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Performance Development and Business Restructuring at PT. Adhya Tirta Batam

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Abstract

This research aims to analyse the process and impact of restructuring at PT Adhya Tirta Batam (ATB). This research uses qualitative research. Data collection is done through direct observation and documentation. The analysis technique used to analyse the process and impact of restructuring that occurred at PT Adhya Tirta Batam (ATB) was Strength, Weakness, Threat, and Threat (SWOT) analysis. The results of the analysis of the process and impact of restructuring that occurred at PT Adhya Tirta Batam (ATB) are: 1) Process Analysis: Since ATB underwent restructuring, ATB has continued to improve its performance to become one of the best water companies in Indonesia. Even though ATB's performance is not only recognised nationally but also internationally, 2) Impact Analysis: After restructuring, the quality and performance of the company have improved. Since 2010, ATB's water leakage rate has continued to decline, with an average of 15.28% per year. This is supported by the company's innovation strategy related to the use of appropriate technology to detect water pipes owned by ATB.

Keywords *restructuring process, restructuring impact, PT Adhya Tirta Batam.*

INTRODUCTION

Company competition is now getting tougher, and companies need to evaluate their performance by making a series of improvements in order to compete and survive. The way that companies can excel in competition is by restructuring. Soegiono and Sutanto (2013) state that restructuring is part of a business strategy to reorganise in order to realise the company's vision and mission. Companies that experience business failure, either due to internal or external influences, must eventually take steps to rescue, reorganise, or even liquidate the business. Reorganisation, which is actually part of restructuring, is also seen as an approach to restoring economic activity, business and investment (economic recovery), and employment opportunities. For this reason, restructuring efforts in a company can be carried out through management efforts by reorganising or reengineering so that the company can adjust to the influence of changes in its environment and survive (Farid et al., 2015).

There are several reasons why companies want to restructure. These reasons include: increasing sales and operations; improving management; the existence of asymmetric (unbalanced) information owned by management and the market in general; and profit problems (Nagara, 2021). Business actors, as economic actors, always try to maximise profits when running their businesses. This will be pursued by business actors in various ways, one of which is by restructuring the company, carried out by PT Adhya Tirta Batam (ATB).

Corporate restructuring is a strategy that can help companies overcome poor performance, adopt new strategies, and achieve credibility in the capital market. Norley et

al. (2012) define restructuring as the act of reorganising the structure, ownership, operations, or other structures of a company with the aim of making it more profitable and better for current needs. Based on observation and an interview conducted on June 5, 2023, with the former Public Relations Officer of PT Adhya Tirta Batam (ATB), since it was managed by an institution called Otorita Batam in 1971 until it is now called Batam Concession Agency (BP), Otorita Batam (OB) has built five dams. All of these dams have a total raw water abstraction capacity of 850 litres per second. In addition to dams, the Batam Authority (OB) also built the IPA, which has a total water treatment capacity of 500 litres per second.

However, as Batam's population continued to grow along with the growth of the industrial sector, the OB was concerned that it would not be able to meet the clean water needs of the island. Finally, in 1993, BJ Habibie, who at that time served as the chairman of OB as well as the Minister of Research and Technology of the Republic of Indonesia, took an important decision, namely to put forward the idea of handing over the management of clean water on Batam Island to a competent private party. After making various efforts, the Batam Authority (OB) finally explored cooperation with Biwater International Limited, PT Bangun Citra Kontraktor (BCK), and PT Syabata Cemerlang to manage clean water on Batam Island. In the early stages of the cooperation process, research was conducted on the potential of raw water in Batam, estimating customer growth, and checking the water treatment and distribution system that has been carried out by the clean water unit of the Batam Authority (OB). The research was conducted as a basis for taking strategic steps so that water management will be in line with the government's expectations.

Based on the research, it was revealed that the main problem with clean water management on Batam Island is the inefficiency of the clean water production system. This condition makes the water management system not run smoothly and causes services to customers to not be maximised.

From the background explanation above, the objectives of this research problem are: (1) To find out the restructuring process at PT Adhya Tirta Batam (ATB); and (2) To find out the impact of the restructuring that occurred at PT Adhya Tirta Batam (ATB).

METHOD

The research is a descriptive analysis. Data collection techniques in this study were carried out through direct observation and documentation. The analysis technique used to analyse the restructuring process and the impact of restructuring that occurred at PT Adhya Tirta Batam (ATB) was Strength, Weakness, Threat, and Threat (SWOT) analysis.

