ISPS) Code.

In order to carry out design, construction, and marine survey activities relating to floating infrastructure, including ships and offshore construction, PT BKI was established. PT BKI created and published this standard as a technical document. PT BKI will provide a Classification Certificate for ships that are designed and constructed in accordance with its requirements; the certificate is only issued when PT BKI has finished the necessary series of classification surveys. As a self-governing, independent classification body, PT BKI has no commercial interests in matters pertaining to ship design, construction, ownership, operation, management, maintenance, repair, insurance, or leasing.

To enhance quality, PT BKI also carries out research and development and has produced technical standards for parties interested in ship classification services. As the owner of PT BKI, the Indonesian Government made efforts to increase the independence of BKI's business in 1977 by changing the organizational body's status to that of a Limited Liability Company, or PT (Persero). This effort was strengthened by Government Regulation (PP) No. 1 of 1977 concerning the Change of Form of a State Company of the Indonesian Classification Bureau.

PT BKI was established to save state foreign exchange for inspection services for national ships and support the independence of the Indonesian maritime industry. Through the support of cooperation with Germansicher Lloyd, German, PT BKI has now become a major national classification society. Until now, in addition to classification business activities, PT BKI has also developed its activities in the field of independent assurance services such as survey and identification, mapping, inspection, testing, laboratory analysis, assessment, verification and evaluation, monitoring, consultancy, project management, certification, training, investigation, supervision, and manpower supply. Headquartered in Jakarta, PT BKI has a network of branch offices in major ports throughout Indonesia and Singapore. In addition, PT BKI also has cooperation with the Foreign Classification Agency, both in the form of mutual representatives and dual classes (PT BKI, 2023).

In 2021 PT BKI was officially entrusted with acting as the main holding by supervising 2 (two) other State-Owned Enterprises (*Badan Usaha Milik Negara*/BUMN) companies with independent assurance services, namely PT Sucofindo and PT Surveyor Indonesia. The purpose of the establishment of IDSurvey is in response to optimizing Testing, Inspection, and Certification (TIC) services throughout the Indonesian Territory, increasing the competitiveness of BUMN survey service holdings, and becoming the top 5 leaders in Asia Pacific.

Observing the developments and challenges that will be faced by IDSurvey in the future, as a holding that has a very strategic role, communication is one of the important variables to pay attention to. IDSurvey plays an important role in conveying messages to internal and external parties of the company (IDSurvey, 2023).

Independent assurance services have the characteristics of a complex environment and high uncertainty. The product life cycle is very short which is easily imitated by other companies and immediately replaced by new products with more sophisticated technology (Hallstedt et al., 2020). This requires companies to continuously carry out business development in order to grow sustainable competitive advantages and overcome a very dynamic and complex competitive environment. The company's ability to carry out continuous business development is a source of sustainable competitive advantage (Audretsch et al., 2020).

The market opportunity for PT BKI's business as one of the BUMN which is engaged in the business of ship classification services and independent assurance (commercial field) in Indonesia is very wide open and requires continuous improvisation, thus driving the need for the development of a business strategy. From this description, the author feels the need to conduct a study on strategic analysis that can be used to improve performance in an effort to increase income and sustainable competitiveness in the current era of globalization.

2. Theoretical Background

Strategic and Business Strategy

A strategy is a long-term goal-oriented plan a goal. Morrissey says that strategy is the process of deciding on a course of action that the organization must address in order to achieve its objective and serve as a resource thrust that will assist the organization in accomplishing its mission in future products, services, and markets will be determined by the company (Rahim, 2016). Strategy is difficult to define. Strategy is a broad notion that encompasses numerous procedures and actions within a company. It includes the aims and objectives that a business must meet in order to be successful in the market (Kumar et al., 2021). The achievement of these objectives, on the other hand, demands a comprehensive strategic management approach.

The company strategy and the corporate plan are frequently the same. Plan of action for a small business with only one line of business or for a huge corporation that has not diversified into other items or markets (Mio et al., 2020). Business strategy can have a first-order impact on the risk of financial disaster, with direct economic ramifications for the company's owners and investors (Habib & Hasan, 2017). These strategies are techniques and metrics created by the administration in order to achieve success in a given business area. The most important aspect of business strategy is how to create and sustain the company's competitive position in the

market over time (Dewi & Darma 2021).

