

**ANALYZING CORRELATION BETWEEN MANAGEMENT AND
FIRM'S VALUE: A COMPARISON OF STATE-OWNED AND
PRIVATE-OWNED INFRASTRUCTURE COMPANIES IN INDONESIA**

UNDERGRADUATE THESIS

Agnesia Rahelita

11201508001

**Submitted to fulfill the requirement of the
undergraduate degree program**

**Department of International Business Administration
Faculty of Business and Social Sciences**

**BSD City, Serpong, Tangerang
April 2018**



APPROVAL PAGE

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Thesis Advisor
Department of ...

Thesis Co-Advisor
Department of...

Name & Degree

Name & Degree

Dean
Faculty of Business & Social Sciences

Dr. Samuel Prasetya

ABSTRACT

The effect of infrastructure in a nation can not be underestimated, it most likely affects all the core activities that run in that area. In fact, adequate access to infrastructure is the key to economic growth, causing nations to vie for better infrastructure to be able to increase nation's welfare. This research will focus on the analysis of the management and performance, and will be linked to the comparison of state-owned and private-owned company focusing on infrastructure sectors. Empirical studies have shown that there is a strong relation between this ownership structure and the management and performance, especially in the case of governmental owned company, they got strong financial support from the government, different with private owned company that stands by their own feet. However, lack of strong evidence and theoretical foundations creates weak conclusions of the studies. Therefore, the study's main objective is to analyze and find out the linkage of the management and performance between the two ownership structures.

Keywords: Infrastructure, Management, Performance, State-owned Enterprise, Private-owned enterprise.

ABSTRAK

Pengaruh dari infrastruktur di dalam suatu negara tidak dapat dianggap remeh, hal tersebut karena infrastruktur memegang peranan yang sangat penting pada kegiatan-kegiatan yang berjalan di daerah tersebut. Bahkan pada kenyataannya, akses kepada infrastruktur yang memadai adalah kunci untuk pertumbuhan ekonomi, menyebabkan negara-negara berlomba untuk infrastruktur yang lebih baik lagi sehingga mampu meningkatkan kesejahteraan bangsanya. Penelitian ini akan berfokus pada analisis manajemen dan kinerja, dan akan terhubung ke perbandingan antara perusahaan milik negara (BUMN) dan swasta yang berfokus pada sektor infrastruktur. Penelitian empiris menunjukkan bahwa ada hubungan yang kuat antara struktur kepemilikan dan manajemen dan kinerja, terutama dalam hal perusahaan milik pemerintah, mereka mendapat dukungan kuat dari pemerintah, berbeda dengan perusahaan swasta yang berdiri dengan kaki mereka sendiri. Namun, kurangnya bukti kuat dan dasar-dasar teori, menciptakan kesimpulan yang lemah dari studi-studi tersebut. Oleh karena itu, tujuan utama studi ini adalah untuk menganalisa dan menemukan hubungan antara manajemen dan kinerja dengan kedua struktur kepemilikan ini.

Kata Kunci: Infrastruktur, Management, Kinerja, Perusahaan Milik Negara, Perusahaan Swasta.

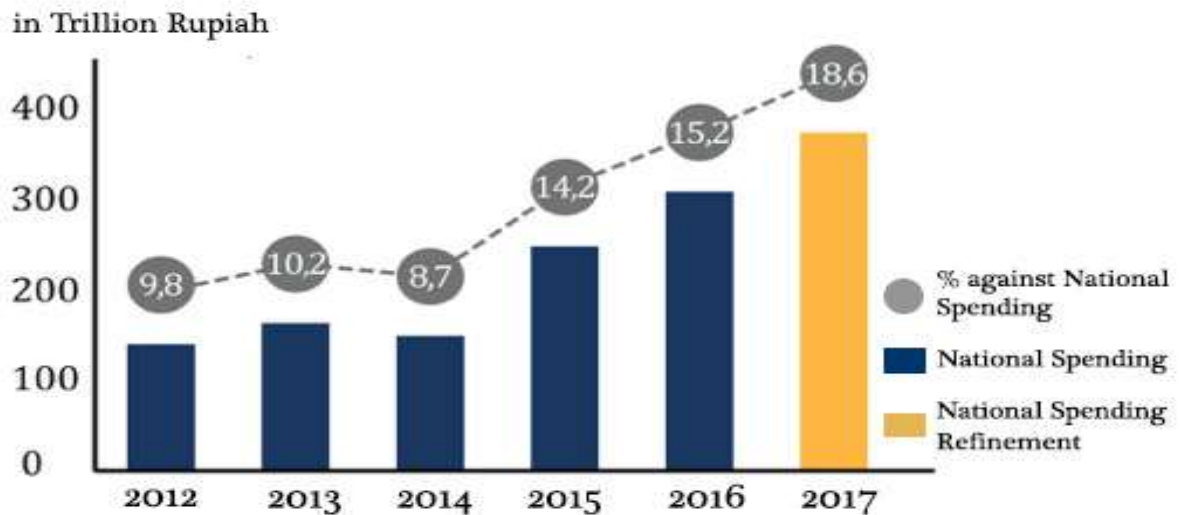
CHAPTER I INTRODUCTION

I.1 BACKGROUND OF RESEARCH

The role of infrastructure in a country can be seen as what helps the country to grow in most aspects. Many developing countries focusing more on their infrastructure than other sectors, different with developed countries, they are most likely already performed well on that. Improving infrastructure fosters stability and accelerates economic growth, particularly in countries recovering from conflict and disaster, allowing them to progress beyond assistance (US AID, 2017). Infrastructure investment has the effects of contributing to increase the productivity and it is expected to contribute to future economic growth in developing countries where infrastructure is still insufficient (Ansar, Flyvbjerg, Budzier, & Lunn, 2016).

