Eduvest – Journal of Universal Studies
Volume 3 Number 7, July, 2023
p- ISSN 2775-3735- e-ISSN 2775-3727

CORPORATE RESTRUCTURING AN ENERGY COMPANY IN INDONESIA: DOES IT HAVE AN IMPACT?

Arum Puspitarini, Ruslan Prijadi
Faculty of Economics and Business, Universitas Indonesia, Indonesia
Email: puspitariniarum02@gmail.com

ABSTRACT

In 2021, one of Indonesia's state-owned enterprises (SOEs) in the energy sector, which is one of Indonesia's Fortune Global 500 companies, restructured and divided itself into six sub-holdings with distinct business segments. The company's corporate restructuring mechanism is financial and portfolio restructuring. Large corporations in Indonesia rarely engage in these corporate actions. Consequently, it is intriguing that this research examines the impacts of corporate restructuring. This study seeks to investigate the restructuring's motives and the impacts of corporate reorganization on a company's performance, as well as its effect on the company's external environment. The authors utilized a qualitative approach with an explanatory case study to accomplish the research objectives. Individual depth interviews (IDI) are used to acquire data from multiple informants who represent shareholders, internal holding companies, and sub holding companies. This study provides an alternative assessment of the impacts of corporate reorganization so that both the company and the government can formulate future decision-making strategies. Most of the prior research on corporate restructuring employed an empirical quantitative technique approach, which involved analyzing data from a variety of companies and industries, so the results of the prior study lack comprehensive information.

KEYWORDS *Corporate restructuring; performance; holding; sub holding; impact; financial*

INTRODUCTION

Restructuring is a generic term for any essential adjustments in a company that is experiencing difficulties due to business conditions, including financial issues. However, a company in a difficult financial circumstance must have a thorough understanding of the corporate restructuring process due to its ramifications and complexity. A company restructures its operations by reducing

How to cite:	Puspitarini, A. & Prijadi, R. (2023). Corporate Restructuring an Energy Company in Indonesia: Does it Have an Impact?. *Journal Eduvest*. *3* (7): 1273-1288
E-ISSN:	2775-3727
Published by:	https://greenpublisher.id/

expenses, such as payroll, or by selling assets to reduce its size. In circumstances of financial distress, a business will typically modify its debt structure to limit financial damage and attempt to better its business. Companies may decide to restructure when they are unable to generate sufficient revenue and bottom line, as well as meet payroll and debt obligations. Additionally, a company may restructure through mergers, acquisitions, divestment, disinvestment sale, and consolidation of its various subsidiaries. All corporate reorganizations seek to address financial difficulties and enhance business performance (Ray, 2022).

This study concentrates on companies operating in the oil, gas, new, and renewable energy sectors in Indonesia that use a vertical integration system from upstream to downstream to support their primary industry, the energy sector. The company has a total of 120 subsidiaries and affiliates. In 2021, the company reorganized its portfolio by categorizing its subsidiaries and affiliates into six sub holdings with diverse principal activities. This restructuring involves a spin-off and the transfer of assets from the holding to the sub holding.

Corporate restructuring initiatives don't always yield the outcomes that had been anticipated, and the post-restructuring implementation process isn't always straightforward. Compared to prior to the restructuring, bank performance in Nigeria tends to be suboptimal following the restructuring (Okoye et al., 2020).

One of the Indonesian government's policy goals for corporate restructuring is to improve the company's internal conditions through restructuring activities. From 1999 to 2004, the government released a master plan for SOEs reform. In this plan, there was a policy to make the 158 existing SOEs companies work together so that they could add value to SOEs. However, during this period, the process of SOEs restructuring encountered many obstacles.

According to Indonesia's Coordinating Minister for the Economy, the country's economic development has a direct impact on the increase in energy demand, making the energy sector a crucial factor in economic decision-making. Businesses in Indonesia that deal with significant energy commodities, particularly oil, and gas, must therefore exercise caution in their daily operations.

The phenomenon of corporate restructuring that occurs in corporate entities and their subsidiaries is incredibly intriguing to study further to determine the motivations for making policies related to this company restructuring and to investigate the effects of corporate restructuring. Previous research has yielded diverse and inconclusive results, indicating that there are still a variety of impacts of restructuring activities on company performance, and there are few qualitative case studies examining the impact of a company restructuring.

A previous study in the United States has suggested that industry consolidation may increase operational efficiencies and profitability (Grullon et al., 2019). The results showed that company sales increased after restructuring, profitability had a negative but not significant impact, leverage had a positive but not significant impact, and the liquidity ratio also had a negative but not significant impact (Kukreja et al., 2020).

