OPERATIONAL STRATEGY, CAPITAL BUDGETING AND NON-MONETARY CONSIDERATION ANALYSIS FOR DAY CARE COMPANY "RA"

Thesis

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This thesis is a presentation of my original research work. Whatever contributions others are involved, every effort is made to indicate this clearly, with due reference to the literature, and acknowledgement of collaborative research and discussions.

Also, this work is being submitted in partial fulfillment of the requirement for the Master of Business Administration degree and has not previously been accepted in substance for any degree and is not being concurrently submitted in candidature for any degree.

Jakarta, October 2026



Meliyani

ABSTRACT

The daycare industry serves as a vital social infrastructure supporting sustainability. Many service providers struggle to guarantee operational quality and financial viability, necessitating a framework that integrates strategy with effective and efficient financial planning. This study aims to analyze and evaluate the operational strategy, financial feasibility, and non-monetary impacts of Daycare "RA" to develop a sustainable business model. A mixed-methods approach was employed, combining qualitative strategic analysis (SWOT and Porter's Five Forces) with quantitative financial modeling for 2027–2032 under moderate, optimistic, and pessimistic scenarios. The financial analysis under the moderate scenario confirms the project's feasibility. With an initial investment of IDR 6,305,000,000 and a WACC of 12.01%, the project generates a positive NPV of IDR 1,626,807,887, an IRR of 20.41% that exceeds the WACC, a Profitability Index of 1.258, and an ROI of 83.38%. The Payback Period is achieved within 3.19 years (3 years and 2 months) and the Discounted Payback Period within 4.04 years, both within the five-year projection horizon, with cumulative net cash flow reaching IDR 5,257,418,234 by year five. These results are driven by a consistent recurring net cash inflow model and enrollment stability of 75%–90%. Beyond financial metrics, non-monetary considerations such as parent trust, health protocols, and staff development emerge as primary drivers of competitive advantage. The integration of precise capital budgeting with high operational quality ensures long-term sustainability, as financial success is inseparable from social trust and service quality for Daycare "RA". The results provide an integrated framework aligning traditional capital budgeting with Sustainable Development Goals (SDGs 4, 5, and 8).

Keywords: *Operational Strategy, Capital Budgeting, Non-Monetary Considerations, Daycare Company, Sustainability, Childcare Services*

TABLE OF CONTENT

ABSTRACT ii
TABLE OF CONTENT iii
LIST OF FIGURES vi
LIST OF TABLES vii
CHAPTER 1 INTRODUCTION 1
1.1 Description Background 1
1.2 Research Gap 9
1.3 Novelty 10
1.4 Research Problem 11
1.5 Research Questions 12
1.6 Research Objectives 13
1.7 Scope of the Study 13
1.8 Previous Research 14
1.9 Significance of the study 18
1.9.1 Theoretical Significance 18
1.9.2 Practical Significance 18
1.10 Company Profile 19
1.11 Thesis Structure 19
CHAPTER 2 LITERATURE REVIEW 21
2.1 Introduction 21
2.2 Literature Review 21
2.2.1 Overview of the Child Care Services Company 21
2.2.2 Operational Strategies in Daycare Services 23
2.2.3 Non-Monetary Factors Impacting Daycare Operations 24
2.2.4 Operational Risks in Child Care Services 26
2.2.5 SWOT Analysis in the Development of Child Education Services 28
2.2.6 Five Porter Force in the Child Education Services Company 31
2.2.7 Financial and Market Dynamics 35
2.2.8 Capital Budgeting Techniques in Service Industries 36

2.2.8.1 Payback Period 38
2.2.8.2 Net Present Value 39
2.2.8.3 Net Present Value (Index) 39
2.2.8.4 Return on Investment 40
2.2.8.5 Internal Rate Return (IRR) 41
2.2.8.6 Profitability Investment (PI) 43
2.2.8.7 Weighted Average Cost of Capital (WACC) 44
2.2.9 Sensitivity Analysis 45
2.2.10 Sustainable Development Goals 46
2.3 Research Conceptual Framework 47
2.4 Theoretical Framework 49
CHAPTER 3 METHODOLOGY 51
3.1 Introduction 51
3.2 Research Methodology 51
CHAPTER 4 RESULTS AND DISCUSSION 58
4.1 Daycare Company Profile 58
4.1.1 Background and Evolution 58
4.1.2 Vision and Mission 58
4.2 Exploratory Interview Results 59
4.2.1 Operational Structure and Management 59
4.2.2 Health and Safety Protocols 60
4.2.3 Educational Approach and Programs 62
4.2.4 Key Challenges and Strategies 63
4.3 Strategic and Operational Analysis 66
4.3.1 SWOT Analysis 66
4.3.2 Five Forces Analysis 69
4.3.3 Operational Strategy Design and Implementation 72
4.4 Financial Feasibility Analysis 77
4.5.1 Financial Parameters and Assumptions 77
4.5.2 Capital Budgeting Analysis 83
4.5.3 Scenario Analysis 87
4.5.4 Financial Strategy Recommendations 90

4.5 Sensitivity Analysis 93
4.5.1 Results of Moderate, Optimistic, and Pessimistic Scenarios 93
4.5.2 Sensitivity Implications for Decision Making 98
4.6 Non-Monetary Analysis and SDGs 104
4.6.1 Contribution to Sustainable Development Goals 104
4.6.2 Social Impact Assessment 107
4.6.3 Sustainable Development Recommendations 109
4.7 Integrated Model for Daycare 115
4.7.1 Core Strategic Elements 115
4.7.2 Implementation Framework 118
4.7.3 Success Indicators 119
4.8 Discussion 121
CHAPTER V CONCLUSION AND RECOMMENDATIONS 126
5.1 Conclusion 126
5.2 Recommendations 127
5.3 Future Research Directions 129
REFERENCES 131

LIST OF FIGURES

Figure 1. 1 Composition of Early Childhood by Characteristics, 2023. 1
Figure 1. 2 Percentage of Toddlers Who Have Ever Received Inappropriate Care by Mother's Working Status.....2
Figure 1. 3 The Total Private Childcare Centers Across Indonesia Between 2020 and 2023.....4
Figure 1. 4 Child Enrollment Data Development in Indonesia Between 2020 and 2023.....5
Figure 2. 1 SWOT Analysis Diagram 29
Figure 2. 2 Porter's Five Forces Model.....32
Figure 3. 1 Research Methodology 55
Figure 3. 2 Flowchart Workflow (Source Author).....57
Figure 4. 1 Five Forces Analysis of Daycare Company.....72
Figure 4. 2 Daycare Investment and Return Flow Diagram.....87
Figure 4. 3 Sensitivity Analysis of Key Parameters.....96
Figure 4. 4 Decision Tree for Contingency Activation 104
Figure 4. 5 Multi-Stakeholder Social Impact Framework.....109
Figure 4. 6 Implementation Roadmap and Success Measurement.....120

LIST OF TABLES

Table 1. 1 List of Previous Related Research 15
Table 4. 1 Daycare Organizational Structure and Responsibilities 60
Table 4. 2 Health and Safety Protocol Frequency 62
Table 4. 3 Strategic Challenges and Approaches 65
Table 4. 4 SWOT Analysis Impact Assessment 68
Table 4. 5 Staff Development Implementation Framework 75
Table 4. 6 **Basic Assumptions for the Feasibility Analysis **78
Table 4. 7 **Breakdown of Initial Investment (IDR million) **79
Table 4. 8 **Profit and Loss Projection for Years 1–5 (IDR million) **80
Table 4. 9 **Reconciliation of Net Profit to Net Cash Flow (IDR million) **81
Table 4. 10 **WACC Calculation.....**81
Table 4. 11 Calendar Year Mapping 82
Table 4. 12 Financial Parameter Framework for Daycare Operations 82
Table 4. 13 **Cash Flows, Discounting, and Cumulative Cash Flows for the Base Scenario (IDR million; WACC 12.01%) **86
Table 4. 14 Summary of Investment Feasibility Indicators for the Base Scenario (WACC 12.01%) 86
Table 4. 15 **Feasibility Indicators for Three Scenarios (IDR million; WACC 12.01%).....**87
Table 4. 16 **Feasibility Indicators for Three Scenarios (IDR million; WACC 12.01%).....**89
Table 4. 17 Financial Scenario Comparison 89
Table 4. 18 Financial Outcome Comparison Across Scenarios 94
Table 4. 19 Adaptation Strategy Framework 100
Table 4. 20 SDG Contribution Assessment Framework 106
Table 4. 21 Non-Monetary Enhancement Implementation Roadmap.....113
Table 4. 22 Core Strategic Elements Integration.....117

CHAPTER 1
INTRODUCTION

1.1 Description Background

The child care services Company is a sector that has great potential to develop in Indonesia, considering the number of productive-age residents who have early childhood who need these services. Based on data from the Central Statistics Agency in Figure 1.1 below, the 2023 Susenas results estimate that around 30.2 million people, or 10.91 percent of Indonesia's total population, are early childhood children aged 0–6 years, with the composition of early childhood being mostly in the toddler group. (59.95 percent), followed by preschool children (28.83 percent) and babies (11.22 percent) (Kemendikbud, 2023).

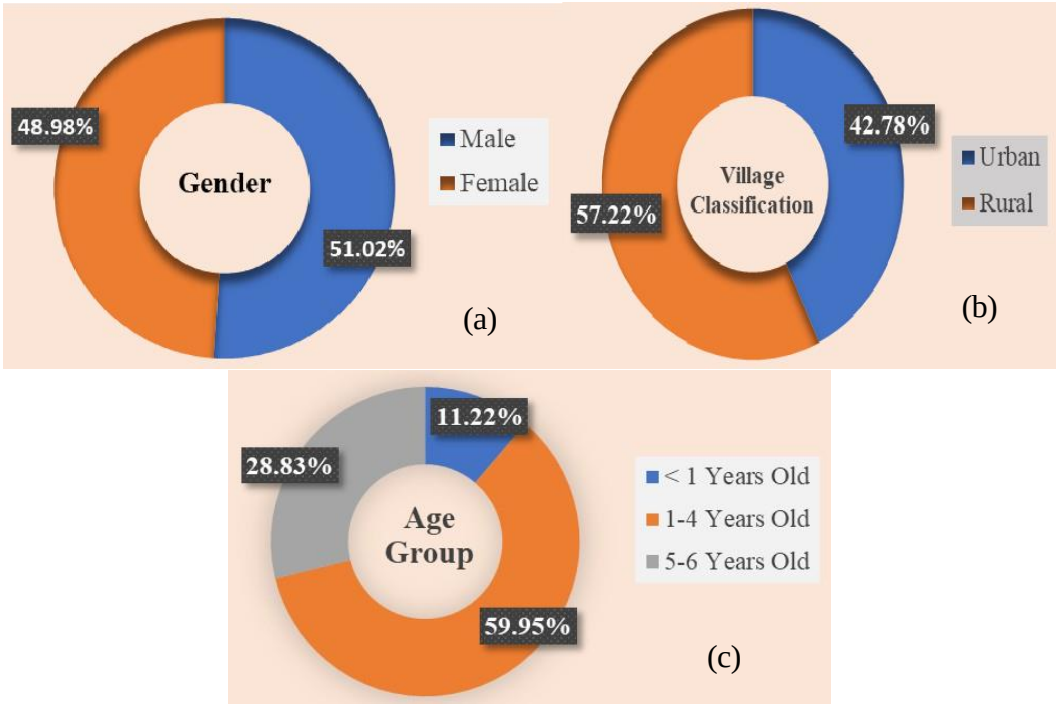


Figure 1. 1 Composition of Early Childhood by Characteristics, 2023: (a) Composition of Early Childhood by Gender; (b) Composition of Early Childhood by Village Classification; (c) Composition of Early Childhood by Age Group.
Source: Central Statistics Agency, National Socio-Economic Survey (Susenas) March 2023

If we look at the classification of the area of residence (Figure 1.1), the percentage of early childhood living in urban areas is higher than in rural areas (57.22 percent compared to 42.78 percent). One of the reasons for the high population density in urban areas is population migration from rural areas to urban areas. A study concluded that migration by parents from rural areas to urban areas brought economic improvements for families, including providing improved education for children who also migrated, ranging from learning facilities to better transportation for children to attend school.

Early childhood development is influenced by various interrelated factors. These factors start with the individual child himself, his parents or guardians, and the environment in which he lives (Araújo et al., 2021; Madaminovna, 2022). It is clear that the active role of parents and guardians in early childhood care is very necessary. However, in reality, there are still parents who are not implementing appropriate parenting styles for their children. Early childhood children are said to be receiving inappropriate care if in the last week they have been entrusted or cared for by children aged <10 years without adult supervision for >1 hour or have been left alone for >1 hour (BPS, 2023).

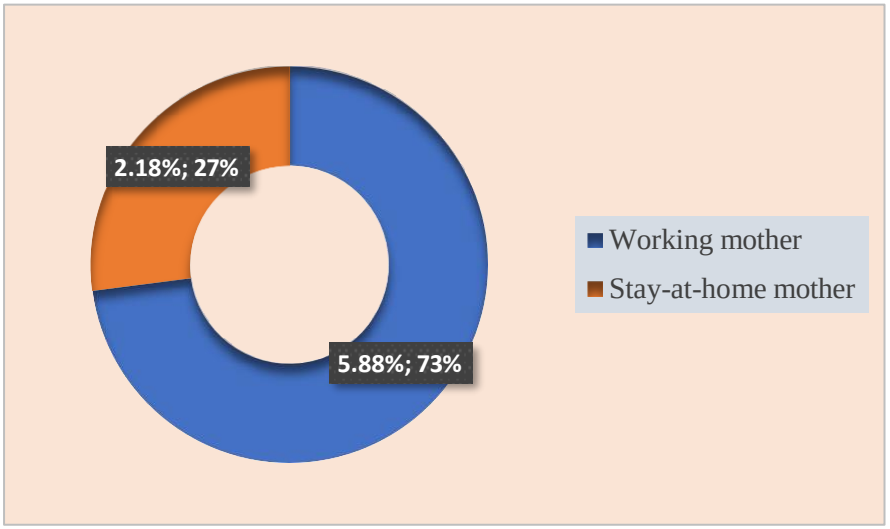


Figure 1. 2 Percentage of Toddlers Who Have Ever Received Inappropriate Care by Mother's Working Status
Source: BPS, National Socio-Economic Survey (Susenas) Educational Socio-Cultural Module (MSBP) 2023

Looking at the working status of the mother, it turns out that the percentage of toddlers who have received inadequate care from working mothers is greater than among mothers who do not work (Figure 1.2). There is a need for time management, family, work, and early childhood care for working mothers (Arpino & Luppi, 2020; Chaudry, 2004; Wijayanto et al., 2022), one of which is the need for alternative care, that based on a substitute family or Child Social Welfare Institution (LKSA), which is carried out by parties outside the nuclear family. The alternative care system may be conducted using a foster parenting system, guardianship, child adoption, or institutionalized care system, that is, LKSA (Regulation of the Minister of Social Affairs of the Republic of Indonesia Number 30 of 2011 on National Child Care Standards). The alternative care is an alternative solution in childcare in dual-career families (BPS, 2023).

According to the valuation of the company in 2020, its valuation stood at $ 167.48 billion (O'Donnell, 2023). The Company's main objective was to maintain the CAGR of 9.31% from 2021 to 2028, during which time it would be expected to reach a cumulative total valuation of $ 340.97 billion (O'Donnell, 2023). According to the Organization for Economic Co-operation and Development (OECD), the childcare service Company does well in the OECD countries in which 90% or more of the children aged between 3 and 5 years attend childcare centers and early childhood education. Among the countries that have recorded the most children's enrollment in these programs are France, Netherlands, Korea, and Luxenberg (O'Donnell, 2023).

In Indonesia, participating parties in the Company are recognized to provide child daycare services that essentially refer to the process of monitoring and taking care of one or several children aged from two weeks up to twenty years old, and in most instances, different individuals such as nannies, teachers, babysitters among others may be involved (Hasanah et al., 2019). Child daycare is normally conducted in daycare centers that may include early childhood education (Dwiyatna et al., 2020). Statistics in 2023 indicated that there were over 2215 daycare centers across the country, and experienced fluctuations in the development of the number of daycares from 2020-2023(Kemendikbud, 2023);

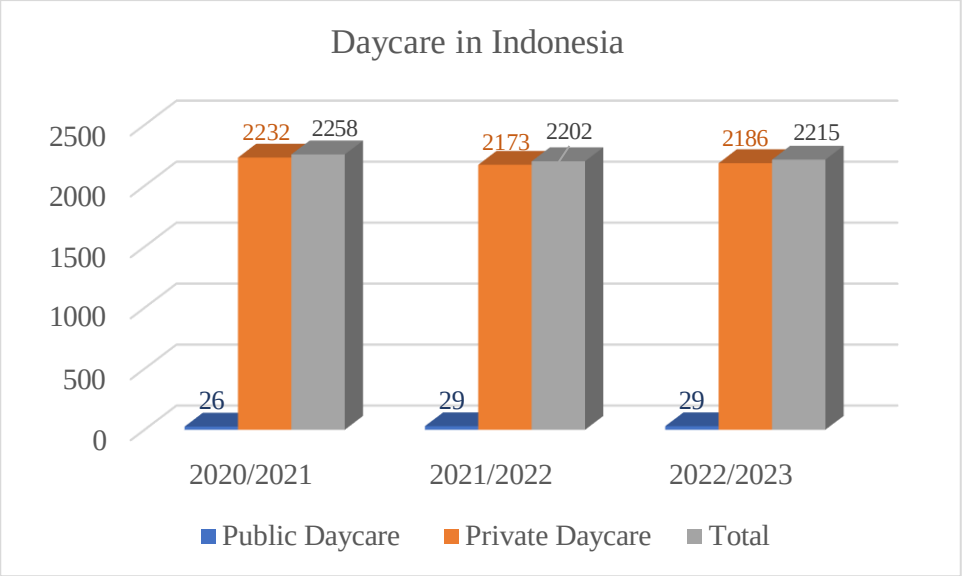


Figure 1. 3 The Total Private Childcare Centers Across Indonesia Between 2020 and 2023
Source: Kemendikbud (2023)

The enrollment data for public and private daycare services spanning the academic years 2020/2021 to 2022/2023 reveals an intriguing trend (Figure 1.3). Public daycare attendance has also shown steady numbers, only increasing slightly by just three individuals from 26 to 29. Conversely, private day care attendance numbers have reduced slightly from 2232 in 2020/2021 to 2173 in 2021/2022 but have subsequently shown a slight increase to 2186 in 2022/2023. In terms of the total attendances in the public and private day care attendance, there has only been a slight reduction in attendances, from 2258 to 2202 before increasing slightly to 2215. Such trends in the attendance of the children are indicative of certain developmental processes that may be taking place in the child education services industry. An examination of these trends can offer some insight into what factors

affect the enrollment figures of the child education service industry (Kemendikbud, 2023).

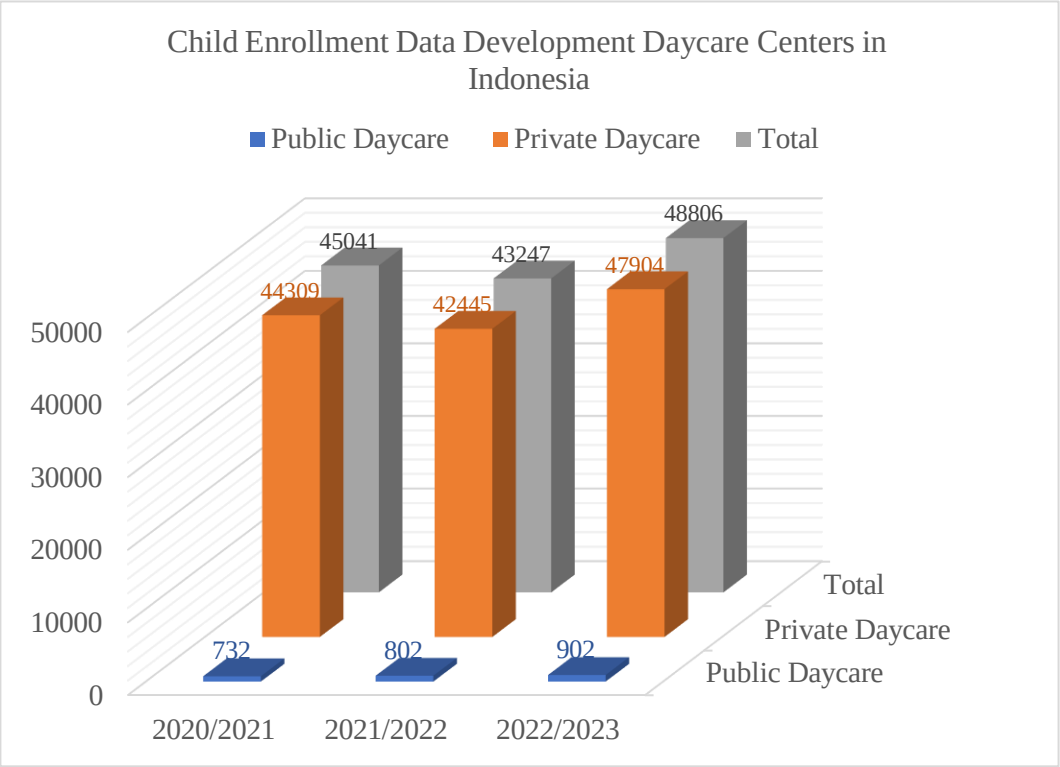


Figure 1. 4 Child Enrollment Data Development in Indonesia Between 2020 and 2023
Source: Kemendikbud (2023)

The child enrollment data presented for public and private daycare services across the academic years 2020/2021 to 2022/2023 suggests a complex relationship with the development of children in daycare settings (Figure 1.4). The persistent increase in public daycare enrollment can be seen as a positive indicator of improvements in the field of providing publicly available early childhood education. In this case, the rising numbers may be associated with some positive outcomes for children, since the public daycare services usually follow educational programs intended to provide holistic development of the children. As for private daycare services, their numbers may fluctuate under the influence of various factors, economic, for example. The decline in the number of children in private daycares from 44,309 in 2020/2021 to 42,445 in 2021/2022 raises doubts regarding the value or the cost of private daycare services. However, the following drastic increase in their numbers to 47,904 in 2022/2023 might mean the opposite – parents' confidence in their choice. Overall, the total numbers of enrolled children,

decreasing from 45,041 to 43,247, followed by a dramatic increase to 48,806, once again prove the dynamic character of children's development in daycare facilities. The study of the connection between the above-given numbers and children's development requires taking into account the quality of educational programs and staffing in public and private daycares (Kemendikbud, 2023).

Company that offers child care services plays an integral part in helping people live in modern times, where mobility of jobs and time have become significant aspects of daily lives (Andrina, 2022). Child care services act as an essential option which helps the parents in fulfilling their professional responsibilities along with providing quality care to their kids (Tatminingsih, 2022). Despite making a positive contribution to empowering the workforce and helping children's development, this Company is faced with various complex challenges and risks that require special attention in operational management and financial decision-making.

Research by Phillips et al. (2000) underscores the positive correlation between high-quality child care environments and improved school readiness. Additionally, the work of Whitebook et al. (2014) highlights the importance of well-trained and adequately compensated childcare providers in ensuring positive outcomes for children. The literature also addresses challenges within the Company, such as accessibility issues, affordability concerns, and the impact of policy changes on service provision. Insights from Clarke-Stewart et al. (2002) shed light on the significance of policy interventions in shaping the landscape of child care services. The works of Phillips et al. (2000), Whitebook et al. (2001), and Clarke et al. (2010) contribute valuable insights into the broader aspects of child care services, emphasizing the significance of quality, staffing, and long-term effects on child development.

Operational strategy has an important place in the success and sustainability of businesses within different sectors. Operational strategy includes the creation and application of processes, resources, and capabilities that enable the organization to pursue its goals effectively and efficiently. As far as the business of daycare centers is concerned, operational strategy holds an important position in dealing

with everyday activities, providing quality services for children, and adhering to the set standards.

Bordoloi and Fitzsimmons (2019) define operational strategy as a strategy where resources and activities are aligned towards delivering value to the customers in an efficient way through effective internal processes. In the daycare company, operational strategy may entail coming up with schedules which balance the time available for the children's activities with the availability of the personnel, safety issues, as well as fun and development-oriented activities for the kids.

Furthermore, the research conducted by L. Plambeck & Ramdas (2020) stresses the significance of being flexible and responsive in terms of operational strategies, especially in volatile environments such as the child care services. It refers to a capacity to respond quickly to the change in demand, regulations, customers' needs, etc. while preserving the quality of the service and being profitable (Nunes et al., 2022). Operational strategy should also be implemented using modern technologies such as the childcare management software (Shellenback, 2004).

The operational strategy for a daycare center is a complex strategy that entails the utilization of organizational processes, people, technology, and customer focus to provide quality childcare services, be compliant with regulations, and ensure operational excellence (Matthias & Brown, 2016). Through the use of concepts learned from existing models of operational management, strategic plans may be developed by daycare centers to improve their efficiency and effectiveness.

From a finance perspective, the biggest risk faced is that of operational cost and revenue variability. Variable costs such as utilities and insurance can affect profits. Additionally, reliance on government subsidies or inconsistent client payments can result in significant financial uncertainty. Effective financial risk management and careful cash management are key to maintaining financial stability and ensuring the availability of funds for long-term investment and development. Scholars such as Hermawan et al. (2022) highlight the inherent volatility in costs associated with utilities, insurance, and other operational expenses, underscoring the potential impact on profit margins. Additionally, research by Hansen et al. (2016) emphasizes the financial vulnerability that arises from reliance on

government subsidies and inconsistent client payments, both of which introduce elements of unpredictability into the revenue stream. The uncertainty involved calls for proper risk management strategies, as mentioned by Zhang (2022), who encourage proper financial risk management measures to reduce the negative impacts of such market uncertainties in order to maintain financial stability in their organization. Moreover, the academic literature highlights the significance of proper cash management, as highlighted by Cheng (2020), which is an important element to consider when seeking to manage finances effectively.

The establishment and operation of child-care centers involves large amounts of capital expenditure. Making smart investments is the cornerstone of the development and growth of business and increasing its capacities. Thus, in this case, capital budgeting methods like payback period, NPV (net present value) and IRR (internal rate of return) gain special significance in assessing investment opportunities. On the other hand, the unpredictability of returns on investment, particularly in those industries affected by various externalities, makes the process of decision-making even more challenging. In this regard, it becomes essential to apply capital budgeting methods that take into account the level of risk involved, for example, risk-adjusted return on capital (RAROC). Ehnert et al. (2014) contend that wise investment decisions are pivotal for organizational success, particularly in sectors where capital-intensive projects are essential for infrastructure development. Capital budgeting techniques, including the payback period, NPV, and IRR, are recognized as critical tools for evaluating investment projects (J. Lee et al., 2023).

However, in industries influenced by external factors, where the uncertainty of investment returns is pronounced, the decision-making process becomes complex. Researchers like Charoenwong et al. (2024) highlight the importance of considering risk in investment evaluations. Capital budgeting methods involving consideration of risks, like the risk-adjusted return on capital (RAROC), are considered essential in ensuring that projects chosen by the firm will generate profitability and at the same time will be in line with the firm's risk appetite and business strategy. This point of view is consistent with the results of Malenko

(2019), who emphasize the significance of including risk assessment in capital budgeting.

In addition to the financial factors, non-financial aspects like the effect on the environment, welfare of children, and relationship with the community have to be taken into account while managing the daycare center (Lubega et al., 2015; Zheng et al., 2016). Non-financial holistic analysis helps to make sustainable decisions in daycare business management (Naas, 2024; Fisher, 2015).

Given this complicated backdrop, research on issues concerning operational strategy, capital budgeting, and non-financial analysis is indispensable. The correct strategies in this regard would help the daycare Company to manage its current challenges and take advantage of growth opportunities.

