



Revitalization of Local Government Enterprises (BUMD) in Kediri, East Java

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Abstract

The research purpose is exploring the owned enterprises with the development problem and to formulate program to revitalization strategy for Kediri region owned enterprises. The method is Innovation Assessment for determine position of Kediri region owned enterprises. Analyze factors that has strong influence into problem development is concluded with Mapping Perception Analysis. According from finding of research, the water company (PDAM or region Kediri on enterprises) shows every condition of company has a drawback in market research and competitive analysis. On the other hand the drawback of the BPR are market research and competitive. Therefore Revitalization is needed either internal side or external side. The Revitalization internal of company improves powerful internal synergy (team management) and GCG (good corporate governance). Where revitalization external side company improve the pricing regulation (for Regional water company) and asset arrangement acceleration (for Regional Market trading enterprises).

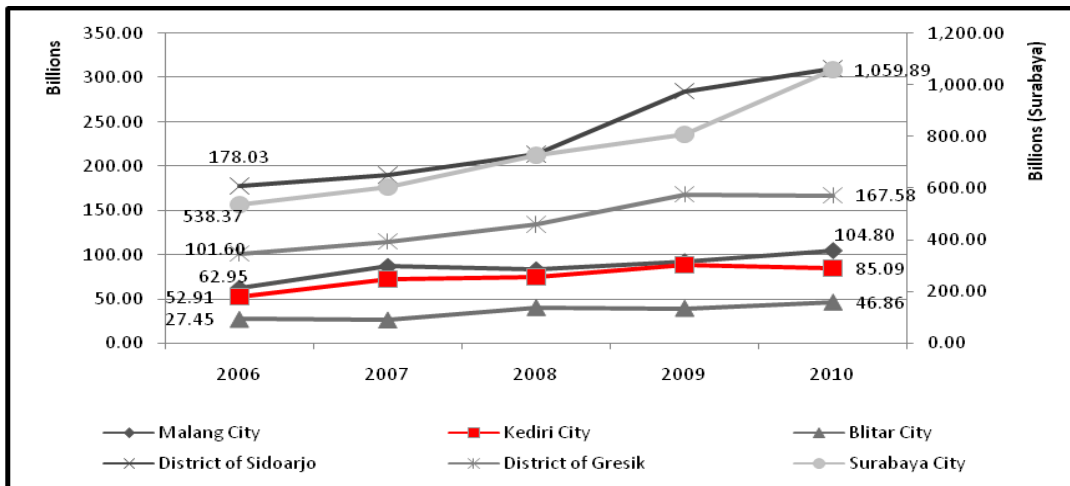
Key words: Mapping perception, Innovation assessment, Revitalization, Regression

1. Background

Regional autonomy reflected in the area financial decentralization demand each region to be more independent in managing the economic, especially in budget management. Based on article 1597 law no 32 year 2004 on regional government, regional income source from local taxes, local retribution, separate result of local management and other legitimation.

One of source from management local resources that separated is BUMD. BUMD Kediri has a mission to accelerate regional economic and portfolio regional finance. As the driver of regional economic BUMD has ability to asses ME's in Kediri region in developing economic activity. Regional enterprises also expected to contribute to Kediri regional income. However so far the two function seems has not working according to the ideal condition. regional owned enterprises So far the acceleration of the development of Kediri regional income relatively show compare three fasted growing economic regional in east java, which are Surabaya, Sidorejo, Gresik, the figure 1 show the characteristic acceptance of Kediri regional income still below than Malang city. The lasted development indicated the potential revenue that has not been optimized