The company is one of the largest corporations in Indonesia, and it has restructured its entire organization and business operations. Most of the previous research on corporate restructuring employed an empirical quantitative technique approach, which involved the examination of data from a variety of companies and industries. In addition, qualitative case study research on corporate restructuring is conducted infrequently due to a dearth of exhaustive data. The purpose of this study is to investigate the restructuring's motives and the implications of reorganization on the performance of a business and its external impacts.

Corporate restructuring is one of the most complex and fundamental phenomena experienced by management. Every business has two opposing goals to choose from: diversify or refocus on its core business. Financial restructuring involves the transfer of company assets through the sale of businesses that are considered side-lines to the company's core business strategy. Significant changes in the company's capital structure are referred to as financial restructuring (Mushtaq, 2011).

Frequently, corporate restructuring is divided into two categories. Operational restructuring involves modifying the composition of a company's asset structure through the acquisition of new businesses, sale of companies or product lines in whole or in part, or spin-off. Restructuring operations may also involve the closure of unprofitable or nonstrategic facilities. Financial restructuring refers to alterations in a company's capital structure, such as share repurchases or the addition of debt, either to lower the firm's overall cost of capital or as an acquisition defense (DePamphilis, 2019). A spin-off occurs when a parent company establishes a distinct entity and distributes dividends to its shareholders in the form of shares in the new entity (Pignataro, 2015).

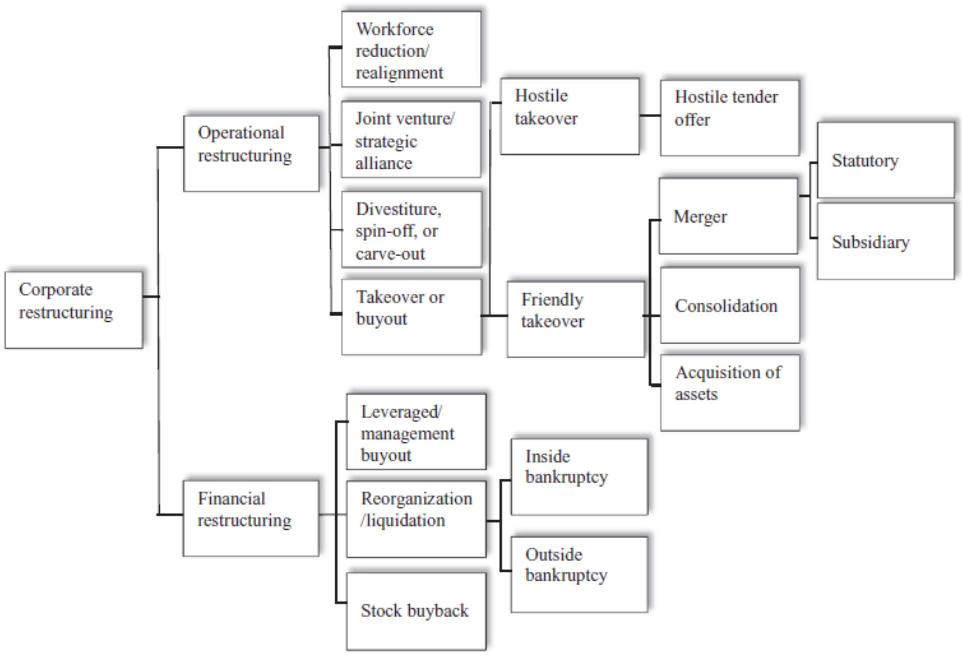

Figure 1. The corporate restructuring process (Depamphilis, 2019)

There are several reasons why a company restructures, as follows: increasing company focus, regulation, less-than-stellar company financial performance, taxes, increasing funding, reducing risk, transferring assets, removing unwanted business from previous company acquisitions, avoiding conflicts with customers, and increasing transparency (DePamphilis, 2019).

In this study, the authors evaluate the impact of restructuring based on the background of the restructuring, which includes the results of interviews with informants and several relevant documents, and whether the impact of this restructuring has met the background of the company's problems, the objectives of the company's restructuring, and the shareholders' expectations.

According to the Indonesian Law on SOEs, restructuring is an effort undertaken within the context of SOEs restructuring as a strategic step to better the company's internal conditions to increase performance and corporate value. The purpose of the reorganization was to make SOEs healthy so that they could operate efficiently, transparently, and professionally. The objectives of the reorganization are to enhance the performance and value of the company, provide dividends and taxes to the state, produce competitively priced goods and services for consumers, and facilitate the privatization process.

