



TRANSFORMATION A FAMILY COMPANY TO BE A PUBLIC COMPANY (CASE STUDY PT. BW PLANTATION TBK)

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Abstract

The purpose of this research is to study the process of organizational transformation that occurs in PT BW Plantation of the family company into a public company. Sub focus includes the company's strategy to create an effective organization, organizational culture and leadership transformation leadership, competency-based human resource strategy and Competitive Advantage company. This study is a qualitative research and the approach used in this study is a case study approach. Analysis of the data in this study used Robert K Yin through five steps are compiling a database, disassembling the data, reassembling and arraying, interpreting and concluding, Results of this case study concluded that organizational changes PT BWP is a change that is transformational or interpreted as an attempt changes radical in the context of paradigm change, organizational culture mindset and work processes that are triggered by external demands. Organizations need leaders who play an active role and strong leadership from the top leaders and senior leaders as the main initiators and supporters in making transformational changes. There are changes in business environment , previously still apply traditional management systems and familiarity with paternalistic leadership style and business controls are intuitively expected to turn into a modern management system and professional. The results of research can be considered by family companies that will lead the public company to find out possible problems that arise during the transformation also as a reference for managers in undergoing the process of organizational transformation.

INTRODUCTION

PT. BW Plantation Tbk (abbreviated as BWP) is one of the palm oil companies in a journey into a big company in Indonesia, in accordance with the company's vision to become a dynamic palm oil producer. BWP was first dated 6 November 2000.

PT. BWP has a competitive advantage related with plant age composition, land bank and assets that are strategically located, has a large nucleus estate, implement the best industrial applications related to plantation management techniques to improve the production and extraction of CPO, and an experienced management team. Based on these advantages PT. BWP pursuing a strategy to obtain funds through a public offering in which the funds will use to finance the planting of oil palm in 7 subsidiaries scattered in West Kalimantan, East Kalimantan and West Kalimantan in order to increase the productivity of companies in the future.

On October 27, 2009, PT. BWP has reached a new stage in they journey because on that date the Company do the Initial Public Offering. This is a very important milestone for the Company because this moment make a business continuity and increase its role in the Indonesian palm oil industry, the company will continue to growth and develop to enhance the Company's value.

Business environment turbulences drive PT BW Plantation make changes. PT BW Plantation as a family company is still applying the traditional nature management systems and familiarity with paternalistic leadership style and business control intuitively expected to turn into a modern management system and professional. The condition where the owners and management companies

control mechanisms that good so often to make a decision that could harm the owner and other parties. The owner still often intervene in the appointment of suppliers / contractors who will work with the company. The leader of the company retaining poorly performing managers because these managers are members of the family and do not want to make a conflict with them.

Resistance from the managers and employees for the changes also appear, to deny change is happening or reject changes to a variety of reasons. Emerging resistance (a) Implementation of the work and control system is the most widely opposition, especially from employees or senior management of the company that is accustomed to working without strong systems and controls. (B) The workings and mindset (mind set) in the achievement of the low. Employees are not accustomed to challenging targets, so that the power struggle to achieve the employment targets are not maximized.

The transformation to a public company requires PT BW Plantation recruit professional employees instead of family ties. With the inclusion of professionals from various companies with the organizational culture of the company of origin. Companies with diverse cultures complicate the equation of views in view of a problem.

Based on this background, the focus of researchers is a family enterprise organizational transformation into a public company; a case study in PT BW Plantation Tbk. Sub focus of this study were (1) Changes in the family company into a public company, (2) The company's strategy to create an effective organization (effective organization) to perform change management, (3) Transformation of organizational culture, (4) Changes in leadership style, (5) .Strategi competency-based human resources and (6) Competitive Advantage of companies that are characteristic of the public company.

By looking at the background, issues and things that have been mentioned above, the formulation of the problem posed in this study are as follows: (1) How is the process of transforming the family company into a public company in PT BW Plantation which include: the importance level of implementation of the transformation, presence / absence of resistance management strategies to overcome such resistance? , (2) Management of any changes made by the company in creating an effective organization? (3) How to change the organizational culture when it became a public company ?, why it is necessary to change organizational culture? (4) How is the leadership style needed at the time the company became a public company ?. (5) How competency-based human resource strategy of employees needed at the time of the transformation of the organization and what the strategy of the company to achieve a competency-based human resources ?, (6) What is the competitive advantage of companies that became the hallmark of the public company ?.

