

PESTLE Analysis of Production Management Landing Platform Dock Warship PT PAL Indonesia (Persero) For National Defense

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ABSTRACT

Purpose: The purpose of this study is to analyze the production management of PT PAL Indonesia (Persero) 's LPD vessel using PESTLE analysis. **Study Design:** This research is descriptive and uses a qualitative approach. **Methodology:** This study uses a qualitative analysis approach aimed at PT PAL Indonesia (Persero) 's LPD ship production management. **Place and Duration of Study:** This research was conducted in Jakarta and Surabaya in August - October 2020. **Results:** (1) PT PAL Indonesia (Persero) is a strategic industry that produces the main equipment of the Indonesian defense system, especially for the marine dimension, (2) the Indonesian Navy relies on PT PAL Indonesia (Persero) to produce LPD-type vessels which are very important to implement sea operations, (3) PT PAL Indonesia periodically measures the implementation and implementation of GCG, as regulated in the Regulation of the Minister of State for SOEs, (4) PT PAL Indonesia (Persero) collaborates with financial institutions and consultants to provide a funding scheme from the capital structure of soft loan provision, insurance and other forms of funding, (5) In the field of general engineering, companies make heavy industrial components such as power plants, diesel engines, steel structures, such as oil and gas industrial equipment, (6) PT PAL Indonesia (Persero) continuously improve the quality of technology and ensure that the products built follow state-of-the-art developments technology, and (7) PT PAL Indonesia (Persero) always strives to provide benefits to society by implementing real corporate social responsibility for the development of harmonious relationships with the community through Corporate Social Responsibility (CSR).

Keywords: economy, environment, legal, political, sociocultural, technology

INTRODUCTION

Indonesia is an archipelago country with vast oceans with the second-longest coastline in the world. Based on the measurement of the Navy and Hydrographic and Oceanographic Centre of the Navy that the area of Indonesian Sovereignty Region, which consists of inland waters and archipelago waters of 3,110.00 km², territorial sea 290,000 km². Sovereign territory, consisting of an Additional Zone of 270,000 km², Exclusive Economic Zone of 3,000,000 km², Continental Landing of 2,800,000 km². The area of Indonesian waters is 6,400,000 km², the area of NKRI (land + waters) is 8,300,000 km². The length of the coastline is 108,000 km.

Indonesia is located between two continents, Asia and Australia; and is located between two oceans, the Pacific and the Indian Ocean. Since ancient times, the location of the archipelago has been a crossroads of crossing sea lanes that connect the eastern and western continents. If these maritime zones are bordered by neighboring countries, the outer limits shall be set by agreement with the relevant neighboring countries, by international law, in particular UNCLOS 1982.



Figure 1. Maritime Zone based on UNCLOS 1982

Source: Indonesian Maritime Policy White Paper

Now, based on the analysis of experts, it is estimated that around 90% of global trade is transported by sea, where 40% of it passes through Indonesian waters. 40% is a fantastic number. This means that Indonesia's position will always be a strategic place in the world trade map at any time. When viewed from a geostrategic aspect, Indonesia is a very important country for the international community, because Indonesia is located in a very strategic position between two continents and two oceans which have been the routes of international shipping traffic since ancient times as Sea Lanes of Communication (SLOC) and Sea World Lines of Trade (SLOT).

Indonesia also has three Indonesian Archipelagic Sea Lanes (ALKI) that connect international waters in the North and South as a form of responsibility for the recognition of Indonesia as an

archipelagic country. With such a position, Indonesia's existence is very important for other countries, especially the United States (US) and Japan, whose energy supplies from the Middle East through Indonesian waters in the Malacca Strait, Singapore Strait, Natuna Sea, and Sulawesi waters.

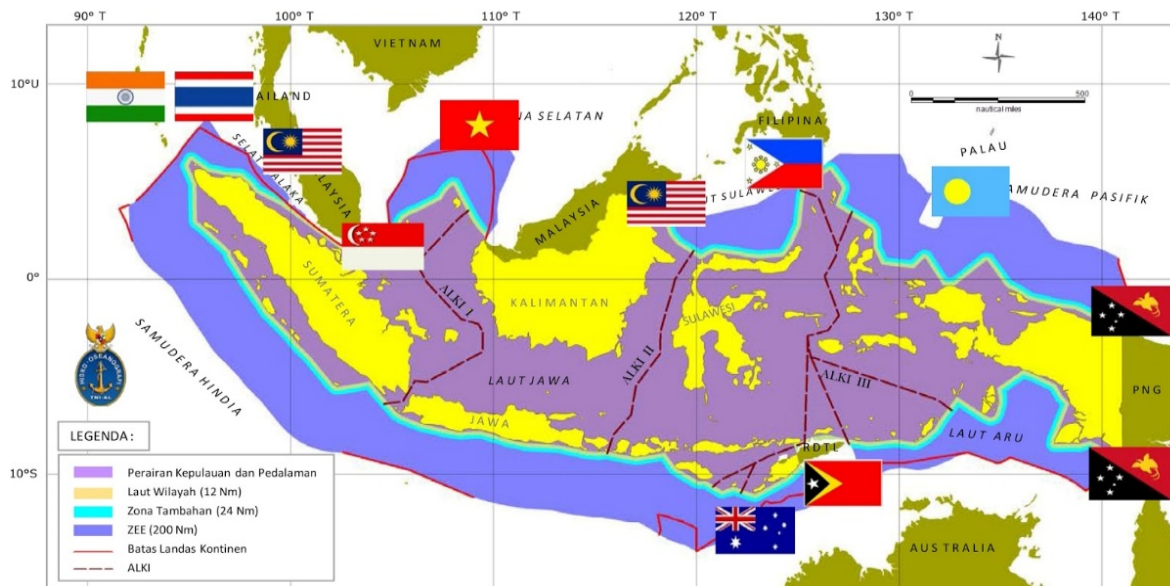


Figure 2. Indonesian Sovereignty Areas and the Indonesian Archipelago Sea Lanes
Source: Naval Hydro-Oceanography Service 2011.