Performance is the accomplishment of individuals and groups within an organization based on their respective work divisions that are tasked with achieving the entity's goals, objectives, vision, and mission (Susiana et al., 2018). Cetindere et al. (2015) defined performance as the evaluation of all efforts made to attain management objectives. Firm performance is also known as "output of the firm's operations or accomplishment of the firm's goals" (Muhammad et al., 2019).

Financial performance measurement is defined as a parameter that characterizes a company's financial or quantitative performance, which is then compared in accordance with financial reporting standards. This financial performance measurement shows the company's performance in the past period in financial aspects that will be evaluated as a basis for other activities (Hernando et al., 2022). An evaluation of financial performance is needed to compare company performance by calculating and comparing financial ratios before and after the restructuring process. Financial ratios are divided into the following categories (Ross et al., 2019):

1. Short-term Solvency or Liquidity Measures or Liquidity Ratios
2. The liquidity ratio is a ratio that describes a company's ability to meet its short-term obligations. The liquidity ratio can be measured by three ratios:
   - Current Ratio

     $$\text{Current ratio} = \frac{\text{Current assets}}{\text{Current liabilities}}$$

   - Cash Ratio

     $$\text{Cash ratio} = \frac{\text{Cash}}{\text{Current Liabilities}}$$

3. Long-term Solvency Measures or Leverage Ratios
4. The long-term solvency ratio or leverage ratio is intended to overcome the company's ability to meet long-term obligations.

   $$\text{Total debt ratio} = \frac{\text{Total assets} - \text{Total equity}}{\text{Total Assets}}$$

5. Profitability Ratios

6. The profitability ratio is the ratio used to measure a company's ability to earn profits from revenue related to sales, assets, and equity. The profitability ratio is the ratio that is popular and most widely used of all existing financial. ratios. The purpose of this ratio is to measure how efficiently a company uses its assets and how efficiently a company manages its operations. The profitability ratio can be measured by three ratios, namely:
   - Return on Assets (ROA)

     $$ROA = \frac{\text{Net income}}{\text{Total assets}}$$

   - Return on Equity (ROE)

     $$ROE = \frac{\text{Net income}}{\text{Total equity}}$$

There are three non-financial perspectives in non-financial performance, namely customers, business processes, and learning and growth (Bonner et al., 2000). Lau (2015) contends that the non-monetary indicators that can be used to measure performance are customer satisfaction, the number of innovations implemented by the company, and the production cycle time of the company.

In investing or business, risk and return are closely related. Higher return potential usually comes with risk potential. The risk-return trade-off states that the potential return rises with an increase in risk. As an organization, the company always has a goal in implementing risk management. The company's goals to be achieved are reducing costs, preventing business failures, increasing company profits, reducing production costs, and others.

Risk management is an attempt to manage risk and consists of 4 main activities: risk identification, risk analysis, determining risk response, and risk monitoring. In risk identification, identify risk events that can occur along with agents that cause risk. In the risk analysis stage, an assessment is made of the probability of risk events and the impact they cause, which determines the level of risk. Next is to determine the response to risk by carrying out a risk agent handling plan optimally according to the level of risk. The final stage is to carry out risk monitoring, namely monitoring the implementation of risk management and updating data on risk events that have occurred or new risks that may occur (Szymański, 2017). Moreover, the study aims to find out the corporate restructuring an energy company in Indonesia.

RESEARCH METHOD

Figure 2. is the author's framework in compiling this study, namely: investigating what is the background or motive of the company in carrying out the corporate restructuring process. This motive encourages the company to make several efforts and develop strategies for corporate restructuring through the establishment of a holding company. The government's role is also very important in corporate action activities for corporate restructuring with regulations in the form of stipulations of government regulations. This process will have effects not only on the company's financial and non-financial performance but also on its external implications.

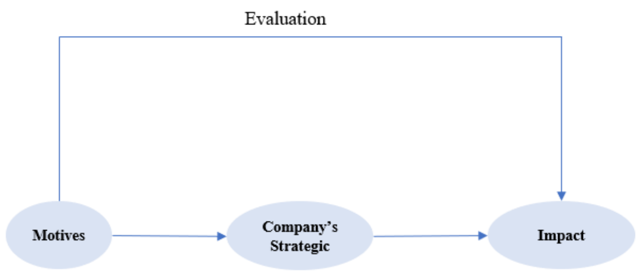

Figure 2. Framework
Source: Author's Processing (2023)

This study uses a qualitative approach. Qualitative methodology is a research technique that produces descriptive data in the form of written or spoken words from people and observable behavior. Qualitative research is research that aims to understand the phenomenon of what is experienced by the subject, for example, behavior, perception, motivation, action, and others. Several qualitative method approaches are phenomenology, ethnography, case studies, grounded theory, and narrative (Moleong, 2021).