Research Methodology

The research approach used is qualitative research approaches with case study method. According to Creswell (2007) case study method is a process of research to understand the problems of human or social to create a comprehensive picture (holistic picture) and the complex is presented with words, reported the views detail obtained from the resources, and conducted in background (setting) is natural. The approach used in this study is a case study approach. The case study is a strategy that is more suitable for basic research questions with regard to how or why.

The procedure begins with a case study research to formulate a research question and then investigators determine the unit of analysis and protocol or interview, then at the level of the unit of analysis determined the sample. Meanwhile at the level of the guidelines made the analysis of a number of questions which link the formulation of the problem with the data that would be obtained. Next determine the criteria for the interpretation of the findings. It was not until the data is collected, followed by all the data from various sources. It was not until the data is collected, followed by all the data and examined various sources of legitimacy. Recently the entire job of data collection in the case studies were analyzed to formulate the results and research findings.

Result and Discussion

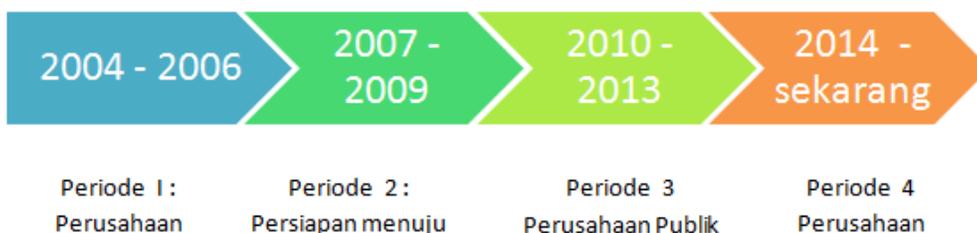
1) Transformation PT BW Plantation from Family Company to Public Company

During the process of change goes, so far not everything goes smoothly, there are some obstacles or challenges that occur. As presented by Kotter in his book "The Heart of Change" (2002) that at some point the bad side of the changes will appear in which humans are forced to adjust to changing conditions cause pain but this can be avoided if you do the 8 steps to create change big. BW Plantation Management from beginning a process of change guided by the theory of Kotter (2002) as follows:



Figure 1 : Implementation 8 Kotter's transformation steps on BW Plantation's transformation process

To see the progress of PT. BW Plantation during 2004 through 2014, the researchers divided 10 years into four periods, namely:



Operational performance indicators of success can be seen from the achievement of production of fresh fruit bunches (FFB) and the main processing products consisting of palm oil from palm oil or CPO (Crude Palm Oil) and core oil or PK (Palm Kernel). TBS increased by 2303% from 27 292 tons (2004) to 655 741 tons (2013), CPO increased by 4461% from 3,197 tonnes (2004) to 145 836 tons (2013), PK increased by 4425% from 527 tons (2004) to 145 836 tons (2013).

