



## Proposed Methodology For Indonesian State-Owned Enterprises To Conduct Corporate Spin-Off

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### ABSTRACT

This research addresses the absence of a formal framework for compliance with corporate spin-offs within Indonesian state-owned enterprises (SOEs). Focusing on a real issue within a state-owned aviation company, the study proposes a comprehensive methodology for SOEs to navigate spin-offs, ensuring adherence to regulatory requirements. By collecting and interpreting relevant regulations and conducting interviews where guidelines are unclear, the research establishes detailed flowcharts outlining the step-by-step procedure. The suggested solution involves following these flowcharts, considering five critical aspects, including government regulation and business law, to successfully implement spin-offs. It is important to note that the proposed methodology is specific to Indonesian state-owned enterprises and is based on government regulations as of November 2023. Users should adapt the methodology in case of regulatory amendments or new compliance-related issues. The research, however, focuses solely on the steps leading to the commencement of new entity operations and does not extend beyond this phase.

### INTRODUCTION

This text explores the distinction between private and state-owned enterprises, emphasizing that private companies operate independently, guided by shareholder interests, while state-owned enterprises are government-controlled, prioritizing societal welfare over profit maximization. State-owned companies, funded by the government, have occasionally become excessively large, prompting some to engage in corporate spin-offs to enhance productivity and address information asymmetry. Such as Shopee, Tokopedia, Bukalapak, Lazada, Bli-Bli. Indonesia contributes to 52% gross merchandise value (GMV) e-commerce in Southeast Asia.

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The narrative underscores the lack of formal guidance for state-owned enterprises conducting spin-offs, highlighting the auto-pilot nature of such actions in the absence of specific guidelines. The research's significant contribution lies in providing information on formal guidance for state-owned enterprises undertaking spin-offs, derived from interpreting regulation documents and interviews. Specifically, the study addresses the unique challenges faced by a state-owned aviation company seeking to spin off its scheduled flight business. The proposed guidance aims to fill the existing gap in literature, offering valuable insights for navigating spin-offs within the context of state-owned enterprises.

## LITERATURE REVIEW

The way business spin-offs affected output was examined. After the spin-off, plants—which are included in both connected and unconnected spin-offs—show an improvement in TFP, with the difference between the two groups being statistically insignificant (Chemmanur, Krishnan and Nandy, 2014). Institutional trading in the context of corporate spin-offs was examined. Overall, the study's findings support the notion that spin-offs can enhance the variety of information that institutional investors can produce about the various business units of previously spin-off companies (Chemmanur and He, 2016). The way business spin-off ownership structures changed over time. Spin-offs take on their parents' ownership structure was investigated. The aggregate outcome demonstrates that block holders increase the worth of the company by either keeping a closer eye on things or having better taste in stocks (Patro, 2008). Antitakeover clauses in business spin-offs were investigated. There appears to be a positive correlation between pre-spin-off ATPs and corporate performance in spin-off companies. (Chemmanur et al., 2010). The factors influencing company cash holdings were studied using data from spin-offs. Overall, their findings imply that pecking order and trade-off factors influence the choice of monetary allocation. (D'Mello, Krishnaswami and Larkin, 2008). Principles of policy for the establishment and prosperity of academic and business spin-offs were investigated. The policy in Eindhoven prioritizes collaboration with established players and aims to increase the number of spin-offs. Leuven, on the other hand, places greater focus on boosting spin-offs' prospects of success and encouraging the development of a stand-alone approach. (Gilsing, van Burg and Romme, 2010). Risk hedging in spin-off initiative was investigated using forward supply contracts and equity ownership. The aggregate findings demonstrate how wise use of supply contracts can mitigate the effects of selecting an equity ownership structure. (Takezawa, Rajasekera and So, 2007). The strategic and financial benefits of a spin-off divestment were investigated. A spin-off that is already in the market but has not lived up to expectations may flourish with new funding, market recognition, and tactical changes brought about by its corporate independence. (Pearce and Patel, 2022). Study on the survival gap of pulled and pushed corporate spin-offs was conducted. Unconditionally, it is discovered that pushed spin-offs endure longer. (Rocha, Carneiro and Varum, 2015). There is a research about the relationship between corporate spin-offs, bankruptcy, investment and the value of debt. Second, rank dependence between the values of disaggregated assets may be imperfect and so creditors would benefit from the stability arising from the pooling of assets. (Hennessy, 2000). Based on a resource approach, investigation about the causes of corporate spin-offs in Spain was conducted. In order to highlight specific characteristics of parent companies that participate in corporate spin-offs, they also carried out a descriptive analysis. (López Iturriaga and Martín Cruz, 2008). The spin-offs in the Japanese service sector were investigated to expand the family business sector. Their findings demonstrate that it is not necessary for productive resources, assets, and talents to be located within