The sea can be a separation, but it can also be a link with good connectivity. Connectivity, in this case, is institutional connectivity (soft infrastructure), physical connectivity (hard infrastructure), and individual connectivity (people-to-people connectivity). Meanwhile, at the national level, the national logistics system is one of the components of national connectivity that has a strategic role in harmonizing the progress of the economic sector and between regions for the realization of economic growth. As evidence that Indonesia has a very strategic role, it can be seen from the world navigation traffic and Southeast Asia (Figure 3).

Julian S. Corbett in his *Principles of Maritime Strategy* (2012: 63) states that "objects of naval warfare must always directly or indirectly secure the command of the sea (control of the sea) or prevent the enemy from securing it." In securing the sea, the navy is very dependent on the Main Weapon System, the main tool of the weapon system, especially warships. The Indonesian Navy in carrying out its duties relies on the strength of the SSAT (Integrated Fleet Weapon System) which includes: Republic of Indonesia Warship, Aircraft, Marines, and Bases. Therefore, the four components of the SSAT are always maintained for combat readiness.

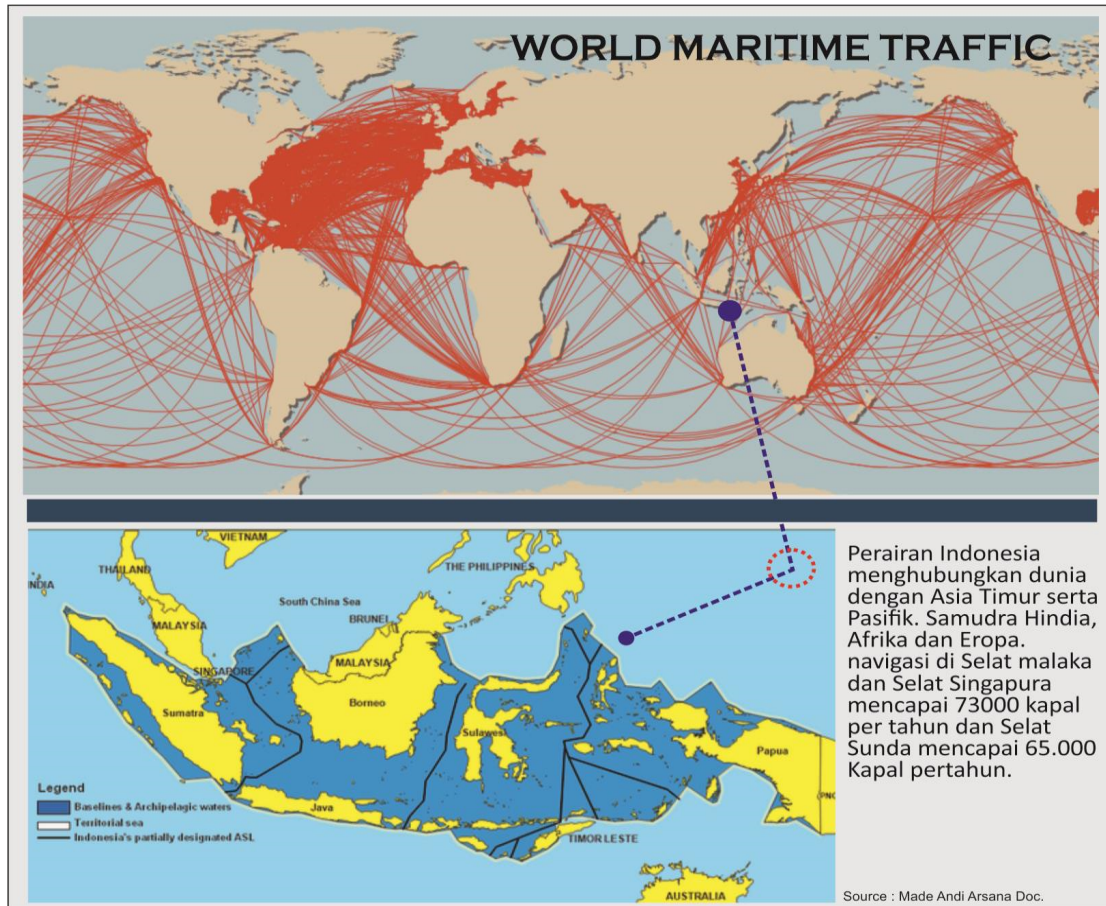


Figure 3. World Navigation Traffic and Southeast Asia

Source: Indonesian Maritime Policy White Paper

Several warships operated by the Indonesian Navy were built by the shipyard PT PAL Indonesia. One of them is a type of Landing Platform Dock (LPD). This ship is an amphibious ship that functions as a transport ship for troops and combat equipment, as well as a base ship in Amphibious Attack Operations. Apart from being used by the Indonesian Navy, this LPD ship is also used by other countries. It is noted that the Philippines is a country using LPD vessels made by PT PAL Indonesia (Persero).

PT PAL Indonesia (Persero) as one of the strategic industries that produce the main tool of the Indonesian defense system specifically for the marine dimension, of course, has an important and strategic role in supporting the development of the national marine industry.

The role of PT PAL Indonesia (Persero) is getting stronger after the issuance of Law no. 16 of 2012 concerning the defense industry in which strategic SOEs ask for more space. Based on the law, PT PAL Indonesia (Persero) is a professional to carry out the temporary mandate needed to actively support the fulfillment of the Main Weapon System (the main weapon system) of the marine dimension and to support as the main guide (leader integrator) of the marine dimension.