RESULTS AND DISCUSSION

1. Strength

1.1. Indonesia's First Private Water Company

ATB succeeded in becoming the first private drinking water company in Indonesia in 1995 through cooperation with the Batam City government, also known as the Batam Authority. At that time, there were still no water companies in Indonesia that understood the clean water management system and met the expected standards. Thus, foreign investors

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from abroad were targeted by the Batam Authority. The result was that ATB managed to obtain investment from three companies, of which two were local and one was a foreign company, Biwater International Limited. This achievement is certainly the first time a private company has been trusted as the manager of drinking water in a city in Indonesia. The Batam Authority trusts ATB to manage and distribute clean water in Batam City for 25 years, starting from 1995 until 2020. By 2019, ATB's service coverage in Batam City had reached 99.7%, whereas in 1996 it was 36%. The increase means that the number of ATB customers has increased by 10 times since the concession with the Batam Authority began. Although the concession period between ATB and Batam Authority has ended, ATB has decided to remain dedicated to being a water management company in Indonesia. Currently, ATB has water management projects in Lampung, Palembang, Medan, and Umbulan.

Figure 1. Comparison of 1996 and 2019 ATB Data in Batam City
Source: Haris (2021).

1.2. The Best Water Management Company in Indonesia

The main strength of ATB is its title as the best water manager in Indonesia, so the quality of water distributed by ATB is unquestionable. At the beginning of ATB's establishment in 1995, ATB could be said to be the only water management company that produced drinking water in accordance with the standards of the Indonesian Health Organisation in Indonesia. This is because in 1995, there was still no standardisation of the water quality that must be produced by PDAMs. The new drinking water quality requirements were issued by the Indonesian government through Permenkes 492 Year 2010. ATB also managed to meet the standardisation required by the government. In order to distribute good-quality water to the community, ATB tests 3000 water samples every month. The water samples are then tested physically, chemically, and biologically. By relying on various technologies, ATB can produce water with guaranteed quality that even reaches 100% for water quality standards on bacteriology and 95% for quality standards on chemicals.

During its 25 years of service in Batam City, ATB has also become known as one of the companies with the lowest water loss rate in Indonesia, which averages only 15.28% per year. Even in 2016, ATB's water leakage rate was only 11.9%. Of course, ATB's water leakage rate is much lower than the average leakage rate of most PDAMs, which is still high at more than 35%. Even in 2021, dozens of PDAM directors from all over Indonesia came to ATB to witness ATB's Supervisory Control and Data Acquisition (SCADA) and Geographic Information System (GIS) technology used to control water leakage rates. This proves that other PDAMs also believe in ATB's ability to be the best water manager in Indonesia and make ATB a role model for their company's improvement.

1.3. Companies that Have Implemented National and International Standards

Although ATB only operates in Indonesia, it also applies international standards to its company. ATB is the only drinking water company in Indonesia that has implemented an integrated management system for OHSAS 18001:2007, ISO 9001:2008, and ISO 14001:2004. In addition, ATB successfully obtained the Occupational Safety and Health Management System (SMK3) certificate in the best category from the Ministry of Manpower and Transmigration. This achievement can be said to be extraordinary because, in general, drinking water companies only obtain one of the certificates between SMK3 and OHSAS 18001:2007, but ATB proves that they can be the only company to obtain both certificates.

Various other awards that ATB has obtained include those from the Batam City Government, which declared ATB a company that cares about Occupational Safety and Health, where this award is given not arbitrarily but through a strict selection process. ATB also managed to become the only drinking water company to obtain a Water metre Calibration Certificate from the National Accreditation Committee in Indonesia in 2012. Obtaining this certificate proves that ATB has a professional committee to calculate customer water usage.

a) Application of Technology in Company Operations as a Smart Water Company

In the process of moving towards a smart water company, almost all sectors in ATB are supported by the use of technology. Some of these technologies include:

- *Streaming Current Monitor*

  This technology is used for water treatment by ATB. Streaming current monitors can automatically measure impurity particles in raw water and then determine the amount of water purification that needs to be given with the aim that the processed water from ATB is guaranteed to be of high quality.
- *Water Testing Laboratory*

  The Water Testing Laboratory is used by ATB to analyse water quality more accurately and quickly. More than 35 testing parameters can be measured using this technology; even heavy metal content parameters are not an exception.
- *Energy Monitoring*

  In order to measure the use of electricity in each device and pump digitally, ATB implements energy monitoring. Electricity usage at each IPA managed by ATB can be measured through this technology.

