

CHAPTER ONE

INTRODUCTION

A. Background

It is said that changes in the world environment are bringing totally new opportunities and threats to a company or an organization. The challenge for any firm to compete successfully in today's global marketplace is how to gain competitive advantage in the face of these new opportunities and threats.

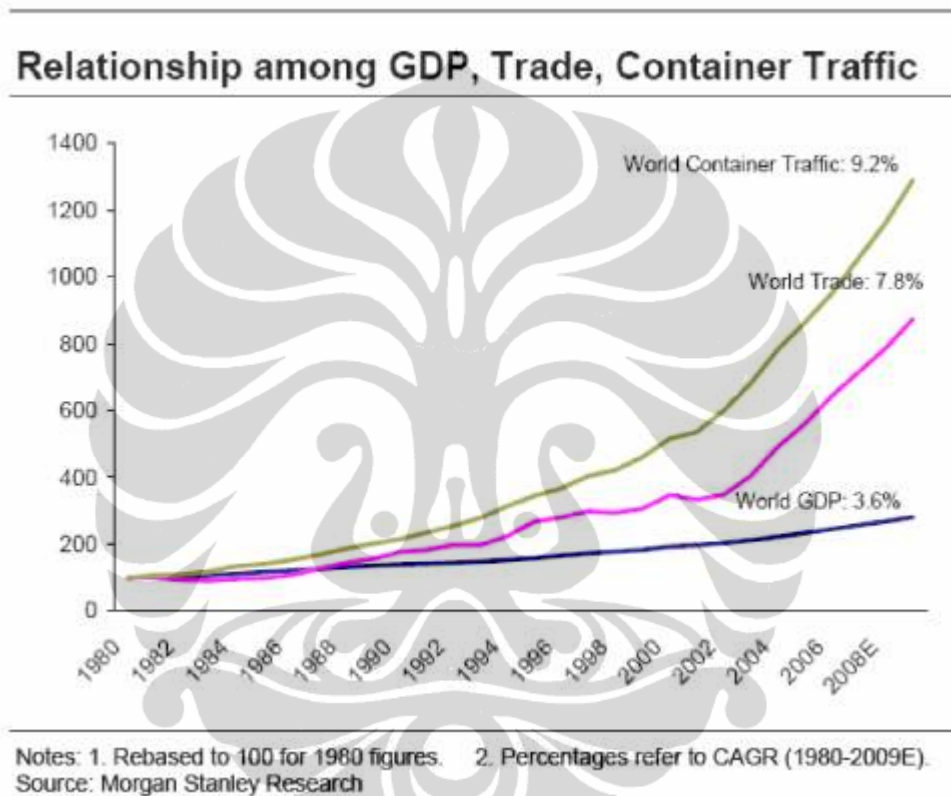
This challenge has had a great impact for the service industry. Many service organizations, especially those in the transportation, utility, communication, financial and health care industries, existed for decades in comfortable, non competitive environments. They had little incentive to enter new businesses as government regulators protected these companies from potentially more efficient or more innovative competitors, and thereby allowing them to set prices at a level that provided substantial returns on their investment. Clearly, the past two decades have witnessed major deregulatory and privatization initiatives for service companies throughout the world. These phenomena coupled with the emergence of information technology created the "seeds of destruction" of industrial-era regulated serviced companies. (Kaplan and Norton,1992:71-79).

The slowdown in the US economic growth since 2007 has fueled predictions of adverse effect on global trade. However, evidence from trade data of containerized goods suggest otherwise, except for trade flowing into the US. (Ronald D.Widdows,2008). The economic growth in Europe (particularly Eastern Europe) and Asia have kept global container trade volumes at relatively healthy levels with the drivers from East and Southeast Asian economies.

Throughput of Intra Asia trade in the year 2007 recorded at more than 50 million Teus (Teus: twenty foot equivalent units), Asia – Europe trade more than 20 million Teus and Transpacific trade less than 20 million Teus, and

Trans Atlantic approximately 7 million Teus.(Containerization International; Year 2008). Since early 1990s, world container traffic has been growing at almost 3 times world GDP growth and it is anticipated to continue to reflect a similar correlation going forward. (Ronald D.Widdows,2008)

Figure 1.1.



(Source: Morgan Stanley Research, quoted from Ronald Widdows presentation, 2008)

The tremendous growth of container trade has resulted in congestion in container terminals at port, such as in Thailand, Indonesia, India and even in Singapore. Apart from terminal congestion, massive problems also occurred on the land transportation networks globally. This situation actually occurred at most of Indonesian ports from the last quarter of year 2007 due to high importation into Indonesia coupled with low turn-around truck transfer out of port owing to port infrastructures. This then gave rise to high dwelling time in the port and increased Yard Occupancy Ratio in the terminal, which

consequently contributing to the lower productivity in port operations than previous times. (JICT Operation Report, year 2007)

In trying to seize its best opportunities, it is suggested that a company should pay attention to its core competencies, which are those resources and abilities that the organization is especially strong in. At the same time, core competencies may not be enough if the company's major competitors possess the same competencies. Thus, a company should pay close attention to those strengths in which it possesses a differential advantage—that is, where it can outperform competitors on that dimension. The differential advantage permits the company to build a sustainable competitive position in the marketplace. (Philip Kotler:131).