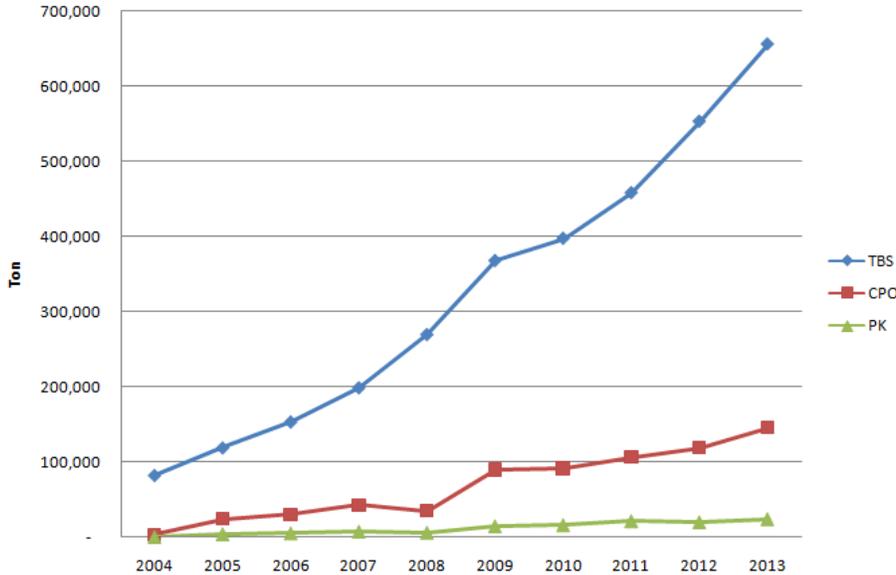
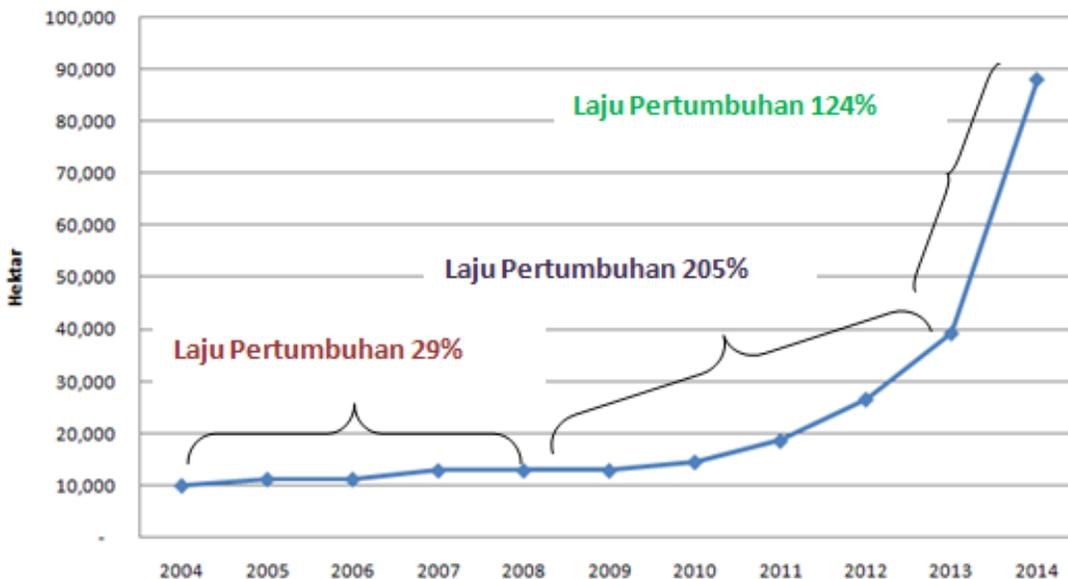


Figure 2. Production trend (FFB, CPO dan PK) - 2004 and 2013

During the period the family company (in 2004-2008), the growth rate resulted in the production area by 29% and in the period of public company significantly increased the rate to 205% in 2014, while acquisition occurs that causes the area resulted to be 124% compared to the previous period.

Overview of financial performance after the company became a public company, revenue increased Rise of Rp. 34.326 billion (2004) became Rp.712.174.000.000, - (in 2010); Increased operating profit of Rp. 866 million (2004) to Rp.371.003.000.000 (2010); Net Income increased from - Rp. 2.467 billion (2004) to Rp.243.287.000.000 (2010); EBITDA increased from Rp. 1.536 billion (2004) became Rp.410.267.000.000, - (in 2010).



Since becoming a public company, PT BW Plantation is always trying to create a competitive advantage both in the palm oil industry as well as in shaping the future structure of the industry. One of the awards received by the BWP is an award from Forbes magazine for three consecutive years (2011-2013) to the criteria of the best-performing company.

The following process steps / activities carried out by PT. BWP in preparation for becoming a public company (based on interviews):

2) PT. BWP as learning organization in creating effective company

Mc Shane (2013) says that the learning organization is a company that is able to gain knowledge (knowledge acquisition), communicating (knowledge sharing), implements (knowledge use) and store knowledge (knowledge storage) to create an effective company.

