

CHAPTER I

INTRODUCTION

1.1 Background of the Study

Indonesia has been experiencing an economic crisis that led to the collapse of the national economy. Many large-scale efforts in various sectors including industry, commerce, and services stagnated even stopped its activities in 1998. However, Micro, Small and Medium Enterprises (SMEs) survive and become a restorer economy in the middle of the downturn due to the financial crisis on various sectors of the economy. Based on Entrepreneurship Module from Kasali (2010), SME emerge from crisis in 1998, and become the foundation of the economy and important options for people in Indonesia to live more prosperous, and independent. Activities of Micro, Small and Medium Enterprises (SMEs) are one area of business that can grow and be consistent in the national economy.

According to *Undang - Undang no. 20 Tahun 2008* on Micro, Small and Medium Enterprises (SMEs), *Micro Enterprise* is a productive enterprise owned by an individual or business entity that meets the criteria as stipulated in the Law. *Small Enterprise* is a productive economic activity that independent, which is performed by an individual or business entity that is not a subsidiary or branch company is not owned, controlled, or be part either directly or indirectly from a medium or large businesses that meet the criteria business referred to in the *Undang - Undang*. Furthermore, *Medium Enterprise* is a productive economic activities that independent, which performed by the individual or business entity that is not a subsidiary or branch company owned, controlled, or be part either directly or indirectly to Small or large businesses to total net assets or the annual sales revenue as stipulated in the Law. Table 1 represents the criteria differences between Micro Enterprise, Small Enterprise, and Medium Enterprise.

Table 1

Criteria of Micro Enterprise, Small Enterprise, and Medium Enterprise

	Micro Business	Small Business	Medium Enterprise
Net profit	< Rp 50 million	Rp 50 million – Rp 500 million	Rp 500 million – Rp 10 billion
Annual Sales	< Rp 300 million	Rp 300 million – Rp 2.5 billion	Rp 2.5 billion – Rp 50 billion

Note: www.depkop.go.id retrieved on May 28, 2014

SMEs are important to almost all economies in the world, but especially to those in developing countries and, within that broad category, to those with major employment and income distribution challenges. SMEs contribute to the Gross Domestic Product (GDP) of a country. Table 2 shows about the increasing number of SME and the increasing of GDP from SME in Indonesia.

Table 2

Growth of SME

Year	Number of SME	GDP from SME (IDR Billion)
2008	51,409,612	1 165 753,2
2009	52,764,603	1 212 599,3
2010	53,823,732	1 282 571,8
2011	55,206,444	1 369 326
2012	56,534,592	1 504 928,2

Note: www.bps.go.id retrieved on May 28, 2014

As an archipelago with 80% sea and 20% of the land, this is a big opportunity for shipyard industries, but still the companies could not utilize this big chance well. Geographical position of Indonesia is in the world trade traffic. Every day hundreds and even thousands of ships, merchant and military ships passing in the waters of Indonesia (Pusjianmar, 2010). Sea transport has an important role for maritime countries, for the economy of Indonesia. Because it is so vital to the economy, the marine transport should be developed properly to support economic growth. However, it seems like the growth of the industry is not performing very well in Indonesia.

In Indonesia, most of the SME still do the business with a traditional way; those companies still thinking that the only thing matters is how to gain the profit without clear (Standard Operating Procedure) SOP and Strength, Weakness, Opportunity, and Threat (SWOT); when in matter of fact, SOP and SWOT is very essential for company to survive Atmoko (2011).

According Atmoko (2007), Standard Operating Procedure (SOP) is a guideline or reference to carry out the work in accordance with the duties and functions of government performance assessment tool based on technical indicators, administrative and procedural appropriate work procedures, work procedures and systems of work at the unit in question that has functions to avoid failures or mistakes, doubts, duplication and inefficiency, Facilitate the stages of the service provided to the public as a consumer in terms of the simplicity of service flow, and can be used as a tool reference in assessing the service process, if the employee does not act accordance with SOP it means companies have less value in performing services.

Strength, Weakness, Opportunities, and Threats (SWOT) is to determine a realistic business objective, in accordance with the conditions of the company and therefore expected to be more easily achieved (Sutojo & Kleinsteuber, 2002). Function of SWOT analysis is to obtain information from the analysis of the situation and separating the issue of internal (strengths and weaknesses) and external subject matter (opportunities and threats). The SWOT analysis will clarify whether the information is indicated something that will help the company achieve its goal or give an indication that there are obstacles that must be overcome or minimized to fulfill desired income (Ferrel & Harline, 2005).