According to Bentley et al. (2013), various authors propose typologies that characterize how businesses compete in their respective market situations. Business strategies are defined by Porter (2018) in terms of cost leadership and product differentiation. Treacy & Wiersema (1995) in terms of operational excellence, product leadership, and client trust; and Woodcock, et al., (2011) in terms of exploration and exploitation; Miles and Snow (2003) and Dekoulou and Trivellas (2017) present a technique for identifying and exploring new products and market opportunities, respectively, while Gonzalez et al. (2011) describe a methodology for formulating business strategies in small and medium manufacturing enterprises. These authors investigate and develop action plans to improve competitiveness while keeping the owner's preferences in mind. When an organization is involved in multiple businesses, a strategic business unit (SBU) can help with planning. SBU refers to a distinct organization or a group of like businesses that can develop a common strategy. Each SBU will have its own distinct aim and set of competitors, allowing it to operate independently of the rest of the organization's operations.

Competitive Advantage

Every company in the market has a competitive strategy to grow earnings and customer loyalty in a quickly changing business climate and globalization. The company is constantly evolving and looking for new opportunities and methods to improve its operations. For certain businesses, big Competitive strategies and plans for increasing competitive advantage are essential elements, whereas others concentrate on the company's expansion, the number of activities, and the number of investigations. Each company strives to acquire new clients while also retaining existing ones and looking for ways to better adapt to and satisfy consumer expectations (Farida & Setiawan 2022).

The company does not have to offer the lowest pricing on the market or a higher quality product than the competition, but it must react faster in a changing environment, adapt to market trends, and innovate in its operations (Aharoni 2024). The goal of this essay is to analyze the theoretical aspects of competitive advantages. Methods of research include scientific literature analysis and the comparative approach. Because competitive advantage can be copied, the competitive advantage in preventing the purchase of goods or service providers from relaxing. Competitive warfare is ongoing, hence there is no guarantee that a competitive edge will be sustained for long (Kamukama, et al., 2011).

Every company that wishes to remain competitive must pay close attention to its competitors, analyze them, and understand its target customers. To get an advantage over the competition, it is critical to present such solutions that meet the needs of the target consumers to a larger extent than the opponent delivers. When deciding on a marketing plan, the company must consider competitors' strategies as well as user needs, therefore it is critical to study the competition.

Independent Assurance

Inappropriate testing and fraud were discovered in several of the federally sponsored highway projects on the former Federal Aid Primary System in the early 1960s during a Congressional investigation. In the early 1990s, a separate sampling and testing program was created to solve the problems of fraud and ineffective testing. The program was run by impartial staff who had no connection to the project and made use of other tools than those utilized for project testing (Zaman et al., 2021). Together with project team members, samples were divided, and test results were compared for tolerances. In order to confirm that the right protocol was followed and that the equipment remained accurately calibrated, sampling and testing processes were also examined. This program evolved into the current Implementing Agreement (IA) program in later Cost and Freight (CFR) revisions of the regulation.

According to the definition of independent assurance, which is similar to the three-legged stool method, these are activities that are an unbiased and independent assessment of all sampling, testing, and equipment used in the acceptance program. The entire quality control/quality assurance (QC/QA) acceptance program relies on internal audits and reviews to ensure its accuracy and integrity. The Minnesota Department of Transportation/MnDOT Quality Assurance program includes Independent Assurance Sampling & Testing (IAST), which is a crucial and essential component. The IAST program intentionally operates independently from standard QC/QA sampling and testing practices. The IA assessment comprises a review of the tools and processes used to accept highway construction materials.

Research Framework

Independent assurance services have the characteristics of a complex environment and high uncertainty. The product life cycle is very short which is easily imitated by other companies and immediately replaced by new products with more sophisticated technology. This requires companies to continuously carry out business development in order to grow sustainable competitive advantages and overcome a very dynamic and complex competitive environment. The company's ability to carry out continuous business development is a source of sustainable competitive advantage.

The market opportunity for PT BKI's business as one of the BUMN which is engaged in the business of ship classification services and independent assurance (commercial field) in Indonesia is very wide open and requires continuous improvisation, thus encouraging the need for development of a business strategy. From this description, the author feels the need to conduct a study on strategic analysis that can be used to improve performance in an effort to increase income and sustainable competitiveness in the current era of globalization.