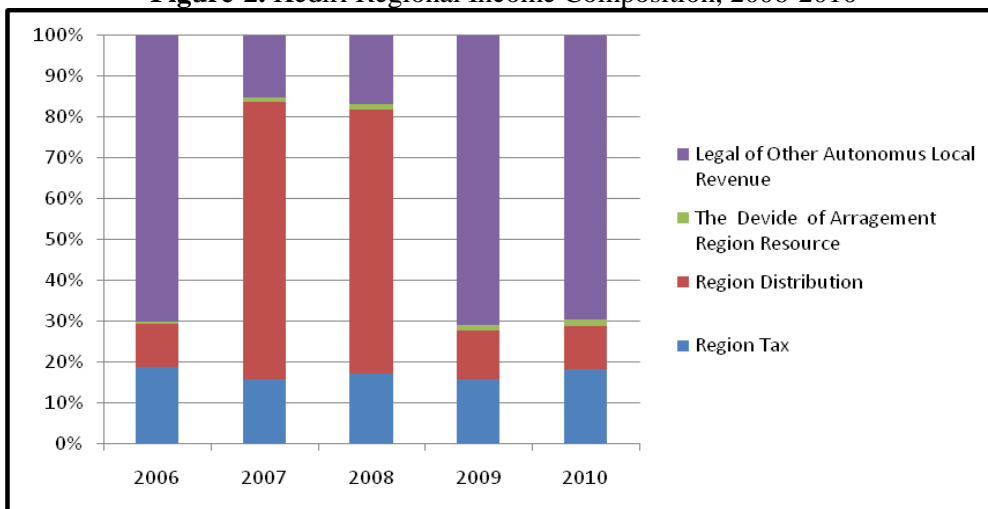
Figure-1. Kediri Regional Income Tendency and Other Regencies/Cities in East Java, Year 2006-2010



Source: Regional Budget of Regencies/Cities in East Java, 2006-2010

Based on the general assumption Regional income so far has not sufficient yet to finance the development of an autonomous region, therefore the local governor conduct other effort in order to increase income resources. with the development of the current situation regional owned enterprises is considered to be more precise effort possible and reliable that can be conducted to add regional income, hope to give higher contribution to regional income, hope that regional owned enterprises can provide the dominant on to the regional income seems still not been met, as show the following figure.

Figure-2. Kediri Regional Income Composition, 2006-2010



Source: Kediri Regional Budget, 2006-2010

The figure show that the separated result of local resources management give a small contribution to Kediri region income, the mean regional owed enterprises exist in Kediri is still far from goal and not achieved the ideal economic f scale. This condition have different implication for the walfare of the community among other: (1) for enterprises that have a strategies position to burden of the price paid by public higher than the price that must be paid or if the regional owned enterprises efficiency can be revitalized, (2) for enterprises in the major strategic position it's market share is very low that unreal in the major strategic position, its market share is very low that unreliable effectively as policy instrument to control price or market fluctuations, (3) for regional owned enterprises in the non-strategic position management efficiency has led to an increase in the burden of local government budget which unlimitedly covered by public as tax payment

Based on law no 5 year 1962 regional owned enterprises function is not only for mere achieving profit or increasing government through community service and public benefit organization, thus in performance of regional owned enterprises should also pay attention to its role as government profit marker and public sector provider.

In according with these conditions, it is necessary to revitalize the regional owned enterprises at Kediri aim to make regional owned enterprises as the business entity that is able to provide good public and service as one capable component of regional income that contributed significantly. Determination of the position regional owned enterprises in the economic is important to be performed by the local government, so that the policy is not similar for all enterprises which have substantially different characteristic. So latter Kediri regional owned enterprises ill have a higher contribution to the regional income as well as to improve service to community

Thus there should be study that examine at how the performance of regional owed enterprises that can be measured from its role as a source of government revenue and service provider 1) employment, 2) Stabilization market prices, 3) driving the development of small enterprises.

1.1. Research Problem

Based on this background the main problem in this study weather Kediri regional owed enterprise now perform its function as a public service regular income contribution. Therefore research problem are needed in order to arrive ta main issue including:

1. Where is the position Kediri regional owned enterprises?
2. How is the problem in the developing regional owned enterprises?
3. How is the policy strategy in revitalizing Regional Owed enterprises?