A case study is a research strategy in which the researcher observes a program, event, activity, process, or group of people. Case study research is a qualitative approach that involves multiple sources of information (e.g., observations, interviews, audio visual materials, documents, and various reports) and reports a description of the case and the topic of the report (Creswell & Creswell, 2017).

Based on the purpose, a case study research can be categorized as an exploratory case study, descriptive case study, or explanatory case study. This research is a qualitative research method with an explanatory case study. Explanatory case studies are used to understand why a phenomenon occurs (De Massis et al., 2014). Based on this, case studies are a strategy that allows researchers to examine in depth a program, event, activity, process, and one or more people (Creswell, 2021).

Collecting Data Method

There are several data collection methods (Cooper et al., 2003): First, individual departmental interviews (IDI), which are an interaction between an interviewer and a resource person, IDI is generally conducted between 20 minutes and 2 hours, depending on the issues or topics discussed. Second, group interviews, where the data collection method uses a single interviewer with more than one source, Third, focus group discussion, which is carried out by six to ten participants and led by a moderator for 90 minutes to two hours, Fourth, reviewing documents, namely by examining documents including financial reports, company organizations, and related journals or articles Fifth, archival data, namely using census data or population surveys that apply in the region. In this study, the authors used data collection methods in the form of IDI, reviewing documents, and archival data.

The author conducted interviews with eight sources whose backgrounds varied. two were representatives of the company's shareholders, three were representatives of the holding, and the remaining three were representatives of various sub holdings.

Processing Data Method

In the initial stages, there is the preparation of data and descriptions. Data preparation includes editing, coding, and data entry, which are a series of activities to ensure data accuracy and the conversion of filtered and classified raw data that is more suitable for analysis. Preparing a summary of descriptive statistics is an initial activity undertaken to understand the data that has been previously collected. The first step in the analysis is to edit the raw data. Editing can detect errors and omissions, correct them, and certify that data quality standards have been met. Coding involves assigning numbers or symbols to answers so that responses can be grouped into a limited number of categories. Data entry changes the information that has been obtained from secondary methods or primary data to the media so that it can be viewed and further analyzed (Cooper et al., 2003).

RESULT AND DISCUSSION

Restructuring's Motives

Figure 3. was created using data from the transcripts of eight respondents who had previously undergone interviews, as well as the examination of several relevant documents. Modelling the impact of corporate restructuring on firms was done using the results of the coding and analysis. The strategy of actions taken by the company during the restructuring process has an impact on how the company performs. These actions include: first, transferring business, shares, fixed assets, and human resources from holding to sub-holding; second, dividing the threshold for investment approval authority between holding and sub holding; third, risk management by mitigating risks in the form of aligning regulations related to taxes, communicating with stakeholders, and implementing knowledge sharing program.

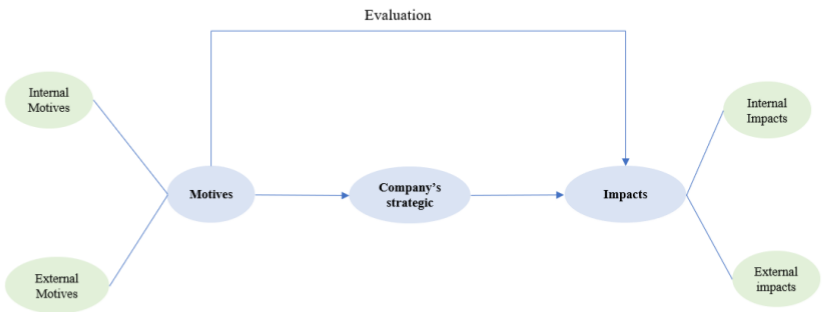

Figure 3. The Motives and Impacts of Restructuring Model
Source: Author's Processing (2023)

Important findings were made based on the analysis that was done by examining patterns in the interview data, and they are as follows:

1) There are two categories of corporate restructuring motives: those originating from internal companies and those originating from external companies.
2) Business operations, human resources, and assets are transferred from the holding to the sub-holding as part of the company's restructure. The company prepares and submits preliminary studies and restructuring proposals for shareholder approval.
3) In order to increase the Company's flexibility in accordance with shareholder expectations, the Company's management grants Sub Holdings permission to manage investments in their respective Sub Holding environments.
4) During the restructuring process, taxes are the most important factor, particularly those associated with the transfer of business and company assets.
5) The government plays a significant role in supporting the Company's restructuring, particularly through the harmonization of laws and regulations that can effectively reduce tax-related risks.
6) As a material for evaluating the efficacy of company restructuring, this can be accomplished by comparing the company's performance before and after the restructuring, from both a quantitative and qualitative perspective.
7) The evaluation of company restructuring can be determined by comparing the impact of the current rnnnnnnnnnnnn to the expectations of shareholders.