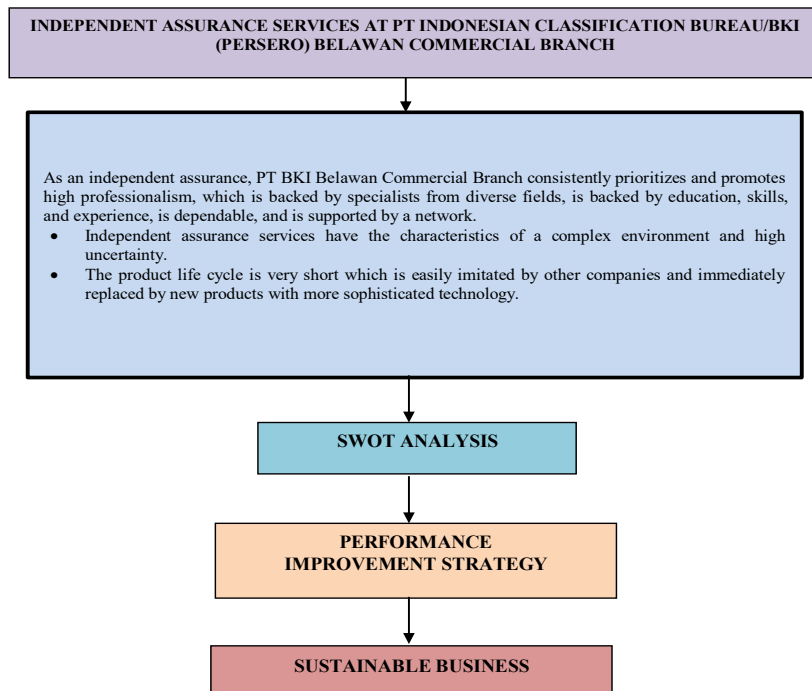


Figure 1. Analysis Model

3. Methodology

This research is a quantitative descriptive study using a qualitative approach, namely a study that describes the condition of the object under study in the form of direct observation, conducting Focus Group Discussions (FGD) and surveys using questionnaires. The data analysis method used in this study is an analysis using the SWOT matrix to determine alternative strategies. The SWOT matrix is used to produce alternative strategies that are in accordance with internal and external environmental conditions. And then use Analytic Hierarchy Process (AHP) analysis to determine strategic priorities (Saaty, 2001). AHP is a decision-making methodology that helps individuals and groups systematically evaluate and prioritize multiple criteria and alternatives.

4. Empirical Findings/Result

SWOT Analysis

The SWOT framework includes a list of factors that influence the business's goal and performance both inside and externally. The external environment presents opportunities and hazards, whilst internal issues present strengths and weaknesses. Businesses utilize SWOT analysis as a strategic planning tool to guarantee that their objectives for future ventures and projects are well stated. Furthermore, this enables them to ensure that all aspects related to their task, whether good or negative, are

clearly identified and addressed. The SWOT analysis technique entails analyzing four key areas: opportunities, threats, weaknesses, and strengths. The emphasis in the process of identifying and categorizing key aspects is not just on internal components, but also on recognizing external elements that may influence the organization's success or failure.

Table 1. SWOT Matrix

	SWOT MATRIX	
	Strength	Weakness
	<ol style="list-style-type: none"> 1. PT BKI has a service network in all major cities of Indonesia. 2. BUMN Synergy related to Oil and Gas Inspection and Certification. 3. Main holding company for PT Surveyor Indonesia, dan PT Sucofindo. 4. Have good experience in the field of marine engineering services, oil and gas, and industry. 5. Having good internal control. 	<ol style="list-style-type: none"> 1. PT BKI Belawan Commercial Branch has not maximized based new technology approach. 2. PT BKI Belawan Commercial Branch has not optimized the shipping industry community, chemical industry, machinery and basic metals, and various industries. 3. Have not maximized the potential of calibration tools in the independent assurance process. 4. Do not know the maximum strength of the competitors.
	Opportunity	
	<ol style="list-style-type: none"> 1. Appointment of PT BKI by the Ministry of Industry for the SNI process, specifically for ocean-going ships. 2. Having a range of work scopes that can be maximized because there is a holding company. 3. The start of collaboration in education and technical professional training with other agencies. 4. Under Government Regulation No. 66 of 2021, a survey service holding was established, namely IDSurvey, comprising PT Sucofindo, 	<ol style="list-style-type: none"> 1) Together with other holding companies to maintain quality so that they can compete with foreign companies or other competing companies. (O1, O2, S3, S5). 2) Always make Cooperation Memorandum of Understanding (MoUs) with external partners in several cities. (O3, O4, S1, S4). 5. Continuously improving the business ethics and accountability to shareholders and stakeholders (O1, O5, S3, S4).
	<ol style="list-style-type: none"> 1) The test equipment may be replaced with alternative equipment or testing may be carried out at a different accredited laboratory. (O1, O2, O3, W1, W3). 2. If the technician is following improper methods, certified project staff will need to retrain the technician. (O3, O4, O5, W2, W4). 	