There is no universally agreed definition of infrastructure though. However, it can be described as the physical assets that provides an essential service to society (Legg Mason, 2017). That is why infrastructure is very much important especially in developing countries, not that developed countries does not need to focus on the infrastructure, whereas developed countries usually already more advanced, that is why it is called "developed country", it is because they are developed especially on their infrastructure, thus infrastructure development is more into developing countries.

Indonesia is one of the developing countries that is still striving for better infrastructure, with the final interest of economic growth and the people's welfare. Indonesia faces serious constraints such as poverty, poor natural resources management, poor education and many more. In three years of the leader of Joko Widodo, he focuses more on the infrastructure of Indonesia. Jokowi sees the condition of the infrastructure in Indonesia is very concerning and far for ideal (Halik, 2017). *"Compared to other countries which average usually on 70 percent of the GDP, Indonesian infrastructure only 38 percent from GDP and by that number the country considered as very weak on infrastructure. Compared to the previous time before Economy Crisis in Asia in the year of 1997-1998, the total of Indonesian infrastructure decreased from 95 percent of GDP to 38 percent in this year. That is why we focused a lot on the development of infrastructure. Whether it is the constructions of the highways, ports, or airports on the regions that considered need the development,"* says Jokowi, President of Indonesia (Nur, 2017)."

Graph 1.1: Infrastructure Budgeting (2012-2017)

Source: (Kementerian Keuangan Republik Indonesia, 2017)

Government keep increasing their budget for the infrastructure, especially in the last three years, Indonesia is showing their seriousness on the infrastructure sector. From the data, since 2012 to 2017 the budget of infrastructure on Anggaran Pendapatan dan Belanja Negara (State Budget) is gradually increasing and always above 8 percent. In 2015, government increased the budget significantly around 5,5% and keep doing so until last year, government prepared the budget around Rp 387,3 trillion or 18,6% of the APBN. The actions that are done to increase the infrastructure budget is by cutting down the subsidies for fuel and instead they are increasing the price for fuel and channel the money for infrastructure (Katadata, 2016). Around 16 Trillion from the fuel subsidy will be reallocated to other programs that considered to support the productivity of the people, such as Indonesia Terang Program, which delivers access to more electricity in remote areas. Because in 2016, all 16 Trillion of State's Budget (APBN) went to fuel subsidy as big as Rp. 1000/Litre on Solar fuel (Agustinus, 2016).

To support the execution of infrastructure development in Indonesia, the government is believing the projects to some well-known companies in Indonesia. In Indonesia itself, there are state-owned and private-owned infrastructure companies that are supporting this country with their operations to build this country's infrastructure. Most of the companies that take roles on this development are most likely state-owned companies, because on the other hand, government is supporting the state-owned companies as well, making private-owned companies under pressure (Afrianto, 2017).

Table 1.1: List of Infrastructure Companies in Indonesia

List of the Shares due to SMInfra18 Index Calculation				
The Period of May to July 2018				
No.	Code	Name of Share	Description	Ownership Structure
1	ADHI	Adhi Karya (Persero) Tbk.	Fixed	State-Owned
2	AKRA	AKR Corporindo Tbk.	Fixed	Private-Owned
3	BBNI	Bank Negara Indonesia (Persero) Tbk.	Fixed	State-Owned
4	BBRI	Bank Rakyat Indonesia (Persero) Tbk.	Fixed	State-Owned
5	BMRI	Bank Mandiri (Persero) Tbk.	Fixed	State-Owned
6	EXCL	XL Axiata Tbk.	Fixed	Private-Owned
7	INTP	Indocement Tunggak Prakarsa Tbk.	Fixed	Private-Owned
8	ISAT	Indosat Tbk.	Fixed	Private-Owned
9	JSMR	Jasa Marga (Persero) Tbk.	Fixed	State-Owned
10	MEDC	Medco Energi Internasional Tbk.	Fixed	Private-Owned
11	PGAS	Perusahaan Gas Negara (Persero) Tbk.	Fixed	State-Owned
12	PTPP	PP (persero) Tbk.	Fixed	State-Owned
13	SMBR	Semen Baturaja (Persero) Tbk.	New	State-Owned
14	SMGR	Semen Indonesia (Persero) Tbk.	Fixed	State-Owned
15	TBIG	Tower Bersama Infrastructure Tbk.	Fixed	Private-Owned
16	TLKM	Telekomunikasi Indonesia (Persero) Tbk.	Fixed	State-Owned
17	UNTR	United Tractors Tbk.	Fixed	Private-Owned
18	WIKA	Wijaya Karya (Persero) Tbk.	Fixed	State-Owned

Source: (Indonesia Stock Exchange, 2018)

In the graph above, stated all the companies that are publicly listed in Indonesia Stock Exchange (IDX). We can see there are 10 State-owned companies and 7 Private-owned companies running in Indonesia. Meanwhile, there are 8 State-owned contractors and 140.000 Private-owned contractors that are recognized in Indonesia as the supporter of infrastructure companies (Hamdani, 2018). It is known that Indonesian government is now prioritizing the infrastructure in Indonesia, this cause the government to prioritize the State-owned infrastructure companies to run most of the projects executed by the government. (Hamdani, 2018). There only little involvement of Private-owned companies in the projects, causing these companies to scream for their existence, even more, there are more or less 37.000 of construction companies are reported to shut down their operation because the domination of State-owned companies (Okezone Finance, 2018). Imagine all the budget from the government, only 45% of budget that will be distributed to the private-owned companies, meanwhile the rest will be distributed to state-owned companies, making them to have more money to operate the companies.