Considering the importance of LPD ships, researchers are interested in analyzing how the management of the ship's production development uses the PESTEL analysis tool. Researchers want

to analyze from the perspective of the political, economic, sociocultural, technological, environmental, and legal impacts. PESTEL analysis itself is a technique in strategic management that is used to look at external environmental factors that affect something (company, project, problem, etc.).

LITERATURE REVIEW

Production Management

Production activities in a company are quite important activities. It can even be said that production activities are the kitchen/heart of the company. This is because if production activities in a company stop, the activities in that company will also stop. Likewise, if there are various kinds of obstacles that result in the stagnation of production activities in a company, the activities within the company will also be disrupted. Because of the importance of production activities in a company, it is imperative for every company to always pay attention to production activities within the company. To be able to plan, implement and supervise/control production activities by company expectations, namely being able to produce goods/products effectively and efficiently, so that the company can guarantee its survival and development, it is only right that the company performs the best management in the production field.

So that management in the company can carry out production management as well as possible, of course, first, the managers in the company understand, understand, and then carry out the best possible production management in the company that will be managed.

Definition of Production Management

To understand the meaning of production management, it is necessary to first understand the meaning of management and the meaning of production. This needs to be done considering that understanding. What is meant by management or what is often called management or management is a process of planning, organizing, directing, coordinating, and controlling. Thus the elements contained in this management consist of planning, organizing, directing, coordinating, and controlling.

Ship-Landing Platform Dock (LPD)

Amphibious transport dock ships are warships that initiate, transport, and land elements of landing troops for various expeditionary warfare missions. The LPD is used to transport and land Marine landing troops, their combat equipment, and supplies with an Embarked Air Cushion (LCAC) or conventional landing craft and an Expeditionary Fighting Vehicle (EFV) or Amphibious Assault Vehicle (AAV). These LPD ships are for amphibious assault support, combat operations, and can be modified into hospital ships.

Quoted from Wikipedia, the amphibious transport dock, also called the Landing Platform Dock (LPD), is an amphibious warship, a warship that towers, transports, and lands elements of the landing force for war expeditionary missions. Several navies in the world, including Indonesia, currently operate ships of this type. These ships are generally designed to transport troops to war zones by sea, primarily using landing craft. This ship also has the capability to operate a transport helicopter. Amphibious transport docks perform amphibious transport, amphibious cargo ships, and LSD missions by combining a flight deck and well deck to support amphibious landings or

vehicles. The main difference between the LSD and the LPD is that they both have a helicopter landing deck. The LPD also has hangar facilities for protection and maintenance.

PESTLE analysis

This analysis is named PESTLE because it refers to the acronym formed by the initials of the six categories of macroeconomic variables included in the model (Political, Economic, Sociological, Technological, Legal, Environmental). First, the model allows managers to identify macroeconomic variables to consider for business development (opportunities vs. potential risks), whose likelihood is still relatively uncertain. Then, the model can help managers to start conceptualizing different scenarios based on these uncertain variables to better predict what might happen and make informed decisions now for the future.

The organizational environment can be divided into three distinct layers: competitors and markets, industry (i.e. the corporate sector), and the macro-environment, the highest-level layer, which is made up of broad environmental factors that impact to a greater or lesser extent almost any organization. (Johnson et al., 2008).

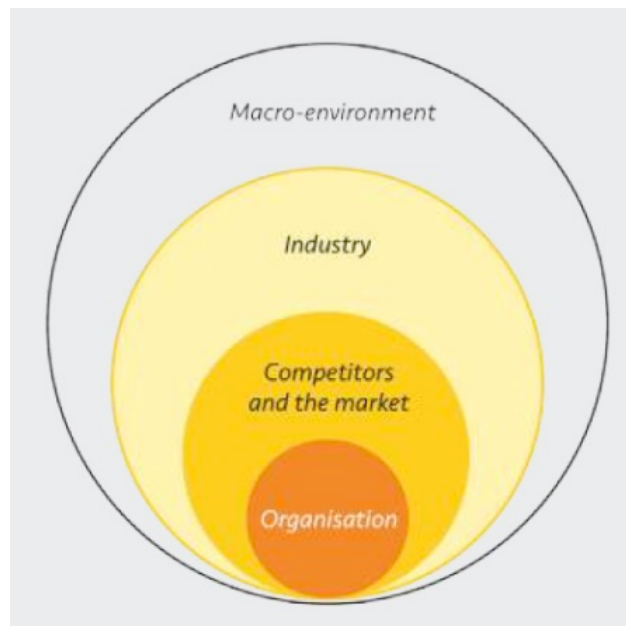


Figure 4. Layers of the organizational environment

Source: Thomas del Marmol, PESTLE Analysis: Understand and Plan for your business environment

This technique is used to help identify the factors involved in change rather than the solution to one of the factors. The factors identified must be outside the control of the organization and have some form of impact on the organization.

An important element for this technique is to consider all engineering fields rather than painstakingly classify the factors. When analyzing each factor, it is necessary to identify all of these factors and how they impact the business. The factors of this technique are introduced below.

Political

These factors determine the extent to which the government can influence a particular economy or industry. For example, the government could impose new taxes or duties that cause the entire structure of the revenue-generating organization to change. Political factors include tax policy, fiscal policy, trade tariffs, etc. What the government may collect around the fiscal year and it can affect the business environment (economic environment) at large.

Many external environmental factors can affect a business. It is common for managers to assess each of these factors closely. The goal is always to make better decisions for the betterment of the company. Some of the common factors are political, economic, social, and technological (known as PEST analysis). Companies also study environmental, legal, ethical, and demographic factors.

The political environment can influence business organizations in many ways. This can add to the risk factor and cause huge losses. It must be understood that political factors have the power to change outcomes. It can also influence government policy at the local to federal levels. Companies must be prepared to face local and international political outcomes.