1.2 Research Gap

Based on the explanation of the research background above, several research gaps can be identified for the study titled " Operational Strategy, Capital Budgeting, and Non-Monetary Consideration Analysis for Daycare Company ":

1. Limited Integration of Operational Strategy with Financial Management Techniques:

   In existing literature, there is separate coverage of operational strategies and financial management approaches. The literature gap here is that there are no studies that integrate both operational strategies such as personnel issues, scheduling, curricular activities, and facilities management along with financial management tools such as capital budgeting, cost analysis, and risk assessment. There is a lack of research on how each affects the other in the context of the daycare Company.
2. Lack of Focus on Non-Monetary Considerations in Decision-Making:

   Although money matters a great deal, there remains the lack of research on non-financial matters in daycare operations. Some examples of such non-financial aspects include environmental sustainability, social implications, community involvement, and compliance with regulations. The need for such research would enable the understanding of how such non-financial matters can affect the decision-making process in a business.

3. Specificity to the Daycare Company:

   The existing studies regarding operational strategy and financial management methods are rather general and can be applied to different sectors. At the moment, there is no sufficient research dedicated to implementing these strategies and methods in accordance with the specific needs of the daycare Company. The particular features and conditions including children development demands, government regulations, employees' training, and parents' expectations require an individual approach.

4. Complexity of Risk Analysis and Mitigation:

   The analysis of the risks and ways of their mitigation are essential elements of the operations and financial management of any Company. But the daycare Company is exposed to specific risks associated with safety of children, health care regulations, high staff turnover rate, and competitive environment. There is a research gap concerning the problem of analysis of the risks faced by a daycare Company.

5. Integration of Technology and Innovation:

   As a result of technology and innovation, there is a deficiency in literature that investigates the role technology and innovations play in improving operations and financial performance as well as other non-financial aspects of the daycare Company. Research is necessary to analyze the effect of technology and innovations in the daycare Company.

The filling of these gaps through empirical and theoretical studies specifically designed for the daycare Company will definitely make significant contributions to developing comprehensive approaches and practices that maximize performance and profitability while being socially responsible in daycare companies.

1.3 Novelty

While existing literature extensively discusses various aspects of the operational strategy child care services Company, including its operational dynamics, regulatory challenges, and financial considerations. The novelty of the

research titled "Operational Strategy, Capital Budgeting, and Non-Monetary Consideration Analysis for Daycare Company" lies in its integrated and Company-specific approach. This research breaks new ground by combining operational strategies, financial management techniques, and non-monetary considerations into a cohesive framework tailored specifically for daycare businesses. By integrating operational decisions with financial outcomes, addressing non-monetary factors such as social impact and sustainability, this research provides a comprehensive understanding of effective management practices and strategic decision-making in the daycare Company. This holistic approach contributes significantly to advancing the field by offering insights into optimizing operational efficiency, ensuring financial sustainability, and promoting social responsibility within daycare businesses.

1.4 Research Problem

In the context of research on "Operational Strategy, Capital Budgeting, and Non-Monetary Consideration Analysis for the Day Care Company," the primary challenges faced by child care service providers lie in the complexity of operational, financial, and regulatory risks. Operational risks can encompass various aspects, ranging from child safety and security to staff management and facility availability. For instance, the risk of accidents or medical emergencies requires proper emergency plans and well-trained staff to address such situations. Therefore, it is crucial to design and implement effective operational strategies. This may involve careful scheduling of staff, the development of stringent safety and security procedures, and regular facility maintenance. These strategies should be designed to minimize operational risks and ensure a safe and comfortable experience for the children entrusted with their care.

Furthermore, in the development or expansion of daycare centers, it is important to conduct a thorough capital budgeting analysis. This involves the evaluation of cost and revenue estimates, payback period analysis, and NPV and IRR calculations to determine the financial viability of projects. Within the case of the child care Company, where there is variability in demand and revenues, it becomes necessary for conducting such types of analysis to make sure that

intelligent investments are being made. It is also essential to take into account other qualitative factors while making decisions. For instance, the quality of services and brand reputation can have a profound effect on the success of a daycare center.

This particular Company, which is devoted to the overall development and welfare of children, experiences numerous problems, including variations in demand, high staff turnover, and complicated legislation. The large amount of money required for the construction and functioning of children's care centers makes this problem even more complicated for the organization. At the same time, as can be seen from the statistics provided about the number of daycares and number of children enrolled into them, the Company experiences changing dynamics of demand and enrolment among public and private daycare services.

The objective of this study is to conduct an analysis on how the various capital budgeting methods such as payback periods, NPV, IRR and others can be strategically used to deal with uncertainties, achieve financial sustainability and allocate resources effectively. In light of the research question, the study seeks to gain detailed information on how the relationship among the demand characteristics, financial decisions and risk management practices can be effectively handled.

1.5 Research Questions

Based on the information and problem statement above, this study would like to answer these questions:

1. How can operational strategies be designed and implemented by management of the Daycare to ensure the long-term sustainability and profitability?
2. How can we measure and evaluate the financial feasibility of investing in this new daycare project, optimistic, and pessimistic?
3. How do changes in enrollment rates and daycare fees impact the financial feasibility and sensitivity of a new daycare branch under scenarios of moderate, optimistic, and pessimistic economic conditions
4. How do child care services contribute to the sustainable development goals, broader societal and environmental goals, and how can this

assessment inform strategic decision-making in light of demographic changes, policy shifts, and Company dynamics?

1.6 Research Objectives

The overarching objective of this research is to comprehensively investigate the risks encountered by child care service providers within the Company and to develop effective risk management strategies. Specifically, the research aims to:

1. In order to come up with and implement a strategy that will help ensure long-term sustainability and profitability in the management of Daycare operations.
2. To determine whether investing in a new daycare is financially viable depending on optimistic and pessimistic situations by use of relevant metrics.
3. To analyze how changes in the enrollment rate and daycare fees affect the financial viability and sensitivity of setting up a new daycare center depending on moderate, optimistic, and pessimistic economic conditions.
4. To analyze the roles of child care in sustainable development, social and environmental goals, and use this analysis for decision-making in view of demographic changes, changes in policy, and Company changes.

By attaining such objectives, the study aims to make meaningful contributions and useful suggestions towards improving the risk resilience and sustainability of child care facilities in the ever-changing environment of the Company.

1.7 Scope of the Study

The scope of the study for the research titled "Operational Strategy, Capital Budgeting, and Non-Monetary Consideration Analysis for Daycare Company" encompasses several key areas within the daycare business context. Firstly, the study will look at the operational strategies that are used in the business operations of the day care provider. Such strategies include those relating to the staffs, schedules, curriculums, and management of facilities. The study will assess how

such operational strategies affect the performance and efficiency of the daycare businesses.

Secondly, the research will focus on the capital budgeting approaches used by the day care company. These are associated with evaluating various investment decisions including infrastructure investment, technology acquisition, and capital expenditure. Several capital budgeting techniques like the payback approach, Net Present Value (NPV), Internal Rate of Return (IRR), and Risk Adjusted Return on Capital (RAROC) will be evaluated in the study.

Thirdly, the study will look at the non-monetary issues of the day care Company. This will relate to factors such as environmental issues, social issues, community relations issues, and regulatory compliance issues.

Overall, the scope of the study aims to provide a holistic understanding of operational strategies, capital budgeting techniques, and non-monetary considerations in the daycare Company. By analyzing these key areas, the research intends to offer valuable insights and recommendations for improving operational efficiency, financial performance, and social responsibility within daycare businesses.

1.8 Previous Research

Previous research in the Child Care Services Company has laid the groundwork for understanding the intricacies of its financial landscape. However, there remains a critical gap in exploring the intersection of operational strategy, non-monetary and capital budgeting techniques within this sector. The forthcoming study, titled "Operational Strategy, Capital Budgeting, and Non-Monetary Consideration Analysis for Daycare Company," seeks to address this gap by delving into the nuanced financial decision-making processes and management strategies within the dynamic realm of child care services.

Table 1. 1 List of Previous Related Research

No	Author & Title of Research	Variables	Findings
1	Luederitz et al. (2023). Non-monetary narratives motivate businesses to engage with climate change	Non-Monetary narratives	Christopher Luederitz et al.'s research demonstrates that non-monetary narratives, focusing on prosocial or achievement motivations, are 55% more effective in motivating businesses to address climate change compared to monetary incentives alone. This highlights the importance of diversifying communication strategies to drive meaningful action towards sustainability, emphasizing values-driven motivations beyond financial gains.
2	Annarelli et al. (2028). Estimating the value of servitization: A non-monetary method based on forecasted competitive advantage	Non-Monetary	The research confirmed the diversity of Product-Service System (PSS) scenarios and compiled a standard list of business areas affected by PSS proposals, emphasizing non-monetary aspects impacting different organizational domains. This research sheds light on key factors influencing adoption, benefiting firms transitioning to servitized propositions and filling gaps in previous assessments.
3	de Assis et al. (2021). Risk analysis, practice, and considerations in capital budgeting: Evidence from the field for the bio-based Company.	Risk assessment, and capital budgeting	Most respondents use qualitative and deterministic methods for risk analysis, and consider financial, market, and technology risks. IRR, ROI, and NPV are the preferred indicators for capital budgeting (de Assis et al., 2021).
4	Chen et al. (2019). Real option, idiosyncratic risk, and corporate investment: Evidence from Taiwan family firms.	Capital Budgeting Techniques	Family firms use less sophisticated capital budgeting techniques, such as payback period and accounting rate of return, than non-family firms, which use more NPV and IRR. Family firms also take less risk than non-family firms, as they have lower debt ratios, lower R&D intensity, and lower investment-cash flow sensitivity (Chen & Wang, 2019).
5	Herbst. (2022). Child Care in the United States: Markets, Policy, and Evidence	Child Care Costs, Child Care Quality	the widespread utilization of non-parental child care among preschool-age children in the U.S. is evident, with over half regularly attending such services for an average of 23 to 27 hours per week. However, the escalating costs of child care, especially impacting low-income families, raise concerns. This paper extensively reviews three pivotal child care policies: the federal CCDF, state regulations, and QRIS, highlighting their impact on family and provider outcomes. Despite decades of research, there's a need for updated investigations, particularly on CCDF's recent enhancements and evolving market

No	Author & Title of Research	Variables	Findings
			dynamics. Future research should explore subsidy mechanisms, state variations, and the developmental consequences of regulated care. The areas of child care regulations and QRIS offer rich opportunities for in-depth empirical exploration, emphasizing the necessity of understanding the effective components driving provider behavior (Herbst, 2022).
6	de la Porte et.al. (2023). Still a poster child for social investment? Changing regulatory dynamics of early childhood education and care in Denmark and Sweden	Early Childhood Education and Care, Decision-Making on Quality Improvements	This research delves into the regulation of publicly organized early childhood education and care (ECEC) in Denmark and Sweden, employing the regulatory welfare state (RWS) framework. Examining the period from the early 2000s to 2020, with a spotlight on the post-2008 financial crisis, the study elucidates how funding and quality alterations are influenced by governmental and non-governmental actors at various governance levels. The findings reveal distinctive regulatory dynamics between Denmark and Sweden, showcasing a "double expansion" in Denmark with increased regulatory quality standards and public funding, while Sweden experiences a "regulatory-led expansion" with quality requirements, albeit hindered by a lack of additional national funds. Additionally, the RWS perspective uncovers pronounced hidden inequalities between municipalities, particularly evident in Sweden (de la Porte et al., 2023).
7	Alberto et.al. (2020). Investment Capital Budget Method Oriented to Project Management	Capital Budgeting	It encourages flexibility to deal with unforeseen situations, focus on the strategic perspective, speed of budget management, cost-effective budgeting, value added to the enterprise, and encouragement for collaboration (Alberto et al., 2020).
8	Shrotriya. (2019). Risk Analysis in Capital Budgeting	Risk Analysis and Capital Budgeting	Effective capital budgeting decisions play a pivotal role in shaping an organization's future, impacting its wealth optimization and long-term success. These decisions, focused on projects aligned with organizational culture and strategies, aim at expanding business and generating profits. The process involves analyzing projects based on net present value (NPV) and internal rate of return (IRR), with a critical evaluation of potential risks. Judicious investment in projects with calculated returns is crucial, as capital budgeting decisions have a lasting

No	Author & Title of Research	Variables	Findings
			impact, influencing an organization's return on investment and overall trajectory (Shrotriya, 2019).
9	Baskoro et.al. (2022). Entrepreneurial Orientation, Psychological Capital, Entrepreneurial Strategy, and Firm Performance on Private Daycare in Indonesia: A Conceptual Paper	Private Daycare, Entrepreneurial, Psychological Capital, Entrepreneurial Strategy	Based on the conceptual model, improving the performance of daycare business can be accomplished by the influence of the dimensions of entrepreneurial orientation, the role of business strategy mediation, and the moderation of psychological capital. It is hoped that empirical studies will be conducted to validate the relationship and interrelationships between related concepts and constructs in providing practical implications in the daycare business (Baskoro et al., 2022).

Source: Author (2022)

As shown in Table 1.1, Previous research in related areas offers valuable insights into the operational strategy, capital budgeting, and non-monetary consideration analysis for the daycare Company. For instance, studies by de Assis et al. (2021) and Shrotriya (2019) provide evidence on capital budgeting methods used in different industries, which can be adapted and applied in the daycare sector. Additionally, the research by Baskoro et al. (2022) explores entrepreneurial strategies and psychological capital in private daycare businesses, highlighting the importance of strategic planning and human capital considerations. These studies collectively contribute foundational knowledge that can inform and complement the proposed research on operational strategy, capital budgeting, and non-monetary considerations in the daycare Company.

Therefore, the proposed research, "Operational Strategy, Capital Budgeting and Non-Monetary Consideration Analysis for Day Care Company," aims to fill this gap by exploring the specific financial considerations and decision-making strategies within the child care sector. This study will contribute valuable insights tailored to the nuances of the Child Care Services Company, providing practical implications for organizations in this field to optimize their financial decisions and navigate potential management effectively.

1.9 Significance of the study

The following are the research benefits that are expected by carrying out this research in the theoretical and practical domains, namely:

1.9.1 Theoretical Significance:

1. Deepens Understanding: The study delves into the intricacies of operational strategies, financial decision-making processes, and non-monetary analyses within the daycare Company, enhancing scholarly comprehension of these areas.
2. Fills Knowledge Gaps: By focusing on specific aspects relevant to childcare services, the research contributes to filling gaps in existing literature, providing a more comprehensive understanding of strategic management and financial considerations in this context.
3. Academic Enrichment: The insights generated from the study enrich academic discourse in strategic management and finance, offering nuanced perspectives and theoretical frameworks tailored to the daycare sector.

1.9.2 Practical Significance:

1. Practical Implications: This research serves as a source of practical recommendations and instruments that can be used by daycare services providers, as well as policymakers and other interested parties, to improve efficiency and financial sustainability of their operations.
2. Better decision-making: Based on the information gathered in the research, decision makers can make informed decisions about the quality of services, finances and overall business objectives, thus achieving better results for themselves and the children.
3. Company implications: It is possible that the research can have positive implications for the Daycare company and promote the use of innovations and strategy.

With greater insight into the best practices regarding strategy implementation, budgeting, and other non-financial factors pertaining to the day-care Company, this research hopes to enable stakeholders to make better-informed decisions and thus improve service delivery and value creation in the organization.

1.10 Company Profile

RA Day Care is an organization meant for child care and education established by a mother of three kids, Mrs. X, who is educated in psychology and law. RA Day Care runs under the TI Foundation and it is one of the missions of providing the best care and education for kids in Indonesia. From the day of its inception in 2006, RA Day Care has transformed into an organization that provides a safe, educational and fun environment for kids.

Some of the services provided at RA Day Care include educational and recreational services that range from big playgrounds, clean swimming pools, market-like activities to Preschool TK. RA Day Care is also committed to the health and safety of children in terms of health protocols such as hand washing, sanitizing, and temperature checking.

RA Day Care, with diligent and caring teaching and nursing professionals, would be the perfect day care for parents who wish to ensure that their child is being educated and cared for the best. Additionally, RA Day Care has the complete facilities available for parents, like special bathrooms for parents. This would allow parents to feel at ease while entrusting their children.

Committed to offering quality services as well as making a meaningful impact on child development, RA Day Care has continued to thrive and develop into a well-known brand for parents in Indonesia.

1.11 Thesis Structure

The thesis unfolds across five comprehensive chapters, each contributing a crucial layer to the exploration of "Operational Strategy, Capital Budgeting, and Non-Monetary Consideration Analysis for Daycare Company.":

Chapter 1: Introduction

a. Provides an introduction to the research topic, presenting the background, context, and significance of the study.
b. States the research problem, questions, and objectives.
c. Outlines the research scope, empirical studies relevant to the research topic, and structure of the thesis.
d. Identifies gaps in the literature that the current study aims to address.

Chapter 2: Literature Review

a. Reviews existing literature related to operational strategy, capital budgeting, non-monetary and child care services.
b. Reviews theoretical frameworks

Chapter 3: Methodology

a. Details the stages of the research process, such as background analysis, capital budgeting analysis, sensitivity analysis, and qualitative analysis of SDGs.
b. Discusses the rationale behind the chosen methodologies and their appropriateness for addressing the research questions.

Chapter 4: Data Analysis and Findings

a. Presents the findings from each stage of the research process.
b. Analyzes data using relevant statistical and qualitative methods.
c. Interprets the results in the context of the research questions and objectives.

Chapter 5: Discussion and Conclusion

a. Discusses the implications of the findings in relation to the research questions.
b. Relates the results to existing literature and theoretical frameworks.
c. Offers practical recommendations for child care service providers, policymakers, and future research.
d. Concludes the thesis by summarizing key insights, limitations, and suggesting avenues for future research.

This structure provides a logical flow from introducing the research to presenting, analyzing, and discussing the findings, ultimately concluding with insights and recommendations derived from the study.

CHAPTER 2
LITERATURE REVIEW

2.1 Introduction

In the exploration of " Operational Strategy, Capital Budgeting, and Non-Monetary Consideration Analysis for Daycare Company," the literature review will serve as a critical foundation for understanding the intricacies of the child care services sector. This section will provide a comprehensive overview of existing studies related to operational challenges, regulatory landscapes, financial considerations within the Company and delve into research exploring the nuances of staffing challenges, safety concerns, and market dynamics, shedding light on the multifaceted nature of risks encountered by child care service providers. The literature review will also explore the financial landscape of the Company, encompassing fluctuating operational costs, revenue uncertainties, and market trends.

Subsequently, the theoretical framework section will establish the conceptual underpinnings that guide the research. Drawing from established theories related to risk analysis and financial management, this section will provide a theoretical lens through which the study will analyze and interpret findings.

2.2 Literature Review

2.2.1 Overview of the Child Care Services Company

The Child Care Services Company plays a pivotal role in supporting families and fostering the development of young children (Blau, 2003). However, as societies continue to grow, there has been an increasing need for effective and quality services in child care provision (National Academies of Sciences, Engineering, and Medicine, 2018). The literature review below provides a comprehensive discussion of the Child Care Services Company with respect to its history and future.

There have been notable transformations in the field of child care services throughout history as a result of shifts in societal attitudes regarding parenting and employment (Lombardi, 2008). Informal systems, which mainly consisted of

community or family members, dominated in the beginning of the 20th century (Cadima et al., 2020). With the increase in the number of women working in the second half of the century, there was a need for formal child care services (Slade, 2020a). It was reinforced by the awareness of the importance of early childhood experiences in developing children's future life (Slot, 2018).

Over the past few decades, there has been a rise in diversification in terms of the expansion of the Child Care Services Company to cater to the needs of a more dynamic society (Prusinski et al., 2023). There are various kinds of child care services currently available, starting from conventional daycare services to home-based care services (Dwiyatna et al., 2020). The other significant aspect witnessed by the Company is the rise in the trend of early childhood education. There are various educational activities being incorporated into these services (Brownlee et al., 2009). Such an integration is part of a greater awareness of the significance of early education in setting up the groundwork for later success in academics and life.

Nevertheless, some issues have emerged for the Child Care Services Company despite these improvements (Barros et al., 2016). For instance, affordability is one of the major issues as high-quality child care costs a lot of money (Herbst & Tekin, 2010). This issue has led to disparities in access, affecting lower-income families disproportionately (J. Y. Lee & Sung, 2023). Workforce shortages and retention problems within the Company further exacerbate these challenges, impacting the overall quality of care provided (Kim, 2019; Vandenbroeck et al., 2021).

Moreover, the COVID-19 pandemic has brought unique challenges to the Child Care Services Company (National Association for the Education of Young Children [NAEYC], 2020). Lockdowns, social distancing measures, and health concerns have disrupted traditional child care arrangements, leading to closures and financial strain for many providers (Ritchie & Howes, 2003). The pandemic has also underscored the essential nature of child care services for working parents, highlighting the need for resilient and adaptable systems(Kuhns & Adams, 2020) .

Looking ahead, the Child Care Services Company is poised for further evolution (Work & Wages, 2014). Initiatives focused on making child care affordable and accessible are being introduced, with the understanding that there

are benefits to society in making investments in early childhood development (Heckman, 2006a). Technology innovation can change the way child care services will be offered and provided, such as through the use of virtual education tools and means of communication (Ybarra & Mitchell, 2004)There is also a move to make the profession of the child care staff more professional in terms of training and compensation (de la Porte et al., 2023).

Overall, Child Care Services Company is an integral part of contemporary society which changes its functioning in response to new requirements of families and takes into consideration the significance of early childhood experience for the further human development (Lower & Cassidy, 2007). While facing different problems and difficulties, persistent attempts to solve them and to consider the issues related to affordability, work force and external factors like a pandemic will help to determine the future direction of development of this important Company (Bromer et al., 2021).

2.2.2 Operational Strategies in Daycare Services

Operation strategies in daycare services include a variety of factors that will help in the smooth operation of the daycare services. Some of the factors include ensuring there is the right ratio between the number of staff and children as well as ensuring there is proper care from the qualified caregivers to help create a safe and healthy environment for the children (Trends, 2010). This will help in ensuring that there is conformity to regulations while at the same time improving the quality of services offered to the children. Additionally, daycare management systems always consider the design of the facilities since proper facility planning is an important factor for supervision and child development. For instance, creating play stations and incorporating equipment which is suitable for the children may help (Kotler & Armstrong, 2019).

Furthermore, technology is becoming more important in the strategic planning of the daycare centers. Software applications that aid in scheduling, parent-child communication, and administration help make the running of the business easier and more efficient (Kucirkova et al., 2019). The use of technology

helps with coordination amongst the staff and also helps the parents keep track of what their kids do.

Moreover, operational strategies in daycare services require effective health and safety measures to safeguard the welfare of children (Urban, 2019). These are essential elements of the operational strategy as they include hygiene measures, emergency measures, and health guidelines.

To conclude, operational strategies in daycares include elements that have to do with issues of staffing, facility design, technology, and health and safety standards. Good implementation of these strategies will help daycares achieve high standards of care, compliance with regulations, and good results for both children and parents.

2.2.3 Non-Monetary Factors Impacting Daycare Operations

Daycare operations are influenced by a complex interplay of factors beyond financial considerations. These non-monetary factors encompass staffing dynamics, ethical considerations, and community engagement, each playing a critical role in shaping the quality of care and overall effectiveness of daycare facilities. In this comprehensive review, the significance of these non-monetary factors, drawing from relevant literature to highlight their impact on daycare operations.

One of the fundamental non-monetary factors influencing daycare operations is the staffing dynamic, particularly the staff-to-child ratios and caregiver qualifications. Research has consistently shown that maintaining appropriate ratios is essential for delivering quality childcare services. Britto et al. (2017) emphasize the importance of these ratios in ensuring individualized attention and responsive caregiving, which are crucial for promoting positive child development outcomes. The qualifications and training of daycare staff also contribute significantly to the quality of care provided. Educated and experienced caregivers are better equipped to support children's learning and emotional needs (Vandell & Wolfe, 2000). Therefore, investing in staff training and professional development is a non-monetary strategy that can enhance daycare operations by improving the overall competence and effectiveness of the caregiving team.

Integrating ethical values and principles into daycare operations is another key non-monetary factor that impacts service quality and organizational culture. Woodhead (2006) highlight the importance of ethical practices in early childhood education, including promoting inclusivity, diversity, and respect for children's autonomy. Daycare facilities that prioritize these ethical considerations create a supportive and inclusive environment where children feel valued and respected (Lieb et al, 2023). Ethical practices also extend to how conflicts are managed, how discipline is approached, and how diverse backgrounds and family structures are embraced within the daycare setting (Robinson & Jones-Diaz, 2017). By embedding ethical principles into their operations, daycare providers can foster positive relationships with families and contribute to a nurturing atmosphere that supports children's holistic development.

Community engagement and partnerships represent another significant non-monetary factor that can impact daycare operations. Collaborating with local organizations, schools, or businesses can provide additional resources and opportunities for enriching children's experiences. Garvis et al. (2021) discuss the importance of community involvement in early childhood education, emphasizing how partnerships can extend learning beyond the daycare facility. For example, partnerships with libraries or museums can offer educational field trips or access to resources that enhance the curriculum. Community engagement also strengthens the daycare's ties with families and the broader community, fostering a sense of belonging and support that contributes to the overall well-being of children.

Understanding and prioritizing non-monetary factors in daycare operations are essential for enhancing effectiveness and achieving positive outcomes for children and families. Research indicates that daycare facilities that excel in these areas tend to provide higher-quality care and have better overall outcomes. For instance, a study by Whitebook et al. (2014) found that daycare centers with well-trained staff and supportive work environments were associated with improved child development outcomes and higher parent satisfaction. Likewise, daycare centers that engage the community also receive additional resources, which may impact program quality and sustainability.

ven though non-monetary considerations are very important in providing daycares with the necessary support, they also come with their fair share of complications. For instance, staff turnover poses a problem for continuity of service provision and even affects attachment relationships that the child develops (Curry, 2019Provision of a conducive working environment for staff is key in reducing the number of turnovers and ensuring quality service. In addition, Ethical issues may also emerge in a daycare context, which require handling through the observance of codes of ethics (Kousholt & Juhl, 2023). Another requirement for successful engagement is making efforts to build and maintain partnerships.

There are non-monetary determinants that are essential in ensuring that the daycare is operated effectively and the level of care that the children receive is satisfactory. There are areas such as staffing, ethics, and community that should be considered by the daycare providers to ensure that there are good results. When considering both the monetary and non-monetary determinants, daycare facilities will be able to establish supportive environments for the benefit of the children. Further research should focus on these determinants to establish their relationship and significance to daycare operations.

2.2.4 Operational Risks in Child Care Services

Operational risks in the child care services industry have been of increased interest due to the many-sidedness of the issues that providers face when it comes to safety and quality of services provided to children. The following literature review attempts to make a deep dive into operational risks in the child care services industry and identify some important aspects, including compliance, staff training, health and safety, and external environment.

Regulatory compliance has emerged as a key issue when it comes to operational risks in childcare centers (National Resource Center for Health and Safety in Child Care and Early Education, 2019). Many researchers have identified how difficult and complex state and local regulations related to the operation of childcare centers can be (Hwang, 2017; Lin & Magnuson, 2018; Slade, 2020b). Failure to comply with regulations poses a threat not only to the welfare of the children but also results in legal and monetary consequences (National Center on Early Childhood Quality Assurance, 2019).

The aspect of training staff appears as an important element of influence on risks in the field of child care (Burchinal, 2018; Doherty et al., 2015; Manning et al., 2019). Quality care depends on having highly trained and informed personnel; however, high turnover and inadequate professional development are common problems that the company faces (National Academies of Sciences, Engineering, and Medicine, 2018). Poor training not only affects the quality of care provided but also leads to instability in operations since organizations have to contend with high staff turnover along with costs involved in recruiting and training new staff (Rentzou, 2014).

Another aspect of risk management concerns health and safety regulations (Edmondson, 2004). Any spread of infectious diseases or accidents should be handled using the appropriate policies for protecting the health of both the children and the childcare staff (Jeon et al., 2019). Failure to implement and enforce stringent health and safety measures exposes child care providers to reputational damage, legal liabilities, and potential closures (S. J. Lee et al., 2011).