the original organization. (Rose and Ito, 2005). The empirical evidence from the influence of parent company to the spun-off company from the formation to the performance was researched. The results shows that shareholders' value maximization becomes the greatest factor in swaying the spin-off creation, and also the biggest feat from spin-off is the knowledge, and the biggest cooperation, prospect from the subsidiary growth. (Oliveira et al., 2023). Spin-off study on aviation industry was conducted. Expedia and TripAdvisor are the proofs that companies, which operates in different business sector, will succeed in doing the spin-off. Air Canada and Aeroplan have created robust and ripe agreement so the spin-off can be successfully done. company separation has been proven as an effective way in opening the shareholders' value in showing investor separated picture of companies' performance. (Kutscher E, 2014). Company's spin-off creation framework, which is focused on the parent company was analysed. Spin-off creation is assumed as a valuable opportunity in appreciating asset and skill in parent company and also can enhance parent company image. (Felipe Maldaner and Siqueira Fiorin, 2018).

## **METHODS**

### **Research Design**

This research is a mixture of qualitative and quantitative research. Qualitative research is done through interpretation of the content of Indonesian government regulations and through linking each condition and documents with another. Quantitative research is done through interview. To be specific, quantitative research will be done when doing risk measurement in the risk management analysis.

### **Data Collection Method(s)**

There are two types of secondary data in this research: the Indonesian government regulations and the supporting documents from the company. The Indonesian government regulations, which have something to do with spin-off creation, are found from the internet. The regulations are then explored and the terms, conditions, and documents needed are identified from them. Supporting documents are requested to the company. The Indonesian government regulations can help in analysing the supporting documents. There are two types of primary data in this research: answers from the internal figure of the company and the answers from external expert. In the risk management section, the data are obtained from interview, textbooks, several news on the internet.

### **Analysis Method(s)**

The Indonesian government regulations are read and the terms, conditions, steps, and documents needed for the spin-off creation are obtained from the interpretation of those regulations. Flowcharts are then developed from the interpretation which tells the reader about the steps in doing certain kind of activity. The answers from the internal figure of the company and expert are interpreted as well. The interpretations can help in adjusting the flowchart which has been formed so it is up to the real situation.

The flowcharts are given one by one in the Appendix A. The regulations are mentioned one by one the Appendix B.

## **RESULTS**

The analysis process uses a step-by-step approach. The analysis starts from the first activity until the last activity. The process can be applied to any state-owned enterprise in Indonesia, but the reader should adjust some of the regulations according to the industry where the company is in. of 14%,

### **Step 1: Propose Spin-Off Creation Plan to the Minister of State-Owned Enterprise**

If the plan has something to do with the government program, the company has to propose a subsidiary establishment to the Minister of State-Owned Enterprise. If the assessment is assumed to be feasible, the Minister of State-Owned Enterprise will approve that subsidiary formation plan (according to Dictum 3, Number 2). among the ages of 41-50 years, four respondents were with a rate of 4%, among those over 50 years of age there were two respondents who had a percentage of 2%

## Step 2: Acknowledge the Requirements to Establish an Aviation Company

According to Bill No. 1 Year 2009 about Aviation, in an effort to establish an aviation business, there are several administrative requirements that have to be fulfilled. The administrative requirements according to Bill No. 1 Year 2009 about Aviation, in an effort to establish an aviation business, there are several requirements and the business plan contents are given Table 1 and Table 2