2. Literature Review

2.1. Regional Owned Enterprises

According to Manulang munir (2004, 99) the regional enterprises is an agency established by region to develop the economic and to increase income of region where the main objective of the enterprises is not profit but rather provide and administrative public service and develop the social economic so that the region enterprises has a dual function and the economical function.

Gretyak (in Bhal and miller, 1983) set forth three requirement for regional owned enterprises or in other words of gretyak “three consideration that can help choosing” field candidate for regional owned enterprises. First executing and accounting personal should be separated so that service can be provide efficiently. Second the good produced must be sold. Third three must be the possibility cost recovery by fixing the price of the goods concern in relation to cost. Regional owned enterprises in the area management should be based on enterprises principle of economic, According into Suprihanto (197:5) “the company is a unit of production activity that manage economic resources to produce goods and service to community in order to make a profit and can satisfy the needs and society”

Kediri owned regional enterprises in East java consist the Regional water company (PDAM), Regional rural bank company (PD rural bank of Kediri) and Regional market enterprises (PD pasar) dan Gambiran public hospital.

2.2. Performance Appraisal

Measurement of company performance can be seen from several important indicator as expressed by rayanti (199,93) that the performance of enterprises can be seen from several indicator including liquidity, solvency, profit margin and sale growth.

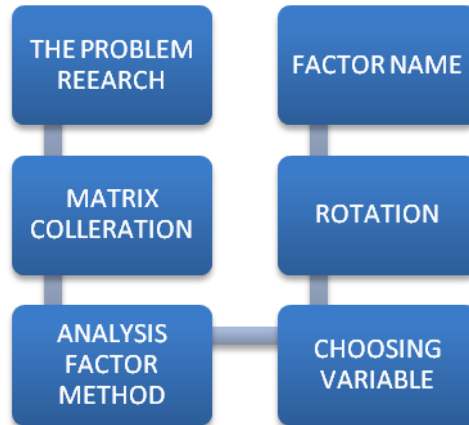
Donald and Laton (in Keban, 1995) says that the organization’s performance appraisal can be used as a n organization measurement of success in a specific period and the assessment can also be used as input for the refinement and improvement organization performance.

Meanwhile Bernadin (in Tjandra, el. Al.. 2005) says that the performance appraisal system should be developed and implement with 1) standard formal procedure, 2) based and job analysis, 3) the result are documented with 4) assessment that has the capacity and competence that can be accounted.

2.3. Perception Analysis

Factor analysis is one of multivariate statistical method that attempt to explain the relationship between a number of variable which are mutually independent which each other so that can be made one or more set of variables that is smaller than the number of initial variables. Factor analysis was also used to determine dominant factor in explaining a problem (Widarjono, 2010). The steps of factor analysis to be performed are as follows:

Figure-3. Factor Analysis Flowchart



3. Research Design

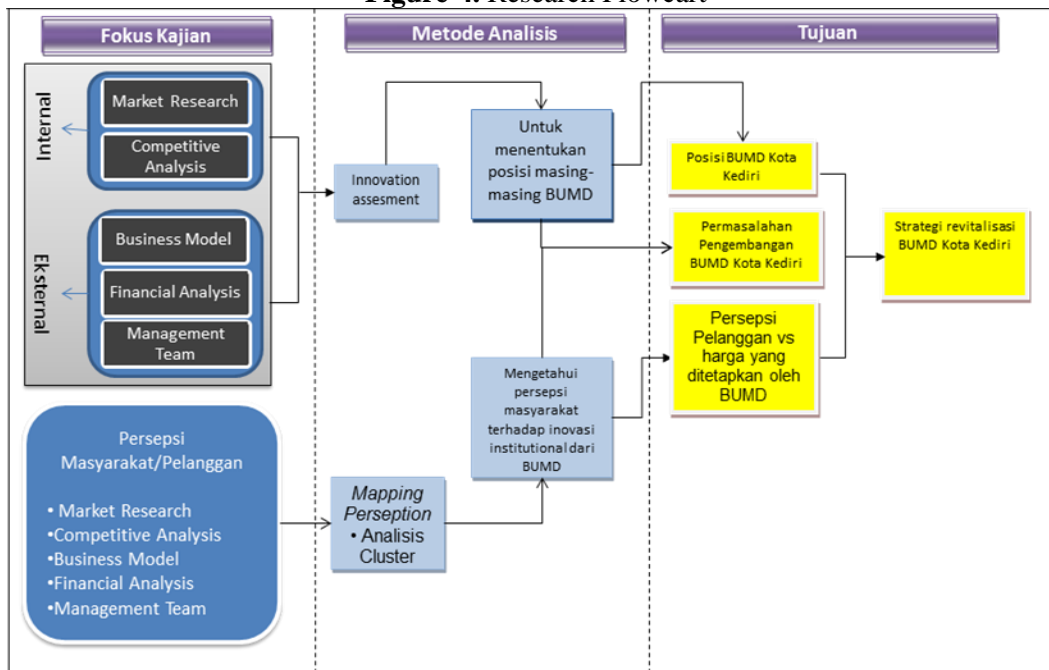
3.1. Research Methodology

Qualitative and Quantitative method are used in the processing data of this research. Qualitative data is gathered from the data written or report from the field. Quantitative data is gathered from the analysis data respondents by interview.

3.2. Research Stage/Research Flowchart

The research method designed to show the flow chart research from

Figure-4. Research Flowchart



From figure 4 This research aim for developing strategy revitalization for BUMD Kediri. It is focused on exploration internal and external variable that gathered information of company.

The characteristic of company will describe from internal and external factor which is explored in 5 variables. These variables also will be measured from customer's sight or consumer perception's.

From gathering information focused variables can determine innovation assessment and company perception from customer sight. The value of company position and customer perception are analyzed by method qualitative (Cluster analysis) and quantitative.

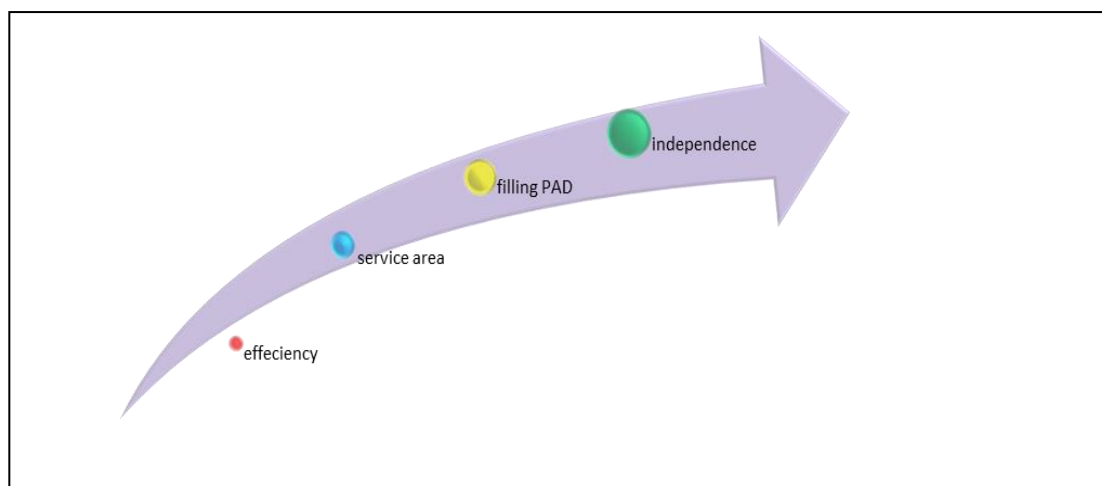
The position and consumer perception can define the economy developing problem in Kediri Region's. Processing analysis will transform into numbers to explain the formula of strategy revitalization BUMD Kediri Region.