External factors, such as economic downturns, natural disasters, and public health crises, further exacerbate operational risks in child care services (National Academies of Sciences, Engineering, and Medicine, 2020). The COVID-19 pandemic, in particular, underscored the vulnerability of child care facilities to external shocks, leading to closures, reduced enrollment, and financial strain (National Women's Law Center, 2020). Mitigating the impact of external risks requires strategic planning, contingency measures, and collaboration with local and state authorities (Heckman, 2006b).

Operational risks in child care services are multifaceted, encompassing regulatory compliance, staff training, health and safety protocols, and the impact of external factors. A robust understanding of these dimensions is crucial for policymakers, regulators, and child care providers to develop comprehensive strategies that promote the resilience and sustainability of child care services. Future research should focus on identifying best practices, innovative solutions, and policy interventions to address operational risks and ensure the continued provision of high-quality care for young children.

2.2.5 SWOT Analysis in the Development of Child Education Services

SWOT analysis, a widely utilized strategic planning tool, plays a crucial role in shaping the development of child education services by providing a comprehensive assessment of internal strengths and weaknesses and external opportunities and threats. Research by Lynch (2018) underscores the significance of SWOT analysis in the education sector, emphasizing its utility in identifying key factors influencing organizational performance. Lynch argues that SWOT analysis offers a structured approach for educational institutions to evaluate their internal capabilities and external environment, enabling strategic decision-making aligned with organizational goals.

In a study conducted by Mahmood & Ismail (2022), the application of SWOT analysis in the development of education services is highlighted. Mahmood emphasizes that SWOT analysis assists in identifying areas for improvement in curriculum design, teacher training, and infrastructure, contributing to the overall enhancement of educational quality. The study underscores the adaptability of SWOT analysis, noting its relevance in tailoring educational services to meet the specific needs of children, parents, and the community.

Furthermore, the research by Razak & Ismail (2019) explores the integration of SWOT analysis with strategic planning in the context of education services in Malaysia. Their findings emphasize the role of SWOT analysis in guiding educational institutions towards a proactive stance in addressing challenges and leveraging opportunities. The study highlights the strategic alignment that SWOT analysis enables, fostering a holistic approach to development that encompasses not only academic excellence but also community engagement and stakeholder satisfaction.

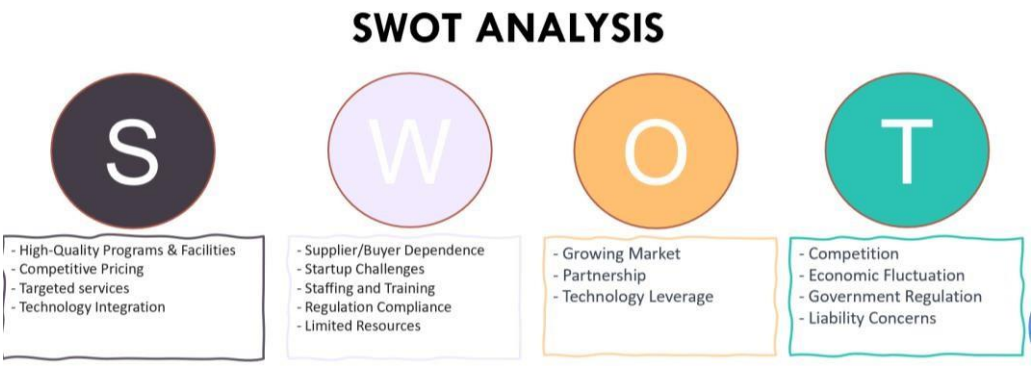


Figure 2. 1 SWOT Analysis Diagram

Based on Figure 2.1 above, SWOT analysis, standing for Strengths, Weaknesses, Opportunities, and Threats, is a strategic planning tool widely used to evaluate the internal and external factors affecting an organization's performance and competitive positionAn organization's success is affected by many factors that come from the outside. As pointed out by Kotler & Keller (2016), SWOT analysis is one of the methodologies which help the organization to detect the internal as well as external factors influencing the successful achievement of objectives. Internal factors include strengths and weaknesses. Examples of internal factors are program quality, competitive price, and use of technology. External factors include opportunities and threats. Examples of external factors that may affect the business are market expansion, strategic alliances, and government legislation (David, 2011). In relation to contemporary businesses, the SWOT analysis is extremely useful in creating adaptive strategies in light of the ever-changing market dynamics (Wheelen & Hunger, 2012). It is a systematic tool that allows one to evaluate the strengths and weaknesses that include organization's resources, capabilities, and inefficiencies and opportunities and threats created by the market forces, competitors, and regulation changes. The SWOT analysis can assist organizations in prioritizing their strategy, leveraging their competitive strengths, addressing their vulnerabilities, and adapting to changes (Helms & Nixon, 2010). he model serves as an important aspect of strategic management and guides organizations to utilize the available resources through market opportunities by identifying the risks and threats (Helms & Nixon, 2010; Hill & Westbrook, 1997). The following discussion provides an explanation of all elements:

1. Strengths: These are the qualities that make an organization better than others. Strengths described in the picture include quality programs/facilities, competitive pricing, specialized services, and technology incorporation. The strengths can be used by an organization to differentiate itself in the marketplace and offer more value to its customers.
2. Weaknesses: These are the weaknesses that can cause difficulties for an organization when compared to other organizations. The weaknesses described in the picture include dependence on suppliers/buyers, start-up difficulties, staff/training difficulties, regulatory compliance difficulties, and limited resources. The weaknesses can have negative impacts on the organization's performance.
3. Opportunities: These are external factors that the organization can exploit for its own benefit. The opportunities described in the picture include a growing market, possible partnership, and ability to utilize technology. These opportunities will enable the organization to grow and become profitable.
4. Threats are things that can impact negatively on the organization from outside. The threats that appear in the diagram are competition, economy, regulation, and liability. All these threats have the ability to disrupt the organization in one way or another.
5. Remember, a SWOT analysis is a strategic planning tool used to identify and analyze these four elements. It helps organizations understand their internal strengths and weaknesses, as well as external opportunities and threats, to make informed business decisions. It’s always a good idea to conduct a SWOT analysis when considering a new project or strategy.

The literature consistently supports the integral role of SWOT analysis in shaping the development of child education services. Lynch, Ofori, and Yeo and Bt Ariffin collectively emphasize the versatility of SWOT analysis as a diagnostic tool for educational institutions, providing valuable insights for strategic decision-making and fostering a proactive and adaptable approach to the evolving landscape of child education services.

2.2.6 Five Porter Force in the Child Education Services Company

The application of Porter's Five Forces framework in the child education services Company has garnered attention in the literature, providing insights into the competitive dynamics and strategic considerations within this sector. Porter's seminal work (1980) outlines the five competitive forces—bargaining power of buyers, bargaining power of suppliers, threat of substitutes, the threat of new entrants, and Company rivalry. Research by Koshkinbayeva et al. (2023) underscores the applicability of Porter's Five Forces in the context of educational services, emphasizing its role in understanding the complexities of the Company.

In their study, N. Porter & Tanabe (2023) explore the dynamics of the child education services Company in Japan using Porter's Five Forces. Their research highlights the influence of suppliers, such as educational material providers, as well as the impact of substitutes, such as alternative learning platforms. The study emphasizes the strategic implications of these forces, providing valuable insights for educational institutions to navigate challenges and capitalize on opportunities.

Furthermore, Tsujimoto et al. (2023) delve into the application of Porter's Five Forces for child and youth mental health in school and learning context during covid-19. Their research underscores the importance of understanding mental health, particularly in the context of an expanding and evolving educational landscape. Tsujimoto findings emphasize the strategic relevance of Porter's framework for child education service providers in managing competitive pressures and sustaining growth.

Five Porter's Forces is a model that identifies and analyzes the five competitive forces that shape each Company and helps determine the Company's weaknesses and strengths. Five Forces Analysis is often used to identify Company structure to determine business strategy (Pranadita et al., 2022).



Figure 2. 2 Porter's Five Forces Model

This model was created by Harvard Business School professor Michael E. Porter in 1979 and has since become an important tool for managers. The five forces analyzed include rivalry among competitors, the threat of new entrants, the bargaining power of buyers, the threat of substitute products or services, and the bargaining power of suppliers (Porter, 2008). In the Figure 2.2 above, the rivalry among competitors is influenced by the number of competitors in a specific area, differentiation, and marketing and branding strategies. The threats that exist from the entry of new players depend on factors such as licensing, regulations, start-up cost, and the location. In turn, the bargaining power of buyers depends on the number of daycares available and the financial status of the parents. The threat that exists from the availability of substitute products or services could be in the form of family care, parental care, or other non-professional types of child care. Lastly, the bargaining power of suppliers depends on the importance of supplies and specialized equipment. This analysis is vital in helping to understand the competitive environment and helping firms formulate strategies in a specific Company (M. E. Porter, 1980). The Five Forces are:(M. E. Porter, 1980):

1. Threat of new entrants: How easy it is for new competitors to come into the industry and compete with the Company in offering their products and services at reduced prices or even better quality. With higher threats of new

entrants, there will be lesser powers for companies within the industry.

2. Buyer bargaining power: How strong the bargaining power of buyers is in influencing the cost, quality and availability of the Company's products or services. The greater the buyer power, the lesser power the Company will have in setting profitable prices and sale terms.
3. Supplier bargaining power: How strong the bargaining power of the suppliers is in influencing the cost, quality and availability of inputs that the Company uses to produce its products and services. The greater the supplier power, the lesser power the Company will have in reducing cost and improving quality.
4. Threat of substitute products or services: how easy it is for buyers to switch to products or services that are different but can fulfill the same needs or wants as the products or services offered by the company. The higher the threat of substitute products or services, the lower the company's power to maintain customer loyalty and satisfaction.
5. Rivalry between existing competitors: how intensely and frequently companies compete with each other in terms of price, quality, innovation, promotion, and distribution. The higher the competition between existing competitors, the lower the company's power to achieve high profitability.

Factors that influence Porter's Five Forces are various factors that can increase or decrease the intensity of each force. Some of these factors are:(M. E. Porter, 2008)

1. Number and size of competitors: the more and bigger the competitors in an Company, the higher the competition and threat from new competitors and substitute products.
2. Product or service differentiation: the higher the product or service differentiation offered by the company, the lower the threat of substitute products and the higher customer loyalty.
3. Entry and exit barriers: the lower the entry and exit barriers to an Company, the higher the threat from new competitors and the lower the bargaining power of suppliers and buyers.

4. Switching costs: the higher the costs that buyers have to incur to switch to another product or service, the lower the threat of substitute products and the higher the bargaining power of suppliers.
5. Dependence on suppliers or buyers: the higher the company's dependence on certain suppliers or buyers, the higher the bargaining power of suppliers or buyers and the lower the company's power.

To apply the Five Forces analysis to business, you can follow the steps below:(Narayanan & Fahey, 2005)

1. Determine the Company that is the focus of the analysis. An Company is a group of companies that offer the same or similar products or services and compete with each other for the market. Examples of industries are the automotive Company, the food Company, the tourism Company, and others.
2. Identify and evaluate each of the five competitive forces affecting the Company. We can use various sources of information, such as statistical data, research reports, articles, interviews, surveys, etc., to get an accurate and objective picture of each force. can also use a numerical scale, such as 1-5 or 1-10, to measure the threat level or strength of each force.
3. Construct a matrix of the five forces which presents the analysis result. Utilize instruments like table, diagram, and graph to present the analysis result systematically and effectively. It is possible to present your conclusion from the analysis result below the matrix.
4. Use the result of the analysis to select the most suitable business strategy in the conditions of the Company. Select the business strategy which is able to utilize strengths and opportunities, while overcoming weaknesses and threats that the businesses of the Company face. It is possible to compare the analysis result with other companies to understand the competitive advantage of the business in the Company.

2.2.7 Financial and Market Dynamics

The interaction of financial risk and market dynamics is an important field for economic and financial research. The purpose of this literature review is to offer an understanding of the complicated interaction between financial risks and market dynamics through discussing essential theories, empirical findings, and conceptual models.

Risks related to finances entail a variety of risks that might impact the efficiency of the financial markets. Risks include credit risk, market risk, liquidity risk, and operational risks (Arnold, 2013)It is important for stakeholders to know how these risks interact with each other with regard to market dynamics. (Baker & Powell, 2009).

Market dynamics refer to the factors and variables that dictate the way financial markets function. These include supply and demand, changes in prices, volume of trades, and impact from various players in the market. The Efficient Market Hypothesis (EMH) has been one of the key theories used in analyzing market dynamics, arguing that markets are efficient in incorporating all available information, thus making it difficult for an investor to beat the market (Tian, 2017).

The empirical studies have provided understanding of the nature of financial risks arising within dynamic market settings. The global financial crisis of 2022 is an example that demonstrates how financial risks may arise from interrelated financial markets (Y. H. Zhang, 2022). During this time, market behavior illustrated that the financial organizations were highly susceptible to systemic risk factors resulting in recessions.

The concept of behavioral finance has provided tremendous inputs into the field of psychological factors influencing market dynamics and perception of financial risks (Shiller, 2015). Factors such as investor sentiment, cognitive biases, and herding are extremely important for making market moves and increasing financial risk levels (Barberis & Thaler, 2003). This behavioral approach adds to the traditional finance models by recognizing the influence of human behavior in the markets.

Innovations like derivatives and algorithmic trading have added another dimension to market dynamics along with changing the nature of financial risks

(He, 2021). For example, high-frequency trading has been successful in increasing market liquidity; however, at the same time, it has brought in issues of systemic risk and market disruptions (Adebayo et al., 2022).

Risk management techniques and regulations have developed out of the complex interplay between financial risk and market behavior. One such regulation is the Basel III, which has incorporated more stringent capital standards to increase financial resilience and reduce systemic risk (BIS, 2011). Stress testing has been an essential technique used by regulators to test how financial organizations cope with unfavorable market circumstances (Girerd-Potin et al., 2014).

Concluding remarks: From the review of financial risks and market dynamics, it can be noted that the literature provides a comprehensive insight into the interaction (Girerd-Potin et al., 2014) processes involved in the operation of financial markets. The combination of empirical analysis, theory, and behavioral finance shows the interdisciplinary nature of the topic. Given the continuous changes within financial markets, it becomes necessary for future research to develop new techniques for managing risks, implementing regulations, and investing. New topics to be explored in the future include the impact of innovations in technology, the effects of unconventional monetary policy, and climate-related risks on financial markets.

2.2.8 Capital Budgeting Techniques in Service Industries

Capital budgeting, which refers to the process of choosing among investment options that are long term in nature, is an important part of the financial management function for service organizations. The purpose of this literature review is to provide a broad review of the methods used in capital budgeting, especially for service companies. It will look at how the evaluation of intangible investments is handled, as well as the risks involved in capital budgeting.

One of the distinctive aspects of service industries is the presence of intangibles that make capital budgeting techniques, traditionally used for tangible investment projects, ineffective (Daryanto, 2021). There is evidence showing that traditional techniques, including NPV and IRR, fail to recognize the benefits that companies can reap from intangible assets within the service industry (Baker &

Powell, 2009). Intangible assets like brand value, customer loyalty, and intellectual capital are vital factors in the success of any service industry (Sullivan, 2000). Therefore, the limitations of traditional techniques have led to the development of more advanced techniques that are applicable to service Company investments.

There has been an emergence of Real Options Theory (RO) as another alternative capital budgeting approach, especially in the service industry (Trigeorgis, 1996). he Real Options Theory (RO) acknowledges the fact that making decisions in business is filled with uncertainty and managerial discretion, just like the financial option approach. For the service industry, where there is a need for flexibility because of the changeable market dynamics, RO becomes a more suitable method of evaluating investment project (Dixit & Pindyck, 1994). The Real Options Theory (RO) has been gaining popularity. Due to the inclusion of the value of the options held by the management, RO provides an improved approach towards decision-making in-service industries.

Risk management is an essential aspect of capital budgeting within the service industry due to the uncertainties involved in intangible investments and dynamics of the markets (Khojasteh, 2018). Capital budgeting methods used traditionally ignore the complications involved in analyzing risk factors in the service industry, and there is a need to incorporate better risk assessment approaches. The use of Monte Carlo simulation in stochastic modeling has enabled the development of different scenarios and a better understanding of their uncertainties (Fishman, 2013). Such a technique assists in evaluating the effects of different types of risks on investments made by the service organizations.

The digital revolution and technology have also had their influence on the process of capital budgeting in service companies. The development of such innovations as data analytics, artificial intelligence, and machine learning has provided new instruments for forecasting and scenario analysis in service organizations (Gamillscheg, 2022). n this way, service companies obtain an opportunity to assess customers' needs and market tendencies in a better manner.

However, even with all these developments, there are some issues in the use of capital budgeting techniques in the service sector. One is that the subjectivity of the process in determining the cash flows and the discount rate poses a problem,

particularly when there are intangible investments involved (Baker & Powell, 2009). Another issue that can be seen is the dynamism of the service firm, which keeps changing because of changing tastes and technology.

Capital budgeting in service industries comes with its own strengths and weaknesses, mostly arising from the intangibility of the investment process and the changing market dynamics. As technology transforms service industries in today's world, it is important to employ sophisticated analytical tools in order to make good decisions. Research in the future must therefore be concerned with the development of capital budgeting techniques that can effectively work within the changing environment of service industries.

2.2.8.1 Payback Period

Payback period is a popularly used financial measure that has attracted attention from many research works and applications. Miller (2017) offer a detailed examination of the payback period in their landmark book on corporate finance. They note its simplicity and straightforwardness as an indicator of liquidity and risk, and recognize its common use in capital budgeting decisions.

The practical aspects of using the payback period as a tool for capital budgeting are explored in detail by Nurullah & Kengatharan (2015), It is clear from the study that there is the need to appreciate the intricacies of the payback period as far as the value of the money is concerned, thus making important contributions to the body of literature.

Moreover, another study by Fanani (2021) explores the integration of the payback period with other financial metrics in corporate finance. addresses the use of the payback period with other financial measures within corporate finance. The research sheds light on the complementing effect of the payback period together with other financial measures like NPV and IRR. The study by Ross, Westerfield, and Jordan highlights the interrelation between different financial measures and how one should take into account various viewpoints when dealing with capital budgeting decisions. Below is a representation of its formula;

$$PP = Years\ full\ recovery + \frac{Unrecovered\ cost\ at\ beginning\ of\ last\ year}{Cash\ Flow\ in\ Following\ Year}$$

2.2.8.2 Net Present Value

Net Present Value (NPV) is a widely acknowledged financial metric used in capital budgeting to assess the profitability of investment projects. Copeland et al. (2005) provide a comprehensive overview of NPV in their influential work on corporate finance. They emphasize the importance of NPV as a tool for evaluating the present value of expected cash inflows against the initial investment cost, highlighting that a positive NPV indicates a financially viable project that is expected to increase shareholder wealth. Brealey et al. position NPV as a cornerstone in decision-making, offering insights into optimal project selection to maximize the long-term value for stakeholders.

In a study by Marino & Matsusaka (2005), the authors delve into the practical considerations and limitations of NPV. They critically assess NPV as a decision criterion, highlighting its strengths in accounting for the time value of money and providing a straightforward measure of project profitability. However, Pike and Neale also underscore the challenges associated with NPV, such as its sensitivity to discount rate variations and potential biases in favor of projects with shorter payback periods. Their work contributes valuable insights to the literature by providing a nuanced understanding of the complexities involved in applying NPV as a decision-making tool. The following is the formula:

$$NPV = \sum_{t=0}^{T} \frac{CF_t}{(1+r)^t} - C_0$$

Where;

NPV is the Net Present Value.

CF_t is the net cash flow during a specific period.

r is the discount rate or the rate of return required by the investor.

C_0 is the initial investment or cash outflow at $t=0$.

2.2.8.3 Net Present Value (Index)

The Net Present Value Index (NPV index) is a key financial metric widely employed in capital budgeting for evaluating the profitability of investment projects. Brealey, Myers, and Allen (2017) discuss the NPV index as an integral component of the Net Present Value (NPV) method in their renowned work on

corporate finance. The authors emphasize its utility in determining the attractiveness of projects by comparing the present value of cash inflows to the initial investment. Brealey et al. underscore the importance of a positive NPV index, indicating that a project is expected to generate value for shareholders, aligning with the overarching goal of maximizing shareholder wealth.

Furthermore, Raftery (2003) provide insights into the practical application and interpretation of the NPV index in their study on financial theory and corporate policy. They elaborate on the significance of considering discount rates and the time value of money when calculating NPV, emphasizing the need for a thorough understanding of these factors to make informed investment decisions. Copeland and Weston's work contributes to the literature by shedding light on the nuances of NPV index calculations and providing a practical guide for financial practitioners in evaluating investment projects. The proposed project's financial attractiveness increases with the profitability index's values. Here is the formula:

$$NPV = \frac{\sum_{t=0}^{T} \frac{CF_t}{(1+r)^t}}{C_0}$$

Where;

- NPV is the Net Present Value Index.
- CF_t is the net cash flow during a specific period.
- r is the discount rate or the rate of return required by the investor.
- C_0 is the initial investment or cash outflow at *t=0.*

2.2.8.4 Return on Investment

Return on Investment (ROI) is a pivotal financial metric extensively explored in the literature for evaluating the profitability of investments. Elliott et al. (2009) provide a comprehensive examination of ROI in their seminal work on finance principles. They elucidate the significance of ROI as a ratio that measures the return generated relative to the initial investment, emphasizing its utility in assessing the efficiency and profitability of various projects. Elliot et.al underscore the practical importance of ROI for decision-makers in making informed choices about capital allocation, highlighting its role as a fundamental tool in corporate finance.

In a study by Shedo et al. (2023), the authors delve into the complexities of ROI, offering insights into its calculation and interpretation. They discuss the nuances of ROI in the context of capital budgeting decisions, addressing factors such as project duration, cash flow patterns, and discount rates. Shedo research contributes valuable perspectives on the application of ROI, emphasizing the need for a comprehensive understanding of its components and considerations for accurate evaluation.

$$ROI = (\frac{Current\ Value\ of\ Investment - Cost\ of\ Investment}{Cost\ of\ Investment}) \times 100$$

Where:

- ROI is the Return on Investment expressed as a percentage.
- Net Gain or Loss is the total profit or loss generated by the investment.
- Initial Investment is the cost of the investment or the initial amount of money invested.
- Current Value of Investment is the present value of the investment.

The ROI formula provides a straightforward way to assess the profitability of an investment. The return on investment is positive when it yields a gain; otherwise, it will be negative if there is a loss. This can easily be compared with other investments due to its percentage form.

2.2.8.5 Internal Rate Return (IRR)

Internal Rate of Return (IRR) is among the many criteria that must be considered while evaluating a project for capital budgeting purposes in order to determine the profitableness of the project. The internal rate of return can be defined as the interest rate at which the net present value of cash flows becomes zero.

It is important to mention that the concept of the internal rate of return has been used extensively in investment analysis. According to Brealey, Myers, & Allen (2019), the internal rate of return is one of the critical concepts used in assessing whether an investment opportunity is viable or not as it helps companies determine the rate of return that can be gained from the particular investment.

In addition, Ross et al. (2018) also identify the strengths of IRR when compared to other measures. First, one of the main strengths of this measure is the ease with which it is used to come up with a single percentage that reflects how profitable a project will be, thus making it easy for the management to comprehend. In contrast, the NPV approach does not give such an indication but rather gives a dollar figure.

Nevertheless, there are certain shortcomings to the method. As per Gallo (2016), when the projects have unequal lifespans or the cash flows are not conventional (positive cash flows followed by negative cash flows, for example), IRR can give wrong figures while making comparison between these projects. The situation can give rise to the multiple IRRs since more than one IRR may fit into the NPV equation. In such situations, the application of alternative methods such as NPV or MIRR becomes necessary.

Moreover, according to Damodaran (2015), it is essential to apply IRR together with other financial ratios. According to him, although IRR is valuable in giving a quick indication of the possible profitability of a particular project, it is not meant to be used separately. Using IRR alongside NPV and other ratios will give a better picture of the investment's profitability.

The application of the IRR on the above mentioned daycare Company can assist in assessing whether or not it would be financially feasible to start new branches, expand current ones, or develop new programs or services. It is possible to calculate the IRR in order to determine if the project is worth implementing or not.

In conclusion, the IRR technique can serve as an important tool in the capital budgeting process in helping to determine the viability of investment. Though there are various strengths associated with this method of measuring profitability, there are some limitations that require addressing through the use of this technique in tandem with other techniques. The use of the IRR in the day care Company can help in making informed investment decisions.

2.2.8.6 Profitability Investment (PI)

Profitability Index, also known as the profit investment ratio (PIR) or the value investment ratio (VIR), is a key tool that plays an important role in determining the viability of a particular investment during capital budgeting. This index is calculated using the ratio of the present value of the future cash flows and the investment cost. If PI is above one, then the net present value (NPV) of the future cash flows is higher than the cost of the investment and hence the project is profitable. However, if the PI is below one, then the NPV of the investment is negative.

The importance of PI in making investments decisions is clearly outlined in the financial literature. As Brealey, Myers, and Allen (2019) suggest, PI is a very useful technique in the process of ranking projects, particularly in cases where the company is constrained in terms of capital budgeting. PI allows for the prioritization of projects based on the ratio of return on investment, making sure that money is allocated effectively. This can be particularly useful for companies in industries such as daycare services.

Ross, Westerfield, & Jaffe (2018) focus on the comparative advantage offered by PI. While the NPV approach calculates absolute dollar amounts, PI helps in comparing various projects, particularly those involving dissimilar investment scales. The use of PI makes it easy to determine the level of profitability for projects of different scales, thus providing the much-needed advantage during strategic planning.

But, like any other concept, the PI has its own drawbacks. Gallo (2016) notes that although PI helps in evaluating and comparing various projects, it is not supposed to be used alone as a basis for decision making. This is because the PI does not take into consideration the size of the investment or the absolute value of returns from a particular project. In other words, a project may have a lower PI but a high NPV, which means that it is more profitable than the one with a high PI.

When considering the daycare Company, the PI may become an important tool that can help make proper investment decisions. For instance, when choosing between building a new daycare center and developing already existing ones, the PI will help choose the most beneficial option from an economic perspective. The

calculation of the PI for all considered projects will help prioritize investments that match financial and strategic needs of the company.

Further, according to Damodaran (2015), it is crucial to take into account qualitative factors together with the quantitative PI measures. In the case of the day care Company, the aspects like community needs, regulations, and positioning can also be considered while making investments. Although the PI measure helps to calculate profitability quantitatively, including qualitative factors will help to make comprehensive planning and investments.

In summary, the Profitability Index is a very important tool in capital budgeting that helps in making an assessment on the profitability of investment projects. The tool brings about some major advantages in project evaluation and ranking of investments especially where there are resource constraints. Nonetheless, this measure should be used in conjunction with other financial measures. For the daycare Company, the use of the PI will go a long way in helping providers allocate their resources effectively.

2.2.8.7 Weighted Average Cost of Capital (WACC)

Weighted Average Cost of Capital (WACC) is another essential topic discussed at length in financial literature due to its importance for finding the cost of capital of an organization. The concept of WACC is explained in detail by Copeland, Weston, & Shastri (2005), who discuss the topic in their renowned financial management book. The authors explain how the WACC can be calculated using the weighted average of costs of debt and equity considering the weights of both in the capital structure. Copeland et al. emphasize the critical role of WACC in discounting future cash flows for valuation purposes, underscoring its utility in making informed investment decisions and evaluating the attractiveness of various projects.

In a study by Pratt & Grabowski (2008), the authors further explore the practical applications of WACC in the context of business valuation. Their research addresses the complexities associated with estimating the cost of equity and debt, as well as the challenges of determining an appropriate tax rate. Pratt and Grabowski highlight the nuances of WACC in valuation models, discussing its

relevance for mergers and acquisitions, capital budgeting, and overall corporate financial management. Their work contributes valuable insights into the practical considerations and variations in the application of WACC, offering guidance for financial practitioners in diverse business scenarios. WACC's formula is:

$$WACC = (\frac{E}{V} \times Re) + (\frac{D}{V} \times Rd \times (1 - T_c))$$

Where:

- *WACC* is the Weighted Average Cost of Capital.
- *E* is the market value of the company's equity.
- *V* is the total market value of the company's equity and debt.
- *Re* is the cost of equity.
- *D* is the market value of the company's debt.
- *Rd* is the cost of debt.
- *Tc* is the corporate tax rate.