First, internal motives, namely the company's reasons for restructuring, such as: the company's performance has not been classified between business streams and there is a desire for the company to be more focused, agile, operationally excellent, have a streamlined organisation, and have decision-making authority. more effective production. Second, external motives, or the reasons companies restructure due to external company conditions, such as government directives, industrial development, and demand satisfaction.

During the restructuring process, the Company employed a policy strategy based on its restructuring reasons. This is done so that the restructuring process can proceed efficiently and meet the objectives and expectations of the shareholders. First, the Company's restructuring model is implemented by transferring business, shares, fixed assets, and human resources from holding to sub holding; Second, to provide investment authorization to sub holdings; Third, risk management by harmonizing tax-related regulations; communicating and socializing with workers and other stakeholders; and implementing a knowledge-sharing program.

The impact resulting from the policy strategy will then be compared and evaluated in this study to determine whether or not it is in line with the company's restructuring goals.

Financial Ratios Calculation Results

Companies that carry out mergers, acquisitions, and restructuring activities are expected to work together or have synergy. The operating synergy contributes to the cost reduction or revenue, operating income, and profit expansion of the consolidated corporation (Makedon & Korneyev, 2014). Financial synergy expands the consolidated company's access to financial resources and lowers the cost of newly raised capital (Garbowski et al., 2019).

Table 1. Financial Performance

Finance Indicator	Consolidation				Results (e) = Average (a,b) / Average (c,d)	Conclusion (Increase / Decrease)
	Before		After			
	2019 (a)	2020 (b)	2021 (c)	2022 (d)		
Liquidity Ratio	0,6	0,9	0,6	0,9	6,88%	Increase
Leverage Ratio	0,5	0,5	0,6	0,6	6,15%	Increase
Profitability Ratio	0,07	0,03	0,05	0,08	24,19%	Increase
Profit (Billion USD)	2,62	0,82	2,24	4,06	83,10%	Increase
Sales Growth (%)	-5,8	-24	38,7	47,6	48,22%	Increase
Cost / Revenue	0,85	0,83	0,86	0,84	1,08%	Increase

The analysis that is done in this research makes use of the company's consolidated financial statements for the company group during the periods before (2019–2020) and after (2021–2022) the restructuring. Calculating the company's financial ratios for 2019 to 2022 on company's consolidated basis resulted in the chart that is shown here Table 1.

Internal Company Impacts

Financial Impacts

Table 1 demonstrates that the Company's consolidated financial indicators have increased since the restructuring, as compared to before the restructuring. The indicator that showed significant change is the profit indicator, which reached $4.06 billion in 2022, up 81% from 2021. The company's profit has increased by 83% when compared to the average profit in the period before and after restructuring over the past four years.

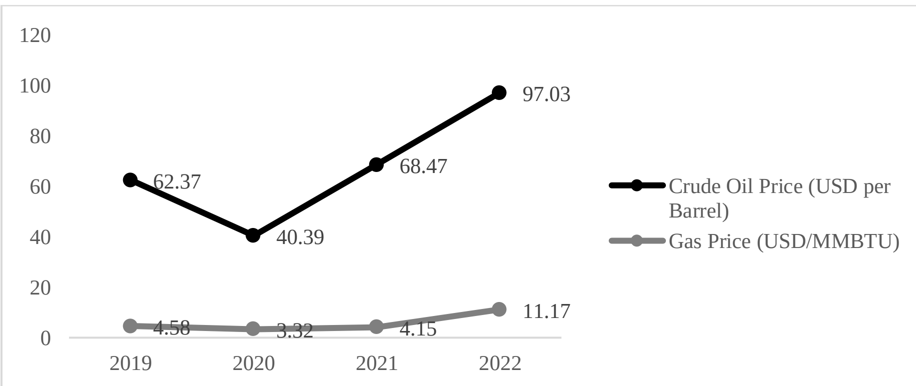

Figure 4. International Crude Oil Price and International Gas Price

Source: Author's Processing (2023)

The increase in revenue is in line with the substantial increase in expenses. Before and after the restructuring, the ratio of costs to income increased relatively but not significantly. This increase was caused by a 42% increase in the International Crude Oil Price in 2022 compared to the previous year and a 169% increase in the International Gas Price in 2022 compared to the previous year (Figure 4). In addition, the increase in oil and gas production will increase by up to 8% in 2022 compared to the previous year.

