

Governance Strategies in Underwater Inspection State-Owned Enterprises: A Study on the Implementation of Public-Private Partnerships (PPP)

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Abstract

This article aims to analyze the need to conduct underwater inspection at a State-Owned Enterprise (SOE) using the application of the Public Private Partnership (PPP) concept. However, until now, the SOE still uses the services of a third party to fulfill this need. The use of third-party services impacts the high allocation of the SOE's operational budget for underwater inspection costs. This study uses qualitative research methods with data collection techniques through in-depth interviews, literature studies, and field observations from January to August 2023. This study's results show that applying the four dimensions of PPP - identify key stakeholders, identify stakeholder needs, address stakeholder needs, and evaluate performance - is appropriate for the governance of underwater inspection implementation. The recommendation for the next governance strategy is to implement acquisition as a follow-up to the PPP concept.

Keywords: underwater inspection, public-private partnerships, management strategies

1. Introduction

Good governance is one of the aspirations of every society in a country (Baharuddin, 2020; Iu & Batten, 2001; Massuga et al., 2023; Van Doeveren, 2011). Good governance involves the entire process of formulating public policy strategies, translating strategies into policies and decisions, and implementing the decisions through chosen activities (O'Faircheallaigh, 2010; Tricker, 2015; Vedung, 2017).

According to Keping (2018), governance also involves a range of institutions and actors outside the government sector. Therefore, the implementation of governance is also related to the concept of Public-Private Partnership (PPP) (Deep et al., 2019; Permatasari et al., 2020; Witters et al., 2012; Wojewnik-Filipkowska & W grzyn, 2019; Yan, 2020; Yuniningsih et al., 2019).

PPP is a viable option, as evidenced by several developed countries such as South Korea, Taiwan, the United Kingdom, and Australia, where PPP contributes about 10% of total infrastructure investment (Tserng et al., 2012). By implementing PPP, their governments are able to diversify sources of funding and achieve efficiency in providing public services and developing institutional frameworks in governance (Brinkerhoff & Brinkerhoff, 2011; Lam & Yang, 2020; Riccucci, 2021).

In relation to projects, according to (Shahbaz et al., 2020), PPP is a form of collaboration between the government, companies, and non-governmental organizations based on a project. This collaborative process aims to achieve more favorable outcomes compared to projects carried out independently.

Currently, one of the State-Owned Enterprises (SOEs) planning to implement governance through PPP is PT Biro Klasifikasi Indonesia (BKI). Established in 1964 based on Government Regulation No. 28/1964, BKI provides ship classification services in Indonesia to assess the seaworthiness of ships and other maritime facilities. BKI has also

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expanded its activities in the field of Testing, Inspection, and Certification (TIC) services, which are carried out by the Marine Services Strategic Business Unit (SBU).

Currently, BKI has been conducting underwater inspections through third-party providers. This is done to maintain and repair underwater structures such as bridges and docks. Figure 1 shows the budget allocated by BKI in 2023 for payments to third-party providers for underwater inspections, which accounts for 40% of the total project value.

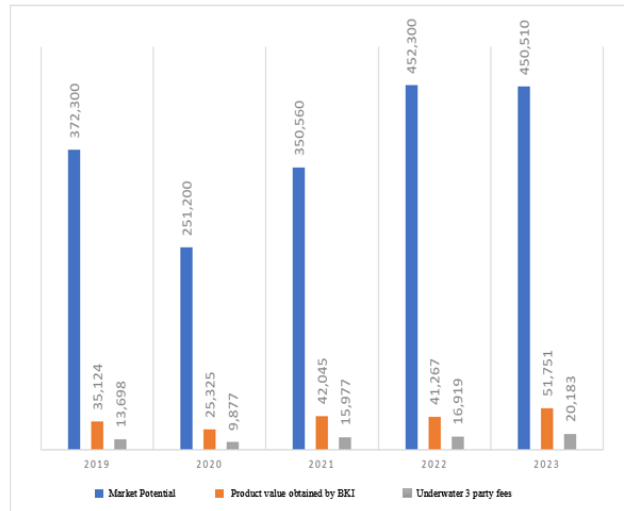


Figure 1. Budget Allocation for Underwater Inspection Activities for 2019-2023 (in billions)

Source: Researchers, 2023

The high expenses incurred for inspections can be reduced through the implementation of PPP via an acquisition strategy. This article aims to analyze the strategic governance carried out by BKI with an underwater inspection company through the concept of public-private partnership..