2.2.9 Sensitivity Analysis

Sensitivity analysis is an essential technique in capital budgeting and decision making since it allows the firm to evaluate the effects of various variables on the final results of a particular project or investment. Sensitivity analysis includes manipulation of one or several input variables in order to observe the effect of such manipulations on the project's NPV, IRR, or some other important indicators of its success. The main purpose of sensitivity analysis is to reveal those variables that have the greatest influence on the project.

The usefulness of sensitivity analysis in capital budgeting is quite evident from the literature on finance. In support of this view, Brigham & Ehrhardt (2017) state that through sensitivity analysis, the manager gets an idea about the soundness of his decision-making in varying circumstances. For instance, by studying the impact of changing various assumptions, like the cost of capital, revenues, or operating expenses, on the performance of a business project, managers can come up with those elements that matter most to its success.

Sensitivity analysis will be particularly helpful for the daycare company because there are many factors that may affect the financial performance of the

business. According to Dayananda et al., "conduction of sensitivity analysis gives opportunities to consider different situations and prepare for possible fluctuations in variables". For example, analyzing the effect of changes in enrollment rates on the revenue generated by the firm, the owners of the day care center will be able to prepare a contingency plan that will help them cope with low enrollment rate periods.

In addition to its significance in risk assessment, sensitivity analysis also contributes to making the process of forecasting financial data more transparent and credible. According to Piana (2003), sensitivity analysis makes it easy to demonstrate all possible options to various parties involved, including investors, lenders, and regulatory agencies. As a result, showing potential variations and assumptions behind financial forecasts, a company can establish the required level of trust and confidence in stakeholders that is needed to finance new ventures.

In addition, sensitivity analysis can be combined with other types of analysis including scenario analysis and Monte Carlo simulation to perform a more thorough risk evaluation. According to Hertz (1964), while sensitivity analysis looks into the consequences of changes made to one variable at a time, scenario analysis is concerned with many variables at the same time in order to evaluate various future possibilities. The Monte Carlo simulation method involves using random sampling to create various results based on probability distribution of some critical variables.

Sensitivity analysis is very important in analyzing the effect of different variables on the performance of projects and investment decisions. Sensitivity analysis gives an insight into the strength of the investment decisions, identifies important risks, and improves transparency in financial forecasts. In the case of the day care Company, sensitivity analysis is important especially when considering issues of uncertainties such as the number of enrolled kids, cost of labor, and any regulations that may affect the firm.

2.2.10 Sustainable Development Goals

The SDGs have positioned themselves to become a universal approach in handling pertinent social and environmental challenges, which serve as an elaborate foundation for sustainable development. Authors like Stott and Murphy (2020), for instance, hold that the SDGs have gone further than the previous MDGs in that they

tackle not only development but also other issues such as poverty, education, gender equality, and environmental sustainability. This is indicative of the integrated approach to development challenges based on the recognition of their interconnected nature. With respect to the research title, "Risk Analysis on the Development of Child Education Services," the integration of SDGs into the analysis becomes crucial.

Oo et al. (2023) look into the aspects of measuring and monitoring the Sustainable Development Goals (SDGs) in their article, indicating the importance of strong indicators in measuring the extent of achievement of the goal. It is worth noting that when providing educational services to children, the process of matching the risks with SDG indicators becomes significant.

In terms of relating the research title to the existing literature, the study conducted by Le Blanc (2015) highlights the importance of SDGs in policy and strategy development. By integrating the SDGs in risk assessment of child education services, one is assured that risks and developmental outcomes are considered not just economically but also in terms of their benefits towards social well-being and sustainability. In light of the findings presented by Le Blanc, it becomes clear that the risk assessment should be holistic, and the child education services should bring positive results towards SDGs on education (Goal 4), gender equality (Goal 5), and sustainable communities (Goal 11).

In conclusion, the literary corpus on Sustainable Development Goals as seen from the publications of Sachs, Nilsson et al. and Le Blanc among others stresses the significance of linking the SDGs to the risk analysis in child education services. This relationship will help in ensuring that the development of education is inline with the larger goals of sustainable development.

2.3 Research Conceptual Framework

The conceptual framework for the study, which is entitled "Operational Strategy, Capital Budgeting, and Non-monetary Considerations Analysis for the Daycare Company," applies a multi-faceted approach for the assessment and improvement of sustainability, profitability, and strategic fit of daycares. The research begins with the analysis of operational strategies that involves identifying

ways for daycare managers to develop and implement effective strategies to ensure sustainability and profitability. It includes the analysis of internal and external determinants, as well as the use of tools of analysis, such as SWOT and Porter's Five Forces to determine the key factors that influence the performance of daycares. Next, the research includes financial analysis of proposed daycare projects with the help of capital budgeting techniques, considering different economic conditions: optimistic, average, and pessimistic.

In addition, the research goes past the normal financial measures to use sensitivity analysis, which takes into account how variations in some important factors, including the enrollment and fees of daycare services, impact the financial results in varied economic conditions. This way, one is able to analyze how financially sound the daycare services are in various market situations.

Furthermore, the framework considers the importance of non-financial aspects through assessing the contribution of child care services towards the achievement of broader societal and environmental aims like SDGs. Such assessment entails an analysis of the extent to which the daycare services relate to societal goals, such as demographical change, policy changes, and Company dynamics. Consideration of non-financial aspects during strategic decision making demonstrates a holistic approach to the role of the daycare Company in achieving social and environmental sustainability.

This approach to methodology allows the researcher to provide the above-mentioned theoretical framework through the completion of a number of steps, which include exploratory interviews of the stakeholders from Company, followed by strategic analysis with the help of expert interviews and SWOT analysis, and concluding with the completion of quantitative analysis with the help of capital budgeting and sensitivity analysis. The last step includes non-monetary analysis as well.

Through the application of this holistic approach, the objective of the research is to offer an in-depth insight into the issues that face the daycare Company in terms of operations, finances, and strategy. Insights that are derived from the research will go a long way in ensuring that daycare services are developed sustainably in the challenging Company environment.

2.4 Theoretical Framework

The utilization of the financial management theories in child care services is a multilayered strategy that is very important in ensuring the sustainability of early childhood education. Beginning with background analysis, the implementation of Five Porter Forces and SWOT will create a holistic perspective on the Company environment and internal strengths. The Five Porter Forces analysis can help to conduct an assessment of the bargaining power of both buyers and suppliers, the threat of substitutes, the Company rivalry, and the threat of new entry, whereas SWOT analysis focuses on the internal strengths and weaknesses, as well as external opportunities and threats.

Operational strategy is highly vital in complementing theories on financial management of child care services. Operational strategy is made up of activities that seek to improve efficiency and effectiveness of processes that are carried out every day to enhance the success of the entire process and the sustainability of the day care business venture. There are different components of an operational strategy, among which is workforce management. This component covers various aspects of recruitment, training, and retention of well-trained staff. It is important to have sufficient staff in daycare centers who are properly trained. Also, good scheduling and workloads strategies can help in this regard.

Budget analysis involves the use of different financial indicators for decision-making regarding investment and the assessment of financial performance (Daryanto, 2021). The payback period is used in analyzing the time needed to recover investment costs, while NPV, IRR, and ROI give quantitative indicators for assessing the profitability of projects and help prioritize investments that promise maximum benefits. Budgeted Performance Variance (BPV) provides another method of enhancing financial controls through the comparison of planned and actual financial performance.

The use of sensitivity analysis forms an important component in appreciating how uncertainty affects financial performance. It entails varying some parameters to gauge their effect on the outcome of a project. Sensitivity analysis helps in making informed decisions through identification of variables that affect financial performance.

Further, qualitative analysis using Sustainable Development Goals (SDGs) is crucial for making sure that financial decisions coincide with societal needs. The qualitative aspect comprises the assessment of how financial policies can help achieve sustainable development, meeting the objectives in such spheres as education, gender equality, and social welfare. The use of qualitative analysis with the SDGs makes it possible for financial decisions not only to be economically efficient but also socially and environmentally positive.

Conclusively, the use of financial management theories in child care services, including background analysis, budgeting criteria, sensitivity analysis, and qualitative consideration of SDGs, makes up a complete package of strategic decision-making. With the help of such financial techniques, child care services are able to handle all the issues and make optimal use of resources for the holistic development of children.

CHAPTER 3
METHODOLOGY

3.1 Introduction

The research methodology for " Operational Strategy, Capital Budgeting, and Non-Monetary Consideration Analysis for Daycare Company" involves a systematic and comprehensive approach to understanding and considering financial metrics and aligning strategies with sustainable development goals (SDGs).

3.2 Research Methodology

The methodology of research used in writing this paper consists of the following stages:

1. Stage 1 – Exploratory Interviews with Daycare Company Stakeholders
2. Stage 2 – Background and Strategic analysis by interview with the expert system from the company using Five Force & SWOT
3. Stage 2 – Capital Budgeting Analysis
4. Stage 3 – Sensitivity Analysis
5. Stage 4 – Non-Monetary Analysis

Stage 1 - Exploratory Interviews with Daycare Company Stakeholders

In Stage 1 of the research, exploratory interviews will be conducted with stakeholders in the daycare Company, including business owners and operational heads of daycare centers. The aim of this stage is to gather qualitative insights into various aspects of operational strategy, capital budgeting practices, and non-monetary considerations in the daycare Company. These interviews will serve as a foundational step to understand the current landscape, challenges, and strategic approaches adopted by daycare centers.

a. Data Collection:
    1) Conduct semi-structured interviews with daycare business owners to gather insights into their operational strategies, challenges, and decision-making processes.

2) Conduct separate semi-structured interviews with key operational personnel to understand day-to-day management practices, resource allocation, and risk management strategies.
3) Record interviews with consent from participants to ensure accuracy in data transcription and analysis.
4) Use probing techniques to delve deeper into relevant topics and gather rich, qualitative data.

b. Expected Outcomes:

1) Identification of Key Operational Strategies: Insights into the operational strategies employed by daycare centers to ensure efficient service delivery, staff management, and facility maintenance.
2) Understanding of Capital Budgeting Practices: Understanding how daycare centers approach capital budgeting decisions, including investment evaluation methods and considerations for long-term financial sustainability.
3) Exploration of Non-Monetary Considerations: Examination of non-monetary factors influencing decision-making in daycare operations, such as quality of service, regulatory compliance, and social/environmental impact.
4) Emergence of Key Themes and Patterns: Identification of recurring themes and patterns across interviews, providing a rich qualitative understanding of the daycare Company's challenges and strategic approaches.

Stage 2 - Background & Strategic Analysis:

The study begins with a thorough background analysis utilizing both Five Porter Force and SWOT analyses. The former examines the Company's competitive forces, including the bargaining power of stakeholders and threats of substitution, while the latter assesses internal strengths and weaknesses, along with external opportunities and threats. These analyses lay the foundation for understanding the Company landscape and identifying key areas of risk and opportunity.

c. Five Porter Force Analysis:
    1) Identify key stakeholders in the child education services Company.
    2) Analyze the bargaining power of buyers and suppliers, the threat of substitutes, Company rivalry, and the threat of new entrants.
    3) Evaluate the impact of these forces on the Company's competitiveness.
d. SWOT Analysis:
    1) Assess internal strengths and weaknesses, such as the quality of educational programs and facilities.
    2) Identify external opportunities, like collaborations with community organizations.
    3) Recognize potential threats, such as changes in government regulations affecting the Company.

Stage 2- Capital Budgeting Analysis

Moving to budgeting analysis, the research employs various financial metrics, starting with the payback period to assess the time required for recouping initial investments. Budgeted Performance Variance (BPV) is used to compare planned and actual financial outcomes, providing insights into financial performance. Net Present Value (NPV) (Daryanto, 2021), Return on Investment (ROI), and Internal Rate of Return (IRR) are applied to evaluate the profitability and attractiveness of long-term investments. This budgeting analysis aids decision-makers in optimizing capital allocation and selecting projects that align with the overarching goals of the child education services.

a. Payback Period:
    1) Calculate the time required to recoup the initial investment in child education services.
    2) Evaluate liquidity and risk by considering shorter payback periods.
b. Budgeted Performance Variance (BPV):
    1) Compare planned and actual financial outcomes.
    2) Identify variances in budgeted performance and implement corrective actions.

c. Net Present Value (NPV) Index:
    1) Determine the profitability of long-term investments by comparing present value of cash inflows to the initial investment.
    2) Use NPV as a key metric for project selection.
d. Return on Investment (ROI):
    1) Evaluate the return generated relative to the initial investment.
    2) Prioritize projects with higher ROI for optimal capital allocation.
e. Internal Rate of Return (IRR):
    1) Determine the discount rate that makes the net present value zero.
    2) Assess the attractiveness of investments based on IRR.

Stage 3 – Sensitivity Analysis

The sensitivity analysis will be carried out through parameter variations in order to see how the uncertainties impact the financial results. This step will also allow us to identify key parameters and plan our risk management strategy.

a. Alter inputs such as discount rate, cash flows, and time duration of the project to determine their impact.
b. Evaluate the impact of uncertainty on financial results.
c. Determine crucial variables and devise risk management techniques.

Stage 3 – Non-Monetary Analysis

Further, the non-monetary approach, which takes into account the SDGs, will be included in the study. It refers to recognizing the relevant SDGs concerning education, gender equity, and community welfare and assessing how the service of child education helps meet these goals. The non-monetary impact assessment helps determine the full picture of the development made by child education services.

a. Aligning with SDGs:
    1) Identify specific SDGs related to education, gender equality, and community well-being.
    2) Evaluate how child education services contribute to these goals.
b. Non-Monetary Impact Assessment:
    1) Assess the qualitative impact of child education services on societal and environmental aspects.

2) Examine how developmental strategies align with broader SDG objectives

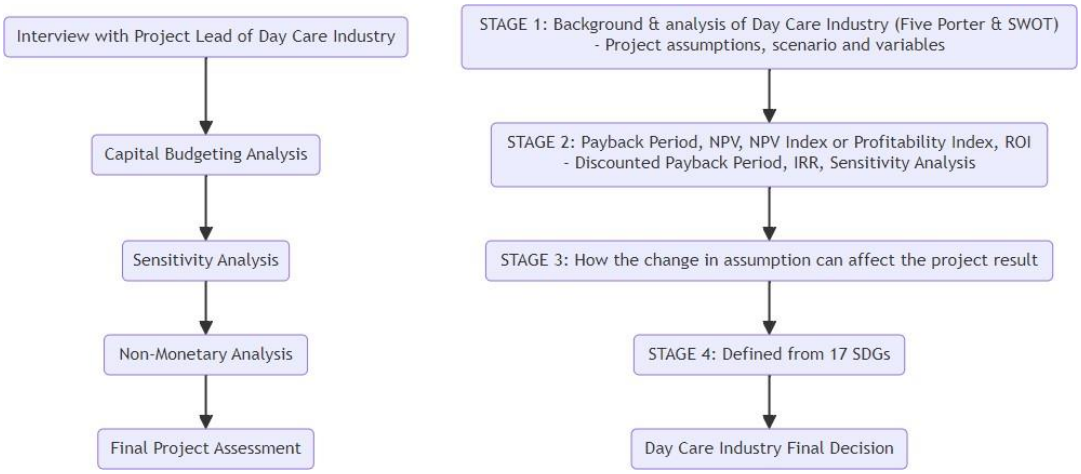
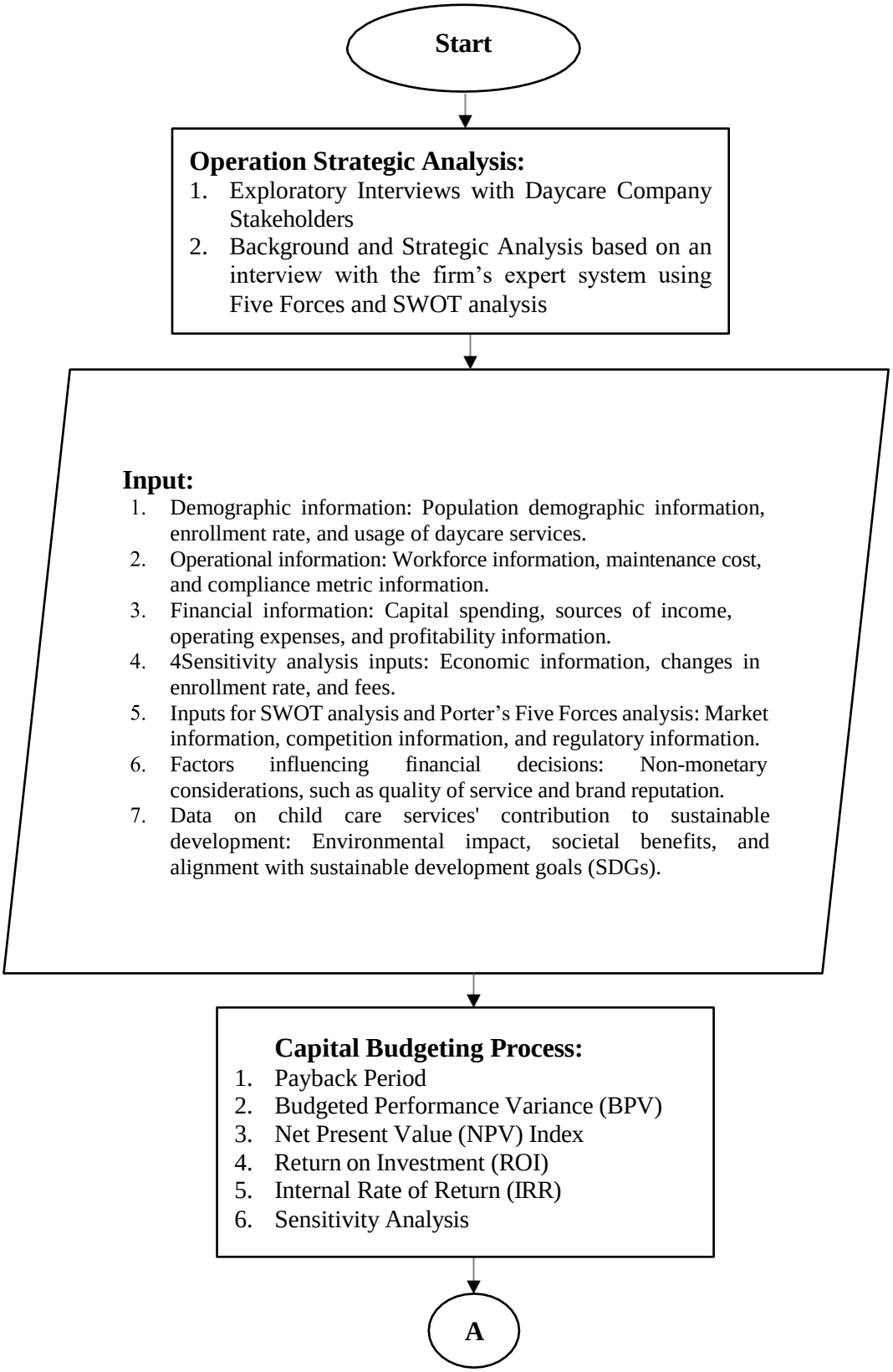


Figure 3. 1 Research Methodology

The research methodology utilizes a combination of data collection techniques, including interviews and documentary analysis, to gather relevant information for each analysis stage. The collected data is then subjected to rigorous statistical and qualitative analysis methods to derive meaningful insights. In conclusion, the integrated research methodology not only provides a comprehensive risk analysis for child care services but also ensures alignment with SDGs, fostering a sustainable and holistic approach to the development of educational initiatives for children.


Start
Operation Strategic Analysis:
1. Exploratory Interviews with Daycare Company Stakeholders
2. Background and Strategic Analysis based on an interview with the firm's expert system using Five Forces and SWOT analysis
Input:
1. Demographic information: Population demographic information, enrollment rate, and usage of daycare services.
2. Operational information: Workforce information, maintenance cost, and compliance metric information.
3. Financial information: Capital spending, sources of income, operating expenses, and profitability information.
4. 4Sensitivity analysis inputs: Economic information, changes in enrollment rate, and fees.
5. Inputs for SWOT analysis and Porter's Five Forces analysis: Market information, competition information, and regulatory information.
6. Factors influencing financial decisions: Non-monetary considerations, such as quality of service and brand reputation.
7. Data on child care services' contribution to sustainable development: Environmental impact, societal benefits, and alignment with sustainable development goals (SDGs).
Capital Budgeting Process:
1. Payback Period
2. Budgeted Performance Variance (BPV)
3. Net Present Value (NPV) Index
4. Return on Investment (ROI)
5. Internal Rate of Return (IRR)
6. Sensitivity Analysis
A

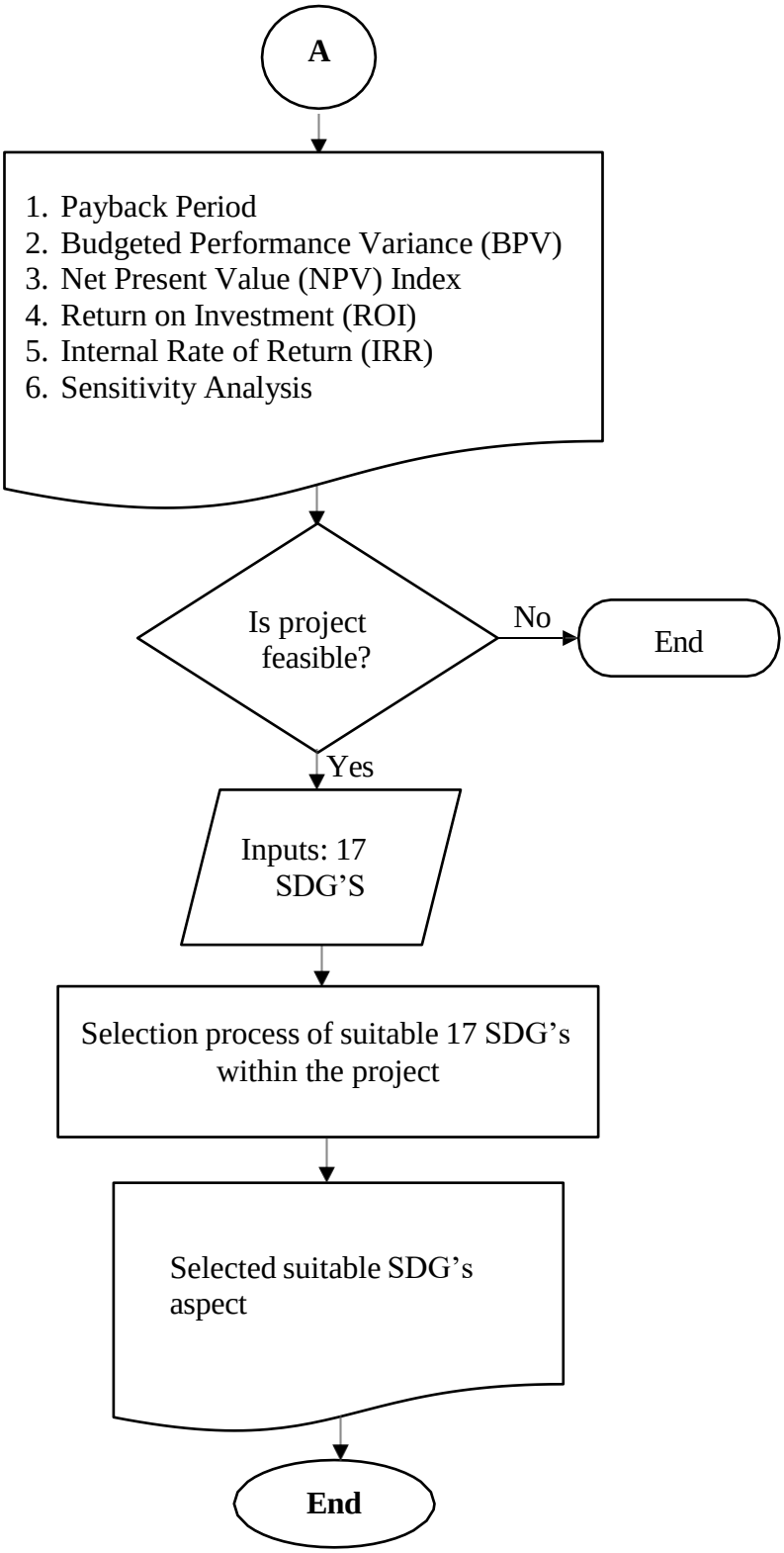


Figure 3. 2 Flowchart Workflow (Source Author)

CHAPTER 4
RESULTS AND DISCUSSION

4.1 Daycare Company Profile

4.1.1 Background and Evolution

The analyzed daycare operation, Rumah Anakku Daycare, provides valuable insights into the daycare Company's evolution. Founded in 2012, it represents a strategic pivot when the owner's kindergarten school (established in 2006) experienced declining enrollment. This adaptation demonstrates the Company's responsiveness to changing market dynamics, particularly the growing need for professional childcare services among dual-income families. The business identified a critical gap in the market: working parents needed reliable, professional childcare while struggling to find trustworthy caregivers, especially for families living far from their extended family support systems.

4.1.2 Vision and Mission

The daycare's vision statement clearly positions it as "*a Partner for Parents in Caring for Children while Working and Preparing Children to become Superior Generation in their Golden Age.*" This vision reflects the dual focus of the Company: supporting working parents while providing developmental benefits for children.

The mission statements further elaborate this approach through multiple dimensions:

1. Creating a "second home" environment for children
2. Establishing enjoyable learning experiences
3. Developing active, creative, and morally upright children
4. Fostering independence and character development
5. Supporting age-appropriate developmental progress
6. Nurturing individual talents and interests

This mission framework demonstrates how modern daycare operations have evolved beyond basic childcare to incorporate significant educational and

developmental components, positioning themselves as early childhood development centers rather than simply childcare facilities.

4.2 Exploratory Interview Results

4.2.1 Operational Structure and Management

The daycare operation demonstrates a carefully structured organizational hierarchy that enables systematic management and clear accountability. At the apex is the owner, followed by the Head/Person in Charge of Daycare, Head Supervisor, Supervisor, and Caregivers at the foundational level. This structure facilitates efficient decision-making while ensuring proper supervision at every operational level.

According to the owner, this organizational structure evolved organically as the business expanded from its 2012 origins when they pivoted from their declining kindergarten enrollment:

> *"Tahun 2012, saat sekolah TK yang dibangun sejak 2006 mengalami penurunan murid. Saat itu kami bertekad untuk bertahan di tengah gempuran baru sekolah-sekolah besar dengan membuat terobosan baru, beradaptasi dengan keadaan."*

This adaptive approach to business evolution is reflected in their operational management as well. The daycare's daily operations are managed by specialized roles including the Head of Household and Head of Staff Welfare. As explained by the operational head during the interview:

> *"Kepala Rumah Tangga mengawasi kebutuhan karyawan agar dapat bekerja dengan baik, Kepala Kesejahteraan Karyawan memastikan karyawan bekerja dengan hati yang tenang dan senang, suasana daycare harus dipastikan nyaman untuk bekerja, mengingat karyawan di daycare selama 12 jam."*

This acknowledgment of the extended time staff spend at the facility (12 hours, though not all in active duty) demonstrates a holistic approach to staff management that recognizes the importance of employee wellbeing for service quality.

The staffing approach maintains specific quality standards, requiring minimum high school education with a preference for nursing vocational school graduates. This educational requirement balances the need for qualified

personnel with the practical reality of staffing availability in the Company. Staff development continues beyond hiring through "regular training by doctors from partnering hospitals, minimum once every 3 months," particularly focusing on emergency handling for children.

Quality control mechanisms include systematic documentation of attendance, arrival and departure times, directly impacting facility considerations and staff incentives. This data-driven approach to performance management is complemented by a peer evaluation system using closed questionnaires, creating multiple feedback channels for continuous improvement.