Changes in government policy are political factors. These changes include economic, legal, social, or a mixture of these factors. Government policies to increase or reduce taxes can be an example of a political factor. The government can issue policies to increase taxes for certain companies and lower them for other companies. The policy will have a direct impact on the business. So, always keep up-to-date with political factors like that. Government intervention such as a shift in interest rates can have an impact on the demand patterns of companies.

Certain factors are interrelated in certain ways. For example (1) Political decisions affect the economic environment; (2) Political decisions affect the socio-cultural environment of the country; (3) Politicians can influence the speed with which new technology emerges, and (4) Politicians can influence the acceptance of new technology.

This political factor has at least 4 main effects, namely: (1) Impact on the economy, the political situation of a country affects its economic order. The economic environment affects business performance.; (2) Changing regulations, the government can change rules and regulations which in turn can have an impact on business; (3) Political stability, the lack of political stability in a country affects business operations, especially applies to companies operating internationally; and (4) Risk mitigation, buying political risk insurance is one way to manage political risk. Companies that have international operations use such insurance to reduce their risk exposure.

Companies must keep track of their political environment. Changing political factors can influence business strategy for the following reasons: (1) The stability of the political system can affect the attractiveness of certain local markets; (2) The government views business organizations as an important vehicle for social reform; (3) The government issues laws, which have an impact on the relationship between the company and its customers, suppliers and other companies; (4) The government is responsible for protecting the public interest; (5) Government actions affect the economic environment; and (6) The government is the main consumer of goods and services.

Economic

These economic factors directly impact the performance of the company and have long-term effects. For example, an increase in the rate of economic inflation at all levels will influence a company's decision to set prices for its products and services. This will affect the purchasing power of consumers and change the demand/supply model for that economy. Economic factors include inflation rates, interest rates, foreign exchange rates, economic growth patterns, etc. It also takes into account foreign direct investment), depending on the results of the specific industry analysis being undertaken.

Every company organization is always faced with a market economic situation in which the company operates. The advantage of PESTLE analysis is a comprehensive analysis of external factors that affect the company. Economic factors that affect a business are international economies, national economies, and regional economies which can be discussed and analyzed.

It is important to understand how economic factors affect a business, which is a very important basis for making smart decisions and propelling companies to higher levels. This starts with understanding the role of environmental and external factors, and how they arise in business. Economic factors relate to goods, services, and money. And it affects business directly. These variables refer to the financial condition of the economy both locally and globally. The state of the economy determines the details and important decisions in the company's operations such as consumer demand, taxes, and asset value. Several economic factors that affect business include (1) Interest rates: These interest rates greatly affect companies that rely on large loans to banks; (2) Exchange rates: Exchange rates are a complex topic and should apply to exports or imports. Changing exchange rates will affect how much a company has to pay to its international suppliers which affect profit margins; and (3) Recession: An economic recession (of any scale) has the potential to change customer buying attitudes, which can force firms to lower prices or reduce smaller volumes.

In conclusion, economic factors are one of the many environmental and external factors that can affect a business. Even though they are related to economies on a larger scale, they have a profound effect on the way each company works.

Sociocultural

This sociocultural column of PESTLE's analysis makes it possible to explore how trends in society and culture - which ultimately become trends in consumers - affect business. For example, if a business sells only one particular product, how will the consumer's approach to that product change?

In this step of social analysis, social change must be closely watched. It should also be seen the cultural changes taking place in the business environment. Market research is an important part of this step. It's important to look at people's trends and patterns. To understand the impact better, it is necessary to study these factors in detail. Very many companies analyze population growth and age structure. They also analyze consumer attitudes and lifestyle changes. This analysis can be considered when there are mistakes in the marketing strategy. It can also help come up with fresh ideas.

Some of the social factors that influence the size and market needs of customers are lifestyle, buying habits, education level, emphasis on safety, religion and belief, health awareness, gender distribution, average disposable income level, social class, size. and family structure, minorities, attitudes towards saving and investing, attitudes towards environmentally or ecologically friendly products, attitudes towards renewable energy, population growth rates, immigration and emigration rates, age distribution and life expectancy, attitudes towards imported products and services, attitudes towards employment, career, leisure, and retirement, as well as attitudes to customer service and product quality.

The social aspect focuses on the forces that exist in society, including family, friends, colleagues, neighbors, and the media are all social factors. These factors can influence attitudes, opinions, and interests. So that it can have an impact on product sales and revenue.

Technology

These factors relate to innovations in technology that may affect industrial and market operations profitably or unprofitably. It refers to automation, research, and development as well as the amount of technological awareness the market has. This factor takes into account all events affecting technology. Since technology often becomes obsolete within months of launch, it is important to take this into account. This factor can also take into account all barriers to entry to a particular market and changes in financial decisions.

The use of technology in business is increasing, therefore the T element in PESTLE analysis is very important. This is an opportunity to explore any of the technological factors affecting business, including technological constraints and advances. This can refer to access to technology within a specific area or the development of new technology within an industry.

In PESTLE analysis, technological factors are variables related to the existence, availability, and development of technology. This can include anything from computing power to machine efficiency. It may not be clear how the technological factor directly affects a business unless you take a step back and look at all the technology used in everyday life. Think about the machine used to print t-shirts, the computer server used to maintain the website, or the fuel used to power the car. Technology largely determines how things are done, in business, or vice versa.

Technology factors that affect business include 3d technology; computer calculation speed/power; the ability of computers to generate truly 'random' numbers; engine efficiency; internet connectivity; wireless charging; automation; and security in cryptography.