2. Literature Review

According to (Chou et al., 2015), public-private partnerships (PPPs) have emerged as a crucial strategy for attracting private capital and stimulating national economies in the aftermath of the global financial crisis (GFC) of 2008. In their study on the modeling of institutional frameworks for PPPs, (Chou et al., 2015; Tserng et al., 2012) highlight the significance of effective governance in promoting and managing PPPs. Their research, conducted in the context of Taiwan, proposes a strategic governance model comprising four stages in a closed-loop process. The strategic governance model presented by (Chou et al., 2015) focuses on stakeholder management and addresses the identification of key stakeholders and their needs, the development of strategies to meet those needs, and the evaluation of proposed solutions. By incorporating experiences and practices from Taiwan, the model aims to enhance the institutional framework (IF) for PPPs and ensure the successful implementation of infrastructure projects. The study acknowledges the challenges and risks associated with PPPs, including distrust between public and private parties and policy changes, which can hinder project success. Their research highlights the need for tailored strategies and governance designs, taking into account the specific contexts of individual governments. By promoting knowledge management and sharing best practices among policymakers, governments can develop effective IFs for PPPs and mitigate the adverse consequences of economic downturns.

3. Research Method

This research employs a qualitative research approach. Qualitative research is conducted with assumptions and the use of theoretical frameworks to provide information related to social issues addressed in the study (Creswell & Clark, 2017; Creswell & Creswell, 2017; Denzin et al., 2023; Neuman, 2014). Qualitative methods often focus on individuals, events, and specific contexts, resulting in an idiographic analysis (Gerring, 2017). Qualitative methods can be understood as a

process of understanding social phenomena by creating a comprehensive portrayal that can be presented through narratives, words, and detailed views of information obtained from relevant sources (Fadli, 2021).

Furthermore, data and information in this study were collected through several data collection techniques, such as literature review, in-depth interviews, and direct field observations. The literature review involved gathering data from previous research articles, official reports, websites, regulations, and available documents. In-depth interviews were conducted with (1) Deputy Director of Business Development and Portfolio Strategy Management, (2) SVP Portfolio Management, (3) VP Corporate Development, (4) VP Business Transformation & Integration, (5) VP SBU Marine Services, (6) Offshore Operations Manager, and (7) Business Support Manager.

Interviews were conducted as a data collection instrument in the form of conversations between the researcher (someone seeking information) and the informants (individuals who serve as sources of information) (Rutledge & Hogg, 2020). The selection of these seven interviewees in this study was done using purposive sampling technique. Purposive sampling is used because this technique is based on the assumption that, given the purpose and objectives of the research, it is specific and requires the perspectives of informants who have ideas and roles related to the issues raised (Campbell et al., 2020). Furthermore, direct observations were conducted by the researcher from January to September 2023. Direct observations were conducted to directly observe the issues and problems existing in the real world.

4. Result and Discussion

SBU Marine Services serves as a reliable partner in the maritime sector, including shipping, marine and fisheries, port management, oil & gas, digitalization in TIC (Testing, Inspection and Certification), engineering, surveying and mapping, consulting, and supervision. The feasibility and safety of ships, cargo, and maritime facilities are top priorities in the maritime industry. Companies operating in the maritime sector require inspection services to ensure compliance with feasibility standards. Maritime inspections also help ensure that vessels and maritime installations adhere to environmental standards and provide assurance to customers that the produced products meet quality and safety standards. Maritime inspections can also provide recommendations and solutions for necessary improvements in ships or maritime facilities, which can enhance operational efficiency.

Regarding the implementation of PPP, according to (Chou et al., 2015), it can be measured through four dimensions, including: (1) Identifying key stakeholders. (2) Identifying stakeholder needs. (3) Addressing stakeholder needs. (4) Evaluating performance.