Table 4. 1 Daycare Organizational Structure and Responsibilities

Position Level	Core Responsibilities	Reporting Relationship
Owner	Strategic direction, financial oversight, major decisions	Ultimate authority
Head /Person in Charge	Overall daycare operations, policy implementation, external relations	Reports to Owner
Head Supervisor	Staff management, program quality, parent communications	Reports to Head/Person in Charge
Supervisor	Daily program execution, direct staff oversight, routine parent interaction	Reports to Head Supervisor
Caregiver	Direct child care, implementation of daily activities, health monitoring	Reports to Supervisor

4.2.2 Health and Safety Protocols

Health and safety emerge as paramount concerns in the daycare's operational approach, with comprehensive protocols that exceed basic regulatory requirements. The systematized health monitoring begins with temperature checks conducted three times daily, providing regular assessment of children's physical wellbeing throughout their stay.

The operational head detailed their approach to health monitoring during the interview:

> *"Harian: pengecekan suhu 3x sehari, laporan harian pada orangtua terkait: porsi makan anak, antusias saat bermain, pemberian susu, BAB, pemberian obat atau vitamin, dan laporan jika anak cedera. Bulanan: cek tinggi dan berat badan anak."*

This comprehensive monitoring system extends beyond immediate health concerns to include developmental tracking through monthly height and weight measurements, allowing for longitudinal assessment of physical development. The detailed daily reports to parents cover multiple dimensions of child welfare including food consumption, play engagement, milk intake, bowel movements, medication administration, and any injury reports.

Medication management follows strict protocols, with the operational head noting that the daycare maintains "comprehensive external medicine preparation but does not provide oral medications," establishing clear boundaries for medical intervention. This approach balances the need for immediate first aid with appropriate limitations on medication administration.

Facility maintenance follows equally rigorous protocols designed to maintain a safe and hygienic environment:

> *"Alat makan: cuci dan steril, meja kursi alat main besar: dilap dengan pembersih khusus dan menggunakan disinfectan. Sprei cuci seminggu sekali. Semua alat yang digunakan harus dalam keadaan baik tidak ada yang pecah/rusak."*

The facility cleaning regime operates on multiple schedules—daily routine cleaning, weekly thorough cleaning, monthly kitchen overhauls with pest control, quarterly AC cleaning, weekly sheet washing, and daily disinfection of play equipment. This multi-layered approach ensures consistent hygiene while addressing different cleaning needs on appropriate timescales.

Table 4. 2 Health and Safety Protocol Frequency

Protocol	Daily	Weekly	Monthly	Quarterly
Temperature checks	✓ (3x)			
Parent reports	✓			
Equipment disinfection	✓			
Sheet washing		✓		
Thorough cleaning		✓		
Height/weight measurement			✓	
Kitchen overhaul & pest control			✓	
AC cleaning				✓

4.2.3 Educational Approach and Programs

The daycare has evolved significantly beyond basic childcare to incorporate substantive educational components, reflecting the Company's shift toward early childhood development centers. Their educational framework centers on a curriculum aligned with national education department standards, adapted for age-appropriate implementation through monthly thematic units.

The operational head succinctly described their curricular approach:

"Menyesuaikan kurikulum diknas per jenjang usia (tematik bulanan)."

This alignment with national standards provides a structured educational foundation while the monthly thematic approach allows for engaging, varied content delivery. The curriculum implementation includes specialized activities such as swimming and mathematics-focused market simulations ("Renang, pasar-an (math)"), integrating physical development and practical numeracy in experiential learning contexts.

Performance evaluation takes a holistic approach, considering multiple indicators of program effectiveness:

> *"Anak-anak yang mampu berkembang sesuai tahapan usia, anak ceria, reaksi spontan orangtua dan jumlah peminat yang terus waiting list."*

This evaluation framework encompasses several dimensions: children's developmental progress relative to age expectations, observable emotional wellbeing through happiness indicators, parent reactions and feedback as external validation, and the practical market indicator of continued high demand demonstrated through waitlist status.

The daycare's vision statement further emphasizes their educational focus beyond mere supervision: "To be a Partner for Parents in Caring for Children while Working and Preparing Children to become Superior Generation in their Golden Age." This vision recognizes the developmental significance of early childhood and positions the daycare as actively contributing to developmental outcomes rather than simply providing care.

The mission statements elaborate specific educational goals including creating a fun learning environment, forming active and creative children, developing independence and character, stimulating age-appropriate development, and nurturing individual talents and interests. This comprehensive developmental approach represents the evolution of modern daycare services that integrate education with care.

4.2.4 Key Challenges and Strategies

The interviews revealed several critical challenges facing daycare operations, with parent trust emerging as the fundamental concern. As the owner emphasized:

> *"Membuat hati orangtua tenang dan percaya pada daycare pada saat meninggalkan anak. Meski ada incident, orangtua yakin bahwa hal tersebut bukan suatu kesengajaan dan tetap memiliki kepercayaan yang tinggi pada daycare."*

This recognition that parent confidence—particularly following any incidents—forms the foundation of the business demonstrates a nuanced understanding of the psychological dynamics of childcare services. Beyond basic service delivery, the daycare must continually build and maintain trust relationships with parents who are entrusting their children's wellbeing to the facility's care.

Market competition presents another significant challenge, with the daycare Company having relatively low barriers to entry but high expectations for quality. The owner's approach to competitive differentiation focuses on service quality and relationship development rather than price competition:

> *"Menjaga pelayanan yang optimal dan menjaga hubungan baik dengan orangtua."*

This service-quality approach to competitive positioning aligns with their value-based pricing strategy and recognition of the importance of parent relationships.

The interviews also revealed sophisticated marketing approaches that leverage existing parent satisfaction as the primary promotional channel:

> *"Terus melakukan promosi melalui sosial media, melakukan hubungan dan komunikasi yang baik dengan orangtua karena pada dasarnya orangtua adalah ujung tombak sebagai penyampai promosi yang paling ulung karena telah merasakan kenyamanan saat menitipkan anaknya."*

This recognition that satisfied parents serve as the most credible and effective promoters demonstrates a relationship-based marketing approach rather than relying primarily on direct advertising. The social media promotion complements this word-of-mouth strategy by providing platforms for parent advocacy and experience sharing.

Staff retention and development present ongoing challenges within the 12-hour operational environment. The operational head noted that while staff are present at the daycare for 12 hours, they receive "4 hours for prayer, rest, and meals," creating a sustainable schedule. Staff issues are "handled personally according to needs," suggesting an individualized approach to human resource management that recognizes the personal nature of caregiving work.

The daycare's long-term strategy focuses on service expansion to create continuity of care across developmental stages:

> *"Memaksimalkan daycare sebagai partner orangtua dengan melayani pengasuhan anak dengan menambah fasilitas sarana prasarana agar bisa mendampingi anak sejak bayi 3bl hingga lulus SD (aamiin)."*

This vision of expanding services to cover children from 3 months through elementary school graduation represents an ambitious growth strategy based on relationship continuity rather than simply increasing capacity at existing service levels. This approach leverages the trust developed with parents in early childcare to extend the relationship through the child's developmental journey.

The social impact of their services emerged as a significant non-monetary consideration, with the owner noting:

> *"Selama ini orangtua sangat berterimakasih karena orangtua bisa tenang dan nyaman saat bekerja dan beraktifitas."*

This recognition of the daycare's role in enabling parent peace of mind during work and activities acknowledges the broader social function of quality childcare in supporting workforce participation and work-life balance, particularly for mothers. Customer satisfaction is measured through multiple means including formal questionnaires, observed parent interactions with children and staff, and the durational loyalty of parents entrusting their children to the daycare.

Table 4. 3 Strategic Challenges and Approaches

Challenge Area	Key Challenges	Strategic Approaches
Parent Trust	Building initial confidence Maintaining trust post-incidents Creating long-term relationships	Transparent communication Detailed daily reporting Consistent quality standards
Market Competition	Multiple service providers Variable quality standards Price sensitivity	Service quality differentiation Value-based positioning Relationship development
Staff Management	12-hour operational requirements Specialized skill needs Potential burnout	Structured break periods Regular professional training Personalized issue resolution
Business Growth	Limited initial market Service range constraints Facility limitations	Social media promotion Word-of-mouth referrals Age-range service expansion

4.3 Strategic and Operational Analysis

4.3.1 SWOT Analysis

A comprehensive SWOT analysis was conducted to evaluate the daycare's strategic position based on data collected from interviews, document review, and market research. This analysis provides a structured framework for understanding the internal capabilities and external factors affecting the daycare's operations and future development.

1. Internal Environment Assessment

There are many strengths of the daycare that form the basis of its competitive advantage in the market. The creation of the daycare in 2012, after modifications from a kindergarten system, is an indication of resilience and adaptability to the market environment, which can give the business operational experience lacking in other competing businesses. It also shows that the business has a spirit of entrepreneurship and adaptability to different environments, a necessary attribute for the sustainability of any dynamic childcare business.

Moreover, the structure of the daycare enables a clear separation of responsibilities in the organization from the owners to the management and finally to the caregivers, which ensures the establishment of accountability channels and functional areas of specialization. This structure is even made easier through the use of a health monitoring and parent communication system.

Professional development of personnel through healthcare partnerships is the indication of readiness to provide quality services and to prepare for emergencies. Stringent maintenance and sanitation procedures surpass legal requirements, and such operations are supported by appropriate education program meeting national standards in order to comply with both educational and care obligations.

The idea to create a “second home” for children matches the vision statement of the organization and appeals to parents who need caring atmosphere for children besides simple supervision. As the daycare remains

to be on a wait list permanently, it is the indication of market need and the quality assurance based on parents' preferences.

Despite all strengths, there are certain weaknesses which should be taken into account for sustainable development in the future. Lack of standard certification and insurance are the major risks of the daycare and the missed chance to demonstrate high-quality services to the market. There are no measures used to measure the quality of service provided.

The heavy reliance on word-of-mouth marketing, while leveraging satisfied parents effectively, may limit growth potential and market reach. Staff scheduling with 12-hour presence creates potential burnout risks despite designated break periods, potentially affecting service quality and staff retention. Additionally, limited documentation of quality standards beyond basic SOPs reduces operational consistency and complicates training for new staff.

2. External Environment Assessment

In this way, there are several major opportunities identified in the external analysis. First, the emergence of dual-earning couples who need professional daycare represents a demographic trend that is favorable to the company's growth. At the same time, the increased awareness of the importance of early childhood education will contribute to the increased value of high-quality programs.

Growth opportunities related to the provision of additional services across a wider age range from 3 months old to school age among the existing clients represent long-term growth opportunities for the company. Digital transformation initiatives can help in enhancing communication with parents and improving operations. Finally, partnering with hospitals and schools can differentiate the business and increase value.

Formalization of standards and certifications is an important chance to be distinguished from other companies on the ever-growing market of quality. Formalization will eliminate all existing problems and at the same time will provide market advantages.

However, the daycare faces certain threats in its environment. The increased competition in the daycare market leads to decreased prices and increased demands to service, while economic crisis may reduce parents' possibilities to use this service at all, especially at high price levels. Changes in the regulation regarding childcare standards and demands may cause some problems in terms of compliance and increase the company expenses.

Staff recruitment and retention in the childcare industry can become complicated because of the changing expectations of workers, while increasing expectations of parents towards quality of service and educational content should be constantly improved. In addition, reputation risks that can arise due to the events and shortcomings of services represent a real threat for an enterprise, which value lies in its reputation.

Table 4. 4 SWOT Analysis Impact Assessment

Category	Element	Impact Level	Strategic Implication
Strengths	Established business with adaptation history	High	Leverage experience in marketing and operations
	Comprehensive health monitoring system	High	Emphasize safety protocols in parent communications
	Strong "second home" positioning	High	Build brand identity around nurturing environment
	Consistent waitlist status	Medium	Potential for controlled growth and premium pricing
Weaknesses	Lack of certification and insurance	High	Prioritize formalization and risk management
	Limited quality metrics	Medium	Develop measurement systems for key outcomes
	Staff scheduling challenges	Medium	Redesign schedules to prevent burnout
	Word-of-mouth marketing limitations	Low	Diversify marketing channels strategically

Category	Element	Impact Level	Strategic Implication
Opportunities	Growing dual-income family market	High	Targeted marketing to working professionals
	Age range service expansion	High	Develop staged implementation plan
	Digital transformation potential	Medium	Prioritize parent communication technologies
	Standards formalization advantage	Medium	Pursue certification ahead of regulatory requirements
Threats	Market competition intensity	High	Strengthen differentiation strategy
	Economic sensitivity	Medium	Develop tiered pricing options
	Regulatory changes	Medium	Proactive compliance monitoring
	Reputation risk	High	Enhance incident management protocols

4.3.2 Five Forces Analysis

Porter's Five Forces approach provides a systematic insight into the competitive forces affecting the strategic positioning and profitability of the daycare. The assessment will focus on the power dynamics within the Company's ecosystem.

4.3.2.1 Bargaining Power of Buyers (Parents)

Buyer Bargaining Power (Parents) at Daycare company is high, exerting considerable influence on service providers. In urban areas, parents have several choices regarding childcare services, which include other daycare services, private childcare services, and even childcare at home. The availability of alternatives enhances the ability of parents to negotiate better on the prices and conditions of service provision.

However, there are several factors that influence buyer power. Services differentiation through educational programs, health protocols, and facilities limits the ability of buyers to compare the services offered by various providers. In addition, switching costs become very high

once children join a daycare facility since there are psychological adjustment costs for the child, the process of joining a different daycare facility, and building trust in new providers.Importance of quality services provided by the provider makes it difficult for the parents to become price-sensitive.

4.3.2.2 Bargaining Power of Suppliers

The Bargaining Power of Suppliers is more diversified and can range from low to moderate based on the particular supply type. In terms of physical supplies and regular services, there are several choices available, thus reducing the supplier power and providing an opportunity for competitive purchasing. There are two types of suppliers that have relatively higher bargaining power:

The Staff, as human resource suppliers, possess moderate power owing to their particular skills and the importance of the high-quality of caregivers to provide the services successfully. The personalized nature of childcare services, the need to deal directly with kids, and the ability to satisfy parents' needs raise the significance of the staff.

Location suppliers (owners/landlords) can have considerable power, especially in highly demanded regions where it is close to the parents to whom we want to sell our service. The need for a property to conduct business and comply with all necessary criteria reduces the number of suitable properties.

4.3.2.3 Threat of New Entrants

The level of threats from new entrants is considered to be moderate and poses continuous competition. The relatively low costs associated with entering the market (approximately Rp 10-20 million and operational reserve costs) lower the financial barriers significantly compared to other markets, thus allowing the emergence of new competitors through relatively low investments. The regulatory barriers, connected to licensing and certification issues, are minor (however, compliance is required).

Nevertheless, significant soft barriers minimize this threat. The building up of reputation and trust can prove to be rather difficult for new competitors and require both time and proving the high quality. Natural barrier appears due to parents' unwillingness to leave their children with unfamiliar people who have no safety record.

4.3.2.4 Threat of Substitutes

The threat of substitutes creates a moderate to strong pressure on daycare operations. A number of feasible substitutes for childcare services exist, which include the use of home-based nannies or caregivers who will offer personalized services at the comfort of one's own environment; care from extended family members who offer reliable relationships as well as affordable services; and work-from-home services, where one can supervise his/her child while undertaking other activities.

Additionally, some employers currently offer child care services for their employees. The availability of substitutes creates price pressures and service expectations pressures. Therefore, daycare operations will have to create value propositions through elements such as education, socialization, and professional development among others.

4.3.2.5 Company Rivalry

The level of competitiveness in the daycare industry ranges from medium to high, suggesting that the industry is highly competitive but not extremely so. In almost all cases, there is an abundance of competition among other daycare centers, and this results in the competition for enrollment among such centers. However, differentiation occurs on the basis of the quality of services provided as well as education-related factors instead of price competition.

As the emotional and trust elements of the childcare industry have been highlighted, the direct competition is somewhat softened due to the fact that customers generally emphasize quality over small price differentiations in comparison with the commodity industries. This

explains the daycare center's approach towards building a second home environment and communications channels.

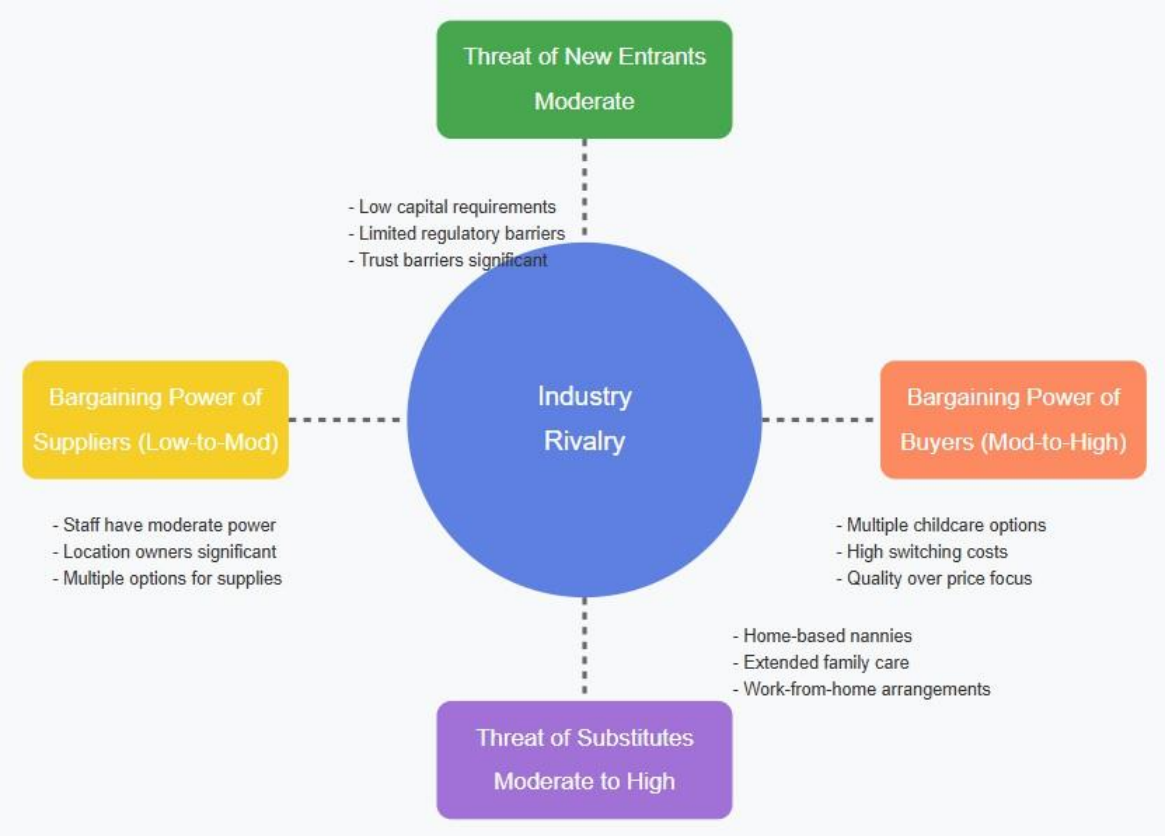


Figure 4. 1 Five Forces Analysis of Daycare Company

4.3.3 Operational Strategy Design and Implementation

Based on the comprehensive strategic analysis, a set of interconnected operational strategy recommendations emerges to address identified challenges and capitalize on opportunities. These recommendations form a systematic approach to strengthening the daycare's competitive position and long-term sustainability.

1. Quality Enhancement Initiatives

The formalization of quality standards represents a foundational strategic priority to address identified weaknesses while leveraging Company trends toward quality-consciousness. Pursuing formal certification through relevant Company or educational bodies would establish objective validation of standards while creating market

differentiation and potentially regulatory advantages. This certification process would require systematic documentation of existing practices, identification of improvement areas, and implementation of recognized standards.

As part of the complement to the above-mentioned certification, insurance provisions covering the entire company and children will help to fill in the gap in terms of risk management. The insurance policy suggested for implementation shall cover liability insurance, property insurance, and also special childcare insurance, if needed, due to the peculiarities of the Company. In addition to risk management, the above mentioned insurance also has additional qualities signaling purposes.

The development of formal quality measurements and metrics is a crucial operational step that shifts from unstructured quality assessments to structured evaluations. Such metrics need to reflect a wide range of factors such as the developmental outcome of children, health and safety performance, satisfaction of parents, and effectiveness of the personnel. Measurement is a chance for continuous improvement and creation of communicational material for marketing and involving the parents.

Based on the already present standard operating procedures, the new procedures have to systematize best practices of the organization. These new procedures are supposed to take into account not only regular processes but also exception handling. The very procedure of writing such documents is the chance to improve operations by analyzing them.

The establishment of key performance indicators (KPIs) for the quality of service is important because this will be used as a tool for making people accountable and improving performance visibility. The KPIs need to be consistent with strategic objectives and have many operational factors such as child development, health and safety, parent satisfaction, and operational efficiency.

2. Staff Development Framework

The human resources are not only the main source of strength but also a threat for the daycare. Thus, it is crucial to pay attention to the staff development and health issues. It is necessary to make some changes in the scheduling in order to prevent stress in the staff but keep the coverage at a reasonable level. The changes may include staggered shifts, additional staff for the peak hours and the break schedule in the frame of 12-hour working day.

Apart from the emergency training, it will be useful to develop the child development, teaching techniques and communication skills of the staff members. This development can be done using the education institutions together with the internal methods. The documentation of the training procedure provides high-quality evidence.

Strategies for retaining employees that entail having career development tracks will ensure that any challenges that might arise concerning turnover will be overcome, and they will lead to increased institutional knowledge. Some of the strategies may include tiered levels of responsibility, specializing in areas, advancement through performance, and reward programs. Having these career development tracks formalized is an indication that the organization is dedicated to employee development.

In order to make the above strategies work, it is essential to have more formalized staff evaluations and feedback procedures in place. These evaluations will be used for purposes of guiding development and training needs identification. These evaluations should be in the form of performance reviews based on the set standards and developmental feedback.

Table 4. 5 Staff Development Implementation Framework

Initiative	Short-term Actions	Medium-term Actions	Long-term Vision
Schedule Restructuring	Analyze current patterns Identify peak demand periods Test alternative schedules	Implement staggered shifts Create flexible scheduling options Develop backup systems	Optimized staff utilization Reduced burnout risk Maintained service quality
Training Expansion	Inventory current skills Identify priority needs Develop core modules	Partner with educational institutions Create certification pathways Implement regular training calendar	Comprehensive skill development Ongoing professional growth External certification alignment
Retention Strategies	Conduct staff satisfaction survey Identify key retention factors Develop recognition program	Create career ladders Implement performance incentives Establish mentorship program	Reduced turnover Institutional knowledge preservation Reputation as preferred employer
Evaluation Systems	Develop performance standards Create evaluation tools Train supervisors	Implement regular review cycles Connect evaluation to development Create improvement plans	Performance-based culture Continuous improvement Professional staff identity

4.3.3.1 Service Expansion Opportunities

Expanding the services of the daycare to include infants up until elementary age is an expansion opportunity that requires strategic implementation. The introduction of various packages for different parents at different prices helps not only to expand the market but also to increase profit margins. Such packages can be designed as basic care, additional educational

aspects, longer working hours, or special services, thus helping to customize and maximize financially.

Introduction of age-based programs with goals and indicators of developmental progress would be greatly useful for achieving the educational goal and would help create differentiation based on quality. These programs need to correspond with the existing theories of children's development and have unique aspects reflecting the philosophy of the day care.

Use of technology for enabling improved monitoring and parent communication is an obvious opportunity for modernization which caters to improving both efficiency and service quality. Possible technologies include video monitoring technologies, electronic daily reports, developmental assessment technologies, and parent communication platforms. The use of technologies makes the process more transparent and may help to lessen administrative overheads.

Formation of partnership relations with educational and medical institutions will improve service quality and create advantages through differentiation. Education partnerships may include curricula development, teacher education, or educational resource provision. Partnership with the medical institutions may improve health monitoring, emergency planning, and health education aspects of the program. Such organizational ties also help in building credibility and referral network.

4.3.3.2 Marketing Strategy Enhancement

Due to the emphasis on word-of-mouth marketing in the daycare center, the marketing activities would need to be complemented by other methods in order to ensure sustainability in the future. A broader digital marketing strategy should be developed, incorporating such things as optimization of the website for local childcare search, targeted online advertisements to potential clients, content marketing and social media planning.

A formal referral program for the current parents would institutionalize the word-of-mouth method that has already been proven successful. These programs could incorporate such aspects as referral incentives, testimonials campaigns, parents' ambassador activities and community events organization.

In order to communicate the value, it is important to systematically develop the content that would demonstrate such things as the development of the children in the center, the benefits of the curricula offered at the center, etc.

Establishing a clear unique selling proposition against competitors creates focused positioning in an increasingly competitive market. This proposition should identify the daycare's distinctive value elements—potentially its "second home" environment, developmental focus, health protocols, or continuity of care. Consistent communication of this proposition strengthens brand identity while supporting premium positioning.

Through this comprehensive operational strategy, the daycare can systematically address identified weaknesses, capitalize on market opportunities, mitigate external threats, and strengthen competitive advantages for sustainable growth.

4.4 Financial Feasibility Analysis

4.4.1 Financial Parameters and Assumptions

The financial feasibility analysis of daycare operations reveals a business model characterized by moderate initial investment requirements, labor-intensive operational costs, and value-based revenue generation. Based on interview data with the daycare owner and operational head, supplemented by documentation review, a clear financial structure emerges that informs investment decisions and operational planning.

Basic Assumptions and Analysis Horizon

The feasibility **analysis is conducted for a project to establish a new daycare branch with a total investment of IDR 6.305 billion at t=0, followed by five years of operations (t=1 to t=5). All operating cash flows are assumed to be received at the end of each year.**

Table 4. 6 Basic Assumptions for the Feasibility Analysis

Parameter	Value	Source
Analysis horizon	t=0 (investment) + 5 years of operations	Workbook; abstract refers to 2027–2032
Annual price increase	5%	Sale Hot sheet, cell H14
Annual cost increase (supplies and labor)	3%	Sale Hot sheet, cell H15
Annual churn rate	20%	Sale Hot sheet, cell H16
Income tax rate	22%	LR sheet, row 53
Depreciation method	Straight-line, IDR 215 million per year	Dep sheet
Project cash flow financing structure	No interest (project cash flow, not equity cash flow)	LR, row 38
Terminal value and working capital recovery	Not included (conservative assumption)	Feasibility (Rev), Terminal Value row is blank

The initial capital requirements for daycare establishment demonstrate relatively accessible entry thresholds compared to many other industries. As the owner stated during the interview:

> *"Memiliki/Sewa bangunan, inventaris awal sekitar Rp 10.000.000 - Rp 20.000.000,-, dana cadangan untuk gaji karyawan, listrik dan dana operasional selama pemasaran awal min Rp 5.000.000/bulan."*

This investment structure distinguishes between facility costs (building ownership or rental), which represent the largest capital commitment but may leverage existing assets or leasing arrangements, and operational setup costs including initial inventory in the range of Rp 10-20 million (approximately USD 650-1,300). The financial model also specifically provisions for startup operational reserves of at least Rp 5 million monthly during the initial marketing and enrollment phase before revenue stabilization.

Initial Investment (t=0)

The initial investment for establishing a new branch includes property acquisition, building improvements, equipment and furnishings, and working capital. This amount differs from the inventory cost of IDR 10–20 million

mentioned in the previous section, which represents the inventory requirements of an already operating daycare.

Table 4. 7 Breakdown of Initial Investment (IDR million)

Component	Value (IDR million)
Property acquisition	3,000.0
Leasehold improvements	500.0
Furniture and fixtures	250.0
Kitchen equipment	50.0
Computers	50.0
Working capital	2,455.0
Total investment	6,305.0

Operational expenditure analysis reveals a cost structure typical of service-intensive businesses, with human resources representing the dominant expense category. The owner enumerated these primary operational costs:

> *"Gaji karyawan, belanja dapur mingguan, kebutuhan rumah tangga bulanan, iuran warga, listrik, air, telp, wifi, laundry."*

These expenses can be categorized into four primary streams: human resource costs (staff salaries), consumable supplies (weekly kitchen provisions, monthly household needs), utilities and services (electricity, water, telecommunications, internet, laundry), and community obligations (resident fees). This categorization facilitates budget planning and cost management strategies.