Legal

This factor takes into account all legal aspects such as employment, quotas, taxation, resources, imports, and exports, etc. These factors have both external and internal sides. Certain laws affect the business environment in certain countries while certain policies are managed by the company itself. The legal analysis considers these two points of view and then maps out a strategy based on these laws and regulations. For example, consumer laws, safety standards, labor laws, etc.

Often, these legal factors overlap with political factors - but not always. Possible topics covered in this category include trade law, labor law, and intellectual property law, and how each affects

business. Legal factors are external factors that refer to how the law affects the way businesses operate and customers behave. Product transportation, profit margins, and certain market viability are examples of things that may be affected by legal factors.

Legal factors can decide whether there is a business behind the sale of a particular product (perhaps pharmaceuticals, or sharp objects), and can also influence the mechanisms by which companies keep their inventory or interact with customers.

Consumer law, otherwise known as consumer protection, is designed to protect consumers from fraudulent companies or practices, and protect their rights in the market. "How does this affect the business?" Consumer law results in large companies having to devote sufficient amounts of their resources to releasing detailed information about their products and policies. On the other hand, consumer law by itself makes business for some private regulatory firms.

Employment laws define how company employees are to be treated. Minimum wage laws can limit the range of possible job opportunities that companies can offer, child labor laws can affect the way tightly-knit home businesses in third world countries operate, and dismissal laws can result in the dismissal of employees (for reasons whatever, maybe unproductive) a little more difficult.

Environment

These factors include everything that affects or is determined by the surrounding environment. Business environmental analysis factors include but are not limited to climate, weather, geographic location, global climate change, environmental offsets, soil conditions, soil contamination, nearby water sources, etc.

An increasingly important category is the environment category. Many businesses, especially those in primary industries, have some sort of impact on the environment. Part of this PESTLE analysis is about knowing what the impact is, what the impact might be, and how business can improve in this department.

Every day the market changes as it is. Lots of new things were developed and within seconds the whole scenario was quickly different. Among them, many things can be controlled, and then other things are out of control and that is called the systematic factor. Systematic things happen in the surrounding environment and often have great influence. Businesses are also influenced by the environment in which they are in and all the situational factors that determine circumstances on a day-to-day basis. Because of this, businesses must constantly examine and constantly analyze the environment in which they carry out trades and in which markets are located.

The location of the country affects the trading business. Also, many climate changes are changing industrial trade and the way consumers react to certain offers launched on the market. Environmental factors include geographic location, climate, weather, and other factors that are not only limited to climatic conditions.

METHODOLOGY

This research is qualitative. Qualitative research is a research procedure that produces descriptive data in the form of written or spoken words from people and observable behavior (Moleong, 2007).

Qualitative research methods are research methods used to examine the condition of natural objects, (as opposed to experiments) where the researcher is the key instrument, the data collection technique is done by triangulation (combined), inductive data analysis, and more qualitative research results. emphasizes the meaning of generalizations (Sugiyono, 2009).

A qualitative approach is a process of research and understanding based on a methodology that investigates social phenomena and human problems. In this approach, the researcher creates a complex picture, examines words, reports detailed views of the respondent, and conducts studies in natural situations (Creswell, 1998: 15). Bogdan and Taylor (Moleong, 2007: 3), suggest that qualitative methodology is a research procedure that produces descriptive data in the form of written and spoken words from people and observed behavior.

Qualitative research is carried out in natural and discovery conditions. In qualitative research, the researcher is the key instrument. Therefore, researchers must have a broad theoretical and insightful provision so they can ask, analyze, and construct the object under study to be clearer. This study emphasizes more on meaning and is value bound. Qualitative research is used when problems are not clear, to find hidden meanings, to understand social interactions, to develop theories, to ascertain the correctness of data, and to examine historical developments.

DISCUSSION

Production Management

Production Management refers to the application of management principles to production functions in factories. Production management includes the implementation of planning, organizing, directing, and controlling the production process. PT PAL Indonesia (Persero) in carrying out the LPD type ship production process refers to production management starting from the planning stage, how to organize and implement what has been planned. Production control is implemented from the planning stage aimed at avoiding the waste of resources.

The issuance of Law No. 16 of 2012 concerning the defense industry strengthens the role of PT PAL Indonesia (Persero) because it provides wider space as a strategic State-Owned Enterprise to produce the weapons system needs of the Indonesian Navy as well as a lead integrator in the marine dimension.

PT PAL Indonesia (Persero) continues to improve its capabilities and synergize with the national maritime industry to enter the global defense industry to meet the global maritime market. It takes hard work to compete with outside competitors who on average are already established in the global market.

Warship product development continues to be improved to be marketed at home and abroad. Domestically, it is mainly to meet the needs of the Ministry of Defense, the Indonesian National Police, the Ministry of Marine Affairs and Fisheries, the Ministry of Energy and Mineral Resources, the Ministry of Finance / Directorate General of Customs and Excise, Regional Government, and the private sector.

Products that have been mastered include:

- a. Ship Landing Platform Dock 125 meters
- b. Fast Missile Class 60 meters /
- c. Steel hull fast patrol boat class 57 meters
- d. Research Ship 1200 GT
- e. Fast Patrol Boat / Special Ship Aluminum Hull class up to 38 meters
- f. Tugboat and Anchor Handling Tug / Supply ships up to class 6,000 BHP
- g. Fishing Vessels up to 60 GRT
- h. Ferry and Passengers up to 500 pax

PT PAL Indonesia (Persero) has carried out the Maintenance and Repair function of the Indonesian Navy's KRI. This division has carried out routine maintenance to overhaul for all types of Navy ships, Surface Ships, and Submarines.

By Article 11, Law No. 16 of 2012; PT PAL Indonesia (Persero) is the Main Defense Industry / Main Industry for Making Weapons Systems is a state-owned company that is determined by the government as the lead integrator that produces the main weapon system or integrates the main components, components, and raw materials into a ready-to-use weapon system.