Andreas Budihardjo (2014) states that learning within the organization must be made by individuals and organizations. Individual learning occurs if a person acquires knowledge through education, experience or experiment. Learning organization formed when systems and organizational cultures into account lessons learned and transfer new ideas to the members.

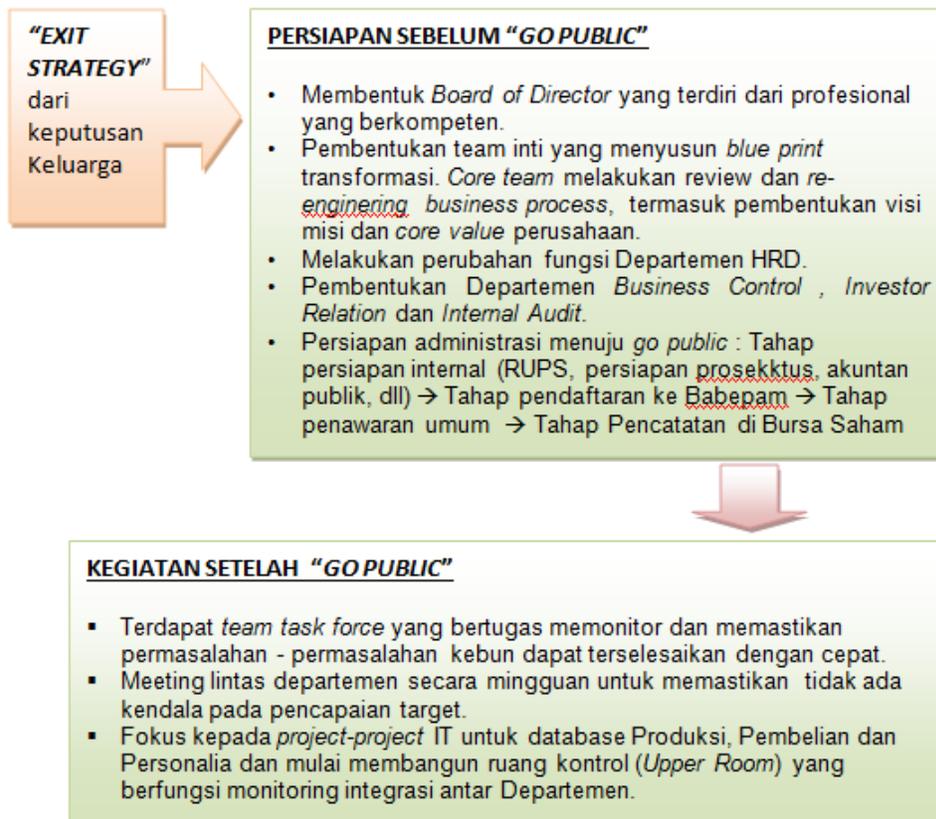


Figure 4. Process to be a public company

Thus, if a company wants the leader of a learning organization then it should encourage and facilitate each member organization to want to keep learning. According to Garvin (2000) there are six important tasks related to learning: (1) collecting new things and intelligence of the environment, (2) Learning from best practices from other companies, (3) Learning from experience in the past, (4) Experiment with new approaches, (5) Encourage problem solving systematically, (6) Transfer of knowledge to the entire organization.

Change Management that have been occur made BWP be a learning enterprise to create effective company. PT. BW Plantation as an organization that embraces open systems (open system) where the survival of the company depends on the stakeholders to be able to respond to their

paradigm of a learning organization. The paradigm requires that employees are always active for the creation of new innovative, adaptive and generative learning, employees not only make adjustments to the environment but also "learn" and is always working ahead on the change itself. Each individual on all levels of management responsible for the learning process. Follow-evident from the company in connection with a learning organization is to conduct a comparative study, the implementation of the training routine as well as forming committees and technological innovation.

In order life cycle curve continues to rise, company made transformation change to be a public company to create a new curve as shown in Figure 6.