The interview data also revealed sophisticated financial planning through separate tracking of regular monthly operational expenses versus annual or irregular costs:

> *"Pendapatan dikurangi beberapa komponen pengeluaran: (bulanan) poin 2, (tahunan) PBB, pajak, THR, dana perbaikan/renov tahunan, pembelian inventaris baru."*

This distinction between monthly operational costs and annual expenses including property tax (PBB), income tax, holiday allowances (THR), renovation funds, and equipment replacement provisions demonstrates

financial planning sophistication and helps ensure provision for predictable but irregular expenditures.

Revenue modeling based on the interview data shows a value-based pricing approach that references market rates while emphasizing service differentiation:

> *"Berpatokan pada gaji rata-rata pengasuh anak di area tersebut. Daycare harus menarik hati orangtua untuk melihat jauh lebih banyak keuntungan dengan biaya yang tidak terlalu jauh namun lebih banyak manfaat yang didapat."*

This pricing strategy benchmarks against the average salaries of local childcare providers as a reference point, but positions the daycare service as delivering significantly enhanced value that justifies moderate price premiums. This approach avoids direct price competition by emphasizing benefits that exceed cost differentials, supporting sustainable margins while maintaining market competitiveness.

Profit and Loss Projection

Table 4. 8 Profit and Loss Projection for Years 1–5 (IDR million)

Description	Year 1	Year 2	Year 3	Year 4	Year 5
Room revenue	3,675.3	7,025.8	7,588.1	7,967.5	8,365.8
Cost of goods sold (COGS)	1,983.9	3,432.2	3,581.6	3,689.1	3,799.7
Gross profit	1,691.4	3,593.6	4,006.4	4,278.4	4,566.1
Marketing expenses	120.0	124.8	129.8	135.0	140.4
General and administrative expenses	403.6	424.8	443.5	462.8	481.6
Employee training	80.0	80.6	80.6	80.6	81.2
Indirect labor costs	63.9	66.4	69.1	71.9	74.7
Total operating expenses	667.5	696.7	723.0	750.3	778.0
EBITDA	1,023.9	2,896.9	3,283.4	3,528.1	3,788.1
Depreciation	215.0	215.0	215.0	215.0	215.0
EBIT	808.9	2,681.9	3,068.4	3,313.1	3,573.1
Tax (22%)	178.0	590.0	675.1	728.9	786.1
Net profit (EAT)	630.9	2,091.9	2,393.4	2,584.2	2,787.0

Reconciliation of Net Profit to Net Cash Flow

Project cash flow is derived from net profit after tax plus depreciation, which does not result in a cash outflow. Since the project is analyzed without

debt financing, there are no interest expenses, and changes in working capital during the operating period are assumed to be zero.

Net cash flow = EAT + Depreciation

Table 4. 9 Reconciliation of Net Profit to Net Cash Flow (IDR million)

Description	Year 1	Year 2	Year 3	Year 4	Year 5
Net profit (EAT)	630.9	2,091.9	2,393.4	2,584.2	2,787.0
Add: Depreciation	215.0	215.0	215.0	215.0	215.0
Net cash flow	845.9	2,306.9	2,608.4	2,799.2	3,002.0

Cost of Capital (WACC)

The discount rate used is the weighted average cost of capital (WACC).

$$WACC = (\frac{E}{V} \times Re) + (\frac{D}{V} \times Rd \times (1 - T_c))$$

Where:

- *WACC* is the Weighted Average Cost of Capital.
- *E* is the market value of the company's equity.
- *V* is the total market value of the company's equity and debt.
- *Re* is the cost of equity.
- *D* is the market value of the company's debt.
- *Rd* is the cost of debt.
- *Tc* is the corporate tax rate.

Table 4. 10 **WACC Calculation**

Component	Value	Description
Equity weight (E/V)	60.0%	Assumption
Debt weight (D/V)	40.0%	1 − E/V
D/E	66.67%	(D/V) / (E/V)
Unlevered beta (βu)	1.30	Damodaran, relevant sector
Levered beta (β)	1.976	βu × (1 + (1 − 22%) × D/E)
Risk-free rate (Rf)	6.874%	SUN FR31
Risk premium (Rp)	3.60%	Assumption
Specific risk	1.00%	Assumption
Cost of equity (Re)	14.99%	Rf + β × Rp + specific risk
Cost of debt (Rd)	9.66%	Base lending rate of 8.66% + specific risk of 1%
Tax rate (Tc)	22%	Tax regulations
WACC	12.01%	(60% × Re) + (40% × Rd × (1 − 22%))

Table 4. 11 Calendar Year Mapping

Period	Calendar year	Description
t=0	2027	Initial investment
t=1	2028	Operating year 1
t=2	2029	Operating year 2
t=3	2030	Operating year 3
t=4	2031	Operating year 4
t=5	2032	Operating year 5

Table 4. 12 Financial Parameter Framework for Daycare Operations

Parameter Category	Components	Strategic Considerations	Source
Initial Investment	- Building costs (ownership/lease - Initial inventory (Rp 10-20M) - Operating reserve (min Rp 5M/month) - Licensing and permits	- Facility strategy (own vs. lease) - Phased equipment acquisition - Cash reserve adequacy - Regulatory compliance costs	Owner interview Document audit
Operating Expenses	- Staff salaries (primary) - Consumable supplies - Utilities & services - Community fees - Maintenance	- Labor cost management - Supply chain efficiency - Energy optimization - Community relations - Preventative maintenance	Owner & operational head interviews
Annual Costs	- Property tax (PBB) - Income tax - Holiday allowances (THR) - Renovation funds - Equipment replacement	- Tax planning - Staff retention - Facility improvement cycles - Asset depreciation - Reserve adequacy	Owner interview Financial documentation
Revenue Sources	- Core childcare fees - Enhanced service premiums - Extended hours fees - Special program charges	- Value-based pricing - Service differentiation - Capacity optimization - Premium positioning	Owner interview Market analysis

4.4.2 Capital Budgeting Analysis

The capital budgeting analysis for daycare operations reveals several distinctive characteristics that influence investment decisions and financial planning. The financial structure of the business, with its moderate initial capital requirements and recurring revenue model, creates a relatively favorable investment profile when properly managed.

The total initial investment of IDR 6,305 million (property acquisition, leasehold improvements, furniture, equipment, and working capital) combined with monthly recurring revenue creates conditions for investment recovery within a manageable timeframe. This recovery is supported by the waitlist status mentioned by the operational head during the interview:

> *"Anak-anak yang mampu berkembang sesuai tahapan usia, anak ceria, reaksi spontan orangtua dan jumlah peminat yang terus waiting list."*

This consistent demand supports stable enrollment projections, enhancing cash flow reliability and improving payback forecasts. As a primarily service-based business with limited ongoing capital requirements beyond the initial setup and periodic maintenance, the daycare model avoids the continuous heavy reinvestment needs of more capital-intensive industries.

Net Present Value (NPV) considerations for daycare operations benefit from several favorable factors. The recurring revenue stream from monthly fees provides predictable cash flow that enhances NPV calculations by reducing uncertainty in future period projections. The relatively low initial capital expenditure compared to many other businesses improves the NPV profile by limiting the upfront negative cash flow that must be overcome by future earnings.

The potential for long-term customer relationships represents a significant NPV enhancement factor, as children often remain in daycare from infancy through early school years (up to 5-6 years), creating extended revenue streams from initial acquisition. The operational head highlighted this longitudinal service vision:

"Memaksimalkan daycare sebagai partner orangtua dengan melayani pengasuhan anak dengan menambah fasilitas sarana prasarana agar bisa mendampingi anak sejak bayi 3bl hingga lulus SD (aamiin)."

This vision of expanding services to accompany children from 3 months through elementary school graduation represents potential for sustained multi-year revenue from each successfully acquired family, significantly enhancing lifetime customer value and NPV calculations.

Return on Investment (ROI) analysis benefits from several structural advantages of the daycare model. The low to moderate initial investment requirements create a favorable denominator in ROI calculations. Potential for premium pricing through value differentiation enhances the revenue component of the ROI equation, while limited inventory and equipment needs after initial setup minimize ongoing capital commitments that would reduce returns.

The owner's pricing strategy explicitly focuses on value demonstration to support sustainable pricing:

"Daycare harus menarik hati orangtua untuk melihat jauh lebih banyak keuntungan dengan biaya yang tidak terlalu jauh namun lebih banyak manfaat yang didapat."

This approach of attracting parents by demonstrating significantly greater benefits relative to moderate price premiums supports the margin components necessary for attractive ROI. However, labor costs as the primary ongoing expense create sensitivity to staffing efficiency and enrollment optimization in maintaining target returns.

Budgeted performance management within daycare operations demonstrates several sophisticated approaches. The clear separation of monthly versus annual expense planning enables appropriate provision for predictable but irregular costs like taxes, holiday allowances, and renovation funds. The owner's financial planning approach emphasizes this distinction:

"Pendapatan dikurangi beberapa komponen pengeluaran: (bulanan) poin 2, (tahunan) PBB, pajak, THR, dana perbaikan/renov tahunan, pembelian inventaris baru."

This separation enhances budgeting accuracy and cash flow management by preventing irregular expenses from creating unexpected shortfalls. The careful pricing strategy that balances competitive positioning with value delivery creates sustainable margin management while avoiding destructive price competition in a quality-sensitive service category.

$$NPV = \sum_{t=0}^{T} \frac{CF_t}{(1+r)^t} - C_0$$

Where;

NPV is the Net Present Value.

CF_t is the net cash flow during a specific period.

r is the discount rate or the rate of return required by the investor.

C_0 is the initial investment or cash outflow at *t=0.*

$$NPV = \frac{\sum_{t=0}^{T} \frac{CF_t}{(1+r)^t}}{C_0}$$

Where;

- NPV is the Net Present Value Index.
- CF_t is the net cash flow during a specific period.
- r is the discount rate or the rate of return required by the investor.
- C_0 is the initial investment or cash outflow at *t=0.*

$$ROI = \left(\frac{Current\ Value\ of\ Investment - Cost\ of\ Investment}{Cost\ of\ Investment}\right) \times 100$$

Where:

- ROI is the Return on Investment expressed as a percentage.
- Net Gain or Loss is the total profit or loss generated by the investment.
- Initial Investment is the cost of the investment or the initial amount of money invested.
- Current Value of Investment is the present value of the investment.

In this study, the investment's present value is operationalized as the total undiscounted net cash flows over five years, such that ROI = (Σ CFt − I0) / I0..

$$PP = Years\ full\ recovery\ + \frac{Unrecovered\ cost\ at\ beginning\ of\ last\ year}{Cash\ Flow\ in\ Following\ Year}$$

The discounted payback period is calculated in the same manner using cash flows discounted at the WACC. Because cash flows are discounted, the discounted payback period is always equal to or longer than the conventional payback period. The feasibility criteria are: NPV > 0, IRR > WACC, and PI > 1.

Cash Flows and Discounting – Base Scenario

Table 4. 13 **Cash Flows, Discounting, and Cumulative Cash Flows for the Base Scenario (IDR million; WACC 12.01%)**

Description	t=0	t=1	t=2	t=3	t=4	t=5
Net cash flow	(6,305.0)	845.9	2,306.9	2,608.4	2,799.2	3,002.0
Discount factor	1.0000	0.8928	0.7971	0.7117	0.6354	0.5673
Discounted cash flow	(6,305.0)	755.3	1,838.8	1,856.3	1,778.5	1,702.9
Cumulative cash flow (undiscounted)	(6,305.0)	(5,459.1)	(3,152.2)	(543.8)	2,255.4	5,257.4
Cumulative discounted cash flow	(6,305.0)	(5,549.7)	(3,710.9)	(1,854.7)	(76.1)	1,626.8

The results of the investment feasibility analysis for the base scenario are summarized in table 4.14.

Table 4. 14 Summary of Investment Feasibility Indicators for the Base Scenario (WACC 12.01%)

Indicator	Value	Criterion	Result
WACC	12.01%	Discount rate	–
NPV	IDR 1,626,807,887	> 0	Positive
ROI	83.38%	> 0	Positive
IRR	20.41%	> WACC	Feasible
PI	1.258	> 1	Feasible
Payback Period	3.19 years	< 5 years	Feasible
Discounted Payback Period	4.04 years	< 5 years	Feasible

The undiscounted cumulative cash flow turns positive between year 3 (IDR −543.8 million) and year 4 (IDR 2,255.4 million), giving a payback period of 3.19

years (approximately 3 years and 2 months), and reaches IDR 5,257.4 million by year 5. After discounting at the WACC of 12.01%, the investment is recovered in 4.04 years, still within the five-year projection horizon. With NPV > 0, IRR > WACC, and PI > 1, the project is declared financially feasible.

Analysis Results and Scenarios

In addition to the base scenario, a sensitivity analysis is conducted using two scenarios: a 10% increase in costs (COGS and operating expenses) and an 8% decrease in revenue.

Table 4. 15 **Feasibility Indicators for Three Scenarios (IDR million; WACC 12.01%)**

Scenario	NPV	IRR	PI	ROI	Payback (years)	Discounted payback (years)	Status
Base	1,626.8	20.41%	1.258	83.4%	3.19	4.04	Feasible
Cost +10%	523.9	14.79%	1.083	58.5%	3.57	4.65	Feasible
Revenue −8%	123.6	12.68%	1.020	49.1%	3.73	4.91	Feasible

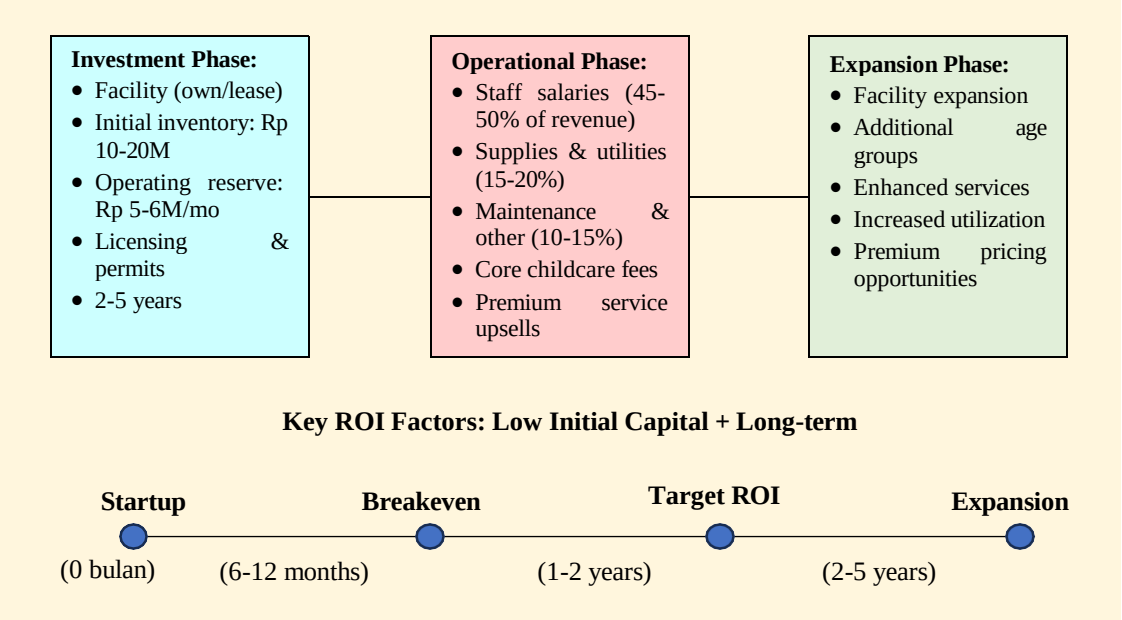


Figure 4. 2 Daycare Investment and Return Flow Diagram

4.4.3 Scenario Analysis

The financial analysis of daycare operations requires consideration of multiple potential scenarios to account for variation in market conditions, enrollment patterns, and operational factors. The moderate (base case) scenario reflects steady enrollment based on current market conditions and demonstrated

demand. As noted by the operational head, the daycare currently experiences "jumlah peminat yang terus waiting list" (continuously waitlisted applicants), indicating stable market demand. This scenario assumes controlled cost growth aligned with general inflation, maintaining current staff-to-child ratios and operational standards.

Under this moderate scenario, the daycare would pursue gradual service expansion in line with the operational head's vision: "*Memaksimalkan daycare sebagai partner orangtua dengan melayani pengasuhan anak dengan menambah fasilitas sarana prasarana agar bisa mendampingi anak sejak bayi 3bl hingga lulus SD (aamiin).*" This gradual approach would allow for managed growth, with investments in facilities and programs paced to match enrollment growth and cash flow availability.

In the optimistic case, the increase in admissions leading to a full occupancy will see the end of the current waiting list through accommodation of extra space. The case is based on the existing demand for the service and good economic environment, which could bring more families of dual incomes in the community. In the situation of the described market demand and the good economic environment, there will be premium pricing strategies as a result of provision of more services that make the daycare more competitive.

The expanded age range coverage as proposed by the operational head will be accelerated in the case where the increase in admissions is expected due to implementation of programs covering children starting from infancy to their elementary school years.

The negative outlook factors in the reduced number of enrollments resulting from the economic downturn and stiff competition within the market environment. In this environment, price elasticity is expected to be higher on the part of the parents hence making it difficult to enjoy premium pricing. Any cost pressures resulting from inflation and regulation would worsen the situation hence the need for cost control.

Problems with staffing are also likely to arise within this context hence lowering the quality of services offered. Due to these cost and staffing constraints, expansion to other age groups will have to be put off.

Table 4. 16 **Feasibility Indicators for Three Scenarios (IDR million; WACC 12.01%)**

Scenario	NPV	IRR	PI	ROI	Payback (years)	Discounted payback (years)	Status
Base	1,626.8	20.41%	1.258	83.4%	3.19	4.04	Feasible
Cost +10%	523.9	14.79%	1.083	58.5%	3.57	4.65	Feasible
Revenue −8%	123.6	12.68%	1.020	49.1%	3.73	4.91	Feasible

Under the base scenario, the project generates an NPV of IDR 1,626.8 million, an IRR of 20.41% (above the WACC of 12.01%), and a PI of 1.258, indicating that the project is feasible. The investment is recovered in 3.19 years (conventional payback period) or 4.04 years (discounted payback period). The project remains feasible under the scenario of a 10% increase in costs (NPV of IDR 523.9 million, IRR of 14.79%) and an 8% decrease in revenue (NPV of IDR 123.6 million, IRR of 12.68%), with a progressively narrower feasibility margin under the revenue-decline scenario.

Table 4. 17 Financial Scenario Comparison

Parameter	Pessimistic Scenario	Moderate Scenario	Optimistic Scenario
Enrollment	60-70% capacity Declining waitlist Increased turnover	75-85% capacity Stable waitlist Normal turnover	90-100% capacity No waitlist (expanded) Low turnover
Pricing	Limited premium options Price sensitivity Competitive pressure	Value-based positioning Moderate premiums Stable competitive position	Enhanced premium services Price leadership Strong differentiation
Costs	Inflation pressure Regulatory compliance costs Fixed cost burden	Controlled growth Predictable increases Scale efficiencies	Economies of scale Optimized staffing Investment in efficiency
Expansion	Delayed Focused on core services Minimal capital investment	Gradual Phased implementation Moderate investment	Accelerated Comprehensive services Significant investment
ROI Timeline	Extended payback (3-5+ years) Lower NPV Reduced profit margins	Payback 3.19 years; discounted 4.04 years	Quick payback (1-2 years) Strong NPV Enhanced margins

4.4.4 Financial Strategy Recommendations

Based on the financial analysis across various scenarios, several strategic recommendations emerge to optimize financial performance and sustainability for daycare operations. These recommendations focus on investment methods, ways to increase revenues, and managing costs that are specific to the unique nature of the daycare business model.

1. Investment Optimization

The optimal approach to capital planning is the phased capitalization plan that is based on the enrollment forecast. Such an approach starts with obtaining the necessary equipment and facilities that provide basic services, with further capital outlays depending on some enrollment triggers. Based on the interview, it is clear that the owner has been using such an approach without explicitly realizing it..

The investments should be made in quality elements that will affect the parent's perception and decision. These quality areas include aspects such as safety, educational materials, and building aesthetics. As noted by the owner during the interview, gaining the trust of the parents is fundamental to the business:

> *"Membuat hati orangtua tenang dan percaya pada daycare pada saat meninggalkan anak. Meski ada incident, orangtua yakin bahwa hal tersebut bukan suatu kesengajaan dan tetap memiliki kepercayaan yang tinggi pada daycare."*

Creating this trust requires visible investment in quality factors that reassure parents about their children's wellbeing and development.

Financial planning should include creation of a contingency fund for unexpected expenses, particularly given the potential for regulatory changes, facility issues, or enrollment fluctuations. The existing practice of maintaining operating reserves during startup should be extended to create ongoing contingency provisions throughout the business lifecycle.

Moreover, the day care facility should consider the option of seeking grants and subsidies for childcare centers, which usually come from government programs, community developments, or corporate

collaborations. This will provide an alternative funding avenue and may even improve community relations.

2. Revenue Enhancement

The use of the multi-tier pricing model among different service levels can provide a significant revenue generation strategy. In this case, the value-based pricing model suggested by the owner interviewee can be formalized in the form of several service tiers with associated prices.

The desire of the operations manager to assist children at all developmental stages ranging from infancy to elementary school provides options for generating new sources of revenues. Among possible services one may mention extended hours assistance for families with unusual work schedule and weekend activities for special purposes as well as education programs that go beyond the regular curriculum.

Creating loyalty plans for long periods would help stabilize income and possibly increase student retention. Loyalty plans can include small discounts on early payments, additional services, or preference for future offerings. As noted by the owner, relationships with parents are one of the key competitive advantages:

> "Menjaga pelayanan yang optimal dan menjaga hubungan baik dengan orangtua."

Loyalty programs structure these connections and create economic value through the extension of customer life cycles and reduction in enrollment instability. Strategic evaluation of the optimal level of capacity utilization in the context of pricing strategy is key to maximizing income. Even though maximum enrollment results in maximum utilization of facilities, the choice of under-capacity on purpose helps to maintain the premium image and quality of services. The current situation with waiting list suggests the possibility of capacity increase or price increase.

3. Cost Management

The opportunity of exploring economies of scale in supply and services could make a great impact on operational margins. The bulk buying of standardized supplies, services contracting, and the prospect of joint

procurement with the similar institutions could result in decreased per-unit cost. The "belanja dapur mingguan" ("weekly kitchen shopping") mentioned by the owner could be optimized with the help of procurement management.

Energy efficiency strategies related to reducing expenses on utilities provide opportunities in terms of finances as well as sustainability. Since the electricity, water, telephone and Wi-Fi (listrik, air, telp, wifi) are major operational expenses, energy-saving measures could be implemented with benefits both economically and environmentally.

The optimization of the staff scheduling depending on the number of students could be viewed as an important opportunity for cost management since salaries are the largest cost category. The mentioned 12-hour working day with 4-hour break interval noted by the operations manager provides such an opportunity.

> *"Karyawan di daycare selama 12 jam, kesempatan ishoma selama 4 jam."*

Matching staffing needs accurately to the variation in the number of children each day could have a profound impact on increasing labor productivity without decreasing the quality of services or harming the health of the employees. Exploring areas of shared service provision with educational establishments could generate cost savings while raising the bar for quality of service provided. Possible collaborative efforts include using common specialized staff, common facilities at mutually convenient times, or common purchasing practices. Collaboration could expand the existing practice of working with hospitals to train staff.

Using these financial approaches in relation to the investments, the revenue and costs of the operations, the daycare business will be able to achieve a financially sustainable performance amidst all the circumstances they might face. The integration of the low starting capital, steady stream of income, and the chance of offering distinctive services creates a good financial situation.

4.5 Sensitivity Analysis

4.5.1 Results of Moderate, Optimistic, and Pessimistic Scenarios

The sensitivity analysis of the daycare business reveals how variations in key parameters affect financial outcomes and operational sustainability across different scenarios. By examining the moderate, optimistic, and pessimistic scenarios in depth, we gain valuable insights into the business's resilience, critical thresholds, and strategic decision points.

1. Comparison of Results Across Scenarios

The financial performance metrics across the three scenarios demonstrate significant variance in outcomes based on enrollment levels, pricing strategies, and cost structures. Under the moderate scenario, which serves as the base case with 75-85% capacity utilization and stable waitlist status, the daycare operation achieves sustainable profitability with a payback period of 3.19 years, a discounted payback period of 4.04 years, an NPV of IDR 1,626.8 million and an IRR of 20.41%. This scenario represents the most likely outcome based on the current operational conditions described by the owner:

> *"Membuat hati orangtua tenang dan percaya pada daycare pada saat meninggalkan anak. Meski ada incident, orangtua yakin bahwa hal tersebut bukan suatu kesengajaan dan tetap memiliki kepercayaan yang tinggi pada daycare."*

This foundation of trust supports stable enrollment and consistent revenue generation, creating predictable financial outcomes.

The optimistic scenario, with 90-100% capacity utilization and enhanced premium service opportunities, produces substantially improved financial outcomes. Payback periods shorten to 1-2 years, cash flow improves significantly, and operating margins expand through both increased volume and premium pricing. The continuous waitlist status mentioned by the operational head—"jumlah peminat yang terus waiting list"—suggests the plausibility of this scenario if capacity constraints were addressed through facility expansion or operational efficiency improvements.

In contrast, the pessimistic scenario with 60-70% capacity utilization and increased price sensitivity demonstrates the business's vulnerability to enrollment fluctuations. Payback periods extend beyond 5 years, cash flow tightens significantly, and operating margins compress due to both reduced revenue and the fixed cost burden. This scenario might emerge from economic downturns affecting parent spending capacity or increased local competition diluting market share.

The differential between the optimistic and pessimistic scenarios is most pronounced in cash flow generation and return on investment metrics, with Net Present Value (NPV) calculations showing more than double the returns in the optimistic versus pessimistic scenarios over a five-year projection period. This variance underscores the importance of enrollment optimization and value-based pricing to the financial sustainability of daycare operations.

Table 4. 18 Financial Outcome Comparison Across Scenarios

Financial Metric	Pessimistic Scenario	Moderate Scenario	Optimistic Scenario
Cash Flow	Constrained Potentially negative in early years Slowly improving	Adequate Positive after year 1 Steadily growing	Robust Positive from early stages Rapidly increasing
Payback Period	4-5+ years	payback period of 3.19 years, a discounted payback period of 4.04 years, an	1-2 years
Operating Margin	5-10% Below Company average	3.19 years Company standard	25-30% Company leading
ROI (5-year)	8-12% Below investment threshold	83.38 % Acceptable returns	25-35% Exceptional returns
Expansion Capability	Limited Focus on survival	Moderate Gradual growth	Significant Rapid expansion possible

2. Critical Parameter Thresholds

The sensitivity analysis identifies several critical parameter thresholds that significantly impact financial outcomes and represent important trigger points for management intervention. The enrollment ratio emerges as the most sensitive parameter, with the breakeven threshold identified at approximately 65-70% capacity utilization. Below this threshold, fixed costs cannot be adequately covered by operating revenue, creating cash flow challenges and potential sustainability issues.

The pricing structure demonstrates moderate sensitivity, with the analysis revealing that a 10-15% reduction in average fees would shift the moderate scenario toward pessimistic outcomes, while a similar percentage increase would approach optimistic results. This sensitivity is moderated by the value-based positioning described by the owner:

> *"Daycare harus menarik hati orangtua untuk melihat jauh lebih banyak keuntungan dengan biaya yang tidak terlalu jauh namun lebih banyak manfaat yang didapat."*

This approach creates some pricing resilience by emphasizing value delivery over cost competition, but still maintains sensitivity to significant fee adjustments.