PT Surveyor Indonesia, and PT BKI as the leader.		
5. There is a cooperation network between BUMN subsidiaries.		
Threat		
1. Competitors who have the latest technology in carrying out independent assurance processes.	Synergy with holding company in carrying out business strategies. (T1, T2, T3, S1, S2, S3, S4)	Evaluate the strengths of the competitor companies. (T1, T2, T3, W1, W2, W3, W4)
2. The strength of the foreign company's business network poses a threat to PT BKI Belawan Commercial Branch business growth.		
3. Business expansion carried out by competitor companies in the field of independent assurance.		

The SWOT analysis resulted in 7 business strategies that were formed through a SWOT analysis from PT BKI previously formulated.

5. Discussions

Competitive Advantage

The implementation of sustainability governance is an effort to support the sustainability of the Company's business through compliance with applicable regulations in every operational aspect, especially those relevant to sustainability issues. The company believes that the implementation of sustainable governance will help prevent conflicts of interest or violations of business ethics that can disrupt business sustainability. The company builds a governance culture through a series of values, policies, directions, and programs that support the company's commitments. As mentioned above, one of the strategies to boost this effort is increasing competitive advantage that can be achieved through various means, and it often involves creating and sustaining value for customers.

PT BKI is also committed to always maintaining good business ethics in all aspects, including by promoting the values of integrity, honesty, fairness, accuracy, and transparency in all of the Company's activities. This is realized by continuously improving the business ethics and accountability to shareholders and stakeholders. To that end, the Company consistently and continuously disseminates guidelines for the implementation of the principles of Good Corporate Governance (GCG) as a whole in every line of the company. This is also the Company's effort to increase public trust and maintain the company's reputation.

Kotler et al., (2013) contends that while it's critical to create competitive strategies that set your business apart from the competition, the first step is to understand your market position, objectives, capabilities, and resources. Kotler separates the following four positions:

1. The industry's dominant player is the firm with the biggest market share. The other business adjusts to its new products, pricing modifications, distribution of its products, and customer service;
2. Challenger to the leader - your industry trails only the leaders in terms of market share, hence you are attacking the leader;
3. Follower - the corporation does not wish to alter the market's circumstances and will keep its current market share out of a greater fear of loss than of profit;

The niche filler provides services to narrow markets while other businesses are overlooked or unrecognized.