**Table 1 Aviation Business Administrative Requirements**

Requirements	Reference	Note
Business Establishment Certificate	Article 109, Verse 1, Letter a	Which has been ratified by the Minister in authority
Taxpayer Identification Number	Article 109, Verse 1, Letter b	
Domicile Letter	Article 109, Verse 1, Letter c	Which is issued by the body in authority
Investors' Approval Letter	Article 109, Verse 1, Letter d	If the company uses investment facility
Transferred Capital Proof	Article 109, Verse 1, Letter e	
Bank Collateral	Article 109, Verse 1, Letter f	Which has been ratified by the Minister in authority
Business Plan	Article 109, Verse 1, Letter g	For a period of at least five years

**Table 2 Business Plan Contents**

Business Plan Document	Reference	Note
Fleet	Article 110, Verse 1, Letter a	which has been ratified by the Minister in authority
Marketing Aspect	Article 110, Verse 1, Letter d	for a period of at least 5 years
Aviation Operational Activity Center Plan and Flight Route Aspect	Article 110, Verse 1, Letter b	
Human Resources	Article 110, Verse 1, Letter e	consists of management, technician, and personnel
Operational Feasibility	Article 110, Verse 1, Letter f	
Analysis and Evaluation of Economic Aspect and Finance	Article 110, Verse 1, Letter g	

This regulation also regulates how a company can conduct cooperation with certain businesses. The cooperation activity, in the future, will be an input for the Aviation Operational Activity Centre Plan and Flight Route Aspects of the Administration Requirements according to Bill No. 1 of 2009 about Aviation.

For state-owned companies in general, the requirements are the same, except for the business plan. The business plan should at least contain marketing, human resources, operational feasibility, and financial analysis.

### Step 3: Create Business Establishment Certificate to a Notary

According to Bill No. 40 of 2007 about Limited Liability Company, in terms of subsidiary establishment permit, this regulation urges a company to obtain a Business Establishment Certificate, which is facilitated by a notary. A company has to complete these requirement files. The files are as follows:

- Shareholders' and administrator's (at least two people) ID Card Copy
- Taxpayer Identification Number of the Responsible Person
- A colored photograph of the responsible person
- Property Tax Copy
- Neighbourhood Association Letter (if the company is located in a village or is equal)
- Office photograph

### Step 4: Acknowledge the Aircraft Ownership Mechanism

Minister of Transportation Regulation No. 97 Year 2015 about Aircraft Ownership and Control Implementation Guide regulates the way an aviation company can own an aircraft, which is shown in Table 3.

**Table 3 Aircraft Ownership Mechanism**

Aircraft Ownership Mechanism	Reference	Note
Cash	Article 4, Verse 1, Letter a	
Instalment	Article 4, Verse 1, Letter b	At least contain content about <ul style="list-style-type: none"> <li>• Clause which states the aircraft ownership status is on the purchasing firm</li> <li>• Airline company name</li> <li>• Assurance Body Name</li> <li>• At the end of the instalment period, the aircrafts' age are not more than 15 years</li> </ul>
Financial Lease	Article 4, Verse 1, Letter c	Lease configuration options <ul style="list-style-type: none"> <li>• Lease, Non-Airline, Foreign, Dry Lease</li> <li>• Lease, Airline, Foreign, Dry Lease</li> <li>• Lease, Non-Airline, Domestic, Dry/wet Lease</li> <li>• Lease, Airline, Domestic, Dry Lease</li> <li>• Lease, Airline, Domestic, wet Lease</li> </ul>
Grant	Article 4, Verse 1, Letter d	
Court Verdict	Article 4, Verse 1, Letter e	

### Step 5: Determine whether the Company Wants to Use Old or New Corporate Identity

In connection with company XYZ plans, in the future, there are plans to enter the free flight market in the domestic aviation market in Indonesia, and in the future, it will enter the foreign aviation market. Company XYZ should use a new logo. This is because a commercial airline company needs a new image that has a character that matches the class of service that will be provided.

Our suggestion is that further research needs to be done on the public perception of the image of the old company XYZ logo as corporate identity and the image of the new company XYZ logo as corporate identity for company XYZ Airlines, which will change its business direction to become a commercial airline entering the domestic and international markets.

1. Use a questionnaire to find out the public's response
2. Ask for opinions or input from experts in corporate identity, visual communication design, strategic marketing, and corporate branding.

The pros and cons regarding the logo usage are given in Table 4.