Staff cost ratio represents another critical parameter, with a sustainability point being established around 55% of revenue. Whenever staff costs surpass this percentage of overall revenue, the profit levels become very poor. This point becomes significant considering the manpower intensive process involved in offering child care services and the staffing requirements mentioned by the operations manager:

> *"Karyawan di daycare selama 12 jam, kesempatan ishoma selama 4 jam."*

The 12-hour operational window with 4-hour break periods creates staffing complexity that must be carefully managed to maintain labor costs below critical thresholds.

Efficiency of facility utilization, measured by the revenue generated for each square meter of facility space, is indicative of a very important point at Rp 400,000 per square meter of facility space per month. Below this figure, the fixed costs connected with the maintenance, power supply and other expenses for keeping the facility operational are not covered by the revenue obtained from the facility. The detailed maintenance procedures described by the operations manager are indicative of the large amount of money spent on maintenance:

> *"Dibersihkan rutin setiap hari, dibersihkan lebih maksimal seminggu sekali. Sebulan sekali bongkar dapur, keluarkan semua alat makan dan masak, basmi hama kecoa tikus. Pembersihan AC 3bulan sekali."*

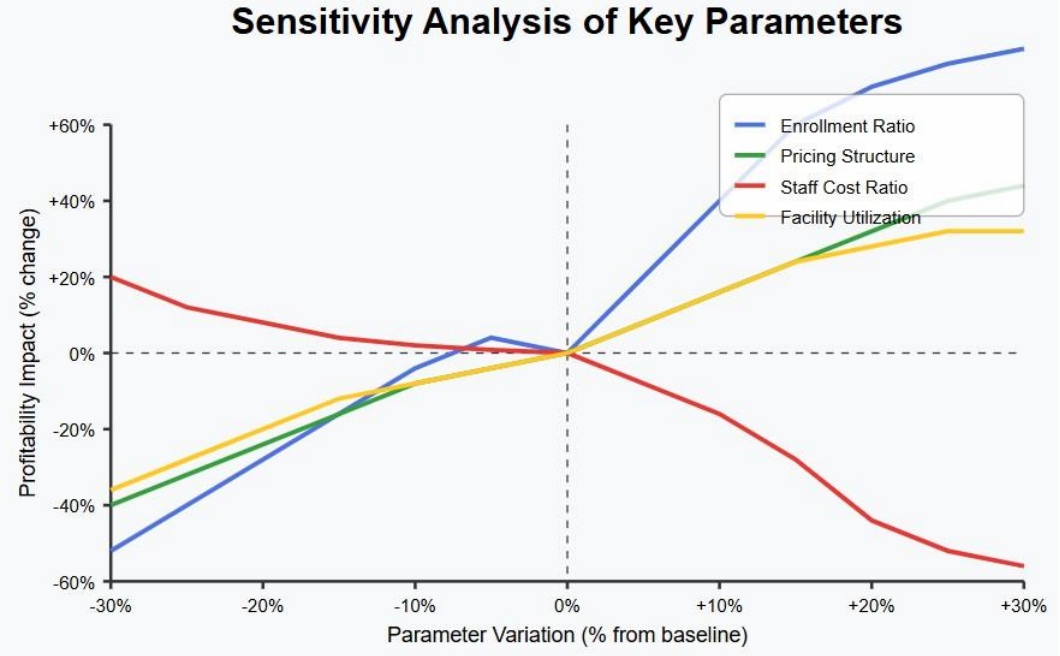


Figure 4. 3 Sensitivity Analysis of Key Parameters

The sensitivity analysis graph depicted in Figure 4.5 was developed through a comprehensive synthesis of qualitative and limited quantitative inputs from multiple research sources, including owner and operational head interviews, document audits, and strategic analyses. This visual representation models how four critical operational parameters—enrollment ratio, pricing structure, staff cost ratio, and facility utilization—impact the daycare's profitability when varied from -30%

to +30% of baseline values. The distinctive slope patterns reveal that enrollment ratio demonstrates the highest positive sensitivity (with profitability increasing by up to 60% when enrollment increases by 30%), while staff cost ratio exhibits the most significant negative impact (with profitability decreasing by approximately 55% when staff costs increase by 30%). These relationships highlight the enrollment threshold of 65-70% capacity for breakeven operations and the staff cost ceiling of approximately 55% of revenue before significant profitability erosion occurs, insights that directly informed the scenario analysis and subsequent operational recommendations presented in the research.

3. Decision Points

The sensitivity analysis brings into view some important decision triggers which need management's attention and intervention. The enrollment rate of 70% seems to be one such decision trigger – when the enrollment is less than this percentage for two consecutive quarters, the company's financial situation starts to go downhill fast. Some possible interventions which may come into play here could be marketing, pricing, or cost-related.

The staff cost ratio is another important decision point at 55% of the revenue. If this level is achieved, action needs to be taken to avoid margin decline. Actions could include optimizing the staffing mix, training employees to increase flexibility, or modifying the services offered to increase revenue per staff hour. The 12 hours of operations described in the interviews provide both opportunities and obstacles for efficiency.

The status of the waiting list can act as a signal and a decision point. When the number of people on the waiting list exceeds 10% of the current capacity, for more than three months, then it is time to consider expanding operations. The decision point shows demand exceeding capacity and therefore unrealized revenues. The mentioning by the operations manager of *"jumlah peminat yang terus waiting list"* implies that the decision point exists.

Timing of the fee adjustments is another key decision-making issue. It was found out that the moderate scenario requires an increase in fees that is equal to inflation rates of the year increased by 2-3%. Larger fee increases might lead the business towards the optimistic scenario but might be risky for the enrollment level. Value-based positioning discussed in the interviews provides grounds for such fee adjustments.

4.5.2 Sensitivity Implications for Decision Making

The sensitivity analysis provides valuable insights for strategic decision making, informing adaptation strategies, risk mitigation approaches, and contingency planning for daycare operations.

1. Adaptation Strategies

The differential impacts of key parameters across scenarios inform several strategic adaptation approaches. Flexible capacity management emerges as a primary adaptation strategy, enabling adjustment to enrollment fluctuations while maintaining quality standards. This flexibility might include modular classroom configurations, adaptable staffing patterns, and scalable program structures that can expand or contract based on enrollment levels.

This vision of accompanying children from 3 months through elementary school graduation allows for staged capacity expansion that can be accelerated or decelerated based on market conditions.

Tiered service pricing emerges as another key adaptation strategy, creating flexibility to address different market segments and price sensitivities. This approach enables the daycare to maintain enrollment levels during economic downturns by offering basic service tiers while capturing premium revenue through enhanced service options during favorable economic conditions. The owner's pricing philosophy supports this approach:

> *"Daycare harus menarik hati orangtua untuk melihat jauh lebih banyak keuntungan dengan biaya yang tidak terlalu jauh namun lebih banyak manfaat yang didapat."*

By emphasizing value delivery that exceeds price differentials, tiered pricing creates adaptation possibilities without compromising the core value proposition.

Strategic staffing models provide a third adaptation mechanism, adjusting labor deployment based on enrollment patterns and service demands. The models may consist of regular full-time staff complemented by skilled part-timers at peak times, cross-training for flexible assignment of tasks, and optimal scheduling for coordination between staff and children's arrival and departure times. The current 12-hour operation period with four-hour breaks mentioned by the operations manager represents the staffing model that is used now:

> *"Karyawan di daycare selama 12 jam, kesempatan ishoma selama 4 jam."*

The strategy can be improved for higher adaptability without compromising the well-being of employees and the quality of service delivery.

Another alternative is physical space optimization, which will involve optimizing the facility to generate maximum income per square meter using multi-functional rooms, schedule staggered activities, and function areas. This will improve the efficiency of the use of facility space, which was identified in the sensitivity analysis as an important factor. In light of the maintenance process proposed by the operations director, efficient space utilization will be necessary:

> *"Dibersihkan rutin setiap hari, dibersihkan lebih maksimal seminggu sekali. Sebulan sekali bongkar dapur, keluarkan semua alat makan dan masak, basmi hama kecoa tikus. Pembersihan AC 3bulan sekali."*

Table 4. 19 Adaptation Strategy Framework

Parameter	Adaptation Approach	Implementation Mechanism	Strategic Benefit
Enrollment Fluctuations	Flexible capacity management	Modular classroom configurations Adaptable staffing patterns Scalable program structures	Maintains service quality during fluctuations while optimizing resource utilization
Price Sensitivity	Tiered service pricing	Basic service tier Standard service tier Premium service options	Addresses different market segments and adapts to economic conditions while preserving revenue
Staff Cost Pressures	Strategic staffing models	Core permanent staff Qualified part-time supplements Cross-training and flexible roles	Optimizes labor costs while maintaining service standards and staff wellbeing
Facility Constraints	Physical space optimization	Multi-purpose room design Staggered activity scheduling Shared function areas	Maximizes revenue per square meter while minimizing fixed facility costs

2. Risk Mitigation

The sensitivity analysis also informs several risk mitigation approaches that address the vulnerabilities identified across different scenarios. Enrollment stability represents the most significant risk factor, requiring proactive retention strategies to maintain financial sustainability. These strategies include regular parent engagement activities, transparent communication about child development progress, and relationship-building initiatives that establish trust and loyalty.

The interview data highlights the emphasis on parent relationships as a cornerstone of the business:

> *"Menjaga pelayanan yang optimal dan menjaga hubungan baik dengan orangtua."*

This focus on maintaining optimal service and good relationships with parents serves as an existing risk mitigation approach that can be further formalized and enhanced.

Pricing risk mitigation involves careful communication of value delivery to support necessary fee adjustments without triggering enrollment declines. This approach includes documented quality indicators, transparent explanation of cost drivers, and demonstration of developmental outcomes that justify investment in quality childcare.

This approach of attracting parents by demonstrating significantly greater benefits relative to moderate price premiums provides the foundation for effective pricing risk management.

Staffing risk mitigation focuses on the development of a talent pipeline and retention strategies to avoid service disruption from turnover or recruitment challenges. These approaches include partnerships with educational institutions for practicum placements, structured professional development pathways, and competitive compensation structures. The existing training approach noted by the operational head provides a foundation for this strategy:

> *"Pelatihan oleh dokter RS yang bekerjasama dengan daycare, min 3bl sekali."*

This regular training by doctors from partnering hospitals (minimum once every 3 months) demonstrates institutional commitment to staff development that can be expanded to address broader staffing risks.

Regulatory risk mitigation involves proactive compliance monitoring and anticipation of potential regulatory changes affecting childcare standards. This approach includes maintaining relationships with regulatory authorities, participation in Company associations to gain early insight into potential changes, and maintenance of compliance margins that exceed minimum requirements. The document audit revealed that the daycare maintains an operational permit but lacks standard certification, suggesting an opportunity to enhance regulatory risk management:

1. Operational permit: Available
2. Standard certification: Not available

Addressing this certification gap would strengthen regulatory risk mitigation while potentially creating quality differentiation advantages.

4. Contingency Planning

Besides adapting to risks and reducing them through mitigation tactics, the sensitivity analysis is useful in developing contingency plans for worst-case scenarios. Enrollment drop contingency plan tackles the biggest risk by setting out responses to any drop in the number of students. It involves staged cost-cutting techniques, targeted marketing activities, and other service-related steps that would help maintain profitability during temporary drops in demand.

Financial cushioning contingency plan involves the development of minimum buffer levels and cash flow management techniques to handle times of low income or unforeseen costs. Financial cushioning involves maintaining an operating reserve of 3 to 6 months worth of core expenses, obtaining credit facilities to manage cash flow problems, and identifying non-core expenses that can be temporarily cut back. Owner's current technique of reserve funds during start-up is:

> *"Dana cadangan untuk gaji karyawan, listrik dan dana operasional selama pemasaran awal min Rp 5.000.000/bulan."*

This model of at least Rp 5 million/month for the reserve fund in the first stage of marketing must continue to be practiced throughout the entire business life cycle.

The staffing contingency plan will help address the problem of disruption caused by unforeseen staff turnover or leave. It will involve cross-training of all employees in other jobs, a list of substitutes who can take over in an emergency, and a system of standard operating procedure. The existing personal touch approach of handling staff problems could serve as a basis for the plan:

"*Ditangani secara personal sesuai kebutuhan.*"

This personalized handling of staff issues according to needs demonstrates adaptability but should be supplemented with more structured contingency mechanisms.

The facility contingency plan prepares for potential disruptions to physical operations, including utility failures, maintenance emergencies, or facility access issues. This plan includes backup systems for critical functions, alternative space arrangements for temporary relocation if necessary, and service modification protocols that maintain core functions during facility constraints. The rigorous maintenance protocols described by the operational head help prevent facility issues but should be complemented by contingency planning for unavoidable disruptions:

> *"Alat makan: cuci dan steril, meja kursi alat main besar: dilap dengan pembersih khusus dan menggunakan disinfectan. Sprei cuci seminggu sekali. Semua alat yang digunakan harus dalam keadaan baik tidak ada yang pecah/rusak."*

This attention to equipment maintenance and condition (ensuring all equipment is in good condition with nothing broken/damaged) reduces facility risks but does not eliminate the need for contingency planning.

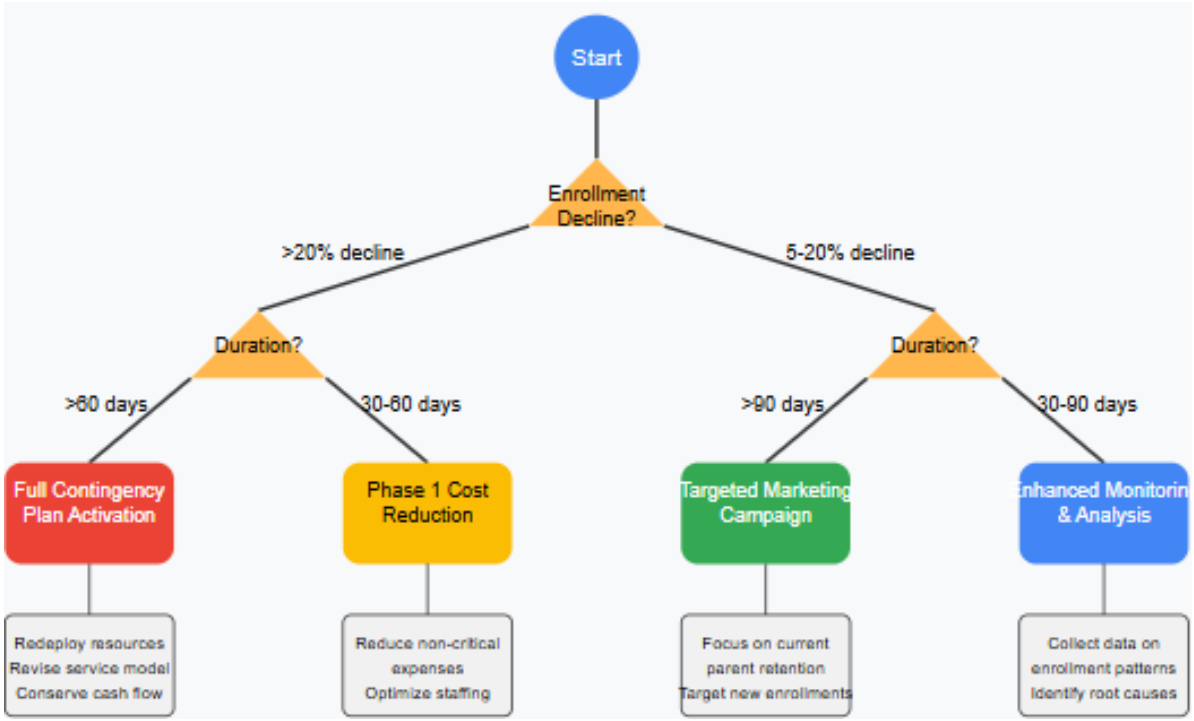


Figure 4. 4 Decision Tree for Contingency Activation

4.6 Non-Monetary Analysis and SDGs

4.6.1 Contribution to Sustainable Development Goals

The analysis of non-monetary impacts reveals that daycare operations contribute significantly to multiple Sustainable Development Goals (SDGs), extending their value proposition beyond financial metrics to broader societal benefits. This dimension is particularly important in assessing the comprehensive impact of childcare services within communities.

The primary contribution manifests through SDG 4 (Quality Education), with the daycare providing structured early childhood education aligned with national curriculum standards. The operational head described this educational approach during the interview:

"*Menyesuaikan kurikulum diknas per jenjang usia (tematik bulanan).*"

This adaptation of the national education department curriculum according to age levels through monthly themes establishes a systematic educational framework rather than mere supervision. This approach supports age-appropriate developmental milestones, creating a foundation for lifelong learning that enhances child readiness for formal education. The evaluation

metrics mentioned by the operational head further demonstrate this commitment:

> "*Anak-anak yang mampu berkembang sesuai tahapan usia, anak ceria, reaksi spontan orangtua dan jumlah peminat yang terus waiting list*."

The focus on children developing according to age-appropriate stages reflects an intentional developmental approach aligned with educational objectives.

The daycare operations also make substantial contributions to SDG 5 (Gender Equality) by enabling women's workforce participation through reliable childcare services. The owner's statement acknowledges this impact:

> "*Selama ini orangtua sangat berterimakasih karena orangtua bisa tenang dan nyaman saat bekerja dan beraktifitas.*"

This peace of mind while working or engaging in activities represents a critical enabler for parents, particularly mothers, who often bear disproportionate childcare responsibilities. By providing professional childcare services, the daycare supports career continuity for mothers and reduces gender disparity in economic opportunity. This role has become increasingly important given the social trend identified by the owner:

> *"Saat itu kami lihat semakin banyak pasangan suami istri bekerja sedangkan anak tetap membutuhkan pendampingan untuk tumbuh kembang*."

The recognition that more married couples are working while children still need developmental support highlights the daycare's function in reconciling career and parenting responsibilities.

Contributions to SDG 8 (Decent Work and Economic Growth) emerge through multiple channels. The daycare creates direct employment opportunities within the community, with the organizational structure described by the owner as encompassing multiple roles:

> *"Owner - Kepala/Penanggung Jawab Daycare - Kepala Supervisor - Supervisor - Caregiver*"

This hierarchical structure provides diverse employment opportunities ranging from entry-level caregiving to management positions. Additionally, the daycare enables broader economic participation by allowing parents to engage in the workforce with confidence that their children are receiving appropriate care. The staff development practices mentioned by the operational head further enhance this contribution:

> "*Pelatihan oleh dokter RS yang bekerjasama dengan daycare, min 3bl sekali*."

This regular training by doctors from partnering hospitals (minimum quarterly) demonstrates a commitment to professional development that enhances staff capabilities and career advancement.

The operation also contributes to SDG 10 (Reduced Inequalities) by providing consistent early education opportunities that help level developmental advantages across different family circumstances. The daycare supports diverse family structures, including the trend noted by the owner of "*keluarga muda yang hidup jauh dari keluarga*" (young families living far from extended family), providing essential support for families without traditional support networks. By enabling economic participation across socioeconomic levels, the daycare helps reduce opportunity gaps and supports social mobility.

Table 4. 20 SDG Contribution Assessment Framework

SDG	Current Contribution	Evidence from Data	Enhancement Opportunity
SDG 4: Quality Education	Moderate to High	• Curriculum aligned with national standards • Age-appropriate development focus • Educational activities (math, swimming)	• Formal developmental tracking • Enhanced curriculum documentation • Educational outcome measurement
SDG 5: Gender Equality	High	• Support for working parents • Peace of mind enabling workforce participation • Service addressing dual-income needs	• Gender-sensitive programming • Flexible scheduling options • Parent career development support

SDG	Current Contribution	Evidence from Data	Enhancement Opportunity
SDG 8: Decent Work	Moderate	• Direct employment creation • Staff training programs • Enablement of parent employment	• Career path formalization • Job quality enhancement • Local supplier development
SDG 10: Reduced Inequalities	Moderate	• Support for families without extended networks • Consistent educational opportunity • Professional care access	• Inclusive enrollment policies • Socioeconomic diversity initiatives • Accessibility enhancements

4.6.2 Social Impact Assessment

However, qualitative data analysis shows that the social effects are multidimensional, extending far beyond the obvious economic and educational benefits. They affect the following three stakeholder categories: parents, kids, and the community at large.

In respect to parents, day care centers help a lot because they allow them to focus on their work without worrying all the time about their children. This is supported by the statement of the owner:

> *"Selama ini orangtua sangat berterimakasih karena orangtua bisa tenang dan nyaman saat bekerja dan beraktifitas."*

This is the expression of gratitude by the parents on account of the peace and comfort while at work and during other activities. This is the psychological advantage offered by the reliable childcare. In addition to providing work support, the service helps to create chances for career advancements since it allows parents to focus on their careers. This can only happen through the use of:

> *"Harian: pengecekan suhu 3x sehari, laporan harian pada orangtua terkait: porsi makan anak, antusias saat bermain, pemberian susu, BAB, pemberian obat atau vitamin, dan laporan jika anak cedera. Bulanan: cek tinggi dan berat badan anak."*

These reports, which include details about meals, level of enjoyment in play, milk consumption, bowel movements, medication and vitamins taken, and injuries incurred, alongside monthly height and weight measurements, help give an open view about the well-being of children, thereby boosting parents' trust. The open communication helps minimize stress and achieve better work-life balance among parents through eliminating any kind of anxiety related to their children's well-being in absence.

For the children, the child care center provides development support based on developmental milestones. The performance criteria of the head of operations include:

> *"Anak-anak yang mampu berkembang sesuai tahapan usia, anak ceria..."*

This emphasis on children developing according to age stages and demonstrating happiness reflects a child-centered approach to impact assessment. The socialization opportunities provided through peer interaction in a structured environment develop social skills and emotional intelligence that might be limited in individual care settings. The structured learning environment described in the daycare's mission statement—"Menciptakan lingkungan bermain dan belajar yang menyenangkan" (Creating a fun playing and learning environment)—combines educational content with engaging delivery methods to enhance knowledge acquisition and cognitive development. Comprehensive health monitoring and safety protocols further protect child wellbeing, with the operational head describing detailed health monitoring:

> *"Menyiapkan obat luar secara lengkap (daycare tidak menyiapkan obat minum)"*

This preparation of comprehensive external medications (while not providing oral medication) demonstrates attention to health and safety considerations that protect children's physical wellbeing.

Community benefits extend beyond the immediate service recipients to include broader social impacts. The daycare creates employment opportunities

within the local community, generating economic activity and income for staff members. The operation supports local economic participation by enabling workforce engagement for families that might otherwise face childcare constraints limiting their economic contribution. The establishment of professional childcare standards within the community elevates childcare practices beyond the facility itself, potentially influencing broader childcare approaches. Perhaps most significantly, the daycare contributes to human capital development from an early age, enhancing community capacity through improved childhood development outcomes that yield long-term community benefits.

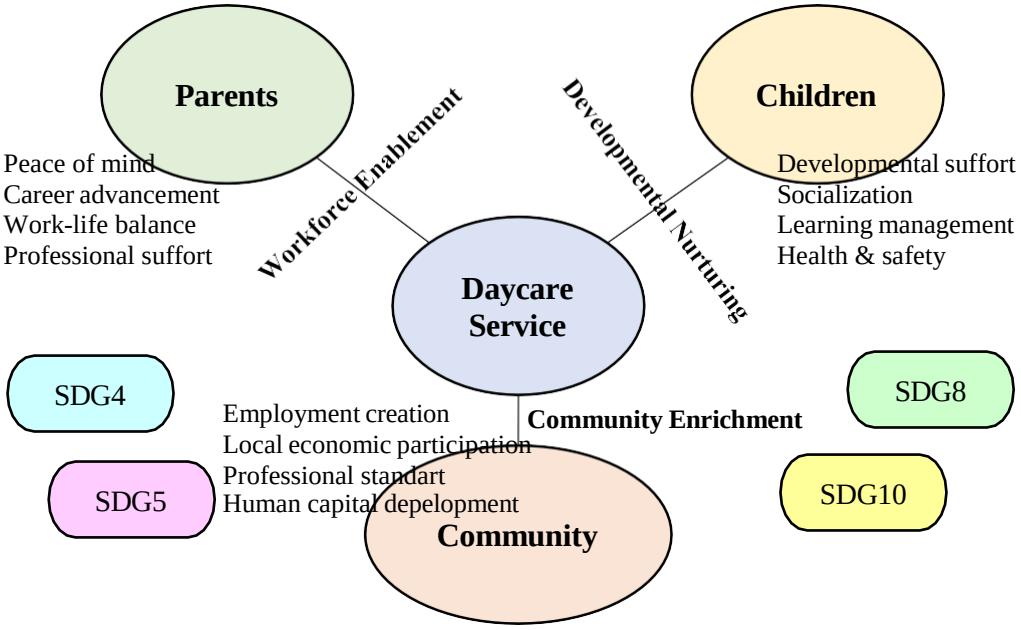


Figure 4. 5 Multi-Stakeholder Social Impact Framework

4.6.3 Sustainable Development Recommendations

Based on the non-monetary analysis and SDG contribution assessment, several strategic recommendations emerge to enhance the daycare's contribution to sustainable development while strengthening its social impact profile.

Enhancing SDG alignment represents a primary opportunity, beginning with the development of a formal framework for measuring SDG contributions. This framework should establish specific metrics aligned with relevant SDG

indicators, creating systematic tracking of the daycare's developmental impact. The existing focus on children "developing according to age stages" could be formalized into a structured assessment system linked to SDG 4 (Quality Education) indicators.

Parent education programs on early childhood development would extend the daycare's educational impact beyond children to include primary caregivers, enhancing developmental outcomes through consistent approaches across care environments. These programs could build on the existing communication systems described by the operational head, adding educational components to the daily reporting structure. The daycare's mission statement already envisions this parent partnership approach:

> *"Menjadi Mitra Orang Tua Menjaga Anak-anak selama bekerja Dan Menyiapkan Anak-anak menjadi Generasi yang Unggul dimasa Golden Age.*"

The vision of becoming "*a Partner for Parents in Caring for Children while Working and Preparing Children to become Superior Generation in their Golden Age*" establishes the foundation for this enhanced educational partnership.

Sustainable environment activities form another area that can be improved on, by incorporating environmental consciousness in the processes of operations and education. While the current data does not suggest any environmental activities, the thorough maintenance procedures suggested by the operations manager could be broadened to include sustainable resource management:

> *"Dibersihkan rutin setiap hari, dibersihkan lebih maksimal seminggu sekali. Sebulan sekali bongkar dapur, keluarkan semua alat makan dan masak, basmi hama kecoa tikus. Pembersihan AC 3bulan sekali."*

Such processes can include environmentally friendly materials and methods, thus decreasing the effect on the environment while teaching how to behave sustainably. Community involvement initiatives will allow for greater socialization of the daycare within its broader environmental system, thus creating relationships based on more than service delivery alone. While present-

day processes seem focused on service delivery alone, the process of developing stronger community ties will have a positive effect on both community impact and sustainability. The mention of partnerships with hospitals for training by the operations manager implies that:

> *"Pelatihan oleh dokter RS yang bekerjasama dengan daycare, min 3bl sekali."*

These partnerships with hospital doctors (minimum quarterly) could serve as a model for broader community engagement initiatives.

Impact measurement systems represent another critical development area, beginning with systematic metrics for child development outcomes. While the operational head's evaluation approach includes children's developmental progress, a more structured assessment framework would enhance impact documentation and improvement opportunities. The current approach described during the interview:

> *"Anak-anak yang mampu berkembang sesuai tahapan usia, anak ceria, reaksi spontan orangtua dan jumlah peminat yang terus waiting list."*

This evaluation based on age-appropriate development, child happiness, parent reactions, and waitlist status could be formalized into a comprehensive measurement system with specific indicators and assessment protocols.