The existence of financial reports that are segmented into multiple business streams makes the company more transparent and influences the behaviour and mentality of the management in each Sub holding to be more profit-driven regarding how to optimise existing resources to generate more revenue and reduce expenses.

The performance of one of the Sub Holding Companies engaged in the sale and purchase of gas supplies is improving, with the sales growth rate increasing to 236% in 2022 and the cost-to-income ratio decreasing by up to 3% in 2022 compared to the previous year.

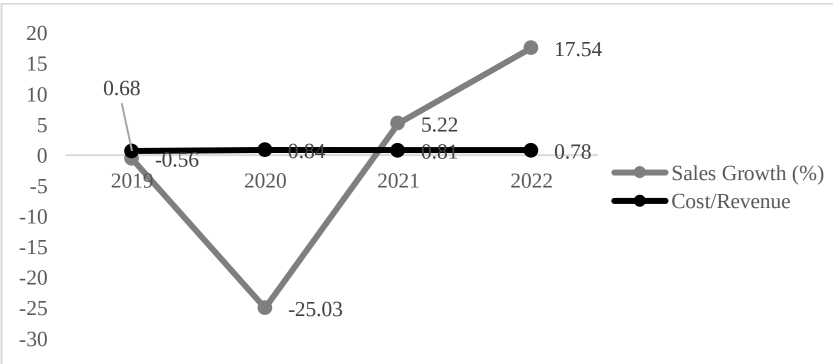

Figure 5. Sales Growth and Cost-to-Revenue Ratio
Source: Annual Report, Author's Processing (2023)

Non-Financial Performance

Direct Reports Simplification

One of the goals of the company's subsidiary management strategy is to develop subsidiaries and their affiliates into robust, self-sufficient business entities that add value to the organization, allow it to focus on its core business, and maximize the portfolio of subsidiaries.

The company has 120 subsidiaries and affiliates in total. In 2021, the corporation will restructure its portfolio by dividing its affiliates and subsidiaries into six sub-holdings with diverse primary businesses and six service-providing subsidiaries. This restructuring is accomplished through a spin-off and the transfer of assets from holding to sub holding.

Formerly, all subsidiaries reported to Holdings; currently, only six sub holdings and six service sector subsidiaries report their business activities to

Holdings. Each subsidiary is then merged into its established sub holding by its business cluster. Each sub holding evaluates the performance of its subsidiaries and affiliates.

Following the reorganization, the number of subsidiaries and corporate affiliates remained unchanged; only the direct report modifications were altered. The existence of multiple subsidiaries and affiliates with overlapping or identical business procedures may result in inefficiency within the corporate group. For subsidiaries and affiliated companies with underperformance and/or overlapping business scopes, a solution to the problem that can be further investigated in terms of the possibility of a merger, acquisition, or restructuring of the company can be provided.

After conducting a study and receiving shareholder approval, the company will be able to manage its subsidiaries and affiliates in the future by expediting the restructuring of subsidiaries and affiliates, especially those that are losing money, through restructuring activities, business regrouping, mergers, acquisitions, consolidations, or implementing alienation strategies.

Human Capital Management

Due to the modification of the reporting or control system, the company's human resource management strategy has also been modified. Previously, the strategy for managing operational human resources consisted of capability building, or the development of capabilities and competencies related to the company's operations (such as engineering and marketing). However, following the restructuring of the company, the respective sub holdings implemented the capacity-building strategy, while the holding developed a human resource management strategy for the core capabilities.

The company's strategy for personnel provision In Holding is to use a make system. It is anticipated that the holding's need for a workforce with the required capabilities and competencies will be met internally by the company, both from the holding and the sub holding, with the expectation that the workforce thus obtained will be familiar with the company's business processes and operations. For the provision of a sub holding workforce, whose competency requirements are more operational and technical in character, the company can use the purchasing system to recruit experienced employees for specific job specializations.

Restructuring a business enables the provision of personnel through an inter-entity business group. When transferring talent from one location to another, it is necessary to consider the talent's capabilities or competencies considering the sub holding's requirements. Moreover, what can be considered relates to compensation. With the company's business concentrated, employee compensation can vary between business clusters. Due to this difficulty, Holding, as a policymaker, establishes internal policies and regulations that can be utilized by the entire group of companies regarding talent mobility.