At the moment there are about 240 companies in the domestic shipyards spread in Indonesia, 37% are based in Java, and Sumatra 26%, Sulawesi 25% and 12% in Kalimantan are in eastern Indonesia. From all the companies, there are only four shipyards in the country that has the capabilities to compete with the

foreign shipyard, those are: PT (Persero) Dock and Shipping Kodja Bahari, PT (Persero) PAL, PT (Persero) Dock dan Perkapalan Surabaya and PT Jasa Marina Indah, the others are only capable to compete in domestic market.

Base on interview with Mr. Stenven, as one of the biggest cities in Indonesia, there are only five shipyards right now in Surabaya. Two of them are PT. PAL, and PT. Dock dan Perkapalan Surabaya, which are included as two biggest shipyards in Indonesia, the others can be consider as SME shipyards. Because of PT. PAL, and PT. Dock and Perkapalan Surabaya owned by the government, it means that they are not the competitors for PT. Marine Yard Surabaya. Now, the rest of the shipyard are including as competitors, which are PT. Duta Marina Shipyard, and PT. Orela Shipyard.

One of the SME is PT. Marine Yard Surabaya. Like others SME, PT. Marine Yard Surabaya also facing an unclear Business Strategy. PT. Marine Yard Surabaya still run their business in a traditional way, which means that the company reaches the profit without any clear strategy at all, but still, the company manages to survive in shipyard industry. Several problems that faced by the company also are: limited capital, local bank regarding on high interest rate, limited facility, and high tariff. Actually, according to the interview with the chairman of Indonesia National Shipowners Association, nowadays the shipping industry has entered a golden age. The high demand from local and global markets, making the performance of the national shipping industry showed an increase. However, there are a lot of challenges faced by the industry. Currently, almost 60% of ship components still have to be imported. The remaining 40% use local products. National shipyards industries are only able to provide several services, such as: partial construction component (plate), activator system (shaft) and a small portion of the interior design of ships. Therefore, national shipyards industry does not give much real added value.

Based on the phenomena, in this research, researcher wants to create a business plan for PT. Marine Yard Surabaya in order to survive the competition.

1.2 Research Problems

According to the background of the study, the research problems are as follows:

1. What is the problem and challenges faced by PT. Marine Yard Surabaya?
2. What is the recommended strategy that can be applied to PT. Marine Yard Surabaya?

1.3 Research Objectives

Based on the research problems, the objectives of the research are as follows:

1. To identify and solved the challenges that faced by PT. Marine Yard Surabaya
2. To identify the best strategy for PT. Marine Yard Surabaya

1.4 Research Contribution

1.4.1 Theoretical Contribution

This study will be helpful to situation faced and determine the strategy used by shipyard industry in Indonesia. The result of this study will be referable in relevant field of study. This study may present as a references to undergraduate students.

1.4.2 Empirical Contribution

The research can be useful to the owner of the PT. Marine Yard Surabaya. This research will provide the company with better situation analyzes and give picture of company condition and what action should the company take. This research will also useful to all people who want to start a new business especially who wants to try to set up business in shipyard industries.

1.5 Research Limitations

This research limited only at shipyard industry, with subject of this study is PT. Marine Yard Surabaya. The research will be done during September – November 2014.

1.6 Research Outline

CHAPTER I – INTRODUCTION

This chapter sets up the research problem for the reader. It also provides the backgrounds information defining the issue and important terms. It specifies the research objectives explored in greater detail to contribute to understanding the research problem.

CHAPTER II – REVIEW OF RELATED LITERATURE

This chapter summarizes the major studies and findings that have been published on the research topic and how this study contributes or adds to what has already been studied. This chapter also states a clear description of the theory that applies to the research problem.

CHAPTER III – RESEARCH METHODOLOGY

This chapter explains the detailed technical and scientific activities, which include the research design, sampling plan, instrumentation, analytical tools, and treatment of data.

CHAPTER IV – RESULT AND DISCUSSION

This chapter explains about the detailed of the result. It includes the description of the company and also the answer to the research objective, and the explanation about the strategy.

CHAPTER V – SUMMARY, CONCLUSIONS, RECOMMENDATION

This chapter summarize the result for this study and gives the conclusion. It also explains the reccomendation for the strategy to develop the company.