PT PAL Indonesia (Persero) a Home Doctor Service for several domestic and Off Shore shipping companies to support their fleets with the best service. An experienced, skilled, and efficient workforce, combined with an efficient workforce and excellent maintenance technology, give our customers the advantage of competitive prices and turnaround times of the highest quality.

The company continuously builds and develops products for the main weaponry system which are marketed domestically and abroad. PT PAL Indonesia (Persero) is the Lead Integrator for Marine Matra Alutsista (Combat Ship) by the mandate of Law No. 16 of 2012 (Article 11) and Decree of the Defense Industry Policy Committee (KKIP) No.13 / 2013. Products that have been developed by the company include Fast Patrol Boat 14 M Star Naja, FPB 28 M Ship, FPB 38 M Aluminium Ship, FPB 57 M Ship, KCR 60 M Ship, 125 M LPD Ship, 123 M SSV Ship, and LPD Ship 124 M.

Landing Platform Dock Warship (LPD)

The Landing Platform Dock or LPD (also known as the Amphibious Transport Dock) is an amphibious warship that transports and lands landing troops and ground force elements for fast-moving warfare missions. These ships are designed to carry landing troops into the combat zone by sea and have limited airpower carrying capability (usually helicopters).

Indonesian Navy has 5 LPD vessels in its fleet, namely KRI Makassar (590), KRI Surabaya (591), KRI Banjarmasin (592), KRI Banda Aceh (593), and KRI Semarang (594). The KRI Tanjung Dalpele has been converted from an LPD to a Hospital Assistance vessel with the new name KRI DR Soeharso (990).

The newest LPD to be operated by the Indonesian Navy is the KRI Semarang (594), a Makassar class LPD Landing Platform Dock type warship made by PT. PAL Indonesia, Surabaya. KRI Semarang is the 5th ship of the Makassar class KRI, of which two ships of this type, namely KRI Makassar (590) and KRI Surabaya (591) were previously built at Daesun Shipbuilding & Engineering Co. Ltd, South

Korea, while the 3rd and 4th, namely the KRI Banjarmasin (592) and the KRI Banda Aceh (593) were made at PT. PAL Indonesia, Surabaya. On January 21, 2019, the ship was handed over by PT PAL Indonesia to the Indonesian Navy at the Ujung Koarmada II Pier in Surabaya.

This ship strengthened the main weapon system of the Fleet I Command under the Amphibious Ship Unit. KRI Semarang-594 is one of three LPD ships ordered by the Indonesian Navy. The other two ships are KRI Banjarmasin-592 and KRI Banda Aceh-593. KRI Semarang-594 functions to assist military distribution in terms of logistics, military equipment, and supplies. This ship also functions as a hospital ship for natural disaster relief.

KRI Semarang-594 has a specification of 124.00 meters long, 21.80 meters wide, with a weight of 7200 tons, has a maximum speed of 16 knots with a cruising speed of 14 knots, and can sail with endurance for 30 days. Also, the KRI Semarang-594 is equipped with two Landing Craft Utilities (LCU) ships capable of carrying 8 Anoa-type combat vehicles, 28 trucks, 3 helicopters and reinforced by 121 crew members. This ship has 121 crew members and is capable of carrying 650 fully armed soldiers.

PESTLE Analysis

Political

PT PAL Indonesia (Persero) continues to improve the quality of the implementation of Good Corporate Governance (GCG). The company believes that the implementation of GCG is a basic requirement to increase competitiveness for the realization of the company's business goals. This belief is manifested through a series of policies and concrete steps in applying the principles of GCG, namely transparency, accountability, responsibility, independence, and justice. These principles are continuously internalized into every step of the Company.

The company periodically measures the implementation and application of GCG, as stipulated in the Regulation of the Minister of State for SOEs Number: PER-01 / MBU / 2011 dated 1 August 2011 concerning the Implementation of Good Corporate Governance in BUMN. This recognition is carried out through periodic assessments to identify the implementation of GCG through predetermined indicators. The assessment of GCG implementation within the Company is carried out by an independent assessor or by the Company itself (self-assessment). In 2019, PT PAL Indonesia (Persero) 's GCG implementation assessment for the 2018 financial year was carried out by the Representative Office of the Finance and Development Supervisory Agency (BPKP) of East Java Province. By the values of the corporate culture that upholds transparency and integration, PT PAL Indonesia (Persero) is always at the forefront of conducting work supervision.

Economic

The business transformation from a product provider to a solution provider by carrying out proactive marketing. The defense industry has a great responsibility in achieving and maintaining peace and security around the world. Innovation in this dynamic sector is needed to cope with a constantly changing world and provide prompt assistance both at home and abroad. PT PAL Indonesia (Persero) personnel work continuously in close cooperation with clients in the defense shipping industry to protect naval systems such as high technology against the impact of shocks and vibrations.

PT PAL Indonesia (Persero) recognizes that a defensive, durable, and reliable solution renders both tactical as an operational advantage. The performance of PT PAL Indonesia (Persero) as the center of the shipping industry is the key to the success of its clients in this industry. PT PAL Indonesia's engineers have technical excellence and can provide the most innovative solutions according to the stringent requirements of military standards and specifications. The calculation, simulation, and testing of facilities provide exceptional conditions for the construction of defense solutions.

To encourage the maritime and general engineering industry, PT PAL Indonesia (Persero) offers a comprehensive package of funding services and technical support such as long-term payment schemes, soft loans, operational cooperation, as well as leasing and joint operation schemes. PT PAL Indonesia (Persero) also accepts to build synergies between two or more companies with specific needs. To ensure that the solution is truly total, PT PAL Indonesia (Persero) collaborates with well-known financial institutions and consultants.