However, some still wondering and skeptical about where all the money goes. Indonesian people are used to rumours of corruption in big amount of money, making people do not believe what is the government doing in the name of development. Nevertheless, lately in Jokowi's era, he proved that the government is literally working

at last, with the results being proudly presented to the people of Indonesia, there are some works done in his era such as the construction of West Papua Trans Road as long as 1.070 KM (Fauzie, 2018). Many more to be mentioned, unfortunately the quality of State-owned companies' work are still in doubt. Especially when one of the most horrible incidents, Soekarno Hatta's Perimeter underpass collapsed and caused one casualty left people frightened and not sure about the infrastructure that are built in Indonesia, Jakarta to be exact (Agustiar, 2018).

Every company must have their own management style, because that is built through many filters through company's culture and adapting to be able to be accepted by the people inside the company. This factors are inevitably affecting the performance of a company, and making every company to have their own management yet creates their own firm's value.

This research attempt to find out whether there are any differences on performance between State-owned and Private-owned infrastructure companies affected by factors that will later be stated, and which ownership structure that will effectively run in Indonesia considering all the pros and cons. And to identify whether these two ownership structures have different management thus creating different value for the firms.

I.2 RESEARCH PROBLEMS & QUESTIONS

There are 3 research problems and questions in this study:

	Research Problem	Research Questions
1.	The management and performance of State-owned infrastructure companies in Indonesia	How does the management and performance of State-owned infrastructure companies in Indonesia?
2.	The management and performance of Private-owned infrastructure companies in Indonesia	How does the management and performance of Private-owned infrastructure companies in Indonesia?
3.	The comparison of performance of state-owned and private-owned infrastructure companies in order to support Indonesia's infrastructure	How effective the management of state-owned companies compared to private-owned companies affecting the performance of their operations in order to support Indonesian infrastructure?

I.3 RESEARCH PURPOSES

Referring to the above research problems and questions, this research attempt to achieve the following purpose;

1. To identify how the management affects the performance in state-owned and private-owned infrastructure companies
2. To analyze which ownership structure will be effectively run in Indonesia
3. To identify which ownership structure is more reliable for the infrastructure development in Indonesia

4. Find out whether between these two ownership structure companies, there's one that outstand the other's management and performance.

I.4 RESEARCH SCOPE & LIMITATIONS

The study is limited due to this following circumstances:

1. For the accessible data from infrastructure companies listed on the Indonesian Stock Exchange, this research will cover the period of the year 2013-2017
2. The companies used for the research will only the companies that are listed in SMInfra18 from stock index
3. This research follows the pattern in a case study analysis and will mainly focus on the management and performance of state-owned and private-owned infrastructure companies.

Final Draft

CHAPTER II LITERATURE REVIEW

II.1 BUSINESS MANAGEMENT

When it comes to successful company, it is believed that there is a strong and reliable management behind all that. Many people believed that a great management creates brighter path for company's long term objectives, and because of that, better management increases value for shareholders as well. Management helps the company to run the operations in a more smart way which in the end of day affecting the profitability of the company and attracting the investors. Management theories are overviews expressing visions of different ways to run a business based on differing assumptions about how people and systems operate. They has evolved considerably over time from traditional top-down authoritarian paradigms to more human-centered contemporary adaptations (Gartenstein, 2017).

Business Management Theory is a range of approaches including the principles of accounting, public relations, operations, labor relations, time management, investment and corporate governance to improve the performance of a business in some measurable or otherwise provable manner. Business management theory encompasses the deployment and manipulation of human, financial, technological and natural resources and their effective allocation for the optimum level of output for the business.

II.2 BUSINESS PERFORMANCE

Measuring how well the operations of a company is not that easy, there are many factors that must considered to come up with a conclusion that a company is performing very well or even vice versa. There are many ways to measure performance in an organization, choosing a dimension of performance as a basis for reward, staffing, or development decisions implies that it is important for an organization because it affects its current and future performance. Performance measurement has become a key mechanism for managing firm performance. Over the last 20 years this journal has been at the forefront of publishing papers on the design, implementation and application of performance measurement in practice (Bititci, Carrie, & McDevitt , 2014).

In state-owned companies, most likely their operations are supported financially by the government, different with private-owned companies which stand by their own feet. These factors might as well affecting the performance of the companies, in this case, state-owned and private-owned infrastructure companies.

II.3. HUMAN RESOURCES MANAGEMENT

The success of a company may not always be measured by how they generate profit, there are other things that idealistic become the main purpose of several companies rather than money, however it is undeniable that most companies' main objective is to have more money and create value from it. However, the point is how then a company creates value? Who executes the operations to obtain the value creation? In every business, the core of the operations is held by the people inside the business. They are the one who are responsible of the mechanism of the business

running, and are crucial for the whole organization and the continuity of the business, especially to reach the objectives. That is why Human Resources Management is very important to an organization, the success of a business depends on how the human resources inside an organization is managed.

Human Resources Management itself is the process of managing people of an organization with a human approach. Human resources approach to manpower enables the manager to view the people as an important resource. So, HRM can be defined as human aspect of business management and interactions between the organization and its employees. The principal target of staff management is to ensure the best use of the company's human resources so that the employer can obtain the greatest potential benefit from their skills, and workers would get the maximum possible payment and psychological satisfaction from their toil (Pro Papers, 2015).