3.3. System Analysis

3.3.1. Regional Owned Stage Development

Regional Owned enterprises determine stage level that show success and good performance when the position is counted in stages in the diagram picture bellow:

Figure-5. Regional Owned Enterprises Stage Development



Source: summarized from Diah (2003)

The figure describe that the first region owned enterprises reach efficiency that is not have a profit but a lowing prices determination. Where regional owned enterprises can provide a lower price, it will create better economic scale. Second, extensive is a stage in which regional service should be able to service in the area day to day service. Third after the regional owned enterprises able to provide enough service to customers, it should also contribute to the regional income contributor, this is because the regional owned enterprises are regional asset are expected to be a source of local revenue. Fourth when regional owned enterprises are able to last though three stage before it can be said the regional owned enterprises have achieve an independence as a public company.

3.3.2. Innovation Assessment

The variable that defines company performance and measure of customer perception can be seen in the innovation assessment that focused on 5 variables:

Figure-5. Innovation Assessment



Innovation assessment is used to determine the position of Kediri owned enterprises. Where's method is used in 5 aspects as a variable to be studied. The five aspects can be illustrated in the following figure.

Based on picture above there are five aspects to be studied on Kediri Regional owned enterprises. First market research is the degree of enterprises coverage in service society and expansion of enterprise. Second is a competitive analysis, namely competition between enterprises with similar company, competition in this is concern is different for every type of enterprises. Thirdly, business model means regional owned enterprises must have a business model executed both in the short run or long run. Fourth, financial analysis this factor are important as indicator in the developing of regional owned enterprises company because the actual condition of enterprises can be known by its financial aspects. The level of efficiency can be seen from efficiency management. Finally, fifth the management team which is how the actual management team within the organization (enterprises) can go hand in hand with the same mind set and same vision.

3.4. Factor Analysis Flowchart

The working analysis is a factor observed variable, where some variable are strongly correlated variables, it can be said the variables has common factor p underlying correlation between variables also m unique factor that distinguish each variable. Systematically the details of the analysis flows are:

$$F_{if} = b_{f1}X_{i1} + b_{f2}X_{i2} + \dots + b_{fv}X_{iv}$$

The factors meaning:

F_{if} = the individu factor f

b_{fi} = the coefficient factor v

X_{ii} = the individual point for every variable v

The special factor is not related each other and doesn't have any correlation in common factors.

The common factor is presented as the combination linnier and variable that can explored in the formula:

$$X_{iv} = a_{v1}f_{i1} + a_{v2}f_{i2} + a_{v3}f_{i3} + \dots + e_{iv}$$

The factor meaning:

i = index for individual i

v = index for variable v

X_{iv} = score individual factor F

f_{i1} = Factor individual I in factor f

$a_{v3}f_{i3}$ = Loading factor variable v in score f

e_{iv} = the variable disturbance that entered every variation in X that can't explain by the factors itself

Through the analysis analysis factors can be done for the measure of Kaiser meyer oklin (KMO) that can describe as

Figure-6. Pharameter KMO

The KMO score	Recommendation
>0.90	Very good
>0.80	Good
>0.70	Average
>0.60	Fair
>0.50	Bad
Under 05	Rejected

As the common the KMO score is needed in highest score at least 0,80. From the tables suggested must be higher than 0.80 but as the up to 0.5 can be accommodate for measure the analysis factors. Beside the indicators in the correlation counted coefficient correlation Kaisen Maiyer Oklin also count for indicator analysis of coefficient for particular indicator variables that the formula can be formed in:

$$MSA_i = \frac{\sum r_{ij}^2}{\sum r_{ij}^2 + \sum a_{ij}^2}$$

Rij: coefficient relation

Aij: Coeficient correlation partial

The value of KMO will be same as the value correlation MA, that really a reason that gathered indicators as individual factor in the analysis factors.