All company group entities comply to the Indonesian SO''s fundamental values: Trustworthy, Competent, Harmonious, Loyal, Adaptable, and Collaborative. However, because of the company's restructuring, it is necessary to modify the way of thinking or mindset of its employees. Holding employees must have a strategic mindset. The company is consulting with the sub holding on how to consider new business innovations for the company considering the reorganization, which has required a shift from a technical and operational mindset to a broader perspective. Meanwhile, subcontracting employees must have a mindset that is more focused on operations and superior customer service.

The restructuring of the company had an impact on the development of its employees. Training activities, employee development, and recruitment are conducted at each sub holding, subsidiary, and affiliate; therefore, there is no need to wait for approval from the holding, allowing sub holdings to be more flexible in their employee care. This compan''s strategy or policy conforms to what Carbery (2005) discovered in an earlier study. In that investigation, he discovered that self-development skills were among those required during the reorganizational transition. Everyone is expected to possess macro-level strategic thinking, a high level of creativity, problem-solving skills, and an innovative mindset.

Customer Satisfaction

Customer satisfaction is one indicator of the non-financial performance of an organization. The Customer Satisfaction Index (CSI) and Customer Loyalty Index (CLI) are calculated annually based on annual surveys. According to a survey of customer satisfaction in the marine and petroleum oil industries, customer satisfaction is shown to increase between 2018 and 2021.

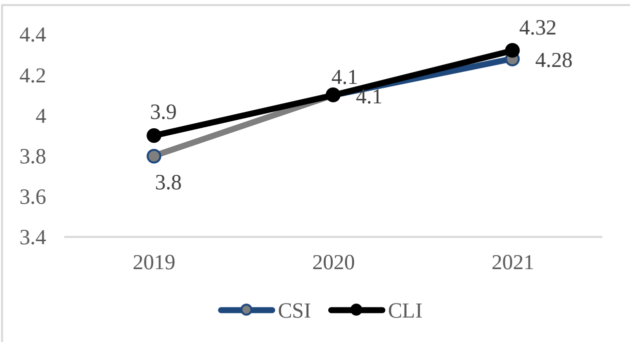

Figure 6. Customer Satisfaction Index and Customer Loyalty Index
Source: Annual Report, Author's Processing (2023)

External Company Impacts

Increase in State Revenue

Following the Company's restructuring, transactions between Subsidiaries and Affiliates have increased. In the past, these transactions were conducted between company divisions; however, they are now conducted between company group entities. This will affect the amount of taxes paid by the company to the government.

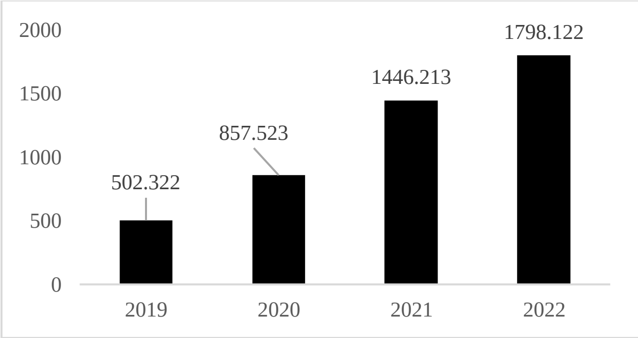

Figure 7. Tax (Million USD)
Source: Annual Report, Author's Processing (2023)

The number indicates an increase in the tax burden that companies must pay on a consolidated basis; the 2022 tax value has increased by more than 100 percent compared to before the restructuring process. The increase in tax value has a positive impact on the economy and raises a country's standard of living. According to the findings of Marcel (Marcello, 2020), infrastructure, public utilities, health, and education expenditures are contingent upon a sufficient increase in tax revenues. Without taxes, the government will have to increase the public debt, which could lead to a fiscal crisis in the future if the debt becomes excessive and the state has difficulty paying it.

Fulfilment of Demand

To fulfil the public demand for refined oil and gas products, the company's primary work strategy consists of modernizing existing refineries and constructing new ones. Existing refineries are modernized to increase the output's quality and quantity.