II.4. PROFITABILITY

Profitability is one of the things that most companies focus on, there are even some companies that set their objective's more on profit, to generate more and more money. That is why many people measure how well a company is running by calculating and measuring the profitability on that company. There are many ways to measure company's performance, different financial ratios to analyze different aspects of a business' financial position, performance and cash flows are used to finally can be used for decision making and learn more about a company's current financial health and its potential (Lan, 2012). Profitability ratio is used especially to show a company's overall efficiency and performance. Profitability ratios are divided into two types: margins and returns. Ratios that show margins represent the firm's ability to translate sales dollars into profits at various stages of measurement. Ratios that show returns represent the firm's ability to measure the overall efficiency of the firm in generating returns for its shareholders (Peavler, 2018).

II.5 CAPITAL INVESTMENT

When it comes to business, everything will be more likely to be related with money, without money, a business can not operate. However, there are many ways for a company gain money to operate their business, one of it is capital investment. Capital investment refers to money that is used or invested in a business to purchase fixed assets such as land, building, and machinery (Ward, 2017). Capital investment came in the form of debt financing from a financial institution or equity financing from angel investors or venture capitalists (Ward, 2017).

In other case of State-owned Enterprises, capital investment may be come from the government as well. It may be applied on Private sectors too, however, the capital that come from the government will not as big as the State-owned got. This is because, government generate money from the businesses they owned, thus supporting their businesses using state's money will boost the performance of their businesses then generate more money.

II.6 LEADERSHIP STYLE

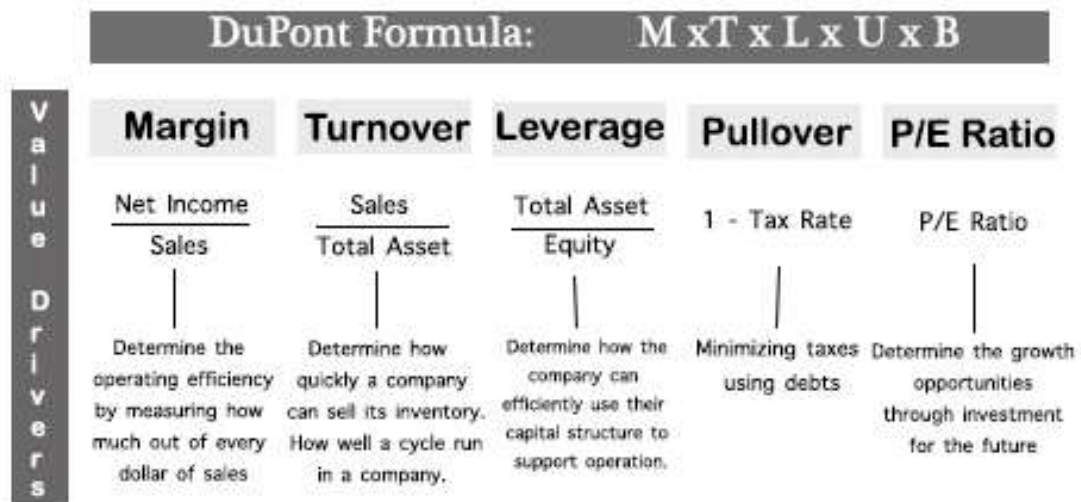
In an organization, leadership is very critical. This is because in a group of people, there will be different minds, values, beliefs, thoughts, skills, needs and many more. One can not control how one develop these factors to create their identities. And when an individual meets other individual with different factors of identity, they sometimes can not relate to one another. Imagine if there is a lot more people inside one group, meeting each other and create relationship, there must be one people to lead those minds, values, beliefs, etc to create harmony.

Leadership style itself is the way a person uses his or her power to lead other people (Raza, 2015). It refers to the characteristic of the leader's behaviors when he or she directs, motivates, guides, and manages groups of people. Great leaders can inspire political movements and social change. They can also motivate others to perform, create, and innovate (Cherry, 2018). There are many factors affecting how a leader lead a group of people, such as number of followers, specific situation, pressure, responsibility and many more.

II.7. DUPONT MODEL

When a company wants to create values, they must first assess their performance and business environment. The DuPont Formula can be used to analyze the performance of a company from financial point of view.

Figure 2.1: DuPont Formula



Source: (Anantadjaya, 2017)

By knowing the margin, turnover, leverage, pullover, and book to value ratio, company can assess their current performance and create value. How the efficiency management of operations, assets, and capital structure can create wealth, reduce unnecessary or unproductive assets, operates on leverage management, or how company is doing savings especially when they can do it on tax. If all of those drivers are multiplied, the result will show as share value. All of that for the opportunities of growth, competitive advantage, decision making and many more for future opportunities.

II.7.1 MARGIN

Profit margin is a profitability ratios calculated as net income divides by sales or revenue, or net profits divided by sales. Net income or net profit may be determined by subtracting all of a company's expenses, including operating costs, material costs include raw materials, and tax costs, from its total revenue. Profit margins are expressed as a percentage and in effect, measure how much out of every dollar of sales a company actually keeps in earning (Investopedia, 2017).

II.7.2 TURNOVER

Turnover is an accounting term that calculates how quickly a business collects cash from accounts receivable or how fast the company sells its inventory (Investopedia, 2017). To measure turnover, sales must be divided by total asset of the company. Two of the largest assets owned by a business are account receivable and inventory, Both of these accounts require a large cash investment.

Turnover can also refer to the amount of assets or liabilities that a business cycles through in comparison to the sales level that it generates. For example, a business that has inventory turnover of four must sell all of its on-hand inventory four times per year in order to generate its annual sales volume (Accounting Tools, 2018). This information is useful for determining how well a company is managing its assets and liabilities. If a business can increase its turnover, it can theoretically generate a larger profit, since it can fund operations with less debt, thereby reducing interest costs (Accounting Tools, 2018).