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- *Pressure / Flow Mapping*
  This technology is designed to make it easier for officers to access data online, so they do not need to go directly to the field. This pressure mapping uses GSM communication to send pressure and water flow data to the main server. Thus, ATB can quickly detect pipe leaks and make repairs.
- *Mobile Meter Reading*
  In order for ATB to conduct metre readings more accurately, they use mobile metres. In addition to supporting the input of water usage by customers, this technology also requires officers to photograph each customer's water metre.
- *Geographic Information System (GIS)*
  GIS has been used by ATB since 2011 to support various operational purposes. GIS Web Applications are developed with various features, including GIS Customer, which is a feature used to support the improvement of services to customers; GIS Monitoring, which is a feature that serves to chain the water pressure distributed to customers; and GIS Tools, which are used for asset tracking and project surveys. In addition, there is also the development of a Supervisory Control and Data Acquisition (SCADA) System and a GIS Mobile Application by ATB to control several company processes. The application of various technologies and GIS in ATB certainly helps improve ATB's operations. Theyough GIS has been used by several PDAMs, most of them are not used to support operations but only for asset management data collection.

b) Reliable Human Resources

In order to form competent and professional human resources, ATB implemented benchmarking and salary reviews. It turns out that both strategies have succeeded in improving the efficiency and performance of employees at ATB. This is evidenced by the number of employees who are able to serve 1,000 ATB customers. When ATB was first established, it required 7.47 ATB employees to serve 1,000 customers. Improvement occurred over time; the ratio of employees increased to 1.98 for service to 1,000 customers in 2019. For water companies in Indonesia, the ideal employee ratio is 4 employees per 1,000 customers. While the average PDAM in Indonesia still has an employee ratio of 6.3 per 1,000 customers, this shows the good work ethic of ATB employees to drive company performance, because without good human resources, the company's vision and mission will be difficult to achieve.

c) Easy Payment and Information for Customers

Another advantage of ATB is the ease of making water bill payments. ATB has been working with PT Pos Indonesia since 2012 to provide payment services. Then, since 2014, to make it even easier, ATB provides bill payments through Bank CIMB Niaga ATMs and Internet Banking, which can be accessed wherever customers are, even when they are abroad. The presence of this online payment makes it easier for customers to pay; they do not need to specifically go to the post office. In addition, ATB

also provides convenience for customers to access information through the telephone service 0778-467111, which can be contacted from 7 a.m. to 12 p.m. In 2019, ATB started to create an official website, www.atbbatam.com, with a live chat service. Along with the development of social media, ATB also began to be active on Facebook and Twitter to convey the latest information related to ATB and receive suggestions and complaints from customers. In 2015, the ATB Mobile App was launched to make it easier for customers to access ATB-related information.

Weakness

2.1. Local Government Intervention

ATB is a private water company; however, water is a resource managed by the state. Therefore, water management by ATB cannot be separated from interference by the government. ATB needs to obtain approval from the local government when making tariff adjustments. Tariff adjustment is certainly an important matter for ATB, as its infrastructure development requires considerable funds. Moreover, ATB must first purchase raw water from the local government before it is treated and distributed to the public.

2.2. Total Assets of Limited Companies

One of the problems for ATB is its limited assets. ATB, as a water management company, certainly needs to make breakthroughs in the financial sector to serve the needs of the community, because in order to work optimally, ATB requires funding that is categorised as large. However, because ATB is a private water management company with a limited operational period, it also has few assets. In fact, company assets are an important aspect that is usually required as collateral to obtain loans from creditors. In addition to being collateral, the company's assets can also be used if, at any time, the company needs additional funds.

2.3. Limited Concession Period with the local government.

ATB first signed a concession agreement with the Batam City government in 1995 for a period of 25 years, which means the concession ends in 2020. As a private company, ATB cannot be a permanent water manager in a region. ATB's operational period in an area will be limited in accordance with the signed agreement or concession. Thus, even if ATB is comfortable and has operated well in an area, it still has to end its operations in that area when the agreement expires. ATB cannot operate at will in a region and must find a local government that is willing to enter into a new cooperation agreement.