4.1. Identify Key Stakeholders

Essentially, managing and identifying stakeholders can help mitigate conflicts among stakeholders that may result in funding failures for specific projects. According to (Chou et al., 2015), identifying the factors present in stakeholders is an effective approach in project construction. In the context of PPP within BKI, several actors can be identified and grouped into different categories (Table 1).

Table 1. Stakeholder Grouping

Department	Indonesian Classification Bureau
Local Government	Ministry of State-Owned Enterprises
Public Official	IDSurvey
Legislator	Ministry of State-Owned Enterprises
Promoters	IDSurvey
Lenders	State-owned bank
Users	SBU Marine Services

Source: Researcher, 2023

4.2. Identifying stakeholder needs

After identifying the stakeholders, there are still obstacles that need to be considered in implementing PPP. One common issue is the reluctance shown by stakeholders to convince each other that the PPP project will be beneficial. The stakeholders' doubts about the benefits of PPP become a source of problem in collaboration (Chou et al., 2015). Therefore, it is important to identify the needs of stakeholders at the early stages of PPP development.

The application of PPP by BKI with the underwater inspection company involves the collaboration in conducting a feasibility study for the acquisition of the underwater inspection company. This PPP collaboration brings benefits to both parties, such as business analysis, influencing market size, and market potential.

4.3. Addressing stakeholder needs

In the previous stage, mapping the needs of stakeholders can be broadly categorized into policy or project levels that directly impact the sustainability of PPP practices (Chou et al., 2015). Essentially, each stakeholder has different interests, which can lead to conflicts due to diverging interests. Therefore, according to (Chou et al., 2015), all stakeholder interests must be identified and mapped to ensure that they are adequately addressed. In this regard, policymakers should analyze the relationships between stakeholders, their interests, and the policy objectives to ensure continuity in achieving those goals.

In the practice of PPP, BKI has an interest in expanding its business projects and reducing the high annual budget spent on underwater inspection purposes. On the other hand, the parties involved in the PPP process, such as the underwater inspection service provider, will gain clear benefits and long-term business projects.

4.4. Evaluating performance

Previously, BKI has been using third-party services for underwater inspection, which has resulted in higher operational costs. However, underwater inspection is a crucial operational requirement for BKI that needs to be fulfilled annually. Additionally, the involvement of third parties in BKI's projects has led to a non-competitive market in tender processes. Therefore, BKI requires a strategy to reduce operational expenses in order to maintain efficiency and enhance competitiveness in the market. One viable strategy is to pursue an acquisition.

Acquisition is a form of company takeover through the acquisition of shares by another company for specific purposes (Adhimastha et al., 2023). It can also be understood as a corporate transaction that involves the purchase of partial or entire shares or assets of another company (Institute, 2019). Acquisitions are typically carried out to gain control, strengthen the target company, and achieve synergies. By acquiring an existing company, specifically an underwater inspection company, BKI can gain direct access to customers, markets, and products, thereby increasing revenue. The acquisition can also result in beneficial synergies by reducing costs and improving operational efficiency. BKI's planned acquisition will help diversify its business portfolio, reducing reliance on a single type of business/product.

Moreover, considering BKI's ongoing need for underwater inspection services, an acquisition would provide BKI with direct access to technology, knowledge, management teams, and intellectual property of the target company, which are essential for conducting underwater inspections effectively. This direct access will greatly benefit BKI in performing underwater inspections to the fullest extent.

As a state-owned enterprise operating in the marine sector, the acquisition will enable BKI to reduce the number of competitors or even acquire competitors in the marine industry. This acquisition strategy will enhance efficiency, leading to cost savings, the development of new services (underwater inspection), and improved timing.

5. Conclusion

Based on the analysis and evaluation of the four dimensions used as reference, one strategy that can be implemented by BKI is to apply PPP through an acquisition strategy. The planned acquisition strategy is projected to help BKI improve efficiency in various aspects, including budget control, time management, and service quality enhancement. Considering BKI's high demand for underwater inspection, the acquisition scheme becomes one of the best approaches to meet these needs while gaining profits. The implementation of the acquisition strategy will have a positive impact on BKI's performance in conducting underwater inspections, ensuring that the products delivered by BKI meet inspection standards. By conducting an acquisition, the acquiring company can gain control over the target company and make various decisions, including managing the acquired company's assets, without requiring approval from shareholders.

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