The construction of a refinery may have an impact on the company's internal supply chain. Additional gas supplies provide the gas business with an opportunity to cultivate a captive market. It will increase market share and product sales competitiveness in the marketing industry through increased volume and decreased production costs. It is estimated that the increase in refinery capacity and complexity will result in a 2,8-fold increase in fuel oil production by 2026 and a 5.3-fold increase in petrochemical production, resulting in a significant decrease in product imports. The implementation of these two programs can increase the nation's energy security and independence while enhancing the company's business and competitiveness.

Socioeconomic Impact

A new refinery development program also has socioeconomic effects on the adjacent community and fiscal advantages for the state. Increases in per capita Gross Regional Domestic Product (GRDP) and employment demonstrate that the economy of the surrounding community has improved (Figure 9), and this program also contributes to a reduction in the unemployment rate in areas surrounding the refinery development area (Figure 10).

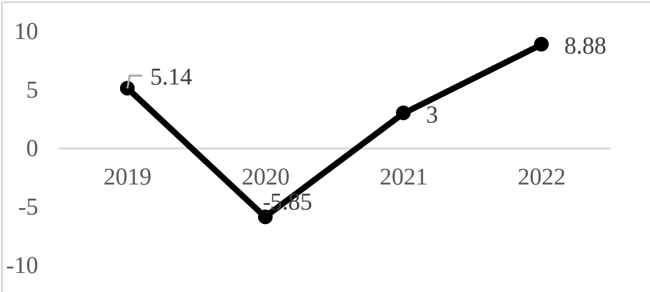

Figure 8. GRDP in Local Area (%)
Source: Statistics Indonesia, Author's Processing (2023)

As an illustration of the company's development of a new refinery in East Java, 1,220 local employees have been actively recruited for the project. The company is highly committed to establishing a multiplier effect for the adjacent community through a refinery development project by empowering local employees beginning with the land clearance phase.

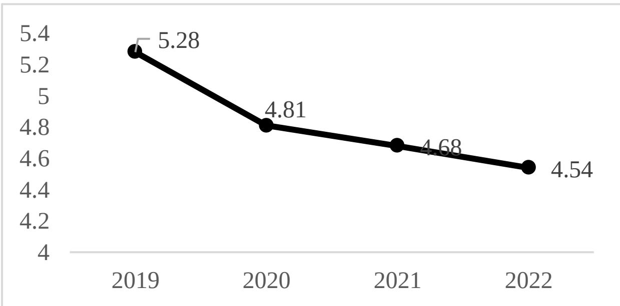

Figure 9. Unemployment Rate in Local Area (%)
Source: Statistics Indonesia, Author's Processing (2023)

Additionally, upgrading refineries and developing new refineries contribute to state revenues, primarily through tax revenues and other non-tax revenues. The tax payment contribution is comprised of corporate income tax, value-added tax, individual tax from employees and natural resource receipts payment.

CONCLUSION

This study seeks to investigate the reasons for corporate restructuring, the strategies implemented by the company to ensure a seamless restructuring process, and the influence of restructuring on internal and external companies. On the basis of the analysis's findings, it can be concluded that: First, there are two sources of motives for the Company's restructuring efforts: internal and external. The desire to create a more focused, agile, operationally excellent, and decision-making-efficient organization are internal motives that originate from the Company's management. External factors, such as government directives, industrial expansion, and increased demand for oil and gas products, are the impetus for the company's restructuring.

Secondly, based on the results of the analysis, corporate restructuring will have the following effects: (a) The impact on the company's internal operations, namely: Initially, the Company's performance report is made more transparent by the addition of six distinct business streams. Profit and sales growth have increased significantly and are in accordance with the company's expenses. This occurred as a result of the rise in crude oil prices, gas prices, and the total volume of oil and gas extraction. The ratio between the Company's consolidated costs and revenues has not changed substantially. Second, the categorization of the Company's business into six Sub Holdings and the delegation of investment management authority to each Sub Holding can result in the simplification of direct reports and workflow, thereby making the Company's business processes more agile and the organization's decision-making more streamlined. This is evident from the increased investment value of the Company group following the restructuring, as well as the more focused and independent human resource management in each Sub Holding. In terms of the Company's non-financial performance, the Customer Satisfaction Index (CSI) and Customer Loyalty Index (CLI) values appear to have increased following the restructuring, which may also indicate a greater emphasis on providing services to customers. (b) The Company's restructure has an additional effect on the external company in the form of: First, a rise in the value of taxes as a state revenue source. Second, increasing the Company's investment activities in the form of developing new refineries and upgrading existing refineries can have an impact on increasing National energy security and independence as well as strengthening the Company's business and competitiveness. Third, a refinery development project can have a multiplier effect on the surrounding community by increasing GRDP and decreasing the unemployment rate.

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