Opportunites

3.1. Opportunities to Become a Public Company in Indonesia

It is undeniable that ATB's outstanding work quality has attracted the attention of various PDAMs in Indonesia. ATB's good corporate standards are even benchmarked by other water companies in Indonesia. In fact, ATB also managed to attract the attention of water companies and governments abroad. ATB was visited by Subic Water and Sewerage

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Co., Inc. from the Philippines, Mayor Mbombela from South Africa, Saman Corporation from South Korea, Marie Alkatiri as Prime Minister of Timor Leste, Johor Water Union from Malaysia, and Shanxi City Government from China. They came to visit ATB with the aim of conducting comparative studies with the best water companies in Indonesia. Therefore, even though ATB's concession with Batam City has ended, ATB has a great opportunity to conduct water treatment cooperation with other local governments. When it was still managing in Batam, ATB focused on serving a single client, namely only in Batam City. Now ATB has become a company with multiple clients, including Palembang, Medan, Sidoarjo, and Lampung. ATB itself has targeted becoming a public company, so they are currently focused on pursuing targets to manage more than 10 regions in Indonesia.

3.2. Reaching Areas with No Water Rights

Usually, in an area, there are certain areas or settlements that do not have legality and residence permits. This causes ATB to be unable to provide water distribution services to these areas due to local government policies. For example, when ATB was still managing water in Batam City, it could not distribute water to illegal houses due to legality issues. The main requirement to obtain ATB's service is the existence of official land ownership documents. This triggered demonstrations at the ATB building by people from illegal settlements or squatter houses because they wanted to become ATB customers and obtain clean water services. Thus, ATB innovated water kiosks with the approval of the Batam Concession Agency. The water kiosk serves the illegal house community by distributing 60 litres of water per day at a subsidised rate.

3.3. Community Social Responsibility that Enhances ATB's Reputation

Through Corporate Social Responsibility (CSR) conducted by ATB, there is an opportunity to improve the company's good name and make local and national communities more familiar with ATB. In addition, CSR also has the opportunity to attract quality human resources to work at ATB. ATB has five CSR programmes, ranging from environment, sports, education, social, and health. Through environmental, sports, social, and health CSR, ATB's corporate reputation has the potential to get better as more people get to know it. Meanwhile, through education and CSR, ATB can also obtain qualified human resources who can help it develop the company even better.

Threat

4.1 Limited Operational Life of ATB in a Region

Since ATB's projects are based on cooperation or concession agreements with local governments, there is a limited time frame. Whether or not the cooperation will continue is the decision of the local government; ATB cannot determine whether to continue the concession agreement in the same area.

4.2. Theft or Damage to Water Pipes by Unauthorised Parties

Water theft and vandalism can sometimes occur, and of course this is a threat to ATB. Because it can potentially cause losses both financially and non-financially. Financially, ATB suffers losses due to the cost of repairing or buying new water pipes. Non-financially, ATB is disadvantaged because it reduces the efficiency of its operational work. ATB needs time and energy to repair or install new pipes. Damage or loss of pipes also causes water leakage, which can impede the distribution of water to the community. This can result in inconvenience and complaints from ATB customers because if there is a water leak, there is a high probability that the surrounding settlements will be without water.

4.3. Water crises Due to Natural Conditions or Disasters

To ensure that the water needs of a large community can be met, ATB needs to ensure that they have sufficient water reserves or supplies. However, sometimes natural conditions such as drought or natural disasters can cause the water supply to be reduced. For example, when ATB was still operating in Batam City, it experienced a water supply crisis. The main cause of the crisis was El Nino, a natural phenomenon in which ocean conditions deviate through an increase in sea surface temperature in the Pacific Ocean. The phenomenon caused drought in several areas of Indonesia, and Batam was no exception. When El Nino occurs, Batam City does not experience rain for several months. Of course, this is a big threat to ATB because Batam City only relies on rainwater as a raw water supply. The water crisis that occurred due to the prolonged drought forced ATB to reduce the water supply to the community through rationing. Rationing is a rotation of the water supply for the community, so the community will take turns getting water. This, of course, caused complaints from customers because the people of Batam are not used to the rationing system. In fact, ATB receives up to 400 telephone complaints from customers per day.