**Table 4 Pros And Cons Of New Logo Implementation**

Pros	Cons
Introduction: Company XYZ will soon enter the domestic commercial aviation market in Indonesia. One thing that is important and must be paid attention to by company management in the commercial aviation business is that the facial appearance of Company XYZ airline must look new (fresh).	Introduction: Company XYZ will soon enter the domestic commercial aviation market in Indonesia. One thing that is important and must be paid attention to by company management in the commercial aviation business is that the facial appearance of the Company XYZ airline must look fresh; if it still uses the old logo, the image will not change.
Image: The "New Logo" and supporting appearance of Company XYZ's corporate identity will be an important concern for potential customers, work partners, and Company XYZ implementers, building new aspects of customer trust.	Image: The "Old Logo" and corporate identity supporting appearance are reused in the appearance of Company XYZ aircraft and other corporate purposes. Not good for building a Company XYZ brand image in a new market.
Application of the Company XYZ Logo: It is recommended that the appearance of the New Company XYZ Logo as the airline's corporate identity be image-free; there is no connection to other logos that are simultaneously displayed (such as the Company Z logo installed on the fuselage), which will disturb the customer's image.	Application of the Company XYZ logo: The appearance of the Old Company XYZ logo as the corporate identity of the airline will not change Company XYZ's image much in the commercial aviation market in Indonesia.
Cost Aspect: The new Company XYZ Corporate Identity logo for the needs of a new airline will of course require manufacturing costs.	Cost Aspect: The old Company XYZ Corporate Identity Logo for new airlines certainly does not require a logo creation fee.
Building a New Company XYZ Brand: Encouragement is needed from the appearance of a new airline, which in fact will have its quality tested as a new brand directly by its customers, potential customers, partners, and the government as regulators who witness and experience the Company XYZ services provided directly in the field.	Building a Company XYZ brand with the old logo: in a new market, it is quite difficult to immediately change the appearance of a Company XYZ airline, which in reality will have its quality as a brand tested directly by its customers, potential customers, partners, and the government as regulators who witnessed and felt the Company XYZ services provided directly in the field.
New Company XYZ Spirit: New Spirit needs to be built for a new Company XYZ aviation product.	Company XYZ Old Spirit: There will be no New Spirit for a new Company XYZ aviation product.

Metavoicing Affordance provides the potential to enable users to provide feedback about product content. The existence of Metavoicing is a variety. In the context of live-streaming shopping Shopee Live, the results of the research showed that the audience can communicate not only one direction with the streamer but also with the other audience in the chat room column by echo. This is in line with previous research by Chana and Yulia (2023) that metavoicing affordance partially has a positive influence on purchase intention live-streaming shopping Shopee Live.

## **DISCUSSION**

### **Influence Of Guidance Shopping Affordance On Purchase Intention**

Based on the results of research using the t test, it was found that the t count value was 4,172 and the t table was 1.985, indicating that  $t \text{ count} > t \text{ table}$  ( $4,172 > 1,985$ ). In a partial analysis with a significance level of 5% or 0.05, it was found that the significance level was  $<0,001$  that means  $<0.05$ , then  $H_0$  was rejected and  $H_1$  received. This means that partially, guidance shopping affordance (X1), has significant effect on purchasing intention (Y).

## **CONCLUSION**

Based on the results of research and analysis regarding the influence of visibility affordance, metavoicing affordance and guidance shopping affordance on customer purchase intention on TikTok live streaming shopping, the following conclusions are drawn:

1. Visibility affordance does not affect the purchasing intention of customers on Shopee Live live streaming purchases partially
2. Metavoicing affordance significantly influences customer purchase intention on live-streaming shopping Shopee Live partially
3. Guidance Shopping affordance significantly influences customer purchase intentions on Shopee Live live-streaming shopping partially.
4. Visibility affordance, Metavoicing affordance, and guidance shopping affordance significantly influence customer purchase intention on live-streaming shopping Shopee Live simultaneously

## **SUGGESTION**

1. In order to refine research related to the fields studied in this study and developments related to this study, future researchers will consider other variables such as trust and telepresence.
2. For audiences who enjoy live streaming, it is important to pay attention to visibility as it can help in the product selection process.

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