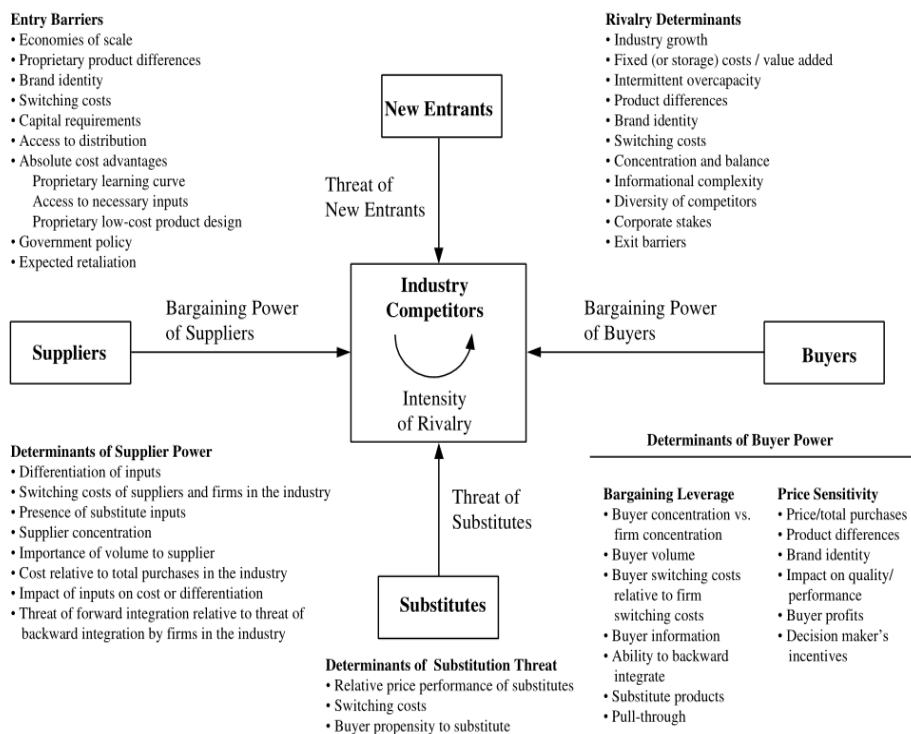


Figure 2. Competitive Advantage Model

From the results of the SWOT analysis, the following are the results of the strategies and action plans for each combination of internal and external factors.

Strength-Opportunity Strategy (S-O Strategy)

- 1) Together with other holding companies to maintain quality so that they can compete with foreign companies or other competing companies.

- 2) Always make Cooperation MoUs with external partners in several cities.
- 3) Continuously improving the business ethics and accountability to shareholders and stakeholders

Weakness-Opportunity Strategy (W-O Strategy)

Utilize new technology to improve marketing. The strategy for the company's business development includes marketing heavily. Brand loyalty is ultimately the result of effective marketing. By ensuring the implementation of programs to optimize the sales function in the work unit, upselling and cross-selling to large customers, optimizing promotional activities through marketing activation, and increasing sales activities to utilize the potential of the region in the work unit, marketing, and sales are expected to encourage the growth of the Company's market share. The software development/SM Software Development and IT Operations department, which now performs infrastructure manager-level duties, was formerly known as the IT development and governance section. And enhance a few of the following IT components:

- a) A different piece of test equipment may be substituted, or testing may be carried out at a different accredited laboratory.
- b) If the technician is following erroneous procedures, qualified project staff will need to retrain the technician.

Strength-Threat Strategy (S-T Strategy)

Synergy in carrying out business strategies with subsidiaries and other SOEs. Because of its connections to state-owned businesses and other corporate entities in Indonesia, PT BKI can work with them to develop a number of tactics for learning about the requirements of businesses that will hire outside help. Holding companies are also rather easy to set up and change. This makes it simple for the holding company to benefit from regional differences in taxation policies: if a certain jurisdiction has high business taxes, the holding company may easily move to a more hospitable place while keeping its operations in the original location. Inspection, auditing, and testing of imported goods; consulting services for the public sector; training for inspectors and auditors; and the sharing of knowledge and expertise in the fields of supervision and consulting.

Weakness-Threat Strategy (W-T Strategy)

At a minimum apply the use of the same technology and management system as outside companies. Made several changes to the Information Technology Division, among others:

- a) Offer evaluations that serve as documentation of the comprehension and implementation of contract administration procedures.
- b) Create training for new procedures/policies.
- c) Offer knowledgeable guidance on intricate and delicate contract management difficulties.
- d) The test apparatus may be replaced with other apparatus or tested at a different accredited laboratory.

- e) If the technician is following erroneous procedures, qualified project staff will need to retrain the technician.

6. Conclusions

From the results of the SWOT analysis, five priority strategies were obtained to improve the performance of PT BKI Belawan Branch in carrying out independent assurance services. First, maintaining and improving quality to compete with foreign companies or other competing companies in synergy with other holding companies. These can be done through competitor analysis by evaluating the strengths and weaknesses of competitor companies. Second, making cooperation MoUs consistently with external partners in several cities. Third, continuing business improvement ethics and accountability to shareholders. Fourth, exchanging the test equipment with a different tool or the test is carried out in another laboratory that meets the requirements. Fifth, if the technician uses improper procedures, the technician will need to be retrained by certified project personnel.

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