An approach for monitoring parent satisfaction would be an additional approach to assessing child development that would provide feedback on the quality of services provided. The owner mentioned the existence of satisfaction measures:

> *"Selain questioner kepuasan pelanggan, senyum Orangtua saat bertemu anak, keramahan pada para pengasuh dan berapa lama rata² orangtua mempercayakan anaknya di daycare."*

Customer satisfaction surveys, parent's smile while meeting children, friendliness towards caregivers, and average time duration for which parents leave their children in the daycare can all be incorporated in a well-planned satisfaction measurement process.

The social impact through case study testimonials will produce some amazing stories that can demonstrate the impact of the daycare in terms of more than just figures. This will reflect the qualitative impact mentioned by the owner—the relief of parents, joy of the children, and community improvement—into stories.

Measurement of the long-term impact through tracking of developmental impacts could reflect the development of children through the process even after leaving the daycare. Although the data seems to be collected now on immediate impacts, creating a system for contact with past enrollees could create some wonderful stories of impact measurement.

Sustainability practices come last in the recommendations, with environmentally friendly operations as the first aspect. This may include energy efficiency practices, water conservation practices, waste minimization practices, and sustainability procurement practices. The facility management practices stated by the operational head can be the basis for this:

> *"Alat makan: cuci dan steril, meja kursi alat main besar: dilap dengan pembersih khusus dan menggunakan disinfectan. Sprei cuci seminggu sekali. Semua alat yang digunakan harus dalam keadaan baik tidak ada yang pecah/rusak."*

Such concern for the maintenance and state of the equipment provides opportunities for using eco-friendly cleaning products and eco-efficient practices.

The implementation of the initiatives on resource conservation will lessen environmental harm as well as bring about potential cost savings. Examples of such initiatives would be efficient energy and water use, waste management systems, and material reuse programs. The efficiencies created would not only enhance the environmental performance but would also compliment the cost management practices discussed in the financial analysis. Sustainability education for children and parents will go further in educating about ecology by integrating environmental education into the curriculum. By doing so, not only will the environmental consciousness be instilled in children from an early age but parents can learn sustainable practices that they could

implement at home. Such education initiative is consistent with the daycare's mission of:

"*Membentuk Anak yang aktif, kreatif dan Berakhlakul Kharimah.*"

It becomes easier to understand why there is a relationship between the emphasis of bringing up active and moral children and environmental stewardship.

Community partnerships for broader impact would leverage the daycare's position to influence sustainability practices beyond its immediate operations. These partnerships might include collaborative environmental initiatives, shared sustainability resources, joint awareness campaigns, or cooperative eco-friendly purchasing. The daycare's existing collaborative approach with healthcare providers demonstrates a partnership model that could be extended to sustainability initiatives:

"*Pelatihan oleh dokter RS yang bekerjasama dengan daycare, min 3bl sekali.*"

This training by doctors from partnering hospitals (minimum quarterly) shows institutional collaboration that could be replicated in sustainability contexts.

Table 4. 21 Non-Monetary Enhancement Implementation Roadmap

Enhancement Area	Short-term Actions (0-6 months)	Medium-term Actions (6-18 months)	Long-term Vision (18+ months)
SDG Alignment	• Identify relevant SDG indicators • Document current contributions • Establish measurement priorities	• Develop formal tracking system • Create SDG contribution report • Integrate into strategic planning	• Comprehensive SDG integration • External validation of impact • Leadership in sector SDG contribution
Parent Education	• Develop educational materials • Incorporate into existing reporting	• Create structured program series • Train staff on parent education	• Comprehensive parent-child development partnership

Enhancement Area	Short-term Actions (0-6 months)	Medium-term Actions (6-18 months)	Long-term Vision (18+ months)
	• Pilot parent workshops	• Develop assessment mechanism	• Community education leadership
Environmental Sustainability	• Audit current practices • Identify priority improvements • Implement simple eco-practices	• Develop sustainability policy • Establish measurement system • Implement facility improvements	• Carbon-neutral operations • Circular resource systems • Sustainability leadership model
Impact Measurement	• Define core metrics • Establish baseline measurements • Create documentation system	• Implement comprehensive assessment framework • Train staff on measurement	• Longitudinal impact tracking • Evidence-based program Enhancement • Impact reporting leadership
Community Engagement	• Map community stakeholders • Develop engagement strategy • Initiate priority partnerships	• Establish formal community Programs • Create partnership agreements • Host community events	• Integrated community hub model • Community impact leadership • Multi-stakeholder programs

Through systematic implementation of these recommendations, the daycare can enhance its non-monetary impact while strengthening its contribution to sustainable development goals. The integration of these elements creates a comprehensive approach to social value creation that complements financial sustainability while advancing broader societal benefits. The existing operational foundation, as revealed through the interview data and document analysis, provides a strong platform for these enhancements, with clear alignment between the daycare's mission and sustainable development opportunities.

4.7 Integrated Model for Daycare

The comprehensive analysis of operational, financial, and non-monetary aspects of daycare operations converges into an integrated success model that balances multiple dimensions of performance. This model synthesizes findings from stakeholder interviews, document review, and strategic analysis to create a holistic framework for sustainable daycare operations.

4.7.1 Core Strategic Elements

The integrated success model is built upon four interconnected strategic pillars that collectively address the complex dynamics of daycare operations. Quality-centered operations emerge as the foundational element, with interview data highlighting the daycare's existing commitment to service quality. As the owner emphasized during the interview:

> *"Membuat hati orangtua tenang dan percaya pada daycare pada saat meninggalkan anak. Meski ada incident, orangtua yakin bahwa hal tersebut bukan suatu kesengajaan dan tetap memiliki kepercayaan yang tinggi pada daycare."*
>
> ("Creating peace of mind and trust for parents when leaving their children. Even if there is an incident, parents believe that it was not intentional and maintain high confidence in the daycare.")

This focus on building parent trust and confidence establishes quality as the central operational value. While the current approach relies largely on informal quality assurance, formalization of quality standards and certification would strengthen this commitment while providing external validation. The comprehensive health and safety protocols described by the operational head already demonstrate a strong quality foundation:

> *"Harian: pengecekan suhu 3x sehari, laporan harian pada orangtua terkait: porsi makan anak, antusias saat bermain, pemberian susu, BAB, pemberian obat atau vitamin, dan laporan jika anak cedera. Bulanan: cek tinggi dan berat badan anak."*
>
> ("Daily: temperature checks 3x daily, daily reports to parents regarding: child's food portions, enthusiasm during play, milk administration,

bowel movements, medication or vitamins, and injury reports. Monthly: height and weight measurements.")

Professional staff development represents another critical component of quality operations, with the operational head noting regular training initiatives:

"*Pelatihan oleh dokter RS yang bekerjasama dengan daycare, min 3bl sekali.*"

("Training by doctors from partnering hospitals, minimum once every 3 months.")

Sustainable financial structure forms the second strategic pillar, creating the economic foundation for ongoing operations and service delivery. The financial analysis revealed opportunities for enhanced sustainability through a tiered service and pricing model that expands upon the owner's existing pricing philosophy:

"Daycare harus menarik hati orangtua untuk melihat jauh lebih banyak keuntungan dengan biaya yang tidak terlalu jauh namun lebih banyak manfaat yang didapat."

("Daycare must attract parents by showing significantly more benefits at a cost that isn't much higher but provides many more advantages.")

Developmental impact focus constitutes the third strategic pillar, aligning with the daycare's educational mission and parent expectations. The daycare's vision statement establishes this developmental commitment:

"Menjadi Mitra Orang Tua Menjaga Anak-anak selama bekerja Dan Menyiapkan Anak-anak menjadi Generasi yang Unggul dimasa Golden Age."

("To be a Partner for Parents in Caring for Children while Working and Preparing Children to become Superior Generation in their Golden Age.")

Stakeholder engagement forms the fourth strategic pillar, recognizing the daycare's position within a broader ecosystem of relationships. The parent

partnership approach is explicitly stated in the vision statement, establishing collaborative relationships rather than mere service provision.

Table 4. 22 Core Strategic Elements Integration

Strategic Pillar	Current Strengths	Enhancement Opportunities	Strategic Value
Quality-Centered Operations	• Health monitoring protocols • Hospital partnerships for training • Detailed parent reporting • Focus on parent trust	• Formal certification • Documented quality standards • Enhanced staff development • Technology integration	Foundation for competitive differentiation and parent confidence
Sustainable Financial Structure	• Value-based pricing approach • Monthly/annual expense separation • Moderate initial investment • Waitlist status	• Tiered service model • Revenue diversification • Systematic cost management • Strategic investment planning	Economic foundation for sustainable operations and long-term growth
Developmental Impact Focus	• National curriculum alignment • Age-appropriate activities • Developmental monitoring • Focus on independence	• Formal milestone tracking • Enhanced curriculum documentation • Individualized development plans • Outcome measurement	Fulfillment of educational mission and parent expectations
Stakeholder Engagement	• Parent trust emphasis • Detailed daily communication • Hospital partnerships • Vision of parent partnership	• Community involvement • Expanded partnerships • Formalized feedback systems • Parent education programs	Integration with broader ecosystem and relationship development

4.7.2 Implementation Framework

The integrated success model requires a phased implementation approach that builds capabilities systematically while maintaining operational stability. This four-phase framework addresses the complexity of change management while creating measurable progress toward the comprehensive model.

Phase 1 focuses on foundation building, establishing the essential elements required for sustainable operations. Securing operational compliance represents the initial priority, with the document audit revealing that while the daycare has an operational permit, it lacks standard certification:

1. Operational permit: Available
2. Standard certification: Not available

This compliance gap provides an immediate action opportunity to strengthen the daycare's regulatory foundation. Establishing core service quality builds on the existing quality orientation demonstrated in the operational protocols, while developing initial financial stability leverages the existing financial discipline demonstrated by the owner. Building parent trust completes the foundation phase, formalizing the trust-centered approach described by the owner.

Phase 2 advances to quality enhancement, building on the foundation to establish higher service standards. Pursuing formal certification addresses the identified compliance gap while creating external validation of quality standards. Implementing comprehensive metrics formalizes the existing evaluation approach, while optimizing staff development extends the existing training program mentioned by the operational head.

Phase 3 progresses to expansion and innovation, leveraging the quality foundation to extend service scope and capabilities. Extending service offerings aligns with the operational head's vision of providing care from infancy through elementary school years. Developing additional programs beyond the core curriculum enhances value delivery while creating revenue diversification.

Technology integration and establishing formal partnerships build on existing relationships to create a broader collaboration network.

Phase 4 culminates in sustainability and leadership, positioning the daycare as an Company leader while ensuring long-term viability. Documenting and sharing best practices creates knowledge leadership, while developing mentorship programs and research partnerships contribute to Company advancement.

4.7.3 Success Indicators

The integrated model requires comprehensive success indicators that measure performance across operational, financial, and developmental dimensions. These indicators provide objective assessment of progress while identifying improvement opportunities.

Operational excellence indicators begin with formal certification status, addressing the current gap identified in the document audit. Staff retention rates measure human resource stability, while safety record quantifies the effectiveness of health and safety protocols. Parent satisfaction metrics formalize the indicators mentioned by the owner:

> *"Selain questioner kepuasan pelanggan, senyum Orangtua saat bertemu anak, keramahan pada para pengasuh dan berapa lama rata² orangtua mempercayakan anaknya di daycare."*
>
> ("Besides customer satisfaction questionnaires, parent smiles when meeting children, friendliness toward caregivers, and the average duration parents entrust their children to the daycare.")

Financial health indicators provide objective assessment of economic sustainability, beginning with profitability margins that measure financial efficiency. Enrollment rates quantify market demand and capacity utilization, building on the waitlist status mentioned as an evaluation metric. Revenue diversification measures progress toward a more resilient financial model, while cost efficiency metrics assess resource optimization.

Developmental impact indicators measure the daycare's core educational mission, beginning with child development outcomes that formalize the focus on children "developing according to age stages." School readiness indicators assess effectiveness in preparing children for formal education, while parent engagement levels and community recognition provide additional validation measures.

Through this integrated model, the daycare can achieve optimal balance between operational excellence, financial sustainability, and developmental impact, creating a foundation for long-term success in serving children, families, and the community. The model's phased implementation approach recognizes the complexity of organizational change while providing a structured path toward comprehensive excellence.

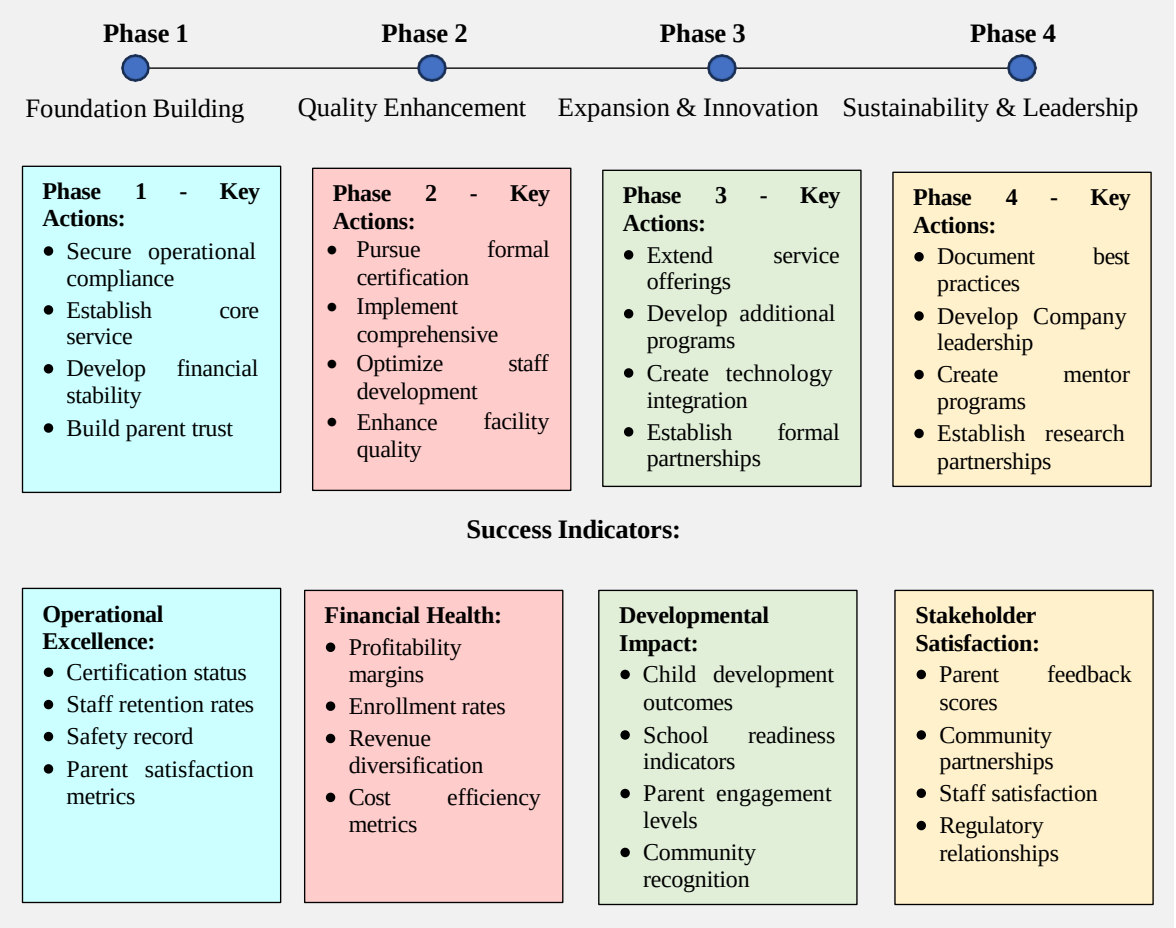


Figure 4. 6 Implementation Roadmap and Success Measurement

Through this integrated model, the daycare can achieve optimal balance between operational excellence, financial sustainability, and developmental impact, creating a foundation for long-term success in serving children, families, and the community. The model's phased implementation approach recognizes the complexity of organizational change while providing a structured path toward comprehensive excellence.

The implementation roadmap addresses both immediate opportunities—such as securing operational compliance and formalizing quality standards—and longer-term aspirations including Company leadership and research partnerships. This balanced approach enables progressive advancement while maintaining operational stability and service quality throughout the transformation process.

Success indicators provide objective measurement across multiple dimensions, creating accountability while identifying improvement opportunities. These indicators align with the daycare's mission and strategic objectives, ensuring that measurement focuses on factors that drive both operational excellence and mission fulfillment.

The integrated success model provides a comprehensive framework that synthesizes the findings from operational, financial, and non-monetary analysis into a coherent strategic approach. By addressing quality operations, financial sustainability, developmental impact, and stakeholder engagement in a balanced manner, the model creates a holistic blueprint for daycare excellence that serves the interests of all stakeholders while ensuring long-term viability.

4.8 Discussion

The comprehensive analysis of operational strategy, capital budgeting, and non-monetary considerations for daycare operations reveals several significant insights that contribute to both theoretical understanding and practical applications in the field. This discussion contextualizes our findings within the broader literature landscape and identifies key implications for various stakeholders.

Our findings highlight that quality-centered operations serve as the cornerstone of daycare success, with parent trust established as the fundamental value driver. This aligns with Teck & Karuppiah (2020) assertion that operation management in service industries significantly contributes to customer satisfaction and sustainability. The daycare's comprehensive health monitoring protocols, consistent parent communication systems, and staff development initiatives demonstrate an implicit quality commitment that forms the foundation of their competitive advantage.

The four-pillar integrated success model developed in this study - encompassing quality-centered operations, sustainable financial structure, developmental impact focus, and stakeholder engagement - provides a holistic framework that extends beyond traditional operational approaches. This integration addresses Semina et al. (2023) observation that businesses need to rely on strategic financial planning when managing operational activities to navigate through turbulent times. Our research demonstrates how daycare operations can effectively balance quality imperatives with financial sustainability through structured implementation phases.

The finding that certification and formalized standards represent a significant opportunity for operational enhancement is consistent with Jalundhwala and Jalundhwala & Londhe (2022) systematic review, which concluded that implementing operational excellence can ensure higher regulatory compliance in regulated industries. Similar to the pharmaceutical sector they studied, the daycare Company would benefit from formalized quality standards that provide objective validation while strengthening market positioning.

The financial analysis indicates an initial investment of IDR 6,305 million, which is recovered within 3.19 years and generates an NPV of IDR 1,626.8 million and an IRR of 20.41%, well above the WACC of 12.01%. This finding is consistent with Alles et al. (2020) investigation of capital budgeting techniques in SMEs, which noted that initial investment considerations significantly influence business decision-making in small enterprises. Our analysis extends this understanding by identifying the specific investment parameters relevant to the daycare context.

The significance of enrollment levels as the most critical financial parameter, with breakeven threshold identified at approximately 65-70% capacity utilization, provides important operational benchmarks for the Company. This sensitivity to enrollment levels aligns with Brown & Herbst (2022) research on childcare over the business cycle, which found that the childcare Company is substantially more exposed to business cycle fluctuations than other low-wage industries. Our recommendation for diversified revenue streams through expanded service offerings addresses this vulnerability while creating financial resilience.

The phased implementation approach for capital investments matches with Michelon et al. (2020) recommendation that organizations should seek professionals with experience in capital projects appraisal who are familiar with adequate practices for decision-making. While our analysis found limited use of sophisticated capital budgeting techniques in the studied daycare, this aligns with Mota & Moreira (2023) survey finding that many SMEs recognize the importance of capital budgeting indicators but make limited use of them in practice.

The identification of significant contributions to multiple Sustainable Development Goals, particularly SDG 4 (Quality Education), SDG 5 (Gender Equality), SDG 8 (Decent Work and Economic Growth), and SDG 10 (Reduced Inequalities), positions daycare operations within a broader social impact framework. This finding contextualizes Lunt et al. (2020) systematic review conclusion that daycare services may improve psychological health, quality of life, and physical health for participants while providing respite for caregivers.

The daycare's educational approach aligned with national curriculum standards demonstrates its role in providing developmental foundations for children while enabling workforce participation for parents. This dual benefit aligns with Sharma & Frost (2020) observation that social capital significantly influences organizational processes, with stakeholder participation playing a key role. The daycare's implicit social contract with parents - providing peace of mind while they work - represents an important social capital dimension that extends beyond transactional service delivery.

Our recommendations for formalizing SDG contribution frameworks and implementing environmental sustainability initiatives address Wang et al. (2020) observation that the operations-finance interface should jointly optimize material, monetary, and information flows under uncertainty. By integrating sustainability considerations into operational planning, daycares can enhance their social impact while potentially creating additional value propositions for stakeholders.

The phased implementation framework developed in this study acknowledges the complexity of organizational change while establishing measurable progress paths toward comprehensive excellence. This structured approach addresses Cornwell et al. (2022) finding that traditional manual, static, and qualitative risk management practices often suffer from inefficiencies and biases. Our framework incorporates systematic measurement across operational, financial, and developmental dimensions to provide objective assessment of progress.

The emphasis on stakeholder engagement as a core strategic pillar acknowledges Bhalla et al. (2022) assertion that cross-functionally coordinated planning improves the effectiveness of critical processes. By formalizing parent partnerships, community involvement initiatives, and feedback integration systems, daycare operations can strengthen their integration with the broader ecosystem while enhancing their social value proposition.

The identification of enrollment levels as a critical financial parameter aligns with Z.-C. Zhang et al. (2020) research on operational decisions in capital-constrained supply chains, which found that financing strategies significantly impact operational performance. Our proposal for service and price levels provides a solution for this problem through providing the necessary flexibility to meet varied segments of the market.

The study makes various contributions, not only theoretically but also practically. From a theoretical perspective, it adds value to the existing body of knowledge in terms of developing an integrated business model in the service sector since it shows how all aspects (operational, financial, non-financial) can be balanced in a single strategic approach. The four pillars of the business model

provide a theoretical basis for further research in the field of daycare business management and possibly other similar types of services.

From the practical point of view, the results obtained in this paper are useful from the point of view of providing advice for all stakeholders in the industry. First, for daycare owners – for improving the quality of their operations by applying a phased approach to the business. Second, for investors – because capital budgeting and sensitivity analysis help in choosing an investment strategy.

However, incorporating operational strategy, capital budgeting, and non-financial factors within one unified model can overcome (Wahaibi et al., 2024) assertion regarding the lack of studies regarding capital budgeting within SMEs, especially in developing nations. Through development of an analysis framework tailored specifically to this type of organization, it can be possible to fill this void and provide useful information for sustainable business management.

CHAPTER V
CONCLUSION AND RECOMMENDATIONS

5.1 Conclusion

Indeed, the current study has done a thorough analysis of the operations strategy, capital budgeting, and other non-monetary factors associated with the running of the day care centers using a multidimensional approach to analysis. The results show that sustainable success of the daycare Company will require effective management of operations, financial viability, developmental contributions, and stakeholder involvement.

From the analysis of the operations strategy, it is evident that quality-driven operations are the basis of successful day care center and parent trust is the core value that needs to be developed. This is clear from the quote by the owner: "creating peace of mind and trust for the parents who have to leave their kids". Clearly, such trust orientation becomes the basis of the sustainable competitive advantage.

In terms of the financial viability analysis, the project exhibits good investment features in the area of running a daycare center as it requires relatively low start-up costs (Rp 10-20 million plus operational funds) compared to many other ventures. A stable business model involving a reliable source of income (steady number of clients evidenced by permanent waitlist) ensures sustainability through effective management. The sensitivity analysis shows that the key financial parameter is the level of enrollment, as the breakeven point was determined at around 65-70%.

Non-financial analysis shows that the project has many positive aspects in the light of Sustainable Development Goals, mainly SDG 4 (Quality Education), SDG 5 (Gender Equality), SDG 8 (Decent Work and Economic Growth), and SDG 10 (Reduced Inequalities). The education program in the day care centers based on the national curriculum standards helps to build up the basis of development for children and allows parents to work. The owner claims: "Parents feel thankful that they can work and participate in their activities peacefully."

Combining all these operational, financial, and non-financial elements in such a success model will lead to an overall balanced success paradigm. The process approach to implementing all of this takes into consideration the complexities of organizational transformation while also providing a roadmap for success.

5.2 Recommendations

5.2.1 Operational Strategy Recommendations

1. Quality Certification and Standards: Seek out a formal quality certification process that will help to close the current documentation gap as well as provide a formal validation of the daycare's standard operations. It will further bolster the regulatory standing of the daycare and allow for a competitive differentiation advantage within the market place.
2. Expand Staff Development Program: Expand on the current quarterly training conducted by the hospital partners to include an overall staff development program involving training on child development, communication, and career paths. This would help to improve quality of services offered and overcome the potential staff retention issue.
3. Tech Integration: Incorporate technology solutions to provide improved communication, tracking, and efficiency within the operation of the daycare facility. This would improve on the quality differentiation of the daycare as well as administrative efficiency.
4. Establish Measurement Systems: Establish formal systems of measurements across all of the operational aspects that would allow for formal measurements of quality.

5.2.2 Financial Strategy Recommendations

1. Tiered Services/Pricing Strategy: Adopt tiered service levels accompanied by appropriate pricing levels for different socioeconomic levels and service demands. The adoption of such an approach will improve revenue maximization while still being accessible across all socioeconomic strata.

2. Diversified Sources of Income: Offer additional service programs such as extended services and developmental programs for weekends among others

using existing facilities in order to diversify income sources and reduce the vulnerability of the business due to fluctuations in enrolment levels.

3. Services/Resource Optimization Management: Apply cost management strategies in a systematic manner including staffing and cost efficiencies and sharing of services with other organizations. The strategies will improve financial performance while still providing quality service.

4. Contingency Planning: Plan for contingency purposes such as setting aside funds to cushion the organization from any financial challenges that may arise as a result of changes in enrolment levels and costs among others.

5.2.3 Non-Monetary Enhancement Recommendations

1. Create a Contribution to SDGs Framework: Create measurable metrics and tracking systems to measure contribution to related Sustainable Development Goals. The framework would improve impact measurement while being strategically aligned to social goals.

2. Initiate Environmental Sustainability Activities: Implement environmentally sustainable operations, resource conservation efforts, and environmental education elements. The activities would lower ecological footprint while adding value differentiators.

3. Initiate Parent Education Programs: Initiate educational programs for parents on child development, parenting methods, and teaching techniques. The programs would expand developmental impact beyond childcare services while building parent connections.

4. Initiate Community Outreach Programs: Initiate formal community partnerships and outreach programs. The programs would improve community integration while generating possible collaboration opportunities.

5.2.4 Implementation Recommendations

1. Adopt Phased Implementation Approach: Adopt the recommended enhancements by following a well-defined four-phase implementation strategy:
    1. Building Foundation: Ensure operational compliance, establish basic service quality, build initial financial stability, gain parent trust.
    2. Quality Improvement: Seek for certification, measure performance systematically, enhance employee development, improve facility quality.
    3. Growth and Innovation: Expand service offerings, create new programs, integrate technology, build partnerships.
    4. Sustainability and Leadership: Establish best practices, develop company leaders, set up mentoring programs, build research partnerships.
2. Adopt a Balanced Performance Measurement Strategy: Create a balanced score card strategy of performance measurement for operational effectiveness, financial strength, development impact, and stakeholder satisfaction. The balanced strategy of performance measurement would bring about total visibility of performance, while retaining strategic balance.
3. Implement Strategic Review Process: Create a process for strategic review to evaluate the achievements regarding strategic objectives and adapt strategies according to new market conditions.

5.3 Future Research Directions

Several directions for future research are suggested to facilitate knowledge regarding daycare activities and effects.

1. Longitudinal Development Studies: Conduct a study on the long-term development outcomes of children who attend high-quality daycare

programs to determine educational and social benefits that transcend the current delivery of services.

2. Financial Performance Measurement: Create financial performance measures and benchmarks for the daycare facility to facilitate better financial planning and measurement of performance.

3. Technology Implementation Effectiveness: Determine the effectiveness of technology implementation in terms of efficiency in operations, parent satisfaction, and development outcomes of children in daycare facilities.

4. Staff Development Strategies: Determine the best strategies to develop the skills, retain, and build careers of staff members in daycare centers.

These research areas will advance knowledge about how daycare centers work and provide even more evidence-based recommendations for making decisions at this very important Company.

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