II.7.3 LEVERAGE

Financial leverage is the amount of debt that an entity uses to buy more assets. Companies usually using leverage to avoid using too much equity to fund the operations. However, excessive amount of financial leverage increases the risk of failure, since higher leverage means higher debt and it becomes more difficult to repay debt. The financial leverage formula is measured by dividing total asset by equity. As the proportion of debt to assets increases, so too does the amount of financial leverage. Financial leverage is favorable when the uses to which debt can be put generate returns greater than the interest expense associated with the debt. Many companies use financial leverage rather than acquiring more equity capital, which could reduce the earnings per share of existing shareholders (Accounting Tools, 2017).

II.7.4 PULLOVER

When it comes to pullover, it will most likely related to the tax, especially tax efficiency. Tax efficiency here is when a company can reduce or minimize their tax, and there are two ways to legally minimizing tax and maximizing tax pullover or tax efficiency, first is using tax shield benefit by using the debt in the capital. By using debt for the capital, tax will only impose to the capital that is not come from the debt because debts are considered as expense. Second, is to maximize depreciation to reduce reported profits, as depreciations are considered as expense and will be

subtracting the gross profit (Anantadjaya, 2017). The lower the Net Income, the lower the tax rate will be as well.

II.7.5 BOOK TO VALUE RATIO

Book to value ratio is also known as P/E Ratio, it is can be said as investment for the future as well. P/E Ratio will be maximized if there is opportunities in the future (Anantadjaya, 2017). P/E Ratio is one of the most widely tools for stock selection. It is calculated by dividing the current market price of the stock by its earning per share (EPS) (Vaidya, 2016). P/E Ratio itself can be described as a useful metric for evaluating the relative attractiveness of a company's stock price compared to the current earnings of a firm (Kennon, 2018), often offering some modifications and additional clarification so it had added utility when viewed in light of a company's overall growth rate and underlying earning power.

II.8. PREVIOUS STUDIES AND DIFFERENCES IN RESEARCH

Table 2.1: Selected Previous Studies

No	Author and Title of Research or Article	Variables & Sub Variables	Findings
1	Iqbal N, Anwar S, Haider N (2015) Effect of Leadership Style on Employee Performance	<ul style="list-style-type: none"> Variables: Leadership Styles, Employee Performance Sub-Variables: Participative, Autocratic, Democratic, Deadlines, Department Goals, Creativity. 	Participative style of leadership has a greater positive effect on employee performance in which situation employee feel power and confidence in doing their job and in making different decisions
2	Izaskun Rekalde, Jon Landeta, Eneka Albizu (2015) Determining Factors In The Effectiveness Of Executive Coaching As A Management Development Tool	<ul style="list-style-type: none"> Variables: Executive Coaching Sub-Variables: Confidentiality, Trust, Empathy 	The most outstanding factors needed in executive coaching are confidentiality, trust, and empathy between coach and coachee
3	Ali Hussein Alkahtani (2015) The Influence of	<ul style="list-style-type: none"> Variables: Leadership Styles, Emotional Intelligence, 	Emotional intelligence enhances the

No	Author and Title of Research or Article	Variables & Sub Variables	Findings
	Leadership Styles on Organizational Commitment: The Moderating Effect of Emotional Intelligence	Organizational Commitment <ul style="list-style-type: none"> • Sub-Variables: Normative, affective, and continuance commitment, organizational, individual, job, and environment factors 	positive influence of contingent reward leaders on employees' continuance and affective commitment
4	Chaiporn Vithessonthi (2015) Capital Investment, Internationalization, and Firm Performance: Evidence from Southeast Asian Countries	<ul style="list-style-type: none"> • Variables: Capital Investment, Firm Performance • Sub-Variables: Internationalization, Foreign Sales Growth, Return on Assets, Stock Price Performance 	Firms that invest more have higher degrees of internationalization. The research shows positive relation between the level of internationalization and firm performance, measured as stock price performance
5	Khurram Khawaja, Sarwar Mehmood Azhar, Attique Arshad (2014) Examining Strategic Human Resources Management and Organizational Effectiveness in Pakistani Organizations	<ul style="list-style-type: none"> • Variables: Organizational Effectiveness, Human Resources Management • Sub-Variables: HR system, Prevalent Practices, Workforce Skills, Employee Level of Competence, Employee Commitment, Engagement, Political, Economic, Sociological, Technological, Legal and Environment 	Organizations needs to distinguish itself in performance and strategy from the other organizations. Improvement in human resources helps the organizations to gain competitive advantage

No	Author and Title of Research or Article	Variables & Sub Variables	Findings
6	Elif Akben-Selcuk (2016) Factors Affecting Firm Competitiveness: Evidence from an Emerging Market	<ul style="list-style-type: none"> • Variables: Firm Competitiveness, Return on Assets, Gross Profit Margin • Sub-Variables: Firm Size, International Sales, Liquidity and Growth, Leverage, R&D Expenditures, Size, International Sales. 	Competitiveness is proxied by a firm's financial performance. Results show that Tobin's Q ratio is higher for firms with higher levels of debt and higher liquidity levels
7	Michael Gayed, Charles Bilello (2016) Leverage for the Long Run: A Systematic Approach to Managing Risk and Magnifying Returns in Stocks	<ul style="list-style-type: none"> • Variables: Leverage, Moving Averages • Sub-Variables: Stocks, Trading, Market, Momentum, Rotation, Volatility, Alpha, Beta, Equities, Quantitative, Efficient Markets, Asset Allocation 	The strategy that employs leverage when the market is above its Moving Average and deleverages (moving to Treasury bills) when the market is below its Moving Average shows better absolute and risk-adjusted returns than a comparable buy and hold unleveraged strategy as well as a constant leverage strategy
8	Brian Chingono, Daniel Rasmussen (2015) Leveraged Small Value Equities	<ul style="list-style-type: none"> • Variables: Leverage, Value • Sub-Variables: Long Term Debt, Enterprise Value, Momentum, Liquidity, Investment Strategy 	At the company level, the results indicate that there is a positive interaction between leverage and value.