A company requires a tool to understand whether the company possess a competitive advantage in its market competition and also recognize its position today on how good its service delivery. The company should be aware whether its service has met the customer requirements or whether a gap exists between customer's expectation against company's output. It is commonly said that what is not measured is not managed. So in evaluating its strengths and weaknesses, a company should not rely on its own perceptions, but should go out and do a study of how it is perceived by its customer and stakeholder, which can be performed in a performance measurement.

As the biggest container port in Indonesia, PT. Jakarta International Container Terminal has an important role as a gateway of import and export trade to and from Jakarta and its surrounding hinterland (Tangerang, Bekasi, Bogor), and Java in general. As a leader in handling international container port, JICT involves in a dynamic competition among other ports in Tanjung Priok and positions itself as being the preferred container terminal in Indonesia.

The significant growth for the last 2 (two) years until recently (shown in table 1.1), has created an urgent need to build and expand the facilities at

JICT to cope with increased customer demand. JICT ability to anticipate, plan and make necessary adjustments becomes more crucial in the coming years.

Table 1.1
JICT Throughput 2005, 2006,2007,2008 (in Teus)

	2005	2006	2007	2008 (until June)
Total volume	1,470,467	1,619,120	1,821,292	1,048,387
Growth in %	-9.4%	10.11%	12.48%	12.5% (Est.)

Source: JICT Marketing Report, 2005 - 2008

The major challenge for JICT today is to navigate its company to work faster in an efficient and effective manner in order to rendering the best service to its customers. In the future, JICT cannot only rely on its tangible assets but it requires an extraordinary effort to outperform its intangible assets. It is thus crucial for JICT management and employees on how to create an added value service from JICT intangible assets. The company's ability to mobilize and exploits its intangible assets becomes more significant than its capacity to exploit its current assets. (H. Itami: 1987). The intangible assets give possibility for a company to:

- Develop the relation with customer to retain the loyalty and enable the company to handle effectively new customer segmentation and new market.
- Introduce product and innovative service that requires by the potential customer segmentation.
- Produce a high quality product or service that requires by customer with lower price and short lead time.
- Enhance the employee skill and motivation in order to improve the process, quality, and response time.
- Develop the information technology, database and system.

In relation to exploit the intangible assets, JICT urgently need a specific strategy as a mechanism to transform its intangible assets in becoming a

sustainable added value for its customers and stakeholders. Strategy is a deliberate process of choosing a set of activities differently from competitors, in order to deliver a unique mix of value. A strategy is also a logical framework that determines where the company should position itself in the future and how to get there. This strategy needs to be formulated by the management of JICT.

Strategy formulation is actually a preliminary step which requires a great effort before it can be successfully implemented. In order to understand whether JICT strategy has been implemented well, JICT requires a performance measurement with some indicators that will give description on how JICT performs in each indicators or perspectives. Thus, the result of performance measurement will give a recommendation for JICT management to improve in some particular areas in accordance to its desire to enhance its competitiveness in the container port industry.

B. Problem Statement

JICT has various data for measuring performance, mostly on lagging indicator, which means only measure past performance, such as financial and operational measurements. What JICT needs in the future is a kind of performance that can measure its performance to enable JICT to compete in the future. JICT requires leading indicators for measuring its performance. Therefore, the problem statement is as follows:

How can JICT develop a means that will enable JICT to assess its ability to cope with the future competition?

C. Purpose and Significance of Research

C.1. Purpose of Research

To measure JICT performance using Balance Scorecard approach as part of management's tools to prepare for future competition.

C.2. Significance of Research

In many literatures, either is thesis or working paper, the study that examines performance measurement using Balanced Scorecard approach to port industry is very rare. Currently, the standard port performance measurement uses financial ratio and operational productivity. Therefore, the author puts an attempt to use a measurement model of Balanced Scorecard to measure PT. Jakarta International Container Terminal.

The result of this research hopefully can enrich the method of measurement for service industry, in which it can broaden the management overview on academic literature for performance measurement tools. In particular, the author intention in making this research is as follows:

1. Providing an input to JICT management in using a model of Balanced Scorecard for performance measurement.
2. Giving a recommendation to JICT management on the result of JICT performance measurement using this model.

D. Organization of Thesis

Chapter I BACKGROUND

Chapter One provides the background information of problems, structure of the problems, purpose and scope of research.

Chapter II THEORETICAL FRAMEWORK AND METHODOLOGY OF RESEARCH

Chapter Two provides the theoretical framework and concepts underlying this thesis and also the methodology that use in this research.

Chapter III GENERAL OVERVIEW OF PT.JICT

Chapter Three provides the detail elaboration of the objects of this research, PT. JICT, which covers the company profile, activities and company performance including operational procedures, based on statistical data. This chapter also cover vision and mission of the company, and other related information that correlates with this research.

Chapter IV PERFORMANCE MEASUREMENT OF PT.JAKARTA INTERNATIONAL CONTAINER TERMINAL

Chapter Four presents the evaluation and analysis of aspects: growth and learning, internal business process, customer and financial of PT. Jakarta International Container Terminal.

Chapter V SUMMARY AND RECOMMENDATION

Chapter Five outlines the summary of research finding in the form of performance measurement of PT. JICT. In this chapter, author also put suggestions to JICT management in improving its service to customers in order to enhance JICT competitiveness in the container port market and also covers suggestions to other perspectives.