4. Finding and Result

4.1. The Position of Kediri Regional Owned Enterprises

To determine the position of enterprises today first seen the customer perception of Kediri owned enterprise (the Regional water company, Rural bank and Regional Owned enterprises) Regarding product, quality, service and facility. Knowing company management so far and what should be improved by the company in the future.

1. Regional water company

From the analysis of customer perception problem experienced in the regional water company is about water quality and the price set. The customer of Regional water company differentiated from small, medium and large customer. For small customer the quality of water consumption is enough, it's different from large scale customer user said the quality consumption is "good". There gap between the small customer as a user as well as large user. Thus the relative quality of tap water is actually comparable but its not better than other sources.

As well as the price perception customer say "its expensive" because they can use other sources that cheaper than the because they use all the source from company. Thus this condition fact, the price tap water relative more expensive than the other possible resources.

Apart from issue the quality and price, the development of the business some obstacle faced by water company by almost all people in Kediri. Ground water become a rival for water supplied by water quality on Kediri Region. Moreover to gain the groundwater particularly in Kediri can be done very easily where people only spent Rp 300.000,-for the cost land drilling

for 4-9 depth. This count as cheaper rather than they paid the subscriptions water and use weather pumping machine forever.

For people included in the category middle economic will continue to use a water tap as second choice in power out (when the engine water pump can use anymore so the water supply for the community remain fulfilled. This condition is also reason why its difficult to expand the market tap s and affect 98% of the installation of water pipes in Kediri is in the idle state.

If seen from various problems above the position of Kediri Regional water company is moving efficient effort. From the research there are attribute f service Kediri regional water company is satisfactory, the payment service as perceive by the customer is good enough. While the evaluation and improvement needs to be done in improve customer satisfaction with service quality current :

- a) Price, meaning that a lot customer complain about the high rate change, as higher price. Water company should consider meeting the customer needs and provide solution regarding the price.
- b) The continuity of water, it mean that customer complaint about consistency supplier water that decrease peak hour in the morning 5.00 to 7.00 and in the afternoon 16.00 pm beside having totally stop flow water all day. Company should keep it flow continually
- c) Customer service issue quickly addressed (technical problem) like water off, leaking pipes and other technical issue. Meaning the Caomany should aware and have a quick respond to solve the problem disturbance surrounding the service of Kediri water company.
- d) Customer service complaint. Meaning the company should provide the service all long day and office are expected to be ready to serve technical complaint faced by customer even in public holiday.

2. Rural Bank of Kediri

There are two main objective of rural bank of Kediri establishment, namely 1) encourage economic growth, improve service, build local community and 3) avoid the appearance of moneylender and loan shark damaging the local economic. From these two objectives Rural bank should be prioritized existing SMEs in Kediri.

However when viewed from the analysis consumer perception, the issue complained of is high interest credit for customer. From the indicator problem can be found is a higher interest rate between depositors and creditors to be the cause of the rural bank of Kediri has been pursuing a determining the interest rate Impact decreasing the level of consumer confidence in the rural bank of Kediri result is decreased profit level.

The main problem of rural bank of Kediri is the transition period as well as the shock of internal side, especially human resources Synergy all the parties are needed and it's strong enough challenge,. It's a duty top of management as a decision maker. Not only problem regarding employer but Rural Kediri problem also has problem with Board of Trusted. Where the supervisors board is appointment by the local government but apparently the board of trusted cannot function well. Evidently the ineffectiveness of the board trusted as mediator between government and rural bank.

If view from the aspect public service, Rural bank of Kediri had met the criteria as a company with a good service. Where the service attribute the rural bank need to evaluate and repair as follow:

- a) Service ATM machine, the customer requires for convenience transaction anywhere and anytime. The additional of ATM facility will be easier customer to have transaction and it also efficient for customer who doing trading while office out hours.
- b) Service hours, the customers requires for a longer hour in the office of Rural Bank Kediri for serving especially on the cash service.
- c) SOP (Standard operator Producer) there should be SOP at the branch office and headquarters so that customer having a standard service.