No	Author and Title of Research or Article	Variables & Sub Variables	Findings
9	Jennifer Itzkowitz, Jesse Itzkowitz, Scott Rothboth (2014) ABCs of Trading: Behavioral Biases Affect Stock Turnover and Value	<ul style="list-style-type: none"> • Variables: Alphabetical Order, Firm's Value • Sub-Variables: Alphabetical Order, Heuristics, Stock Turnover, Behavioral Finance, Company Name 	Early alphabet stocks are traded more frequently than later alphabet stocks and that alphabeticity also affects firm value
10	Soufiene Assidi, Khaoula Aliani, Mohamed Ali Omri (2016) Tax Optimization and The Firm's Value: Evidence From the Tunisian Context	<ul style="list-style-type: none"> • Variables: Management, Firm Value • Sub-Variables: Tax optimization, Accruals, Investment Management, Performance. 	Tax optimization, accruals and investment increased the firm's value. After dividing the sample between listed and non-listed firms, we concluded that, compared to non-listed firms, the listed firms were better able to optimize tax through adopting a tax policy.
11	Md. Rashidul Islam, Tahsan Rahman Khan, Tonmoy Toufic, Choudhury, Ashique Mahmood Adnan (2014) How Earning Per Share (EPS) Affects on Share Price and Firm Value	<ul style="list-style-type: none"> • Variables: Share Price, Firm Value, Financial Performance • Sub-Variables: Earning Per Share (EPS), Price/earnings Ratio (P/E), Dividend Per Share (DPS), Dividend Payout (D/P), Dividend Yield (DY), Micro Economics, Macro Economic 	Earnings per Share (EPS) is generally considered most important factor to determine share price and firm value. This research found that although the EPS is increasing, the share price is not increasing that much

II.8.1 DIFFERENCES IN RESEARCH

In this research, the previous studies will be supporting the theories behind the arguments of the research. However, there are some differences of the previous studies

and the research that will be done by the writers of this research. This study is different in terms of the following facts:

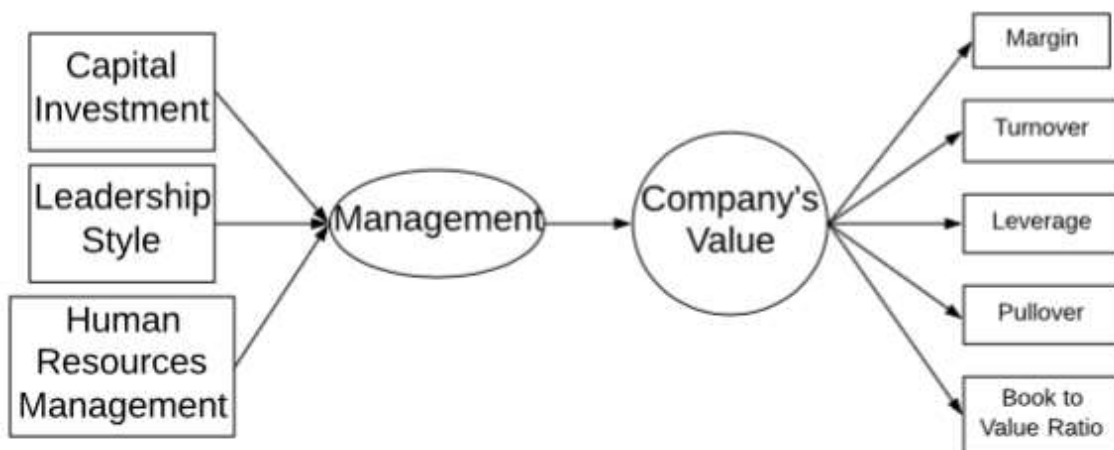
1. This study focuses on how the management affects the firm value thus creating different results between state-owned and private-owned infrastructure companies
2. This study focuses only on the companies that are listed on the SMInfra18
3. The research will be highly relying on the firm value that are determined by margin, turnover, leverage, pullover, and book to value ratio.

II.9 RESEARCH MODEL & HYPOTHESES

The research questions, research purpose and problem all lead to the formulation of research model and hypotheses in this study. Thus, according to the following research method, the hypotheses are formulated as follows:

- H0 : Management does not have a strong correlation towards company's value
 H1 : Management has a strong correlation towards company's value