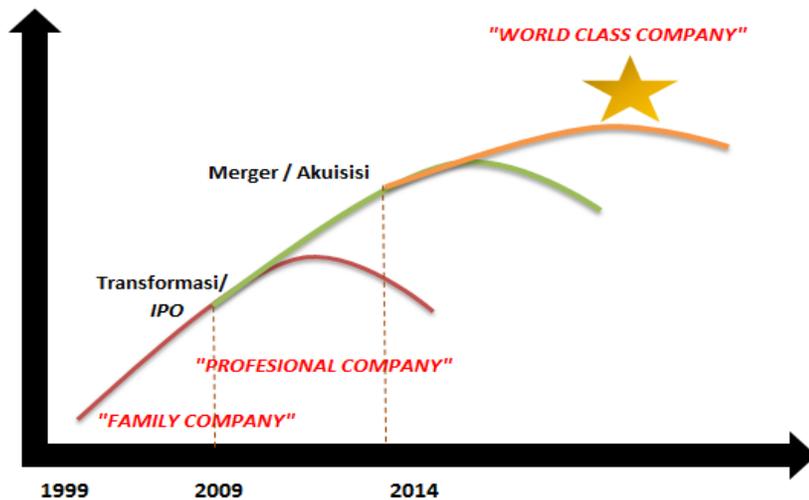


Figure 6. BW Plantation's *Life Cycle Curve*

In the year 1999 - 2009 was a period where the company is still a family company, in 2008 the owners of companies doing business development strategy to make the company public. Public funds are used to expand the company's plantation and plant construction and in 2014 to make acquisitions to achieve world-class companies.

3) Company's Formidable Culture to Achieve High Performance

Some of the theory that the process of formulating the organization's culture, among others, social learning theory (Schein, 2002) in which the culture of the organization created by leaders through function leader as creator and manage and according to Robbin (2003) states that the formation of organizational culture stems from a philosophy that is owned by the founders of the organization which is submitted to the leader - a leader in the company.

The process of formation organizational culture that occurred in PT BWP as mentioned by Robbins & Judge (2011) includes: (1) Phase phylosopy of organization's founder, the process of formulating values of the company by forming a drafting team comprising senior leaders and directors. Employers give direction to the drafting team about what it considers to be important and should be done by each employee, (2) Stage of selection criteria, based on the direction that the drafting team had a discussion about the values they believe would make the company capable of developing associated with core business, mission, vision and business strategy of the company. From some values - universal values that emerged was decided to select Responsibility, Integrity, Caring, Ethics, Discipline and Visionary or abbreviated TIKED-V, (3) Phase socialization, after the organization's culture was created, socialization needed to be more easily in identified and followed by the whole of human resources in the company and other parties outside the organization. How the company to socialize is to do a morning briefing in every department before the start of work both at headquarters in Jakarta and in the site / estate. Every employee of the Department / Division / field foreman asked to read the value of the company's value and then leader provides reviews of each of

value for the company. At each event / moment as the opening of training or company anniversary corporate leaders always convey and reaffirm our core values to employees. In addition to physically jargon - jargon and slogans placed at a location where employees can often look like in the meeting room, a work room and in the employee's mess.

Based on grand strategy illustration below shows that the human resources and corporate culture is an important role that underlie the achievement of the company's vision and mission.