- d) Service in cash office, that the service in the branch more minimal than main office. Many customer and client sometime complain about the printing passbook and take credit must come into the main service. The convenience are one of sectors need improvement to provide the best service for customer.

3. PD Pasar (Local Company Market)

From the research, traditional market are familiar with rural citizen of Kediri, there are some things that are good, among good things namely:

- a) Cheap price,
- b) Good quality,
- c) Satisfying parking area

Meanwhile the rural local market should have improvement related with the attribute of services, market are evaluated as follows:

- a) Market cleanliness, the both merchandise and shopper hope that the revitalization of the hygiene, because the market is still considered dirty and smelly. In order to maintain the comfort for the purchaser and vendor in the market. Market manager should pay particular attention to hygiene, so customer and traders feel more comfortable in traditional market.
- b) Revitalization of infrastructure, the market Kediri still need improvement in infrastructure such as damage road so muddy during rainy season, as improvement of habitat building.
- c) Market order, improvement is needed regarding the regulation f market so the market more convenience, neat, clean, and easy for shopping. Market regularly that arrangement of merchant inside the market are disturbance

See there are still some qualities and service has been unsatisfactory in the customer sight. Kediri rural market can be said as the newly established local company for the current status is the status of transition from originally administered by the office of Kediri market to the original administered office Kediri since April 2010. In order to achieve this vision this strategy is needed in achieving 5 missions: namely 1) becoming a local company that has a management and service relay on market. 2) Creating a clean, beauty and comfortable market which can be felt especially trader and market usher. 3) Make arrangement and revamping stall, loss and the court of public facility as a sources of potential market 4) creating a market as the center of economic empowerment of the people and 5) implementing management information system in a professional market management.

4.2. Corporate Governance of Kediri Regional Owned Enterprises

In general based on the result of three primary of Kediri regional owned enterprises, it can be conclude that it has not reached the stage of efficiency. Though the development a company main requirement is the ability to achieve efficiency. This happens because the current Kediri regional owned enterprises namely, regional water company. Rural bank Kediri and local market region of Kediri is still at the transition stage. Rural bank suffered internal shock due the transaction on the boards. While Kediri Regional market companies, tends to be in a stable condition but even then has not reached the level efficiency.

Table-1. The Main Problem of Regional Enterprises (BUMD) in Kediri City

No	PILLARS	PROBLEMS		
		THE enterprises water company	Rural bank of KEDIRI	PD MARKET (traditional)
1.	Management team	There intervation in every by some	The weakness of synergy and the concepts are not accept fully by employee	The weakness of synergy and the concepts so the employer think of themselves
		Not effectiveness applied of reward and punishment system	There weakness authority to punish and reward	There's no reward and punished system that occur the hazard

				motive in employer
		The lack of capabilities of Komisararis	Capability of Komisararis are not optimal	Recruitment is not properly for right man and right place
2.	Business model	Short term plan	There no strong corporate plan's strategy	No clearly corporate plan
		Vision and mission are not focused	Vision and mission are not directed	There's no clearly corporate Less Innovation of the placed sonning in the market plan
3.	Market research and competitive analysis	The development and planning of enlarge the customer	Has been provided	Don't have a plan for the long term, and less market research
		No market competitive analysis and the tariff only based on the operational not competitive tariff		
4.	Financial analysis	There's no long term financial plan	The recovery system work in the transition	Un-propotional of finance report the reality are not same as budget planning

1. PD pasar

Increasing local market company to cover operating cst. This can be done by chancing consumer perception. Consumer perception can be changed by increasing the strength of management team. Management team to discus more about how manage the human resources (HR) and togetherness in the team. Transition from the market office local market company has made a complicated problem, the employer have not cooperation with top management. All still think of themselves instead for the company. So when the problem occur the problem seem to be suffered only by the rank of manager and not as common problem. This problem becomes a hindrance for local market

Local water company development. Strength of the team management could not do with some organization focus namely:

- a) Analyzing the market research specially related to the determination of revenue target
- b) The needs for goods and accurate corporate plan preparation
- c) The need for improvement team management especially on remuneration
- d) Accelerated completion of the transfer of asset in the local market company
- e) Rural bank Kediri

2. Rural bank

In management Rural bank of Kediri faced a decline in profit due to the low confide of customers. Strategies to overcome this problem can be done by restoring the level customer confidence. :

- a) Improving market research and competitive analysis Rural bank Kediri actually have been doing a quite good market research and competitive analysis. This is evidence with principle of the business model that generates fast, uncomplicated and inexpensive. The principles obtain from the result of their analysis of the needs of its customers, what customer desired. However that was the point here is much the imposition of interest rates for credit customer. Because the norm the bank ha sto carry out the function in the development of ME's.

- b) Business model, business model formation is important because it can be used as the reference in the company operation. In this business model the company must be conduct operational standard. Analyiss business model regards include the culture of innovation, synergy and focus service. Culture of synergy still not optimal, because the principal of the business model and the vision and mission only understood by top management not by all the employees. So that the implementation is still far from expectation. Un-synergy between superior and subordinate is apparently also inhibits the development of the rural Kediri because the targets that has been set by top management often cannot be met. It's just that they have an annual business plan. So next rural bank of Kediri should still try to from the trust of employees and all the relevant stakeholder in order to create a synergy of all parties.
 - c) Increasing awareness about the importance of co-operations between all employee including the management from based, middle to top of management
 - d) Increasing role of commission in the supervision and guidance
3. Local water company
- Local water company is already in efficient position. But still the idle capacity that's not maximized operational governance. Some strategies that can be done is to increasing the competency of human resources as well as the analysis of the market research, especially with regards to quality and price of service. Mapping of market share has so far not been done officially. Result data describe that the most people in Kediri regional still not subscribed to tap water, because people still prefer another resources like underground water, that is more effective and less expensive for society. In fact the result of internal calculate suggest that water price per cubic using water taps compare to well is much more cheaper, which is 1800/m³. Ehen analyzing the ratio of usher with number of household in the city of Kediri still very large,. That is there is still a large potential market and to this day still do not utilize the service of taps of clean water, something need to be improved is:
- a) Increase market analysis, and the analysis of competitiveness
 - b) The importance of raising awareness about the problem faced taps for all employee (management improvement team)
 - c) Need increase employer quality through service, competency and recruitmen

5. Conclusion

Based on the result of research mapping perception of the level of customer satisfaction with Kediri Regional owned enterprises, conclusion are obtained regarding what should be correlated in term of price, quality and service

- a) For local water company, according to small and medium group customer the price changed still tend to be expensive and the service in the respond to technical problem is still quite now
 - b) For rural bank of Kediri there are differences in the perception of interest rate between the new and old customer, interest is quite competitive bit this is contrary to the perception old customer. The service is good enough based on open question, serviced provide in branch office is lower minimum than service on main branch. Many customers complain for the printing passbook or take credit guarantee they must go to the main branch. They need have developing the service for customer.
 - c) For the traditional market many people based on perception of rare visitor to the market saying that the existing market in Kediri still relative dirty, but for the frequent visitor they said it fairly clean. This indicated that the rare visitor have been compared with other markets. As for spend of response to complaints judge less by market trader. Both old and new trader.
5. While on based on the analysis of the 5 pillars of innovation respectively Kediri enterprises have different drawback, ie local company is weak in market research and market analysis, Rural bank and local market also weak in management team,

6. Based on the result of collaboration between two analysis above, Kediri regional owned enterprises do not need to do total revitalization because they are under development due to transition of the internal and external sides.

Kediri regional owned enterprises have a great opportunity to be a successful company to be a public servant and gathering revenue. The main problem of innovation assessment need to be solved properly and company need to be concern to service and new innovation for attract customer. The perception consumer is important to support the company success.

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