Figure 2.2: Research Model

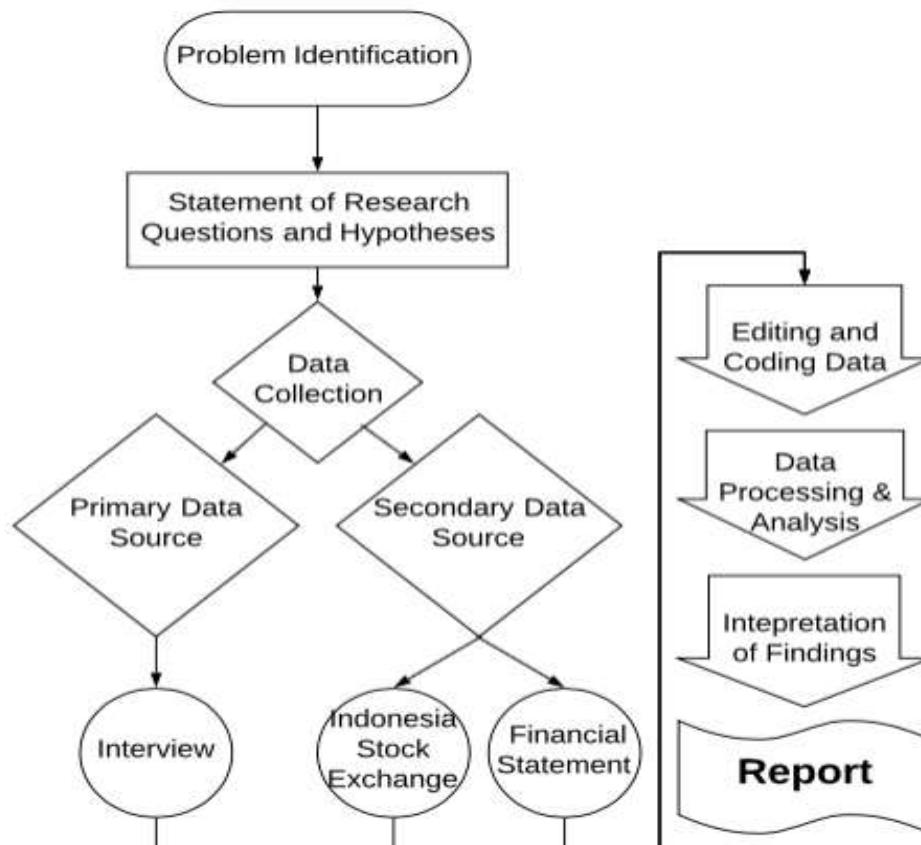


Source: (Rahelita, Lucid Chart, 2018)

CHAPTER III RESEARCH METHODS

III.1 RESEARCH PROCESS

Figure 3.1: Research Work Process Overview



The first step is the problem identification. It is needed in order to find the topic that will be discussed in this research. Second, develop the research questions and hypotheses based on the research model. Research questions and hypotheses most likely to be relevant with each other because research questions will give the overview of what the author will be discussing, meanwhile the hypotheses are there to give readers the probability of results that will be generated from this research. Then, research methodology must be formulated in terms of determining the method that will be used in this research and how the author gathers data needed to support the research. The fourth step is collecting the data, both primary and secondary data. Primary data source will be from interview, meanwhile secondary data will be obtained from Indonesia Stock Exchange and the financial statements of the determined companies. After all the data gathered, all data will be edited into coding data to be processed further using SPSS and AMOS. From the data processed, the results will be analyzed and interpreted to describe

the findings of the research. Lastly, the research will be prepared and presented in the form of report.

III.2 TYPE OF RESEARCH

The type of the research is correlational research as the purpose of this thesis is to analyze the correlation between management and performance and the comparison of it in state-owned and privately owned infrastructure companies, and author may examining the degrees of association among variables and sub-variables (Anantadjaya & Nawangwulan, 2018).

III.3 TYPE OF DATA

In this research, the data will be obtained as primary and secondary data. The primary data will be gathered through interview to the determined infrastructure companies in Indonesia. However, to measure the second variable which is Company's Value, secondary data must be gathered from financial statements of the companies that are chosen.

III.4 DATA COLLECTION

1. First data collection will be done qualitatively through manual collection of Infrastructure Companies listed from the Indonesia Stock Exchange
2. This research is using primary and secondary data collection. The primary data will be gathered through interviews to the determined companies.
3. The secondary data is collected through the Indonesia Stock Exchange website and financial statements of chosen companies. Furthermore, the data will be analyzed and identified for the purpose of this research objectives. This research can be determined as descriptive statistics as it will describe the phenomena or characteristics of the data.

III.5 POPULATION AND SAMPLE SIZE

III.5.1 POPULATION

As the infrastructure that has been done in Indonesia, especially in the last 5 years as the transition of the president in Indonesia is very much affecting the infrastructure in Indonesia, the targeted population of this research will be data and employees from companies in infrastructure industry that are running in Indonesia only from the year of 2012-2017. Listed below are the steps taken in selecting the companies for the research along with brief explanations:

Due to the unavailability of an official listing of Indonesia's Infrastructure Companies, information on the research population will based on SMInfra18 Stock Index in Indonesia Stock Exchange. The number of infrastructure companies listed in SMInfra18 is 18 companies. However, this number includes construction companies as the supporting companies of infrastructure.

III.5.2 SAMPLE SIZE

From the targeted population, the size of the sample to become the data source is classified based on the JASICA (Jakarta Stock Industrial Classification). In JASICA, there are 9 industries with 555 companies that are enlisted. This research will be focusing on the infrastructure sector. However, there is no available data that officially listing only the infrastructure sector. The only available data is already classified into "Infrastructure, Utility & Transportation" sector. In that sector alone, there are 79 companies that are listed in Indonesia Stock Exchange. So, the analysis will only focusing on the SMInfra18 Stock Index in Indonesia Stock Exchange. In SMInfra18 there are 18 companies listed, nevertheless, 3 of them are banks, which are not the focus of this research, so the banks will be eliminated leaving 15 companies to be the source of the data. The number of samples for this research however must first be calculated using sample size calculator from RAOSOFT.

The steps listed below are the ones used in Raosoft to measure the sample size needed:

1. Open any kind of browser
2. Type "http://www.raosoft.com/samplesize.html" on the searching box
3. In the appeared window, there will be "Margin Error", "Confidence Level", "Population Size", and "Response Distribution" that must be filled in terms of calculating the sample size
4. Fill in the boxes with (a) 10% margin of error, (b) 95% confidence level, (c) 20.000 population size, (d) 50% response of distribution.