4.4. The Emergence of Other Private Water Companies in Indonesia to Compete with ATB

Over time, several private drinking water companies began to emerge in Indonesia. This certainly caused ATB to have quite strong competitors as well. One example is that after the concession with Batam Concession Agency ended, ATB also applied to continue the concession with Batam City Government after 25 years of cooperation. However, the emergence of other competitors who also applied for the concession agreement made ATB's chances decrease. Finally, the Batam Concession Agency decided to sign a new concession with PT Moya Indonesia as the company that will manage water in Batam City after ATB's 25-year concession period ends. As in other areas, ATB needs to prepare a strategy that can convince the local government to grant a water treatment concession in the area due to other competitors in the same market.

CLOSING

Conclusion

Initially, the ATB consortium was formed by three companies, namely Biwater International Limited, BCK, and PT Syabata Cemerlang. After five years of operation, PT

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Syabata sold its shares to Biwater and BCK. Then, when Biwater was acquired by Cascal, Biwater's share ownership in ATB switched to Cascal. Until 2010, Cascal decided to sell ATB shares, which were subsequently purchased by Sembcorp. Thus, Sembcorp and BCK each owned 50% of ATB. The change in ATB's shareholding was part of the business restructuring. Since ATB underwent restructuring, it has continued to improve its performance to become one of the best water companies in Indonesia. In fact, ATB's performance is not only recognised nationally but also internationally. ATB has represented Indonesia at international seminars related to water management.

After the restructuring took place, ATB also began to develop advanced technology called Geographic Information Systems (GIS). This GIS application facilitates access to various kinds of general information related to ATB assets, including information on the number of customers, reservoir tank capacity, pipe length, and water leakage rate. Then in 2016, ATB also began implementing other advanced technology, namely Supervisory Control and Data Acquisition (SCADA), aimed at monitoring industrial processes. This SCADA system is only used in 16 countries in the world. Through the SWOT analysis results, it can also be said that ATB's strength after restructuring is the quality and performance of the company, which are getting better. Since 2010, ATB's water leakage rate has continued to decline, with an average of 15.28% per year. This is supported by the company's innovation strategy related to the use of appropriate technology to detect water pipes owned by ATB.

In 2014, ATB improved the ease of water bill payment for customers, which can be done at Bank CIMB Niaga ATMs and through internet banking, which can be accessed anywhere internationally. Meanwhile, in terms of easy access to information for customers, ATB released the ATB Mobile App in 2015. HR efficiency also increased significantly after ATB's restructuring process in 2010 and until the end of ATB's concession period in Batam City. With the many strengths owned by ATB and the professionalism of ATB's water management, it allows ATB to obtain various great opportunities to develop even better in the future. Moreover, after the concession period between ATB and Batam City ends, ATB's capability will be recognised nationally and even internationally. Thus, there is no doubt that other local governments may also show interest in cooperating with ATB in terms of water treatment in their areas. The increasing number of regions interested in cooperating with ATB also increases ATB's opportunity to become a public company and obtain stronger funding.

Recommendation

Based on our previous analysis and discussion of PT ATB using the SWOT method, we can conclude as follows: In terms of strengths, ATB has the ability to build good cooperation with the government, run its operations efficiently, and build a reputation as a leading drinking water company that applies international standards and prioritises quality, safety, and customer satisfaction. This will strengthen the company's position in the market and enhance its competitive advantage by maintaining international standards. ATB can maintain its competitive advantage and expand its market share in the drinking water

industry by providing a better customer experience, building strong relationships with customers, maintaining and improving the ease of paying water bills, and strengthening information services.

ATB can strengthen its relationship with the government, ensure the financial sustainability of the company, improve operational efficiency in water management, and seek adequate financial solutions to support the company's growth and operations. ATB should also be able to address the issue of limited operational life and establish a reasonable cost strategy. ATB can capitalise on current opportunities and develop into a successful water management company in various regions of Indonesia, with the goal of becoming a go-public company managing more than ten regions. ATB can face and overcome the challenges of providing clean water services to areas or settlements that lack legality while maintaining a balance between legal requirements and corporate social responsibility. ATB also capitalises on current opportunities through CSR programmes to enhance the company's reputation, raise public awareness, and attract high-quality employees, which will help the company's long-term growth and success.

Finally, ATB can deal with threats related to the limited concession period by using more proactive and adaptive strategies. ATB can also reduce the risk of water supply crises and prepare better plans to deal with unexpected natural conditions. ATB has the ability to strengthen its position in the private water management market. ATB must continue to evolve, be creative, and build a competitive advantage to stand out from its competitors.

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