The funding scheme works directly from the capital structure in the form of providing soft loans, insurance, other forms of funding, and technical assistance which is then from technical consultation and training and educational supervision. All of these activities demonstrate that PT PAL Indonesia (Persero) provides solutions and helps the company every step of the way to achieve success.

Sociocultural

The location of PT PAL Indonesia (Persero) is in the middle of a pluralistic society. Therefore, PT PAL Indonesia pays attention to the community and the environment by preserving the surrounding environment. This concern is manifested in various charities and environmental conservation movements.

The company implements ISO environmental management standards and assists victims of natural disasters, education (scholarships) and school facilities, religious facilities (prayer rooms, mosques, and churches), construction of public infrastructure, improving public health, and improving community sports performance.

The forms of partnerships that have been developed by the company include providing soft loans for working capital and investment to small-scale entrepreneurs in the East Java region and training programs for fostered partners. Currently, the number of partners has reached 880 small businesses.

Technology

With a commitment to become a total solution provider for shipbuilding and general engineering industries, PT PAL Indonesia (Persero) realizes that success depends on knowledge, skills, and mastery of technology. The company's capabilities coupled with state-of-the-art technology have enabled companies to design and build customized ships with state-of-the-art equipment to further increase productivity.

In general engineering, the company manufactures heavy industrial components such as power plants, diesel engines, steel structures, as well as oil and gas industry equipment. The services provided include surveys, detailed inspection of ship overhauls, ship systems, and equipment

maintenance. And provide a list of ship repair products and services that will be repaired and are solutions to increase productivity and quality.

In an era like this, PT PAL Indonesia (Persero) continuously improves the quality of technology and ensures that the products are built to follow the development of state-of-the-art technology. Therefore, the research and development department always monitor developments in new technology with trusted partners to work together to make strategic plans and increase technology-based competition.

PT PAL Indonesia (Persero) has more than - + 30 years of experience in the fields of Ship Design (Commercial Ships, Warships, and Special Ships) and general engineering. Shipbuilding design includes various types of ships; Cargo ships up to 50,000 DWT, Passenger Ships up to 500 passengers, Tankers up to 30,000 LTDW, Container Ships up to 1,600 TEU'S, Fast Patrol Boats up to 57-meter, Tug Boats and Trawlers up to 60 Gross Tons. Also, PT PAL Indonesia (Persero) has been successful in producing Floating Piers for the maintenance of any particular vessel.

PT PAL Indonesia (Persero) has implemented NAPA / CadMatic software to improve the design and production capabilities of the company's shipbuilding to carry out auto immunization and efficiency. And PT PAL Indonesia (Persero) shares with companies that are dominant in the domestic shipbuilding market.

The company's capabilities coupled with state-of-the-art technology have enabled companies to design and build customized ships with state-of-the-art equipment to further increase productivity. Since 2002, PT PAL Indonesia (Persero) has implemented a Design Shipbuilding System to improve design and production capabilities for shipbuilding, the company has carried out automation and efficiency, and PT PAL Indonesia (Persero) has shared with companies that are dominant in the domestic shipbuilding market.

The development of shipping technology in creating the best ships for the country is the focus of PT PAL Indonesia (Persero) personnel. After producing 2011 125 Meter Landing Platform Dock (LPD) through Transfer of Technology, it has now been developed into a 123 Meter Strategic Sealift Vessel (SSV) and a 124 Meter LPD.

In carrying out daily logistical operations, PT PAL Indonesia (Persero) is supported by reliable supply chain management. This results in good production management and supports the timely distribution of materials.

An efficient logistics system has an important impact on the production process and will play a role in supporting customer demand fulfillment and ensuring production cost efficiency. Partners with foreign and domestic companies make a major contribution to logistics and play an important role in strengthening business networks and exchanging business information.

The Indonesian National Armed Forces (TNI-AL) again added the 124-meter LPD Supporting War Fleet through a contract with number KTR / 03 / 02-49 / I / 2017 / Disadal on January 11, 2017. An Innovation Ship that functions in both military and non-military operations. -this military was maximized essentially to strengthen and support the fleet of the Republic of Indonesia.

The ship that was built with innovative work, hard work, and passion for this country was marked by cutting the first plate by the Chief of Logistics Assistant to the Chief of Naval Staff First Admiral TNI Mulyadi accompanied by the President Director of PT PAL INDONESIA (Persero) Budiman Saleh, Friday Morning (28/04). The plate cutting procession was also witnessed by officials of the Indonesian Navy Headquarters Terrace as well as the ranks of Commissioners and Directors of PT PAL INDONESIA (Persero). Having less length than the previous LPD production, this ship has the advantage of a larger transport capacity.

The ship with a length of about 124 meters has a width of 21 meters, capable of carrying 771 troops and crew, for 15 days of sailing, with a maximum speed of 16 knots. Driven by 2 engines equivalent to 3,900 HP, and full weight of 7,200 tons, it can reach a distance of 10,000 Sea miles. In addition to being able to accommodate 3 Standby Helicopters, this ship equipped with medical power can carry out humanitarian (non-military) operations that it carries. Also, this ship was carrying 4 ships, 2 types of battalion troop carriers, and 2 military patrol troop carriers.

The basic function of ships when carrying out various military operations is a form of strengthening diplomacy for the Indonesian Navy in safeguarding and securing the outer border areas of the Indonesian sea. However, when a disaster and disaster occur, this ship is capable of carrying out humanitarian missions both using evacuation, search, rescue, and even mobile government administration functions. With 23 months of work, this ship will be an advantage in making the nation proud of the military and non-military duties of the Indonesian Navy.

Legal

PT PAL Indonesia (Persero) as one of the strategic industries that produce the main tools of the Indonesian defense system, especially for the marine dimension, certainly has an important and strategic role in supporting the development of the national marine industry.