Table 3.1: Sample Size

Sample Size	
Margin of Error	10%
Confidence Level	95%
Population Size	20000
Response Distribution	50%
Recommended Sample Size	96

Source: Raosoft.com

III.5.3 SAMPLING METHOD

The sampling process will be based on the JASICA (Jakarta Stock Industrial Classification). Using Clustering method, from all of the companies that are operate in Indonesia the biggest group classification which is JASICA that consists of 9 sectors, my research will be focusing on the infrastructure sector based on SMInfra18. The research will be focusing in the last 5 years as the transition of the president in Indonesia is very much affecting the infrastructure in Indonesia. Then, this research will be using stratified method from the data information, the data collected will be divided into strata based on quarterly period from the year 2013-2017.

Table 3.2: Sampling Process

Company	Year	Sample per Year (Quarter)	Sampling Size
Adhi Karya (Persero) Tbk.	2013-2017	4	20
XL Axiata Tbk.	2013-2018	4	20
Indosat Tbk.	2013-2019	4	20
Jasa Marga (Persero) Tbk.	2013-2020	4	20
Tower Bersama Infrastruktur Tbk.	2013-2021	4	20
Wijaya Karya (Persero) Tbk.	2013-2022	4	20
Total Sample			120

III.6 VALIDITY AND RELIABILITY PRE-TEST

III.6.1 VALIDITY

Validity testing is the tool to measure whether the data collected can be used in the research. It refers to the accuracy of an assessment, whether or not it measures what it is supposed to measure. It determines whether the relationship that the research aims to present can be depicted from the data collected. There are several ways to measure validity, in this research however validity will be measured using SPSS. To conduct the validity pre-test, the total data acquired is 30 from 2 infrastructure companies, from both State-owned and Private-owned, which are Adhi Karya Tbk. and Tower Bersama Infrastruktur Tbk.

Table 3.3: Component Matrix

Component Matrix ^a					
	Component				
	1	2	3	4	5
NI	0.876	0.229	0.162	0.224	-0.254
Sales	-0.384	0.886	0.105	0.1	0.099
Total Assets	0.556	-0.004	0.594	0.203	0.53
Equity	-0.192	0.015	0.961	0.065	-0.093
Debt	-0.679	0.314	0.51	0.117	0.282
Tax Expense	-0.354	0.893	0.108	0.063	0.105
EBT	0.726	0.516	0.207	0.21	-0.155
Tax Rate	-0.936	-0.07	-0.167	0.219	0.041
EPS	0.775	0.514	-0.039	0.214	-0.215
ROE	0.808	0.257	-0.256	0.411	-0.039
ROA	0.808	0.257	-0.256	0.411	-0.039
Share Outstanding	0.86	-0.226	0.338	-0.065	0.188
P/E Ratio	-0.47	-0.646	0.01	0.541	-0.126
	1	2	3	4	5

Component Matrix ^a					
	Component				
	1	2	3	4	5
Share Price	0.807	-0.343	0.221	-0.135	-0.003
Margin	0.809	-0.237	0.242	-0.191	-0.28
Turnover	-0.443	0.777	-0.318	-0.058	-0.176
Leverage	0.563	-0.024	-0.534	0.192	0.561
Tax Pullover	0.936	0.07	0.167	-0.219	-0.041
P/E Ratio	-0.47	-0.646	0.01	0.541	-0.126
Share Value	0.932	-0.156	-0.023	0.115	0.067

Extraction Method: Principal Component Analysis.

a. 5 components extracted.

Source: SPSS

III.6.2 RELIABILITY

Reliability is the degree to which measurements and results refers to the extent to which assessments are consistent in any time except there are specific situation altered. To conduct the reliability pre-test, the total data acquired is 30 from 2 infrastructure companies, from both State-owned and Private-owned, which are Adhi Karya Tbk. and Tower Bersama Infrastructure Tbk.

Table 3.4: Reliability Statistics

Reliability Statistics		
Cronbach's Alpha	Cronbach's Alpha Based on Standardized Items	N of Items
0.390	0.590	21

Source: SPSS

As the result showing, the Cronbach's Alpha is $> .5$, meaning that the data is unreliable.

III.6.3 DATA ANALYSIS

These questions are for the interview that the researcher will conduct to the management of companies chosen:

Table 3.5: Variable & Questions

Variable & Definition	Indicator	Questions
Business Management, is a process that is used to accomplish organizational goals. that is, a process that is used to achieve	Capital Investment	How does the company manage the capital investment to support reaching company's objectives?

Variable & Definition	Indicator	Questions
<p>what an organization wants to achieve (Bohoris & Vorria, 2015).</p> <p>Business Management, is a process that is used to accomplish organizational goals. that is, a process that is used to achieve what an organization wants to achieve (Bohoris & Vorria, 2015).</p>		<p>Is there any contribution from the government to support the business?</p>
	<p>Leadership Style</p>	<p>Is there any contribution made from the top management to the lower ones?</p>
		<p>How does the top management impacting every divisions inside the company?</p>
		<p>How does the CEO conducting the organizational structure? Centralized or decentralized?</p>
	<p>Business Management, is a process that is used to accomplish organizational goals. that is, a process that is used to achieve what an organization</p>	<p>Human Resources Management</p>
<p>In what way the company creating the identity of the employees as a part of the company?</p>		
<p>What are the main factors that affecting the company when choosing applicants?</p>		

Variable & Definition	Indicator	Questions
wants to achieve (Bohoris & Vorria, 2015).		Is there any special requirement(s) -that most likely will not be asked in other companies- needed for applicants?

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