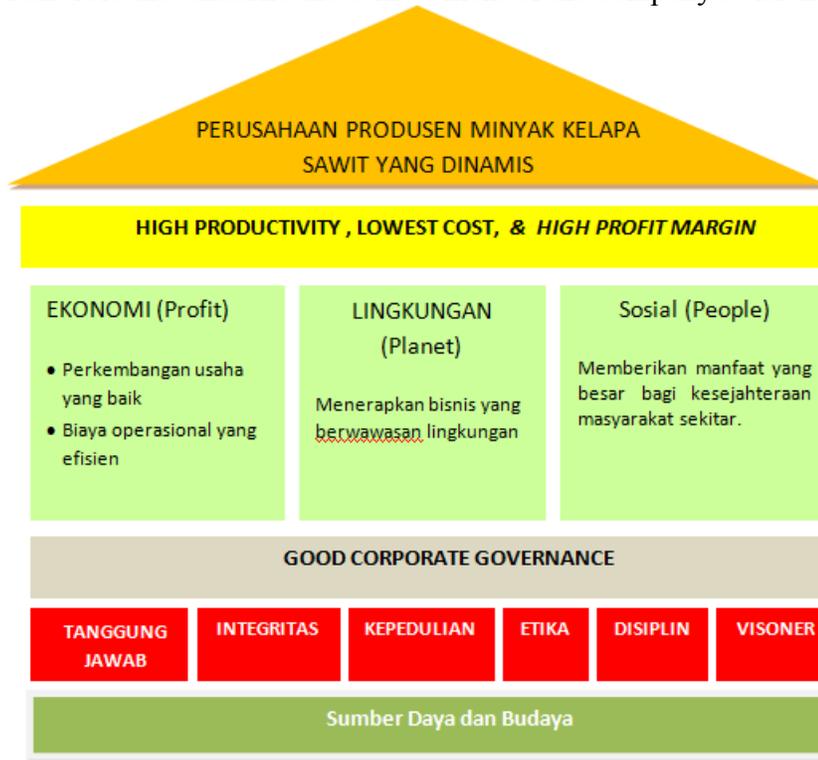


Figure 6. BW Plantation's Pillars

4) Leadership style "Execution Leader" key to a successful transformation in the BW Plantation

Leadership style is very important for the leadership style reflect what is done by leaders in influencing followers to realize his vision. Luthan (2002) suggests the style of leadership is how leaders influence their followers, in its application leadership style is influenced by culture. Paul Hersey and Kenneth Blanchard (1996) defines leadership style as follows:

"The leadership style of an individual is the behavior pattern that a person exhibits when attempting to influence the activities of others as perceived by those others. This may be very different from the leader's perception of leadership behavior which we shall define as self perceptions rather than style"

Leadership style is the perception of the followers of the leader behavior patterns when trying to influence his followers. Transformational leadership style that have been doing consistently will have an impact on corporate culture change and can influence the performance of the company. Transformational leaders devote all its capabilities and its potential to transform the company with motivate, inspire, encourage and develop subordinates to do the best results and achieve the expected performance (expected performance) and above expectations (performance beyond). To bring a radical change in accordance with the changing demands and challenges of an increasingly tight business, transformational leadership style is the most effective leadership style and impact on enterprise performance improvement, (Alex, 2011).

Execution is the implementation of all the vision, mission, strategic management and planning

failure of an organization / company, because despite how good a vision and mission, strategic management and planning was arranged and created, without excellent execution, everything will be meaningless. Therefore, the quality of execution will determine the success or failure of an organization / company.

Execution quality is determined by the "Leader" that "drive" the execution process in the organization. Therefore the "Execution Leader" became a very important person in the organization / company, since he became determinant of the success of the organization / company.

Every leader in PT BW plantation : Top management, middle management to operational management in the estate all involved in any management process, starting from a discussion of the work plan and annual budget , develop programs and action plans and evaluate the results of the performance of daily, weekly and monthly compared with the targets that have been set up in the monthly planning.

Leadership style "Execution Leader" key to a successful transformation in the BW Plantation. Execution is the implementation of all the vision, mission, strategic management and planning that has been made by the organization / company. Execution is what determines the success or failure of an organization / company, because despite how good a vision and mission, strategic management and planning was created, without excellent execution, everything will be meaningless.

5) Company Strategic to Improve Competitive Advantage

Strategies undertaken by BW Plantation in improving the competitiveness of the company : Competency-based human resource strategy with the application of Knowledge Management and Contributions HR and create a competitive advantage that determines the success of a business strategy.