The establishment of PT PAL Indonesia (Persero) stems from a shipyard called MARINE ESTABLISHMENT (ME) and was inaugurated by the Dutch Government in 1939. During the Japanese occupation, the company changed its name to Kaigun SE 2124. Then the Indonesian government nationalized this company and changed its name to Penataran Angkatan Laut (PAL). Furthermore, on April 15, 1980, based on Government Regulation No. 4 of 1980, the status of the company PT PAL Indonesia (Persero) changed from a public company to a limited liability company. Based on Law no. 16/2012 concerning the defense industry, making PT PAL Indonesia (Persero) establish itself as a leading sector in producing defense equipment in the marine sector. It can be said that PT PAL Indonesia is the main actor in meeting the needs of Indonesian Navy warships.

To pursue a center of excellence, PT PAL Indonesia strives to maintain its reputation as a major force in the development of the national maritime industry through mastery of shipping technology. Also, PT PAL Indonesia is active in disseminating knowledge, technology, and skills to the wider community regarding the national maritime industry.

This effort of PT PAL Indonesia (Persero) is a big step for Indonesia to enter the global industry in the defense sector. As the lead integrator, PT PAL Indonesia (Persero) continues to improve its capabilities and encourage the Global Maritime Access Synergy going forward. This important role

of PT PAL Indonesia (Persero) will lead the Indonesian maritime industry to meet the global maritime market.

Environment

Commitment to society and the environment for the company is an attempt to balance the management approach to the environment. As a company with high concern for the surrounding environment, PT PAL Indonesia (Persero) always strives to provide benefits to the community. You do this by implementing real corporate social responsibility for the development of a harmonious relationship with the community.

For PT PAL Indonesia (Persero), Corporate Social Responsibility (CSR) is not just a formality or just to fulfill obligations as a company. More than that, the CSR movement promoted by PT PAL Indonesia (Persero) has a special standard of implementation which includes the aspects of sustainability, measurable achievement, and is local to local wisdom.

Several forms of CSR include contributing to the economic development of the local community or the wider community. CSR implementation is also designed with attention to sustainable development goals with the principle of meeting current needs, without neglecting the rights of future generations.

PT PAL Indonesia (Persero) CSR program is divided into:

- a. Environmental Corporate Social Responsibility.
- b. Corporate Social Responsibility for Employment, Security, Health, and Safety (K3).
- c. Corporate Social Responsibility for Partnership and Social Development.
- d. Corporate Social Responsibility towards Customers. These activities are carried out in a spirit of openness starting from the planning process, implementation in the field, to post-activity evaluation.

CONCLUSION

The role of PT PAL Indonesia (Persero) is getting stronger after the issuance of Law no. 16 of 2012 concerning the defense industry in which strategic SOEs are given wider space. Based on the law, PT PAL Indonesia (Persero) professionally carries out the mandate as well as the obligation to play an active role in supporting the needs of marine defense equipment and acts as the lead integrator for the marine dimension.

The newest LPD to be operated by the Indonesian Navy is the KRI Semarang (594), a Makassar class LPD Landing Platform Dock type warship made by PT. PAL Indonesia, Surabaya. KRI Semarang is the 5th ship of the Makassar class KRI, of which two ships of this type, namely KRI Makassar (590) and KRI Surabaya (591) were previously built at Daesun Shipbuilding & Engineering Co. Ltd, South Korea, while the 3rd and 4th, namely the KRI Banjarmasin (592) and the KRI Banda Aceh (593) were made at PT. PAL Indonesia, Surabaya. On January 21, 2019, the ship was handed over by PT PAL Indonesia to the Indonesian Navy at the Ujung Koarmada II Pier in Surabaya. PT PAL Indonesia periodically measures the implementation and implementation of GCG, as regulated in the Regulation of the Minister of State for SOEs Number: PER-01 / MBU / 2011 dated 1 August 2011 concerning the Implementation of Good Corporate Governance in BUMN.

PT PAL Indonesia (Persero) implements ISO environmental management standards and assists victims of natural disasters, education (scholarships) and school facilities, religious facilities (prayer rooms, mosques, and churches), construction of public infrastructure, improving public health, and improving community sports performance. The forms of partnerships that have been developed by the company include providing soft loans for working capital and investment to small-scale entrepreneurs in the East Java region and training programs for fostered partners. Currently, the number of partners has reached 880 small businesses.

In general engineering, the company manufactures heavy industrial components such as power plants, diesel engines, steel structures, as well as oil and gas industry equipment. The services provided include surveys, detailed inspection of ship overhauls, ship systems, and equipment maintenance. And provide a list of ship repair products and services that will be repaired and are solutions to increase productivity and quality. PT PAL Indonesia (Persero) continuously improves the quality of technology and ensures that the products are built to follow the development of state-of-the-art technology. Therefore, the research and development department always monitors developments in new technology with trusted partners to work together to make strategic plans and increase technology-based competition.

Based on Government Regulation No. 4 of 1980, the company status of PT PAL Indonesia (Persero) changed from a public company to a limited liability company. The role of PT PAL Indonesia (Persero) is getting stronger after the issuance of Law no. 16 of 2012 concerning the defense industry in which strategic SOEs are given wider space. Based on the law, PT PAL Indonesia (Persero) professionally carries out the mandate as well as the obligation to play an active role in supporting the needs of marine defense equipment and acts as the lead integrator for the marine dimension.

PT PAL Indonesia (Persero) always strives to provide benefits to society. You do this by implementing real corporate social responsibility for the development of a harmonious relationship with the community. For PT PAL Indonesia (Persero), Corporate Social Responsibility (CSR) is not just a formality or just to fulfill obligations as a company. More than that, the CSR movement promoted by PT PAL Indonesia (Persero) has a special standard of implementation which includes the aspects of sustainability, measurable achievement, and is local to local wisdom.

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