Next figure described BW Plantation strategy to face the challenges

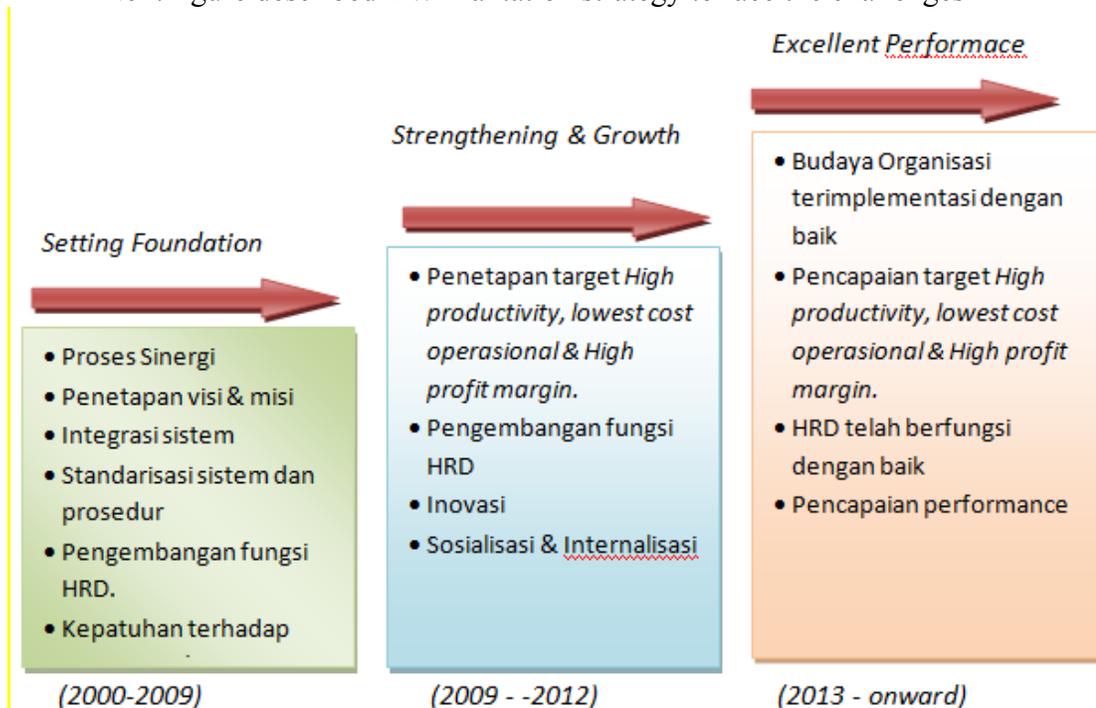


Figure 8. Transformation process and BW Plantation's challenge

The formulation of policies or strategies that was created by PT. BW Plantation was prioritize to analyze the strengths and weaknesses of the industry structure owned. The Strenght point includes (a) Board of management experience and competence, (b) Team solid work both at the top level management, staff and employees, (c) Estate located and close to the distribution channels (d) estate expansion program & aggressive plant (e) High Quality CPO and Kernel high /

operation. Meanwhile weaknesses include (a) Soil type dominize with S3 (b) Some palm oil mills need high cost maintenance, (c) IT system unstable, (d) Utilization of by-product is not maximized, (e) Disciplinary power work is still low, (f) Communication with people around the estate not optimum.

Strenght	Weakness
<ol style="list-style-type: none"> 1 Jajaran manajemen yang berpengalaman dan kompeten 2 Team kerja yang solid baik di level Top Manajemen, staff dan karyawan 3 Lokasi perkebunan strategis dan dekat dengan jalur distribusi 4 Program ekspansi kebun & pabrik agresif 5 Kualitas produk CPO & Kernel tinggi / premium 6 Penggunaan mekanisasi, inovasi dan teknologi perkebunan yang <i>environmental friendly</i> 	<ol style="list-style-type: none"> 1 Lahan perkebunan dominan kelas 3 2 Beberapa pabrik kelapa sawit tergolong tua sehingga maintenance tinggi 3 System manajemen IT belum stabil karena sistem/program dibangun sendiri bukan membeli program seperti SAP. 4 Pemanfaatan by product belum maksimal 5 Disiplin tenaga kerja masih rendah karena kurang kontrol. 6 Komunikasi manajemen kebun dengan masyarakat sekitar kebun tidak maksimal, CSR belum berjalan.
Opportunity	Threat
<ol style="list-style-type: none"> 1 Permintaan produk dari pasar dalam dan luar negeri masih terbuka dan terus meningkat 2 Penemuan baru dalam pemanfaatan produk minyak sawit dan turunannya. 3 Produk kelapa sawit lebih unggul dari produk minyak nabati lainnya 4 Adanya teknik budidaya baru yang dapat meningkatkan produktivitas 5 Minyak sawit ramah lingkungan 6 Penggabungan 2 - 3 perusahaan dalam industri sejenis / merger 7 Dukungan Pemerintah Daerah dalam pengembangan areal baru 	<ol style="list-style-type: none"> 1 Banyaknya investor baru yang masuk di bidang bisnis yang sama 2 Persaingan harga dengan kompetitor 3 Pembatasan ekspor dan campur tangan pemerintah dalam penentuan harga 4 Keamanan makro dalam negeri yang belum stabil dan mikro lingkungan sekitar kebun yang sering tidak kondusif 5 Black campaign atas produk minyak dari kelapa sawit 6 Claim masyarakat atas tanah perkebunan / tanah ulayat atas nama hukum adat

Figure 9.

SWOT analysis PT BW Plantation

Suggestions on this research is that if an understanding of the transformation steps are realized since the beginning, transformation process should be able to run more smoothly and directed. This could be avoided if the transformation from the beginning led by people who have experience / understanding the processes or stages in the process of organizational transformation or use consultants.

BW Plantation transformation process is still continuing, entered the stage of the merger, which is the company's strategy to achieve sustainable competitive advantages. Merger process will be different from tranformation process. Successness of the merger is the interesting issue to research, where the merger will affect directly to the employees as a result of the merge of two

process, if required strong merger committee, management commitment, union labour, or there are other things as determining the success of the merger.

Conclusion

Based on the findings and discussion, researcher can take some conclusions related to the company's output in the process of transformation into a public company or a public company.

- 1) BW Plantation unconsciously applying Kotter's 8 steps in the process of transformation into a public company from a family company..
- 2) 2) At the beginning of the transformation process, resistance emerged from every level that become an obstacle because of a lack of whole understanding, without "spirit" to make changes, interest piqued. Along with the transformation process and meet the formation, and the positive effects are beginning to rise, the resistance level decreases. Commitment from management to support the transformation was the major factor in transformation process. Without a strong commitment from management to make changes, to the process of change can not run smoothly.
- 3) Management Changes made demands BWP be learning enterprise to create effective company. PT. BW Plantation as an organization that embraces open systems (open system) where the survival of the company depends on the stakeholders to be able to respond to their environment. An increasingly competitive business environment causes companies adopt the paradigm of a learning organization. The paradigm requires that employees are always active for the creation of new innovative, adaptive and generative learning, employees not only make adjustments to the environment but also "learn" and is always working ahead on the change itself. Each individual on all levels of management responsible for the learning process. The real action of the company in respect of a learning organization is to conduct a comparative study, the implementation of the training routine as well as forming committees and technological innovation.
- 4) The tough corporate culture to achieve High Performance. Selection of the appropriate organizational culture that refers to the professionalism and invested in operational activities capable of directing the behavior of all the organizations in achieving the company's objectives. Internalization of organizational culture can be implement through slogans, symbols, rituals, socialization, training and exemplary management of the peaks. Organizational culture was a "driving force" that affects all aspects of achieving the vision and objectives of the company,
- 5) 4) 5) leadership style "Execution Leader" key to a successful transformation in the BW Plantation. Execution is the implementation of all the vision, mission, strategic management and planning that has been made by the organization / company. Execution is what determines the success or failure of an organization / company, because despite how good a vision and mission, strategic management and planning was arranged and created, without excellent execution, everything will be meaningless. Therefore, the quality of execution will determine the success or failure of an organization / company. What is required of a leader to be "execution leader : is a leader who has the responsibility brave mental attitude and be accountable for the work of leadership, leaders capable of directing, encouraging and, motivate and foster enthusiasm subordinates to work more productively; expand the ability of intrapreneurs is to become a professional in the spirit of entrepreneur, developed the mental attitude to take bold decisions, develop the ability to understand the changing environment, the ability to read external opportunities and threats and constantly thinking of innovative improvement process of the company's work to make the company productive, efficient and competitive.
- 6) Strategies undertaken by BW Plantation in improving the competitiveness of the company

Management and Contributions HR and create a competitive advantage that is what determines the success of a business strategy

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